LAURENTIAN BANK SECURITIES

# Economic Research

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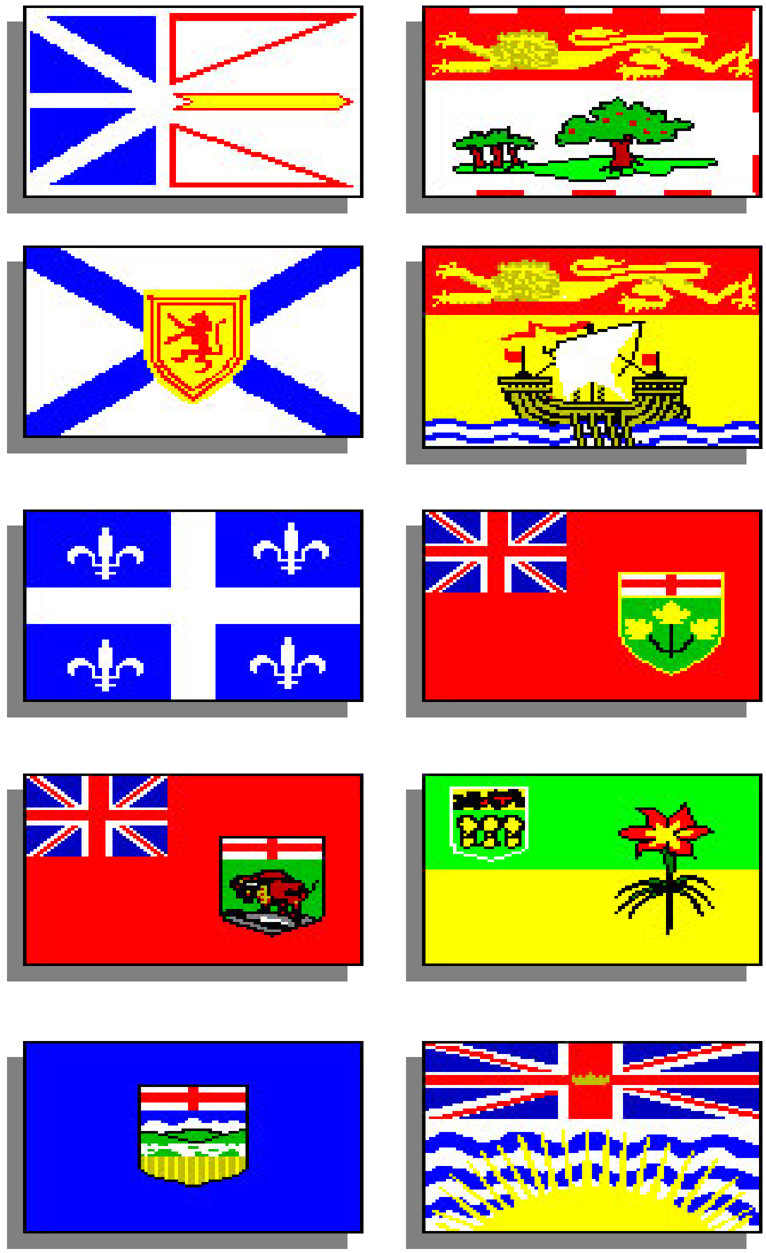

# The 2007 PROVINCIAL MONITOR

## Winter Issue


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# Overview

### The on-going US moderate slowdown and the pull back in commodity prices will be the provinces' key economic drivers in 2007-08

Along with sound macroeconomic policies, industrial diversification was one factor underlying sustainable economic growth in Canada over the last 15 years. The presence of a mix of industries has allowed the Canadian economy, as a whole, to adapt to a continuously changing economic environment.

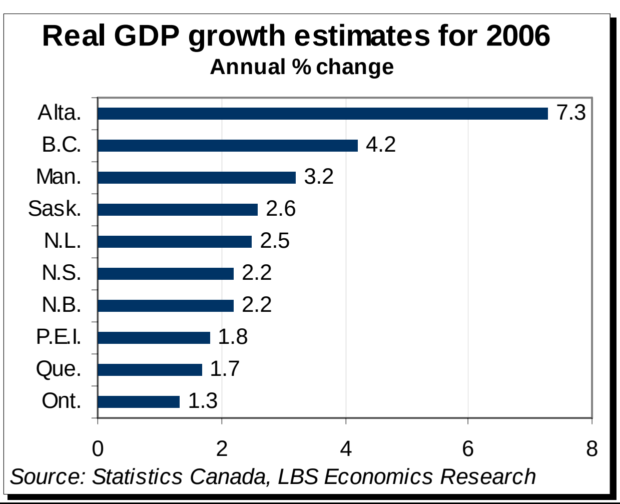
On the surface, economic stability has been one of Canada's forte since the 1990s. For the provinces, it is been a completely different story. Through time, we have seen the 10 jurisdictions moving up, down, and up again the provincial ladder because the industrial structure of each province is so different. Let's consider the last decade for example. In the late 1990s, a low Canadian dollar trading below 70 US cents and a thriving U.S. economy were a good one-two punch for Central Canada. Meanwhile, weak commodity prices dragged down Western Canada. Then, after the economic slowdown in late 2001, the macroeconomic environment changed drastically and the momentum shifted westward. Sky-high commodity prices and significant fiscal stimulus provided an economic boost for the resource-based provinces of Saskatchewan, British Columbia, Alberta, and Newfoundland & Labrador. At the same time, manufacturing-based Ontario and Quebec lost their mojo in tandem with the unprecedented 40% run-up in the Canadian dollar, the growing competition on the U.S. market from China and more recently, the mid-cycle economic US slowdown.

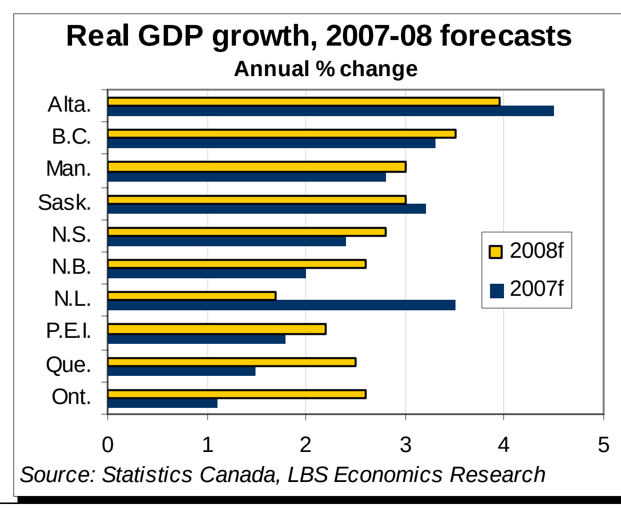
### Dichotomy in regional economic performances likely reached its peak in 2006

In the current economic cycle, we estimate the dichotomy in economic performance across the country reached its peak in 2006. The export-reliant provinces of Ontario and Quebec bore most of the brunt of the on-going US mid-cycle slowdown. We estimate real GDP in Central Canada advanced by less than 2% (see chart). The continued ascent in commodity prices added fuel to the fire in Alberta and British Columbia. These two provinces runned at a pace two to three times faster than other provinces. As for Manitoba and Saskatchewan, they also performed well in 2006, better than in Central and Atlantic Canada, but not as well as Alberta and British Columbia. Lastly, the performance of Atlantic provinces was in the middle of the pack, with real GDP growth surrounding 2%.

### The persistent gap in provincial performances will narrow in 2007 and 2008 and remain in favour of the West

Provincial economic performances should be more homogenous in 2007 (see chart). The U.S. economic slowdown currently underway should continue to put a dent on economic activity from coast to coast. Real output growth in 7 out of 10 provinces is expected to be the same or a tad weaker than last year. The only exceptions to the rule will be Nova Scotia, Saskatchewan and Newfoundland & Labrador. Look for economic growth to stay moderate in Central Canada and the other two Maritimes provinces. Notably, Quebec and Ontario's economies – which counts for almost 60% of all real output in the country – are forecast to advance below the 2% mark for a second consecutive year. Solid construction activity will keep Manitoba's economic expansion above the national average of 2.3%. Alberta's economy should come off the broil in 2007 in tandem with the on-going retreat in some commodity prices. The weakening external demand for wood products will moderate growth in British Columbia. In spite of an easing, Alberta and British Columbia's economies should continue to expand at a pace faster than 3% mark.



In contrast to 2007, real output growth is forecast to speed up in most provinces in 2008. The expected acceleration in U.S. demand in the later stages of 2007 will set up better economic times in 2008. Look for Central and Atlantic Canada to gain some ground and narrow the gap further with the fast-growing Western region. Still, we believe Alberta and British Columbia will stay the growth leaders for a fourth and fifth consecutive year in 2007 and 2008 for the following reasons:

- Despite the recent pull back at the end of 2006 and beginning of 2007, energy prices are expected to stay at elevated levels in the medium term, providing positive spinoffs to the development of oil sands in Alberta and natural gas in BC.
- Although slower home price growth are expected to diminish housing wealth effects in Alberta and British Columbia, they will remain more important than in the rest of the country.
- British Columbia and Alberta's governments have more fiscal room than other jurisdictions to tax relief for households and businesses.
- In Alberta, the supply side of the equation will remain robust, trying to catch up to the demand, notably in the construction sector.
- In British Columbia, investments related to the 2010 Olympics will continue. Further, the only Canadian province on the Pacific Rim will continue to capture opportunities from the growing trade between Asian emerging markets and North America.
- Even if most exporters in Central Canada completed their adjustment to the past ascent in the Canadian dollar, they do not have the same the price competitiveness as back in the late 1990s. Futhermore, the China-Canada competition in the U.S. market for manufacturing goods is intensifying, and could cause more pain to factories in Central Canada.
- The inflow of Canadians moving to Alberta's powerhouse is stronger than ever. Meanwhile, Ontario is now losing Canadians to other provinces rather than attracting some like in the late 1990s.
- Risks to the Quebec and Ontario economic outlook are tilted on the downside. The export-oriented manufacturing sector represents about one-fifth of real GDP. And, unfortunately, both employment and output in the manufacturing sector are contracting in both provinces since late 2006. This persistent weakness could lead to a deterioration in household's confidence and spread to the rest of the economy.
- Potential massive investment projects in the energy sector could fuel Atlantic Canada's economy. But, given the uncertainty surrounding the final approval to some of these projects, the benefits are likely to be capture beyond our forecast horizon 2007-08.

## The 2007 budget season to kick off soon

On the fiscal side, provinces are on track to meet objectives set during the previous 2006 Budget season for the current fiscal year 2006-07. The federal and provincial governments are currently preparing the ground for the 2007 Budget season, with some challenges to handle. Notably, a potential agreement towards fixing the fiscal imbalance – i.e. changes to federal transfers and the equalization formula – could change to various extent the fiscal position of government's finances. Furthermore, upcoming elections in some provinces could also mix the cards.

## Provincial economic growth and stock market performance tie

From an investment perspective, it is interesting to notice the strong link between provincial economic performance and stock market performance (see table). Between 2002 and 2006, the top 3 fastest-growing regions on a GDP basis – Alberta, British Columbia, Prairies – were also the regions where the return on investment on the stock market was the highest. Inversely, stock returns were lower in Quebec, Ontario and Atlantic Canada, the 3 regions with relatively softer economic growth (the listed companies of each regional stock index is available on page 18).

**Cumulative change (%)**
**in real GDP, nominal GDP, and stock market indices -- 2002 to 2006**

| Region | Real GDP | Rank | Nom. GDP | Rank | Region | Stock Index | Rank |
|---|---|---|---|---|---|---|---|
| Atlantic | 5.7 | 4 | 24.5 | 4 | Atlantic 15 | 63.3 | 4 |
| Quebec | 8.1 | 5 | 17.5 | 5 | Quebec 30 | 16.7 | 6 |
| Ontario | 8.9 | 6 | 15.5 | 6 | Ontario 40 | 61.6 | 5 |
| Prairies | 9.8 | 3 | 25.6 | 3 | Prairies 10 | 132.5 | 2 |
| Alberta | 21.8 | 1 | 60.3 | 1 | Alberta 25 | 148.8 | 1 |
| B.C. | 16.2 | 2 | 30.4 | 2 | BC 30 | 94.1 | 3 |
| Canada | 11.3 | -- | 24.8 | -- | S&P TSX | 69.4 | -- |

*Source: Statistics Canada, Centre d'analyse et de suivi de l'Indice Québec, Bloomberg, LBS Economics Research*

# Newfoundland & Labrador

## Newfoundland & Labrador to rank third in real GDP growth in 2007…but last in 2008

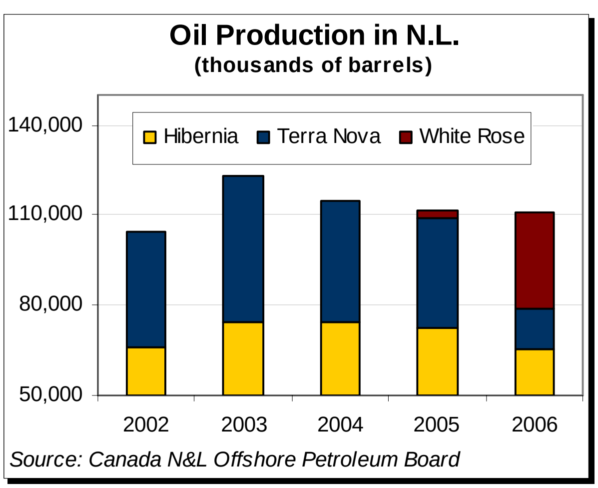
In the 1990s and early 2000s, economic growth in Newfoundland & Labrador was rock-solid. Manufacturing, retail, construction and transportation sectors benefited from massive investment in the resource sector. Unfortunately, the labour-intense construction phase of massive projects ended last year, leading to adverse impacts on the economy: the province was virtually at the bottom of the barrel for growth in retail sales and housing starts. Also, the 111,000 barrels of oil extracted in 2006 was unchanged from 2005 (see chart). Problems with the gas compression system at the Hibernia oilfield and longer-than-anticipated shutdowns at the Terra Nova oilfield were offset by the first full year of extraction at the White Rose oilfield. One area of strength was the mining sector, thanks to the start-up of nickel extraction at the Voisey's Bay mining site. Altogether, we estimate the economy expanded at a respectable pace of 2.5% in 2006.

Canada's most easterly province is likely to be the leader in the Maritimes this year, with real output growth quickening to 3.5%. It is important to notice that this acceleration is primarily coming from the oil industry, assuming activities at the Hibernia and Terra Nova oilfields resume as planned. Besides the oil sector, the rest of the economy is expected to expand slowly in 2007. In 2008, total oil production should edge down slightly given that reserves are declining at the Terra Nova oilfield. As a result, real output growth is anticipated to ease to 1.7%.

## New projects to light N&L's economic future?

The province needs to find new capital projects to feed both the labour market and the economy. One good news is that two dwells drilled has led to the discovery of an extra 190 million barrels of recoverable oil resources at the White Rose oilfield. However, this discovery won't lead to massive investment. In fact, none of the major investment projects proposed lately are fully certain to go ahead yet. In mid-January, the Newfoundland & Labrador government declined the proposal from a group of oil companies looking to expand the Hibernia oilfield. And, back in the spring of 2006, the province and the same group of oil companies were unable to find a deal to develop the Hebron oilfield. No agreement has been reached for a number of reasons. On one hand, the provincial government is not willing to accept new oilfields development without reaping more benefits for its residents. This is understandable. Standards of living of Newfoundlanders and Labradoreans – measured by per capita real output or per capita real disposable income – is well below the national average. It is also more difficult to find a job in this province than anywhere else in the country, amid an elevated jobless rate of about 15%. It is not surprising then to find out that the labour force had stalled in the last two years and that a growing number of residents are moving to Western Canada, lure by job opportunities. On the other hand, the oil industry wants to make sure that their private investment in the province will be profitable in the long run.

The bottom line is that the economic future of the province is highly tied on both parties' abilities to find a consensus about the potential development of resource projects. If a deal is reach, the benefits are likely to be felt beyond 2008 and not alter meaningfully our 2007-08 forecast. The potential development of the Lower Churchill hydroelectric resource is another project that could provide a fresh impetus to growth.



*Source: Canada N&L Offshore Petroleum Board*

## Shift from deficits to a respectable surplus

On the fiscal front, the provincial government has successfully turned the boat around and recorded a surplus of $199 million in the fiscal year 2005-06. This is quite an improvement compared to the $489-million deficit reported the year before. The government forecasts a $6 million surplus for fiscal 2006-07. Looking forward, the fiscal outlook could depend heavily on the outcome of a new deal on equalization payments. The latter count for about one of every six dollars in revenues in Newfoundland & Labrador. The exclusion (inclusion) of royalties revenues in the formula will be good (bad) news for oil-rich province.

# Prince Edward Island

## PEI's economy to grow steady

PEI's economic performance is virtually steady as the ticking of a clock. In 2006, we estimate PEI's real GDP advanced by 1.8%, close to the annual growth averaged in the last 5 years. This respectable economic performance resulted from a mix of events. In the agriculture industry, potato farmers kept the acres harvested low on purposes in order to keep prices elevated. Also, fewer foreigners visit the Island during the summer, putting a dent in accommodation, food, and retail services. The pull back in housing starts accentued in 2006, but it was more-than-offset by non-residential construction, thanks in part to the growing up wind power industry.

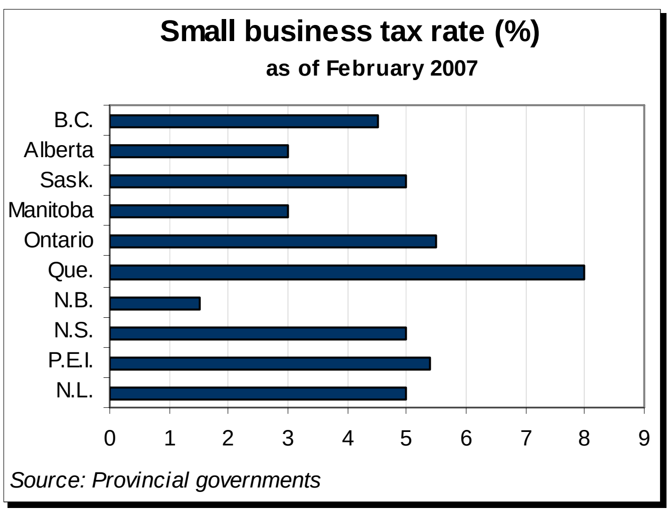
## Energy and aerospace sectors in expansion

Looking forward, PEI's economic expansion should be in the same bull park as in the recent past. We forecast real GDP growth at 1.8% in 2007 and 2.2% in 2008. One area of strength to keep an eye on will be the wind power industry. The two wind farms of Aeolous and North Cape only produce a small portion of the 60 megawatts in wind power that the provincial government targets to have on-line by 2010. The province also has the ambitious plan to fill 100% of its energy needs with wind power by 2015. With new purchase agreements reached last year between the provincial government and the private sector, new installations will come on stream in 2007 and boost utility output. Another niche Prince-Edward Island developed in the recent past is in the aerospace manufacturing sector. Small firms specializing in maintenance, engineering, repair, and production of aerospace parts will benefit from the on-going upcycle in the global aerospace industry, and provide positive support to the province's exports.

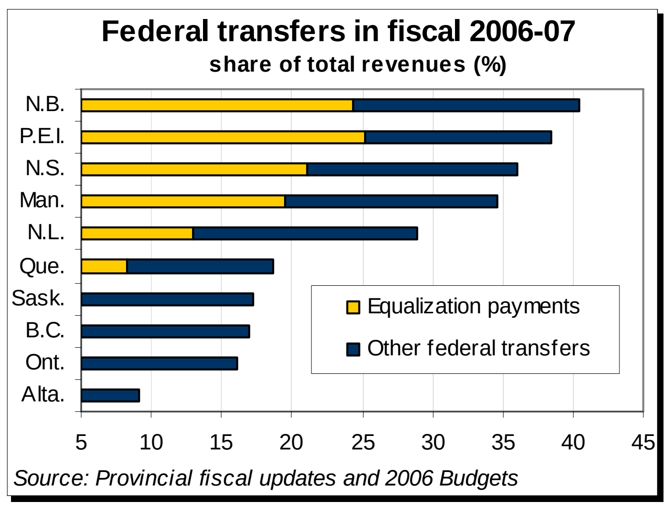
Overall, the development of the wind power and aerospace industries is good for economic diversification and will lower PEI's dependence on seasonal activities like agriculture, fishing, and tourism. Fiscal stimulus is another ingredient that will ensure the province to register growth this year and next. Indeed, the PEI government announced in the 2006 Budget a plan to cut significantly the small business tax rate. Currently at 5.4%, the rate will be reduce by 1.1% each year until it reach a low 1.0% by 2011 (see chart). This will have a greater impact on the province than what people might think, given that the number of small businesses per capita in PEI is very high.

## Steady improvement in budget balances

The fiscal situation of the province is, like the economy, improving in a steady way. The deficit is shrinking year after year. For fiscal 2006-07, the government forecasts a modest $13 million shortfall. And, given that about a quarter of all PEI government's revenues are coming from equalization entitlements, any new deal between Ottawa and the provinces could have significant implications on PEI's government finances (see chart).



*Source: Provincial governments*



*Source: Provincial fiscal updates and 2006 Budgets*

# Nova Scotia

## Real GDP growth accelerated in 2006

Economic indicators point to a expansion of 2.2% for Nova Scotia's economy in 2006, slightly better than the 1.8% growth registered back in 2005. The resale home market was vibrant, as home prices rose by more than any other provinces in Central and Atlantic Canada. Robust housing wealth effects fuelled consumer spending, and certainly more-than-compensated for a modest loss of net jobs. Retail sales growth in Nova Scotia were the strongest after Alberta last year. Also, a surge in multiple residential units pushed up total housing starts. Nevertheless, Nova Scotia's economy were not bright all over last year. Natural gas production continued its slide (see chart), cargo activity at the port of Halifax edged down after a record year in 2005, and the province's population dropped mildly for a second straight year.

## Service-oriented Nova Scotia economy to cope better with weakening in US demand

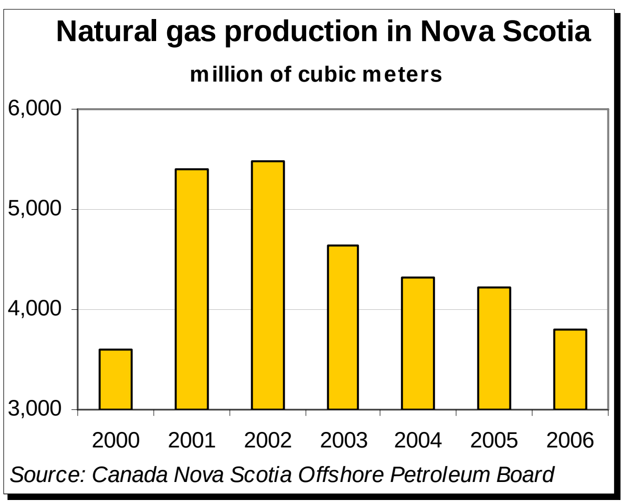
Nova Scotia is the most service-oriented provincial economy in the country and is less reliant on exports (see chart). Thus, the province is likely to cope better with the U.S. slowdown than any other provinces. In the energy sector, the installation of a compression deck at the Sable Island facilities will boost temporary natural gas extraction in 2007. Also, tax relief effective in 2007 for individuals – an increase in energy rebates and in the basic personal exemption on taxable income – will stimulate in a subdue way consumer spending. All together, we forecast real GDP growth at 2.4% in 2007 and 2.8% in 2008.

## The likelihood of the Deep Panuke natural gas project going ahead is increasing

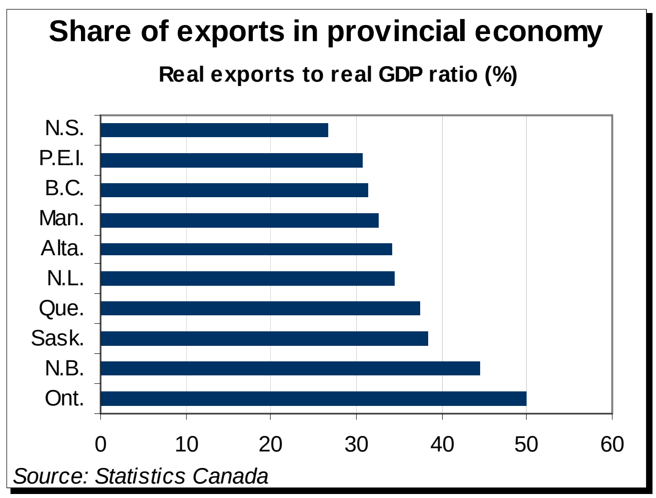
Beyond 2008, the potential realization of a second offshore project, Deep Panuke, could bring a new boost to Nova Scotia's economy and labour market. Back in 2003, when natural gas prices were low, the project was put on hold given uncertainty about its profitability. Since then, natural gas prices rose and talks between the private sector and the provincial government progressed. A public review on the development of the gas field is currently underway. Located 250 kilometres southeast of Halifax, the natural gas field could lead to the extraction of 300,000 million cubic feet of natural gas per day starting as early as 2010. The minority Conservatives Nova Scotia government already announced the framework for industrial benefits and royalties. The province could receive millions in royalties and corporate tax revenues if the project goes ahead.

## Fiscal books are in black ink

The provincial fiscal update released in December 2006 showed that the government finances continued to be slightly in black ink for the current fiscal year 2006-07. The provincial government forecasts a $65-million surplus, down slightly from the 2006 budget estimates due to cost pressures in the health care system and pension plans. Looking ahead, a new agreement between the provinces and Ottawa could change the shape of Nova Scotia's current fiscal position, given that equalization entitlements counts for about one-fifth of all revenues.



*Source: Canada Nova Scotia Offshore Petroleum Board*



*Source: Statistics Canada*

# New Brunswick

### New Brunswick's economy came back to life in 2006 after taking a breather in 2005

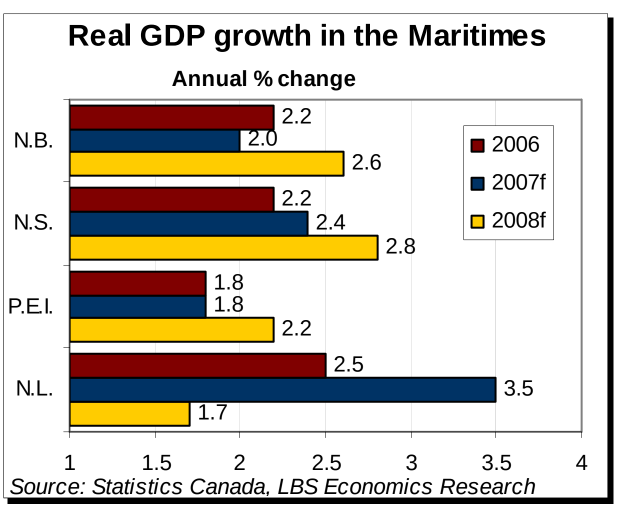
New Brunswick's real GDP growth accelerated from a low 0.3% in 2005 to an estimated 2.2% in 2006. One main driver underlying this comeback was the revival in employment, which propelled growth in retail sales. New Brunswick was also the province where housing starts rose the most among provinces in Central and Atlantic Canada. In the energy sector, the province is solidifying its position with the construction of a liquefied natural gas (LNG) terminal in Saint John. The plant will be operational in late 2008. The LNG will arrive on ships, be store in large tanks, gassify, and then send via pipelines to markets in Canada and the northeastern United States. In addition to natural gas, electricity-related projects are also source of growth in the province. The useful economic life of the Point Lepreau nuclear reactor – producing about one-quarter of the province's electricity needs – was getting close to an end back a few years ago, which eventually led to the decision to refurbish the plant. The $1.4 billion refurbishment project is well underway and will last until the spring of 2008. After repairs, the plant could be operational for an additional 25 years.

### Export-oriented New Brunswick's economy to ease in 2007

When we flip the coin, we realized that the economic outlook is not rosy across the board. First, the province relies more on exports than most provinces. Second, forestry and manufacturing products counts for about three-quarters of all New Brunswick's exports. This is not good news, given that these products are less in demand since the U.S. mid-cycle slowdown started. Exports of wood manufacturing products already declined heavily in 2006 and firms may have to cut production further in order to get rid of the elevated lumber inventories. All in all, look for real GDP growth to ease to 2.0% in 2007. In 2008, renew strength in the export-oriented manufacturing sector will put back the economy on his feet, with real output advancing by 2.6%.

### Tight fiscal position for the new provincial government

The new provincial Liberals government who took office last fall recently got the results of an independent review about government finances. In brief, the report showed that the province faces considerable fiscal challenges over the next three fiscal years, which could potentially lead to large, growing deficits. According to this review, a deficit of $18 million could potentially be register for the fiscal year 2006-07, which contrast with the $22-million surplus projected in last year budget by the previous Conservatives provincial government. Under these circumstances, strong fiscal discipline is likely to be a key theme when the government tabled its first budget this spring. Lastly, the government is looking at the possibility to build a second nuclear power plant in order to satisfy the growing demand for electricity in the Maritimes.




**Provincial Budget Balances in fiscal 2006-07**

| | $ millions | % nominal GDP |
|---|---|---|
| N.L. | 6 | 0.0 |
| P.E.I. | -18 | -0.4 |
| Nova Scotia | 65 | 0.2 |
| New Brunswick | 22 | 0.1 |
| Quebec | 21 | 0.0 |
| Ontario | -1,949 | -0.4 |
| Manitoba | 3 | 0.0 |
| Saskatchewan | 35 | 0.1 |
| Alberta | 5,439 | 2.3 |
| British Columbia | 2,150 | 1.2 |

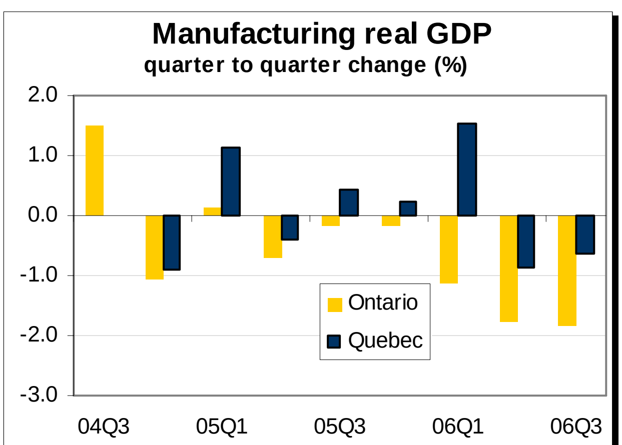
*Source: Provincial fiscal updates and 2006 Budgets*

# Quebec

### Quebec advanced faster than Ontario in 2006

We estimate Quebec's economy expanded by 1.7% in 2006. This performance is a notch better than Quebec's neighbour Ontario (1.3%). In both provinces, manufacturing output counts for one-fifth of total output. But in Quebec, manufacturing output did not contracted for as long or as fast as in Ontario (see chart). The main difference resides in the nature of manufacturing activities in both provinces. Output in Ontario's automotive industry, the bulk of the manufacturing sector, dropped heavily in 2006. Meanwhile, the performance of Quebec's manufacturing sector has been more mixed. Output of aerospace and primary metals manufacturing products moved up, while output of electronics, pulp and paper, and plastics products went down. We also observed a mix performance on the export side. Solid exports of aerospace parts, mining (zinc, copper), aluminium more than offset weakness in exports of lumber, newsprint, and telecoms products. Exports to the United States declined last year, but rose in Europe and Asia.

The soft performance in the manufacturing sector explains in part why goods-producing industries were the soft spot of Quebec's economy. In addition, residential construction activity declined for a second straight year in 2006, given that the smaller pool of homebuyers and the uptrend in new home inventories. Services-related industries were the pillar of strength in Quebec in 2006, led by households who continued to open their wallets at retail stores. The main exception to the rule on the service side were tourism-related services categories arts & entertainment and accommodation & food, suffering from fewer visits by American tourists.




*Source: Institut de la Statistique du Québec, Ont. Govt.*

### Sub-par growth in Quebec in 2007

In 2007, the soft landing in the U.S. will continue to be the main dark cloud. Net exports should be again a drag on growth. Also look for the soft landing in the housing market and restructuring in the food processing and forestry industries to continue. Yet, some sectors are expected to do well. We believe the positive momentum in aerospace, engineering and mining industries will carry on. Also, the provincial government reached last year an agreement on pay equity with public sector employees, retroactive to November 2001. As a result, about 360,000 public sector employees, mostly women, should receive a lump-sum close to $2 billion payment during 2007. This will provide a major one-time boost to labour income and retail sales. A more-sustain pillar of strength going forward is the non-residential construction sector. The provincial government announced in early 2007 additional funding for roads infrastructure. Altogether, we forecast Quebec's real GDP at 1.5% in 2007, a performance similar to last year. In 2008, the Quebec economy will gain solid momentum with the rebound in U.S. demand, led by a solid increase in exports. Also, a string of potential projects currently close to approvals is likely to fuel the construction sector in 2008. We forecast real GDP growth at 2.5% in 2008, which would be among Quebec's best economic performances in the current decade. Beyond 2008, the construction of the Eastmain A-1 and La Sarcelle dams in Northern Quebec – the province's biggest hydroelectric project in a decade evaluated at $5 billion – is expected to generate well-paid jobs and guarantee to keep the construction sector in the fast lane. Once finish in late 2012, the dam will add 900 megawatts on-line.

Risks to the Quebec economic outlook are tilted on the downside. Both employment and output in the manufacturing sector are contracting in the province. Persistent weakness in the sector could lead to a deterioration in household's confidence and put a dent into the rest of the economy.

On the fiscal side, the Quebec government appears on track to balance the books in the fiscal year 2006-07. The equity pay deal reached with public sector employees is not a major risk for Quebec's fiscal position, since most of the money was already set aside. In 2007, there are two themes on the agenda: First, the impact of a potential deal on fiscal imbalance. Second, provincial elections could be hold as early as this Spring according to the latest rumors and have implications on the provincial bond market.

# Ontario

## Ontario's sub-par economic performance to continue in 2007

Remember the late 1990s in Ontario? The loonie was trading below 70 US cents, the U.S. economy was running at full steam and provincial tax cuts were stimulating the economy. Ontario's economic fortunes were attracting Canadians from other provinces (see chart). These good old times are unfortunately over. Canada's largest economy expanded more than two time faster between 1997 and 2000 than during the period 2001-2006 (see table). Annual real GDP growth averaged 2.3% over the last 6 years. This is respectable, but it is just not what people got used to.

Economic accounts numbers released by the Ontario government revealed that the economy stalled during 2006. Real GDP advanced by 0.2% in the second quarter and edged down by 0.1% in the third quarter. Indicators released of late lead us to believe that Ontario's economy advanced modestly in the last quarter of 2006, thus avoiding in theory a recession – i.e. two consecutives quarters of contraction in real output. The automotive manufacturing sector is without surprise the weakest link. North American automakers have little choice but to cutback vehicles assembly shifts given the drop in vehicles sales south of the border and elevated inventories. The difficulties in the auto part segment were to some extent more pronounced, and had led to the loss of many well-paid jobs. Beside manufacturing woes, difficulties in the forestry industry and a soft landing in the housing sector were also drag on growth. The performance of the rest of Ontario's economy was quite respectable. Altogether, we estimate Ontario's real GDP growth at 1.3% for the year 2006.

## Ontario's economy to get back on track in 2008

Look for 2007 to be another year of soft growth given that the slowing U.S. economy is the destination of more than 90% of Ontario's international exports. The auto assembly and parts segments are likely to stabilize to relatively low levels during the year. On the domestic side, we expect housing starts to decline to pre-housing boom levels. Overall, real output growth is forecast at 1.1%. The good news is that the largest provincial economy will get back on track in 2008. The start-up of new Japanese vehicles assembly and engines plants, along with the revival in U.S. demand, will act as a light at the end of the tunnel for manufacturers. Ontario's real output is forecast to rebound to 2.6% in 2008.

| Ontario's Economic Performance | | |
|---|---|---|
| | 1997-2000 | 2001-2006 |
| Ontario Real GDP (ann. avg. %) | 5.7 | 2.3 |
| U.S. Real GDP (ann. avg. %) | 4.2 | 2.5 |
| Cumulative Change in CDN (%) | -6.8 | 36.5 |

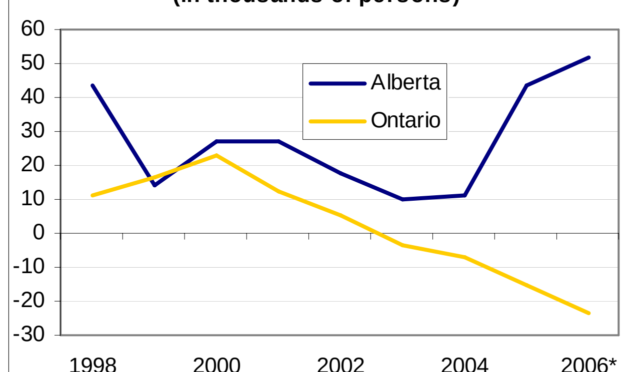
*Source: Statistics Canada, Bank of Canada, Laurentian Bank Economics Research, BEA*

While soft growth is the most likely outcome for Ontario's economy in 2007, it is legitimate to ask ourselves if the rest of the economy will hold. In our view, the risks are tilted on the downside. The contraction of the manufacturing sector, counting for one-fifth of the province's output, could potentially bring down other sectors of the economy. In 2006 for example, manufacturers reduced their workforce by a net 60,000 positions. At first glance, we might prematurely jump to the conclusion that the loss of these high-quality jobs were «offset» by the creation of jobs in the service sector. However, this argument is flawed. First, a worker in the manufacturing sector earns on average close to $1,000 a week, about $250 more than income earner in other sectors. Second, a good part of the jobs created in the service sector are part-time – almost two-thirds of employment gains last year were part-time jobs. This certainly could weight down on labour income, and in turn, translate into a much severe downturn in consumer spending and housing demand.

## Very little fiscal room to work with

Without the utilization of the contingency reserve, the province is on track to register a modest $1 billion deficit for the fiscal year 2006-07. Slower economic growth is having an impact on the amount of tax revenues grabbed by the province. This is in part why the provincial government pushed back the elimination of the deficit to fiscal year 2008-09, assuming the contingency reserve is unused. Ontario's provincial elections will be hold on October 4, 2007.

**Interprovincial migration**
**(in thousands of persons)**




** year-to-date as of 2006Q3; Source : Statistics Canada*

# Manitoba

## Diversity brings stability

In the West, the thriving Alberta economy may get more of the attention, but it does not means that growth in other Western provinces is not healthy at all. To the contrary, Manitoba's diversify economy performed well in 2006. In our view, real GDP growth came in at 3.2%. Many events drove this performance. Manitoba's crop production rebounded strongly in 2006 after heavy rainfalls dampened the crop season in 2005. For example, wheat and feed grain output more than double. Housing starts increased strongly for a fifth consecutive year in 2006, this time by 6.3%. The Winnipeg Floodway expansion project, the construction of the 200-MW electric generating station Wuskwatim and the construction of new airport facilities in Winnipeg fuelled non-residential investment.

## Red-hot Alberta is putting pressures on Manitoba's labour market

Interestingly, Manitoba's unemployment rate is on a downtrend for years and averaged 4.3% in 2006, the second lowest in the country (see table). The labour market would have been tighter without the success of the provincial nominee immigration program for skilled workers: the province saw the highest level of international immigration in nearly 50 years in 2006. Normally, such a low jobless rate reflects blockbuster job creation. However, it has been not the case since employment growth in Manitoba was the weakest among provinces since 2003.

| Selected Economic Indicators, 2006 | | | |
|---|---|---|---|
| Region | Unemp. Rate (%) | Avg. Weekly Earnings (%) * | CPI Inflation |
| N.L. | 14.8 | 4.3 | 1.8 |
| P.E.I. | 11.0 | 3.3 | 2.2 |
| N.S. | 7.9 | 2.6 | 2.1 |
| N.B. | 8.8 | 3.5 | 1.6 |
| Quebec | 8.0 | 2.5 | 1.7 |
| Ontario | 6.3 | 2.5 | 1.8 |
| Manitoba | 4.3 | 2.1 | 1.9 |
| Sask. | 4.7 | 3.8 | 2.0 |
| Alberta | 3.4 | 4.7 | 3.9 |
| B.C. | 4.8 | 4.0 | 1.8 |
| Canada | 6.3 | 3.1 | 2.0 |

** year-to-date in November 2006; Source: Statistics Canada*

The real story is that a growing number of Manitoba's workers are moving in Alberta, where wages are higher in virtually every sector. This situation, however, is not unique to Manitoba: Saskatchewan and British Columbia are in the same boat. Both provinces are close to the low-tax jurisdiction of Alberta and the unemployment rate are very low too (see table). The major difference, however, is that wages in Manitoba have failed to increase rapidly. In 2006, average weekly earnings rose by 2.1% in Manitoba, compared to 3.8% for Saskatchewan and 4.0% for British Columbia (see table). Firms in Manitoba could eventually be force to hike wages to stay competitive. By doing so, it could squeeze profits margin and lead to an acceleration in inflation. This is a development the Bank of Canada will keep on its radar, even if Governor Dodge conducts monetary policy for Canada as a whole and not for one region in particular.

## Manitoba to perform better than the national average in 2007 and 2008

The Manitoba economy is more heavily-oriented in services than Central Canada, and less dependent on the relatively volatile energy sector than other Western provinces. This is why we do not expect wide swings in economic activity this year and next. Further, the Manitoba government was one of the rare provincial governments last year to unveil tax cuts to households, large firms and small businesses all at once. Along with the continued strength in the construction of hydro and wind power projects, this fiscal stimulus will help to keep economic growth in Manitoba above the national average for the next two years. But, since 70% of Manitoba's exports to the U.S. are manufactured goods and that the manufacturing sector is the province's largest sector, real GDP growth is likely to moderate a notch to a still-healthy 2.8% in 2007 before coming back to 3.0% by 2008.

## Stream of budget balances to continue

The Manitoba government is on track to balance the books for a eight straight year in fiscal 2006-07. The New Democratic provincial government will go a step further in improving its already sound fiscal management in the 2007 Budget by adopting consolidated GAAP-compliant budgeting and financial reporting for the fiscal year 2007-08.

# Saskatchewan

## Real GDP growth dipped temporary in 2006

We estimate Saskatchewan's economic expansion at 2.6% in 2006, quite respectable figure given that a few roadblocks bite into growth. Shipments of potash were altered in the first half of 2006 until Canpotex Limited, the offshore marketing company for Saskatchewan potash producers, and Sinofert, a leading fertilizer firm in China, reached an agreement at the end of July for shipments covering the August to December 2006 period. In the agriculture industry, huge rainfalls during the planting season and the hot and dry weather last summer have cut into crop yields. Estimates reveals that production of canola, flaxseed and feed gain were significantly lower in 2006 than in 2005.

## Saskatchewan's resource-mix to pay off in 2007 and 2008

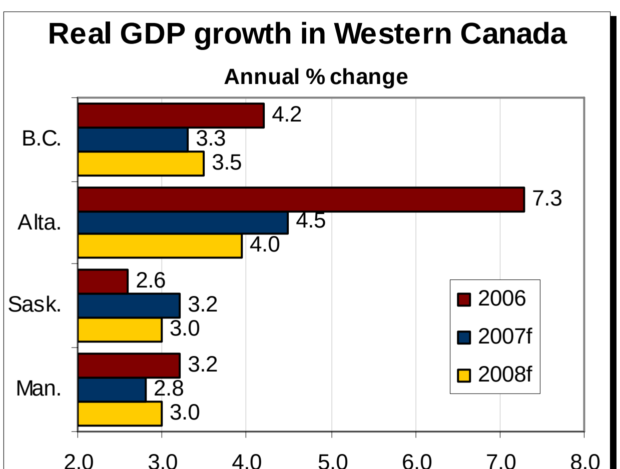
The province of Saskatchewan may not have as much oil as Alberta does or as much natural gas like B.C. does, but it still have highly demanded resources. The first one is potash, used in fertilizers to help grow crops around the world. The second one is the red-hot uranium commodity, used to fuel nuclear reactors worldwide. Saskatchewan is in an ideal position to capitalize on robust global demand for these materials. For example, dozens of new nuclear reactors projects are either under construction or in wait for final approvals around the world. The province is already producing one-third of world's potash and uranium and has the largest reserves in the world for both of these commodities.

In 2007, with the volume of potash shipments and crops yield are expected to go back to normal levels, look for real GDP growth to accelerate at 3.2%. Saskatchewan is likely to buck the trend from other Western provinces, where economic growth is forecast to decelerate in 2007 (see chart). Fiscal stimulus will also support economic activity down the road. The general corporate tax rate was cut down 3 percentage points to 14% in mid-2006 and will be reduce gradually to 12% by 2008. On top of that, the general provincial sales tax rate went down from 7% to 5% in October (see chart). This tax measure will help to maintain purchasing power of Saskatchewan's residents and hopefully will retain some of them from going to Alberta, where there is no general provincial sales tax (see chart).

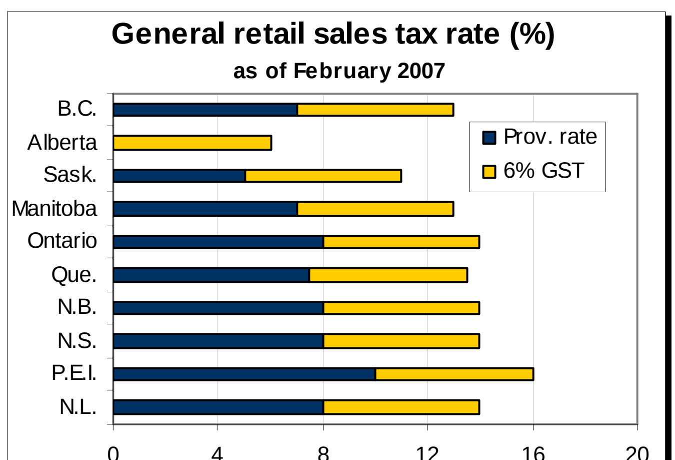
In October, Cameco – the world's largest uranium producer – said it would delay production at its Cigar Lake mine in Northern Saskatchewan because of flooding in April and October. Extraction at the mine was originally supposed to begin in early 2008. About one-tenth of the world's uranium extraction will come from this mine alone once it is be operational. We currently forecast Saskatchewan's real output growth at 3.0% for 2008, excluding the potential starting operations at the Cigar Lake mine.

## Small surplus projected for 2006-07

According to Saskatchewan's mid-year report, the provincial government forecasts a modest $34.5 million surplus for the current fiscal year 2006-07. Both revenues and program spending were revised up from the 2006 Budget estimates.



Source: Statistics Canada, LBS Economics Research



Source: Provincial governments

# Alberta

**Alberta's expansion «too fast and furious» in 2006**

Alberta's economic engine shifted from fifth to seventh gear last year. We estimated Alberta's real output speed up from 4.6% in 2005 to 7.3% in 2006. The economy boomed no matter how we slice it: Housing starts, retail sales, wages, employment, business investment, and manufacturing shipments all skyrocketed last year.

A 7.3% increase in real GDP in a single year alone is too much to handle for businesses, workers, and governments. Just consider the following facts: the jobless rate stood at a ridiculously low 3.3% in December 2006 because employers cannot find enough workers, despite a relatively good response of the workforce across Canada to high wages. Firms have difficulties to settle in Calgary because of the lack of office spaces available. For municipal governments, the needs for infrastructures is skyrocketing, putting pressures on their budgets. In the new housing market, homebuilders cannot keep up with demand, fuelled by a population growing at its fastest pace in 25 years – 3% year-over-year. Buying an home on the resale market in Calgary is, on average, more expensive than in Toronto. Soaring labour expenses and rent costs are also pushing firms to pass on part of the bill to consumers. This is in part why inflation in Alberta – 4.7% as of December 2006 – is by far the highest in the country (see chart). In brief, some will probably say that "there is such thing as too much of a good thing."

**Alberta to come off the boil but to remain leader**

From an economic perspective, it may appears absurd to say at first glance but the easing in energy prices observed in late 2006 and early 2007 might not be a bad thing. It is likely to ease some of the excitement in the oil patch, i.e. that fewer wells should be drilled in 2007 after the record high of 2006. It will also give a chance to the labour market to get less tight, and provide an opportunity for everyone to catch their breath. But, the province far from a middle ground yet.

Nonetheless, we believe the positive momentum will still keep the province on top of the leaderboard, with real GDP forecast at 4.5% in 2007 and 4.0% and 2008. New office towers are expected to be build over the next few years in Calgary to accommodate the red-hot demand for office space. On the industrial side, the multi-billion investments in Northern oil sands, spread over many years, will keep going strong. On the residential front, housing starts will retreat from their 2006 peak but remain at very high levels. As homebuilders try to catch up to housing demand, growth in home prices should ease and inflation should moderate to some extent, which will please the Bank of Canada.

**«Boom-Bust» cycle very unlikely**

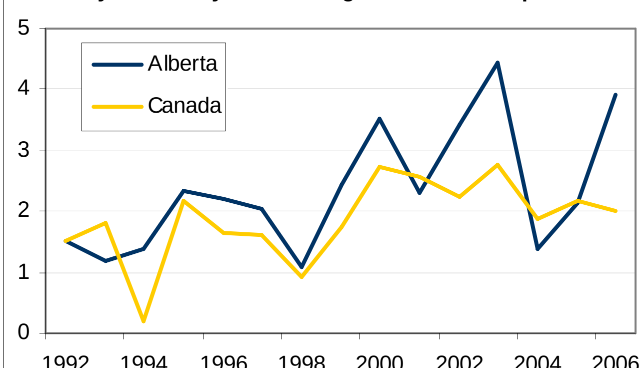
The positive momentum in Alberta's economy is one reason that makes us believe that the boom won't turn into a bust. There are also other factors in place that will help to avoid a sharp downturn like in the 1980s:

- Even if crude oil prices fell lately to trade close to US$50 in early 2007, they have not plunged abruptly like in the 1980s. Crude oil prices bounced back since and should remain elevated enough in the future to ensure that the on-going investments are going to term.
- Interest rates are relatively low today, not in the double-digit zone like 20 years ago.
- The financial position of businesses and households is shinier than ever.
- The debt-free province has room for tax relief if necessary. For the current fiscal year 2006-07, the government forecasts a large $5.4 billion surplus.

This have been said, the growing concern about environmental issues could mix the cars. If targets to cut greenhouse gas emissions are put in place in Canada and other countries around the world, this could potentially have adverse effects in Alberta's oil industry. The new Premier Ed Stelmach is arriving at a time where government's finances are at their best ever and where environmental issues are front and center. Demand for new funding is coming from all sides. The challenge for the 2007 Budget will be to manage efficiently and make sure additional program spending will be sustainable and affordable in the long run.

**Total CPI Inflation**

year-over-year % change in consumer prices




*Source: Statistics Canada*

# British Columbia

## British Columbia's good times to continue

If it was not for Alberta, BC's economic performance would be the best in the country. BC ranked second in 2006 behind Alberta in retail sales, employment and real GDP growth. Residential construction, non-residential investment, and drilling activity related to natural gas also drove the economy last year. The performance of the export sector, however, was mixed. Driven in part by swings in commodity prices, robust mining export products were offset by a decline in wood export products. All told, we estimate real GDP growth at 4.2% in 2006, bang on the 3-year average.

Although the share of BC's exports going to the U.S. (about 66%) is smaller than the national average (about 85%), the bulk of products going south of the border are in large part wood products like lumber, a commodity that Americans need less with the cooling of the housing market. This is the main reason why we expect BC's real GDP growth in 2007 to lose almost a full percentage point to a still-solid 3.3%. See another way, this means that BC is likely rank for a fourth consecutive year in second place, just behind Alberta.

One hot economic topic in BC is, as usual, the challenges surrounding the forestry industry. Lumber prices are currently too low even though they rose slightly from the through of about US$237 per thousand board feet reached last December. And, under the new seven-year softwood agreement effective since last October, a softwood lumber border tax of 15% kicks in when lumber prices are below the threshold of US$315 per thousand board feet. One good news is that a large part of the C$4.3 billion of duties that will be returned from the U.S. to Canada will go to BC companies, which will help them to offset to some extent weakening demand conditions. These recent changes in U.S. demand and prices are short-term issues. The long-term challenge the industry is facing – i.e. the pine beetle devastation – is much more worrisome. The infestation could severely damage forest availability in about 5 to 10 years from now. The infestation also recently reached Alberta.

Another soft spot we anticipate for 2007 is the tourism industry. The number of foreigners visiting Beautiful BC is on a downtrend that could moderate somewhat in 2007, since the rapid ascent of the Canadian dollar is past and that gas pump prices declined.

On the positive side, BC will continue to benefit from its close proximity to Asian emerging markets and the congestion in U.S. ports on the West Coast. The fact that US trade deficit with China rose to about US$ 230 billion in 2006 is actually a good thing, allowing the transportation and storage industry to capitalize on BC's cost and time advantages. A new container terminal will be ready in the fall of 2007 at the port of Prince Rupert in Northern BC. Asian goods will arrive by ships and then be send rapidly by railways to the US Midwest. In the energy sector, investments related to natural gas are likely to expand further and production should rise with state-of-the-art technologies. Most of the vast gas reserves in northern BC are far from being tapped. This is contrasting with Alberta, which could run out of conventional natural gas in the next decade. Projects related to the 2010 Olympics – including the new Richmond-Airport-Vancouver transit line – is another reason why non-residential investment will remain solid over the next two years.

All in all, on the heels of the solid momentum going on in most sectors, the easing in real GDP growth that we expect in 2007 is likely to be very short-lived. Look for the economy to expand at a rapid pace of 3.5% in 2008. Put in a longer perspective, British Columbians are currently right in the middle of what appears to be the longest period of economic prosperity since the Asian immigration boom of the late 1980s.

## Surplus revised up for fiscal 2006-07

The 2007 Budget season will kick off on February 20 with the presentation of the BC Budget by Minister Taylor. For the currently fiscal year 2006-07, the BC government forecast at $2.2 billion according to the second quarter fiscal update, $1.6 billion higher than budgeted, thanks to stronger tax assessments from 2005 and one-time federal transfers. Sound fiscal policy have been a key ingredient underlying BC's sustain economic strength since 2002.

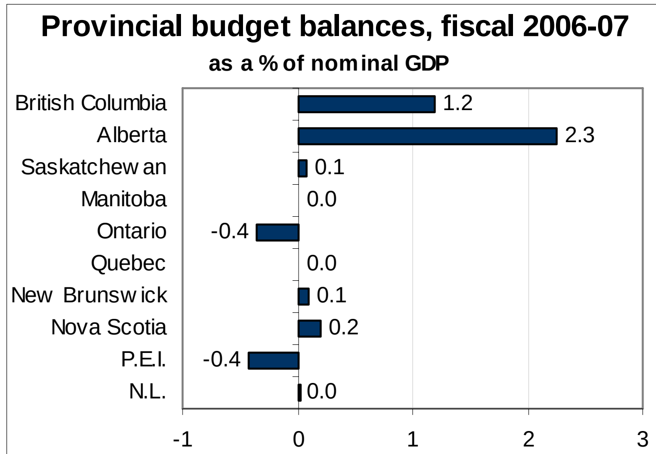
Last spring, the BC provincial government took another step by signing the Trade, Investment and Labour Mobility Agreement with the province of Alberta. Taking effect in April 2007, this accord aims to strengthen economic ties between the two provinces by eliminating barriers for workers, businesses and investors that hold back economic growth and competitiveness. Other provinces are now seeking a similar deal, which could have significant implications on interprovincial trade and interprovincial migration trends in years to come.

# Provincial Fiscal Tables and Charts

**Provincial Budget Balances in fiscal 2006-07**

| | $ millions | % nominal GDP |
|---|---|---|
| N.L. | 6 | 0.0 |
| P.E.I. | -18 | -0.4 |
| Nova Scotia | 65 | 0.2 |
| New Brunswick | 22 | 0.1 |
| Quebec | 21 | 0.0 |
| Ontario | -1,949 | -0.4 |
| Manitoba | 3 | 0.0 |
| Saskatchewan | 35 | 0.1 |
| Alberta | 5,439 | 2.3 |
| British Columbia | 2,150 | 1.2 |

*Source: Provincial fiscal updates and 2006 Budgets*

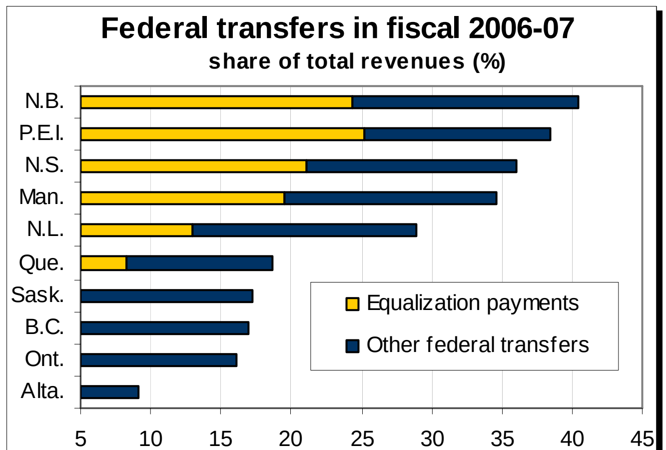



*Source: Provincial fiscal updates and 2006 Budgets*

**Provincial Spreads (bp) against Canada 10-yr yield**

| | 06Q1* | 06Q2* | 06Q3* | 06Q4* | 12/02/07 |
|---|---|---|---|---|---|
| Canada 10-yr yield | 4.26 | 4.62 | 4.00 | 4.01 | 4.17 |
| N.L. | 28.0 | 37.0 | 33.5 | 33.5 | 32.0 |
| P.E.I. | 40.0 | 39.0 | 38.5 | 37.0 | 35.0 |
| Nova Scotia | 31.0 | 31.5 | 30.5 | 31.5 | 28.8 |
| New Brunswick | 31.0 | 30.0 | 30.5 | 31.0 | 28.8 |
| Quebec | 42.5 | 41.7 | 40.5 | 40.0 | 37.7 |
| Ontario | 30.0 | 30.0 | 29.5 | 30.5 | 28.3 |
| Manitoba | 27.0 | 28.0 | 29.5 | 30.0 | 27.5 |
| Saskatchewan | 27.0 | 26.5 | 29.0 | 27.5 | 26.5 |
| Alberta | 15.0 | 18.0 | 20.5 | 22.0 | 21.5 |
| British Columbia | 23.0 | 25.0 | 24.5 | 25.0 | 23.5 |

** end of period, Laurentian Bank Securities*




*Source: Provincial fiscal updates and 2006 Budgets*

**Provincial Credit Ratings**

| | |
|---|---|
| Newfoundland & Labrador | AA2 |
| Prince Edward Island | AA2 |
| Nova Scotia | AA2 |
| New Brunswick | AA1 |
| Quebec | AA2 |
| Ontario | AA1 |
| Manitoba | AA1 |
| Saskatchewan | AA1 |
| Alberta | AAA |
| British Columbia | AAA |

*Source: Moody's Investors Service*

# Provincial Forecasts: 2007-2008 (Canada, Quebec and Ontario)

| *As of January 2007* | Canada | | | | Quebec | | | | Ontario | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2005 | 2006e | 2007f | 2008f | 2005 | 2006e | 2007f | 2008f | 2005 | 2006e | 2007f | 2008f |
| **Nominal GDP** | | | | | | | | | | | | |
| $ millions | 1,371,425 | 1,438,625 | 1,500,486 | 1,578,511 | 273,588 | 283,711 | 295,059 | 306,862 | 537,657 | 551,636 | 565,427 | 592,002 |
| % change | 6.2 | 4.9 | 4.3 | 5.2 | 4.0 | 3.7 | 4.0 | 4.0 | 3.9 | 2.6 | 2.5 | 4.7 |
| **Real GDP** | | | | | | | | | | | | |
| Chained (1997) $ millions | 1,157,705 | 1,190,468 | 1,217,849 | 1,253,166 | 237,981 | 242,027 | 245,657 | 251,799 | 483,962 | 490,447 | 495,842 | 508,734 |
| % change | 2.9 | 2.8 | 2.3 | 2.9 | 2.2 | 1.7 | 1.5 | 2.5 | 2.8 | 1.3 | 1.1 | 2.6 |
| **Employment** | | | | | | | | | | | | |
| thousands | 16,170 | 16,484 | 16,666 | 16,899 | 3,717 | 3,765 | 3,796 | 3,837 | 6,398 | 6,493 | 6,538 | 6,630 |
| % change | 1.4 | 1.9 | 1.1 | 1.4 | 1.0 | 1.3 | 0.8 | 1.1 | 1.3 | 1.5 | 0.7 | 1.4 |
| **Unemployment rate** | | | | | | | | | | | | |
| % | 6.8 | 6.3 | 6.8 | 6.7 | 8.3 | 8.0 | 8.4 | 8.3 | 6.6 | 6.3 | 6.9 | 6.7 |
| **Retail sales** | | | | | | | | | | | | |
| $ millions | 367,828 | 392,472 | 413,274 | 436,830 | 83,262 | 87,371 | 92,507 | 96,358 | 135,416 | 141,223 | 146,348 | 154,056 |
| % change | 6.1 | 6.7 | 5.3 | 5.7 | 6.0 | 4.9 | 5.9 | 4.2 | 4.9 | 4.3 | 3.6 | 5.3 |
| **Housing starts** | | | | | | | | | | | | |
| units | 225,481 | 227,395 | 207,500 | 190,000 | 50,910 | 47,877 | 42,538 | 38,190 | 78,795 | 73,417 | 66,608 | 60,420 |
| % change | -3.4 | 0.8 | -8.7 | -8.4 | -12.9 | -6.0 | -11.2 | -10.2 | -7.4 | -6.8 | -9.3 | -9.3 |
| **Consumer price index** | | | | | | | | | | | | |
| % change | 2.2 | 2.0 | 1.7 | 2.0 | 2.3 | 1.7 | 1.6 | 2.0 | 2.2 | 1.8 | 1.6 | 2.0 |

*e = estimate ; f = forecast*
*Source: Statistics Canada, CMHC, Laurentian Bank Securities Economics Research*

# Provincial Forecasts: 2007-2008 (N.L., P.E.I., N.S. and N.B.)

| *As of January 2007* | Newfoundland & Labrador | | | | Prince Edward Island | | | | Nova Scotia | | | | New Brunswick | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2005 | 2006e | 2007f | 2008f | 2005 | 2006e | 2007f | 2008f | 2005 | 2006e | 2007f | 2008f | 2005 | 2006e | 2007f | 2008f |
| **Nominal GDP** | | | | | | | | | | | | | | | | |
| $ millions | 21,486 | 22,754 | 24,005 | 24,869 | 4,169 | 4,294 | 4,466 | 4,671 | 31,344 | 32,849 | 34,228 | 36,008 | 24,162 | 25,080 | 25,858 | 27,021 |
| % change | 10.3 | 5.9 | 5.5 | 3.6 | 3.5 | 3.0 | 4.0 | 4.6 | 5.0 | 4.8 | 4.2 | 5.2 | 2.9 | 3.8 | 3.1 | 4.5 |
| **Real GDP** | | | | | | | | | | | | | | | | |
| Chained (1997) $ millions | 15,298 | 15,680 | 16,229 | 16,505 | 3,437 | 3,499 | 3,562 | 3,640 | 25,534 | 26,096 | 26,722 | 27,470 | 21,219 | 21,686 | 22,120 | 22,695 |
| % change | 0.4 | 2.5 | 3.5 | 1.7 | 2.1 | 1.8 | 1.8 | 2.2 | 1.6 | 2.2 | 2.4 | 2.8 | 0.3 | 2.2 | 2.0 | 2.6 |
| **Employment** | | | | | | | | | | | | | | | | |
| thousands | 214 | 216 | 217 | 218 | 68 | 69 | 69 | 70 | 443 | 442 | 446 | 450 | 351 | 355 | 357 | 360 |
| % change | -0.1 | 0.7 | 0.4 | 0.5 | 1.9 | 0.9 | 0.5 | 0.6 | 0.2 | -0.3 | 0.9 | 1.0 | 0.1 | 1.4 | 0.5 | 0.9 |
| **Unemployment rate** | | | | | | | | | | | | | | | | |
| % | 15.2 | 14.8 | 15.5 | 15.2 | 10.8 | 11.0 | 11.3 | 11.0 | 8.4 | 7.9 | 8.4 | 8.2 | 9.7 | 8.8 | 9.5 | 9.2 |
| **Retail sales** | | | | | | | | | | | | | | | | |
| $ millions | 5,891 | 6,067 | 6,215 | 6,362 | 1,428 | 1,486 | 1,536 | 1,607 | 10,619 | 11,345 | 11,858 | 12,477 | 8,412 | 8,890 | 9,118 | 9,516 |
| % change | 2.4 | 3.0 | 2.4 | 2.4 | 3.1 | 4.0 | 3.4 | 4.7 | 3.1 | 6.8 | 4.5 | 5.2 | 5.6 | 5.7 | 2.6 | 4.4 |
| **Housing starts** | | | | | | | | | | | | | | | | |
| units | 2,498 | 2,234 | 1,868 | 1,634 | 862 | 738 | 726 | 646 | 4,775 | 4,896 | 4,461 | 4,104 | 3,959 | 4,085 | 3,901 | 3,610 |
| % change | -13.0 | -10.6 | -16.4 | -12.5 | -6.2 | -14.4 | -1.6 | -11.0 | 1.2 | 2.5 | -8.9 | -8.0 | 0.3 | 3.2 | -4.5 | -7.5 |
| **Consumer price index** | | | | | | | | | | | | | | | | |
| % change | 2.6 | 1.8 | 1.5 | 1.8 | 3.2 | 2.2 | 1.6 | 1.9 | 2.8 | 2.1 | 1.7 | 2.0 | 2.4 | 1.6 | 1.5 | 1.9 |

*e = estimate ; f = forecast*
*Source: Statistics Canada, CMHC, Laurentian Bank Securities Economics Research*

# Provincial Forecasts: 2007-2008 (Manitoba, Sask., Alberta and B.C.)

| *As of January 2007* | Manitoba | | | | Saskatchewan | | | | Alberta | | | | British Columbia | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2005 | 2006e | 2007f | 2008f | 2005 | 2006e | 2007f | 2008f | 2005 | 2006e | 2007f | 2008f | 2005 | 2006e | 2007f | 2008f |
| **Nominal GDP** | | | | | | | | | | | | | | | | |
| $ millions | 41,681 | 43,557 | 45,734 | 48,158 | 42,897 | 45,299 | 47,745 | 50,419 | 218,433 | 241,368 | 256,575 | 272,226 | 168,855 | 180,168 | 189,717 | 200,152 |
| % change | 4.7 | 4.5 | 5.0 | 5.3 | 7.2 | 5.6 | 5.4 | 5.6 | 15.7 | 10.5 | 6.3 | 6.1 | 7.2 | 6.7 | 5.3 | 5.5 |
| **Real GDP** | | | | | | | | | | | | | | | | |
| Chained (1997) $ millions | 35,872 | 37,020 | 38,056 | 39,198 | 34,157 | 35,045 | 36,167 | 37,252 | 142,896 | 153,327 | 160,227 | 166,556 | 145,501 | 151,612 | 156,615 | 162,097 |
| % change | 2.7 | 3.2 | 2.8 | 3.0 | 3.1 | 2.6 | 3.2 | 3.0 | 4.6 | 7.3 | 4.5 | 4.0 | 3.7 | 4.2 | 3.3 | 3.5 |
| **Employment** | | | | | | | | | | | | | | | | |
| thousands | 580 | 587 | 592 | 598 | 484 | 492 | 497 | 503 | 1,784 | 1,871 | 1,921 | 1,967 | 2,131 | 2,196 | 2,235 | 2,280 |
| % change | 0.6 | 1.2 | 0.8 | 1.0 | 0.8 | 1.7 | 1.0 | 1.3 | 1.5 | 4.8 | 2.7 | 2.4 | 3.3 | 3.1 | 1.8 | 2.0 |
| **Unemployment rate** | | | | | | | | | | | | | | | | |
| % | 4.8 | 4.3 | 4.5 | 4.9 | 5.1 | 4.7 | 5.1 | 5.1 | 3.9 | 3.4 | 3.8 | 4.0 | 5.9 | 4.8 | 5.0 | 5.0 |
| **Retail sales** | | | | | | | | | | | | | | | | |
| $ millions | 12,443 | 13,194 | 13,748 | 14,535 | 11,038 | 11,714 | 12,314 | 13,083 | 48,615 | 56,749 | 63,221 | 68,902 | 49,902 | 52,643 | 55,128 | 58,540 |
| % change | 6.4 | 6.0 | 4.2 | 5.7 | 7.6 | 6.1 | 5.1 | 6.2 | 12.1 | 16.7 | 11.4 | 9.0 | 5.7 | 5.5 | 4.7 | 6.2 |
| **Housing starts** | | | | | | | | | | | | | | | | |
| units | 4,731 | 5,028 | 4,980 | 4,446 | 3,437 | 3,715 | 3,777 | 3,458 | 40,847 | 48,962 | 44,820 | 42,142 | 34,667 | 36,443 | 33,823 | 31,350 |
| % change | 6.6 | 6.3 | -1.0 | -10.7 | -9.1 | 8.1 | 1.7 | -8.4 | 12.6 | 19.9 | -8.5 | -6.0 | 5.3 | 5.1 | -7.2 | -7.3 |
| **Consumer price index** | | | | | | | | | | | | | | | | |
| % change | 2.7 | 1.9 | 1.7 | 2.0 | 2.2 | 2.0 | 1.5 | 2.0 | 2.1 | 3.9 | 3.0 | 2.8 | 2.0 | 1.8 | 1.7 | 2.0 |

*e = estimate ; f = forecast*
*Source: Statistics Canada, CMHC, Laurentian Bank Securities Economics Research*

## Listed companies in regional stock indices
## Liste des sociétés dans les indices boursiers régionaux

**IBC20**

| Company / Société | (%) |
|---|---|
| Teck Cominco Ltd | 21.9 |
| TELUS Cp | 9.1 |
| West Fraser Timber Co Ltd | 8.6 |
| Goldcorp Inc. | 7.6 |
| Novagold Resources Inc. | 4.7 |
| Methanex Cp | 4.3 |
| Finning Intl Inc. | 4.3 |
| Great Canadian Gaming Cp | 3.8 |
| Eldorado Gold Cp | 3.8 |
| Canfor Cp | 3.6 |
| Bema Gold Cp | 3.5 |
| Pan American Silver Cp | 3.2 |
| Cardiome Pharma Cp | 3.2 |
| MacDonald Dettwiler & Associates Ltd | 3.1 |
| First Quantum Mineral Ltd | 2.9 |
| QLT Inc. | 2.8 |
| Northgate Minerals Cp | 2.7 |
| Angiotech Pharmaceuticals Inc. | 2.4 |
| Catalyst Paper Cp | 2.4 |
| Canaccord Capital Inc. | 2.3 |

**IAB25**

| Company / Société | (%) |
|---|---|
| Encana Cp | 14.3 |
| Suncor Energy Inc. | 11.4 |
| Canadian Natural Resources Ltd | 10.3 |
| TransCanada Cp | 6.1 |
| Talisman Energy Inc. | 6.0 |
| Petro-Canada | 5.5 |
| Husky Energy Inc. | 4.2 |
| Shaw Communications Inc. | 4.0 |
| Canadian Utilities Ltd | 3.4 |
| Nexen Inc. | 3.4 |
| Shell Canada Ltd | 3.3 |
| Western Oil Sands Inc. | 3.1 |
| Enbridge Inc. | 3.0 |
| TransAlta Cp | 2.4 |
| Atco Ltd Cl I NV | 2.3 |
| OPTI Canada Inc. | 2.3 |
| Canadian Pacific Railway Ltd | 2.2 |
| Trican Well Service Ltd | 1.9 |
| UTS Energy Cp | 1.8 |
| Agrium Inc. | 1.8 |
| Ensign Energy Services Inc. | 1.7 |
| WestJet Airlines Ltd V | 1.6 |
| Duvernay Oil Cp | 1.6 |
| Compton Petroleum Cp | 1.4 |
| Savanna Energy Services | 1.1 |

**IP10**

| Company / Soc. | (%) |
|---|---|
| Potash Cp of Saskatchewan Inc. | 25.6 |
| Cameco Cp | 22.1 |
| Manitoba Telecom Services Inc. | 9.9 |
| IGM Financial Inc. | 9.1 |
| Great-West Lifeco Inc | 8.7 |
| IPSCO Inc. | 7.9 |
| Shore Gold Inc. | 6.0 |
| CanWest Global Communications Cp | 4.9 |
| Saskatchewan Wheat Pool | 4.1 |
| Medicure Inc. | 1.8 |

**IO40**

| Company / Société | (%) |
|---|---|
| Toronto-Dominion Bank | 8.6 |
| Research in Motion Ltd | 8.4 |
| Cdn Imperial Bank of Commerce | 7.5 |
| Manulife Financial Cp | 7.0 |
| Imperial Oil Ltd | 6.1 |
| Rogers Communications Inc. | 6.1 |
| Sun Life Financial Inc. | 4.3 |
| Inco Ltd | 4.2 |
| Barrick Gold Cp | 3.6 |
| Brookfield Asset Management Inc. | 3.4 |
| Shoppers Drug Mart Cp | 3.1 |
| Canadian Tire Cp Ltd | 2.9 |
| Thomson Cp (The) | 2.1 |
| Loblaw Cos Ltd | 2.0 |
| Magna Intl Inc. | 2.0 |
| AGF Management Ltd | 1.9 |
| Weston Ltd George | 1.7 |
| Nortel Networks Cp | 1.6 |
| Cognos Inc. | 1.5 |
| TSX Group Inc. | 1.5 |
| Agnico-Eagle Mines Ltd | 1.4 |
| MDS Inc. | 1.4 |
| Alliance Atlantis Comms Inc. | 1.3 |
| ONEX Cp SV | 1.3 |
| Brookfield Properties Cp | 1.2 |
| Four Seasons Hotels Inc. | 1.2 |
| Kinross Gold Cp | 1.1 |
| Fairfax Financial Holdings Ltd | 1.0 |
| FNX Mining Co Inc. | 1.0 |
| Torstar Cp | 0.9 |
| Algoma Steel Inc. | 0.9 |
| Toromont Inds Ltd | 0.9 |
| Celestica Inc. | 0.9 |
| Home Capital Group Inc. | 0.8 |
| MI Developments Inc. A | 0.8 |
| Inmet Mining Cp | 0.8 |
| Dundee Cp Inc. A | 0.8 |
| Rothmans Inc. | 0.7 |
| Linamar Cp | 0.7 |
| Russel Metals Inc. | 0.6 |

**IQ30**

| Company / Société | (%) |
|---|---|
| Banque Nationale du Canada | 8.7 |
| BCE Inc. | 7.7 |
| Banque Royale du Canada | 7.3 |
| Power Corporation du Canada | 6.7 |
| Corporation Financière Power | 5.7 |
| Compagnie des Chemins de Fer Nationaux du Canada | 5.5 |
| Banque de Montréal | 4.7 |
| Alcan Inc. | 4.6 |
| Bombardier Inc. | 4.5 |
| Metro Inc. | 4.3 |
| Alimentation Couche-Tard Inc. | 3.3 |
| Groupe SNC-Lavalin Inc. | 3.0 |
| Industrielle Alliance, Assurances et services financiers Inc. | 2.8 |
| Rona Inc. | 2.6 |
| Transcontinental Inc. | 2.5 |
| CAE Inc | 2.4 |
| Quebecor Inc. | 2.2 |
| Les Vêtements de Sport Gildan Inc. | 2.2 |
| Saputo Inc. | 2.1 |
| Groupe CGI Inc. | 1.8 |
| Gestion ACE Aviation Inc. | 1.8 |
| Le Groupe Jean Coutu (PJC) Inc. | 1.8 |
| Domtar Inc. | 1.8 |
| Molson Coors Brewing Company | 1.8 |
| Neurochem Inc. | 1.7 |
| Quebecor World Inc. | 1.5 |
| Banque Laurentienne du Canada | 1.5 |
| Mega Bloks Inc. | 1.4 |
| Abitibi-Consolidated Inc. | 1.2 |
| Cascades Inc. | 1.2 |

**IA15**

| Company / Société | (%) |
|---|---|
| La Banque de Nouvelle - Écosse | 29.5 |
| Fortis Inc. | 15.1 |
| Emera Incorporated | 14.8 |
| Empire Company Limited | 11.9 |
| Sobeys Inc. | 5.6 |
| Corridor Resources Inc. | 4.0 |
| Altius Minerals Corporation | 3.7 |
| Killam Properties Inc. | 3.0 |
| Group Forage Major Drilling Group International Inc. | 2.8 |
| Homburg Invest Inc. | 2.3 |
| Newfoundland Capital Corporation Limited | 1.9 |
| Les Centres Commerciaux Plazacorp Ltée | 1.8 |
| Etruscan Resources Inc. | 1.8 |
| SEAMARK Asset Management Ltd. | 1.0 |
| FPI Limited | 0.9 |

*Source: Centre d'analyse et de suivi de l'Indice Québec (CASIQ), Université de Sherbrooke*