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Laurentian Bank Securities

The Provincial Monitor

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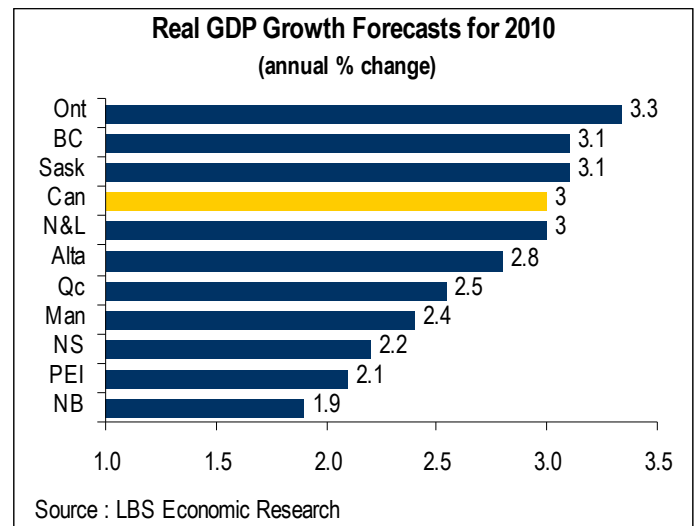
In the near term, a better start than expected for the provinces...

Concerns about the sovereign debt of European nations such as Greece, Portugal and Spain are growing. Public debt has ballooned, lowering credit ratings and making bond yields volatile. Even with the International Monetary Fund and European Union injection of emergency funds to repay short-term debt, the risk of restructuring is rising, as the economic outlook of countries in trouble seems too dismal to generate enough revenue. These governments have no other choice but to cut public spending, a process that takes more time than the markets care to hear.

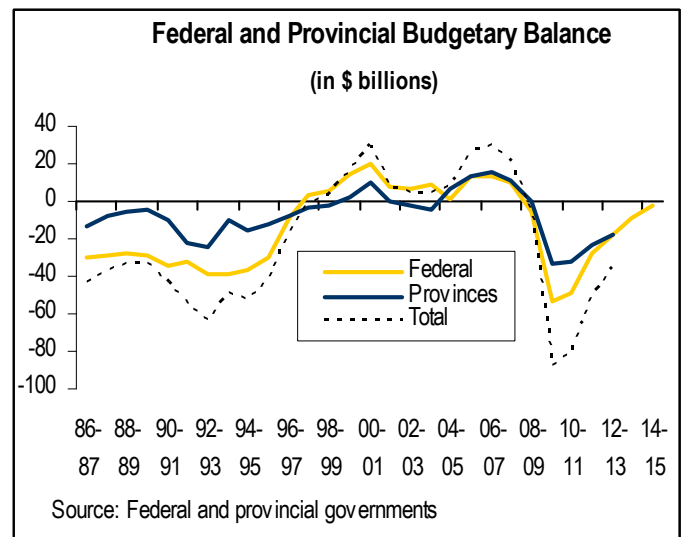
Investor anxiety about sovereign debt structural problems and the emergence of potentially harmful adverse feed-back loops between government finances and the financial sector in Europe prompted renewed volatility in the Canadian bond market. Provincial credit spreads notably widen even though Canada's public finances are in relatively good shape. Unlike some euro zone members, no Canadian province has its back to the wall. We are thus ruling out the possibility that one province could, on its own, undermine all of the country's bond market. Although federal and provincial debt will rise in the coming years, in our view, investors can sleep soundly as to their ability to finance that debt.

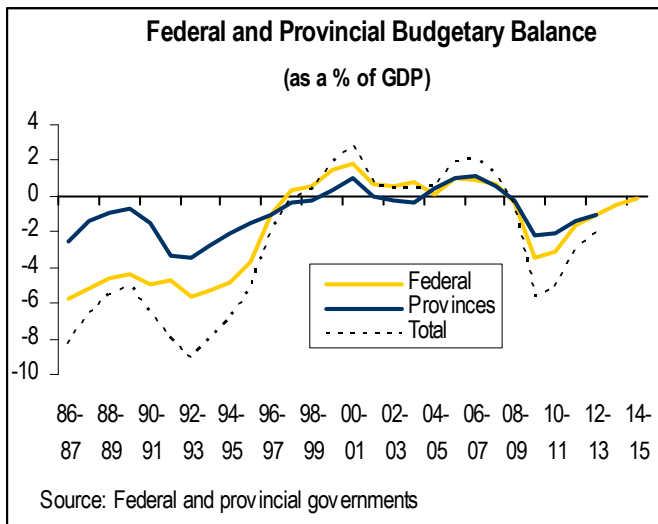
Moreover, the economy's recovery is stronger than expected, giving a good boost to the short-term budget outlook. *LBS Economic Research* has, in fact, upgraded its forecast since the last issue of the *Provincial Monitor* was published in February (see the tables at the end of the report). Specifically, we have increased the major provinces' real GDP growth for 2010. Firstly, in Ontario (3.3%), due to the rebound by investment in the auto sector and good outlook for employment in that sector. Secondly, in British Columbia (3.1%), given the impact of the Olympic Games, which gave the economy more stimulus than anticipated.

Thirdly, in Quebec (2.5%), on one hand due to the labour market's strong recovery, which in turn supports consumption, and on the other due to business investment, which promises to be more robust (in March, the Institut de la statistique du Québec announced that mining firms' intentions pointed to an increase of about 30% in total investment for 2010 compared with 2009).



As a result, the combined deficit of \$82 billion (5.1% of nominal GDP) that the federal government and provinces planned to post in 2010-2011—according to budget documents released a few months ago—should be revised downward sometime this year. The same goes for the combined deficit of \$88 billion (5.7% of GDP) the governments estimated for 2009-2010. Moreover, note that most of the provinces are starting off in a better position than Ottawa. As occurred in the 1990s, the projected total provincial deficits for 2010-2011 (\$32 billion, 2.0% of GDP) promises to be smaller than at the federal level (\$49 billion, 3.1% of GDP).





Notably, it will take longer for British Columbia to wipe out its deficit than the other western provinces as market conditions for forest product and natural gas prices are lacklustre. Ontario will bring up the rear well behind; it plans to achieve a zero deficit in seven years, in 2017-2018. It will take the Ontario government five years to cut the deficit in half. Ontario is trailing because the recession hit corporate tax income harder than in any other province and program spending growth substantially exceeded GDP growth in the past. The result: Ontario will post a deficit of more than 3.0% of GDP in 2009-2010 and 2010-2011. Its neighbour Quebec is starting from a better position—it had previously been paying more attention to its purse strings and underwent a less severe recession. Lastly, the province of Newfoundland and Labrador has not unveiled a concrete plan to resolve its budget dilemma, even though it is predicting small deficits for the next three years.

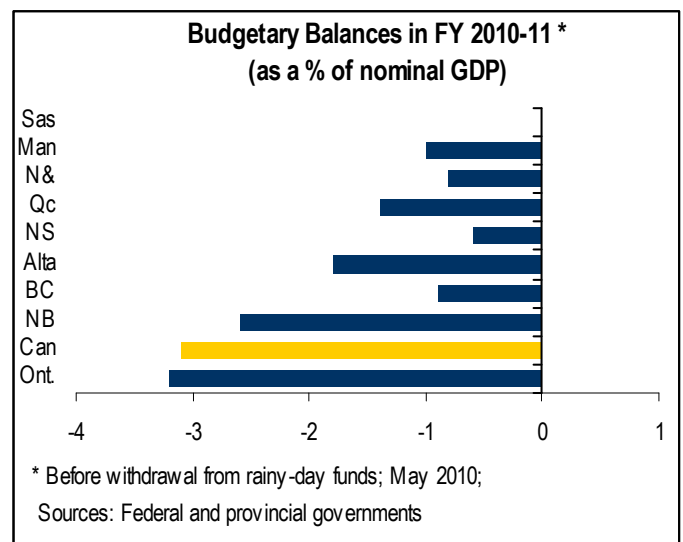
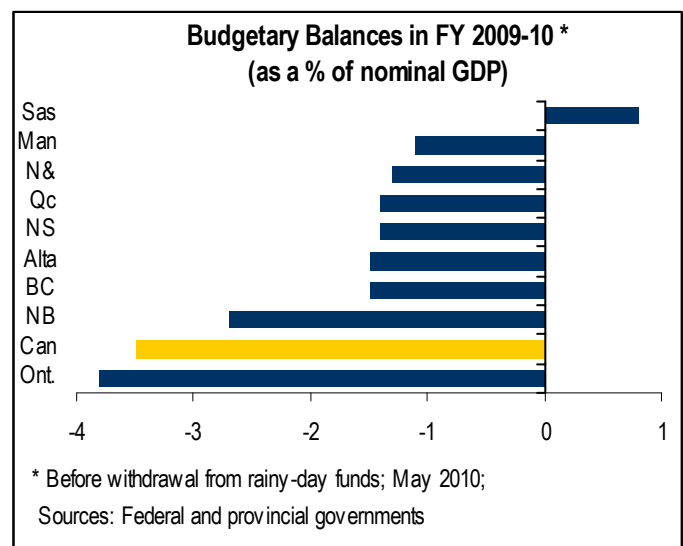
...but a lot remains to be done by the governments

Despite the better starting point in the near term, there is a long way to go to get the deficits back to zero. It is too early to declare victory. Governments should not rely on robust economic expansion beyond 2010 to get budgets back into balance. For example, our forecast real GDP growth for all of the provinces in 2011 is 3% or lower. In addition to our strong currency and a modest American demand outlook, potential growth is expected to slow substantially over the medium term due to demographic changes and dismal productivity growth. In other words, the deficits will not go away without additional measures, as they involve a structural component. During the 2010 budget season, governments had to answer two key questions to maintain their credibility: When will fiscal balance be re-established? How do we get there?

Return to fiscal balance: When?

Returning to fiscal balance is obviously a key prerequisite for maintaining fiscal credibility, especially in a context where, in previous economic cycles, investors did not think this was a major priority. Governments can no longer afford to let deficits drag on, especially as fears about sovereign debt in Europe are making investors nervous. And, as is now the case with European governments, it would not be appropriate to put all of the provinces in the same basket. The balanced budget race is uneven, primarily for two reasons: runners' starting points and speeds differ from region to region (see the complete table on the provinces' budget balances at the end of this report).

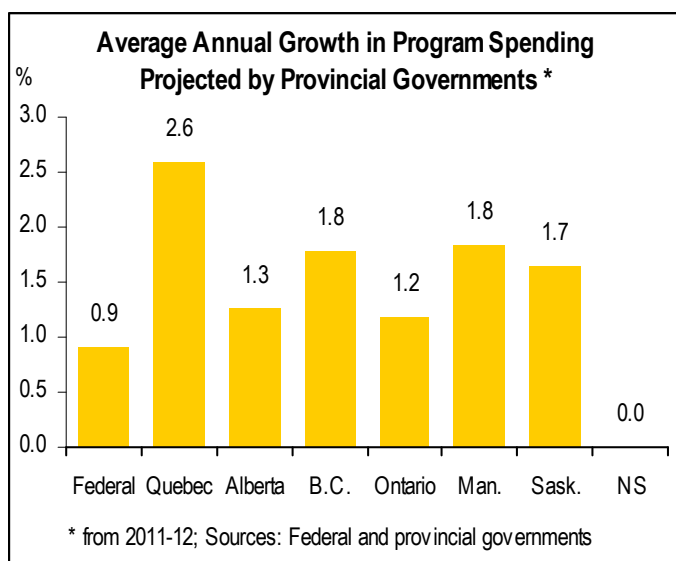
For example, the recovery by oil and potash prices will make things easier for Alberta and Saskatchewan, which should both cross the finish line in the lead. In fact, by drawing on its savings, Saskatchewan is the only province that is avoiding the word deficit. Alberta believes it will be able to reach a zero deficit in 2012-2013. Nova Scotia, British Columbia and Quebec plan to return to balanced budgets in 2013-2014, one year ahead of Manitoba and Ottawa.



Return to fiscal balance: How?

The approach to take (the “how”) is of course essential in meeting the deadline for fiscal balance (the “when”). Ottawa and the provinces are all planning to diet when it comes to spending, even the provinces that are lucky enough to be able to count on increased revenue from the exploitation of natural resources. The continuation of stimulus measures during fiscal 2010-2011 will make way for an era of austerity as of 2011-2012. Wiping out the budget deficit and reining in public debt will become the priorities. Overall, the governments’ strategy is to do more with less by reducing program spending growth to keep it below tax revenue growth. Here are some examples:

- In Ontario, the 2010 budget features a fairly heroic presumption: that, beyond 2012-2013, the annual rate of growth by program spending will be kept to half of the revenue growth rate.
- In Nova Scotia, the NDP government wants to keep expenditure growth flat as of 2011-2012, keeping it to \$9 billion annually for four years.
- In Quebec, the Charest government’s 2010 budget projects an annual rate of growth in program spending of 2.9% in 2010-2011, and 2.2% after that until 2013-2014, about twice as slow as revenue growth.
- Even with no debt, Alberta wants to get program spending growth below population and inflation growth by cutting spending in 15 ministries.
- British Columbia’s Campbell government is planning a modest spending increase of 2.3%, below the revenue growth forecast of 4.9%. There will be cuts in all ministries except for health services and education.
- Ottawa intends to slow average annual program spending growth to 0.9% from 2011-2012 through to 2014-2015. Among other things, the plan involves slowing the pace of growth by military spending, freezing the international aid budget envelope at \$5 billion a year as well as ministerial operating budgets.



Return to fiscal balance: Can it be done?

The very least we can say is that the governments are not short on ambition! They want to keep growth by real program spending (adjusted for inflation) close to zero or even in negative territory for several years. They managed to do so in the mid-1990s and must do it again to keep their books in order, should another recession come along. We think that going from words to action is the main operational risk to the provincial and federal roadmaps. Banking on cutting the rate of program spending growth is easier said than done.

In other words, the provinces have clear intentions, but they must follow through. For now, the measures announced are ambiguous in terms of concrete results. For example, some governments are talking about an extensive review of program effectiveness, a task that will take some time to put into practice. Moreover, small measures, such as salary freezes for elected members and senior civil servants are only symbolic. Not to mention that tighter monitoring of economic agents regarding tax evasion is, in our opinion, a Pandora’s box: it is hard to know whether the efforts in this regard will put millions of dollars into government coffers. Lastly, trimming the size of the civil service, frequently by attrition, as Quebec has been doing for some time now, is something that other provinces, like British Columbia and Saskatchewan, are considering. In terms of wages, British Columbia, Ontario and Manitoba want to negotiate a wage freeze (Quebec is the only province to offer its unionized employees a raise, despite a heavier debt load). Nova Scotia is also thinking about cutting some benefits associated with civil servants’ pensions.

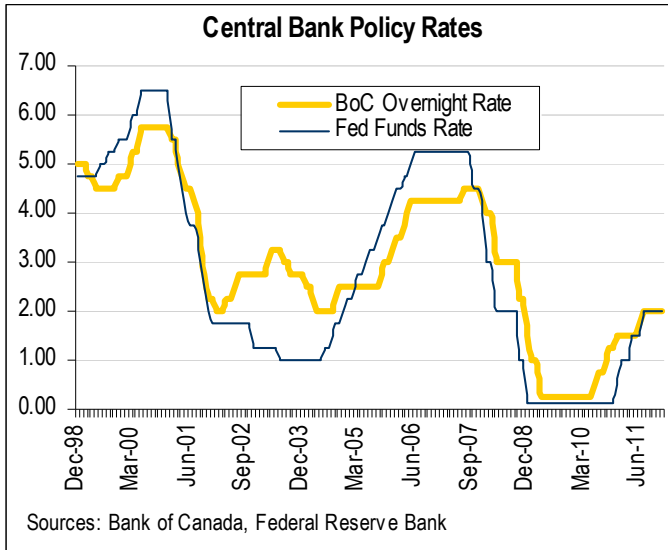
Although there is some scepticism about the government’s ability to control program spending, the hard line taken in its negotiations with civil service unions constitutes a firm commitment to it. All in all, the effectiveness of government plans to make their services more efficient is the key factor investors will have to watch for. More stringent governance mechanisms will have to be implemented as quickly as possible to avoid having to institute extreme austerity measures much later, like those now current in PIGS countries.

Debt service should remain under control at home despite European structural woes

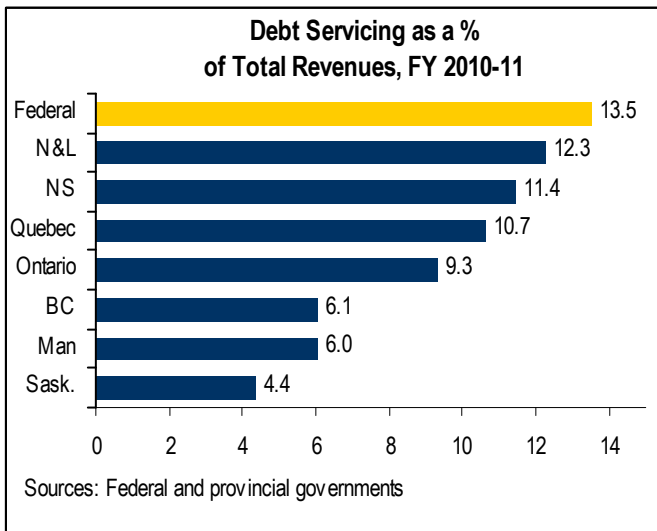
In fiscal 2009-2010, the drop in interest rates—and narrowing of credit spreads—was so sharp that, in most cases, it more than offset the increase in the debt. In Quebec, for example, debt service fell by 5.4%, even though it is still the third largest expenditure item. Ontario and British Columbia are two rare exceptions to the rule, due to a bigger jump in their debt.

Recently, the wind shifted. Provinces’ credit spreads widened due to sovereign debt tensions in Europe. As such, the Bank of Canada is gearing up to modestly lift its key policy rate 1.50% by year’s end, subsequently holding it around 2.00% in 2011.

Governor Carney seems to be ruling out the possibility of taking the overnight rate target towards a neutral zone amid the highly prudent statement accompanying the June 1st decision, an advantage for the provinces. In the medium-term, debt service should not hamper the process of generating budgetary balances and primary surpluses down the road. In fact, debt service as a percentage of revenue promises to be lower in the next few years than it was during the 1990s.



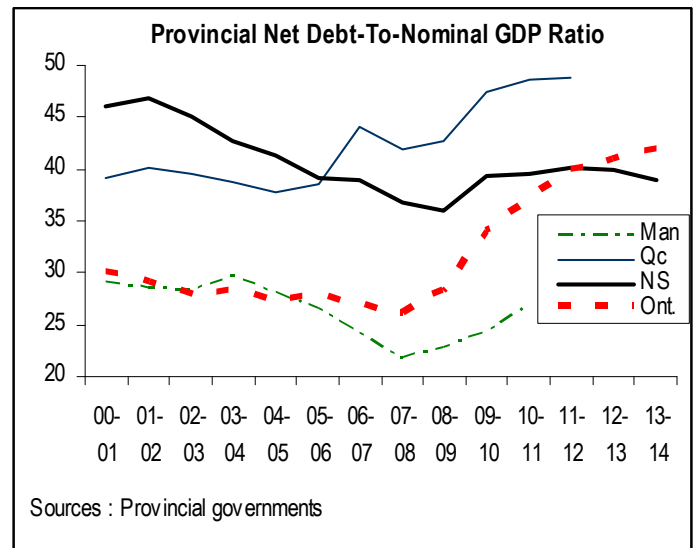
For example, for each dollar of revenue collected by the Quebec government, 11 cents will be dedicated to debt service in 2010-2011, and almost 13 cents in 2013-2014. This ratio is lower than it was in the 1990s, when at least 15 cents went into servicing the debt each year. The same is true in the other provinces.



The most heavily indebted governments have no choice but to tax. Will the others follow suit?

While, to date, we have put the emphasis on spending, we must not overlook governments' power to tax in this equation. In our opinion, it is no coincidence that Quebec and Nova Scotia are, to date at least, the only two provinces that have asked individual taxpayers to contribute to balancing the budget (although it increases the tax burden on consumers, the harmonization of the provincial sales tax in Ontario and British Columbia has a neutral impact in terms of tax revenues, as the tax burden on business is lighter).

Quebec and Nova Scotia have the highest debt ratios in the country, considerably reducing their margins for error. On one hand, in Nova Scotia, the harmonized sales tax (HST) will go from 13% to 15% on July 1, 2010. For its part, Quebec is going further, turning toward new income streams: along with adding another point in January 2012 to the point announced last year for January 2011, there will be an additional bite on taxpayers with a \$200 health contribution in 2012, an increase in the gas tax, and the unfreezing of electricity rates as of 2014. The decision by Quebec and Nova Scotia to tax consumption is not based solely on the fact that this measure is not as bad for the economy; it is also because these provinces have less leeway in terms of personal income tax. Moreover, this type of taxation does not abide by the principle of fairness, as it affects less than half of taxpayers.



Even though raising taxes seems like a relatively easy—and rather unpopular—solution, it nonetheless helps to make the balanced budget plan more credible. Quebec and Nova Scotia could no longer put the tough decisions off until later. For now, the other provinces have enough fiscal capacity to take the risk of not raising taxes.

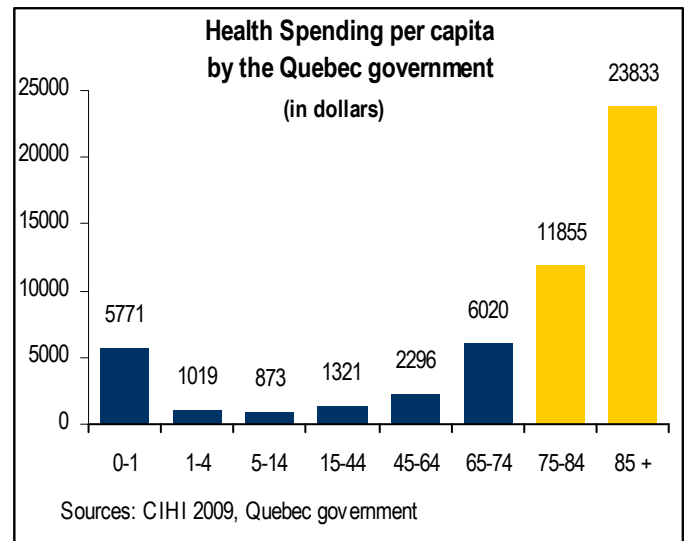
It is still possible that other provinces, grappling with higher-than-average debt loads — such as Ontario — may be forced to increase the tax burden in the future. If another recession were to strike the country before fiscal balance is restored, these provinces' responses could be very different. Already, counting on robust GDP growth in the coming years, Ontario's net public debt should reach almost 40% of GDP in 2016-2017, which is not very far from Nova Scotia's net debt ratio. All in all, the tax hikes announced this year by Quebec and Nova Scotia may be the bellwethers for similar measures that will need to be instituted elsewhere in the country within the next few years.

Prescribing a different dosage for health care spending?

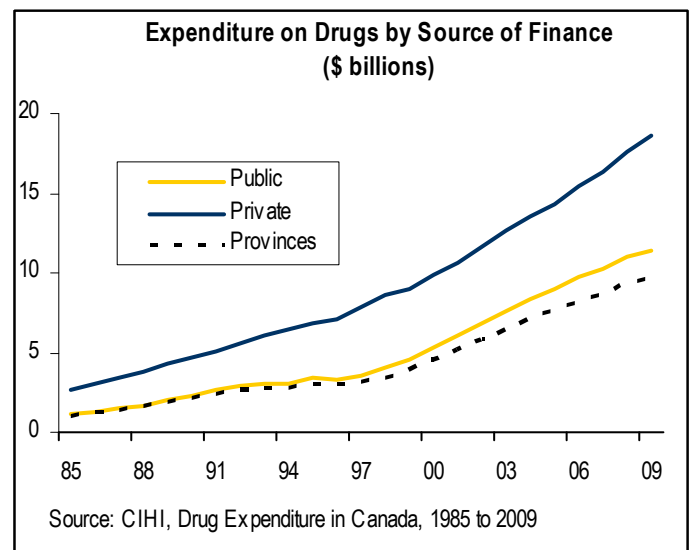
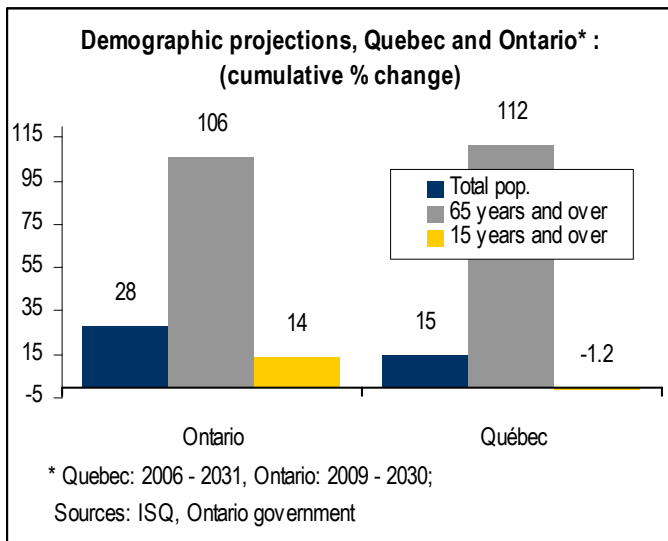
In the best of scenarios, the roadmaps will be followed to the letter and, for the most part, public finances will be back in balance in a few years. Once reached, however, balance will be holding on by a thread.

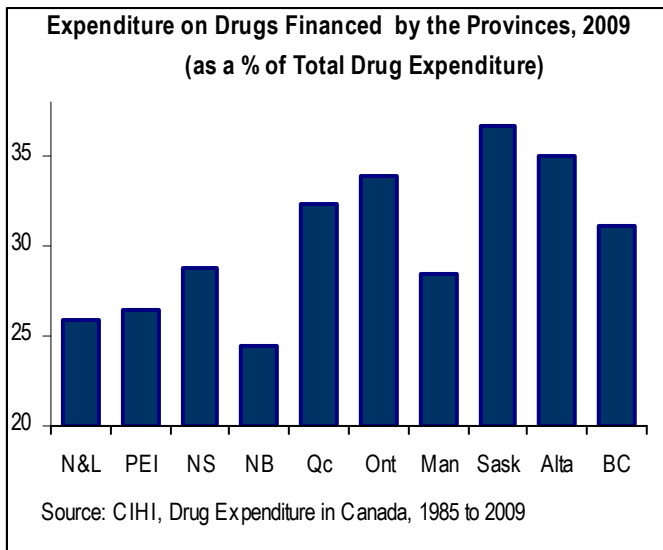
The impacts of population aging will then start to hit health spending, while growth by the working-age labour force will slow in most provinces. The demographic shock will hit Quebec the hardest, where the working-age labour force will start to decline slightly as of 2013. These two forces will quickly take the budget back into the red if no further action is taken: raising taxes, cutting spending in other ministries, or increasing the debt.

Governments might possibly have to cut spending in larger programs, for example, by reducing some of the public health program's coverage or asking more direct contributions from patients. These tough choices, which seem easy to put aside for now, will eventually be inevitable to maintain financial stability.



Here, Ontario's government is taking the lead in trying to overhaul the drug plan to save half a billion dollars a year. The Ontario government's spending on drugs, which has risen by an average of 10% a year for the last decade, accounts for close to one third of all of the province's drug spending and about one tenth of total healthcare spending. Notably, the McGuinty government plans to cut the amounts paid to pharmacies for selling generic drugs through the Ontario Drug Benefit Plan from 50% to 25% of the original drug's price. This would have a positive snowball effect for all of the other provinces' healthcare budgets. In particular, the Quebec government's drug policy would automatically bring on a decrease in the price of generic medicines.



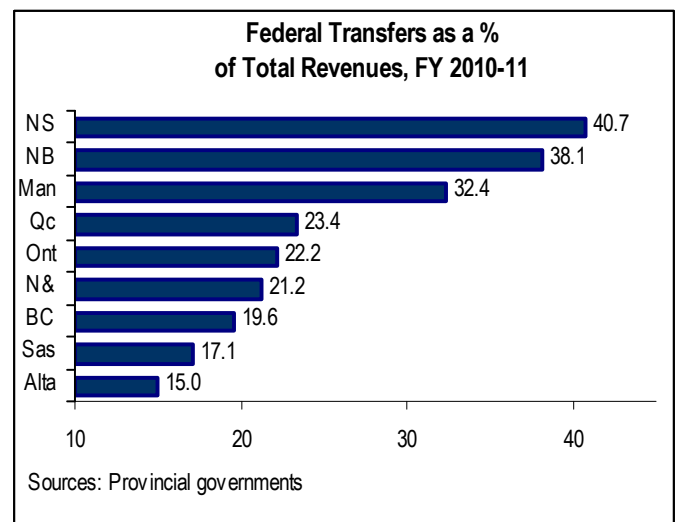
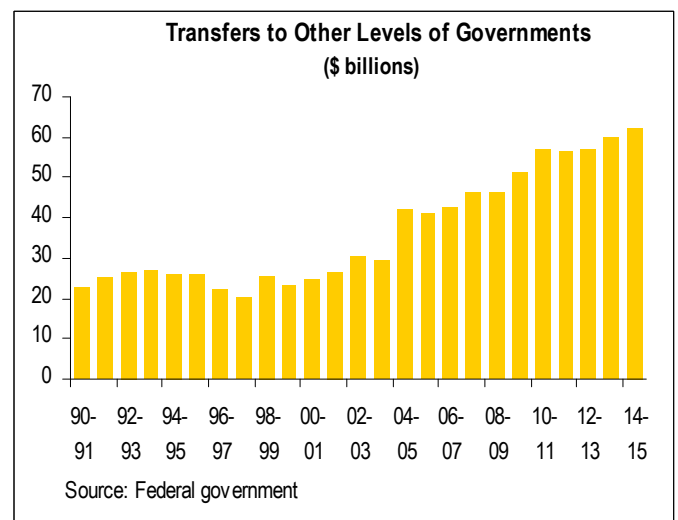


They will account for close to 40% of total revenue in Nova Scotia and New Brunswick in 2010-2011, and for more than 30% in Manitoba. Although Quebec is the transfer program's biggest recipient, it gets a lot less as a percentage of total revenue (and per capita) than the Atlantic Provinces, except for Newfoundland and Labrador. Ottawa's transfers still represent almost one quarter (23%) of Quebec's total revenue in 2010-2011. The collapse of independent revenue means that Ontario is more exposed to federal transfers than previously (13% in 2003-2003, 22% in 2010-2011). Queen's Park will, among other things, receive almost \$1 billion in transfer payments in 2010-2011. Unsurprisingly, the provinces that will be the least dependent on Ottawa will be the resource-rich provinces. As Alberta, British Columbia and Saskatchewan do not get any transfer payments, odds are, in all likelihood, that it will be very hard to reach a consensus.

What will happen with federal transfers to provinces after 2013-2014?

The demographic impact will inevitably have an effect on the provinces' public finances over the medium and long range. Another factor that clouds the provinces' crystal ball is their future agreement with Ottawa on transfers. For now, the federal government has opted to clean its own house (international aid, operating budgets, military spending) rather than cutting transfers to individuals or the provinces. It will abide by existing agreements, which end in 2013-2014. It won't happen overnight, but *LBS Economic Research* still wants to raise the following question: What will happen with federal transfers to provinces after 2013-2014? Will there be another reform of the equalization system? Will Ottawa be able to handle as large a portion of the financing for provinces' essential services?

Of course, a change to the federal transfer system could interfere with the provinces' keeping their budgets balanced. As a result, they would be forced to find more income sources and tighten the screws on spending even further. We think that it is in Ottawa's interest not to abruptly change payments to provinces, as happened in the 1990s, in order to promote fiscal stability for the entire country. Regardless of whether the federal government keeps its budget envelope where it is, increases it at a slower pace or cuts it, the provinces might not be able to count on support as generous as it has been in the past—transfer payments to other governments have doubled since 1997-1998, going from \$22 billion to \$50 billion. Some provinces will have to be more nimble than others if the openhandedness the federal government has been showing for over 10 years were to decline somewhat. *LBS Economic Research* has some concerns about the major role federal transfers play in several jurisdictions' total revenue.



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Population growth in Canada and the provinces											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Canada	1.1	1.1	0.9	1.0	1.0	1.0	1.1	1.2	1.0	0.9	0.9
N&L	-0.5	-0.5	-0.2	-0.2	-0.6	-0.8	-0.7	0.0	0.4	0.4	0.4
PEI	0.2	0.2	0.3	0.4	0.2	-0.1	0.2	1.0	0.3	0.3	0.3
NS	0.2	0.2	0.2	0.2	-0.2	-0.1	-0.2	0.1	-0.1	-0.1	-0.1
NB	0.1	0.1	0.1	0.1	-0.1	-0.3	0.0	0.2	-0.1	-0.1	-0.1
Quebec	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.9	0.7	0.6	0.6
Ontario	1.7	1.7	1.3	1.3	1.2	1.1	1.0	1.1	0.8	0.7	0.7
Manitoba	0.4	0.4	0.5	0.7	0.3	0.4	0.8	1.0	0.4	0.4	0.4
Sask.	-0.4	-0.4	-0.1	0.0	-0.5	-0.3	0.8	1.3	2.0	1.5	1.5
Alberta	1.9	1.9	1.4	1.5	2.3	2.7	2.7	2.4	1.5	1.4	1.4
BC	0.9	0.9	1.0	1.2	1.3	1.4	1.6	1.7	1.4	1.3	1.3

Sources: Statistics Canada, LBS Economic Research

Real GDP growth in Canada and the provinces											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Canada	1.8	2.9	1.9	3.1	3.1	2.8	2.7	0.4	-2.6	3.0	2.5
N&L	1.6	15.6	5.8	-1.7	0.2	3.3	9.1	0.5	-8.9	3.0	3.0
PEI	-1.1	4.8	2.1	3.0	1.3	2.6	2.0	0.5	0.2	2.1	2.4
NS	3.2	4.0	1.4	1.4	1.8	0.9	1.6	2.2	-0.3	2.2	2.8
NB	1.7	4.5	2.8	1.4	0.5	3.0	1.6	0.0	-0.5	1.9	2.1
Quebec	1.5	2.4	1.2	2.6	2.0	1.7	2.4	1.0	-1.4	2.5	2.3
Ontario	1.8	3.1	1.4	2.5	2.9	2.1	2.1	-0.5	-3.4	3.3	2.6
Manitoba	0.8	1.6	1.4	2.6	2.7	3.2	3.3	2.0	-0.9	2.4	2.7
Sask.	-1.0	-0.4	4.6	3.8	3.5	-0.4	2.8	4.2	-1.6	3.1	3.0
Alberta	1.7	2.2	3.2	5.2	5.3	6.6	3.3	0.0	-2.5	2.8	3.0
BC	0.6	3.6	2.3	3.7	4.5	3.3	3.1	0.0	-2.3	3.1	2.3

Sources: Statistics Canada, LBS Economic Research

Unemployment rate in Canada and the provinces											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Canada	7.2	7.6	7.6	7.2	6.8	6.3	6.0	6.2	8.3	8.0	7.6
N&L	16.1	16.6	16.5	15.7	15.2	14.8	13.6	13.3	15.5	14.8	13.5
PEI	12.0	11.9	10.9	11.2	10.9	11.1	10.3	10.7	12.1	10.0	10.0
NS	9.8	9.6	9.1	8.8	8.5	7.9	8.0	7.7	9.2	9.0	8.7
NB	11.1	10.2	10.3	9.8	9.7	8.7	7.6	8.6	8.8	8.7	8.5
Quebec	8.8	8.6	9.1	8.6	8.3	8.0	7.2	7.3	8.5	7.9	7.6
Ontario	6.3	7.1	6.9	6.8	6.6	6.3	6.4	6.5	9.0	8.7	8.4
Manitoba	5.1	5.1	5.0	5.3	4.8	4.3	4.4	4.1	5.2	5.1	4.7
Sask.	5.8	5.7	5.6	5.3	5.1	4.7	4.2	4.1	4.8	4.8	5.0
Alberta	4.7	5.3	5.1	4.6	3.9	3.4	3.5	3.6	6.6	6.8	6.6
BC	7.8	8.5	8.1	7.2	5.9	4.8	4.2	4.6	7.6	7.7	7.6

Sources: Statistics Canada, LBS Economic Research

Employment growth in Canada and the provinces											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Canada	1.2	2.4	2.4	1.8	1.4	1.9	2.3	1.5	-1.6	0.8	1.3
N&L	2.9	1.8	2.2	1.0	-0.1	0.7	0.7	1.4	-2.4	0.4	1.3
PEI	1.4	1.8	2.0	1.3	2.0	0.5	1.2	1.3	-1.1	0.2	0.8
NS	0.9	1.8	2.0	2.6	0.2	-0.3	1.3	1.3	0.0	0.4	0.8
NB	-0.3	3.9	0.0	2.1	0.1	1.4	2.1	1.0	0.1	0.1	0.3
Quebec	1.1	3.8	1.6	1.5	1.0	1.3	2.3	0.7	-0.9	1.0	1.2
Ontario	1.9	1.8	3.0	1.7	1.3	1.5	1.5	1.4	-2.4	0.9	1.4
Manitoba	0.3	2.3	0.6	1.1	0.6	1.2	1.6	1.8	0.0	0.6	1.5
Sask.	-2.8	1.7	1.7	0.8	0.8	1.7	2.1	2.2	1.5	1.2	1.5
Alberta	2.9	2.5	2.7	2.4	1.5	4.8	4.7	2.7	-1.2	0.7	1.6
BC	-0.5	2.3	2.5	2.4	3.3	3.0	3.2	2.1	-2.3	0.5	1.1

Sources: Statistics Canada, LBS Economic Research

Retail sales growth in Canada and the provinces											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Canada	4.4	6.3	3.6	4.7	5.6	6.4	5.8	3.4	-3.0	4.5	3.9
N&L	9.3	4.0	6.1	0.3	1.2	3.4	9.0	7.6	2.7	5.2	4.8
PEI	4.0	3.4	1.0	0.1	2.8	6.2	7.7	5.6	-0.2	5.2	3.8
NS	3.6	6.1	1.8	2.8	2.2	6.0	4.2	4.3	0.4	5.2	3.8
NB	3.0	3.9	0.5	1.7	4.6	5.9	5.7	6.0	-0.2	5.5	3.4
Quebec	4.2	6.1	4.5	4.2	5.1	5.1	4.6	5.1	-0.9	4.9	4.0
Ontario	2.5	5.9	3.4	3.2	4.8	4.1	3.9	3.5	-2.4	4.0	3.9
Manitoba	5.8	7.0	3.6	6.7	5.9	3.9	8.8	7.2	-0.9	5.0	4.3
Sask.	4.4	7.6	5.0	4.1	5.2	6.5	13.0	10.6	-2.3	3.3	4.4
Alberta	8.9	9.0	4.4	10.3	11.8	15.4	9.3	-0.2	-8.4	4.2	4.0
BC	5.9	6.3	2.7	6.3	4.4	7.2	6.7	0.4	-5.1	5.9	3.9

Sources: Statistics Canada, LBS Economic Research

Housing starts in Canada and the provinces (000s of units)											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Canada	163.0	205.2	218.6	233.1	225.0	228.2	228.7	211.6	148.9	175.2	161.3
N&L	1.6	2.4	2.5	2.9	2.5	2.3	2.6	3.2	3.2	4.0	3.5
PEI	0.6	0.7	0.8	0.9	0.9	0.7	0.7	0.7	0.9	0.5	0.5
NS	4.0	5.0	5.1	4.6	4.8	4.9	4.7	4.1	3.4	3.5	3.3
NB	4.0	4.0	5.0	3.8	3.9	4.0	4.4	4.4	3.5	3.6	3.3
Quebec	27.5	42.2	50.3	58.3	51.4	47.6	49.0	48.0	44.0	48.0	40.0
Ontario	73.7	83.7	84.7	85.2	78.3	74.4	67.8	75.5	50.1	56.5	55.0
Manitoba	2.9	3.7	4.2	4.4	4.7	5.1	5.7	5.5	4.1	3.9	3.7
Sask.	2.4	2.9	3.3	3.8	3.3	3.6	5.9	6.9	3.8	4.4	4.2
Alberta	29.1	39.0	36.4	36.3	40.7	49.0	48.4	29.2	20.0	27.0	25.5
BC	17.2	21.5	26.4	33.0	34.4	36.5	39.5	34.2	16.0	23.8	22.3

Sources: Statistics Canada, LBS Economic Research

Federal and Provincial Budgetary Balances

(\$ millions)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
N&L	199	154	1,437	2,434	-295	-194	-157	-192	---	---	---	---	---
% GDP	0.9	0.6	4.9	8.5	-1.3	-0.8	---	---	---	---	---	---	---
PEI	1.0	23.9	-3.6	-33.1	-84.2	-54.9	---	---	---	---	---	---	---
% GDP	0.0	0.6	-0.1	-0.7	-1.8	-1.1	---	---	---	---	---	---	---
NS	239	182	419	20.0	-488	-222	-370	-187	0	---	---	---	---
% GDP	0.8	0.6	1.3	0.1	-1.4	-0.6	-1.0	-0.5	0.0	---	---	---	---
NB	235	237	87	-265	-754	-749	-681	-553	-262	42	---	---	---
% GDP	0.9	0.9	0.3	-0.9	-2.7	-2.6	-2.3	-1.8	-0.8	0.1	---	---	---
Quebec	37	109	0	0	-4,257	-4,506	-2,900	-1,200	0	0	---	---	---
% GDP	0.0	0.0	0.0	0.0	-1.4	-1.4	-0.9	-0.4	0.0	0.0	---	---	---
Ontario	298	2,269	600	-3,900	-21,300	-19,700	-17,300	-15,900	-13,300	-10,700	-7,800	-4,200	1,000
% GDP	0.0	0.3	0.1	-1.1	-3.8	-3.2	-2.6	-2.3	-1.8	-1.4	-0.9	-0.4	0.1
Manitoba	394	485	576	316	-555	-545	-448	-345	-146	185	---	---	---
% GDP	0.9	1.1	1.2	0.6	-1.1	-1.0	-0.8	---	---	---	---	---	---
Sask.	400	293	641	2,389	425	20	50	75	180	---	---	---	---
% GDP	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0	---	---	---	---	---
*Alberta	8,551	8,510	4,737	-852	-3,624	-4,748	-1,135	505	2,228	---	---	---	---
% GDP	3.9	3.6	1.8	-0.3	-1.5	-1.8	-0.4	0.2	---	---	---	---	---
BC	3,060	4,056	2,837	78	-2,775	-1,725	-945	-145	410	---	---	---	---
% GDP	1.8	2.2	1.5	0.0	-1.5	-0.9	-0.5	-0.1	---	---	---	---	---
Provinces	13,414	16,319	11,330	187	-33,708	-32,369	-23,886	-17,942	---	---	---	---	---
% Can GDP	1.0	1.1	0.6	-0.2	-2.2	-2.0	-1.4	-1.0	---	---	---	---	---
Federal	13,200	13,700	9,600	-5,800	-53,800	-49,200	-27,600	-17,500	-8,500	-1,800	---	---	---
% Can GDP	1.0	0.9	0.6	-0.4	-3.5	-3.1	-1.6	-1.0	-0.5	-0.1	---	---	---
Total Canada	26,614	30,019	20,930	-5,613	-87,508	-81,569	-51,486	-35,442	---	---	---	---	---
% Can GDP	1.9	2.1	1.2	-0.6	-5.7	-5.1	-3.0	-2.0	---	---	---	---	---

* without withdrawal from sustainability fund;

Source : Federal and provincial governments, LBS Economic Research

**CANADA**

Party in Power: **Conservatives**
 Premier: **Rt. Hon. Stephen Harper**
 Finance Minister: **Hon. Jim Flaherty**
 Legislative Seats: **Conservatives (144), Liberals (77),
 Bloc Quebecois (48), NDP (36),
 IND (2), VAC (1)**

Next Election:

Population (000s) – 2010/Q1: **33,931**
 Population y/y % – 2010/Q1: **1.2%**
 Real GDP – 2009: **-2.6%**
 Real GDP forecast – 2010: **3.0%**
 Real GDP forecast – 2011: **2.5%**
 Inflation: **1.4% (March)**
 Unemployment Rate: **8.1% (April)**
 Employment: **0.7% (April ytd)**
 Retail Sales: **4.8% (Feb. ytd)**

Fiscal Balance 2009-10: **-53,800 M \$** 2010-11: **-49,200 M \$**

Credit Rating: Moody's: **Aa1**
 S&P: **AAA**
 DBRS: **AAA**

	10-Year	
Current	3.43	
1-Month	3.68	
1-Year	3.10	

**Newfoundland & Labrador**

Party in Power: **Progressive Conservatives**
 Premier: **Hon. Danny Williams**
 Finance Minister: **Hon. Thomas Marshall**
 Legislative Seats: **PC (43), Liberals (4), NDP (1)**
 Next Election: **October 2011**

Population (000s) – 2010/Q1: **510**
 Population y/y % – 2010/Q1: **0.6%**
 Net interprov. mig. (000s): **2.7 (1-y mov. avg.)**
 Real GDP estimate – 2009: **-8.9%**
 Real GDP forecast – 2010: **3.0%**
 Real GDP forecast – 2011: **3.0%**
 Inflation: **3.2% (March)**
 Unemployment Rate: **15.0% (April)**
 Employment: **2.0% (April ytd)**
 Retail Sales: **8.3% (Feb. ytd)**

Fiscal Balance 2009-10: **-295 M \$** 2010-11: **-194 M \$**

Credit Rating: Moody's: **Aa2**
 S&P: **A**
 DBRS: **A**

	10-Year	Spread with Canada
Current	4.30	87.0
1-Month	4.45	76.5
1-Year	4.35	125.0

**Prince Edward Island**

Party in Power: **Liberals**
 Premier: **Hon. Robert Ghiz**
 Finance Minister: **Hon. Wes Sheridan**
 Legislative Seats: **Liberals (24), Conservatives (4)**
 Next Election: **October 2011**

Population (000s) – 2010/Q1: **141**
 Population y/y % – 2010/Q1: **0.9%**
 Net interprov. mig. (000s): **-0.8 (1-y mov. avg.)**
 Real GDP estimate – 2009: **0.2%**
 Real GDP forecast – 2010: **2.1%**
 Real GDP forecast – 2011: **2.4%**
 Inflation: **3.2% (March)**
 Unemployment Rate: **9.5% (April)**
 Employment: **5.1% (April ytd)**
 Retail Sales: **8.5% (Feb. ytd)**

Fiscal Balance 2009-10: **-84.2 M \$** 2010-11: **-54.9 M \$**

Credit Rating: Moody's: **Aa2**
 S&P: **A**
 DBRS: **A (Low)**

	10-Year	Spread with Canada
Current	4.36	93.0
1-Month	4.48	79.5
1-Year	4.45	135.0

**Nova Scotia**

Party in Power: **New Democrats**
 Premier: **Hon. Darrell Dexter**
 Finance Minister: **Hon. Graham Steele**
 Legislative Seats: **PC (9), NDP (32), Liberals (11)**
 Next Election: **2013**

Population (000s) – 2010/Q1: **941**
 Population y/y % – 2010/Q1: **0.3%**
 Net interprov. mig. (000s): **0.04 (1-y mov. avg.)**
 Real GDP estimate – 2009: **-0.3%**
 Real GDP forecast – 2010: **2.2%**
 Real GDP forecast – 2011: **2.8%**
 Inflation: **2.8% (March)**
 Unemployment Rate: **8.6% (April)**
 Employment: **-0.4% (April ytd)**
 Retail Sales: **8.3% (Feb. ytd)**

Fiscal Balance 2009-10: **-488 M \$** 2010-11: **-222 M \$**

Credit Rating: Moody's: **Aa2**
 S&P: **A+**
 DBRS: **A**

	10-Year	Spread with Canada
Current	4.30	87.0
1-Month	4.42	73.5
1-Year	4.40	130.0

**New Brunswick**

Party in Power: **Liberals**
 Premier: **Hon. Shawn Graham**
 Finance Minister: **Hon. Victor Boudreau**
 Legislative Seats: **Liberals (33), PC (22)**
 Next Election: **September 2010**

Population (000s) – 2010/Q1: **751**
 Population y/y % – 2010/Q1: **0.3%**
 Net interprov. mig. (000s): **0.12 (1-y mov. avg.)**
 Real GDP estimate – 2009: **-0.5%**
 Real GDP forecast – 2010: **1.8%**
 Real GDP forecast – 2011: **2.1%**
 Inflation: **3.1% (March)**
 Unemployment Rate: **8.5% (April)**
 Employment: **0.1% (April ytd)**
 Retail Sales: **9.0% (Feb. ytd)**

Fiscal Balance 2009-10: **-754 M \$** 2010-11: **-749 M \$**

Credit Rating: Moody's: **Aa2**
 S&P: **AA-**
 DBRS: **A (High)**

	10-Year	Spread with Canada
Current	4.28	85.0
1-Month	4.42	73.5
1-Year	4.40	130.0

**Québec**


Party in Power: **Liberals**
 Premier: **Hon. Jean Charest**
 Finance Minister: **Hon. Raymond Bachand**
 Legislative Seats: **Liberals (66), PQ (50), ADQ (4),
 Quebec Solidaire (1), IND (3)**
 Next Election: **2012**

Population (000s) – 2010/Q1: **7,870**
 Population y/y % – 2010/Q1: **1.0%**
 Net interprov. mig. (000s): **-5.33 (1-y mov. avg.)**
 Real GDP estimate – 2009: **-1.4%**
 Real GDP forecast – 2010: **2.5%**
 Real GDP forecast – 2011: **2.3%**
 Inflation: **1.7% (March)**
 Unemployment Rate: **7.9% (April)**
 Employment: **1.1% (April ytd)**
 Retail Sales: **7.9% (Feb. ytd)**

Fiscal Balance 2009-10: **-4,257 M \$** 2010-11: **-4,506 M \$**

Credit Rating: Moody's: **Aa2**
 S&P: **A+**
 DBRS: **A (High)**

	10-Year	Spread with Canada
Current	4.35	92.0
1-Month	4.49	81.0
1-Year	4.39	129.0

	Ontario	Population (000s) – 2010/Q1: 13,134 Population y/y % – 2010/Q1: 1.1% Net interprov. mig. (000s): -11.5 (1-y mov. avg.) Real GDP estimate – 2009: -3.4% Real GDP forecast – 2010: 3.3% Real GDP forecast – 2011: 2.6% Inflation: 1.4% (March) Unemployment Rate: 8.8% (April) Employment: 0.5% (April ytd) Retail Sales: 4.6% (Feb. ytd)	Fiscal Balance 2009-10: -21,300 M \$ 2010-11: -19,700 M \$ Credit Rating: Moody's: Aa1 S&P: AA- DBRS: AA (Low) 10-Year Spread with Canada Current 4.28 85.0 1-Month 4.41 72.5 1-Year 4.26 116.0
Party in Power: Liberals Premier: Hon. Dalton McGuinty Finance Minister: Hon. Dwight Duncan Legislative Seats: Liberals (70), PC (24), NDP (10), VAC (3) Next Election: October 2011			
	Manitoba	Population (000s) – 2010/Q1: 1,229 Population y/y % – 2010/Q1: 1.4% Net interprov. mig. (000s): -1.6 (1-y mov. avg.) Real GDP estimate – 2009: -0.9% Real GDP forecast – 2010: 2.4% Real GDP forecast – 2011: 2.7% Inflation: 1.5% (March) Unemployment Rate: 4.9% (April) Employment: 1.5% (April ytd) Retail Sales: 7.4% (Feb. ytd)	Fiscal Balance 2009-10: -555 M \$ 2010-11: -545 M \$ Credit Rating: Moody's: Aa1 S&P: AA DBRS: A (High) 10-Year Spread with Canada Current 4.23 80.0 1-Month 4.38 69.5 1-Year 4.28 118.0
Party in Power: New Democrats Premier: Hon. Greg Selinger Finance Minister: Hon. Rosann Wowchuck Legislative Seats: NDP (35), PC (19), Liberals (2), VAC (1) Next Election: October 2011			
	Saskatchewan	Population (000s) – 2010/Q1: 1,038 Population y/y % – 2010/Q1: 1.5% Net interprov. mig. (000s): -2.7 (1-y mov. avg.) Real GDP estimate – 2009: -1.6% Real GDP forecast – 2010: 3.1% Real GDP forecast – 2011: 3.0% Inflation: 1.1% (March) Unemployment Rate: 5.2% (April) Employment: 0.8% (April ytd) Retail Sales: 3.4% (Feb. ytd)	Fiscal Balance 2009-10: 425 M \$ 2010-11: 20 M \$ Credit Rating: Moody's: Aa1 S&P: AA+ DBRS: AA 10-Year Spread with Canada Current 4.20 77.0 1-Month 4.34 65.5 1-Year 4.20 110.0
Party in Power: Saskatchewan Party Premier: Hon. Brad Wall Finance Minister: Hon. Rod Gantfoer Legislative Seats: Saskatchewan Party (38), NDP (20) Next Election: November 2011			
	Alberta	Population (000s) – 2010/Q1: 3,712 Population y/y % – 2010/Q1: 1.9% Net interprov. mig. (000s): 6.5 (1-y mov. avg.) Real GDP estimate – 2009: -2.5% Real GDP forecast – 2010: 2.8% Real GDP forecast – 2011: 3.0% Inflation: 1.0% (March) Unemployment Rate: 7.4% (April) Employment: -0.9% (April ytd) Retail Sales: 4.6% (Feb. ytd)	Fiscal Balance 2009-10: -3,624 M \$ 2010-11: -4,748 M \$ Credit Rating: Moody's: Aaa S&P: AAA DBRS: AAA 10-Year Spread with Canada Current 4.13 70.0 1-Month 4.27 58.5 1-Year 4.20 110.0
Party in Power: Progressive Conservatives Premier: Hon. Ed Stelmach Finance Minister: Hon. Ted Morton Legislative Seats: PC (68), Liberals (8), NDP (2), WRA (3), IND (2) Next Election: Spring 2012			
	British Columbia	Population (000s) – 2010/Q1: 4,494 Population y/y % – 2010/Q1: 1.6% Net interprov. mig. (000s): 7.5 (1-y mov. avg.) Real GDP estimate – 2009: -2.3% Real GDP forecast – 2010: 3.1% Real GDP forecast – 2011: 2.3% Inflation: 0.5% (March) Unemployment Rate: 7.3% (April) Employment: 1.6% (April ytd) Retail Sales: 8.8% (Feb. ytd)	Fiscal Balance 2009-10: -2,775 M \$ 2010-11: -1,725 M \$ Credit Rating: Moody's: Aaa S&P: AAA DBRS: AA (High) 10-Year Spread with Canada Current 4.21 78.0 1-Month 4.34 66.5 1-Year 4.20 110.0
Party in Power: Liberals Premier: Hon. Gordon Campbell Finance Minister: Hon. Colin Hansen Legislative Seats: Liberals (49), NDP (35), IND (1) Next Election: May 2013			