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THE ECONOMIC OUTLOOK

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March 4, 2010



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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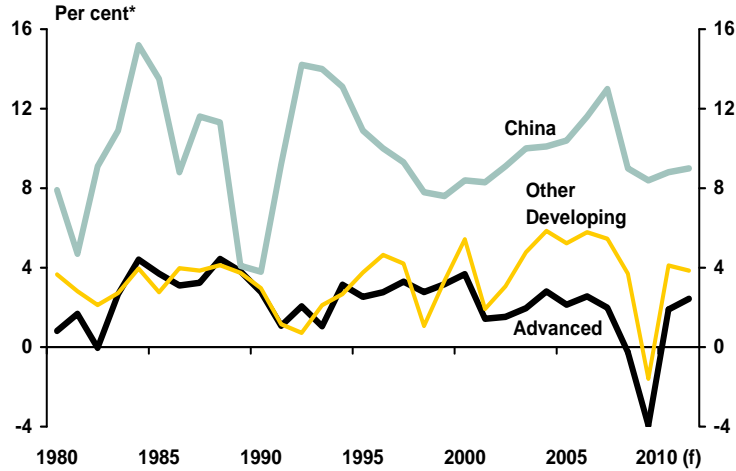
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SYNCHRONIZED GLOBAL RECOVERY



GLOBAL



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

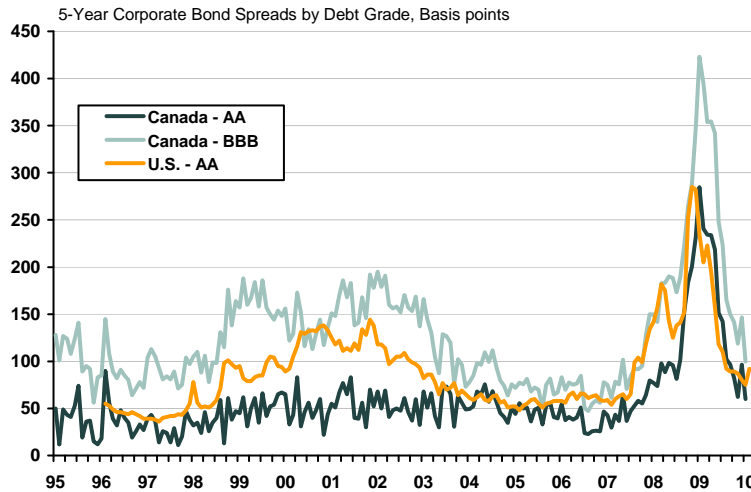
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FINANCIAL RISKS HAVE ABATED



CANADA AND U.S.



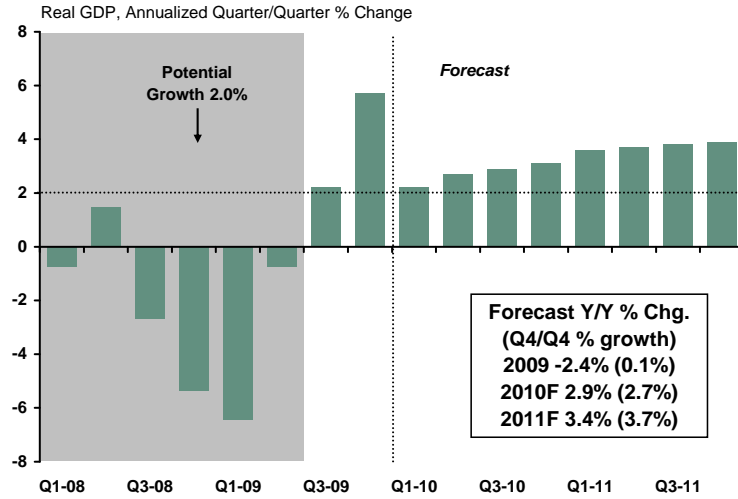
*corporate bonds against government bonds, monthly data, last plotted January 2010; Source: Standard & Poor, Federal Reserve, Bloomberg, Bank of Canada, Haver Analytics

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U.S. RECESSION HAS ENDED

U.S.



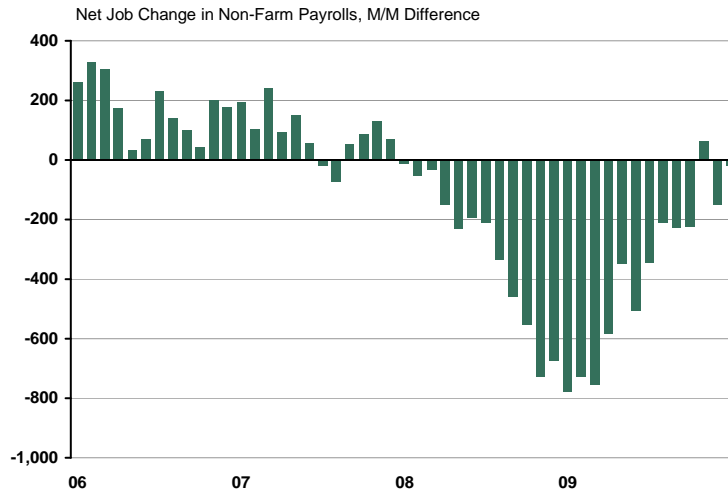
Forecast by TD Economics as at December 2009;
Source: Bureau of Economic Analysis/Haver Analytics

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JOB MARKET IS IMPROVING

U.S.



Source: Bureau of Labor Statistics

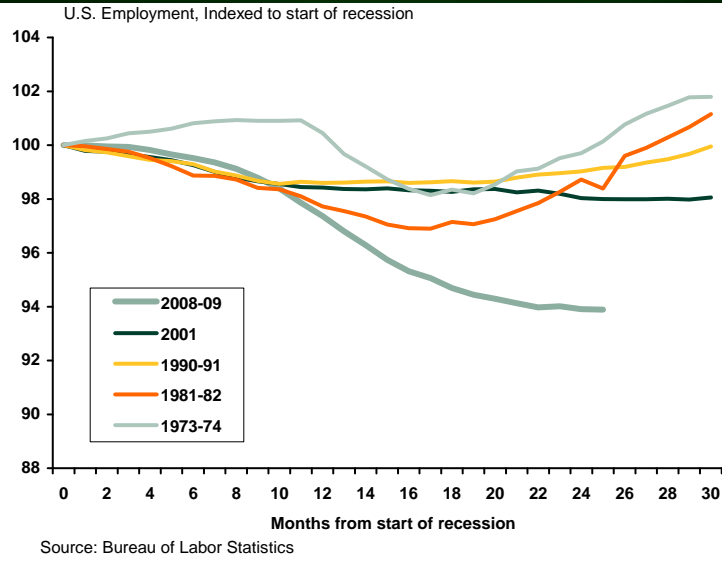
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BUT RECOVERY WILL BE A LONG ROAD



U.S.



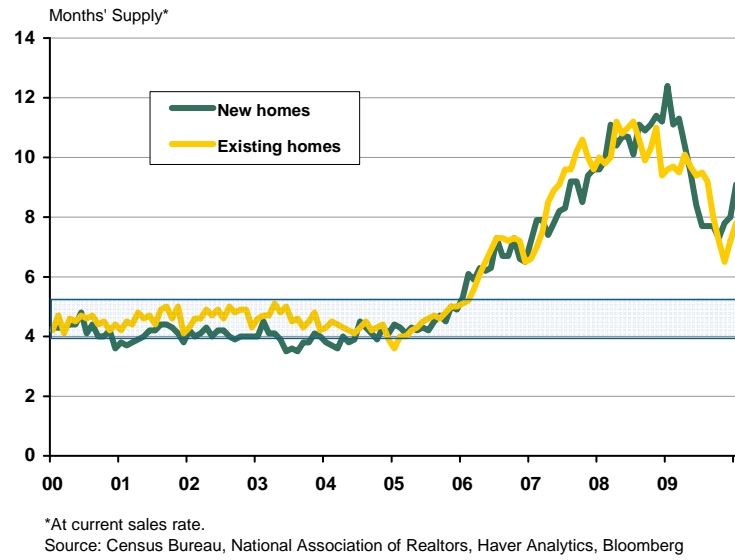
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HOUSING MARKET MOVING CLOSER TO BALANCE



U.S.



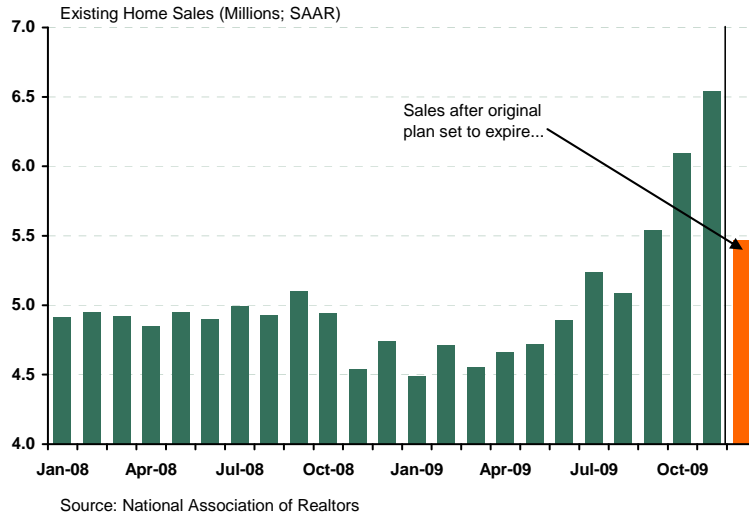
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BUT SALES BUOYED BY TEMPORARY TAX CREDIT



U.S.



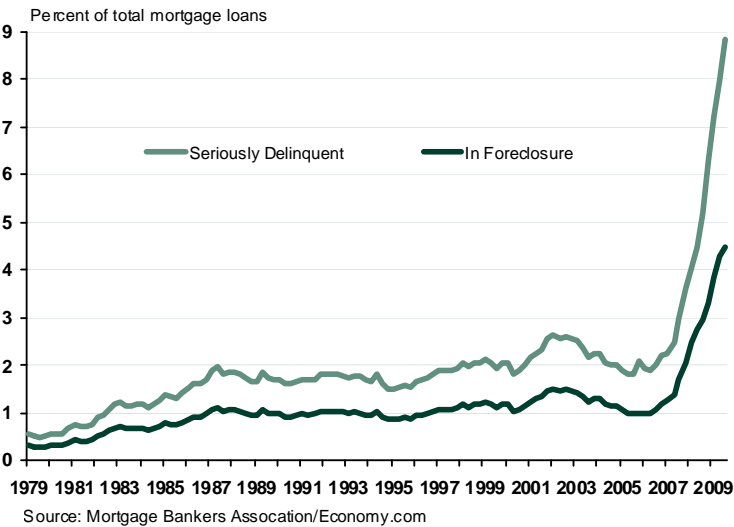
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AND FORECLOSURES ARE STILL AN ISSUE



U.S.

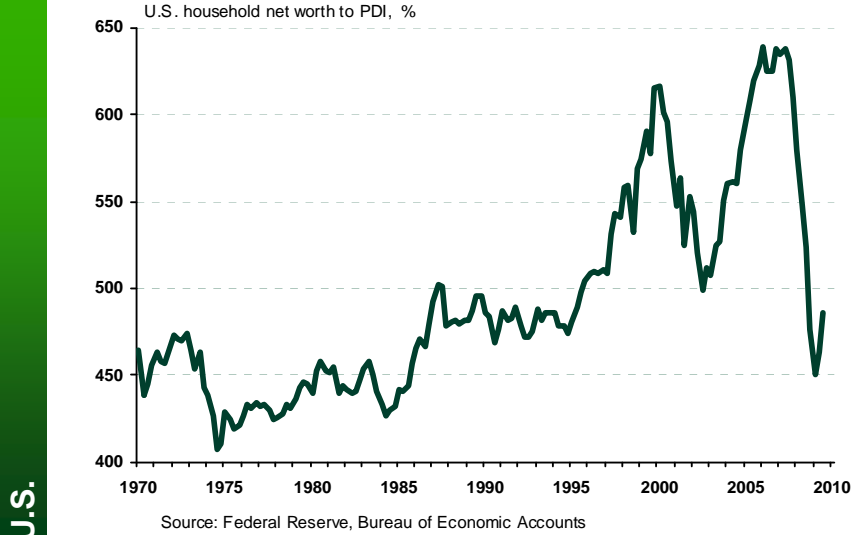


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NEST EGGS IN NEED OF REPAIR

TD Bank Financial Group

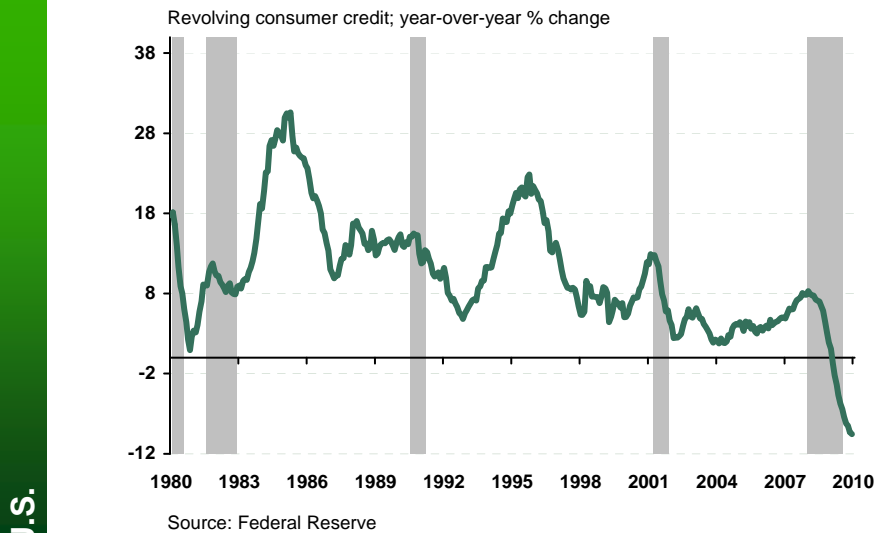


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HOUSEHOLDS ARE DELEVERAGING

TD Bank Financial Group



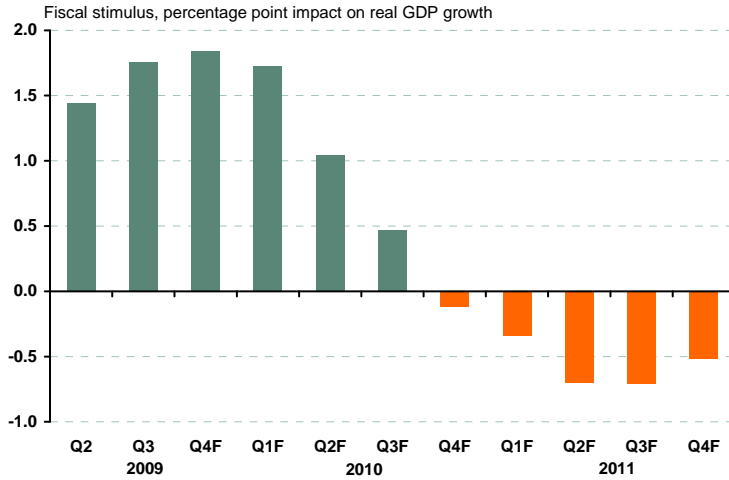
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GOVERNMENT STIMULUS NOW WILL BE A DRAG LATER ON



U.S.



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

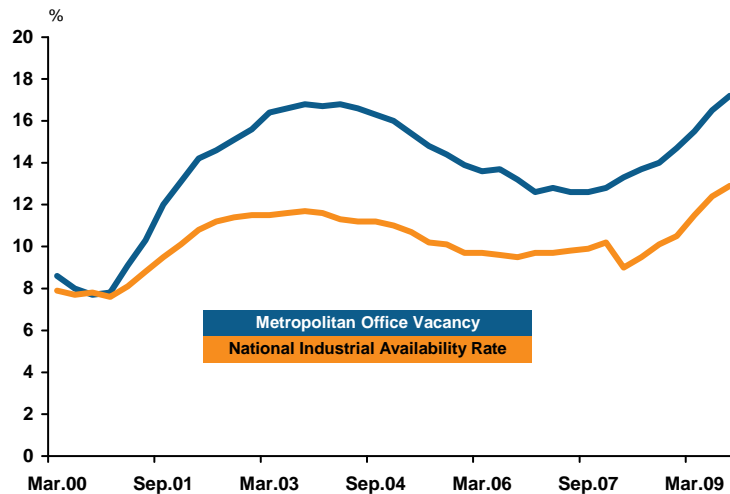
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WILL COMMERCIAL REAL ESTATE UNHINGE RECOVERY?



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?

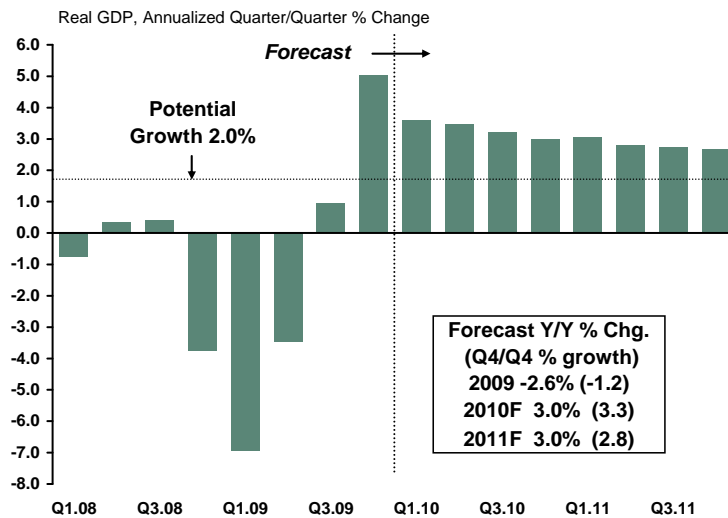
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CANADIAN ECONOMY ON MEND



CANADA



F: Forecast by TD Economics as at December 2009; Source: Statistics Canada/Haver Analytics

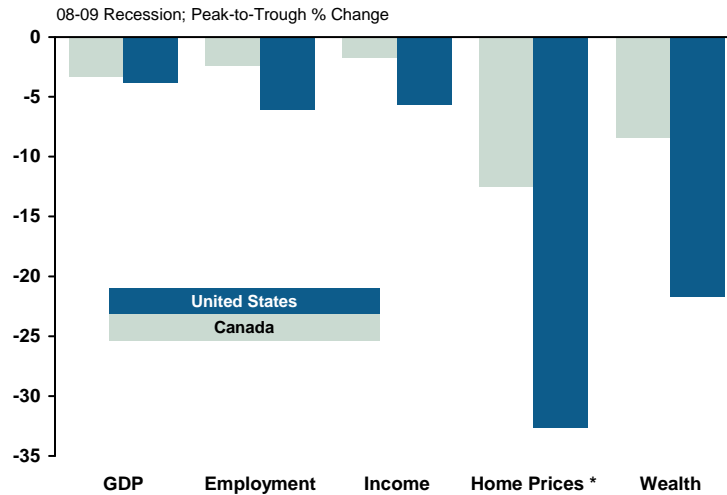
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CANADA SITS ON STRONGER FOUNDATION



CANADA



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

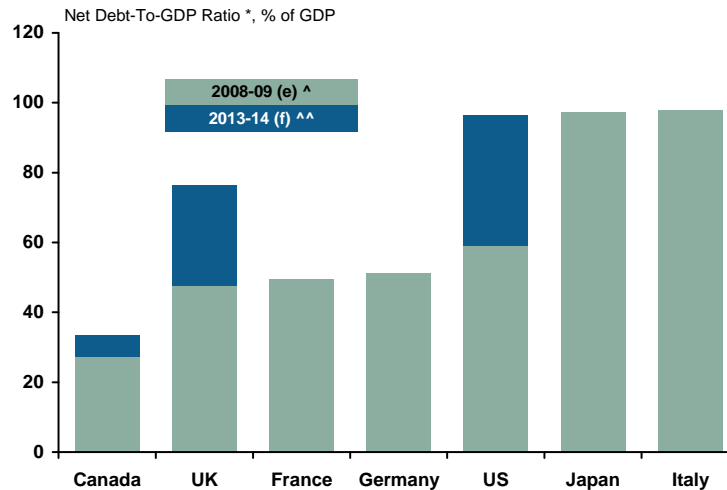
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GOV'T DEBT LESS DAUNTING THAN OTHERS



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

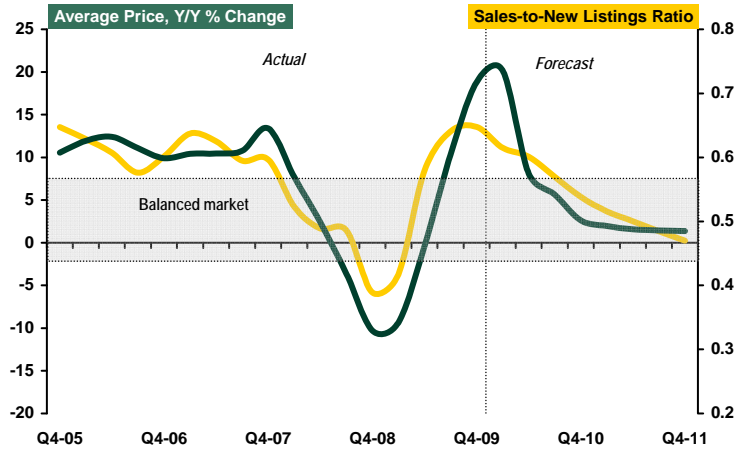
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CANADIAN HOUSING MARKET ROARS BACK TO LIFE



CANADA



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

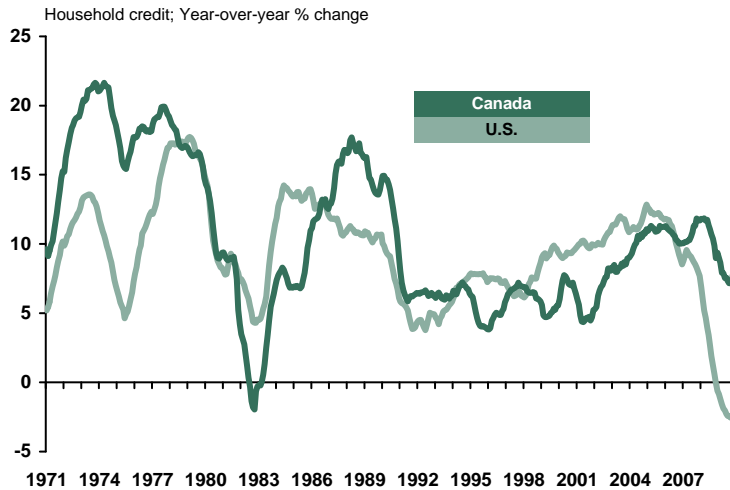
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CANADIAN CREDIT TO HOUSEHOLDS NEVER FROZE UP



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

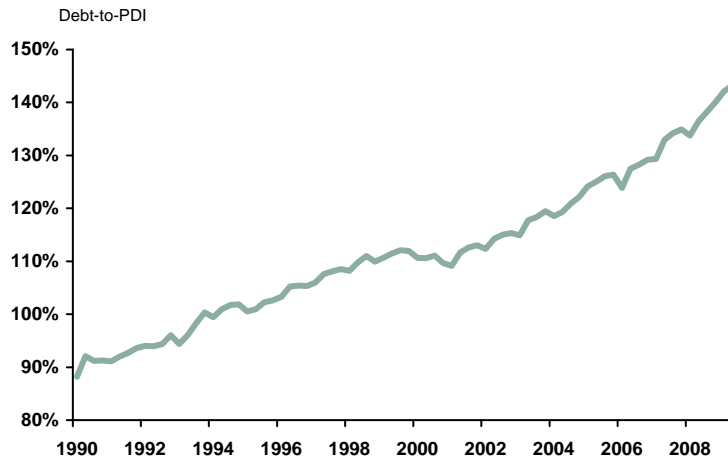
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IS DEBT LOAD NOW BECOMING A CANADIAN CRISIS IN WAITING?



CANADA



Source: Statistics Canada, TD Economics

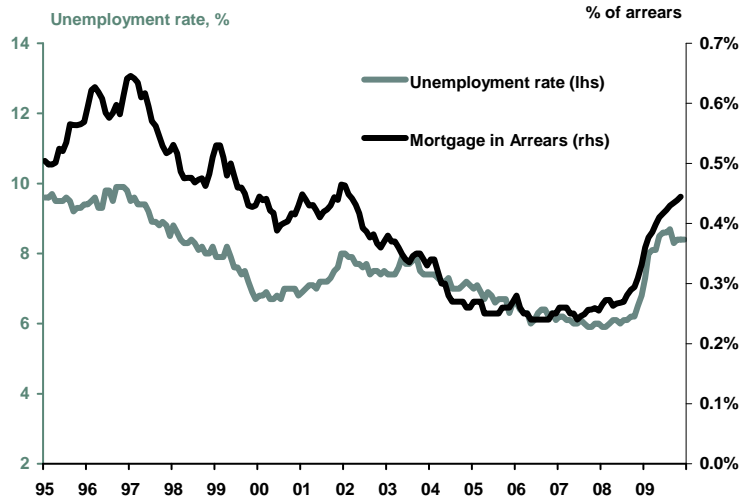
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JOBS MATTER FOR DEFAULTS MORE THAN INTEREST RATES



CANADA



Source: Statistics Canada, Canadian Bankers Association, TD Economics

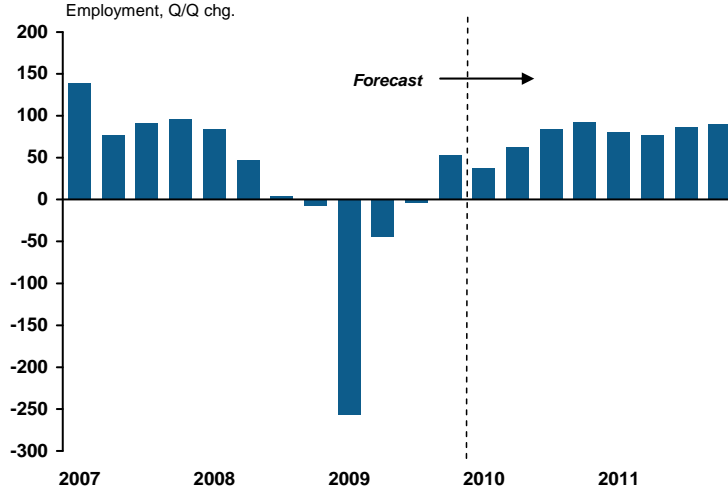
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JOB MARKET ALREADY ON MEND



CANADA



Source: Statistics Canada, Forecast by TD Economics

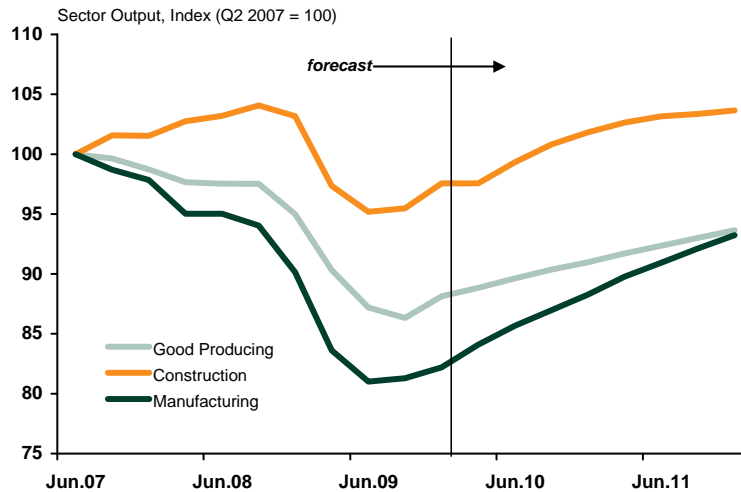
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BUT JOBS IN SOME SECTORS WILL TAKE A LONG TIME TO COME BACK



CANADA



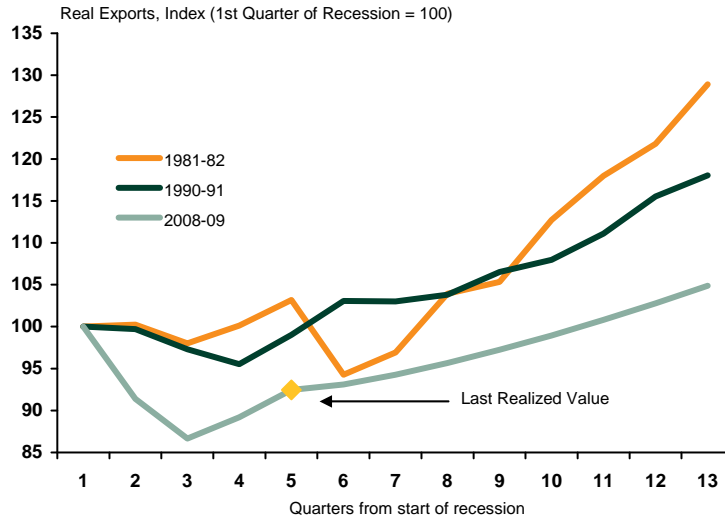
Source: Statistics Canada, Forecasts by TD Economics

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EXPORTS STARTING ON ROAD TO RECOVERY

CANADA



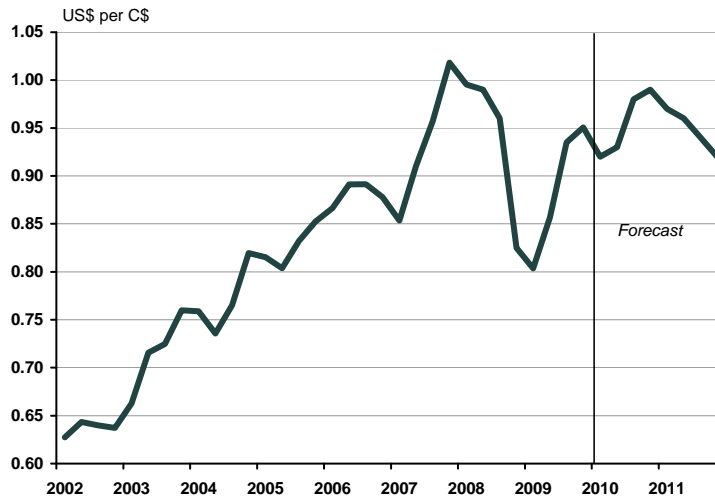
Source: Statistics Canada, Forecast by TD Economics

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U.S. WEAKNESS IMPLIES C\$ STRENGTH

CANADA



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

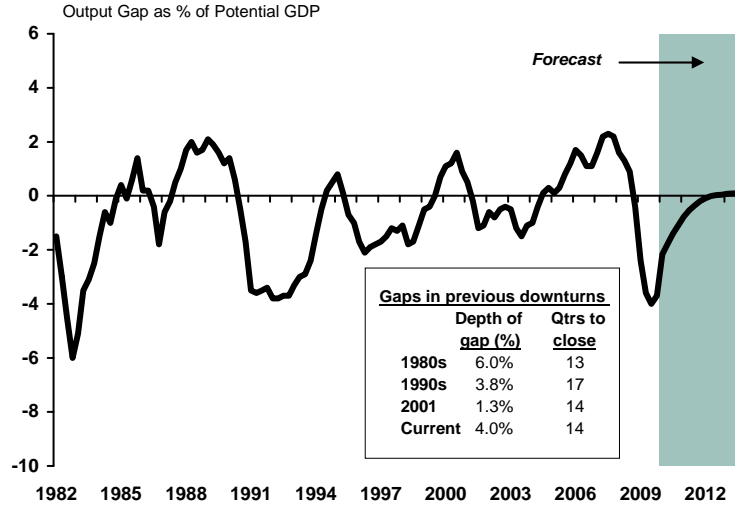
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EXCESS CAPACITY TAKES TIME TO REDEPLOY



CANADA



Source: Bank of Canada; Forecast by TD Economics as at December 2009

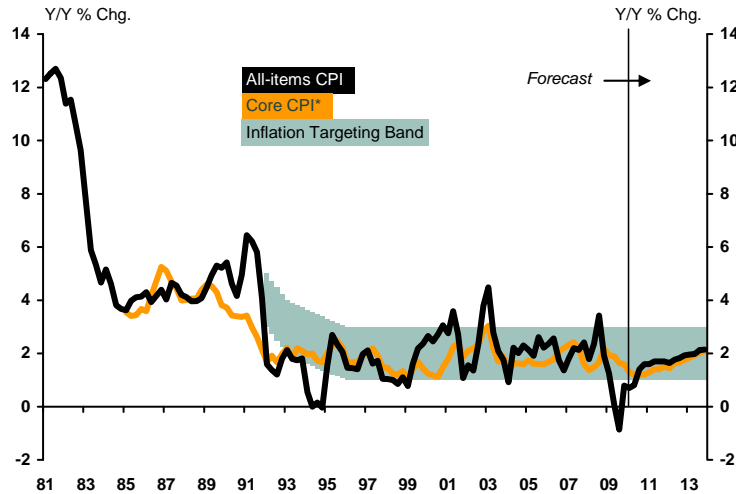
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WILL RESTRAIN ANY INFLATIONARY EPISODE



CANADA



*Headline CPI excl. 8 most volatile components and indirect taxes;
Source: Statistics Canada; forecast by TD Economics as at December 2009

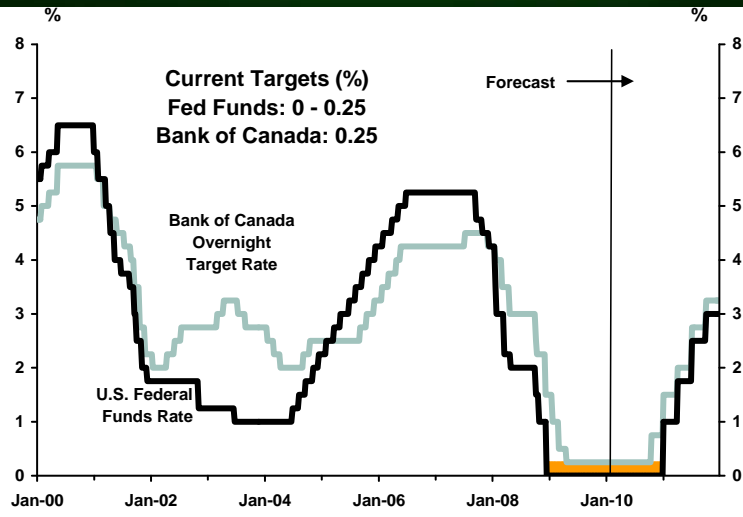
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CENTRAL BANKS TO KEEP RATES LOW FOR SOME TIME TO COME



CANADA AND U.S.



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

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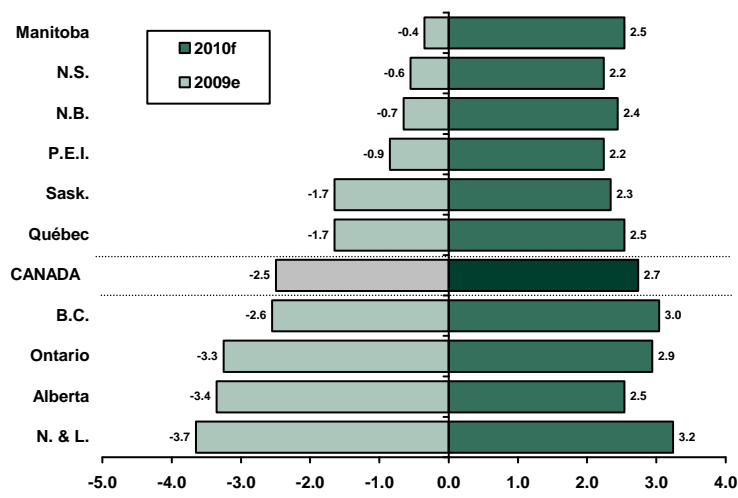
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PROVINCIAL OUTLOOK



CANADA

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



e: Estimate, f: Forecast by TD Economics as at Dec. 2009.

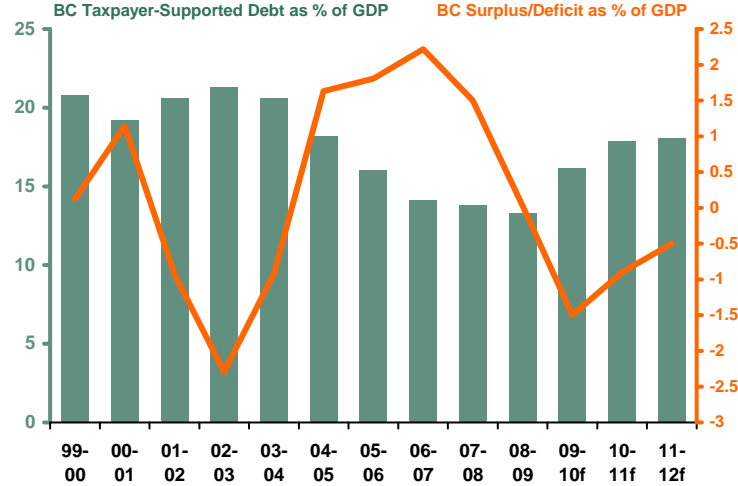
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BUDGET DEFICITS ARE A CONCERN...



BRITISH COLUMBIA



Source: B.C. Ministry of Finance; f: Forecast

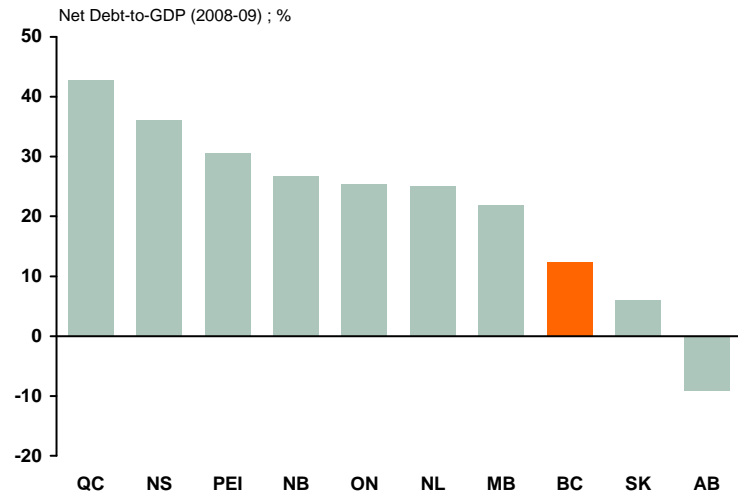
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... BUT B.C. IS BETTER OFF THAN MOST PROVINCES



BRITISH COLUMBIA



Source: Fiscal Reference Tables

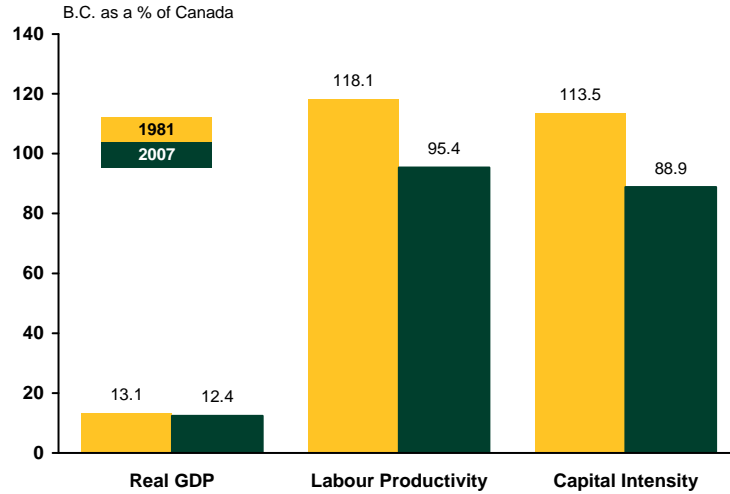
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PRODUCTIVITY GROWTH HAS BEEN TERRIBLE



BRITISH COLUMBIA



Source: CSLS, Statistics Canada

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WHICH IS LIKELY THE RESULT OF POOR INVESTMENT ...



BRITISH COLUMBIA



Source: CSLS, Statistics Canada; *Excluding AB

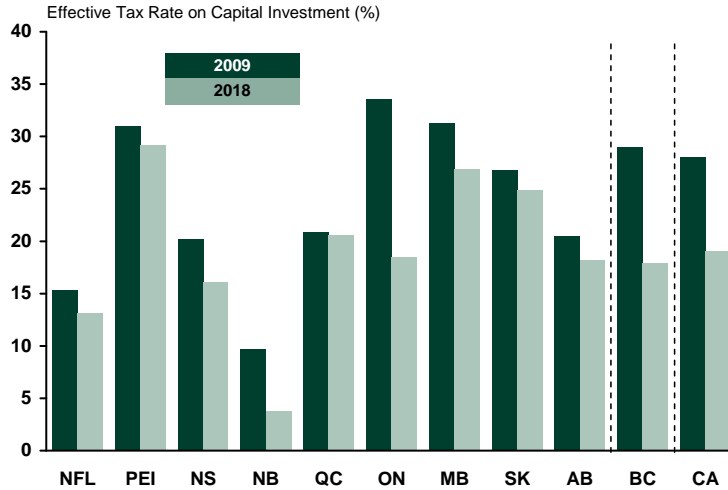
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... CAUSED IN PART BY HIGH CAPITAL TAXES



BRITISH COLUMBIA



Source: CD Howe Institute, School of Public Policy, University of Calgary

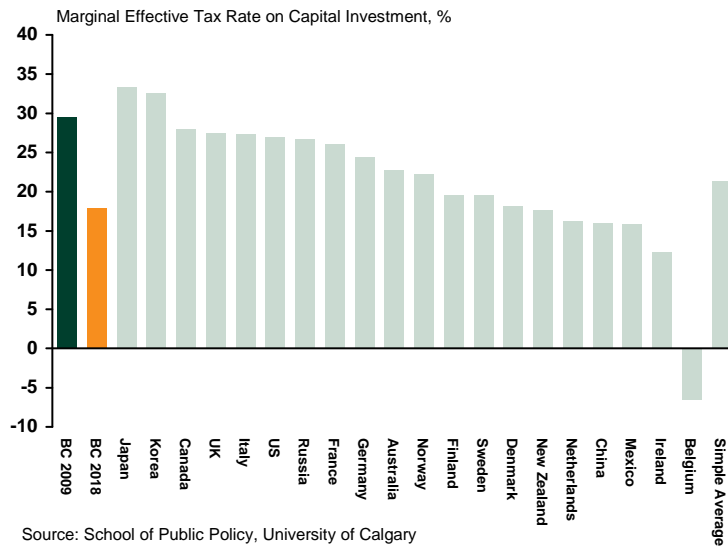
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CURRENT PLANS WILL MAKE B.C. VERY COMPETITIVE



BRITISH COLUMBIA



Source: School of Public Policy, University of Calgary

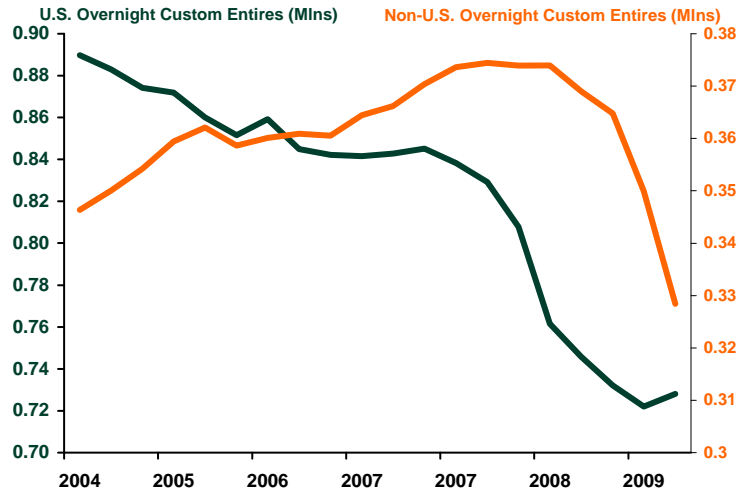
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A STRONG DOLLAR AND THE GLOBAL ECONOMY HAVE HURT TOURISM ...



BRITISH COLUMBIA



Source: B.C. Ministry of Tourism

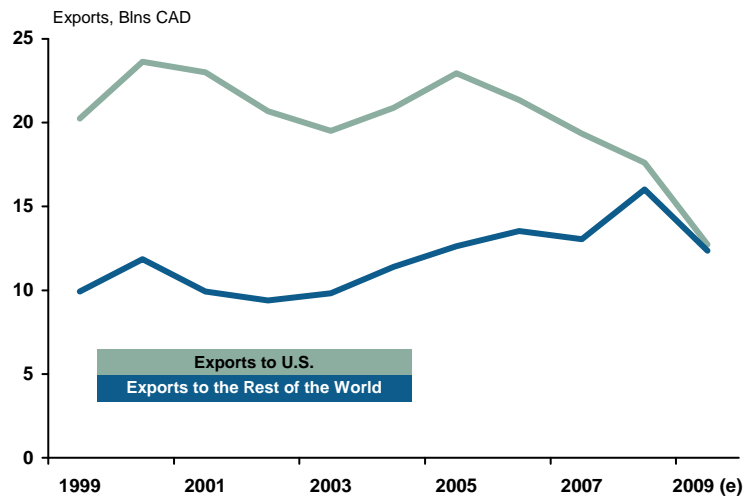
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... AND WEAKENED EXPORTS



BRITISH COLUMBIA



Source: Industry Canada

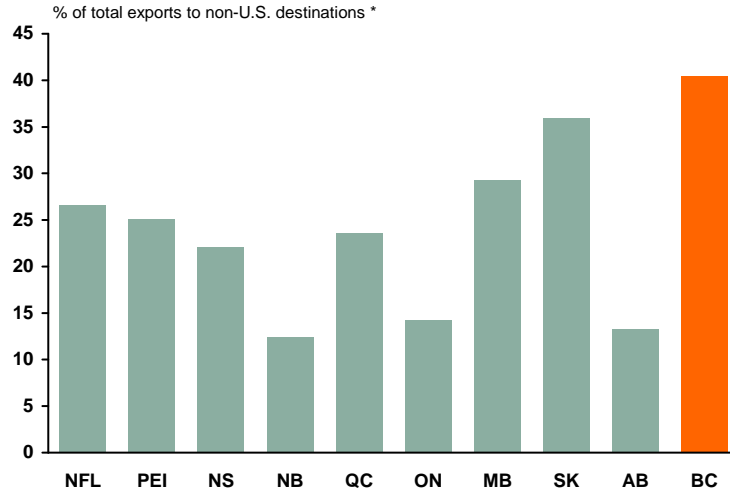
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B.C. IS WELL POSITIONED TO HANDLE WEAK U.S. DEMAND

TD Bank Financial Group

BRITISH COLUMBIA



Source: Industry Canada, TD Economics, * % is based on exports during the last five years

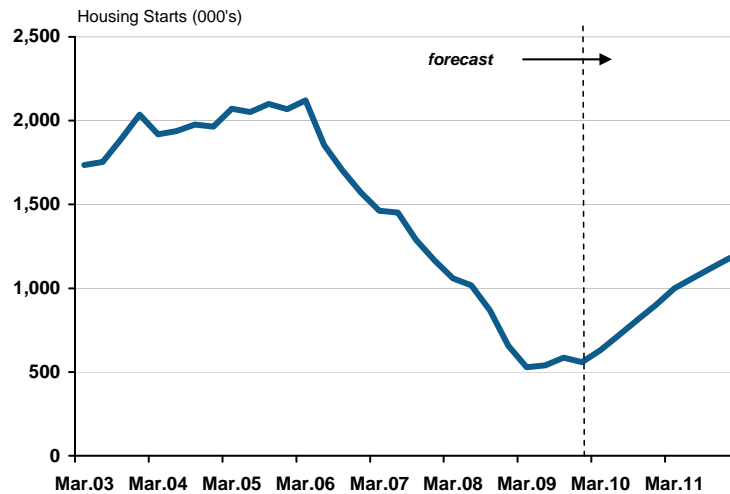
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U.S. HOUSING RECOVERY WILL BE GRADUAL

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BRITISH COLUMBIA



Source: Census Bureau; Forecasts by TD Economics as at December 2009

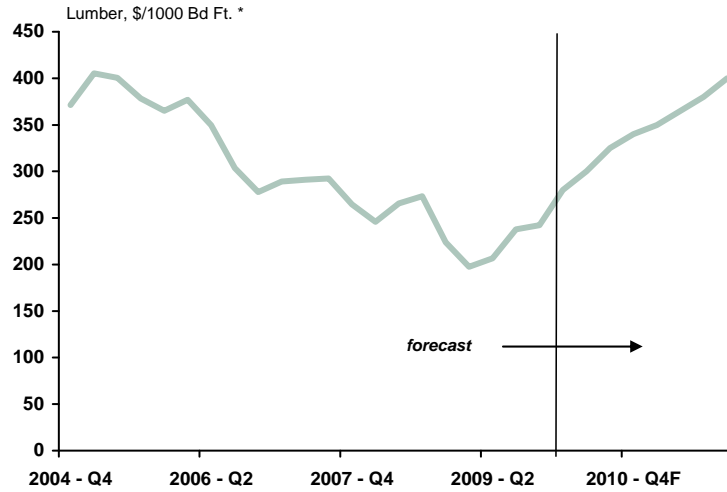
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LUMBER OUTLOOK



BRITISH COLUMBIA



Source: WSJ, Forecast by TD Economics as at March 2010. * RL framing lumber composite

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VICTORIA DEMOGRAPHICS



VICTORIA

POPULATION CHARACTERISTICS OF VICTORIA (2006)

	Victoria	British Columbia
Total Population	78,057	4,113,487
% change 01-06	5.3	5.3
Median Earnings (2005)*	\$38,234	\$42,230
Industry Employment (as a % of Total)**		
Agriculture and Natural Resources	0.9	4.9
Construction	4.8	7.6
Manufacturing	3.3	8.6
Wholesale Trade	2.1	4.2
Retail Trade	11.4	11.4
FIRE	5.9	6.2
Health Care and Social Assistance	12.5	9.7
Educational Services	7.6	7.0
Business Services	20.6	19.9
Other Services	30.9	20.6
Immigrants	15,415	1,119,215
% of Population	19.7	27.2
Education***		
No-degree	8.5	12.4
High School Degree	22.7	25.9
Apprenticeship, College Degree or University	34.5	37.6
University Degree at Bachelor's Level or Above	34.4	24.1

* Persons 15 years of age or older who worked a full year full-time.

** Experienced labour force 15 years of age or older. *** Age 25-64

Source: Statistics Canada's 2006 Census.

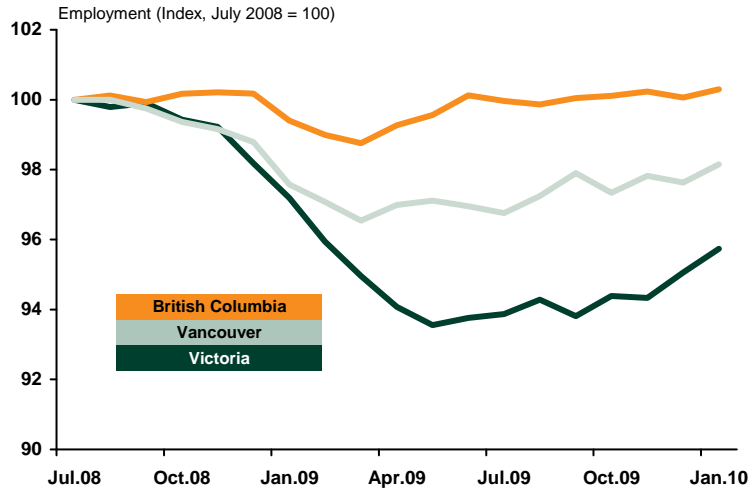
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EMPLOYMENT IN VICTORIA HAS TAKEN A HIT



VICTORIA



Source: Statistics Canada

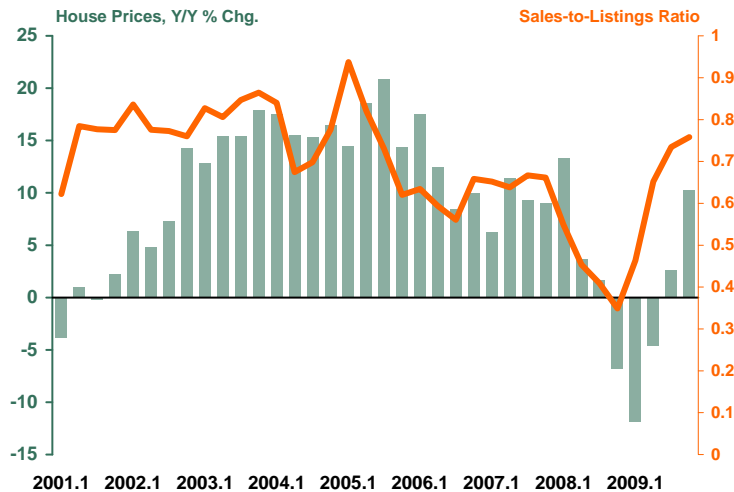
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HOME PRICES ARE STARTING TO RECOVER



VICTORIA



Source: CRE

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KEY GOALS FOR VICTORIA'S DEVELOPMENT



VICTORIA

1. Develop Sustainable Development Business Cluster
2. Maximize Industry, Government & Academic Partnerships
3. Grow and Strengthen Regional Transportation Network
4. Address Labour Force Shortage in the Region
5. Support the Growth of Existing Businesses
6. Retain Business that are in the Region
7. Attract new Businesses to the Region
8. Regional Economic Data & Information Portal

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