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Provincial Trends

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Regional Overview

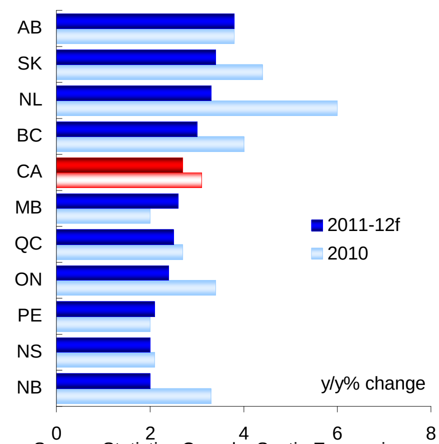
- The Canadian economy is gravitating to a slower growth trend after a strong 18 months of recovery. While the production disruptions caused by Japan's early year disaster should be recouped in the second half of the year, Canada still faces a number of challenges that will likely keep growth on a relatively modest upward track. Record household debt levels, high food and gas prices and a cooling housing market have begun to moderate consumer spending. Meanwhile, government stimulus spending is winding down, and will likely act as a drag on growth in 2012 as fiscal shortfalls are addressed. In this environment, exports and business investment will be the key drivers of growth.

- The Western provinces, along with Newfoundland and Labrador, are expected to outperform the rest of Canada, building on a broad trend that has developed over the past decade. For the most part, the region is dealing with more comfortable fiscal positions than its counterparts in Central and Eastern Canada, while also benefitting from being an exporter of key natural resources and agricultural goods in high demand globally.

- Central Canada has shown significant progress, with a restructured manufacturing sector displaying a solid performance and an increased range of services providing potential for stronger future gains. That being said, the region's heavy dependency on the U.S. market will limit growth in a high Canadian dollar climate, while deficit reduction will necessitate greater fiscal restraint than in the West.

- Atlantic Canada is expected to show a mixed performance. Newfoundland will pace the region, with significant resource sector expansion propelling growth. The Maritime provinces have made positive progress in stemming outmigration and stabilizing manufacturing activity, but still face challenges, as fiscal restraint and sluggish employment growth will weigh on performance.

Real GDP Growth



Source: Statistics Canada, Scotia Economics.

Scotia Economics

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Economic Outlook

- British Columbia will outperform the Canadian average but lag behind Saskatchewan and Alberta in the west. Output growth is expected to average roughly 3.0% for 2011-12. Expansion in the commodity sector is being paired with burgeoning high-tech industries and diversification efforts by several established industries, most notably forestry. Meanwhile, record high home prices and weak affordability will challenge the housing sector.

Key Drivers of Growth

- Development of the province's mining industries will be a key source of growth. Significant investment is planned and the industry continues to see M&A activity from both domestic and foreign firms — though at a slower pace than last year. Capacity is set to expand for copper and coal mining, as both commodities are in high demand given the magnitude of construction and infrastructure expenditures in emerging markets.

- The province's natural gas shale plays in the Montney and Horn River regions have garnered increased interest with the planned development of the Kitimat natural gas terminal. The terminal will allow exports of liquefied natural gas to Asian markets where prices are more closely tied to crude oil values and thus far more lucrative. Altogether, four proposed terminal projects could see up to 4 billion cubic feet of gas exported a day, the lion's share of the region's expected daily production of 5.5 billion cubic feet — though production could ultimately be much higher.

- The province's professional services segment will lead growth in private sector services. B.C. is a central hub for mining industry support services (e.g. engineering, legal) and also features growing software and film industries. Professionals will be needed to fit highly specified roles in each segment.

Industry Focus — *Forestry*

- The province's forestry sector has shown a remarkable turnaround in the wake of the multi-year contraction in U.S. housing. Demand from China has led to a surge in exports, as wood is starting to comprise a greater share of housing construction materials. Rebuilding efforts in Japan will also boost exports: the province is a key supplier, and has already made several shipment commitments. Increased activity has seen plants re-open after being shuttered for years, and the sector looks to be a contributor to growth in 2011-12 after a decade of losses. Production is expected to increase by over 8%.

Consumer Focus

- After a slow start to 2011, employment growth is expected to keep pace with the national average through 2012, with notable gains in professional services, transportation and manufacturing.

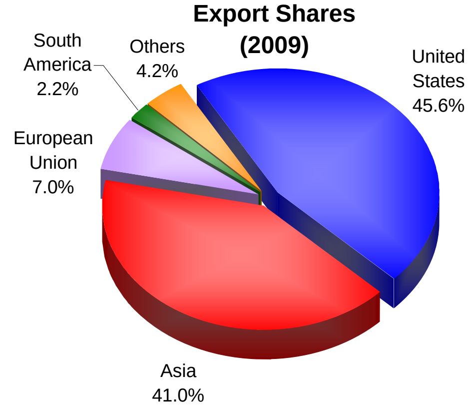
- British Columbia has shown the weakest retail sales performance in Canada this year. The base effect of the 2010 Winter Olympics has pared year-over-year gains, but month-to-month performance has been soft as well. The province's Harmonized Sales Tax (HST) will either be revoked or reduced after a referendum this fall, a factor that may be pushing consumers to postpone large discretionary purchases.

- The housing market, particularly in the Greater Vancouver area, is getting support from favourable demographics, tight supply and foreign-buyer interest. However, record high home prices and the weakest affordability in the country will dampen activity, particularly among first-time buyers.

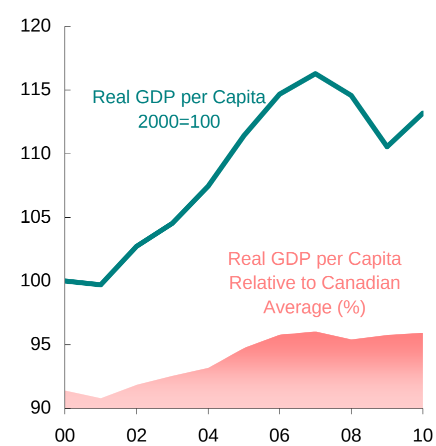
Key Indicators

Population (2009):	4.5 million (13% of national)	
Nominal GDP (2009)	$191.2 billion (12.5% of national)	
Per Capita GDP (2009)	$42,800	
Export Breakdown (2009):		%
Forest Products		30.8
Energy		27.4
Metals & Minerals		13.6

British Columbia Export Shares (2009)



Relative Economic Performance



Source: Statistics Canada, Scotia Economics.

ALBERTA

July 6, 2011

Economic Outlook

- Alberta will once again lead Western Canada's outperformance, with growth averaging nearly 3.8% in 2011-12. Heavy oil output is being ramped up, with further investment and construction activity underpinning a multi-year period of solid growth. The manufacturing and service sectors will experience a positive spillover as physical and human capital are added to support the expansion. However, rising construction and labour expenses will also weigh on business costs, and may pressure capacity towards the end of the forecast period.

Key Drivers of Growth

- Alberta's agricultural sector managed to avoid the worst of the flooding that plagued its neighbours in the springs of 2010 and 2011. Strong prices have led to a significant rise in planting acreage, with canola crops on track for a record harvest. Prices should remain strong throughout the forecast period, supported by increased global demand.

- The province's professional services industry has shown the most notable gains of any sector over the past five years. Demand for technical, scientific and legal professionals will remain strong as the province's economy continues to grow and diversify. Although the finance industry has lagged somewhat, gains will be made as firms aim to gain a foothold in one of Canada's fastest growing economies. Building on the province's successful diversification efforts in targeted areas such as medical sciences and nanotechnology, the "Alberta Innovates" initiative is providing funding to a wide variety of knowledge-intensive industries, including health, energy and the environment.

Industry Focus — *Crude Oil*

- The oil sector will continue to be Alberta's growth engine, with significant investment and output gains contributing to the increased momentum. Total crude oil output is projected to expand by nearly 30% from current levels by 2012, bringing total production to 50% above 1999 levels. M&A activity has picked up, helping to sustain the viability of several marginal projects — over $112 billion of projects are in various stages of planning and development. Crude oil averaging close to US$100/bbl should underpin profitability for most new projects coming on line. Conversely, natural gas production is likely to wane in a low pricing climate — although assessment of the province's lower cost shale deposits is underway. Pipeline capacity and construction costs will present a new challenge, as activity in the sector will tighten supply chains.

Consumer Focus

- Alberta is expected to lead the country in job creation over the 2011-2012 period. The province lagged the national pickup in hiring earlier this year, but has been gaining momentum ever since. Alberta has one of the tightest labour markets in Canada, which is expected to put increasing pressure on wages.

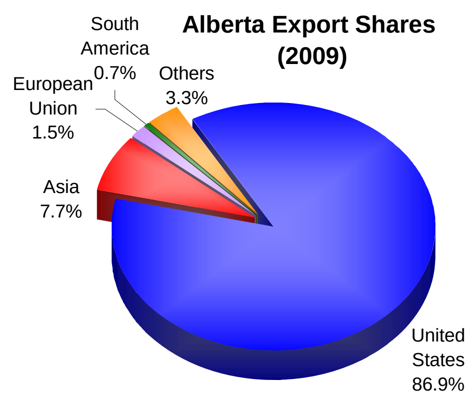
- Albertans have typically been the biggest spenders in Canada, and healthy employment and wage growth should continue to support a strong level of retail sales. That being said, growth will be somewhat limited by the fact that consumers already find themselves at such a high spending base, while home ownership is also at very high levels. Inter-provincial migration into the province has picked up sharply and will be a positive element for the retail sector.

- Housing conditions are expected to gradually firm up in 2011-12. Demand will be supported by above-average job and income gains, population growth and improved affordability — average prices still lie below pre-recessionary peaks.

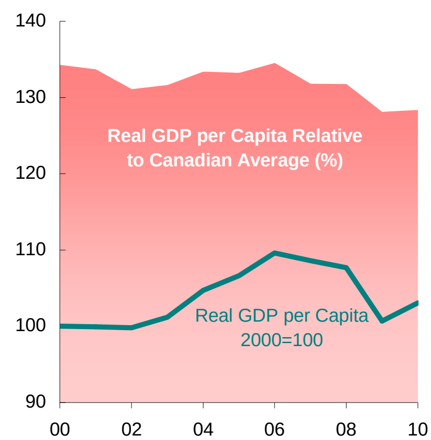
Key Indicators

Population (2009):	3.7 million (11% of national)
Nominal GDP (2009)	$247.2 billion (16.2% of national)
Per Capita GDP (2009)	$67,300
Export Breakdown (2009):	%
Energy	68.6
Agri-Food	10.8
Chemicals, Rubber, Plastics	8.0

Alberta Export Shares (2009)



Relative Economic Performance



Source: Statistics Canada, Scotia Economics.

Economic Outlook

- Saskatchewan will once again find itself at the top-end of regional economic growth, with output advancing at an average rate of 3.5% over the 2011-12 forecast period. Further expansion and development of the province's potash and crude oil industries have fostered job gains and an influx of residents. Agriculture, though suffering through another difficult start to the growing season, will likely contribute positively given high export prices. However, the econonmy's momentum will likely moderate slightly next year alongside a tight labour market and rising costs as the province copes with the strong pace of growth experienced over the past few years.

Key Drivers of Growth

- Investment in the province's Bakken oil field has grown in line with the sharp rise in crude oil prices. The province is expecting to see another significant increase in oil well drilling following last year's 30% jump in rig counts. Natural gas production is also expected to show a slow but steady gain, in line with moderate increases in natural gas prices next year. Technological advances, drilling efficiencies and increased exploration activity could push production above current industry estimates.

- After suffering a difficult spring in 2010, Saskatchewan's agricultural sector is being hit by poor planting conditions once more. That being said, volumes should improve over last year, with reported seeding showing more progress. Strong pricing over the 2011-2012 period will support higher levels of production in 2012. The segment's growth has fuelled expansion in the value-added agricultural bio-tech sector, with over 30% of Canadian enterprises now based in Saskatchewan. Prospects are bright for the sector, with demand for new crop varieties and nutrients growing.

- Demographics will play a key role in the expansion and diversification of Saskatchewan's economy. Reversing declines of the early 2000s, the province has seen its population growth steadily climb to 1.6% in 2010. A booming economy has supported an increase in both international and inter-provincial arrivals, a trend that is expected to continue, supporting above-average population growth and service sector expansion.

Industry Focus — *Potash*

- Potash has been at the centre of Saskatchewan's impressive transformation into one of Canada's most dynamic performers. Production is expected to climb close to its 2007 peak of 11 million tonnes in 2011, after suffering a notable drop during the recession. Farmers' inventories of potash are now quite low, necessitating an increase in purchases in order to sustain crop conditions this year. Potash producers have kept pace but now find their inventory levels are dropping, which is supporting prices. The long-term demand outlook remains positive, particularly from abroad, and a flurry of investment will see production nearly double by 2015.

Consumer Focus

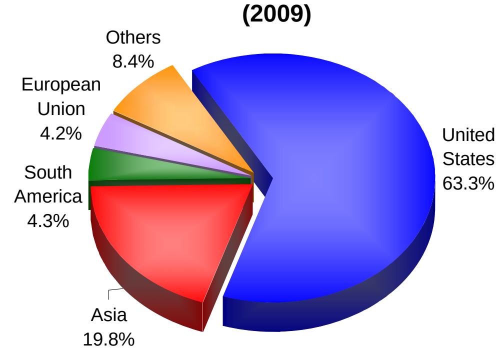
- Saskatchewan's post-millennial economic turnaround has seen real GDP per capita jump nearly 15%. Residents are spending those gains, with the province now placing just behind Alberta in terms of per-capita expenditures. Retail sales are expected to remain strong given an expanding consumer base.

- Employment is expected to grow at an average rate of 1.0% in 2011-12. A tight labour market has seen wages increase at an above average rate and the unemployment rate drop to the lowest level in Canada, but job growth will be constrained as a consequence.

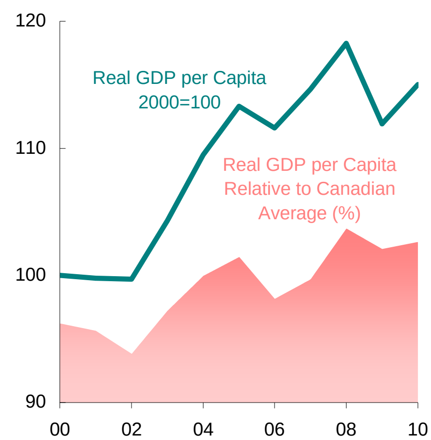
Key Indicators

Population (2009):	1 million (3% of national)	
Nominal GDP (2009)	$56.6 billion (3.7% of national)	
Per Capita GDP (2009)	$54,900	
Export Breakdown (2009):		%
Energy		37.6
Agri-Food		32.6
Chemicals, Rubber & Plastic		21.5

Saskatchewan Export Shares (2009)



Relative Economic Performance



Source: Statistics Canada, Scotia Economics.

Economic Outlook

- Manitoba continues to produce steady growth. Without a "boom and bust" resource sector propelling its economy, the province escaped the recession relatively unscathed. However, it has since seen growth trail its western counterparts, a trend that will continue despite solid GDP growth averaging 2.5% over 2011-12. A diversified economy will ensure solid contributions from a number of sectors including food packaging, machinery manufacturing, utilities and continued outperformance from its finance, real estate and insurance industries. Extensive flooding will severely dampen agricultural output this year, but re-development efforts related to infrastructure and property will provide some offset.

Key Indicators

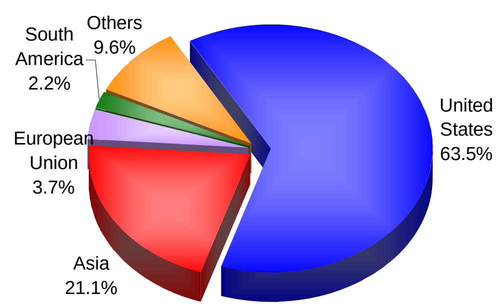
Population (2009):	1.22 million (4% of national)
Nominal GDP (2009)	$51.0 billion (3.3% of national)
Per Capita GDP (2009)	$41,800
Export Breakdown (2009):	%
Agri-Food	40.8
Metals & Minerals	12.4
Transportation Equipment	10.6

Key Drivers of Growth

- Utilities have taken a much higher profile as of late. Construction of the Wuskwatim hydroelectric dam — to be completed in 2012 — has not only provided a boost for the construction industry, but will provide the province with additional revenue from electricity exports. Recently signed energy contracts with Minnesota and Wisconsin will support the construction of the Keeyask hydro dam prior to 2020, while also increasing the viability of the much larger Conawapa generation plant further down the line. Overall, an increased emphasis on clean energy consumption by U.S. states will see power demand increase substantially in the future.

- Favourable demographics will also be a key element for growth. The province has seen vigorous population growth averaging 1.2% over the past three years, reaching levels not witnessed since the early 1980s. Manitoba is expected to continue to show above-average annual population growth over the next several years. The Provincial Nominee Program has been a success, attracting a large number of new Canadians to the province, and additional funding has been allocated to further bolster the program. This will continue to support the province's large service sector, in particular its outperforming finance, insurance and real-estate sector.

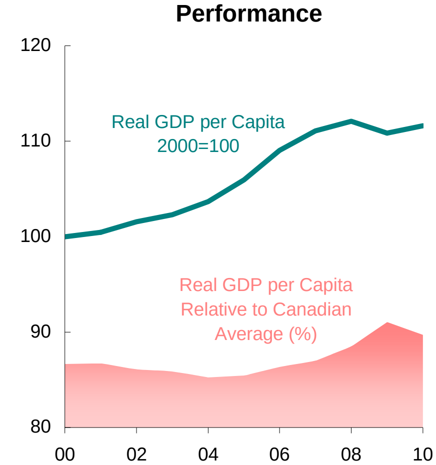
Manitoba Export Shares (2009)



Industry Focus — *Manufacturing*

- Manitoba's diversified manufacturing sector will provide a boost to overall growth after underperforming this past year. With industries ranging from food processing, aerospace, transportation equipment and primary metals, the sector is positioned to benefit from increased demand from a variety of sources. The composition of the industry is well balanced, with food processing having a 25% share, transportation equipment (buses and aerospace) 13%, primary metals 13%, and machinery and equipment 10% — mitigating the risk any one industry could pose to the economy. Thus far, the strong Canadian dollar has yet to dampen activity to a great extent, though livestock producers have experienced difficulty.

Relative Economic Performance



Source: Statistics Canada, Scotia Economics.

Consumer Focus

- Real GDP per capita has advanced at a more moderate pace than in the rest of the West. Consequently, Manitobans have shown the lowest per capita spending in the region. However, the province has experienced the third fastest rate of total retail sales growth since 2000, trailing only Alberta and Saskatchewan. Improved demographics have increased the consumer base and fuelled demand.

- Employment growth is expected to track in line with Saskatchewan and B.C. Average job growth of 1.1% in 2011-12 will see the unemployment rate edge down gradually, as the province's labour market tightens after several years of strong performance.

Economic Outlook

- Ontario rebounded from the recession with significant momentum, but also with a number of challenges. After outperforming in 2010, growth is expected to average 2.3% over the 2011-12 period, trailing Western Canada and roughly in line with Quebec. A number of factors will restrain growth, including a high Canadian dollar and a subdued economic recovery in the United States. Looming public sector spending cuts will also drag on growth. That being said, there are several positives going forward, with a reformed corporate tax structure and educated labour force supporting the province's competitiveness.

Key Drivers of Growth

- Ontario's service sector has grown from a 68% share of the province's economy in 2000 to over 75% in 2010, highlighting the added importance that the segment has for the province's overall performance. Finance and retail and wholesale trade have been the biggest outperformers and all signs point to a similar trend going forward, with professional services (particularly in the technology sector) adding to private sector gains.

- Traditional manufacturing segments also will fare better as a result of tax reforms, including the shift to a Harmonized Sales Tax (HST), and corporate income tax (CIT) reform for small business. Investment will be key to supporting growth and increasing productivity in the province's evolving manufacturing industries. Food processing and machinery and equipment manufacturing will continue to gain greater importance in the production mix.

Industry Focus — *Autos*

- Auto production will see further gains this year, despite disruptions caused by the earthquake / tsunami in Japan. After a sharp drop in the spring, due to a shortage of Japanese components, production is expected to jump close to 20% in the third quarter of 2011. Inventories will need to be replenished amid healthy demand for autos in both Canada and the United States. Production is on a solid footing, with a number of manufacturers demonstrating their long-term commitment by refurbishing plants to produce new models. Parts manufacturers have also jumped in, with the industry relying on skilled Canadian labour to produce specialized parts for hybrid and electric engines.

Consumer Focus

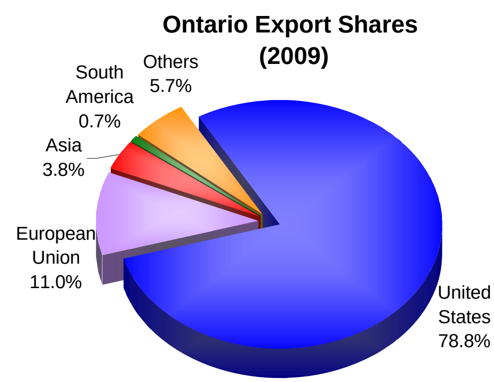
- Inter-provincial out-migration from Ontario has started to stabilize after rising sharply during the recession. The province's improving employment climate has helped to stem the outflow, while government retraining programs have had some success in keeping workers within the province. Nonetheless, international immigration will be one of the most significant factors driving population growth. The province still attracts over 40% of new Canadians.

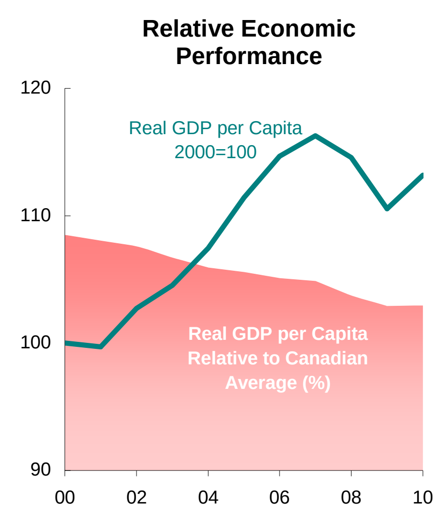
- Income growth in Ontario has trailed much of Canada over the past decade, with income per-capita and real GDP per capita now close to dipping below the national average. Retail sales growth has followed suit, growing at a level slightly below the national trend. Nonetheless, the size of Ontario's marketplace should remain a draw for new and existing operators.

- Activity in Ontario's housing market will likely slow somewhat in the second half of 2011 and into next year. The market is becoming fairly balanced, but high home prices alongside only moderate income growth will dampen demand and affordability.

Key Indicators

Population (2009):	13.1 million (39% of national)
Nominal GDP (2009)	$578.1 billion (37.9% of national)
Per Capita GDP (2009)	$44,300
Export Breakdown (2009):	%
Transportation Equipment	31.0
Chemicals, Rubber & Plastic	14.5
Other Machinery & Equipment	12.0





Source: Statistics Canada, Scotia Economics.

Economic Outlook

- Quebec is forecast to see growth advance at a rate of 2.4% over the 2011-12 period after withstanding the recession better than most provinces. The private sector has shown strength, with a diverse manufacturing base, a dynamic service sector and a burgeoning resource sector. The provincial government has been proactive in addressing the province's debt burden but Quebec will experience some drag on economic growth with higher taxes being implemented and cuts in the province's relatively large public sector taking place over the next two years.

Key Drivers of Growth

- Aerospace manufacturing is beginning to experience a turnaround. Orders for private jets continue to increase — 77 orders in the first quarter as compared to 6 last year — while commercial orders have also improved, most notably for larger 100+ seat aircraft. Large-scale investment is planned for the sector, with new production plants for both aircraft assembly and parts manufacturing underway. The province's component segment — comprising simulators, engines and landing gear — has benefited from a revival in global air traffic.

- The mining sector has been one of the pace-setters for growth. Multi-billion dollar investments are in play in the northern regions of the province, with gold and iron-ore mining set to make significant contributions to the economy. Mining investment and exploration have nearly doubled since 2005.

- Quebec's technology sector is gaining momentum after trailing behind its Canadian counterparts over the past decade. The industry is the second largest in the country, comprising over 25% of the national share and over 5% of the province's GDP. Hiring for professional services has started off well this year, while venture capital flows have climbed to the point where they are amongst the highest of any region in North America, supporting a continued revival for the industry.

Industry Focus — *Construction*

- The construction industry in Quebec finds itself in its best position since the 1970s, having grown by over 50% since 2000 — leading most industries. Large scale projects in the industrial, mining and utilities sectors will more than offset a drop-off in residential activity over the forecast period. Quebec's clean hydro power is a major asset for the province and will be paired with extensive wind power generation over the course of this decade. Investment in transmission capacity is currently underway in order to better serve growing U.S. demand for clean energy.

Consumer Focus

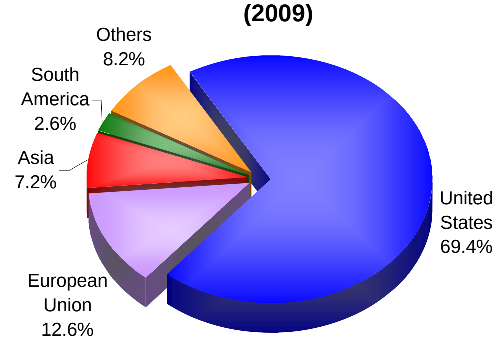
- Quebec saw employment quickly surpass pre-recessionary levels in 2010, after experiencing minimal losses the prior year. As such, the labour market lacks some of the rebound-generated momentum of other provinces. Nonetheless, average job growth of 1.2%, while slightly below the national average, will still lead to a steady decrease in unemployment over the forecast period. In 2009 the unemployment rate in Quebec slid below that of Ontario for the first time in over thirty years. It is expected to continue to lead through 2011-12.

- GDP, income and expenditure per capita in Quebec gained some ground on the national average over the past decade, lifting retail sales growth somewhat. However, sales will be constrained by increases in the province's HST in both 2011 and 2012.

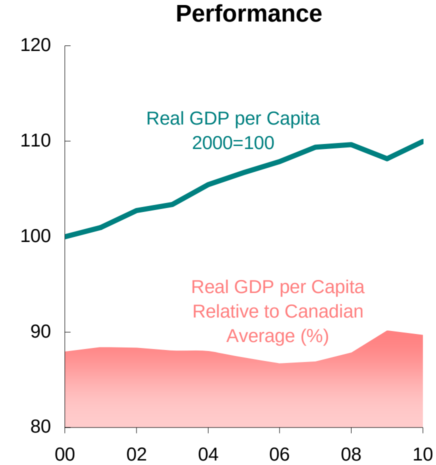
Key Indicators

Population (2009):	7.85 million (23% of national)	
Nominal GDP (2009)	$303.7 billion (19.9% of national)	
Per Capita GDP (2009)	$38,800	
Export Breakdown (2009):		%
Metals & Minerals		21.1
Transportation Equipment		16.4
Other Machinery & Equipment		11.3

Quebec Export Shares (2009)



Relative Economic Performance



Source: Statistics Canada, Scotia Economics.

Economic Outlook

- New Brunswick is expected to see annual GDP growth average 1.9% in 2011-12, trailing the national average after a strong year in 2010. Employment in the province has been sluggish, with losses stemming from service sector segments shaken by the strong dollar, namely contact centres. Forestry, fishing, manufacturing and mining have displayed some momentum heading into 2011, but will be counterbalanced by declining capital investment and significant fiscal consolidation. Reductions in personal income taxes have been pushed beyond 2012, but a 0.5% cut in the small business income tax will take effect January 1st 2012.

Key Indicators

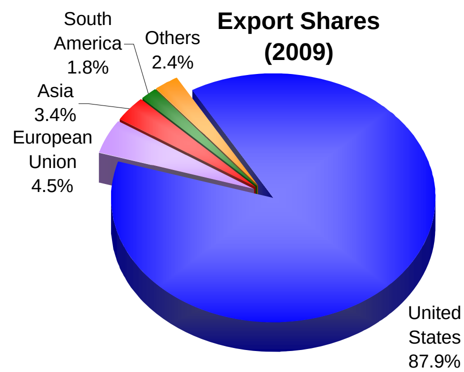
Population (2009):	0.75 million (2% of national)
Nominal GDP (2009)	$27.5 billion (1.8% of national)
Per Capita GDP (2009)	$36,700
Export Breakdown (2009):	%
Metals & Minerals	21.1
Transportation Equipment	16.4
Other Machinery & Equipment	11.3

Key Drivers of Growth

- The resource sector is showing some positive developments. Potash prices and production have rebounded considerably, with farmers from abroad restocking exhausted supplies after abstaining from purchases last year. Further progress has been made on the extension of the province's only potash mine, which will see production more than double from 800,000 tonnes to 2 million tonnes after completion in 2013. The province is also trying to develop its shale natural gas industry, with $200 million of exploration commitments set for the next two years.

- Non-durable goods production has rebounded after a steep drop over the course of the recession. While not having recovered fully, shipments are now heading back towards the long-term growth trend. Food products (including aquaculture), forestry and refined petroleum products should see solid gains, but will be challenged by a high Canadian dollar. New Brunswick is the most exposed province to U.S. markets, with over 85% of its exports destined south of the border.

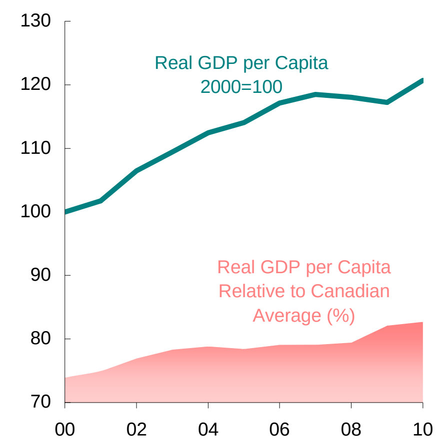
New Brunswick Export Shares (2009)



Industry Focus — *Business Support Services*

- The Canadian dollar's strength has added further pressure to the province's contact centre industry which has been in decline in the past few years as jobs have been outsourced to lower-cost jurisdictions. Employment in the industry dropped roughly 8% from 2006 to 2009, with its share of GDP shrinking considerably. This has been counterbalanced in part by increased market growth in more technical segments, including the province's software, systems and computer engineering sector. Hiring has yet to follow suit however, as the transition to a more value-added industry faces some structural challenges including a shortage of qualified labour.

Relative Economic Performance



Source: Statistics Canada, Scotia Economics.

Consumer Focus

- Employment conditions in New Brunswick remain weak, with the province being one of the only regions to experience job losses in 2010. While these losses have been due in part to structural challenges caused by a strong dollar and government cutbacks, other segments have yet to make up the difference. Employment growth is expected to trail the Atlantic region at an average of only 0.3% over 2011-12.

- The growing divergence in fortunes between rural and urban areas of the province is highlighted by employment data. The combined urban areas of Moncton, Saint John and Fredericton saw employment expand 13% from 2000 to 2010. During the same time frame, employment outside of the three urban regions advanced only 2%. In fact, over 90% of all jobs created since 2000 have been in the area's three largest urban centres.

- Despite having a lower real GDP per capita than most provinces, consumers in New Brunswick spend a relatively high amount per capita. Retail sales are likely to slow this year however, held back by a soft job market.

Economic Outlook

- Nova Scotia is expected to see GDP growth average 1.9% over the 2011-12 forecast period, roughly tracking the pace set over the past decade. The province has cleared some major hurdles, including stabilizing its manufacturing sector. Nonetheless, sluggish employment and wage increases will weigh on the consumer sector, while fiscal consolidation also dampens growth.

Key Drivers of Growth

- After suffering through five straight years of declines, Nova Scotia's manufacturing industry stabilized in 2010. Shipments have shown considerable momentum through 2011 and should continue to grow at a healthy rate, as a more streamlined sector feeds growing international demand. Though the strong Canadian dollar will impact shipments somewhat, food processing (primarily fisheries), tire manufacturing and wood products are all on a fairly solid footing. In addition, naval contracts will ensure a healthy stream of shipbuilding activity over the course of the decade, while a new wind turbine facility in Halifax highlights further diversification in the province's manufacturing mix.

- The financial, real-estate and insurance industry in Nova Scotia has outperformed the general economy over the past 10 years, with growth rates approaching those seen in Central Canada, and has performed well in 2011 thus far. Professional services have not shown as much momentum, but potential exists for expansion given the significant efforts made by the province to retain highly trained graduates from its post-secondary system and attract relevant businesses through its "jobsHere" initiative.

Industry Focus — *Natural Gas*

- Natural gas exports continue to fall, as natural depletion reduces output. After falling 22% y/y in 2009, production remains at low levels, although declines have moderated. The province's major producer has announced that it will be forgoing investment to extend the lifespan of the Sable fields, given weak market conditions. The Deep Panuke offshore natural gas project is expected to start production by year-end, boosting production in 2012.

Consumer Focus

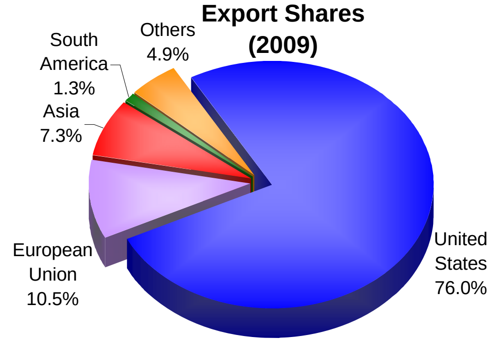
- Nova Scotia has achieved modest population gains from 2000 to 2010, with international immigration being the main driver. Halifax has been the chosen destination for immigrants, with its population growing at an average annual rate of 1.5% over the past decade — accounting for over three-quarters of total population growth — well ahead of the provincial average of 0.5%.

- Real GDP per capita has climbed 17% since 2000, the fastest rate in Canada over that time-frame. However, the province still has the second-lowest level of GDP per capita and income per capita after Prince Edward Island. Retail sales are expected to be weak this year after healthy gains in 2010, as a hike in the province's HST in mid-2010, along with higher power and fuel prices come up against weak real wage growth.

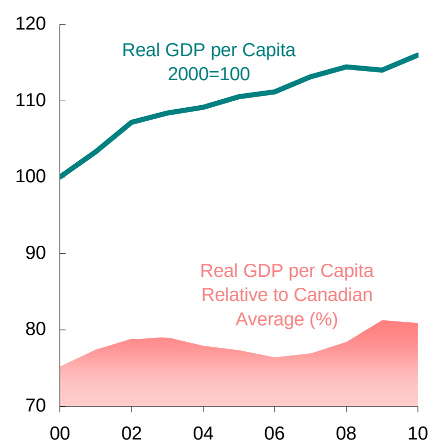
Key Indicators

Population (2009):	0.94 million (3% of national)
Nominal GDP (2009)	$34.3 billion (2.2% of national)
Per Capita GDP (2009)	$36,500
Export Breakdown (2009):	%
Chemicals, Rubber & Plastic	24.3
Agri-Food	23.3
Energy	17.5

Nova Scotia Export Shares (2009)



Relative Economic Performance



Source: Statistics Canada, Scotia Economics.

Economic Outlook

- Prince Edward Island will grow in line with the other Maritime provinces, with output growth averaging 2.1% over 2011-12. This represents a relatively solid period of expansion for the province historically. Output growth will be led by positive contributions from tourism, agriculture and utilities.

Key Drivers of Growth

- Food manufacturing, which accounts for over 50% of the province's exports, will be a consistent contributor over the forecast period. Potato harvests are expected to rebound in 2011, after difficult weather dampened shipments last year. In addition, the global economic recovery has seen prices for premium catch, namely lobster, rise to more lucrative levels. This, in addition to the industry's efforts to diversify into Asia, will help the food segment to outperform.

- The province's wind power research and manufacturing facilities will continue to thrive as North American demand for renewable energy remains strong. Although a number of new turbine projects have been postponed indefinitely, expansions will still see the value of shipments increase by over 20% by the end of the forecast period.

- Pharmaceutical and medicine manufacturing is rapidly increasing its profile in the province's manufacturing mix. Exports have risen by over 60% in the past five years, with the province's development initiatives — business parks and lending agencies — fostering growth in the sector.

Industry Focus — *Tourism*

- Tourism traffic has shown constant gains over the course of the economic recovery. The province is relatively well shielded from the high Canadian dollar, as Canadians comprise over 90% of visitors. International traffic has shown growth as well, with cruise ship visits being a key source. Increased marketing efforts by the province have led to gains in traffic at a variety of different sites and activity is likely to remain robust, as an increasing number of Canadians are choosing the province as their vacation destination.

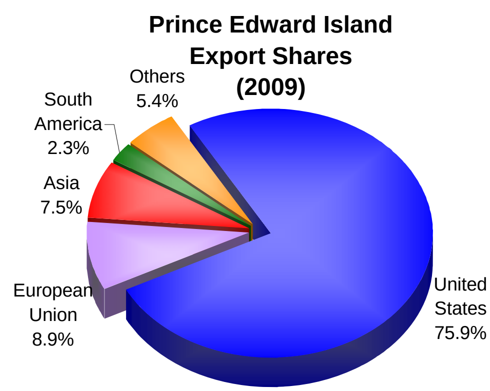
Consumer Focus

- Employment growth in Prince Edward Island is expected to moderate in 2011 after experiencing large gains in 2010. Momentum could pick up once more in 2012, resulting in unemployment falling back below 11% in 2012.

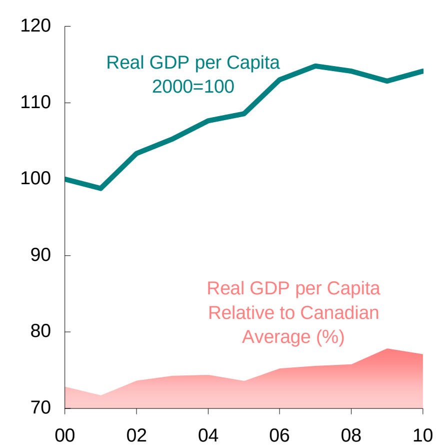
- Retail sales are likely to advance at a healthy clip, thanks in large part to vibrant tourist activity.

Key Indicators

Population (2009):	0.14 million (0.4% of national)
Nominal GDP (2009)	$4.8 billion (0.3% of national)
Per Capita GDP (2009)	$33,700
Export Breakdown (2009):	%
Agri-Food	50.6
Other Machinery & Equipment	19.6
Aerospace	18.4



Relative Economic Performance



Source: Statistics Canada, Scotia Economics.

Economic Outlook

- Newfoundland and Labrador will set the pace in the Atlantic region, with GDP growth expected to average in excess of 3.0% over the 2011-12 forecast period. Increased commodity production and major investments in utilities, oil and mining, as well as increased consumer spending will help offset a drop-off in offshore oil production — though strong Brent crude prices will support oil revenues. Overall the province has solid long-term potential, as global demand for commodities fuels investment and exploration, and consumers continue to enjoy rapidly rising employment and incomes.

Key Drivers of Growth

- The province's mining sector is on pace for yet another record year as production of iron ore and nickel continue to increase, in line with rising demand from emerging markets. Iron ore production has more than tripled since 2000. The addition of another mine in Shefferville will boost total production in 2011, while major investment by another operator in Labrador City should increase exports significantly over the next few years. Nickel mining has rebounded after a strike limited production last year, while construction activity at the province's first hydrometallurgical plant will peak this year. Investment in exploration is on the rise once again, further supporting the sector's positive long-term outlook.

- Non-residential construction will continue to be a major contributor to the province's economy throughout 2011-2012. Along with mining projects, significant investment will be directed towards the development of the Hebron oil field and the construction of the first phase of the lower Churchill hydro electric dam beyond the forecast period. Public sector investment will continue to support construction, as a number of institutional improvements, namely in healthcare, are set in motion.

Industry Focus — *Crude Oil*

- Natural depletion has started to chip away at offshore oil production volumes, although start-up production from the first phase of Hibernia South (with an additional two satellite projects planned) will provide some reprieve. Overall, the province expects production to average 80 million barrels a year over the next 3 years — 5 million barrels below current production — as natural depletion offsets new production brought on by satellite fields, resulting in a net drag. However, this trend will be reversed with the start-up of the Hebron oil field in 2017.

Consumer Focus

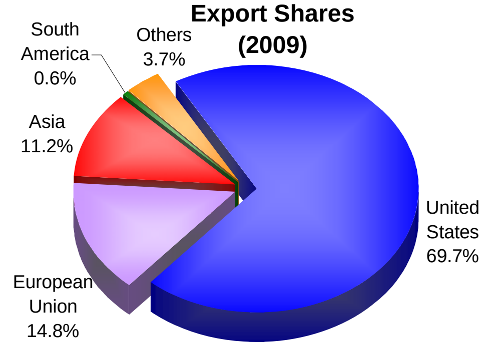
- Employment in Newfoundland and Labrador has outpaced the rest of Canada by a wide margin this year. This in turn has led to vigorous retail sales, particularly on big-ticket items, as well as a considerable increase for employment in the trade sector. Real GDP per capita in the province has increased from roughly 75% to over 90% of the national average over the past five years. This trend looks set to continue with workers from the province once again in-demand for high-paying jobs at high-profile projects both in the province and in Western Canada.

- Rising incomes and a strong employment climate have propelled the province's housing market to a record setting pace in recent years. While both of these segments are likely to continue to support solid activity, growth will likely turn down a notch given an increase in supply and reduced affordability.

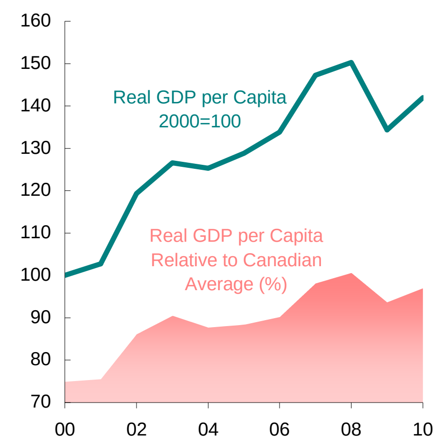
Key Indicators

Population (2009):	0.51 million (1.5% of national)
Nominal GDP (2009)	$25.0 billion (1.7% of national)
Per Capita GDP (2009)	$49,100
Export Breakdown (2009):	%
Oil & Gas	67.1
Metals & Minerals	21.3
Fisheries	8.7

Newfoundland & Labrador Export Shares (2009)



Relative Economic Performance



Source: Statistics Canada, Scotia Economics.

	2000-09	2010	2011f	2012f	2000-09	2010	2011f	2012f
	Real GDP* (annual % change)				**Budget Balances*, FY March 31** ($millions)			
Canada	2.1	3.2	2.7	2.5	9,024	-55,598	-36,000	-31,000
Newfoundland & Labrador	3.1	6.0	4.0	2.5	99	-33	485	59
Prince Edward Island	1.7	2.0	2.0	2.1	-26	-74	-54	-42
Nova Scotia	1.7	2.1	1.8	1.9	52	-330	447	-390
New Brunswick	1.8	3.3	1.7	2.0	52	-738	-740	-449
Quebec	1.8	2.7	2.3	2.5	-115	-3,174	-4,200	-3,800
Ontario	1.7	3.4	2.5	2.2	-722	-19,262	-16,686	-16,315
Manitoba	2.1	2.0	2.4	2.7	312 **	-201	-467	-438
Saskatchewan	1.6	4.4	3.7	3.3	425	425	48 *	383
Alberta	2.7	3.8	4.2	3.3	4,268	0	0	0
British Columbia	2.5	4.0	2.9	3.1	870	-1,779	-1,265	-925

* For 2010, Statistics Canada's preliminary estimates of GDP at basic prices by industry.

* Final result; other FY11-FY12 data: Provinces' estimates.

** FY04-FY09.

	2000-09	2010	2011f	2012f	2000-09	2010	2011f	2012f
	Employment (annual % change)				**Unemployment Rate** (annual average, %)			
Canada	1.6	1.4	1.6	1.2	7.0	8.0	7.5	7.3
Newfoundland and Labrador	0.5	3.3	2.8	1.0	15.3	14.4	12.8	12.5
Prince Edward Island	1.3	2.9	0.4	0.9	11.3	11.2	11.3	10.9
Nova Scotia	1.1	0.2	0.1	0.8	8.8	9.3	9.4	9.1
New Brunswick	1.0	-0.9	-0.4	0.9	9.4	9.3	9.8	9.3
Quebec	1.5	1.7	1.3	1.1	8.3	8.0	7.7	7.4
Ontario	1.4	1.7	1.7	1.1	6.8	8.7	8.1	7.9
Manitoba	1.2	1.9	1.0	1.1	4.8	5.4	5.1	5.0
Saskatchewan	1.0	0.9	0.9	1.1	5.0	5.2	5.1	5.0
Alberta	2.8	-0.4	2.7	1.8	4.6	6.5	5.4	5.0
British Columbia	1.6	1.7	1.0	1.3	6.6	7.6	7.5	7.3
	Housing Starts (annual, thousands of units)				**Motor Vehicle Sales** (annual, thousands of units)			
Canada	201	190	175	175	1,591	1,557	1,590	1,605
Atlantic	12	13	11	11	113	122	123	124
Quebec	44	51	46	44	404	414	420	423
Ontario	74	60	60	56	607	576	586	592
Manitoba	4	6	5	5	44	44	46	46
Saskatchewan	4	6	6	5	40	46	48	49
Alberta	35	27	22	28	205	200	210	212
British Columbia	27	26	25	26	178	155	157	159