



TD Economics

Special Report

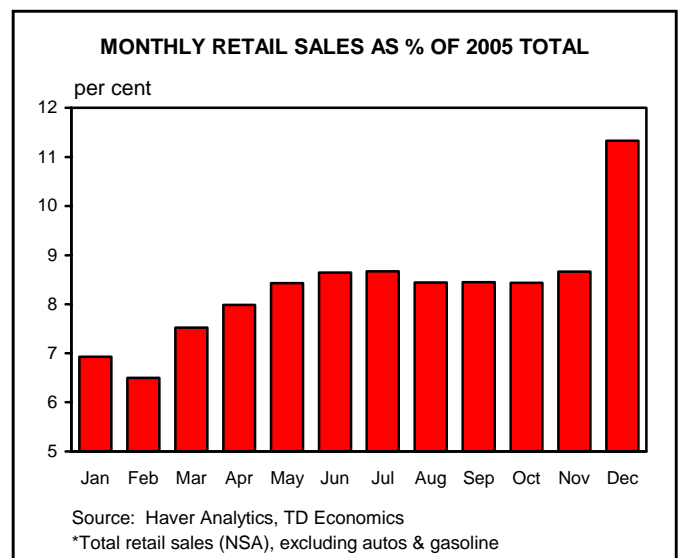
November 7, 2006

T'IS THE SEASON TO GO SHOPPING: SOLID PROSPECTS FOR HOLIDAY RETAIL SALES

On every retailer's wish list at this time of year is a great holiday shopping season. That wish was fulfilled in 2005, with growth in December retail sales (excluding autos and gasoline purchases) of 6.3 per cent – the strongest in eight years on a year-over-year basis. At that time, robust stock market returns, a strong job market and solid wage gains helped drive consumers to the tills. So, will the sound of jingling cash registers be heard again in 2006? Or will the continued softening of the Canadian economy over the second half of the year make consumers tighten their purse strings? Working in the retailers' favour is the fact that while overall economic growth is slowing due to a struggling trade sector, the Canadian domestic economy remains on a very solid footing. Indeed, the economy will have likely added a substantial 309,000 jobs by year end – the strongest pace in 2 years – and wage growth is also poised to be one of the best in years. On the flipside, more modest stock market gains, moderately higher interest rates and concern about a slowing economy may temper consumer sentiment. On balance, we believe Canadian consumers will once again deliver a solid performance, with sales (excluding autos and gasoline) growth likely to be at 6.0 per cent – only a tad softer than last year and well above its long-term trend. From a regional standpoint, the Western provinces of Alberta, Saskatchewan, Manitoba and British Columbia will see the strongest shopping seasons.

Deck the malls, Canadians get shopping in December

Arguably the holiday season begins in November, as Halloween decorations are pulled from the shelves and replaced with sleds, Santas and candy canes. Yet, the monthly retail numbers suggest that Canadian consumers



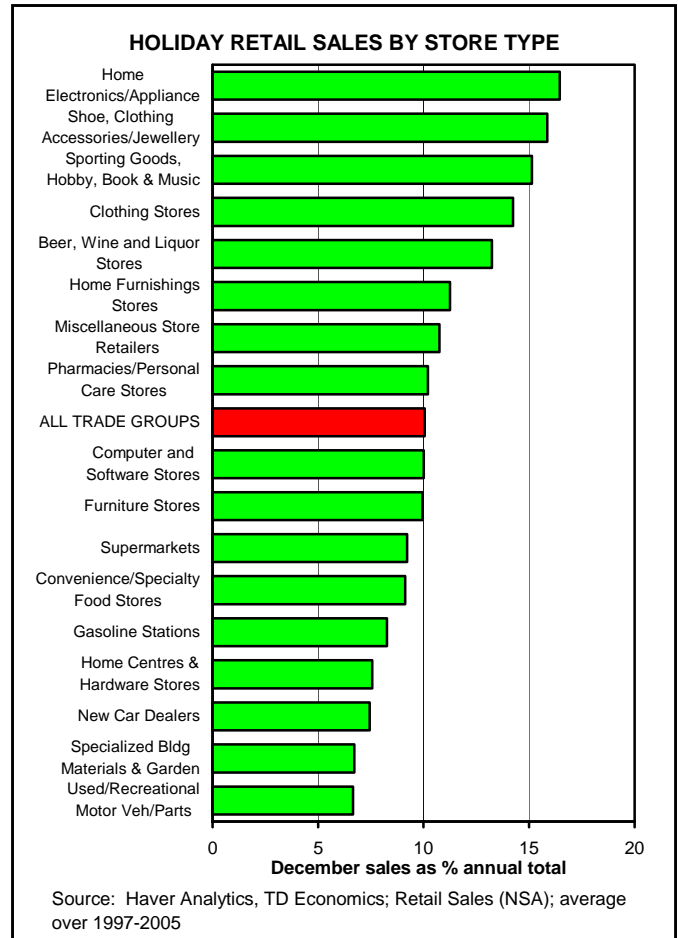
only really get going in December. On a seasonally unadjusted basis, November sales in 2005 totaled 21 billion dollars, or 8.7 per cent of the annual total – not substantially different from the previous months. December, however, is far and away the most wonderful time of the year for retailers. Of the roughly \$242 billion Canadians spent last year at retail stores (not including automobile and gasoline sales), about \$27 billion were rung up in December, which as shown in the accompanying chart is more than one-third greater than what is purchased in the prior months.

So where do consumers like to shop during the holiday season? Relative to what they purchase over the rest of the year, there are certain types of stores that typically become favourite targets for Canadians during the holidays. Home electronic, and shoe, clothing accessories and jewelry stores remain on top this list over the years. De-

December sales make up about 16 per cent of the total spent in those stores over the whole year. Furthermore, home electronic stores have become an increasingly popular stop during the holidays. Since 1997, December sales in these stores have on average increased by 9.4 per cent on a year-over-year basis – almost double the industry average of 5.4 per cent.

Sales at “big box” stores accounted for \$98 billion, or 35 per cent, of total non-auto and gasoline retail sales last year, up from 33 per cent in 1997. And these giant one stop shopping outlets gain popularity during the holiday season. While they average about 35 per cent of total retail sales over the course of a year, their November and December sales increase to 37 and 39 per cent of the monthly total, respectively, suggesting shoppers are more price sensitive when making holiday purchases.

Consistent with store types, consumers are more likely to purchase certain goods and items during December than they do over the rest of the year. Naturally ski and alpine equipment is a popular item during the winter months, as December sales¹ make up about 33 per cent of all annual purchases of this type. Toys, games, and hobby supplies – items ranging from the newest television craze to classic Chuck Norris action figures – are a favourite of kids, as December sales make up about 27 per cent of the annual total in this area. For the significant others, jewelry and watches are popular gifts, as December sales make up about 23 per cent of the year’s purchases. Consumers also benefit from the intense competition amongst retailers during the period that leads to lower prices. We have especially

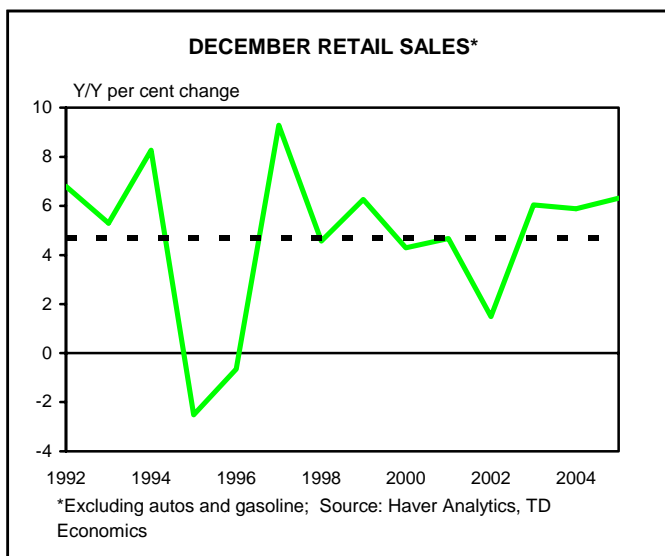


seen deep discounts in clothing prices, as the strong Canadian dollar has helped keep the price of foreign imports down.

Good King Debit Card

Cash and credit cards are always a popular payment method during the holiday season, but the popularity of debit cards has exploded. While credit card transactions have increased modestly since the beginning of 2000, the number of debit transactions in December has doubled over the same period. Consumers tend to use their debit cards on smaller purchases (averaging about \$50) and credit cards for bigger ticket items – partly in an effort to chalk up the reward points, but also because people may have less cash on hand during the holiday season.

In terms of other traits, consumers tend to reduce their credit card balances in November – likely in anticipation of holiday shopping. Indeed, over the last fourteen years, credit card balances on average have declined by 0.3 per cent in November, whereas they tend to rise by 0.8 per

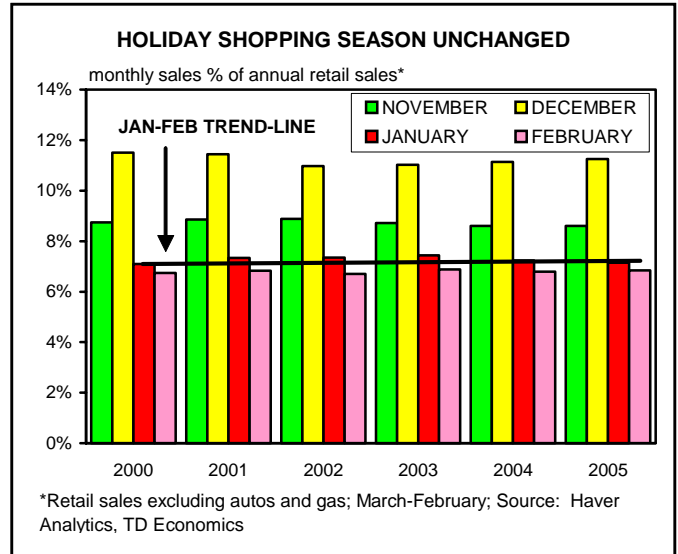


cent over the rest of the year. Naturally this figure sky-rockets in December – by an average 5 per cent – as consumers ring up their holiday purchases.

Another interesting trend is that consumer bankruptcies tend to plummet in the month of December, down by about 15 per cent from November, far below the average 0.6 per cent increase recorded over the rest of the year. While there is no strong data to explain the fact, it is likely a result of a few factors. First, for many personal reasons, including family obligations, consumers are probably less willing to declare bankruptcy during the holiday season. Second, one would believe that between Christmas and the New Years, business operations slow substantially. And in the week leading up to Christmas, firms may be less likely to make major announcements (such as job cuts). As a result, since firms are not operating under normal business conditions for at least half the month, this may partly explain why bankruptcies fall drastically in December. Granted, bankruptcies tend to pick up substantially in January, as some consumers find it hard to meet their previous and new credit obligations and as firms resume normal working conditions.

The gift cards were hung by the tills with care

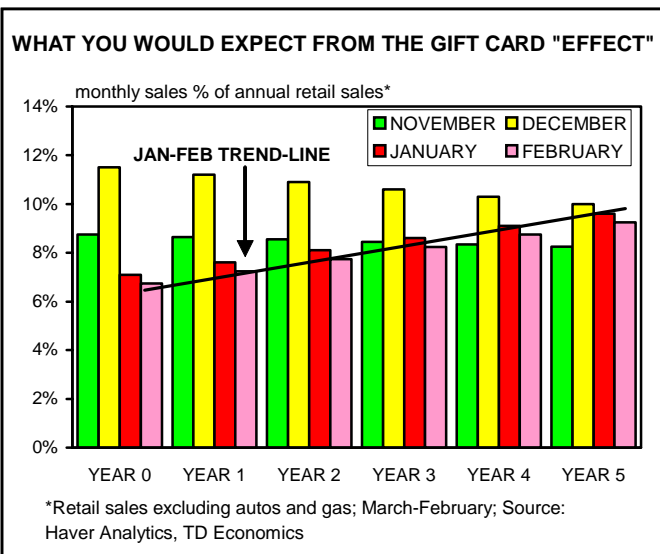
Gift cards have been increasingly popular over the last few years. Originally they were offered by department stores, but they are now used by all types of retail outlets (e.g. coffee shops and book stores). This innovation offers many advantages for retailers. The biggest advantage of gift cards is that consumers using them are likely to purchase in excess of the value of the card – usually putting



the value of the card towards lowering the cost of a larger purchase. And unlike gift certificates there is no cash back if the consumer’s purchase does not use the card’s full value. Indeed the advantages of gift cards have led to many retailers phasing out gift certificates – retailers in the U.S. who switched from gift certificates to gift cards have increased sales from 50 to 100 per cent².

Much has been made of the impact from gift cards on traditional holiday spending trends. Last February retail sales rose by a massive 11 per cent in the month on a year-over-year basis. This striking pace of growth was attributed to the gift card “effect”. Since gift cards are not recorded as sales until they are used, they are thought to boost retail activity in the typically weak January-February period by shifting some sales away from November or December. However, the perceived impact appears to be overstated.

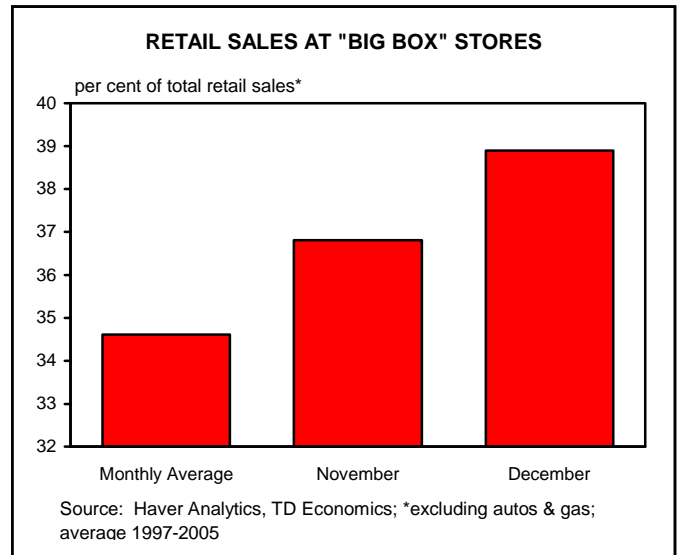
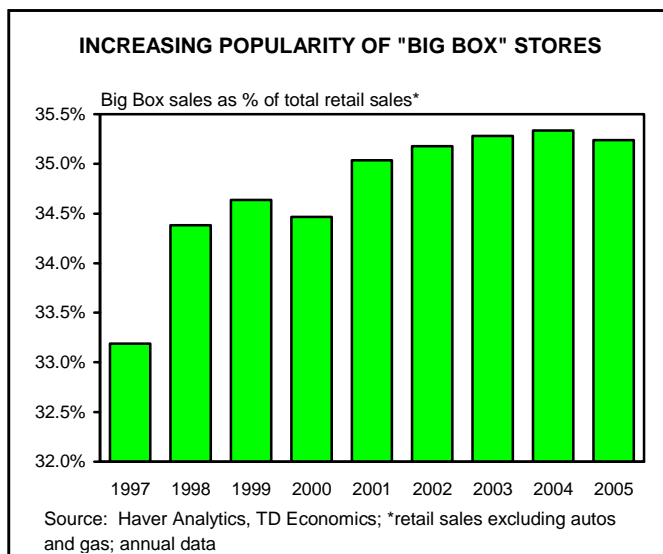
If one believes that gift cards account for the above average growth recorded in January and February over the last few years – one would expect January or February sales as a share of total annual sales³ to have been increasing over the last few years. At the same time, November or December sales as a share of total annual sales would have been decreasing (see chart on bottom of page 3). Yet, January and February sales last year each represented about 7 per cent of the annual total – virtually unchanged from 2004. Meanwhile, November and December sales last year accounted for about 9 and 11 per cent, respectively, of the annual total – also unchanged from a year ago. Further, these shares are not different than those reported over the last five years. (see chart on top of page 3)



Given these numbers, it is clear that the post-holiday months are not getting substantially “stronger” at the expense of weaker sales in November or December.

Given the added emphasis with which retailers have been promoting the holiday shopping season over recent years, it raises two questions – are people getting an earlier start to the holiday shopping season and are people spending more than they normally do during this time of year. With November and December sales as a share of annual sales unchanged over the years, the answer is likely no. It is also possible that sales in November and December as a share of annual sales have not increased because gift cards have been shifting some of the sales to the post-holiday months. However, as we previously stated, with no noticeable change to the share of January or February retail sales, we can likely rule out that effect.

On the whole, this would suggest that while sales growth has been above average in the post-holiday season over the last few years, we shouldn’t be hasty by attributing that to the “gift card” effect, at least not as the primary reason. It seems that the strength in these months is just a result of strong overall sales growth. Some retailers may certainly see stronger sales growth due to the promotion and usage of gift cards, but from a macroeconomic perspective, the added benefit is likely too small to be reflected in the aggregate total. Indeed, for the annual share of sales in January or February to increase by one percentage point in 2005, sales in either month would have to increase by about \$2.4 billion or 14 per cent higher than it was.



What makes for a ‘green’ Christmas for retailers?

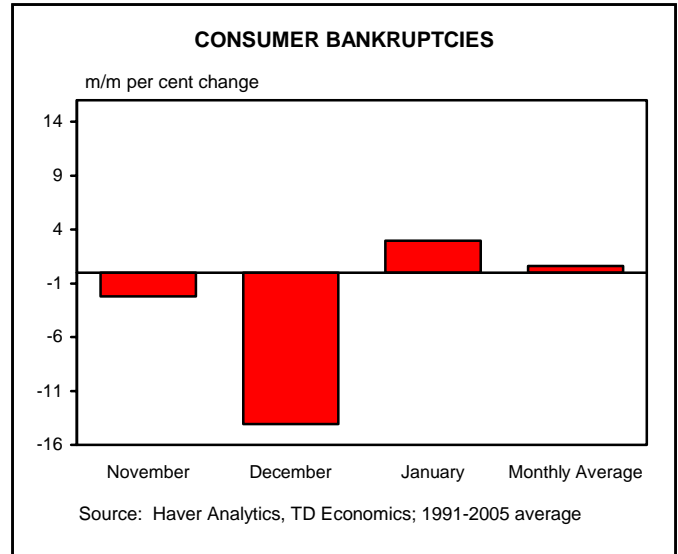
So what should retailers expect from this holiday shopping season? Year-to-date, retail sales (excluding autos and gas) are up an average of 5.9 per cent from last year. However we found that past retail sales performance is not the most reliable indicator, given the inherent volatility of that measure. For example, in 2002 sales were strong throughout the year – averaging a robust 6.8 per cent on a year-over-year basis – yet December sales were a muted 1.5 per cent. In other years like 1992 when sales were weak over the course of the year – averaging around 2.6 per cent – it was preceded by strong holiday sales, which rose by a solid 6.8 per cent. So what other economic factors may provide some additional insight into how retailers will do this December?

One would expect employment growth – particularly full-time employment – would be strongly associated with holiday retail sales. That would not be surprising, as more people with jobs mean more income which translates into more spending. In addition, there is the psychological dimension – if the job market is good, then consumer confidence is high and people are more likely to feel like spending. Similarly, we would expect personal disposable income (PDI) growth, particularly towards the end of the year, to be a key driver of seasonal sales – the more people make, the more they can spend. Another element that may impact holiday sales, though to a lesser extent, would be the performance of the stock market. A good year in the markets would yield capital gains, which would put additional spending money in investors’ pockets. And,

while everyone doesn't cash out of the markets when times are good, the perception of additional wealth also helps to boost consumer confidence, making consumers more likely to be generous during the holidays. Other personal finance factors that one may expect to have a marginal impact on holiday retail sales include consumer bankruptcies and outstanding credit card balances and personal loans. Although both measures have been steadily rising due to structural changes in consumer behavior – the proliferation of credit and the ease and social acceptance of declaring bankruptcy – the pace at which they are increasing from year to year may still provide some insight into consumers' ability to spend.

In addition, the strength of the housing market would certainly impact retail sales during the holiday season, though we argue it would not be in the way one would generally expect. Over the course of a year, retail sales would certainly be supported by housing market activity. First, the appreciation of home prices allows consumers access to additional equity that may boost consumption. Second, more homes sold translate to increased housing-related purchases, such as appliances and furniture. However, the retail environment in December is unique. We found that all else equal, the growth in the number of home sales appears to be negatively correlated with December retail sales.

Why? Housing-related purchases aren't truly reflected in holiday sales. Consumers generally buy these more expensive items in the months before December, leaving smaller purchases for the holidays – a fact highlighted in a

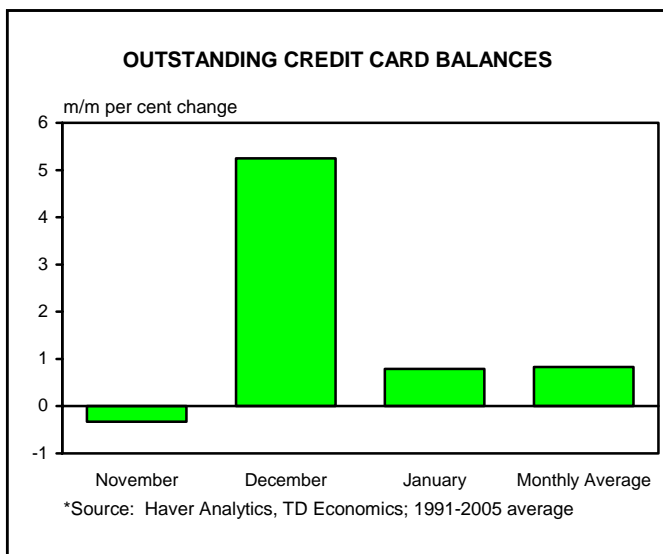


study by Statistics Canada⁴. So while a good housing market will benefit annual retail sales, increased spending on big-ticket purchases over the year may tighten the purse strings for gift-giving in December. On the margin, and to a much lesser degree, one would also expect automobile purchases during the year to have a negative relationship with holiday retail sales – for the same reason that housing-related purchases are a drain on household budgets.

Many of our assumptions are consistent with a study by the Bank of Canada.⁵ The report details how increases in income, stock market, and housing wealth (appreciation of home prices) impact consumption expenditures. For instance, for every dollar gained in disposable incomes, consumers boosted consumption by about 65 cents. The impact of rising stock market wealth is less substantial, as a dollar increase only adds about a half cent to consumption activity. On the other hand, housing wealth effects are more significant – for every dollar gain in home wealth, consumption increases by 5.7 cents. However, while consumption expenditure and retail sales are closely related, they are not the same measure and as we highlighted earlier the December retail environment is unique and not always representative of trends seen over the year.

Holiday sales expected to rise by a solid 6 per cent in 2006

So what do we get when we take all these factors together? The stars are aligned for an excellent shopping season. For one, year-to-date retail sales growth (excluding autos and gas) is running at a brisk 5.9 per cent year-over-year pace. Even after removing price effects, the



volume of sales are still up a solid 3.4 per cent over the same time. Secondly, the Canadian job market remains robust and is expected to have added 309,000 jobs by year end. Third, we continue to see solid wage gains, which suggest disposable incomes will rise by about 5.6 per cent in 2006 – stronger than the 4 per cent reported in 2005. Both factors will play a large part in keeping consumer confidence relatively high. In addition, the growth in resale homes sold has slowed from 2005 paces and spending on automobiles has only been marginally higher than it was over the same time last year, so both shouldn't have an adverse impact on income available for smaller purchases. On the flip side, this year's performance will not exceed last year's, as modest North American stock market returns, moderately higher interest rates, and the concern about the slowing economy act as partial offset. On the whole, our forecast for nominal retail sales (excluding autos and gasoline) in December is a solid 6 per cent on a year-over-year basis. Stripping away prices, we expect sales to rise by about 3.8 per cent. Both forecasts are only slightly weaker than their 2005 December paces of 6.3 and 4.1 per cent, respectively.

All provinces will help to drive the retail sales sled

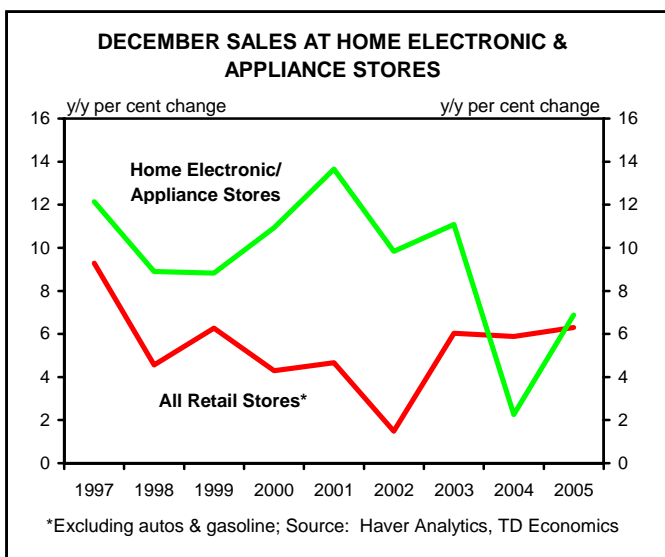
While overall retail sales are poised to be solid this holiday season, there will be disparities across provinces. We forecast that Alberta, British Columbia, Saskatchewan and Manitoba will deliver strong performances this holiday season. Meanwhile, retail sales across the rest of the provinces will remain healthy, but the pace of growth will be below the national average.



And the winner of the Rudolph award is...Alberta

Alberta remains the star performer in the Canadian economy, having one of the greatest years on record, one that has benefited both businesses and workers alike. Although December retail sales were robust last year (up by 16 per cent), it's looking like Santa is going to be spending more time in this province, as we forecast December sales this year to eclipse that figure. Indeed, the job market in Alberta is exceptionally strong, having added about 91,900 jobs or 4.3 per cent just this year – more than triple the 28,000 jobs gained last year. More importantly, wage gains have been stellar and have likely brought personal disposable incomes up by about 9 to 10 per cent from the year before – exceeding last year's already excellent performance. Strong income growth has reduced bankruptcies in the province by almost 30 per cent from a year ago, eclipsing the 14 per cent decline in 2005. In addition, the Albertan housing market has been on fire this year, with both prices and sales, up substantially from last year. We previously stated that strong housing sales have a mildly negative impact on holiday retail activity, but given the pace wages have increased in Alberta, the impact will be negligible.

Further to the east, the pieces are in place for Saskatchewan retailers to see a good holiday season. Employment growth has been robust in the province, as 17,400 jobs have been added year-to-date or 1.1 per cent, eclipsing the 6,800 jobs lost in 2005. The other indicators are also solid.

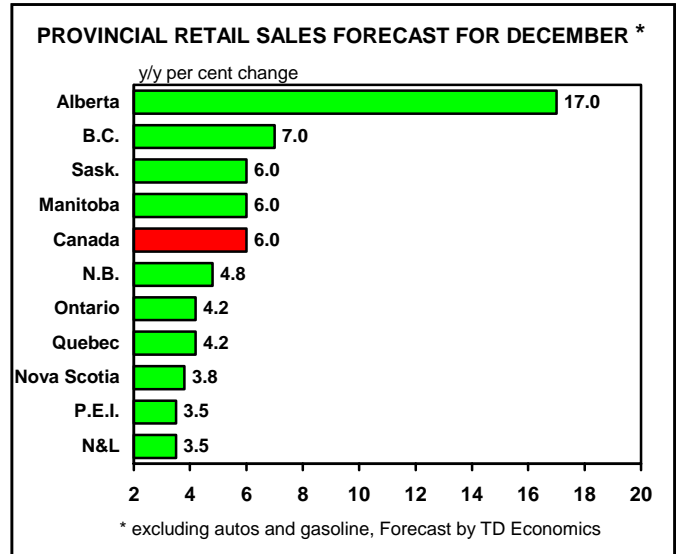


Personal income growth is likely to come in higher than the year before, personal bankruptcies are down by 11 per cent since the start of the year, and consumers in the province have been accumulating credit card and loan debt at a slightly slower pace in 2006. In addition, since October 27th 2006, the Provincial Sales Tax in Saskatchewan was cut from 7 to 5 per cent, boding well for increased retail sales in the months ahead. On the other hand, the housing market in the province has been fairly strong, as unit sales since the start of this year have been up by 7.8 per cent from a year ago – outpacing the 2.6 per cent increase in 2005. This will put some pressure on consumers' budgets, but on balance retail sale growth in December will be a notch higher at 6 per cent than the 5.8 per cent seen last year.

Meanwhile, Manitoba and British Columbia are likely to see a good holiday shopping season, with retail sales expected to match last year's strong 6.4 and 6.2 per cent gains, respectively. Both provinces have seen good job market gains, though they have been less than in 2005. Personal disposable income growth will be at about the same pace in BC, but a tad weaker in Manitoba. Still, this has given consumers in these provinces the opportunity to stave off bankruptcies, which are down sharply from a year ago. The number of homes sold in the provinces has slowed from last year's paces – in Vancouver and Victoria it's no doubt due to the soaring home prices earlier this year – which may open up some wallets this winter. On a less positive note, credit card balances and loans in these provinces continued to advance at an unhealthy pace, up about 10 per cent this year from 2005.

Steady as she goes across the rest of Canada

The odds are stacked against Ontario retailers, though we still believe retail sales growth this December will remain at a healthy pace. Indeed, the job market has been less than stellar, as employment in the province has been bogged down by the woes of the manufacturing sector. 36,500 jobs have been added to date this year or 1.4 per cent, far less than the 106,300 jobs in 2005. However, a good share of those jobs has been of the full-time variety, which is generally higher paying. In addition, there have been modest wage gains and Ontarians have done a remarkable job keeping their credit card balances and loans in check, with only a 4 per cent increase this year, far below the 13 per cent pace of 2005. All told, we expect December retail sales in Ontario to be below the national



average, rising by 4.2 per cent – slightly weaker than the 5.4 per cent year-over-year pace reported last year.

Quebec's economy has also seen better times, as their forestry and manufacturing sector continues to battle tooth-and-nail with the waning US housing market, the high Canadian dollar, and intense foreign competition. These woes are reflected in the employment figures, as only 38,200 jobs have been added to date this year or 1.2 per cent, less than the 49,800 last year. On the other hand, personal income growth has likely advanced slightly from last year and consumers in the province have done a remarkable job alleviating their credit card debt. In fact, they are the only province to report a decline in credit card balances and loans this year – down about 1.2 per cent. Nevertheless, the combination of factors suggests that retailers this holiday period in Quebec will see a similar experience to Ontario with growth of 4.2 per cent, below the national average and weaker than the 6.1 per cent recorded in 2005.

Employment growth in Newfoundland and Labrador has been modest to date, adding about 10,100 jobs since the beginning of the year or 0.3 per cent, a pickup from last year. The other key factors are also healthy. In particular, personal disposable income growth is likely higher than it has been in years. This has meant a reduction in bankruptcies which are down about 8 per cent from last year. Credit card balances and loans are at a moderate 2.5 per cent more than a year ago, a far cry from the 9 per cent rate of growth seen over the last five years. Home sales have also been healthy in the province, but not outsized. On balance, December retail sales are expected to rise by

3.5 per cent, below the national average. However, since December retail sales were only up by 2.2 per cent in 2005 and consumers are clearly in better financial shape this year, 2006 will be an improvement upon last year.

At the same time, retailers across the rest of Atlantic Canada will see only modest improvements from a year ago with growth below the national average. The leader out east is likely to be New Brunswick whose economy has put on a solid performance this year – the best east of Quebec. Moreover, disposable income growth is poised to be stronger than in 2005. However, the province has shed 6,000 jobs since the beginning of the year, though less than last year, and consumer finances have not improved much, as personal bankruptcies are up and credit card debt and loans are still rising at a quick pace. So, it's going to be hard for retailers in the province to see a repeat of last year's 6.7 per cent growth this December. Indeed, we believe that December retail sales in New Brunswick will slightly underperform the national average at 4.8 per cent on a year-over-year basis. Meanwhile, economic conditions in Nova Scotia are fair – wages have been up, consumer bankruptcies have fallen, credit card balances and loans have moderated substantially, but employment has been tilted to the downside. A good housing market will be a moderating force on holiday sales. All told, retail sales will fall below the national average at 3.8 per cent. This is far below the outstanding December performance in 2005, when retail sales were up by 8.8 per cent from a year ago. Lastly, the Prince Edward economy has been hit by the perfect storm this year of difficult markets for its manufacturing, tourism and agriculture industries. Very few jobs have been added, bankruptcies are up

14 per cent – although less than the 39 per cent in 2005 – and credit card debt and personal loans continue to run high. On balance, December retail sales growth in PEI is poised to be weaker than the national average at 3.5 per cent and much weaker than the strong 6.7 per cent recorded last year.

Bottom line

Canadians will be spending more this holiday shopping season than in December 2005, but with the Canadian economy likely to deliver a sub-par performance over the remainder of this year, the odds favour retail sales growth being slightly weaker than it was a year ago. However, much of the weakness in the overall economy is concentrated in the export-oriented manufacturing sector. The domestic side of the economy, on the other hand, remains remarkably robust. The job market is healthy and we continue to see wage gains. Although December retail sales in 2006 (excluding autos and gasoline) are not likely to best last year's stellar performance, they are poised to advance by a still solid 6 per cent. Regionally, Alberta will lead the way with British Columbia, Saskatchewan and Manitoba on its heels. Provinces across the rest of Canada will see healthy retail sales growth over the holiday season, but will be below the national average. Regional disparities aside, retail sales are still growing – which means sales will be better than last year! We estimate that there will be an additional 1.6 billion dollars in spending this December. So, it looks likely to be a Holly Jolly festive season for Canadian retailers.

Steve Chan, Economist
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Endnotes

- ¹ The Survey of Large Manufacturers was used to disaggregate consumer spending by product type, but is only a sample and does not reflect all retail purchases
- ² See J. Praw, 2004, Gift Cards are here to stay, why retailers should take them more seriously!, J.C. Williams Group
- ³ To properly analyze a holiday period, which crosses two calendar years, the (March-February) period was used
- ⁴ See Y. Zhang, December 2004, Statistics Canada, Analysis in Brief: Consumer Holiday Shopping Patterns
- ⁵ See Tremblay, D. and L.Pichette, 2003, Bank of Canada Working Paper 2003-30, Are Wealth Effects Important for Canada?

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2006 HOLIDAY RETAIL SALES OUTLOOK

BRITISH COLUMBIA		
Average Annual Y/Y % Change Unless Otherwise Noted		
	2005	2006 FORECAST*
December Retail Sales (% Y/Y)	6.2	7.0
Employment (000's)***	64,700	
Personal Disposable Income (%)	4.8	
Consumer Bankruptcies (%)	-2.0	
Outstanding Credit Card Balances (%)	11.5	
Housing Sales (%)	10.3	

*Legend: Very Good - 3 trees; Good - 2 trees; Fair - 1 tree; Poor - no trees; **Resale Units; ***January - December; Source: Haver Analytics, TD Economics

ALBERTA		
Average Annual Y/Y % Change Unless Otherwise Noted		
	2005	2006 FORECAST*
December Retail Sales (% Y/Y)	15.8	17.0
Employment (000's)***	28,000	
Personal Disposable Income (%)	8.1	
Consumer Bankruptcies (%)	-13.5	
Outstanding Credit Card Balances (%)	4.4	
Housing Sales (%)**	14.7	






*Legend: Very Good - 3 trees; Good - 2 trees; Fair - 1 tree; Poor - no trees; **Resale Units; ***January - December; Source: Haver Analytics, TD Economics

SASKATCHEWAN		
Average Annual Y/Y % Change Unless Otherwise Noted		
	2005	2006 FORECAST*
December Retail Sales (% Y/Y)	5.8	6.0
Employment (000's)***	-6,800	
Personal Disposable Income (%)	2.5	
Consumer Bankruptcies (%)	-5.7	
Outstanding Credit Card Balances (%)	7.2	
Housing Sales (%)	2.6	





*Legend: Very Good - 3 trees; Good - 2 trees; Fair - 1 tree; Poor - no trees; **Resale Units; ***January - December; Source: Haver Analytics, TD Economics

MANITOBA		
Average Annual Y/Y % Change Unless Otherwise Noted		
	2005	2006 FORECAST*
December Retail Sales (% Y/Y)	6.4	6.0
Employment (000's)***	3,900	
Personal Disposable Income (%)	2.1	
Consumer Bankruptcies (%)	8.2	
Outstanding Credit Card Balances (%)	12.2	
Housing Sales (%)	5.6	





*Legend: Very Good - 3 trees; Good - 2 trees; Fair - 1 tree; Poor - no trees; **Resale Units; ***January - December; Source: Haver Analytics, TD Economics

ONTARIO		
Average Annual Y/Y % Change Unless Otherwise Noted		
	2005	2006 FORECAST*
December Retail Sales (% Y/Y)	5.4	4.2
Employment (000's)***	106,300	
Personal Disposable Income (%)	3.6	
Consumer Bankruptcies (%)	2.0	
Outstanding Credit Card Balances (%)	13.2	
Housing Sales (%)**	0.2	





*Legend: Very Good - 3 trees; Good - 2 trees; Fair - 1 tree; Poor - no trees; **Resale Units; ***January - December; Source: Haver Analytics, TD Economics

QUEBEC		
Average Annual Y/Y % Change Unless Otherwise Noted		
	2005	2006 FORECAST*
December Retail Sales (% Y/Y)	6.1	4.2
Employment (000's)***	49,800	
Personal Disposable Income (%)	3.0	
Consumer Bankruptcies (%)	1.3	
Outstanding Credit Card Balances (%)	6.1	
Housing Sales (%)	2.3	




*Legend: Very Good - 3 trees; Good - 2 trees; Fair - 1 tree; Poor - no trees; **Resale Units; ***January - December; Source: Haver Analytics, TD Economics





NEW BRUNSWICK		
Average Annual Y/Y % Change Unless Otherwise Noted		
	2005	2006 FORECAST*
December Retail Sales (% Y/Y)	6.7	4.8
Employment (000's)***	5,400	
Personal Disposable Income (%)	2.9	
Consumer Bankruptcies (%)	1.8	
Outstanding Credit Card Balances (%)	10.6	
Housing Sales (%)	-0.8	

*Legend: Very Good - 3 trees; Good - 2 trees; Fair - 1 tree; Poor - no trees; **Resale Units; ***January - December; Source: Haver Analytics, TD Economics

NOVA SCOTIA		
Average Annual Y/Y % Change Unless Otherwise Noted		
	2005	2006 FORECAST*
December Retail Sales (% Y/Y)	8.8	3.8
Employment (000's)***	-3,600	
Personal Disposable Income (%)	4.0	
Consumer Bankruptcies (%)	6.9	
Outstanding Credit Card Balances (%)	5.6	
Housing Sales (%)	-0.6	

*Legend: Very Good - 3 trees; Good - 2 trees; Fair - 1 tree; Poor - no trees; **Resale Units; ***January - December; Source: Haver Analytics, TD Economics

PRINCE EDWARD ISLAND		
Average Annual Y/Y % Change Unless Otherwise Noted		
	2005	2006 FORECAST*
December Retail Sales (% Y/Y)	6.7	3.5
Employment (000's)***	-100	
Personal Disposable Income (%)	2.1	
Consumer Bankruptcies (%)	39.0	
Outstanding Credit Card Balances (%)	10.6	
Housing Sales (%)	18.3	
*Legend: Very Good - 3 trees; Good - 2 trees; Fair - 1 tree; Poor - no trees; **Resale Units; ***January - December; Source: Haver Analytics, TD Economics		

NEWFOUNDLAND & LABRADOR		
Average Annual % Change Unless Otherwise Noted		
	2005	2006 FORECAST*
December Retail Sales (% Y/Y)	2.2	3.5
Employment (000's)***	-4,600	
Personal Disposable Income (%)	3.1	
Consumer Bankruptcies (%)	17.5	
Outstanding Credit Card Balances (%)	4.8	
Housing Sales (%)**	13.5	
*Legend: Very Good - 3 trees; Good - 2 trees; Fair - 1 tree; Poor - no trees; **Resale Units; ***January - December; Source: Haver Analytics, TD Economics		