



# TD Economics

## Provincial Economic Forecast

July 16, 2009

### THE CALM AFTER THE STORM

The synchronous nature of the current economic downturn across provinces is evident to anyone surveying the economic data. A slumping U.S. economy, weak commodity prices and increasingly cautious consumers across the nation have meant there has simply been no place to hide. On a positive note, since we last visited our quarterly forecast, the conditions we laid out at the time for a U.S. recovery have not been undermined. For a summary of our global macroeconomic and financial forecast, turn to the accompanying text box on the next page. For a more in-depth analysis, turn to our Quarterly Economic Forecast (June 16). As such, no major downward revisions to our national forecast were warranted – a first in many months. The major pieces of the economic and financial puzzle seem to be falling into place for a recovery, albeit modest, to start taking hold late this year, as forecast back in March.

#### No doom nor gloom in resale housing

One area where our outlook has significantly improved is the resale housing market. After plunging last fall, sales of existing homes rebounded sharply in the first half of this year. Combined with fewer new listings coming onto the market, this re-balanced markets quickly across the country, helping to support prices. While we still anticipate sales and prices to be lower overall this year compared to last year, the magnitude of the anticipated correction is much more modest – strengthening our long-held view that Canadian housing markets were nowhere near seriously as impaired as those stateside. The average Canadian existing home should depreciate by 4.1 per cent this year, led by weaker prices in Alberta (-8.5 per cent) and British Columbia (-7.0 per cent). Ontario home prices are expected to register a modest 1.0 per cent setback. On the flipside, all other provinces should see homes appreciate, starting with Québec's modest 1.5 per cent uptick. Having come

#### HIGHLIGHTS

- **In our March forecast, we focused on the synchronous nature of the economic downturn across provinces. A slumping U.S. economy, falling commodity prices and increasingly cautious consumers were sparing no provincial economy.**
- **As 2009 unfolds, this coast to coast scenario is holding up well. All ten provinces are expected to lose ground this year, including Saskatchewan – which used to be the one stronghold.**
- **While our last forecast focused on nominal incomes (GDP), which continue to figure prominently in comparing regional fortunes, we now turn to variations in how provinces are coping during the recession. For the best evidence, we look to labour markets as they provide high frequency data and it is where the recession affects households most significantly.**
- **Provincial synchronicity will remain a theme next year, but on the recovery side of this recession. Stronger pent-up demand will assist provinces more badly beaten up during the recession – something we are already seeing in resale home markets.**
- **Still, no clear winner emerges based solely on prospects for the key regional drivers of growth, and we expect all provinces to grow near the 1-2% range in 2010.**

## FINANCIAL AND MACROECONOMIC ASSUMPTIONS

- **World** real GDP will shrink by 1.9 per cent this year and grow by only 2.7 per cent next year. **G7** countries real GDP will contract by 4.0 per cent this year, led by Japan (-7.0 per cent) and Germany (-6.1 per cent) followed by 1.4 per cent growth next year, led by the U.K. (1.9 per cent). Most important for Canada, **U.S.** real GDP is expected to contract by 2.8 per cent this year, followed by a muted recovery which will limit growth to 1.6 per cent next year.
- Update on our “**Five pillars to recovery**”:
  - *The U.S. real estate market must stabilize in the next 3-6 months*: signals remain mixed, but the outlook has not deteriorated. The data continue to reinforce our view that while a recovery will occur, it will be drawn out.
  - *Credit conditions must continue to improve*: significant improvement on this front, especially in short-term financing conditions. Medium and long-term financing costs have been slower to improve, but are headed in the right direction.
  - *Reduction in global systemic risks*: risks have diminished since March, but some important ones remain (e.g. Eastern European loans made by Western European banks).
  - *Restructuring of the auto sector must continue to make progress*: events are unfolding quickly, and largely as expected, but the restructuring remains painful.
  - *Fiscal stimulus packages must be implemented swiftly and the economic boost needs to be in the ballpark of our current expectations*: stimulus funds are slowly making their way through, and will have the most impact late this year and next year.
- From its current level near \$US 0.89, the **Canadian dollar** might well appreciate to parity by year-end. This move has seen some market resistance, however, and is unlikely to be sustained. We would expect the loonie to drop back towards its “fair” or economically-grounded value near \$US 0.87
- The recent rally in crude oil and base metals prices does not appear well grounded in supply-demand fundamentals. As such, a significant further rally would contain the seeds of its own undoing by choking economic recovery in the U.S. Our TD **commodity price index** (TDCI, \$US) will be down 42 per cent this year from last year, followed by a 15 per cent recovery next year, led by **energy** and **base metals**. In all, therefore, we expect most commodity prices to stay range-bound in the medium-term, which limits both downside and upside risks in our view. In particular, we expect **crude oil** prices to trade within a \$US 60-65 / barrel range before reaching \$US 75 / barrel in Q3.2010. **Natural gas** prices are expected to reach a trough near \$US 3.60 / MMBtu in Q3.2009, but remain below \$US 6.00 / MMBtu throughout the forecast horizon.
- The Federal Reserve and Bank of Canada will keep their **policy interest rates** near zero until at least mid-2010. While medium and longer-term government **bond yields** are expected to rise, a larger move upwards is expected in near-term rates, resulting in a flatter yield curve by the end of next year.

off the boil from last year’s double-digit gains, Manitoba (2.1 per cent) and Saskatchewan (3.2 per cent) will record more reasonable lifts this year. Well balanced to begin with, resale markets in the Maritimes remain poised for decent gains, from 1.8 per cent in Nova Scotia to 4.7 per cent in Prince Edward Island, with a middle-ground 3.3 per cent in New Brunswick. Newfoundland & Labrador should record a national-leading, albeit unsustainable, 16.5 per cent surge resulting largely from net in-migration into St. John’s and elsewhere on The Rock as fortunes in Alberta’s oil patch have turned and workers hope to use their skills towards upcoming energy projects in the province.

We would caution, however, against extrapolating some

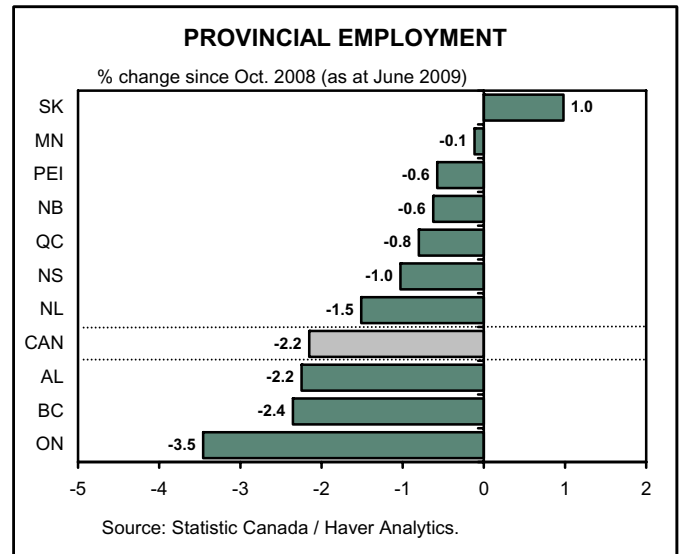
of the recent strength in resale housing markets too far. For one, as prices firm up and unemployment continues to rise, more listings will likely come onto the market, increasing availability of supply which in turn will soften the pricing power of sellers. On the demand side, the pent-up sales that built up during the height of the credit market crisis in the fall has been absorbed, and affordability is no longer improving as bond yields have backed up from their rock-bottom lows. As such, it would not be surprising to observe renewed weakness in the fall and winter (above and beyond the seasonal component), and we expect resale prices to remain quite choppy on a monthly basis, with only a slight uptrend. Moving up by a subdued 1.5 per cent in

2010, the national average home price should keep pace with CPI inflation, thus staying in neutral on an inflation-adjusted basis. Continued weakness is expected in British Columbia, Alberta, and, to a lesser extent, Québec, while other provinces can expect to see homes appreciate by 2 to 4 per cent.

### Assessing the damage

While relatively solid resale housing markets help put a floor under home equity valuations and boost household confidence, the impact of the recession will continue to ripple through Canada's regions throughout the forecast horizon. Real GDP growth gives some measure of the extent of the downturn experienced this year and the projected recovery next year. As in our prior forecast in March, we emphasize that nominal GDP growth captures more of the volatility associated with important swings in commodity prices, as well as export and import prices, and their impact on regional incomes. The bottom line for most households, however, lies in job market prospects. On this all-important front, provincial experiences differ significantly.

There are certainly multiple ways to capture what has been ongoing in labour markets across the country since the onset of the recession in the autumn of 2008, and we highlight but a few here to shed some light on this issue. Most notably, Ontario has shouldered a huge share of the burden, with close to two-thirds of nationwide job losses to date. Specifically, 370,000 jobs (2.2 per cent) have been lost in Canada between October 2008 and June 2009, 232,000 of which were in Ontario (a 3.5 per cent drop).



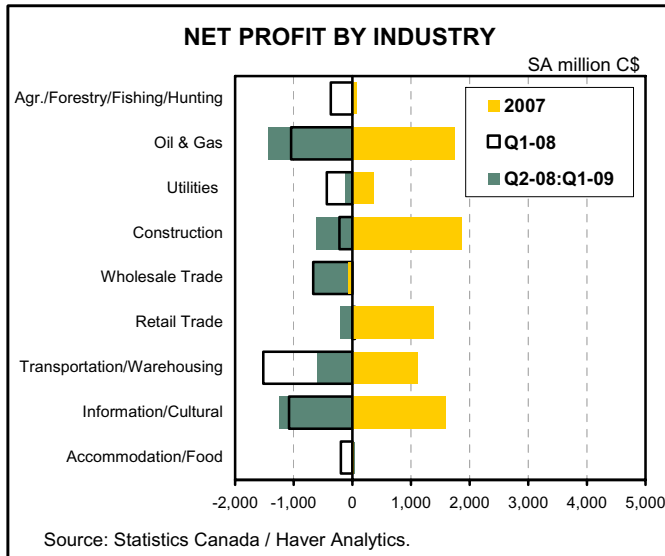
This 62.8 per cent share is much larger than its share of the Canadian labour force (39.2 per cent) would suggest. Other provinces have not gone unscathed, however, as British Columbia (-2.4 per cent), Alberta (-2.2 per cent), and Newfoundland & Labrador (-1.5 per cent) have all suffered significant losses. Nonetheless, job losses in other provinces have been more modest at 1.0 per cent or less, and Saskatchewan has even managed to increase employment by 1.0 per cent. The larger losses recorded in some provinces are attributable to sectoral difficulties (industry performance) combined with the important contribution these sectors were making in local employment (industry mix) prior to the downturn in the economy.

From October 2008 to May 2009, more than 4 out of 5

TD ECONOMICS - NATIONAL & PROVINCIAL LABOUR MARKET RECESSION TRACKER								
period	UNEMPLOYMENT RATE		EMPLOYMENT			EMPLOYMENT		
	Per cent of labour force		Change			Change (%)		
	Oct-08	Jun-09	Jun-09			Current recession	Previous two recessions	
			M/M	M/M 3-m	From peak *	Q4.2008-( ) **	1990-92 ^	1981-82 ^
<b>CANADA</b>	<b>6.3</b>	<b>8.6</b>	<b>-7,400</b>	<b>-4,433</b>	<b>-369,900</b>	<b>-2.2</b>	<b>-3.3</b>	<b>-5.4</b>
British Columbia	5.2	8.1	-4,100	4,867	-54,300	-2.4	6.0	-8.3
Alberta	3.7	6.8	-4,000	767	-45,700	-2.2	0.2	-4.2
Saskatchewan	3.9	4.6	1,600	1,667	5,100	1.0	-2.1	0.3
Manitoba	4.3	5.2	-1,900	833	-700	-0.1	-3.3	-3.6
Ontario	6.7	9.6	1,200	-20,500	-232,400	-3.5	-6.6	-4.6
Québec	7.2	8.8	-4,600	7,833	-31,200	-0.8	-4.1	-7.4
New Brunswick	8.9	9.2	1,400	733	-2,300	-0.6	0.5	-5.7
Nova Scotia	7.6	9.4	-100	-200	-4,700	-1.0	-2.6	-3.1
Prince Edward Island	11.6	12.2	600	200	-400	-0.6	-0.4	-0.4
Newfoundland & Labrador	13.8	15.6	2,500	-667	-3,300	-1.5	-6.2	-3.8

\* Cumulative net monthly change in overall employment since most recent national peak (Oct. 2008).  
\*\* Per cent change in overall employment since most recent national peak (Oct. 2008).  
^ Peak to trough per cent change in last two recessions (Q3:81-Q4:82 and Q1:90-Q4:92).

Source: Statistics Canada, Labour Force Survey. Haver Analytics.



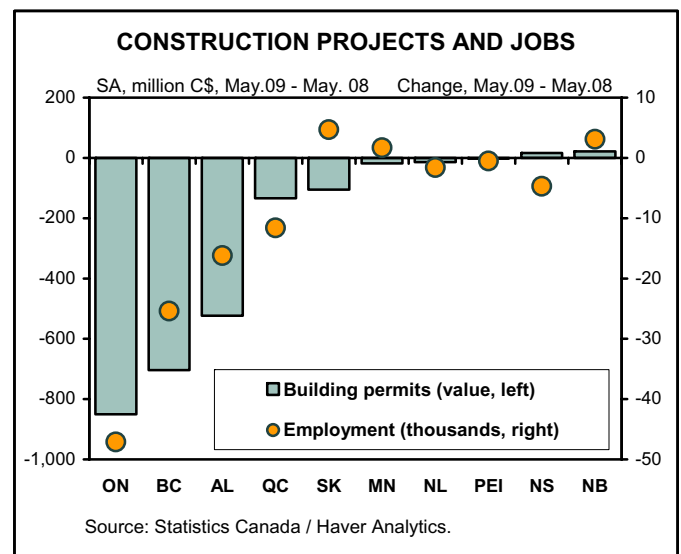
jobs lost in Canada were in manufacturing (more than half) and construction (close to a third) combined. The remainder were split between transportation & warehousing, trade (retail & wholesale combined), and natural resource extraction (mining, oil, gas, forestry). In turn, job losses in these industries line up, as one would expect, with the corporate profit U-turn they experienced in a short period of time; the implication being that corporate balance sheets left them with little choice but to slim their respective workforces. Other industries have either not seen the same extent of turnaround to their revenues and/or were simply better poised – as illustrated by higher net profit and cash positions entering the recession – to weather the storm. Outside of manufacturing, where profit woes were evident in many sectors even prior to the recession, the ac-

companying chart reveals the extent of the turnaround.

The pullback in crude oil and natural gas prices along with the consequent shelving of many investments projects has decimated near-term energy employment prospects in Alberta and Newfoundland & Labrador. The significant pullback in homebuilding that has hit British Columbia, Alberta, and Ontario particularly hard has rippled through these provinces' construction employment. Structural and cyclical difficulties in the forestry industry have compounded the hit to B.C. employment. Meanwhile, the oft-mentioned manufacturing industry woes, particularly in the autos & parts sector, can largely account for Ontario's outsized job losses.

This takes us to the flip side of the labour market experience so far in this recession, i.e. provinces which have weathered the storm reasonably well in terms of employment. Québec has shed much fewer jobs, at 31,000 (8.4 per cent of national) than its share of the Canadian labour force (22.9 per cent) would imply. Since October 2008, losses have been roughly of a similar percentage magnitude in the Maritime Provinces, where employment has fallen between 0.6 and 1.0 per cent. Meanwhile, Manitoba's total employment has barely changed over the same period, and Saskatchewan stands alone in having higher employment. These healthier performances are attributable to a combination of local industry showing more resilience against the global downturn as well as benefiting from a more favourable industry mix that has provided some employment offset.

We could start with the contrast between the two largest and neighboring provinces of Central Canada. In its its



facturing, the main fault line lies within each province's largest contributor to manufacturing exports, namely autos & parts for Ontario and aerospace & parts for Québec. After sliding since 2002 – in part due to an ever-rising Canadian dollar – overall manufacturing employment in Québec stabilized, as the Canadian dollar did, early last year. In contrast, Ontario manufacturing employment continued to slide even as the loonie reached a plateau around parity against the USD – and subsequently depreciated. A cheaper Canadian dollar was clearly not enough to offset the significant downsizing of the Detroit-3 (D3) auto assemblies and parts suppliers. Aside from the shrinkage in the retail dealership network of the D3, the auto industry fallout will not significantly impact other provinces' employment.

Other factors in the industry mix and performance have also been at play. It is not that Québec has not been hit on the jobs front. In goods-producing industries, its forestry industry, mainly the downstream pulp and paper sector, has been decimated. However, construction employment has been stable – mainly owing to gains on the non-residential side – and employment in utilities has been on a tear, partly the result of a large energy infrastructure program. On the services side, retail & wholesale trade, along with transportation & warehousing, and accommodation & food services have all recorded significant job losses. These have been offset by gains in professional, business, and educational services, however, leaving overall services employment largely unchanged since October.

As for the Maritime Provinces, stronger housing markets on top of non-residential projects have supported construction employment, most notably in New Brunswick where it has more than offset losses in other goods-producing sectors. While many manufacturing jobs have been lost in Nova Scotia, and these have taken a toll on the overall tally, they have been partly offset by rising public-sector services employment. In P.E.I., an increase in agriculture employment has helped partially offset losses in fishing and manufacturing, mitigating the overall employment hit to the goods side of that economy.

Leaping west over central Canada towards the bright spots in this downturn, we find Manitoba and Saskatchewan. Our view with respect to output (real GDP) has deteriorated since March and we now expect both of these economies to contract by roughly 1 per cent each. Our downward revision is mostly a consequence of unexpected

poor crop conditions and a significant curtailing in mineral extraction. Nonetheless, the employment landscape has been brighter than elsewhere. Manitoba's employment has been on neutral since October, the story of a near perfect trade-off between declining goods sector employment – lead by agriculture and manufacturing – and rising services employment – which has been broadly-based outside of the trade sector. Better still is Saskatchewan's 1.0 per cent net job gain during the same period. Combing through the different sectors of employment, one finds evidence of a downturn visible in manufacturing, utilities, natural resources, and trade services. Nearly every other cylinder of the employment engine has been humming along, however, as this relatively small economy continues to expand its reach, evidenced by a robust 3.1 per cent year-over-growth in services employment over the last three months (April-June).

As things stood as of the June data, there is little reason to expect a significant reshuffling of regional employment fortunes by the time the current recession comes to an end, which technically we expect should be by year-end as positive quarterly real GDP growth resumes.

### **The calm after the storm**

While Ontario, British Columbia and Alberta have already been hit with significant job losses, we believe Québec and the Atlantic region might have some unfortunate catch up with further losses to come in the months ahead. Most high frequency indicators suggest these economies have been subject to the massive negative external shock that is the U.S. recession with a lag when compared with Ontario – which took an immediate front line hit. These economies east of Ontario could continue to surprise us on the upside and just be lucky enough to sidestep the worse of this recession if the U.S. economy has somewhat recovered by the third quarter. As of yet, however, we are not ready to believe “this time will be different” and make this our base case scenario. Elsewhere, the Prairie provinces of Manitoba and Saskatchewan are definitely weathering this storm best with well diversified economic bases. But the strong momentum they had entering the downturn has waned and will not provide enough growth support if the North American recession lasts longer than expected. Nonetheless, they remain on track to significantly outperform the rest of the country and little has changed from our last forecast in this regard.

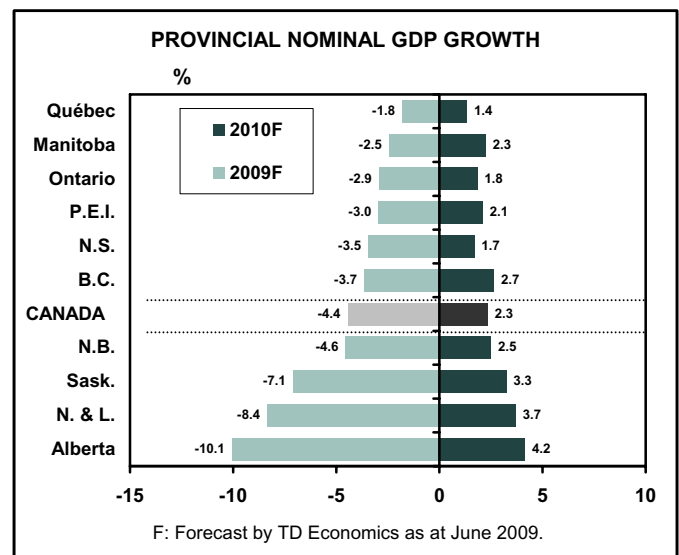
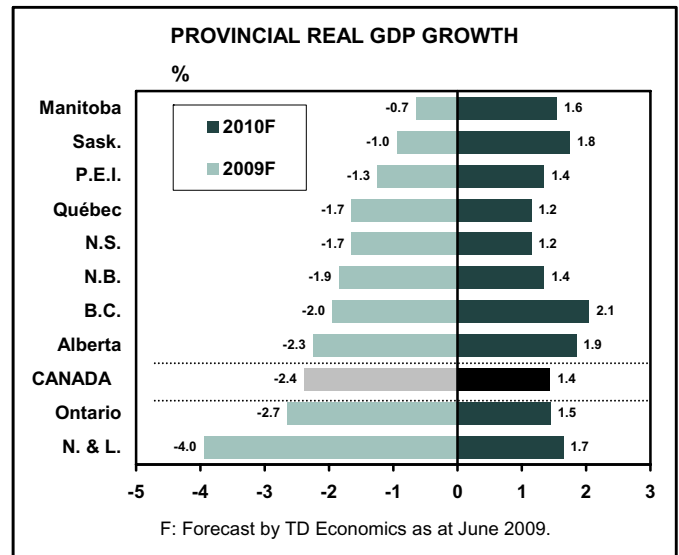
Digging through the industry drivers of regional growth best clarifies our general view with respect to employment next year: little or no employment growth and continued labour force growth will translate into significantly higher unemployment rates across the country by the middle of next year. Provinces east of Ontario are all expected to experience double-digit unemployment rates by then, while British Columbia and Alberta will have around double the jobless rates they recorded last year. Saskatchewan and Manitoba will see their respective unemployment rates increase by a more modest, yet still significant, 2 to 3 percentage points, leaving them with the lowest jobless rates in the nation.

Job attrition has been fast and furious, though not as severe as in the U.S. Net job creation will be neither fast nor furious. There simply aren't enough growth drivers on the horizon to propel any provincial economy forward in the medium-term. A recovery is certainly in the cards for regional economies, but we believe it will be a period of calm rather than a quick return to robust growth of the kind we had seen in years prior to the recession. That will have to wait until 2011 and beyond, at which time many of the headwinds facing U.S. households will have largely dissipated while emerging markets and commodity demand can be expected to pick up more substantially.

Furthermore, employment does not tend to rebound sharply and immediately on the recovery side of recession, most especially recessions that are provoked by financial crises – which take longer to unwind. Hours worked, productivity, and output tend to lead the way, with employment gains following – and our view is consistent with this historical experience.

First off, the current combination of weak demand for Canadian exports, a stronger loonie and higher bond yields spell mostly bad news for the domestic economy. While some of the currency's rise can be traced back to rallying crude oil prices since February, which should benefit oil producing and exporting regions, many other crucial commodity prices (e.g. natural gas, lumber, base metals, livestock) remain too depressed to provide significant relief to the all-important commodity-rich regions of the country, let alone be the locomotive growth they had been in years prior to the current recession. In particular:

- While lumber prices can be expected to stabilize following a trough in U.S. housing starts sometime soon, the lumber and forestry sector will remain on life sup-



port next year. As a result, the local economies reliant on these industries within B.C., Ontario, Québec, and New Brunswick notably, cannot expect near-term relief in this sector. The same could be said of the North American pulp and paper industry, where traditional print media business models have been assailed by fleeing advertisement to paperless online venues. Multiple print newspaper outlets have closed shop and are not expected to return in the foreseeable future. This long-term structural headwind will remain present even after the cyclical and credit market woes fully dissipate.

- Natural gas prices are not supportive of drilling expansion, quite the opposite. Extractors have shut-in capacity in a bid to support prices. A resumption of U.S. economic growth and demand for this energy source can

also seemingly be well supplied with U.S. domestic supply, weighing on Canadian export prospects. This bodes poorly for Alberta.

- Saskatchewan has also seen natural resource extraction decline in a bid to support potash prices. However, the recent slashing of potash contract prices to India by Russia illustrates how difficult this might be. Furthermore, crop conditions have been poor this year as a result of droughts in some parts of the Prairies and flooding in others, putting further downward pressure on overall output.
- Meanwhile, the case for significant upside to crude oil prices from current levels – near \$US 60 / bbl as of writing – is tenuous over the medium-term given how unresponsive current supply-demand fundamentals are. At these prices, some projected capacity investments previously put on ice will return, but not likely enough to absorb the significant amount of idled capital and work hours freed up during the downturn.

For more on the commodity price outlook, turn to our latest “Quarterly Commodity Price Report”, available on our website. Unable to turn to strong commodity prices, business or residential investments, or strong wage or investment income, local economies will essentially be in the process of re-establishing their footing in 2010. U.S. demand for regional exports, in particular durable goods, will no doubt increase from the doldrums levels hit this year, but are not expected to record the double-digit growth rates seen coming out of the previous two recessions of the early 1980s and early 1990s. As a consequence, the export-oriented manufacturing heartland of the country, located in Central Canada, will still be in the process of downsizing for some time to come, even if conditions are improved from the atrocious environment witnessed from late last year into the second half of this year. Cue in growth for Ontario and Québec, which one would think is not that hard a feat to achieve after the significant paring back of activity since the onset of the recession in Q4.2008. But even on this front, elevated inventories will likely get in the way of an immediate reboot of manufacturing activity to sustainably higher levels. These inventories will need to

be pared down closer in line with lower demand before that happens.

The same rationale applies to residential investments, largely dependent on building permits and housing starts: after a significant decline this year, we expect a slight uptick in starts across most provinces next year, but nowhere near a rebound back to levels recorded during the boom years (2002-07). Construction employment has been more stable of late after dropping significantly in most regions, but it remains unclear how much of this is just an offset from the non-residential sector as government infrastructure programs unfold.

Weak U.S. import demand will also remain visible in some sectors not traditionally thought of as “export” sectors, but who indirectly are, by way of their reliance on stateside demand, from specific business services to tourism-related activities such as food and accommodation. With little or no growth in their disposable incomes, much of which will be in the form of temporary fiscal relief being hoarded away, American households are not expected to provide much lift to the tourism-oriented regions within the Atlantic region and Québec in particular. British Columbia will no doubt record a temporary boost in discretionary spending from visitors within the country and points beyond, from its hosting of the 2010 Winter Olympic and Paralympic Games in February and March, but overall real and nominal GDP growth for the province are unlikely to match its pre-recession performances for another few years.

All said, we do not find potent enough drivers that would convince us there will be significant regional differentiation during the initial economic recovery phase. Following a severe recession in most parts of the country, the foundation for a more robust and sustained recovery will be laid from coast to coast. Among other factors, we will look to local housing markets, net migration flows, consumer, business, and government investments and balance sheets to see which regions build a firmer foundation than others, which will drive wedges in performances beyond next year.

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**REAL GROSS DOMESTIC PRODUCT (GDP)**

Annual average per cent change

	82/91	2006	2007	2008	2009F	2010F
<b>CANADA</b>	<b>-2.5</b>	<b>3.1</b>	<b>2.7</b>	<b>0.5</b>	<b>-2.4</b>	<b>1.4</b>
<b>N. &amp; L.</b>	0.7	3.0	9.1	-0.1	-4.0	1.7
<b>P.E.I.</b>	0.3	2.4	2.4	0.9	-1.3	1.4
<b>N.S.</b>	1.4	0.9	1.7	2.0	-1.7	1.2
<b>N.B.</b>	0.9	2.4	1.7	0.0	-1.9	1.4
<b>Québec</b>	-3.2	1.7	2.6	1.0	-1.7	1.2
<b>Ontario</b>	-3.3	2.6	2.3	-0.4	-2.7	1.5
<b>Manitoba</b>	-3.0	4.0	3.3	2.4	-0.7	1.6
<b>Sask.</b>	-0.4	-0.3	2.5	4.4	-1.0	1.8
<b>Alberta</b>	-1.3	6.1	3.1	-0.2	-2.3	1.9
<b>B.C.</b>	-3.0	4.4	3.0	-0.3	-2.0	2.1

F: Forecast by TD Economics as at June 2009

Source: Statistics Canada / Haver Analytics

**NOMINAL GROSS DOMESTIC PRODUCT (GDP)**

Annual average per cent change

	82/91	2006	2007	2008	2009F	2010F
<b>CANADA</b>	<b>3.1</b>	<b>5.7</b>	<b>5.9</b>	<b>4.4</b>	<b>-4.4</b>	<b>2.3</b>
<b>N. &amp; L.</b>	6.4	18.5	13.6	6.6	-8.4	3.7
<b>P.E.I.</b>	6.0	4.1	5.3	3.7	-3.0	2.1
<b>N.S.</b>	9.6	1.5	4.0	3.6	-3.5	1.7
<b>N.B.</b>	6.3	4.4	4.3	1.3	-4.6	2.5
<b>Québec</b>	3.5	3.9	5.4	1.6	-1.8	1.4
<b>Ontario</b>	3.0	4.3	4.5	0.5	-2.9	1.8
<b>Manitoba</b>	1.2	8.2	8.1	4.8	-2.5	2.3
<b>Sask.</b>	1.2	5.5	11.0	24.6	-7.1	3.3
<b>Alberta</b>	2.9	8.7	8.1	12.6	-10.1	4.2
<b>B.C.</b>	1.7	7.9	5.4	3.5	-3.7	2.7

F: Forecast by TD Economics as at June 2009

Source: Statistics Canada / Haver Analytics

**EMPLOYMENT**

Annual average per cent change

	82/91	2006	2007	2008	2009F	2010F
<b>CANADA</b>	<b>-2.4</b>	<b>1.9</b>	<b>2.3</b>	<b>1.5</b>	<b>-2.0</b>	<b>-0.2</b>
<b>N. &amp; L.</b>	-1.9	0.7	0.7	1.4	-4.0	-0.1
<b>P.E.I.</b>	-2.0	0.5	1.2	1.2	-3.5	0.0
<b>N.S.</b>	-1.7	-0.3	1.3	1.2	-0.2	-0.4
<b>N.B.</b>	-2.6	1.4	2.1	0.9	-0.5	-0.2
<b>Québec</b>	-3.6	1.3	2.3	0.8	-1.5	-0.3
<b>Ontario</b>	-2.8	1.5	1.5	1.4	-2.7	-0.5
<b>Manitoba</b>	-1.6	1.2	1.6	1.7	-0.4	0.2
<b>Sask.</b>	-0.2	1.7	2.1	2.2	1.5	0.0
<b>Alberta</b>	-0.5	4.8	4.7	2.7	-1.3	0.3
<b>B.C.</b>	-1.9	3.1	3.2	2.1	-2.5	0.5

F: Forecast by TD Economics as at June 2009

Source: Statistics Canada / Haver Analytics

**UNEMPLOYMENT RATE**

Annual average, per cent

	82/91	2006	2007	2008	2009F	2010F
<b>CANADA</b>	<b>10.7</b>	<b>6.3</b>	<b>6.0</b>	<b>6.1</b>	<b>8.7</b>	<b>9.9</b>
<b>N. &amp; L.</b>	17.1	14.8	13.6	13.3	15.5	16.4
<b>P.E.I.</b>	14.6	11.1	10.3	10.7	13.4	14.1
<b>N.S.</b>	12.5	7.9	8.1	7.7	9.2	10.0
<b>N.B.</b>	13.4	8.7	7.6	8.6	9.3	10.0
<b>Québec</b>	13.1	8.0	7.2	7.3	9.0	10.1
<b>Ontario</b>	9.7	6.3	6.4	6.5	9.5	11.0
<b>Manitoba</b>	8.6	4.3	4.4	4.1	5.2	6.4
<b>Sask.</b>	6.8	4.6	4.2	4.1	5.1	6.7
<b>Alberta</b>	8.0	3.4	3.5	3.6	6.8	7.8
<b>B.C.</b>	11.1	4.8	4.2	4.6	7.8	8.8

F: Forecast by TD Economics as at June 2009

Source: Statistics Canada / Haver Analytics

**RETAIL TRADE**

Annual average per cent change

	2006	2007	2008	2009F	2010F
<b>CANADA</b>	<b>6.4</b>	<b>5.8</b>	<b>3.4</b>	<b>-3.3</b>	<b>2.9</b>
<b>N. &amp; L.</b>	3.4	9.0	7.6	0.0	2.3
<b>P.E.I.</b>	6.2	7.7	5.6	-0.5	2.6
<b>N.S.</b>	6.0	4.2	4.2	-2.0	3.2
<b>N.B.</b>	5.9	5.7	5.9	-1.2	3.4
<b>Quebec</b>	5.1	4.6	5.1	-1.8	2.5
<b>Ontario</b>	4.1	3.9	3.5	-3.0	2.7
<b>Manitoba</b>	3.9	8.8	7.2	-2.5	3.5
<b>Sask.</b>	6.5	13.0	10.6	-2.0	3.7
<b>Alberta</b>	15.4	9.3	-0.1	-6.0	2.8
<b>B.C.</b>	7.2	6.7	0.3	-5.5	4.0

F: Forecast by TD Economics as at June 2009

Source: Statistics Canada / Haver Analytics

**CONSUMER PRICE INDEX (CPI)**

Annual average per cent change

	92-08	2007	2008	2009F	2010F
<b>CANADA</b>	<b>1.9</b>	<b>2.1</b>	<b>2.4</b>	<b>0.2</b>	<b>1.5</b>
<b>N. &amp; L.</b>	1.8	1.4	2.9	-0.1	1.3
<b>P.E.I.</b>	2.0	1.8	3.4	-0.7	1.5
<b>N.S.</b>	2.0	1.9	3.0	-1.0	1.7
<b>N.B.</b>	1.8	1.9	1.7	-0.2	1.1
<b>Québec</b>	1.7	1.6	2.1	-0.1	0.8
<b>Ontario</b>	1.9	1.8	2.3	0.5	2.2
<b>Manitoba</b>	2.1	2.1	2.2	0.6	1.2
<b>Sask.</b>	2.2	2.9	3.2	0.9	1.1
<b>Alberta</b>	2.5	4.9	3.2	-0.1	1.2
<b>B.C.</b>	1.8	1.7	2.1	0.1	1.5

F: Forecast by TD Economics as at June 2009.

Source: Statistics Canada / Haver Analytics

HOUSING STARTS					
Thousands of units					
	2006	2007	2008	2009F	2010F
<b>CANADA</b>	<b>229.1</b>	<b>227.9</b>	<b>211.4</b>	<b>125.0</b>	<b>130.0</b>
N. & L.	2.3	2.6	3.2	2.7	2.9
P.E.I.	0.8	0.7	0.7	0.5	0.5
N.S.	5.2	4.8	4.3	3.0	3.3
N.B.	4.0	4.1	4.2	3.4	3.5
Québec	48.0	48.7	47.9	39.1	35.0
Ontario	74.4	68.0	75.6	46.0	48.4
Manitoba	5.0	5.8	5.6	3.2	3.9
Sask.	3.7	5.9	6.8	3.0	3.6
Alberta	49.1	48.1	29.0	12.2	14.0
B.C.	36.6	39.3	34.3	12.0	15.0

F: Forecast by TD Economics as at June 2009  
Source: Canada Mortgage and Housing Corporation

HOUSING STARTS					
Per cent change					
	2006	2007	2008	2009F	2010F
<b>CANADA</b>	<b>2.3</b>	<b>-0.5</b>	<b>-7.2</b>	<b>-40.9</b>	<b>4.0</b>
N. & L.	-10.7	12.7	25.2	-17.4	8.6
P.E.I.	-15.3	-8.5	-3.5	-27.7	6.0
N.S.	11.4	-7.8	-11.4	-29.7	8.7
N.B.	3.6	1.0	2.5	-19.8	4.5
Québec	-5.8	1.4	-1.5	-18.3	-10.6
Ontario	-4.4	-8.6	11.2	-39.2	5.2
Manitoba	6.7	14.8	-3.8	-42.3	21.9
Sask.	12.8	58.9	14.5	-55.8	18.3
Alberta	20.9	-2.1	-39.7	-57.9	14.8
B.C.	6.0	7.4	-12.8	-65.0	25.0

F: Forecast by TD Economics as at June 2009  
Source: Canada Mortgage and Housing Corporation

EXISTING HOME SALES					
Thousands of units					
	2006	2007	2008	2009F	2010F
<b>CANADA</b>	<b>485.8</b>	<b>523.9</b>	<b>434.5</b>	<b>380.0</b>	<b>405.0</b>
N. & L.	3.5	4.5	4.7	4.2	4.3
P.E.I.	1.5	1.8	1.4	1.4	1.5
N.S.	10.7	11.9	10.9	8.5	9.0
N.B.	7.1	8.2	7.6	6.5	6.8
Québec	74.3	83.5	79.4	72.0	72.0
Ontario	194.9	213.4	181.0	160.5	172.0
Manitoba	13.0	13.9	13.5	12.0	12.7
Sask.	9.1	12.1	10.2	8.5	9.2
Alberta	74.4	71.4	56.4	49.0	55.0
B.C.	96.7	102.8	68.9	57.0	62.0

F: Forecast by TD Economics as at June 2009  
Source: Canadian Real Estate Association

EXISTING HOME SALES					
Per cent change					
	2006	2007	2008	2009F	2010F
<b>CANADA</b>	<b>-0.1</b>	<b>7.8</b>	<b>-17.1</b>	<b>-12.5</b>	<b>6.6</b>
N. & L.	10.2	26.4	5.0	-11.6	3.6
P.E.I.	3.0	18.6	-20.1	-0.9	7.1
N.S.	-2.3	10.8	-8.3	-21.8	5.9
N.B.	4.2	14.5	-7.4	-14.0	4.6
Québec	2.0	12.3	-4.9	-9.3	0.0
Ontario	-1.1	9.5	-15.2	-11.3	7.2
Manitoba	2.0	7.0	-2.9	-11.3	5.8
Sask.	10.0	31.9	-15.4	-16.7	8.2
Alberta	12.9	-3.9	-21.0	-13.1	12.2
B.C.	-9.1	6.3	-33.0	-17.3	8.8

F: Forecast by TD Economics as at June 2009  
Source: Canadian Real Estate Association

AVERAGE EXISTING HOME PRICE					
Thousand \$					
	2006	2007	2008	2009F	2010F
<b>CANADA</b>	<b>276.0</b>	<b>305.8</b>	<b>303.6</b>	<b>290.8</b>	<b>295.2</b>
N. & L.	139.5	149.3	178.5	207.9	215.4
P.E.I.	125.4	133.5	139.9	146.5	149.0
N.S.	168.6	181.0	189.9	193.3	198.3
N.B.	126.9	136.6	145.8	150.6	155.2
Québec	190.3	202.9	210.8	213.9	214.8
Ontario	278.4	299.5	302.4	299.3	307.1
Manitoba	150.2	169.2	190.3	194.3	200.1
Sask.	132.1	174.4	224.6	231.8	237.6
Alberta	285.4	356.2	352.9	322.9	321.2
B.C.	391.0	439.1	454.6	422.8	414.3

F: Forecast by TD Economics as at June 2009  
Source: Canadian Real Estate Association

AVERAGE EXISTING HOME PRICE					
Per cent change					
	2006	2007	2008	2009F	2010F
<b>CANADA</b>	<b>11.2</b>	<b>10.8</b>	<b>-0.7</b>	<b>-4.2</b>	<b>1.5</b>
N. & L.	-1.2	7.0	19.6	16.5	3.6
P.E.I.	7.0	6.4	4.9	4.7	1.7
N.S.	5.9	7.3	4.9	1.8	2.6
N.B.	5.2	7.7	6.7	3.3	3.1
Québec	5.5	6.6	3.9	1.5	0.4
Ontario	5.9	7.6	0.9	-1.0	2.6
Manitoba	12.2	12.6	12.5	2.1	3.0
Sask.	7.6	32.0	28.8	3.2	2.5
Alberta	30.8	24.8	-0.9	-8.5	-0.5
B.C.	17.7	12.3	3.5	-7.0	-2.0

F: Forecast by TD Economics as at June 2009  
Source: Canadian Real Estate Association

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