



Provincial Trends

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On The Road To Recovery

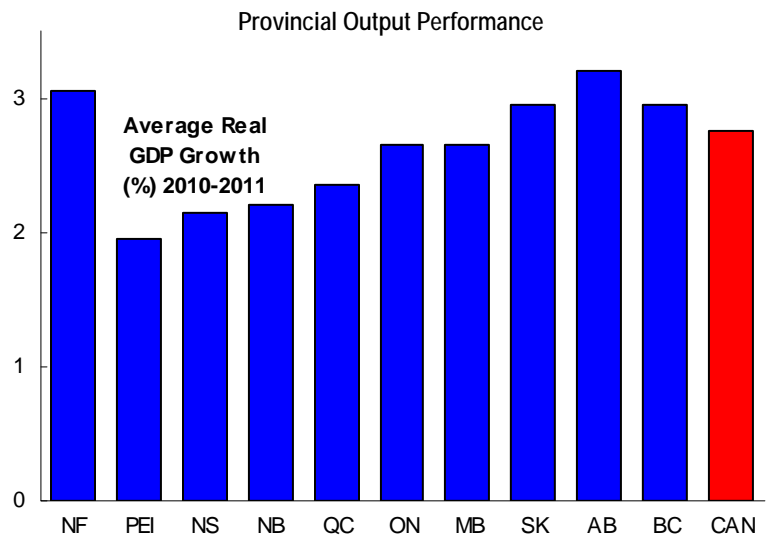
Canada climbed its way out of recession in the third quarter of 2009, as consumer spending rebounded, investment returned in line with thawing credit markets, and government taps opened the flow of stimulus project spending. That Canada escaped from the global slump fairly quickly is reflective of our relatively healthy household balance sheets and stable financial system. However, the modest pace of the recovery highlights the ongoing trade and competitive hurdles that need to be overcome in order to return to stronger growth. Meanwhile, the regional disparity in growth across Canada will continue in 2010 with the Canadian dollar expected to remain strong, and commodity producers benefit from a rebound in global markets.

Atlantic Canada managed to weather the economic downturn relatively well. Although Newfoundland and Labrador was hit by a combination of declining resource values and production shutdowns, the other provinces in the region performed well above the national average in a number of categories. We expect Atlantic Canada's recovery to be less pronounced, as a number of sectors have less room for expansion with the completion of several major capital projects. However, Newfoundland and Labrador will likely see a significant rebound, given strengthening oil prices.

Ontario and Quebec have witnessed two very different performances this year. Ontario was sideswiped by the slowdown in the United States, with curtailments in automobile production sending shockwaves through the economy. Quebec's more diversified manufacturing base and export markets allowed it to sidestep the worst of the recession. However, the tables will likely turn next year, as a rebound in manufacturing and a turnaround in construction boosts activity in Ontario, while Quebec's economy, though solid, lags behind.

Resource recovery will be the main story for Western Canada in 2010. Saskatchewan's economy likely contracted this year, as potash production was curtailed more than anticipated.

Nonetheless, we foresee a turnaround for potash in 2010, with a double-digit increase in light crude production rounding off a stronger year for the resource sector. Oil sands investment in Alberta should begin to ramp up again in 2010, lifting construction activity and employment, while consumers are expected to come out from hiding after two years of lacklustre growth. British Columbia is expected to bounce back next year with the Winter Olympics providing a large boost to consumption, while export demand improves — reviving transport volumes. Significant investment in the province's natural gas industry is underway, with the province's low-cost shale plays proving to be stiff competition for 'conventional' production.



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British Columbia — Housing recovery supports household spending

B.C. is expected to rebound in 2010 with GDP growth of 3.0%. The turnaround will be propelled by stronger resource values, increased transportation activity and the Winter Olympics.

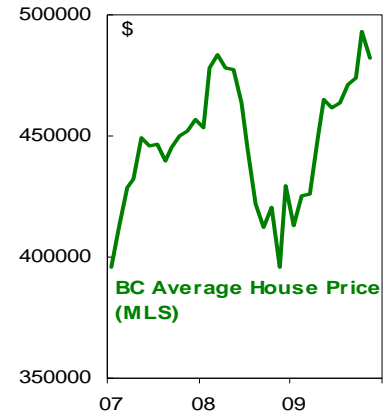
Prospects for premium-grade coking coal — of which the province is a leading exporter — are likely to improve after a decline in prices this year. Increased worldwide demand should put mining development back on track after a tumultuous 2009. The forest products sector will benefit from the slow recovery in U.S. housing starts and somewhat better lumber prices, though the strong Canadian dollar remains a challenge.

Increased global industrial activity should revive shipping traffic next year, with development of the province's shipping hubs set to continue. Construction will show strength compared to 2009, as public infrastructure, utilities and mining development (including unconventional natural gas plays) spur activity. Construction projects include a number of green energy initiatives ranging from hydro to renewable energy.

Tourism activity and a range of services will recover after a rocky 2009. The Winter Olympics will significantly boost activity early in the year and provide a showcase for the province, though the strong Canadian dollar will temper activity later on. The same concerns apply to the province's film industry. While production numbers have been strong over the past two years, some foreign projects may now be at risk, although extended tax credits will help support Canadian-controlled productions.

Employment conditions should improve next year, as construction activity perks up and the service sector shows growth. The province's housing sector has started to recover and is expected to show a steady performance into next year. Retail sales should pick up as a result, and will be further bolstered by increased tourism activity stemming from the Winter Olympics.

Housing Markets Rebound
— B.C.



Alberta — Oil sand development poised to kick-start the economy

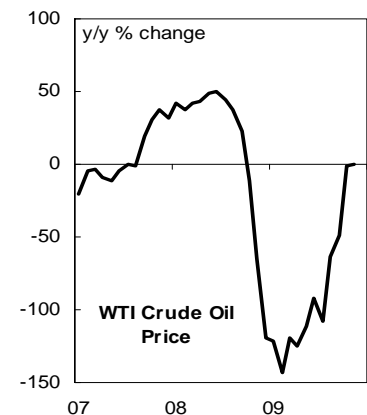
Alberta is expected to get back on the growth track in 2010, posting a 2.9% increase in real GDP. Higher commodity prices, strengthening non-residential construction and buoyant infrastructure investments will underpin the rebound.

Fixed capital investment amounts to almost 30% of Alberta's GDP. Though planned capital project expenditures have eroded considerably over the past year, activity is expected to pick up in the next two years. Lower construction costs, combined with favourable lending rates have put a number of oil sand projects back on track. Housing construction has picked up in recent months, though the overall level of activity remains well short of recent years.

Crude oil export receipts should post a large rebound in 2010, as prices climb further. However, a strong Canadian dollar will temper earnings. The province's natural gas industry will likely remain relatively weak, with only a modest turnaround in prices expected. Drilling forecasts show only a slight improvement for 2010, though heavy oil development will move ahead.

Manufacturing should rebound from a tumultuous year as fabricated metal and chemical producers recover. The petrochemical industry has started to stabilize, as global industrial activity heats up and prices rebound. The province's service sector has anchored employment, tempering overall losses in 2009. Services should lead the province's pickup in employment growth along with construction next year. Retail sales will likely show gains after a significant slowdown over the past couple of years, as housing prices have stabilized and inflation pressures have moderated.

Oil Prices In Recovery Mode
— Alberta





Saskatchewan — Resource volumes to rebound next year

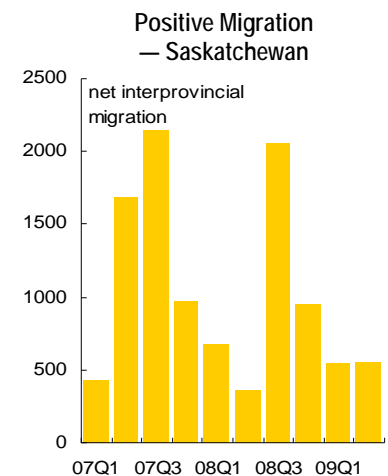
Saskatchewan is expected to experience GDP growth of 2.8% in 2010, supported by interprovincial migration, a recovery in resources and infrastructure spending.

Potash production is expected to regain some ground in 2010, after production declines of over 50% this year. Shipments to Brazil and Southeast Asia are expected to pick up early in the year and the longer-term outlook for the industry remains favourable with large-scale investments still expected to go forward. Expectations for crude oil remain positive, as investment continues to flow into the Bakken oil play and pricing strengthens. However, pressure from a strengthening Canadian dollar will squeeze resource profits. Construction plans for a new uranium mine at Cigar Lake have bolstered the long-term outlook for the province's resource sector.

This year's harvest was of particular concern for the province. However, results were quite positive as yields held up much better than expected. Prices have dropped from record highs last year, but remain higher than historical averages.

Construction activity in the province is still moving forward at a rapid clip. While housing starts are expected to fall short of the torrid pace shown in 2008, they remain high on a historical basis as household formation rises. In addition, the province has laid out an aggressive infrastructure investment plan that, combined with private sector mining and oil & gas projects, will help sustain elevated investment in the province.

Saskatchewan led the provinces in employment growth this year. Further gains are expected next year, albeit at a slower pace. As a result, retail sales in the province should show solid growth.



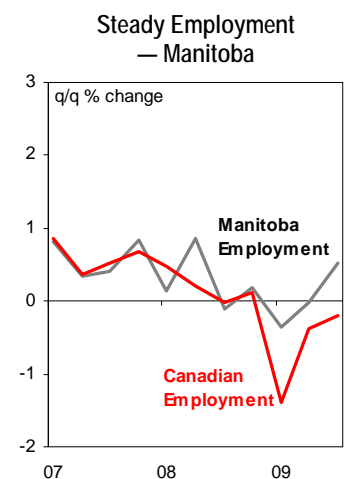
Manitoba — Diversified economy provides stability

Manitoba has shown resilience in 2009 and is expected to return to a steady growth path in 2010, with a rebound of 2.6% underpinned by hydro utility development and solid manufacturing activity and investment.

Prospects for the province's manufacturing sector look positive, though not spectacular, for 2010. The agri-food industry will likely see further growth, though hog producers will continue to face difficulties in spite of government support programs. A strong dollar, the swine flu scare, and country of origin labeling will continue to constrain demand. Aerospace manufacturers are still seeing a steady stream of repair and refurbishment contracts coming in, which should help to offset delays at component manufacturers. The province's major bus manufacturer has had to deal with some deferrals from American clients, but a record backlog of orders still remains. While production should continue to be strong, job cuts have been announced as companies streamline operations.

Construction in the province is expected to pick up. Major projects, including the ongoing expansion of the Winnipeg airport, construction on the Waskwatim hydro-electric dam, pipelines and highways will provide a significant boost to the economy. Though still in the development stages, the Canaport international transportation and business hub presents a long-term opportunity.

Moderate gains in the service sector and a pickup in construction should lead to a 0.5% gain in employment next year. A steady employment climate and a healthy housing market will support a turnaround in retail sales. However, growth will be moderate, as wage gains in the province remain on the low side of the national average.





Ontario — Auto production reboots

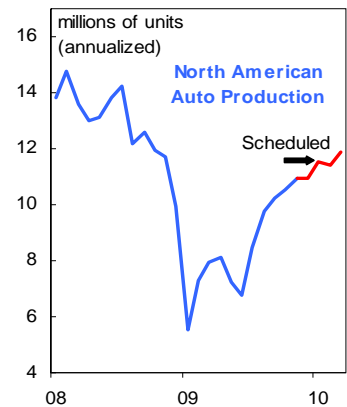
Ontario is expected to experience a 2.7% rebound in growth in 2010. The auto sector and stimulus programs will lead the recovery, with solid service sector growth providing an added boost.

Manufacturing is making a comeback and should continue to experience gains into next year — though activity is expected to remain well below 2008 levels. Vehicle assembly is expected to rise over 20%, with the supply chain — metals and plastics — standing to benefit. Investment in the sector has come back, with a number of plants now planning significant upgrades. Across Ontario's manufacturing sector, inventory restocking will support production through the first half of 2010, although sales of household durables and business machinery and equipment will be sensitive to lacklustre conditions in the United States. The appreciation of the Canadian dollar presents another dampening influence, elevating the importance of productivity gains, with cost savings from the implementation of the HST being of help.

Following an initial drop in employment at the beginning of last year's credit crisis, financial, real estate and insurance companies have been a major source of new hires in 2009. The province is looking to financial services as a source of growth and job creation, with spin-offs for other business services. While public-sector employment will be handcuffed by federal and provincial fiscal imbalances, job creation among private-sector services should gradually gain momentum. The improvement in labour market conditions should support a turnaround in retail sales in 2010.

Construction is expected to re-accelerate next year, underpinned by a plethora of infrastructure projects. Ontario will reap significant benefits from post-secondary funding given the number of institutions in the province. An emphasis on green energy has brought a number of public and private hydro, wind and gas projects to the table.

Auto Production Begins To Rebound — Ontario



Quebec — Public Investment will support growth

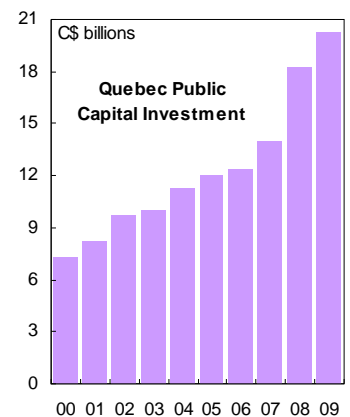
Quebec has shown remarkable resilience throughout the economic downturn despite a battered forest products sector and a marked decline in petroleum product exports. The province is expected to post moderate growth, with a rebound of 2.2% in 2010.

The service sector has underpinned the economy this year. While overall activity has been relatively flat, employment losses have been limited, with most stemming from the transportation sector. Growth should be broadly based in 2010 with the financial, real-estate and insurance sector regaining its leading position. Retail sales can be expected to rebound given a relatively strong labour market performance and rising home prices.

Although the province's manufacturing sector was inevitably dragged into the recession, Quebec fared much better than many other provinces. Nonetheless, the outlook for 2010 is mixed. Aerospace manufacturers have seen a number of orders cancelled, but a two-year production backlog is still in place. Aggressive cost-cutting measures have streamlined operations, but production will likely remain lacklustre until a shift towards larger aircraft takes place in 2012. Primary metal manufacturers look to benefit after a difficult year, as demand picks up in line with the global recovery, and work on a new smelter begins. However, uncertainty remains in the forest products sector as a number of mills are expected to close.

The bounceback in residential construction in 2010 will be relatively less pronounced, as Quebec sidestepped the recession better than most. However, public and private capital investment will provide significant support, given large investments in health care facilities, plant upgrades in the aerospace and primary metal industries, as well as refining, mining and hydro.

Public Capital Investment Intentions Continue To Rise — Quebec





New Brunswick — Completion of major projects will temper growth

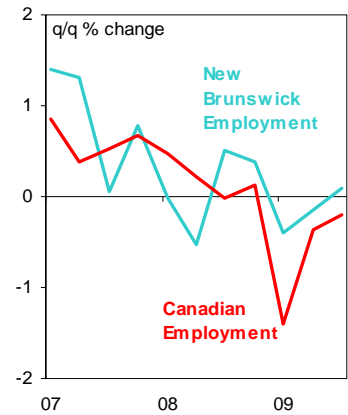
New Brunswick is expected to underperform the national average slightly in 2010 with a rebound of 2.1%, as market conditions in the forest products industry remain challenging and some construction activity winds down.

The province weathered the recession rather well. Strong construction activity and stability in the service sector have helped to offset losses in manufacturing, leaving employment levels essentially unchanged this year. The retention of full-time jobs has helped to mitigate losses in retail sales.

The province faces several challenges in the near-term. The information technology industry, a key generator of growth over the past decade, is showing signs of weakening as clients face slower market activity and lower-cost alternatives present themselves in the developing world. A number of call centres have announced layoffs while some software developers are scaling back operations. Meanwhile, the province's progress towards becoming a natural gas transportation hub has slowed with the indefinite delay in the construction of a second refinery near Saint John. In addition, a number of large capital projects are set to wind down this year. Potash production has been scaled back significantly this year, though international shipments should pick up in 2010.

Several positive developments support longer-term growth prospects in the province. A multi-billion dollar expansion of the Sussex potash mine is well underway and will provide a large boost to exports upon completion. Substantial funding has been provided to the province's numerous universities, which should result in increased employment. In addition, there are a significant number of green energy projects down the pipeline, with a major wind power farm under construction and a tidal power turbine already under development. The province has also proceeded with major corporate and personal tax reform policies.

Employment Remains Resilient — New Brunswick



Nova Scotia — Services to support moderate growth

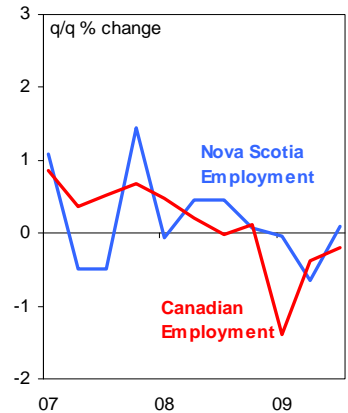
Nova Scotia's economy is expected to rebound with growth of 2.2% in 2010, supported by continued strength in services and some resource gains.

The province's export sector should post a modest recovery in 2010, after weighing on the economy this year. A more optimistic outlook for auto sales will provide support for hard-hit plastic and rubber manufacturers. Container traffic at the Port of Halifax should also increase as the global economy kicks back into gear. Seafood exports are expected to improve, as consumers' appetite for premium catch — lobsters in particular — perks up as the economy recovers. The forest products industry should post some recovery in 2010, though the industry will likely remain fragile.

The province's large natural gas industry has struggled with poor pricing conditions and declining production — in part due to repairs. A modest turnaround should begin in late 2010, as the Deep Panuke gas fields come online. Construction activity has cooled this year, but remains reasonably healthy. While housing starts have moved lower, several major highway and infrastructure projects offer important support. Nevertheless, some uncertainty remains over near-term private sector projects, with a number of transportation-related endeavours still under evaluation.

The outlook for Nova Scotia's major service industries is positive. Federal investment in the province's post-secondary institutions will provide significant support to the economy, and the province's considerable efforts to expand its financial and technology sectors have resulted in several planned expansions for next year. Employment has remained relatively stable, with full-time hiring on the rise, a positive sign for retail sales going forward.

Stable Employment — Nova Scotia





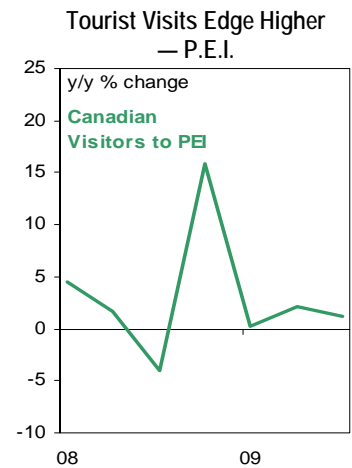
Prince Edward Island — Tourism weathers poor economic conditions

Prince Edward Island weathered the recession relatively well, as exports and tourism traffic were largely stable in 2009. The province is expected to rebound with GDP growth of 1.9% in 2010, though its recovery will be less pronounced than the Canadian average.

Exports have been relatively healthy this year — up roughly 1%, a stark contrast to plummeting numbers across the rest of Canada. Potato exports have been strong, as prices have remained at lucrative levels for a good part of the year. However, wavering demand in the United States has forced the province's major processor to announce a double-digit decline in production. Production cuts, combined with a rainy summer and fall planting season, will likely result in a dip in export receipts next year, barring further price increases. The aerospace industry is well positioned going forward. Exports have grown this year and should remain strong due to the sector's focus on parts and repairs — an active segment given an aging global fleet.

Tourism has performed well, despite a slowdown in international travel. Total visits remain on par year-to-date, with moderate growth in Canadian visits offsetting declining traffic from the United States and other international tourists. Given the strong Canadian dollar, the tourism industry will need to focus on retention and attraction of Canadian guests seeking lower-cost travel opportunities closer to home. The province's efforts to market its golf courses has paid off, as visits and rounds played are showing growth.

Government outlays on infrastructure dominate capital expenditures in the province through 2011 and will provide a significant boost to the economy. Meanwhile, immigration and housing starts are expected to be relatively flat.



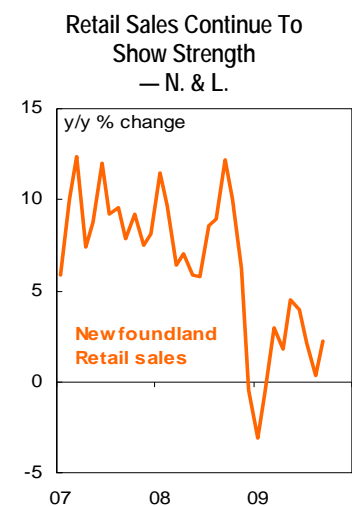
Newfoundland & Labrador — Oil and mining poised to lead recovery

Newfoundland and Labrador's growth fell sharply in 2009, as commodity prices — oil in particular — plummeted in late 2008 and remained at a low ebb in early 2009. However, the province is set to get back on track and outperform the national average with GDP growth of 2.9% in 2010.

Energy products comprise 80% of the province's exports, while commodities account for 30% of GDP. As such, the province's fortunes are intrinsically tied to the outlook for resources. A dramatic improvement is expected after a difficult year, with crude oil expected to approach US\$90 in 2010. In addition, oil production will get a boost, as the White Rose satellite field expansion is expected to come online after a challenging year that saw depletion and unanticipated repairs depressing production by 15% year-to-date.

Conditions are also set to improve in the mining industry — a significant driver of growth — as infrastructure projects and increased industrial activity underpin commodity prices. Nickel prices are currently at lucrative levels and exports can be expected to rebound following the resolution of a labour disruption. Significant investment in the sector still lies ahead, with the Voisey's Bay nickel processing facility on track and a potential expansion in iron ore mining.

Strong private-sector investment will be supplemented by significant infrastructure projects — highways in particular — helping to buoy the construction industry, as residential construction levels off. A buoyant real estate market, with prices rising 17% year-to-date, will support retail sales next year. Employment is expected to increase 0.8%, with gains in mining, services and construction.





Provincial Trends

Forecast Table

	<u>2000-2008</u>	<u>2009e</u>	<u>2010f</u>	<u>2011f</u>	<u>2000-2008</u>	<u>2009e</u>	<u>2010f</u>	<u>2011f</u>	<u>2008</u>	
	<u>Real GDP</u> (annual % change)				<u>Budget Balance, FY Ending March 31</u> (\$ mn)				<u>Nominal GDP</u> \$ bn % share	
Canada	2.6	-2.6	2.7	2.8	10,666	-5,755	-56,000	-46,000	1,600.1	100.0
Nfld	4.6	-4.0	2.9	3.2	-149	2,434	-750	n.a.	31.3	2.0
PEI	1.9	-1.2	1.9	2.0	-25	-33	-85	n.a.	4.6	0.3
Nova Scotia	2.0	-1.4	2.2	2.1	60	20	-592	n.a.	34.2	2.1
New Brunswick	2.0	-1.3	2.1	2.3	79	-192	-754	-749	27.4	1.7
Quebec	2.1	-1.7	2.2	2.5	-128	0	-4,695	n.a.	302.2	18.9
Ontario	2.4	-3.2	2.7	2.6	-90	-6,409	-24,716	n.a.	587.8	36.7
Manitoba	2.4	-1.0	2.6	2.7	n.a.	470	48	n.a.	50.8	3.2
Saskatchewan	2.3	-1.5	2.8	3.1	207	2,389	425	n.a.	63.5	4.0
Alberta	3.5	-2.6	2.9	3.5	4,837	0	0	n.a.	291.3	18.2
British Columbia	2.9	-2.5	3.0	2.9	660	78	-2,775	n.a.	197.9	12.4
	<u>Employment</u> (annual % change)				<u>Unemployment Rate</u> (annual average, %)				<u>Population</u> mn % share	
Canada	1.9	-1.6	0.7	1.5	6.9	8.4	8.7	8.5	33.33	100.0
Nfld	1.0	-2.8	0.8	1.6	15.4	15.4	15.5	15.0	0.51	1.5
PEI	1.7	-1.7	0.7	1.1	11.3	12.3	12.4	12.1	0.14	0.4
Nova Scotia	1.3	-0.2	0.5	1.1	8.7	9.2	9.6	9.4	0.94	2.8
New Brunswick	1.3	0.1	0.6	1.3	9.6	8.9	9.1	8.8	0.75	2.2
Quebec	1.7	-1.0	0.6	1.3	8.3	8.5	8.9	8.7	7.75	23.3
Ontario	1.9	-2.5	0.7	1.5	6.5	9.2	9.6	9.3	12.94	38.8
Manitoba	1.3	0.0	0.5	1.4	4.8	5.1	5.6	5.3	1.21	3.6
Saskatchewan	0.9	1.4	0.7	1.7	5.1	4.9	5.4	5.1	1.01	3.0
Alberta	3.0	-1.2	0.8	1.9	4.3	6.6	6.9	6.6	3.60	10.8
British Columbia	2.2	-2.5	1.0	1.4	6.4	7.7	7.9	7.7	4.38	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	
Canada	207	142	160	165	1,605	1,470	1,525	1,570	747.2	100.0
Atlantic	12	11	11	11	113	112	116	120	44.3	5.9
Nfld	2	3	3	2	n.a.	n.a.	n.a.	n.a.	12.8	1.7
PEI	1	1	1	1	n.a.	n.a.	n.a.	n.a.	2.1	0.3
Nova Scotia	5	5	4	4	n.a.	n.a.	n.a.	n.a.	13.2	1.8
New Brunswick	4	4	4	3	n.a.	n.a.	n.a.	n.a.	16.1	2.1
Quebec	44	41	43	43	405	393	407	419	142.6	19.1
Ontario	77	49	54	57	615	538	558	572	329.5	44.1
Manitoba	4	4	5	5	44	43	45	46	26.7	3.6
Saskatchewan	4	4	4	5	40	46	48	50	27.2	3.6
Alberta	37	18	22	22	207	188	196	203	106.8	14.3
British Columbia	29	15	21	22	181	150	155	160	70.2	9.4

* constant dollars; includes interprovincial and international exports