Terasen Gas

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November 19, 2007

British Columbia Utilities Commission
Sixth Floor
900 Howe Street
Vancouver, B.C. V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

Re: Terasen Gas Inc. ("Terasen Gas", "TGI" or the "Company")
2007 Annual Review of 2008 Revenue Requirements

Response to Workshop Undertakings

On November 13, 2007, a Joint Workshop (the "Workshop") was held for the 2007 Terasen Gas Annual Review and the Terasen Gas (Vancouver Island) Inc. ("TGVI") Settlement Update for their respective 2008 Revenue Requirements in accordance with the Regulatory Timetables established by British Columbia Utilities Commission ("BCUC" or the "Commission") in Order No. G-112-07 and G-113-07 respectively. Included in Attachment 1 is a listing of the Workshop participants.

During the Workshop, Terasen Gas committed to several undertakings for additional information with response due by November 19, 2007. This filing represents the Terasen Gas response to these undertakings.

Inflation CPI (BC) Adjustment

On October 5, 2007, Terasen Gas, as part of its Annual Review Advance material, provided in Section A-2, page 2, Note 3 the CPI (BC) forecast for 2008 as calculated from the approved sources per Order No. G-33-07, at an average of 2.1%. The CPI (BC) forecast of 2.1% represented the average of the forecasts below:

Conference Board of Canada	1.9%	(July 2007)
B.C. Ministry of Finance	2.0%	(February 2007)
RBC Financial Group	2.3%	(June 2007)
Toronto-Dominion Bank	2.0%	(May 2007)

At the Workshop, TGI was asked whether or not it was appropriate to update the CPI (BC) forecasts to reflect the most recent updates provided by RBC Financial Group in late October, 2007. The Company has since received an update to the Toronto-Dominion Bank forecast as well. RBC Financial Group now forecasts CPI (BC) at 2.1% and the Toronto-Dominion Bank forecast it at 1.9% (included in Attachment 2) for a combined average of the four forecasts of 2.0%.

The relevant term of the Settlement Agreement for a 2004-2007 Multi-Year Performance-Based Rate ("PBR") Plan (the "Settlement") and the two-year extension of the Settlement agreement reads as follows:

> *"CPI (BC) will be used to adjust the controllable expenses as described on page C-10. Rates will be set prospectively, and as in the 1998 Plan, the rates will not be modified to reflect actual CPI (BC). CPI (BC) is forecast as 1.8% for 2004 and 2% for 2005-2008 in Section H, Tab 3, page 2.2. The Annual Review will update the inflation forecast for the upcoming year as described in Section H, Tab 9, P. 1 and BCUC IR 10.1, but there will be no true up to actual CPI (BC)."*

Order G-33-07 approved the two-year extension of the Settlement for 2008 and 2009 as outlined in Appendix A where Inflation was to be calculated in the same manner specifically, "Continue to use of mechanism without change from Current TGI Settlement".

TGI has reviewed the practice that was followed for the 2003-2006 Annual Reviews. For each of the years 2004-2008 the Company provided the most recent forecasts of CPI (BC) at the time of the Annual Review Advance Material filing. In the 2003-2007 Annual Reviews neither the Company nor Commission, in setting CPI (BC) for 2004-2007, had requested an update to CPI (BC) despite revisions to forecasts after the filing of Annual Review Advance material. Revisions to forecasts would have likely increased CPI (BC) in some years and lowered it in others.

Although this is a change from past practice and will negatively impact the company, TGI is prepared to adjust the CPI (BC) rate to 2.0% which would be reflected in the revised filing on November 30, 2007 so long as this practice is followed consistently to allow increases in future years if updates to CPI (BC) before final rates are filed increase the calculated CPI(BC) number. Lowering the 2008 forecast CPI (BC) to 2.0%, with a corresponding adjustment to the productivity factor has the cumulative flow through effect of reducing revenue requirement by approximately $57,000.

Proposed Tax Rate Decrease

On October 30, the Conservative minority federal government presented a "mini-budget," which outlined a number of initiatives designed to create tax savings for Canadians. Tax cuts were the main thrust of Finance Minister Flaherty's announcement, including a 1% decrease in Corporate Tax rates for 2008.

At the Workshop, TGI was asked whether or not it was appropriate to update the net effective tax rate for 2008 from the filing rate of 32.5% to the prospective effective tax rate of 31.5%.

TGI believes that it has taken a conservative approach is using 32.5%. Canadian Generally Accepted Accounting Principles (“GAAP”) Section 3465, related to the actual accounting for tax liabilities, of the Canadian Institute of Chartered Accountants Handbook (“CICA Handbook”) provides some guidance and reads as follows:

MEASUREMENT

.56 ♦ *Income tax liabilities and income tax assets should be measured using the income tax rates and income tax laws that, at the balance sheet date, are expected to apply when the liability is settled or the asset is realized, which would normally be those enacted at the balance sheet date. [JAN. 2000]*

.57 ♦ Future income tax liabilities and future income tax assets should not be discounted. [JAN. 2000]

.58 Income tax liabilities and income tax assets, whether current or future, are normally measured using the income tax rates and tax laws that have been enacted at the balance sheet date. However, there may be circumstances in which the use of a substantively enacted income tax rate or income tax law is more appropriate. In some jurisdictions, such as Canada, announcements of changes to income tax rates and tax laws by the government may have the substantive effect of actual enactment, which may follow the announcement by a significant period of time. It would be appropriate to use a substantively enacted income tax rate or income tax law only when there is persuasive evidence that:

(a) the government is able and committed to enacting the proposed change in the foreseeable future; and

(b) where the change relates to the current year, the enterprise expects to be assessed based on the announced tax rates or tax laws.

Persuasive evidence that a change in tax law or tax rates is substantively enacted would usually exist only when the proposed change is specified in sufficient detail to be understood and applied in practice, has been drafted in legislative or regulatory form and has been tabled in Parliament or presented in Council.

When a change in income tax rates or income tax laws is substantively enacted before the balance sheet date, income tax liabilities and income tax assets are measured using the announced tax rates and tax laws. When changes to tax rates and tax laws are not substantively enacted, income tax assets and income tax liabilities are measured using the enacted rate.

The Company is of the view that a minority government may not represent persuasive evidence of its ability to enact the proposed changes and believes it prudent to err on the side of conservatism and wait until the requisite legislation had been enacted so that it can assess the full impact of the tax rate change.

Regardless of when the Company includes a tax rate change in its material, the benefit of lower tax rates will flow through to customers via the existing deferral mechanism to account for any timing and revenue requirement differences. The proposed 1% tax rate reduction, when in effect, would result in a revenue requirement decrease for 2008 of approximately $1.18 million.

CICA Handbook Changes – Estimate of Rate Impact for Changes in Canadian GAAP Related to Future Income Tax Liability

At this time, TGI is not contemplating that the changes to Canadian GAAP that will be effective January 1, 2009 will require recovery of future income taxes in rates. It will require that for financial statement purposes an entry is made to record a future income tax liability and an offsetting rate regulated asset. When International Financial Reporting Standards ("IFRS") come into effect, there is a possibility that for financial statement purposes, the offsetting rate regulated asset would not qualify for recognition. Should this event occur, an evaluation of the appropriateness of recording future income tax expenses for rate regulated purposes would be appropriate.

During the Workshop, Commission staff requested TGI review the response that FortisBC Inc. ("FortisBC") had prepared to a future income tax question from the BCUC. TGI has reviewed the FortisBC response. At December 31, 2006, TGI has an estimated future income tax liability of approximately $217 million. This amount is not necessarily reflective of the balance that would exist at December 31, 2008.

The following table, similar in design to that provided by FortisBC, shows the approximate rate increase for 2008 associated with recognizing the 2006 future income tax liability over a 1 year, 5 year and 10 year transition period, based on the Preliminary 2008 Revenue Requirement numbers.

($000s)	Revenue @ 2007 Existing Rates	Revised Revenue Increase	Increase for FIT	Tax Gross Up	Forecast 2008
Option 1 - 1 Year Transition					
Adjusted Revenue Requirement Margin	$ 498,214	$ 5,287	$ 216,900	$ 95,186	$ 815,587
Less: Margin at Existing Rates					498,214
Revenue Deficiency for Rate Setting					$ 317,373
Non-Bypass Revenue @ Existing Rates					$ 470,758
Rate Increase					67.42%
Rate Increase as per November 2, 2007 Revised 2008 Annual Review Filing					1.12%
Incremental Rate Increase re recognition of FIT liability					66.30%
Option 2 - 5 Year Transition					
Adjusted Revenue Requirement	$ 498,214	$ 5,287	$ 43,380	$ 19,037	$ 565,918
Less: Revenue at Existing Rates					498,214
Revenue Deficiency for Rate Setting					$ 67,704
Non-Bypass Revenue @ Existing Rates					$ 470,758
Rate Increase					14.38%
Rate Increase as per November 2, 2007 Revised 2008 Annual Review Filing					1.12%
Incremental Rate Increase re recognition					13.26%
Option 3 - 10 Year Transition					
Adjusted Revenue Requirement	$ 498,214	$ 5,287	$ 21,690	$ 9,519	$ 534,710
Less: Revenue at Existing Rates					498,214
Revenue Deficiency for Rate Setting					$ 36,496
Non-Bypass Revenue @ Existing Rates					$ 470,758
Rate Increase					7.75%
Rate Increase as per November 2, 2007 Revised 2008 Annual Review Filing					1.12%
Incremental Rate Increase re recognition					6.63%

The future income tax liability will eventually be paid to the Canada Revenue Agency when the Company's temporary timing differences between CCA, Overheads capitalized and depreciation reverse. Recovery will occur naturally without any changes to the existing methodology. However, recovery of future income taxes in current rates may provide better matching for ratepayers. As Terasen begins to address the implications of transitioning to IFRS over the next few years, it will develop a better understanding of the implications of changes on both the Company and its customers and will develop proposals for the ultimate recovery of such costs in rates.

Special Purpose Audit of Inventory and Property Plant and Equipment

On October 19, 2007, the Commission submitted IR No. 12.7 to which TGI responded as follows:

> *12.7 When was the last time TGI conducted a comprehensive inventory and property, plant and equipment audit to verify the plant assets to the plant sub-ledger? How many of these audits have been completed in the last 10 years?*
>
> *Response:*
> *There have been no special purpose audits of the inventory and property, plant and equipment records in the last 10 years. The Asset Accounting department is charged with the responsibility of recording additions and retirements in a timely fashion and to the correct asset class, in accordance with established policies, and reconciling plant accounts in the general ledger. The financial statement audits assess the net asset values each year in order to provide an audit opinion as to the fair presentation of the financial position of the Company.*

At the Workshop, TGI was asked to provide an expanded response regarding Special Purpose Audits of physical assets (Inventory and Property Plant and Equipment) as well as provide an estimate as to the possible cost of a specific audit for physical assets.

In order to safeguard and properly account for physical assets the Company has developed and implemented robust accounting systems and internal controls over the purchasing, recording and safeguarding of assets. TGI has developed a risk-based assessment for the development of controls for the purposes of Ontario Securities Commission ("OSC") compliance, including testing and certifying as to their effectiveness as part of those mandated compliance requirements.

As part of the annual financial statement audit the external auditors also look at the Companies' internal controls and test those controls in addition to substantive procedures to verify assets and inventory on a test basis as is standard audit practice. The Company believes that this provides substantial assurance that the assets are being recorded properly and adequately safeguarded.

Commission staff has enquired about when or if any special audits have been done to verify these records. There have been no comprehensive special purpose type audits beyond the procedures outlined above. Inventory is cycle counted and reviewed for obsolescence on a regular basis; a formal count is performed annually. The results of the annual counts and obsolescence provision are reviewed and tested by the auditors as part of their procedures.

In 2006 external auditors Price Waterhouse Coopers performed detailed testing of the internal controls governing purchasing and fixed asset accounting as part of reporting required under the Sarbanes-Oxley Act of 2002 (“SOX”) and found no material deficiencies. This was done in connection with their audit of Kinder Morgan Inc. and its requirements for SEC purposes in the US and was not paid for by TGI or TGVI. None the less this provided additional external assurance over internal controls.

TGI contacted external auditors Ernst & Young to inquire about reporting on the specific procedures beyond those that they would normally perform in auditing physical assets as part of the annual financial statement audit and the possible costs associated with performing a comprehensive validation.

Preliminary discussions indicate that Ernst & Young would only be in a position to perform and report prospectively on specific procedures. Due to the nature of certain of the fixed assets and the pooled accounting approach (see further discussion below) used for regulatory and accounting purposes, it would not be possible to obtain 100% validation of all fixed assets. Therefore they would only be in a position to provide a negative assurance type report similar to the work that they do on Code of Conduct and Transfer Pricing Policy compliance, along with the actual results of the testing. In other words they would not be in a position to extrapolate test results to the whole.

Ernst & Young indicated that should they be engaged to perform a comprehensive physical plant validation, it would be prohibitively costly taking hundreds if not thousands of hours to perform the procedures and as noted would still not provide 100% validation. Typical junior auditor rates run in the $150-$250 per hour range with senior and Partner time ranging up to double those levels.

Adding to the complexity of such an endeavor is that many assets would fall in the plant asset categories that are pooled and not specifically tracked (i.e. they are recorded, depreciated and retired according to a schedule rather than specifically identified). As noted in discussions and IR responses, the approved process for regulatory accounting treatment of these types of general plant assets is not based on the life of individual assets.

The Company believes that it has instituted strong procedures and controls to safeguard its assets using a risk-based approach and employed technology where applicable. An example of this is laptop and desktop hardware, which have labeled bar codes and identification codes that can be tracked on the network.

The Company does not believe it would be in the best interests of customers, shareholders or lenders to incur the costs that would be involved to conduct a verification of all physical plant. If stakeholders have specific concerns about certain assets and were prepared to recognize as part of the utility cost of service the costs involved in designing and performing audit procedures beyond what is already done today, then the work should be considered in the context of the next revenue requirements filing, where increases in funding to expand the internal audit department can be requested. Alternatively this could be dealt with as an exogenous item in future Annual Reviews. TGI is of the view that the Settlement agreement and multi-year PBR with capital incentives provides an additional level of assurance to stakeholders that the Company will carefully manage its capital spending and safeguard its assets and that a 100% validation of all physical assets is not practicable. In the Company's view this is a costly solution looking for a problem.

Response to BCUC IR No. 1, Question 15.1

The required data files were received by Terasen Gas on November 16, 2007, and are in the process of being validated to determine whether the missing data observed in past data extractions has been corrected. Provided that the data is correct, Terasen Gas will complete the analysis and file responses by November 28, 2007. Should there remain a problem with the data, Terasen Gas will notify stakeholders and the Commission of the situation, and provide a revised delivery date for the response. Terasen Gas apologizes for the delay and is working to correct the situation as soon as possible.

Future Revisions to Application

Terasen Gas anticipates the Commission will issue an Order setting the benchmark allowed Return on Equity ("ROE") for 2007 within the next two weeks. Subsequent to that Order and consistent with past practice, Terasen Gas will revise its Application (and rate proposals) and expects to submit that revision with the Reply Comments due on November 30, 2007.

On November 16, 2007 the Commission issued Order No. G-139-07 approving the Long Term Service Agreements between TGVI and BC Hydro and Power Authority ("BC Hydro") subject to certain conditions being met. One of these conditions requires TGI and TGVI to file by December 15, 2007 for Commission approval an agreement that amends the Wheeling Agreement between the two parties effective January 1, 2008

The required amendment to the Wheeling Agreement will cause the revenue to be received by TGI from TGVI in 2008 to be reduced from the amounts included in the Annual Review Advance Materials filing. This reduction in TGI's revenue will be factored into the 2008 Application (and rate proposals) and the Company expects to submit that revision with the Reply Comments due on November 30, 2007. In the event that conditions set out by the Commission in Order G-139-07 are not met the Company requests deferral account treatment for the variance in the 2008 Wheeling Agreement revenues that are realized versus the forecast revenue.

If there are any questions regarding this submission please contact Tom Loski, Director, Regulatory Affairs at (604) 592-7464).

Sincerely,

TERASEN GAS INC.

Original signed by: Tom Loski

For: Scott A. Thomson

Attachments

cc (e-mail only): TGI Multi Year PBR (2004-2007 PBR & 2008-2009 Extension) Participants and 2007 Annual Review Participants

Attachment 1

Attendee Sign-in Sheet

2007 Joint Workshop - Tuesday, November 13, 2007

Terasen Gas Inc. *ANNUAL REVIEW* and

Terasen Gas (Vancouver Island) Inc. *SETTLEMENT UPDATE*

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Attachment 2

TD Bank Financial Group

TD Economics

Provincial Economic Outlook

October 22, 2007

A LEAN YEAR FOR PROVINCIAL ECONOMIES IN 2008

This edition of TD's *Provincial Economic Outlook* provides a less sanguine view of prospects for 2008 than that issued in the spring. At that time, we had forecast national average growth of just under 3% next year, as a long-awaited recovery in central Canada and some improvement in Atlantic Canada would more than offset a simmering down in Alberta's rate of expansion. Moderately cooler conditions are indeed becoming evident in the Alberta economy, as anticipated. But the further run-up in the Canadian dollar and a modest downgrading in our U.S. growth outlook have led us to shave about half a percentage point – on average – to 2008 growth performances in most parts of the country. Furthermore, 2009 is shaping up to be another sub-2.5% performance in about half the provinces, including Ontario and Quebec.

2007 a decent year for provincial economies

Despite lackluster real GDP gains of about 2% estimated for provinces east of Manitoba (that is with the sole exception of Newfoundland & Labrador where rising crude oil and base metals output underpinned a nation-leading 6.5% increase), all economies managed to turn in healthy growth in employment, falling unemployment rates and accelerating wage gains. Much of the widespread job-market resilience is owing to ongoing strength in housing activity and in service sector industries, while the benefits of improved government fiscal positions and a stable interest-rate environment continue to bear fruit. These positive influences have more than offset the negative impacts on provincial exports from a soaring Canadian dollar and a softening in U.S. demand for forest products and autos, among other key exports.

While the resource-based west continues to exhibit heady momentum, 2007 is witnessing some narrowing of the growth gap between the region and the rest of the country. Saskatchewan is rebounding from last year's stagnant showing, owing to a modest improvement in crop yields and strength in its resource sector. Still, low lumber prices and a coastal lumber strike have had an impact on B.C.'s growth slowing in 2007. Moreover, after expanding so fast that it significantly skewed all the national numbers in 2006, Alberta's economy appears to have started to cool in 2007, largely reflecting the effects of lower natural gas prices, a pull-back in drilling activity and a tapering off of growth in the province's white-hot housing market. This report includes our latest housing market forecasts – existing homes sales, prices, and housing starts – broken down by province (see tables on last page).

Downside to Canadian dollar limited

Looking ahead, we see little fundamental shift in the landscape in 2008, as ongoing expansions in public and private service industries coast to coast are likely further counterbalanced by softness on the export side. On the whole, however, most economies are set to post weaker economic showings – and considerably slower job growth – in 2008, before embarking on a moderate strengthening in 2009. Near-term pressure on provincial export sectors has only intensified even further of late in light of the recent surge in the Canadian dollar above parity and deepening U.S. slowdown. But as well, the tailwinds emanating from the ongoing strength of housing markets on provincial economies appears poised to ease, as the recent erosion of affordability increasingly weighs on unit sales, starts and prices.

Looking ahead, the provincial forecast incorporates the following macro-economic assumptions, consistent with our TD *Quarterly Economic Forecast* released in October:

- The Canadian dollar is over-valued and is likely to gravitate back to 90 U.S. cents by the end of 2009. However, this gradual depreciation will still leave the currency at a high level throughout the forecast period, leading to ongoing adjustments in the export-oriented manufacturing sector.
- The U.S. economy is projected to expand at an annual average rate of only 2.4% in 2008, before accelerating to 3.1% in 2009.
- Next year, the softness in U.S. growth will be counterbalanced by ongoing strength in Asian developing markets, leaving global growth expanding by 4.8% in 2008 and 4.4% in 2009.
- Strong global growth will underpin commodity prices. Crude oil prices in particular will average about US$70 per barrel in 2008-09, while natural gas prices gradually recover from their recent trough by the second half of next year.
- Canadian near-term interest rates are expected to hold close to current levels as we don't expect the Bank of Canada's overnight rate to change over the forecast horizon. Longer-term interest rates are projected to trend up gradually, by 30-50 basis points in 2008-09, in line with our forecast for Government of Canada 5-yr and 10-yr bond yields.

The western edge eroding

Among the regions, look for manufacturing-heavy central Canada to record the weakest growth in the 2008-09 period and for Atlantic Canada to fare somewhat better, with the latter region reaping the rewards of a ramping up in work on a number of large-scale projects in its energy and non-energy resource sectors. But, while the west region will reign supreme over the forecast period, the differential in growth performances will continue to narrow. Although elevated commodity prices will continue to underpin the western economies, rising cost pressures will continue to apply the natural brakes to expansions in Alberta and, to a lesser extent, British Columbia.

Derek Burleton
AVP & Director of Economic Studies
416-982-2514

Pascal Gauthier, Economist
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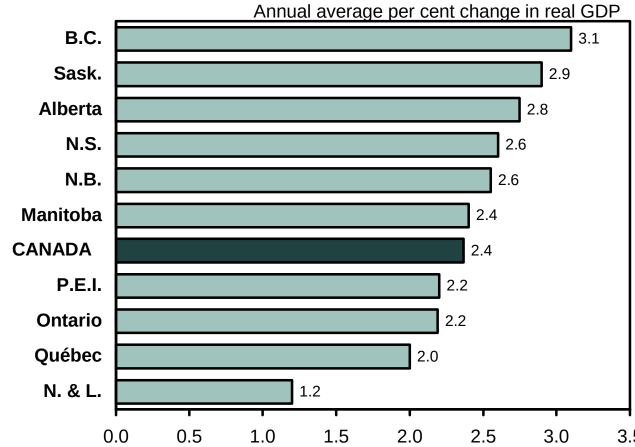
REAL GROSS DOMESTIC PRODUCT (GDP)
Annual average per cent change

	97-06	2005	2006	2007E	2008F	2009F
CANADA	**3.5**	**2.9**	**2.7**	**2.6**	**2.3**	**2.4**
ex Alta	3.3	2.7	2.2	2.3	2.2	2.4
N. & L.	4.3	0.4	2.8	6.5	1.4	1.0
P.E.I.	2.3	2.1	2.0	1.7	2.1	2.3
N.S.	2.8	1.6	1.1	2.3	2.6	2.6
N.B.	2.7	0.3	2.6	2.0	2.7	2.4
Québec	2.9	2.2	1.7	2.2	1.9	2.1
Ontario	3.7	2.8	1.9	2.1	2.1	2.3
Manitoba	2.6	2.7	3.3	2.8	2.3	2.5
Sask.	2.0	3.1	0.4	3.5	3.2	2.6
Alberta	4.3	4.6	6.8	4.3	2.8	2.7
B.C.	3.1	3.7	3.6	3.2	3.0	3.2

E: Estimate; F: Forecast by TD Economics as at Oct. 2007
Source: Statistics Canada

REAL GDP GROWTH FORECAST* 2008-09



* Forecast by TD Economics as at Oct. 2007

TOTAL CONSUMER PRICE INDEX
Annual average per cent change

	97-06	2005	2006	2007E	2008F	2009F
CANADA	**2.1**	**2.2**	**2.0**	**2.3**	**2.2**	**2.1**
ex Alta (E)	2.0	2.2	1.8	1.7	2.0	1.9
N. & L.	1.9	2.6	1.8	1.3	1.6	1.4
P.E.I.	2.2	3.2	2.2	1.5	1.9	2.0
N.S.	2.3	2.8	2.1	1.5	2.0	2.2
N.B.	2.1	2.4	1.7	1.3	2.0	1.5
Québec	2.0	2.3	1.7	1.4	1.6	1.5
Ontario	2.1	2.2	1.8	1.5	1.7	1.6
Manitoba	2.0	2.7	1.9	2.2	2.3	2.0
Sask.	2.2	2.3	2.0	2.6	2.7	2.1
Alberta	2.7	2.1	3.9	5.0	3.2	2.6
B.C.	1.6	2.0	1.7	2.0	1.9	2.3

E: Estimate; F: Forecast by TD Economics as at Oct. 2007.
Source: Statistics Canada.

RETAIL TRADE
Annual average per cent change

	97-06	2005	2006	2007E	2008F	2009F
CANADA	**5.5**	**6.1**	**6.4**	**6.0**	**5.3**	**5.5**
ex Alta	5.1	5.2	4.9	5.2	4.9	5.2
N. & L.	5.2	2.2	3.0	9.6	3.6	2.9
P.E.I.	4.5	3.0	4.1	7.9	3.4	4.5
N.S.	4.2	2.9	6.4	3.8	4.3	4.7
N.B.	4.6	5.4	5.8	5.5	5.1	4.5
Quebec	5.2	5.8	4.8	4.9	4.5	4.7
Ontario	5.3	4.7	4.1	3.9	4.4	4.9
Manitoba	5.4	6.4	6.0	9.0	5.4	6.1
Sask.	5.0	7.5	6.0	11.5	8.4	6.0
Alberta	9.1	12.1	16.1	10.7	7.6	7.2
B.C.	4.4	5.7	6.4	7.0	6.3	6.8

E: Estimate; F: Forecast by TD Economics as at Oct. 2007
Source: Statistics Canada

EMPLOYMENT
Annual average per cent change

	97-06	2005	2006	2007E	2008F	2009F
CANADA	**2.1**	**1.4**	**2.0**	**2.1**	**1.2**	**1.2**
ex Alta	2.0	1.4	1.6	1.8	1.0	1.0
N. & L.	1.4	-0.1	0.7	1.2	1.0	0.5
P.E.I.	1.5	2.0	0.5	1.3	0.6	0.8
N.S.	1.6	0.2	-0.3	1.1	0.9	0.7
N.B.	1.5	0.1	1.4	1.2	0.8	0.9
Québec	1.9	1.0	1.3	2.0	0.7	0.8
Ontario	2.3	1.3	1.5	1.4	0.8	0.9
Manitoba	1.3	0.6	1.2	1.4	1.0	1.0
Sask.	0.7	0.8	1.7	2.6	1.8	1.2
Alberta	2.9	1.5	4.8	4.5	2.5	2.1
B.C.	1.9	3.3	3.1	3.2	2.0	1.9

E: Estimate; F: Forecast by TD Economics as at Oct. 2007.
Source: Statistics Canada.

UNEMPLOYMENT RATE
Per cent

	97-06	2005	2006	2007E	2008F	2009F
CANADA	**7.4**	**6.8**	**6.3**	**6.1**	**6.3**	**6.4**
ex Alta	7.8	7.1	6.7	6.5	6.6	6.6
N. & L.	16.5	15.2	14.8	13.6	12.9	12.8
P.E.I.	12.4	10.9	11.1	10.2	10.5	10.4
N.S.	9.5	8.4	8.0	8.1	8.1	8.1
N.B.	10.5	9.7	8.8	7.2	7.0	7.2
Québec	9.1	8.3	8.0	7.3	7.5	7.7
Ontario	6.8	6.6	6.3	6.5	6.7	7.0
Manitoba	5.2	4.8	4.3	4.5	4.3	4.5
Sask.	5.5	5.1	4.7	4.4	4.1	4.0
Alberta	4.9	3.9	3.4	3.4	3.7	3.8
B.C.	7.5	5.9	4.8	4.3	4.6	4.6

E: Estimate; F: Forecast by TD Economics as at Oct. 2007.
Source: Statistics Canada.

HOUSING STARTS Thousands of units					
	2005	2006	2007E	2008F	2009F
CANADA	**224.0**	**228.4**	**226.1**	**206.9**	**201.7**
ex Alta	183.4	179.5	177.7	164.6	163.4
N. & L.	2.6	2.3	2.4	2.2	2.3
P.E.I.	0.9	0.8	0.6	0.5	0.5
N.S.	4.7	5.2	4.6	4.3	4.7
N.B.	3.9	4.1	4.0	3.6	3.8
Quebec	50.9	47.7	50.8	45.0	42.0
Ontario	77.8	74.2	66.6	62.6	64.1
Manitoba	4.7	5.0	5.9	5.6	5.3
Sask.	3.3	3.7	5.7	6.0	4.9
Alberta	40.6	48.9	48.4	42.3	38.3
B.C.	34.5	36.5	37.2	34.8	35.8

E: Estimate; F: Forecast by TD Economics as at Oct. 2007
Source: Canada Mortgage and Housing Corporation

HOUSING STARTS Per cent change					
	2005	2006	2007E	2008F	2009F
CANADA	**-3.7**	**2.0**	**-1.0**	**-8.5**	**-2.5**
ex Alta	-6.7	-2.1	-1.0	-7.4	-0.7
N. & L.	-11.7	-11.0	4.5	-8.1	3.9
P.E.I.	3.7	-9.9	-34.0	-8.0	3.1
N.S.	-2.1	10.3	-12.0	-6.3	9.0
N.B.	2.6	4.5	-2.0	-9.4	4.0
Quebec	-13.0	-6.3	6.5	-11.5	-6.6
Ontario	-7.9	-4.7	-10.2	-6.1	2.5
Manitoba	6.2	6.4	17.0	-4.2	-6.3
Sask.	-11.6	11.6	55.0	5.0	-18.2
Alberta	12.1	20.4	-1.0	-12.6	-9.4
B.C.	5.1	5.8	1.8	-6.4	3.0

E: Estimate; F: Forecast by TD Economics as at Oct. 2007
Source: Canada Mortgage and Housing Corporation

RESALE UNITS Thousands of units					
	2005	2006	2007E	2008F	2009F
CANADA	**483.8**	**483.8**	**522.5**	**505.8**	**500.7**
ex Alta	417.9	409.4	446.3	434.0	430.7
N. & L.	3.2	3.5	4.2	4.0	3.8
P.E.I.	1.4	1.5	1.7	1.6	1.6
N.S.	10.9	10.6	11.7	11.4	11.5
N.B.	6.8	7.1	8.3	8.5	7.8
Quebec	70.6	72.5	80.5	77.4	76.0
Ontario	197.0	194.8	213.2	208.2	205.3
Manitoba	12.8	13.0	13.9	13.4	13.7
Sask.	8.3	9.1	12.3	12.6	12.2
Alberta	65.9	74.4	76.2	71.8	70.0
B.C.	106.3	96.7	100.5	97.0	98.9

E: Estimate; F: Forecast by TD Economics as at Oct. 2007
Source: Canadian Real Estate Association

RESALE UNITS Per cent change					
	2005	2006	2007E	2008F	2009F
CANADA	**5.0**	**0.0**	**8.0**	**-3.2**	**-1.0**
ex Alta	3.6	-2.0	9.0	-2.8	-0.8
N. & L.	-1.7	10.2	17.4	-4.3	-5.5
P.E.I.	-3.4	3.0	16.5	-9.4	2.3
N.S.	23.1	-3.3	10.8	-3.0	1.6
N.B.	14.3	4.2	15.8	2.7	-8.5
Quebec	2.0	2.6	11.0	-3.9	-1.8
Ontario	-0.2	-1.1	9.4	-2.4	-1.4
Manitoba	5.5	2.0	6.5	-3.2	2.1
Sask.	1.7	10.0	34.6	2.4	-3.1
Alberta	14.6	12.9	2.5	-5.8	-2.5
B.C.	10.3	-9.1	4.0	-3.5	1.9

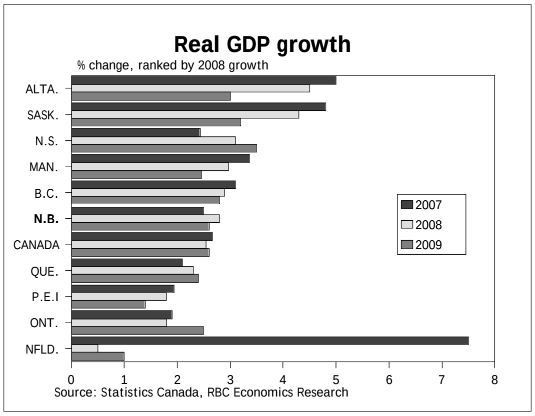
E: Estimate; F: Forecast by TD Economics as at Oct. 2007
Source: Canadian Real Estate Association

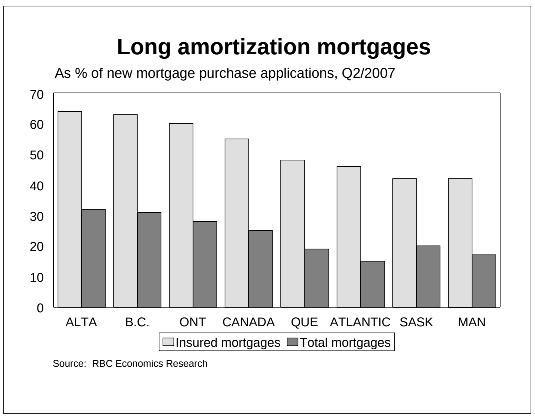
AVERAGE RESALE HOME PRICE Thousand $					
	2005	2006	2007E	2008F	2009F
CANADA	**249.2**	**277.0**	**304.9**	**326.0**	**342.3**
ex Alta (E)	251.1	273.0	295.2	313.4	330.7
N. & L.	141.2	139.5	143.7	148.0	155.6
P.E.I.	117.2	125.4	135.7	142.0	147.2
N.S.	159.2	169.2	183.6	197.2	210.6
N.B.	120.6	126.9	138.0	143.4	149.3
Quebec	184.6	194.0	206.2	215.5	224.8
Ontario	263.0	278.5	295.2	309.6	327.0
Manitoba	133.9	150.2	166.2	181.8	191.2
Sask.	122.8	132.1	165.8	212.2	236.1
Alberta	218.3	285.4	359.6	396.6	406.1
B.C.	332.2	391.0	435.1	467.8	493.5

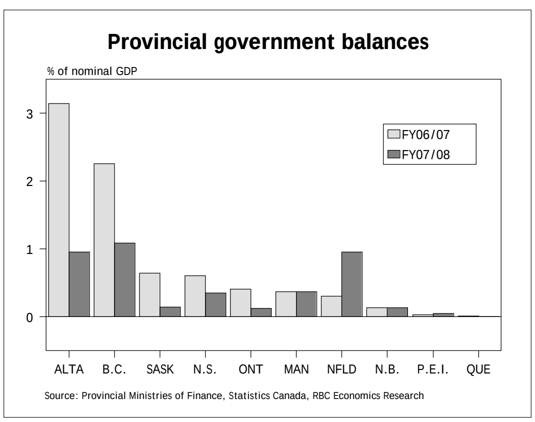
E: Estimate; F: Forecast by TD Economics as at Oct. 2007
Source: Canadian Real Estate Association

AVERAGE RESALE HOME PRICE Per cent change					
	2005	2006	2007E	2008F	2009F
CANADA	**10.1**	**11.1**	**10.1**	**6.9**	**5.0**
ex Alta (E)	8.7	8.7	8.1	6.2	5.5
N. & L.	7.4	-1.2	3.0	3.0	5.1
P.E.I.	5.8	7.0	8.2	4.6	3.7
N.S.	9.0	6.3	8.5	7.4	6.8
N.B.	6.8	5.2	8.8	3.9	4.1
Quebec	7.9	5.1	6.3	4.5	4.3
Ontario	7.3	5.9	6.0	4.9	5.6
Manitoba	12.3	12.2	10.6	9.4	5.2
Sask.	10.8	7.6	25.5	28.0	11.3
Alberta	12.1	30.8	26.0	10.3	2.4
B.C.	14.9	17.7	11.3	7.5	5.5

E: Estimate; F: Forecast by TD Economics as at Oct. 2007
Source: Canadian Real Estate Association







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PROVINCIAL OUTLOOK

October 2007

Regional variations on the Canadian economic advantage

▲ Canada's economy is so far marching to the beat of its own drummer, but there are sharp regional variations on this economic advantage. As a result, we have lowered our growth forecasts for the Ontario and Quebec economies and have become more bullish on near-term prospects in parts of western Canada.

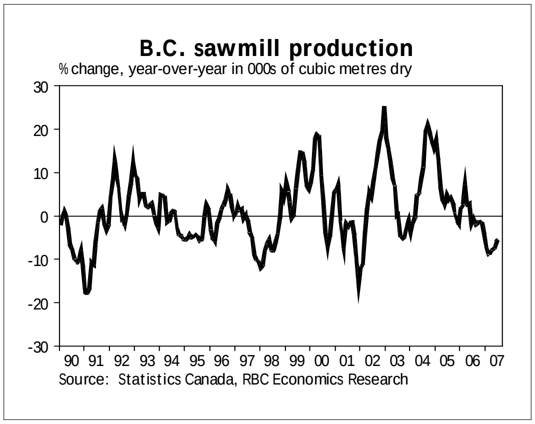
▲ First are the sharp regional differences in terms of dependencies on manufacturing and primary sector activities. The benefits from the positive swing in Canada's overall terms of trade are concentrated on the resource provinces. In contrast, high commodity input prices and the surging loonie are accentuating Ontario's and Quebec's greater downside sensitivity to the U.S. economy.

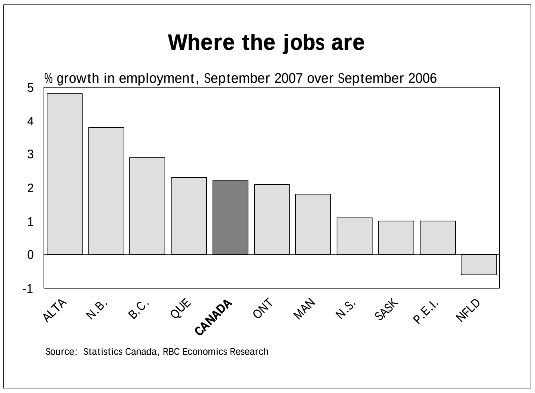
▲ Second, Canadian job markets remain stronger than in the United States, but the effects are spread unevenly. Alberta, New Brunswick and British Columbia have the strongest job gains, which are translating into above-average consumer spending spin-offs for these provinces.

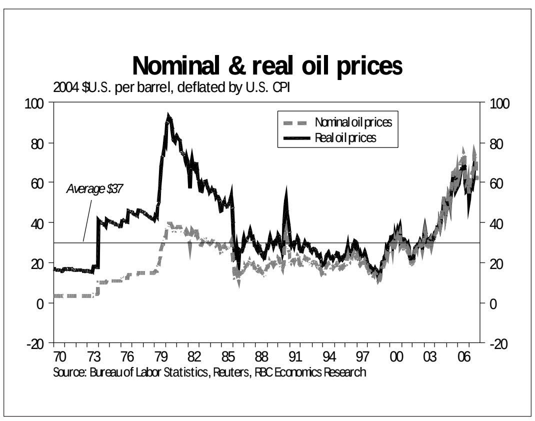
▲ Third are the significant regional variations in housing market performance. On net, mortgage credit conditions have eased substantially in Canada despite modestly higher mortgage rates in recent months and a deterioration in the tiny sub-prime segment. Mortgage securitization is relatively unaffected in Canada because 85% of it is guaranteed by the federal government. The reason for the net easing in mortgage credit conditions is due to the arrival of long-amortization mortgage products, which now dominate mortgage purchase applications in the insured segment and comprise about one-quarter of total mortgage purchase applications in Canada. The effect of going for longer amortization is significant enough to extend Canada's housing cycle by about a couple of years by transferring future activity to the present. The highest take-up rates on long-amortization products are in British Columbia and Alberta.

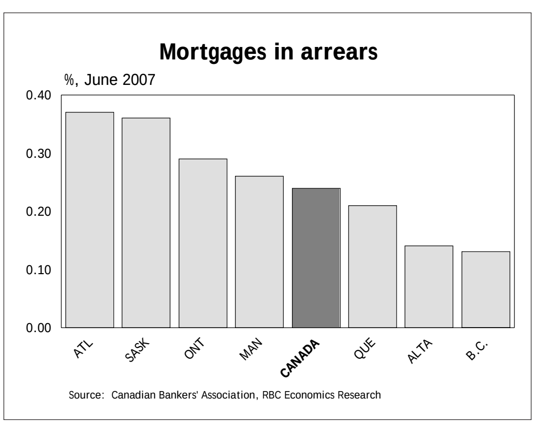
▲ Fourth, Canadian fiscal policy is far better off than much of the rest of the world in terms of relatively low net debt levels compared to the size of the economy and federal surpluses. Surpluses or balanced budgets across the provinces add to this picture, but surpluses can mask underlying problems. There is little doubt in our minds that Ontario's fiscal policy is exacerbating its competitiveness woes by transferring future growth to the present through a rapid rise in program spending and is partly financing this via the world's second highest business tax burden on new investments. The federal government's accelerated equipment write-offs are a partial offset.

▲ Fifth, we expect a capital spending surge in Canada commencing by decade's end. The biggest effects will be felt in Alberta, Saskatchewan, Newfoundland and New Brunswick. Proportionately smaller influences will be felt in Ontario, Quebec and Nova Scotia. British Columbia lacks megaprojects to fill the void after the Vancouver 2010 Olympic and Paralympic Winter Games and, barring major hydroelectricity investments, Manitoba will also miss out along with Prince Edward Island.









British Columbia — More reason for caution in next decade

We have modestly downgraded our B.C. growth forecast for 2007 and 2008. With two years to go before the flame is lit on Vancouver's 2010 Olympic and Paralympic Winter Games, the provincial economy will be receiving increasingly needed stimulus to offset downside risks partly related to the U.S. economy. Further, even while sawmill production volumes remain high, they are coming off a 2006 peak despite frenzied efforts to harvest dead trees in the wake of pine beetles. Gas production in the Greater Sierra and Cutbank Ridge regions is also tracking lower so far this year.

Near-term positives are coming partly through interior mines as commodity prices remain higher for longer than anticipated. Added positives include modest fiscal stimulus from healthy government surpluses and the province's growing focus on port development aimed at cashing in on Asian trade. Strong job growth and decent wage gains are supporting one of the better retail sales pictures in the country.

Nevertheless, three major sources of concern warrant a cautious outlook for the post-2010 provincial economy. First, the important forestry sector is still languishing from weak prices that spell trouble for margins when combined with soaring labour and commodity input costs and cooling sales as a result of a U.S. housing market outlook unlikely to provide much relief until near the end of this decade. The pine beetle is perversely stimulating the economy because sawmills are running at capacity to process dead trees. But, revised estimates of pine beetle spread rates that peg losses of marketable pine trees as high as 75% by the mid-point of the next decade are a heavy downside risk. Further, unlike many other regions, there are no real major new capital initiatives that are likely to fill the post-2010 void. All of this is occurring in the context of heavily stressed housing affordability, with cities like Vancouver and Victoria now in new record-high territory for home ownership costs as a proportion of incomes.

Alberta — Coming production surge amidst investment risks

This provincial economy remains perhaps the most outstanding example of the key reasons why the Canadian economy is marching to the beat of its own drummer and, as a result, we have revised our growth forecast for Alberta's economy upward to 4.5% in 2008, notwithstanding uncertainty about royalties.

Higher oil prices for a longer-than-anticipated period and strong agricultural conditions are the major factors behind our upward revisions. As well, the provincial government's finances are by far the healthiest in the land. Its housing markets are the strongest overall, and take-up rates on new extended-amortization mortgage products are the highest in the country, suggesting that this is where these new products are having their sharpest impact. Mortgage quality still remains impressive in British Columbia and Alberta. These factors help to rank the province in the number-one spot in 2008 and significantly ahead of its nearest growth rival — Saskatchewan — on most indicators. However, there are several sectors that are near their peaks. Housing market trends are showing evidence of cooling as a result of modest declines in sales-to-listings ratios and softer house price gains in recent months. Ditto for the provincial government's surplus position as natural gas royalties have cooled off from their 2005 and 2006 peaks. Last year's additional boost to consumer spending by the prosperity bonus cheques is only temporary and, while retail sales growth remains strong, it is past its 2006 peak.

In the longer-run from 2009 and beyond, we remain fairly bullish. As demonstrated in the chart at right, Alberta is on the cusp of a run-up in oil production stemming from already-advanced projects. Significant caution is warranted, however, on two counts. One is oil prices that, while remaining below late-1970s peaks in inflation-adjusted terms, are poised to drop in part as speculative premiums unwind. Further, natural gas prices are relatively low and discouraging further drilling activity. The other risk comes through public policy changes. Booked changes in the tax treatment of the energy sector, the likelihood of higher royalties and the risk of federally imposed carbon taxes all represent modest downside risks to the investment and growth picture during the next few years. In the longer-run, however, these changes may spread out the development of the oil sands in ways that reduce cost pressures in an overheated economy and allow for further cost improvements via technological change.

Saskatchewan — Winning the diversification race?

While Alberta and Saskatchewan vie for the provincial growth-rate crown, Saskatchewan may be winning the race to diversify. The province ranks second on oil production and third on natural gas production in the country, but that is where the similarities with its western neighbour end. Indeed, the list of superlatives is broad and getting longer by the minute.

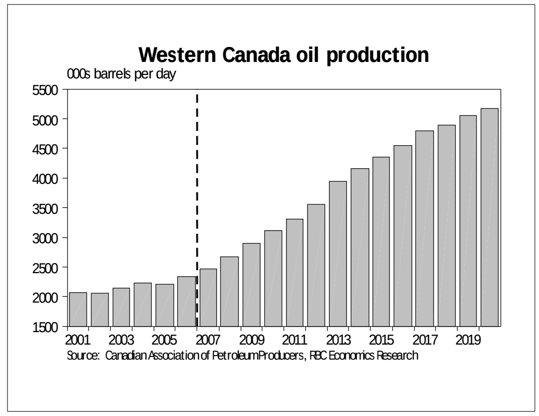
Uranium and diamonds dominate a surge in mineral exploration and development spending, but the real kick doesn't come until early next decade when the flooded Cigar Lake uranium mine is slated to open in 2011 and when two big diamond mines swing into production. Biofuels are also a critically important factor in lifting Saskatchewan's economy. High prices for grains and potash (used in fertilizers) are the result in large part of a surge in demand for biofuel inputs like grains and sugar cane. Indeed, this is one component of a vibrant, growing high-technology sector.

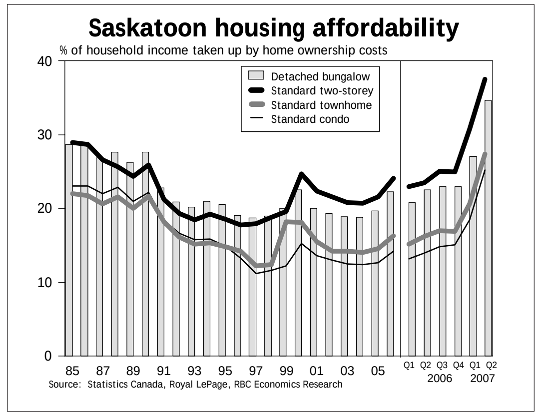
Much of this economic strength is spilling over into the domestic economy, particularly through consumer spending and housing markets. A reversal of migration outflows is boosting housing demand, especially in Saskatoon, and is being assisted by last year's introduction of direct charter flights from Saskatoon to Fort McMurray that are now possibly revaluing Saskatoon housing against an Edmonton benchmark as oil-sands workers seek more affordable housing. A two percentage-point cut in the provincial sales tax complemented the earlier one-point cut in the GST in throwing more fuel on the fire.

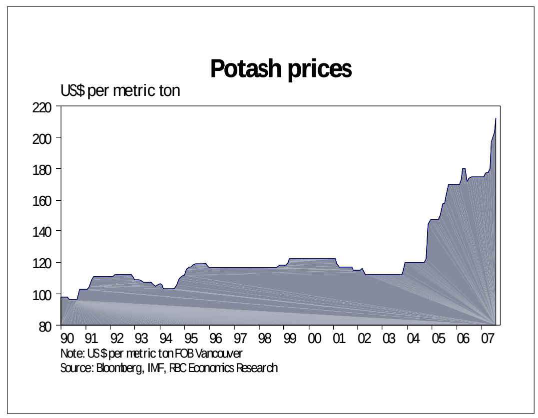
However, there are risks: political risks should world governments slow or reverse biofuel policies, which would hit potash and grain prices; strained housing affordability conditions that are rapidly pricing first-time buyers out of the market; a correction from what we believe to be overvalued oil prices; and, nearly as much sensitivity to swings in agricultural conditions today as 10 years ago.

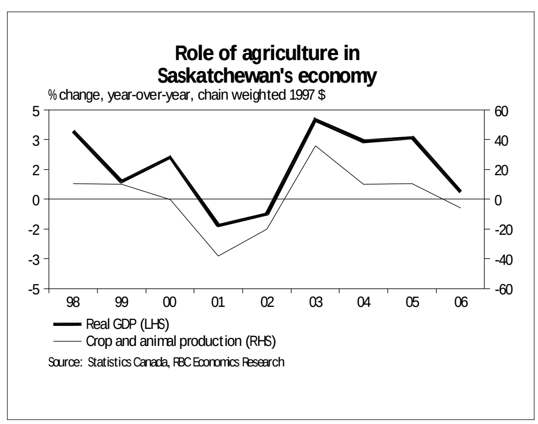
Manitoba — Canada's Goldilocks economy

Consistent with its geography, Manitoba's economy sits between the superheated economic conditions to the west and the manufacturing doldrums to its

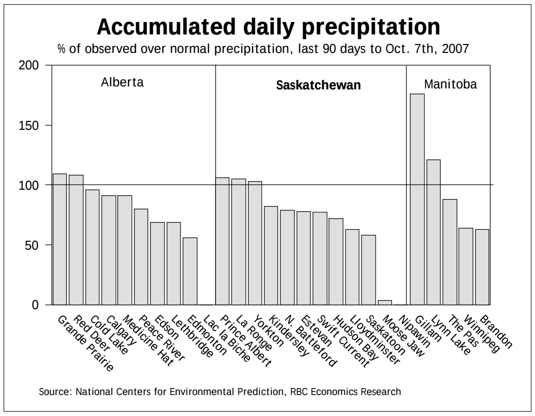




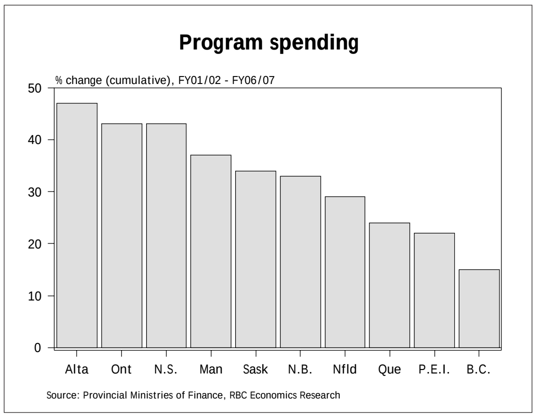




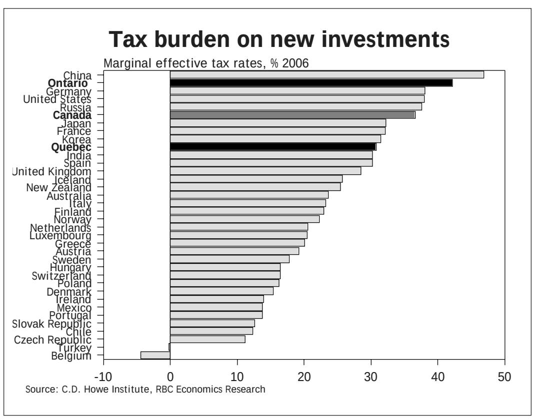
east. The province lies in the upper-middle of the economic growth pack on most economic indicators and, even though its inflation rate is the third highest in Canada, it sits almost bang-on the national average. This privileged position is paying dividends with a strong economy and mild inflation.



Strong housing markets should remain that way into 2008, partly fed by a strong economy and labour markets, mortgage market innovation, and a reacceleration in total migration as out-migration to other provinces has slowed, while international migration remains strong. The agricultural sector is also forecast to remain strong — farm cash incomes are up sharply across all key sectors including hogs, cattle and grains and should remain supported by very high grain prices and decent crop conditions.

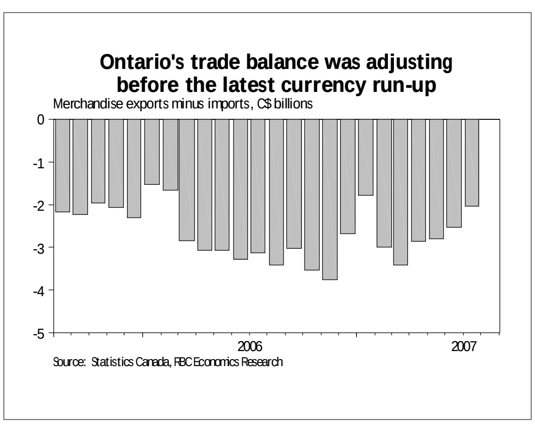


There are, however, two dull spots in the economy. One is that, despite decent precipitation conditions this year, hydroelectricity sales are down on a year-to-date basis due to a steep decline in exports to the United States and the rest of Canada. We expect the other downside factor, however, to turn around. Despite an upbeat spring investment survey that positioned the province to have a banner year, spending on non-residential construction appears to be on a sharp downward trend. We are of the view, however, that there is enough momentum in major projects like the Winnipeg Floodway expansion, the Wuskwatim hydro-electric dam and a new airport facility to lift overall capital spending in the province. This is complemented by strong business conditions as measured by sharp gains in manufacturing shipments, particularly for electrical and machinery components, and a strong transportation equipment sector, including bus manufacturing and new contracts that have lifted the aerospace segment.



Ontario — Forecast lowered; competitiveness waning

We have shaved our 2008 growth forecast down significantly, but expect that growth will rebound modestly in 2009 as the U.S. economy accelerates, currency relief materializes, major capital spending by the provincial government kicks in and new auto sector investments swing into production. Renewed upward pressures on the currency, ongoing strength in oil and other commodity inputs, weaker U.S. growth and the surge in China's exports as a share of U.S. imports all mean that central Canada's manufacturers will face another challenging year. Also, forestry, Ontario's second biggest sector, faces at least another year of weak commodity prices and escalating costs.



While 2009 may bring modestly stronger growth, our chief concern is for the economy's long-run competitiveness under the crushing corporate tax burden that acts as a sharp disincentive to invest. If the province were a country, then, when properly measured, it would have the second highest tax burden on new business investment in the world. Much of this goes to funding very rapid growth in short-term government program spending, with health accounting for about one-half. Ontario has had the second fastest growth rate on program spending behind Alberta in recent years, but in a relatively soft economy and without the Alberta government's resource royalties backing this spending. Addressing this high tax burden would be a significant offset to the currency pressures on the province's businesses. In fact, much of the incentive to invest as a result of the 60% currency-induced cheapening in imported capital goods gets yanked right back by extraordinarily high rates of taxation.

Quebec — Challenging times, capital spending a key support

The $1.8 billion retroactive pay equity payout to public sector employees coupled with solid job gains this year provided support to Quebec's domestic economy and a sizeable lift to the retail sector in the second quarter of 2007. We expect growth to be moderately faster than last year's pace and peg it at 2.1% in 2007 and 2.3% in 2008. By 2009, we anticipate a more meaningful growth acceleration as big-ticket capital spending shifts into higher gear.

Central Canadian economies are continuing to feel the squeeze with the dollar close to parity with the U.S. dollar, with oil prices breaking new highs, and with intensifying competition from overseas. There has been ongoing job shedding in Quebec's manufacturing sector with 120,000 jobs lost since 2003, but the largest and steepest declines in the pace of job shedding occurred from 2003 to 2006. Tentative signs of stabilization in the pace of decline have appeared in 2007. We could see further pass-through effects as the higher-than-anticipated currency continues to work its way through the economy, but the bulk of the adjustment appears to be cooling off. We have been arguing for some time now that the manufacturing base in Quebec is holding up better than its Ontario counterpart. This still holds true largely because Quebec's exposure to motor vehicle manufacturing is minimal, while it has significant exposure to the expanding aerospace sector. Aerospace shipments, although volatile, were up roughly 11% this year compared to a year ago.

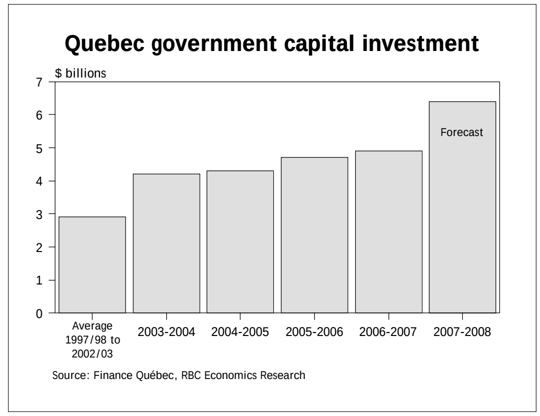
New Brunswick — Mega projects in the pipelines

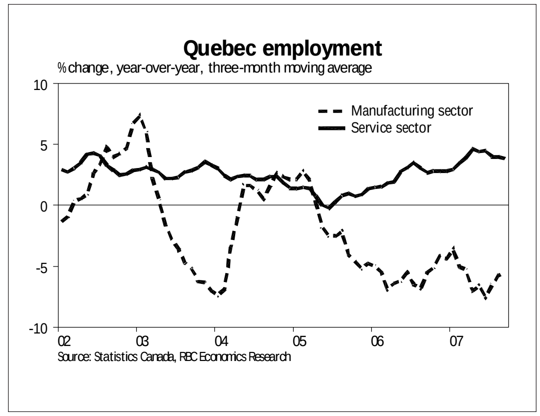
We anticipate growth to remain in the 2½% range during the next two years, but the real story is longer-term. There is significant upside potential to this growth forecast from prospective mega projects that could shift into production later in the decade and in the early part of the next decade. The Canaport LNG terminal is now about 50% complete and is expected to be operational by the end of 2008.

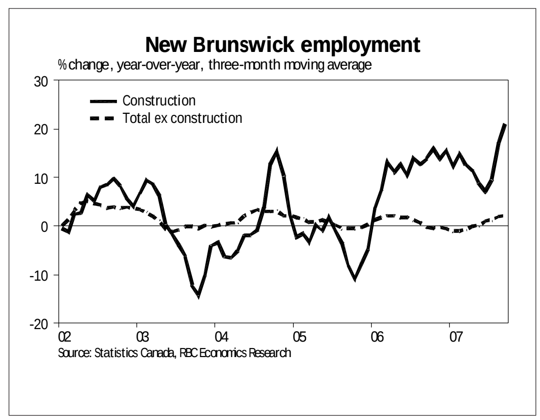
The province continues on its track towards becoming a regional energy hub as many of the potential projects are responding to a clear market opportunity to meet growing demand in the U.S. northeast. First, a feasibility study for a second nuclear reactor is expected to be under way in 2008. The second reactor, estimated at $2-3 billion, would export power to the United States. Although the benefits extend beyond our current forecast horizon at this point, the projects would be a good support for the economy in the early part of the next decade and could generate up to 4,000 jobs during construction and 500 permanent jobs during operations. Second, a major expansion at a potash mine is expected to more than double potash production to serve the fast-expanding market for fertilizer in South America. The project would invest $1.6 billion on a four-year construction program to develop the expansion, with expected completion in 2011. Third, a second refinery remains in the planning stages and would be an additional boon to the local economy if it proceeds by requiring roughly 5,000 construction workers.

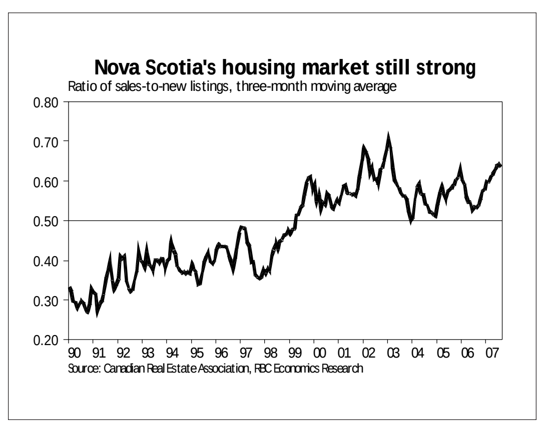
Nova Scotia — Stronger than last year, upsides developing

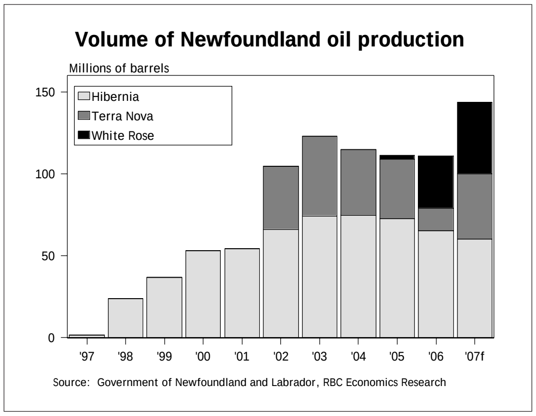
Economic growth is expected to increase slightly from last year's tepid pace to a still below-average pace of 2.4% in 2007. Healthier labour markets compared to last year, decent wage growth and an expanding service sector will support the

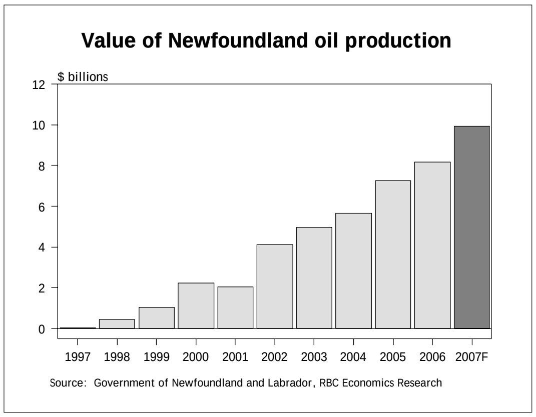


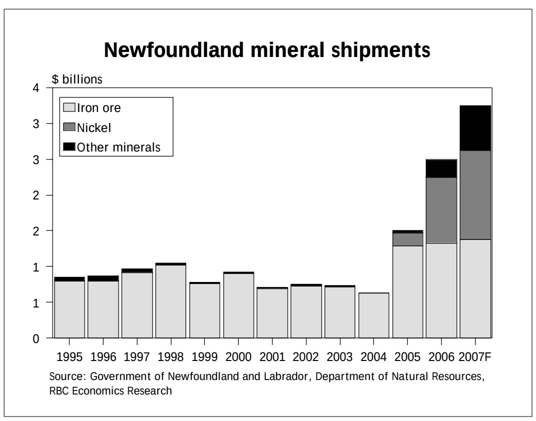


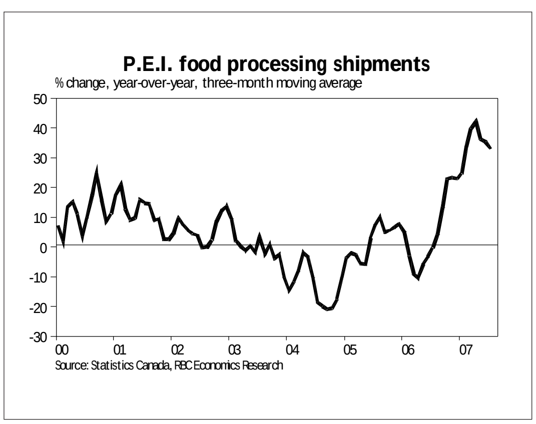












outlook. Growth headwinds continue to come from the goods sector as the manufacturing, forestry and construction sectors remain soft. Housing markets are still healthy, with average house price growth tracking at an 8% pace so far this year and resale markets still elevated. Anticipated weakness in non-residential construction this year stems from a lack of mega projects. However, next year, construction at the Keltic Petrochemical plant should provide a boost. As well, it appears the Deep Panuke project will go ahead and could begin construction in 2008 and production by 2010 with the capability to ship up to 300 million cubic feet per day of natural gas. The combination of construction gearing up at Deep Panuke ($700 million) and the petrochemical plant ($4.5 billion) could be a boon to the construction sector in the later part of the decade.

Newfoundland and Labrador — Unveils new energy plan

The province remains on track to be the 2007 provincial growth leader with an anticipated 7½% rate of expansion as energy production soars. Beyond 2007, growth will soften sharply after the White Rose gas and Voisey's Bay nickel projects have been fully incorporated into growth effects. The province deserves strong marks, however, for putting itself back on track for long-run growth. Newfoundland jumped back into the spotlight this summer as negotiations emerged between the government and major oil companies. The momentum began in August when the government announced it was acquiring a 4.9% stake in advancing the Hebron project. Engineering work at Hebron is set to begin in the next 18 months and construction is slated to begin by 2010. This preceded an announcement that unveiled its new 35-year multi-pronged energy plan, which included a call for a 10% ownership stake in future offshore oilfields aimed at generating more revenue from the industry. On the heels of the announcement came a tentative agreement to acquire a 5% stake in future extensions to the White Rose project. Both projects will be subject to a new super oil royalty, meaning that the province will receive an additional 6.5% of net revenues in any month in which prices of crude exceed US$50 a barrel.

Prince Edward Island — Potato harvest prospects upbeat

Stable real growth just shy of 2% is expected for 2007 and 2008. A good year for tourism complements potentially the best potato harvest in a couple of years. The tourism industry reported a 62% occupancy rate in July, up more than three percentage points from last year. Air traffic increased 16% and bridge travel was up by 8% compared to a year ago. There was concern about a few cases of late blight, which shows up as black spots on potato leaves and destroys the potato under the ground. The potentially devastating problem, however, does not appear to have materialized into a significant threat as potato growers enter their peak harvest season. While it is too early to tell exactly how the harvest will play out, there are some early signs that potato growers may be looking at a better yield than they have in the last two years. Potato processing plants are looking at another reasonably good year and continue to drive strong manufacturing shipments. Food processing shipments have grown at a double-digit annual pace for the last 12 consecutive months. Mixed evidence on other aspects of the domestic economy comes from our view that construction activity will continue to cool, while growth in consumer spending remains robust. This is significant since P.E.I. has the highest share of the economy represented by consumer spending of all provinces.

Forecast detail

Average annual % change unless otherwise indicated

	Real GDP			Nominal GDP			Employment			Labour force			Unemployment rate %			Personal disposable income			Housing starts Thousands			Retail sales			CPI		
	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09
NFLD.	7.5	0.5	1.0	12.0	2.5	3.0	0.8	0.1	0.3	-0.7	-0.9	-0.6	13.5	12.6	11.8	3.3	2.7	2.5	2.4	2.1	1.8	9.5	6.0	2.0	1.3	1.4	1.2
P.E.I	1.9	1.8	1.4	3.1	2.8	2.1	1.3	0.4	0.2	0.7	0.3	0.2	10.5	10.4	10.4	4.6	2.8	2.4	0.6	0.6	0.5	9.0	4.5	3.7	1.5	1.7	1.6
N.S.	2.4	3.1	3.5	3.4	4.5	4.8	1.3	1.2	2.0	1.3	0.4	1.5	8.0	7.2	6.8	4.3	4.0	4.7	4.7	4.4	4.0	3.8	4.9	6.5	1.7	1.3	2.0
N.B.	2.5	2.8	2.6	3.5	4.2	3.8	2.0	0.8	0.9	0.6	0.4	0.3	7.5	7.1	6.6	4.6	3.5	3.2	4.1	3.8	3.4	5.6	4.5	4.0	1.8	1.4	1.6
QUE.	2.1	2.3	2.4	4.2	3.8	3.7	1.9	0.9	0.8	1.1	0.8	0.6	7.3	7.2	7.0	6.7	5.0	3.9	51.5	47.9	42.6	5.0	4.5	4.0	1.9	1.6	1.5
ONT.	1.9	1.8	2.5	4.0	3.2	3.5	1.4	0.9	1.0	1.6	1.2	1.3	6.5	6.7	7.0	5.5	4.4	3.8	68.6	66.5	60.5	3.6	4.0	4.5	2.0	1.8	1.7
MAN.	3.4	3.0	2.5	5.5	4.6	3.6	1.4	1.0	0.4	1.2	1.1	0.7	4.2	4.3	4.6	6.8	5.1	3.5	5.8	5.4	4.7	8.7	5.7	3.0	2.4	2.1	1.8
SASK.	4.8	4.3	3.2	11.0	6.0	4.8	2.4	1.0	0.8	1.9	1.3	1.1	4.2	4.5	4.8	6.0	5.2	4.0	5.8	4.8	3.5	12.5	9.5	6.0	3.0	3.0	2.3
ALTA.	5.0	4.5	3.0	13.0	6.8	4.5	4.9	2.0	1.8	4.7	2.6	2.3	3.3	3.8	4.3	10.0	8.5	5.0	48.5	41.2	35.0	10.5	9.8	8.5	5.4	3.3	2.8
B.C.	3.1	2.9	2.8	6.6	5.2	4.2	3.2	1.9	2.6	2.7	2.3	2.7	4.3	4.7	4.8	7.0	6.5	6.1	37.2	32.3	26.8	7.2	6.3	8.0	2.1	2.1	2.5
CANADA	2.7	2.5	2.6	6.0	4.4	3.9	2.2	1.2	1.2	1.9	1.3	1.4	6.1	6.2	6.3	6.2	5.3	4.3	230	210	184	6.0	5.6	5.5	2.3	2.0	1.9

Key provincial comparisons

2006 unless otherwise indicated

	NFLD	P.E.I.	N.S.	N.B.	QUE	ONT	MAN	SASK	ALTA	B.C.
Population (000s)	509	138	935	748	7,668	12,739	1,179	988	3,408	4,338
Gross domestic product ($ billions)	24.9	4.3	32.0	25.2	284.2	556.3	44.8	45.1	235.6	179.7
Real GDP ($1997 billions)	15.7	3.5	25.8	21.8	242.0	493.1	37.1	34.3	152.7	150.7
Share of Canada real GDP (%)	1.2	0.3	2.0	1.7	18.9	38.5	2.9	2.7	11.9	11.8
Real GDP growth (CAR, last five years, %)	4.7	2.6	1.7	2.5	2.1	2.5	2.3	2.1	4.4	3.7
Real GDP per capita ($)	30,874	25,372	27,609	29,089	31,564	38,709	31,429	34,707	44,794	34,751
Real GDP growth rate per capita (CAR, last five years '01-'06, %)	5.2	2.4	1.7	2.5	1.4	1.1	1.8	2.3	2.4	2.5
Personal disposable income per capita ($)	25,258	21,377	22,958	22,476	23,224	26,074	23,495	23,247	31,802	25,035
Employment growth (CAR, last five years '01-'06, %)	1.1	1.5	1.2	1.5	1.8	1.8	1.2	1.3	2.8	2.7
Employment rate (Sept 2007, %)	53.0	63.2	58.6	60.2	61.6	63.6	66.6	66.9	71.5	63.4
Discomfort index (inflation + unemp. Rates, latest)	13.8	11.4	9.2	9.5	7.7	7.8	5.6	6.2	8.3	5.6
Manufacturing industry output (% of real GDP)	6.5	11.4	8.9	15.5	20.1	18.8	11.6	7.5	9.8	11.0
Personal expenditures goods & services (% of real GDP)	59.1	72.2	70.3	63.7	61.5	55.9	62.3	57.3	52.9	64.5
International exports (% of real GDP)	33.7	30.4	26.1	42.2	38.1	48.8	31.9	40.6	34.9	30.6

Source: Statistics Canada, RBC Economics Research

British Columbia

		2002	2003	2004	2005	2006	2007	2008	2009
Gross domestic product	$ millions	138,193	145,763	157,540	168,855	179,701	191,561	201,522	209,986
	% change	3.5	5.5	8.1	7.2	6.4	6.6	5.2	4.2
Real GDP	$1997 millions	130,445	134,131	140,263	145,501	150,741	155,414	159,921	164,399
	% change	3.6	2.8	4.6	3.7	3.6	3.1	2.9	2.8
Employment	thousands	1,965.0	2,014.7	2,062.7	2,130.5	2,195.5	2,265.8	2,308.8	2,368.8
	% change	2.3	2.5	2.4	3.3	3.1	3.2	1.9	2.6
Labour force	thousands	2,147.6	2,190.7	2,221.9	2,263.4	2,305.1	2,367.3	2,421.8	2,487.2
	% change	3.1	2.0	1.4	1.9	1.8	2.7	2.3	2.7
Unemployment rate	%	8.5	8.0	7.2	5.9	4.8	4.3	4.7	4.8
Personal disposable income	$ millions	88,594	91,237	96,026	101,046	108,597	116,199	123,752	131,301
	% change	3.8	3.0	5.2	5.2	7.5	7.0	6.5	6.1
Retail sales	$ millions	43,265	44,421	47,217	49,286	52,627	56,416	59,970	64,768
	% change	6.3	2.7	6.3	4.4	6.8	7.2	6.3	8.0
Housing starts	units	21,625	26,174	32,925	34,667	36,443	37,172	32,340	26,842
	% change	25.5	21.0	25.8	5.3	5.1	2.0	-13.0	-17.0
Consumer price index	1992=100	100.0	102.2	104.2	106.3	108.1	110.4	112.7	115.5
	% change	2.4	2.2	2.0	2.0	1.7	2.1	2.1	2.5

Alberta

		2002	2003	2004	2005	2006	2007	2008	2009
Gross domestic product	$ millions	150,594	170,300	188,865	218,433	235,593	266,220	284,323	297,118
	% change	-0.4	13.1	10.9	15.7	7.9	13.0	6.8	4.5
Real GDP	$1997 millions	125,926	129,553	136,602	142,896	152,670	160,304	167,517	172,543
	% change	2.2	2.9	5.4	4.6	6.8	5.0	4.5	3.0
Employment	thousands	1,670.8	1,716.7	1,757.5	1,784.4	1,870.7	1,962.4	2,001.6	2,037.6
	% change	2.4	2.7	2.4	1.5	4.8	4.9	2.0	1.8
Labour force	thousands	1,764.2	1,808.8	1,842.4	1,857.5	1,937.5	2,028.6	2,081.3	2,129.2
	% change	3.2	2.5	1.9	0.8	4.3	4.7	2.6	2.3
Unemployment rate	%	5.3	5.1	4.6	3.9	3.4	3.3	3.8	4.3
Personal disposable income	$ millions	78,323	81,946	88,968	96,765	108,391	119,230	129,365	135,833
	% change	3.7	4.6	8.6	8.8	12.0	10.0	8.5	5.0
Retail sales	$ millions	37,663	39,318	43,372	48,493	56,047	61,931	68,001	73,781
	% change	9.0	4.4	10.3	11.8	15.6	10.5	9.8	8.5
Housing starts	units	38,754	36,171	36,270	40,847	48,962	48,472	41,202	35,021
	% change	32.8	-6.7	0.3	12.6	19.9	-1.0	-15.0	-15.0
Consumer price index	1992=100	100.0	104.4	105.9	108.1	112.3	118.4	122.3	125.7
	% change	3.4	4.4	1.4	2.1	3.9	5.4	3.3	2.8

Saskatchewan

		2002	2003	2004	2005	2006	2007	2008	2009
Gross domestic	$ millions	34,343	36,583	40,021	42,897	45,051	50,007	53,007	55,551
product	% change	3.7	6.5	9.4	7.2	5.0	11.0	6.0	4.8
Real GDP	$1997 millions	30,824	32,081	33,139	34,157	34,292	35,938	37,483	38,683
	% change	-0.4	4.1	3.3	3.1	0.4	4.8	4.3	3.2
Employment	thousands	468.3	476.1	479.7	483.5	491.6	503.4	508.4	512.5
	% change	1.7	1.7	0.8	0.8	1.7	2.4	1.0	0.8
Labour force	thousands	496.4	504.3	506.7	509.4	515.6	525.4	532.2	538.1
	% change	1.6	1.6	0.5	0.5	1.2	1.9	1.3	1.1
Unemployment rate	%	5.7	5.6	5.3	5.1	4.7	4.2	4.5	4.8
Personal disposable	$ millions	19,049	20,191	21,563	22,249	22,969	24,347	25,613	26,638
income	% change	3.0	6.0	6.8	3.2	3.2	6.0	5.2	4.0
Retail sales	$ millions	9,389	9,858	10,259	10,796	11,495	12,932	14,160	15,010
	% change	7.6	5.0	4.1	5.2	6.5	12.5	9.5	6.0
Housing starts	units	2,963	3,315	3,781	3,437	3,715	5,758	4,779	3,537
	% change	24.4	11.9	14.1	-9.1	8.1	55.0	-17.0	-26.0
Consumer price	1992=100	100.0	102.3	104.6	106.9	109.1	112.4	115.7	118.4
index	% change	2.9	2.3	2.2	2.2	2.1	3.0	3.0	2.3

Manitoba

		2002	2003	2004	2005	2006	2007	2008	2009
Gross domestic	$ millions	36,559	37,420	39,825	41,681	44,757	47,235	49,400	51,170
product	% change	4.0	2.4	6.4	4.7	7.4	5.5	4.6	3.6
Real GDP	$1997 millions	33,629	34,074	34,937	35,872	37,052	38,300	39,438	40,406
	% change	1.6	1.3	2.5	2.7	3.3	3.4	3.0	2.5
Employment	thousands	567.2	570.3	576.6	580.3	587.0	595.2	601.1	603.4
	% change	2.3	0.5	1.1	0.6	1.2	1.4	1.0	0.4
Labour force	thousands	597.8	600.3	608.9	609.4	613.5	621.0	628.1	632.7
	% change	2.4	0.4	1.4	0.1	0.7	1.2	1.1	0.7
Unemployment rate	%	5.1	5.0	5.3	4.8	4.3	4.2	4.3	4.6
Personal disposable	$ millions	23,678	24,406	25,589	26,276	27,699	29,596	31,106	32,190
income	% change	3.1	3.1	4.8	2.7	5.4	6.8	5.1	3.5
Retail sales	$ millions	10,570	10,953	11,692	12,381	12,938	14,060	14,859	15,311
	% change	7.0	3.6	6.7	5.9	4.5	8.7	5.7	3.0
Housing starts	units	3,617	4,206	4,440	4,731	5,028	5,762	5,430	4,724
	% change	22.1	16.3	5.6	6.6	6.3	14.6	-5.8	-13.0
Consumer price	1992=100	100.0	101.8	103.8	106.6	108.7	111.3	113.6	115.7
index	% change	1.5	1.8	2.0	2.7	2.0	2.4	2.1	1.8

Ontario

		2002	2003	2004	2005	2006	2007	2008	2009
Gross domestic product	$ millions	477,763	493,219	517,608	537,657	556,282	578,533	597,046	617,943
	% change	5.3	3.2	4.9	3.9	3.5	4.0	3.2	3.5
Real GDP	$1997 millions	450,341	456,178	470,568	483,962	493,126	502,495	511,540	524,329
	% change	3.1	1.3	3.2	2.8	1.9	1.9	1.8	2.5
Employment	thousands	6,031.4	6,213.2	6,316.5	6,397.7	6,492.7	6,583.6	6,642.9	6,709.3
	% change	1.8	3.0	1.7	1.3	1.5	1.4	0.9	1.0
Labour force	thousands	6,493.7	6,676.2	6,775.4	6,849.1	6,927.3	7,038.1	7,122.6	7,215.2
	% change	2.6	2.8	1.5	1.1	1.1	1.6	1.2	1.3
Unemployment rate	%	7.1	6.9	6.8	6.6	6.3	6.5	6.7	7.0
Personal disposable income	$ millions	284,156	294,845	306,330	316,869	332,160	350,429	365,848	379,750
	% change	3.5	3.8	3.9	3.4	4.8	5.5	4.4	3.8
Retail sales	$ millions	120,992	125,122	129,086	135,321	140,835	145,905	151,742	158,570
	% change	5.9	3.4	3.2	4.8	4.1	3.6	4.0	4.5
Housing starts	units	83,597	85,180	85,114	78,795	73,417	68,571	66,514	60,528
	% change	14.1	1.9	-0.1	-7.4	-6.8	-6.6	-3.0	-9.0
Consumer price index	1992=100	100.0	102.7	104.6	106.9	108.8	111.0	113.0	114.9
	% change	2.0	2.7	1.9	2.2	1.8	2.0	1.8	1.7

Quebec

		2002	2003	2004	2005	2006	2007	2008	2009
Gross domestic product	$ millions	241,448	250,626	262,988	273,588	284,158	296,093	307,344	318,716
	% change	4.2	3.8	4.9	4.0	3.9	4.2	3.8	3.7
Real GDP	$1997 millions	223,832	226,831	232,944	237,981	242,039	247,122	252,806	258,873
	% change	2.4	1.3	2.7	2.2	1.7	2.1	2.3	2.4
Employment	thousands	3,569.9	3,628.8	3,680.5	3,717.3	3,765.4	3,836.9	3,873.0	3,904.0
	% change	3.8	1.6	1.4	1.0	1.3	1.9	0.9	0.8
Labour force	thousands	3,907.7	3,992.8	4,024.1	4,052.7	4,094.2	4,139.2	4,172.4	4,197.4
	% change	3.6	2.2	0.8	0.7	1.0	1.1	0.8	0.6
Unemployment rate	%	8.6	9.1	8.5	8.3	8.0	7.3	7.2	7.0
Personal disposable income	$ millions	151,871	159,253	165,569	170,598	178,085	190,017	199,518	207,299
	% change	4.4	4.9	4.0	3.0	4.4	6.7	5.0	3.9
Retail sales	$ millions	72,099	75,326	78,518	82,533	86,763	91,101	95,200	99,008
	% change	6.1	4.5	4.2	5.1	5.1	5.0	4.5	4.0
Housing starts	units	42,452	50,289	58,448	50,910	47,877	51,468	47,865	42,600
	% change	53.4	18.5	16.2	-12.9	-6.0	7.5	-7.0	-11.0
Consumer price index	1992=100	100.0	102.5	104.5	106.9	108.7	110.8	112.5	114.2
	% change	2.0	2.5	2.0	2.3	1.7	1.9	1.6	1.5

New Brunswick

		2002	2003	2004	2005	2006	2007	2008	2009
Gross domestic	$ millions	21,169	22,346	23,487	24,162	25,221	26,104	27,200	28,234
product	% change	2.3	5.6	5.1	2.9	4.4	3.5	4.2	3.8
Real GDP	$1997 millions	20,133	20,605	21,147	21,219	21,773	22,317	22,942	23,539
	% change	4.5	2.3	2.6	0.3	2.6	2.5	2.8	2.6
Employment	thousands	343.1	343.1	350.1	350.5	355.4	362.5	365.4	368.7
	% change	3.9	0.0	2.0	0.1	1.4	2.0	0.8	0.9
Labour force	thousands	382.0	382.4	388.0	388.2	389.6	391.9	393.5	394.7
	% change	2.8	0.1	1.5	0.1	0.4	0.6	0.4	0.3
Unemployment rate	%	10.2	10.3	9.8	9.7	8.8	7.5	7.1	6.6
Personal disposable	$ millions	14,480	15,052	15,696	16,150	16,823	17,597	18,213	18,803
income	% change	2.2	4.0	4.3	2.9	4.2	4.6	3.5	3.2
Retail sales	$ millions	7,787	7,827	7,963	8,326	8,835	9,330	9,749	10,139
	% change	3.9	0.5	1.7	4.6	6.1	5.6	4.5	4.0
Housing starts	units	3,862	4,489	3,947	3,959	4,085	4,126	3,837	3,377
	% change	11.6	16.2	-12.1	0.3	3.2	1.0	-7.0	-12.0
Consumer price	1992=100	100.0	103.4	104.9	107.4	109.2	111.2	112.8	114.6
index	% change	3.3	3.4	1.5	2.4	1.7	1.8	1.4	1.6

Nova Scotia

		2002	2003	2004	2005	2006	2007	2008	2009
Gross domestic	$ millions	27,082	28,801	29,859	31,344	31,966	33,053	34,540	36,198
product	% change	4.5	6.3	3.7	5.0	2.0	3.4	4.5	4.8
Real GDP	$1997 millions	24,652	24,929	25,131	25,534	25,814	26,444	27,264	28,218
	% change	4.0	1.1	0.8	1.6	1.1	2.4	3.1	3.5
Employment	thousands	422.9	431.2	442.2	443.1	441.8	447.5	452.9	462.0
	% change	1.9	2.0	2.6	0.2	-0.3	1.3	1.2	2.0
Labour force	thousands	467.7	474.6	485.0	483.9	480.0	486.2	488.2	495.5
	% change	1.7	1.5	2.2	-0.2	-0.8	1.3	0.4	1.5
Unemployment rate	%	9.6	9.1	8.8	8.4	7.9	8.0	7.2	6.8
Personal disposable	$ millions	18,674	19,205	19,865	20,616	21,465	22,388	23,284	24,378
income	% change	3.0	2.8	3.4	3.8	4.1	4.3	4.0	4.7
Retail sales	$ millions	9,840	10,015	10,297	10,527	11,192	11,617	12,186	12,978
	% change	6.1	1.8	2.8	2.2	6.3	3.8	4.9	6.5
Housing starts	units	4,970	5,096	4,717	4,775	4,896	4,651	4,419	3,977
	% change	21.5	2.5	-7.4	1.2	2.5	-5.0	-5.0	-10.0
Consumer price	1992=100	100.0	103.4	105.3	108.2	110.4	112.3	113.8	116.1
index	% change	3.0	3.4	1.8	2.8	2.0	1.7	1.3	2.0

Newfoundland and Labrador

		2002	2003	2004	2005	2006	2007	2008	2009
Gross domestic	$ millions	16,457	18,186	19,473	21,486	24,897	27,885	28,582	29,439
product	% change	16.1	10.5	7.1	10.3	15.9	12.0	2.5	3.0
Real GDP	$1997 millions	14,471	15,372	15,237	15,298	15,719	16,898	16,982	17,152
	% change	15.6	6.2	-0.9	0.4	2.8	7.5	0.5	1.0
Employment	thousands	207.2	212.3	214.3	214.1	215.7	217.4	217.6	218.3
	% change	1.7	2.5	0.9	-0.1	0.7	0.8	0.1	0.3
Labour force	thousands	248.5	254.1	254.3	252.5	253.1	251.3	249.1	247.6
	% change	2.4	2.3	0.1	-0.7	0.2	-0.7	-0.9	-0.6
Unemployment rate	%	16.7	16.5	15.7	15.2	14.8	13.5	12.6	11.8
Personal disposable	$ millions	9,381	9,788	10,042	10,372	12,860	13,284	13,648	13,990
income	% change	2.9	4.3	2.6	3.3	24.0	3.3	2.7	2.5
Retail sales	$ millions	5,407	5,736	5,755	5,826	6,042	6,616	7,013	7,154
	% change	4.0	6.1	0.3	1.2	3.7	9.5	6.0	2.0
Housing starts	units	2,419	2,692	2,870	2,498	2,234	2,390	2,127	1,830
	% change	35.3	11.3	6.6	-13.0	-10.6	7.0	-11.0	-14.0
Consumer price	1992=100	100.0	102.9	104.8	107.6	109.5	110.9	112.5	113.9
index	% change	2.4	2.9	1.8	2.7	1.8	1.3	1.4	1.2

Prince Edward Island

		2002	2003	2004	2005	2006	2007	2008	2009
Gross domestic	$ millions	3,701	3,806	4,027	4,169	4,332	4,466	4,593	4,690
product	% change	7.9	2.8	5.8	3.5	3.9	3.1	2.8	2.1
Real GDP	$1997 millions	3,225	3,264	3,367	3,437	3,505	3,573	3,637	3,688
	% change	4.8	1.2	3.2	2.1	2.0	1.9	1.8	1.4
Employment	thousands	64.7	66.1	66.9	68.2	68.6	69.5	69.8	69.9
	% change	1.7	2.2	1.2	1.9	0.6	1.3	0.4	0.2
Labour force	thousands	73.5	74.3	75.4	76.5	77.1	77.6	77.9	78.0
	% change	1.7	1.1	1.5	1.5	0.8	0.7	0.3	0.2
Unemployment rate	%	12.0	11.0	11.3	10.8	11.0	10.5	10.4	10.4
Personal disposable	$ millions	2,606	2,635	2,780	2,842	2,953	3,089	3,177	3,253
income	% change	5.6	1.1	5.5	2.2	3.9	4.6	2.8	2.4
Retail sales	$ millions	1,369	1,383	1,385	1,424	1,481	1,615	1,687	1,750
	% change	3.4	1.0	0.1	2.8	4.0	9.0	4.5	3.7
Housing starts	units	775	814	919	862	738	627	571	514
	% change	14.8	5.0	12.9	-6.2	-14.4	-15.0	-9.0	-10.0
Consumer price	1992=100	100.0	103.5	105.8	109.1	111.6	113.3	115.2	117.0
index	% change	2.7	3.5	2.2	3.1	2.3	1.5	1.7	1.6