

1 **Q. At page 31 (of 90) in Schedule “B” of the Distribution section, reference is made to**
 2 **economic projections provided by independent agencies for new customers. Please**
 3 **provide copies of all projections relied upon and explain how the company’s**
 4 **projection of new customers was derived.**

5
 6 A. Newfoundland Power’s projection for new customer connections is based on forecasts of
 7 the number of housing starts provided by the *Conference Board of Canada* and *Canada*
 8 *Mortgage and Housing Corporation*.
 9

10 Attachment A provides the *Conference Board of Canada* Economic Forecast, Provincial
 11 Outlook Winter 2011. Attachment B provides the *Canada Mortgage and Housing*
 12 *Corporation* Housing Market Outlook - Canada Edition - Date Released: First Quarter
 13 2011. Information from these reports was used in calculating the Company’s projection
 14 of new customer connections for 2011 and 2012. Table 1 summarizes this calculation.
 15

Table 1
Calculation of Forecast New Customer Connections

	2011	2012
Housing Starts:		
<i>Conference Board of Canada</i> ¹	3,065	2,686
<i>Canada Mortgage and Housing Corporation</i> ²	3,300	3,170
Average Housing Starts	3,183	2,928
Ratio of Housing Starts to New Households ³	0.88235	0.88235
New Households	2,809	2,584
New Cottages and Other Non-Dwellings	417	440
Total Net Domestic Customers	3,226	3,024
Ratio of Net Domestic Customers to New Domestic Connections ³	1.2824	1.3046
New Domestic Connections	4,137	3,945
Ratio of New Domestic Connections to New General Service Customer Connections ³	0.1830	0.1838
New General Service Customer Connections	757	725
Total New Customer Connections	4,894	4,670

¹ See Attachment A, *Conference Board of Canada*, Economic Forecast, Provincial Outlook Winter 2011, Table of Key Economic Indicators for Newfoundland and Labrador, page 5.

² See Attachment B, *Canada Mortgage and Housing Corporation*, Housing Market Outlook - Canada Edition - Date Released: First Quarter 2011, page 14.

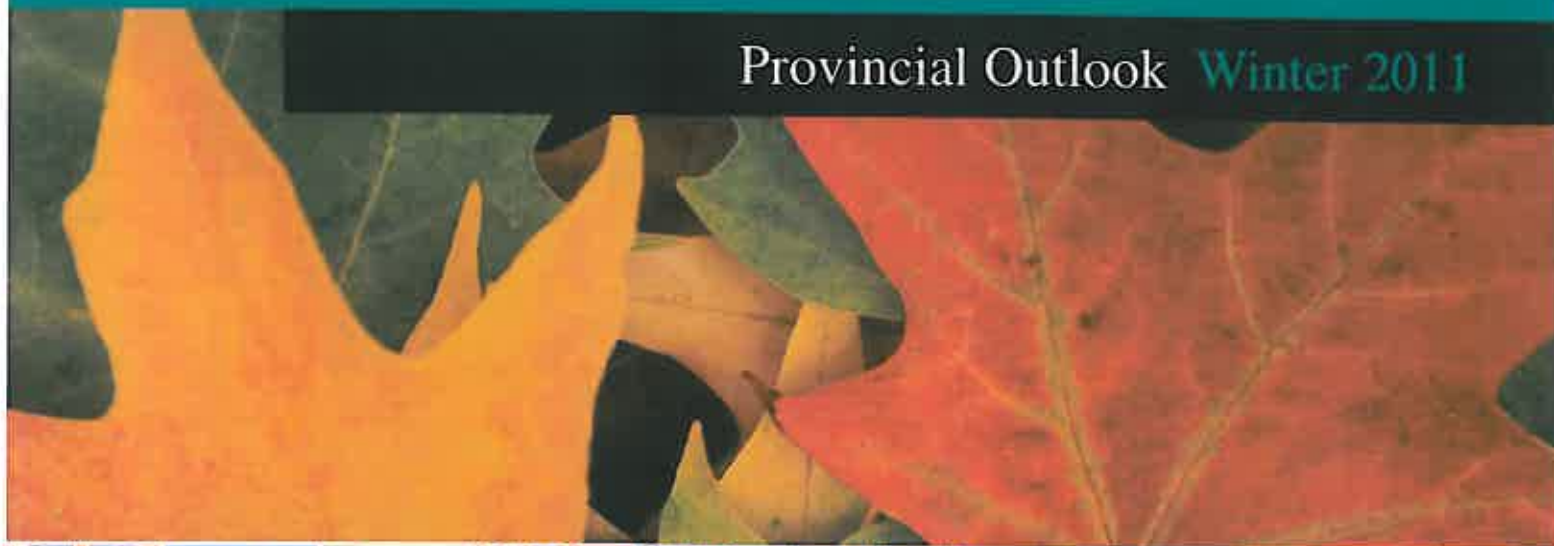
³ Ratios are calculated using historical information on an area basis.

Conference Board of Canada
Economic Forecast, Provincial Outlook Winter 2011

The Conference Board of Canada
Insights You Can Count On



Provincial Outlook *Winter 2011*



Economic Forecast

ECONOMIC PERFORMANCE AND TRENDS



Provincial Outlook Winter 2011: Economic Forecast
by *The Conference Board of Canada*

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Preface

The *Provincial Outlook Winter 2011* was prepared by Marie-Christine Bernard, Associate Director, under the general direction of Paul Darby, Deputy Chief Economist.

The report examines the economic outlook for the provinces, including gross domestic product (GDP), output by industry and labour market conditions. At the end of the report, there is a forecast for Canadian economic indicators and a comparison of GDP by province and industry.

The Provincial Outlook is updated quarterly using the Conference Board's large econometric model of the provincial economies.

The publication can be accessed on-line at www.e-library.ca and for clients subscribing to e-Data at www.conferenceboard.ca/edata.htm. For more information, please contact our information specialist at 613-526-3280 or 1-866-711-2262 or e-mail contactchoc@conferenceboard.ca.

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A Period of Uncertainty and Slower Growth

Highlights

- ◆ With personal income taxes heading higher, Quebec's domestic economy will slow in 2011. The winding down of fiscal stimulus will restrain Ontario's pace of expansion in the near term.
- ◆ A construction boom will continue to boost the Newfoundland and Labrador economy over the near term. The other Atlantic provinces are facing weak economic prospects.
- ◆ A much improved performance by the agriculture sector will lift economic growth in Manitoba and Saskatchewan next year.
- ◆ There is upside economic potential in British Columbia if the provincial government goes ahead with cuts to personal incomes taxes.
- ◆ Alberta's economic prospects are bright. Investment in the energy sector will take off, with numerous oil sands projects planned.

NATIONAL OVERVIEW

In the first half of 2011, an arduous U.S. recovery and weak domestic demand will keep Canada's economic growth soft. After advancing by 2.8 per cent in 2010, real GDP will register growth of only 2 per cent in 2011. Stable domestic demand and a better trade performance will help lift real GDP by 2.7 per cent in 2012. The positive outlook of steady progression for the

U.S. and global economies is of crucial importance to Canada's economic outlook. Despite the huge fiscal and monetary stimulus still flowing into the U.S. economy, private sector growth is just now starting to show signs of gaining traction. Yes, consumer spending is up, as are core business investment and exports; but levels are so far from normal that the growth, although welcome, remains too soft to spur the recovery into a gallop. The source of the problem is confidence—while U.S. businesses are flush with cash, and order books are filling, they remain reluctant to hire. And without stronger job gains, households remain in a state of depression—not surprising considering the tattered state of housing markets, which continue to search for a bottom.

As long as the U.S. recovery remains sluggish, it is unlikely that Canada will be able to generate much strength in terms of domestic demand. While job creation was phenomenal over the first eight months of 2010, it slowed in the final four months. This means slower income gains in the near term. Moreover, household savings are not in great shape, which means that consumer spending growth will have to ease and align with disposable income gains. The end of the fiscal stimulus program will also start to take away from growth. Real infrastructure spending is expected to peak in the first quarter of 2011—and while levels will remain relatively elevated in the near term, this component of government stimulus will start to take away from growth through most of 2011, and even more so in 2012. Sizable federal and provincial deficits are also forcing governments to pull back hard on program

spending, and departmental budgets face tight restraints. Moreover, at the provincial level, governments are coming to the conclusion that tax increases will be a necessity when it comes to realigning public finances, further hampering near-term growth in after-tax household income.

Business investment is a bright spot. A strong Canadian dollar and the need for retooling have prompted a rebound in capital investment. However, the strength is exclusive to machinery and equipment (which is import intensive), providing only a modest boost for near-term real GDP growth. Job creation would be better served by stronger private non-residential investment, but this is lagging due to excess capacity and still-high vacancy rates. In addition, while Canada's housing market recovered quickly from the worst of the recession, the trend has been sharply downward since mid-2010. Weakness in both the existing and the new housing markets suggests that real residential investment will post a significant decline this year.

PROVINCIAL OVERVIEW

Encouragingly, after experiencing weaknesses throughout the summer months, the Canadian economy ended 2010 on a healthy note. GDP expanded by a solid 0.4 per cent in November, and 38,000 full-time jobs were created in December. Job creation was even stronger in January, kicking off 2011 with a gain of 69,000. Nevertheless, Canada is expected to experience soft real GDP growth in the first half of 2011 before picking up speed later in the year. Most provinces will experience a deceleration in real GDP growth this year as their domestic economies slow down. This will be particularly evident in Central Canada. Fiscal stimulus propelled the recovery in Quebec and in Ontario, but the benefits have mostly all been felt already. Higher personal income taxes have been announced for Quebec residents, and all regions will feel the end of the federal infrastructure program in the second half of 2011 and in 2012. Balancing the books at the federal and at the regional level is a fiscal priority that will weaken public sector contribution to bottom-line growth over the next few years. Only four provinces will not post a deficit for the current (2010–11) fiscal year—Alberta, Saskatchewan, Nova Scotia, and Newfoundland and Labrador are expected to produce

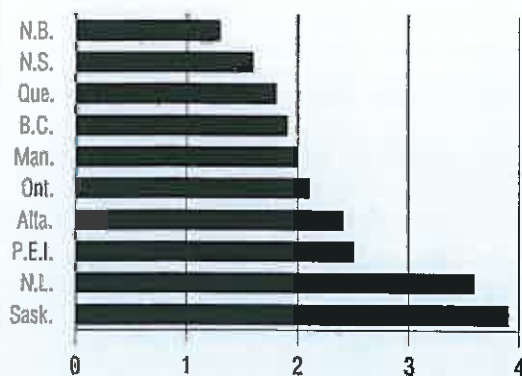
surpluses thanks in part to stronger oil prices and, in Alberta's case, by using accumulated reserves.¹ Provinces will work toward reining in deficits, which will mean tighter government spending, weaker infrastructure investment, and, in some instances, lifting consumption and personal income taxes. The outlook for 2012 is brighter for most provinces. Exports will continue their recovery, and more upbeat consumer demand is expected. Clouding the outlook, however, are factors that could jeopardize the rebound next year. The U.S. recovery could derail, and the European debt crisis could unravel and spread to other vulnerable countries.

After a good start to the year, the Quebec economy slowed in the closing months of 2010. And there are no signs to suggest the provincial economy will significantly pick up speed over the next two years. In fact, the province is looking at slower growth right through 2013. The weakness is the result of increases to personal income and consumption taxes. The New Year brought an increase to the provincial sales tax. At the same time, other fiscal measures put in place shortly after the last provincial budget will have an increasingly dampening effect on growth. In particular, the health-care "contribution" that Quebecers started paying in 2010 is scheduled to increase steadily over the next few years. Households got a first taste of the new fiscal medicine last year; additional tax increases are in store over the near term. As a result, consumption growth will moderate. Real GDP growth at basic prices will slow to just 1.8 per cent in 2011. (See charts 1 and 2.) The forecast doesn't improve much in 2012, when real GDP growth of 1.9 per cent is expected.

The Ontario economy lost speed midway through last year. Given the weakening in consumer demand and exports in the second and third quarters, the outlook for growth in 2011 has been scaled back. Real GDP in Ontario is now forecast to advance by 2.1 per cent in 2011 (down from 2.6 per cent in our previous *Provincial Outlook*). There is still some fiscal stimulus in the pipeline. The provincial government has been sending out

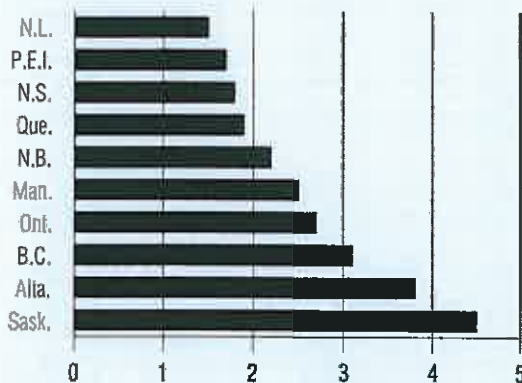
¹ Special accounting measures will enable Nova Scotia to post a surplus for fiscal 2010–11. The province is not expected to balance its books in 2011–12.

Chart 1
Real GDP by Province, 2011
(percentage change; 2002 \$)



Sources: The Conference Board of Canada; Statistics Canada.

Chart 2
Real GDP by Province, 2012
(percentage change; 2002 \$)



Sources: The Conference Board of Canada; Statistics Canada.

checks to help Ontarians adjust to the harmonization of the provincial and federal sales taxes. A final transitional payment will help to support income growth this year, as will electricity rebates. Provincial and federal infrastructure programs, designed to offset the effects of the global recession, greatly stimulated Ontario's economy over the past two years. But the programs are now winding down. At the same time, private investment will pick up, as several energy and mining projects are under development, mostly in the Northern part of the province. However, the housing market will cool down—temporarily—in 2011

as stricter mortgage requirements and an easing economy dampen demand for new homes. Apart from a sizable decline in public investment, Ontario can look forward to broad-based economic growth in 2012. Real GDP is forecast to advance by a stronger 2.7 per cent in 2012.

The Atlantic region will not be spared from the weakening trend in economic growth. Growth in Nova Scotia and New Brunswick will ease considerably in 2011. Less abundant fiscal support, combined with a lack of major, new non-residential investment projects, will bring weaker economic growth over the forecast period. New natural gas production at the Panuke offshore field in Nova Scotia will help stem the decline in the petroleum sector, but overall real GDP growth in Nova Scotia is still forecast to dwindle to just 1.6 per cent this year, followed by 1.8 per cent in 2012. In New Brunswick, construction of a new potash mine and expanded milling operations will not be enough to lift real economic growth to any significant extent this year. Weaknesses abound in the New Brunswick economy, and real GDP will advance at a snail's pace—1.3 per cent. But new potash production will kick in next year, helping to lift real GDP growth to 2.2 per cent. Weak demand hurt key sectors of the Prince Edward Island economy last year, including manufacturing. However, the sector is expected to perform better this year and next. While the manufacturing sector is a key component of the Island's economy, it was new wind-energy generating capacity that was largely responsible for the bottom-line gains last year. This sector will continue to drive growth in the near term. The Island's economy is expected to expand by 2.5 per cent in 2011 and 1.7 per cent in 2012. Once again, Newfoundland and Labrador will be a growth leader this year (second only to Saskatchewan). Continuing construction work on major non-residential projects will fuel the domestic economy over the next few years. Solid production increases in the mining sector, particularly for nickel and iron ore, will also help generate economic growth of 3.6 per cent in 2011. Growth could be even stronger if the momentum in the red-hot housing market is sustained. Housing starts are expected to average just slightly above 3,000 units in 2011. While the outlook for investment and domestic spending in 2012 is bright, a decline in oil production will drag real GDP growth down to only 1.5 per cent.

Unlike the rest of the country, Manitoba and Saskatchewan are forecast to gain economic momentum this year.

Manitoba's economy did not do well last year. But led by better performances from the mining and manufacturing sectors, along with healthy growth in the services-producing industries, the province will gradually rebound. Real GDP growth will accelerate to 2 per cent in 2011 and 2.5 per cent in 2012. Saskatchewan is set to enter a period of prolonged economic prosperity, anchored by large-scale development of the potash industry and steady gains in the energy sector. The attractiveness of the province will continue to lure more people to the province, mainly new international migrants. These factors will lift Saskatchewan's economy into first place among the provinces, with real GDP growth of 3.9 per cent in 2011 and 4.5 per cent in 2012. The outlook for 2013 to 2015 is also bright, with average annual growth of 3.6 per cent forecast.

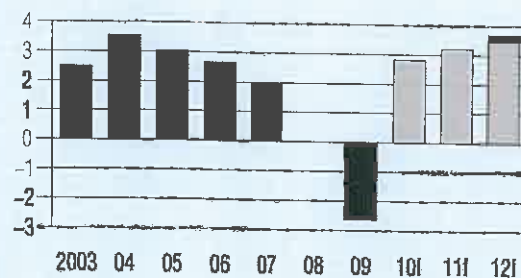
The outlook for Alberta is mixed. Last year, with the province rebounding from the effects of the global recession, real GDP rose 3.4 per cent. This year, growth will slow to 2.4 per cent. The slowdown will be generalized throughout the economy, though the province can expect a sound gain in oil production and more capital outlays in the oil sands—in particular, for in situ oil sands projects (designed to extract bitumen deposits at deeper depths). The lull, however, will be temporary. Alberta's economy will forge ahead in 2012, posting real growth of 3.8 per cent. The story is a bit different for the labour market. After shedding jobs in 2009 and 2010, Alberta's labour market is expected to heat up once again over the next two years—enough to lower the jobless rate to 5.5 per cent by the end of 2012 (down from 5.9 per cent in January 2011).

Post-Olympic blues will dampen British Columbia's economy this year. Weak growth in a number of service industries, as well as construction and forestry, will cut real GDP growth in half—to just 1.9 per cent—in 2011. But the lethargy will not last. The B.C. economy will pick up speed next year, leading to a 3.2 per cent gain in real GDP in 2012. The shale gas industry in the northeast of the province is an industry on the rise. Active development of the shale gas reserves will lift non-residential investment and natural gas production over the next several years.

U.S. AND GLOBAL OUTLOOK

Recent economic data regarding the overall health of the U.S. economy have been encouraging, and concerns that we could see a double-dip recession are starting to fade. Financial conditions are improving and the stock market has rallied back to where it was before the European sovereign debt crisis hit banks last spring. Credit spreads between risky and less-risky bonds are narrowing, and banks have reacted to the improvement in credit quality by increasing their lending somewhat. The economy is currently expanding at a pace of around 2.5 per cent. That is below the estimated potential of 2.8 per cent, but at least it is no longer decelerating. With growth forecast to accelerate, the current outlook calls for real U.S. GDP growth of 3.2 per cent this year and 3.7 per cent in 2012. (See Chart 3.)

Chart 3
Fragile U.S. Recovery Continues
(U.S. GDP percentage change, 2005 \$)



f = forecast

Sources: The Conference Board of Canada; U.S. Bureau of Economic Analysis (BEA).

As Americans await a return to more vigorous private sector investment and household spending, economic growth will be propped up by further injections of monetary and fiscal stimulus. In December, Congress and the Obama administration reached agreement on a compromise regarding tax and spending policies. The two sides agreed to extend the Bush-era tax cuts, which were set to expire at the end of 2010, for an additional two years. Also, worker payroll taxes will be reduced for one year, and business investment will have a more favourable tax treatment. The measures will help sustain real GDP growth—especially in 2011—but the two-year extension will cost the Treasury around US\$1 trillion. Consequently,

the fiscal deficit will remain above \$1.3 trillion over the near term. The revival of the emergency unemployment insurance program for the long-term unemployed, which expired at the end of November, will also help the economy. Failure by Congress to act would have resulted in more than 1 million workers losing their benefits in the weeks leading up to Christmas. The ability to collect UI benefits for up to 99 weeks in some states likely encourages some workers to remain idle. But given that there are currently five unemployed workers for every job opening, there are still not enough jobs to absorb more than a minority of the unemployed who do want to work.

The Federal Reserve has also acted—somewhat controversially—by embarking on a second round of quantitative easing. The Fed's plan is to purchase up to \$600 billion in U.S. Treasuries in an effort to keep interest rates low and the greenback soft. Whether or not the plan is successful remains to be seen. So far, long-term rates in the U.S. have not come down, and the plan has drawn opposition from some trading partners. Still, the Fed's intent is clear—to keep rates low until the U.S. recovery is self-sustaining. Indeed, the stimulus is helping to bolster consumer spending despite a lacklustre job market. Retail sales posted solid gains in the final months of 2010. A factor behind the overall improvement in retail sales has been the performance of the auto sector. Households are starting to release pent-up demand due to the need to replace their aging vehicles. And for the fourth consecutive month, seasonally adjusted vehicle sales were above 12 million (annualized) in January—although still well below the 15 million in sales expected in a normal market. Every auto manufacturer, with the exception of Toyota, has recorded double-digit growth in sales compared with a year ago.

The more promising picture emerging from the influential U.S. economy and consumer is good news for the global outlook. Equity markets around the globe are solidifying, helping to restore confidence, wealth, and capital investment. In Europe, growth will remain lethargic this year despite the backing that the International Monetary Fund and European Central Bank have put up to defend the euro. Indeed, the baseline forecast (a perhaps optimistic scenario) sees European economies and finances slowly solidifying without causing further turmoil to the banking

sector and global financial markets. The fact remains that developing economies will contribute substantially to overall economic growth again in 2011. In particular, the Asia-Pacific region will benefit from the strength in industrial production coming from China and India. Resource-rich Brazil and Argentina will also lead a strong performance from Latin America.

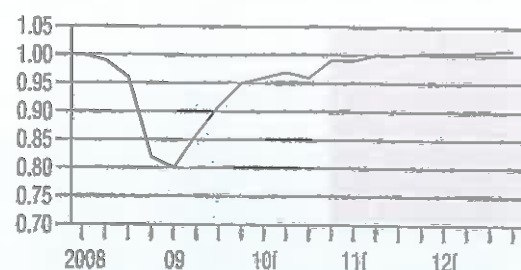
MONETARY POLICY

Subdued inflationary pressures—in Canada and abroad—have helped central banks maintain fiscal stimulus without having to worry much about igniting inflation. Indeed, overcapacity and high unemployment have helped keep consumer prices in check in much of the developed world. Canada is no exception. The overall consumer price index (CPI) has ticked higher in recent months. The increase in the annual inflation rate reflects, in part, the effects of July's implementation of the harmonized sales taxes in Ontario and British Columbia. And even with the jump, inflation remains comfortably within the Bank's target range. In addition, the Bank of Canada more closely watches the less volatile core inflation measures—and year-over-year core inflation² has remained well below the mid-level of the Bank of Canada's 1 to 3 per cent target range for inflation.

The Canadian dollar—buoyed by the early strength of Canada's economic recovery, a relatively healthy fiscal situation, a solid banking system, and continued economic woes in Europe and the United States—has continued to show strength. The loonie which reached a cyclical low of just over US\$0.82 in early 2009, rebounded to average just over US\$0.97 in 2010 and closed the year at parity. Looking ahead, the dollar is expected to continue to hover near parity. (See Chart 4.) The loonie's relatively stable path over the medium term is likely to be influenced by two opposing sets of factors. The uncertainties in Europe and the U.S. are expected to ease and take some of the pressure off the Canadian dollar. At the same time, however, that impact is expected to be

2 The Bank of Canada's core CPI excludes the effect of changes in indirect taxes and eight of the most volatile components included in the overall CPI.

Chart 4
Canadian Dollar to Hover Just Above Parity
(US\$/C\$)



f = forecast

Sources: Statistics Canada; The Conference Board of Canada.

largely offset by rising prices for oil and other raw materials and a growing interest rate differential as the Bank of Canada raises interest rates earlier and more aggressively than the Federal Reserve.

Canada's monetary policy continues to remain highly stimulative. At 1.25 per cent, the bank rate is still well below the neutral rate of about 4 per cent. (The neutral rate is the rate at which monetary policy is neither stimulative nor contractionary.) However, tame inflation and an already buoyant loonie suggest that the Bank of Canada need not be in any rush to resume the unwinding of its monetary stimulus. But other concerns suggest that the Bank will resume its tightening as early as practical. Bank Governor Mark Carney has repeatedly expressed concern that low interest rates have spurred the Canadian consumer to take on increasingly large debt loads, and he warns that consumers will find themselves under increasing strain as interest rates rise. Since interest rates must inevitably rise to a more neutral level, the Bank is likely to want to crimp the borrowing appetite sooner rather than later. Consequently, the Bank's pause in its interest rate tightening cycle will be only short-lived, and interest rates are expected to begin rising once again this coming fall.

FISCAL POLICY

Following a decade-long string of surpluses and falling debt ratios, Canada's federal government entered the recession on a much better fiscal footing than did the governments in most other developed countries. Still, a 4.5 per cent drop in nominal GDP in 2009, combined with a large stimulus program, left the federal government \$55.6 billion in the red in 2009–10 and will lead to an estimated \$44.1-billion deficit in 2010–11. Beyond 2010–11, the government has made it clear that its main priority will be deficit elimination. But if it is to succeed in balancing its books, the federal government will have to limit average spending growth over the next five years to less than inflation. That means average annual spending growth of just 1.5 per cent. Assuming the federal government is successful in hitting these austere spending targets, we estimate that improved economic performance will allow the federal government to cut its deficit to \$27 billion this coming fiscal year (2011–12) and allow it to balance its books by 2014–15, a year earlier than forecast in the government's most recent economic update.

The provinces are in a much tougher fiscal situation. Despite strong economic growth in the years before the recession, the provincial governments have only managed to run a collective surplus twice since 2001. In fact, since 2001, the provinces have increased their collective debt by \$32.5 billion. The culprit has been provincial spending on goods and services, which has grown virtually unchecked, averaging 6.7 per cent annually over the last five years. In 2009, the collective provincial deficit peaked at \$48.2 billion, or 3.2 per cent of GDP. It was the highest collective deficit ever reported. The deficit moderated somewhat in 2010 thanks to strong own-source revenue growth and transfers from the federal government. However, the provinces will find making further improvements more difficult than will the federal government. Many provinces will struggle to cut spending as Canada's aging population continues

to put upward pressure on health care (which already accounts for 42 cents of every dollar spent by the provinces). In our forecast, the provinces manage to slow spending growth from the 6.7 per cent annual average seen over the last five years to an average of 4.6 per cent over the 2012 to 2015 period. However, without further tax increases, this effort is only enough to lower the collective deficit to \$15.5 billion by 2015.

As the economy suffered through the worst of the recession in 2009, the government sector kept the spending accelerator at full throttle. In fact, total real government spending on programs and infrastructure

expanded at the second-fastest rate on record (eclipsed only in 1985). This rate of acceleration barely slowed in 2010, as the government's ramping up of infrastructure spending far outweighed its attempts to control non-stimulus program growth. However, federal, provincial, and even local government deficits have ballooned to unsustainable levels, forcing governments to cut back. As a result, starting this year, the public sector will contribute very little to economic growth over the foreseeable future. In fact, as infrastructure spending is slashed in 2012, total government spending by all levels of government will actually fall for the first time since the large government cut-backs of the mid- to late 1990s.

L'équilibre budgétaire, prochain défi des provinces

Faits saillants

- ♦ L'augmentation de l'impôt sur le revenu des particuliers fera ralentir l'économie du Québec en 2011. En Ontario, le retrait des stimulants budgétaires limitera la croissance à court terme.
- ♦ À court terme, le boom de la construction nourrira l'élan de l'économie de Terre-Neuve-et-Labrador. Les perspectives des autres provinces de l'Atlantique sont plus faibles.
- ♦ L'an prochain, de bien meilleurs résultats du secteur agricole contribueront à la croissance économique du Manitoba et de la Saskatchewan.
- ♦ Les perspectives économiques de l'Alberta sont fort favorables. Les nombreux projets de sables bitumineux en préparation feront bondir les investissements dans le secteur de l'énergie.

spectives canadiennes. Malgré les imposants stimulants budgétaires et monétaires encore injectés dans l'économie américaine, la croissance du secteur privé semble à peine se concrétiser. Les dépenses de consommation augmentent, comme les investissements des entreprises et les exportations également, mais les chiffres sont encore si loin des statistiques normales que la croissance observée, évidemment bienvenue, est encore insuffisante pour susciter une vague de reprise. C'est la confiance qui fait vraiment défaut car si les entreprises américaines ont les liquidités voulues et reçoivent de plus en plus de commandes, elles hésitent encore à embaucher. Or, faute de gains marqués au tableau de l'emploi, les ménages restent prudents, une situation compréhensible vu la situation peu reluisante du marché de l'habitation, qui ne cesse de décliner.

Tant que la reprise américaine fera défaut, il est peu probable que le Canada progresse beaucoup grâce à la demande intérieure. La création d'emploi, phénoménale durant les huit premiers mois de 2010, a été modeste à l'automne. Cela annonce de plus faibles avancées des revenus de travail à court terme. En même temps, l'épargne des ménages battant de l'aile, la croissance des dépenses de consommation devra diminuer, c'est-à-dire correspondre à l'évolution du revenu disponible. Qui plus est, le retrait de la stimulation budgétaire se répercutera aussi sur la croissance; les dépenses réelles en infrastructures devraient atteindre leur sommet au premier trimestre de 2011 puis, même si elles demeureront relativement fortes à court terme, cet apport de l'État ne figurera plus de la même façon dans les tableaux de croissance pendant la

VUE D'ENSEMBLE NATIONALE

En première moitié de 2011, la reprise américaine modérée et une demande intérieure faible gêneront la croissance économique du Canada. Après un gain de 2,8 p. 100 en 2010, le PIB réel ne progressera que de 2 p. 100 en 2011. Mais en 2012, une demande intérieure stable et de meilleurs résultats pour le commerce externe feront avancer le PIB réel de 2,7 p. 100. Les promesses d'une progression continue de l'économie américaine et mondiale sont déterminantes pour les per-

majorité de 2011, et encore moins en 2012. En outre, les imposants déficits au niveau fédéral et dans les provinces obligent les gouvernements à freiner rapidement les dépenses de programmes, de sorte que les budgets des ministères seront soumis à des contraintes. À l'échelon provincial, les gouvernements se rendent clairement compte que des majorations d'impôts seront nécessaires s'ils désirent réellement redresser les finances publiques; cela gênera davantage la croissance à court terme des revenus des ménages après impôts.

Les statistiques d'investissements des entreprises sont encourageantes. La bonne tenue du huard et le besoin de remplacer l'outillage ont fait bondir les dépenses en immobilisations. Sauf que ces gains sont totalement liés à la machinerie et à l'équipement (lesquels impliquent de fortes importations), ce qui s'est soldé par un modeste gain de croissance à court terme du PIB réel. L'embauche profiterait davantage d'un accroissement des investissements privés non résidentiels, une composante qui tarde à s'améliorer en raison d'un surcroît de capacité et de taux d'inoccupation encore élevés. De plus, si le marché canadien du logement s'est vite remis des affres de la récession, il montre une forte tendance à la baisse depuis le milieu de 2010. La faiblesse observée autant dans le marché du logement usagé que dans le marché du neuf porte à croire que l'investissement résidentiel réel accusera un recul marqué cette année.

VUE D'ENSEMBLE PROVINCIALE

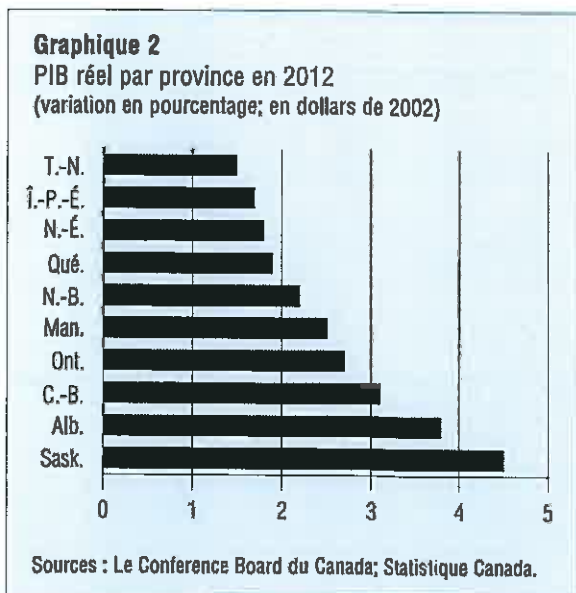
Il y a des signes encourageants. Après avoir montré des faiblesses tout l'été, l'économie canadienne a conclu 2010 sur une bonne note. Le PIB a progressé de 0,4 p. 100 en novembre, c'est bon, et 38 000 emplois à temps plein ont été créés en décembre. L'année 2011 allait même s'amorcer encore mieux : 69 000 emplois de plus en janvier! Néanmoins, le PIB canadien devrait croître modestement en première moitié de 2011, puis accélérer ensuite. La croissance du PIB réel baissera dans la plupart des provinces, reflétant ainsi le ralentissement de leur économie domestique. Cela se verra surtout dans le Canada central. Les incitatifs budgétaires ont nourri la reprise au Québec et en Ontario, mais le gros des retombées est

passé. Les Québécois savent déjà qu'ils paieront davantage d'impôt sur le revenu et toutes les régions se ressentiront de la fin du programme fédéral d'infrastructures en seconde moitié de 2011, ou en 2012. La recherche de l'équilibre budgétaire, au niveau fédéral et dans les régions, constitue une priorité qui réduira l'apport du secteur public à la croissance d'ensemble pendant quelques années. À peine 4 provinces, l'Alberta, la Saskatchewan, la Nouvelle-Écosse et Terre-Neuve-et-Labrador, n'accuseront pas de déficit dans l'exercice en cours (2010-2011); les surplus qu'elles obtiendront découleront en partie de la hausse des prix du pétrole. Dans le cas de l'Alberta, cela sera aussi dû à l'utilisation de réserves accumulées.¹ Les gouvernements des provinces s'attaqueront à leurs déficits en restreignant leurs dépenses, en investissant moins dans les infrastructures et parfois en majorant les taxes sur la consommation et les impôts sur le revenu des particuliers. L'année 2012 s'annonce meilleure pour la plupart des provinces : la reprise des exportations se poursuivra et la demande de consommation devrait se raffermir. Cependant, des risques subsistent qui pourraient fragiliser la relance l'an prochain; ainsi, la reprise américaine pourrait perdre de la vitesse et la crise européenne de la dette pourrait, dans une nouvelle vague, atteindre d'autres pays vulnérables.

L'économie du Québec avait bien amorcé l'année, mais elle a ralenti lors des derniers mois de 2010 et rien ne porte à croire que la situation s'améliorera d'ici deux ans. En fait, le Québec devrait connaître une croissance plus modeste jusqu'à la fin de 2012. Cela s'explique par les hausses des taxes à la consommation et des impôts sur le revenu. La taxe de vente provinciale a été augmentée le 1^{er} janvier et diverses mesures fiscales instaurées dans le sillage du dernier budget provincial pèseront de plus en plus lourd sur les facteurs de croissance. De façon toute particulière, la «contribution» relative aux soins de santé que les Québécois paient depuis 2010 et qui augmentera en continu pendant quelques années. Les ménages l'ont goûtée pour une première fois l'an dernier; et d'autres hausses de taxes s'en viennent à court terme. Conséquence, la consommation augmentera peu.

¹ Des opérations comptables spéciales permettront à la Nouvelle-Écosse d'afficher un surplus pour l'exercice 2010-2011. La province ne devrait pas atteindre l'équilibre budgétaire en 2011-2012.

La croissance PIB réel aux prix de base retombera ainsi à 1,8 p. 100 en 2011. (Voir les graphiques 1 et 2). Les choses ne s'améliorent pas beaucoup en 2012, année où le PIB réel ne devrait progresser que de 1,9 p. 100.



L'économie de l'Ontario s'est essoufflée en milieu d'année, l'an dernier; en raison de l'affaiblissement de la demande de consommation et des exportations aux deuxième et troisième trimestres, les prévisions de croissance pour 2011 ont été révisées à la baisse. Nous croyons maintenant que le PIB réel de l'Ontario progressera de 2,1 p. 100

en 2011 (et non plus de 2,6 p. 100 comme l'indiquait notre *Note de conjoncture provinciale* précédente). La stimulation budgétaire n'est pas terminée : le gouvernement provincial envoie encore des chèques pour aider les Ontariens à s'ajuster à l'harmonisation des taxes de vente fédérale et provinciale. Un ultime paiement de transition aidera à soutenir la croissance des revenus, cette année, de même que les remises pour le coût de l'électricité plus élevé. Les programmes d'infrastructures du fédéral et de la province, lancés pour contrebalancer les effets de la récession mondiale, qui ont nettement stimulé l'économie ontarienne pendant deux ans, prendront bientôt fin. En même temps, l'investissement privé s'accroîtra, à la faveur de plusieurs projets miniers ou énergétiques en cours de réalisation, surtout dans le nord de la province. Le marché de l'habitation, quant à lui, se calmera momentanément en 2011, sous l'effet du resserrement des conditions de financement hypothécaire et d'un ralentissement économique qui feront diminuer la demande de logements neufs. Tout en subissant un recul prononcé de l'investissement public, l'Ontario sera le théâtre d'une croissance économique assez généralisée en 2012. Le PIB réel devrait y faire un saut plus marqué, c'est-à-dire de 2,7 p. 100.

Le fléchissement de la croissance économique s'observera aussi dans la région de l'Atlantique. En Nouvelle-Écosse et au Nouveau-Brunswick, on observera un soutien du gouvernement provincial moins prononcé et l'absence de nouveaux grands projets d'investissements non résidentiels expliqueront cette tendance baissière durant la période visée. La nouvelle production de gaz naturel au site extracôtier de Panuke, en Nouvelle-Écosse, aidera le secteur pétrolier mais la croissance globale du PIB réel de la Nouvelle-Écosse ne devrait être que de 1,6 p. 100 cette année, puis de 1,8 p. 100 en 2012. Au Nouveau-Brunswick, l'aménagement d'une nouvelle mine de potasse et l'accroissement des opérations minières ne suffiront pas pour vraiment stimuler la croissance économique cette année. Bien des faiblesses s'observent dans l'économie néo-brunswickoise; ainsi, le PIB réel de la province ne progressera que de 1,3 p. 100, un rythme faible. Toutefois, à compter de l'an prochain, la nouvelle production de potasse contribuera à porter à 2,2 p. 100 la croissance du PIB réel. La faiblesse de la demande externe a mal servi des secteurs clés de l'économie de l'Île-du-Prince-Édouard en 2010, dont le secteur

manufacturier, lequel devrait toutefois mieux se comporter cette année et l'an prochain. Si le secteur manufacturier est une pièce maîtresse de l'économie de l'Île, c'est surtout à la nouvelle capacité de production d'énergie éolienne que sont dus les gains inscrits au bilan global de 2010. Ce secteur demeurera d'ailleurs un facteur de croissance à court terme. L'économie de l'Île devrait progresser de 2,5 p. 100 en 2011 puis de 1,7 p. 100 en 2012. Terre-Neuve-et-Labrador affichera encore une fois l'une des meilleures croissances cette année (deuxième, derrière la Saskatchewan); la poursuite des grands chantiers de construction non résidentiels profitera à l'économie intérieure pendant quelques années. Une bonne évolution de la production minière, surtout pour ce qui est du nickel et du fer, aidera aussi à inscrire une croissance économique de 3,6 p. 100 en 2011. L'avancée pourrait même être plus vive si le marché du logement demeure aussi fébrile qu'il l'est présentement : des mises en chantier un peu supérieures à 3 000 unités en moyenne sont à prévoir en 2011. Enfin, si les perspectives pour 2012 sont bonnes en ce qui concerne l'investissement et les dépenses intérieures, le ralentissement de la production pétrolière limitera la croissance du PIB réel à 1,5 p. 100.

Contrairement au reste du pays, le Manitoba et la Saskatchewan devraient connaître un essor cette année. L'économie manitobaine a connu des difficultés l'an dernier, mais l'amélioration des résultats du secteur minier et du secteur manufacturier, conjuguée à une bonne croissance des industries de services, engendreront un regain progressif de la province. La croissance du PIB réel atteindra 2 p. 100 en 2011 et passera à 2,5 p. 100 en 2012. De son côté, la Saskatchewan s'apprête à connaître une longue période de prospérité, surtout en raison de l'expansion à grande échelle de l'industrie de la potasse et de gains successifs dans le secteur de l'énergie. L'attrait de la province se traduira encore par la venue de nouveaux résidents en Saskatchewan, surtout en provenance de l'étranger. Tous ces facteurs amèneront l'économie saskatchewannaise au premier rang parmi les provinces : croissance du PIB réel de 3,9 p. 100 en 2011, puis de 4,5 p. 100 en 2012. Les perspectives demeurent favorables pour les années 2013 à 2015, une croissance annuelle moyenne de 3,6 p. 100 y étant prévue.

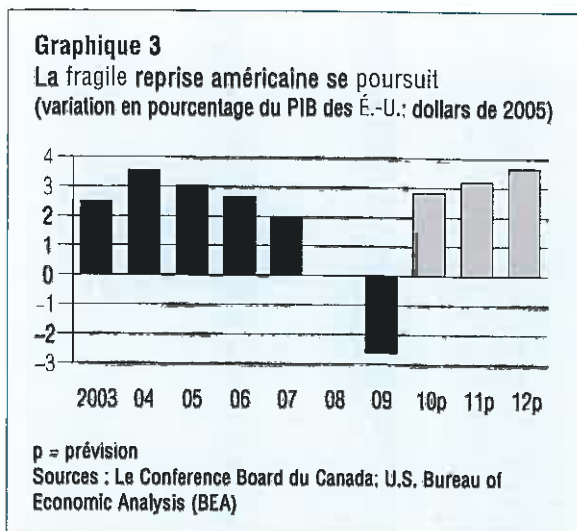
En Alberta, tout n'évoluera pas de la même façon. L'an dernier, la province se remettait des effets de la récession mondiale, le PIB réel a progressé de 3,4 p. 100; cette année, il gagnera seulement 2,4 p. 100. Cela sera dû à un ralentissement généralisé des activités quoique la province affichera une belle progression de sa production pétrolière et jouira d'investissements de capital accrus dans les sables bitumineux, surtout en ce qui a trait aux projets in situ (là où l'on extrait du bitume plus en profondeur). Mais la «pause» sera brève puisque l'économie albertaine connaîtra un nouvel essor en 2012, montrant alors une progression du PIB réel de 3,8 p. 100. Il en ira un peu autrement de l'embauche : après des pertes d'emplois en 2009 et 2010, le marché du travail devrait nettement s'améliorer au cours des deux prochaines années, suffisamment pour ramener le taux de chômage à 5,5 p. 100 d'ici la fin de 2012 (ce taux était de 5,9 p. 100 en janvier 2011).

L'économie de la Colombie-Britannique vivra un vide post-olympique cette année; la faible croissance de diverses industries de services, de la construction et de l'activité forestière fera baisser de moitié la croissance du PIB réel. Donc, en 2011, le PIB ne devrait progresser que de 1,9 p. 100. Sauf qu'il ne s'agira pas d'une léthargie prolongée puisque l'accélération économique prévisible en 2012 devrait alors amener un bond de 3,2 p. 100 du PIB réel. L'industrie des gaz de schiste se développe dans le nord-est de la province et l'exploitation de ces réserves gazières stimulera l'investissement non résidentiel et la production de gaz naturel pendant plusieurs années.

PERSPECTIVES AMÉRICAINES ET MONDIALES

Les données économiques récentes sur la santé générale de l'économie américaine sont encourageantes et les craintes quant à une récession à double creux commencent à s'estomper. Les conditions financières s'améliorent et le marché boursier est revenu au niveau qu'il affichait avant que la crise de la dette souveraine européenne n'atteigne les banques, le printemps dernier. Les écarts de taux entre les obligations à risque élevé et celles

à moindre risque diminue et les banques ont réagi à l'amélioration de la qualité du crédit en intensifiant quelque peu leur activité de prêt. L'économie croît présentement au rythme d'environ 2,5 p. 100, ce qui demeure inférieur à la cadence potentielle estimée à 2,8 p. 100, mais elle n'est plus en décélération. Puisque les perspectives s'améliorent, nous prévoyons une croissance du PIB réel des États-Unis de 3,2 p. 100 cette année, puis de 3,7 p. 100 en 2012. (Voir le graphique 3).



D'ici à ce que l'investissement s'accroisse dans le secteur privé et que les ménages américains accroissent leurs dépenses, c'est une nouvelle vague de stimulants monétaires et budgétaires qui sera source de croissance économique. En décembre dernier, le Congrès et l'administration Obama en sont venus à un compromis à propos des impôts et de la politique en matière de dépenses. L'entente prolonge de deux ans les réductions d'impôts datant de l'ère Bush, qui auraient pris fin au terme de 2010. En outre, les impôts sur le salaire des travailleurs baissent pour un an et les investissements des entreprises profiteront d'un traitement fiscal plus avantageux. Ces mesures aideront à nourrir la croissance du PIB réel, surtout en 2011, mais la prolongation de 2 ans coûtera au Trésor américain environ un billion de dollars US. Par conséquent, à court terme le déficit budgétaire demeurera supérieur à 1,3 billion de dollars. Le rétablissement du programme d'assurance emploi d'urgence pour les chômeurs de longue date, qui s'était arrêté à la fin de novembre, aura lui aussi un effet économique positif. Si le Congrès n'avait rien fait à ce sujet, plus d'un million

de travailleurs auraient perdu leurs droits dans les semaines précédant Noël. Il semble que la possibilité de toucher des prestations d'assurance emploi jusqu'à 99 semaines, dans certains États, encourage une partie des travailleurs à ne pas changer de statut, mais comme on compte actuellement 5 chômeurs pour chacun des postes disponibles, il n'y a pas encore assez de postes pour accueillir plus qu'une minorité des chercheurs d'emploi.

La Réserve fédérale a elle aussi agi, un peu dans la controverse, en amorçant une deuxième ronde d'assouplissement monétaire. Son plan consiste à acquérir jusqu'à 600 milliards de dollars US de bons du trésor pour maintenir les taux d'intérêt à un bas niveau et pour aider la devise américaine. Reste à voir si ce plan produira les effets visés. Jusqu'ici, les taux de long terme américains ne sont pas descendus, tandis que le programme a suscité des réactions négatives de certains partenaires commerciaux. Mais l'intention de la Fed est claire : ne pas hausser les taux tant que la reprise américaine ne s'alimente d'elle-même. Ce qu'on veut faire, c'est stimuler les dépenses de consommation même si le marché de l'emploi n'est pas propice. Les ventes de détail ont nettement progressé tard en 2010. Au grand tableau des ventes au détail, les résultats intéressants du secteur automobile ont eu un effet considérable; la demande des ménages s'est renforcée, vu le besoin de remplacer leurs véhicules vieillissants. Ainsi en janvier, donc pour un quatrième mois d'affilée, les ventes annualisées de véhicules ont dépassé les 12 millions, ce qui est toutefois inférieur aux 15 millions prévisibles dans un contexte normal. Tous les constructeurs automobiles, sauf Toyota, ont vu leurs ventes augmenter considérablement par rapport à l'année précédente.

L'amélioration des perspectives du côté de l'économie américaine et des consommateurs de ce pays, des facteurs de toute première importance, se répercute sur le pronostic mondial. Les marchés boursiers de toute la planète se raffermissent, ce qui fait croître la confiance, crée de la richesse et stimule les dépenses d'investissement. En Europe, la croissance demeurera faible cette année, en dépit des mesures prises par le Fonds monétaire international et la Banque centrale européenne pour protéger l'euro. D'après une prévision préliminaire, optimiste peut-être, les économies et la situation financière de l'Europe pourraient graduellement se solidifier sans

que ne survienne de remous dans le secteur bancaire ni les marchés internationaux des capitaux. Il est acquis que les économies en développement continueront de contribuer de belle façon à la croissance économique globale en 2011. La région Asie-Pacifique, en particulier, profitera de la forte production industrielle chinoise et indienne. Quant au Brésil et à l'Argentine, des pays riches en ressources, ils donneront le ton à la solide performance de l'Amérique latine.

POLITIQUE MONÉTAIRE

Le peu de pressions inflationnistes, au Canada et ailleurs, a aidé les banques centrales à poursuivre leur stimulation budgétaire sans craindre de provoquer de l'inflation. Disons que la surcapacité et un chômage élevé ont empêché les prix à la consommation de grimper dans la plupart des pays développés. Ce fut le cas au Canada, où l'indice global des prix à la consommation (IPC) a un peu monté ces derniers mois; cette évolution du taux annuel d'inflation reflète en partie les incidences de l'entrée en vigueur, en juillet dernier, des taxes de vente harmonisées en Ontario et en Colombie-Britannique. Et malgré cette progression, l'inflation s'inscrit bien dans les cibles de la Banque du Canada, qui porte un regard plus attentif sur les indicateurs moins fluctuants de l'inflation.² L'inflation de base est demeurée nettement en-dessous du niveau moyen de la cible établie par la Banque du Canada, soit de 1 à 3 p. 100.

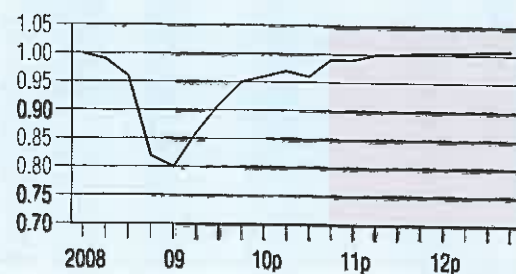
À la faveur d'une bonne et hâtive reprise au pays, de la situation budgétaire relativement saine du Canada, du solide réseau bancaire du pays et des difficultés persistantes en Europe et aux États-Unis, le dollar canadien s'est encore montré fort. Descendu à un peu plus de 82 cents US au début de 2009, le huard a dépassé 97 cents US, en moyenne, en 2010 puis a fini l'année au pair avec la devise américaine. Il devrait d'ailleurs se maintenir à parité avec le billet vert, ou presque. (Voir le graphique 4). Deux ensembles de facteurs devraient expliquer la stabilité relative du huard à moyen terme. Essentiellement, les incertitudes devraient s'amenuiser en Europe et aux

États-Unis, ce qui réduirait les pressions sur notre devise, un phénomène en bonne partie contrebalancé par la hausse des prix du pétrole et d'autres matières premières, ainsi que l'accroissement du différentiel de taux d'intérêt puisque la Banque du Canada haussera les taux d'intérêt plus tôt et davantage que ne le fera la Réserve fédérale américaine.

La politique monétaire canadienne demeure un élément très stimulant. Le taux bancaire de 1,25 p. 100 se situe encore bien en-dessous du taux neutre voisin de 4 p. 100. (Le taux neutre est celui auquel la politique monétaire n'a ni d'effet stimulant, ni d'effet contraignant). Cependant, le peu d'inflation et le niveau déjà atteint par le huard portent à croire que la Banque du Canada n'est aucunement pressée d'amorcer le retrait de ses stimulants monétaires. En même temps, d'autres considérations semblent indiquer que la Banque reprendra son resserrement dès que possible. Le Gouverneur de la Banque, Mark Carney, qui a maintes fois exprimé l'avis que les faibles taux d'intérêt ont amené les consommateurs canadiens à s'endetter de plus en plus, rappelle que les consommateurs se ressentiront vite d'une prochaine hausse des taux d'intérêt. Et puisque les taux d'intérêt devront, c'est inévitable, remonter vers le niveau dit neutre, la Banque voudra probablement freiner l'appétit des emprunteurs avant longtemps. La pause qui marque présentement le mouvement de resserrement des taux d'intérêt de la Banque sera donc de courte durée; les taux d'intérêt devraient recommencer à augmenter l'automne prochain.

Graphique 4

Le dollar canadien se maintiendra juste au-dessus du pair (\$ US/\$ CA)



p = prévision

Sources : Le Conference Board du Canada ; Statistique Canada

² L'indice de référence des prix à la consommation de la Banque du Canada exclut l'effet des variations dans les impôts indirects et huit des composantes les plus volatiles comprises dans l'IPC global.

POLITIQUE BUDGÉTAIRE

Fort d'une décennie de surplus et d'amélioration du ratio d'endettement, le gouvernement du Canada s'est retrouvé en récession en bien meilleure position que les gouvernements de la plupart des autres pays développés. Néanmoins, un recul de 4,5 p. 100 du PIB nominal en 2009, combiné à un vaste programme de stimulation, a fait en sorte que le pays accusait un déficit de 55,6 milliards de dollars en 2009-2010; tout cela se soldera par un déficit estimatif de 44,1 milliards de dollars en 2010-2011. Après 2010-2011, comme l'ont dit avec insistance les autorités, la priorité absolue consistera à éliminer le déficit. Pour y parvenir, le gouvernement fédéral devra limiter la croissance moyenne de ses dépenses à un niveau inférieur à l'inflation, au cours des cinq prochains exercices. Autrement dit, une croissance annuelle moyenne des dépenses d'à peine 1,5 p. 100. Si le gouvernement fédéral atteint ces cibles de dépenses marquées au sceau de l'austérité, nous croyons que l'amélioration des résultats économiques lui permettra de ramener son déficit à 27 milliards de dollars dans le prochain exercice (2011-2012), puis mettra à sa portée l'équilibre budgétaire d'ici 2014-2015, un an plus tôt que ne l'annonçait la dernière mise à jour économique.

La situation budgétaire des provinces est bien plus problématique. Malgré une vive croissance économique lors des années précédant la récession, depuis 2001, les gouvernements provinciaux ne sont parvenus qu'une fois à inscrire un surplus collectif. En fait, depuis cette année-là, les provinces ont vu leur dette collective gonfler de 32,5 milliards de dollars. Cela, surtout à cause des dépenses des provinces en matière de biens et de services, dépenses échappant pratiquement à tout contrôle et bondissant en moyenne de 6,7 p. 100 au cours des 5 dernières années. Le déficit collectif des provinces a atteint le sommet de 48,2 milliards de dollars en 2009,

ce qui représentait 3,2 p. 100 du PIB. Il s'agissait là du plus important déficit collectif de tous les temps. Si ce déficit a diminué quelque peu en 2010, à la faveur d'une bonne croissance des recettes autonomes et des transferts en provenance du fédéral, les provinces auront plus de difficultés que le gouvernement fédéral à continuer d'améliorer la situation. Bon nombre d'entre elles peineront à réduire leurs dépenses parce que la population vieillissante du pays exercera une pression accrue sur les soins de santé (auxquels sont déjà consacrés 42 cents par dollar dépensé par les provinces). Selon nos prévisions, de 2012 à 2015, les provinces pourront réduire de 6,7 p. 100, présentement, à 4,6 p. 100 en moyenne la croissance annuelle des dépenses. Toutefois, sans nouvelles majoration des impôts, cela ne permettra que de ramener à 15,5 milliards de dollars leur déficit collectif d'ici 2015.

Aux pires heures de la récession, en 2009, le secteur public a dépensé sans modération. Conséquence, selon les statistiques, les dépenses totales en programmes et en infrastructures des gouvernements ont alors augmenté à un rythme qui n'avait été atteint ou surpassé qu'une fois, soit en 1985. La cadence a à peine diminué en 2010, année où l'escalade des dépenses gouvernementales en infrastructures aura de loin effacé ses efforts pour contrôler la croissance des programmes non liés aux mesures de stimulation. Mais les déficits du gouvernement fédéral, des provinces et même des administrations municipales sont insoutenables, cela obligeant les gouvernements à couper quelque part. De ce fait, à compter de cette année et pendant quelques années, le secteur public contribuera très peu à la croissance économique et vu la diminution des dépenses liées aux infrastructures en 2012, les dépenses publiques, tous paliers confondus, reculeront pour la première fois depuis les grandes mesures d'austérité gouvernementale ayant marqué la seconde moitié des années 90.

Resource Projects Drive Growth

Highlights

- Newfoundland and Labrador will be among the fastest-growing provinces this year.
- The end of the 18-month labour dispute at Voisey's Bay will help boost metal mining.
- The unemployment rate is forecast to drop to 11 per cent in 2012, thanks to robust job creation.

Economic Indicators (percentage change)

	2010f	2011f	2012f
Real GDP	5.2	3.6	1.5
Consumer Price Index	2.4	1.8	2.0
Personal disposable income	3.7	2.2	4.9
Employment	3.5	1.4	3.3
Unemployment rate (level)	14.3	13.3	11.0
Retail sales	3.7	1.9	4.6
Wages and salaries per employee	0.4	2.0	3.3
Population	0.4	0.0	0.2

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Government and Background Information

Premier	Kathy Dunderdale
Next election	2011
Population (2010Q4)	509,239
Government balance (2010–11)	\$12.3 million

Sources: The Conference Board of Canada; Newfoundland and Labrador Finance.

Demand for Newfoundland and Labrador's principal commodities continues to grow, boding well for businesses, workers, and government coffers. An increase in iron ore shipments and a strike-ending agreement at the Voisey's Bay nickel mine will provide major boosts to mining output this year. With several expansions and openings on the horizon, the metal mining sector should grow strongly throughout the medium term. Elevated production levels at Hibernia—the province's largest offshore oil field—and escalating production at North Amethyst will delay the inevitable contraction in the mineral fuels sector until next year. As a result, goods-producing industries will advance by an anticipated 6 per cent in 2011, only to fall 1.8 per cent in 2012.

Fortunately, the services side of the economy will pick up some of the slack. Wholesale and retail trade are expected to decelerate this year, but will kick back into high gear in 2012 as consumer activity heats up. And large projects—such as Hebron and Lower Churchill—will generate considerable economic activity even before the main construction and fabrication work begins. Indeed, commercial services are forecast to expand 22 per cent over the next two years. All told, the economy is expected to grow 3.6 per cent in 2011 and 1.5 per cent in 2012.

Newfoundland and Labrador remains a promising location for workers of all types. Employment is expected to rise 1.4 per cent in 2011 and 3.3 per cent in 2012.

Perhaps most impressively, the unemployment rate is forecast to drop to a 40-year low of 11 per cent next year. While most of the job gains will be posted by service industries, construction payrolls will also expand

substantially over the next two years as construction investment climbs to a record-high \$5.6 billion in 2012.

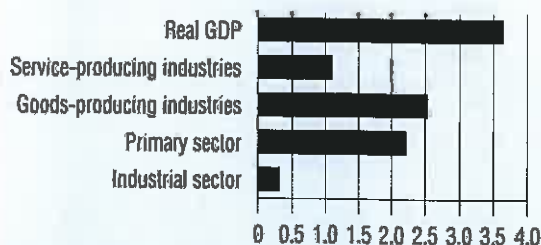
MINING PRODUCTION ESCALATES IN 2011

In 2011, the province's offshore sector is expected to exceed 100 million barrels of crude oil production for a second consecutive year. The Hibernia platform—which accounted for half of all production over the past two years—continues to lead the way. According to a recent update from the offshore regulator, Hibernia holds 1.4 billion barrels of reserves, up 151 million barrels—or about three years worth of production—from previous estimates. Another factor that will help support offshore production is the ramp-up at North Amethyst, the first extension from the White Rose field. A total of 11 wells will be drilled by 2013, with daily production peaking at 37,000 barrels. Terra Nova's output is expected to slip this year. The operator is targeting a production rate of 58,000 to 65,000 barrels per day in 2011, down from an average of 68,324 barrels per day in 2010. The field has recently been sorting out technical issues in some of its wells, and its production ship is scheduled for repairs that would require a three-month shutdown (though these maintenance plans may be postponed until 2012). Overall, real GDP in the mineral fuels sector is expected to grow a modest 0.9 per cent this year. But the bump from North Amethyst and Hibernia will not last long. Declines of around 10 per cent are expected in 2012 and 2013.

Thanks to expanding industrial activity in emerging economies such as China and India, the market for iron ore has rebounded sharply from the global economic downturn. Indeed, free-on-board spot prices climbed to record highs in January after new export restrictions were imposed in India. Labrador miners are well positioned to benefit from rising demand. Shipments are estimated to have approached 20 million tonnes in 2010, but additional capacity exists and new capacity will soon be added. Labrador Iron Mines intends to commence operations at its Schefferville-area deposits this spring. The production target in the first year is 2 million tonnes, increasing to 3 million tonnes thereafter. In addition, the Iron Ore Company of Canada is rapidly advancing its expansion plans. The first two phases of

Contributions to Newfoundland and Labrador Real GDP Growth, 2011

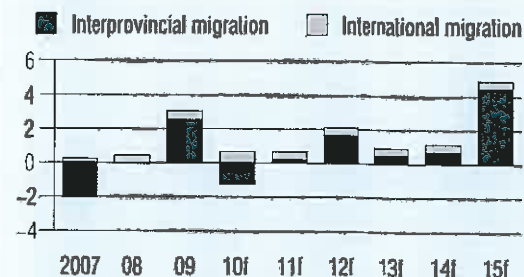
(by industry/sector, percentage point: GDP, per cent)



Note: "Primary" is the sum of agriculture, forestry, fishing and trapping, and mining sectors. "Industrial" is the sum of manufacturing, construction, and utilities sectors.

Sources: The Conference Board of Canada; Statistics Canada.

Sources of Migration (net migration, 000s)

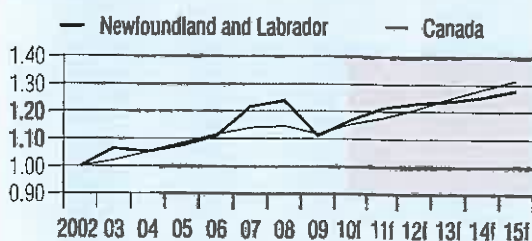


f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Real GDP, 2002 to 2015

(Index, 2002 = 1.0)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

the project, which should be completed by 2013, will boost annual concentrate capacity from 18 million tonnes to over 23 million tonnes.

But the most important story in 2011 is the end of the Voisey's Bay labour dispute. After an 18-month strike and numerous failed negotiations, workers voted in late January to accept Vale's latest contract offer. The timing could not be better. The prices for nickel and copper rose by nearly half in 2010 and currently exceed pre-recession highs. A return to full production at Voisey's Bay, combined with higher shipments of iron ore and other metals, will cause growth in the metal mining sector to accelerate to 31 per cent this year. A smaller increase of 7.1 per cent is forecast for 2012. (See chart "Metal Mining.")

PRIVATE SPENDING DRIVES CONSTRUCTION

Construction remains one of the province's brightest industries. Several major private initiatives are either under way or set to go ahead in the near future. For example, North Atlantic's \$300-million refinery upgrade began late last year and will last into 2012. But that project pales next to the nickel processing plant at Long Harbour. The latter project's payroll is expected to peak at 2,500 workers this year as capital expenditures climb to US\$817 million. Strength in the iron ore industry will also boost construction. IOC is pumping \$435 million into Phase I of its ambitious expansion program. Phase II comes with a price tag of \$289 million. Because final approval for Phase II was not granted until mid-February (after the forecast was finalized), it has not been included in our forecast and therefore represents a substantial upside risk. All told, private non-residential investment is expected to rise 14 per cent in 2011 and 15 per cent in 2012.

Construction output will be tempered, however, by declines in other components. From 2004 to 2010, public non-residential investment nearly quadrupled in Newfoundland and Labrador. But with recent stimulus measures winding down, the upward climb is coming to an end. Public investment is expected to fall 3.9 per cent this year and another 16.8 per cent next year. Activity in the residential sector has also blossomed

The Pervasive Windfall of Offshore Oil



Since operations began at Hibernia in November 1997, the province's offshore sector has produced 1.2 billion barrels of crude oil, directly accounting for nearly one-fifth of all economic output over that time. But the importance of the oil and gas industry to the Newfoundland and Labrador economy is not limited to commercial production. Before a single drop of oil can be pumped, operators must pour billions of dollars into development. From 1995 to 2009, the industry accounted for 30 per cent of all investment in the province—some \$17 billion of capital spending. This year, Husky is expected to advance its \$250-million pilot scheme for the West White Rose expansion. And with the Hibernia Southern Extension and Hebron projects on the horizon, capital expenditures will not ease up any time soon.

A host of other activities is required to support production once a site comes online. Wells must be maintained, rigs serviced, and equipment installed. These activities are costly in both time and financing. Consider, for example, the three-month shutdown Terra Nova must implement either this year or next to replace a damaged piece of equipment. The search for new discoveries is another ongoing contributor to GDP growth. A rig-sharing arrangement between three large players will facilitate extensive exploratory drilling over the next three years. Rampant offshore development has also vitalized the ocean technology sector, a growing source of employment and innovation. Many of these activities are classified as mining support services. (Some, like geophysical surveying, fall under professional services.) It is indicative of the offshore sector's strength that the forecast for such services is so bright. Output is expected to rise by 50 per cent from 2010 to 2012.

Moreover, the oil sector has been a boon for the provincial treasury. The government has collected approximately \$5.7 billion in offshore royalties to date, plus hundreds of millions more in corporate income tax. These monies are used to fund social programs and infrastructure initiatives from which all residents benefit, and to pay down debt. Net debt, which once stood at \$11.9 billion, has been reduced to the \$9-billion range, thereby greatly improving the province's future fiscal position.

in recent years. Housing starts climbed to a record-high 3,600 units last year. But while starts should remain above the 3,000 unit mark in 2011, the market is expected to cool down as residential expenditures fall more in line with demographic requirements. Fortunately, private spending will outweigh declines in other areas, ensuring modest construction growth in the near term. Over 2010–12, output in this sector is expected to increase 33 per cent.

DOMESTIC DEMAND PROVIDES STABILITY

Higher prices and volumes in the resource sector will help boost Newfoundland and Labrador export growth to 5.6 per cent in 2011. And because imports are expected to remain flat, net exports will account for nearly half of nominal GDP growth this year. But domestic demand is also heating up, and it will become the prime source of economic growth in subsequent years. The labour market is beginning to reflect this positive outlook. After significant job creation in 2010, the economy is expected to gain another 10,500 jobs over the next two years, with commercial services and construction leading the way. As a result, the unemployment rate is projected to fall to 11 per cent in 2012, a 40-year low. (See chart, "Job Creation.")

A tighter labour market will manifest itself in several other ways. For one, the province will enjoy positive net interprovincial migration throughout the medium term, as workers relocate to Newfoundland and Labrador in search of better employment opportunities. Over the next two years, arrivals are expected to outnumber departures by 1,800 people, a startling improvement from recent historical trends. Wages and salaries will also accelerate in the near term. Total labour income will increase by 3.9 per cent in 2011 and by 3.4 per cent in 2012. With incomes rising and job prospects brightening, consumer activity will naturally pick up. Although 2011 is projected to be a modest year for retailers, consumer spending growth will accelerate to 5.1 per cent next year.

In Newfoundland and Labrador, government is arguably the most significant economic actor—more so even than the oil and gas sector. In 2010, public administration and non-commercial services (a category that includes health care, education, and social services) accounted for 22 per cent of total output and a third of all jobs. The public sector will continue to contribute to economic growth in coming years, though the pace of growth will slow relative to recent years as stimulus measures subside. Government spending on goods and services is expected to increase 4.2 per cent over each of the next two years, a comparatively modest pace. As a result, public administration and non-commercial services are expected to expand by a combined 1.1 per cent in 2011 and 1.6 per cent in 2012.

Forecast Risks



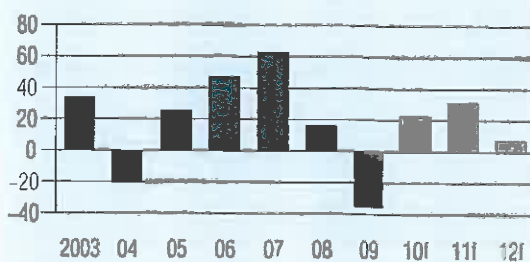
- ♦ The recent decision by the Iron Ore Company of Canada to advance the second phase of its expansion program will boost the investment outlook. A third phase is also possible.



- ♦ If the West White Rose expansion goes ahead as planned, investment expenditures will receive a major boost. Approval for the development plan is still pending.

Source: The Conference Board of Canada.

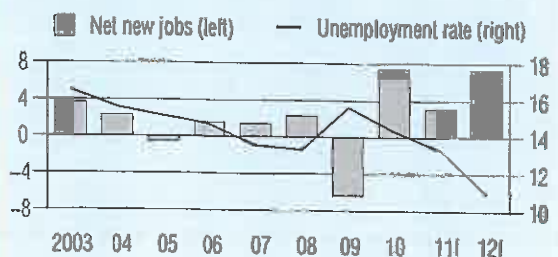
Metal Mining Output
(percentage change, 2002 \$)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Job Creation
(jobs, 000s; unemployment, per cent)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Key Economic Indicators: Newfoundland and Labrador
(forecast completed: February 4, 2011)

	201001	201002	201003	201004	201101	201102	201103	201104	201201	201202	201203	201204	2010	2011	2012
GDP at market prices (current \$)	26,842	26,864	27,456	27,539	28,442	28,731	29,035	29,414	29,709	29,895	30,176	30,388	27,175	28,906	30,042
	8.3	0.1	2.2	0.3	3.3	1.0	1.1	1.3	1.0	0.6	0.9	0.7	8.8	6.4	3.9
GDP at basic prices (current \$)	25,121	25,130	25,595	25,724	26,584	26,829	27,099	27,443	27,686	27,838	28,086	28,265	25,417	26,989	27,969
	8.7	0.0	2.2	0.1	3.3	0.9	1.0	1.3	0.9	0.5	0.9	0.6	9.0	6.2	3.6
GDP at basic prices (constant \$ 2002)	17,324	17,486	17,486	17,711	18,068	18,109	18,161	18,219	18,354	18,386	18,437	18,493	17,502	18,139	18,418
	3.9	0.9	0.0	1.3	2.0	0.2	0.3	0.3	0.7	0.2	0.3	0.3	5.2	3.6	1.5
Consumer Price Index (2002 = 1.0)	1.166	1.171	1.177	1.181	1.186	1.191	1.197	1.206	1.211	1.216	1.222	1.227	1.0	1.195	1.219
	1.3	0.4	0.5	0.3	0.5	0.4	0.5	0.7	0.4	0.4	0.4	0.4	2.4	1.8	2.0
Implicit price deflator—															
GDP at basic prices (2002 = 1.0)	1,450	1,437	1,469	1,452	1,471	1,481	1,492	1,506	1,508	1,514	1,523	1,528	1,452	1,488	1,519
	4.6	-0.9	2.2	-1.2	1.3	0.7	0.7	0.9	0.1	0.4	0.6	0.3	3.6	2.4	2.1
Average weekly wages	743.2	747.9	747.2	749.4	754.6	759.5	764.4	769.5	775.5	781.4	787.0	792.5	746.9	762.0	784.1
(\$ industrial composite)	-0.3	0.6	-0.1	0.3	0.7	0.6	0.7	0.7	0.8	0.8	0.7	0.7	3.0	2.0	2.9
Personal income (current \$)	16,673	16,894	17,000	17,215	17,305	17,419	17,532	17,680	18,064	18,335	18,556	18,755	16,946	17,484	18,428
	0.7	1.3	0.6	1.3	0.5	0.7	0.7	0.8	2.2	1.5	1.2	1.1	3.3	3.2	5.4
Personal disposable income (current \$)	13,397	13,838	13,679	13,788	13,848	13,937	14,019	14,113	14,394	14,594	14,765	14,918	13,676	13,979	14,668
	0.6	3.3	-1.1	0.8	0.4	0.6	0.6	0.7	2.0	1.4	1.2	1.0	3.7	2.2	4.9
Personal savings rate	1.3	4.7	2.6	2.8	2.9	3.1	3.0	2.5	2.8	2.8	2.7	2.6	2.9	2.9	2.7
Population of labour force age (000s)	428	428	428	429	429	429	429	430	430	430	431	431	428	429	430
	0.1	0.0	0.1	0.2	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.5	0.3	0.3
Labour force (000s)	255	256	257	257	257	257	257	257	257	258	259	259	256	257	258
	0.5	0.6	0.4	0.0	0.0	-0.2	0.0	0.1	0.2	0.4	0.1	0.2	1.9	0.2	0.6
Employment (000s)	216	219	221	222	222	222	223	223	227	230	231	232	220	223	230
	1.5	1.3	0.7	0.5	0.1	0.1	0.1	0.3	1.7	1.1	0.6	0.5	3.5	1.4	3.3
Unemployment rate	15.0	14.4	14.2	13.7	13.6	13.3	13.2	13.1	11.8	11.1	10.6	10.4	14.3	13.3	11.0
Retail sales (current \$)	7,489	7,280	7,339	7,428	7,479	7,492	7,520	7,608	7,732	7,829	7,917	7,999	7,383.8	7,525	7,869
	3.1	-2.8	0.8	1.2	0.7	0.2	0.4	1.2	1.6	1.3	1.1	1.0	3.7	1.9	4.6
Housing starts (units)	5,612	3,642	2,538	2,633	2,817	3,058	3,223	3,163	2,738	2,731	2,642	2,631	3,606.3	3,065	2,686
	71.1	-35.1	-30.3	3.7	7.0	8.6	5.4	-1.9	-13.4	-0.2	-3.3	-0.4	18.0	-15.0	-12.4

Shaded area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Growth Slows on the Island

Highlights

- ♦ Agricultural output will only see a slight gain in 2011 due to weak potato prices.
- ♦ The aerospace space industry continues to expand, with a number of new companies starting operations.
- ♦ Tepid employment gains will lead to slower growth in retail sales.

Economic Indicators (percentage change)

	2010f	2011f	2012f
Real GDP	3.5	2.5	1.7
Consumer Price Index	1.8	1.9	2.0
Personal disposable income	1.6	2.8	3.6
Employment	3.1	0.6	1.5
Unemployment rate (level)	11.3	11.2	10.3
Retail sales	4.9	1.8	2.6
Wages and salaries per employee	-1.7	2.3	2.5
Population	1.0	0.9	0.6

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Government and Background Information

Premier	Robert Ghiz
Next election	2011
Population (2010Q4)	142,266
Government balance (2010-11)	-\$55 million

Sources: The Conference Board of Canada; Statistics Canada; P.E.I. Finance.

Prince Edward Island's economy will advance more slowly this year because of lower public infrastructure spending and slower growth in agriculture. Manufacturing, however, is expected to perform better. Overall, real gross domestic product at basic prices is forecast to grow 2.5 per cent in 2011 and 1.7 per cent in 2012.

Prince Edward Island's economy rebounded in 2010 thanks to higher agricultural output and strong public and private investment. This year, the drivers of growth will be manufacturing and the utilities sector. New wind-generating capacity nearly doubled the level of utilities output last year, and that has carried over into 2011. Public investment spending is set to drop over the next two years with the bulk of the decline occurring in 2012. Federal spending under Canada's Economic Action Plan ends in October 2011, and much of the spending under the province's five-year infrastructure plan was allotted to the 2009-10 and 2010-11 fiscal years. Housing starts will remain steady this year at 750 units, but private non-residential investment is forecast to rise following three years of decline. Overall, the construction sector is expected to make a marginal contribution to the economy this year but decline next year.

Last year's potato crop was better than expected due to strong yields per acre. Although North American potato crops in general were very weak in 2010, prices did not rise significantly—certainly not high enough to support a major increase in acreage on the Island this year.

Nevertheless, the manufacturing sector should benefit from the slightly higher agricultural yields (which will boost processing output) and a recovery in international demand in the aerospace industry.

The Island's labour market will gain fewer than 400 jobs in 2011—and with unexceptional job gains, the unemployment rate will remain virtually unchanged this year. The lack of any tightness in the labour market will result in modest wage growth of only 2.1 per cent, which is in line with inflation. Overall, inflation-adjusted consumer expenditures will grow by a weak 0.9 per cent. Given the modest growth in consumer spending, retailers are forecast to see an increase in nominal sales of only 1.8 per cent.

AGRICULTURE INDUSTRY SEES MODEST GAINS

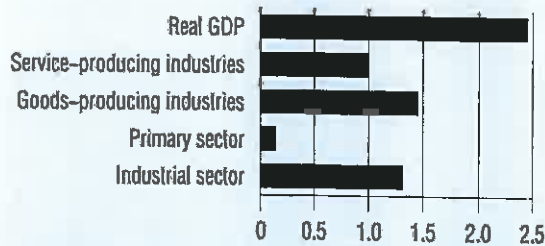
Still-weak potato prices will limit agricultural output growth to 1.7 per cent in 2011. In 2010, with demand low, worldwide potato production fell to its lowest point since the beginning of the recession. But due to an estimated 10-million-tonne shortfall in Eastern Europe, the Island's potato exports to markets outside North America were up 50 per cent. Still, while there has been some improvement, prices remain well below expectations given the state of the world market.

The P.E.I. Potato Board granted contract growers the ability to negotiate a price before planting for the 2010 growing season. In March 2010, Cavendish Farms appealed the plan, but that appeal was rejected late last summer by the province's Natural Products Appeals Tribunal. The process will reduce uncertainty for growers in future seasons and help with their crop management. Production of wheat and other grains will also increase in 2011. A \$6-million investment (including \$2.7 million from the Atlantic Canada Opportunities Agency) in a new crambe plant will increase acreage of oilseeds. The company that invested in the plant, Nature's Crops International, also plans to introduce calendula and borage to the Island, which will allow farmers to have a more diverse crop mix.

AEROSPACE TURNS THE CORNER

P.E.I.'s manufacturing industry is forecast to grow by a strong 3 per cent in 2011 and a further 4 per cent in 2012, thanks to a number of new plants and expansions.

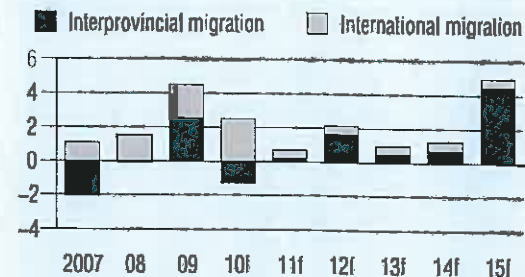
Contributions to Prince Edward Island Real GDP Growth, 2011
(by industry/sector, percentage point; GDP, per cent)



Note: "Primary" is the sum of agriculture, forestry, fishing and trapping, and mining sectors. "Industrial" is the sum of manufacturing, construction, and utilities sectors.

Sources: The Conference Board of Canada; Statistics Canada.

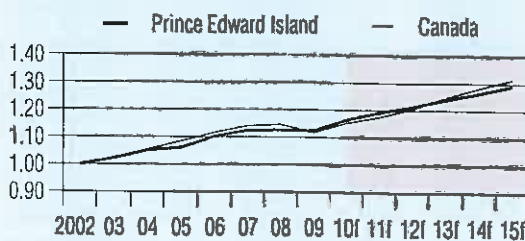
Sources of Migration
(net migration, 000s)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Real GDP, 2002 to 2015
(Index, 2002 = 1.0)



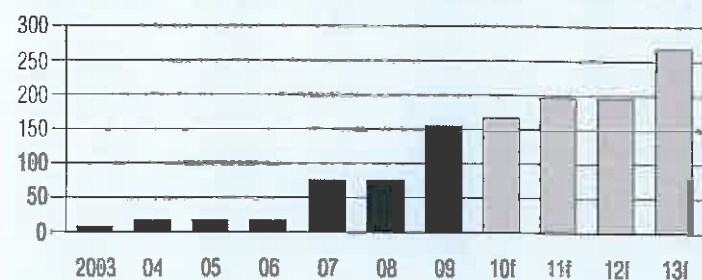
f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Wind Power Progresses Slowly

In 2010, Prince Edward Island's utilities output nearly doubled thanks to a major addition to the West Cape Wind Farm operated by GDF Suez Energy. The Island is still well short of its goal of having 500 megawatts of wind power by 2013, and few new projects are planned. Total wind power capacity currently stands at only 167 megawatts. (See chart "P.E.I. to Fall Short of Wind Power Target of 500MW Goal by 2013.") Unfortunately for the industry, there are alternative sources of energy that are much cheaper, and the failure to create a North American carbon-trading market removes a key incentive to invest in wind power. According to the Canadian Wind Energy Association, only one 10 megawatt wind power and storage facility is planned for 2011. PEI Green Energy has also submitted a proposal to expand the Eastern Kings Wind Farm from 10 turbines to 34, which would add up to 72 megawatts of wind power. However, there is currently no time frame for the project's development. The Island's lack of energy export capacity is also slowing development. In the province's original 10-point plan, the goal of having 300 megawatts available for export by 2013 relies on the construction of a new submarine power transmission cable to the mainland. The cable would be dual purpose, providing a more stable and inexpensive power supply and creating the necessary export capacity required for drumming up commercial interest in wind farm development. However, the province is still trying to secure federal funding for the \$90-million project.

P.E.I. to Fall Short of Wind Power Target of 500MW by 2013
(installed wind power capacity, megawatts)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

(See chart "Manufacturing Employment and Output to Rise This Year.") Nature's Crops International already plans to expand production at its oilseed plant, which could soon process up to 30,000 acres of crops per year. Also, aerospace manufacturing should finally start to rise on the Island as world demand for smaller aircraft finally picks up and Canada's industry as a whole starts to see more orders. Tube-Fab, a maker of aerospace and biomedical parts, is consolidating its Cornwall and Mississauga operations in Summerside. The company

expects to add 60 jobs on the Island, and that is on top of the jobs transferred from Ontario. Three Points Aviation also plans to expand by opening a manufacturing management office in Charlottetown, which will create another 30 jobs. Construction has also started on a \$5-million bioscience research park in Charlottetown, a project that will allow for the expansion of numerous industries. Leasing of the park's space is expected to begin at the end of 2011, so most of the output from the development will not happen until 2012.

P.E.I.'s seafood processing industry, however, continues to face tough times. The seafood processor Mariner Seafoods has lost its creditor protection and faces bankruptcy, putting 250 jobs at risk in 2011. Furthermore, the Minigoo Fisheries lobster plant, which only opened in April 2010, was forced to file for bankruptcy in July 2010. With record lobster landings last year, output in this sector is unlikely to increase in the medium term.

BUSINESS DOLLARS REPLACE PUBLIC INVESTMENT

In 2011, the private sector will replace the public sector as the leading source of investment on the Island. Overall, nominal public and private investment will grow 1.7 per cent. Public investment spending is set to drop over the next two years, with the bulk of the decline happening in 2012. As with all provinces, federal spending related to the Canada's Economic Action Plan must be completed by October 2011 to receive full funding, thus associated projects will finish through the year. Furthermore, the provincial government announced a \$500-million, five-year infrastructure plan in 2009, which had over half of the spending allotted in 2010–11 and 2011–12. (See chart "Public Capital Spending Declines Rapidly.") The amount drops steeply each year.

In January, the federal and provincial governments broke ground on the \$4.65-million BioCommons Manufacturing Centre in Charlottetown, which will provide new manufacturing space. Despite this investment, however, public construction spending is still expected

to fall 1.3 per cent in 2011 and 19.1 per cent in 2012. Non-residential private investment will rise for the first time in three years in 2011, by 8.4 per cent, due to the number of new expansions planned by aerospace manufacturers. Also, the P.E.I. government has announced tax credits for Islanders who invest in local businesses, which will also provide incentives for local economic development through the medium term.

In 2008, the provincial government announced an ambitious \$1-billion plan to develop wind farms on the Island, with the goal of increasing P.E.I.'s wind power capacity to 500 megawatts by 2013. But because the cost of oil and other energy sources is so much lower than the cost of harnessing the wind, it has been difficult to attract private investment. The most recent wind farm was completed in 2009, and only a few new developments are expected through the medium term. (See box "Wind Power Progresses Slowly.") Although utilities output is expected to see strong gains this year thanks to recently completed wind farms coming online, the medium-term outlook is far more modest.

TEPID EMPLOYMENT GAINS RESTRICT SPENDING

Employment gains are forecast to be minimal in 2011—fewer than 400 positions after a gain of 2,100 last year. The bulk of the positions created will be in the other commercial business category. Manufacturing employment will also grow as a result of the numerous plant expansions, particularly in the aerospace and medical

sectors. Construction employment will see slight gains, all of which will be thanks to growing private investment. Employment gains will only match the growth in the labour force, and that will keep the unemployment rate virtually flat in 2011 at 11.2 per cent. In 2012, the unemployment rate will fall to 10.3 per cent as employment grows 1.5 per cent.

The lack of any pressures on the labour market will lead to wage growth in line with inflation this year. In 2012, real wage growth is expected to reach 0.4 per cent. Inflation-adjusted consumer spending will rise 0.9 per cent in 2011, so retailers can only expect to see a slight 1.8 per cent gain in nominal retail sales.

Forecast Risks



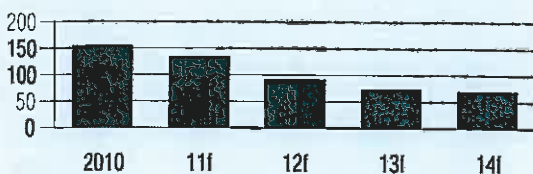
- ♦ P.E.I.'s agriculture, seafood, and aerospace industries are all heavily export oriented, and are therefore at risk if the U.S. economic recovery derails.



- ♦ Rising energy prices could help boost wind power development on the Island if the appropriate transmission infrastructure is put in place.

Source: The Conference Board of Canada.

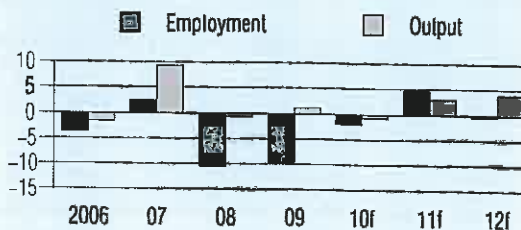
Public Capital Spending Declines Rapidly (\$ millions)



Note: Based on P.E.I. government's Five-Year Capital Plan, released in 2009. Data adjusted to reflect calendar year. f = forecast

Sources: The Conference Board of Canada; Government of Prince Edward Island.

Manufacturing Employment and Output to Rise This Year (percentage change)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Key Economic Indicators: Prince Edward Island
(forecast completed: February 4, 2011)

	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2010	2011	2012
GDP at market prices (current \$)	4,890 -2.2	4,896 0.1	4,965 1.4	5,034 1.4	5,137 2.0	5,135 0.0	5,187 1.0	5,253 1.3	5,298 0.9	5,343 0.8	5,397 1.0	5,441 0.8	4,946 4.1	5,178 4.7	5,370 3.7
GDP at basic prices (current \$)	4,493 -2.6	4,496 0.1	4,558 1.4	4,615 1.2	4,708 2.0	4,696 -0.2	4,740 0.9	4,798 1.2	4,831 0.7	4,868 0.8	4,915 1.0	4,951 0.7	4,541 3.9	4,736 4.3	4,891 3.3
GDP at basic prices (constant \$ 2002)	3,830 0.9	3,855 0.6	3,919 1.7	3,947 0.7	3,961 0.4	3,973 0.3	3,990 0.4	4,008 0.5	4,024 0.4	4,042 0.4	4,061 0.5	4,082 0.5	3,888 3.5	3,983 2.5	4,052 1.7
Consumer Price Index (2002 = 1.0)	1,189 0.5	1,192 0.2	1,196 0.4	1,203 0.6	1,208 0.5	1,213 0.4	1,220 0.5	1,229 0.8	1,234 0.4	1,239 0.4	1,245 0.4	1,250 0.4	1,195 1.8	1,218 1.9	1,242 2.0
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1,173 -3.5	1,166 -0.6	1,163 -0.3	1,169 0.5	1,189 1.7	1,182 -0.6	1,188 0.5	1,197 0.8	1,201 0.3	1,204 0.3	1,210 0.5	1,213 0.2	1,168 0.4	1,189 1.8	1,207 1.5
Average weekly wages (\$ industrial composite)	577.6 0.5	589.8 2.1	590.8 0.2	599.4 -0.2	594.1 0.8	597.2 0.5	600.6 0.6	604.2 0.5	608.2 0.7	611.7 0.6	615.3 0.6	619.2 0.6	585.9 0.5	599.0 2.1	613.6 2.4
Personal income (current \$)	4,162 -1.6	4,277 2.8	4,306 0.7	4,319 0.3	4,363 1.0	4,401 0.9	4,442 0.9	4,491 1.1	4,540 1.1	4,582 0.9	4,622 0.9	4,668 0.8	4,266 1.5	4,424 3.7	4,601 4.0
Personal disposable income (current \$)	3,350 -1.8	3,507 4.7	3,473 -1.0	3,468 -0.1	3,499 0.9	3,527 0.8	3,558 0.9	3,596 1.1	3,629 0.9	3,659 0.8	3,689 0.8	3,718 0.8	3,449 1.6	3,545 2.8	3,674 3.6
Personal savings rate	-10.3	-5.7	-7.6	-8.1	-8.1	-8.2	-8.1	-8.2	-8.2	-8.3	-8.4	-8.5	-7.9	-8.1	-8.4
Population of labour force age (000s)	117 0.3	117 0.3	117 0.3	118 0.4	118 0.1	118 0.1	118 0.2	118 0.2	119 0.2	119 0.2	119 0.2	119 0.2	117 1.3	118 0.8	119 0.8
Labour force (000s)	79 0.7	79 0.0	80 0.7	80 0.0	80 -0.1	80 0.0	80 0.2	80 0.1	80 0.2	80 0.2	81 0.1	80 -0.1	80 2.3	80 0.4	80 0.5
Employment (000s)	71 1.2	71 -0.6	70 -0.7	70 -0.4	71 0.6	71 0.4	71 0.5	72 0.5	72 0.3	72 0.4	72 0.2	72 0.1	71 3.1	71 0.6	72 1.5
Unemployment rate	10.2	10.7	12.0	12.3	11.7	11.3	11.0	10.7	10.6	10.4	10.3	10.1	11.3	11.2	10.3
Retail sales (current \$)	1,785 3.9	1,748 -2.1	1,749 0.1	1,772 1.3	1,780 0.5	1,790 0.5	1,799 0.5	1,816 0.9	1,827 0.6	1,837 0.5	1,848 0.6	1,859 0.6	1,764 4.9	1,796 1.8	1,843 2.6
Housing starts (units)	503 -55.8	905 79.9	707 -21.9	910 28.7	792 -12.9	747 -5.7	726 -2.8	731 0.6	718 -1.8	726 1.1	736 1.5	752 2.1	756 -13.8	749 -0.9	733 -2.2

Shaded area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Fiscal Restraint and Limited Private Investment Hurt Growth

Highlights

- ♦ Construction will languish in the near term.
- ♦ The provincial government is turning from stimulus to belt tightening, as it struggles to bring its fiscal situation back under control.
- ♦ Manufacturing will continue to advance in the near term.

Economic Indicators (percentage change)

	2010f	2011f	2012f
Real GDP	2.3	1.6	1.8
Consumer Price Index	2.2	2.1	1.9
Personal disposable income	3.7	1.9	3.8
Employment	0.2	0.8	2.0
Unemployment rate (level)	9.3	9.2	7.8
Retail sales	5.2	2.8	3.3
Wages and salaries per employee	3.6	2.1	2.8
Population	0.3	0.2	0.2

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Government and Background Information

Premier	Darrell Dexter
Next election	2014
Population (2010Q4)	943,882
Government balance (2010–11)	\$97 million

Sources: The Conference Board of Canada; Nova Scotia Department of Finance.

After experiencing a robust post-recession rebound over the first half of 2010, economic growth tapered off toward the end of the year; and prospects over the next two years are muted as government austerity measures and limited residential and business non-residential investment combine to slow the province's economic recovery. Real GDP growth is expected to slow from 2.3 per cent in 2010 to 1.6 per cent this year.

The provincial and federal governments will begin to unwind the infrastructure spending initiatives they put in place to help insulate the economy from the global recession. In addition to restrained government spending this year, consumer spending will remain weak as households worry about the strength of the recovery in employment. While the construction industry is expected to slow over the next two years, the mining sector will post strong growth in 2012 as Encana's Deep Panuke offshore natural gas field, which is currently under construction, begins production. This new production will help reverse the dwindling fortunes of the mining industry by boosting natural gas production 17.5 per cent in 2012. In addition to mining, the forestry and manufacturing sectors are both expected to advance at a steady pace over the near term.

The job market will continue to improve—a total of 12,900 jobs are expected to be created over the next two years. That will help bring the unemployment rate back down to around its pre-recession level of 7.6 per cent by the end of 2012. Tourism will continue to do well this

year thanks in large part to the 2011 Winter Games in Halifax, which brought thousands of athletes, visitors, and volunteers to the city. The outlook for 2012 remains modest, with real GDP forecast to grow by only 1.8 per

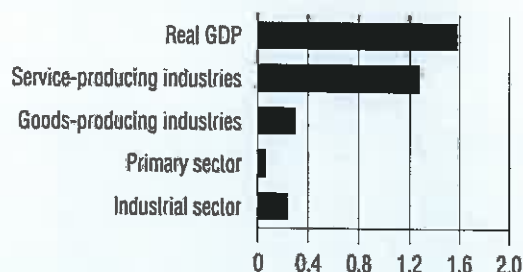
cent as sluggishness in the construction sector dampens the economy once more.

CONSTRUCTION TO DECLINE

The sales tax rebate of up to \$7,000 on the purchase of a new home and the \$800 million in stimulus spending that went to public infrastructure initiatives provided a boost to the construction industry last year. Some 2,000 new construction jobs were created in 2010—more than the industry lost during the recession. The rush to cash in on the sales tax rebate bolstered housing starts by 25.3 per cent last year to more than 4,300 units. However, the rebate has ended—and so has the mini-boom in housing construction. In addition, rising borrowing costs and tighter mortgage rules will limit new home construction in the near term. Starts are expected to plummet 20.8 per cent this year and 2.4 per cent in 2012, falling to 3,329 units as pent-up demand is sated.

In addition to weaker home construction, the provincial government has slashed its planned capital expenditures for the 2011–12 fiscal year by more than 16 per cent as, along with the federal government, it unwinds the infrastructure stimulus spending it put in place to help insulate the economy against the recession. Business investment is expected to drop over the next two years as construction on the Deep Panuke project wraps up. A number of medium-sized projects are scheduled for development, but they are spread over several years and so will have only a limited impact on the construction industry over the near term. For instance, the King's Wharf development in Dartmouth—a seven-year project involving the construction of 1,293 condominiums, a 200-room hotel and convention centre, 100,000 square feet of mixed retail space, and 40,000 square feet of commercial space—is well under way and it is expected to create 700 construction jobs and could cost up to \$500 million to complete. The Halifax Convention Centre—a five-year, \$500-million project—is expected to start up this year as well. And construction of the much-anticipated \$300-million Melford deep-water container terminal is also set to begin this year. With a sizable drop in government and residential investment, real construction output is expected to tumble by an average of 2.2 per cent over 2011–12.

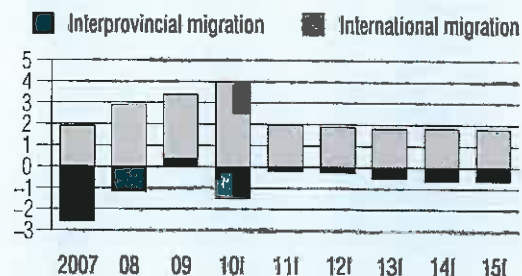
Contributions to Nova Scotia Real GDP Growth, 2011
(by industry/sector, percentage point; GDP, per cent)



Note: "Primary" is the sum of agriculture, forestry, fishing and trapping, and mining sectors. "Industrial" is the sum of manufacturing, construction, and utilities sectors.

Sources: The Conference Board of Canada; Statistics Canada.

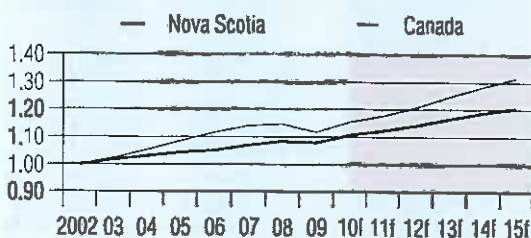
Sources of Migration
(net migration, 000s)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Real GDP, 2002 to 2015
(index, 2002 = 1.0)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.



MANUFACTURING CONTINUES TO EXPAND

In 2010, the manufacturing industry finally emerged from five consecutive years of recession, and it is now set to expand over the next two years as stronger North American car sales continues to boost demand for tires—a key Nova Scotian export. As well, lumber products, aerospace parts, petroleum, plastic and rubber, and recyclable metal products enjoyed respectable export growth in 2010, helping to lift manufacturing output by 4 per cent. The economic recovery has also led to the revival of a number of plants that had been shuttered. Keata Pharma's pharmaceutical plant in North Sydney has resumed operations. Montréal-based pulp and paper giant AbitibiBowater is now producing at full capacity at its plant in Brooklyn, Nova Scotia, after several months of production curtailments during the recession. And TrentonWorks, formally a railcar manufacturer, is set to begin production of wind turbines sometime in the middle of this year.

Work is continuing at the Halifax Shipyard on the \$60-million supply vessel for the Deep Panuke offshore natural gas project. The shipyard has also been awarded a \$194-million contract to build nine new patrol vessels for the Canadian Coast Guard. Work on these projects is expected to accelerate in 2011. The contracts will result in 155 new jobs at the shipyard. In addition, work is progressing on the \$549-million contract to repair and maintain seven of Canada's navy frigates. These projects, combined with improving economic conditions in the U.S., will help sustain growth in real manufacturing output at 3.7 per cent this year and next.

PRIMARY RESOURCE SECTOR OUTLOOK

The mining industry will come to life again in 2012 after natural gas begins to flow from the Deep Panuke field late this year. Over the past two years, natural gas production at the now mature Sable natural gas field has plummeted. But with the new output from the Deep Panuke field, and with strong exploration activity, overall mining output is expected to increase by 11.9 per cent in 2012, compared with a 1 per cent decline forecast for this year. (See chart "New Gas Field Will Boost Mining Output.")

Austerity Measures Will Deflate Fiscal Pressures

Nova Scotia is projecting a \$97-million surplus for the current fiscal year—but the surplus position won't last. Some \$342 million in funding to universities this year had already been charged to the previous year's budget. For the 2011–12 fiscal year, however, the funding to universities will once again appear on the books. Overall, the government is projecting a deficit of \$370 million for the coming fiscal year.

Like most provinces and governments around the world, Nova Scotia has turned its focus from fighting the fallout from the global recession to controlling its spending.

The fiscal woes are exacerbated by the fact that the economic recovery has been, and is expected to continue to be, slow. As a result, the provincial government may not be able to generate the tax revenues needed to rein in a structural deficit that is anticipated to reach \$1.4 billion within three years.

To help close this structural deficit, the government has brought in a combination of expenditure and revenue measures. On the expenditure side, capital spending has been slashed by 16 per cent for the coming fiscal year. The provincial government has also introduced expenditure management initiatives that could save the province \$772 million in program expenses. These initiatives include wage restraint and a 10 per cent reduction in the public workforce through attrition by 2013. The budget for school boards will be reduced by 2 per cent, and that could lead to several hundred jobs being abolished.

On the revenue side, the provincial government has introduced changes to the consumption and personal income taxes. In July, the harmonized sales tax (HST) was increased 2 percentage points to 15 per cent, and the increase is expected to fetch the provincial government an additional \$1.16 billion over four years. As well, the creation of a new income tax bracket (taxable incomes above \$150,000 will now be taxed at a 21 per cent rate) will bring in another \$136 million over four years.

Forestry output will continue to advance as the U.S. housing sector continues to recover. Gains of 5 per cent in 2011 and 5.3 per cent in 2012 are projected. There are downside risks to the forecast if the struggling NewPage plant in Port Hawkesbury shuts down some of its capacity or ceases operations altogether.

After declining over the last four years, the agriculture industry is expected to expand by an average of 2.2 per cent this year and next, thanks mainly to prices being pushed higher by supply disruptions in Australia, Argentina, and other parts of world. By 2012, production levels will have returned to their 2006 peak. With

lobster prices rising, Nova Scotia's fishermen are currently working the lucrative Lobster Fishing Areas 33 and 34, as they try to make up for last year's losses. Rising food prices will provide incentives for increased fishing and will help boost output by an average 2.8 per cent in 2011 and 2012.

DOMESTIC DEMAND OUTLOOK

The job market will continue to improve this year—but not enough to put much of a dent in unemployment. (See chart “Jobless Rate Will Remain High This Year.”) The unemployment rate will remain stubbornly high at around 9.2 per cent this year, but it is expected to begin falling next year as the economic recovery gains strength and employers begin to hire again. With so many out of work, consumer spending is expected to remain weak until the job market brightens next year. Retail output is forecast to slow from 3.3 per cent last year to 1.7 per cent this year. Growth in output will pick up slightly next year to 2.3 per cent when the jobless rate falls back to its pre-recession level. With the completion of construction work on the Deep Panuke project, wholesale trade will decelerate sharply—from a projected 7.9 per cent gain in 2010 to 2.5 per cent per year in 2011 and 2012

Amusement centres and food and accommodation operators will experience a slowdown now that the 2011 Canada Winter Games in Halifax have wrapped up. The 17-day event brought thousands of athletes, spectators, and volunteers to the game venues, helping to boost

growth in business and professional services, arts and entertainment, accommodation and food, and personal and laundry services by 2.1 per cent in the first quarter of this year. Thereafter, growth will average around 0.6 per cent for the remainder of the year and will reach just 0.8 per cent in 2012.

As it struggles to shore up its balance sheet, the Nova Scotia government has begun tightening its belt. The province's school boards have been ordered to cut their budgets for the coming fiscal year by 2 per cent. As a result, real output in the public sector—including public administration, defence, and education, health, and social services—will decelerate from 1.8 per cent in 2010 to an average of 1 per cent in over 2011–12.

Forecast Risks



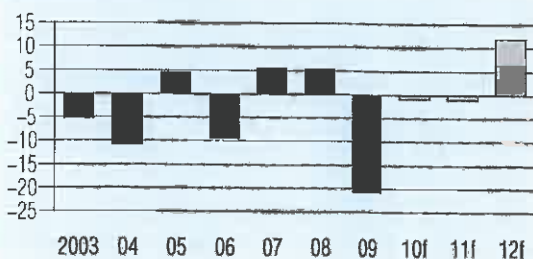
- ◆ If the housing market remains resilient, domestic demand—and, therefore, the overall Nova Scotian economy—would get a boost.



- ◆ Confirmation of recoverable onshore shale natural gas reserves could bring huge benefits to the province.

Source: The Conference Board of Canada.

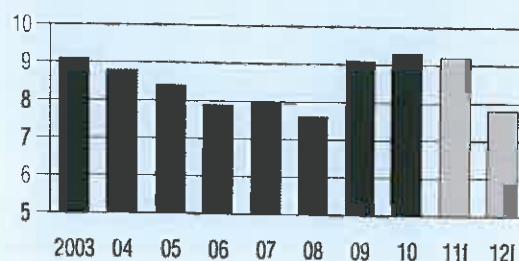
New Gas Field Will Boost Mining Output
(percentage change, 2002 \$)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Jobless Rate Will Remain High This Year
(unemployment rate, per cent)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Key Economic Indicators: Nova Scotia
(forecast completed: February 4, 2011)

	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2010	2011	2012
GDP at market prices (current \$)	35,879 0.9	36,167 0.8	36,316 0.4	36,342 0.1	36,940 1.6	37,186 0.7	37,622 1.2	38,159 1.4	38,789 1.7	39,239 1.2	39,699 1.2	40,111 1.0	36,176 5.5	37,477 3.6	39,460 5.3
GDP at basic prices (current \$)	33,056 0.8	33,322 0.8	33,428 0.3	33,364 -0.2	33,891 1.6	34,065 0.5	34,447 1.1	34,926 1.4	35,471 1.6	35,867 1.1	36,271 1.1	36,628 1.0	33,292 5.4	34,332 3.1	36,059 5.0
GDP at basic prices (constant \$ 2002)	27,029 1.2	27,128 0.4	27,119 0.0	27,133 0.1	27,338 0.8	27,468 0.5	27,590 0.4	27,729 0.5	27,848 0.4	27,955 0.5	28,077 0.4	28,209 0.5	27,102 2.3	27,531 1.6	28,022 1.8
Consumer Price Index (2002 = 1.0)	1,172 0.7	1,177 0.4	1,187 0.9	1,194 0.6	1,200 0.5	1,204 0.4	1,210 0.5	1,214 0.4	1,220 0.5	1,226 0.5	1,233 0.5	1,239 0.5	1,182 2.2	1,207 2.1	1,230 1.9
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1,223 -0.4	1,228 0.4	1,233 0.4	1,230 -0.2	1,240 0.8	1,240 0.0	1,249 0.7	1,260 0.9	1,274 1.1	1,283 0.7	1,292 0.7	1,298 0.5	1,228 3.1	1,247 1.5	1,287 3.2
Average weekly wages (\$, Industrial composite)	680.1 2.1	683.7 0.5	690.1 0.9	690.5 0.1	693.2 0.4	699.5 0.9	704.2 0.7	709.2 0.7	714.2 0.7	718.6 0.6	723.0 0.6	727.5 0.6	686.1 3.8	701.6 2.3	720.8 2.7
Personal Income (current \$)	31,220 1.0	31,630 1.3	31,856 0.7	31,629 -0.7	31,892 0.8	32,293 1.3	32,676 1.2	33,109 1.3	33,409 0.9	33,718 0.9	34,032 0.9	34,338 0.9	31,583 3.1	32,492 2.9	33,874 4.3
Personal disposable income (current \$)	25,109 1.2	25,930 3.3	25,636 -1.1	25,349 -1.1	25,529 0.7	25,848 1.2	26,140 1.1	26,466 1.3	26,653 0.7	26,871 0.8	27,113 0.9	27,349 0.9	25,506 3.7	25,996 1.9	26,996 3.8
Personal savings rate	-3.2	-1.2	-2.2	-3.6	-3.6	-3.7	-3.6	-3.7	-3.7	-3.8	-3.9	-3.9	-2.5	-3.6	-3.8
Population of labour force age (000s)	776 0.0	776 0.0	777 0.1	779 0.2	779 0.1	780 0.1	780 0.1	781 0.1	782 0.1	783 0.1	783 0.1	784 0.1	777 0.5	780 0.4	783 0.4
Labour force (000s)	496 -0.6	499 0.5	502 0.7	497 -0.9	500 0.4	502 0.4	504 0.4	504 0.1	504 0.0	505 0.0	505 0.1	505 0.0	499 0.3	502 0.8	505 0.5
Employment (000s)	451 -0.6	455 0.9	455 -0.1	448 -1.4	451 0.6	454 0.7	458 0.8	462 0.8	463 0.3	465 0.4	466 0.3	468 0.3	452 0.2	456 0.8	465 2.0
Unemployment rate	9.1	8.7	9.4	9.9	9.7	9.5	9.1	8.5	8.2	7.9	7.7	7.4	9.3	9.2	7.8
Retail sales (current \$)	12,765 2.7	12,767 0.0	12,579 -1.5	12,838 2.1	12,880 0.3	13,032 1.2	13,150 0.9	13,317 1.3	13,382 0.5	13,470 0.7	13,579 0.8	13,691 0.8	12,737 5.2	13,095 2.8	13,531 3.3
Housing starts (units)	4,404 18.4	4,407 0.1	4,610 4.6	3,814 -17.3	3,480 -8.8	3,473 -0.2	3,388 -2.4	3,304 -2.5	3,305 0.0	3,326 0.6	3,370 1.3	3,314 -1.7	4,309 25.3	3,411 -20.8	3,329 -2.4

Shaded area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Fiscal Austerity Measures Crimp Growth

Highlights

- Cutbacks in government capital expenditures and program spending will limit economic growth in the near term.
- Manufacturing will continue to expand as growth in the United States firms up.
- Potash production will bolster the outlook for mining.

Economic Indicators (percentage change)

	2010f	2011f	2012f
Real GDP	2.4	1.3	2.2
Consumer Price Index	2.1	1.7	2.0
Personal disposable income	4.3	2.1	3.8
Employment	-0.9	0.5	1.7
Unemployment rate (level)	9.3	9.1	8.2
Retail sales	4.3	3.1	3.2
Wages and salaries per employee	4.3	2.4	2.7
Population	0.3	0.4	0.3

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Government and Background Information

Premier	David Alward
Next election	2014
Population (2010Q4)	752,814
Government balance (2010-11)	-\$820 million

Sources: The Conference Board of Canada; New Brunswick Finance.

New Brunswick's economy is forecast to slow from 2.4 per cent growth last year to a meagre 1.3 per cent this year. The province faces a number of headwinds, including fiscal austerity measures, limited private investment, and weak consumer spending. Consumers—still concerned about high unemployment—are expected to be cautious this year and are unlikely to open up their wallets any wider until the job market fully recovers. The unemployment rate is expected to fall slowly, dropping to 8.2 per in 2012, from a high of 9.3 per cent in 2010.

Unprecedented government spending helped New Brunswick emerge from the recession. But the province is now facing a difficult fiscal situation. With the provincial government firmly focused on the task of eliminating the deficit over the next four years, the government's contribution to bottom-line growth will be limited at best over the medium term. The construction industry, which has seen a lot less private sector activity since the recession hit, will struggle further in the near term as governments withdraw their infrastructure-spending life support. In addition, residential construction activities are expected to slow down in the near term as borrowing costs rise.

While growth in the province's manufacturing industry will continue to trend higher in line with the expansion of the U.S. economy, further appreciation of the Canadian dollar poses a real risk to exporters. Natural gas regasification at the Canaport terminal, together with stronger metals and natural gas exploration activity

and higher potash production, will help boost total mining output by 11.2 per cent in 2011. In 2012, the newly expanded potash mine near Sussex is expected to begin producing, thus lifting mining output by a further 27.7 per cent. Thanks to this big boost from the mining sector, overall real GDP in New Brunswick is expected to advance by 2.2 per cent in 2012.

CONSTRUCTION IMPLODES

After expanding at an average annual pace of 8.4 per cent from 2005 to 2008, the construction industry has fallen on hard times as business investments have dried up—and with governments unwinding their infrastructure stimulus initiative, construction is not expected to recover any time soon. As well, demand for new homes is expected to weaken in the near term. With mortgage rates on the rise, new home construction is expected to tumble from 4,100 units in 2010 to 3,758 this year. In 2012, as mortgage rates rise further and the accumulated demand evaporates, the housing market will unwind from a decade of feverish expansion to adjust to its underlying demographic fundamentals. Housing starts will retreat further, falling to 3,440 units. Weaker demand for new homes will lead to weaker residential investment in the medium term.

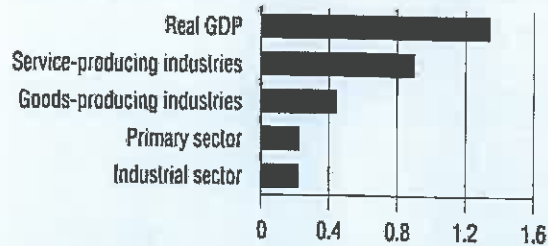
With the completion of work on the concrete vault at the Point Lepreau nuclear plant and on the Canaport liquefied natural gas (LNG) plant and its associated pipeline (a combined investment of more than \$2 billion), business investment has been less abundant. The hopes of good times ahead for construction workers in the province were dashed when Irving Oil cancelled its \$8-billion plan to build a second oil refinery. Even though work continues on PotashCorp's \$1.7-billion expansion, it will not be enough to offset losses in business investment elsewhere in the province over the next several years. Construction workers will suffer another blow this year as the government pares back its capital expenditures for fiscal 2011–12 by almost 40 per cent. In total, real construction output is forecast to decline by an average of 3 per cent per year over the next two years.

RESOURCE SECTOR OUTLOOK

The province's resource sector has gone through a rough period over the past four years, with output falling in the agriculture, forestry, and fishing and trapping

Contributions to New Brunswick Real GDP Growth, 2011

(by industry/sector, percentage point; GDP, per cent)

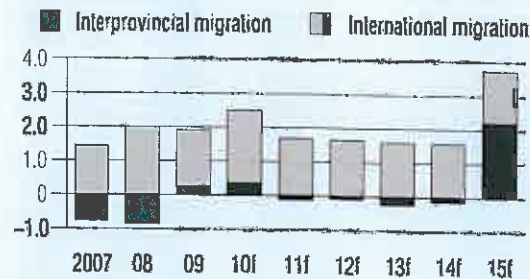


Note: "Primary" is the sum of agriculture, forestry, fishing and trapping, and mining sectors. "Industrial" is the sum of manufacturing, construction, and utilities sectors.

Sources: The Conference Board of Canada; Statistics Canada.

Sources of Migration

(net migration, 000s)

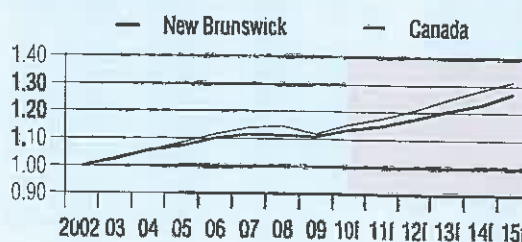


f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Real GDP, 2002 to 2015

(index, 2002 = 1.0)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Finding the Right Mix of Revenue and Expenditure Measures to Address Fiscal Woes



The days of budget surpluses are over in New Brunswick—at least for the next three fiscal years. A \$192-million deficit for fiscal year 2008–09 ended four years of surpluses. By 2010–11, the accumulated deficit had risen to \$1.75 billion. New Brunswick is in the same predicament as several other provinces. A record \$1.6-billion, two-year infrastructure plan that helped drag the economy out of the recession not only worsened the deficit, it also added substantially to the provincial debt.

At the same time that government investment was hitting record highs, personal income taxes were being reduced—a tax savings for consumers that will cost the government more than \$1 billion over four years. As well, job losses over the last year hurt personal income tax collections. As a result, the budget deficit for fiscal 2010–11 is projected to hit a staggering \$820 million, the largest deficit ever recorded by the province. There is speculation the deficit could even top \$1 billion in the coming fiscal year. And according to estimates from the provincial government, it could take up to four years before New Brunswick is able to balance its budget once again.

The new Conservative government, having been elected on a platform that promised no increase to the harmonized sales tax (HST), has started reining in expenditures. However, looking at the precarious fiscal situation, it will likely take more than expenditure measures to curb the deficit, since health care—the elephant in the room—will not be easy to control, given the aging of the population. Consultations among business leaders, the government, and the public to find the right mix of revenue and expenditure measures to address the fiscal problems are under way. There are indications that the new government might rescind some of the tax cuts the previous government introduced—and it might consider raising the HST.

Whether these initiatives are put in place or not, any long-term plan to address the structural deficit requires creating a business environment that allows and encourages the business sector to grow and thereby provide the government with the tax base needed to fund its programs.

industries. On the other hand, the mining sector enjoyed strong growth last year. The outlook for resource-related industries over the next two years is bright as commodity prices continue to rise. The agriculture sector is forecast to advance by an annual average of 2 per cent over the next two years, compared with an average contraction of 6.2 per cent per year over 2005–09. After half a decade of successive annual declines in landings, the fishing industry is expected to keep afloat this year. No increase in snow crab quotas is expected. But with the lifting of the scallop ban this year, and with lobster

prices firming up, the industry is forecast to expand by 4.4 per cent over the next two years after a devastating contraction of 12.4 per cent per year over 2007–10 that wiped out half the industry. After rising from the ashes last year, the forestry industry is expected to expand by an average of 5.2 per cent this year and next as the recovery in the U.S. housing market gains traction.

The outlook for the mining industry is bright. (See chart “Mining Output Rebounds.”) Natural gas production and regasification, exploration activities, and increased potash production have helped reinvigorate the industry and will continue to do so over the next several years. The expansion at the PotashCorp mine near Sussex is expected to wrap up next year, and mining extraction activity will begin in 2012. The added potash capacity will more than offset the losses caused by the shutdown of the Brunswick lead and zinc mine in 2012. Overall, the mining industry is expected to rise by 11.2 per cent in 2011 and 27.2 per cent in 2012.

MANUFACTURING HEADED IN THE RIGHT DIRECTION

The manufacturing industry turned the corner and began recovering in 2009—and that recovery will continue at a healthy pace. Manufacturing shipments from the province rose remarkably last year, with food and wood products leading the way. In addition, exports of recyclable metals and energy products enjoyed tremendous success. A pickup in U.S. demand for these products boosted the industry last year, helping to lift real manufacturing output by 4.6 per cent.

The economic recovery south of the border is expected to gain traction over the next two years. That will help provide the demand needed to support growth in the province’s manufacturing industry, which will advance by 3 per cent this year and 3.6 per cent in 2012. Domestic demand will also be a factor. Moncton’s Industrial Rail Services is working on three major contracts for Via Rail, including one to refurbish and upgrade Via Rail’s passenger cars, making them more energy efficient and improving their accessibility for passengers with special needs. Industrial Rail Services has received a \$22-million forgivable loan from the

provincial government to help it expand its facility and create over 250 new jobs. Old Dutch Foods has also been given funding by the provincial government to expand its operations in Hartland. And plans for a new poultry processing plant in Clair and an expansion to an existing metal shredder in Saint John are being discussed and could add to the industry's bottom line.

DOMESTIC DEMAND OUTLOOK

New Brunswick's economy recovered nicely from the recession, but employers have been slow to add to their payrolls. In fact, a net 3,383 jobs were lost in the province last year, pushing the unemployment rate up to 9.3 per cent. As if that was not bad enough, an additional 1,000 workers were laid off this past January—a month during which the country as a whole gained 69,200 new jobs. Despite the disappointing performance in January, we expect the tide to turn in the coming months. A total of 7,800 jobs are expected to be added to the economy over the next two years, helping to bring the unemployment rate down to 8.2 per cent by the end of 2012. (See chart "Unemployment Rate Will Decline.")

While the job market is expected to pick up, consumer confidence has been badly shaken by the recent job losses, and New Brunswickers are expected to be cautious when it comes to spending. Growth in real retail output is expected to decelerate from 2.8 per cent in 2010 to 1.8 per cent annually over the next two years. Patronage at restaurants and amusement centres, as well as personal and miscellaneous services, are all expected

to advance at only a modest pace, limiting growth in the overall commercial services industry to 1.6 per cent per year over 2011–12.

Not only are consumers being frugal, the provincial government is keeping a tight rein on its finances as it attempts to wrestle down its deficit. The government has announced over a hundred cost-cutting initiatives aimed at trimming \$43 million from the current deficit of \$820 million. As well, it is considering a 5 per cent salary cut to the civil service in the coming months. Consultations are under way to help find the right revenue and expenditure measures required to eliminate the deficit in a timely manner. Given the fiscal straits the province finds itself in, real output in the public sector is expected to advance at an annual pace of just 1.2 per cent over the next two years.

Forecast Risks

Short term

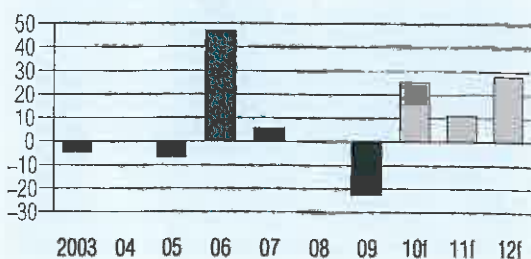
- ♦ Tough measures are needed to restore the province to fiscal health—measures that could choke real GDP growth even further.

Medium term

- ♦ Confirmation of recoverable onshore shale natural gas reserves could bring huge benefits to the province.

Source: The Conference Board of Canada.

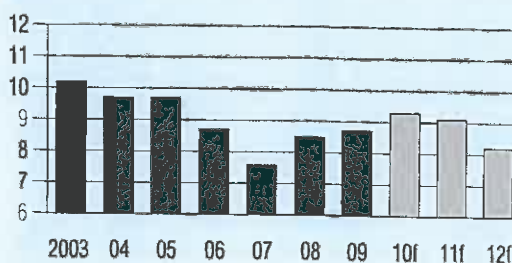
Mining Output Rebounds
(percentage change, 2002 \$)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Unemployment Rate to Decline
(per cent)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Key Economic Indicators: New Brunswick (forecast completed: February 4, 2011)

	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2010	2011	2012
GDP at market prices (current \$)	28,395	28,859	29,350	29,675	30,092	30,337	30,737	31,187	31,535	32,047	32,520	32,910	29,070	30,588	32,278
	-0.2	1.6	1.7	1.1	1.4	0.8	1.3	1.5	1.4	1.3	1.5	1.2	5.7	5.2	5.5
GDP at basic prices (current \$)	26,093	26,541	26,997	27,248	27,608	27,794	28,149	28,552	28,931	29,298	29,726	30,072	26,720	28,026	29,507
	-0.4	1.7	1.7	0.9	1.3	0.7	1.3	1.4	1.3	1.3	1.5	1.2	5.6	4.9	5.3
GDP at basic prices (constant \$ 2002)	21,549	21,734	21,752	21,752	21,849	21,935	22,026	22,143	22,286	22,402	22,527	22,653	21,697	21,988	22,467
	2.7	0.9	0.1	0.0	0.4	0.4	0.4	0.5	0.6	0.5	0.6	0.6	2.4	1.3	2.2
Consumer Price Index (2002 = 1.0)	1,156	1,157	1,160	1,165	1,170	1,175	1,182	1,191	1,196	1,201	1,206	1,211	1,159	1,180	1,203
	0.9	0.1	0.2	0.4	0.5	0.4	0.6	0.8	0.4	0.4	0.4	0.4	2.1	1.7	2.0
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1,211	1,221	1,241	1,253	1,264	1,267	1,278	1,289	1,298	1,306	1,320	1,327	1,231	1,275	1,313
	-3.0	0.9	1.6	0.9	0.9	0.3	0.9	0.9	0.7	0.7	0.9	0.6	3.1	3.5	3.0
Average weekly wages (\$, industrial composite)	673.8	685.3	693.7	692.6	696.4	701.3	705.3	709.5	714.6	719.2	723.8	728.4	686.4	703.1	721.5
	1.3	1.7	1.2	-0.2	0.6	0.7	0.6	0.6	0.7	0.6	0.6	0.6	3.8	2.4	2.6
Personal Income (current \$)	24,749	25,008	25,124	25,143	25,326	25,574	25,788	26,084	26,326	26,612	26,884	27,128	25,006	25,693	26,738
	0.5	1.0	0.5	0.1	0.7	1.0	0.8	1.1	0.9	1.1	1.0	0.9	2.9	2.7	4.1
Personal disposable income (current \$)	20,133	20,668	20,432	20,363	20,559	20,745	20,909	21,135	21,331	21,538	21,749	21,939	20,399	20,837	21,639
	1.5	2.7	-1.1	-0.3	1.0	0.9	0.8	1.1	0.9	1.0	1.0	0.9	4.3	2.1	3.8
Personal savings rate	4.3	6.4	4.4	3.6	3.6	3.6	3.6	3.5	3.5	3.4	3.3	3.3	4.7	3.6	3.4
Population of labour force age (000s)	616	616	617	618	619	620	620	621	622	622	623	623	617	620	622
	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.5	0.4
Labour force (000s)	394	392	393	392	393	393	394	394	395	396	397	398	393	393	396
	-0.2	-0.4	0.2	-0.2	0.2	0.1	0.1	0.2	0.1	0.3	0.2	0.2	-0.3	0.2	0.7
Employment (000s)	359	357	355	353	355	357	358	361	361	363	365	366	356	358	364
	-0.6	-0.4	-0.5	-0.5	0.5	0.5	0.4	0.6	0.2	0.6	0.5	0.3	-0.9	0.5	1.7
Unemployment rate	8.9	8.9	9.5	9.8	9.5	9.2	9.0	8.6	8.5	8.2	8.0	7.9	9.3	9.1	8.2
Retail sales (current \$)	10,566	10,398	10,478	10,668	10,734	10,815	10,867	10,980	11,060	11,148	11,244	11,332	10,527	10,849	11,196
	1.4	-1.6	0.8	1.8	0.6	0.7	0.5	1.0	0.7	0.8	0.9	0.8	4.3	3.1	3.2
Housing starts (units)	4,342	3,503	4,257	4,302	3,773	3,768	3,780	3,712	3,492	3,450	3,419	3,401	4,101	3,758	3,441
	19.8	-19.3	21.5	1.1	-12.3	-0.1	0.3	-1.8	-5.9	-1.2	-0.9	-0.5	16.5	-8.4	-8.5

Shaded area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Higher Taxes to Cut Into Disposable Incomes

Highlights

- ♦ The domestic economy will slow over the next two years.
- ♦ Prospects are positive for private investment, but public investment will retreat.
- ♦ A rebound in the aerospace industry is expected to give a boost to the still struggling export sector.

Economic Indicators (percentage change)

	2010f	2011f	2012f
Real GDP	2.8	1.8	1.9
Consumer Price Index	1.3	2.6	2.4
Personal disposable income	3.5	2.2	3.5
Employment	1.8	1.7	1.4
Unemployment rate (level)	7.9	7.9	7.6
Retail sales	5.4	4.2	3.9
Wages and salaries per employee	1.7	2.1	2.6
Population	1.0	0.9	0.8

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Government and Background Information

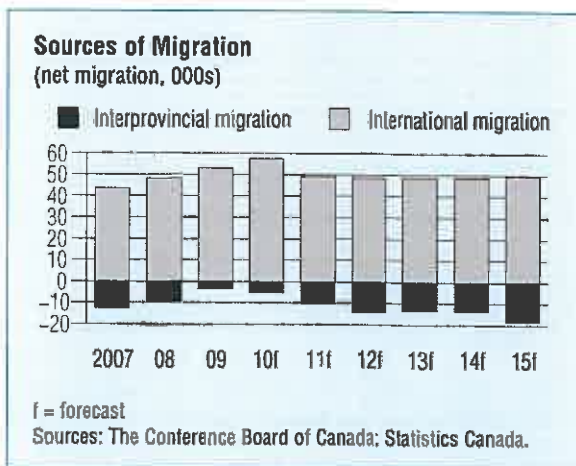
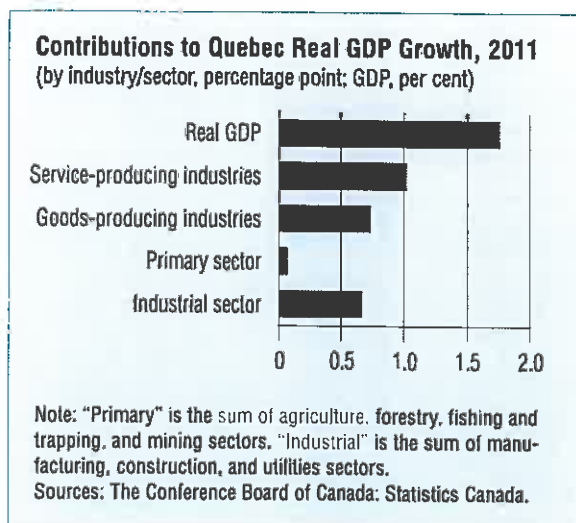
Premier	Jean Charest
Next election	2012
Population (2010Q4)	7,932,141
Government balance (2010–11)	–\$4.6 billion

Sources: The Conference Board of Canada; Quebec Ministry of Finance.

Most of the new tax measures introduced in the last provincial budget came into effect last year. They were just the tip of the iceberg. The fiscal plan calls for additional tax increases over the next two years that will take away from households' spending power. Indeed, real after-tax incomes are forecast to actually fall 0.1 per cent this year and gain just 1 per cent in 2012. Until this year, real disposable incomes in the province had not lost ground since the 1990–91 recession. The heavier tax burden will put the brakes on consumer demand, sending ripples through the buoyant housing market and retail sector. With a weaker domestic economy, real economic growth is forecast to advance by a paltry 1.8 per cent in 2011 and 1.9 per cent in 2012.

The drop in real after-tax incomes is not the only reason that builders will see less demand for new homes. The housing market has enjoyed exceptional growth in the last year, but stricter mortgage requirements and a softer economy will take much of the steam out of that market. While residential investment will ease over the next two years, business investment is progressing at a healthy pace. Large projects in the mining industry, along with significant aluminum plant expansions, will continue to support the revival of business non-residential investment. The energy sector will also contribute as additional wind power projects go up in different regions of the province. The wild card for this year remains the export sector. Indeed, the turnaround in economic growth south of the border and in other parts of Canada last year was not sufficient to lift the sector

out of recession. The outlook for exports, however, is more promising thanks to rising new orders in the aerospace industry. Nevertheless, with imports still growing strongly, the trade sector will have a neutral effect on bottom-line growth this year.



FAVOURABLE JOB PROSPECTS

Labour markets have performed well since the end of the recession. The rhythm will remain the same over the next year. Solid job creation will constrain productivity gains this year as 64,940 new positions are created. Slightly fewer jobs (55,340) will be created next year, leading to some improvement in productivity. With job prospects brightening, more job seekers will join the labour force over the near term. As a result, the unemployment rate will remain elevated, averaging 7.9 per cent in 2011 and 7.6 per cent in 2012. The majority of the new jobs will be in the service sector.

The strength in labour markets since mid-2009 has supported a swift bounce-back in the domestic economy. Still, a rosy employment picture will not be enough to keep the momentum going in the retail sector or the housing market. Consumers are facing a heavier tax bill. The Quebec sales tax (QST) rose by one percentage point on January 1, and increases in the new health-care contribution are scheduled for the 2011 and 2012 tax years. For the first time since the 1990–91 recession, households will lose some purchasing power this year. Real after-tax incomes will decline by 0.1 per cent in 2011 and recover by just 1 per cent in 2012. The health-care contribution is expected to generate \$575 million in fiscal 2011–12, and \$945 million in 2012–13 for the Quebec government. The government plans to eliminate the fiscal deficit by 2013–14. But in the meantime, a shortfall of \$4.6 billion is expected in fiscal 2010–11 and of \$3.2 billion in 2011–12. In order to eliminate the deficit, the QST will need to jump another percentage point at the beginning of 2012, to 9.5 per cent. In addition, gasoline taxes will also rise over the next few years, eventually bringing in an extra \$480 million for the provincial government. With limited income growth, consumers will show more caution, and real consumption expenditures will increase by just 2 per cent in 2011 and 1.9 per cent in 2012. Nominal retail sales are forecast to gain 4.2 per cent and 3.9 per cent over that period.

INVESTMENT OUTLOOK

Given the strong Canadian dollar, it is not surprising that business demand for imported machinery and equipment



has been solid. Quebec saw a significant rise in machinery and equipment investment last year, and the same is expected this year and next, with projected real average gains of 10.7 per cent. The outlook for non-residential investment is weaker but still promising. Several large projects are already under development. The most notable projects are the multi-year, \$6.5-billion La Romaine hydroelectric complex in the Côte-Nord region, as well as a \$1.2-billion investment in the aluminum industry by Alcoa in Baie-Comeau.

While there will be only one major hydro project in development, the energy sector will get a boost from several wind power projects. These include Parc d'éoliennes Seigneurie de Beauré, Parc d'éoliennes de l'Érable, and Parc d'éoliennes des moulins—which could translate into close to \$1.6 billion in investment between now and 2013. Another sector contributing to the investment outlook is the mining industry. This year, major expansion initiatives include Consolidated Thompson's phase two Lac Bloom iron ore mine in Fermont and the \$1-billion Osisko open-pit gold mine in the Rouyn-Noranda region. As well, Rio Tinto Alcan is investing in its AP50 pilot plant in the Saguenay–Lac-Saint-Jean area—which could lead to an additional \$3.5 billion in investment in Jonquière over the next few years. Real non-residential investment is expected to advance by 2.4 per cent in both 2011 and 2012. The outlook is held back to some extent by the end of construction on the Eastmain-1A-Sarcelle-Rupert hydroelectric project.

The housing market will sputter. With much weaker income growth and stricter mortgage requirements, housing starts are forecast to drop from 52,360 units in 2010 to 44,100 units in 2011, and to 38,750 units in 2012. The steady decline will hamper real residential investment; declines of 3 per cent and 7.2 per cent are expected over the next two years. The weakness will shave nearly 0.5 percentage points from real GDP growth next year.

Public investment is coming down over the next few years as the federal government winds up the infrastructure plan it put in place to help Canada cope with the global recession. The federal government extended

What Is the North Worth?

A portion of Quebec's economic activity takes part in the northern part of the province. But how significant is this economic output? Northern Quebec is made up of three economic regions: Saguenay/Lac-Saint-Jean, Côte-Nord, and Nord-du-Québec. The Northern regions account for just 5.2 per cent of the province's population—but the majority of its land mass, and about 13 per cent of Northern Canada.

Currently, Statistics Canada does not estimate economic output at this regional level. However, a recent study by The Conference Board of Canada's Centre for the North estimated the economic contribution and progression of every province's Northern regions over the last decade. In 2009, Quebec's three Northern regions accounted for roughly 5 per cent of the province's overall economic activity.

But Northern Quebec has been struggling over the past decade. At just slightly above \$26,000, GDP per capita in the Northern regions of Quebec is among the lowest in the country, and much lower than real GDP per capita in the Southern portion of the province. The Northern Quebec economy has made no gains since 1999. In fact, it has contracted by about 3 per cent since then and is now worth \$11 billion. And except for 2009, the region's population has declined every year since 1999.

Unlike in Northern Alberta, the primary sector is not one of the main industries in Northern Quebec. Manufacturing and the finance and insurance industry, along with the public sector, are the main contributors to growth in Quebec's North. But the manufacturing sector has lost considerable ground in the past few years, as it was hit by a higher Canadian dollar and faltering economic activity in the United States. Several pulp and paper mills, as well as a number of lumber mills, have shut down in the past few years.

While the recent Conference Board report did not map out a forecast for the different Northern Canadian regions, active development of the mining industry and, in particular, of the aluminum industry should help stabilize the Northern Quebec economy in the coming years.

the program, but the investment will start to retreat significantly in the second half of 2011. Nevertheless, the amount invested by all levels of government will remain very elevated. (See chart "Government Investment Retreats but Remains Elevated.") Real public investment is forecast to decline by 2 per cent in 2011 and by a more pronounced 10.3 per cent in 2012.

The major projects included in our forecast are the expansion of Highway 30 in Montréal (at an estimated cost of \$1.5 billion), the rebuilding of the Turcot interchange, and a variety of new and expanded health-care facilities. These facilities include the McGill University

Health Centre in Montréal and a research centre at the Centre hospitalier de l'Université de Montréal. Together, they will lead to investments of several billion of dollars over several years. The Centre hospitalier universitaire de Québec and l'hôpital Sainte-Justine are also planning half-a-billion dollars worth of investment projects over the next few years. The long-awaited Centre hospitalier de l'Université de Montréal (CHUM) is also expected to get under way soon.

There is upside risk to the outlook—other additional major projects could go ahead. The Champlain Bridge linking Montréal to its South Shore suburbs may eventually need substantial repair and maintenance. However, the cost and the timing of the project have yet to be confirmed, and we have not included it in the investment profile.

THE WILD CARD

The unpredictable factor in this provincial forecast is the pace of recovery in the trade sector. Uncertainty still prevails. While the U.S. economy has emerged from its recession, the recovery was not enough to breathe life into Quebec's exports. Overall, real exports dropped 0.3 per cent in 2010 and nearly 11 per cent since 2007. (See chart "Exports Hit Hard by Recession.") The good news is that 2010 ended on a positive note. Exports were up significantly in November, and preliminary data for December were encouraging. Lifting exports out of the doldrums will be stronger production in the aerospace industry. The sector has still not recovered

from the 2008–09 recession, but there are signs of a turnaround. Orders improved last year, and the cancellation trend subsided. The recovery, however, will be gradual and spread over a number of years, as excess inventories of existing aircraft need to be worked off. At the same time, global competition will continue to intensify. The recovery in the trade sector will be broad based in 2011, with only the wood sector continuing to struggle. The wood product industry did not see much improvement last year, and its journey to recovery will be arduous given that the housing market south of the border remains near its bottom. With several investment projects under way in the mining sector, higher output there will boost exports this year and in the medium term. In total, real exports are forecast to rise 5.5 per cent in 2011 and 5.7 per cent in 2012.

Forecast Risks

Short term

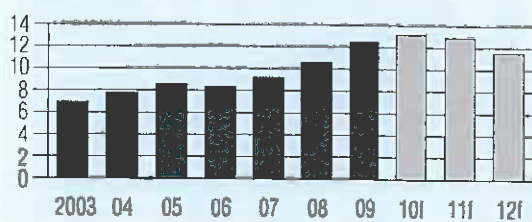
- ♦ Less abundant job opportunities could further hamper consumer demand and lower real GDP growth in 2011.

Medium term

- ♦ Production of shale natural gas and more intense exploration activity could bolster mining output.

Source: The Conference Board of Canada.

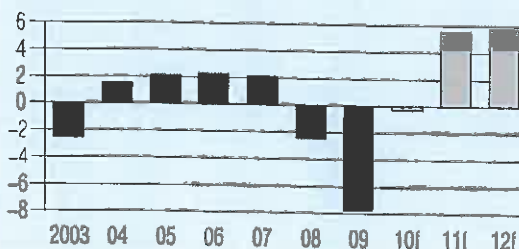
Government Investment Retreats but Remains Elevated
(2002 \$ billions)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Exports Hit Hard by Recession
(real exports, percentage change)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Key Economic Indicators: Quebec
(forecast completed: February 4, 2011)

	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2010	2011	2012
GDP at market prices (current \$)	315,327	317,503	318,775	322,097	327,570	330,648	333,768	337,150	341,036	344,558	348,406	352,103	318,426	332,284	346,526
	1.4	0.7	0.4	1.0	1.7	0.9	0.9	1.0	1.2	1.0	1.1	1.1	4.8	4.4	4.3
GDP at basic prices (current \$)	297,042	299,084	300,077	302,812	307,830	310,439	313,208	316,218	319,552	322,718	326,207	329,550	299,754	311,924	324,507
	1.3	0.7	0.3	0.9	1.7	0.8	0.9	1.0	1.1	1.0	1.1	1.0	4.7	4.1	4.0
GDP at basic prices (constant \$ 2002)	253,375	254,009	253,830	255,212	256,627	257,960	259,150	260,536	261,600	262,852	264,226	265,684	254,107	258,568	263,590
	2.0	0.3	-0.1	0.5	0.6	0.5	0.5	0.5	0.4	0.5	0.5	0.6	3.0	1.8	1.9
Consumer Price Index (2002 = 1.0)	1.142	1.148	1.146	1.155	1.170	1.175	1.181	1.186	1.199	1.204	1.209	1.214	1.148	1.178	1.207
	0.2	0.5	-0.2	0.8	1.3	0.4	0.5	0.4	1.1	0.4	0.4	0.4	1.3	2.6	2.4
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1.172	1.177	1.182	1.187	1.200	1.203	1.209	1.214	1.222	1.228	1.235	1.240	1.180	1.206	1.231
	-0.7	0.4	0.4	0.4	1.1	0.3	0.4	0.4	0.6	0.5	0.6	0.5	1.7	2.3	2.1
Average weekly wages (\$, industrial composite)	720.6	723.0	730.6	733.2	737.1	741.4	745.9	750.5	755.4	760.4	765.7	771.0	726.9	743.7	763.1
	-0.1	0.3	1.0	0.4	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.7	1.7	2.3	2.6
Personal Income (current \$)	258,045	271,006	273,307	275,058	277,100	279,914	282,403	285,750	288,682	291,393	294,075	296,703	271,854	281,292	292,708
	0.7	1.1	0.8	0.6	0.7	1.0	0.9	1.2	1.0	0.9	0.9	0.9	3.3	3.5	4.1
Personal disposable income (current \$)	207,141	213,884	210,860	211,353	212,478	214,442	216,215	218,605	220,079	221,935	223,886	225,803	210,809	215,435	222,926
	0.5	3.3	-1.4	0.2	0.5	0.9	0.8	1.1	0.7	0.8	0.9	0.9	3.5	2.2	3.5
Personal savings rate	2.6	6.0	3.0	2.2	1.5	1.5	1.5	1.4	0.7	0.6	0.5	0.5	3.4	1.5	0.6
Population of labour force age (000s)	6,481	6,497	6,517	6,534	6,550	6,566	6,581	6,595	6,609	6,623	6,635	6,647	6,507	6,573	6,629
	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.1	1.0	0.8
Labour force (000s)	4,219	4,254	4,274	4,273	4,289	4,314	4,329	4,354	4,361	4,368	4,374	4,380	4,255	4,321	4,371
	0.4	0.8	0.5	0.0	0.4	0.6	0.4	0.5	0.2	0.2	0.1	0.2	1.2	1.6	1.1
Employment (000s)	3,879	3,916	3,931	3,943	3,951	3,974	3,989	4,014	4,025	4,033	4,042	4,050	3,917	3,982	4,037
	0.6	1.0	0.4	0.3	0.2	0.6	0.4	0.6	0.3	0.2	0.2	0.2	1.8	1.7	1.4
Unemployment rate	8.1	7.9	8.0	7.7	7.9	7.9	7.9	7.8	7.7	7.7	7.6	7.5	7.9	7.9	7.6
Retail sales (current \$)	99,352	97,090	97,986	100,758	101,777	102,597	103,177	104,329	105,753	106,497	107,335	108,226	98,796	102,970	106,953
	3.2	-2.3	0.9	2.8	1.0	0.8	0.6	1.1	1.4	0.7	0.8	0.8	5.4	4.2	3.9
Housing starts (units)	53,130	54,049	50,273	48,000	46,674	45,790	43,064	40,860	39,795	39,284	38,627	37,322	51,363	44,097	38,757
	13.7	1.7	-7.0	-4.5	-2.8	-1.9	-6.0	-5.1	-2.6	-1.3	-1.7	-3.4	18.3	-14.1	-12.1

Shaded area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Les hausses de taxes feront baisser le revenu disponible

Faits saillants

- ♦ L'économie domestique ralentira pendant deux ans.
- ♦ Bonnes perspectives pour l'investissement privé et recul de l'investissement public.
- ♦ Un regain de l'industrie aérospatiale devrait donner un élan au secteur de l'exportation, qui tarde à se remettre.

Indicateurs économiques (variation en pourcentage)

	2010p	2011p	2012i
PIB réel au prix de base	2,8	1,8	1,9
IPC	1,3	2,6	2,4
Revenu personnel disponible	3,5	2,2	3,5
Emploi	1,8	1,7	1,4
Taux de chômage	7,9	7,9	7,6
Ventes au détail	5,4	4,2	3,9
Salaires, par employé	1,7	2,1	2,6
Population	1,0	0,9	0,8

p = prévision

Sources : Le Conference Board du Canada; Statistique Canada.

Renseignements généraux

Premier ministre	Jean Charest
Prochaines élections	2012
Population (2010t4)	7 932 141
Solde du secteur public (2010-2011)	-\$4,6 milliards \$

Sources : Ministère des Finances du Québec; Statistique Canada.

La plupart des nouvelles mesures fiscales issues du budget provincial 2010-11 sont entrées en vigueur l'an dernier. Mais il ne s'agissait que d'un premier pas car le plan financier amènera au cours des deux prochaines années d'autres hausses de taxes qui réduiront le pouvoir de dépenser des ménages. En effet, les revenus après impôts réels devraient reculer de 0,1 p. 100 cette année, puis progresser d'un maigre 1 p. 100 en 2012. Au Québec, les revenus disponibles réels n'avaient pas diminué depuis la récession de 1990-1991. Un fardeau fiscal accru freinera la demande des consommateurs et se fera ressentir dans l'ensemble du marché de l'habitation, aujourd'hui fort vigoureux, ainsi que dans le commerce de détail. L'économie domestique ralentissant, la croissance économique réelle ne devrait gagner que 1,8 p. 100, puis 1,9 p. 100, en 2011 et 2012 respectivement.

DE BELLES PERSPECTIVES D'EMPLOI

Depuis la fin de la récession, le marché de l'emploi affiche de bons résultats et le rythme se maintiendra cette année. La création d'emplois soutenue, estimée à 64 940 postes, limitera les gains de productivité en 2011; l'an prochain, un peu moins de postes se créeront (55 340), ce qui favorisera une progression de la productivité. Les chances d'embauche s'accroissant, d'autres chercheurs d'emploi s'ajouteront à la population active à court terme; de ce fait, le taux de chômage demeurera élevé, s'établissant en moyenne à 7,9 p. 100 en 2011, puis à 7,6 p. 100 en 2012. La majorité des nouveaux emplois seront liés aux services.

La vigueur du marché de l'emploi, depuis le milieu de 2009, a favorisé une reprise marquée de l'économie domestique. Cependant, la conjoncture favorable au tableau de l'embauche ne suffira pas pour que se poursuive l'élan actuel dans le commerce de détail et en habitation. Les consommateurs paieront davantage de taxes : la taxe de vente du Québec (TVQ) a grimpé de 1 p. 100 le 1^{er} janvier et des majorations sont prévues pour la nouvelle contribution à l'égard des soins de santé, en 2011 puis en 2012. Pour la première fois depuis la récession de 1990–1991, le pouvoir de dépenser des ménages diminuera cette année. Le revenu réel après impôts baissera de 0,1 p. 100 en 2011 et ne reprendra que 1 p. 100 en 2012. La contribution relative aux soins de santé devrait rapporter à l'État québécois des recettes de 575 millions de dollars en 2011–2012 et de 945 millions de dollars en 2012–2013. Le gouvernement vise à effacer son déficit budgétaire d'ici 2013–2014. Mais d'ici là, l'écart budgétaire serait de 4,6 milliards de dollars en 2010–2011 puis de 3,2 milliards en 2011–2012. Pour que disparaisse le déficit, la TVQ devra être encore majorée de 1 point de pourcentage au début de 2012, atteignant alors 9,5 p. 100. De plus, les taxes sur l'essence augmenteront dans les prochaines années, cela engendrant des recettes additionnelles de 480 millions de dollars pour le gouvernement provincial. Voyant leurs revenus très peu progresser, les consommateurs se montreront plus prudents; les dépenses réelles de consommation augmenteront de 2 p. 100 à peine en 2011 et de 1,9 p. 100 en 2012. La valeur nominale des ventes au détail devrait augmenter, pendant ce temps, de 4,2 p. 100 et 3,9 p. 100.

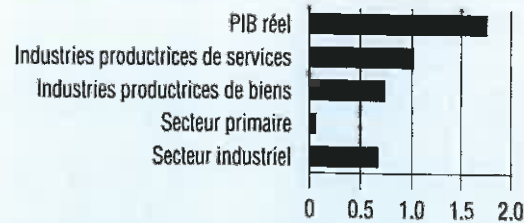
PERSPECTIVES D'INVESTISSEMENT

Étant donné la force du huard, on comprend que la demande de machines et d'équipement importés soit soutenue dans les entreprises québécoises. La forte progression des investissements en machines et en équipement enregistrée par la province l'an dernier devrait se poursuivre cette année et l'an prochain; une progression moyenne réelle estimée à 10,7 p. 100. Le pronostic pour l'investissement non résidentiel est plus modéré mais intéressant. Plusieurs grands chantiers sont en cours, notamment le complexe hydroélectrique de La Romaine, sur la Côte-Nord, un projet de 6,5 milliards de dollars étalé sur plu-

sieurs années et l'investissement de 1,2 milliard de dollars d'Alcoa dans l'industrie de l'aluminium, à Baie-Comeau.

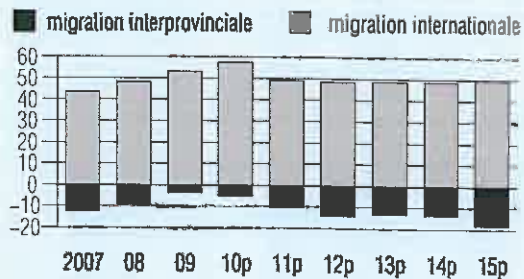
À côté de l'unique grand chantier hydroélectrique, plusieurs projets d'éoliennes feront avancer le secteur éner-

Contribution à la croissance du PIB réel du Québec
(pour 2011, industrie ou secteur, apport en points de pourcentage; PIB, en p. 100)



Nota : « Primaire » désigne l'ensemble des secteurs de l'agriculture, de la foresterie, de la pêche et du piégeage, et le secteur minier. « Industriel » désigne l'ensemble des secteurs de la fabrication, de la construction et des services d'utilité publics.
Sources : Le Conference Board du Canada; Statistique Canada.

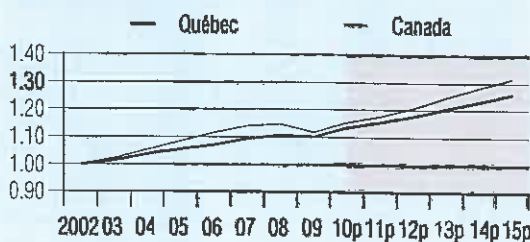
Sources de migration
(migration nette, en milliers)



p = prévision

Sources : Le Conference Board du Canada; Statistique Canada.

PIB réel de 2002 à 2015
(Indice, 2002 = 1,0)



p = prévision

Sources : Le Conference Board du Canada; Statistique Canada.

Le Nord, ça vaut combien ?



Une partie de l'activité économique du Québec se déroule dans le nord du territoire. Mais à combien se chiffre cette production économique ? Le Nord, au Québec, se compose de trois régions économiques : le Saguenay—Lac-Saint-Jean, la Côte-Nord et le Nord-du-Québec. Le Nord québécois ne compte que 5,2 p. 100 de la population de la province, mais constitue la plus grande partie du territoire, et c'est environ 13 p. 100 du nord du Canada.

Statistique Canada ne mesure pas la production économique à cette échelle, mais une étude récente du Conference Board du Canada (Centre for the North) a estimé l'apport économique et le progrès des zones septentrionales de chacune des provinces depuis 10 ans. En 2009, les trois régions du Nord québécois sont intervenues, en gros, pour 5 p. 100 de l'activité économique globale de la province.

Disons que le Nord québécois a connu son lot de difficultés dans la dernière décennie. Le PIB par habitant, un peu au delà de 26 000 \$ dans le nord du Québec, figure parmi les plus en comparaison avec les autres régions nordiques du pays, et est de loin inférieur au PIB réel par habitant dans la portion sud de la province. L'économie nordique du Québec n'a pas progressé depuis 1999; elle s'est même contractée d'environ 3 p. 100 depuis cette date et représente aujourd'hui 11 milliards de dollars. Tous les ans, sauf en 2009, la population de la zone en question a diminué.

Contrairement au nord de l'Alberta, le secteur primaire n'est pas l'une des principales industries dans le Nord québécois. L'activité manufacturière et les industries financières et des assurances, ainsi que le secteur public, y sont les principaux moteurs de croissance. Sauf que le secteur manufacturier s'est nettement détérioré ces dernières années, sous l'effet d'un dollar canadien fort et des ratés de l'économie américaine. Plusieurs usines de pâtes et papiers et des scieries ont fermé lors des dernières années.

Le rapport récent du Conference Board ne livre pas de prévisions pour les diverses zones nordiques du pays; néanmoins, l'évolution rapide de l'industrie minière et, en particulier, de l'aluminium devrait aider l'économie du Nord québécois à se stabiliser dans les années qui viennent.

gétique. Parmi ceux-là, le Parc d'éoliennes Seigneurie de Beupré, le Parc d'éoliennes de l'Érable et le Parc d'éoliennes des moulins, qui pourraient donner lieu à des investissements approchant 1,6 milliard de dollars d'ici 2013. L'industrie minière verra elle aussi des investissements; cette année, de grands travaux d'expansion sont prévus entre autres dans la deuxième étape du projet de la Consolidated Thompson à la mine de fer du Lac Bloom, à Fermont, de même que la mine d'or à ciel ouvert Osisko dans la région de Rouyn-Noranda, un projet d'un milliard de dollars. De son côté, Rio Tinto Alcan investit à son usine pilote AP50 du the Saguenay—Lac-Saint-Jean, une opération qui pourrait engendrer des investissements additionnels de 3,5 milliards à Jonquière

au cours des prochaines années. L'investissement non résidentiel réel devrait progresser de 2,4 p. 100 en 2011 ainsi qu'en 2012. L'achèvement des travaux du projet hydroélectrique Eastmain-1A-Sarcelle-Rupert se reflétera sur les perspectives dans une certaine mesure.

Le marché de l'habitation perdra de sa fougue. En raison de la croissance plus faible des revenus et du resserrement des conditions de financement hypothécaire, les mises en chantier devraient reculer, passant de 52 360 unités en 2010 à 44 100 en 2011, puis à 38 750 en 2012. Cette diminution continue fera baisser l'investissement résidentiel réel; ainsi, des reculs de 3 p. 100 et de 7,2 p. 100 sont prévisibles au cours des deux prochaines années. Cela retranchera près de 0,5 p. 100 de la croissance du PIB réel l'an prochain.

Au cours des prochaines années, le gouvernement fédéral mettra fin au programme d'infrastructures lancé pour aider le pays à combattre la récession mondiale; les investissements publics seront donc en baisse. Les autorités canadiennes ont prolongé le programme mais les nouveaux investissements disparaîtront d'une façon notoire en seconde moitié de 2011. Néanmoins, les sommes investies par tous les paliers de gouvernement demeureront importantes. (Voir le graphique «Les investissements gouvernementaux en baisse mais toujours imposants»). L'investissement public réel devrait reculer de 2 p. 100 en 2011 puis davantage en 2012, soit de 10,3 p. 100.

Les grands travaux considérés dans nos prévisions comprennent le prolongement de l'Autoroute 30 à Montréal (coût estimatif de 1,5 milliard de dollars), la reconstruction de l'échangeur Turcot et diverses installations de soins de santé, nouvelles ou agrandies. Parmi celles-là, le McGill University Health Centre à Montréal et un centre de recherche au Centre hospitalier de l'Université de Montréal. Ensemble, ces deux projets amèneront des investissements de quelques milliards de dollars sur plusieurs années. Le Centre hospitalier universitaire de Québec et l'hôpital Sainte-Justine préparent eux aussi des travaux commandant des investissements d'un demi-milliard de dollars dans un avenir rapproché. Enfin, après une longue attente, le Centre hospitalier de l'Université de Montréal (CHUM) devrait être mis en chantier sous peu.

Nos prévisions pourraient être dépassées si d'autres grands projets s'amorçaient. Le pont Champlain, reliant Montréal aux communautés de la Rive-Sud aura peut-être besoin d'importants travaux de réparation et d'entretien, sauf que le coût et les dates de ces travaux restent à confirmer. Nous ne les avons donc pas inclus dans les investissements attendus.

LA GRANDE INCONNUE

L'élément de ces prévisions provinciales qu'il est impossible de mesurer, c'est la vitesse de la reprise dans le secteur du commerce extérieur. L'incertitude perdure; certes, l'économie américaine est sortie de la récession, mais sa reprise n'a pas suffi pour raviver les exportations du Québec. Dans l'ensemble, les exportations réelles ont diminué de 0,3 p. 100 en 2011 et de près de 11 p. 100 depuis 2007. (Voir le graphique «Les exportations ont beaucoup souffert de la récession»). Heureusement, l'année 2010 s'est terminée sur une note positive : les exportations avaient crû d'une façon marquée en novembre et les données préliminaires de décembre étaient encourageantes. Une accélération de la production aéronautique permettra aux exportations de se remettre dans une certaine mesure. Ce secteur n'a pas encore récupéré depuis la récession de 2008-2009 mais on observe des signes d'un revirement. Les commandes se sont faites meilleures l'an dernier et la vague d'annulations s'est estompée. Reste que la reprise y sera graduelle et étalée sur de nombreuses années car les surplus d'appareils existants doivent d'abord diminuer. En même temps, la concurrence mondiale

continuera de s'intensifier. La reprise de la demande externe profitera à une grande majorité de secteurs en 2011, seul le secteur de la foresterie éprouvant encore des difficultés. L'industrie des produits du bois a inscrit peu de gains l'an dernier et son rétablissement sera laborieux puisque le marché américain de l'habitation est encore presque à son plus bas. Compte tenu de plusieurs projets d'investissements en cours dans le secteur minier, l'accroissement de la production sur ce plan amènera une avancée des exportations cette année et à moyen terme. Au total, les exportations réelles devraient progresser de 5,5 p. 100 en 2011 puis de 5,7 p. 100 en 2012.

Scénarios conjoncturels

Court terme

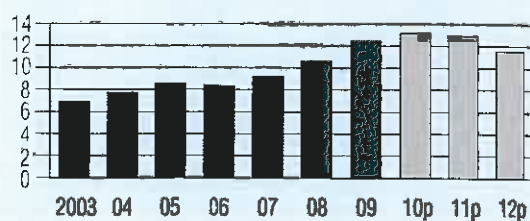
- ♦ Des possibilités d'emploi plus limitées pourrait freiner davantage la demande de consommation et réduire la croissance du PIB réel en 2011.

Moyen terme

- ♦ La production de gaz naturel de schiste et un accroissement de l'activité d'exploration pourraient davantage faire avancer la production minière.

Source : Le Conference Board du Canada.

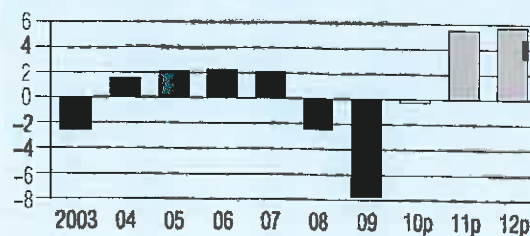
Les investissements gouvernementaux en baisse mais toujours imposants
(en millions de dollars de 2002)



p = prévision

Sources : Le Conference Board du Canada; Statistique Canada

Les exportations ont beaucoup souffert de la récession
(exportations réelles, variation en p. 100)



p = prévision

Sources : Le Conference Board du Canada; Statistique Canada

Principaux Indicateurs économiques : Québec (prévisions en date du 4 février 2011)

	2010I	2010II	2010III	2010IV	2011I	2011II	2011III	2011IV	2012I	2012II	2012III	2012IV	2010	2011	2012
PIB aux prix du marché (en dollars courants)	315 327	317 503	318 775	322 097	327 570	330 648	333 768	337 150	341 036	344 558	348 406	352 103	318 426	332 284	346 526
	1,4	0,7	0,4	1,0	1,7	0,9	0,9	1,0	1,2	1,0	1,1	1,1	4,8	4,4	4,3
PIB aux prix de base (en dollars courants)	297 042	299 084	300 077	302 812	307 830	310 439	313 208	316 218	319 552	322 718	326 207	329 550	299 754	311 924	324 507
	1,3	0,7	0,3	0,9	1,7	0,8	0,9	1,0	1,1	1,0	1,1	1,0	4,7	4,1	4,0
PIB aux prix de base (en dollars constants de 2002)	253 375	254 009	253 830	255 212	256 627	257 960	259 150	260 536	261 600	262 862	264 226	265 684	254 107	258 568	263 590
	2,0	0,3	-0,1	0,5	0,6	0,5	0,5	0,5	0,4	0,5	0,5	0,6	3,0	1,8	1,9
Indice des prix à la consommation (2002 = 1,0)	1,142	1,148	1,146	1,155	1,170	1,175	1,181	1,186	1,199	1,204	1,209	1,214	1,148	1,178	1,207
	0,2	0,5	-0,2	0,8	1,3	0,4	0,5	0,4	1,1	0,4	0,4	0,4	1,3	2,6	2,4
Déflateur implicite des prix — PIB aux prix de base (2002 = 1,0)	1,172	1,177	1,182	1,187	1,200	1,203	1,209	1,214	1,222	1,228	1,235	1,240	1,180	1,206	1,231
	-0,7	0,4	0,4	0,4	1,1	0,3	0,4	0,4	0,6	0,5	0,6	0,5	1,7	2,3	2,1
Salaires hebdomadaires moyens (niveau)	720,6	723,0	730,6	733,2	737,1	741,4	745,9	750,5	755,4	760,4	765,7	771,0	726,9	743,7	763,1
	-0,1	0,3	1,0	0,4	0,5	0,6	0,6	0,6	0,7	0,7	0,7	0,7	1,7	2,3	2,6
Revenu des particuliers (en dollars courants)	268 045	271 006	273 307	275 058	277 100	279 914	282 403	285 750	288 662	291 393	294 075	296 703	271 854	281 292	292 708
	0,7	1,1	0,8	0,6	0,7	1,0	0,9	1,2	1,0	0,9	0,9	0,9	3,3	3,5	4,1
Revenu disponible des particuliers (en dollars courants)	207 141	213 884	210 860	211 353	212 478	214 442	216 215	218 605	220 079	221 935	223 886	225 803	210 809	215 435	222 926
	0,5	3,3	-1,4	0,2	0,5	0,9	0,8	1,1	0,7	0,8	0,9	0,9	3,5	2,2	3,5
Taux d'épargne des particuliers	2,5	6,0	3,0	2,2	1,5	1,5	1,5	1,4	0,7	0,6	0,5	0,5	3,4	1,5	0,6
Population en âge d'être active (en milliers)	6 481	6 497	6 517	6 534	6 550	6 566	6 581	6 595	6 609	6 623	6 635	6 647	6 507	6 573	6 629
	0,3	0,2	0,3	0,3	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	1,1	1,0	0,8
Population active (en milliers)	4 219	4 254	4 274	4 273	4 289	4 314	4 329	4 354	4 361	4 368	4 374	4 380	4 255	4 321	4 371
	0,4	0,8	0,5	0,0	0,4	0,6	0,4	0,6	0,2	0,2	0,1	0,2	1,2	1,6	1,1
Emplois (en milliers)	3 879	3 916	3 931	3 943	3 951	3 974	3 989	4 014	4 025	4 033	4 042	4 050	3 917	3 982	4 037
	0,6	1,0	0,4	0,3	0,2	0,6	0,4	0,6	0,3	0,2	0,2	0,2	1,8	1,7	1,4
Taux de chômage	8,1	7,9	8,0	7,7	7,9	7,9	7,9	7,8	7,7	7,7	7,6	7,5	7,9	7,9	7,6
Ventes au détail (en dollars courants)	99 352	97 090	97 986	100 758	101 777	102 597	103 177	104 329	105 753	106 497	107 335	108 226	98 796	102 970	106 953
	3,2	-2,3	0,9	2,8	1,0	0,8	0,6	1,1	1,4	0,7	0,8	0,8	5,4	4,2	3,9
Mises en chantier (en unités)	53 130	54 049	50 273	48 000	46 674	45 790	43 064	40 860	39 795	39 284	38 627	37 322	51 363	44 097	38 757
	13,7	1,7	-7,0	-4,5	-2,8	-1,9	-6,0	-5,1	-2,6	-1,3	-1,7	-3,4	18,3	-14,1	-12,1

Les prévisions se trouvent dans la partie ombragée du tableau.

À moins d'indications contraires, toutes les données sont exprimées en millions de dollars, au taux annuel désaisonnalisé.

Pour chaque indicateur, la première ligne donne le niveau, la deuxième la variation en pourcentage par rapport à la période précédente.

Sources: Le Conference Board du Canada; Statistique Canada; Répertoire des séries chronologiques de la Société canadienne d'hypothèques et de logement (SCHL).

Ontario's Exports Expand . . . but Overall Growth Slows

Highlights

- Ontario auto exports continue to climb as U.S. consumer confidence and spending improves.
- Public investment will decline, but businesses investment will rise in 2011.
- Employment gains will be mainly in service industries, as the high Canadian dollar batters manufacturers.

Economic Indicators (percentage change)

	2010f	2011f	2012f
Real GDP	2.8	2.1	2.7
Consumer Price Index	2.4	2.3	2.1
Personal disposable income	4.4	3.3	3.9
Employment	1.6	1.8	2.5
Unemployment rate (level)	8.6	7.8	6.9
Retail sales	5.0	4.7	3.9
Wages and salaries per employee	2.2	2.5	2.7
Population	1.1	1.2	1.2

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Government and Background Information

Premier	Dalton McGuinty
Next election	2011
Population (2010Q4)	13,210,667
Government balance (2010–11)	–\$18.7 billion

Sources: The Conference Board of Canada; Ontario Ministry of Finance.

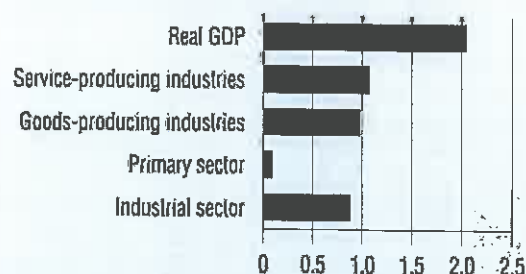
In 2010, Ontario's economy was driven by investment and by consumers loosening their purse strings. It will continue to grow in 2011—but at a slower pace as government infrastructure spending winds down, residential construction declines, and consumer spending growth subsides. Overall real GDP growth is expected to be 2.1 per cent in 2011 and 2.7 per cent in 2012.

Resurging business confidence and investment will outweigh declines in residential and government construction spending. Exports will continue to recover as U.S. consumer demand finally begins to pick up in 2011, but a persistently high Canadian dollar will result in a negative trade balance for Ontario for the fourth consecutive year. Ontario's auto exports, in particular, will recover rapidly. Early production estimates for 2011 show a 30.9 per cent increase in Canada's auto production compared with the fourth quarter of 2010. Renewed business confidence is expected to drive business and machinery investment in 2011. However, residential construction is expected to be a drag on investment in Ontario. After a stunning recovery in 2010, real residential investment will decline by 1.8 per cent, largely brought on by higher interest rates, stricter mortgage rules, and more moderate household income gains. Government infrastructure spending has been growing at a near double-digit pace over the last two years, but it will fall slightly in 2011 with the winding down of infrastructure projects related to recession-fighting spending.

Ontario's labour market will do well in 2011, adding 120,000 jobs. The bulk of the gains will come from service-sector industries, such as transportation and commercial services. Ontario's unemployment rate will dip to 7.8 per cent. And thanks to the tighter labour market,

wages will grow steadily as well. Ontarians' incomes will also be supported by the final Ontario tax transition payment of \$1.4 billion to be delivered in April 2011. These developments will boost real consumer spending 2.7 per cent and retail sales 4.7 per cent in 2011.

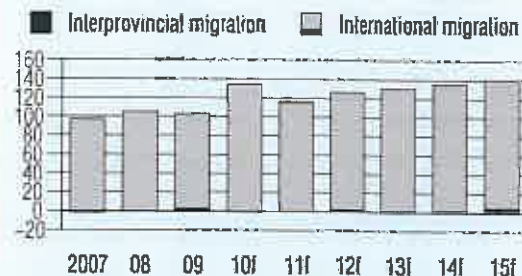
Contributions to Ontario Real GDP Growth, 2011
(by industry/sector, percentage point: GDP, per cent)



Note: "Primary" is the sum of agriculture, forestry, fishing and trapping, and mining sectors. "Industrial" is the sum of manufacturing, construction, and utilities sectors.

Sources: The Conference Board of Canada; Statistics Canada.

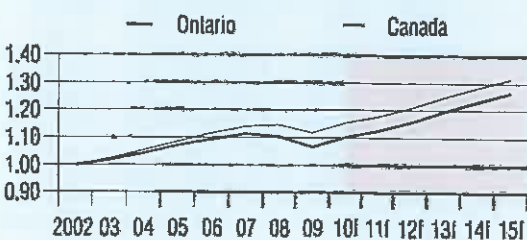
Sources of Migration
(net migration, 000s)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Real GDP, 2002 to 2015
(index, 2002 = 1.0)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

AUTO EXPORTS CONTINUE REBOUND

Ontario's exports are expected to continue their climb, growing 5.8 per cent in 2011, following last year's post-recession rebound of 11.8 per cent. Although the Canadian dollar is expected to remain strong throughout the medium term, U.S. consumers are expected to continue to loosen their purse strings and start buying consumer durables—particularly automobiles, which are Ontario's top export. The Conference Board of Canada estimates that U.S. passenger vehicle sales will reach 13.2 million this year. Early estimates show that Canada's auto production in the first quarter of 2011 is up an astounding 30.9 per cent from the fourth quarter of 2010. (Unexpected plant shutdowns due to the weather, however, hurt fourth-quarter results.) General Motors, for example, has added overtime shifts at two of its Oshawa facilities since October 2010.

Last year, Ontario's trade balance was negative, but that was largely due to a big jump in imports as consumer and business confidence rebounded. Import growth, however, is forecast to slow in 2011 as consumer spending growth returns to more normal levels. Export growth will also moderate. Still, gains will be encouraging. On the whole, Ontario's trade balance is not expected to change much this year, with a deficit of \$23 billion expected. Over the medium term, a high loonie will continue to keep Ontario's trade balance in negative territory. Ontario's manufacturers will need to find ways to cut costs and increase productivity if they hope to maintain their competitiveness.

BUSINESS INVESTMENT EXPANDS

All levels of government spent prodigiously during the recession, but Ontario's public investment spending will fall in 2011. Still, Ontario's Long-Term Energy Plan includes a number of initiatives slated for the medium

term, with much of the money to be spent between 2013 and 2015. Infrastructure spending related to the federal government's Canada's Economic Action Plan must be completed by October 2011 to receive full funding. As these projects wind down, real government public investment will fall 3.7 per cent in 2011 and 13.9 per cent in 2012.

In the medium term, however, Ontario plans to start ramping up public spending as part of the government's energy plan. Over the next 30 years, the provincial government plans to spend \$80 billion on new, green energy infrastructure, which will keep public investment near its 2009 level.

Business investment—particularly in non-residential construction and machinery—will continue to perk up through 2011 and 2012, growing in real terms by an impressive 14.1 per cent in 2011 and 5 per cent in 2012. There have been a number of major private investments announced recently. The Brazilian mining company Vale announced plans to spend \$3.6 billion on its operations in and around Sudbury in the next few years. The telecommunications firm Ciena Canada also announced \$900 million in new investment over the next five years in Ottawa and Montréal. Lastly, the recent surge in gold prices has also created a boom in investment in Ontario's north. The Matachewan and five other consolidated gold mines have already reopened, with another four expected to open by the end of 2012.

Residential construction is expected to finally slow down, albeit temporarily, in Ontario. Real residential investment is expected to shrink 1.8 per cent in 2011 as builders and consumers adjust to last July's introduction of the harmonized sales tax, which boosted the cost of buying a new home. Higher interest rates and new, stricter mortgage rules will also dampen demand. Ontario's household formations, however, are forecast to be very strong over the medium term, thus fuelling a quick rebound in housing starts next year. Real residential construction growth is expected to reach 6.7 per cent in 2012.

Medium-Term Impact of Ontario's Long-Term Energy Plan



Ontario's Long-Term Energy Plan is an infrastructure initiative aimed at making the province's power generation completely "clean" by 2030. The plan will see nuclear power as the main source of electricity in Ontario, with the rest being a mix of green energy, such as wind, biomass, solar, and hydroelectric. The total cost is expected to be more than \$80 billion, with nearly half of that money to be spent on updating Ontario's nuclear reactors. Although this plan is long term, many of the projects have already started or will be completed by 2015–20. Over \$2 billion will be spent on upgrading Ontario's aging transmission network by 2017, with most of the work to be completed by 2014. To meet the goal of "coal-free" power by 2014, the province also expects to make substantial investments in green energy projects, such as the conversion of two coal power generation units in Thunder Bay to natural gas and another unit in Atikokan to biomass. Ontario is also planning to build several new hydroelectric dams in the North. The largest such project—the Lower Mattagami River Project—will cost \$2.6 billion and be completed by 2018. The province also plans to bring 10,700 megawatts of wind, solar, and bioenergy online by 2018. One result of this plan will be higher electricity bills for consumers, especially in the medium term. Over the next five years, Ontarians' electricity bills are expected to rise 46 per cent. To help offset the cost to consumers, the province is providing a 10 per cent subsidy on electricity bills over those first five years, with additional benefits for seniors and people in the North. Including previously announced electricity bill cuts, the expected cost to the government will be \$1 billion per year.

EMPLOYMENT GROWTH AND FISCAL MEASURES SUPPORT CONSUMER SPENDING

Ontario's labour market will do well in 2011, adding 120,000 jobs. The gains will come primarily in the service sector industries, such as transportation and commercial services, both of which will benefit from continued consumer spending growth and stronger exports. Manufacturing employment, however, will continue to suffer. If Ontario's manufacturers are to maintain their competitiveness while saddled with a high loonie, they will have to increase output per worker. That means boosting productivity and lowering costs. Overall, Ontario's job growth will push the unemployment rate down to 7.8 per cent in 2011 and 6.9 per cent in 2012.

With the labour market tightening, Ontarians' wages and incomes will continue to rise. Incomes will be supported this year by the final Ontario tax transition cheques—worth a total of \$1.4 billion—to be delivered in April. As well, the Ontario government has announced additional measures aimed at providing some relief from the impact of rising electricity costs expected under Ontario's Long-Term Energy Plan. Including the previously announced subsidies, the electricity rate cuts are expected to put another \$1.1 billion back into Ontarians' pockets each year until 2015. Real personal disposable income is forecast to grow 1.1 per cent in 2011 and 1.7 per cent in 2012. Overall, these developments will boost real consumer spending by 2.7 per cent in 2011. With Ontarians loosening their purse strings, retailers can expect to see a 4.7 per cent increase in (nominal) retail sales in 2011.

ONTARIO GOVERNMENT PLANS SPENDING CUTS . . . BUT CHALLENGES REMAIN

Although Ontario's budget deficit is expected to come in at \$18.7 billion in fiscal year 2010–11, the Ontario government continues to be tight-lipped about what we can expect in its upcoming 2011–12 budget. The rebound in economic growth alone will not be enough to balance the books in Ontario. A call by the Ontario government for a public sector wage freeze has been ineffectual at freezing union wages. Independent arbitrators have ruled against the wage freeze in four cases. In nearly every case, unions that successfully negotiated wage settlements in 2010 obtained increases for

their members. Non-discretionary government spending is also rising rapidly. Currently, over 40 per cent of Ontario's budget goes toward health care. Over the past decade, public spending on health care has risen steadily, averaging 6 per cent growth a year. As Ontario's population ages, there will be little room for the government to make cuts. Ahead of the coming budget, Finance Minister Dwight Duncan has already announced that 5 per cent of the roughly 600 Ontario government agencies will be eliminated as part of his plan to shave down the deficit—and it seems likely that more such measures will be announced in the 2011–12 budget.

Forecast Risks



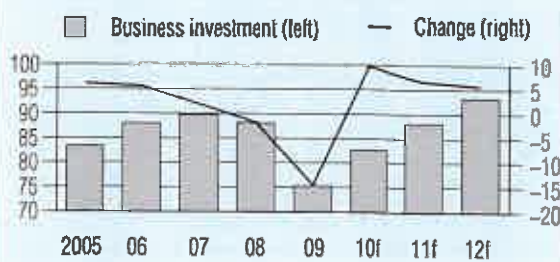
- ♦ Ontario's economy is highly export-oriented, leaving it vulnerable to a high Canadian dollar, uncertainty in Europe, rising unrest in the Middle East, and any fall in U.S. consumer confidence.



- ♦ With the reorganization of the auto sector, there is considerable room for growth in the industry once the U.S. economy returns to more normal levels of activity.

Source: The Conference Board of Canada.

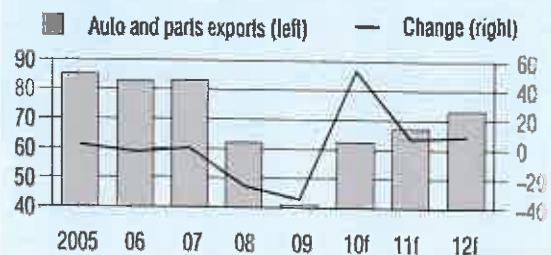
Business Investment Takes Off
(investment, 2002 \$ billions; change per cent)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Auto and Parts Exports Rebound
(exports, 2002 \$ billions; change, per cent)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Key Economic Indicators: Ontario (forecast completed: February 4, 2011)

	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2010	2011	2012
GDP at market prices (current \$)	603,529	610,977	614,111	622,810	631,558	636,350	644,770	651,615	658,444	667,971	678,497	688,357	612,856	641,098	673,317
	1.0	1.2	0.5	1.4	1.4	0.7	1.3	1.1	1.0	1.4	1.6	1.5	6.0	4.6	5.0
GDP at basic prices (current \$)	563,096	570,247	572,762	580,166	588,007	591,661	599,306	605,328	610,937	619,676	629,409	638,487	571,568	596,076	624,627
	0.9	1.3	0.4	1.3	1.4	0.6	1.3	1.0	0.9	1.4	1.6	1.4	6.0	4.3	4.8
GDP at basic prices (constant \$ 2002)	482,484	484,700	486,534	488,470	491,595	493,887	496,845	499,584	502,960	506,707	510,594	514,767	485,547	495,503	508,757
	1.1	0.5	0.4	0.4	0.7	0.4	0.6	0.6	0.7	0.7	0.8	0.8	3.5	2.1	2.7
Consumer Price Index (2002 = 1.0)	1.150	1.160	1.170	1.179	1.184	1.189	1.195	1.200	1.206	1.213	1.220	1.227	1.165	1.192	1.216
	0.7	0.9	0.9	0.7	0.4	0.4	0.5	0.4	0.5	0.5	0.6	0.6	2.4	2.3	2.1
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1.167	1.176	1.177	1.188	1.196	1.198	1.206	1.212	1.215	1.223	1.233	1.240	1.177	1.203	1.228
	-0.2	0.8	0.1	0.9	0.7	0.2	0.7	0.5	0.2	0.7	0.8	0.6	2.4	2.2	2.1
Average weekly wages (\$ industrial composite)	807.4	809.5	817.6	824.0	829.6	834.7	840.1	845.8	850.5	856.6	863.0	869.4	814.6	837.5	859.9
	0.6	0.3	1.0	0.8	0.7	0.6	0.7	0.7	0.6	0.7	0.7	0.7	1.5	2.8	2.7
Personal income (current \$)	487,434	494,973	497,113	502,952	509,372	513,970	521,468	525,059	529,958	537,276	543,768	550,246	495,618	517,467	540,312
	1.0	1.5	0.4	1.2	1.3	0.9	1.5	0.7	0.9	1.4	1.2	1.2	3.8	4.4	4.4
Personal disposable income (current \$)	381,728	396,216	389,007	392,090	396,990	400,180	405,881	408,161	411,194	416,367	421,206	426,037	389,760	402,800	418,701
	1.2	3.8	-1.8	0.8	1.2	0.8	1.4	0.6	0.7	1.3	1.2	1.1	4.4	3.3	3.9
Personal savings rate	2.9	5.8	2.9	2.1	1.9	1.8	1.9	1.8	1.5	1.5	1.4	1.4	3.4	1.9	1.5
Population of labour force age (000s)	10,736	10,771	10,812	10,845	10,884	10,923	10,962	11,002	11,040	11,079	11,119	11,159	10,791	10,943	11,099
	0.3	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	1.4	1.4	1.4
Labour force (000s)	7,198	7,244	7,265	7,237	7,266	7,289	7,316	7,345	7,375	7,399	7,423	7,448	7,236	7,304	7,411
	0.3	0.6	0.3	-0.4	0.4	0.3	0.4	0.4	0.4	0.3	0.3	0.3	1.2	0.9	1.5
Employment (000s)	6,549	6,619	6,635	6,639	6,662	6,707	6,755	6,800	6,832	6,888	6,925	6,963	6,610	6,731	6,902
	0.4	1.1	0.2	0.1	0.4	0.7	0.7	0.7	0.5	0.8	0.5	0.6	1.6	1.8	2.5
Unemployment rate	9.0	8.6	8.7	8.3	8.3	8.0	7.7	7.4	7.4	6.9	6.7	6.5	8.6	7.8	6.9
Retail sales (current \$)	153,675	154,087	154,793	158,446	160,516	161,620	163,678	164,445	165,934	167,910	169,762	171,720	155,250	162,565	168,832
	1.9	0.3	0.5	2.4	1.3	0.7	1.3	0.5	0.9	1.2	1.1	1.2	5.0	4.7	3.9
Housing starts (units)	60,714	63,568	60,293	57,156	58,492	57,145	57,539	59,385	60,631	65,418	69,631	74,667	60,433	58,140	67,587
	0.9	4.7	-5.2	-5.2	2.3	-2.3	0.7	3.2	2.1	7.9	6.4	7.2	20.0	-3.8	16.2

Shaded area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Economy Picking Up Speed

Highlights

- ◆ Strong demand for commercial jets bodes well for the recovery of the manufacturing sector.
- ◆ Higher prices for base metals and crude oil will encourage more activity in the mining sector.
- ◆ Spring flooding threatens to be serious this year, which could mean another bad year for agriculture.

Economic Indicators (percentage change)

	2010f	2011f	2012f
Real GDP	0.9	2.0	2.5
Consumer Price Index	0.8	2.1	2.0
Personal disposable income	2.6	2.2	4.3
Employment	1.9	1.6	2.1
Unemployment rate (level)	5.4	5.4	5.3
Retail sales	5.6	2.7	3.5
Wages and salaries per employee	1.2	1.9	2.9
Population	1.3	1.4	1.4

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Government and Background Information

Premier	Greg Selinger
Next election	2011
Population (2010Q4)	1,240,020
Government balance (2010–11)	–\$471 million

Sources: The Conference Board of Canada; Manitoba Finance.

Manitoba's economy will accelerate in 2011, with strength coming from both the goods-producing and service-producing sectors. Industries such as mining, manufacturing, and utilities are expected to perform better. The service-producing industries will benefit greatly from solid population growth. Altogether, real gross domestic product is forecast to advance 2 per cent in 2011 and 2.5 per cent in 2012.

The recovery in the agriculture sector is in jeopardy. Warnings of widespread spring flooding have been issued—bad news for farmers ahead of the planting season. The threat of flooding poses downside risk to the Manitoba economic outlook this year. Elsewhere, the construction sector will lose ground as private residential investment retreats from last year's strong results. There is good news, however. Soaring demand for commercial jets should lead to solid growth for Manitoba's aerospace manufacturers. And the mining sector is well positioned to expand in the next few years as mineral prices are driven higher by increasing demand from emerging markets. As well, the elimination of the small business and general corporation capital taxes is encouraging for hiring and business investment in the province. Overall, the Manitoba economy is expected to buck the national trend and see an improvement in growth this year.

WARNING SIGNS FOR FARMING

Grain prices soared to multi-year highs at the beginning of 2011 as the U.S. Department of Agriculture revised downward its outlook for U.S. and global grain and oilseed supplies. The high prices should encourage farmers to seed more acres in 2011, setting the stage for higher crop production. However, not all the news is good. Spring flooding threatens to be serious and widespread this year. Heavy rains last year have left the ground saturated in many areas, and the province has seen above-average snowfall this winter. That combination could lead to severe flooding this spring. The first official flood forecast indicates high probability of flooding under normal weather conditions heading into the spring. In fact, the forecast warns that unfavourable weather in the coming weeks could result in flooding similar to the catastrophic 1997 floods. The provincial government is investing \$22 million to fight the flooding; and by the time spring comes, more than 2 million sandbags will be available. But great uncertainty clouds the agriculture sector, leaving farmers feeling cautious at best ahead of the planting season. As such, the agriculture sector will experience another difficult year, with no growth expected in 2011.

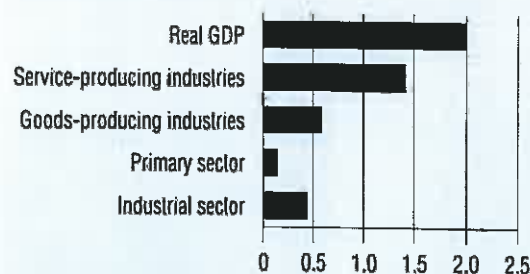
On the other hand, the livestock industry should see an uptick in sales. Global meat consumption is slowly picking up. Shipments to Japan, Mexico, and China have been rising steadily. The positive trend will continue this year, further boosting exports and the price Canadian farmers receive for their cattle and hogs.

MANUFACTURING GAINING MOMENTUM

The momentum in the manufacturing sector is building, thanks to improved demand for machinery, equipment, and aerospace parts. The sector should enjoy solid growth for at least the next two years. Much of the strength in manufacturing is coming from the aerospace industry. Aerospace giant Boeing recently announced that it was speeding up its plans to increase production of its 777 aircraft from five a month to seven per month by the middle of this year—six months earlier than originally planned. Boeing's Winnipeg-based suppliers can expect to get the bulk of the new work. Elsewhere,

Bristol Aerospace of Winnipeg has opened its advanced Composites Manufacturing Centre. And the company has secured a contract with the Canadian government to manufacture complex composite assembly parts for the horizontal tail section of the new F-35 joint strike

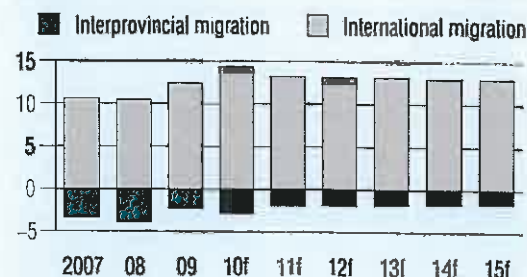
Contributions to Manitoba Real GDP Growth, 2011
(by industry/sector, percentage point; GDP, per cent)



Note: "Primary" is the sum of agriculture, forestry, fishing and trapping, and mining sectors. "Industrial" is the sum of manufacturing, construction, and utilities sectors.

Sources: The Conference Board of Canada; Statistics Canada.

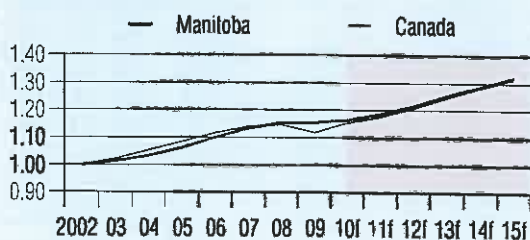
Sources of Migration
(net migration, 000s)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Real GDP, 2002 to 2015
(index, 2002 = 1.0)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Manitoba Scrambling for Workers

The 2008–09 economic downturn eased labour shortages in Manitoba and other Western provinces. But as economic conditions improve, a shortage of skilled labour will re-emerge as a barrier to business growth and economic development over the longer term.

According to a survey of business leaders carried out by Probe Research, 25 per cent of Manitoba business leaders said that they intend to hire more employees in 2011. The active development of the utilities and mining sectors, combined with sound growth in the domestic economy, will see labour demand increase in Manitoba over the next few years.

But Manitoba is not alone. Strong economic growth will also occur in the other Western provinces—Alberta, Saskatchewan, and British Columbia—over the forecast period. And as the competition among the provinces for skilled workers intensifies, Manitoba could be hit hard.

TD Canada recently released a report on interprovincial migration situation in Canada. And it predicted that Manitoba will continue to lose more residents to other provinces than it gains this year and next as Manitobans are lured away by the prospects of higher-paying jobs in neighbouring provinces.

The Manitoba Provincial Nominee Program has helped to bring in more foreign skilled workers. And a new national campaign—funded by the federal government—will help businesses in rural and small communities recruit workers. ThirdQuarter is an online, community-based pilot project designed to help workers between the ages of 50 and 65 connect with employers. In Manitoba, ThirdQuarter is being led by the Manitoba Chambers of Commerce, which will receive \$2.3 million to invest in the project. The goal is to assist in filling the gap in Manitoba's tight labour market by training older workers and recent retirees and by creating online links with employers. While the two-year pilot project will end in April 2012, the value of the effort could pay dividends for years to come.

fighter aircraft that Canada is planning to acquire. The contract is valued at \$1 billion and will keep the plant's workers busy through the life of the contract. Heavy-duty transit bus maker New Flyer recently announced its fourth quarter 2010 order results and backlog. As of January 2, 2011, New Flyer had an order backlog of approximately 6,270 buses, valued at \$3.68 billion. The results were not as good as the third-quarter backlog results due to cancellations from various buyers. Still, the company's current level of backlogged orders allows it to operate at a relative stable production rate. Even more encouraging for the manufacturing sector is the increasing popularity of public transit. The

Canadian Urban Transit Association reports that public transit ridership was up 2.8 per cent in the first half of 2010 over the same period in 2009. Overall, manufacturing output is expected to grow at an annual average rate of 3.7 per cent this year and next.

BASE METAL AND OIL MINING EXPANDS

Driven by the seemingly insatiable appetite of China and India for base metals such as copper, aluminum, and zinc, metal prices are expected to head higher over the next two to five years. And higher prices will encourage an increase in metal mining output and exploration in the province. (See chart "Mining Sector Is Growing Again.") HudBay Minerals has announced that it will boost its zinc production by reopening its Chisel North zinc mine and concentrator in Snow Lake. As well, construction of HudBay's \$560-million Lalor gold-zinc project will begin shortly, with first production expected by the second quarter of 2012 and full production starting in late 2014. The company says its overall zinc output should grow by more than 50 per cent once Lalor is in full production mode. Between 2010 and 2016, gold production in Manitoba is forecast to double. Moreover, a joint venture between HudBay Minerals and VSM Ventures to develop the Reed Lake property is expected to lead to the opening of a new copper mine in 2012. In addition, San Gold has made a number of high-grade gold discoveries around the old Rice Lake mine in Manitoba. The company says that the mine could eventually produce as much as 200,000 ounces of gold per year. And Crowflight Mineral's Bucko Lake nickel mine in Thompson is one step closer to re-opening. The company recently announced a US\$30-million private placement, part of which it plans to use to buy mining equipment for Bucko Lake. With all these developments under way, the provincial metal mining industry is expected to expand strongly over the next five years. This year, metal mining output will grow by 9.9 per cent, with average annual growth of 6.4 per cent expected from 2012 to 2015.

The Petroleum Services Association of Canada is forecasting a favourable year for Manitoba's oil and gas drillers. Overall, the mining sector is forecast to expand 8.4 per cent in 2011 and 2 per cent in 2012.

CONSUMER OUTLOOK

Labour markets are expected to benefit from positive economic growth in 2011. In December 2010, Manitoba became the first province in Canada to eliminate the small business tax, providing an important break to the province's more than 100,000 small businesses. Small businesses are key job creators, and the elimination of the tax should pave the way for further job gains. Employment is expected to grow by 10,000 jobs—or 1.6 per cent—this year, and by 13,000 jobs—2.1 per cent—in 2012. In January, the province also eliminated the general corporation capital tax. The move is aimed at encouraging investment in Manitoba businesses, and it will save incorporated companies a total of \$119 million a year.

Retail sales in the province were strong last year. (See chart “Manitobans Are Spending.”) And some exciting developments for Manitoban shoppers are just around the corner, as U.S.-based retail chains gear up to expand into Manitoba in anticipation of strong income growth. U.S. mall operator Tanger Factory Outlet Centers has tentative plans to open up a U.S.-style factory outlet mall in Winnipeg. And Wal-Mart has announced a \$500-million plan that would see its chain of supercentres expanded to include Manitoba and Quebec. The plan calls for three Winnipeg Wal-Marts to be converted to supercentres this year. Overall, retail sales are projected to rise 2.7 per cent in 2011 and a further 3.5 per cent in 2012.

New home construction recovered strongly in Manitoba last year. However, housing starts will dip 6.2 per cent in 2011 to 5,525 units, as tighter mortgage restrictions and rising financing costs cool demand for housing. Next year, however, starts will pick up again, rising to 6,175 units.

Non-residential investment spending remains a source of strength, thanks to a number of multibillion-dollar private projects. The \$1.6-billion Wuskwatim dam is currently under construction. Development of the \$5-billion Conawapa hydroelectric project is scheduled to start this year. And the \$900-million Pointe du Bois generating station renewal project is entering its heavy construction period. As well, the \$4-billion Bipole III transmission line project is also expected to get under way this year.

Forecast Risks



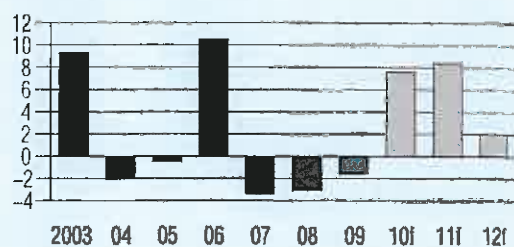
- ♦ With renewed strength in the U.S. economy and around the globe, higher demand for manufactured goods may further boost the manufacturing sector.



- ♦ Labour shortages may intensify as neighbouring provinces attract more Manitoban workers, which could impede economic growth.

Source: The Conference Board of Canada.

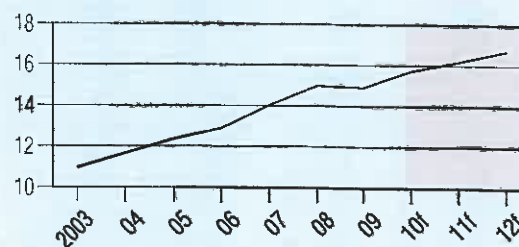
Mining Sector Is Growing Again
(percentage change, 2002 \$)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Manitobans Are Spending
(retail sales, \$ billions)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Key Economic Indicators: Manitoba
(forecast completed: February 4, 2011)

	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2010	2011	2012
GDP at market prices (current \$)	52,306 0.1	51,819 -0.9	52,441 1.2	53,586 2.2	54,842 2.3	54,831 0.0	55,479 1.2	56,339 1.5	56,956 1.1	57,566 1.1	58,317 1.3	58,926 1.0	52,538 3.1	55,373 5.4	57,942 4.6
GDP at basic prices (current \$)	48,779 -0.1	48,267 -1.1	48,834 1.2	49,866 2.1	51,035 2.3	50,933 -0.2	51,514 1.1	52,302 1.5	52,813 1.0	53,354 1.0	54,086 1.3	54,576 1.0	48,937 2.8	51,446 5.1	53,695 4.4
GDP at basic prices (constant \$ 2002)	38,857 0.3	38,803 -0.1	39,362 1.4	39,484 0.3	39,636 0.4	39,804 0.4	39,987 0.5	40,217 0.6	40,501 0.7	40,768 0.7	41,049 0.7	41,339 0.7	39,127 0.9	39,911 2.0	40,914 2.5
Consumer Price Index (2002 = 1.0)	1.145 0.1	1.149 0.3	1.149 0.0	1.158 0.8	1.165 0.6	1.170 0.5	1.177 0.6	1.186 0.6	1.191 0.4	1.195 0.4	1.200 0.4	1.205 0.4	1.150 0.8	1.175 2.1	1.198 2.0
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1.255 -0.4	1.244 -0.9	1.241 -0.3	1.263 1.8	1.288 2.0	1.280 -0.6	1.288 0.7	1.300 0.9	1.304 0.3	1.309 0.4	1.316 0.6	1.320 0.3	1.251 1.9	1.289 3.1	1.312 1.8
Average weekly wages (\$, Industrial composite)	698.5 0.0	703.0 0.6	705.5 0.3	708.0 0.4	711.5 0.5	715.9 0.6	720.5 0.6	725.0 0.6	730.6 0.8	735.7 0.7	740.8 0.7	745.9 0.7	703.8 1.7	718.2 2.1	738.2 2.8
Personal Income (current \$)	41,688 0.9	41,951 0.6	41,853 -0.2	42,262 1.0	42,658 0.9	43,024 0.9	43,481 1.1	44,010 1.2	44,577 1.3	45,102 1.2	45,602 1.1	46,059 1.0	41,939 2.5	43,293 3.2	45,335 4.7
Personal disposable income (current \$)	33,391 0.8	34,210 2.5	33,474 -2.2	33,680 0.6	33,936 0.8	34,205 0.8	34,551 1.0	34,950 1.2	35,336 1.1	35,713 1.1	36,097 1.1	36,449 1.0	33,684 2.6	34,410 2.2	35,899 4.3
Personal savings rate	2.3	3.8	-0.4	-0.1	-0.1	-0.2	-0.1	-0.2	-0.2	-0.3	-0.4	-0.4	1.4	-0.2	-0.3
Population of labour force age (000s)	936 0.3	939 0.4	943 0.4	946 0.3	950 0.4	953 0.4	957 0.4	960 0.4	963 0.3	967 0.3	970 0.3	973 0.3	941 1.3	955 1.5	968 1.4
Labour force (000s)	649 0.8	655 0.9	659 0.6	656 -0.4	660 0.6	663 0.4	667 0.7	672 0.7	675 0.5	679 0.5	681 0.3	682 0.2	655 2.0	666 1.6	679 2.0
Employment (000s)	614 1.1	620 0.9	623 0.5	623 0.1	625 0.4	627 0.3	631 0.6	635 0.6	638 0.5	642 0.6	645 0.5	647 0.3	620 1.9	630 1.6	643 2.1
Unemployment rate	5.4	5.4	5.5	5.1	5.3	5.4	5.4	5.5	5.5	5.4	5.3	5.2	5.4	5.4	5.3
Retail sales (current \$)	15,638 1.9	15,511 -0.8	15,882 2.4	15,944 0.4	16,013 0.4	16,098 0.5	16,208 0.7	16,381 1.1	16,525 0.9	16,665 0.9	16,815 0.9	16,955 0.8	15,744 5.6	16,175 2.7	16,740 3.5
Housing starts (units)	5,141 16.3	5,869 14.1	7,002 19.3	5,540 -20.9	5,300 -4.3	5,336 0.7	5,648 5.8	5,812 2.9	5,920 1.9	6,113 3.3	6,274 2.6	6,388 1.8	5,888 41.1	5,524 -5.2	6,174 11.8

Shaded area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Leading the Way

Highlights

- ♦ Renewed economic strength in the United States should boost orders for manufacturing products.
- ♦ The promising outlook for consumer spending is attracting a wave of U.S. retailers to the province.
- ♦ High commodity prices will support solid growth in the mining sector.

Economic Indicators (percentage change)

	2010f	2011f	2012f
Real GDP	1.4	3.9	4.5
Consumer Price Index	1.3	2.1	2.0
Personal disposable income	1.4	4.2	4.6
Employment	0.9	1.9	2.9
Unemployment rate (level)	5.2	5.1	4.6
Retail sales	3.0	5.7	4.4
Wages and salaries per employee	3.9	2.9	2.7
Population	1.6	1.7	1.3

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Government and Background Information

Premier	Brad Wall
Next election	2011
Population (2010Q4)	1,047,701
Government balance (2010–11)	\$68.5 million

Sources: The Conference Board of Canada; Saskatchewan Finance.

Canada's "breadbasket" province is poised to post the strongest economic growth in the country this year—a gain of 3.9 per cent in real GDP. The all-important goods-producing sector is expanding rapidly, thanks to high commodity prices. After two years of hardship, agriculture is finally set to recover. And the mining sector will get a boost from increased potash and oil production and a jump in exploration activities across the province. These positive trends in the good-producing sector should continue next year, leading to an even stronger gain—4.5 per cent—in real GDP in 2012.

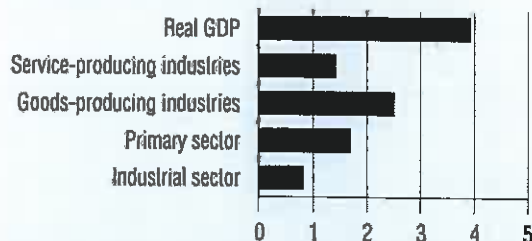
The domestic economy will benefit greatly from the strength in the primary sector. Job creation in several industries will accelerate in 2011–12, pushing the unemployment rate down to an average of 5.1 per cent in 2011 and 4.6 per cent in 2012. Bright employment opportunities continue to lure workers to the province, fuelling a housing boom. Housing starts are forecast to remain elevated, averaging 5,935 units in 2011 and 6,340 units in 2012.

Non-residential investment spending is at an all-time high, propelled by several multi-billion-dollar expansion and exploration projects under way in the potash industry. Overall, the construction sector will expand by 6.9 per cent this year and 7.5 per cent in 2012. The strong job prospects and rising consumer confidence should help boost the retail sector over the next few years. Retail sales are forecast to increase 5.7 per

cent in 2011 and 4.4 per cent in 2012. A number of U.S.-based companies are gearing up to set up shop in Canada, as they eye rapidly expanding retail markets north of the border.

Contributions to Saskatchewan Real GDP Growth, 2011

(by industry/sector, percentage point; GDP, per cent)

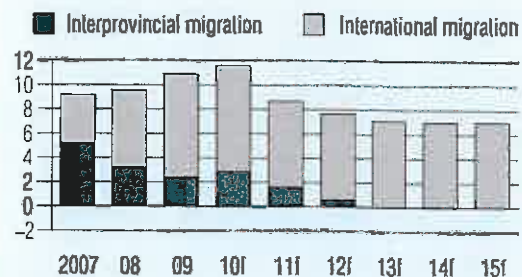


Note: "Primary" is the sum of agriculture, forestry, fishing and trapping, and mining sectors. "Industrial" is the sum of manufacturing, construction, and utilities sectors.

Sources: The Conference Board of Canada; Statistics Canada.

Sources of Migration

(net migration, 000s)

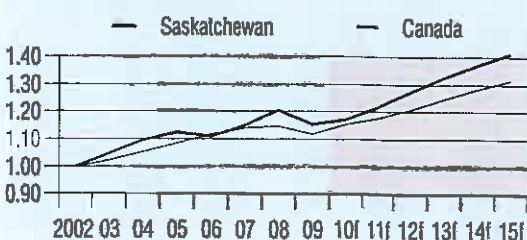


f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Real GDP, 2002 to 2015

(Index, 2002 = 1.0)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

AGRICULTURE OUTLOOK IS OPTIMISTIC

Excessively wet weather in 2010 took a heavy toll on crop quality and production. The agriculture sector experienced a drop of 14.2 per cent. Two factors will determine whether a rebound occurs in the sector this year. The first factor is the weather. Good conditions would go a long way to restoring the sector's health. However, the deluge of rain that fell during the 2010 season means that farmlands in many areas remain saturated.¹ As such, there is a risk of serious flooding this spring if there is much snow or rain between now and the spring thaw. The second factor is the level of agricultural commodity prices. The U.S. Department of Agriculture recently announced that it was significantly downgrading its outlook for U.S. and global grain and oilseed supplies this year. Following the announcement, grain prices soared. The higher prices should encourage farmers to increase crop acreages.

The live animal industry will continue to grow this year. Increasing demand for meat from the U.S., Japan, Mexico, and China is boosting shipments, and this trend is likely to continue in the near term. Overall, the province's agricultural sector is expected to grow 3.2 per cent in 2011 and another 3.4 per cent in 2012.

KEEP DIGGING

Contributing to the province's economic growth in 2010 was a rebound in the mining sector. Higher prices for potash and crude oil mean the trend will continue. The mining sector is forecast to grow 10.4 per cent in 2011 and further 9.8 per cent in 2012. (See chart "Mining Going Strong.")

The outlook for potash sales has improved. Rising sales are being led by stronger demand from China and Brazil. Canpotex has signed an agreement with China to supply 600,000 tonnes of potash over the first six months of this year. The company says it is now fully booked for sales in the first quarter of 2011. PotashCorp is projecting its 2011 shipments at 9.5 million tonnes.

¹ Trudy Kelly Forsythe, "Talk About the Weather," *FCC Express* (January 14, 2011).

well ahead of 2010's 8.6 million tonnes, which was the second-highest in company history. In addition, a number of other companies have signalled their interest in mining potash in the province. The world's largest mining company—BHP—is on track to start production at its Jansen project in 2015. Jansen will be the largest potash mine in the world.

Potash One Inc. recently received provincial environmental approval for the construction of a new potash mine. The company is aiming to start production in 2015. These projects will significantly boost potash mining activities in the province in the future.

Saskatchewan's uranium mines are ready to meet new demand from developing countries, such as China and India, that are the driving force behind the growth of the province's uranium industry. The China National Nuclear Corporation says China's uranium requirements will grow to about 35 million pounds by 2020, and more than half of that will be imported. Saskatchewan-based Cameco has already signed a long-term supply agreement with a Chinese company and is hoping to reach another contract agreement with China this year.

In addition, India expects to have 12 new nuclear reactors running by 2020, and they will consume 1,500 tonnes of uranium per year. Cameco anticipates that Canada could soon be exporting 2,000 tonnes of uranium to India annually. The company is planning to double its uranium production by 2018. In the short term, metal mining output is expected to advance by 11.1 per cent in 2011 and 3.8 per cent in 2012.

Rising crude oil prices and record-high land sales in the last year will encourage drilling activities in Saskatchewan. The Petroleum Services Association of Canada says drilling will increase 11 per cent to 3,075 wells this year. Metal fuel mining is expected to rise 3.2 per cent in 2011 and 3.1 per cent in 2012, while services incidental to mining are expected to jump 15 per cent this year and 7.2 per cent next year.

Promoting Saskatchewan's Natural Resources in Asia

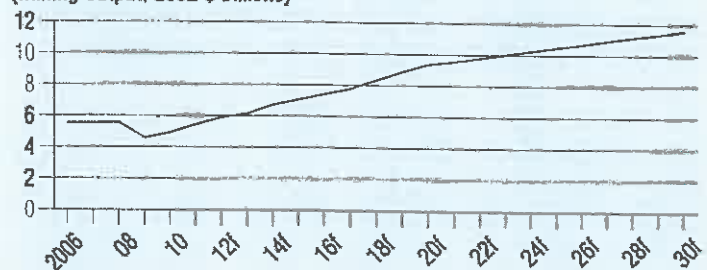
Saskatchewan officials, including Energy and Resources Minister Bill Boyd, travelled to Asia in January to promote the province's rich natural resources to potential investors. The aim was to seek out potential business opportunities in countries such as China and Japan for Saskatchewan's conventional and non-conventional oil industries, as well as for mineral exploration in the province.

The officials met with members of the National Reform and Development Commission of China to discuss ways of encouraging the flow of energy investment between the two jurisdictions. Saskatchewan's trade office in Shanghai says a "significant" deal between China and Saskatchewan could be finalized by May.

The Saskatchewan delegation also met with officials from the Japan Coal Energy Center (JCOAL) to sign a memorandum of understanding on cooperation in clean coal and carbon capture and storage technology. This agreement sets the stage for further information exchanges and could lead to Japanese investment in Saskatchewan's carbon capture and storage projects. As well, Japanese interest in rare earth minerals is growing. And although no rare earth production is currently taking place in Saskatchewan, this is an area of high potential for future development.

These initiatives will boost Saskatchewan's mining sector in the medium-to-long term. (See chart "Asian Demand Boosting the Province's Mining Sector.")

Asian Demand Boosting the Province's Mining Sector
(mining output, 2002 \$ billions)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

NEW HOPE FOR MANUFACTURING

Although the high Canadian dollar and fragile global markets have had some impact on the manufacturing sector, the rebound in demand for foods products and machinery and equipments is bolstering sales. Moreover, renewed U.S. economic growth will benefit manufacturers and raise exports. Manufacturing is expected to grow 3.8 per cent in 2011 and 4.1 per cent in 2012.

CONSUMER OUTLOOK

Some 10,000 jobs will be created in the province in 2011. Agriculture employment will rise 0.8 per cent, construction jobs will jump 3 per cent, and manufacturing will post the biggest gain—3.8 per cent. The Saskatchewan Immigrant Nominee Program will continue to draw new Canadians to the province. A total of 14,000 international migrants will settle in Saskatchewan over the next two years. Residential investment will benefit from the healthy migration and employment growth. Housing starts—already at an elevated level—are expected to rise a modest 0.5 per cent to 5,935 units in 2011. In 2012, the number of starts will reach 6,340.

While the phasing out of government stimulus spending will depress public sector investment in 2011, business investment should accelerate, thanks to rising profits among resource-based companies and an improvement in investor optimism. Agrium's \$800-million potash mine expansion and PotashCorp's \$2.8-billion Rocanville potash mine project are under construction. There are also a number of other major investment projects in the potash industry that will support the high level of investment going forward. For example, construction of BHP's Jansen potash mine could get under way in the middle of 2013. The mine will cost between \$10 billion and \$12 billion to develop. Potash One Inc. is planning to invest \$2.5 billion in its Legacy project. As such, total nominal public and private non-residential investment is projected to rise by 13 per cent in

2011 and 11.1 per cent in 2012. The projects will fuel the construction sector in the short and medium terms.

An improvement in consumer confidence (see chart "Consumer Confidence on the Rise"), combined with positive job prospects and elevated housing starts, will help boost retail sales over the near term. Consumer confidence started the new year on a high note and continues to rise. A number of U.S.-based companies are gearing up to take advantage of the expected retail boom north of the border. Wal-Mart is set to spend \$500 million to open 40 more Canadian supercentres. And Tanger Outlet Centers will open 15 outlet shopping malls in Canada by the end of 2012. Saskatchewan will benefit from these expansions. Retail sales are forecast to increase 5.7 per cent in 2011 and 4.4 per cent in 2012.

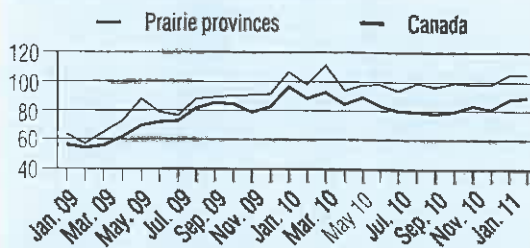
Forecast Risks



- ♦ Excess moisture in the soil and above-normal snowfall this winter could lead to flooding in the spring—which could mean another tough year for the agriculture sector.
- ♦ The recent visit to Asia by Saskatchewan officials to promote fuel and mineral mining and exploration in the province could boost the mining sector in the medium term.

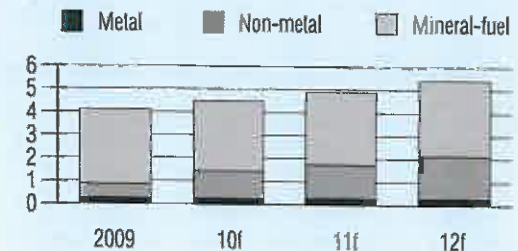
Source: The Conference Board of Canada.

Consumer Confidence on the Rise
(Index of Consumer Confidence, 2002 = 100)



Source: The Conference Board of Canada.

Mining Going Strong
(2002 \$ billions)



Sources: The Conference Board of Canada; Statistics Canada.

Key Economic Indicators: Saskatchewan (forecast completed: February 4, 2011)

	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2010	2011	2012
GDP at market prices (current \$)	59,832 6.5	58,826 -1.7	59,414 1.0	60,636 2.1	62,259 2.7	62,466 0.3	63,652 1.9	65,234 2.5	66,534 2.0	67,663 1.7	69,012 2.0	70,089 1.6	59,677 5.5	63,402 6.2	68,325 7.8
GDP at basic prices (current \$)	56,511 6.8	55,480 -1.8	56,017 1.0	57,133 2.0	58,673 2.7	58,795 0.2	59,917 1.9	61,432 2.5	62,632 2.0	63,696 1.7	64,980 2.0	65,993 1.6	58,285 5.5	59,704 6.1	64,325 7.7
GDP at basic prices (constant \$ 2002)	38,361 1.8	38,057 -0.8	38,211 0.4	38,691 1.3	39,200 1.3	39,643 1.1	40,036 1.0	40,478 1.1	40,955 1.2	41,395 1.1	41,844 1.1	42,287 1.1	38,330 1.4	39,839 3.9	41,620 4.5
Consumer Price Index (2002 = 1.0)	1.177 0.3	1.186 0.7	1.187 0.1	1.197 0.8	1.202 0.5	1.208 0.4	1.214 0.6	1.224 0.8	1.229 0.4	1.234 0.4	1.239 0.4	1.245 0.4	1.187 1.3	1.212 2.1	1.237 2.0
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1.473 4.9	1.458 -1.0	1.466 0.6	1.477 0.7	1.497 1.4	1.483 -0.9	1.497 0.9	1.518 1.4	1.529 0.8	1.539 0.6	1.553 0.9	1.561 0.5	1.468 4.0	1.499 2.1	1.545 3.1
Average weekly wages (\$ industrial composite)	814.1 0.4	823.3 1.1	831.9 1.0	834.0 0.3	840.1 0.7	844.8 0.6	849.8 0.6	855.0 0.6	861.3 0.7	867.2 0.7	873.1 0.7	879.2 0.7	825.8 4.7	847.4 2.6	870.2 2.7
Personal income (current \$)	36,873 -1.9	37,682 2.2	37,702 0.1	38,135 1.1	38,820 1.8	39,257 1.1	39,736 1.2	40,302 1.4	40,809 1.3	41,262 1.1	41,725 1.1	42,154 1.0	37,598 1.2	39,529 5.1	41,487 5.0
Personal disposable income (current \$)	30,027 -2.1	31,237 4.0	30,686 -1.8	30,924 0.8	31,458 1.7	31,793 1.1	32,165 1.2	32,604 1.4	32,952 1.1	33,285 1.0	33,648 1.1	33,984 1.0	30,718 1.4	32,005 4.2	33,467 4.6
Personal savings rate	1.6	4.5	0.9	0.5	0.4	0.4	0.5	0.4	0.3	0.3	0.2	0.1	1.9	0.4	0.2
Population of labour force age (000s)	787 0.4	790 0.4	793 0.4	795 0.3	799 0.6	802 0.4	805 0.3	808 0.3	810 0.3	812 0.3	815 0.3	817 0.3	791 1.5	804 1.6	813 1.2
Labour force (000s)	549 0.4	555 1.1	554 -0.3	554 0.1	558 0.6	561 0.6	565 0.7	569 0.7	572 0.6	575 0.5	577 0.4	579 0.3	553 1.4	563 1.8	576 2.3
Employment (000s)	523 0.6	526 0.5	525 -0.2	523 -0.3	527 0.7	532 0.8	536 0.9	541 0.9	545 0.7	548 0.6	551 0.5	553 0.4	524 0.9	534 1.9	550 2.9
Unemployment rate	4.8	5.3	5.2	5.5	5.5	5.2	5.0	4.8	4.7	4.6	4.5	4.5	5.2	5.1	4.6
Retail sales (current \$)	14,862 -0.4	14,749 -0.8	15,093 2.3	15,449 2.4	15,633 1.2	15,793 1.0	15,956 1.0	16,191 1.5	16,352 1.0	16,506 0.9	16,684 1.1	16,855 1.0	15,038 3.0	15,893 5.7	16,599 4.4
Housing starts (units)	5,080 -14.5	5,066 -0.3	6,150 21.4	7,331 19.2	6,200 -15.4	5,744 -7.4	5,884 2.4	5,912 0.5	6,222 5.2	6,322 1.6	6,386 1.0	6,434 0.8	5,907 52.8	5,335 0.5	6,341 6.8

Shaded area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Energy Sector Props Up Service Industries

Highlights

- ♦ Energy-related investment will reach \$42 billion by 2015.
- ♦ Wage and salaries will remain well above the national average.
- ♦ With 42,000 jobs expected in 2011, all jobs lost during the recession will be recovered.

Economic Indicators (percentage change)

	2010f	2011f	2012f
Real GDP	3.4	2.4	3.8
Consumer Price Index	1.0	1.7	1.9
Personal disposable income	4.5	3.6	5.8
Employment	-0.4	2.2	3.0
Unemployment rate (level)	6.5	6.3	5.8
Retail sales	5.7	6.0	5.7
Wages and salaries per employee	4.9	2.8	3.6
Population	1.4	1.6	1.7

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Government and Background Information

Premier	Ed Stelmach
Next election	2012
Population (2010Q4)	3,735,086
Government balance (2010-11)	\$0

Sources: The Conference Board of Canada; Alberta Finance.

Growth in Alberta will slow in 2011, as the provincial economy catches its breath before setting off on another period of rapid expansion starting next year. Still, more than 44,000 jobs are expected to be created this year, recouping all the jobs lost during the recession, and pushing employment to an all-time high. Higher employment will keep retailers in the province happy, as consumer spending is expected to increase 5.4 per cent despite slower wage growth. Strong growth in labour income and population will not, however, immediately translate into more housing starts, as the province must still work off the excess capacity created during the recession. The weak housing market will hold growth in the finance, insurance, and real estate industries to a minimum in 2011. Fortunately, the continued expansion in the province's energy sector will keep output in the goods-producing industries growing at a sufficiently strong pace to outweigh a lacklustre performance on the service side, and real GDP will rise 2.4 per cent this year.

The oil sands will be the economy's driving force over the medium term. With the oil sands growing once again, the construction industry will bounce back from two consecutive years of weak investment, and the manufacturing and transportation industries will benefit from increased oil production. Labour markets will continue to tighten. Some 62,000 new jobs are expected in 2012, pushing the unemployment rate down to 5.8 per cent. Stronger labour markets will continue to keep wage growth well above the national average, driving consumer spending

up 6.1 per cent next year. Furthermore, after three years of weak demand, output of business and personal services will rebound. The gains in the service side of the economy will combine with strong growth in goods-producing industries to drive real GDP up 3.8 per cent in 2012.

CONSTRUCTION REBOUNDS DESPITE WEAKNESS IN HOUSING MARKET

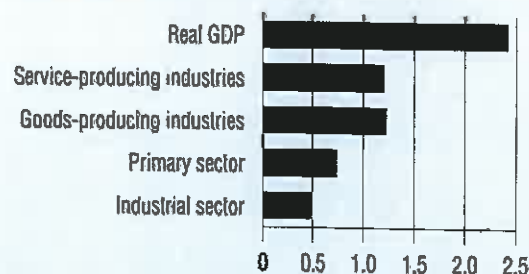
The construction industry took a beating during the economic downturn. The weakness persisted throughout 2010 despite higher oil prices, as companies took a cautious approach to capital spending, driving construction output down for a second consecutive year. Fortunately, investment appears to have solidified, thanks to improving credit conditions and still-low interest rates.

The expansion of the oil sands industry will be the main driver of investment throughout the medium term. Rising oil prices will lead to the development of several new projects, offsetting weakness in conventional oil and gas activity. Over the next five years, the Conference Board estimates that more than 20 oil sands projects will commence, accounting for billions of dollars in new investment, and pushing nominal energy-related investment in Alberta from \$23 billion in 2010 to \$42 billion by 2015. Companies—eager to avoid another round of rapid cost escalation—are expected to proceed with projects at a more controlled pace than before the recession. Nevertheless, business non-residential investment will average annual gains of 9.7 per cent over 2011–15.

The outlook for residential investment is less robust. Last year, housing starts rose 33 per cent to 27,000, but the new housing market lost momentum in the second half of the year. Furthermore, the sales-to-listing ratio of existing homes has dipped to the point that Alberta's housing markets are now balanced. Even though new housing starts will rise slowly throughout the year, it will not be enough to outweigh the slowdown in the second half of 2010, and nominal residential investment will drop 7.2 per cent, as starts number 26,500 in 2011. The weak residential outlook will hold output in the finance, insurance, and real estate industry to growth of just 1 per cent in 2011.

Thanks to an expanding population and strong income growth, housing will solidify in 2012. With more than 29,000 new housing starts and increased renovation activity expected next year, nominal residential investment will accelerate 14.9 per cent. The remaining years

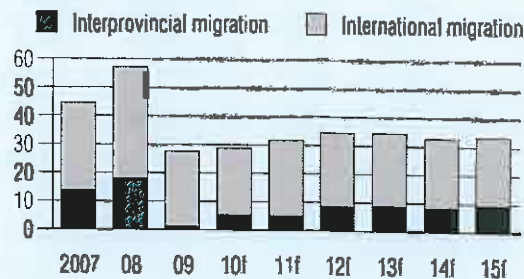
Contributions to Alberta Real GDP Growth, 2011
(by industry/sector, percentage point; GDP, per cent)



Note: "Primary" is the sum of agriculture, forestry, fishing and trapping, and mining sectors. "Industrial" is the sum of manufacturing, construction, and utilities sectors.

Sources: The Conference Board of Canada; Statistics Canada.

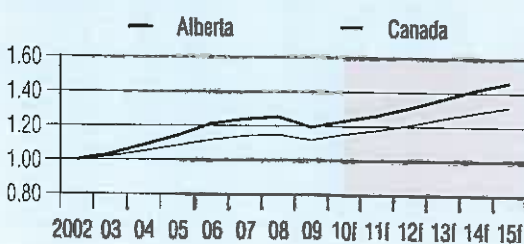
Sources of Migration
(net migration, 000s)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Real GDP, 2002 to 2015
(index, 2002 = 1.0)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

What the Shale Gas Revolution Means for Alberta



Shale gas has captured headlines over the past two years because of its potential to change the long-term outlook for natural gas production in North America. The availability of more sophisticated horizontal drilling techniques and hydraulic fracturing pushed U.S. shale gas production up 160 per cent between 2007 and 2009 to reach 8.4 bcf/d (or about 80 per cent of Alberta's total natural gas production). That number is expected to continue to rise, and the ramifications for Alberta's economy will be profound.

U.S. domestic production of natural gas is now forecast to increase by 1.2 bcf/d between now and 2012, despite the fact that offshore production in the Gulf of Mexico will drop.¹ A good portion of the increase will come from unconventional sources, such as the southern Marcellus and Barnett shales. The improved outlook means the U.S. will require less Canadian natural gas. Consequently, pipeline imports into the U.S. are expected to decrease in each of the next two years. Since Alberta still accounts for the majority of Canadian gas production, this loss of export potential will hit the province and its producers particularly hard.

Moreover, the onset of the shale gas revolution has hurt prices. Rising production in the U.S., combined with recession-weakened demand, pushed inventories higher. The result has been a much weaker price outlook going forward. Indeed, the Conference Board estimates that prices will not return to even the US\$7/mmbtu level until sometime beyond the medium term. Price ultimately plays the deciding role in whether companies drill frantically, or redirect capital expenditures to other, more profitable projects.

1 U.S. Energy Information Administration, *Short-Term Energy Outlook* (February 8, 2011).

of the forecast will see housing starts move back into line with demographic requirements, averaging 30,000 starts per year between 2013 and 2015.

In spite of a recovery in energy investment, the sluggish housing market will hold growth in the construction industry to just 1 per cent in 2011. Average annual growth of 5.8 per cent is expected in the construction industry over 2012–15, and the sector will be an important contributor of new jobs—nearly 50,000 net new construction jobs are expected between 2011 and 2015.

PRODUCTION SOARS AS THE OIL SANDS BOOM

Non-conventional oil production already accounts for more than 50 per cent of all Canadian oil production, and that share will continue to climb over the forecast as new projects come online. Non-conventional production will increase more than 10 per cent in 2011, boosted by new capacity (100,000 barrels per day[b/d]) at the Jackpine mine and the return to normal production at Suncor's operations following an unplanned outage in mid-2010. Going forward, in situ operations will provide the bulk of incremental capacity, with more than 20 projects or expansions taking place between now and 2015. Suncor should add at least 65,000 b/d at its Firebag project, with another similarly sized expansion possible in the medium term (subject to board approval). Cenovus Energy will likely increase capacity at both its Foster Creek and Christina Lake sites, adding as much as 120,000 b/d. And capacity at Shell's Carmon Creek operations will also likely increase by at least 40,000 b/d, as production at the site is already ramping up following a recent expansion. Finally, Imperial Oil's Kearl mine will produce 100,000 b/d once the first phase of the \$8-billion project comes online in 2012. The lack of new mines reflects a shift to in situ projects that tend to be built in phases. This allows companies to quickly generate revenues, which can then be used to pay for future expansions. Conversely, new mines require massive capital outlays before any production starts to flow. This trend toward in situ production means that companies can shift the timing of their expansions to take advantage of higher-than-expected oil prices, or lower-than-expected developments costs. The downside is that the projects have mixed results when it comes to maintaining production levels close to full capacity. But as the expertise of Canada's oil industry improves, these problems should become manageable, and total non-conventional oil production will rise to 2.4 million barrels per day (mmbd) by 2015.

The province's conventional oil and gas industry faces a much different outlook. According to the Petroleum Services Association of Canada (PSAC), drilling will

rise 3 per cent in 2011.¹ But that is hardly great news, considering that drilling in 2010 was 45 per cent below pre-recession levels. While rising oil prices present an opportunity to increase drilling for conventional crude oil, weak natural gas prices continue to hold the industry back. Shale gas production in the U.S. has created significant supply overhang in the North American market, keeping prices hovering around US\$4 per million cubic feet (mcf). While this may be sufficiently high to generate activity in unconventional basins south of the border, and perhaps even in British Columbia, it is not enough to spark activity in Alberta's mature basin where input costs are already high because of competition with the oil sector. With natural gas prices predicted to rise only moderately over the next five years, the tepid pace of drilling will not be enough to offset the decline at existing fields. Nevertheless, rising non-conventional oil production will outweigh falling gas production, pushing output in the mineral fuels industry up by an annual rate of 3.3 per cent over 2011–15.

HIGH WAGES DRIVE CONSUMER SPENDING

Alberta's labour market continued to feel the effects of the recession last year, as job creation remained elusive. However, starting this year, labour markets will begin to tighten once again. Driven by rising oil production and investment, the economy is expected to add 44,000 jobs this year—a gain of 2.2 per cent. About 40 per cent of

those jobs will be in manufacturing, construction, and other primary industries. Improved consumer demand will also push job gains in the wholesale and retail trade sector to 14,700.

Employment will perform better after 2011, averaging annual gains of 49,000 between 2012 and 2015—outpacing growth in the labour force and driving the unemployment rate down to 4.5 per cent by 2015. Stronger labour markets will put upward pressure on wages. (See charts below.) Average weekly wages will grow 3.7 per cent a year on average, to reach \$1,135 in 2015—easily the highest rate in the country. Strong labour markets will result in a new uptick in interprovincial migration. Alberta is expected to welcome more than 165,000 new interprovincial and international migrants over 2011–15. However, we don't expect a return to the blistering pace of in-migration that we saw in the period leading up to the recession.

Forecast Risks

Short term

- ♦ If U.S. demand recovers more quickly than anticipated, natural gas prices will climb above current forecasts, allowing for a more pronounced recovery in the province's conventional drilling sector.

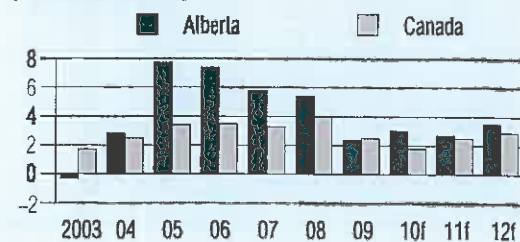
Medium term

- ♦ Material and labour shortages remain a concern. If they persist, construction costs could rise too quickly forcing companies to delay new construction projects.

Source: The Conference Board of Canada.

¹ Petroleum Services Association of Canada, *PSAC Increases 2011 Drilling Forecast by 500 Wells*, news release (January 31, 2011).

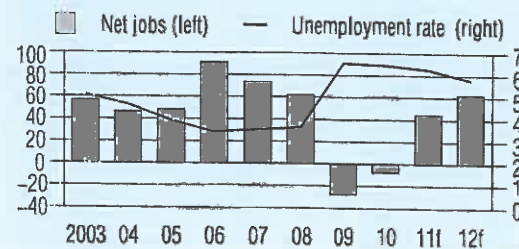
Alberta Wages Continue to Outpace Canadian Average
(percentage change)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Strong Job Gains Pull Unemployment Rate Lower
(jobs, 000s; unemployment, per cent)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Key Economic Indicators: Alberta
 (forecast completed: February 4, 2011)

	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2010	2011	2012
GDP at market prices (current \$)	258,374	263,859	266,851	271,646	272,391	276,075	280,178	285,022	291,275	296,377	301,500	306,563	265,182	278,417	298,929
	5.4	2.1	1.1	1.8	0.3	1.4	1.5	1.7	2.2	1.8	1.7	1.7	7.3	5.0	7.4
GDP at basic prices (current \$)	249,503	254,922	257,778	262,289	262,813	266,270	270,203	274,866	280,851	285,781	290,729	295,621	255,123	268,538	288,245
	5.5	2.2	1.1	1.7	0.2	1.3	1.5	1.7	2.2	1.8	1.7	1.7	7.3	4.8	7.3
GDP at basic prices (constant \$ 2002)	174,608	177,545	178,503	180,179	179,956	181,262	182,594	184,231	186,233	188,048	189,912	191,785	177,709	182,011	188,994
	1.6	1.7	0.5	0.9	-0.1	0.7	0.7	0.9	1.1	1.0	1.0	1.0	3.4	2.4	3.8
Consumer Price Index (2002 = 1.0)	1.224	1.226	1.229	1.229	1.237	1.243	1.251	1.258	1.263	1.268	1.274	1.280	1.227	1.247	1.271
	0.3	0.2	0.2	0.0	0.7	0.5	0.6	0.6	0.4	0.4	0.4	0.4	1.0	1.7	1.9
Implicit price deflator—GDP at basic prices (2002 = 1.0)	1.429	1.436	1.444	1.456	1.460	1.469	1.480	1.492	1.508	1.520	1.531	1.541	1.441	1.475	1.525
	3.8	0.5	0.6	0.8	0.3	0.6	0.7	0.8	1.1	0.8	0.7	0.7	3.8	2.4	3.4
Average weekly wages (\$ industrial composite)	944.3	961.7	963.4	961.3	973.0	979.6	986.5	993.7	1003.8	1013.2	1022.7	1032.5	957.7	983.2	1018.0
	0.8	1.8	0.2	-0.2	1.2	0.7	0.7	0.7	1.0	0.9	0.9	1.0	3.0	2.7	3.5
Personal income (current \$)	175,126	178,258	179,935	181,404	183,444	185,990	188,332	191,353	194,472	197,524	200,484	203,350	178,681	187,280	198,957
	1.9	1.8	0.9	0.8	1.1	1.4	1.3	1.6	1.6	1.6	1.5	1.4	4.3	4.8	6.2
Personal disposable income (current \$)	137,872	143,414	141,568	142,071	143,496	145,404	147,167	149,417	151,583	153,798	156,042	158,215	141,231	146,371	154,909
	1.9	4.0	-1.3	0.4	1.0	1.3	1.2	1.5	1.4	1.5	1.5	1.4	4.5	3.6	5.8
Personal savings rate	14.9	17.6	15.1	14.1	14.1	14.0	14.1	14.0	14.0	14.0	13.9	13.9	15.4	14.1	13.9
Population of labour force age (000s)	2,943	2,956	2,968	2,976	2,988	3,000	3,012	3,024	3,036	3,048	3,060	3,073	2,961	3,006	3,054
	0.3	0.5	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	1.5	1.5	1.6
Labour force (000s)	2,151	2,162	2,160	2,156	2,173	2,193	2,208	2,228	2,239	2,251	2,260	2,270	2,157	2,200	2,255
	-0.7	0.5	-0.1	-0.1	0.8	0.9	0.7	0.9	0.5	0.5	0.4	0.4	-0.5	2.0	2.5
Employment (000s)	2,002	2,011	2,023	2,034	2,037	2,055	2,068	2,088	2,101	2,118	2,133	2,146	2,018	2,052	2,124
	-0.6	0.5	0.6	0.5	0.1	0.9	0.7	1.0	0.6	0.8	0.7	0.6	-0.4	2.2	3.0
Unemployment rate	6.9	7.0	6.3	5.7	6.3	6.3	6.3	6.3	6.2	5.9	5.6	5.5	6.5	6.3	5.8
Retail sales (current \$)	59,286	58,287	59,485	61,658	62,093	62,899	63,545	64,578	65,484	66,423	67,395	68,368	59,679	63,279	66,917
	3.4	-1.7	2.1	3.7	0.7	1.3	1.0	1.6	1.4	1.4	1.5	1.4	5.7	6.0	5.7
Housing starts (units)	28,819	31,298	26,453	21,783	23,000	24,495	26,332	28,543	29,176	29,215	29,339	29,616	27,088	25,593	29,336
	0.6	8.6	-15.5	-17.7	5.6	6.5	7.5	8.4	2.2	0.1	0.4	0.9	33.5	-5.5	14.6

Shaded area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Recovery to Slow . . . Briefly

Highlights

- ♦ Construction activity will contract in 2011, as public and residential investment declines.
- ♦ Real mineral fuel mining will expand 7.4 per cent this year, providing a boost for support industries.
- ♦ Forestry will continue to see increased demand from China, but weaker U.S. demand.

Economic Indicators (percentage change)

	2010f	2011f	2012f
Real GDP	3.7	1.9	3.2
Consumer Price Index	1.4	2.1	2.0
Personal disposable income	3.7	2.8	5.1
Employment	1.8	1.6	2.9
Unemployment rate (level)	7.6	7.1	6.3
Retail sales	5.3	3.6	4.6
Wages and salaries per employee	0.9	1.9	3.1
Population	1.6	1.4	1.4

f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Government and Background Information

Premier	Christy Clark
Next election	2013
Population (2010Q4)	4,552,000
Government balance (2010–11)	–\$1.3 billion

Sources: B.C. Ministry of Finance; Statistics Canada.

After strong growth in 2010, B.C.'s economy will slow this year. Government spending prudence, combined with a slowdown in the domestic housing market, will result in declining construction activity. Additionally, weakness in the broad U.S. economy—and the U.S. housing market in particular—will hinder demand for forest products and other B.C. exports. Real GDP growth will slow to 1.9 per cent in 2011, following strong growth of 3.7 per cent in 2010.

B.C.'s economic recovery will pick up speed again in 2012. The construction industry will get a boost from renewed strength in the domestic housing market, as housing starts return to levels supported by demographics. Increased stability in U.S. and global markets will boost demand for B.C.'s natural resources—especially its forest products. Real GDP is expected to grow 3.2 per cent next year.

The mining industry continues to show strength. The province's natural gas reserves will contribute considerably to investment and mining output. Investment in energy projects will add significantly to the economy over 2011–13, and will generate economic activity in support industries, such as construction, transportation, and wholesale trade. Real output in mineral fuels mining will increase 7.4 per cent in 2011 and 7.5 per cent in 2012.

Employment will grow steadily over the forecast period. Boosted by gains in the manufacturing industry and

other commercial services, the economy will add more than 36,000 jobs in 2011. Job growth will continue at an even stronger pace in 2012, with the economy adding over 67,000 jobs across almost all industry categories. The unemployment rate will decline this year, going

from 7.3 per cent in the last quarter of 2010 to 6.8 per cent in the final quarter of 2011.

EXPORT INDUSTRIES

Last year was a great year for export-oriented industries. The U.S. economy began to show some stability, and the Chinese economy continued to surge. Lately, economic uncertainty has reared its head again in the U.S.—especially when it comes to the troubled housing market. This year, things are not expected to be as rosy for goods producers. But the uncertainty will dissipate later in 2011, resulting in strength next year in the goods-producing industries.

Softwood-lumber demand made a comeback in 2010; the volume of B.C. exports of softwood lumber surged 17 per cent. While the U.S. housing market took the majority of the exports (58.9 per cent), Chinese demand is strengthening. China accounted for 21.4 per cent of B.C.'s softwood exports in 2010, compared with just 0.8 per cent in 2005. (See chart “Softwood Lumber Exports to China Rising.”)

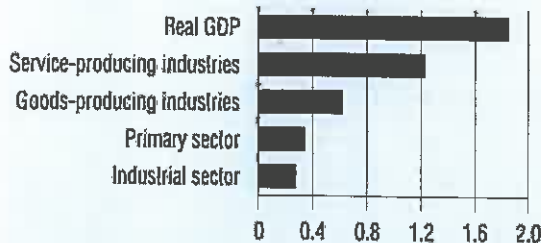
But the U.S. housing market is struggling to gain solid footing, and the Canadian housing market is undergoing a small correction. As a result, lumber prices will be relatively unchanged from 2010 levels. Real forestry output is expected to grow by only 2 per cent this year, after a 17.2 per cent surge in 2010. Next year, housing starts in Canada and the U.S. will experience healthy growth, and forestry output will expand 4.1 per cent.

The value of natural gas exports rose 6 per cent in 2010, with all exports going to U.S. markets. Increased production of natural gas in North America has put downward pressure on natural gas prices, a trend that will continue in 2011.

Meanwhile, B.C. coal has made tremendous gains on world markets, with the value of exports increasing 23.6 per cent in 2010. Severe floods in Australia are expected to push coal prices up in 2011. Taken together, real mineral fuel mining output will increase 7.5 per cent in 2011 and another 7.4 per cent in 2012.

Contributions to British Columbia Real GDP Growth, 2011

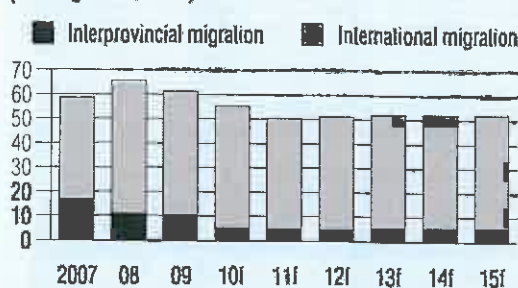
(by industry/sector, percentage point; GDP, per cent)



Note: “Primary” is the sum of agriculture, forestry, fishing and trapping, and mining sectors. “Industrial” is the sum of manufacturing, construction, and utilities sectors.

Sources: The Conference Board of Canada; Statistics Canada.

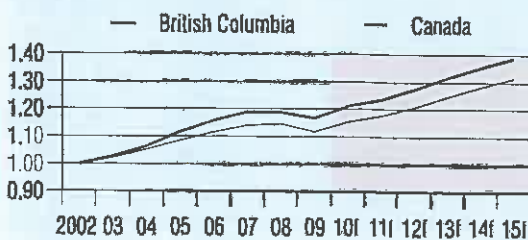
Sources of Migration (net migration, 000s)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

Real GDP, 2002 to 2015 (index, 2002 = 1.0)



f = forecast

Sources: The Conference Board of Canada; Statistics Canada.

The star of metals in 2010 was copper. Nominal exports of copper surged 38.9 per cent, with the bulk going to Japan and China. Copper, zinc, gold, and silver are all expected to see double-digit price increases again this year. Copper Mountain Mining will reap the benefits of these price increases when it begins production at its mine in mid-2011. As well, crucial repairs at Teck's Highland Valley Copper Mine are on track to be completed this year, and the company plans to boost production at the mine. Overall, metal mining output will post double-digit increases this year and next.

CONSTRUCTION

Publicly funded construction will decline this year following several years of Olympic spending and recession-fighting stimulus. Nominal government investment in non-residential construction is set to decline 7.9 per cent in 2011 and another 13.5 per cent in 2012.

Despite the declines, there are several large-scale government projects in the works. The \$3.3-billion Port Mann Bridge, which is funded from a combination of sources (including the provincial government), is currently under construction. Construction is also ongoing on the \$1.1-billion South Fraser Perimeter Road. The RCMP E Division Headquarters Relocation Project began construction last year. The project's cost is estimated at just under \$1 billion. Construction on SkyTrain's new Evergreen Line is set to begin this year, with costs estimated at \$1.4 billion.

Investment activity in power generation and transmission is also going strong. The Interior to Lower Mainland Transmission project will cost \$599 million by the time it's completed in 2014. The proposed Northwest Transmission Line would cost \$404 million and would allow at least two copper mines—Galore Creek and Red Chris—to go ahead with production. There is also a proposed generating facility upgrade at Mica in Revelstoke, valued at \$858 million, which is set to begin electricity production in the spring.

Privately funded non-residential construction will make gains this year and next. Investment in these projects will increase 9.5 per cent in 2011 and another 8.3

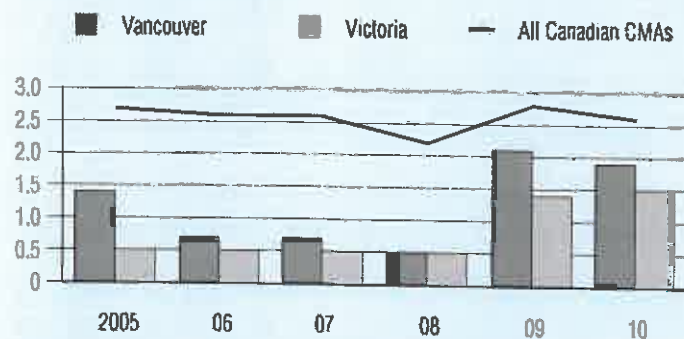
Rental Markets Evolve

There have been big changes in B.C.'s two most expensive rental markets—Vancouver and Victoria. Both cities experienced extremely tight rental markets in the mid-2000s, with vacancy rates under 1 per cent. But the markets loosened considerably in 2009, and this trend appears to have staying power. (See chart.) There is an increasing trend toward secondary rental markets—condominiums and other investor-owned properties.

People wanting to invest in the hot housing markets of Victoria and Vancouver see renting out their houses and condominiums as a good option. Additionally, first-time buyers may find that renting out their basement or secondary suites is the only way they can afford to buy a house in these expensive markets.

In Victoria, the purpose-built rental stock has declined by 675 units over the past 10 years despite rental housing shortages. The Canada Mortgage and Housing Corporation (CMHC) recently estimated that Victoria's rental stock includes 4,162 condominiums, and that number is rising every year. CMHC estimates that one-fifth of all condominiums in Victoria and one-quarter of condominiums in Vancouver are rented out.

Higher Vacancy Rates the "New Normal" (rental vacancy rates, per cent)



Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

per cent in 2012. Several mining projects are planned or under construction. Environmental Assessments have been granted and construction has started at the \$917-million Mt. Milligan copper-gold project; production is anticipated in 2013. NewGold's New Afton project is on track to begin production in mid-2012, with pre-production construction estimated at \$630 million.

Investment in residential construction will fall 7 per cent this year following a mini housing boom in 2010 and the end of the federal renovation tax credit. The housing market overheated in 2010 as buyers took advantage of low interest rates and tried to beat the

harmonization of the provincial and federal sales taxes. Average existing home prices in the province increased 5.7 per cent last year.

New mortgage rules, rising interest rates, and overheated prices will slow the housing market this year. Construction will begin on just over 25,000 new housing units, 4.5 per cent fewer than last year. The housing market will regain its footing next year, thanks to continued income and employment gains, along with consistently strong international migration. Starts will surpass 30,000 units in 2012, keeping pace with household formation rates. (See chart “Housing Starts to Slow, Then Recover.”)

DOMESTIC ECONOMY

Employment gains will continue at a steady pace this year (1.6 per cent), despite the slowdown in economic growth. The manufacturing industry will see the fastest job growth, employing 7.8 per cent more workers this year than in 2010. Much of the gains will be in metal and non-metallic mineral processing. Hiring will also need to catch up with rising demand in manufacturing of forestry products, such as wood and pulp and paper. Overall, the manufacturing industry will add 13,000 jobs this year and another 5,000 in 2012.

The service industries will also add several thousand jobs. Finance, insurance, real estate, and other commercial services will add 16,000 jobs this year and another 25,000 in 2012.

The unemployment rate stood at 8.2 per cent in January 2011. By the fourth quarter of 2011, it will average 6.8 per cent thanks to strong employment gains in both the goods and services industries. And by the fourth quarter of 2012, unemployment will have fallen to 6 per cent.

This year, wages and salaries per employee will grow at the fastest rate since 2007. The average wage will hit \$40,763—1.9 per cent higher than in 2010, but still slightly below the national average.

After expanding 5.1 per cent in 2010, nominal consumption growth will slow to 4.1 per cent this year due to the slowdown in housing activity and the implementation of the harmonized sales tax. Retail sales grew by a strong 5.3 per cent in 2010 as the economic recovery took hold. This year, retail sales will increase 3.6 per cent, lower than the national rate.

Forecast Risks



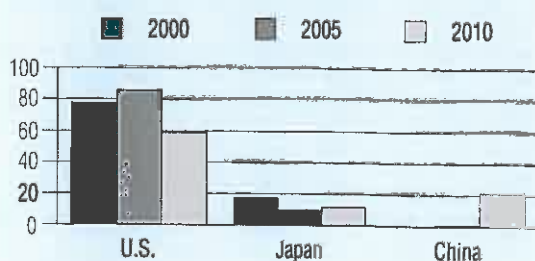
- ◆ If the U.S. housing market gains strength, forest and manufacturing output in B.C. could see stronger growth. This would boost employment and income.



- ◆ If global demand takes longer to strengthen, the B.C. government might have to take additional measures to balance its budget—such as raising taxes or cutting back on services.

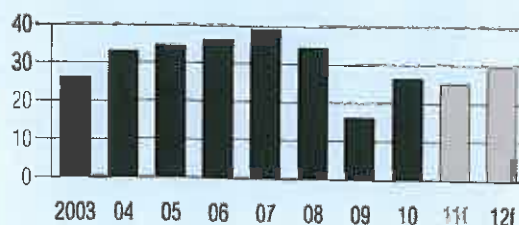
Source: The Conference Board of Canada.

Softwood Lumber Exports to China Rising
(share of total exports of softwood lumber by volume, per cent)



Sources: Statistics Canada.

Housing Starts to Slow, Then Recover
(units, 000s)



f = forecast

Sources: The Conference Board of Canada; CMHC Housing Time Series Database.

Key Economic Indicators: British Columbia (forecast completed: February 4, 2011)

	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2013	2011	2012
GDP at market prices (current \$)	203,872	201,950	203,210	205,982	211,138	212,333	215,307	219,103	222,767	225,700	228,931	231,749	203,753	214,470	227,287
	3.5	-0.9	0.6	1.4	2.5	0.6	1.4	1.8	1.7	1.3	1.4	1.2	6.7	5.3	6.0
GDP at basic prices (current \$)	188,802	186,770	187,799	190,088	194,868	195,677	198,363	201,851	205,061	207,700	210,635	213,162	188,364	197,690	209,139
	3.6	-1.1	0.6	1.2	2.5	0.4	1.4	1.8	1.6	1.3	1.4	1.2	6.7	5.0	5.8
GDP at basic prices (constant \$ 2002)	153,033	153,370	153,949	154,163	155,097	155,924	156,851	158,013	159,561	160,806	162,121	163,476	153,629	156,471	161,491
	2.0	0.2	0.4	0.1	0.6	0.5	0.6	0.7	1.0	0.8	0.8	0.8	3.7	1.9	3.2
Consumer Price Index (2002 = 1.0)	1.127	1.134	1.145	1.148	1.154	1.159	1.166	1.171	1.176	1.182	1.188	1.194	1.138	1.163	1.185
	0.5	0.7	1.0	0.2	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	1.4	2.1	2.0
Implicit price deflator— GDP at basic prices (2002 = 1.0)	1.234	1.218	1.220	1.233	1.256	1.255	1.265	1.277	1.285	1.292	1.299	1.304	1.226	1.263	1.295
	1.6	-1.3	0.2	1.1	1.9	-0.1	0.8	1.0	0.6	0.5	0.6	0.4	2.8	3.0	2.5
Average weekly wages (\$, industrial composite)	782.0	786.8	786.1	786.8	791.7	797.5	803.5	809.7	816.4	822.2	828.0	833.8	785.4	800.6	825.1
	0.2	0.6	-0.1	0.1	0.6	0.7	0.8	0.8	0.8	0.7	0.7	0.7	1.1	1.9	3.1
Personal Income (current \$)	159,507	161,559	162,411	163,280	164,503	166,461	168,567	171,054	173,605	175,777	177,971	180,074	161,689	167,646	176,857
	0.6	1.3	0.5	0.5	0.7	1.2	1.3	1.5	1.5	1.3	1.2	1.2	3.0	3.7	5.5
Personal disposable income (current \$)	127,269	131,596	129,889	130,010	130,839	132,436	134,044	135,926	137,679	139,247	140,935	142,553	129,691	133,311	140,103
	0.6	3.4	-1.3	0.1	0.6	1.2	1.2	1.4	1.3	1.1	1.2	1.1	3.7	2.8	5.1
Personal savings rate	-5.8	-3.5	-5.7	-6.6	-6.7	-6.7	-6.7	-6.8	-6.8	-6.9	-7.0	-7.0	-5.4	-6.7	-6.9
Population of labour force age (000s)	3,706	3,721	3,738	3,751	3,766	3,781	3,796	3,810	3,824	3,838	3,852	3,866	3,729	3,788	3,845
	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	1.8	1.6	1.5
Labour force (000s)	2,435	2,437	2,451	2,446	2,454	2,459	2,472	2,490	2,503	2,515	2,526	2,535	2,442	2,469	2,520
	0.5	0.1	0.5	-0.2	0.3	0.2	0.5	0.7	0.5	0.5	0.4	0.3	1.6	1.1	2.1
Employment (000s)	2,242	2,252	2,266	2,267	2,272	2,282	2,300	2,320	2,337	2,353	2,369	2,383	2,257	2,294	2,361
	0.7	0.4	0.6	0.0	0.2	0.5	0.8	0.9	0.7	0.7	0.7	0.6	1.8	1.6	2.9
Unemployment rate	7.9	7.6	7.5	7.3	7.4	7.2	6.9	6.8	6.6	6.4	6.2	6.0	7.6	7.1	6.3
Retail sales (current \$)	58,150	57,707	57,607	59,146	59,262	59,915	60,495	61,359	62,059	62,678	63,370	64,056	58,153	60,257	63,043
	1.0	-0.8	-0.2	2.7	0.2	1.1	1.0	1.4	1.2	1.0	1.1	1.1	5.3	3.6	4.6
Housing starts (units)	27,214	26,423	26,834	25,446	24,375	24,330	25,745	26,661	29,276	29,876	30,224	30,645	26,479	25,278	30,005
	30.0	-2.9	1.6	-5.2	-4.2	-0.2	5.8	3.6	9.8	2.1	1.2	1.4	64.7	-4.5	18.7

Shaded area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Key Economic Indicators: Canada
(forecast completed: February 4, 2011)

	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2010	2011	2012
GDP at market prices (current \$)	1,597,740	1,610,376	1,621,640	1,644,217	1,660,800	1,683,682	1,705,447	1,728,248	1,751,968	1,775,944	1,802,145	1,826,482	1,618,493	1,696,794	1,789,135
	2.3	0.8	0.7	1.4	1.6	0.8	1.3	1.3	1.3	1.4	1.5	1.4	6.0	4.8	5.4
GDP at basic prices (current \$)	1,500,732	1,512,656	1,522,436	1,541,904	1,565,070	1,576,493	1,596,370	1,617,196	1,637,988	1,660,074	1,684,370	1,706,832	1,519,432	1,588,775	1,672,316
	2.3	0.8	0.6	1.3	1.5	0.7	1.3	1.3	1.3	1.3	1.5	1.3	5.9	4.6	5.3
GDP at basic prices (constant \$ 2002)	1,224,275	1,232,025	1,236,234	1,239,564	1,246,526	1,253,189	1,260,479	1,268,392	1,277,305	1,286,324	1,295,820	1,305,793	1,233,024	1,257,147	1,291,311
	1.5	0.6	0.3	0.3	0.6	0.5	0.6	0.6	0.7	0.7	0.7	0.8	3.2	2.0	2.7
Consumer Price Index (2002 = 1.0)	1.154	1.162	1.168	1.175	1.182	1.188	1.194	1.200	1.208	1.214	1.220	1.226	1.165	1.191	1.217
	0.5	0.6	0.5	0.6	0.6	0.5	0.5	0.5	0.6	0.5	0.5	0.5	1.8	2.3	2.1
Implicit price deflator—GDP at basic prices (2002 = 1.0)	1.226	1.228	1.232	1.244	1.256	1.258	1.266	1.275	1.282	1.291	1.300	1.307	1.232	1.264	1.295
	0.8	0.2	0.3	1.0	0.9	0.2	0.7	0.7	0.6	0.6	0.7	0.6	2.6	2.6	2.5
Average weekly wages (\$ industrial composite)	788.3	793.2	799.0	802.1	807.9	813.1	818.5	824.2	830.0	836.2	842.6	849.0	795.6	815.9	839.4
	0.4	0.6	0.7	0.4	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.8	1.8	2.5	2.9
Personal income (current \$)	1,251,240	1,269,092	1,276,532	1,287,404	1,300,916	1,314,531	1,330,752	1,345,298	1,360,882	1,378,144	1,394,378	1,410,226	1,271,067	1,322,874	1,385,908
	0.9	1.4	0.6	0.9	1.0	1.0	1.2	1.1	1.2	1.3	1.2	1.1	3.5	4.1	4.8
Personal disposable income (current \$)	984,276	1,019,440	1,003,704	1,008,141	1,017,796	1,027,771	1,039,992	1,050,384	1,060,274	1,072,539	1,084,749	1,096,675	1,003,890	1,033,986	1,078,559
	0.9	3.6	-1.5	0.4	1.0	1.0	1.2	1.0	0.9	1.2	1.1	1.1	4.0	3.0	4.3
Personal savings rate	3.27	6.09	3.34	2.58	2.34	2.31	2.39	2.30	2.01	1.96	1.91	1.87	3.82	2.33	1.94
Population of labour force age (000s)	27,524	27,611	27,709	27,790	27,882	27,972	28,061	28,149	28,234	28,321	28,407	28,493	27,659	28,016	28,364
	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.3	1.3	1.2
Labour force (000s)	18,425	18,533	18,594	18,550	18,628	18,711	18,791	18,892	18,963	19,025	19,082	19,136	18,525	18,755	19,051
	0.2	0.6	0.3	-0.2	0.4	0.4	0.4	0.5	0.4	0.3	0.3	0.3	1.1	1.2	1.6
Employment (000s)	16,906	17,046	17,104	17,123	17,173	17,280	17,390	17,516	17,602	17,712	17,799	17,881	17,045	17,340	17,748
	0.4	0.8	0.3	0.1	0.3	0.6	0.6	0.7	0.5	0.6	0.5	0.5	1.4	1.7	2.4
Unemployment rate	8.2	8.0	8.0	7.7	7.8	7.6	7.5	7.3	7.2	6.9	6.7	6.6	8.0	7.5	6.8
Retail sales (current \$)	435,152	431,210	434,624	445,758	449,831	453,735	458,107	462,743	467,858	472,716	477,709	482,836	436,686	456,104	475,280
	2.2	-0.9	0.8	2.6	0.9	0.9	1.0	1.0	1.1	1.0	1.1	1.1	5.1	4.4	4.2
Housing starts (units)	192,900	199,700	190,700	177,023	174,903	173,885	175,330	178,083	181,272	186,461	190,649	195,171	190,081	175,550	188,388
	8.0	3.5	-4.5	-7.2	-1.2	-0.6	0.8	1.6	1.8	2.9	2.2	2.4	27.5	-7.6	7.3

Shaded area represents forecast data.

All data are in millions of dollars, seasonally adjusted at annual rates, unless otherwise specified.

For each indicator, the first line is the level and the second line is the percentage change from the previous period.

Sources: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

Gross Domestic Product by Province and Industry (forecast completed: February 4, 2011)

	Newfoundland and Labrador			Prince Edward Island			Nova Scotia			New Brunswick			Quebec		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Agriculture	68 -1.0	69 1.5	70 2.2	201 4.4	205 1.7	209 2.2	227 -1.5	231 1.7	237 2.7	300 2.1	305 1.7	312 2.2	3,466 3.3	3,525 1.7	3,602 2.2
Forestry	37 1.9	38 2.2	40 5.9	5 4.5	5 2.0	5 5.6	111 51.7	116 5.0	122 5.3	255 16.6	263 3.1	282 7.4	1,094 18.2	1,091 -0.3	1,117 2.4
Fishing & trapping	207 3.1	213 2.7	215 0.9	103 1.5	104 1.8	106 1.1	374 -6.6	388 3.7	395 2.0	73 -13.7	77 5.7	80 3.1	73 -11.5	77 4.8	78 2.1
Mining	4,678 6.7	5,058 8.1	4,816 -4.8	1 0.6	1 -1.7	1 1.4	656 -0.9	650 -1.0	727 11.9	282 25.2	313 11.2	400 27.7	1,075 2.5	1,189 10.7	1,317 10.8
Manufacturing	858 3.0	890 3.8	946 6.2	400 -0.8	412 3.0	428 4.0	2,461 4.0	2,556 3.9	2,644 3.4	2,495 4.6	2,569 3.0	2,662 3.6	42,851 3.1	44,573 4.0	46,177 3.6
Construction	985 28.6	995 1.0	1,021 2.7	173 14.4	178 3.3	173 -2.8	1,655 5.8	1,620 -2.8	1,592 -1.7	1,458 5.7	1,422 -2.5	1,371 -3.6	15,318 8.7	15,015 -2.0	14,121 -6.0
Utilities	528 7.4	540 2.4	551 2.0	90 95.6	123 37.5	126 2.0	602 1.5	617 2.5	629 2.0	561 -14.2	570 1.6	581 1.9	9,898 1.0	10,175 2.8	10,445 2.7
Goods-producing Industries	7,360 8.6	7,803 6.0	7,659 -1.8	973 8.1	1,029 5.8	1,049 1.9	6,086 3.3	6,178 1.3	6,348 2.8	5,424 3.5	5,520 1.8	5,689 3.0	73,775 4.1	75,646 2.5	76,859 1.6
Transportation, warehousing & information	1,007 -1.2	1,024 1.7	1,031 0.7	215 0.2	218 1.3	222 2.0	2,026 0.6	2,037 0.5	2,077 2.0	1,991 1.8	2,010 0.9	2,066 2.3	21,041 2.5	21,337 1.4	21,705 1.7
Wholesale & retail trade	1,716 4.7	1,738 1.3	1,804 3.8	416 4.9	422 1.5	429 1.5	3,304 5.1	3,380 2.3	3,452 2.1	2,816 4.5	2,864 1.7	2,971 2.0	31,556 4.5	31,978 1.3	32,662 2.1
Finance, insurance & real estate	2,403 2.3	2,445 1.8	2,485 1.6	750 2.1	760 1.3	775 1.9	5,871 1.8	5,960 1.5	6,064 1.7	4,129 2.0	4,174 1.1	4,263 2.1	45,863 2.6	46,322 1.0	47,345 2.2
Community, business & personal services	3,906 2.6	4,004 2.5	4,290 7.2	1,046 1.6	1,060 1.3	1,077 1.6	7,049 1.3	7,194 2.1	7,269 1.0	5,256 1.1	5,315 1.1	5,406 1.7	65,343 1.2	66,447 1.7	67,858 2.1
Public administration & defence	1,469 4.2	1,485 1.1	1,506 1.5	509 1.6	516 1.4	523 1.4	2,989 1.8	3,015 0.9	3,046 1.0	2,213 1.3	2,237 1.1	2,264 1.2	17,635 3.7	17,944 1.8	18,266 1.8
Service-producing Industries	10,501 2.7	10,695 1.9	11,117 3.9	2,936 2.1	2,975 1.3	3,025 1.7	21,239 2.0	21,585 1.6	21,907 1.5	16,405 2.0	16,600 1.2	16,911 1.9	181,437 2.5	184,029 1.4	187,837 2.1
All industries	17,502 5.2	18,139 3.6	18,418 1.5	3,888 3.5	3,983 2.5	4,052 1.7	27,102 2.3	27,531 1.6	28,022 1.8	21,697 2.4	21,988 1.3	22,467 2.2	254,107 3.0	258,568 1.8	263,590 1.9

*Gross domestic product is measured at market prices for Quebec and Ontario.

For each indicator, the first line is the level and the second line is the percentage change from the previous year. Shaded area represents forecast data.

Sources: The Conference Board of Canada; Statistics Canada.

Gross Domestic Product by Province and Industry
 (forecast completed: February 4, 2011)

	Ontario			Manitoba			Saskatchewan			Alberta			British Columbia		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Agriculture	4,926	5,010	5,120	1,781	1,781	1,828	4,354	4,494	4,648	4,437	4,513	4,603	1,175	1,195	1,219
	3.0	1.7	2.2	-12.1	0.0	2.6	-14.2	3.2	3.4	2.3	1.7	2.0	-1.7	1.7	2.0
Forestry	388	420	471	28	28	31	29	30	31	312	316	334	2,687	2,740	2,853
	-0.1	8.3	12.2	8.2	2.8	7.9	4.5	1.1	5.4	8.0	1.2	5.5	17.2	2.0	4.1
Fishing & trapping	19	18	18	9	9	9	0	0	0	1	1	1	104	108	111
	-21.8	-5.5	-1.6	-5.4	3.9	0.9	-5.7	3.0	1.3	-5.9	2.7	1.2	-7.9	3.9	2.6
Mining	2,255	2,601	2,744	653	708	722	4,903	5,412	5,945	34,177	35,414	36,515	4,406	4,858	5,283
	6.1	15.3	5.5	7.6	8.4	2.0	10.0	10.4	9.8	4.7	3.6	3.1	6.3	10.3	8.7
Manufacturing	75,854	80,690	83,644	4,585	4,751	4,933	2,859	2,967	3,088	14,273	14,878	15,776	13,466	14,122	14,777
	9.5	5.0	3.7	1.0	3.6	3.8	1.4	3.8	4.1	6.6	4.2	6.0	6.4	4.9	4.6
Construction	25,313	25,482	25,844	1,936	1,884	1,904	2,730	2,917	3,136	13,151	13,279	14,113	9,356	9,080	9,456
	8.1	0.7	1.4	-5.0	-2.7	1.1	5.1	6.9	7.5	-4.1	1.0	6.3	4.0	-3.0	4.1
Utilities	9,023	9,315	9,584	1,497	1,558	1,608	952	971	1,003	3,502	3,723	3,856	3,069	3,118	3,215
	-3.0	3.2	2.9	-1.4	4.0	3.3	10.1	2.0	3.3	2.0	3.4	3.5	2.0	1.6	3.1
Goods-producing Industries	118,778	123,535	127,424	10,489	10,719	11,036	15,827	16,791	17,850	69,954	72,125	75,198	34,263	35,222	36,913
	7.8	4.0	3.1	-2.5	2.2	3.0	-0.1	6.1	6.3	3.0	3.1	4.3	5.7	2.8	4.8
Transportation, warehousing & information	39,248	39,639	40,320	3,870	3,913	4,008	3,276	3,395	3,548	15,528	15,854	16,420	15,521	15,760	16,354
	2.2	1.0	1.7	-1.4	1.1	2.5	-0.8	3.6	4.5	5.9	2.1	3.6	4.4	1.5	3.8
Wholesale & retail trade	60,950	61,949	63,435	5,356	5,565	5,683	4,774	4,910	5,061	19,178	19,885	20,722	17,080	17,700	18,266
	6.1	1.6	2.4	3.7	3.9	2.1	5.9	2.8	3.1	8.8	3.6	4.3	4.6	3.6	3.2
Finance, insurance & real estate	114,808	115,823	119,050	7,583	7,679	7,859	6,180	6,261	6,417	30,473	30,763	31,627	37,637	38,015	38,842
	2.2	0.9	2.8	2.2	1.3	2.4	2.5	1.3	2.5	1.8	1.0	2.8	2.3	1.0	2.2
Community, business & personal services	125,205	127,587	131,010	9,362	9,514	9,746	7,879	8,041	8,265	39,679	40,345	41,784	41,163	41,638	42,787
	0.7	1.9	2.7	2.5	1.6	2.4	1.4	2.1	2.7	1.7	1.7	3.6	3.2	1.2	2.8
Public administration & defence	27,515	27,928	28,465	2,858	2,913	2,974	2,118	2,166	2,214	7,397	7,556	7,742	8,478	8,649	8,840
	1.1	1.5	1.9	3.4	1.9	2.1	2.5	2.3	2.2	2.9	2.2	2.5	2.2	2.0	2.2
Service-producing Industries	367,726	372,925	382,290	29,029	29,583	30,270	24,228	24,773	25,495	112,254	114,385	118,295	119,879	121,762	125,090
	2.2	1.4	2.5	2.2	1.9	2.3	2.3	2.3	2.9	3.5	1.9	3.4	3.2	1.6	2.7
All Industries	485,547	495,503	508,757	39,127	39,911	40,914	38,330	39,839	41,620	177,709	182,011	188,994	153,629	156,471	161,491
	3.5	2.1	2.7	0.9	2.0	2.5	1.4	3.9	4.5	3.4	2.4	3.8	3.7	1.9	3.2

*Gross domestic product is measured at market prices for Quebec and Ontario.

For each indicator, the first line is the level and the second line is the percentage change from the previous year. Shaded area represents forecast data.

Sources: The Conference Board of Canada; Statistics Canada.

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Canada Mortgage and Housing Corporation
Housing Market Outlook – Canada Edition
Date Released: First Quarter 2011

HOUSING MARKET OUTLOOK

Canada Edition



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: First Quarter 2011

Canada's Housing Market Is Stabilizing

Overview¹

Housing Starts:

2011: 177,600

2012: 183,800

Resales:

2011: 441,500

2012: 462,900

Overall, 441,500 sales are expected in 2011, followed by 462,900 in 2012.

Resale prices: The average MLS® price edged higher in the fourth quarter of 2010 and is expected to grow modestly moving forward as market conditions will remain balanced. For 2011, the average MLS® price is forecast to be \$348,900 while 2012 will see a further increase to \$358,200.

Housing starts: Over the course of 2010, housing starts moderated from their strong pace at the beginning of the year ending up at 189,930 units started. Looking ahead, housing starts will be in line with demographic fundamentals. Housing starts are forecast to be 177,600 units for 2011 and 183,800 units for 2012.

Resales: Sales of existing homes through the Multiple Listing Service® (MLS®)² have regained traction in the fourth quarter of 2010. MLS® sales will experience a minor decline in 2011 before increasing in 2012.

Provincial Spotlight

Alberta and B.C.: Housing starts will moderate in all areas of Canada except British Columbia and Alberta. In 2011, starts are forecast to increase by 1.6 per cent in B.C. and will remain steady in Alberta.

Ontario: A recovering economy and improving employment situation will push Ontario starts up, but not until 2012. As is the case for most other provinces, new home construction growth is expected to slow in 2011.

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¹The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts and historical data included in this document are based on information available as of January 17, 2011.

²Multiple Listing Service® (MLS®) is a registered certification mark owned by the Canadian Real Estate Association.

National Housing Outlook

In Detail

After a strong start in 2010, housing starts moderated in the second half of the year. Housing starts are expected to edge lower in the first quarter of 2011 after which they will trend gradually higher, reaching a seasonally adjusted annual rate of 178,990 units by the fourth quarter. Given the degree of economic uncertainty, we have considered an array of economic scenarios to generate a range for the housing outlook in 2011 and 2012. Accordingly, we expect starts to be between 157,300 and 192,900 units in 2011 and between 154,600 and 211,200 units in 2012. CMHC's point forecast for housing starts is for a decrease from 189,930 units in 2010 to 177,600 in 2011 then increasing to 183,800 in 2012.

Housing starts are forecast to be down in all areas of Canada, except for Alberta and British Columbia in 2011. In 2012, housing starts are forecast to increase in British Columbia, Alberta, and Ontario, and to decrease in the remaining provinces.

Measures recently announced for government-backed mortgage insurance will moderate housing starts activity. Some potential buyers will have to save a larger minimum down payment in order to qualify for mortgage insurance and thus postpone their purchase. Alternatively, some potential buyers may buy smaller, less expensive homes. The new measures, however, are only a few of the many factors that will affect the new housing market.

Single-detached will moderate in 2011

Single starts peaked in the first quarter of 2010 but have moderated since then. The number of single-detached starts is expected to reach 83,400 in 2011, down from 92,554 in 2010. Single starts will increase to 86,500 units in 2012.

Overall for 2011, the construction of single-detached homes will decrease in all provinces, except for Alberta where single starts will increase marginally. In 2012, provinces west of Quebec will see an increase in single starts, while the Eastern provinces will see marginal declines.

Multi-family homes will also edge lower this year

As is the case in the singles market, the number of multi-family housing starts (row, semi-detached and apartment units) is expected to decrease in 2011; this following some robust growth from mid-2009 to mid-2010. There will be about 94,200 multiple unit starts in 2011 and about 97,300 units in 2012.

Across the country, most provinces will see a decrease in the number of multi-family housing starts in 2011. The exceptions are Ontario and British Columbia. In 2012, multiple starts will also increase in Saskatchewan and Alberta.

MLS® sales will decline in 2011

After moderating in the first half of the year, sales of existing homes through the Multiple Listings Service® (MLS®) have rebounded since July 2010. On an annual basis, MLS® sales will edge lower in 2011. As is the case for housing starts, we have generated a range of forecasts for MLS® sales that reflect different economic

scenarios. For 2011, we forecast that MLS® sales will be between 398,500 and 485,500 units. In 2012, MLS® sales will be between 406,300 and 519,700 units. CMHC's point forecast is 441,500 MLS® sales this year and 462,900 next year, compared to 446,577 units sold in 2010.

Balanced to sellers' market conditions

By the second quarter of 2010, the resale market returned from sellers market conditions back into balanced market territory across most markets in Canada. During this time, new listings increased while existing home sales moved lower. Recently, MLS® sales have regained strength and markets have moved back towards sellers conditions. Consequently, the average MLS® price increased by the fourth quarter of 2010, with the average MLS® price of an existing home at \$343,516 compared to \$339,155 in the final quarter of 2009. For 2011, the average MLS® price is expected to move up modestly to \$348,900 while 2012 will see a further increase to \$358,200.

Risks to the outlook

Given that economic uncertainty is still present in world markets, it is important to understand the risks to the outlook. On the downside, a slower than expected recovery for the U.S. economy, or any other changes in world financial markets that result in slower employment growth in Canada, could lead to lower demand for housing. On the other hand, a stronger economic recovery could boost employment growth and lead to stronger housing demand. In addition, the outlook assumes that mortgage rates will remain flat through the end of 2011. Should mortgage rates rise, then demand could be weaker than forecast.

Considering the risks to the outlook, we expect that housing starts will be in the 157,300 to 192,900 unit range for 2011 and 154,600 to 211,200 unit range for 2012. Existing home sales through MLS® services will be between the 398,500 and 485,500 unit range for 2011 and between the 406,300 to 519,700 unit range for 2012. With respect to housing prices, the average MLS® price is forecast to be between \$339,000 and \$355,400 for 2011, while 2012 will see a range of \$341,100 to \$367,000.

Trends Impacting Housing

Mortgage Rates

On January 18th, the Bank of Canada announced that it was leaving the Target for the Overnight Rate unchanged at 1.0 per cent. The last increase in the overnight rate occurred on September 8 when the Bank of Canada raised it by 25 basis points. With the overnight rate expected to remain flat in 2011, mortgage rates, particularly short term mortgage rates and variable mortgage rates, are also expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain flat in 2011 before increasing moderately in 2012. For 2011, the one-year posted mortgage rate is assumed to be in the 3.0 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.5 to 5.7 per cent range. For 2012, the one-year posted mortgage rate is assumed to be in the 3.5 to 5.5 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.0 to 7.0 per cent range.

Rates could, however, increase at a faster pace if the economy ends up recovering more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Migration

Total net migration (immigration minus emigration) is expected to be over 270,000 in 2010. Over the next two years, net migration is expected to increase, due to an improving economic environment and better employment opportunities. In 2011, net migration is forecast to increase to 289,600 while 2012 will see an increase to 301,800. These increases will stimulate demand for housing, particularly rental housing.

Employment and Income

Employment is forecast to improve along with overall economic conditions and increase by 1.5 per cent in 2011 and by 1.7 per cent in 2012. The unemployment rate is expected to decrease to 7.6 per cent in 2011 and about 7.3 per cent in 2012.

TRENDS AT A GLANCE

Key Factors and their Effects on Residential Construction

Mortgage Rates	Mortgage rates are expected to remain flat at historically low levels for 2011 before increasing moderately in 2012.
Employment	All of the jobs lost during the economic downturn have been recovered. Continued employment growth in 2011 and 2012 will support the housing market.
Income	Growth in incomes improved in 2010 because of the economic recovery and the resulting improvement in the labour market. Income growth will continue to grow at a modest pace in 2011 and 2012.
Net Migration	An improving job market will attract immigrants which, in turn, will push net migration up in 2011 and 2012.
Natural Population Increase	The low birth rate is the major factor in the slowing of growth in the natural population (births minus deaths). This will lessen the demand for additional housing stock in the medium and longer term.
Resale Market	Sales in the existing home market rebounded from a low in July 2010, which caused markets to move from balanced back towards sellers' conditions. Despite this short-term resurgence, market conditions for most of 2011 and 2012 are expected to be in balanced market territory.
Vacancy Rates	Increased competition from the condo market and modest rental construction will be partly offset by strong rental demand due to high immigration. As a result, vacancy rates across Canada's metropolitan centres will remain relatively stable this year and next.

British Columbia

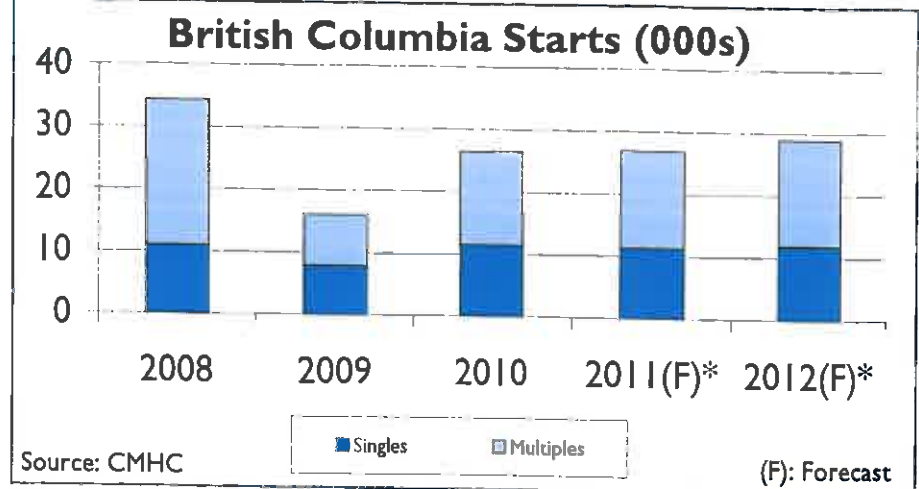
Overview

Favourable mortgage interest rates, together with employment and population growth, will support the resale and new home markets. The existing home market is forecast to stabilize in 2011 and strengthen in 2012. The level of new home construction will trend higher during the next two years, resulting in housing starts reaching their ten-year average. Housing starts will be in the range of 23,800 to 29,200 homes in 2011, and 24,400 to 33,300 homes in 2012.

The forecast range reflects the potential variability in the economic outlook next year. Stronger-than-expected economic growth would result in housing starts in the upper end of the range. Conversely, weaker-than-expected economic growth or higher-than-expected mortgage rates would result in housing starts in the lower end of the range. The point forecast is for 26,900 starts in 2011 and 29,000 starts are expected in 2012.

Resale market conditions will stabilize then strengthen in response to a number of positive economic factors expected during the next two years. The British Columbia economy is forecast to grow by about three per cent annually during the next two years generating employment gains. Employment will shift from part-time to full-time jobs as the economy gains momentum, fuelling demand for homeownership. The strong job market in BC compared to other provinces will contribute to rising interprovincial migration. People moving to British Columbia will add to demand for rental and ownership housing. Builders are expected to increase housing starts to meet this

Figure 1



*The point estimate for provincial total housing starts is 26,900 for 2011 and 29,000 for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 23,800-29,200 units for 2011 and 24,400-33,300 for 2012.

population-based increase in demand. Favourable mortgage rates in 2011 will contribute to increased resales. Average annual prices are expected to increase, as the resale market shifts from balanced supply and demand conditions to favour home sellers.

In Detail

Single Starts: The annual level of single-detached home starts will be close to their ten-year average this year and next, totalling 11,300 homes in 2011 and 11,900 homes in 2012. Competition from a well-supplied resale market will mitigate the level of single-detached home starts during the next six months. While improving economic fundamentals support a higher level of new home starts, ongoing uncertainty surrounding the Harmonized Sales Tax could have a dampening effect on new home construction for higher value homes.

Multiple Starts: Apartment condominium, row and semi-detached home starts are trending higher and are forecast to continue doing so during the forecast period. The focus will shift from smaller, phased projects

in the near term to larger scale projects in 2012, boosting multiple-unit starts.

Resales: The number of existing home sales recorded on the Multiple Listings System® (MLS®) is expected to increase during the next two years. Resales are expected to remain in line with job and population growth, approaching 81,000 sales in 2011, and climbing to 88,900 in 2012, slightly above their ten-year average.

Resale Prices: The sales-to-new listings ratio, an indicator of resale home price change, points to moderate price movements in 2011, as the ratio remains in balanced market conditions. The MLS® average price is expected to be \$513,800 in 2011 and \$519,100 in 2012.

Alberta

Overview

The recovery of oil prices is providing a welcome boost to the Alberta economy. Provincial crown petroleum and natural gas rights were auctioned at record values in 2010, which will lead to higher drilling and energy exploration in 2011. Investment in oil sands projects will also continue to grow, accelerating economic growth in Alberta. The natural gas industry will continue to be impacted by a low price environment and its contribution to the economy will be muted until prices move higher.

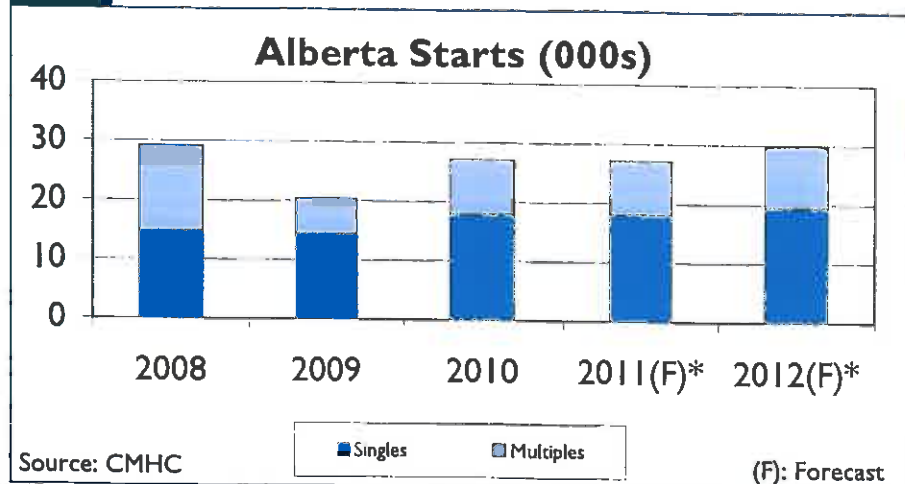
In 2011, employment growth in Alberta will recover and exceed the peak level of employment reached prior to the economic downturn. Improved labour market conditions will move the unemployment rate lower and draw more people to Alberta.

The turnaround of interprovincial migration flows in 2010 should continue over the forecast period, as Alberta's labour market attracts more migrants in 2011 and 2012. International migration will remain elevated over the forecast period. Total net migration to Alberta is projected at 31,450 in 2011, then rise to 34,100 in 2012. Overall, migration patterns are expected to support housing demand in Alberta.

In Detail

Single Starts: Single-detached builders will remain cautious in early 2011 as they wait for presales to increase before substantially increasing housing starts. Market conditions that currently favour the buyer will transition toward balance in 2011 as new home inventory is depleted and competition from the resale

Figure 2



*The point estimate for provincial total housing starts is 27,100 for 2011 and 29,800 for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 23,950-29,500 units for 2011 and 25,000-34,600 for 2012.

market abates. Single-detached starts will improve as the year progresses, resulting in a higher level of starts in the second half of 2011 to bring the annual total to a similar level achieved in 2010. Balanced market conditions and rising wages will encourage new home buying in 2012, providing a lift to new construction of about eight per cent.

Multiple Starts: The number of complete and unoccupied multi-family units will hold back new multi-family construction in 2011 to allow inventory levels to come down. New projects will be started as the market gains strength but on an annual basis, 2011 production is projected to be less than in 2010. By 2012, rising demand, supported by economic growth, will allow high rise condominium projects to become more active, increasing multi-family starts by a double digit growth rate. Despite the expected gain in 2012, condominium apartment construction will only be at about half the ten-year average.

Resales: Buyers' market conditions in most of Alberta's resale markets slowed resale transactions during the latter half of 2010 and will linger

into the early part of 2011. Market conditions are projected to become more balanced in 2011, as spring demand outpaces supply. A higher level of net migration in 2011 will support demand, as will low mortgage rates. Rising incomes and employment will also encourage home buying, pushing resale transactions to 50,400 units. Expect resale transactions to grow modestly in 2012, as higher mortgage rates temper the impact of continued economic growth.

Prices: Buyers' market conditions in most Alberta markets will inhibit price gains in early 2011. Month-to-month price gains will occur in 2011 as market conditions firm, but will amount only to a fractional increase on an annual basis. The outlook for annual price growth will be stronger in 2012. Supply and demand will be more balanced with price growth of over two per cent.

Saskatchewan

Overview

Over the next few years, Saskatchewan will benefit from higher commodity prices and improved drilling and mining activity. Potash production in 2010 approximately doubled from the low level of 2009. Given lower inventories and the prospect of higher prices, the potash industry will continue to contribute to Saskatchewan's economic prosperity moving forward. Saskatchewan's real gross domestic product is forecast to rise by 3.0 per cent in 2011 and gain more traction and rise by 3.5 per cent in 2012.

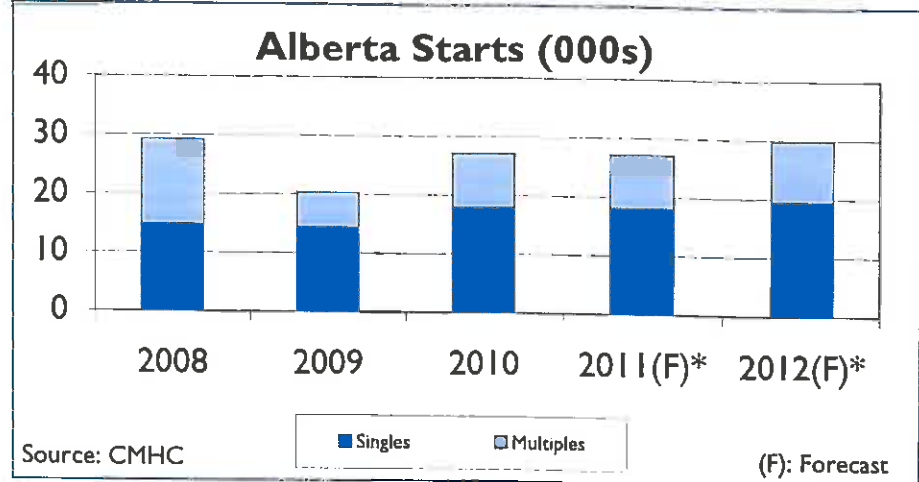
Continued population gains and wage growth in Saskatchewan have supported retail spending and housing demand. With employment growth projected to improve in 2011 and 2012, consumer spending will increase and continue to support economic expansion. Job creation will lower Saskatchewan's unemployment rate to an average of around 4.5 per cent by 2012.

A healthy labour market and employment opportunities will continue to attract migrants to Saskatchewan. International migration flows are expected to boost the Province's population over the next few years. Overall, we anticipate that net migration will continue to set new records as we move forward. Net migration in Saskatchewan is expected to surpass 12,000 people in both 2011 and 2012, contributing to new household formation and supporting housing demand.

In Detail

Single Starts: Following a strong rebound in 2010, single-detached starts will moderate slightly in 2011 before posting modest gains in 2012.

Figure 3



The point estimate for provincial total housing starts is 5,000 for 2011 and 5,200 for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 4,400-5,150 units for 2011 and 4,350-6,050 for 2012.

Single starts will moderate in 2011 as the industry works to reduce the elevated supply level. Nevertheless, a growing economy characterised by job and wage growth will ensure that demand for single-detached housing remains strong over the forecast period. In 2012, supply levels will be sufficiently depleted and an expansion in construction will take single-detached starts to 3,700 units in Saskatchewan.

Multiple Starts: The construction of multi-family units in 2010 was approximately double the pace in 2009. Consequently, in order to curb the growing supply of multi-family units, the construction of multiple units is expected to decrease in 2011. Multi-family starts will increase in 2012 as inventory levels are drawn down.

Resales: The number of resale transactions moderated slightly in 2010, following a 6.4 per cent gain in 2009. Sales are expected to climb modestly over the forecast period, supported by income and employment growth, and gains in net migration. In addition, slower price growth and low mortgage rates will continue to sustain resale growth in 2011,

especially among first time buyers. Improving economic conditions and positive migration will result in rising resale demand in 2012, with resale transactions reaching 11,000 units for the first time since 2007.

Prices: A rise in listings relative to demand inhibited resale price growth in 2010, with the average price rising approximately four per cent over 2009. Although active listings are down from historical highs, the buyer still has considerable choice and this will continue to keep price growth modest over the forecast period. Expect the average price to climb to \$248,000 in 2011. In 2012, price gains will move the average price to \$253,000.

Manitoba

Overview

Manitoba's diversified economy will continue to strengthen, as real gross domestic product is projected to rise by 2.4 per cent in 2011 and by 2.6 per cent in 2012. Consumer spending will continue to be supported by employment growth and rising wages over the forecast period. Mining activity and continued investment in major infrastructure projects will also support the economic expansion through 2012.

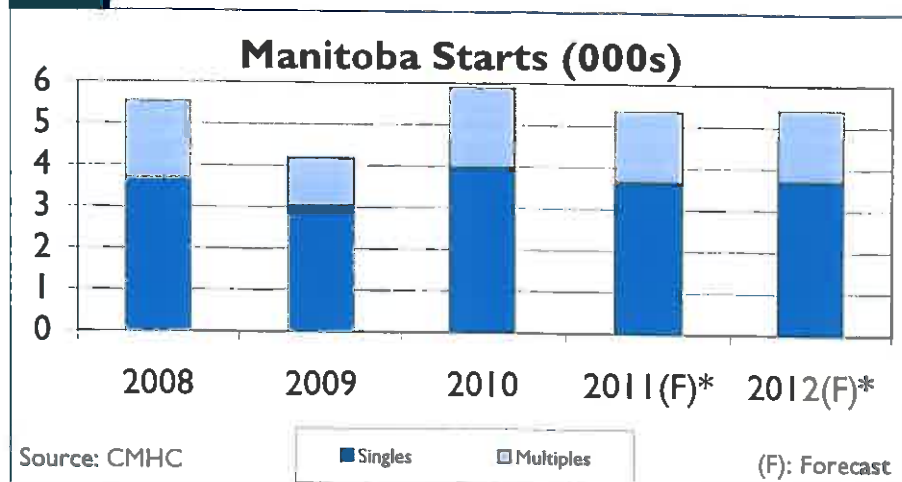
An expanding economy and robust labour market have slowed the exodus of Manitobans to other provinces. Interprovincial migration tended to inhibit Manitoba's population growth since 1984, but recently these losses to other provinces have been fewer. Gains in international migration, have more than offset losses in interprovincial migration. Total migration (the sum of international and interprovincial net migration) is projected to set new highs in 2011 and 2012, thanks to continued strength of international migration.

Steady economic growth along with continued job creation will offer additional support to housing demand in Manitoba. Resale market transactions will continue to grow over the forecast period, while new home construction will remain elevated. Rental construction will be supported by low vacancy rates and rising rental rates through 2012.

In Detail

Single Starts: Provincial housing starts rebounded in 2010 with activity returning to levels enjoyed prior to 2009. The economic recovery is expected to continue into 2011 and 2012, with increases in employment

Figure 4



*The point estimate for provincial total housing starts is 5,350 for 2011 and 5,400 for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 4,700-5,800 units for 2011 and 4,500-6,250 for 2012.

and earnings maintaining elevated levels of construction. While demand will remain strong over the forecast period, single starts will decrease in 2011 aided by new home price gains and additional listings in the competing resale market. Single starts will gain modestly in 2012.

Multiple Starts: Multiple-family starts in Winnipeg, which account for a significant share of provincial multiple starts, finished 2010 with more than double the activity of 2009. While the majority of these starts were for the rental market, condominium construction activity was about twice that of 2009 levels. Given rising supply levels, multi-family production in Manitoba will moderate to 1,700 units in 2011 and 2012, yet remain elevated by historical standards. Rental construction will be spurred by persistently low vacancy rates. Condominium construction will be supported by buyers looking for accommodations that are more affordable than single-detached units.

Resales: The number of resale transactions remained flat in 2010 after two consecutive years of decline. Sales are expected to

climb modestly in 2011 and 2012. Population gains will continue to feed demand. However, sales growth will be impacted by rising home prices, especially for entry level buyers, and a continued scarcity of desirable listings.

Prices: Resale prices posted another year of strong gains in 2010. Price gains will provide additional incentive for move-up buyers to list their homes, adding much needed supply to the market where active listings have been low. As a result, upward pressure on prices will diminish through 2011 and 2012, as sellers' market conditions give way to more balanced markets moving forward causing price gains to moderate.

Ontario

Overview

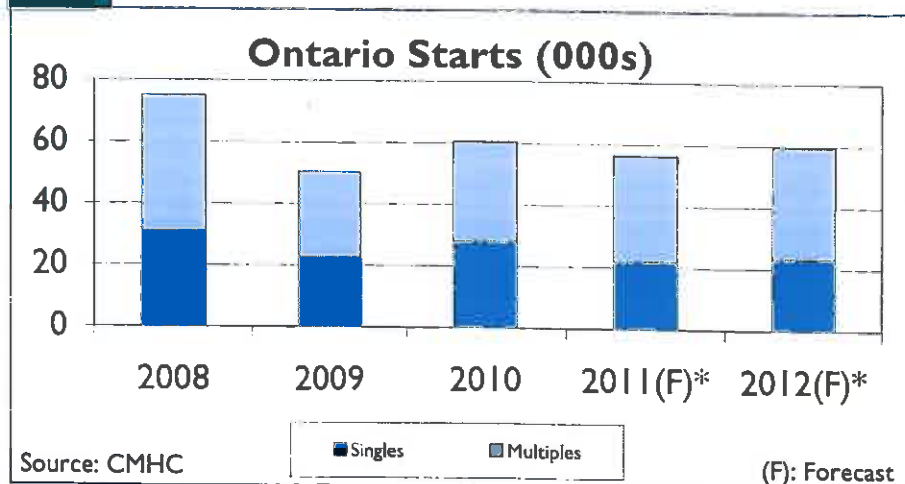
Housing starts will decline to 56,200 units next year before growing to 59,500 unit starts in 2012. Ontario's existing home sales and housing starts have moderated from elevated levels early in 2010. Housing demand will moderate further before picking up steam later in 2011 and into 2012. While less first time buyer demand and slightly higher interest rates will dampen housing activity in 2012, an improving economy, stronger immigration and tighter labour markets will ensure Ontario housing markets resume growth next year.

Although Ontario's economy is projected to increase by 3.0 per cent in 2010, slowing global demand, more moderate housing activity and a persistently high dollar will dampen the momentum in Ontario's economy into 2011.

By 2012, stronger US growth and a cheaper Canadian dollar will support Ontario's export sector. Consumers will contribute less to the economic recovery moving forward thanks to less pent-up demand and slower employment growth. Alternatively, Ontario businesses will drive spending as recent business outlook surveys indicate that firms are optimistic about their sales prospects in the next 12 months and will continue to boost business investment, particularly in productivity enhancing capital.

After growing at a rate below historical averages in recent years, Ontario's population will grow at a slightly faster rate - fuelled by stronger immigration and fewer migratory outflows to western Canada. However, in the near term, migratory inflows from other provinces will moderate.

Figure 5



*The point estimate for provincial total housing starts is 56,200 for 2011 and 59,500 for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 49,600-60,900 units for 2011 and 49,800-68,400 for 2012.

In Detail

Single Starts: Single detached starts will slow to 21,900 units in 2011 before growing to 23,200 units in 2012. Single detached starts have led the recovery in residential construction activity across the province. The introduction of the Harmonized Sales Tax may have moved some single starts forward, offsetting starts that would have occurred into 2011. Less pent-up demand and higher home prices will dampen demand for single detached housing in the short run before an improving economy supports single detached construction into 2012.

Multiple Starts: Multi-family home construction will continue to post growth reaching 34,300 and 36,300 unit starts in 2011 and 2012, respectively. Construction will be boosted by growing demand for apartment and townhouse dwellings. Low rental apartment vacancy rates will boost investor demand for apartment units. A backlog of sold apartment units that have yet to commence construction will also support the construction of multi-family units into 2011 and beyond.

Resales: After registering record levels of activity in early 2010, Ontario home sales have moderated and will stabilize into 2011. Home sales will be 184,000 unit sales in 2011 before growing to 192,900 units in 2012. The level of current sales is now better in line with economic fundamentals.

Prices: Moderating demand and high home listings have moved Ontario's resale markets into balance. Housing prices have adjusted and are now better in line with balanced market conditions. Ontario prices will grow more in line with the general rate of inflation over the next several years.

Quebec

Overview

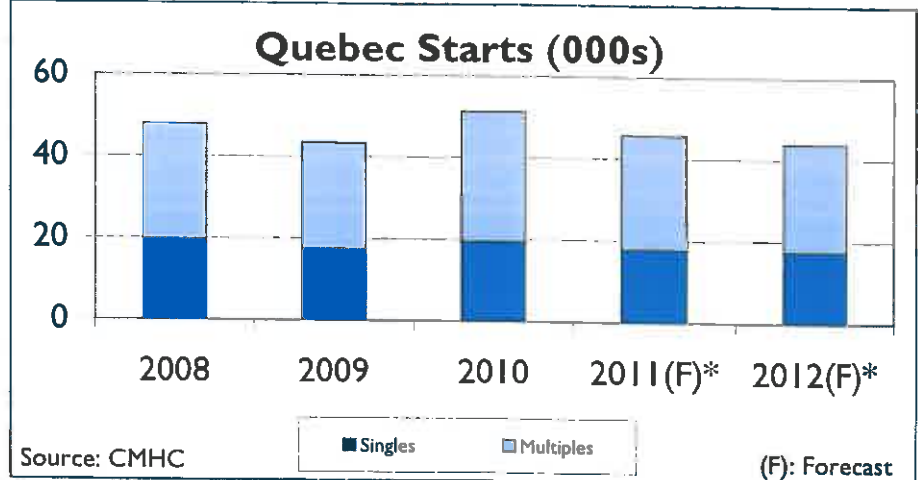
A growing economy, favourable borrowing conditions and sustained net migration will continue to support Quebec's housing markets in the next two years. As a result, 45,700 housing starts are expected in 2011 followed by 44,000 starts in 2012. The improved global and national economic environments, which have positively impacted Quebec's economy since the second half of 2009, will continue to do so this year and next. Solid household spending and private investment will support job creation and in turn, housing demand. GDP is expected to grow by 2.1 per cent in 2011 and by 2.3 per cent in 2012.

As was the case in recent years, a variety of demographic factors will also fuel the province's housing markets in the coming years. Strong net migration to the province will continue to have a positive impact on the rental and resale markets. In addition, population ageing will likely prompt older households to adjust their housing needs.

In Detail

Single Starts: Recently, starts of single detached homes have benefited from the improved economic and financial environment as well as from the reduced supply of such homes on the resale market. However, the recent easing of the resale market has taken pressure off of new construction. Approximately 18,000 single detached homes will be started in 2011. It must be added that a trend toward more affordable housing and densification will further cool this market segment in the years to come. The share of single detached housing starts has

Figure 6



*The point estimate for provincial total housing starts is 45,700 for 2011 and 44,000 for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from: 40,400-49,500 units for 2011 and 36,800-50,600 for 2012.

consistently declined from over 60 per cent of the total in 2001 to 40 per cent last year.

Multiple Starts: Following a strong rebound in 2010, starts of multi-family dwellings will settle back to more sustainable levels in the next two years. Given the current supply of condominium tenure apartments on the market and given the lower growth rate of the population aged 75 and over, which will continue to limit demand for retirement (rental apartment) homes, starts of multiple family homes in 2011 will inevitably decline. Nonetheless, given the trend toward multi-family housing, multiple starts will approach the 28,000 unit mark in 2011.

Resales: In 2011, the MLS® will record a similar level of sales activity than the previous year. Resale activity will pick up next year. Again this year, sales of existing condominiums (town houses or apartments) will be an important component of the total. Over 80,000 MLS® sales are forecast in 2011 and 83,600 in 2012.

Prices: Decreasing demand for resale homes, combined with rising supply, will take pressure off prices over the course of the next year. With a return to more balanced conditions, price growth in the resale market will moderate over the course of 2011 and in 2012.

New Brunswick

Overview

Economic growth in New Brunswick will remain the weakest among the four Atlantic Provinces over the forecast period. Although higher prices in the energy sector, as well as improvement in potash prices will contribute to a rebound in exports in 2011, the overall economic outlook will be affected by a pullback in investment from major projects.

Provincial government spending activity, which has been supported by federal expenditures, will decline in both 2011 and 2012 compared to 2010 levels.

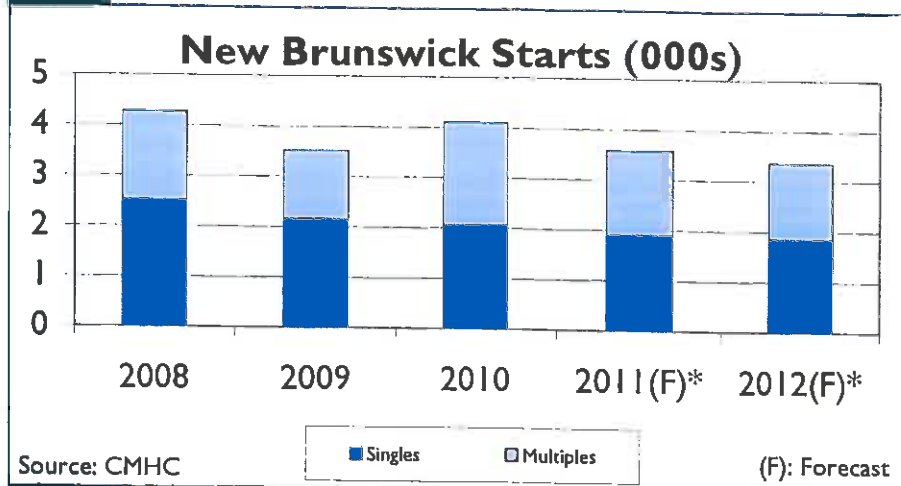
Consumer spending will only contribute moderately to growth, as the outlook for the labour market remains soft. As a result, moderate GDP growth of 1.1 per cent is forecast for the province in 2011 with a small increase to 1.3 per cent expected for 2012.

In Detail

Single Starts: Employment, which had been hovering at record or near record levels in New Brunswick's three large urban centres, declined last year. Despite positive net-migration in some centres, weaker employment and reduced demand for housing will likely dampen housing market activity in 2011. Single starts are expected to decline to 1,900 units in 2011 followed by a moderate decline to 1,850 units in 2012.

Multiple Starts: Multiple starts in New Brunswick's three large urban centres posted a solid performance in 2010. Moncton, in particular, posted a strong rebound in apartment starts. Combined with province leading semi-detached starts, overall multiple starts exceeded last year's performance by

Figure 7



Source: CMHC
 *The point estimate for provincial total housing starts is 3,575 for 2011 and 3,360 for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 3,250-3,900 units for 2011 and 2,975-3,745 for 2012.

a significant margin. Fredericton and Saint John also experienced steady apartment unit construction in 2010 - a performance that is not expected to be repeated in 2011 or 2012. As a result, multiple starts across the province are expected to weaken to 1,675 units in 2011, to be followed by a further decline to 1,510 units in 2012.

Average sale prices are expected to rise to \$159,500 in 2011 and \$161,500 in 2012.

Resales: The resale market, which started the year with significant year-over-year gains, was marked by reduced demand during the second half of the year. Resale market conditions will remain favourable to potential home buyers in 2011 as mortgage rates remain low. Nevertheless, overall demand is not expected to rise in either 2011 or 2012. Consequently, MLS® sales should reach 6,425 units in 2011, with a further decline to 6,265 in 2012.

Prices: The inventory of available homes is expected to remain high in historical terms in 2011. With reduced demand for existing homes, price growth will be limited in some urban centres in 2011. Nevertheless, the upward trend in MLS® sale price will remain intact over the forecast period.

Nova Scotia

Overview

Economic growth for the province remains positive over the forecast period although a decline in spending from energy and energy-related investment activities will result in a slowdown in the level of growth overall.

The prospects for additional growth are dependent on energy prices continuing to improve. After recording price increases in the beginning of 2010, natural gas prices ended the year down, dropping the probability for additional exploration activity in 2011. As a result, moderately positive economic growth of 1.4 and 1.6 per cent is expected for the province in 2011 and 2012, respectively.

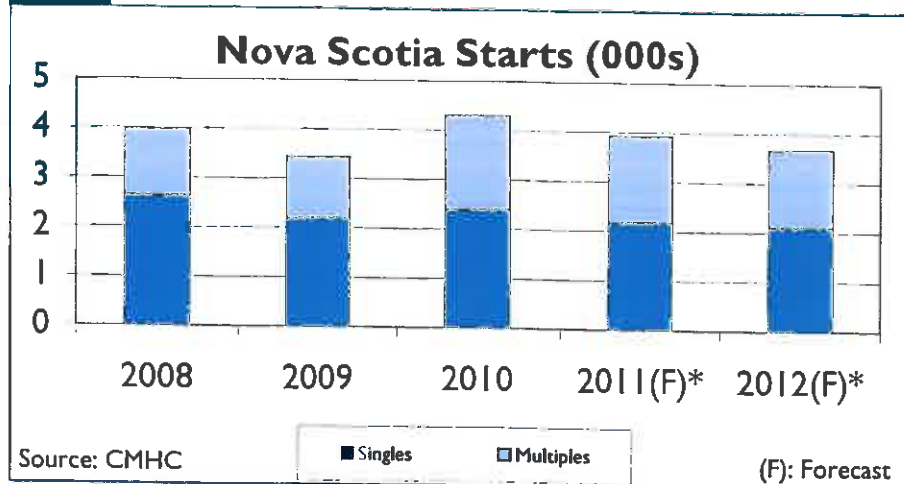
A number of projects in Halifax have recently been announced and negotiations continue on other projects which could contribute to additional economic activity. Halifax remains the main driver of economic growth for the province.

The province's growth prospects will remain subdued without a significant improvement in activity south of the border. The stronger Canadian dollar will also continue to challenge the profitability of exporters and manufacturers although the prospects for investment to improve productivity could add to economic growth in 2011 and 2012.

In Detail

Single Starts: Single-detached construction recorded strong growth in the first half of 2010, however, in the second half of the year the pace of growth subsided. Single-detached starts will decline in 2011 and 2012. Single starts are expected to total 2,175 in 2011 and 2,100 in 2012.

Figure 8



*The point estimate for provincial total housing starts is 3,925 for 2011 and 3,675 for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 3,550-4,300 units for 2011 and 3,250-4,100 for 2012.

Multiple Starts: Following a weak 2009, the multi-residential segment of the housing market recorded strong year-over-year growth in 2010. The growth in multiples starts was largely attributed to an increase in apartment-style construction, specifically in Halifax. In 2011, expect multiple unit starts to decline to 1,750 units due to a decrease in demand for semi-detached and row-style units as well as a reduction in apartment unit construction. In 2012, multiple starts will decline further to 1,575 units.

Resale: Existing home sales in Nova Scotia recorded little change in 2010 compared to 2009. Sales increased sharply in the first four months of the year as improving economic conditions and near historic low interest rates were supportive of housing demand. However, sales declined in the late spring and summer compared to 2009 and this affected the overall level of growth in 2010. MLS® sales are expected to decline modestly in both 2011 and 2012 totalling 9,650 and 9,450 units, respectively.

Prices: The average price of an existing home increased in 2010 as continued

demand for more expensive homes throughout the province increased the average sale price to \$206,186. Looking ahead, average price growth will slow in 2011 and 2012 to 2.3 and 1.4 per cent, respectively.

Prince Edward Island

Overview

Moderate growth is expected over the forecast period. Information technology and biosciences will continue to be the focus in helping to diversify the Prince Edward Island economy.

The Island's aerospace industry, which is located mainly in the Summerside area, is another sector that continues to expand. Although the positive trend in employment will support a positive economic outlook for 2011, the rate of growth will be weaker in 2011 compared to 2010.

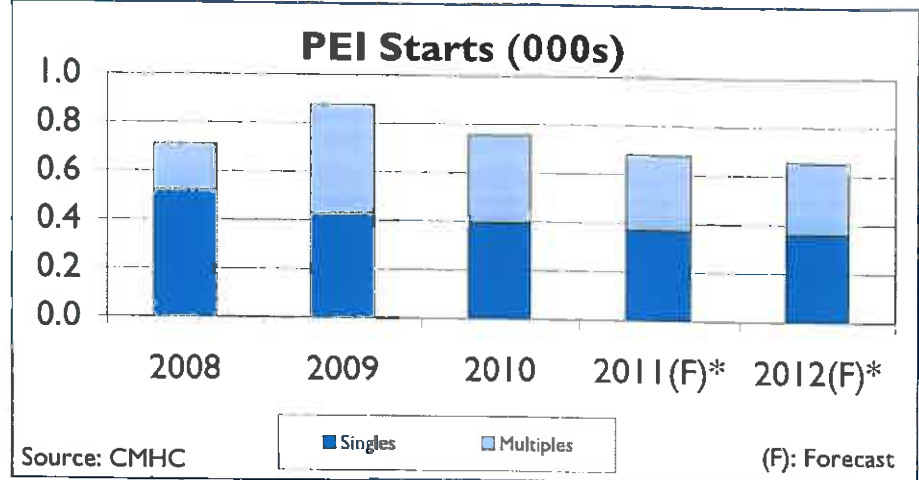
For the province, economic growth of 1.3 per cent is forecast for 2011 and 1.5 per cent for 2012. Growth will weaken as a result of a slowdown in capital spending by the provincial government, as well as a pullback in private sector investment. On the other hand, some recent announcements by the City of Charlottetown are positive for the outlook.

With employment growth of 2.6 per cent, Prince Edward Island experienced the second highest provincial growth rate in 2010. Going forward, the province will see more modest employment growth.

In Detail

Single Starts: Single detached construction will decline slightly this year before slowing further in 2012. While strong net migration is expected to provide support to the local housing market, it will not be enough to lift the market above the 2010 level. Single starts are expected to decline to 370 units in 2011 with a further decrease to 360 units in 2012.

Figure 9



*The point estimate for provincial total housing starts is 680 for 2011 and 655 for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 625-735 units for 2011 and 590-720 for 2012.

Multiple Starts: A similar situation exists for multiple unit starts, with an expectation of declines, especially from the high levels experienced in 2010. Apartment vacancy rates in Charlottetown are expected to climb as new units get added to supply. As a result, a pullback in multiple starts is expected to 310 units in 2011 and 295 units in 2012.

Resales: PEI is expected to experience modest declines in the number of MLS® sales over the next two years. Similar to other provinces, 2007 marked the peak of MLS® sales for the province, with gradual declines since. Sales are forecast to be 1,375 units in 2011 with an additional pullback to 1,340 units in 2012.

Prices: The average MLS® sales price is expected to increase moderately in 2011 and 2012. A rise in the number of listings on the market will prevent the type of price increases experienced over the past decade. The average MLS® sales price is expected to be \$148,250 in 2011 and \$149,250 in 2012.

Newfoundland and Labrador

Overview

For Newfoundland and Labrador, oil production and energy and mining development activity will continue to be the main source of economic growth. Additional growth will be spurred by the province's infrastructure spending program. It is also expected that a number of additional resource related projects will add to economic growth beginning in late 2011. For the province, we expect 3.3 per cent GDP growth in 2011 and 2.4 per cent in 2012.

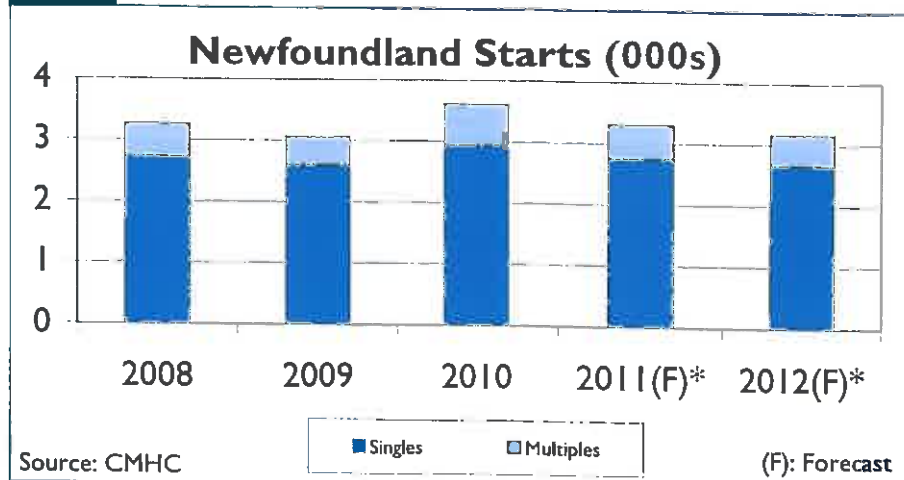
Population gains will moderate over the forecast period for St John's but rural Newfoundland – Labrador will struggle to maintain positive population growth. Employment growth of 3.7 per cent in 2010 was the best in Canada. Employment growth is expected to fall more in line with the national average in 2011.

In Detail

Single Starts: An uncertain economic environment contributed to a marginal decline in single-detached starts in 2009. However, improvement occurred in 2010, especially for the St. John's area. Low mortgage rates and continued population growth will provide support to the provincial single-detached housing market. A total of 2,750 single starts are expected in 2011 and 2,665 units are forecast for 2012.

Multiple Starts: Multiple unit construction will decline moderately to 550 units for 2011 and remain above the 500 level in 2012, with 505 units expected. The mid-priced local condo market has developed more slowly than expected, but

Figure 10



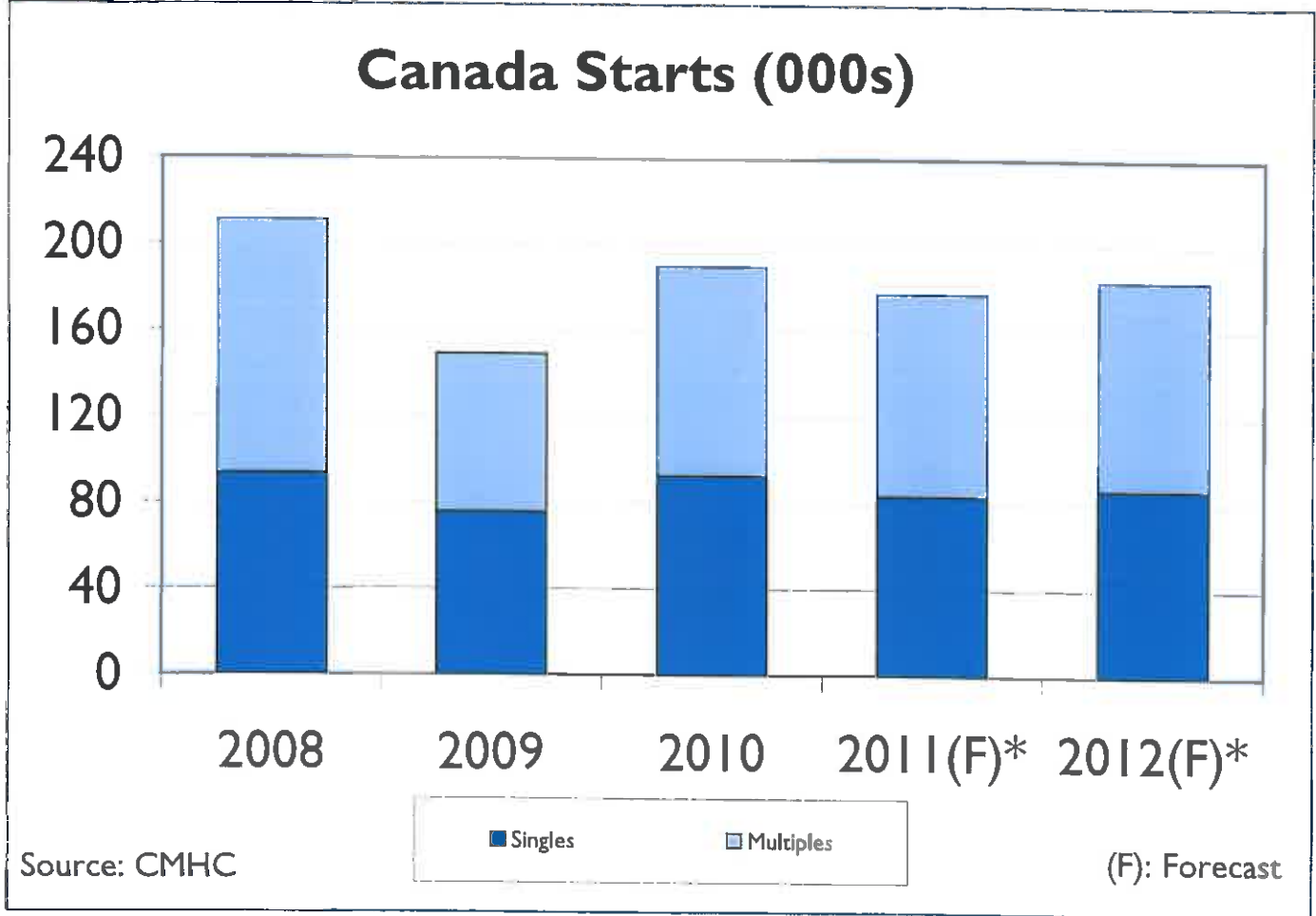
*The point estimate for provincial total housing starts is 3,330 for 2011 and 3,170 for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 3,025-3,550 units for 2011 and 2,900-3,440 for 2012.

smaller households and a rapidly aging population are expected to support additional demand in St. John's. Over the forecast period, high single-detached house prices should also stimulate additional demand for attached housing among lower income buyers.

Resales: After record buying activity in recent years, resale demand will moderate, but remain steady in 2011 and 2012, as inventory levels increase. Accordingly, the expectation is for a three per cent decrease in MLS® sales to 4,000 units in 2011 and a further moderate decline to 3,900 units in 2012.

Prices: A softening in demand for existing housing, paired with higher inventories throughout the province, will see average MLS® house price growth moderate over the forecast period. The average MLS® price will reach \$243,000 in 2011 and \$248,000 in 2012.

Figure 11



*The point estimate for total housing starts is 177,600 for 2011 and 183,800 for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 157,300-192,900 units for 2011 and 154,600-211,200 for 2012.

Table 1: Total Housing Starts
(units** and percentage change)

	2006	2007	2008	2009	2010	2011(F)	2012(F)	2011Q1(F)	2011Q2(F)	2011Q3(F)	2011Q4(F)	2012Q1(F)	2012Q2(F)
NFLD	2,234	2,649	3,261	3,057	3,606	3,300	3,170	2,600	3,950	3,650	3,000	2,675	3,275
%	-10.6	18.6	23.1	-6.3	18.0	-8.5	-3.9	-16.1	51.9	-7.6	-17.8	-10.8	22.4
PEI	738	750	712	877	756	680	655	700	705	675	640	625	665
%	-14.4	1.6	-5.1	23.2	-13.8	-10.1	-3.7	-22.2	0.7	-4.3	-5.2	-2.3	6.4
NS	4,896	4,750	3,982	3,438	4,309	3,925	3,675	3,750	4,175	4,050	3,725	3,450	3,950
%	2.5	-3.0	-16.2	-13.7	25.3	-8.9	-6.4	-1.3	11.3	-3.0	-8.0	-7.4	14.5
NB	4,085	4,242	4,274	3,521	4,101	3,575	3,360	3,250	3,900	3,900	3,250	3,075	3,340
%	3.2	3.8	0.8	-17.6	16.5	-12.8	-6.0	-27.8	20.0	0.0	-16.7	-5.4	8.6
QUE	47,877	48,553	47,901	43,403	51,363	45,700	44,000	47,500	46,000	44,750	44,500	44,250	44,000
%	-6.0	1.4	-1.3	-9.4	18.3	-11.0	-3.7	-0.8	-3.2	-2.7	-0.6	-0.6	-0.6
ONT	73,417	68,123	75,076	50,370	60,433	56,200	59,500	56,000	55,000	56,000	57,500	58,000	59,000
%	-6.8	-7.2	10.2	-32.9	20.0	-7.0	5.9	-3.9	-1.8	1.8	2.7	0.9	1.7
MAN	5,028	5,738	5,537	4,174	5,888	5,350	5,400	5,075	5,425	5,475	5,325	5,250	5,450
%	6.3	14.1	-3.5	-24.6	41.1	-9.1	0.9	-6.0	6.9	0.9	-2.7	-1.4	3.8
SASK	3,715	6,007	6,828	3,866	5,907	5,000	5,200	5,100	4,850	4,850	5,200	5,050	5,150
%	8.1	61.7	13.7	-43.4	52.8	-15.4	4.0	-31.1	-4.9	0.0	7.2	-2.9	2.0
ALTA	48,962	48,336	29,164	20,298	27,088	27,100	29,800	25,100	27,100	28,050	28,150	28,100	29,600
%	19.9	-1.3	-39.7	-30.4	33.5	0.0	10.0	12.1	8.0	3.5	0.4	-0.2	5.3
BC	36,443	39,195	34,321	16,077	26,479	26,900	29,000	25,500	26,800	27,600	27,700	28,100	28,700
%	5.1	7.6	-12.4	-53.2	64.7	1.6	7.8	0.4	5.1	3.0	0.4	1.4	2.1
CAN*	227,395	228,343	211,056	149,081	189,930	177,600	183,800	174,575	177,905	179,000	178,990	178,575	183,130
%	0.8	0.4	-7.6	-29.4	27.4	-6.5	3.5	-2.5	1.9	0.6	0.0	-0.2	2.6

SOURCE: CMHC

(F) Forecast by CMHC

* Canadian average excludes Territories and Nunavut. The point estimate for the forecast of national total housing starts is 177,600 units for 2011 and 183,800 units for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 152,000 to 192,000 units for 2011 and 154,000 to 172,000 units for 2012.

** Quarterly totals are seasonally adjusted at annual rates.

Table 2: Single-Detached Housing Starts
(Units and percentage change)

	2006	2007	2008	2009	2010	2011(F)	2012(F)	2011Q1(F)	2011Q2(F)	2011Q3(F)	2011Q4(F)	2012Q1(F)	2012Q2(F)
NFLD	1,864	2,184	2,725	2,606	2,941	2,750	2,665	2,100	3,300	3,100	2,500	2,200	2,740
%	-7.0	17.2	24.8	-4.4	12.9	-6.5	-3.1	-12.5	57.1	-6.1	-19.4	-12.0	24.5
PEI	512	573	521	430	396	370	360	360	380	375	365	345	365
%	-19.2	11.9	-9.1	-17.5	-7.9	-6.6	-2.7	20.0	5.6	-1.3	-2.7	-5.5	5.8
NS	2,757	2,887	2,636	2,193	2,392	2,175	2,100	2,200	2,250	2,150	2,100	2,000	2,200
%	-8.4	4.7	-8.7	-16.8	9.1	-9.1	-3.4	0.0	2.3	-4.4	-2.3	-4.8	10.0
NB	2,445	2,733	2,519	2,154	2,068	1,900	1,850	1,800	2,000	2,000	1,800	1,700	1,800
%	-8.3	11.8	-7.8	-14.5	-4.0	-8.1	-2.6	-10.0	11.1	0.0	-10.0	-5.6	5.9
QUE	21,917	22,177	19,778	17,535	19,549	17,800	17,600	18,000	18,000	17,750	17,500	17,250	17,500
%	-8.4	1.2	-10.8	-11.3	11.5	-8.9	-1.1	1.1	0.0	-1.4	-1.4	-1.4	1.4
ONT	38,309	37,910	31,108	22,634	28,089	21,900	23,200	22,500	21,000	21,500	22,500	22,500	23,000
%	-8.1	-1.0	-17.9	-27.2	24.1	-22.0	5.9	-10.4	-6.7	2.4	4.7	0.0	2.2
MAN	3,552	3,857	3,690	3,042	3,976	3,650	3,700	3,450	3,750	3,750	3,650	3,550	3,650
%	-4.2	8.6	-4.3	-17.6	30.7	-8.2	1.4	-1.4	8.7	0.0	-2.7	-2.7	2.8
SASK	2,689	4,017	4,518	2,829	3,830	3,600	3,700	3,450	3,500	3,600	3,850	3,600	3,600
%	10.9	49.4	12.5	-37.4	35.4	-6.0	2.8	-4.2	1.4	2.9	6.9	-6.5	0.0
ALTA	31,835	28,105	14,716	14,344	17,851	18,000	19,400	16,400	18,000	18,550	19,050	18,000	19,300
%	19.3	-11.7	-47.6	-2.5	24.4	0.8	7.8	18.0	9.8	3.1	2.7	-5.5	7.2
BC	15,433	14,474	10,991	7,892	11,462	11,300	11,900	10,100	11,200	11,800	12,100	11,600	11,800
%	12.5	-6.2	-24.1	-28.2	45.2	-1.4	5.3	11.0	10.9	5.4	2.5	-4.1	1.7
CAN*	121,313	118,917	93,202	75,659	92,554	83,400	86,500	80,360	83,380	84,575	85,415	82,745	85,955
%	0.7	-2.0	-21.6	-18.8	22.3	-9.9	3.7	0.6	3.8	1.4	1.0	-3.1	3.9

SOURCE: CMHC

(F) Forecast by CMHC

* Canadian average excludes Territories and Nunavut. The point estimate for the forecast of national single-detached housing starts is 83,400 units for 2011 and 86,500 units for 2012. Economic uncertainty is reflected by the corresponding range of forecasts which varies from 73,900 to 91,300 units for 2011 and 73,200 to 101,100 units for 2012.

** Quarterly trends are seasonally adjusted at annual rates.

Table 3: Multiple Housing Starts
(units** and percentage change)

	2006	2007	2008	2009	2010	2011(F)	2012(F)	2011Q1(F)	2011Q2(F)	2011Q3(F)	2011Q4(F)	2012Q1(F)	2012Q2(F)
NFLD	370	465	536	451	665	550	505	500	650	550	500	475	535
%	-24.9	25.7	15.3	-15.9	47.5	-17.3	-8.2	-28.6	30.0	-15.4	-9.1	-5.0	12.6
PEI	226	177	191	447	360	310	295	340	325	300	275	280	300
%	-0.9	-21.7	7.9	134.0	-19.5	-13.9	-4.8	-43.3	-4.4	-7.7	-8.3	1.8	7.1
NS	2,139	1,863	1,346	1,245	1,917	1,750	1,575	1,550	1,925	1,900	1,625	1,450	1,750
%	21.2	-12.9	-27.8	-7.5	54.0	-8.7	-10.0	-3.1	24.2	-1.3	-14.5	-10.8	20.7
NB	1,640	1,509	1,755	1,367	2,033	1,675	1,510	1,450	1,900	1,900	1,450	1,375	1,540
%	26.7	-8.0	16.3	-22.1	48.7	-17.6	-9.9	-42.0	31.0	0.0	-23.7	-5.2	12.0
QUE	25,960	26,376	28,123	25,868	31,814	27,900	26,400	29,500	28,000	27,000	27,000	27,000	26,500
%	-3.8	1.6	6.6	-8.0	23.0	-12.3	-5.4	-2.0	-5.1	-3.6	0.0	0.0	-1.9
ONT	35,108	30,213	43,968	27,736	32,344	34,300	36,300	33,500	34,000	34,500	35,000	35,500	36,000
%	-5.4	-13.9	45.5	-36.9	16.6	6.0	5.8	0.9	1.5	1.5	1.4	1.4	1.4
MAN	1,476	1,881	1,847	1,132	1,912	1,700	1,700	1,625	1,675	1,725	1,675	1,700	1,800
%	44.4	27.4	-1.8	-38.7	68.9	-11.1	0.0	-14.5	3.1	3.0	-2.9	1.5	5.9
SASK	1,026	1,990	2,310	1,037	2,077	1,400	1,500	1,650	1,350	1,250	1,350	1,450	1,550
%	1.4	94.0	16.1	-55.1	100.3	-32.6	7.1	-56.6	-18.2	-7.4	8.0	7.4	6.9
ALTA	17,127	20,231	14,448	5,954	9,237	9,100	10,400	8,700	9,100	9,500	9,100	10,100	10,300
%	20.9	18.1	-28.6	-58.8	55.1	-1.5	14.3	2.4	4.6	4.4	-4.2	11.0	2.0
BC	21,010	24,721	23,330	8,185	15,017	15,600	17,100	15,400	15,600	15,800	15,600	16,500	16,900
%	0.3	17.7	-5.6	-64.9	83.5	3.9	9.6	-5.5	1.3	1.3	-1.3	5.8	2.4
CAN*	106,082	109,426	117,854	73,422	97,376	94,200	97,300	94,215	94,525	94,425	93,575	95,830	97,175
%	1.0	3.2	7.7	-37.7	32.6	-3.3	3.3	-5.0	0.3	-0.1	-0.9	2.4	1.4

SOURCE: CMHC

(F) Forecast by CMHC

* Canadian average excludes Territories and Nunavut. The point estimate for the forecast of national multiple starts is 94,200 units for 2011 and 97,200 units for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 83,400 to 101,600 units for 2011 and 91,400 to 110,000 units for 2012.

** Quarterly levels are seasonally adjusted at annual rates.

Table 4: Multiple Housing Starts by Type (Units)								
		2006	2007	2008	2009	2010	2011(F)	2012(F)
NF	Semi-Detached	122	133	169	55	126	100	80
	Row	39	72	108	92	149	100	85
	Apartment	209	260	259	304	390	350	340
	Total	370	465	536	451	665	550	505
PEI	Semi-Detached	62	100	59	56	69	55	50
	Row	13	23	54	68	50	45	40
	Apartment	151	54	78	323	241	210	205
	Total	226	177	191	447	360	310	295
NS	Semi-Detached	353	333	328	274	373	325	300
	Row	255	221	219	187	200	225	225
	Apartment	1,531	1,309	799	784	1,344	1,200	1,050
	Total	2,139	1,863	1,346	1,245	1,917	1,750	1,575
NB	Semi-Detached	482	530	584	449	475	500	475
	Row	275	195	235	220	221	225	210
	Apartment	883	784	936	698	1,337	950	825
	Total	1,640	1,509	1,755	1,367	2,033	1,675	1,510
QC	Semi-Detached	2,599	2,750	3,491	3,438	4,359	3,850	3,700
	Row	1,343	1,934	1,918	1,633	2,029	1,800	1,700
	Apartment	22,018	21,692	22,714	20,797	25,426	22,250	21,000
	Total	25,960	26,376	28,123	25,868	31,814	27,900	26,400
ON	Semi-Detached	4,393	4,284	3,415	3,007	3,006	2,100	2,250
	Row	11,046	11,255	11,212	7,121	10,255	9,400	10,050
	Apartment	19,669	14,674	29,341	17,608	19,083	22,800	24,000
	Total	35,108	30,213	43,968	27,736	32,344	34,300	36,300
MAN	Semi-Detached	178	175	168	191	181	135	130
	Row	158	198	480	307	387	262	257
	Apartment	1,140	1,508	1,199	634	1,344	1,303	1,313
	Total	1,476	1,881	1,847	1,132	1,912	1,700	1,700
SK	Semi-Detached	123	317	251	138	226	176	189
	Row	423	831	506	350	485	416	445
	Apartment	480	842	1,553	549	1,366	808	866
	Total	1,026	1,990	2,310	1,037	2,077	1,400	1,500
ALB	Semi-Detached	3,807	3,699	2,125	2,267	2,737	2,695	3,080
	Row	2,935	4,377	2,210	1,654	2,596	2,434	2,782
	Apartment	10,385	12,155	10,113	2,033	3,904	3,970	4,538
	Total	17,127	20,231	14,448	5,954	9,237	9,100	10,400
B.C.	Semi-Detached	2,239	2,111	2,061	1,239	1,454	1,700	1,800
	Row	4,476	4,175	3,926	2,276	3,485	3,400	3,800
	Apartment	14,295	18,435	17,343	4,670	10,078	10,500	11,500
	Total	21,010	24,721	23,330	8,185	15,017	15,600	17,100
CAN*	Semi-Detached	14,358	14,432	12,651	11,114	13,006	11,637	12,069
	Row	20,963	23,281	20,868	13,908	19,857	18,307	19,595
	Apartment	70,761	71,713	84,335	48,400	64,513	64,341	65,636
	Total	106,082	109,426	117,854	73,422	97,376	94,285	97,300

Source: CMHC (F) Forecast. * Totals may not add due to rounding.

Table 5: Total Residential Resales
(units** and percentage change)

	2006	2007	2008	2009	2010	2011(F)	2012(F)	2011Q1(F)	2011Q2(F)	2011Q3(F)	2011Q4(F)	2012Q1(F)	2012Q2(F)
NFLD	3,537	4,471	4,695	4,416	4,236	4,000	3,900	3,350	4,400	4,600	3,650	3,500	4,300
%	10.2	26.4	5.0	-5.9	-4.1	-5.6	-2.5	-9.4	31.3	4.5	-20.7	-4.1	22.9
PEI	1,492	1,769	1,413	1,404	1,487	1,375	1,340	1,350	1,500	1,300	1,350	1,375	1,400
%	3.0	18.6	-20.1	-0.6	5.9	-7.5	-2.5	-12.6	11.1	-13.3	3.8	1.9	1.8
NS	10,697	11,857	10,869	10,021	10,036	9,650	9,450	9,400	10,000	10,200	9,000	9,500	9,900
%	-2.3	10.8	-8.3	-7.8	0.1	-3.8	-2.1	-9.2	6.4	2.0	-11.8	5.6	4.2
NB	7,125	8,161	7,555	7,003	6,702	6,425	6,265	6,500	6,500	6,500	6,200	6,000	6,600
%	4.2	14.5	-7.4	-7.3	-4.3	-4.1	-2.5	-1.0	0.0	0.0	-4.6	-3.2	10.0
QUE	71,622	80,649	76,762	79,111	80,126	80,500	83,600	79,000	80,000	81,000	82,000	82,500	83,000
%	1.8	12.6	-4.8	3.1	1.3	0.5	3.9	-0.7	1.3	1.3	1.2	0.6	0.6
ONT	194,930	213,379	181,001	195,840	195,591	184,000	192,900	190,000	180,000	182,000	184,000	190,000	197,000
%	-1.1	9.5	-15.2	8.2	-0.1	-5.9	4.8	-1.7	-5.3	1.1	1.1	3.3	3.7
MAN	13,018	13,928	13,525	13,086	13,164	13,200	13,400	13,000	13,250	13,250	13,300	13,300	13,600
%	2.0	7.0	-2.9	-3.2	0.6	0.3	1.5	-5.1	1.9	0.0	0.4	0.0	2.3
SASK	9,140	12,054	10,194	11,095	10,872	10,900	11,000	10,600	10,800	11,000	11,200	10,800	11,200
%	10.0	31.9	-15.4	8.8	-2.0	0.3	0.9	-9.2	1.9	1.9	1.8	-3.6	3.7
ALTA	74,350	71,430	56,399	57,543	49,723	50,400	52,200	48,400	50,000	51,800	51,400	51,400	53,400
%	12.9	-3.9	-21.0	2.0	-13.6	1.4	3.6	-4.0	3.3	3.6	-0.8	0.0	3.9
BC	96,671	102,805	68,923	85,028	74,640	81,000	88,900	77,500	80,500	82,500	83,500	85,500	89,000
%	-9.1	6.3	-33.0	23.4	-12.2	8.5	9.8	5.4	3.9	2.5	1.2	2.4	4.1
CAN*	482,582	520,503	431,336	464,547	446,577	441,500	462,900	439,100	436,950	444,150	445,600	453,875	469,400
%	-0.1	7.9	-17.1	7.7	-3.9	-1.1	4.8	-1.2	-0.5	1.6	0.3	1.9	3.4

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

* The point estimate for the forecast of national residential resales is 441,500 units for 2011 and 462,900 units for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 398,500-485,500 units for 2011 and 456,200-519,700 units for 2012.

** Quarterly levels are seasonally adjusted at annual rates.

Table 6: Average Residential Resale Price
(\$ and percentage change)

	2006	2007	2008	2009	2010	2011(F)	2012(F)	2011Q(F)	2011Q(F)	2011Q3(F)	2011Q4(F)	2012Q1(F)	2012Q2(F)
NFLD	139,542	149,258	178,477	206,374	235,341	243,000	248,000	245,000	243,000	242,000	242,425	242,000	252,000
%	-1.2	7.0	19.6	15.6	14.0	3.3	2.1	0.5	-0.8	-0.4	0.2	-0.2	4.1
PEI	125,430	133,457	139,944	146,044	147,196	148,250	149,250	140,685	150,000	155,000	147,370	145,000	153,000
%	7.0	6.4	4.9	4.4	0.8	0.7	0.7	-4.4	6.6	3.3	-4.9	-1.6	5.5
NS	168,614	180,989	189,932	196,690	206,186	211,000	214,000	207,000	213,335	211,000	212,585	211,000	214,000
%	5.9	7.3	4.9	3.6	4.8	2.3	1.4	-1.9	3.1	-1.1	0.8	-0.7	1.4
NB	126,864	136,603	145,762	154,906	157,240	159,500	161,500	160,000	161,000	157,500	159,500	158,000	162,000
%	5.2	7.7	6.7	6.3	1.5	1.4	1.3	2.1	0.6	-2.2	1.3	-0.9	2.5
QUE	195,171	207,530	215,307	225,391	241,465	248,900	256,100	248,000	248,500	249,000	250,000	253,000	255,000
%	5.8	6.3	3.7	4.7	7.1	3.1	2.9	0.0	0.2	0.2	0.4	1.2	0.8
ONT	278,364	299,544	302,354	318,366	342,245	350,370	358,500	348,000	349,000	351,500	353,200	355,210	357,450
%	5.9	7.6	0.9	5.3	7.5	2.4	2.3	1.3	0.3	0.7	0.5	0.6	0.6
MAN	150,229	169,189	190,296	201,343	222,132	230,700	234,700	229,000	230,500	231,000	232,264	232,500	234,000
%	12.2	12.6	12.5	5.8	10.3	3.9	1.7	-1.9	0.7	0.2	0.5	0.1	0.6
SASK	132,078	174,405	224,592	232,882	242,258	248,000	253,000	249,567	246,800	247,600	248,068	250,000	253,000
%	7.6	32.0	28.8	3.7	4.0	2.4	2.0	0.0	-1.1	0.3	0.2	0.8	1.2
ALTA	285,383	356,235	352,857	341,818	352,301	355,600	363,000	354,800	355,300	355,800	356,432	357,500	363,200
%	30.7	24.8	-0.9	-3.1	3.1	0.9	2.1	1.5	0.1	0.1	0.2	0.3	1.6
BC	390,963	439,119	454,599	465,725	505,178	513,800	519,100	514,500	511,500	513,500	515,500	518,000	520,000
%	17.7	12.3	3.5	2.4	8.5	1.7	1.0	-1.5	-0.6	0.4	0.4	0.5	0.4
CAN*	277,267	307,137	304,986	320,397	339,042	348,900	358,200	347,021	347,487	349,457	351,677	354,322	357,391
%	11.2	10.8	-0.7	5.1	5.8	2.9	2.7	1.0	0.1	0.6	0.6	0.8	0.9

SOURCE: The Canadian Real Estate Association

(F) Forecast by CMHC

* The joint estimate for the forecast of national residential resales is \$148,900 for 2011 and \$158,200 for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from \$131,000-\$155,400 for 2011 and \$141,000-\$167,000 for 2012.

Table 7: Employment
(annual percentage change)

	2006	2007	2008	2009	2010	2011(F)	2012(F)
NFLD	0.7	0.6	1.5	-2.5	3.7	1.4	1.2
PEI	0.6	1.0	1.3	-1.0	2.6	0.7	1.0
NS	-0.3	1.3	1.3	-0.1	0.1	0.7	1.2
NB	1.4	2.1	0.9	0.1	-0.7	0.6	1.0
QUE	1.3	2.3	0.8	-1.0	2.0	1.4	1.3
ONT	1.5	1.6	1.4	-2.4	1.8	1.3	1.5
MAN	1.2	1.6	1.7	0.0	2.0	1.6	1.6
SASK	1.7	2.1	2.2	1.5	1.1	2.0	2.0
ALTA	4.8	4.7	2.8	-1.3	0.4	2.0	2.4
BC	3.1	3.2	2.1	-2.4	2.0	2.2	2.6
CAN*	1.9	2.3	1.5	-1.6	1.6	1.5	1.7

Source: Statistics Canada.

(F) Forecast by CMHC. National forecast based on Sept. 2010 Consensus Forecasts Report published by Consensus Economics.

*The point estimate for the forecast of national employment growth is 1.5 per cent for 2011 and 1.7 for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 1.4 per cent to 1.7 per cent for 2011 and 1.1 per cent to 2.0 per cent for 2012.

Table 8: Unemployment Rate
(percent)

	2006	2007	2008	2009	2010	2011(F)	2012(F)
NFLD	14.8	13.6	13.2	15.5	14.3	14.3	14.1
PEI	11.0	10.3	10.8	12.0	11.3	11.4	11.3
NS	7.9	8.0	7.7	9.2	9.4	9.5	9.4
NB	8.8	7.5	8.6	8.9	9.3	9.4	9.4
QUE	8.0	7.2	7.2	8.5	7.9	8.1	7.7
ONT	6.3	6.4	6.5	9.0	8.7	8.2	8.0
MAN	4.3	4.4	4.2	5.2	5.3	5.1	4.9
SASK	4.7	4.2	4.1	4.8	5.2	4.8	4.5
ALTA	3.4	3.5	3.6	6.6	6.5	5.5	5.0
BC	4.8	4.2	4.6	7.6	7.6	7.2	6.9
CAN*	6.3	6.0	6.1	8.3	8.0	7.6	7.3

Source: Statistics Canada.

(F) Forecast by CMHC. National forecast based on Sept. 2010 Consensus Forecasts Report published by Consensus Economics.

*The point estimate for the forecast of national unemployment growth is 7.6 per cent for 2011 and 7.3 for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 8.0 per cent to 7.3 per cent for 2011 and 7.6 per cent to 6.9 per cent for 2012.

Table 9: Gross Domestic Product
(annual percentage change)

	2006	2007	2008	2009	2010(F)	2011(F)	2012(F)
NFLD	3.0	9.2	2.0	-10.2	5.0	3.3	2.4
PEI	4.0	1.8	0.4	-0.1	1.8	1.3	1.5
NS	0.6	1.6	1.3	-0.1	1.6	1.4	1.6
NB	2.4	1.1	-0.2	-0.3	1.3	1.1	1.3
QUE	1.8	2.1	1.1	-0.3	2.9	2.1	2.3
ONT	2.4	2.0	-0.9	-3.6	3.0	2.2	2.8
MAN	3.4	2.7	1.9	0.0	2.1	2.4	2.6
SASK	-1.6	3.6	4.6	-3.9	2.8	3.0	3.5
ALTA	5.8	1.7	1.4	-4.5	2.8	3.3	3.6
BC	4.1	3.0	0.2	-1.8	3.3	3.0	3.2
CAN*	2.8	2.2	0.5	-2.5	2.9	2.5	2.7

Source: Statistics Canada.

(F) Forecast by CMHC. National forecast based on Sept. 2010 Consensus Forecasts Report published by Consensus Economics.

*The point estimate for the forecast of national GDP growth is 2.5 per cent for 2011 and 2.7 for 2012. Economic uncertainty is reflected by the current range of forecasts which varies from 1.8 per cent to 3.2 per cent for 2011 and 2.4 per cent to 3.1 per cent for 2012.

Table 10: Total Net Migration *
(number of persons)

	2006	2007	2008	2009	2010	2011(F)	2012(F)
NFLD	-3,889	-1,833	372	3,041	0	750	1,000
PEI	-113	375	1,248	1,105	1,600	1,000	750
NS	-2,151	-655	1,715	3,376	1,800	1,000	1,000
NB	-2,837	665	1,134	1,909	1,750	500	750
QUE	28,135	30,879	38,459	49,432	47,594	52,000	53,000
ONT	82,978	83,676	89,509	90,515	108,700	113,600	121,200
MAN	1,644	7,200	6,525	10,019	11,600	12,100	12,300
SASK	-1,606	9,202	9,547	10,890	12,000	12,300	12,500
ALTA	70,673	44,635	57,338	27,454	29,200	31,450	34,100
BC	52,315	58,697	65,691	61,118	56,000	64,900	65,200
CAN**	225,149	232,841	271,538	258,859	270,244	289,600	301,800

Source: Statistics Canada.

(F) Forecast by CMHC.

* Sum of interprovincial migration, international migration and non-permanent residents.

** Excludes Territories and Nunavut.

Table 11a: Local Market Indicators

Census Metropolitan Area		Total Housing Starts	Single-Detached	NHPI Annual % Change	MLS® Sales	MLS® Avg. Price	Rental Vac. Rate (3+ Units)	Avg. Rent Two Bedroom (3+ Units)
Victoria	2010	2,118	827	-2.8	6,169	504,561	1.5	1,024
	2011(F)	2,000	750	-2.0	6,700	495,000	1.2	1,040
	2012(F)	2,200	750	2.0	7,200	498,000	1.0	1,055
Vancouver ^a	2010	15,217	4,533	3.3	31,114	675,852	1.9	1,195
	2011(F)	16,000	4,200	2.0	33,000	690,000	1.8	1,230
	2012(F)	17,500	4,500	2.0	36,000	710,000	1.5	1,265
Abbotsford	2010	516	355	n.a.	2,582	341,854	6.5	785
	2011(F)	500	350	n.a.	2,400	330,000	6.0	800
	2012(F)	475	325	n.a.	2,500	340,000	5.5	815
Kelowna	2010	957	595	n.a.	3,289	419,884	3.5	898
	2011(F)	1,125	650	n.a.	3,600	430,000	3.0	910
	2012(F)	1,325	750	n.a.	4,000	445,000	2.8	920
Edmonton	2010	9,959	6,062	-0.8	16,200	329,400	4.2	1,015
	2011(F)	9,600	6,000	1.0	16,500	331,500	3.5	1,035
	2012(F)	10,500	6,500	0.0	17,200	339,000	2.8	1,065
Calgary	2010	9,262	5,782	1.7	20,996	398,764	3.6	1,069
	2011(F)	8,800	5,500	0.3	21,500	401,000	3.2	1,090
	2012(F)	9,900	6,000	1.7	22,100	409,000	2.7	1,120
Saskatoon	2010	2,381	1,638	2.8	3,500	296,000	2.6	934
	2011(F)	1,800	1,350	2.9	3,600	300,000	3.0	950
	2012(F)	1,925	1,400	2.5	3,650	305,000	3.2	960
Regina	2010	1,347	708	5.2	3,550	258,500	1.2	881
	2011(F)	1,100	700	4.2	3,500	267,000	2.0	905
	2012(F)	1,170	720	3.8	3,550	275,000	2.6	930
Winnipeg	2010	3,244	1,921	4.8	11,500	229,000	0.8	837
	2011(F)	3,175	1,975	4.0	11,600	239,000	1.0	870
	2012(F)	3,200	2,000	3.8	11,800	246,000	1.2	895
Thunder Bay	2010	222	204	-0.5	1,434	155,060	2.2	763
	2011(F)	270	190	1.2	1,400	159,000	2.0	771
	2012(F)	275	195	2.2	1,450	164,000	1.5	783
Sudbury	2010	575	369	-0.5	2,244	221,699	3.0	840
	2011(F)	540	390	1.2	2,350	228,000	2.0	855
	2012(F)	560	430	2.2	2,500	235,000	1.5	875
Windsor	2010	617	460	-0.8	4,893	159,347	10.9	752
	2011(F)	613	425	0.1	4,600	164,000	9.5	757
	2012(F)	704	500	1.0	4,850	168,000	8.9	760

Sources: CMHC, Canadian Real Estate Association, Local Real Estate Boards, Statistics Canada.

^aMLS® sales and prices for the Vancouver CMA refer only to the Real Estate Board of Greater Vancouver (REBGV) board area, which does not include Surrey, Langley, White Rock, and North Delta.

White Rock, and North Delta.

n.a.: Data not available. (F) Forecast by CMHC.

Table 11b: Local Market Indicators

Census Metropolitan Area		Total Housing Starts	Single-Detached	NHPI Annual % Change	MLS® Sales	MLS® Avg. Price	Rental Vac. Rate (3+ Units)	Avg. Rent Two Bedroom (3+ Units)
London	2010	2,079	1,461	2.7	8,389	228,114	5.0	869
	2011(F)	1,890	1,000	1.3	8,100	237,000	4.8	878
	2012(F)	1,940	1,200	1.5	8,400	242,000	4.2	895
Kitchener	2010	2,815	1,255	1.3	6,772	289,041	2.6	872
	2011(F)	2,550	1,050	1.3	6,570	295,000	2.4	882
	2012(F)	2,675	1,175	1.4	6,900	302,000	2.3	895
St. Catharines-Niagara	2010	1,086	714	0.8	6,024	217,938	4.4	817
	2011(F)	990	590	1.3	5,900	219,000	4.2	835
	2012(F)	1,050	600	1.8	6,100	223,000	4.0	850
Hamilton	2010	3,562	1,753	1.6	12,934	311,683	3.7	862
	2011(F)	3,000	1,450	1.0	12,300	317,000	3.5	870
	2012(F)	3,250	1,600	1.3	12,900	323,000	3.4	880
Toronto	2010	29,195	9,936	2.6	88,214	432,264	2.1	1,123
	2011(F)	29,550	7,000	1.9	83,500	441,000	2.0	1,134
	2012(F)	31,200	7,000	2.0	87,000	451,000	2.5	1,157
Barrie	2010	682	442	n.a.	4,105	281,966	3.4	968
	2011(F)	620	380	n.a.	4,000	284,000	3.6	974
	2012(F)	600	410	n.a.	4,150	287,500	3.6	978
Peterborough	2010	404	306	n.a.	2,537	249,763	4.1	890
	2011(F)	380	280	n.a.	2,300	254,500	4.3	896
	2012(F)	420	310	n.a.	2,400	259,000	4.0	903
Brantford	2010	504	280	n.a.	2,086	229,678	3.7	778
	2011(F)	385	260	n.a.	1,950	234,000	3.5	790
	2012(F)	440	290	n.a.	2,050	238,000	3.3	800
Guelph	2010	1,021	406	n.a.	2,834	295,207	3.4	872
	2011(F)	900	325	n.a.	2,800	299,000	3.2	881
	2012(F)	940	375	n.a.	2,900	306,000	3.1	890
Oshawa*	2010	1,888	1,540	n.a.	9,476	299,952	3.0	903
	2011(F)	1,740	1,400	n.a.	9,150	305,000	2.8	914
	2012(F)	2,020	1,600	n.a.	9,510	311,000	3.1	930
Kingston	2010	653	522	n.a.	3,209	249,509	1.0	935
	2011(F)	590	400	n.a.	3,100	252,000	1.2	960
	2012(F)	630	450	n.a.	3,300	256,000	1.6	980

Sources: CMHC, Canadian Real Estate Association, Local Real Estate Boards, Statistics Canada.

MLS® data for St. Catharines-Niagara is aggregated using total numbers of the area's three real estate boards.

*MLS® numbers reflect all of Durham Region.

n.a.: Data not available. (F) Forecast by CMHC.

Table 11c: Local Market Indicators

Census Metropolitan Area		Total Housing Starts	Single-Detached	NHPI Annual % Change	MLS® Sales	MLS® Avg. Price	Rental Vac. Rate (3+ Units)	Avg. Rent Two Bedroom (3+ Units)
Ottawa	2010	6,446	2,302	4.0	14,586	328,439	1.6	1,048
	2011(F)	5,950	2,000	3.5	13,850	336,500	1.2	1,066
	2012(F)	6,250	2,140	4.0	14,350	350,000	1.0	1,093
Gatineau	2010	2,687	910	4.0	4,241	218,646	2.5	711
	2011(F)	2,550	800	3.5	4,150	225,000	2.8	725
	2012(F)	2,450	750	4.0	4,150	230,000	3.0	740
Montréal	2010	22,001	5,789	3.1	42,347	297,621	2.7	700
	2011(F)	20,400	5,400	3.1	42,700	309,000	2.4	705
	2012(F)	19,400	5,700	2.0	44,300	315,000	2.2	715
Trois-Rivières	2010	1,691	345	n.a.	935	151,937	3.9	533
	2011(F)	825	345	n.a.	900	160,000	4.0	543
	2012(F)	765	340	n.a.	900	165,000	4.0	553
Sherbrooke	2010	1,656	570	n.a.	1,733	204,423	4.6	566
	2011(F)	1,450	565	n.a.	1,765	208,500	4.8	575
	2012(F)	1,400	560	n.a.	1,790	211,500	4.9	585
Québec	2010	6,652	1,768	3.2	7,083	237,240	1.0	692
	2011(F)	6,200	1,600	3.5	7,500	256,000	1.2	705
	2012(F)	5,800	1,500	3.0	7,600	270,000	1.4	715
Saguenay	2010	783	380	n.a.	1,461	168,224	1.8	535
	2011(F)	920	350	n.a.	1,500	180,000	2.1	545
	2012(F)	640	320	n.a.	1,480	189,000	2.3	550
Saint John	2010	653	345	1.5	1,751	171,104	5.1	645
	2011(F)	565	325	0.8	1,625	170,000	5.5	650
	2012(F)	555	310	1.0	1,550	171,500	5.0	660
Moncton	2010	1,400	462	1.5	2,402	152,251	4.2	691
	2011(F)	1,230	445	0.8	2,300	154,500	4.8	710
	2012(F)	1,170	430	1.0	2,250	155,750	4.5	725
Halifax	2010	2,390	1,039	0.9	5,766	251,116	2.6	891
	2011(F)	2,410	950	1.5	5,700	258,000	2.8	920
	2012(F)	2,180	975	1.3	5,700	263,000	3.1	945
St. John's	2010	1,816	1,479	5.9	3,470	251,191	1.1	725
	2011(F)	1,475	1,200	3.0	3,350	255,000	1.3	775
	2012(F)	1,425	1,175	3.0	3,200	260,000	1.5	825
Charlottetown	2010	518	250	-1.6	611	179,813	2.3	731
	2011(F)	500	250	0.8	500	185,000	4.0	740
	2012(F)	475	225	0.9	475	189,000	3.5	755
ALL LISTED	2010	138,997	57,708	2.2	340,437	364,636	2.6	883
CENTRES	2011(F)	132,593	50,845	1.9	336,260	374,164	2.4	904
	2012(F)	137,409	53,505	2.0	350,155	385,481	2.4	920

Sources: CMHC, Canadian Real Estate Association, QFRE by Centris®/FCIQ par Centris® Local Real Estate Boards, Statistics Canada.

MLS® data for St. Catharines-Niagara is aggregated using total numbers of the area's three real estate boards.

*MLS® numbers reflect all of Durham Region.

n.a.: Data not available. (F) Forecast by CMHC.

Table 12: Major Housing Indicators
(levels and quarter-to-quarter percent change)

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4
New Housing								
Building permits, units, thousands	130.8	148.7	171.8	209.5	217.5	212.8	204.1	182.7
% change	-19.7	13.7	15.5	22.0	3.8	-2.1	-4.1	-10.5
Housing starts, total, thousands	128.6	130.4	155.4	177.8	195.6	199.8	190.7	179.1
% change	-29.3	1.4	19.2	14.4	10.0	2.1	-4.6	-6.1
Housing starts, singles, thousands	58.5	65.5	78.9	95.3	108.9	98.9	87.8	79.9
% change	-28.2	12.0	20.5	20.8	14.3	-9.2	-11.2	-9.0
Housing starts, multiples, thousands	70.1	64.9	76.5	82.5	86.7	100.9	102.9	99.2
% change	-30.1	-7.4	17.9	7.8	5.1	16.4	2.0	-3.6
Housing completions, total,	39,378	46,636	45,363	45,064	37,611	46,513	54,373	48,358
% change	-33.2	18.4	-2.7	-0.7	-16.5	23.7	16.9	-11.1
New house price index, 1997=100	155.4	153.5	153.9	155.4	156.8	157.9	158.2	158.8
% change	-1.4	-1.3	0.3	1.0	0.9	0.7	0.2	0.4
Existing Housing								
MLS [®] resales, units, thousands	348,884	462,328	519,736	529,384	504,620	442,568	396,436	444,380
% change	3.1	32.5	12.4	1.9	-4.7	-12.3	-10.4	12.1
MLS [®] average resale price, \$	286,996	312,037	331,006	339,155	340,371	339,106	332,238	343,516
% change	1.0	8.7	6.1	2.5	0.4	-0.4	-2.0	3.4
Mortgage Market								
1-year mortgage rate, per cent*	4.83	3.85	3.73	3.67	3.60	3.70	3.37	3.30
5-year mortgage rate, per cent*	5.71	5.45	5.73	5.64	5.58	6.04	5.52	5.31
Residential Investment**								
Total, \$1997 millions	69,214	70,243	71,757	76,000	79,502	79,692	78,626	n.a.
% change	-5.8	1.5	2.2	5.9	4.6	0.2	-1.3	n.a.
New, \$1997 millions	31,248	28,372	27,347	29,144	31,994	34,352	34,533	n.a.
% change	-11.5	-9.2	-3.6	6.6	9.8	7.4	0.5	n.a.
Alterations, \$1997 millions	31,360	32,344	33,636	35,224	37,036	36,648	36,764	n.a.
% change	-0.9	3.1	4.0	4.7	5.1	-1.0	0.3	n.a.
Transfer costs, \$1997 millions	7,992	10,612	11,756	12,584	11,844	10,368	9,296	n.a.
% change	1.9	32.8	10.8	7.0	-5.9	-12.5	-10.3	n.a.
Deflator, 1997=100	136.7	136.6	138.0	140.0	140.9	142.1	142.1	n.a.
% change	-1.3	-0.1	1.1	1.5	0.6	0.9	0.0	n.a.

Sources: CMHC, Statistics Canada, Bank of Canada, Canadian Real Estate Association.

n.a.: Data not available.

* All indicators are seasonally adjusted and annualized except the New house price index and the Residential Investment deflator which are only seasonally adjusted and Housing completions and the 1-year and 5-year mortgage rates which are not adjusted or annualized.

** Residential Investment includes outlays for new permanent housing, conversion costs, cost of alterations and improvements, supplementary costs, and transfer costs.

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