



Weekly Trends

Highlights

The Week — Ottawa's projects a \$49 billion budget deficit for FY11, with balanced books assumed in FY16.

Budget 2010 — Budgeting in challenging times.

Canada — Upbeat early-year reports build upon a better-than-expected finish to 2009.

United States — Despite severe winter storms, February employment report tops expectations.

International — Higher interest rate hikes in Australia and Malaysia.

Industry — Atlantic Canada's relatively steady economic performance.

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New Releases

Fiscal Pulse: 2010-11 Canadian Federal Budget (03/04)

Global Forecast Update (03/03)

Foreign Exchange Outlook (March 2010)

Fiscal Pulse: British Columbia's 2010-11 Budget (03/02)

Auto News Flash (03/02)



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Forecasts

Economic Performance (annual % change unless otherwise indicated)

	2000-08	2009e	2010f	2011f	2000-08	2009e	2010f	2011f
		<u>Canada</u>				<u>United States</u>		
Real GDP	2.6	-2.6	3.2	2.8	2.4	-2.4	3.6	2.6
Consumer Prices	2.3	0.3	1.8	2.2	2.9	-0.3	2.5	2.4
Pre-tax Profits	7.7	-33.2	27.0	16.0	5.3	-4.1	25.0	14.5
Federal Budget Balance (\$bn)	8.4	-56.0	-46.0	-30.0	-197	-1413	-1490	-1220
Current Account Balance (\$bn)	21.0	-41.3	-37.8	-30.9	-601	-430	-513	-564
Merchandise Trade Balance (\$bn)	58.2	-4.3	3.0	9.0	-655	-517	-633	-708
Motor Vehicle Sales (000s)*	1,605	1,461	1,525	1,570	16.4	10.4	11.5	12.2
Motor Vehicle Production (000s)*	2,590	1,425	1,900	2,050	11.5	5.6	7.2	7.5
Housing Starts (000s)*	207	149	185	175	1.65	0.55	0.70	1.04
Employment	1.9	-1.6	1.0	1.6	0.7	-4.3	0.0	2.2
Jobs Created (000s)*	301	-272	177	272	0.86	-5.88	-0.06	2.87
Unemployment Rate (%)	6.9	8.3	8.2	8.0	5.1	9.3	9.8	9.1
		<u>Mexico</u>				<u>Euro zone</u>		
Real GDP	2.8	-6.5	4.2	3.5	1.9	-4.0	1.3	1.1
Consumer Prices	5.1	3.6	5.4	4.5	2.2	0.9	1.3	1.8
		<u>Latin America (Excl. Mexico)</u>				<u>Asia</u>		
Real GDP	3.8	-0.3	3.6	3.7	5.2	1.3	4.8	4.7
Consumer Prices	8.1	7.1	7.9	4.7	1.6	0.0	1.7	2.0

*In the United States, millions.

Commodity Prices (US\$ annual average)

	2000-08	2009e	2010f	2011f
Pulp (tonne)	662	720	850	850
Newsprint (tonne)	574	560	563	650
Lumber (mfbm)	286	178	237	250
Copper (lb)	1.72	2.34	3.15	3.50
Zinc (lb)	0.73	0.75	0.95	1.05
Nickel (lb)	7.16	6.50	8.00	8.25
WTI Oil (bbl)	49.93	62	83	87
Nymex Natural Gas (US\$/mmbtu)	6.15	4.15	5.50	5.50
Wheat (tonne)	223	454	305	290

Financial Markets (end of period, % unless otherwise indicated)

	09Q4	10Q1f	10Q2f	10Q3f	10Q4f	11Q1f	11Q2f	11Q3f
CANADA								
3-month T-bill	0.31	0.30	0.75	1.05	1.75	2.10	2.30	2.25
5-year Canada	2.76	2.80	3.10	3.20	3.70	3.85	3.65	3.55
10-year Canada	3.61	3.65	3.85	4.10	4.50	4.80	4.60	4.55
UNITED STATES								
3-month T-bill (Yield)	0.08	0.30	0.65	1.00	1.75	2.10	2.30	2.25
5-year Treasury	2.68	2.70	3.00	3.10	3.60	3.75	3.60	3.55
10-year Treasury	3.84	3.85	4.15	4.40	4.80	5.10	4.90	4.85
CANADIAN-US SPREADS								
3-month T-bill	0.23	0.00	0.10	0.05	0.00	0.00	0.00	0.00
5-year	0.08	0.10	0.10	0.10	0.10	0.10	0.05	0.00
10-year	-0.23	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30
Canadian Dollar (USD/CAD)	1.05	1.02	1.00	0.98	0.97	0.97	0.96	0.95
Canadian Dollar (CAD/USD)	0.95	0.98	1.00	1.02	1.03	1.03	1.04	1.05
Yen (USD/JPY)	93	90	88	87	87	89	90	91
Euro (EUR/USD)	1.43	1.37	1.40	1.45	1.45	1.43	1.43	1.41
Sterling (GBP/USD)	1.62	1.53	1.60	1.63	1.63	1.63	1.63	1.62
Mexican Peso (USD/MXN)	13.1	13.1	13.4	13.7	13.8	14.0	13.9	13.9

The Week | Past, Present & Prospects

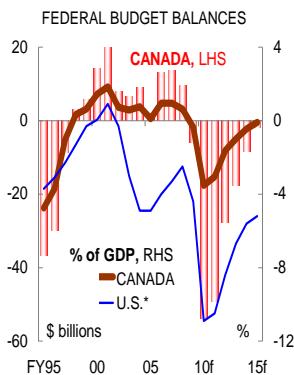
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Canada's 2010-11 Federal Transition Budget

Ottawa projects a \$49 billion budget deficit for fiscal 2010-11 (FY11) after implementing year two of its stimulus package, down slightly from this year's estimated \$54 billion shortfall. After deficits of \$28 billion, \$18 billion and \$9 billion in the following three fiscal years, a modest \$2 billion shortfall is forecast for FY15, with balanced books assumed in FY16, just beyond Ottawa's forecast horizon.



* Excluding Social Security surplus. Source: Finance Canada, OMB; U.S. deficits and GDP forecasts: Scotia Economics.

As the government committed, its deficit reduction strategy involves no tax hikes, Defence spending rises (but at a slower pace after FY12) and the growth tracks for major transfers to individuals and other governments are still intact. The federal plan to trim the general corporate income tax rate to 15% by 2012 also remains in place.

The second year of the stimulus package, at \$19.2 billion plus assumed provincial/territorial participation of \$6.0 billion, offers a \$25.1 billion boost, 31% less

than last year's \$36.5 billion assist. With the recovery still at an early, fragile stage, the gradual withdrawal of monetary stimulus, and importantly for Canada's small open economy, the winding down of stimulus around the world, maintaining some economic support should help private-sector growth regain sustainable traction.

The \$49 billion FY11 shortfall, at just 3.0% of our national GDP, will remain the envy of our G7 partners as will Ottawa's net debt, rising to just over 35% of GDP in FY11 and FY12 before edging lower. Relative to revenues, the debt service peaks at 14.6¢ of each revenue dollar in FY13. Nevertheless, in absolute terms, interest charges are forecast to climb from just less than \$30 billion this year to almost \$41 billion in FY15, reducing Ottawa's flexibility.

The risk in the Budget estimates is the ability to sharply cut the deficit from \$49 billion in FY11 to \$28 billion in FY12, and accomplish a further \$10 billion cut in red ink in each of the two following fiscal years. This dramatic deficit reduction occurs during calendar 2011 and 2012 when Finance Canada assumes real growth averaging over 3% annually, a forecast that could prove optimistic, requiring Ottawa to undertake additional saving to stay on track.

A centre-piece of the *Budget* is making Canada a tariff-free zone for industrial manufacturers, a first among the G-20. All remaining tariffs on manufacturing inputs and machinery & equipment will be eliminated by January 1, 2015, with the majority removed immediately.

Ottawa estimates an 8.2% drop in FY10 revenues, dragged down by a 24% plunge in corporate income taxes. For FY11, an optimistic 8.1% rebound in tax receipts is assumed and for the following four years, taxes are expected to advance by a healthy 6.1% annually. EI premium rates, beginning in 2011, will be raised annually to the maximum limit of 15¢ per \$100 of insurable earnings, with the EI program deficits incurred by the recession paid back by 2014.

The market reaction to this *Budget* is likely to be muted, with many of the factors driving the near-term deficits already known. There will, however, be significant impact on industry from the decision to make Canada a tariff-free zone, and from the other domestic and international tax changes, including the measures to close perceived tax loopholes. ■

Budget 2010

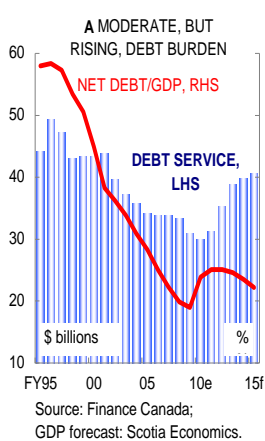
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Budgeting In Challenging Times

Ottawa's *Budget 2010* is the second tranche of the government's *Economic Action Plan*, a two-year ballooning in expenditures to fight an unexpectedly severe recession that had largely been triggered by a series of destabilizing events outside of Canada's boundaries.



Program expenditures are projected to increase by \$11.4 billion in the upcoming fiscal year, on top of the whopping \$29.9 billion estimated increase in the fiscal year coming to an end this month. Revenues are on the upswing as well, with the projection for the year ahead largely expected to recoup the sharp slide in this year's performance. Accordingly, FY11's planned \$49 billion deficit follows on the heels of this year's estimated \$53 billion shortfall pushing the federal debt to a

projected \$567 billion, or just over 35% of national output.

Budget 2010 also lays out a longer-term plan to rein in the massive deficits incurred getting into, and now out of recession. This plan relies heavily on expenditure restraint and sustained economic growth, rather than tax increases, to effectively eliminate deficits by mid-decade or just beyond. But even as the deficits wind down, federal debt continues to rise to around \$622 billion by 2015, pushing debt service costs up to an estimated \$41 billion — roughly \$11 billion, or 36%, higher than the current year estimate.

A stronger-for-longer period of economic growth would go a long way towards improving Ottawa's fiscal performance. The government expects that Canadian real GDP growth will average 3% annually for 2011 through 2013, not an unreasonable outlook considering the fiscal

and monetary stimulus still in the pipeline, as well as the global revival in economic activity.

But this may not be a typical recovery/expansion period. Many countries, including our major trading partner, the United States, are undergoing profound structural adjustments that will require a multi-year period to recuperate. Reducing household indebtedness will continue to reverberate through the global economy, and put increasing pressure on the developing nations to further rebalance their economies towards spending and away from saving. Many hard-hit financial institutions will be under increased oversight to rebuild their balance sheets and institute more conservative lending practices. And policymakers around the world will be simultaneously beginning to tap on the monetary and fiscal brakes. For comparison purposes, the Bank of Canada as well as Scotia Economics, believe that output growth will average closer to around 2½% annually in the three-year period of 2011 through 2013.

Canada may not face all of these economic and financial challenges. But as we found out over the past couple of years, the global economy and capital markets are highly integrated, with every nation susceptible to varying degrees to unforeseen shocks and persistent volatility. In this uncertain and potentially rapidly changing economic outlook, the government's fiscal plan will need to be carefully monitored and adjusted. ■



Canada

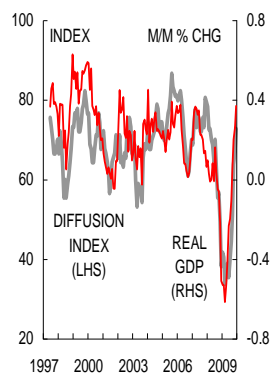
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A Gold Medal Performance

The Canadian economy entered 2010 with a full head of steam. Real GDP increased at a 5.0% annualized rate over the final three months of 2009, marking the largest quarterly advance in nine years. The burst in activity was broadly based, with consumers, builders, exporters and governments all contributing to growth. Indeed, our diffusion index of GDP, which measures the dispersion in overall economic activity, has moved up to its highest level in almost two years (see chart). With a reading of 72.8 in December, the index implies a substantial and growing majority of industries have shifted back into expansion mode.



A similarly broad-based improvement is evident in recent surveys of business sentiment, suggesting the forward momentum can be maintained. In the CFIB's latest monthly survey of small- and mid-sized businesses, confidence improved in 10 of 13 industries in February, led by wholesalers, retailers, manufacturers and construction firms. Business owners in the hospitality, natural resource and agriculture sectors remain the least optimistic. Encouragingly, employment plans have picked up, with the number of firms

expecting to hire over the next three to four months now outnumbering those expecting to cut back. Look for another solid month of job creation when February national figures are released next week.

Better labour market conditions are bolstering consumer confidence and spending, including big-ticket purchases. Auto sales last month jumped to their highest level since early 2008 (see page 8) and home sales are still running close to record levels. Lower joblessness is also putting household finances on a better footing, with consumer bankruptcies dropping sharply in the final months of 2009. Combined consumer and businesses bankruptcies reached their lowest level in more than a year in December.

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Review

IPPI/RMPI — The IPPI edged up 0.3% m/m in January, while the RMPI grew by 3.3% m/m. Petroleum and coal prices were the upward driver of the indices, gaining 4.4% m/m. Motor vehicle prices fell 0.7% m/m, and have fallen in nine of the past ten months. The strength of the Canadian dollar is putting downward pressure on the IPPI, as many Canadian exporters get paid in U.S. dollars. Excluding the exchange rate effect, the IPPI's increase would have doubled to 0.6% m/m. The IPPI remained negative on a y/y basis, as it has for the last eleven months. However, the headline index is on the verge of moving back into positive y/y territory as demand picks up and pipeline pressures build. The RMPI has already been positive on a y/y basis for three months now, reflecting the firming in commodity prices.

Building Permits — Strong home sales, alongside rising prices and tight supply, have prompted a sharp pickup in homebuilding intentions. Residential building permit issuance rose again in January, and is now running almost double the level of a year earlier. Most of the pickup has been for single-family homes, where inventories of unsold stock are lower than for multiple-unit projects. On a unit basis, permits are trending around 220,000 compared with the current level of starts of 180,000, pointing to a further ramping up of construction in the months ahead.

The strength of the residential construction sector stands in marked contrast to the continued weak conditions in the non-residential sector, most notably for commercial developments. Facing rising office vacancy rates and a large amount of new space, the value of commercial building permits fell sharply again in January, and is down close to 20% y/y.

Preview

Housing Starts (03/08)

Capacity Utilization (03/11)

Merchandise Trade Balance (03/11)

New Housing Price Index (03/11)

Employment (03/12)



United States

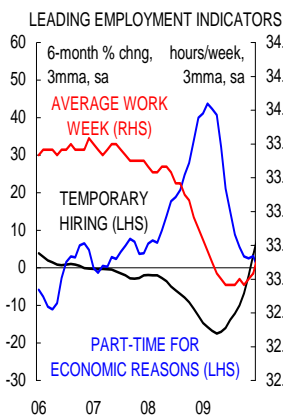
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February Employment Report Beats Expectations

This week, the BLS released its much-anticipated monthly employment report for February. The headline came in at -36,000, weaker than the previous month, but beating market expectations, which called for a 68,000 contraction, due to the heavy snow storms. That said, upward revisions to December and January prints totalled 35,000, netting out February's decline. The underlying details of the report, too, make this a better-than-feared assessment of the U.S. labour market, and point to further improvement in the months ahead.



The BLS noted that severe winter storms that swept through the United States in February “may have affected payroll employment and hours; however, it is not possible to quantify precisely the net impact of the winter storms on these measures.”

Officials added that “workers who received pay for any part of the reference pay period, even one hour, are counted in the February payroll employment figures.”

This implies that the headline employment figures may not have captured the full

impact of the blizzard, but it may have been reflected elsewhere in the report. Average weekly hours declined to 33.1, from 33.3 in January, and manufacturing overtime moderated to 3.4 hours, from 3.5. On the other hand, temporary help services expanded by 47,500 workers, in part due to higher demand for clean-up and repair crews.

Despite the workforce contraction, the unemployment rate remained unchanged at 9.7%. The Employment Situation report comprises of two surveys: 1) the Payrolls survey, and 2) the Household survey. Both studies estimate monthly changes in employment. The headline print comes from the payrolls survey — compiled by polling businesses — but the unemployment rate is calculated using household survey data, based on responses from 60,000 households.

The household survey is better equipped to catch turning points — leading changes in the payroll survey on average by a quarter — due

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Review

Personal Income & Expenditures — Personal income rose 0.1% m/m in January while spending was up 0.5% m/m over the same period. Income has been recovering slowly, but is positive in its last six months, partially reversing the record six consecutive monthly declines that started in October 2008. Although personal income grew, it was by less than the consensus estimate of a 0.3% m/m increase. There shouldn't be any expectations of a swift increase in personal income, given continued soft conditions in the U.S. labour market.

ISM Indices — The Institute for Supply Management's manufacturing index fell to 56.5 in February from its multi-year high of 58.4 the previous month. The index was brought down by weak new orders and production figures, but a slight improvement in the employment sector offset some of the losses. The non-manufacturing index continued its upward trend into expansion, as it moved from 50.5 to 53.0, beating consensus estimates by 2 points. The index of non-manufacturing employment, which makes up the majority of U.S. jobs, increased from 44.6 to 48.6, its highest level since April 2008. The last time the ISM non-manufacturing employment index was expanding (above 50) was in December 2007.

Preview

Wholesale Trade (03/10)

Trade Balance (03/11)

Retail Sales, Business Inventories (03/12)

to its ability to track changes in the number of self-employed. According to the household survey, total employment rose by 308,000, with the largest contributions from the agriculture sector — mostly self-employed — and non-farm part-timers. Most of the other leading employment indicators also hinted at further improvement in the months ahead.

To stimulate private-sector job creation, the House of Representatives approved a US\$15 billion employment bill — the ‘HIRE’ Act — on Thursday. A similar Senate bill passed the vote earlier, and the two versions now have to be reconciled for Senate's final vote in order for the bill to be signed into law. ■

Europe & Asia / Oceania

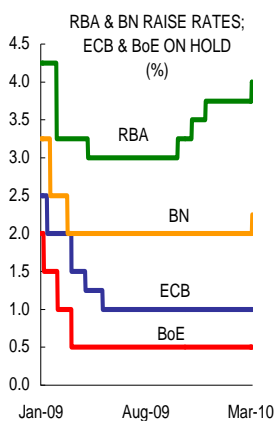
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Higher Interest Rates In Australia & Malaysia

The Reserve Bank of Australia's (RBA) bias towards monetary policy tightening remains intact following its March 2nd decision to raise the Cash Rate another 25 basis points to 4.0%. In his official announcement, Governor Glenn Stevens made it clear that the process of interest rate normalization is not yet over: "[W]ith growth likely to be close to trend and inflation close to target over the coming year, it is appropriate for interest rates to be closer to average. Today's decision is a further step in that process." The adjustment — the fourth such decision in the past five policy meetings — followed an array of positive economic indicators, including a solid 1.2% m/m advance in retail sales in January alongside further gains in employment and a strong (9.5% m/m) rebound in private new home sales (though building approvals slumped 7.0% m/m).



Fourth-quarter national accounts data released the day following the RBA decision confirmed the strength of the economic recovery, as output rose a solid 0.9% q/q (2.7% y/y), led by a 4.9% q/q rebound in business investment and underpinned by a further 0.7% q/q gain in consumer spending. Yet, as we noted last week, wage pressures were muted through the final three months of 2009, increasing by a modest 0.6% q/q (2.9% y/y). Trade was a heavy drag on economic activity in the fourth quarter, pulling the growth figure

down by 1.3 percentage points

Bank Negara Malaysia (BN) Governor Zeti Akhtar Aziz has been signalling the prospect of higher interest rates for several months. As a result, markets were generally indifferent to BN's March 4th decision to commence the process of interest rate normalization by nudging its benchmark interest rate up 25 basis points to 2.25%. The benchmark equities index — the KLCI — dipped marginally on the day as did the yield on the benchmark 10-year government bond, and the ringgit appreciated slightly vis-à-vis the U.S. dollar. The monetary authorities

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ECB & BoE On Hold

Interest rates remain on hold in the euro zone and the U.K. Following their March policy meetings, the European Central Bank (ECB) and the Bank of England's (BoE) Monetary Policy Committee (MPC) opted to leave their benchmark interest rates unchanged at 1.0% and 0.5%, respectively. In announcing the ECB's decision, President Jean-Claude Trichet expressed confidence that inflationary pressures would remain low over the medium term; economic growth — at least in 2010 — will be "moderate" and "uneven". In another step towards the normalization of monetary policy and the phasing out of non-standard measures, the ECB will return to variable rate tender procedures for its 3-month refinancing operations effective April 28th. In keeping with normal BoE practices when there is no change in policy, there was no amplification of the decision to maintain the Bank Rate at 0.5% and the asset purchase programme at £200 billion. Clearly, the MPC remains confident that the consumer price inflation rate (3.5% y/y in January) will soon slip back to the medium-term target of 2%. However, pressures further up the distribution chain threaten to slow the correction as the headline producer price index rose 4.1% y/y (0.3% m/m) in February.

expect inflation to "remain moderate" even as growth accelerates; the consumer price index rose by an eight-month high of 1.3% y/y in January. Thus, the rate decision was entirely preemptive and was designed to avoid "the risk of financial imbalances that could undermine the economic recovery process". Although the pace of recovery in industrial output and exports has lagged a number of other emerging Asian economies, Malaysia is on track to grow by at least 4% this year, following a relatively moderate 1.7% contraction in 2009. With interest rates trending higher and economic conditions on the mend (GDP rose 4.5% y/y in the final quarter of 2009, the first advance in a year), we expect the ringgit's moderate appreciating bias to persist through the balance of the year, taking the exchange rate (currently 3.36 per U.S. dollar) to 3.25 by end-2010. ■

Industry & Commodity

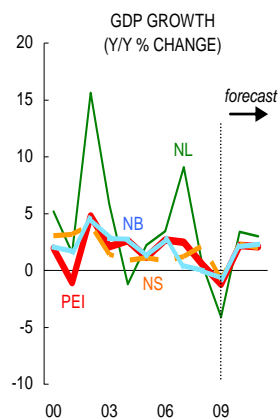
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Atlantic Canada Update

The Atlantic region outperformed the rest of Canada in 2009 with average GDP growth sliding an estimated 1.7%. However, the Atlantic provinces faced very disparate fortunes. Moderate declines are estimated for Nova Scotia and New Brunswick, while Newfoundland and Labrador likely suffered the steepest retrenchment in Canada, as energy exports tumbled.



Despite a drop in exports and a notable slowdown in manufacturing, Nova Scotia and New Brunswick both managed to sidestep the worst of the recession. Employment in both provinces held up well on aggregate, as losses in “legacy” industries were offset by public and private service sector gains — most notably in education and finance. Consequently, the rebound in GDP and employment growth for both provinces is likely to be less pronounced than the Canadian average this year. GDP growth

is expected to advance 2.3% in Nova Scotia in 2010, fuelled by a rebound in natural gas exports, government stimulus projects and support from private sector services. Growth in New Brunswick is forecast at 2.1% with a rebound in potash shipments and a slight recovery in petroleum product exports adding to the strength of private sector services.

Newfoundland’s economy was less sheltered to the global downturn, as energy and other commodity exports account for well over a third of the province’s nominal GDP. Offshore oil shipment volumes showed large losses in 2009 as sites suffered from both natural depletion and repairs. Iron ore shipments struggled, as demand wavered early in the year, exacerbating the hit to exports. However, Newfoundland is expected to lead the Atlantic region this year, with GDP growth of 3.4%. Production start-up at the North Amethyst satellite field should boost energy exports back to 2008 levels and increased global demand should fuel raw material shipments.

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Auto Sales & Production Recovery Intact

Canadian car & light truck purchases strengthened to nearly an annualized 1.70 million units in February — the best performance since early 2008, and a sharp improvement from 1.46 million for all of 2009. Several automakers reported record volumes for February, while Chrysler posted a 17% y/y increase — the third monthly advance and significant reversal from thirteen consecutive declines from late 2008 through November 2009. In fact, Chrysler captured second place in the Canadian market last month, and has garnered more than a 14% share so far this year — in line with the average of the past decade and roughly double its share in May-June of last year.

While last month’s outsized 25% y/y jump in sales may overstate the strength of the market, we expect purchases to continue to move higher alongside an improving labour market, a broadening economic recovery and enhanced incentives. For example, Toyota recently introduced its ‘best ever’ Reg Tag sales event, which includes 0% financing for 48 months for selected models.

U.S. vehicle sales moderated to an annualized 10.4 million units last month, from 10.8 million in January and in the final months of 2009. Volumes were held back by inclement weather, especially in the U.S. Northeast, and the much-publicized Toyota recall. However, Toyota’s volumes held up better than expected, declining 8.7% below a year ago, less than the 10-15% fall-off that was generally expected.

Ford led the way last month, with its volumes surging 43% y/y — nearly four times stronger than the industry-wide increase. Much of the company’s strength was concentrated in a 75% surge in fleet volumes. Other automakers also indicated that fleet purchases are starting to return to normal alongside a strengthening economy. Ford and other automakers announced plans to boost their second-quarter North American production to an annualized 11.5 million units, up from an average of 11 million during the last six months. Rising output reflects a need to align inventories with strengthening pent-up demand.

Prince Edward Island lands in the middle of the pack. Tourism numbers held up well last year with travelers looking for destinations closer to home, while crop exports remained steady. Premium seafood catch prices will likely experience a long convalescence, as consumers remain more value-oriented. ■



Market Metrics

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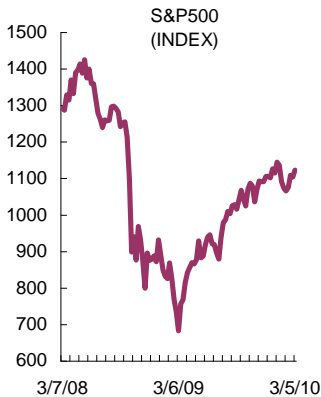
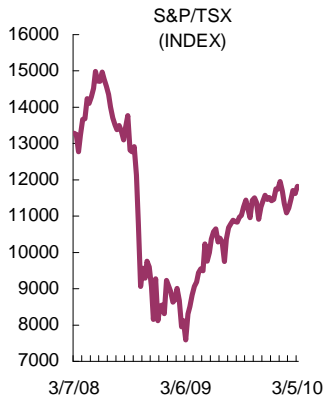
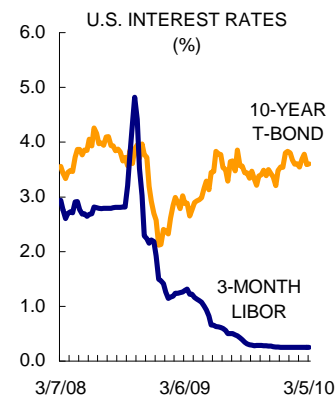
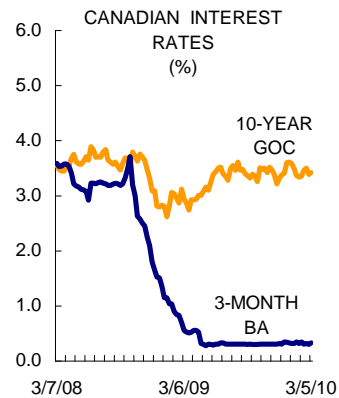
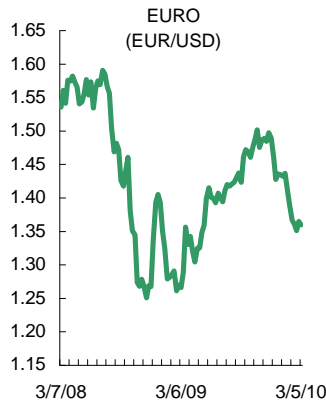
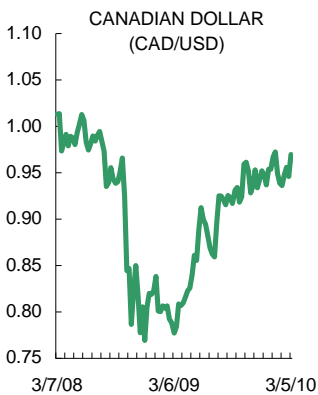
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Highlights

Markets & Monetary Policy — Central bank meetings were aplenty this week.

The BoC left the overnight rate unchanged, keeping its conditional commitment to maintaining the target overnight rate at its current level until the end of the second quarter. The Bank had a more positive view of the domestic economy, alongside weak U.S. demand, continue to act as a significant drag. One notable change was the omission of a statement made in the January announcement, which indicated that “in its conduct of monetary policy at low interest rates, the Bank retains considerable flexibility, consistent with the framework outlined in the April 2009 MPR.” This is yet another signal that the unconventional monetary policy measures, such as quantitative easing, are no longer considered necessary.

As expected, the BoE kept its benchmark rates (and the asset purchase program) on hold, as did the ECB.

In a widely expected move, the Reserve Bank of Australia (RBA) raised the official cash rate by 25 bps to 4.0%, its first hike since December. Rates are now a full point higher than last September. We anticipate further rate increases by the RBA in the coming quarters.

Note: Latest observation taken at time of writing.

Highlights

Fiscal Policy — Underpinned by tight expenditure management, **British Columbia's Budget** outlines a deficit reduction path virtually unchanged from its September *Update*. The projected shortfall for fiscal 2009-10 (FY10) is just 1.5% of GDP at \$2.8 billion, narrowing to \$1.7 billion in FY11. In FY13, with the forecast \$145 million deficit less than half of the \$400 million forecast allowance, the books could be balanced a year ahead of the FY14 target. British Columbia acknowledges the current high level of uncertainty, and has responded by providing considerable insurance for its planned deficit reduction. The forecast allowance climbs to \$400 million by FY13 and FY14, an annual \$450 million contingency vote is built into the program spending estimates, capital spending contingencies are included and, a relatively cautious economic outlook is assumed.

Economic Tables

Canada	2009	09Q3	09Q4	Latest	United States	2009	09Q3	09Q4	Latest
Real GDP (annual rates)	-2.6	0.9	5.0		Real GDP (annual rates)	-2.4	2.2	5.9	
Current Acc. Bal. (C\$B, ar)	-41.3	-55.2	-39.1		Current Acc. Bal. (US\$B, ar)		-432		
Merch. Trade Bal. (C\$B, ar)	-4.8	-16.4	0.5	-2.9 (Dec)	Merch. Trade Bal. (US\$B, ar)	-517	-528	-582	-622 (Dec)
Industrial Production	-10.0	-12.5	-7.7	-5.0 (Dec)	Industrial Production	-9.8	-9.2	-4.7	1.0 (Jan)
Housing Starts (000s)	149	156	180	186 (Jan)	Housing Starts (millions)	0.55	0.59	0.56	0.59 (Jan)
Employment	-1.6	-1.9	-1.4	0.0 (Jan)	Employment	-4.3	-4.9	-4.0	-2.5 (Feb)
Unemployment Rate (%)	8.3	8.5	8.4	8.3 (Jan)	Unemployment Rate (%)	9.3	9.6	10.0	9.7 (Feb)
Retail Sales	-3.0	-3.7	2.1	6.7 (Dec)	Retail Sales	-6.8	-7.4	2.2	5.3 (Jan)
Auto Sales (000s)	1461	1538	1513	1519 (Dec)	Auto Sales (millions)	10.3	11.5	10.8	10.3 (Feb)
CPI	0.3	-0.9	0.8	1.9 (Jan)	CPI	-0.4	-1.6	1.4	2.6 (Jan)
IPPI	-3.4	-6.7	-3.4	-0.3 (Jan)	PPI	-2.6	-5.4	1.6	4.6 (Jan)
Pre-tax Corp. Profits	-33.2	-39.9	-14.8		Pre-tax Corp. Profits		-5.2		
Mexico					Brazil				
Real GDP	-6.5	-6.1	-2.3		Real GDP		-1.1		
Current Acc. Bal. (US\$B, ar)	-5.2	-14.8	-2.8		Current Acc. Bal. (US\$B, ar)	-24.3	-19.7	-48.9	
Merch. Trade Bal. (US\$B, ar)	-4.7	-12.6	-1.4	-4.0 (Jan)	Merch. Trade Bal. (US\$B, ar)	25.4	29.3	16.5	4.7 (Feb)
Industrial Production	-7.3	-6.3	-1.9	1.6 (Dec)	Industrial Production	-7.2	-8.6	5.9	16.3 (Jan)
CPI	5.3	5.1	4.0	4.5 (Jan)	CPI	5.2	4.7	3.9	3.2 (Jan)
Argentina					Italy				
Real GDP		-0.3			Real GDP	-4.9	-4.6	-2.8	
Current Acc. Bal. (US\$B, ar)		4.5			Current Acc. Bal. (US\$B, ar)	-0.07	-0.04	-0.07	-0.07 (Dec)
Merch. Trade Bal. (US\$B, ar)	17.0	13.6	14.9	14.6 (Jan)	Merch. Trade Bal. (US\$B, ar)	-5.6	10.0	-10.5	-2.2 (Dec)
Industrial Production	0.0	-1.4	5.3	5.2 (Jan)	Industrial Production	-17.6	-15.9	-9.2	-5.7 (Dec)
CPI	-26.9	-34.3	-9.4	8.2 (Jan)	CPI	0.8	0.2	0.8	1.5 (Jan)
Germany					France				
Real GDP	-4.9	-4.8	-2.4		Real GDP	-2.3	-2.4	-0.2	
Current Acc. Bal. (US\$B, ar)	169.0	144.6	292.1	360.5 (Dec)	Current Acc. Bal. (US\$B, ar)	-57.3	-26.2	-91.4	-29.3 (Dec)
Merch. Trade Bal. (US\$B, ar)	190.3	188.5	273.6	291.6 (Dec)	Merch. Trade Bal. (US\$B, ar)	-30.6	-19.2	-35.5	-35.0 (Dec)
Industrial Production	-16.1	-15.5	-9.1	-6.7 (Dec)	Industrial Production	-13.0	-11.9	-4.6	-2.0 (Dec)
Unemployment Rate (%)	8.1	8.2	8.1	8.2 (Feb)	Unemployment Rate (%)	9.4	9.6	10.0	10.1 (Jan)
CPI	0.3	-0.2	0.4	0.4 (Feb)	CPI	0.1	-0.4	0.4	1.1 (Jan)
Euro Zone					United Kingdom				
Real GDP	-4.0	-4.1	-2.1		Real GDP	-5.0	-5.3	-3.3	
Current Acc. Bal. (US\$B, ar)	-79.9	-15	29	165 (Dec)	Current Acc. Bal. (US\$B, ar)		-24.4		
Merch. Trade Bal. (US\$B, ar)	50.2	75.8	103.3	93.0 (Dec)	Merch. Trade Bal. (US\$B, ar)	-128.1	-130.5	-138.9	-141.6 (Dec)
Industrial Production	-14.9	-15.0	-7.6	-4.7 (Dec)	Industrial Production	-10.2	-10.7	-5.9	-3.6 (Dec)
Unemployment Rate (%)	9.4	9.6	9.8	9.9 (Jan)	Unemployment Rate (%)		7.9		7.8 (Nov)
CPI	0.3	-0.4	0.4	1.0 (Jan)	CPI	2.2	1.5	2.1	3.4 (Jan)
Japan					Australia				
Real GDP	-5.1	-4.9	-0.9		Real GDP	1.3	0.9	2.7	
Current Acc. Bal. (US\$B, ar)	141.6	175.3	151.4	120.1 (Dec)	Current Acc. Bal. (US\$B, ar)	-40.7	-54.2	-67.2	
Merch. Trade Bal. (US\$B, ar)	30.2	43.2	80.6	95.9 (Jan)	Merch. Trade Bal. (US\$B, ar)	-3.4	-11.6	-23.4	-10.6 (Jan)
Industrial Production	-22.3	-19.7	-5.3	19.8 (Jan)	Industrial Production	-2.7	-4.3	0.9	
Unemployment Rate (%)	5.1	5.4	5.2	4.9 (Jan)	Unemployment Rate (%)	5.6	5.8	5.6	5.3 (Jan)
CPI	-1.4	-2.2	-2.0	-1.3 (Jan)	CPI	1.8	1.3	2.1	
China					South Korea				
Real GDP	8.7	9.1	10.7		Real GDP	0.2	0.9	6.0	
Current Acc. Bal. (US\$B, ar)					Current Acc. Bal. (US\$B, ar)	42.7	41.6	42.2	-5.4 (Jan)
Merch. Trade Bal. (US\$B, ar)	196.1	154.5	245.5	170.0 (Jan)	Merch. Trade Bal. (US\$B, ar)	42.3	42.5	46.0	27.9 (Feb)
Industrial Production	18.5	13.9	18.5	18.5 (Dec)	Industrial Production	-1.3	2.2	17.9	31.0 (Jan)
CPI	1.9	-0.8	1.9	1.5 (Jan)	CPI	2.8	2.0	2.4	2.7 (Feb)

All data expressed as year-over-year % change unless otherwise noted.

Financial Tables

Interest Rates (% , end of period)

Canada	09Q3	09Q4	Feb/26	Mar/05*	United States	09Q3	09Q4	Feb/26	Mar/05*
BoC Overnight Rate	0.25	0.25	0.25	0.25	Fed Funds Target Rate	0.25	0.25	0.25	0.25
3-mo. T-bill	0.31	0.34	0.21	0.19	3-mo. T-bill	0.11	0.05	0.11	0.15
10-yr Gov't Bond	3.31	3.61	3.39	3.47	10-yr Gov't Bond	3.31	3.84	3.61	3.69
30-yr Gov't Bond	3.84	4.08	4.02	4.06	30-yr Gov't Bond	4.05	4.64	4.56	4.63
Prime	2.25	2.25	2.25	2.25	Prime	3.25	3.25	3.25	3.25
FX Reserves (US\$B)	58.1	54.2	56.9	(Jan)	FX Reserves (US\$B)	123.3	119.7	118.4	(Jan)
Germany					France				
3-mo. Interbank	0.65	0.60	0.50	0.50	3-mo. T-bill	0.36	0.36	0.29	0.30
10-yr Gov't Bond	3.22	3.39	3.10	3.15	10-yr Gov't Bond	3.54	3.59	3.40	3.44
FX Reserves (US\$B)	61.3	60.4	60.6	(Jan)	FX Reserves (US\$B)	45.2	46.6	44.1	(Jan)
Euro-Zone					United Kingdom				
Refinancing Rate	1.00	1.00	1.00	1.00	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.53	0.41	0.34	0.32	3-mo. T-bill	4.85	4.85	4.85	4.85
FX Reserves (US\$B)	285.2	283.6	280.1	(Jan)	10-yr Gov't Bond	3.59	4.02	4.03	4.06
					FX Reserves (US\$B)	57.5	55.7	54.5	(Jan)
Japan					Australia				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	3.00	3.75	3.75	4.00
3-mo. Libor	0.29	0.22	0.19	0.19	10-yr Gov't Bond	5.36	5.64	5.44	5.47
10-yr Gov't Bond	1.30	1.30	1.31	1.32	FX Reserves (US\$B)	40.5	39.0	38.4	(Jan)
FX Reserves (US\$B)	1030.8	1024.9	1029.1	(Jan)					

Exchange Rates (end of period)

USD/CAD	93.51	95.06	95.12	97.31	¥/US\$	89.70	93.02	88.97	90.39
CAD/USD	1.07	1.05	1.05	1.03	US¢/Australian\$	88.28	89.77	89.54	90.68
GBP/USD	1.598	1.617	1.524	1.514	Chinese Yuan/US\$	6.83	6.83	6.83	6.83
EUR/USD	1.464	1.432	1.363	1.361	South Korean Won/US\$	1178	1164	1160	1140
JPY/EUR	0.76	0.75	0.83	0.81	Mexican Peso/US\$	13.512	13.091	12.772	12.659
CHF/USD	1.04	1.04	1.07	1.08	Brazilian Real/US\$	1.767	1.745	1.808	1.779

Equity Markets (index, end of period)

United States (DJIA)	9712	10428	10325	10531	U.K. (FT100)	5134	5413	5355	5601
United States (S&P500)	1057	1115	1104	1134	Germany (Dax)	5675	5957	5598	5876
Canada (S&P/TSX)	11395	11746	11630	11959	France (CAC40)	3795	3936	3709	3905
Mexico (Bolsa)	29232	32120	31635	32500	Japan (Nikkei)	10133	10546	10126	10369
Brazil (Bovespa)	61518	68588	66503	68616	Hong Kong (Hang Seng)	20955	21873	20609	20788
Italy (BCI)	1144	1138	1049	1087	South Korea (Composite)	1673	1683	1588	1635

Commodity Prices (end of period)

Pulp (US\$/tonne)	770	830	850	850	Copper (US\$/lb)	2.78	3.33	3.21	3.39
Newsprint (US\$/tonne)	445	530	545	545	Zinc (US\$/lb)	0.87	1.17	0.98	1.02
Lumber (US\$/mfbm)	188	203	270	270	Gold (US\$/oz)	995.75	1087.50	1108.25	1135.00
WTI Oil (US\$/bbl)	70.61	79.36	79.66	81.84	Silver (US\$/oz)	16.45	16.99	16.12	17.25
Natural Gas (US\$/mmbtu)	4.84	5.57	4.81	4.60	CRB (index)	259.39	283.38	274.77	277.91

* Note: Latest observation taken at time of writing.