



# Provincial Trends

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## Construction and Services Remain Growth Engines

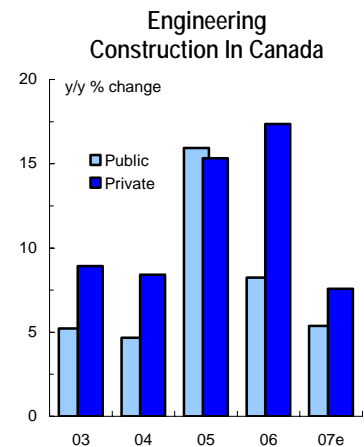
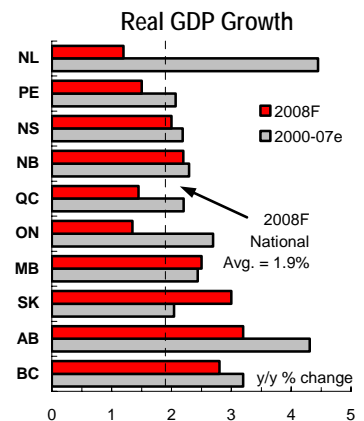
A combination of factors — heightened foreign competition, a soaring loonie, and more recently, a weakening U.S. economy — are restraining Canada’s overall economic performance, with the manufacturing sector bearing the brunt of the slowdown. National output growth is expected to decelerate from an average of 2.6% in 2007 to 1.9% in 2008.

At the same time, however, non-residential construction and ongoing strength in service industries are providing enough forward momentum across the provinces to offset these headwinds. Construction activity, in particular, is receiving solid support from both private and public sectors, mainly for spending on infrastructure.

Federal, provincial and municipal governments have announced significant multi-year infrastructure investments. Faced not only with the need to upgrade roads, bridges and water treatment systems, Canada is also challenged by a growing economy and population base. At the provincial level, British Columbia, Ontario and Quebec propose ambitious longer-term transit development. Alberta faces a critical need to upgrade the infrastructure surrounding the oil sands. Quebec is spending a substantial amount on super-hospital projects, as well as investing in power generation and transmission facilities. On the East coast, the Atlantic Gateway initiative aims to increase port activity alongside an improved transportation network.

Although most provinces are expected to witness some softening in growth in 2008, there will continue to be significant regional disparities between the Western, Central and Atlantic provinces:

- The West will continue to lead with average growth of 3.0%, underpinned by the booming energy and mining sectors.
- Central Canada, mired by weakness in its export-oriented manufacturing sectors, will trail the national average with 1.4% growth in 2008.
- Similar to the West, average growth of 1.8% in the Atlantic provinces will be supported by the continuing resource boom.



British Columbia: Portal to Asia and the 2010 Olympics .....	2
Alberta: Outsized oil sands growth continues .....	3
Saskatchewan / Manitoba: In the midst of a natural resource boom .....	4
Ontario: Suffering from manufacturing malaise .....	5
Quebec: Public infrastructure spending to lead .....	6
Atlantic Canada: A part of Canada's booming energy sector .....	7-8
Forecast Table .....	9

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## British Columbia

**British Columbia** will remain one of Canada's growth leaders this year with output growth of 2.8%. Construction activity will continue to drive provincial growth, as it ramps up towards the 2010 Vancouver Winter Olympics. The expansion and upgrade of B.C.'s transportation network continues at a strong pace, with more than \$10 billion to be spent between 2005 and 2013. The Pacific Gateway initiative is progressing. The Port of Prince Rupert, the closest North American port to Asia, opened its new 500,000 TEU (twenty-foot equivalent unit) container terminal in September 2007, with significant expansion planned for the future. Vancouver's downtown core has one of the lowest office vacancy rates in Canada, spurred by strong demand amid a lack of available development sites. Residential construction, on the other hand, is expected to fall off this year, following a sizeable gain in 2007. British Columbia features the lowest home affordability across Canada.

B.C. experienced sizeable employment gains in 2007, though a slower pace should emerge in 2008. Coupled with a high level of migration inflow from other provinces and internationally, this will benefit household spending. The province faces a growing labour shortage, however, and recruitment efforts at home and abroad have intensified. For example, the start of 2008 marked an end to the government's mandatory retirement policy at the age of 65. In addition, post-secondary educational links are being created between British Columbia and Asia, which could translate into a source for future labour force growth in the province.

British Columbia's mining sector is benefitting from robust global demand for metals and minerals. Two major projects were halted at the end of 2007, including the Galore Creek mine due to cost escalation. A power line development — to have been shared by a number of projects in the region including Galore Creek — was scrapped, putting them at risk of similarly not proceeding. Natural gas drilling is expected to decline in 2008 given a weak pricing environment. However, 2007 represented the strongest year on record for oil and gas drilling lease rights in the province, which could bode well for the industry's future.

Consolidation efforts continue in B.C.'s beleaguered forestry sector as mills face closure. In addition to the ongoing mountain pine beetle epidemic, the industry is being hampered by a high soaring loonie, weak lumber prices and declining U.S. housing demand. The pulp and paper industry is being dogged by rising costs and declining newsprint demand.

The service sector continues to provide strong support to the economy in such areas as research and development and high-tech. The Centre for Digital Media was recently created to position British Columbia as a world leader in digital media. The province has grown into one of the world's largest video game development centres. Additionally, Microsoft has opened a development centre in Vancouver to draw skilled high-tech workers from around the world. Another key sector, B.C.'s film industry, is one of the largest production centres in North America. However, a three-month strike by Hollywood television and movie writers, which has finally come to an end, alongside a strong Canadian dollar, has weighed on the industry's performance.

### KEY FORECASTS

	2007e	2008f	2009f
	(annual % change)		
Real GDP	3.0	2.8	3.2
Employment	3.2	1.9	1.8
Unemployment Rate (%)	4.2	4.1	4.0
Housing Starts (000s)	39	34	32

### MAJOR PROJECT WATCH LIST

#### RAV Canada Line

- Cost: \$1.9 billion
- 19 km rapid transit line covering the Richmond-Vancouver corridor

#### Trans Mountain pipeline expansion

- Cost: \$1.5 billion (for B.C. portion)
- pipeline from Edmonton, AB to Burnaby, BC to carry 640,000 bpd of oil

#### Vancouver Convention Centre expansion

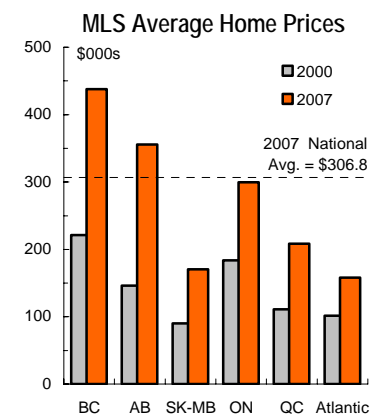
- Cost: \$883 million

#### Prince Rupert port expansion

- Cost: \$770 million
- container terminal expansion from 500,000 to 2 million TEUs

#### Gateway Program — Golden Ears Bridge

- Cost: \$808 million
- six-lane bridge to span Fraser River





## Alberta

Alberta's output growth should post a province-leading 3.2% gain in 2008. Robust construction activity in the oil sands (over \$50 billion worth of investment) is currently underway, including a sizeable expansion of pipeline capacity to export energy products to North American markets. Aside from the energy sector, significant spending is being targeted at roads and highways, health care, education and commercial developments across the province. Transportation and transit spending totals over \$15 billion for projects currently being proposed or under construction. A plan dubbed 'Port Alberta' aims to transform the region surrounding Edmonton into a major North American warehousing, distribution and multi-nodal hub linked by road, rail and air to seaports along the West Coast. The Edmonton International Airport is embarking on a \$1 billion expansion.

On the residential side, construction appears to have peaked, but will nonetheless remain at high levels. After leveling off in 2007, housing starts are expected to edge down in 2008, largely a result of lower migration to the province and declining housing affordability. Alberta experienced a notable slowing in net interprovincial migration flows last year as existing home prices skyrocketed nearly 25%.

Non-conventional 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 oil. However, the sector faces some major obstacles — soaring construction costs, higher royalties from 2009 onwards, increased taxation of energy trusts after 2010, Ottawa's phase-out of its accelerated capital cost allowance from 2011 to 2015 for new oil sands projects and escalating environmental concerns. In response to the royalty tax hike, natural gas drilling activity has fallen off significantly. However, although energy companies may have to reassess longer-term plans, a backlog of major projects should keep the province in the economic fast lane for the foreseeable future.

In recent years, Alberta has come to rely on labour from outside of the province to fill its growing need for workers. Given the ongoing high level of economic activity, the province faces a growing labour shortage. Alberta has intensified efforts to draw foreign workers to the province, particularly for specialized trades, including such industries as manufacturing, hospitality, engineering, health care and emergency services. Employment growth in 2007 — just below 5% y/y — grew at twice the pace of the national average, while the unemployment rate was a mere 3.5% (versus 6.0% nationally). While employment growth is expected to slow in 2008, unemployment should remain at an all-time low. Strong employment growth, coupled with solid income support, will continue to bolster household spending in the province, following outsized growth in 2007.

Export opportunities in agriculture have also increased. Since the BSE-induced import ban was lifted on Alberta beef products, market share has been rising in a number of international markets. Moreover, the reopening of the Canada-U.S. border to older, live cattle and beef products last November should further support exports in 2008.

## KEY FORECASTS

	2007e	2008f	2009f
	(annual % change)		
Real GDP	4.4	3.2	3.2
Employment	4.7	2.0	1.7
Unemployment Rate (%)	3.5	3.5	3.5
Housing Starts (000s)	48	42	40

## MAJOR PROJECT WATCH LIST

**Fort Hills oilsands project**

- Cost: \$15.2 billion
- to produce 280,000 bpd of synthetic crude by 2015; project includes upgrader

**Project Horizon, phases 1-3**

- Cost: \$10.9 billion
- production of synthetic crude of 110,000 bpd in 2008 and 500,000 bpd by 2015

**Scotford oilsands expansion**

- Cost: \$5.6 billion
- includes expansion of upgrader and addition of third bitumen processing train

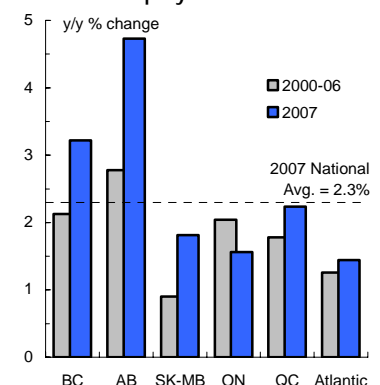
**Muskeg River oilsands expansion**

- Cost: \$5.0 billion
- features a 100,000 bpd expansion

**Northwest oilsands upgrader project, phase 1**

- Cost: \$2.9 billion
- to process 77,000 bpd in 2010, 231,000 bpd in 2015 if phases 2-3 go ahead

## Employment Growth





## Saskatchewan / Manitoba

Surging mining activity and strong domestic demand should underpin expected economic growth in **Saskatchewan** of 3.0% in 2008. Strong global demand for potash — a key ingredient in fertilizer — will keep production at high levels. Further output capacity will be added as two major producers recently announced plans to expand their operations over the next few years. Saskatchewan's uranium production is also benefitting from strong global demand, supporting a \$400 million mine development. Energy-related investment in Saskatchewan is also supportive. The province is the second- and third-largest producer of crude oil and gas, respectively, in Canada.

Consumer spending has picked up significantly in the past year, and is expected to remain solid in 2008. A rising inflow of interprovincial and international migration, sizeable employment growth and fiscal stimulus have led to a surge in household income and spending. The province witnessed a residential construction boom in 2007, with housing starts soaring by over 60%, alongside significant upward pressure on home prices. The level of construction should remain firm, but rise at a slower pace, in 2008.

The agriculture sector will benefit from record wheat and canola prices and significant expansion in canola crushing capacity. However, hog producers are under pressure from soft North American prices, Canadian dollar appreciation, high feed grain costs and some downsizing in Canadian primary processing activity. Poultry products could suffer as a strain of avian flu was found at a poultry farm near Regina, giving rise to an import ban on all poultry products by 39 countries since last October.

**Manitoba** should witness solid output growth of 2.5% in 2008, largely due to robust construction activity and high demand for metals and minerals. Construction on the Wuskwatim dam will pick up this year as major excavation work commences. The provincial government is interested in turning Manitoba into a North American transportation hub, with projected spending of \$2 billion over the next five years on highways and bridges. Consumer spending should continue to benefit from strong employment and wage growth momentum from last year, coupled with sizeable fiscal support and a high rate of international immigration.

The manufacturing sector will benefit from strong demand for transportation products, particularly aerospace parts and buses. Boeing Winnipeg is producing components for Boeing's new Dreamliner aircraft, featuring a sizeable backlog of orders expected to keep the plant busy over the next few years. Bus manufacturers are busy with a backlog of orders, particularly for low-emission buses. New Flyer Industries announced firm new orders for 794 buses late in 2007. The agricultural outlook is mixed. The U.S. ban on older cattle and beef product imports was finally lifted late last year. However, China has recently placed a ban on some pork product imports from the province due to the use of a feed additive.

Manitoba's mining sector is experiencing one of the highest increases in exploration growth in Canada. The province introduced a 10% mineral exploration tax credit in 2002 and features a popular assistance program, which have boosted mining investment in the province. The Bucko nickel mine is expected to come on line this year, increasing mining production.

## KEY FORECASTS

**SASKATCHEWAN**

	2007e	2008f	2009f
	(annual % change)		
Real GDP	3.8	3.0	2.8
Employment	2.1	1.1	1.1
Unemployment Rate (%)	4.3	4.0	3.9
Housing Starts (000s)	6	5	4

**MANITOBA**

	2007e	2008f	2009f
	(annual % change)		
Real GDP	3.0	2.5	2.7
Employment	1.6	1.2	0.9
Unemployment Rate (%)	4.4	4.2	4.0
Housing Starts (000s)	6	5	5

## MAJOR PROJECT WATCH LIST

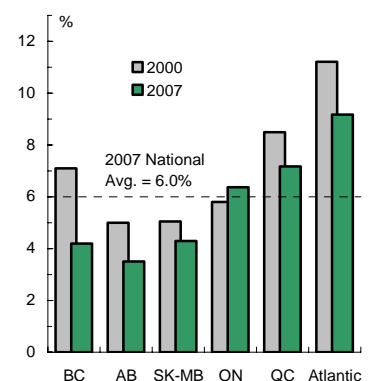
**SASKATCHEWAN****Cory potash mine expansion**

- Cost: \$844 million
- will increase potash production at facility by 1.2 million tonnes

**MANITOBA****Wuskwatim hydroelectric station**

- Cost: \$1.3 billion
- will generate 200 MW of power mainly for export outside the province

## Unemployment Rate





# Provincial Trends



## Ontario

Weakness in Ontario's export-oriented sectors, particularly manufacturing and forestry, will limit output growth to 1.4% in 2008. Strength will largely emanate from the buoyant construction and service sectors. A steadily dropping office vacancy rate in downtown Toronto has led to a boom in office and hotel development. A number of large mining developments are also underway.

The largest contribution to construction activity, though, will come from the public sector over the next few years as the province continues with its 'ReNew Ontario' and commences its 'MoveOntario 2020' transportation and transit plans. The provincial government recently promised \$1.4 billion in strategic infrastructure spending, with most of the funding to cover municipal needs, directed largely towards the Golden Horseshoe region. Refurbishment work at the Bruce A Tiverton nuclear station will continue through 2008 before winding down in 2009.

A strong Canadian dollar, high oil prices and a weakening U.S. economy are taking their toll on the province's large manufacturing sector. Ontario's vast auto sector — which represents nearly 40% of provincial exports — will continue to cut back vehicle output and parts shipments in 2008, due to softening U.S. demand and continued industry restructuring. Ongoing losses in employment and market share, as well as a declining order backlog in the auto parts sector, will contribute to the slowdown. Prospects, however, should begin to improve in late 2008, as Toyota opens its new vehicle assembly plant in Woodstock, and General Motors starts production at its flexible car plant in Oshawa.

Furthermore, the provincial and federal governments have introduced accelerated capital cost allowance rate schedules for machinery and equipment purchases until the end of 2008. To offer additional assistance, the provincial government has announced \$1.1 billion in business tax reductions over the next three years, particularly to the manufacturing and forestry sectors.

Employment gains in the large service sector should help counter further losses in the manufacturing sector, supporting moderate consumer spending growth. Ontario's financial and business services sector is sufficiently large and well diversified to withstand recent financial market turmoil. The large wholesaling sector is benefitting from increased imports. Some private-sector services will, however, be under pressure this year, such as tourism, with the high Canadian dollar exacerbating the decline of almost 40% in overnight U.S. visitors to Ontario to date this decade.

Across the large spectrum of knowledge-based industries stretching from Windsor to Ottawa, IT services and biotechnology continue to expand. In the Toronto area, the MaRS Discovery District — created to connect researchers, entrepreneurs and investors — began a stage 2 expansion project at its research complex late last year and is expected to finish in 2010. Canada's Technology Triangle (CTT) — a partnership between the cities of Cambridge, Kitchener and Waterloo — is witnessing an inflow of high-tech companies. Google, for instance, plans to open a professional services centre close to the University of Waterloo's large talent pool. The Waterloo Accelerator Centre is similarly located in the CTT and works to promote the growth of technology startups. The centre currently features 19 such companies.

### KEY FORECASTS

	2007e	2008f	2009f
	(annual % change)		
Real GDP	1.9	1.4	1.7
Employment	1.5	0.9	0.8
Unemployment Rate (%)	6.4	6.8	6.9
Housing Starts (000s)	68	62	60

### MAJOR PROJECT WATCH LIST

#### Bruce A Tiverton nuclear plant expansion

- Cost: \$5.3 billion
- will boost plant's total power output to 6,200 MW

#### Toyota Woodstock auto assembly plant

- Cost: \$1.2 billion
- will build 150,000 RAV4 SUVs

#### OPG Niagara Tunnel project

- Cost: \$985 million
- will divert water to output additional 1.6 billion kilowatt-hours of hydroelectric power

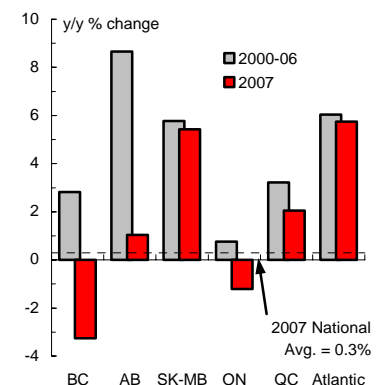
#### GM Oshawa plant modernization

- Cost: \$740 million
- will allow plant to build multiple vehicle platforms, including the new Camaro

#### Chrysler Windsor plant modernization

- Cost: \$610 million
- involves replacement of manual paint operations with a robotic painting line

### Manufacturing Shipments





## Quebec

Public construction activity will be a major contributor to **Quebec's** economic growth of 1.5% in 2008, helping to offset weakness in the manufacturing and forestry sectors. The province has been investing heavily in hydroelectric capacity over the past few years, with two major projects — Peribonka IV and Chute-Allard & Rapides-des-Coeurs — wrapping up construction this year. The province plans to spend \$31 billion in the energy and power sectors over the next ten years, including the Eastmain 1A-Rupert development, an electricity interconnection between Ontario and Quebec, and two proposed LNG (liquefied natural gas) terminals. In addition, the push to green energy has seen a growing interest in wind power development. While the province plans to develop 4,500 MW of additional hydroelectric power over the next decade, it hopes to achieve 4,000 MW through wind-powered sources between 2009 and 2014. Over the next five years, the province has announced \$30 billion in spending on transportation, transit, education, healthcare and other infrastructure.

The Commission de la Construction du Quebec estimates that an additional 14,000 new workers will be required every year, in each of the next four years, to handle the increase in construction activity and to replace workers leaving the labour force. Facing a low birth rate and an aging population, the provincial government has unveiled an aggressive immigration campaign to draw 55,000 newcomers annually to Quebec by 2010. Alongside employment gains, the remaining pay-equity settlement payments paid out in late 2007, and a \$950 million personal income tax cut package by the Quebec government should provide a boost to household spending in 2008.

The manufacturing sector will continue to be challenged as the Canadian dollar remains strong and U.S. demand wanes, particularly for clothing and textiles, chemicals and plastics, primary metals and high-tech products. Wood and paper products will also be challenged in 2008 as the province's sizeable lumber and newsprint sector remains under pressure from significant global overcapacity and reduced demand. The aerospace industry, however, is a bright spot for Quebec as global demand remains solid, particularly for business jet and helicopter production in the province. This, in turn, is benefitting some other areas of manufacturing. A world-leading flight simulator producer, for example, is gaining from continued strong aircraft orders, new aircraft platforms and a growing demand for trained crew members. In order to alleviate some of the Canadian dollar's pressure on the manufacturing sector, the provincial government is offering a further \$620 million in assistance over the next five years.

Quebec is one of the most attractive mining exploration locations in the world, given its considerable mineral reserves, supportive mining regime and R&D, and highly-trained workforce. Significant investment in gold mining is underway, with sizeable new production expected for 2008 and 2009. A staged expansion at the Raglan nickel mine plans to double output by 2013, turning the mine into one of the largest in the world. Additionally, iron ore production will expand in 2009.

The Quebec economy will continue to receive support from its substantial research and development capabilities. A leading flight simulator producer is investing \$630 million to develop new flight simulation technology. A major video game developer is spending \$450 million in an effort to turn Montreal into the world's largest video game development centre. This year marks the 400<sup>th</sup> anniversary of Quebec City and will feature a string of events running through October, supporting the province's tourism industry.

## KEY FORECASTS

	2007e	2008f	2009f
	(annual % change)		
Real GDP	2.0	1.5	1.9
Employment	2.3	1.0	0.8
Unemployment Rate (%)	7.2	7.2	7.4
Housing Starts (000s)	49	45	41

## MAJOR PROJECT WATCH LIST

**Eastmain 1-A/Sarcelle/Rupert dam**

- Cost: \$5.0 billion
- will provide additional electricity capacity of 893 MW

**Super hospital expansions**

- Cost: \$3.6 billion
- covers McGill Health Centre, Centre Hospitalier Universitaire de Montreal, and Ste-Justine hospital expansions

**Route 175 & Highway 25 expansions**

- Cost: \$1.2 billion

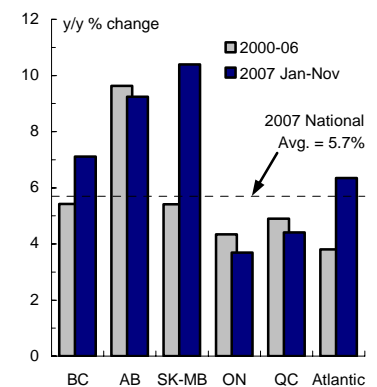
**Peribonka IV hydroelectric station**

- Cost: \$1.2 billion
- will provide additional electricity capacity of 385 MW

**Ontario-Quebec electricity interconnection**

- Cost: \$808 million
- involves the construction of a 1,250 MW interconnection between the two provinces to help meet Ontario's demand for electricity

## Provincial Retail Sales





# Provincial Trends



## Atlantic Provinces

**New Brunswick** is expected to lead the Atlantic provinces with broadly-based growth of 2.2% in 2008. Sizeable construction activity will continue through this year, largely due to three major projects — the Point Lepreau nuclear generating station, the Canaport LNG terminal and a new potash mine. New Brunswick is looking to become the energy hub of the East Coast, with connections not only to Atlantic and Central Canada, but also the northeastern United States. A major pipeline development will commence construction this year, while potential projects such as a new oil refinery and a second nuclear reactor are being proposed to further bolster construction activity.

Due to strong global demand, mining exploration is very active in the province. The seafood sector faces increased foreign competition alongside the high Canadian dollar. The forestry sector continues to consolidate, as several mills were closed last year, including the permanent closure of the Miramichi paper mill. Weak demand will continue to affect newsprint production.

A vibrant service sector is being led partly by growth in the call centre industry. Additionally, the retail sector should benefit from a new Fredericton shopping mall, expected to open its doors this year. Strong employment gains in the service sector will help offset manufacturing and forestry sector losses, underpinning consumer spending in 2008.

Solid construction activity, robust global demand for mining products and a vibrant service sector should boost **Nova Scotia's** economy by 2.0% in 2008. The Deep Panuke development is on schedule to begin construction later this year, while several projects are currently awaiting approval and could boost growth, including the Maple LNG/Keltic petrochemical plant and the Strait of Canso deep-water container terminal.

Nova Scotia's mining sector is benefitting from vibrant metal and mineral exploration activities, although offshore oil and gas exploration is expected to weaken in 2008. Although natural gas production increased by 16% in 2007, following a capacity expansion at the Thebaud gas field, it is expected to remain flat this year. The forestry products sector benefitted last year from full-year production at the Stora Enso paper plant, after a labour dispute crippled operations in 2006. Production at the paper plant, however, appears uncertain, and in addition to weak lumber operations in the province, creates a negative outlook for 2008.

The service sector will benefit from the opening of a number of new technical support centres. Moreover, five financial service companies have announced plans to open offices in Halifax, with an estimated 1,200 jobs being phased in over the next few years. The manufacturing sector was impacted by a number of plant closures last year, including the Maple Leaf poultry processing plant, TrentonWorks railcar plant and the Moirs chocolate factory, affecting over 1,000 jobs. One bright spot is aerospace, benefitting from strong global demand and several major government contracts.

### KEY FORECASTS

#### NEW BRUNSWICK

	2007e	2008f	2009f
	(annual % change)		
Real GDP	2.4	2.2	2.6
Employment	2.1	1.4	1.5
Unemployment Rate (%)	7.6	7.6	7.2
Housing Starts (000s)	4.0	3.8	3.4

#### NOVA SCOTIA

	2007e	2008f	2009f
	(annual % change)		
Real GDP	1.8	2.0	2.5
Employment	1.3	1.1	0.9
Unemployment Rate (%)	8.0	7.7	7.3
Housing Starts (000s)	4.8	4.6	4.1

### MAJOR PROJECT WATCH LIST

#### NEW BRUNSWICK

##### PotashCorp potash mine & mill development

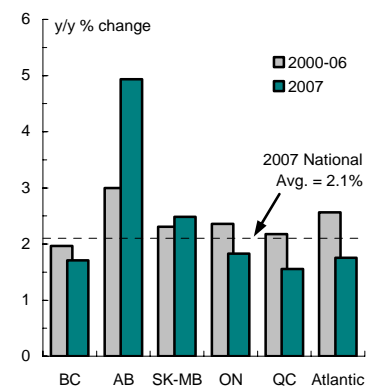
- Cost: \$1.7 billion
- the mine will produce 2 million tonnes of potash per year once completed

#### NOVA SCOTIA

##### Deep Panuke natural gas development

- Cost: \$700 million
- reserves estimated at 630 billion cubic feet over a 13-year lifespan

### Consumer Price Index





## Atlantic Provinces (continued)

**Prince Edward Island** is expected to witness modest growth of only 1.5% in 2008. Although no new major construction projects are on the horizon, several smaller investments will provide support, including the West Cape wind park, a Charlottetown hospital redevelopment and infrastructure spending. Personal income tax cuts introduced by the provincial government for 2007 and 2008 should provide solid support for household spending this year.

Tourism was a strong point for the service sector in 2007, as P.E.I. continues to evolve into a major summer golf destination. Although this strength is expected to continue into 2008, a strong Canadian dollar, high gas prices and stricter passport requirements will have a dampening effect. Expansions in areas such as information technology, business services and bioscience should provide further support. A newly created Office of Biosciences and Economic Innovation will help attract investment for the province's growing bioscience sector.

In 2008, the fishing industry will continue to face a high Canadian dollar, rising operating costs and weaker U.S. demand, particularly for lobster products, which comprise approximately 80% of total fishery exports. The 2008 outlook for potato harvesting appears weak given depressed prices and the strong loonie. P.E.I.'s two meat plants are being impacted by high feed and shipping costs, with a hog plant facing closure.

Economic growth should subside to 1.2% for **Newfoundland & Labrador** in 2008, following a hefty estimated 6.5% gain in 2007, which was powered by a rebound in mining and offshore oil production. Construction activity is expected to slow this year. Looking further ahead, an expansion to the White Rose field should be completed by 2010. The outlook for offshore activity will be further bolstered by additional expansion related to White Rose and the Hebron offshore oilfield project, which should begin construction in 2010. A further boost to growth could come from a proposed second oil refinery. A number of offshore delineation and development wells were drilled last year, and drilling activity should pick up as several energy companies have announced onshore and offshore exploratory plans for the next two years.

In mining, capacity additions will benefit Voisey's Bay nickel production in coming years, including construction of a nickel concentrator. Additionally, iron ore capacity expansion is underway. The brightened energy sector outlook has bolstered consumer confidence in the province. Net interprovincial out-migration has slowed from an annual average of nearly 4,500 in 2005 to an estimated 2,000 for 2007. In addition, sizeable personal income tax cuts announced in last year's budget are also supporting household spending. Housing starts were up nearly 19% in 2007 and retail sales climbed an estimated 9%.

In 2007, the value of snow crab shipments was boosted by both higher prices and landings. The strong Canadian dollar, however, continues to compress producers' margins. Excess capacity in the overall processing sector has led to downsizing, with the most recent event being a crab plant closure late in 2007.

## KEY FORECASTS

**PRINCE EDWARD ISLAND**

	2007e	2008f	2009f
	(annual % change)		
Real GDP	1.9	1.5	1.7
Employment	1.1	1.0	0.6
Unemployment Rate (%)	10.3	10.1	10.1
Housing Starts (000s)	0.9	0.8	0.7

**NEWFOUNDLAND & LABRADOR**

	2007e	2008f	2009f
	(annual % change)		
Real GDP	6.5	1.2	1.6
Employment	0.6	0.5	0.8
Unemployment Rate (%)	13.5	12.8	12.4
Housing Starts (000s)	2.5	2.4	2.2

## MAJOR PROJECT WATCH LIST

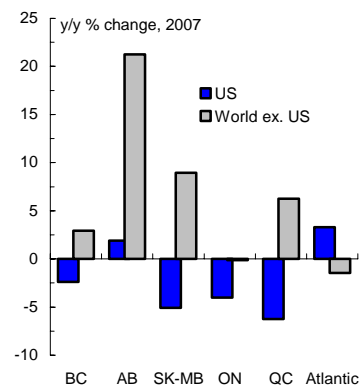
**PRINCE EDWARD ISLAND****Queen Elizabeth Hospital redevelopment**

- Cost: \$52 million
- aimed at reducing wait times for emergency patients and some surgeries

**NEWFOUNDLAND & LABRADOR****South White Rose expansion**

- Cost: \$600 million
- oil production will increase by 24 million barrels

## Tourist Arrivals





## Forecast Table

	<u>2000-2006</u>	<u>2007e</u>	<u>2008f</u>	<u>2009f</u>	<u>2000-2006</u>	<u>2007e</u>	<u>2008f</u>	<u>2009f</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>3.0</b>	<b>2.6</b>	<b>1.9</b>	<b>2.2</b>	<b>10,378</b>	<b>13,752</b>	<b>11,000</b>	<b>4,400</b>	<b>1,446.3</b>	<b>100.0</b>
Nfld	4.2	6.5	1.2	1.6	-419	154	882	n.a.	25.6	1.8
PEI	2.1	1.9	1.5	1.7	-35	24	-42	n.a.	4.3	0.3
Nova Scotia	2.2	1.8	2.0	2.5	-9	182	139	n.a.	32.0	2.2
New Brunswick	2.3	2.4	2.2	2.6	57	237	79	n.a.	25.3	1.8
Quebec	2.2	2.0	1.5	1.9	-180	109	0	n.a.	282.8	19.6
Ontario	2.8	1.9	1.4	1.7	-525	2,269	0	n.a.	557.8	38.6
Manitoba	2.4	3.0	2.5	2.7	n.a.	430	298	n.a.	44.9	3.1
Saskatchewan	1.8	3.8	3.0	2.8	132	293	264	n.a.	45.9	3.2
Alberta	4.3	4.4	3.2	3.2	4,236	8,510	3,988	n.a.	240.0	16.6
British Columbia	3.2	3.0	2.8	3.2	328	4,056	2,125	n.a.	180.3	12.5
	<u>Employment</u> (annual % change)				<u>Unemployment Rate</u> (annual average, %)				<u>Population</u> mn % share	
<b>Canada</b>	<b>1.9</b>	<b>2.3</b>	<b>1.2</b>	<b>1.0</b>	<b>7.1</b>	<b>6.0</b>	<b>6.1</b>	<b>6.2</b>	<b>32.62</b>	<b>100.0</b>
Nfld	1.0	0.6	0.5	0.8	16.0	13.5	12.8	12.4	0.51	1.6
PEI	1.9	1.1	1.0	0.6	11.4	10.3	10.1	10.1	0.14	0.4
Nova Scotia	1.3	1.3	1.1	0.9	8.9	8.0	7.7	7.3	0.93	2.9
New Brunswick	1.3	2.1	1.4	1.5	10.0	7.6	7.6	7.2	0.75	2.3
Quebec	1.8	2.3	1.0	0.8	8.5	7.2	7.2	7.4	7.65	23.5
Ontario	2.0	1.5	0.9	0.8	6.5	6.4	6.8	6.9	12.69	38.9
Manitoba	1.2	1.6	1.2	0.9	4.9	4.4	4.2	4.0	1.18	3.6
Saskatchewan	0.6	2.1	1.1	1.1	5.3	4.3	4.0	3.9	0.99	3.0
Alberta	2.8	4.7	2.0	1.7	4.6	3.5	3.5	3.5	3.38	10.3
British Columbia	2.1	3.2	1.9	1.8	7.0	4.2	4.1	4.0	4.31	13.2
	<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>203</b>	<b>228</b>	<b>204</b>	<b>192</b>	<b>1,593</b>	<b>1,654</b>	<b>1,610</b>	<b>1,625</b>	<b>764.9</b>	<b>100.0</b>
Atlantic	12	12	11	10	110	118	115	116	44.0	5.8
Nfld	2.3	2.6	2.4	2.2	n.a.	n.a.	n.a.	n.a.	11.3	1.5
PEI	0.8	0.8	0.8	0.7	n.a.	n.a.	n.a.	n.a.	2.3	0.3
Nova Scotia	4.7	4.8	4.6	4.3	n.a.	n.a.	n.a.	n.a.	13.5	1.8
New Brunswick	3.8	4.2	3.8	3.4	n.a.	n.a.	n.a.	n.a.	16.9	2.2
Quebec	43	49	45	41	402	408	393	396	147.7	19.3
Ontario	79	68	62	60	623	593	566	571	341.3	44.6
Manitoba	4	6	5	5	44	45	44	45	25.4	3.3
Saskatchewan	3	6	5	4	38	44	45	46	26.8	3.5
Alberta	37	48	42	40	197	249	251	253	107.5	14.0
British Columbia	26	39	34	32	179	197	196	198	72.2	9.4

\* includes interprovincial and international exports