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## THE ECONOMIC OUTLOOK

Don Drummond, SVP & Chief Economist  
April 15, 2010

 **Bank Financial Group**

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*TD Economics provides analysis of economic performance and the implications for investors. The analysis covers the globe, with emphasis on Canada, the United States, Europe and Asia.*

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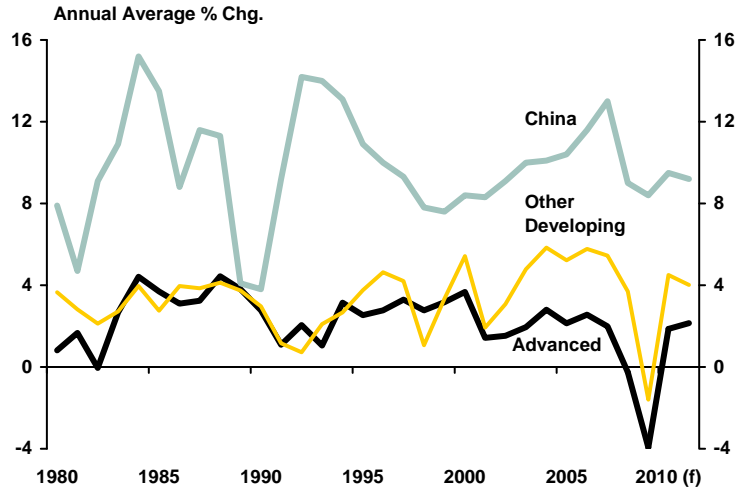
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# SYNCHRONIZED GLOBAL RECOVERY



GLOBAL



\*Forecast of 2009-2010 by TD Economics as of March 2010; Source: IMF

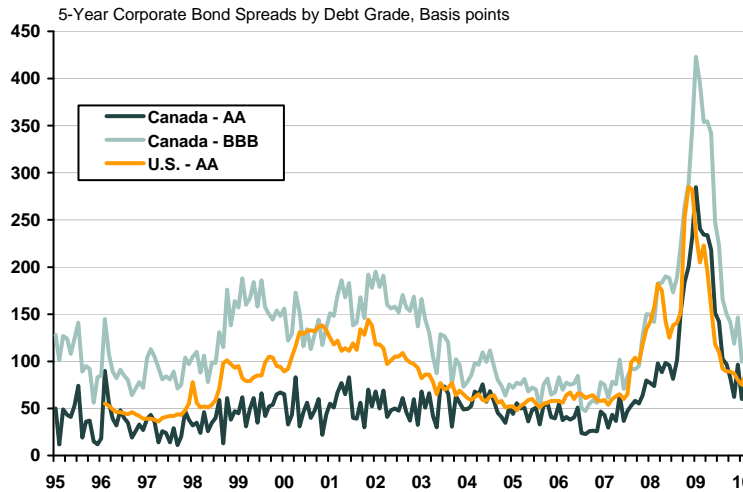
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# FINANCIAL RISKS HAVE ABATED



CANADA AND U.S.



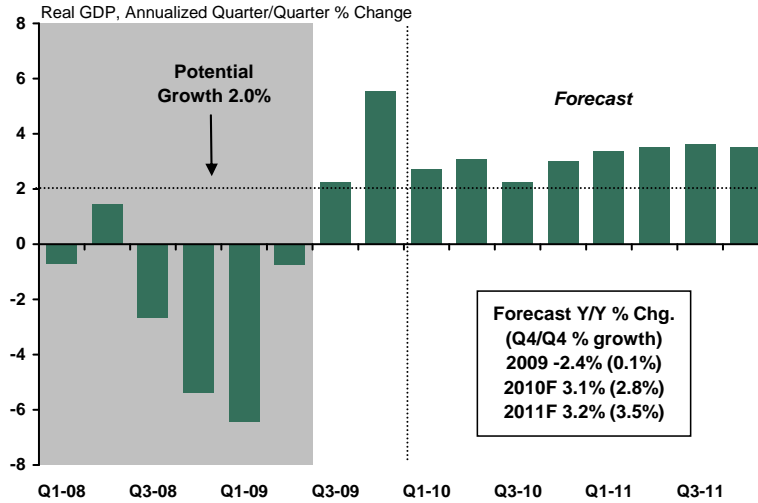
\*corporate bonds against government bonds, monthly data, last plotted March 2010; Source: Standard & Poor, Federal Reserve, Bloomberg, Bank of Canada, Haver Analytics

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# U.S. RECESSION HAS ENDED

U.S.



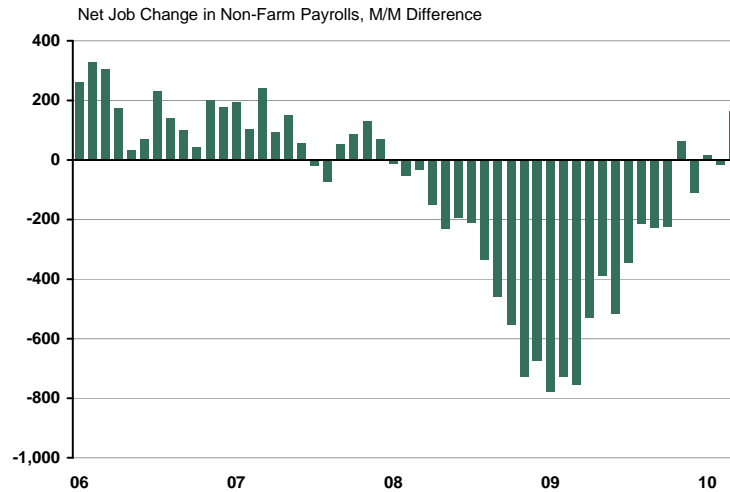
Forecast by TD Economics as at March 2010;  
Source: Bureau of Economic Analysis/Haver Analytics

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# JOB MARKET IS IMPROVING

U.S.



Source: Bureau of Labor Statistics

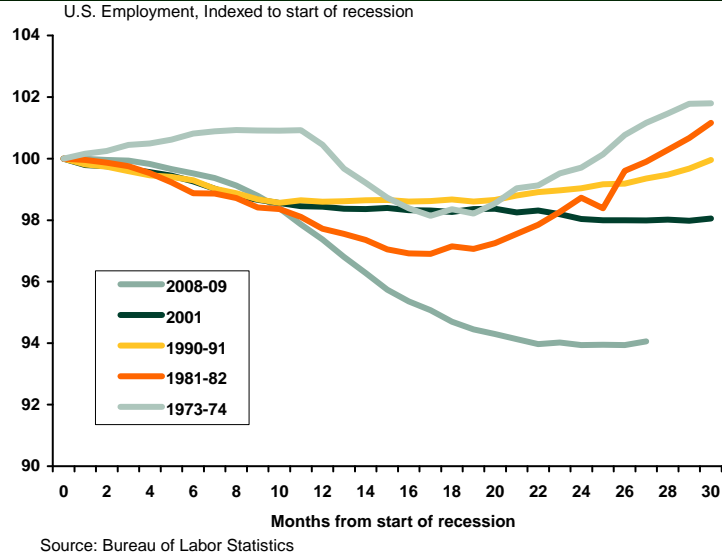
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# BUT RECOVERY WILL BE A LONG ROAD



U.S.



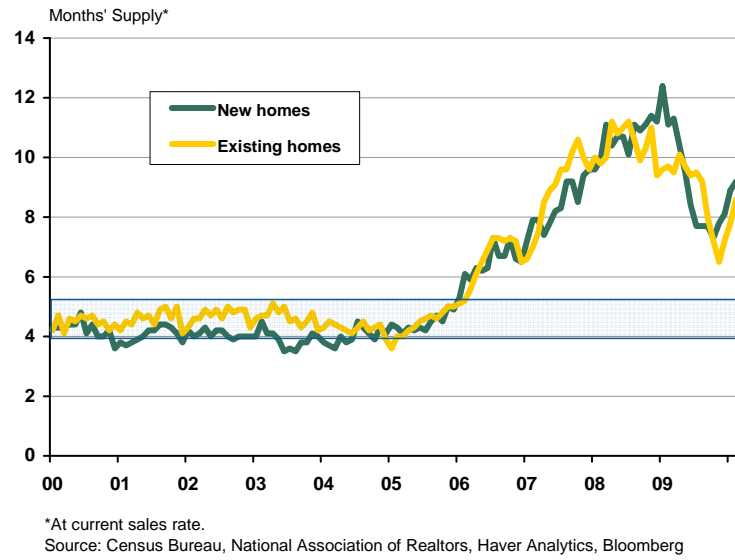
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# HOUSING MARKET MOVING CLOSER TO BALANCE



U.S.



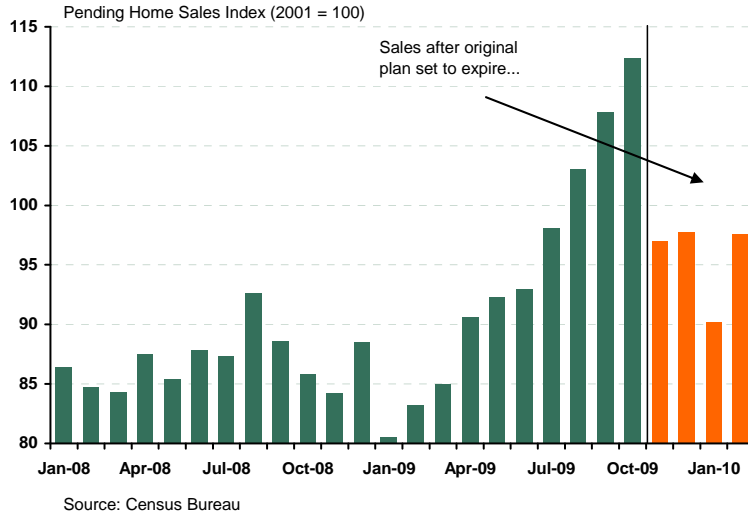
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## BUT SALES BUOYED BY TEMPORARY TAX CREDIT



U.S.



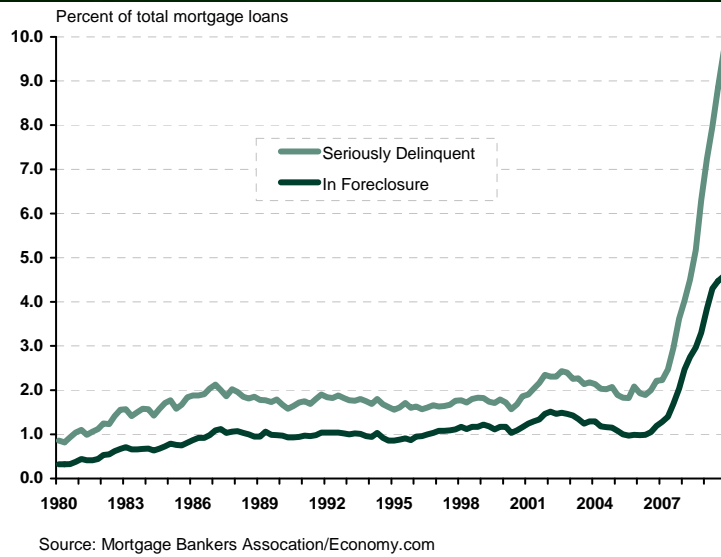
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## AND FORECLOSURES ARE STILL AN ISSUE



U.S.



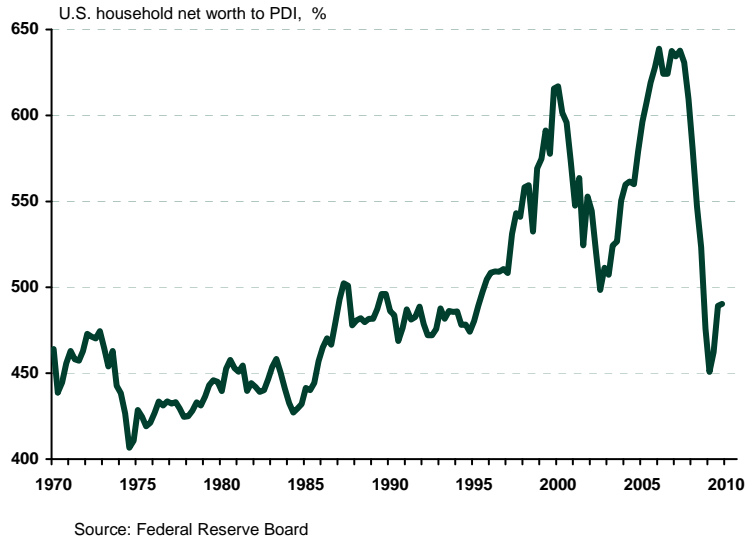
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## NEST EGGS IN NEED OF REPAIR

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U.S.



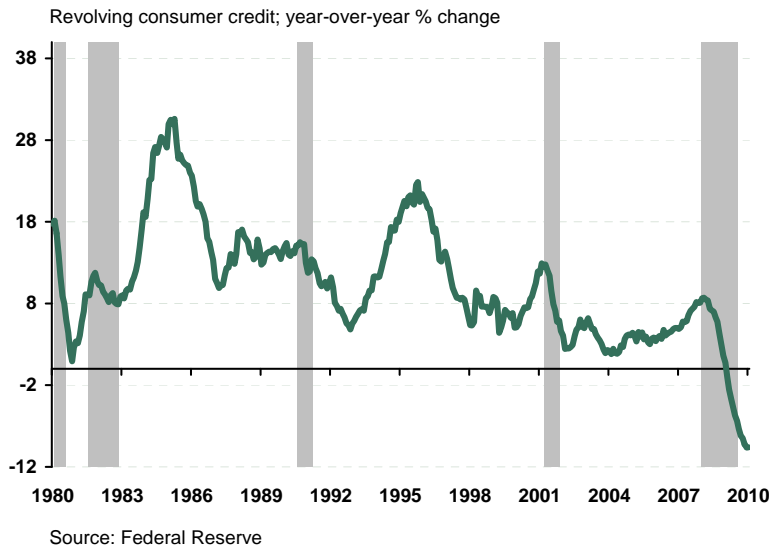
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## HOUSEHOLDS ARE DELEVERAGING

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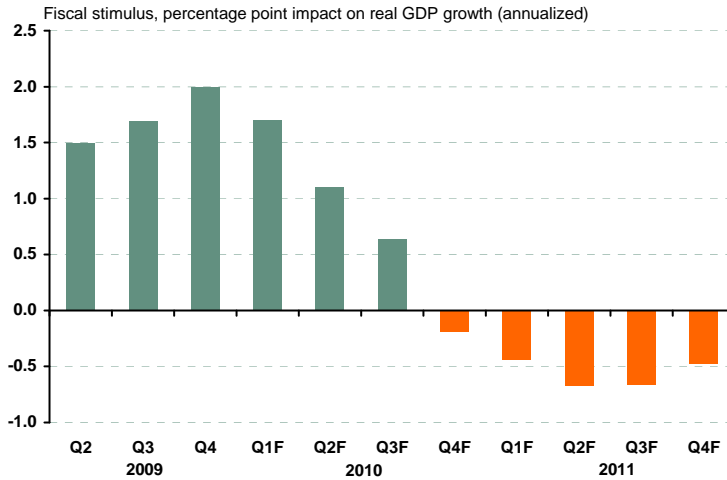
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## GOVERNMENT STIMULUS NOW WILL BE A DRAG LATER ON



U.S.



Estimates by TD Economics based on Congressional Budget Office spend out analysis.

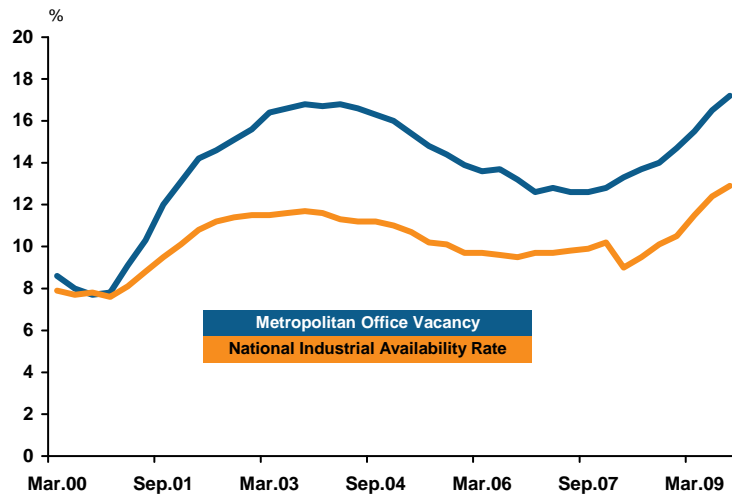
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## WILL COMMERCIAL REAL ESTATE UNHINGE RECOVERY?



U.S.



Source: CB Richard Ellis

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## OUTLOOK FRAUGHT WITH RISKS...



U.S.

### Upside risks:

- U.S. consumers rebound faster than expected
- Home prices continue recent upward momentum

### Downside risks:

- Regulatory uncertainty is an obstacle to credit flows
- Mortgage rates spike as Fed ends purchasing program
- Foreclosures threaten housing recovery
- U.S. dollar weakness sparks inflationary threat
- Unwinding fiscal stimulus too soon or too late
- U.S. commercial real estate market
- Will there be a new normal?

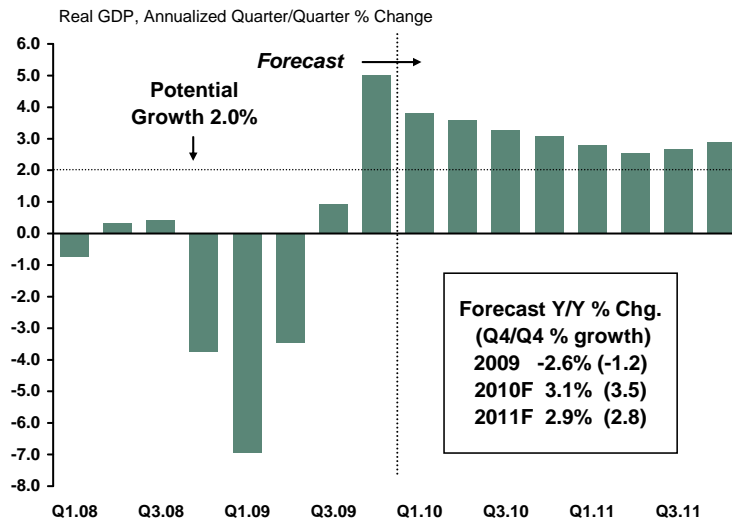
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## CANADIAN ECONOMY ON MEND



CANADA



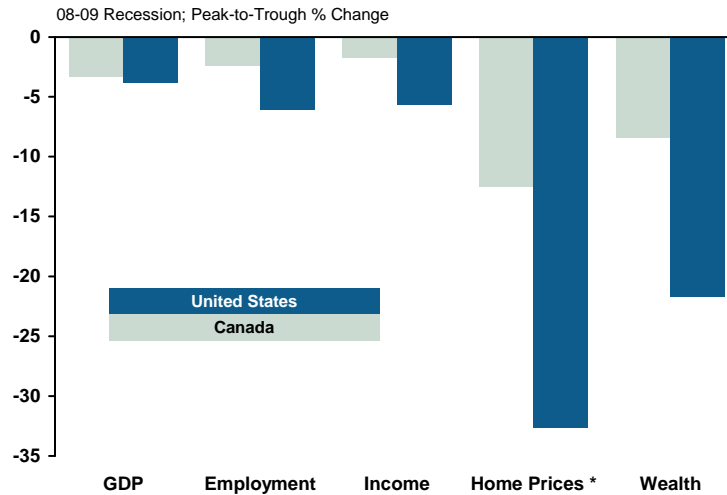
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# CANADA SITS ON STRONGER FOUNDATION



CANADA



Source: Statistics Canada, Federal Reserve Board, Bureau of Economic Analysis, CREA, S&P, Fiserv, & Macromarkets LLC. \*S&P/Case-Shiller Composite 20

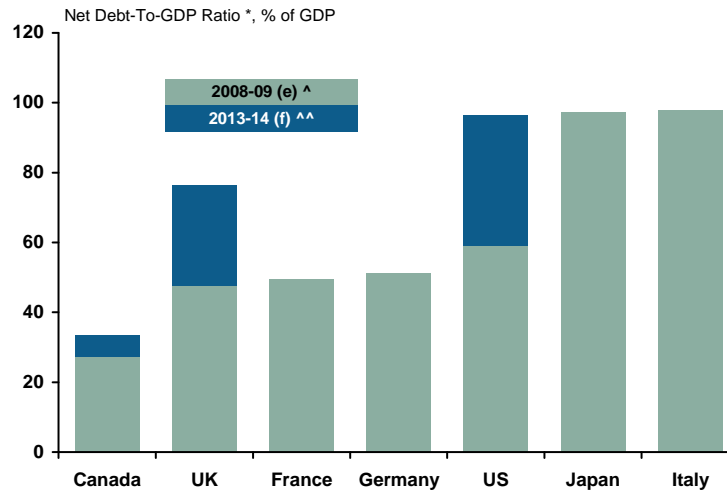
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# GOV'T DEBT LESS DAUNTING THAN OTHERS



CANADA



Source: OECD Economic Outlook, 2009 Federal Update of Economic & Fiscal Projections, \*Projected by the OECD, ^ OECD Estimates, ^^ Based on respective Departments of Finance predictions

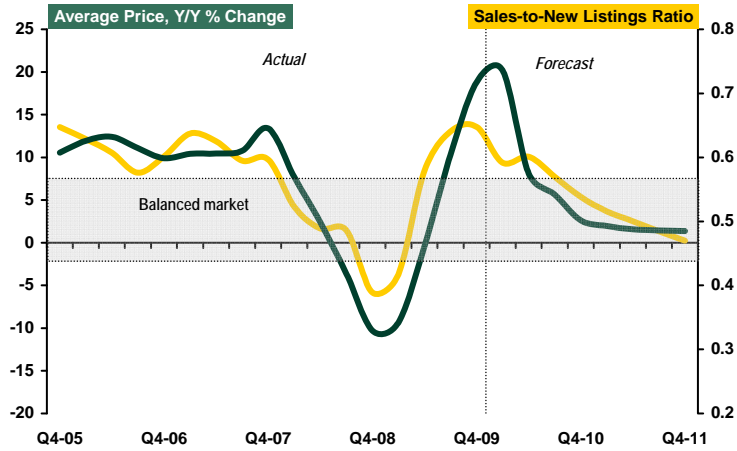
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# CANADIAN HOUSING MARKET ROARS BACK TO LIFE



CANADA



Source: CREA. Forecast by TD Economics, Feb. 2010

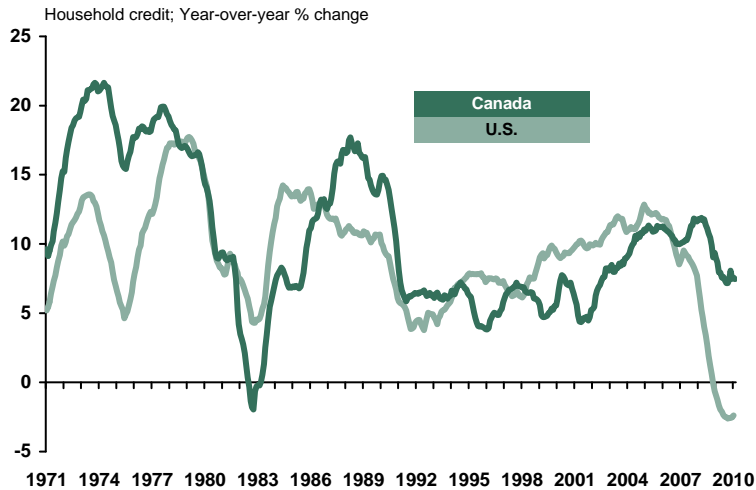
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# CANADIAN CREDIT TO HOUSEHOLDS NEVER FROZE UP



CANADA



\*U.S. household credit is the sum of consumer credit and 1-4 family residential mortgage credit outstanding. Source: Federal Reserve, Bank of Canada

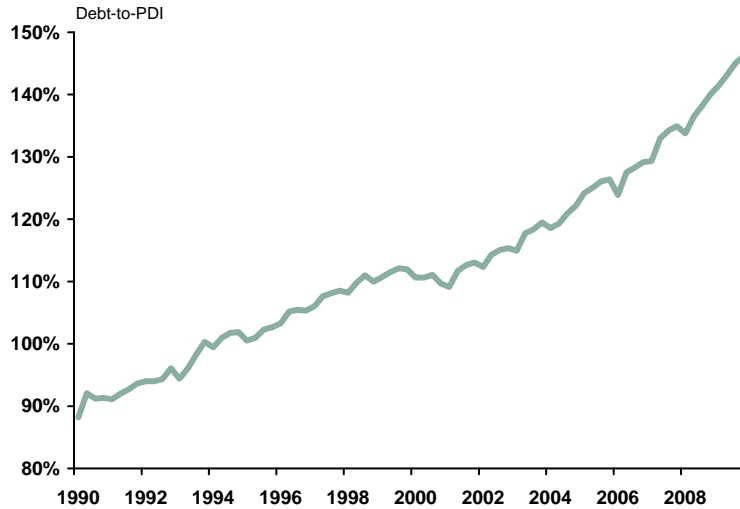
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## IS DEBT LOAD NOW BECOMING A CANADIAN CRISIS IN WAITING?



CANADA



Source: U.S. Federal Reserve, Statistics Canada, TD Economics

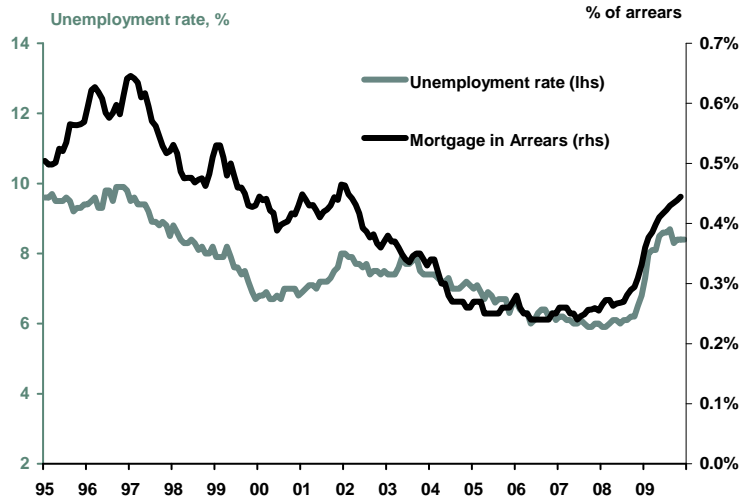
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## JOBS MATTER FOR DEFAULTS MORE THAN INTEREST RATES



CANADA



Source: Statistics Canada, Canadian Bankers Association, TD Economics

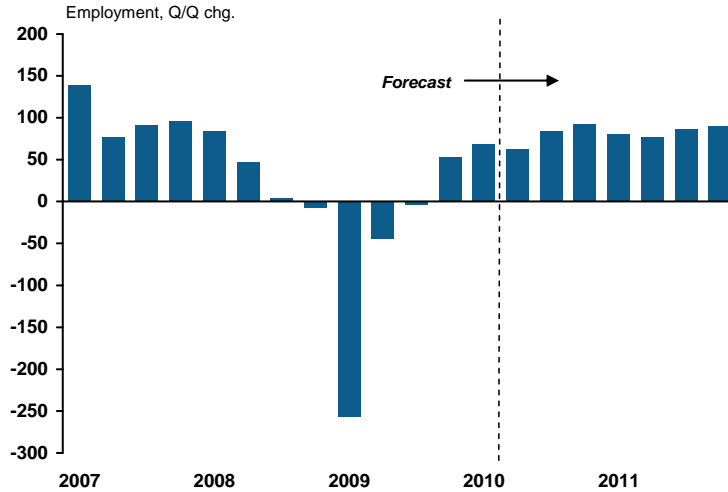
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# JOB MARKET ALREADY ON MEND



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Source: Statistics Canada, Forecast by TD Economics as at March 2010

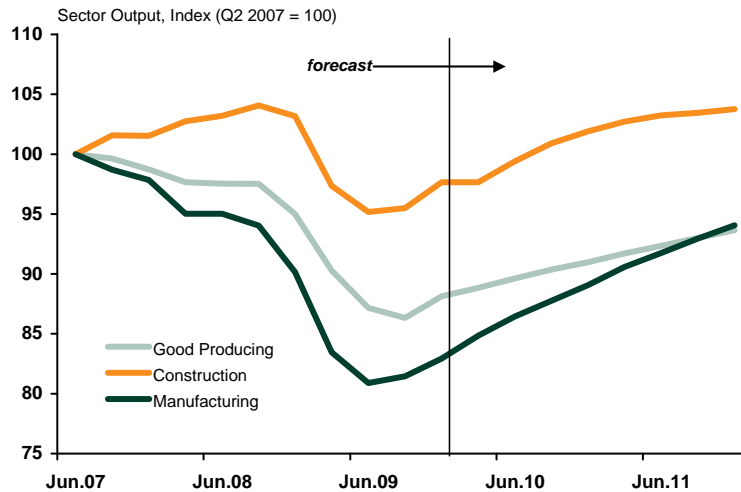
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# BUT JOBS IN SOME SECTORS WILL TAKE A LONG TIME TO COME BACK



CANADA



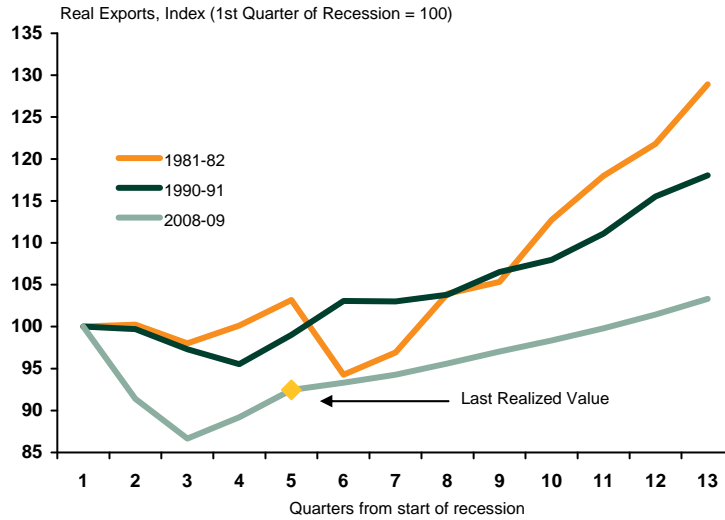
Source: Statistics Canada, Forecasts by TD Economics

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## EXPORTS STARTING ON ROAD TO RECOVERY

CANADA



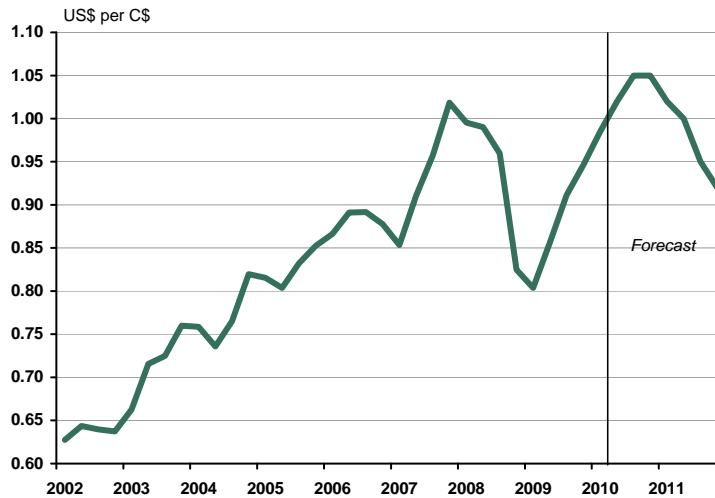
Source: Statistics Canada, Forecast by TD Economics as at March 2010

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## U.S. WEAKNESS IMPLIES C\$ STRENGTH

CANADA



Source: Bank of Canada; Forecast by TDBFG as at April 2010

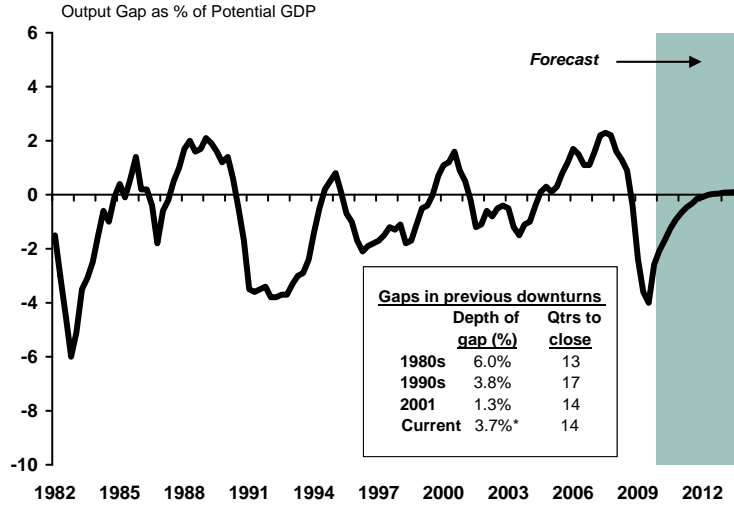
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# EXCESS CAPACITY TAKES TIME TO REDEPLOY



CANADA



Source: Bank of Canada; Forecast by TD Economics as at March 2010  
\* Estimated by the Bank of Canada

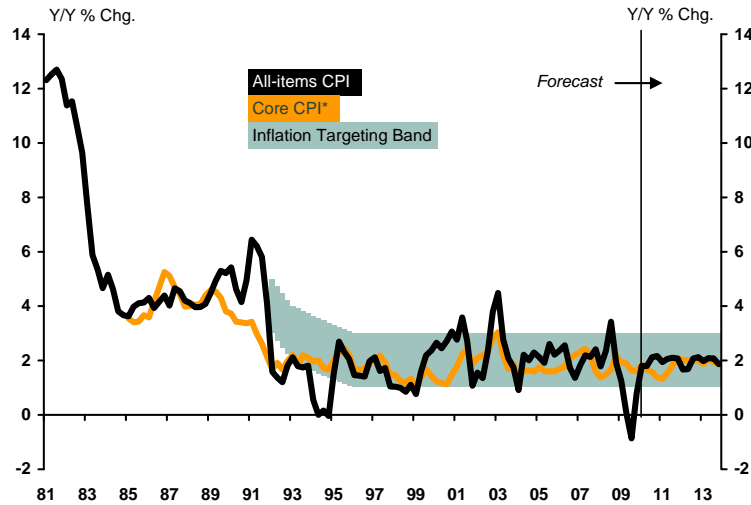
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# WILL RESTRAIN ANY INFLATIONARY EPISODE



CANADA



\*Headline CPI excl. 8 most volatile components and indirect taxes;  
Source: Statistics Canada; forecast by TD Economics as at March 2010

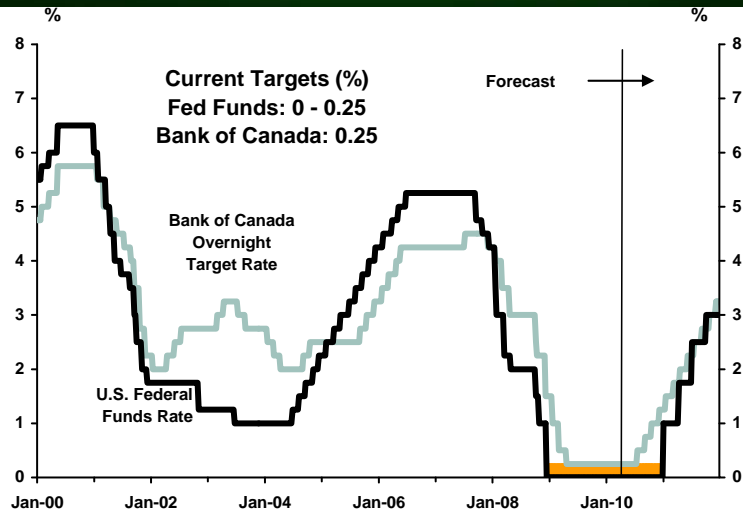
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# CENTRAL BANKS TO KEEP RATES LOW FOR SOME TIME TO COME



CANADA AND U.S.



Forecast by TD Economics as at April 2010;  
 Source: Bank of Canada, U.S. Federal Reserve Board.

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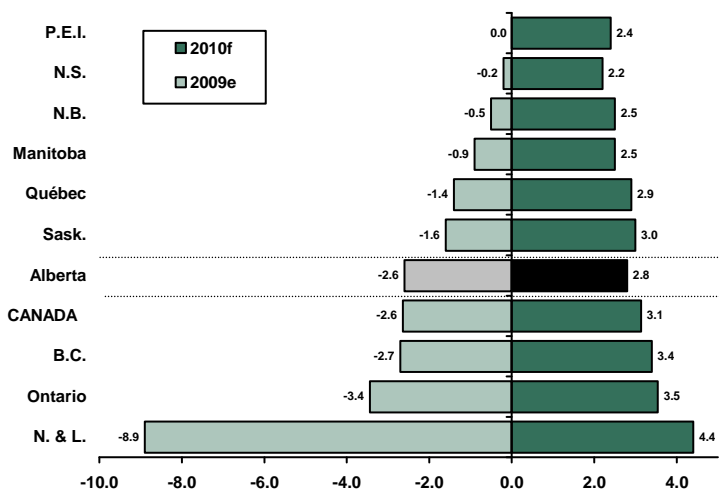
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# PROVINCIAL OUTLOOK



CANADA

Provincial Real GDP (% chg.), ranked by 2009 performance



e: Estimate, f: Forecast by TD Economics as at March 2010.

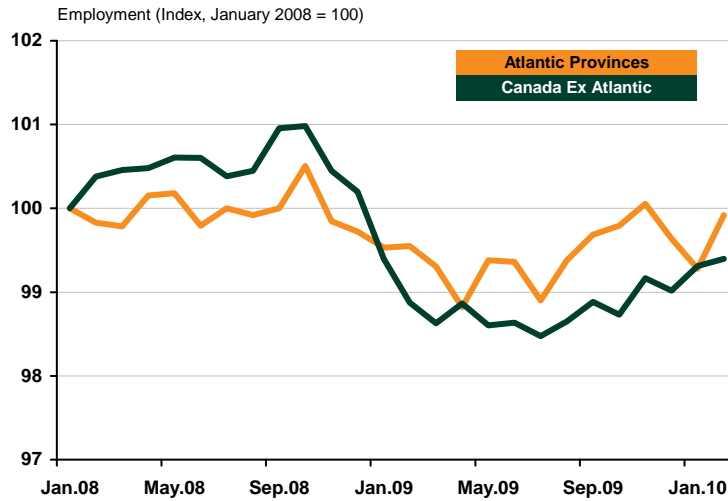
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## EMPLOYMENT HAS REMAINED STABLE DURING RECESSION



ATLANTIC CANADA



Source: Statistics Canada

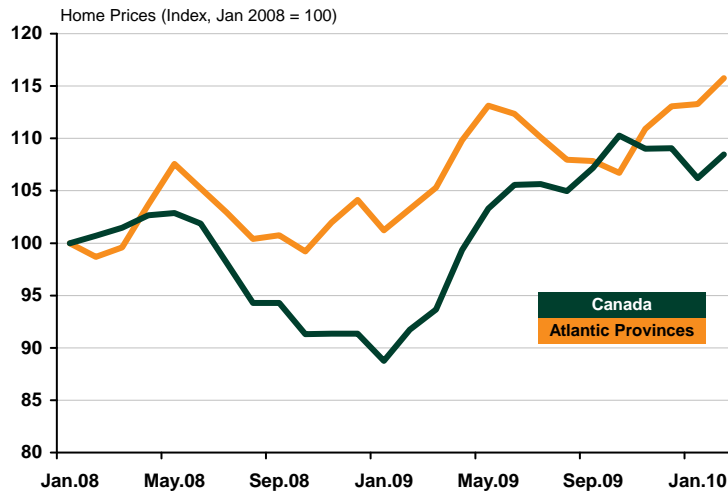
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## STRONG GROWTH IN HOUSE PRICES



ATLANTIC CANADA



Source: CREA

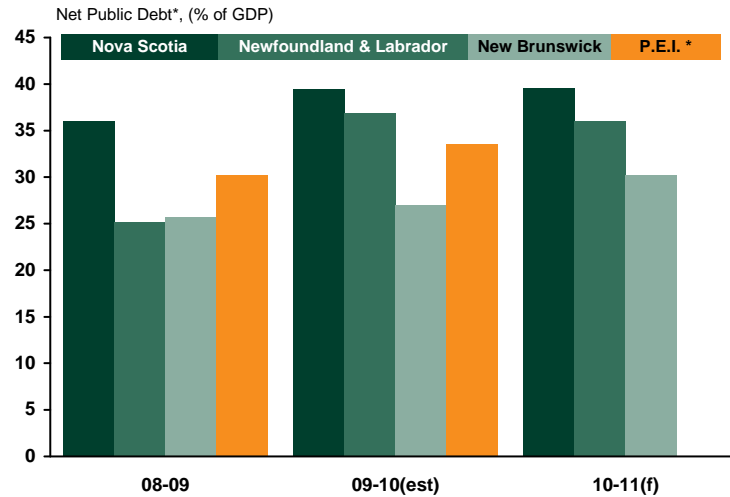
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## DEBT LEVELS HAVE RISEN



ATLANTIC CANADA



Source: Statistics Canada, \*Based on 2010 budget projections, PEI has not released their 2010 budget

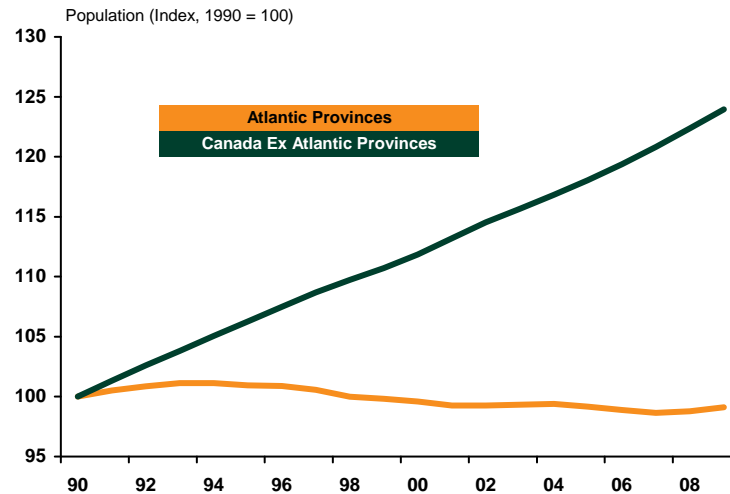
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## POPULATION GROWTH REMAINS A CHALLENGE



ATLANTIC CANADA



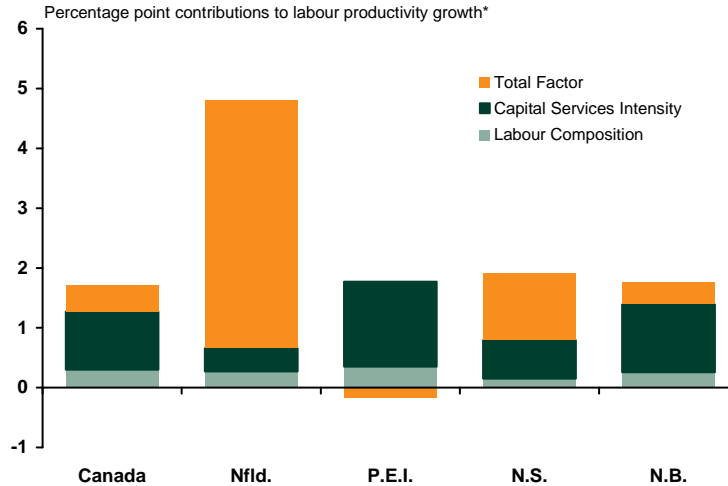
Source: Statistics Canada

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**GENERALLY, PRODUCTIVITY GROWTH IN LINE WITH NATIONAL AVERAGE** 

ATLANTIC CANADA



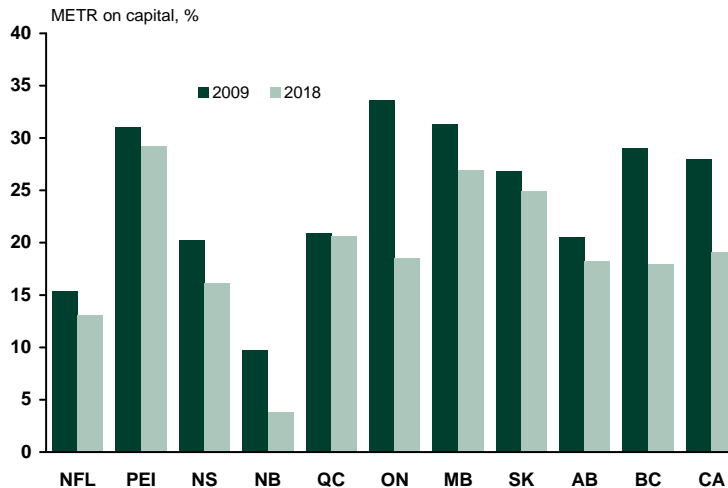
Source: Centre for the Study of Living Standards, \* 1997-2007

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**OVERALL, ATLANTIC PROVINCES HAVE LOW TAX RATES ON CAPITAL INVESTMENT...** 

ATLANTIC CANADA



Source: Jack Mintz, University of Calgary School of Public Policy

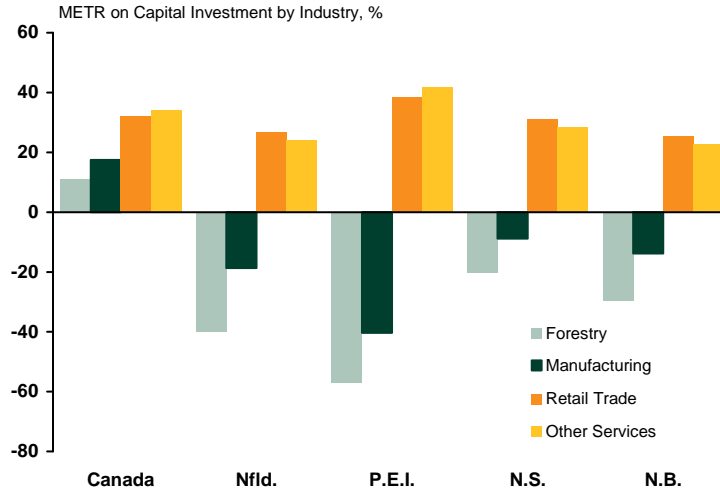
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## ... BUT TAX CODE SKEWED TO FAVOUR KEY INDUSTRIES



ATLANTIC CANADA



Source: School of Public Policy, University of Calgary

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