



# Provincial Trends

## More Than Meets The Eye

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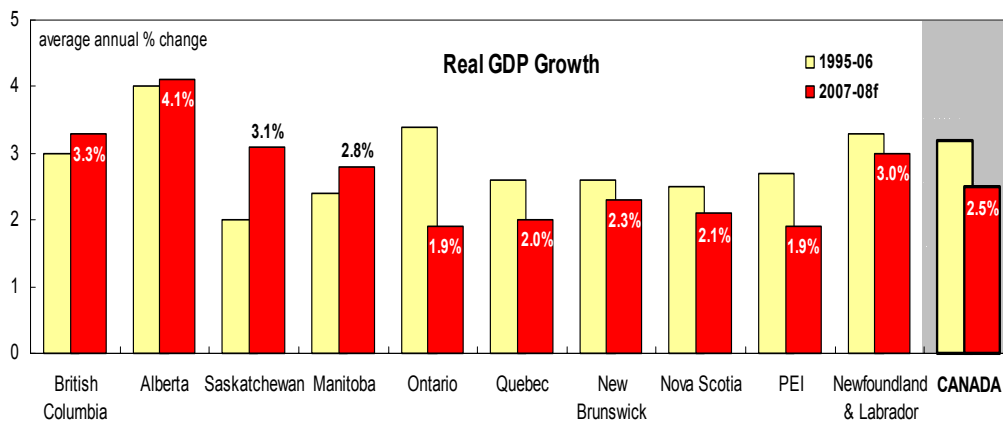
### Overview

Canadian real GDP growth is expected to average around 2½% in 2007 and 2008, roughly half a percentage point below the average of the previous three years. While this should largely mirror both the decline in the U.S. economy and the growth-robbing shortage of labour and selected materials, it obscures three key trends that are continuing to dominate Canada's underlying performance.

First, the pace of economic activity remains two to three times greater in the resource-rich regions in the west, north and east. Export-sensitive manufacturing-centric provinces in Central Canada remain constrained, not only by the U.S. slowdown, but by the loss of competitiveness associated with increased foreign competition and an even stronger Canadian dollar.

Second, in all provinces, domestic-led activity remains fairly robust, led by consumer spending, non-residential construction, and services. Even in Ontario, where average output growth this year and next of 1.9% will lag the national average for a fourth consecutive year, final domestic demand is expected to advance at close to a 3% rate.

And thirdly, infrastructure spending will remain a key driver of domestic growth across all provinces. Besides the much-needed outlays in health and education, there is a renewed push to upgrade transportation networks and ports, in addition to new green initiatives.



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# Provincial Trends



## British Columbia

**British Columbia** should experience solid economic growth averaging 3.3% this year and next, down slightly from the 3.6% advance in 2006. Public and private non-residential construction activity remains very strong leading up to the 2010 Olympics. Transit and highway upgrades, and seaport expansions are boosting public investment spending, while several large-scale mining developments and pipeline projects keep the private sector fully engaged. In association with West Coast port expansions, British Columbia's road and rail transportation network is being expanded to support the expected increase in port container traffic.

The mining sector continues to be underpinned by strong global demand, while several sand and gravel quarry projects have either begun production or aim to start up later this year. Production at the MAX molybdenum mine is slated for August, while several new coal, copper and gold mine developments should begin production later this year. Mining exploration activity remains robust, while a number of new mine developments are currently in the proposal stage, and if approved, could add significantly to construction activity.

The forest products sector is being challenged by the slowdown in the U.S. housing market, a strong Canadian dollar and weak lumber prices. Lumber mills are being impaired the most, as the market is oversupplied, which could spell further plant closures. Canadian lumber exporters should benefit from a rise in Russia's export tax on raw logs, as it moves to develop a domestic processing industry over the next few years. Nevertheless, a broad recovery will require a turnaround in U.S. housing construction, not expected before 2008. Pulp is a bright spot, boosted by strong demand out of China and Western Europe, while excess North American capacity of newsprint could spell further shutdowns for this industry.

Household income growth this year and next is expected to remain strong given sizeable employment gains and personal income tax cuts. Employment growth in B.C. continues to outpace the national average, despite a skills shortage which is exacerbated by Alberta's tight labour market. The provincial government is setting up programs to address this problem. Provincial retail sales were very strong in the early part of this year, with this strength expected to continue through 2008.

Tourism activity in British Columbia has weakened over the past few years, given an appreciating Canadian dollar and the lingering effects of 9/11 and the SARS outbreak. To address these challenges, the B.C. government has developed a long-term Tourism Action Plan, which aims to double tourism revenues by 2015 from \$9 billion in 2003. A number of resort and hotel developments are underway, and vast improvements to transportation networks across the province will increase ease of access. The government aims to increase direct flights by 5% to key European and Asian markets by 2009, and add new cultural centers (such as museums) in Vancouver by 2012. In all, the goal is the creation of more than 80,000 new tourism-related jobs by 2015.

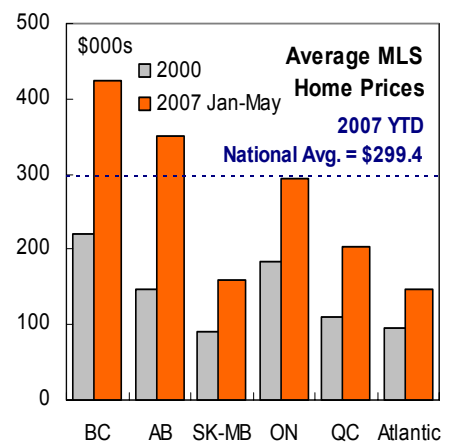
B.C.'s government is addressing other longer-term economic challenges. The recent Trade, Investment and Labour Mobility Agreement between B.C. and Alberta will allow the two economies easier access into one another's markets and labour pools. The provincial government is strongly committed to green initiatives, including the construction of the Hydrogen Highway. Significant spending on social housing is planned over the next few years, to assist low-income families and the homeless faced with high-priced residential property.

### KEY POINTS

- B.C.'s average annual real GDP growth for 2007-08 is expected to be 3.3%, given sizeable construction activity and a vibrant mining sector, although a beleaguered forestry sector continues to be a drag on growth.
- British Columbia's forest product shipments account for one-third of the national total, representing the largest provincial share. They were down 20% y/y for the first five months of 2007.
- In an effort to combat the mountain pine beetle epidemic, British Columbia increased the Annual Allowable Cut in regions where destruction is the highest, thereby accelerating lumber harvested in the province.
- By 2020, container traffic to all North American West Coast ports is expected to rise by about 300% due to surging trade with Asia-Pacific. B.C.'s share of U.S. and Canadian West Coast port activity is 9%.

### PROJECT WATCH LIST

- Numerous Olympics projects
- Prince Rupert & Vancouver port expansions
- Pacific Gateway infrastructure projects
- Lossan & Lodgepole coal mines
- Trans Mountain expansion pipeline
- Kitimat LNG Terminal





# Provincial Trends



## Alberta

**Alberta** will remain a top provincial performer for the foreseeable future, with growth expected to average just over 4% through 2008, and strength to be widespread across all GDP components. Construction activity, largely in the oil sands, remains very robust. Of the many major proposed and commenced projects, the oil sands accounts for the majority, with the remaining comprised largely of infrastructure, institutional and commercial projects. Nearly \$20 billion worth of oil sands developments are due to be completed over the 2007-08 period, while more than a dozen projects valued at almost \$50 billion are proposed to begin construction over the same period. These amounts do not include numerous pipeline projects, which are required to deliver crude products to various markets. Aside from the oil sands, infrastructure (including education and health facilities) will see significant investment over the next few years to service record net interprovincial migration that contributed to a nearly 100,000 increase in Alberta's population last year.

Amid such a rapid pace of construction, costs are on the rise, reflecting shortages of labour and material. As such, some companies are re-evaluating mega-projects. Development and exploration costs are up over 50% in the past two years, while wages for drilling engineers have risen 20% in the past six months alone.

Oil and gas drilling activity in Alberta and across Western Canada has dropped off significantly, with the early spring thaw an additional factor to the falloff in natural gas prices in 2006, forcing drillers to shut down rigs weeks in advance. The utilization rate for active drilling rigs in 2007 is expected to be down significantly from last year because of a falloff in natural gas drilling. Overall oil production will continue to increase as new oil sands projects start up and upgraders are built to convert bitumen into synthetic crude, more than offsetting the ongoing decline in conventional crude oil. Against a backdrop of escalating environmental concerns, rising construction costs, increased taxation of energy trusts after 2010 and Ottawa's phase-out of its accelerated capital cost allowance from 2011 to 2015 for new oil sands projects, a provincial task force is reviewing its provision for accelerated depreciation and Alberta's royalty structure.

The strength of Alberta's employment is affecting labour markets across Canada. Provincial job growth is up 5% y/y in the first half of 2007, compared with 1.9% for the rest of the country. The increased spending power has enabled Alberta to lead the other provinces with the highest retail sales growth this year. With employment expected to grow twice as fast as the national average through 2008, consumer spending in Alberta should remain robust. In the housing market, continuing rapid home price increases have significantly eroded affordability. As such, housing starts should edge lower through the forecast period but remain at a historically high level.

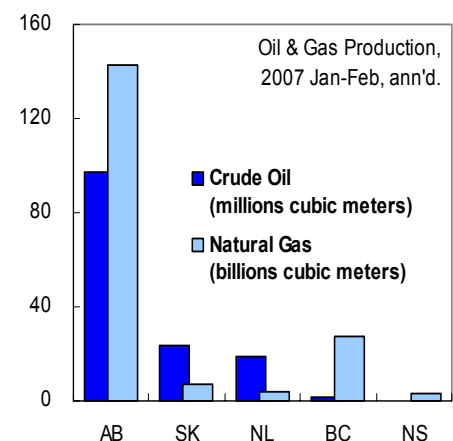
Alberta's information, communication and technology (ICT) sector continues to expand. The province is investing \$130 million with the ultimate goal of capturing a \$20 billion market share of the world's nanotechnology market by 2020. In agricultural biotechnology, the province is home to over 160 biotech companies, associations and research organizations. Alberta has also signed two technology agreements with China, for a total of four now, which will aim to improve business ties between the two economies.

### KEY POINTS

- Expect average annual GDP growth of 4.1% over 2007-08 for Alberta's economy, driven by broad-based strength.
- Construction activity remains robust and is not exclusive to the oil sands. However, cost escalation and labour shortages are forcing some major projects to re-evaluate plans.
- Drilling activity is expected to be significantly lower this year, particularly for natural gas.
- Employment conditions remain strong in the province, although labour shortages are growing, mainly for skilled workers.

### PROJECT WATCH LIST

- Province's Capital Plan calls for multi-billion dollar infrastructure investment for FY07-09
- Canadian Natural Resources' Horizon oil sands project
- Suncor's Firebag and Voyageur oil sands projects
- Fort Hills' Sturgeon upgrader and Fort Hills oilsands project
- Imperial Oil's Kearl Lake oilsands project
- Albian Sands' Scotford and Muskeg River expansions
- Total Canada's bitumen upgrader
- Synenco's Northern Lights upgrader
- Four new office tower projects in downtown Calgary





# Provincial Trends



## Saskatchewan / Manitoba

**Saskatchewan** should enjoy solid economic growth averaging 3.1% this year and next. Strong global demand for potash and uranium has led to increased extraction and exploration. Chinese demand for potash is supportive for prices, as is Russia's closure of a flooded potash mine (representing 2% of global supply). Saskatchewan's producers have aggressive plans to expand capacity going forward.

The outlook for uranium is quite positive. Long-term global demand is up significantly, with the number of nuclear reactors under construction, scheduled or proposed at about 250. Last year's flooding of the Cigar Lake mine has postponed initial production until 2011, dampening large-scale capacity additions in the short-term. Diamond exploration is yielding promising results. The government is encouraging heavy oil producers to upgrade their product within the province, and encouraging CO<sub>2</sub> capture and storage opportunities. Prospects for Saskatchewan's agricultural industry are looking up. Grain as well as canola prices are on the rise, underpinned by strengthening global ethanol and biodiesel demand, increasing seeding intentions by farmers this year. Wheat prices are also being lifted by restricted global production. Livestock producers, on the other hand, are facing higher feedstock costs.

Non-residential construction activity will slow this year as potash expansions wind down, although multi-year infrastructure investments continue to boost spending. Although employment growth for the first half of 2007 was quite strong, it has slowed in recent months. Still, a provincial sales tax reduction in October 2006 and a booming housing market should provide ongoing support to household spending. Saskatchewan's knowledge-based economy continues to grow as a research and development hub. A new centre, focusing on the commercialization of new technologies, recently opened, joining other innovation infrastructure such as the Canadian Light Source Synchrotron and the Greenhouse Gas Technology Centre.

**Manitoba** should see solid economic growth just below the 3% mark over 2007-08. Public-sector construction activity, particularly for new hydro-generating capacity, will boost capital spending. One major hydro project, the Wuskwatim dam, is under construction with a larger project, the Conawapa dam, proposed. On the residential side, Manitoba is one of few provinces to experience a pickup in housing starts this year due to favourable economic trends and affordability.

Mining exploration projects are receiving strong support from the provincial government through increased funding and reduced paperwork. Seven advanced exploration projects are currently underway for base and precious metals. A new nickel mine at Bucko Lake aims for production to start by early 2008. Manitoba's manufacturing sector will benefit from strong transit bus deliveries because of a large pickup in new orders. Pork processing will get a boost from the addition of a second shift at the Brandon plant by mid-2008, and could benefit further from a proposed slaughterhouse in Winnipeg. A sizeable Canadian military plane order as well as production start-up for Boeing's new 787 Dreamliner are supportive for aerospace parts.

Manitoba farmers have expanded corn acreage by about 30% at the expense of soybean crops in response to strong North American demand for ethanol. Rising prices have also spurred increased land-use to grow canola. Manitoba's cattle producers send most of their stock south of the border for processing, and this bodes well for exports following an easing of restrictions by Japan and South Korea on U.S. beef. Multi-year reduction of households' tax burden will provide support for household spending.

### KEY POINTS

- **Saskatchewan's** economy should average growth of 3.1% over 2007-08, given strong potash and uranium shipments.
- Vibrant housing demand in Saskatchewan is boosting home prices, while housing starts, year-to-date, are up 62% y/y.
- **Manitoba** should average close to 3% growth over 2007-08, similar to Saskatchewan.
- Construction activity in the province is largely public-based, given a number of sizeable infrastructure projects underway.

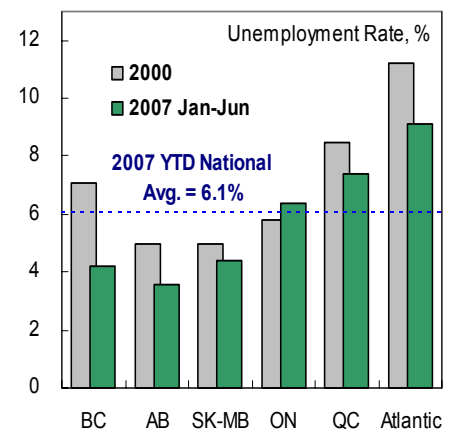
### PROJECT WATCH LIST

#### Saskatchewan

- Expansions at McArthur River uranium mine and Key Lake mill
- Lanigan potash mine expansion
- Heavy oil upgrader expansion at Lloydminster
- Cigar Lake uranium mine
- SaskPower clean coal power plant

#### Manitoba

- Wuskwatim dam
- Red River Floodway expansion
- Winnipeg International Airport improvements
- Bucko Lake nickel mine







# Provincial Trends



## Ontario

Ontario's economy is expected to remain in the slow lane of GDP growth, averaging just under 2% in 2007-08. Ontario has reported economic growth below the national average since 2005 — the longest string of underperformance in at least three decades. The province's export-sensitive manufacturing sector continues to be weighed down by slowing U.S. demand, foreign competition and an appreciating Canadian dollar.

The province's auto sector is mired in a big slump. GM, Chrysler and Ford are actively restructuring their operations to stem their loss of market share, pumping over \$5 billion into modernization projects (included in this figure are several auto parts manufacturers). A number of these projects involve "flexible manufacturing" upgrades, which will allow auto manufacturers to build multiple vehicle platforms at the same plant. Unlike the United States, no auto plants are scheduled to shut down in Canada, however a production line has been scheduled for closure in Oshawa, and a number of auto parts manufacturers have been forced to close in the face of rising operating costs and a stronger Canadian dollar. Auto and auto parts manufacturing accounts for approximately 20% of Ontario's GDP. Despite soft demand in the United States, the industry will receive a boost from the start-up of a new Toyota plant in 2008.

Adding to Ontario's manufacturing woes, difficulties persist for the province's forest products sector. Lumber and wood products are in a slump as a weak U.S. housing market has lowered demand, while Ontario's newsprint mills face consolidation. Manufacturing consolidation isn't exclusive to the auto and forestry sectors, as numerous plant closures, layoffs and downsizing efforts have been announced in other industries. Key bright spots exist, however, including Ontario's mining sector, which is currently riding a wave of high global demand. In an effort to aid the manufacturing sector, the federal and provincial government are providing temporary tax incentives for machinery and equipment acquired between this year and the end of 2008, and increased capital cost allowance rates for certain assets such as plants, computers and pipelines.

Public and private non-residential construction should expand moderately in 2007 and 2008. Several large mining developments and numerous new office towers are currently underway in addition to the revitalization in the auto sector. Public investment will be significant over the forecast period as the provincial government undertakes several large-scale infrastructure projects. Specifically, the government's ReNew Ontario plan (coming to an end in 2010) covers health care, education, transportation and urban transit. The new MoveOntario 2020 plan targets rapid transit in the GTA and Hamilton starting in 2008, in order to alleviate congestion across this busy commuter corridor.

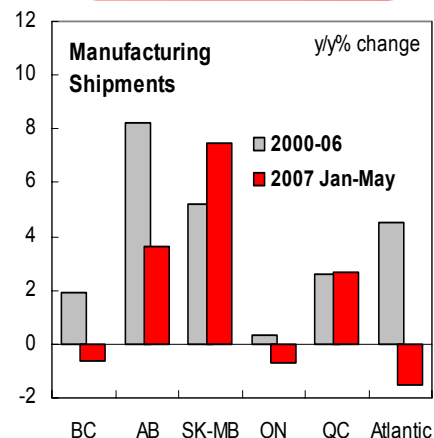
Employment growth and retail sales will likely stay on a modest growth trajectory through 2008, as service sector job gains are tempered by further factory job losses. To support modest-income families, the province has introduced targeted assistance and the hourly minimum wage is slated to rise between 2008 and 2010. Provincial spending plans continue to focus on education, health care and social assistance. Of the money going to education, part is planned for further hiring of new elementary school teachers.

### KEY POINTS

- Weakness in Ontario's manufacturing sector should limit growth to an average of 1.9% over the 2007-08 period.
- Ontario's auto industry is spending significant amounts of money to restructure and further modernize operations to help lower costs and put the industry back on a better footing.
- Forestry remains another woe for Ontario's economy. However, industry restructuring is ongoing.
- Numerous infrastructure projects across the province will boost investment spending over the next few years.

### PROJECT WATCH LIST

- ReNew Ontario infrastructure program
- MoveOntario 2020 rapid transit plan
- 22 green energy projects awarded under government program
- Bruce Power nuclear plant modernization and expansions
- OPG power expansions
- Toyota Woodstock auto plant
- GM's Beacon Project
- Ford Oakville plant modernization
- GM Oshawa plant modernization
- DaimlerChrysler Windsor and Brampton plant modernizations
- Xstrata nickel-copper mine expansions
- De Beers Victor open pit diamond mine development
- New office towers in Toronto





# Provincial Trends



## Quebec

Strong capital investment spending and household income prospects should support **Quebec's** economic growth in 2007 and 2008, which is expected to average 2%. Both public and private sector construction should be robust over the forecast period. On the public side, spending on health, education, infrastructure and utilities continue. The Chute-Allard & Rapides-des-Coeurs (expected to start up in 2008), Peribonka (2008) and Eastmain-1A/Sarcelle/Rupert (2012) hydroelectric mega-projects are major contributors to public investment. On the private side, a slew of iron ore, zinc and nickel mines are under development and the Gros Cacouna LNG terminal has gained government approval to proceed with construction.

Quebec's manufacturing sector outlook is mixed. Much like the rest of Central and Eastern Canada, the province's large forestry sector is restructuring (Quebec's forest product shipments account for 25% of Canadian shipments). The industry continues to downsize amid a weak U.S. housing outlook. A major producer recently announced the temporary shutdown of 18 plants in Quebec, affecting 1,200 workers. The federal government has stepped in to provide funding for research and development, and is helping to expand market opportunities. Newsprint prices are expected to decline this year, given weak U.S. demand. Although Asian demand is on the rise, regional capacity is also increasing, thus limiting Canadian exports to Asia. Pulp sales, on the other hand, should see strong growth over the next two years as Chinese paper producers picks up amid a slowdown in North American demand. However, substantial capacity expansion in Latin America (particularly for hardwood grades) may moderate pulp prices in 2008.

Other parts of manufacturing are also under pressure. A clothing manufacturer announced the relocation of two Montreal plants to South America due to cost pressures, while several pharmaceutical companies are consolidating operations. On the bright side, Quebec's aerospace industry outlook looks very positive given sizeable airplane orders, mainly for regional jets, amid a booming global aerospace market. This will also benefit aerospace parts manufacturers.

Strong job and income growth are supporting household spending. For the year thus far, provincial employment is up 2% y/y, while retail sales are up over 4%. Consumer spending should remain strong for the remainder of this year and next. The pay-equity agreement between Quebec's provincial government and over 300,000 public sector employees has led to strong retail spending thus far in 2007. Further household income support will come from the additional income tax cut approved in the most recent provincial budget, and a hike in the minimum wage by 25¢ to \$8 per hour effective May 2007.

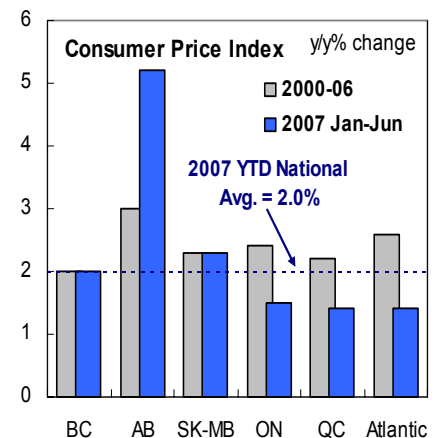
Residential construction has rebounded in the last several months alongside a buoyant resale market, although housing starts in Quebec are expected to finish this year slightly down from last before softening further in 2008. Quebec is one of only three provinces to experience a gain in housing starts so far this year. In 2008, Quebec City's 400<sup>th</sup> anniversary ten-month celebration will take place, helping to boost tourism. The government is spending nearly \$100 million on this event, featuring a range of events and exhibitions. Furthermore, over 30 separate conventions and international events are set to take place in the city next year.

### KEY POINTS

- Strength in construction activity and household spending should see Quebec's growth average 2% over 2007-08.
- Provincial and federal aid will support household income over the next two years, providing a boost to spending.
- The outlook for manufacturing remains mixed, given a beleaguered forestry sector but a vibrant aerospace industry.
- Quebec's forestry sector continues to downsize amid industry restructuring.

### PROJECT WATCH LIST

- Petroleum refinery expansions by Ultramar & Petro-Canada
- Gros Cacouna LNG facility
- Alcan aluminium smelter expansion
- Chute-Allard & Rapides-des-Coeurs hydroelectric developments
- Eastmain-1-A/Sarcelle/Rupert hydroelectric developments
- Peribonka hydroelectric development
- The McGill Health Center, Centre Hospitalier Universitaire de Montreal and Ste-Justine hospital projects
- Highway 175 Parc des Laurentides development
- Thompson and Quinto iron ore mines
- Xstrata's Raglan nickel-copper mine expansion





# Provincial Trends



## Atlantic Provinces

**New Brunswick's** economy should grow close to 2½% in 2007 and 2008.

Construction activity on mega-projects will spur strong investment spending this year before slowing in 2008 as work comes to an end. Additionally, infrastructure spending by the provincial government and two major pipeline projects are supportive. An oil refinery and newly proposed nuclear reactor could spur investment even further next year. The province is making efforts to become the energy capital of the East Coast.

As in the rest of Canada, New Brunswick's forestry sector is restructuring. The provincial government has stepped in to reduce royalty rates on Crown land alongside a two-year (ending 2008) wage freeze for some mill workers. Regardless, several companies, have closed down operations for now. The outlook for fishing is cloudy, with rising operating costs and the impact of a strong Canadian dollar. A drop in the number of lobster landings in some regions, and a reduction in snow crab and herring quotas, will negatively impact revenues this year.

Strong demand will boost the mining sector this year. The Caribou and Restigouche mines, located in northern New Brunswick, should open soon, extracting zinc, lead and copper and providing solid job support to the region. Exploration activity has also picked up. New Brunswick's services sector will benefit from further expansion in the call center industry. This will give the province a much needed boost to employment, which has recorded the lowest growth across the provinces for the year thus far. Although higher job growth is expected later this year and next, high provincial income taxes will temper the boost to household spending.

**Nova Scotia's** economy is expected to post average growth of 2¼% in 2007 and 2008. The forecast could move higher if one of several proposed major construction projects proceeds. Some of the major items on the list are an offshore gas field, a deep-water container terminal, and a petrochemical and LNG plant.

The recent closing of a poultry processing plant and railcar and chocolate factories highlight the challenges facing the manufacturing sector. Providing some support, however, will be activity in the aerospace, shipbuilding and machinery and equipment industries. Furthermore, expansion at a truck tire production facility and resumed operations at a major paper plant will provide much needed support. Growth in the fishing industry is expected to moderate this year, as quotas for crab and pelagic remain low, given rapidly depleting stocks and a strong Canadian dollar. The forestry sector will continue to suffer as lumber and wood product exports decline alongside weak U.S. demand. U.S. competition is mainly pressuring newsprint producers. However, growth is expected in 2008, as the U.S. elections take off and the U.S. economy gradually recovers.

With an additional compression platform at the Thebaud gas field installed late last year, natural gas production will receive a sizeable boost this year before stabilizing in 2008. The provincial petroleum regulator has reduced the cost of exploration licences in an effort to increase oil and gas exploration in the province. Service sector growth will be supportive for Nova Scotia's economy. Halifax is witnessing a pickup in financial services activity as several international financial companies set up shop. Several information technology companies are also moving in, providing a sizeable job boost.

### KEY POINTS

- **New Brunswick's** economy should average growth of 2.4% over the 2007-08 period as strong construction activity offsets sluggish household spending, and as forestry weakness offsets mining sector strength.
- **Subdued investment growth amid sizeable household income gains should see Nova Scotia** average 2.2% growth over 2007-08.
- **Prince Edward Island** is expected to record the lowest growth across the Atlantic provinces, at an average of 1.9% in 2007 and 2008. A cloudy outlook for fishing should offset gains in the potato industry. No major capital projects are planned over the forecast period.
- **Newfoundland & Labrador** is expected to have the highest growth across the provinces in 2007 before growth cools in 2008. No major private sector capital projects are scheduled, and oil & gas output is expected to level off in 2008.

### PROJECT WATCH LIST

#### **New Brunswick**

- Point Lepreau nuclear plant upgrades
- Canaport LNG plant

#### **Nova Scotia**

- Sydney Tar Ponds cleanup
- The provincial "Route to Prosperity" infrastructure plan
- Dartmouth Crossing retail development

#### **PEI**

- Queen Elizabeth Hospital redevelopment
- Charlottetown waterfront development

#### **Newfoundland & Labrador**

- Duck Pond copper-zinc mine development
- Canadian Forces Station St. John's infrastructure upgrade



# Provincial Trends

## Atlantic Provinces (continued)

**Prince Edward Island** should post the lowest growth across the Atlantic provinces at just under 2% in 2007-08. No new major projects are planned over the next two years, and several small infrastructure projects will not be enough to reverse a decline in investment spending. However, broad personal income tax cuts should provide a boost for household spending.

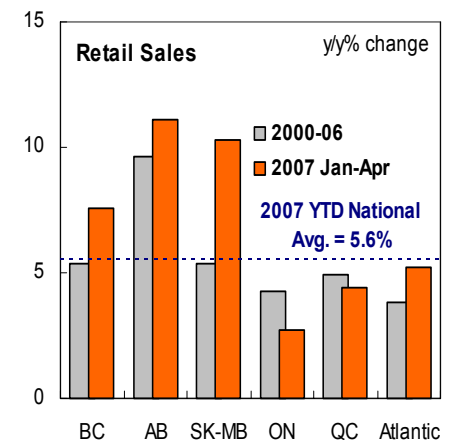
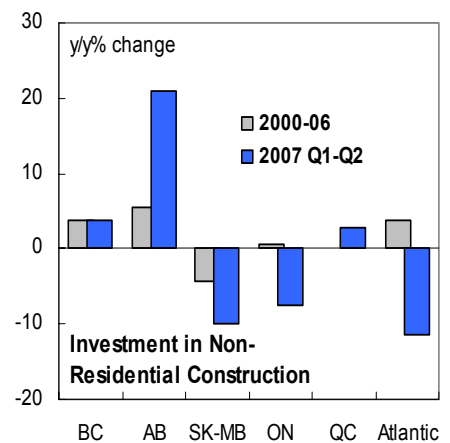
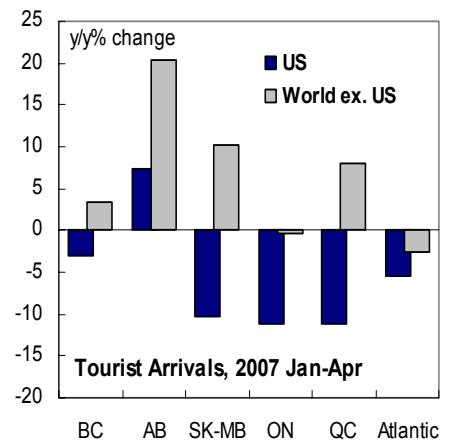
The goods-producing sector should see flat to moderate growth this year as weakness in lobster fishing offsets potato production gains. Two-thirds of PEI exports come from the agri-food sector which is primarily dominated by potatoes and lobsters. Better managed potato acreage, given an acreage cap, bodes well for pricing prospects. Furthermore, poor weather conditions have been affecting European harvests. The lobster fishery, on the other hand, is expected to face weak demand, exacerbated by the strong Canadian dollar and a labour shortage. A mild winter left mussels exposed to sea ducks, negatively affecting mussel growers.

Demand for tug boats and expansions in the aerospace and pharmaceutical industries should boost manufacturing in the province. The launch of PEI's "Gentle Island" marketing campaign, should help to offset the dampening impact of a stronger Canadian dollar, higher gasoline prices and new cross-border ID requirements. Two major golf tournaments this summer and a number of concerts and festivals will support services, while a major investment management firm and a leading human resources firm both set up shop this year.

**Newfoundland & Labrador** will lead the Atlantic provinces in overall growth this year with a 4.8% advance before dropping to 1.2% in 2008. The province will benefit from mining and oil & gas extraction this year, given the resolution of earlier labour and production issues. An expansion at the White Rose oil field late last year is providing an additional output boost. Oil and gas production is expected to level off in 2008, as production peaks at the Hibernia and Terra Nova fields. Following labour issues last year and given strong pricing, nickel production should increase this year. Production started up at the Duck Pond mine earlier this year, providing a boost in output for copper and nickel. Exploration activity for uranium, iron ore and oil and gas remains vibrant.

Newfoundland & Labrador's seafood processing industry is finding it difficult to replace older workers, given relatively low wages and competition amongst Atlantic Canada's fisheries for the small pool of available workers. Shrimp and crab production are expected to remain the same as last year, although a modest increase in the E.U.'s import tonnage cap for cooked and peeled cold-water shrimp should be of some benefit. Newsprint mills continue to push through cost-cutting initiatives, although further shutdowns could be required.

Private investment should decline this year and next as no major projects are on the horizon. Potential projects, including the Lower Churchill dam, a second refinery at Placentia Bay and development of the Hebron and Hibernia South oil fields remain on hold. The services sector could see stronger tourism activity this year due to an increase in convention and cruise bookings, although Canadian dollar strength continues to pose a threat. Household incomes and retail sales will get a boost from tax cuts passed in the last provincial budget, although a diminishing population and net westward outflow of workers could limit the impact.







# Provincial Trends

## Forecast Table

	<u>1990-2005</u>	<u>2006</u>	<u>2007f</u>	<u>2008f</u>	<u>1990-2005</u>	<u>2006</u>	<u>2007f</u>	<u>2008f</u>	<u>2006</u>	
	<u>Real GDP</u> (annual % change)				<u>Budget Balance, FY Ending March 31</u> (\$ mn)				<u>Nominal GDP</u> \$ bn %share	
<b>Canada</b>	<b>2.6</b>	<b>2.8</b>	<b>2.4</b>	<b>2.5</b>	<b>-11,256</b>	<b>13,218</b>	<b>9,200</b>	<b>3,300</b>	<b>1438.4</b>	<b>100.0</b>
Nfld	2.5	2.8	4.8	1.2	-329	199	76	261	22.7	1.6
PEI	2.5	2.0	1.8	2.0	-30	1	1	2	4.3	0.3
Nova Scotia	1.9	1.1	2.0	2.3	-228	228	99	118	32.6	2.3
New Brunswick	2.2	2.6	2.3	2.4	-69	244	35	37	25.3	1.8
Quebec	2.1	1.7	1.8	2.2	-2,206	37	607	653	284.5	19.8
Ontario	2.6	1.9	1.7	2.1	-4,580	298	310	-400	551.7	38.4
Manitoba	1.9	3.3	2.8	2.9	na	375	166	175	43.7	3.0
Saskatchewan	2.4	0.4	3.2	3.0	-81	400	293	75	45.0	3.1
Alberta	3.6	6.8	4.5	3.8	1,184	8,551	8,510	2,183	241.9	16.8
British Columbia	2.7	3.6	3.2	3.4	-515	3,090	4,056	400	180.0	12.5
	<u>Employment</u> (annual % change)				<u>Unemployment Rate</u> (annual average, %)				<u>Population</u> mn %share	
<b>Canada</b>	<b>1.4</b>	<b>1.9</b>	<b>2.1</b>	<b>1.2</b>	<b>8.7</b>	<b>6.3</b>	<b>6.1</b>	<b>6.2</b>	<b>32.30</b>	<b>100.0</b>
Nfld	0.2	0.7	1.4	0.9	17.6	14.8	13.2	12.8	0.51	1.6
PEI	1.4	0.6	1.7	0.6	14.0	11.0	10.1	9.9	0.14	0.4
Nova Scotia	0.9	-0.3	1.5	0.7	11.0	7.9	8.0	8.0	0.93	2.9
New Brunswick	1.0	1.4	1.3	1.0	11.4	8.8	8.0	8.1	0.75	2.3
Quebec	1.1	1.3	2.0	1.0	10.4	8.0	7.4	7.6	7.65	23.7
Ontario	1.3	1.5	1.2	0.9	7.9	6.3	6.6	6.6	12.69	39.3
Manitoba	0.8	1.2	1.4	1.0	6.6	4.3	4.7	4.8	1.18	3.6
Saskatchewan	0.4	1.7	2.5	1.2	6.3	4.7	3.8	3.6	0.99	3.1
Alberta	2.2	4.8	4.6	2.4	6.5	3.4	3.4	3.2	3.38	10.5
British Columbia	2.2	3.1	3.1	1.9	8.4	4.8	4.2	4.2	4.31	13.3
	<u>Housing Starts</u> (annual, 000s of units)				<u>Motor Vehicle Sales</u> (annual, 000s of units)				<u>Merchandise Exports</u> \$ bn %share	
<b>Canada</b>	<b>168</b>	<b>227</b>	<b>210</b>	<b>195</b>	<b>1,391</b>	<b>1,614</b>	<b>1,650</b>	<b>1,610</b>	<b>709.1</b>	<b>100.0</b>
Atlantic	11	12	10	10	100	110	111	109	38.5	5.4
Nfld	2.2	2.5	2.4	2.2	na	na	na	na	8.9	1.2
PEI	0.7	0.9	0.8	0.7	na	na	na	na	1.9	0.3
Nova Scotia	4.5	4.8	4.6	4.1	na	na	na	na	12.1	1.7
New Brunswick	3.2	4.0	3.8	3.4	na	na	na	na	15.7	2.2
Quebec	36	48	46	40	356	396	392	378	139.4	19.7
Ontario	62	73	64	60	544	601	592	567	329.6	46.5
Manitoba	3	5	5	5	40	44	46	45	23.1	3.3
Saskatchewan	2	4	5	5	35	38	43	44	23.6	3.3
Alberta	25	49	46	43	156	236	268	269	85.8	12.1
British Columbia	29	36	34	32	160	189	198	198	69.1	9.7