

Alberta Leads the Pack...Still

Robert Kavcic, Senior Economist • robert.kavcic@bmo.com • 416-359-8329

After a challenging winter for the North American economy, all sights are now squarely on spring and an expected rebound in growth. The Canadian economy is expected to expand 2.3% this year, up from the 2.0% pace in 2013, and rise a further 2.5% in 2015. The potent one-two punch of a stronger U.S. economy and weaker loonie remains a key theme shaping the provincial growth outlook. After a bumper crop and strength in the energy sector helped widen the West-versus-the rest disparity last year, the door is open for improved, though still lagging, relative performance in Central and Atlantic Canada over the next two years.

Alberta is expected to sit head-and-shoulders above the pack in the coming year, with sturdy energy prices and a heavy dose of public-sector capital spending providing a boost—partly for post-flood rebuilding, but also because of the infrastructure demands created by a fast-growing population. Indeed, by many measures such as employment growth, retail sales and housing market performance, the province is in a league of its own. Real GDP growth should come in at 3.5% this year and 3.3% in 2015, the only province carrying 3-handles. These growth prospects, widening wage gaps and a low tax burden will continue to draw inward migration from other regions of the country, and support a wide range of industries outside the oil patch.

The rest of the West will likely perform closer to the national average in the year ahead. **British Columbia's** housing market has balanced out after enduring a soft patch, but growth in China is softening and mining investment is downshifting. In **Saskatchewan**, the labour market remains healthy with the lowest jobless rate in Canada and a robust oil industry, but uncertainty in the potash sector persists and spending growth is cooling. And, as in **Manitoba**, crop production is assumed to normalize after a bountiful year in 2013.

Central Canada should benefit proportionately more from a weaker dollar/stronger U.S. growth combination. Growth in **Ontario** is expected to improve to 2.2% this year, up from the subdued 1.3% average pace seen over the prior two years—net exports are poised to improve, and the housing market, while expected to moderate, should avoid a severe correction. Longer-term challenges such as labour costs in manufacturing will persist, but will see some reprieve thanks to the weaker currency. Meantime, **Quebec's** economy should also benefit from stronger U.S. demand and a less aggressive focus on balancing the budget. Political uncertainty, which had dampened business confidence, should also ease with a strong majority government now in place.

Atlantic Canada will remain comparatively sluggish, but growth in most of the region is expected to improve from stall-speed rates in 2013. **Nova Scotia** is poised to lead the pack at 1.6%, picking up to 2.1% in 2015 as work begins on the federal shipbuilding contract. **New Brunswick** and **PEI** continue to face stagnant population growth, but a weaker loonie should provide some boost to exports—look for 1.3%

Canada

Population: 35,345,000

Area: 9,984,670 km²

GDP/Capita: \$53,500

Capital: Ottawa

Party in Power: **Legislative Seats:**

Conservatives 160

Premier: NDP 99

Rt. Hon. Stephen Harper Liberals 35

Finance Minister: Bloc Québécois 4

Hon. Joe Oliver Green 2

Independent 3

Vacant 5

Next election: October 2015

Fiscal Summary

FY14/15

	Budget Balance ¹ (\$ mlns)	% of GDP	Gross Financing Requirements ² (\$ mlns)
BC	184	0.1	5.2
AB	1,087	0.3	8.4
SK	105.4	0.1	1.5
MB	(357)	(0.6)	4.8
ON	(12,505)	(1.7)	35.0
QC	(454)	(0.1)	21.6
NB	(391)	(1.2)	1.8
NS	18.3	0.0	0.7
PE	(35)	(0.6)	0.2
NL	(538)	(1.4)	1.0
Total	(13,182)	(0.7)	80.2

	S&P	Moody's	DBRS
BC	AAA	Aaa ⁴	AA (high)
AB	AAA	Aaa	AAA
SK	AAA	Aa1 ³	AA
MB	AA	Aa1	A (high)
ON	AA- ⁴	Aa2	AA (low)
QC	A+	Aa2	A (high)
NB	A+	Aa2	A (high)
NS	A+	Aa2	A (high)
PE	A	Aa2	A (low)
NL	A+	Aa2	A

Source: Provinces, BMO Capital Markets, S&P, Moody's, DBRS () = deficit

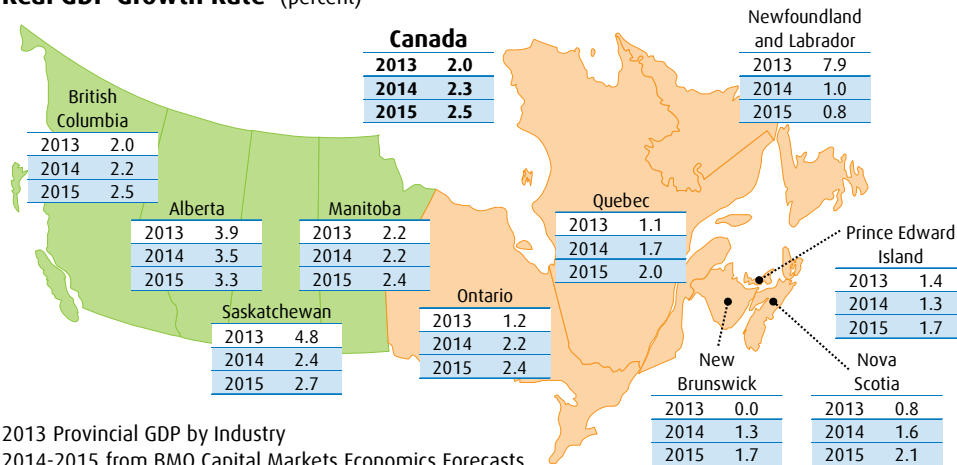
¹ AB is change in net assets; SK and QC before fund transfers; ON and QC are based on pre-election budgets

² Includes provincial Crown corporations

³ positive outlook ⁴ negative outlook

Provincial GDP

Real GDP Growth Rate (percent)



growth in both provinces this year. Finally, real GDP growth in **Newfoundland & Labrador** remains volatile due to offshore oil production and rig maintenance, with growth projected to slow to 1.0% in 2014 from 7.9% in 2013. While underlying trends remain healthy by historical standards and relative to its Atlantic-Canada peers, capital investment (both public and private) is expected to level off this year after four consecutive years of 20%-plus growth. A meaningful pickup in GDP growth is still some time away, with Hebron expected to begin producing by around late-2017.

Budget Season Wrap Up

The FY14/15 provincial budget season has wrapped up, and, overall, it was a relatively uneventful year on the policy front, at least outside of Ontario. Looking back at FY13/14, the combined deficit is now pegged at \$15.0 billion, a modest deterioration from the \$14.0 billion projected last spring. Quebec and Nova Scotia account for the bulk of the miss, with the former abandoning plans to balance the books in favour of modest stimulus, and the latter succumbing to a weaker revenue growth environment, like most of Atlantic Canada. Indeed, provincial revenues are tracking roughly \$2.4 billion below the budget plan (or \$4.9 billion lower excluding Alberta), while total expenses are little changed. Note that compared to expectations built into budgets last spring, real GDP growth missed the mark in 5 of 10 provinces in 2013, all of which were east of Manitoba.

Looking ahead to FY14/15, the combined deficit is pegged at \$13.2 billion versus the \$15.0 billion now estimated for FY13/14, or a relatively modest 0.7% of GDP—Ontario carries by far the largest shortfall at \$12.5 billion, or 1.7% of GDP, though the budget did not garner opposition support, and the province will now go to the polls. The \$1.8 billion year-over-year improvement has been led by Alberta and Quebec, even though the latter backtracked on plans to balance the budget this fiscal year (and could be revised as the newly-elected government reviews the financial situation). Ontario's deficit (pre-election) is on pace to widen for a second straight

Finances: A Look Back

Budget Balances — FY13/14

	Balance (budget)	Balance (latest)	Change (chn)	Change (% GDP)
BC	197	175	-22	0.0
AB ¹	-1,975	-335	1,640	0.5
SK ²	64.8	127.8	-193	-0.2
MB	-518	-432	86	0.1
ON	-11,743	-11,300	443	0.1
QC ³	1,039	-1,428	-2,467	-0.7
NB	-479	-564	-85	-0.3
NS	16.4	-562	-578	-1.5
PE	-59	-52	7	0.1
NL	-564	-349	215	0.6
Total	-14,021	-14,974	-954	-0.1

¹ Change in net assets

² SK ex-GFSF transfers ³QC ex-GF transfers

The Expectations Game

Real GDP — 2013 (% chng)

	FY13/14 Budget	Actual	Difference
BC	1.6	2.0	0.4
AB	2.9	3.9	1.0
SK	2.6	4.8	2.2
MB	1.9	2.2	0.3
ON	1.5	1.2	-0.3
QC	1.5	1.1	-0.4
NB	0.5	0.0	-0.5
NS	1.3	0.8	-0.5
PE	1.6	1.4	-0.2
NL	6.8	7.9	1.1

Finances: A Look Ahead

	Budget FY13/14	Budget FY14/15	Change (chn)	Change (% GDP)
BC	175	184	9	0.0
AB ¹	-335	1,087	1,422	0.4
SK ²	-128	105	233	0.3
MB	-432	-357	75	0.1
ON	-11,300	-12,505	-1,205	-0.2
QC ³	-1,428	-454	974	0.3
NB	-564	-391	173	0.5
NS	-562	-279	283	0.7
PE	-52	-40	12	0.2
NL	-349	-538	-189	-0.5
Total	-14,974	-13,187	1,787	0.1

¹ Change in net assets (prior reporting period)

² SK balance before GFSF transfers

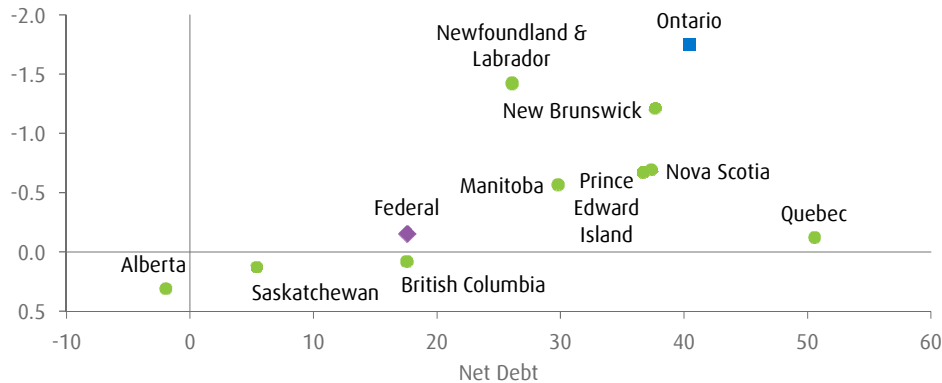
³ QC balance excludes GF transfers

ON and QC based on pre-election budgets

Provincial Fiscal Landscape

FY14/15, as of latest update (% of GDP)

Budget Balance vs. Net Debt



Source: Provincial Budgets ON and QC based on pre-election budgets

year, amid less aggressive fiscal restraint. All told, 8 of 10 provinces are expecting a year-over-year improvement in their bottom line in FY14/15.

While the combined deficit is expected to shrink in FY14/15, net debt will continue to rise at a much stronger clip, up \$37 billion, to just under \$580 billion. That weighs in at roughly 29.6% of GDP, up from just under 29% in FY13/14, and moving closer to federal debt totals. Newfoundland, Manitoba and Ontario see the largest year-over-year increases in the net debt to GDP ratios, at more than 1 ppt each. In many cases, ratios are expected to peak this coming fiscal year, and if fiscal plans are adhered to, combined provincial net debt should begin to edge down as share of GDP beginning in FY15/16.

On the policy front, major revenue measures were sparse this year outside of Ontario. Overall revenue measures net out to a roughly \$820 million increase, immaterial as a share of GDP— \$900 million of that is in Ontario alone, but the province will now go to the polls. Last year, measures aimed to raise \$1.1 billion, but across a wider range of provinces, most notably Manitoba, Quebec and New Brunswick. On the spending side, the Provinces continue to largely hold the line, with most targeting spending growth at or below the combined rate of inflation and population growth. Overall, combined program spending growth is projected to rise 1.3% in FY14/15, or 2.5% excluding Alberta's hefty flood-related costs that were booked in FY13/14, about flat in real per-capita terms.

British Columbia

- Residential construction to remain soft
- Balanced budget; LNG framework progressing

Economic growth is sturdy and in-line with the national average in British Columbia, but that marks a shift from a period of persistent outperformance over the prior decade. Real GDP is expected to grow 2.2% this year and 2.5% in 2015, closely tracking the broad Canadian economy. The return to more national average-like growth rates is the result of a handful of factors, including a softer housing market, downshift in employment and consumer spending and a cooling of mining-sector investment.

The **housing market** has balanced out after a post-mortgage rule change soft patch, particularly in Vancouver where existing home sales are running close to the 10-year average and prices have stabilized. Still, valuations remain elevated by historical and major-city standards after accounting for incomes and mortgage rates, and the supply side of the market remains an issue. While housing starts have levelled off, there is a lofty 17,000 condo units under construction in Vancouver, and a still-elevated number of completed but unoccupied units on the market. As a result, new residential construction activity will likely remain subdued as mortgage rates drift up and the current supply is absorbed.

In the **resource sector**, mining investment has downshifted, with non-gas capital spending expected to fall sharply for a second straight year. This year's budget outlined details of the LNG tax regime, but full legislation is not expected until the fall, and the economic benefits remain years away. Forestry exports should continue to rebound as the U.S. housing market regains momentum in the spring.

B.C.'s **labour market** performance has been uninspiring at best, with employment little-changed from two years ago. Construction employment continues to fade, down 6.5% y/y in Q1, while job growth in the broad service sector has stagnated. While the unemployment rate is a relatively-low 6.4%, it remains a good 2 ppts above Alberta and Saskatchewan, where wage growth is also stronger. Notably, B.C. lost 6,300 net migrants to Alberta in 2013, though international immigration remains robust.

The Province of British Columbia is projecting a modest \$184 million surplus for FY14/15 (0.1% of GDP), a slight improvement from the \$175 million now estimated for FY13/14. Contingencies and allowances of \$500 million are embedded in the fiscal plan, leaving ample wiggle room for the Province to hit its target amid some spending uncertainty. Modest surpluses persist through the three-year fiscal plan, with contingencies growing to \$900 million by FY16/17—while appearing prudent, these could be eaten up by public-sector wage increases and LNG development costs. Overall, this year's budget continued to focus on spending restraint and did little with taxes after some modest increases last year.

British Columbia

Population:	4,610,000		
Percent of Canada:	13.0		
Rank by Population:	3 rd		
Area:	944,735 km ²		
GDP/Capita:	\$49,300	Legislative Seats:	
Capital:	Victoria	Liberals	49
Party in Power:	Liberals	NDP	34
Premier:	Hon. Christy Clark	Independent	2
Finance Minister:	Hon. Michael de Jong		

Majority government since May 2013

Economic Outlook

British Columbia	13	14f	15f
Real GDP ¹ (% chng)	2.0	2.2	2.5
Employment (% chng)	-0.2	0.9	1.2
Jobless Rate (%)	6.6	6.1	5.9
Housing Starts (000s)	27.1	24.5	23.0
Cons. Prices (% chng)	-0.1	0.9	1.8

¹ 2013 from GDP by Industry f = forecast

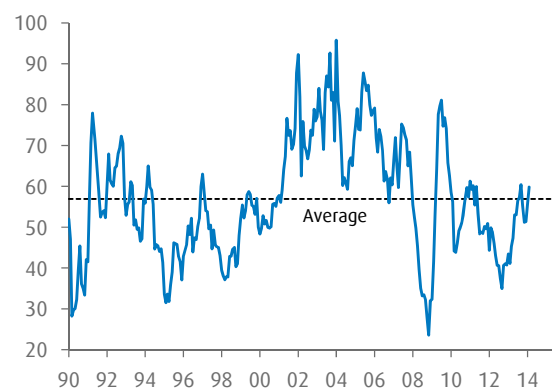
British Columbia's Fiscal Situation

(\$ mlns)	FY13/14 e	FY14/15 f
Revenues	43,950	44,800
Expenditures	43,675	44,416
Forecast Allowance	(100)	(200)
Budget Balance	175	184
(% of GDP)	0.1	0.1
Net Debt	39,220	41,086
(% of GDP)	17.4	17.6
Debt Service	2,539	2,578
(% of revenue)	5.8	5.8
Resource Revenues	2,835	3,010
(% of total)	6.5	6.7
Natural Gas (c\$/Gj)	2.20	2.45

Back in Balance

Vancouver (percent)

Sales as % of New Listings



Alberta

- **Housing market heating up with strong economy**
- **Budget focuses on capital spending; will borrow**

Alberta's economy remains strong, sitting head-and-shoulders above the rest of Canada on the back of a still-humming energy sector. Real GDP is expected to grow 3.5% this year, a hefty 1.2 ppts above the national average and the only province sporting a 3-handle—growth should top 3% again in 2015.

A wide range of indicators highlight Alberta's relative outperformance. **Employment** growth is running at a firm 4% y/y clip, versus next to no growth on balance in the rest of the country, while retail sales growth is more than twice the nearest competitor. Indeed, the province's healthy labour market continues to draw a significant number of migrants from other parts of the country—the **population** has surged 3.5% y/y, the fastest pace in more than 30 years, with nearly 50,000 net interprovincial migrants in the latest year. Not only are job prospects better (the jobless rate, at 4.9% is fully 2 ppts below the national average), but wage differentials also continue to widen.

As a result of these favourable economic and demographic fundamentals, Alberta's **housing market** has abruptly tightened, and could well be decoupling from the rest of Canada. Benchmark prices in Calgary are up a strong 10% y/y and recently topped levels seen at the height of the pre-recession energy boom. With any supply overhang from the pre-recession building boom all but absorbed, and the resale market in Calgary drum-tight, continued population growth should support stronger construction activity in the year ahead.

The **energy sector** remains solid, even though new investment growth has softened. Capital spending in the oil & gas sector, for example, is expected to grow a modest 3.5% in 2014 after surging more than 25% per year in the prior four years (from recession lows). WTI prices continue to hold in around \$100, and the WCS differential is much better behaved than during the 'bitumen bubble' days of late-2012.

The Province of Alberta is projecting a \$2.6 billion operational surplus for FY14/15, with the oil price environment much healthier than expected a year ago.

Surpluses are projected through FY16/17, allowing the Contingency Account to hit its \$5 billion ceiling this fiscal year, and grow the Heritage Fund to \$17.2 billion by FY16/17, from \$15 billion this year. The change in net assets is pegged at \$1.1 billion for FY14/15, or 0.3% of GDP, after a much better-than-expected showing in FY13/14—that would be the first consolidated surplus in 7 years. There were no major tax measures in this year's budget, with new policy initiatives centred entirely on the spending side, including a heavy dose of capital investment—think flood prevention and road/infrastructure building. Much of this will be funded through new borrowing. In a nutshell, a rapidly-growing population is putting demand on infrastructure, and the Province is going to borrow at historically-low rates to satisfy it.

Alberta

Population:	4,082,600	
Percent of Canada:	11.6	
Rank by Population:	4 th	
Area:	661,848 km ²	
GDP/Capita:	\$82,900	Legislative Seats:
Capital:	Edmonton	PC 58
Party in Power:	Wildrose	17
Progressive Conservatives	Liberals	5
Premier:	NDP	4
Leadership vote pending	Independent	3
Finance Minister:	Hon. Doug Horner	

Majority government since April 2012

Economic Outlook

Alberta	13	14f	15f
Real GDP ¹ (% chng)	3.9	3.5	3.3
Employment (% chng)	2.8	3.2	2.3
Jobless Rate (%)	4.7	4.4	4.0
Housing Starts (000s)	36.1	40.3	43.5
Cons. Prices (% chng)	1.4	2.2	2.1

¹ 2013 from GDP by Industry f = forecast

Alberta's Fiscal Situation

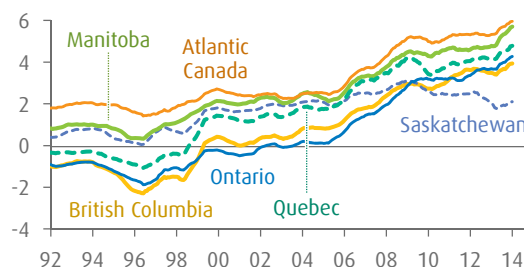
(\$ mlns)	FY13/14 e	FY14/15 f
Total Revenue	44,732	44,354
Operational Revenue	43,742	43,076
Operational Expense	42,349	40,432
Operating Balance	1,393	2,644
Budget Balance ¹	(335)	1,087
(% of GDP)	-0.1	0.3
Net Debt (Assets)	(9,109)	(6,761)
(% of GDP)	-2.7	-1.9
Resource Revenues	8,627	9,209
(% of total)	19.3	20.8
Oil (US\$/bbl)	98.16	95.22
WCS (C\$/bbl)	78.54	77.18
Natural Gas (C\$/GJ)	3.09	3.29

() = deficit As of FY14/15 budget

The Alberta Advantage

(C\$/hr : 12-mnth m.a.)

Alberta Wage Differentials vs. Other Regions¹



¹ based on average hourly earnings including overtime

Saskatchewan

- Record crop year in 2013; resource sector mixed
- FY14/15 budget stays the course


Saskatchewan's economy continues to perform well, supported by diverse resource and agricultural sectors, and sound finances. Real GDP grew a strong 4.8% in 2013, thanks in part to a record crop year, but is expected to moderate to 2.4% this year, still slightly above the national average.

Agriculture was the big story in 2013, with a near-40% jump in **crop production** to a record 38.4 million tonnes. That will be hard to repeat this year, and more normal production levels will act as a modest drag on GDP growth. Meantime, the **oil sector** continues to expand, now nearly 20% of the province's real GDP and direct royalties alone account for 13% of total government revenues. The Province is expecting oil production to grow at a steady pace through 2015. However, the **potash sector** faces weaker demand in China and India, as well as a shift to a lower pricing environment after the breakdown of a major joint venture between Uralkali (Russia) and Belaruskali (Belarus). The Province is also considering a change to the royalty structure, shifting the emphasis from prices to production. Note that StatCan's survey shows investment intentions in non-oil & gas mining down 14% in 2014.

Population growth remains strong in the province, near the fastest pace in 60 years at 1.8% y/y in 2014Q1—net international immigration topped 13,000 people in each of the past two years. That continues to support the demand side of the **housing market**, but ample supply has softened the resale market. Record housing starts during the past two years have left more than 3,000 units under construction in Regina, and a record number of completed but unabsorbed units. While demand is firm, supply has responded strongly, and prices have begun to slip as a result (benchmark down 2.1% y/y in Regina). **Employment** remains strong in the province, particularly in the private sector (up 4.9% y/y in March), while the jobless rate remains the lowest in Canada.

The Province of Saskatchewan is projecting a \$105.4 million General Revenue Fund surplus in FY14/15 (0.1% of GDP) before transfers to the Growth and Financial Security Fund (GFSF), improved from the \$127.8 million deficit expected for FY13/14. Weaker-than-expected resource prices and sales forced the Province to cut its FY13/14 estimate from a \$64.8 million surplus in the original budget plan. The Province is also projecting pre-transfer surpluses through the 4-year forecast horizon averaging just under \$140 million per year, which will build up the GFSF to \$706 million by the end of FY16/17 from \$531 million at the end of FY13/14. There were no major revenue initiatives in this year's budget, and the Province is keeping spending growth in check. On a summary basis, the surplus comes in at \$71.4 million for FY14/15.

Saskatchewan

Population:	1,117,500		
Percent of Canada:	3.2		
Rank by Population:	6 th		
Area:	651,036 km ²		
GDP/Capita:	\$74,200	Legislative Seats:	
Capital:	Regina	Sask. Party	49
Party in Power:	Saskatchewan Party	NDP	9
Premier:	Hon. Brad Wall		
Finance Minister:	Hon. Ken Krawetz		
	Next election: November 2015		

Economic Outlook

Saskatchewan	13	14f	15f
Real GDP ¹ (% chng)	4.8	2.4	2.7
Employment (% chng)	3.4	1.0	1.6
Jobless Rate (%)	4.0	4.2	4.0
Housing Starts (000s)	8.3	6.8	7.2
Cons. Prices (% chng)	1.4	2.1	1.9

¹ 2013 from GDP by Industry f = forecast

Saskatchewan's Fiscal Situation

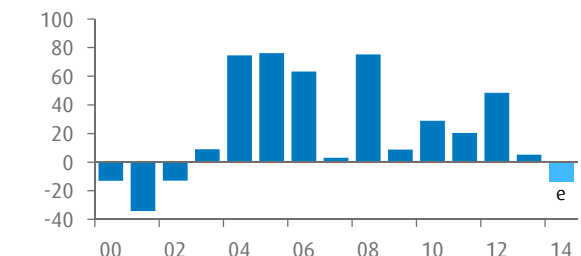
(C\$ mlns)	FY13/14 e	FY14/15 f
Revenues	11,463	11,909
Expenditures	11,551	11,803
Core Operating Bal.	(128)	105
(% of GDP)	-0.2	0.1
Summary Balance	591	71.4
(% of GDP)	0.7	0.1
Net Debt ¹	4,213	4,500
(% of GDP)	5.1	5.4
Debt Service	331	285
(% of revenue)	2.9	2.4
Resource Revenues	2,552	2,694
(% of total)	22.3	22.6
Oil (US\$/bbl)	98.13	94.25
Potash (US\$)	325	274

() = deficit As of FY14/15 budget

Potash Investment Cooling

Saskatchewan (y/y % chng)

Capital Expenditures — Mining ex Oil and Gas



e = estimate

Manitoba

- Stronger U.S. economy to support growth
- Fiscal plan remains on track

Economic growth remains steady in Manitoba's diverse economy. Real GDP is expected to hold at a 2.2% pace this year, close to the national average, after a strong crop year provided a boost in 2013. Stability remains one of Manitoba's key economic strengths—not too cold during downturns, but not too hot during expansions.

Manufacturing has been a persistent weak spot for Manitoba, with sales dipping 0.4% in 2013. However, a stronger U.S. economy and the recent slide in the Canadian dollar should provide a boost over the next year. An encouraging example is a deal recently inked by New Flyer with the City of Atlanta for a fleet of natural-gas powered buses. This is also a sign that improving state and local finances south of the border should allow for increased spending.


Meantime, the **agriculture** sector enjoyed a record production year in 2013, though lower prices and a transportation backlog have posed challenges. **Energy and mining** also continue to see solid momentum in the province. While still a small share of the overall economy, oil production has risen fourfold since the start of the 2000s, reaching 18 million barrels.

Job growth has weakened over the past year, with employment down 1.3% y/y in March. Construction has been particularly soft after surging in late-2012, and public-sector employment fell for a third straight year in 2013 amid ongoing fiscal restraint. The jobless rate, though, continues to hold steady in the 5%-to-5.7% range, among the lowest in Canada. **Population growth** remains at historically-elevated levels, though cooling to 1.1% y/y in 2014Q1. That continues to support **housing** demand, with housing starts hitting the highest level since the late-1980s in 2013—they fell sharply in 2014Q1, likely due to weather.

The Province of Manitoba is projecting a \$357 million budget deficit in FY14/15 (very manageable at 0.6% of GDP), a moderate improvement over the prior-year shortfall of \$432 million, which is unchanged from the prior fiscal update. Overall, there was precious little change to the fiscal plan in this year's budget—and that's not a bad thing—with the Province still aiming for a balanced budget in FY16/17, a year ahead of Ontario and New Brunswick. Additionally, cumulative deficits between FY13/14 and FY16/17 are now just a touch smaller (\$30 million) than they were forecasted to be at this time last year.

After raising revenues in each of the prior two budgets—expanding the sales tax base, lifting the sales tax rate, and various other small tax/fee measures—taxpayers came out clean this year.

Manitoba

Population:	1,272,100		
Percent of Canada:	3.6		
Rank by Population:	5 th		
Area:	647,797 km ²		
GDP/Capita:	\$47,800	Legislative Seats:	
Capital:	Winnipeg	NDP	36
Party in Power:	PC	Liberals	19
	New Democrats	Independents	1
Premier:	Hon. Greg Selinger		
Finance Minister:	Hon. Jennifer Howard		

Next election: October 2015

Economic Outlook

Manitoba	13	14f	15f
Real GDP ¹ (% chng)	2.2	2.2	2.4
Employment (% chng)	0.5	0.2	1.2
Jobless Rate (%)	5.4	5.4	5.2
Housing Starts (000s)	7.5	5.7	6.0
Cons. Prices (% chng)	2.3	1.7	1.8

¹ 2013 from GDP by Industry f = forecast

Manitoba's Fiscal Situation

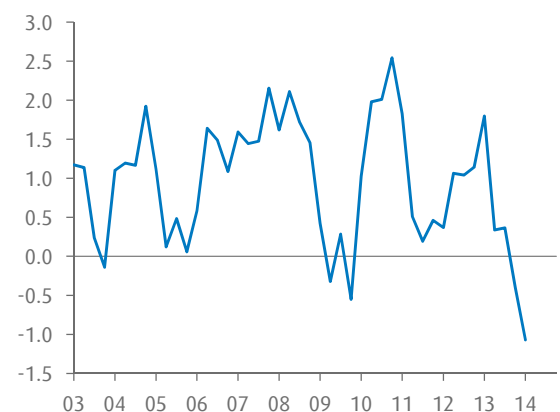
(C\$ mlns)	FY13/14 e	FY14/15 f
Revenues	14,464	14,630
Expenditures	14,913	15,137
In-year Adjustments	(17)	(150)
Budget Balance	(432)	(357)
(% of GDP)	-0.7	-0.6
Net Debt	17,288	18,618
(% of GDP)	28.6	29.8
Debt Service	836	872
(% of revenue)	5.8	6.0

() = deficit As of FY14/15 budget

Rough Patch for Employment

Manitoba (y/y % chng : s.a.)

Employment



Ontario

- **Weaker C\$/Stronger U.S. economy to support growth**
- **FY14/15 budget not supported—election looms**

Economic growth is poised to pick up in Ontario, getting a boost from stronger U.S. demand and a weaker Canadian dollar. Real GDP is expected to expand 2.2% this year, up from the subdued 1.2% pace recorded in 2013, and pick up further to 2.4% in 2015—both years would fall a touch below the national average.

The stronger U.S. economy/weaker loonie combination is a clear positive one-two punch for Ontario **exports and manufacturing**. Estimates suggest that a 10% decline in the C\$ can lift real GDP growth by roughly a full percentage point over two years—while a declining manufacturing share and loss of capacity since the Great Recession could temper the response, it will still be positive. While the cyclical environment is improving, the longer-term story remains a cautious one for exports and manufacturing. Relatively high labour costs continue to pose challenges for the auto sector versus Mexico and the Southern U.S. High electricity rates are another challenge, with Hydro-Québec’s latest survey showing after-tax average prices paid by large consumers in Toronto well above those paid in competing cities such as Montreal, Winnipeg, Chicago and Detroit.

The **housing market** continues to hold up well, especially in Toronto, where the resale market remains balanced and valuations are within historical ranges—the typical mortgage payment on an average-priced home is just over 40% of estimated median family income, comfortably below the near-50% seen at the peak in 2007, and miles below the exorbitant valuations of the late-1980s. Housing starts are also settling in to levels supported by demographic demand, though the condo market could be tested as the record 58,000 units currently under construction come to completion. Ontario’s **labour market** performance has softened, with employment up a modest 0.7% y/y in Q1. While public-sector employment has fallen in the past year, the private sector has picked up the slack. The jobless rate sat at 7.3% in March, matching a cycle low, but little-changed from two years ago.

The **Province of Ontario projected a \$12.5 billion deficit** in its FY14/15 budget, or 1.7% of GDP, versus \$11.3 billion now expected for FY13/14—that would mark the second consecutive year that the shortfall has widened, and came despite a host of tax increases and a better-than-expected handoff from last year. The budget, however, did not garner opposition support, and the **province will head to the polls** (June 12th). While the Liberal government continued to eye FY17/18 for a balanced budget, it opted to take a clear step back this fiscal year. New policy measures included higher taxes on incomes above \$150k, asset sales, infrastructure spending and pension reform. Cumulative deficits between FY13/14 and FY17/18 were pegged at \$38 billion, up from \$32.5 billion estimated a year ago. Balancing the budget in FY17/18 will, for whoever takes power, require a major slowdown in program spending growth in the years ahead.

Ontario

Population:	13,598,700		
Percent of Canada:	38.5		
Rank by Population:	1 st		
Area:	1,076,395 km ²		
GDP/Capita:	\$51,100	Legislative Seats:	
Capital:	Toronto	Liberals	48
Party in Power:	Liberals	PC	37
Premier:	NDP	NDP	21
	Hon. Kathleen Wynne	Vacant	1
Finance Minister:	Hon. Charles Sousa		

Next Election: June 12, 2014

Economic Outlook

Ontario	13	14f	15f
Real GDP ¹ (% chng)	1.2	2.2	2.4
Employment (% chng)	1.4	0.7	1.3
Jobless Rate (%)	7.5	7.3	7.0
Housing Starts (000s)	60.8	52.5	53.5
Cons. Prices (% chng)	1.1	1.7	1.8

¹ 2013 from GDP by Industry f = forecast

Ontario’s Fiscal Situation

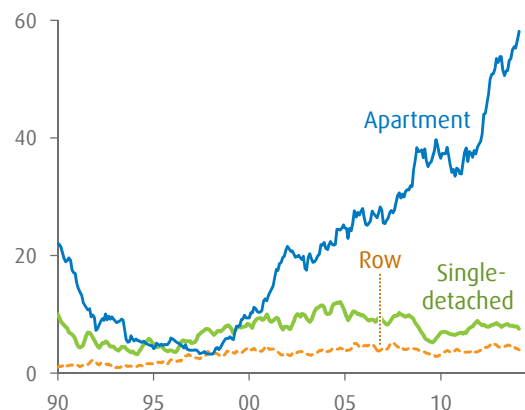
(\$ mlns)	FY13/14e	FY14/15 f
Revenues	115,653	118,871
Expenditures	126,952	130,376
Reserve Allowance	0	1,000
Budget Balance	(11,300)	(12,505)
(% of GDP)	-1.6	-1.7
Net Debt	269,155	289,251
(% of GDP)	38.9	40.4
Debt Service	10,556	11,010
(% of revenue)	9.1	9.3

(-) = deficit As of FY14/15 (pre-election) budget

Housing Supply in the Sky

Toronto (000s units)

Homes Under Construction



Quebec

- **Sluggish growth to improve in 2014**
- **Liberals win majority government, new budget pending**

Quebec's economy remains sluggish, with real GDP expanding a modest 1.2% in 2013 amid fragile business confidence and a soft labour market. Growth should pick up to 1.7% this year, but remain tucked below the national average. After 18 months of Parti Québécois leadership, Quebec voters elected a strong majority Liberal government on April 7th.

Politics have dominated the province in recent months, with a spirited election campaign ending with the Liberals taking 70 of 125 seats and more than 41% of the popular vote. From an economic perspective, a majority government returns some political stability to Quebec, which should be positive for business confidence. While we await a complete budget, campaign promises included home renovation tax credits, tax credits for small- and medium-sized exporters, phasing out of the health tax over 4 years, and rekindling of the Plan Nord.

Exports and manufacturing have been a drag on growth, but momentum appears to be turning around. Net export volumes improved in 2013 after taking a step back in the prior year, while manufacturing sales have rebounded smartly from mid-2013 lows. The combination of stronger U.S. demand and a weaker Canadian dollar will be positive for these sectors.

The **housing market**, however, is softening. Home sales in Montreal over the latest twelve months were the lowest in more than a decade, and the months' supply of existing homes available for sale across the province sits at nearly 13, the highest in 10 years of data. Buyers are clearly in control, and average prices have now flat-lined for the better part of two years. With a softer demand backdrop, housing starts slipped to a 12-year low in late-2013, before rebounding slightly early this year.

The **labour market** performance has been underwhelming, with employment up just 0.3% y/y in 2014Q1. The jobless rate ended the quarter at 7.6%, and has now drifted 0.7 ppts above the national average.

Prior to the April election, **the Province of Quebec projected a \$1.75 billion deficit in FY14/15** (0.5% of GDP), down modestly from the \$2.5 billion expected for FY13/14—a budget from the new government is still pending. In the election campaign, the Liberals said they will also target a budget surplus by FY15/16, largely through spending reductions outside of education and health care. Future surpluses would then be allocated 50/50 between tax cuts and debt reduction.

Quebec

Population:	8,179,700		
Percent of Canada:	23.1		
Rank by Population:	2 nd		
Area:	1,543,056 km ²		
GDP/Capita:	\$44,900	Legislative Seats:	
Capital:	Quebec City	Liberals	70
Party in Power:	Liberals	PQ	30
Premier:	CAQ	22	
	Hon. Philippe Couillard	Québec Solidaire	3
Finance Minister:	Hon. Carlos Leitao		

Majority government since April 2014

Economic Outlook

Quebec	13	14f	15f
Real GDP ¹ (% chng)	1.1	1.7	2.0
Employment (% chng)	1.1	0.5	0.8
Jobless Rate (%)	7.7	7.7	7.5
Housing Starts (000s)	37.6	38.5	37.0
Cons. Prices (% chng)	0.8	1.3	1.7

¹ 2013 from GDP by Industry f = forecast

Quebec's Fiscal Situation

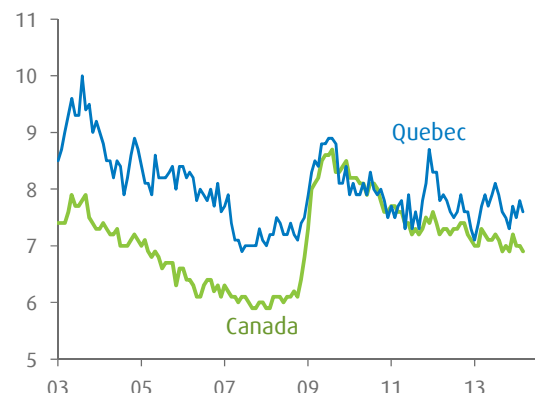
(C\$ mlns)	FY13/14 e	FY14/15 f
Revenues	69,817	71,583
Expenditures	72,335	73,733
Consolidated Entities	1,215	1,696
Contingencies	(125)	0
Budget Balance ¹	(1,428)	(454)
(% of GDP)	-0.4	-0.1
Generations Fund	(1,072)	(1,296)
Net Debt	182,128	191,157
(% of GDP)	49.8	50.5
Debt Service	8,510	8,601
(% of revenue)	12.2	12.0

() = deficit As of FY14/15 (pre-election) budget
¹ Before Generations Fund transfers

Labour Market Underperforming

(percent : s.a.)

Unemployment Rate



New Brunswick

- **Economy still sluggish, but momentum improving**
- **Few goodies in FY14/15 budget; fiscal hole still deep**

Economic growth has been very sluggish in New Brunswick, but momentum should improve, albeit modestly, in the year ahead. The province's economic recovery has been the most subdued in Canada, with real GDP expanding at just a 0.3% annualized pace between 2009 and 2013. Growth should pick up to 1.3% this year, and gain further momentum in 2015 as capital spending looks to pick up.

After providing a strong buffer during the recession, a retrenchment in **capital spending** in both the public and private sectors was a key reason for soft growth performance in recent years. However, StatCan's survey of public and private investment intentions points to a modest 2.1% increase in 2014—not great, but a marked improvement from the double-digit declines seen in each of the prior two years. Notably, private-sector capital spending is expected to expand 3.9% on the back of machinery & equipment, which would mark the first year of growth since 2008. Public-sector investment, however, which was a major support during the 2008-2011 period, continues to fade.

Challenges remain in the manufacturing and resource sectors. **Potash output** poses a downside risk this year with producers scaling back amid a lower pricing environment. PotashCorp, for example, cut production in the province (including the shutdown of the Penobscus mine last year). By 2015, however, production should begin to grow again, along with higher base metals output. Meantime, **manufacturing** remains mixed. On the downside, Maple Leaf Foods closed its Moncton plant (nearly 500 jobs), but a stronger U.S. economy and weaker Canadian dollar likely mean that the worst is behind the sector. Exports should also get a boost, particularly in the forest products sector as the U.S. housing recovery continues to progress this year.

Labour market trends have turned around for the better in recent months after three years of steady employment declines. Employment has rebounded 2.5% from its mid-2013 low, while the jobless rate has fallen back below 10% after touching a high of 11.5% in late-2012. Strong recent gains in trade and professional services employment have helped drive the improvement. Still, the province continues to face a steady **outflow of migrants**, totalling 6,500 people in the past two years.

The **Province of New Brunswick projected a \$391 million budget deficit in FY14/15**, or 1.2% of GDP, and the Progressive Conservative government held back from dishing out any major goodies ahead of a September election. The FY13/14 deficit is now pegged at \$564 million versus \$538 million estimated in the fall—that weighs in at 1.7% of GDP, or the deepest fiscal hole on the provincial landscape. Looking ahead, the Province aims to balance the budget by FY17/18, but still has some decisions to make with \$300 million in revenue or expense measures to be identified. The Province chose to hold the line on taxes this year despite a significant revenue challenge—recall that both corporate and personal income tax rates were increased last year.

New Brunswick

Population:	755,500		
Percent of Canada:	2.1		
Rank by Population:	8 th		
Area:	72,908 km ²		
GDP/Capita:	\$41,900	Legislative Seats:	
Capital:	Fredericton	PC	41
Party in Power:	Liberals		13
Progressive Conservatives	Independent		1
Premier:	Hon. David Alward		
Finance Minister:	Hon. Blaine Higgs		
Next election: September 2014			

Economic Outlook

New Brunswick	13	14f	15f
Real GDP ¹ (% chng)	0.0	1.3	1.7
Employment (% chng)	-0.2	0.9	0.3
Jobless Rate (%)	10.4	9.8	9.5
Housing Starts (000s)	2.8	2.4	2.5
Cons. Prices (% chng)	0.8	1.7	1.7

¹ 2013 from GDP by Industry f = forecast

New Brunswick's Fiscal Situation

(C\$ mlns)	FY13/14 e	FY14/15 f
Revenues	7,707	8,036
Expenditures	8,271	8,427
Budget Balance	(564)	(391)
(% of GDP)	-1.8	-1.2
Net Debt	11,661	12,192
(% of GDP)	36.8	37.7
Debt Service	664	685
(% of revenue)	8.6	8.5

(-) = deficit As of FY14/15 budget

Resource Exports Fade

New Brunswick (C\$ blns : 12-mnth m.s.)

Nonfarm Resource Exports



Nova Scotia

- **Population falling; shipbuilding activity to ramp up**
- **FY14/15 budget presents challenging fiscal reality**

Economic growth in Nova Scotia has persistently disappointed in recent years, but momentum should turn positive over the next two years—even though growth will remain relatively subdued. Real GDP is expected to advance 1.6% this year, up from a 0.8% pace in 2013. Growth has the potential to then hit the 2% mark in 2015.

Irving Shipbuilding's \$25 billion contract to build combat ships for the Royal Canadian Navy through 2030 will provide support with preparatory work underway. Production is currently expected to begin in 2015. However, the **population drain** to other regions of the country remains a persistent challenge, and could pose a downside risk to growth in the years ahead, especially if skilled labour supply becomes constrained. Nova Scotia's population saw the deepest percentage decline in 61 years of records in 2013. Like much of Atlantic Canada, Alberta is a major draw with a much lower jobless rate, widening wage gap and lower tax burden.

Exports are one area that stand to improve in 2014, with production from the Deep Panuke natural gas project expected to add to growth, countering fading output at Sable. Additionally, **offshore exploration** activity is picking up, with BP/Shell set to spend roughly \$2 billion in the coming years. However, Canada's **auto-sector challenges** are evident in Nova Scotia as well, with Michelin announcing that it will cut production at its Pictou County plant, impacting 500 jobs by mid-2015.

The **labour market** remains challenged, with employment down 2% in the past year to a 4-year low. The **housing market**, particularly in Halifax, is also soft. While the weather didn't help, sales in 2014Q1 hit the lowest level since 1998, leaving more than a year's worth of supply on the market across the province. Compounding matters is the fact that the number of units under construction has just begun to fall from 35-year highs, and unabsorbed inventories remain high.

The **Province of Nova Scotia is projecting a \$279 million deficit** in FY14/15 (0.7% of GDP), in the first budget under the recently-elected Liberal government. This year's budget marked a second fiscal reality check for the Province. Recall that the FY13/14 budget balance was revised down from a small surplus to a \$482 million deficit shortly after the current government took office (now pegged at a \$562 million shortfall), and the FY14/15 projection is in contrast to the small surplus penciled in by the prior government last year. Looking ahead, the Province plans to balance the books in FY17/18, consistent with the timelines in New Brunswick and Ontario. Cumulative deficits over that period will total just over \$550 million, but net debt should begin to fall as a share of GDP this year after ending FY13/14 at 37.5%. There were few major tax measures in this year's budget, but a good dose of spending, particularly in education. The new government will likely use the findings from the current tax and regulatory review to bring more substantial policy changes (if deemed necessary) forward next year.

Nova Scotia

Population:	940,600		
Percent of Canada:	2.7		
Rank by Population:	7 th		
Area:	55,284 km ²		
GDP/Capita:	\$41,400	Legislative Seats:	
Capital:	Halifax	Liberals	33
Party in Power:	Liberals	PC	11
Premier:	Hon. Stephen McNeil	NDP	7

Finance Minister:
Hon. Diana Whalen

Majority government since October 2013

Economic Outlook

Nova Scotia	13	14f	15f
Real GDP ¹ (% chng)	0.8	1.6	2.1
Employment (% chng)	-0.3	-0.8	1.0
Jobless Rate (%)	9.1	8.8	8.5
Housing Starts (000s)	3.9	3.2	3.4
Cons. Prices (% chng)	1.2	2.0	1.9

¹ 2013 from GDP by Industry f = forecast

Nova Scotia's Fiscal Situation

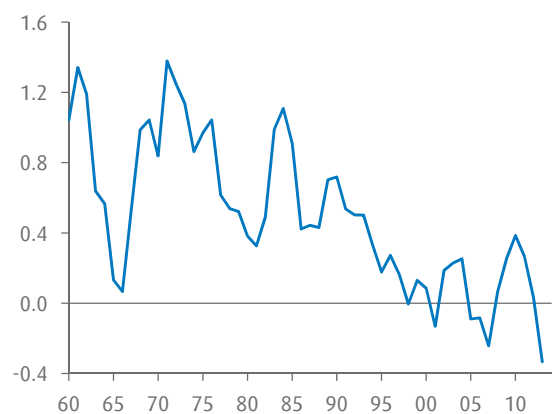
(C\$ mlns)	FY13/14 e	FY14/15 f
Revenues	8,878	9,226
Expenditures	9,825	9,936
GBEs & Adjustments	385	431
Budget Balance	(562)	(279)
(% of GDP)	-1.4	-0.7
Net Debt	14,609	15,005
(% of GDP)	37.5	37.4
Debt Service	856	878
(% of revenue)	9.6	9.5

() = deficit As of FY14/15 budget

Some Coming, More Going

Nova Scotia (y/y % chng : n.s.a.)

Population



Prince Edward Island

- Weaker loonie to support growth; population gains slowing
- Restraint in force; balanced budget by FY15/16

The PEI economy continues to grow at a moderate pace, with real GDP expected to cool slightly to 1.3% this year from a 1.4% pace in 2013. Firmer U.S. economic growth and a weaker Canadian dollar will help offset ongoing public-sector restraint and more normal agricultural output this year.

Exports were strong last year, and remained well above year-ago levels in the first two months of 2014, led by still-lofty aerospace shipments and higher exports of farm, fish and food products. With U.S. demand expected to strengthen this year and the Canadian dollar settling into lower levels, trade and tourism could be a positive for the province in 2014.

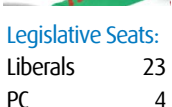
Public-sector restraint, however, is likely to remain a drag on growth in the year ahead. On the capital spending side, StatCan's survey shows public-sector capex on pace to contract a steep 25% in 2014, while on the operating spending side, the Province is planning to hold departmental spending growth to under 1% per year through FY16/17.

Meantime, population growth has slowed significantly in the past two years amid more normal immigration trends and continued out-migration to other provinces—just below the 44-year high seen in 2012 last year. Total population was little-changed from year-ago levels in 2014Q1 after growing as fast as 1.7% y/y (a 40-year high) early in 2011. Job growth has also faded in recent months, with employment 0.4% below year-ago levels in 2014Q1—public sector employment has fallen sharply since peaking last spring, offsetting solid gains in the private sector. The unemployment rate remains steady, sitting at 11.8% in March—just above Newfoundland as the highest in Canada.

The Province of Prince Edward Island is projecting a \$39.7 million deficit in

FY14/15 (0.7% of GDP), down slightly from \$51.9 million now estimated for FY13/14. While FY13/14 is tracking \$7 million better than expected at this time last year, the current fiscal year deficit is projected to be just over \$5 million deeper, leaving cumulative deficits little changed. The Province continues to target a balanced budget (the first since FY06/07) in FY15/16, consistent with last year's fiscal plan. There were few major policy initiatives in this year's budget as the Province, much like last year, is staying the course with its medium-term fiscal plan. Most notably, program spending will dip slightly this fiscal year, though pension contributions jumped in FY13/14 to help bring the plan back into balance. Spending restraint will remain a fixture in the near term, with the Province still committed to holding most departmental spending at current levels, allowing only modest increases in health care.

Prince Edward Island

Population:	145,200		
Percent of Canada:	0.4		
Rank by Population:	10 th		
Area:	5,660 km ²		
GDP/Capita:	\$39,500		
Capital:	Charlottetown	Legislative Seats:	
Party in Power:	Liberals	Liberals	23
Premier:	Hon. Robert Ghiz	PC	4

Finance Minister:
Hon. Wes Sheridan

Next election: October 2015

Economic Outlook

Prince Edward Island	13	14f	15f
Real GDP ¹ (% chng)	1.4	1.3	1.7
Employment (% chng)	2.1	0.5	0.4
Jobless Rate (%)	11.4	11.5	11.3
Housing Starts (000s)	0.6	0.6	0.7
Cons. Prices (% chng)	2.0	2.1	1.8

¹ 2013 from GDP by Industry f = forecast

P.E.I.'s Fiscal Situation

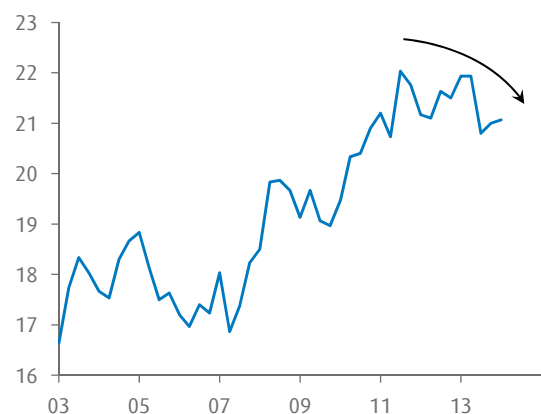
(C\$ mlns)	FY13/14 e	FY14/15 f
Revenues	1,592	1,617
Expenditures	1,644	1,657
Budget Balance	(51.9)	(39.7)
(% of GDP)	-0.9	-0.7
Net Debt	2,120	2,167
(% of GDP)	37.0	36.7
Debt Service	113	129
(% of revenue)	7.1	8.0

() = deficit As of FY14/15 budget

Restraint in Force

Prince Edward Island (000s : s.a.)

Public Sector Employment



Newfoundland & Labrador

- Long-term prospects remain encouraging in oil sector
- Deficit to widen in FY14/15 as austerity eases


Economic growth remains volatile in Newfoundland & Labrador due to shifting oil production, but underlying trends remain solid. Real GDP growth was a strong 7.9% last year, but is expected to slow to 1.0% in 2014—part of the strong 2013 growth print was due to prior-year maintenance shutdowns in the oil sector. While growth will likely experience a lull in the near term, longer-term prospects in the offshore sector remain bright.

Maintenance shutdowns aside, oil production continues to drift down after peaking in 2007, at least until the pipeline is filled with new output. Indeed, investment in the **oil & gas sector** continues at a healthy pace, with construction of the Hebron project underway. Production, however, is not expected until late 2017. Also, an extension of White Rose is in the engineering and design phase (oil production also expected to increase in late-2017) and a major discovery by Statoil in the Flemish Pass Basin could hold 300-to-600 million barrels of light oil. Elsewhere, development of the **Muskat Falls** hydro project, while faced with some cost and timing uncertainty recently, should be producing power by late-2017.

Other underlying economic trends in the province are solid. **Employment** was down 0.8% y/y in 2014Q1, but that reflects a deep 9.9% y/y dive in the public sector. Private-sector job growth was running at a solid 5.1% y/y clip. The **jobless rate** sits at 11.6%, well below the average of the past decade, and wages are growing at an above-average pace. That is supporting better trends in **housing** and **consumer spending** versus its Atlantic Canada peers—retail sales were up more than 3% y/y in the first two months of 2014—despite negative population growth. Still, the housing market has softened recently, in part due to harsh weather. There is currently just less than 9 months' worth of homes for sale in the province, up from just over 7 a year ago, and price growth has levelled off as listings have outpaced sales.

The Province of Newfoundland & Labrador is projecting a \$538 million deficit (1.4% of GDP) in FY14/15, deeper than the \$349 million shortfall now estimated for FY13/14. The latter, however, marks an improvement over the \$451 million deficit expected in the fall update, and the two year (13/14 and 14/15) combined shortfall is now pegged at \$887 million versus \$1.2 billion in last year's budget. So, while the Province is slipping deeper into the red, the fiscal position is still slightly improved overall versus last year, at least for these two years. There were a few new tax measures in this year's budget, with reductions largely offset by an increase in tobacco taxes. On the spending side, the budget reversed the aggressive tack on spending restraint seen last year. The Province is also sticking to, and is in year two of, its 10-year sustainability plan. Years 1 and 2 focus on deficit elimination and pension liabilities. Year 3 returns to surplus—a small \$28.5 million surplus is expected in FY15/16. Years 4-10 focus on debt reduction and economic diversification.

Newfoundland & Labrador

Population:	526,900		
Percent of Canada:	1.5		
Rank by Population:	9 th		
Area:	405,720 km ²		
GDP/Capita:	\$68,700	Legislative Seats:	
Capital:	St. John's	PC	33
Party in Power:	Liberals		12
Progressive Conservatives	NDP		3
Premier:	Hon. Tom Marshall		
Finance Minister:	Hon. Charlene Johnson		

Next election: October 2015

Economic Outlook

Newfoundland & Labrador	13	14f	15f
Real GDP ¹ (% chng)	7.9	1.0	0.8
Employment (% chng)	1.2	0.0	0.5
Jobless Rate (%)	11.4	11.5	11.1
Housing Starts (000s)	2.9	2.9	3.2
Cons. Prices (% chng)	1.7	1.9	1.9

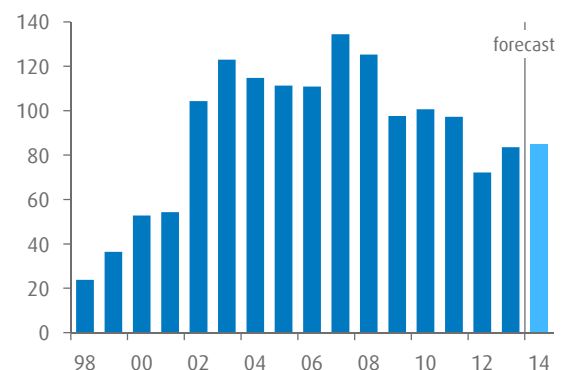
¹ 2013 from GDP by Industry f = forecast

Nfld. & Lab.'s Fiscal Situation

(C\$ mlns)	FY13/14 e	FY14/15 f
Revenues	6,803	7,027
Expenditures	7,408	7,829
GBE Net Income	257	264
Budget Balance	(349)	(538)
(% of GDP)	-1.0	-1.4
Net Debt	9,018	9,826
(% of GDP)	24.9	26.1
Debt Service	841	874
(% of revenue)	12.4	12.4
Offshore Royalties	2,042	2,398
(% of total)	30.0	34.1
Oil (Brent : US\$/bbl)	105.0	

Offshore Oil Production

Newfoundland and Labrador (mlns of barrels)



Source: Canada-Newfoundland Offshore Petroleum Board

Provincial Economic Summary

	BC	Alberta	Sask.	Manitoba	Ontario	Quebec	NB	NS	PEI	NL	Canada
Real GDP Growth (chain-weighted : year/year % change)											
2013 ¹	2.0	3.9	4.8	2.2	1.2	1.1	0.0	0.8	1.4	7.9	2.0
2014 f	2.2	3.5	2.4	2.2	2.2	1.7	1.3	1.6	1.3	1.0	2.3
2015 f	2.5	3.3	2.7	2.4	2.4	2.0	1.7	2.1	1.7	0.8	2.5
Employment Growth (year/year % change)											
2013	-0.2	2.8	3.4	0.5	1.4	1.1	-0.2	-0.3	2.1	1.2	1.3
2014 f	0.9	3.2	1.0	0.2	0.7	0.5	0.9	-0.8	0.5	0.0	1.0
2015 f	1.2	2.3	1.6	1.2	1.3	0.8	0.3	1.0	0.4	0.5	1.3
Unemployment Rate (percent)											
2013	6.6	4.7	4.0	5.4	7.5	7.7	10.4	9.1	11.4	11.4	7.1
2014 f	6.1	4.4	4.2	5.4	7.3	7.7	9.8	8.8	11.5	11.5	6.9
2015 f	5.9	4.0	4.0	5.2	7.0	7.5	9.5	8.5	11.3	11.1	6.6
Housing Starts (thousands)											
2013	27.1	36.1	8.3	7.5	60.8	37.6	2.8	3.9	0.6	2.9	187.6
2014 f	24.5	40.3	6.8	5.7	52.5	38.5	2.4	3.2	0.6	2.9	177.5
2015 f	23.0	43.5	7.2	6.0	53.5	37.0	2.5	3.4	0.7	3.2	180.0
Consumer Prices (year/year % change)											
2013	-0.1	1.4	1.4	2.3	1.1	0.8	0.8	1.2	2.0	1.7	1.0
2014 f	0.9	2.2	2.1	1.7	1.7	1.3	1.7	2.0	2.1	1.9	1.6
2015 f	1.8	2.1	1.9	1.8	1.8	1.7	1.7	1.9	1.8	1.9	1.8

¹ 2013 provincial GDP by industry f = forecast

Provincial Economic Indicators

	BC	Alberta	Sask.	Manitoba	Ontario	Quebec	NB	NS	PEI	NL	Canada
(3-month m.a. : year/year % change)											
Retail Sales											
Dec 13	4.4	7.5	4.3	3.6	3.2	3.0	2.4	3.0	0.8	3.3	4.0
Jan 14	4.5	8.3	4.6	3.7	2.9	3.0	3.2	2.3	0.3	2.7	4.0
Feb 14	3.6	8.6	3.9	2.5	3.0	2.8	4.7	2.8	1.2	2.9	3.9
Manufacturing Shipments											
Dec 13	5.9	5.6	10.3	0.6	2.8	0.2	7.4	-10.1	17.7	-11.0	2.6
Jan 14	6.6	6.7	9.1	0.5	1.9	1.8	1.7	-10.9	16.6	-9.0	2.6
Feb 14	5.6	6.4	10.7	0.7	3.6	3.5	-0.4	-10.3	12.7	4.4	3.8
Exports											
Dec 13	8.7	17.2	1.9	19.6	2.9	0.3	2.6	12.3	26.2	17.6	7.0
Jan 14	11.3	15.0	0.0	15.0	2.4	1.5	-6.5	13.1	39.8	5.3	5.7
Feb 14	13.9	12.7	-6.2	7.0	1.9	8.5	-7.8	29.0	39.9	19.5	5.9
Employment Growth											
Jan 14	0.1	3.3	1.9	-0.9	0.8	0.3	0.9	-0.5	0.0	-0.5	0.8
Feb 14	0.1	3.4	1.4	-1.0	0.5	0.1	0.6	-0.5	-0.4	-0.6	0.6
Mar 14	0.5	3.7	0.9	-1.1	0.7	0.3	0.6	-1.2	-0.4	-0.8	0.8

History of Canadian Fiscal Balances

(\$ millions)	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14 e	14/15 f
BC	(1,342)	2,689	2,963	3,973	2,741	64	(1,810)	(241)	(1,840)	(1,146)	175	184
Alberta	4,136	5,175	8,551	8,510	4,581	(852)	(1,032)	(3,410)	(23)	(2,842)	(335)	1,087
Sask.	(210)	765	539	398	1,283	1,970	168	95	55	16	(128)	105
Manitoba	(579)	562	394	485	558	451	(200)	(179)	(999)	(580)	(432)	(357)
Ontario	(5,483)	(1,555)	298	2,269	600	(6,409)	(19,262)	(14,011)	(12,969)	(9,220)	(11,300)	(12,505)
Quebec	(358)	(664)	37	1,993	1,650	(1,258)	(2,940)	(2,390)	(1,788)	(2,515)	(1,428)	(454)
NB	(197)	221	226	275	240	(153)	(696)	(618)	(245)	(508)	(564)	(391)
NS	38	170	196	182	419	26	(269)	585	(259)	(302)	(562)	(279)
PEI	(125)	(34)	1	24	(4)	(31)	(74)	(63)	(78)	(79)	(52)	(40)
NL	(914)	(489)	199	154	1,421	2,350	(33)	594	883	(199)	(349)	(538)
Provinces	(5,034)	6,840	13,404	18,263	13,489	(3,842)	(26,148)	(19,638)	(17,263)	(17,375)	(14,974)	(13,187)
Federal	9,145	1,463	13,218	13,752	9,597	(5,755)	(55,598)	(33,372)	(26,279)	(18,929)	(16,600)	(2,900)
Total	4,111	8,303	26,622	32,015	23,086	(9,597)	(81,746)	(53,010)	(43,542)	(36,304)	(31,574)	(16,087)
(% of GDP)												
BC	(0.9)	1.7	1.7	2.1	1.4	0.0	(0.9)	(0.1)	(0.9)	(0.5)	0.1	0.1
Alberta	2.4	2.7	3.8	3.5	1.8	(0.3)	(0.4)	(1.3)	(0.0)	(0.9)	(0.1)	0.3
Sask.	(0.6)	1.8	1.2	0.9	2.5	2.9	0.3	0.1	0.1	0.0	(0.2)	0.1
Manitoba	(1.5)	1.4	0.9	1.1	1.1	0.9	(0.4)	(0.3)	(1.8)	(1.0)	(0.7)	(0.6)
Ontario	(1.1)	(0.3)	0.1	0.4	0.1	(1.1)	(3.2)	(2.2)	(2.0)	(1.4)	(1.6)	(1.7)
Quebec	(0.1)	(0.2)	0.0	0.7	0.5	(0.4)	(0.9)	(0.7)	(0.5)	(0.7)	(0.4)	(0.1)
NB	(0.9)	0.9	0.9	1.0	0.9	(0.5)	(2.4)	(2.1)	(0.8)	(1.6)	(1.8)	(1.2)
NS	0.1	0.5	0.6	0.6	1.2	0.1	(0.8)	1.6	(0.7)	(0.8)	(1.4)	(0.7)
PEI	(3.3)	(0.8)	0.0	0.5	(0.1)	(0.7)	(1.5)	(1.2)	(1.4)	(1.4)	(0.9)	(0.7)
NL	(5.0)	(2.5)	0.9	0.6	4.8	7.5	(0.1)	2.0	2.6	(0.6)	(1.0)	(1.4)
Provinces	(0.4)	0.5	1.0	1.2	0.9	(0.2)	(1.7)	(1.2)	(1.0)	(1.0)	(0.8)	(0.7)
Federal	0.7	0.1	0.9	0.9	0.6	(0.3)	(3.5)	(2.0)	(1.5)	(1.0)	(0.9)	(0.1)
Total	0.3	0.6	1.9	2.2	1.5	(0.6)	(5.2)	(3.2)	(2.5)	(2.0)	(1.7)	(0.8)

() = deficit e = estimate f = forecast ON and QC FY14/15 based on pre-election budgets

General Disclosure

"BMO Capital Markets" is a trade name used by the BMO Investment Banking Group, which includes the wholesale arm of Bank of Montreal and its subsidiaries BMO Nesbitt Burns Inc., BMO Capital Markets Ltd. in the U.K. and BMO Capital Markets Corp. in the U.S. BMO Nesbitt Burns Inc., BMO Capital Markets Ltd. and BMO Capital Markets Corp are affiliates. Bank of Montreal or its subsidiaries ("BMO Financial Group") has lending arrangements with, or provide other remunerated services to, many issuers covered by BMO Capital Markets. The opinions, estimates and projections contained in this report are those of BMO Capital Markets as of the date of this report and are subject to change without notice. BMO Capital Markets endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO Capital Markets makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO Capital Markets or its affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any security. BMO Capital Markets or its affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. BMO Capital Markets or its affiliates, officers, directors or employees have a long or short position in many of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that BMO Capital Markets or its affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein.

Dissemination of Research

Our publications are disseminated via email and may also be available via our web site <http://www.bmonesbitburns.com/economics>. Please contact your BMO Financial Group Representative for more information.

Conflict Statement

A general description of how BMO Financial Group identifies and manages conflicts of interest is contained in our public facing policy for managing conflicts of interest in connection with investment research which is available at http://researchglobal.bmocapitalmarkets.com/Public/Conflict_Statement_Public.aspx.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

BMO Financial Group (NYSE, TSX: BMO) is an integrated financial services provider offering a range of retail banking, wealth management, and investment and corporate banking products. BMO serves Canadian retail clients through BMO Bank of Montreal and BMO Nesbitt Burns. In the United States, personal and commercial banking clients are served by BMO Harris Bank N.A., Member FDIC. Investment and corporate banking services are provided in Canada and the US through BMO Capital Markets. BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Harris Bank N.A., BMO Ireland PLC, and Bank of Montreal (China) Co. Ltd. and the institutional broker dealer businesses of BMO Capital Markets Corp. (Member SIPC), BMO Nesbitt Burns Securities Limited (Member SIPC) and BMO Capital Markets GKST Inc. (Member SIPC) in the U.S., BMO Nesbitt Burns Inc. (Member Canadian Investor Protection Fund) in Canada, Europe and Asia, BMO Capital Markets Limited in Europe, Asia and Australia and BMO Advisors Private Limited in India.

"Nesbitt Burns" is a registered trademark of BMO Nesbitt Burns Corporation Limited, used under license. "BMO Capital Markets" is a trademark of Bank of Montreal, used under license. "BMO (M-Bar roundel symbol)" is a registered trademark of Bank of Montreal, used under license.

© Registered trademark of Bank of Montreal in the United States, Canada and elsewhere.

TM Trademark Bank of Montreal

© COPYRIGHT 2014 BMO CAPITAL MARKETS CORP.

A member of BMO Financial Group