

Section:	Tab 2, App. 2.2	Page No.:	
Topic:	Evidence of Drazen Consulting Group Inc.		
Subtopic:			
Issue:			

PREAMBLE TO IR (IF ANY):**QUESTION:**

- a) What was the cost incurred to date to engage Drazen Consulting Group Inc.?
- b) Does Centra intend to have Mark Drazen testify?
- c) If Mr. Drazen is being called, what is the forecasted cost of his further involvement?

RATIONALE FOR QUESTION:

CAC wishes to establish the need for this evidence.

RESPONSE:

- a) Drazen Consulting Group Inc.'s costs to date are approximately \$29,000 USD.
- b) Assuming that parties to the hearing can agree to the fundamental regulatory principle expressed by Mr. Drazen that it is not appropriate to offset prudently incurred gas costs against the financial reserves of the utility, and the PUB does not otherwise require additional evidence from Mr. Drazen, it would not be necessary for Mr. Drazen to provide oral testimony at the hearing.
- c) If Mr. Drazen is required to provide oral testimony at the hearing, Centra estimates the costs would be approximately \$10,000 USD.

Section:	Tab 3	Page No.:	Pages 28-30
Topic:	Supply and Transportation Portfolio		
Subtopic:	TransCanada Developments - RH-001-2014 hearing and decision		
Issue:	Potential effect of toll segmentation on Centra		

PREAMBLE TO IR (IF ANY):

Centra says that the NEB approved, although perhaps somewhat tentatively, the Settlement proposal to implement "segmented" tolling on the Mainline "by the end of 2020". CAC wishes to understand what the proposed segmentation involves and its potential impacts on Centra.

QUESTION:

- a) Please explain in more detail the proposed segmentation of tolls that was approved by the NEB, e.g. does this involve separate rate bases for the individual segments, separate operating costs, etc.?
- b) Is Centra in favor of toll segmentation as approved by the NEB? Why or why not?
- c) If not included in the response to (b) please explain Centra's understanding of the risks and any potential benefits to Centra if and when toll segmentation is implemented.

RATIONALE FOR QUESTION:

Segmentation appears to be a significant long term risk to Centra and its customers, but CAC wishes to better understand the issue and Centra's views on the matter.

RESPONSE:Response to part a)

As per the RH-001-2014 Reasons for Decision and specifically as the decision relates to separation of costs by segment (a.k.a. "segmentation"),

“The Settlement does not establish a specific toll design or toll level beyond 2020 for any portion of the Mainline. TransCanada requested Board approval of a tolling parameter in which all costs associated with the Eastern Triangle will be separated from the NOL and Prairies Lines, that is, the costs associated with those particular segments would be assigned to the revenue requirement for those respective segments, and thus would be recoverable independently from one another for the post-2020 period.”

The NEB’s views on this matter were as follow:

“The segmentation tolling parameter relates to a future period and approval in this proceeding of the requested segmentation tolling parameter would not constrain in any way the Board’s future determinations as to whether Mainline tolls for a given period are just and reasonable and not unjustly discriminatory.

Based on the current circumstances, the Board approves the segmentation tolling parameter in principle at this time and will continue to monitor the appropriateness of the segmentation tolling parameter prior to implementation. Should circumstances be significantly different approaching 2020, the Board would expect the issue of segmentation to be re-examined to determine if it remains appropriate.”

Response to parts b) and c)

Centra identified its concerns with the proposed segmentation of the Mainline, primarily that it would facilitate the shifting of long-term costs and TCPL’s fundamental risk on the Mainline to Prairies Line and NOL shippers, in its Evidence in Chief in the RH-001-2014 proceeding. This link below provides Centra’s evidence; Centra’s case as it relates specifically to segmentation of the Mainline can be found at pages 15 - 19.

https://docs.neb-one.gc.ca/11-eng/11isapi.dll/fetch/2000/90465/92833/92843/955803/2397890/2456596/2456580/2484858/C8-8-2_Centra_Evidence_In_Chief_-_A3Y8H2.pdf?nodeid=2484859&vernum=-2

The unknowns regarding segmentation of the Mainline at this time include, but are not limited to:

- The toll design, toll components and toll level beyond 2020 for any portion of the Mainline;
- Whether the Prairies Line and NOL segments will be tolled as a single segment or two separate segments;
- The magnitude of deferrals, positive or negative, in the Long-Term Adjustment Account (“LTAA”);
- Whether negotiated exit fees may be required and if so, for whom and to what extent;
- The forecast post-2020 throughput levels;
- Potential stranded costs;
- Cost allocation; and
- The impact of future projects, including the Energy East and Eastern Mainline Projects.

It would be premature for Centra to define its position on segmentation of the Mainline at this time, including its understanding of the risks and any potential benefits to Centra if and when segmentation is implemented. As more information becomes available, Centra will develop its position on Mainline segmentation, accordingly.

Section:	Tab 3	Page No.:	Page 38; various
Topic:	Supply and Transportation Portfolio		
Subtopic:	Supplemental Gas Costs		
Issue:	Impact of TransCanada pricing discretion on past and future Supplemental Gas costs		

PREAMBLE TO IR (IF ANY):

At page 38, and at various other points in the Application, Centra explains the significant Supplemental Gas PGVA deficit for the 2013/14 gas year as resulting from a combination of unusually cold weather and extraordinarily high IT prices fixed by TCPL. These together resulted in very high market prices at Emerson and other downstream points, which in turn resulted in very high unit costs for Centra's purchases of Supplemental Gas.

QUESTION:

- a) Has Centra, or the Mainline shipper community in general, received any formal or informal assurances from TCPL that in the future it will set IT bid floors at more reasonable levels than were observed during the 2013/14 winter? If so, please explain what assurances were given.
- b) Please discuss Centra's views on the relative impacts on Emerson pricing of TCPL's IT price-setting behaviour and weather. Please include an explanation of the operative market mechanisms, the interplay between IT bid floor levels and weather effects, and the impact of any other relevant factors like the level of contracted FT service to Emerson, storage levels in Ontario at the beginning and during the winter, and any other factors that Centra believes influence the behaviour of prices at Emerson.
- c) To the extent not discussed in the response to (b), please provide Centra's understanding of why the market result appears to have been different in the 2014/15 winter from the result during the 2013/14 winter.

RATIONALE FOR QUESTION:

While the market events of 2013/14 were likely contributed to by both unusually cold weather and unregulated IT prices, unregulated IT prices will be an ongoing feature of the market. CAC wishes to better understand the market situation and the impact of unregulated IT prices in order to evaluate the adequacy of Centra's responses to these market factors both over the past two winters and for the purposes of designing its supply and transportation portfolio for the future.

RESPONSE:

- a) Neither Centra nor the Mainline shipper community in general have received any assurance from TCPL that it will set IT bid floors in the future at more reasonable levels than were observed during the 2013/14 winter.

- b) Please see Centra's response to CAC/Centra-INT-002(a)(i) for Centra's view on the interplay of the various operative market mechanisms resulting in the dramatic impacts of TCPL's IT bid floor price setting on natural gas market prices downstream on, and inter-connected with, the Mainline during the 2013/14 winter. With respect to storage inventory levels in Ontario throughout the 2013/14 winter, Centra is not privy to these figures.

- c) Please see Centra's response to CAC/Centra-INT-002(h) for Centra's views on the differences in market circumstances between the 2014/15 and the 2013/14 winter periods.

Section:	Tab 3	Page No.:	Page 44 to 65
Topic:	Exchange Rates		
Subtopic:			
Issue:	Forecast CAD/USD Exchange Rates for 2013/14 Transportation PGVA		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- a) Does Centra have a policy of hedging gas and transportation costs; if so, provide details of that policy, including any applicable policy documents.
- b) Provide details of any hedging of CAD/USD Exchange Rates hedging for 2013/14 Centra Gas year.
- c) Provide the Economic Outlook and forecasts which supported the CAD/USD Exchange Rate forecast used in the 2013/14 Centra Gas year.

RATIONALE FOR QUESTION:**RESPONSE:**Response to part a) and b)

Centra does not hedge natural gas commodity and transportation costs on behalf of its customers, nor does it hedge foreign currency exchange on gas purchases.

On December 21, 2009, the PUB issued Order 170/09 directing Centra to cease hedging Primary Gas costs on behalf of customers after a gradual wind down of its then existing program over the subsequent six months, with no further hedges to be placed after the

instruments transacted in July 2010 for the gas months of May, June and July 2011. This was confirmed by the PUB in Order 93/10.

In addition to hedging system supplied customers Primary Gas costs, Centra also previously hedged its Primary Gas cost risk under the Fixed Rate Primary Gas Service (“FRPGS”) using derivatives. However, due to the unpredictability of customer demand for the service, along with derivatives dealers’ refusal to quote prices on the small volumes typically associated with the program, in 2011 Centra found the ongoing use of derivatives to be impractical for the FRPGS program. Centra advised the PUB of this development in August 2011, and the PUB authorized the use of a proxy approach to self-insurance on an interim basis.

On July 26, 2013 the PUB issued Order 85/13 formally approving the elimination of the use of derivatives in support of the FRPGS and the replacement with a Self-Insurance approach to price risk management.

Response to part c)

Table 1 below summarizes the monthly CAD/USD exchange rates used to develop the 1.00 CAD/USD exchange rate that is embedded in the currently approved transportation base rates.

Table 1 – Monthly CAD/USD Exchange Rates

Bank of Canada's last noon spot rate for the month (CANSIM series v121716)	Nov-12	0.9932
	Dec-12	0.9949
	Jan-13	0.9992
	Feb-13	1.0285
↓	Mar-13	1.0156
Forecasted 2013/14 exchange rate as projected in the 2012 Spring Economic Outlook	Apr-13	0.99
	May-13	0.99
	Jun-13	0.99
	Jul-13	0.99
	Aug-13	0.99
	Sep-13	0.99
↓	Oct-13	0.99
Average CAD/USD Exchange Rate	Gas Year 2012/13	1.00

For a copy of the 2012 Economic Outlook, please see Attachment 1 to this response.

For copies of the source forecasts used in the 2012 Economic Outlook, please see Attachment 2 to this response.

Economic Outlook

2012 – 2033



**Economic Analysis
Department
Spring, 2012
E012-1**

Table of Contents

Preface	i
Executive Summary	1
Recent Economic Performance	2
Reference Case Forecast	3
Manitoba Hydro Key Variables	4
Forecasts of Key Economic and Financial Indicators.....	5
Real Gross Domestic Product	6
Consumer Price Index and GDP Price Deflator	7
Population	8
Manitoba Aboriginal Population	9
Employment	10
Housing.....	11
Interest Rates	12
Exchange Rate	13
Appendix A	
Manitoba/Canada Economic Statistics – fiscal year.....	A-1
Appendix B	
Manitoba/Canada Economic Statistics – calendar year.....	B-1
Appendix C	
Economic Alternative Cases	C-1

Preface

This information is used in several areas of the corporation; for example, in load forecasting, project evaluation, and financial planning.

The document is derived from a variety of sources, including forecasts from IHS Global Insight, the Conference Board of Canada, Informetrica, Spatial Economics, several financial and banking institutions such as BMO Nesbitt Burns, CIBC, Desjardins, Laurentian, Royal Bank of Canada, Scotiabank, National Bank, and TD Bank. As a final step prior to publication, the forecast is refined to reflect information available in early spring.

This forecast is based on what was known and could reasonably be foreseen at the time of its preparation. Users should be cognizant that conditions can and do change and should perform risk assessment analyses as necessary.

The variables are presented in both calendar year and fiscal year format. Fiscal year data have been derived from calendar year data. Fiscal year data which conform with data found in G911 are presented on pages 3 and 4 and Appendix A. The balance of the text relates to calendar year information.

Executive Summary

Recent Economic Performance

The recent economic performance of several key economic indicators for Manitoba, Canada, and the U.S. for the past five years is provided on page 2.

In 2011, Manitoba, Canada, and U.S. **real GDP** growth rate declined relative to 2010 yet still resulted in positive growth in those economies over the past year.

In 2011, Manitoba, Canada, and U.S. **CPI** increased by 3.0%, 2.9%, and 3.1% respectively. These inflation rates are significantly higher than those experienced over the previous year-to-year.

All three economies' **population** and **employment rates** stabilized in 2011 relative to 2010. Manitoba's **unemployment rate** remained at 5.4% in 2011 for a second year in a row. Both Canada's and U.S.'s unemployment rate experienced a decline in 2011 relative to 2010.

Although the Canadian and U.S. short-term interest rates (**90 Day T-Bill rate**) remain historically low, the Canadian rate increased in 2011 relative to 2010 while the U.S. rate experienced a further decline. Both the Canadian and U.S. **long bond rate** decreased in 2011 relative to 2010. The **Canadian dollar** appreciated from 1.03 Cdn\$/US\$ in 2010 to 0.99 Cdn\$/US\$ in 2011.

Future Outlook of Economic Performance

The reference case outlook of several key economic indicators for Manitoba, Canada, and the U.S. is provided on page 3.

Relative to last year's outlook, the long-term average annual growth in **real GDP** is expected to be lower for Manitoba, Canada, and the U.S.

In the long term, Manitoba and Canada **CPI** are expected to escalate at 1.9% while the U.S. at 2.0%, all lower relative to EO2011.

In the long term, Manitoba's **population** is expected to grow at an annual rate of 1.2%, while the Canadian and U.S. population are expected to grow annually at 0.9%.

Relative to the EO2011 forecast, this year's outlook for **housing starts** in Manitoba has increased by 900 units per year from 7,400 units to 8,300 units. Over the forecast period, Manitoba **residential electricity customers** are expected to increase on average by 6,300 units per year as compared to last year's forecast of 5,400 residential customers per year.

In the long term, Canada's **90 Day T-Bill rate** is expected to be unchanged from last year's forecast while the Canadian **long bond rate** is expected to be lower than last year's forecast. The U.S. 90 Day T-Bill rate and long bond rate are expected to be down from last year's forecast.

In EO2012, the **Canadian dollar** is forecast to be at or close to par by 2012/13 and depreciate slowly thereafter to 1.04 Cdn\$/US\$ by 2016/17 and on.

Page 4 provides comparisons of the current forecast of key variables to those prepared in the spring and fall of 2011.

Recent Economic Performance

	2007	2008	2009	2010	2011
Manitoba					
Real GDP – % chge	2.3	4.0	-0.5	2.3	2.2
CPI – % chge	2.0	2.3	0.6	0.8	3.0
Population – % chge	0.8	1.0	1.1	1.3	1.3
Employment – % chge	1.7	1.7	0.0	1.9	0.7
Unemployment rate – %	4.4	4.2	5.2	5.4	5.4
Residential customers – '000s	431	436	441	445	449
Housing starts – Units	5,738	5,537	4,174	5,888	6,083
Retail sales – \$M	14,016	14,980	14,915	15,752	16,472
Manufacturing Shipments – \$M	16,179	16,373	14,653	14,422	15,313
Canada					
Real GDP – % chge	2.2	0.7	-2.8	3.2	2.5
CPI – % chge	2.2	2.3	0.3	1.8	2.9
Population – % chge	1.1	1.2	1.2	1.1	1.0
Employment – % chge	2.4	1.6	-1.6	1.4	1.5
Unemployment rate – %	6.0	6.1	8.3	8.0	7.5
Housing starts – '000s	228	211	149	190	194
Retail sales – \$B	412	426	415	438	454
Manufacturing Shipments – \$B	602	598	494	531	566
90 Day T-Bill rate – %	4.15	2.39	0.35	0.59	0.93
LT Bond rate 10 Yr+ – %	4.29	3.84	3.77	3.55	3.09
C\$/US\$	1.07	1.07	1.14	1.03	0.99
United States					
Real GDP – % chge	1.9	-0.3	-3.5	3.0	1.7
CPI – % chge	2.9	3.8	-0.4	1.7	3.1
GDP Price Deflator – % chge	2.9	2.1	1.2	1.1	2.1
90 Day T-Bill rate – %	4.35	1.37	0.15	0.13	0.05
LT Bond rate 10 Yr – %	4.63	3.67	3.26	3.23	2.86
Unemployment rate – %	4.6	5.8	9.3	9.6	8.9
Prices					
Wheat – US\$/bu	7.1	11.2	7.0	7.6	11.2
Cattle – US\$/cwt	90.0	89.2	80.4	91.9	113.3
Hogs – US\$/cwt	46.7	47.6	42.0	55.0	66.5
Copper – US\$/lb	3.2	3.2	2.3	3.4	4.0
Nickel – US\$/lb	16.9	9.6	6.6	9.9	10.4
Zinc – US\$/lb	1.5	0.9	0.8	1.0	1.0
Gold – US\$/oz	697.0	872.0	973.0	1225.0	1570.0
Silver – US\$/oz	13.4	15.0	14.7	20.2	35.1

Reference Case Forecast Fiscal Year Basis

MANITOBA	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	
Real GDP (% chge)	2.2	2.3	2.4	2.4	2.5	2.4	2.1	1.8	*
CPI (% chge)	2.8	1.7	1.8	1.8	1.8	1.8	1.9	1.9	& on
Population (000's)	1,255	1,272	1,289	1,306	1,323	1,340	1,358	1,375	*
Residential Customers (000's)	453	459	465	472	478	484	491	497	*
Unemployment Rate (%)	5.4	5.3	5.1	5.0	5.0	4.9	4.8	4.9	

*for 2019/20 and beyond, see Appendix A, page A-1

CANADA	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	
Real GDP (% chge)	2.4	2.1	2.3	2.3	2.4	2.3	2.3	2.1	*
CPI (% chge)	2.7	1.9	1.9	1.9	1.9	1.9	1.9	1.9	& on
GDP Price Deflator (% chge)	3.2	2.0	1.8	1.8	1.8	1.8	1.8	1.8	& on
90 Day T-Bill (%)	0.91	1.00	1.45	2.95	3.60	4.05	4.30	4.30	& on
LT Bond Rate 10 Yr+ (%)	2.79	2.65	3.00	3.95	4.45	5.00	5.30	5.40	& on
U.S. Exchange Rate (C\$/US\$)	0.99	1.00	0.99	1.02	1.03	1.04	1.04	1.04	& on
Unemployment Rate (%)	7.4	7.2	7.0	6.7	6.5	6.2	6.1	5.9	

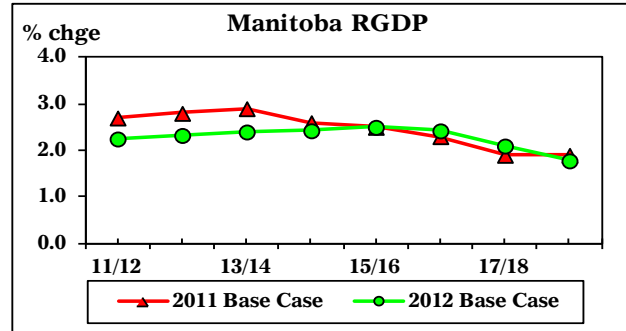
*for 2019/20 and beyond, see Appendix A, page A-1

UNITED STATES	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	
Real GDP (% chge)	1.9	2.3	2.6	3.0	3.0	2.8	2.6	2.5	& on
CPI (% chge)	3.3	2.1	2.0	2.0	2.0	2.0	2.0	2.0	& on
GDP Price Deflator (% chge)	2.1	1.8	1.8	1.8	1.8	1.8	1.8	1.8	& on
90 Day T-Bill (%)	0.04	0.10	0.15	2.25	3.20	3.80	4.00	4.00	& on
LT Bond Rate 10 Yr (%)	2.51	2.35	2.75	4.15	4.60	5.02	5.30	5.30	& on
Unemployment Rate (%)	8.8	8.2	7.5	6.7	6.2	5.7	5.3	5.3	

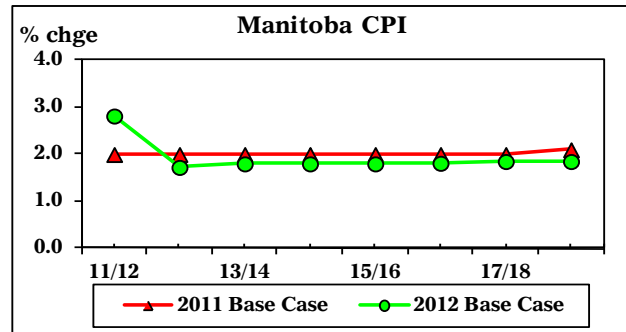
Manitoba Hydro Key Variables Fiscal Year Basis

Changes from Previous Forecast

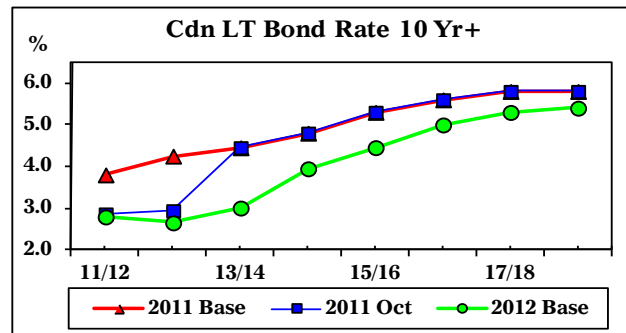
Fiscal Year	2011 Base Case	October 2011 Update	2012 Base Case
RGDP (% chge)			
10/11	2.5	n/a	2.3
11/12	2.7	n/a	2.2
12/13	2.8	n/a	2.3
13/14	2.9	n/a	2.4
14/15	2.6	n/a	2.4
15/16	2.5	n/a	2.5
16/17	2.3	n/a	2.4
17/18	1.9	n/a	2.1
18/19	1.9	n/a	1.8



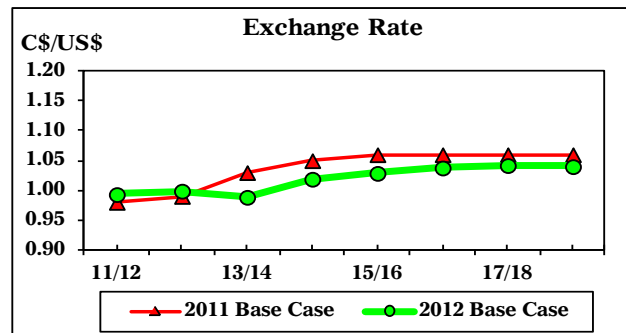
CPI - Inflation (% chge)			
10/11	1.0	n/a	1.0
11/12	2.0	n/a	2.8
12/13	2.0	n/a	1.7
13/14	2.0	n/a	1.8
14/15	2.0	n/a	1.8
15/16	2.0	n/a	1.8
16/17	2.0	n/a	1.8
17/18	2.0	n/a	1.9
18/19 & on	2.1	n/a	1.9



Canadian LT Bond Rate 10 Yr+ (%)			
10/11	3.48	n/a	3.48
11/12	3.80	2.86	2.79
12/13	4.25	2.94	2.65
13/14	4.45	3.42	3.00
14/15	4.80	n/a	3.95
15/16	5.30	n/a	4.45
16/17	5.60	n/a	5.00
17/18	5.80	n/a	5.30
18/19 & on	5.80	n/a	5.40



Foreign Exchange (C\$/US\$)			
10/11	1.02	n/a	1.02
11/12	0.98	n/a	0.99
12/13	0.99	n/a	1.00
13/14	1.03	0.99	0.99
14/15	1.05	n/a	1.02
15/16	1.06	n/a	1.03
16/17	1.06	n/a	1.04
17/18	1.06	n/a	1.04
18/19 & on	1.06	n/a	1.04



Forecasts of Key Economic and Financial Indicators

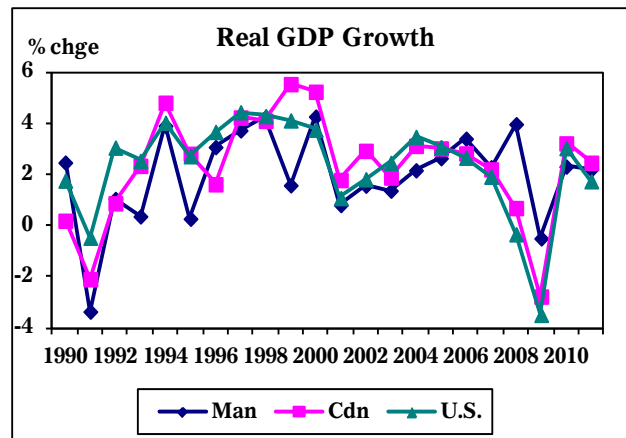
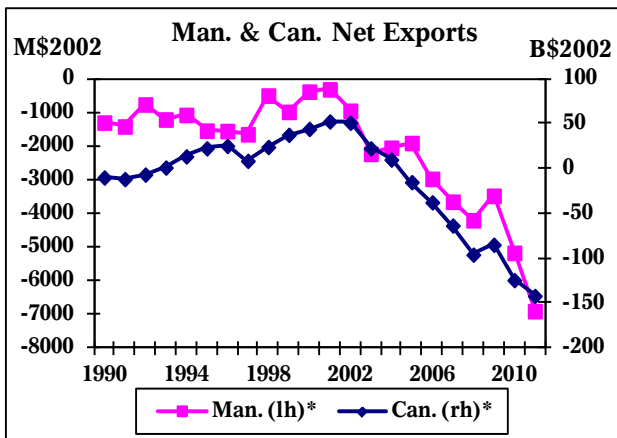
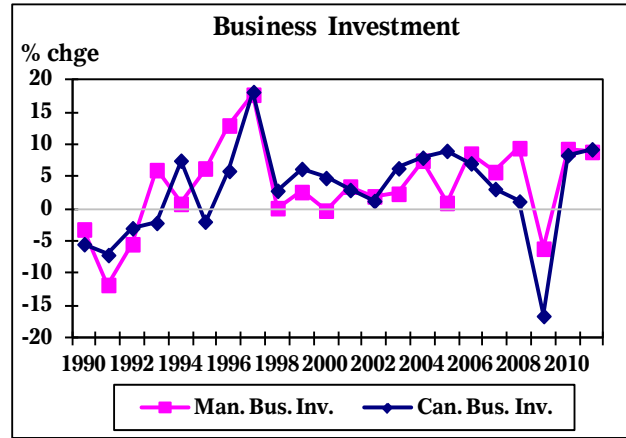
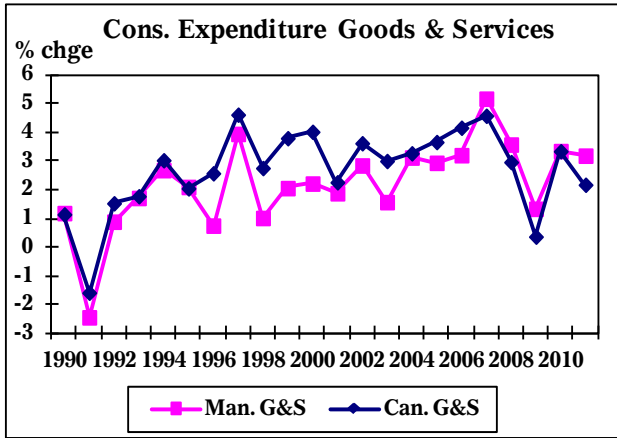
The forecasts reported in the Economic Outlook are based on a consensus view of several independent sources including Canada's primary financial institutions in addition to several other independent sources, all of which are well known and respected. For the purpose of the 2012 Economic Outlook, the forecasting sources include IHS Global Insight, the Conference Board of Canada, Informetrica, Spatial Economics, BMO Nesbitt Burns, CIBC, Desjardins, Laurentian, Royal Bank of Canada, Scotiabank, National Bank of Canada, and TD Bank.

The following sections of the report provide tables, graphs, and written summaries of the data behind the forecasts for the following key economic indicators:

- Real Gross Domestic Product,
- Consumer Price Index and GDP Price Deflator,
- Population including Manitoba Aboriginal Population,
- Employment,
- Housing,
- Short-term and Long-term Interest Rates, and
- C\$/US\$ Exchange Rate.

Appendix A and B of this report provide the history and forecasts for key economic indicators for Manitoba and Canada on a fiscal year basis and a calendar year basis, respectively. Appendix C provides a description and data related to economic alternative cases.

Real Gross Domestic Product



Average Annual Growth 1990-2011, % chge

	Man.	Can.	U.S.
Consumer Expenditure			
Goods and Services	2.2	2.8	2.8
Government Goods and Services	1.6	1.8	1.4
Government Investment	5.5	4.6	
Business Investment	3.7	3.2	2.9
Exports	3.7	3.6	5.3
Imports	4.3	4.7	5.8
Real GDP	2.0	2.4	2.4

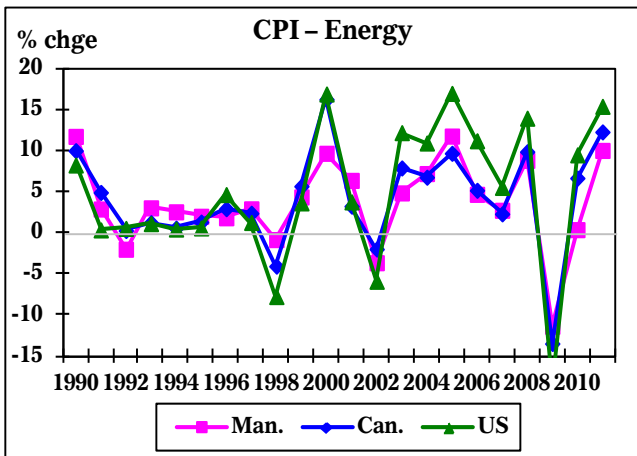
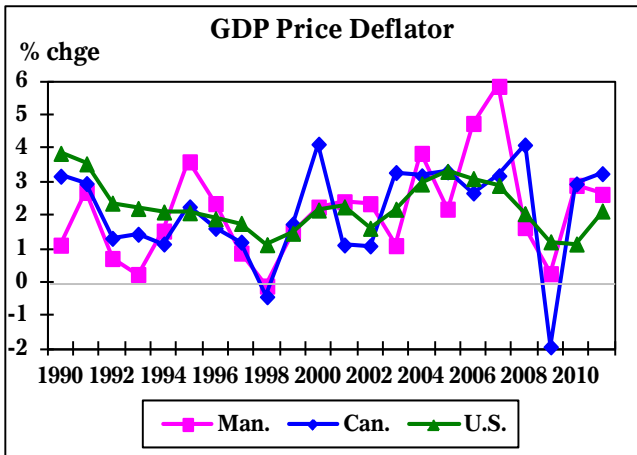
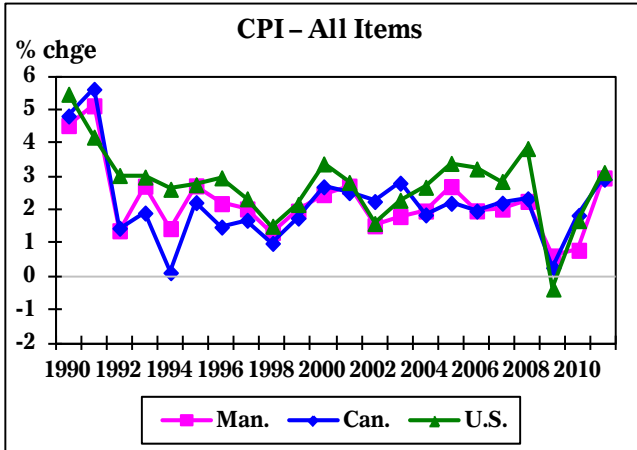
Manitoba's real GDP increased by 2.2% in 2011 compared to a 2.3% growth in 2010. Consumption, which is 64-70% of aggregate demand, remained the key driving force in North American economies in 2011. Consumption was up 3.2% and 2.2% in Manitoba and Canada, respectively, and up by 2.2% in the U.S. In response to higher retail sales and manufacturing shipments as well as escalating corporate profits, business investments were up in 2011 with increases of 8.9% and 9.3% in Manitoba and Canada, respectively. Although ongoing problems in the U.S. housing market

still persist, U.S. business investments were up 4.7%. EO2012 forecasts Manitoba's long-term real GDP to be 1.7%, 1.9% for Canada, and 2.5% for the U.S.

In 2011, nominal Manitoba and Canada GDP income posted increases of 4.9% and 5.8%, respectively. Higher corporate profits, as well as interest and miscellaneous investment income were responsible for the increase. U.S. nominal GDP increased 3.9% in 2011.

* lh = left hand axis and rh = right hand axis

Consumer Price Index and GDP Price Deflator

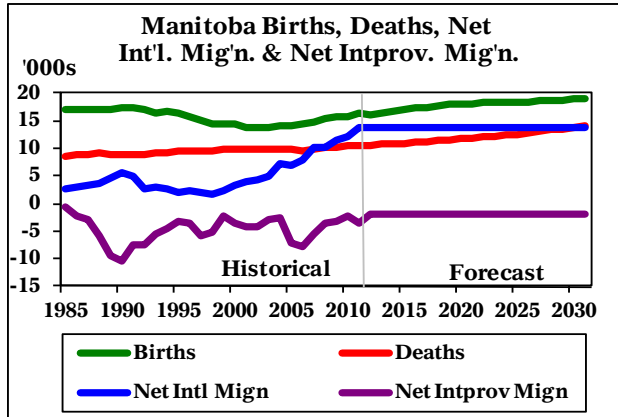
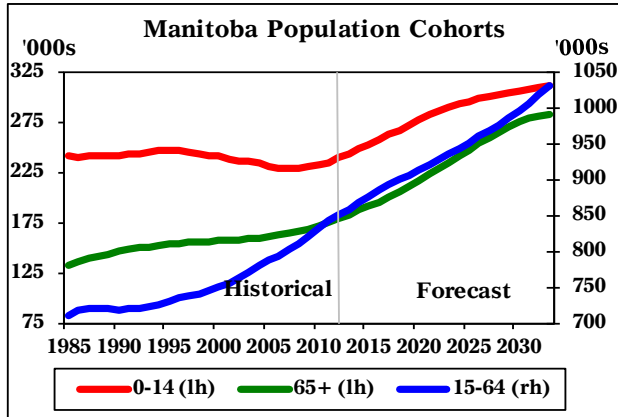
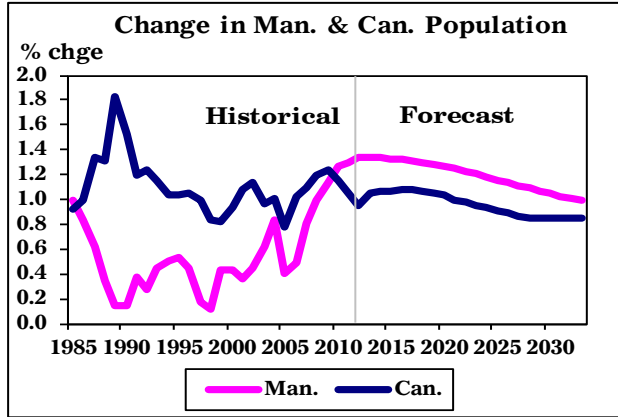
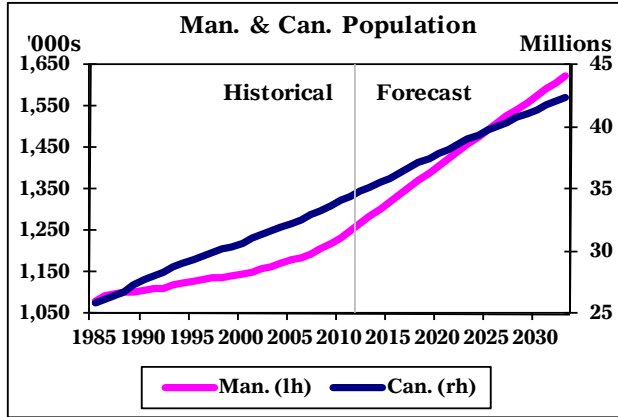


The Consumer Price Index (CPI) is based on a basket of household goods while the GDP price deflator is based on all goods produced domestically. In 2011, Manitoba and Canada CPI increased by 3.0% and 2.9%, respectively, while the U.S. CPI increased by 3.1%. Manitoba and Canadian GDP price deflators increased by 2.6% and 3.3% respectively, while the U.S. GDP price deflator increased by 2.1% in 2011. Manitoba, Canada, and U.S. energy consumer price index increased by 10.0%, 12.3%, and 15.4%, respectively, in 2011. The 2012 Economic Outlook forecasts that the Manitoba and Canada long-term CPI to be 1.9% while the U.S. long-term CPI will be 2.0%. The 2012 Economic Outlook forecasts that in the long term the Manitoba, Canada, and U.S. GDP price deflator will be 1.8%.

2011 Consumer Price Index % chge

	Manitoba	Canada	U.S.
All Items - CPI	3.0	2.9	3.1
Food	3.7	3.7	3.6
Shelter	2.6	1.9	
Household	1.1	1.9	1.3
Clothing	0.8	0.3	2.2
Transportation	5.4	6.4	9.8
Health	1.5	1.7	3.1
Recreation	1.8	1.3	0.1
Other Deflators:			
Energy	10.0	12.3	15.4
GDP Deflator	2.6	3.3	2.1

Population



Manitoba's total population increased by 16,039 persons in 2011 or 1.3% relative to 2010. Total net migration to Manitoba was 10,338 people and the total natural increase was 5,701 in 2011.

Manitoba's population is expected to grow on average at 1.2% or 17,000 people annually over the forecast period, 3,700 people higher than the growth rate forecast in EO2011. This year's forecast assumes that the Provincial Nominee Program will continue to sustain high annual growth in immigrants. As a result, international migration is forecast to grow by 16,000 immigrants annually. Manitoba's population forecast is based on a 1.9 total fertility rate and 13,700 net international migration offset by -2,000 net interprovincial migration. This translates to population growth resulting from a natural increase of 5,800 per annum and 11,700 from net migration. Refer to Appendices A and B for the forecasts of Manitoba population expressed in calendar and fiscal years.

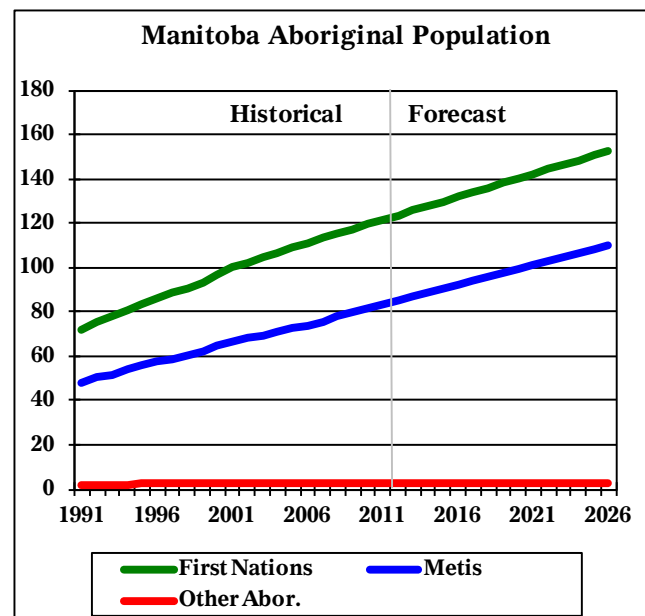
Year	Mb Pop'n. 5 Yr Avg (% chge)
1960-1965	1.2
1965-1970	0.4
1970-1975	0.8
1975-1980	0.2
1980-1985	0.9
1985-1990	0.4
1990-1995	0.4
1995-2000	0.3
2000-2011	0.8
2012-2033	1.2

Year	Mb Pop'n. Changes
1995	5,921
1996	5,046
1997	1,929
1998	1,360
1999	4,962
2000	4,864
2001	4,126
2002	5,174
2003	7,206
2004	9,747
2005	4,736
2006	5,730
2007	9,528
2008	11,918
2009	13,706
2010	15,352
2011	16,039

Canada's population is expected to grow on average at 0.9% or 361,000 people annually over the forecast period. The United States' population is expected to grow on average at 0.9% or 3,230,000 people annually.

Manitoba Aboriginal Population

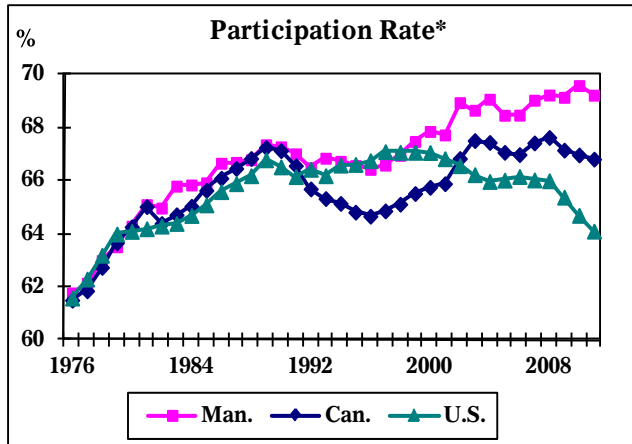
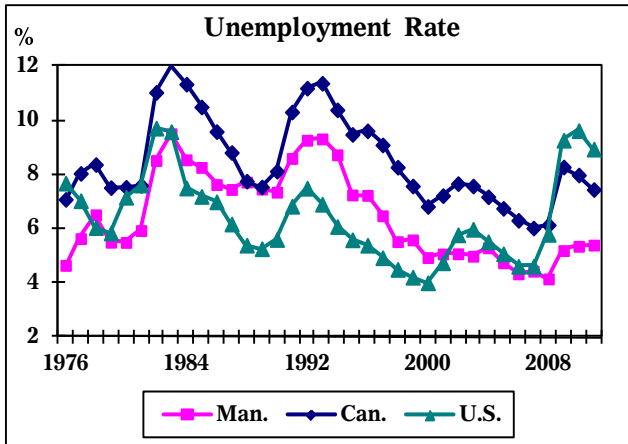
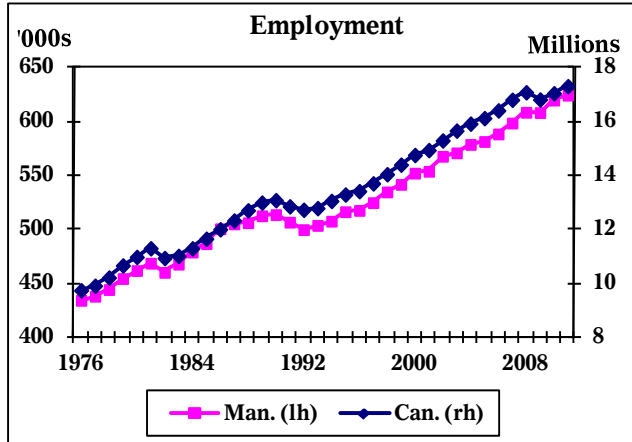
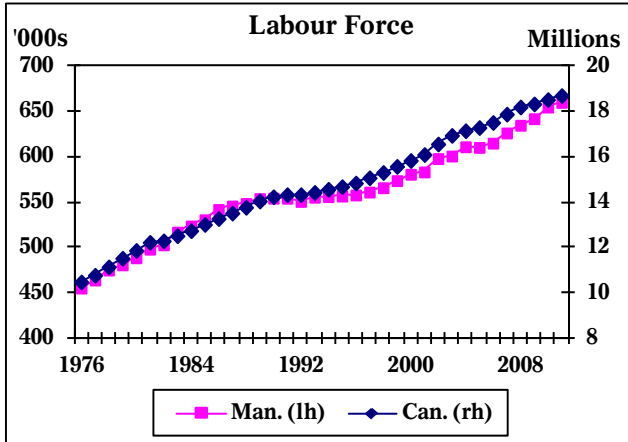
	Aborig. Pop'n. '000s	Annual Diff.	Man Pop'n. '000s	Aborig. Pop'n. Share Man Pop'n.
1998	153	3,975	1,137	13.4%
1999	157	4,530	1,142	13.8%
2000	164	6,355	1,147	14.3%
2001	169	5,709	1,151	14.8%
2002	173	3,746	1,157	15.0%
2003	177	3,660	1,164	15.3%
2004	181	3,764	1,174	15.5%
2005	184	3,660	1,178	15.7%
2006	188	3,764	1,184	16.0%
2007	192	3,880	1,194	16.2%
2008	196	3,880	1,205	16.4%
2009	200	3,880	1,219	16.6%
2010	204	3,880	1,235	16.7%
2011	207	3,880	1,251	16.6%
Forecast				
2012	211	3,880	1,267	16.7%
2013	215	3,880	1,284	16.8%
2014	219	3,880	1,301	16.8%
2015	223	3,880	1,319	16.9%
2016	227	3,880	1,336	17.0%
2017	231	3,880	1,354	17.0%
2018	235	3,880	1,371	17.1%
2019	238	3,880	1,389	17.2%
2020	242	3,880	1,406	17.2%
2021	246	3,880	1,424	17.3%
2022	250	3,880	1,441	17.4%
2023	254	3,880	1,459	17.4%
2024	258	3,880	1,476	17.5%
2025	262	3,880	1,493	17.5%
2026	266	3,880	1,510	17.6%
2027	269	3,880	1,527	17.7%



Manitoba Aboriginal population includes registered Indian, Métis (non-registered), and other Aboriginal. Total Manitoba Aboriginal population increased by 3,880 people or 1.9% in 2011. Manitoba has the second largest registered Aboriginal population in Canada, after Ontario. In EO2012, Manitoba's Aboriginal population is expected to grow at an annual rate of 1.7% or 3,880 people per year. EO2012 is based on annual growth of 2,080 registered Indians, 1,800 non-registered Métis. Manitoba's Aboriginal population share of the total Manitoba population trends from 16.6% in 2011 to 17.7% in 2027 in EO2012. In EO2011, Manitoba's Aboriginal population share of the total Manitoba population trended from 15.8% in 2010 to 17.9% in 2026. Total Manitoba Aboriginal population is expected to increase mainly due to a higher projected

fertility rate relative to the rest of the Manitoba population. The Aboriginal population forecast is based on the Statistics Canada's publication *Population projections by Aboriginal Identity in Canada 91-552-X*.

Employment

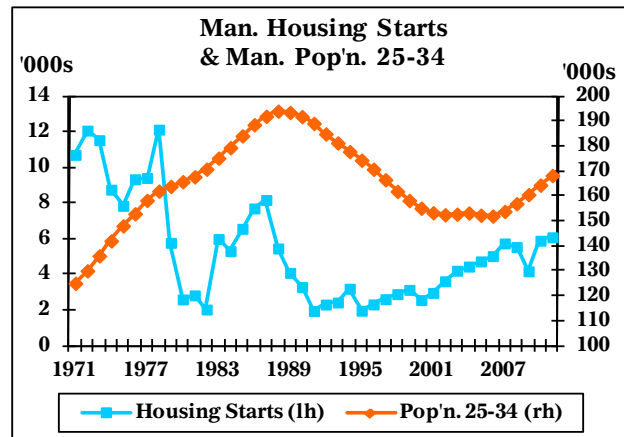
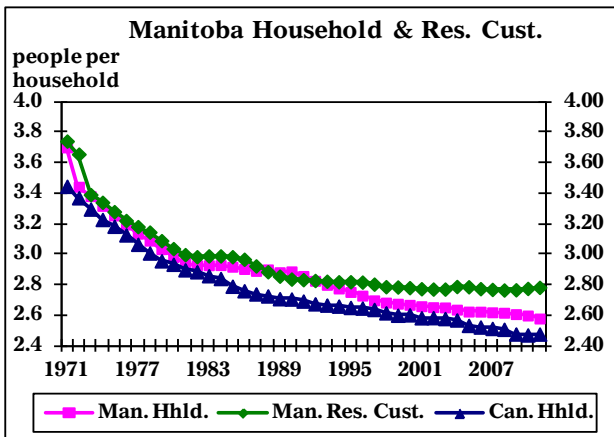
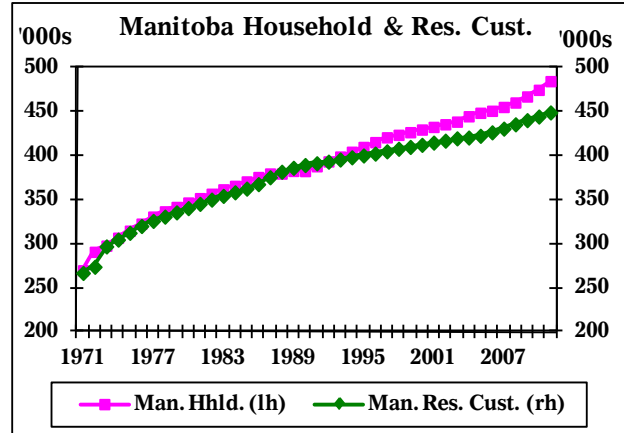
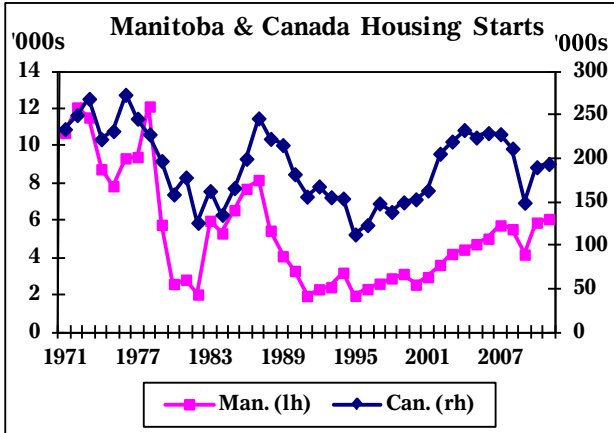


*Participation Rate = Labour Force/Popn 15+

	Manitoba			Canada			United States		
	2001	2011	% chge 11/10	2001	2011	% chge 11/10	2001	2011	% chge 11/10
Population 15+ - '000s	861	953	1.3	24,439	27,987	1.2	215,091	239,618	0.8
Participation Rate - %	67.7	69.2		65.9	66.8		66.8	64.1	
Labour Force - '000s	584	660	0.8	16,105	18,703	1.0	143,769	153,616	-0.2
Employment - '000s	554	624	0.7	14,941	17,309	1.5	136,939	139,873	0.6
Unemployment Rate - %	5.1	5.4		7.2	7.5		4.8	8.9	
Employment Rate - %	64.3	65.5		61.1	61.8		63.7	58.4	
Industrial Weekly Wage - \$	608	809	2.9	657	875	2.5	494	651	3.1

Over the 2012-2033 period, Manitoba's and Canada's employment levels are forecast to grow annually at 1.1% and 0.7% respectively, while the United States' is anticipated to grow at 0.9% annually. Manitoba's unemployment rate is expected to trend downwards from 5.3% in 2012 to 5.0% in 2020 and remain around the 5.0% rate until 2033. Canada's unemployment rate is expected to trend from 7.3% in 2012 to 5.8% in 2033. The United States' unemployment rate is expected to trend from 8.3% in 2012 to 5.3% in 2033.

Housing



	Man. Housing Starts	Man. Res. Cust. '000s	Can. Housing Starts '000s
1994	3,197	398	154
1995	1,963	401	113
1996	2,318	403	123
1997	2,612	405	148
1998	2,895	408	138
1999	3,133	410	149
2000	2,560	413	153
2001	2,963	415	163
2002	3,617	417	205
2003	4,206	420	219
2004	4,440	421	233
2005	4,731	423	224
2006	5,028	427	229
2007	5,738	431	228
2008	5,537	436	211
2009	4,174	441	149
2010	5,888	445	190
2011	6,083	449	194

Total Manitoba housing starts were 6,083 in 2011, up from 5,888 units in 2010. Strong population and employment growth, rising wages, and low mortgage rates were the driving force behind the demand for housing in 2011, which was the highest level in 24 years. EO2012 forecasts that Manitoba housing starts will increase at approximately 8,300 units annually in the longer term. The forecasted annual population growth rate in Manitoba of 17,000 people in EO2012 is 3,700 people higher than the growth rate forecast in EO2011 and is the main driver in the increased housing starts.

The number of Manitoba Hydro metered residential customers increased by 4,654 units in 2011 relative to 2010. EO2012 forecasts that Manitoba residential customers will increase by 6,300 units or 1.2% annually over the 2012-2033 period, up 900 units annually from EO2011. Refer to Appendices A and B for the forecasts of Manitoba residential customers expressed in calendar and fiscal years.

Interest Rates

Canadian Interest Rates

	2011 Average %	12 Month Low %	12 Month High %
90 Day T-Bill Rate	0.93	0.86	0.98
Prime Rate	3.00	3.00	3.00
LT Bond Rate 10 Yr+	3.09	2.35	3.68

U.S. Interest Rates

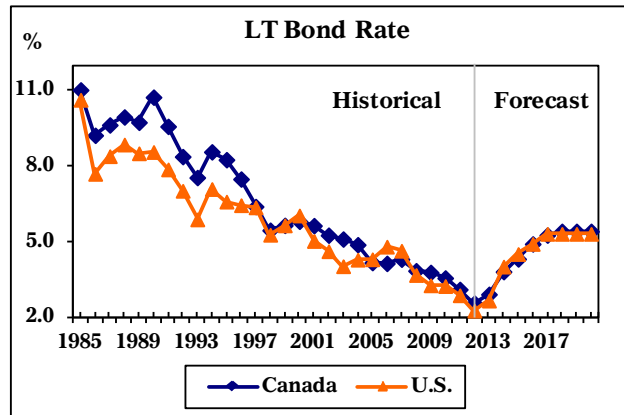
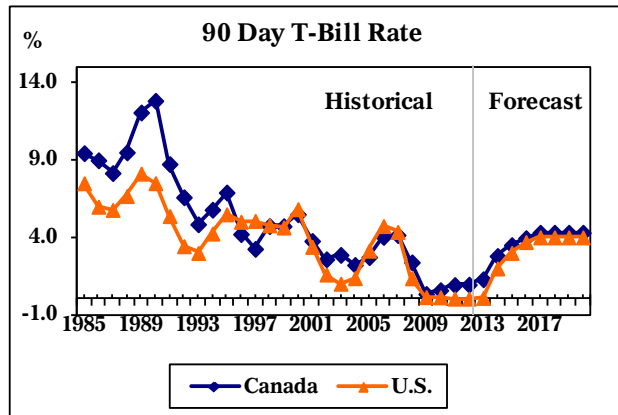
	2011 Average %	12 Month Low %	12 Month High %
90 Day T-Bill Rate	0.05	0.01	0.16
Prime Rate	3.25	3.25	3.25
LT Bond Rate 10 Yr	2.86	2.02	3.63

Short-Term Interest Spread

	Cdn. 90 Day T-Bill Rate %	U.S. 90 Day T-Bill Rate %	Spread %
1981	17.72	14.08	3.64
1991	8.73	5.38	3.35
2001	3.77	3.39	0.38
2011	0.93	0.05	0.87

Long-Term Interest Spread

	Cdn. LT Bond Rate 10 Yr+ %	U.S. LT Bond Rate 10 Yr %	Spread %
1981	15.22	13.91	1.31
1991	9.57	7.86	1.71
2001	5.63	5.02	0.61
2011	3.09	2.86	0.23



For the purpose of representing the long-term interest rates that impact Manitoba Hydro, for Canadian long-term debt the average of a 10 year and a 30 year Canadian long bond rate is used and is referred to as a 10 Yr+ rate. For U.S. long-term debt, a 10 year U.S. long bond rate is used.

In 2011, the Bank of Canada maintained its stimulative monetary policy throughout the year. The Bank of Canada maintained the overnight rate at 1.00% throughout 2011. As a result, the 90 Day T-Bill rate increased from 0.59% in 2010 to 0.93% in 2011, while the 10 Yr+ bond rate dropped from 3.55% to 3.09% over the same period.

Canadian 90 Day T-Bill rates are forecast to trend from 0.95% in 2012 to 4.30% in the long term. The U.S. 90 Day T-Bill rate is expected to trend from 0.05% in 2012 to 4.00% in the long term. Canada and U.S. long bond rates are forecast to trend up to 5.40% and 5.30%, respectively. The positive spread in Canadian-U.S. T-Bill rates in 2011 is expected to decline over the forecast period. The positive spread in Canadian-U.S. long bond rates in 2011 is also expected to decline over the forecast period.

Refer to Appendices A and B for the forecasts of Canadian interest rates expressed in calendar and fiscal years. Forecasts of U.S. interest rates can be found on page 3.

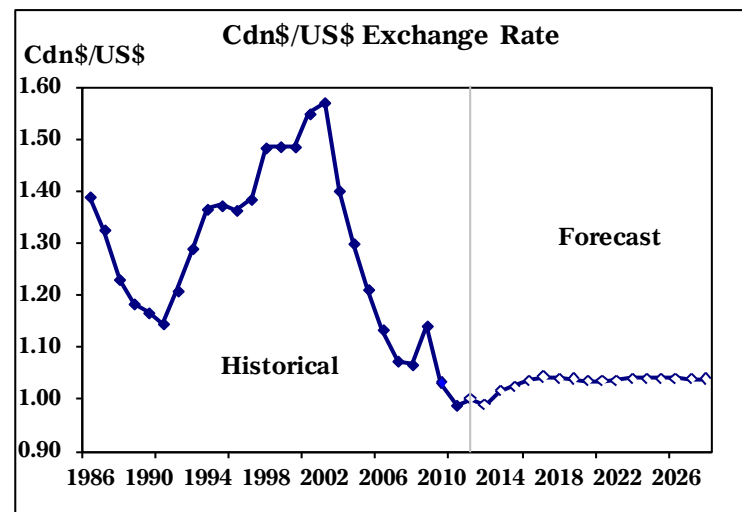
Exchange Rate

Exchange Rate

Year	US\$/Cdn.\$	Cdn.\$/US\$
1970	0.96	1.04
1975	0.98	1.02
1980	0.86	1.17
1985	0.73	1.37
1990	0.86	1.17
1995	0.73	1.37
1996	0.73	1.36
1997	0.72	1.38
1998	0.67	1.48
1999	0.67	1.49
2000	0.65	1.49
2001	0.64	1.55
2002	0.71	1.57
2003	0.77	1.40
2004	0.83	1.30
2005	0.88	1.21
2006	0.93	1.13
2007	0.94	1.07
2008	0.94	1.07
2009	0.88	1.14
2010	0.97	1.03
2011	1.01	0.99
2012	1.00	1.00
2022	0.96	1.04
2033	0.96	1.04

Range in Exchange Rate

	2011 Average	12 Month Low	12 Month High
Cdn. \$/US \$	0.99	1.03	0.96
US \$/Cdn. \$	1.01	0.97	1.05



The Canadian dollar appreciated relative to the U.S. dollar by 4.1% in 2011 relative to 2010. Rising commodity prices, including oil, are the main factors behind the stronger Canadian dollar in 2011. It has appreciated over 59% since 2002, when it was at its lowest historic value relative to the U.S. dollar.

The Canadian dollar is expected to continue to depreciate slightly over the next few years from parity in 2012 and 2013 to 1.04 Cdn\$/US\$ in 2016 and beyond.

Appendix A

Manitoba/Canada Economic Statistics Fiscal Year Basis

Year	Man. Real GDP % chge	Man. CPI % chge	Man. Population '000s	Man. Residential Customers '000s	Cdn. Real GDP % chge	Cdn. CPI % chge	90 Day T-Bill Rate %	Cdn LT Bond Rate 10 Yr+ %	C\$/US\$
1987/88	1.0	4.1	1,099	378	5.0	4.4	8.47	9.90	1.31
1988/89	0.3	4.4	1,103	383	4.4	4.1	10.29	10.11	1.21
1989/90	2.6	4.7	1,104	386	2.2	5.2	12.37	9.77	1.18
1990/91	1.0	5.0	1,106	389	-1.0	5.0	12.07	10.59	1.16
1991/92	-2.3	3.8	1,110	391	-1.0	4.4	8.03	9.29	1.15
1992/93	0.9	1.9	1,114	393	1.1	1.6	6.25	8.18	1.23
1993/94	1.3	2.4	1,119	396	2.8	1.5	4.46	7.39	1.31
1994/95	3.0	1.6	1,125	398	5.1	0.4	6.46	8.95	1.38
1995/96	1.0	2.5	1,130	400	1.8	2.1	6.17	7.93	1.36
1996/97	3.2	2.5	1,135	402	2.4	1.7	3.67	7.28	1.36
1997/98	3.9	1.5	1,136	405	4.5	1.4	3.63	6.06	1.40
1998/99	3.6	1.5	1,139	406	4.1	0.9	4.81	5.35	1.50
1999/00	2.3	2.2	1,144	408	5.8	2.2	4.82	5.69	1.47
2000/01	3.4	2.5	1,148	410	4.6	2.7	5.42	5.66	1.50
2001/02	1.0	2.1	1,153	413	1.5	2.2	3.09	5.91	1.57
2002/03	1.5	2.3	1,158	415	3.1	3.0	2.79	5.41	1.55
2003/04	1.6	0.9	1,166	419	1.7	1.9	2.66	4.97	1.35
2004/05	2.3	2.7	1,175	422	3.5	2.2	2.32	4.81	1.28
2005/06	2.8	2.4	1,180	426	3.2	2.3	3.02	4.17	1.19
2006/07	3.1	2.0	1,186	430	2.2	1.9	4.16	4.23	1.14
2007/08	2.7	1.9	1,197	434	2.3	2.1	3.83	4.24	1.03
2008/09	2.8	2.2	1,209	440	-0.5	2.2	1.84	3.66	1.13
2009/10	0.2	0.6	1,223	444	-1.3	0.4	0.22	3.89	1.09
2010/11	2.3	1.0	1,239	448	3.0	2.0	0.78	3.48	1.02
2011/12	2.2	2.8	1,255	453	2.4	2.7	0.91	2.79	0.99
Forecast									
2012/13	2.3	1.7	1,272	459	2.1	1.9	1.00	2.65	1.00
2013/14	2.4	1.8	1,289	465	2.3	1.9	1.45	3.00	0.99
2014/15	2.4	1.8	1,306	472	2.3	1.9	2.95	3.95	1.02
2015/16	2.5	1.8	1,323	478	2.4	1.9	3.60	4.45	1.03
2016/17	2.4	1.8	1,340	484	2.3	1.9	4.05	5.00	1.04
2017/18	2.1	1.9	1,358	491	2.3	1.9	4.30	5.30	1.04
2018/19	1.8	1.9	1,375	497	2.1	1.9	4.30	5.40	1.04
2019/20	1.7	1.9	1,393	504	1.9	1.9	4.30	5.40	1.04
2020/21	1.7	1.9	1,411	510	1.9	1.9	4.30	5.40	1.04
2021/22	1.7	1.9	1,428	517	1.9	1.9	4.30	5.40	1.04
2022/23	1.7	1.9	1,446	523	1.9	1.9	4.30	5.40	1.04
2023/24	1.7	1.9	1,463	530	1.9	1.9	4.30	5.40	1.04
2024/25	1.7	1.9	1,480	536	1.9	1.9	4.30	5.40	1.04
2025/26	1.7	1.9	1,497	542	1.9	1.9	4.30	5.40	1.04
2026/27	1.7	1.9	1,514	549	1.9	1.9	4.30	5.40	1.04
2027/28	1.7	1.9	1,531	555	1.9	1.9	4.30	5.40	1.04
2028/29	1.7	1.9	1,547	561	1.9	1.9	4.30	5.40	1.04
2029/30	1.7	1.9	1,564	567	1.9	1.9	4.30	5.40	1.04
2030/31	1.7	1.9	1,580	573	1.9	1.9	4.30	5.40	1.04
2031/32	1.7	1.9	1,596	579	1.9	1.9	4.30	5.40	1.04
2032/33	1.7	1.9	1,612	585	1.9	1.9	4.30	5.40	1.04

Appendix B

Manitoba/Canada Economic Statistics Calendar Year Basis

Year	Man. Real GDP % chge	Man. CPI % chge	Man. Popu- lation '000s	Man. Residential Customers '000s	Cdn. Real GDP % chge	Cdn. CPI % chge	90 Day T-Bill Rate %	Cdn LT Bond Rate 10 Yr+ %	C\$/ US\$
1987	1.5	4.2	1,098	376	4.3	4.4	8.15	9.62	1.33
1988	-0.5	4.2	1,102	382	5.0	3.9	9.48	9.94	1.23
1989	2.7	4.7	1,104	387	2.6	5.1	12.05	9.73	1.18
1990	2.5	4.5	1,105	390	0.2	4.8	12.81	10.73	1.17
1991	-3.4	5.1	1,110	392	-2.1	5.6	8.73	9.57	1.15
1992	1.0	1.4	1,113	394	0.9	1.4	6.58	8.37	1.21
1993	0.4	2.7	1,118	396	2.3	1.9	4.84	7.54	1.29
1994	3.9	1.4	1,123	398	4.8	0.1	5.78	8.56	1.37
1995	0.3	2.7	1,129	401	2.8	2.2	6.89	8.24	1.37
1996	3.1	2.2	1,134	403	1.6	1.5	4.21	7.48	1.36
1997	3.7	2.0	1,136	405	4.2	1.7	3.26	6.39	1.38
1998	4.2	1.3	1,137	408	4.1	1.0	4.73	5.44	1.48
1999	1.6	2.0	1,142	410	5.5	1.8	4.72	5.64	1.49
2000	4.3	2.5	1,147	413	5.2	2.7	5.49	5.80	1.49
2001	0.8	2.7	1,151	415	1.8	2.5	3.77	5.63	1.55
2002	1.6	1.5	1,157	417	2.9	2.2	2.59	5.25	1.57
2003	1.4	1.8	1,164	420	1.9	2.8	2.87	5.09	1.40
2004	2.2	2.0	1,174	421	3.1	1.8	2.22	4.87	1.30
2005	2.6	2.7	1,178	423	3.0	2.2	2.73	4.16	1.21
2006	3.4	2.0	1,184	427	2.8	2.0	4.03	4.13	1.13
2007	2.3	2.0	1,194	431	2.2	2.2	4.15	4.29	1.07
2008	4.0	2.3	1,205	436	0.7	2.3	2.39	3.84	1.07
2009	-0.5	0.6	1,219	441	-2.8	0.3	0.35	3.77	1.14
2010	2.3	0.8	1,235	445	3.2	1.8	0.59	3.55	1.03
2011	2.2	3.0	1,251	449	2.5	2.9	0.93	3.09	0.99
Forecast									
2012	2.3	1.7	1,267	455	2.1	1.9	0.95	2.55	1.00
2013	2.4	1.8	1,284	461	2.3	1.9	1.30	2.90	0.99
2014	2.4	1.8	1,301	467	2.3	1.9	2.80	3.80	1.02
2015	2.5	1.8	1,319	474	2.4	1.9	3.50	4.30	1.03
2016	2.5	1.8	1,336	480	2.3	1.9	3.95	4.90	1.04
2017	2.2	1.9	1,354	487	2.3	1.9	4.30	5.25	1.04
2018	1.8	1.9	1,371	493	2.2	1.9	4.30	5.40	1.04
2019	1.7	1.9	1,389	500	1.9	1.9	4.30	5.40	1.04
2020	1.7	1.9	1,406	506	1.9	1.9	4.30	5.40	1.04
2021	1.7	1.9	1,424	513	1.9	1.9	4.30	5.40	1.04
2022	1.7	1.9	1,441	519	1.9	1.9	4.30	5.40	1.04
2023	1.7	1.9	1,459	526	1.9	1.9	4.30	5.40	1.04
2024	1.7	1.9	1,476	532	1.9	1.9	4.30	5.40	1.04
2025	1.7	1.9	1,493	538	1.9	1.9	4.30	5.40	1.04
2026	1.7	1.9	1,510	545	1.9	1.9	4.30	5.40	1.04
2027	1.7	1.9	1,527	551	1.9	1.9	4.30	5.40	1.04
2028	1.7	1.9	1,543	557	1.9	1.9	4.30	5.40	1.04
2029	1.7	1.9	1,560	563	1.9	1.9	4.30	5.40	1.04
2030	1.7	1.9	1,576	569	1.9	1.9	4.30	5.40	1.04
2031	1.7	1.9	1,592	575	1.9	1.9	4.30	5.40	1.04
2032	1.7	1.9	1,608	581	1.9	1.9	4.30	5.40	1.04
2033	1.7	1.9	1,624	587	1.9	1.9	4.30	5.40	1.04

Appendix C

Economic Alternative Cases

Two alternative economic cases have been developed for the purpose of testing the robustness of major projects or of long-term development plans. The two cases differ from the reference case where one assumes more government stimulus spending (quantitative easing) while the other assumes deficit cutting (austerity). Each of the cases – 1) inflationary or higher economic growth and 2) deflationary or lower economic growth – represents an integrated outlook in which significant but plausible changes in the economic environment could impact Manitoba Hydro's plans.

The reference case represents the best view of the long-term trend in a collection of integrated economic and financial indicators. It is expected that year to year changes and fluctuations of individual variables will occur but the long-term relationships are expected to follow the reference case. The alternative cases are intended to bracket the reference case economic environment with a plausible range of outcomes.

The reference case assumptions in the 2012 Economic Outlook are considered to be anchored to the U.S. Congressional Budget Office's (CBO) *Extended Baseline Scenario* of U.S. debt-to-GDP ratio. The reference case focuses on the continuation of current laws, policies, and trends. It assumes that the U.S. Federal Reserve Board has the ability to effectively and efficiently manage the monetary environment. It recognizes that the U.S. debt-to-GDP ratio may be reaching unsustainable levels, but assumes that there will be sufficient future tradeoffs between world economic growth, U.S. government revenue, and U.S. government spending so as to allow the U.S. economic system to return to equilibrium. The resultant assumptions associated with Canada reflect the response to the U.S. economic environment.

The alternative economic cases have also been developed by considering the CBO's forecast of U.S. Debt to GDP ratio using its *Alternative Fiscal Scenario*. The alternative economic cases focus on U.S. actions to deal with an anticipated fiscal crisis. The inflationary or higher economic growth case focuses on a strong response to a fiscal crisis while the deflationary or lower economic growth case focuses on a weak response.

Inflationary – Higher Economic Growth Case

In this case, the high and growing U.S. debt-to-GDP ratio is assumed to cause some form of sovereign debt crisis for the United States. The empirical evidence regarding the effect of government fiscal imbalances on interest rates is mixed, but the spread between long and short-term interest rates has been shown to be positively correlated with government indebtedness. Moreover, a common finding is that expected fiscal deficits, as opposed to actual ones, have an effect on long-term interest rates on government bonds. There is also evidence that interest rate effects are non-linear and tend to be greater at higher levels of indebtedness.

As the risk premium that investors demand for holding U.S. assets rises, U.S. interest rates would be forced higher. Recognizing the danger on future economic output posed by higher domestic interest rates, the U.S. Federal Reserve Board takes aggressive actions to increase the money supply – implementing existing or as yet un-contemplated measures of quantitative easing.

This new liquidity has the effect of lowering real interest rates on both short and long-term debt and boosting lending. Lower real interest rates positively impact consumer spending and business investment which result in higher economic output, lower unemployment, and increasing labour productivity. The existing poor fiscal position along with lower real interest rates would decrease the exchange value of the U.S. dollar, improving domestic export

opportunities, but causing the cost of imports to increase. These factors would combine to cause higher domestic inflation. Rising inflation erodes the real value of the debt held by creditors. In fact, higher inflation is recognized as one of the four basic mechanisms through which nations can reduce their debt/GDP ratio.

This inflationary, higher economic output environment would be characterized by generally higher costs for all capital and labour inputs. It is expected that higher energy and electricity demand would be other characteristics in this environment, leading, over the medium-term, to higher prices for primary and intermediate energy forms. The ultimate impact on energy prices over the long term is indeterminate, but history would suggest that high energy prices cannot be associated with high economic growth over the long term. The development of new efficient technologies and substitutes on both the supply and demand side of the energy equation is fundamentally related to the commodity business investment cycle.

Furthermore, it is likely that the political environment in an inflationary, higher economic growth environment would be more amenable (than a recessionary environment) to the development of environmental legislation, specifically the addition of some externality cost based on fuel carbon content.

Deflationary – Lower Economic Growth Case

In this case, the high and growing U.S. debt-to-GDP ratio is assumed to cause some form of sovereign debt crisis for the United States. However, in this case it is assumed that the U.S. Federal Reserve Board limits actions to increase the money supply.

As the risk premium that investors demand for holding U.S. assets rises, U.S. interest rates would be forced higher. This new illiquidity has the effect of raising real interest rates on both short and long-term debt. Higher real interest rates would negatively impact consumer spending and business investment which result in higher unemployment and decreasing labour productivity. The declining fiscal position along with higher real interest rates would increase the exchange value of the U.S. dollar, reducing domestic export opportunities and further impacting potential economic growth. These factors would combine to cause lower domestic inflation. With current and/or reference case forecast domestic inflation at near zero levels, it is assumed that the U.S. economy would be characterized by a mild deflation similar to the 10-20 year experience of Japan. A process of mild price deflation would result in further real interest rate increases and would have a worsening effect on the U.S. debt/GDP ratio.

This deflationary, lower economic output environment would be characterized by generally lower costs for all capital and labour inputs. It is expected that lower energy and electricity demand would be other characteristics in this environment, leading, over the medium-term, to lower prices for primary and intermediate energy forms. The ultimate impact on energy prices over the long term is indeterminate, but history would suggest that low energy prices cannot be sustained over the long term any more than high energy prices. Necessary long-term investments on both the supply and demand side of the energy equation would be hampered, ultimately leading to higher prices over the long term.

In this alternative case, it is likely that the political environment in a deflationary, lower economic growth environment would be less amenable to the development of environmental legislation.

Application of Economic Alternative Cases

Forecasts of several key economic and financial indicators are provided for the two alternative cases in the table that follows. The longer term reference case assumptions are provided for comparison purposes. The alternative case assumptions are meant to reflect a change in the economic environment relative to the reference case in the longer term, at least five years out in time. In assessing the robustness of a project or plan, the alternative case assumptions should be applied for a period of approximately ten consecutive years during a critical period for the project or development plan.

The alternative cases consider the inter-relationships of key economic and financial variables in addition to other key planning assumptions such as load forecast, electricity export prices and fuel prices. Testing a plan with an integrated set of assumptions is more meaningful and realistic than solely assessing the impact of a single variable (sensitivity analysis). The alternative cases are intended to bracket the reference case economic environment with a plausible range of outcomes.

Economic Alternative Cases

Indicator	Reference	Inflationary: Higher Economic Growth	Deflationary: Lower Economic Growth
CAN CPI, %	1.9	4.0	0.5
U.S. CPI, %	2.0	5.0	-0.5
Cdn. 10 Yr+ Long Bond Rate, %	5.40	7.25	5.25
U.S. 10 Yr+ Long Bond Rate, %	5.30	7.50	4.75
Cdn. 90 Day T-Bill Rate, %	4.30	5.75	3.75
U.S. 90 Day T-Bill Rate, %	4.00	6.00	3.25
CAD/USD Exchange Rate	1.04	0.90	1.00

BMO Quarterly Medium Term Outlook - March 26, 2012

BMO Capital Markets *

	Forecast Date	2012				2013				2014			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Cdn 90 Day T-bill - %	26-Mar-12	0.88	0.90	0.90	0.90	0.90	0.90	1.25	1.40	1.40	1.75	2.00	2.50
Cdn 10 Yr Bond Yield - %	26-Mar-12	2.04	2.28	2.50	2.78	2.92	3.02	3.15	3.30	3.45	3.60	3.70	3.80
Cdn 30 Yr Bond Yield - %	26-Mar-12	2.62	2.80	3.00	3.25	3.40	3.50	3.60	3.75	3.90	4.00	4.10	4.15
US 90 day T-bill - %	26-Mar-12	0.07	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.15	0.25	0.75
US 10 Yr Bond Yield - %	26-Mar-12	2.04	2.35	2.60	2.90	3.10	3.20	3.35	3.45	3.60	3.70	3.85	4.00
US 30 Yr Bond Yield - %	26-Mar-12	3.15	3.45	3.65	3.95	4.10	4.20	4.25	4.35	4.45	4.55	4.70	4.80
Exchange Rate**	26-Mar-12	1.00	1.01	1.01	1.00	0.99	0.98	0.98	0.98	0.97	0.95	0.96	0.97
Cdn CPI*** - % change	26-Mar-12	2.40	2.30	2.40	2.20	2.00	1.90	2.10	2.10	2.00			
Cdn GDP Price Index - % change	26-Mar-12	2.90	1.50	1.90	2.10	2.20	2.10	1.80	1.80	2.00			
US CPI*** - % change	26-Mar-12	2.80	2.40	2.10	2.20	2.20	2.20	2.10	2.10	2.00			
US GDP Price Index - % change	26-Mar-12	1.80	2.40	1.90	1.60	2.10	2.20	1.90	1.60	2.00			

* Average Period Data

** (C\$/US\$)

*** CPI All Items (year/year % change)

**** shaded area denotes forecast period

breitz01:
Annualized % change

breitz01:
Annualized % change

Provincial Economic Outlook

BMO Capital Markets Economics
March 9, 2012

	Cda	BC	Alta	Sask	Man	Ont	Que	NB	NS	PEI	Nfld
Real GDP Growth (% change, chain-weighted)											
2009	-2.8	-2.1	-4.5	-3.8	-0.3	-3.2	-0.7	-0.4	0.0	0.2	-9.0
2010	3.2	3.0	3.3	4.0	2.4	3.0	2.5	3.1	1.9	2.6	6.1
2011 f	2.5	2.6	3.9	3.3	2.2	2.1	1.9	1.4	1.6	1.7	3.8
2012 f	2.0	2.3	3.2	2.9	2.3	2.0	1.6	1.5	1.8	1.4	2.2
2013 f	2.5	2.7	3.3	3.1	2.5	2.2	2.0	1.9	2.5	1.5	1.8
Employment Growth (% change)											
2009	-1.6	-2.1	-1.3	1.3	0.0	-2.4	-0.8	0.1	-0.1	-1.4	-2.9
2010	1.4	1.8	-0.4	0.9	1.9	1.6	1.8	-0.9	0.2	3.1	3.5
2011	1.5	0.8	3.8	0.3	0.7	1.8	1.0	-1.2	0.0	1.7	2.9
2012 f	0.7	1.1	2.7	1.0	0.8	0.5	-0.3	0.5	0.6	1.2	0.2
2013 f	1.2	1.4	1.8	1.4	1.0	1.1	1.0	0.6	1.6	0.2	0.6
Unemployment Rate (percent)											
2009	8.3	7.7	6.6	4.8	5.3	9.0	8.5	8.7	9.1	12.0	15.6
2010	8.0	7.6	6.5	5.2	5.4	8.6	7.9	9.3	9.3	11.3	14.3
2011	7.5	7.5	5.5	5.0	5.4	7.8	7.7	9.5	8.9	11.4	12.6
2012 f	7.4	7.0	5.0	4.9	5.3	7.7	8.2	9.5	8.4	11.5	12.7
2013 f	7.1	6.6	4.8	4.9	5.2	7.4	7.9	9.3	8.2	11.5	12.5
Housing Starts (thousands)											
2009	148	16.0	20.0	3.8	4.0	49.8	43.9	3.5	3.4	0.9	3.0
2010	191	26.7	26.9	6.1	6.1	60.8	51.0	4.5	4.4	0.8	4.1
2011	193	26.4	25.5	7.2	5.9	67.7	48.2	3.2	4.7	1.0	3.5
2012 f	188	25.0	26.5	7.0	5.4	67.8	44.5	3.2	4.6	0.7	3.3
2013 f	185	23.0	29.0	7.2	5.2	64.5	43.5	3.5	5.0	0.7	3.4
Consumer Price Index (% change)											
2009	0.3	0.0	-0.1	1.1	0.6	0.4	0.6	0.3	-0.1	-0.1	0.3
2010	1.8	1.4	1.0	1.3	0.8	2.4	1.3	2.1	2.2	1.8	2.4
2011	2.9	2.4	2.4	2.8	3.0	3.1	3.0	3.5	3.8	2.9	3.4
2012 f	2.4	2.1	2.6	2.5	2.2	2.2	2.6	2.3	2.1	2.0	2.3
2013 f	2.1	1.4	2.4	2.3	2.0	2.2	1.9	1.7	2.2	1.5	2.0

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Quarterly Medium Term Outlook

CIBC World Markets *

	Forecast Date	2012				2013				2014				2015				2016			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Cdn 90 Day T-bill - %	30-Mar-12	0.95	0.95	0.95	0.95	0.95	0.95	0.95	1.20	1.45	1.45	1.45	1.45	2.15	2.15	2.15	2.15	2.85	2.85	2.85	2.85
Cdn 10 Yr Bond Yield - %	30-Mar-12	2.30	2.40	2.60	2.60	2.45	2.60	2.75	3.00	3.00	3.00	3.00	3.35	3.35	3.35	3.35	3.55	3.55	3.55	3.55	3.55
Cdn 30 Yr Bond Yield - %	30-Mar-12	2.75	2.80	2.95	3.00	2.90	3.25	3.35	3.50	3.50	3.50	3.50	3.80	3.80	3.80	3.80	3.95	3.95	3.95	3.95	3.95
US 90 day T-bill - %	30-Mar-12	0.08	0.08	0.10	0.10	0.15	0.15	0.40	0.55	0.55	0.55	0.55	1.50	1.50	1.50	1.50	2.45	2.45	2.45	2.45	2.45
US 10 Yr Bond Yield - %	30-Mar-12	2.40	2.60	2.75	2.60	2.45	2.65	2.85	3.10	3.10	3.10	3.10	3.45	3.45	3.45	3.45	3.65	3.65	3.65	3.65	3.65
US 30 Yr Bond Yield - %	30-Mar-12	3.55	3.60	3.65	3.40	3.35	3.45	3.70	4.00	4.00	4.00	4.00	4.30	4.30	4.30	4.30	4.50	4.50	4.50	4.50	4.50
Exchange Rate**	30-Mar-12	1.03	1.01	0.97	1.01	1.02	1.01	1.00	1.00	1.00	1.00	1.00	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01
Cdn CPI*** - % change	30-Mar-12	2.3	1.6	1.8	2.1	2.0	1.9	1.9	1.8	2.2	2.2	2.2	2.2	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1
Manitoba CPI*** - % change	30-Mar-12	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cdn GDP Deflator - % change	30-Mar-12	2.6	0.0	1.6	3.0	1.8	0.4	2.1	3.0	2.4	2.4	2.4	2.4	2.7	2.7	2.7	2.7	3.0	3.0	3.0	3.0
US CPI*** - % change	30-Mar-12	2.7	1.7	1.7	2.0	1.9	1.8	1.9	1.9	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
US GDP Deflator - % change	30-Mar-12	2.2	1.8	1.8	1.8	1.8	1.8	1.9	2.0	2.0	2.0	2.0	2.0	1.8	1.8	1.8	1.8	1.9	1.9	1.9	1.9

* End of Period Data

** (C\$/US\$)

*** CPI All Items (year/year)

**** shaded area denotes forecast period

If data can only be provided in annual granularity, assume it is the same for each quarter.



ECONOMICS

<http://research.cibcwm.com/res/Eco/EcoResearch.html>

Provincial Forecast Update

March 5, 2012

Warren Lovely (416) 594-8041

	Real GDP Yr/Yr % Chg			Employment Yr/Yr % Chg			Unemployment Rate %			Housing Starts 000s Units			Consumer Price Index Yr/Yr % Chg		
	2011E	2012F	2013F	2011A	2012F	2013F	2011A	2012F	2013F	2011A	2012F	2013F	2011A	2012F	2013F
BC	2.6	2.2	2.5	0.8	1.3	1.5	7.5	7.0	6.6	26.4	26.0	22.5	2.3	1.8	1.7
Alta	4.0	3.3	3.0	3.8	2.5	2.0	5.4	5.0	4.7	25.5	27.0	28.0	2.4	2.6	2.4
Sask	4.0	3.1	3.0	0.3	1.3	1.7	5.0	5.0	4.8	7.2	7.5	7.5	2.8	2.3	2.3
Man	2.4	2.2	2.3	0.8	0.9	1.3	5.4	5.4	5.2	5.9	6.2	6.0	2.9	1.9	2.0
Ont	2.2	1.9	1.9	1.8	0.8	1.3	7.8	8.0	7.8	67.7	67.0	63.5	3.1	1.9	2.0
Qué	2.0	1.7	1.8	1.0	-0.2	1.2	7.8	8.2	7.9	48.2	44.0	42.5	3.0	2.3	1.9
NB	1.4	1.5	1.6	-1.1	1.0	0.9	9.5	9.5	9.3	3.2	3.4	3.3	3.5	2.1	2.0
NS	1.6	1.8	2.6	0.1	0.9	1.6	8.8	8.5	8.1	4.7	4.4	4.5	3.8	2.0	2.1
PEI	1.8	1.6	1.9	1.9	1.1	0.9	11.4	11.7	11.5	1.0	0.9	0.8	2.9	1.9	2.0
N&L	5.0	1.5	2.3	2.7	1.2	1.5	12.7	12.8	12.2	3.5	3.7	3.5	3.4	2.3	2.3
Cda	2.5	2.1	2.1	1.6	0.9	1.4	7.5	7.5	7.2	193	190	182	2.9	1.9	2.0

Sources: CIBC, Statistics Canada, CMHC

Table 8
United States: fixed income market

End of period in %	2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key rate												
Federal funds	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Treasury bills												
3-month	0.09	0.03	0.02	0.02	0.05	0.10	0.10	0.10	0.15	0.15	0.15	0.15
Federal bonds												
2-year	0.76	0.44	0.26	0.23	0.25	0.25	0.35	0.40	0.45	0.50	0.55	0.60
5-year	2.19	1.72	0.94	0.81	0.80	0.85	1.00	1.10	1.20	1.30	1.40	1.50
10-year	3.45	3.16	1.93	1.88	1.90	2.00	2.20	2.40	2.50	2.60	2.70	2.80
30-year	4.51	4.38	2.92	2.89	3.05	3.10	3.25	3.40	3.50	3.60	3.70	3.75
Yield curve												
5-year - 3-month	2.10	1.69	0.92	0.79	0.75	0.75	0.90	1.00	1.05	1.15	1.25	1.35
10-year - 2-year	2.70	2.72	1.66	1.64	1.65	1.75	1.85	2.00	2.05	2.10	2.15	2.20
30-year - 3-month	4.42	4.35	2.90	2.87	3.00	3.00	3.15	3.30	3.35	3.45	3.55	3.60

f: forecasts

Sources: Datastream and Desjardins, Economic Studies

Table 9
Canada: fixed income market

End of period in %	2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key rate												
Overnight funds	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Treasury bills												
3-month	0.96	0.93	0.81	0.82	0.85	0.85	0.90	0.95	1.00	1.05	1.10	1.15
Federal bonds												
2-year	1.83	1.60	0.88	0.96	1.00	1.05	1.15	1.20	1.25	1.35	1.45	1.50
5-year	2.77	2.33	1.39	1.28	1.30	1.35	1.50	1.60	1.70	1.80	1.90	2.00
10-year	3.35	3.11	2.15	1.94	2.00	2.05	2.20	2.40	2.50	2.60	2.70	2.80
30-year	3.80	3.58	2.77	2.49	2.65	2.70	2.90	3.05	3.15	3.25	3.35	3.40
Yield curve												
5-year - 3-month	1.81	1.40	0.58	0.46	0.45	0.50	0.60	0.65	0.70	0.75	0.80	0.85
10-year - 2-year	1.52	1.51	1.27	0.98	1.00	1.00	1.05	1.20	1.25	1.25	1.25	1.30
30-year - 3-month	2.84	2.65	1.96	1.67	1.80	1.85	2.00	2.10	2.15	2.20	2.25	2.25
Spreads (Canada - U.S.)												
3-month	0.87	0.90	0.79	0.80	0.80	0.75	0.80	0.85	0.85	0.90	0.95	1.00
2-year	1.08	1.16	0.62	0.73	0.75	0.80	0.80	0.80	0.80	0.85	0.90	0.90
5-year	0.58	0.62	0.45	0.47	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
10-year	-0.10	-0.05	0.22	0.06	0.10	0.05	0.00	0.00	0.00	0.00	0.00	0.00
30-year	-0.71	-0.80	-0.15	-0.40	-0.40	-0.40	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35

f: forecasts

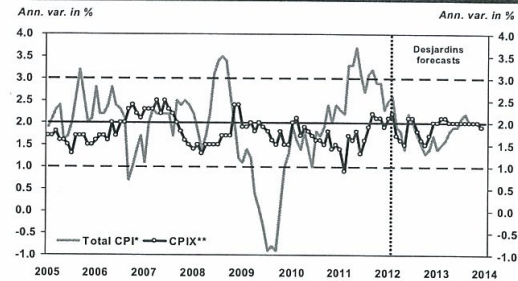
Sources: Datastream and Desjardins, Economic Studies



INFLATION

- The consumer price index (CPI) ticked up by 0.4% in January 2012 and the total annual inflation rate increased from 2.3% to 2.5%.
- Broadly speaking, the January CPI numbers are in line with our expectations. As suggested by the weekly surveys of prices at the pump, gasoline prices contributed strongly to total CPI growth in January. In addition, the 1% increase in the Québec sales tax, which took effect on January 1, 2012, certainly pushed inflation up in Québec and, to a lesser extent, in Canada. The monthly increase in Québec's total CPI (+0.8%) is in fact twice as high as the national average.
- We still believe that the total annual inflation rate will dip below the median target during the spring, once the after-effects of the major price hikes in gasoline that took place at this time last year are wiped out of the calculation (graph 15). Clearly, price trends in Canada give no cause for concern, so the Bank of Canada has all the leeway it needs to keep key interest rates extremely low for many quarters to come.

Graph 15 – The total annual inflation rate should soon fall back below the median target



* Consumer price index; ** Bank of Canada's core index.
Sources: Statistics Canada and Desjardins, Economic Studies

Table 6
Canada: major economic indicators

Quarterly annualized variation in % (except if indicated)	2011		2012				Annual average			
	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	2010	2011f	2012f	2013f
Real gross domestic product*	3.5	1.6	1.9	1.9	2.3	2.4	3.2	2.3	2.0	2.2
Personal cons. expenditures	1.2	1.2	1.8	1.9	2.4	2.4	3.3	1.9	1.7	2.3
Residential construction	10.9	0.5	0.0	0.3	1.1	2.4	10.2	2.4	1.8	1.7
Business fixed investment	-3.6	5.5	7.0	6.0	5.5	5.2	7.3	11.9	5.3	5.5
Inventory change (\$B)	10.3	3.0	5.5	8.0	9.3	9.8	8.9	11.0	8.1	8.6
Public expenditures	0.0	-1.2	-0.9	-0.5	0.5	0.9	4.7	1.2	-0.4	0.9
Exports	14.4	7.5	1.0	1.5	2.5	3.0	6.4	4.7	3.7	3.4
Imports	-3.2	-0.5	2.0	2.5	3.0	3.0	13.1	6.3	1.8	3.4
Final domestic demand	0.9	1.0	1.6	1.6	2.2	2.4	4.5	2.8	1.6	2.3
Other indicators										
Real disposable personal income	-1.2	2.0	1.5	2.0	2.5	3.0	3.6	0.9	1.5	3.1
Weekly earnings	0.3	4.8	1.0	1.5	2.0	2.5	3.5	2.6	1.9	2.7
Employment	1.2	-0.3	0.6	0.8	1.1	1.6	1.4	1.6	0.7	1.2
Unemployment rate (%)	7.3	7.5	7.6	7.5	7.4	7.2	8.0	7.4	7.4	7.0
Housing starts (1)	204.6	199.0	196.0	192.1	187.8	183.4	189.9	194.0	189.8	189.0
Corporate profits*** (2)	17.0	10.0	4.0	2.0	3.0	6.0	21.2	13.7	3.8	8.3
Personal saving rate (%)	3.5	3.3	2.9	2.6	2.6	2.8	4.8	3.8	2.7	4.2
Total inflation rate (2)	3.0	2.7	2.4	1.9	1.9	1.5	1.8	2.9	1.9	2.0
Core inflation rate** (2)	1.9	2.0	2.0	1.8	1.8	1.7	1.8	1.6	1.9	2.0
Federal gov't balance (\$B) (3)	-40.4	-35.0	-32.0	-29.0	-27.0	-25.0	-42.6	-35.2	-28.3	-18.8
Current account balance (\$B)	-48.5	-37.2	-40.0	-42.0	-43.0	-45.0	-50.9	-47.9	-42.5	-48.5

f. forecasts; * 2002 \$; ** Excluding the eight most volatile; *** Before taxes; (1) Thousands of units on an annualized basis; (2) Annual change; (3) National accounts.

Sources: Datastream and Desjardins, Economic Studies

Table 2
World GDP growth (adjusted for PPP*) and inflation rate

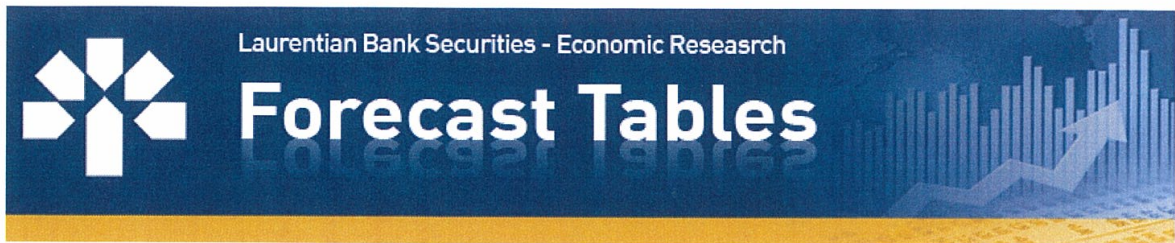
Country or zone	Weight** (%)	Real GDP growth (%)			Inflation rate (%)		
		2011	2012f	2013f	2011	2012f	2013f
Industrialized economies	47.0	1.3	0.9	1.6	2.5	1.5	1.8
United States	19.1	1.7	1.8	2.1	3.1	1.8	2.0
Canada	1.7	2.3	2.0	2.2	2.9	1.9	2.0
Québec	0.4	1.6	1.4	1.9	3.0	2.2	2.1
Ontario	0.7	1.7	1.7	2.1	3.1	1.7	1.9
Japan	5.7	-0.9	1.7	1.5	-0.3	-0.3	-0.0
United Kingdom	2.9	0.9	0.2	1.6	4.4	2.7	2.0
Euro zone	14.9	1.5	-0.6	0.7	2.7	1.9	1.7
Germany	4.0	3.1	-0.1	1.3	2.3	1.8	1.8
France	2.9	1.7	0.0	0.9	2.1	1.7	1.6
Italy	2.5	0.4	-1.6	-0.2	2.7	2.3	1.7
Other countries	2.9	2.3	1.7	2.5	2.4	1.6	2.1
Developing economies	53.0	5.6	4.9	5.5	6.0	5.6	5.5
North Asia (China, Hong Kong, India and South Korea)	21.6	7.9	7.4	7.5	5.9	4.5	4.4
China	13.2	9.2	8.4	8.4	5.4	3.5	3.7
India	5.5	7.0	7.0	7.3	8.4	8.4	7.2
South Asia (Indonesia, Malaysia, Thailand and Philippines)	3.5	4.7	4.6	5.4	4.7	4.0	4.2
Latin America	7.9	4.4	3.5	3.8	7.7	7.0	7.1
Eastern Europe	8.2	4.6	2.4	3.8	5.6	6.1	5.1
Other countries	11.8	3.1	2.7	3.9	5.2	6.4	6.6
World	100.0	3.6	3.0	3.8	3.8	3.1	3.3

f: forecasts; * Purchasing power parities: Exchange rate that equates the costs of a broad basket of goods and services across countries; ** 2010.
Sources: World Bank, Consensus Forecasts and Desjardins, Economic Studies

Table 3
Summary of the financial forecasts

End of period in % (except if indicated)	2011		2012				2013			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Key interest rate										
United States	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Canada	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Euro zone	1.50	1.00	1.00	0.50	0.50	0.50	0.50	0.50	0.50	0.50
United Kingdom	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Japan	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
10-year federal bonds										
United States	1.93	1.88	1.90	2.00	2.20	2.40	2.50	2.60	2.70	2.80
Canada	2.15	1.94	2.00	2.05	2.20	2.40	2.50	2.60	2.70	2.80
Currency market										
Canadian dollar (USD/CAD)	1.05	1.02	1.02	1.03	1.00	1.00	0.99	0.98	0.98	0.97
Euro (EUR/USD)	1.34	1.30	1.25	1.22	1.25	1.28	1.30	1.32	1.34	1.35
Euro (EUR/CAD)	1.41	1.32	1.28	1.26	1.25	1.28	1.29	1.29	1.31	1.31
Raw materials (annual average)										
WTI* oil (US\$/barrel)	95 (99**)		93 (95**)				100 (105**)			
Gold (US\$/ounce)	1,572 (1,575**)		1,725 (1,650**)				1,600 (1,550**)			
Stock markets** (level and growth)										
United States (S&P 500)	1,258		Target: 1,350 (+7.3%)				Target: 1,470 (+8.9%)			
Canada (S&P/TSX)	11,955		Target: 13,000 (+8.7%)				Target: 14,100 (+8.5%)			

f: forecasts; * West Texas Intermediate; ** End of year.
Sources: Datastream and Desjardins, Economic Studies



Interest-Rate and Exchange-Rate Forecasts											
	Historical Data					Forecasts*					
	2009	2010	2011	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2013Q4	2014Q4
Canada											
Overnight Rate	0.43	0.59	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	2.00
3-Month Treasury Bills	0.33	0.56	0.91	0.83	0.85	0.90	0.90	0.95	0.95	1.30	2.00
2-Year Bond	1.23	1.54	1.36	0.89	0.95	1.00	1.00	1.05	1.05	1.55	2.25
10-Year Bond	3.23	3.24	2.78	2.15	1.94	1.95	2.00	2.25	2.50	3.15	3.75
30-Year Bond	3.85	3.77	3.29	2.77	2.49	2.50	2.50	2.60	2.75	3.35	4.00
United States											
Federal Funds Rate	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.50
3-Month Treasury Bills	0.15	0.14	0.05	0.02	0.02	0.05	0.05	0.05	0.05	0.10	0.60
2-Year Bond	0.96	0.70	0.45	0.24	0.25	0.25	0.30	0.30	0.30	0.50	1.00
10-Year Bond	3.26	3.22	2.78	1.92	1.89	1.85	1.90	2.20	2.25	2.75	3.25
30-Year Bond	4.08	4.25	3.91	2.91	2.89	2.85	2.90	3.00	3.00	3.25	3.80
Canadian Dollar (US\$/C\$)	0.88	0.97	1.02	0.95	0.98	0.99	1.00	1.00	1.03	1.05	1.03
Canadian Dollar (Euro/C\$)	0.63	0.73	0.73	0.71	0.76	0.79	0.80	0.79	0.81	0.78	0.75
Euro (US\$/Euro)	1.39	1.33	1.39	1.34	1.29	1.25	1.25	1.27	1.27	1.35	1.38
Yen (Yen/US\$)	93.7	87.8	79.7	77.1	77.0	79	82	85	85	88	90

Quarter-end data and annual averages

* January 31, 2012



January 31, 2012

Canada															
Period-Over-Period Annualized Per Cent Change (Unless Otherwise Indicated)															
									Annual Average				Q4/Q4		
	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2010	2011	2012	2013	2010	2011	2012
Real GDP (%)	3.5	-0.5	3.5	1.4	2.0	1.6	2.0	1.7	3.2	2.3	1.8	1.9	3.3	1.9	1.8
Consumption	-0.1	2.1	1.2	1.9	2.0	1.8	1.9	2.0	3.3	1.9	1.8	1.8	3.2	1.3	1.9
Business investment	13.0	20.0	-6.0	10.7	8.6	8.0	7.1	5.7	8.5	13.0	7.2	5.4	16.8	9.0	7.3
Non-residential structures	10.3	-0.9	4.4	3.0	6.0	6.0	5.2	5.0	2.8	9.5	4.6	5.0	15.9	4.1	5.5
Machinery and equipment	14.5	32.7	-11.0	15.0	10.0	9.0	8.0	6.0	11.8	14.9	8.6	5.6	17.3	11.7	8.2
Residential construction	6.7	1.6	10.9	-5.0	-2.0	3.0	1.0	0.0	10.2	2.1	0.6	-1.7	2.9	3.4	0.5
Government spending	-0.9	0.9	0.0	-0.1	0.1	-1.1	-0.2	0.4	4.7	1.3	-0.1	0.7	3.3	0.0	-0.2
Exports	6.2	-6.4	14.4	3.0	4.0	5.0	4.0	4.0	6.4	4.4	4.5	4.7	7.0	4.0	4.2
Imports	8.4	13.6	-3.2	3.0	4.0	4.5	4.0	4.0	13.1	6.5	3.5	4.0	10.2	5.3	4.1
Inflation (%)															
Total CPI (y/y)	2.6	3.4	3.0	2.7	1.7	0.8	1.1	1.2	1.8	2.9	1.2	2.0	2.3	2.7	1.2
Core CPI (y/y)	1.3	1.6	1.9	2.0	1.8	1.4	1.4	1.1	1.7	1.7	1.4	2.0	1.6	2.0	1.1
Unemployment rate (%)*	7.7	7.5	7.2	7.4	7.5	7.4	7.4	7.4	8.0	7.5	7.4	7.3	-	-	-
Employment	2.4	2.0	1.2	-0.5	0.4	1.0	0.9	0.9	1.4	1.5	0.6	1.0	1.7	1.3	0.8
Housing starts (000s)	177	192	205	199	190	185	178	175	191	193	182	166	-	-	-
Before-tax Corp. Profits (y/y)	13.0	15.1	17.0	10.1	7.6	12.0	9.5	8.5	21.2	13.7	9.4	8.1	19.1	10.1	8.5

*Average rate for the period.

Forecasts as of January 20, 2011

United States														
Quarter-to-Quarter % Change at annual rates (Unless Otherwise Indicated)														
									Annual Average				Q4/Q4	
	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2010	2011	2012	2013	2011	2012	2013	
Real GDP (%)	1.8	2.8	1.4	2.0	2.2	2.1	3.1	1.7	2.0	2.0	1.6	1.9	2.0	
Consumption	1.7	2.0	2.3	1.4	1.9	2.0	2.0	2.2	1.8	1.9	1.6	1.9	2.0	
Private investment	15.8	2.3	5.2	4.7	7.1	10.1	5.7	8.8	6.6	6.6	7.6	6.7	6.0	
Non-residential structures	14.4	-7.2	4.2	3.5	5.5	7.0	-15.8	4.1	4.4	4.7	2.7	5.0	4.0	
Machinery and equipment	16.2	5.2	5.5	5.0	7.5	11.0	14.6	10.3	7.3	7.2	9.0	7.2	6.5	
Residential construction	1.2	10.9	2.0	2.0	2.0	2.0	-4.3	-1.4	3.6	2.0	3.3	2.0	2.0	
Government spending	-0.1	-4.6	-0.2	-1.1	-1.1	-1.1	0.7	-2.1	-1.4	-0.9	-2.9	-0.9	-0.8	
Exports	4.7	4.6	3.0	4.0	5.5	5.5	11.3	6.8	4.2	5.4	5.2	4.5	5.5	
Imports	1.2	4.4	4.0	4.0	5.0	5.0	12.5	5.0	3.7	5.1	3.8	4.5	5.2	
Inflation (%)														
Total CPI (y/y)	3.8	3.3	2.3	1.8	1.6	2.0	1.6	3.1	1.9	1.9	3.3	2.0	1.9	
Core CPI (y/y)	1.9	2.2	2.0	1.8	1.6	1.7	1.0	1.7	1.8	1.9	2.2	1.7	1.9	
Unemployment rate (%)*	9.1	8.7	8.6	8.6	8.6	8.6	9.6	9.0	8.6	8.3	-	-	-	
Employment	0.9	1.3	1.0	1.5	1.9	1.9	-0.7	1.0	1.3	1.8	1.2	1.6	1.8	
Housing Starts (000s)	615	657	640	650	650	650	585	607	648	700	-	-	-	
Before-tax Corp. profits (% y/y)	7.5	6.0	6.0	6.0	7.0	8.0	32.2	7.7	6.8	8.5	6.0	8.0	8.5	

* Average rate for the period

as of January 31, 2012


 Monthly **ECONOMIC** Monitor

 Canada
Economic Forecast

(Annual % change)*						Q4/Q4	
	2009	2010	2011	2012	2013	2012	2013
Gross domestic product (2002 \$)	(2.8)	3.2	2.4	2.0	2.2	2.1	2.1
Consumption	0.4	3.3	2.0	1.9	2.2	1.8	2.0
Residential construction	(8.0)	10.2	2.2	0.5	(1.4)	(0.3)	(0.8)
Business investment	(20.8)	7.3	11.6	3.3	5.6	4.2	4.7
Government expenditures	4.3	4.7	1.2	0.2	0.1	0.2	0.2
Exports	(13.8)	6.4	4.6	6.1	5.3	5.9	5.7
Imports	(13.4)	13.1	6.3	2.9	4.0	3.9	3.9
Change in inventories (millions \$)	(539)	8,899	11,768	5,762	5,252	5,433	5,135
Domestic demand	(2.1)	4.5	2.8	1.5	1.8	1.5	1.7
Real disposable income	0.8	3.6	1.0	1.6	2.5	2.1	2.1
Employment	(1.6)	1.4	1.5	0.7	1.3	1.1	1.2
Unemployment rate	8.3	8.0	7.5	7.3	7.1	7.3	7.2
Inflation	0.3	1.8	2.9	2.2	2.5	2.1	2.6
Before-tax profits	(32.3)	20.9	15.3	5.8	7.0	5.2	6.1
Federal balance (Public Acc., bil. \$)	(55.6)	(33.4)	(31.7)	(27.0)	(19.0)
Current account (bil. \$)	(45.2)	(50.9)	(48.0)	(40.0)	(33.0)

* or as noted

Financial Forecast*

	Current						
	2/17/12	Q1/12	Q2	Q3	Q4	2012	2013
Overnight rate	1.00	1.00	1.00	1.00	1.00	1.00	2.00
Prime rate	3.00	3.00	3.00	3.00	3.00	3.00	4.00
3 month T-Bills	0.95	0.94	0.94	0.94	0.94	0.94	1.93
Treasury yield curve							
2-Year	1.07	1.07	1.10	1.15	1.26	1.26	2.30
5-Year	1.45	1.56	1.63	1.70	1.78	1.78	2.65
10-Year	2.04	2.17	2.31	2.47	2.59	2.59	3.19
30-Year	2.63	2.68	2.82	2.96	3.06	3.06	3.60
Exchange rates*							
USD per CAD	1.00	0.99	0.96	0.97	0.98	0.98**	1.01**
Oil price (WTI), U.S.\$	100	96	91	90	93	93**	97**

National Bank Financial

* end of period

** annual average


Monthly ECONOMIC Monitor
**United States
Economic Forecast**

(Annual % change)*	2009	2010	2011	2012	2013	Q4/Q4	
						2012	2013
Gross domestic product (2005 \$)	(3.5)	3.0	1.7	2.5	2.5	2.8	2.0
Consumption	(1.9)	2.0	2.2	2.2	2.6	2.7	2.1
Residential construction	(22.2)	(4.3)	(1.4)	14.5	23.0	20.7	23.0
Business investment	(17.9)	4.4	8.6	9.0	8.2	9.9	7.1
Government expenditures	1.7	0.7	(2.1)	(1.4)	(2.0)	(0.9)	(2.7)
Exports	(9.4)	11.3	6.8	4.5	4.8	4.8	4.6
Imports	(13.6)	12.5	5.0	3.5	4.7	4.7	3.8
Change in inventories (bil. \$)	(145.0)	58.8	35.6	30.8	21.3	30.0	20.0
Domestic demand	(3.6)	1.8	1.8	2.4	2.7	3.1	2.1
Real disposable income	(2.3)	1.8	0.9	1.6	2.5	2.8	2.5
Household employment	(3.8)	(0.6)	0.6	1.3	1.4	1.4	1.2
Unemployment rate	9.3	9.6	9.0	8.3	7.8	8.1	7.8
Inflation	(0.3)	1.6	3.1	1.9	2.3	1.7	2.0
Before-tax profits	9.1	32.2	8.1	5.5	5.6	4.2	6.5
Federal balance (unified budget, bil. \$)	(1,800.0)	(1,300.0)	(1,350.0)	(1,100.0)	(900.0)
Current account (bil. \$)	(410.0)	(500.0)	(480.0)	(450.0)	(440.0)

* or as noted

Financial Forecast

	Current	Q1/12	Q2	Q3	Q4	2012	2013
	2/17/12						
Fed Fund Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3 month Treasury bills	0.08	0.05	0.06	0.05	0.05	0.05	0.13
Treasury yield curve							
2-Year	0.29	0.27	0.24	0.29	0.35	0.35	0.98
5-Year	0.86	0.90	1.01	1.11	1.23	1.23	1.98
10-Year	2.00	2.09	2.20	2.30	2.42	2.42	3.07
30-Year	3.15	3.17	3.22	3.30	3.43	3.43	3.97
Exchange rates*							
U.S.\$/Euro	1.31	1.32	1.27	1.23	1.20	1.26**	1.21**
YEN/U.S.\$	78	80	79	80	81	80**	84**

National Bank Financial

* end of period

** annual average



RBC ECONOMICS | RESEARCH

FINANCIAL MARKET FORECASTS

March 2012

Interest rates (% , end of quarter)																	
	Actual				Forecast								Actual			Forecast	
	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2	13Q3	13Q4	2009	2010	2011	2012	2013
Canada																	
Overnight	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.50	1.75	2.00	0.25	1.00	1.00	1.00	2.00
Three-month	1.10	0.90	0.80	0.82	0.90	0.95	1.05	1.30	1.60	1.80	2.05	2.10	0.19	0.97	0.82	1.30	2.10
Two-year	1.85	1.42	0.88	0.95	1.05	1.15	1.20	1.35	1.50	1.75	1.95	2.20	1.47	1.71	0.95	1.35	2.20
Five-year	2.65	2.06	1.39	1.27	1.40	1.55	1.70	1.85	2.05	2.30	2.40	2.55	2.77	2.46	1.27	1.85	2.55
10-year	3.25	2.91	2.15	1.94	2.00	2.10	2.20	2.40	2.45	2.60	2.80	2.95	3.61	3.16	1.94	2.40	2.95
30-year	3.85	3.42	2.77	2.50	2.60	2.70	2.80	3.00	3.15	3.30	3.45	3.60	4.07	3.55	2.50	3.00	3.60
Yield curve (10s-2s)	140	149	127	99	95	95	100	105	95	85	85	75	214	145	99	105	75
United States																	
Fed funds	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
Three-month	0.15	0.03	0.02	0.02	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.06	0.12	0.02	0.05	0.05
Two-year	0.70	0.41	0.25	0.25	0.25	0.25	0.25	0.40	0.50	0.55	0.75	1.14	0.61	0.25	0.25	0.75	
Five-year	2.10	1.45	0.96	0.83	0.75	0.80	0.85	0.95	1.10	1.25	1.40	1.60	2.69	2.01	0.83	0.95	1.60
10-year	3.45	2.92	1.92	1.89	1.85	1.95	2.05	2.25	2.40	2.55	2.75	2.90	3.85	3.30	1.89	2.25	2.90
30-year	4.50	4.27	2.92	2.89	3.00	3.20	3.40	3.65	3.75	3.90	4.05	4.15	4.63	4.34	2.89	3.65	4.15
Yield curve (10s-2s)	275	251	167	164	160	170	180	200	200	205	220	215	271	269	164	200	215
Yield spreads																	
Three-month T-bills	0.95	0.87	0.78	0.80	0.85	0.90	1.00	1.25	1.55	1.75	2.00	2.05	0.13	0.85	0.80	1.25	2.05
Two-year	1.15	1.01	0.63	0.70	0.80	0.90	0.95	1.10	1.10	1.25	1.40	1.45	0.33	1.10	0.70	1.10	1.45
Five-year	0.55	0.61	0.43	0.44	0.65	0.75	0.85	0.90	0.95	1.05	1.00	0.95	0.08	0.45	0.44	0.90	0.95
10-year	-0.20	-0.01	0.23	0.05	0.15	0.15	0.15	0.15	0.05	0.05	0.05	0.05	-0.24	-0.14	0.05	0.15	0.05
30-year	-0.65	-0.85	-0.15	-0.39	-0.40	-0.50	-0.60	-0.65	-0.60	-0.60	-0.60	-0.55	-0.56	-0.79	-0.39	-0.65	-0.55

Exchange rates (% , end of quarter)																		
	Actual				Forecast								Actual			Forecast		
	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2	13Q3	13Q4	2009	2010	2011	2012	2013	
Australian dollar	AUD/USD	1.03	1.07	0.97	1.02	1.08	1.09	1.07	1.05	1.03	1.01	1.01	1.02	0.69	1.02	1.02	1.05	1.02
Brazilian real	USD/BRL	1.63	1.56	1.88	1.86	1.90	1.80	1.75	1.72	1.72	1.75	1.80	2.32	1.66	1.86	1.72	1.80	
Canadian dollar	USD/CAD	0.97	0.96	1.05	1.02	0.98	0.99	1.00	1.00	0.99	0.98	0.97	1.26	1.00	1.02	1.00	0.96	
Renmibi	USD/CNY	6.55	6.46	6.38	6.30	6.30	6.30	6.20	6.10	6.05	6.00	5.95	6.83	6.59	6.30	6.10	5.85	
Euro	EUR/USD	1.42	1.45	1.34	1.30	1.33	1.31	1.28	1.27	1.26	1.25	1.24	1.33	1.34	1.30	1.27	1.23	
Yen	USD/JPY	83	81	77	77	75	76	73	71	70	71	72	99	81	77	71	73.00	
Mexican peso	USD/MXN	11.91	11.71	13.90	13.95	14.00	12.75	12.50	12.25	12.25	12.25	12.00	14.17	12.36	13.95	12.25	12.00	
New Zealand dollar	NZD/USD	0.76	0.83	0.76	0.78	0.85	0.84	0.83	0.82	0.81	0.80	0.80	0.56	0.78	0.78	0.82	0.79	
Swiss franc	USD/CHF	0.92	0.84	0.91	0.94	0.92	0.94	0.98	0.99	1.00	1.02	1.02	1.14	0.93	0.94	0.99	1.04	
U.K. pound sterling	GBP/USD	1.60	1.61	1.56	1.55	1.58	1.58	1.56	1.59	1.59	1.60	1.61	1.43	1.56	1.55	1.59	1.62	

Note: Exchange rates are expressed in units per USD, with the exception of the Euro, GBP, AUD, and NZD, which are expressed in USD per local currency unit. Source: Reuters, RBC Economics Research forecasts

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RBC ECONOMICS | RESEARCH

ECONOMIC FORECAST DETAIL – CANADA

March 20, 2012

Real growth in the economy

Quarter-over-quarter annualized percent change unless otherwise indicated

	Actual				Forecast								Actual		Forecast	
	2011				2012				2013				year-over-year		% change	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2010	2011	2012	2013
Consumer spending	0.6	2.0	1.8	2.9	2.8	2.1	2.3	2.3	2.5	2.4	2.2	2.2	3.3	2.2	2.4	2.4
Durables	-5.6	2.3	-0.6	8.6	10.7	1.8	3.8	4.2	5.8	5.4	5.1	4.8	4.4	1.1	5.3	4.8
Semi-Durables	0.5	0.0	3.5	3.6	1.5	2.3	2.3	2.3	2.5	2.1	1.5	1.5	5.0	1.7	2.3	2.2
Non-durables	-0.5	0.3	3.6	-0.1	1.5	2.3	2.3	2.3	2.1	2.1	1.9	2.0	1.8	1.0	1.7	2.1
Services	2.4	2.9	1.3	3.1	2.0	2.1	2.0	2.0	2.0	2.0	1.9	1.9	3.5	3.0	2.2	2.0
Government expenditures	-1.3	-0.2	-0.7	-2.8	-1.1	0.0	0.6	0.6	0.2	0.2	0.2	0.2	4.7	0.5	-0.7	0.3
Residential investment	6.5	0.3	10.6	3.3	-4.1	-2.6	1.7	2.9	1.5	1.2	1.7	2.0	10.2	2.3	0.7	1.5
Business investment	15.7	14.4	2.1	8.1	4.1	8.1	7.3	7.4	7.5	6.8	7.0	6.9	7.3	13.7	6.5	7.2
Non-residential structures	15.9	0.9	17.4	13.3	6.5	8.9	8.1	8.1	8.1	7.5	7.0	7.0	2.8	13.7	9.4	7.8
Machinery & equipment	15.5	30.2	-11.8	2.7	1.5	7.3	6.4	6.6	6.8	6.0	6.9	6.7	11.8	13.7	3.5	6.6
Final domestic demand	2.1	2.6	1.7	2.1	1.5	2.0	2.4	2.5	2.4	2.3	2.3	2.3	4.5	3.0	2.0	2.4
Exports	4.7	-6.0	16.0	4.6	9.5	7.3	6.9	6.5	5.9	6.7	6.3	5.9	6.4	4.4	7.4	6.4
Imports	7.7	13.5	-1.5	2.2	5.1	3.9	5.3	5.9	4.3	5.5	5.8	5.8	13.1	6.5	4.1	5.2
Inventories (change in \$b)	10.0	21.5	10.5	6.5	5.6	5.5	6.3	7.8	7.2	5.9	5.3	5.1	8.9	12.1	6.3	5.9
Real gross domestic product	3.7	-0.6	4.2	1.8	2.5	2.9	3.1	3.1	2.7	2.2	2.2	2.2	3.2	2.5	2.6	2.6

Other indicators

Year-over-year percent change unless otherwise indicated

Business and labour																
Productivity	1.0	0.8	0.6	1.1	1.0	2.1	1.9	1.5	1.2	1.0	0.9	0.9	1.3	0.8	1.6	1.0
Pre-tax corporate profits	13.1	16.0	18.0	13.3	12.4	12.3	10.6	9.6	8.0	9.3	7.9	4.9	21.2	15.0	11.2	7.5
Unemployment rate (%)*	7.7	7.5	7.3	7.5	7.5	7.3	7.2	7.2	7.1	7.0	6.9	6.9	8.0	7.5	7.3	7.0
Inflation																
Headline CPI	2.6	3.4	3.0	2.7	2.4	1.6	1.8	1.6	1.5	1.9	2.1	2.1	1.8	2.9	1.8	1.9
Core CPI	1.3	1.6	1.9	2.0	2.0	1.8	1.8	1.7	1.9	1.9	2.0	2.0	1.8	1.6	1.8	2.0
External trade																
Current account balance (\$b)	-40	-62	-49	-41	-39	-38	-34	-29	-24	-23	-22	-22	-51	-48	-35	-23
% of GDP	-2.4	-3.7	-2.9	-2.4	-2.2	-2.1	-1.9	-1.6	-1.3	-1.2	-1.2	-1.2	-3.1	-2.8	-1.9	-1.2
Housing starts (000s)*	175	195	205	200	196	185	190	188	186	186	186	186	190	194	190	186
Motor vehicle sales (mill., saar)*	1.61	1.62	1.60	1.64	1.71	1.66	1.65	1.65	1.67	1.69	1.71	1.72	1.58	1.62	1.67	1.70

**Quarterly average

Source: Statistics Canada, RBC Economics Research forecasts

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PROVINCIAL OUTLOOK | MARCH 2012

Tables

Manitoba

		2006	2007	2008	2009	2010	2011F	2012F	2013F
Real GDP	\$2002 millions	40,181	41,263	42,838	42,705	43,746	44,883	46,409	47,802
	% change	3.4	2.7	3.8	-0.3	2.4	2.6	3.4	3.0
Employment	thousands	589	599	608	608	620	624	630	638
	% change	1.2	1.7	1.7	0.0	1.9	0.8	0.9	1.3
Unemployment rate	%	4.3	4.4	4.2	5.2	5.4	5.4	5.2	5.0
Retail sales	\$ millions	12,874	14,016	14,980	14,915	15,752	16,472	17,290	18,095
	% change	4.1	8.9	6.9	-0.4	5.6	4.6	5.0	4.7
Housing starts	units	5,028	5,738	5,537	4,174	5,888	5,900	6,100	5,800
	% change	6.3	14.1	-3.5	-24.6	41.1	0.2	3.4	-4.9
Consumer price index	2002=100	108.7	110.9	113.4	114.1	115.0	118.4	120.7	123.1
	% change	1.9	2.1	2.2	0.6	0.8	2.9	1.9	2.1

Ontario

		2006	2007	2008	2009	2010	2011F	2012F	2013F
Real GDP	\$2002 millions	522,998	533,233	529,828	512,685	527,813	537,841	551,287	563,967
	% change	2.4	2.0	-0.6	-3.2	3.0	1.9	2.5	2.3
Employment	thousands	6,449	6,564	6,666	6,502	6,610	6,731	6,796	6,890
	% change	1.2	1.8	1.6	-2.5	1.7	1.8	1.0	1.4
Unemployment rate	%	6.3	6.4	6.5	9.0	8.7	7.8	7.8	7.5
Retail sales	\$ millions	140,591	145,965	151,672	147,920	155,889	160,555	166,496	173,028
	% change	4.0	3.8	3.9	-2.5	5.4	3.0	3.7	3.9
Housing starts	units	73,417	68,123	75,076	50,370	60,433	67,700	62,300	59,000
	% change	-6.8	-7.2	10.2	-32.9	20.0	12.0	-8.0	-5.3
Consumer price index	2002=100	108.8	110.8	113.3	113.7	116.5	120.1	122.2	124.6
	% change	1.8	1.8	2.3	0.4	2.4	3.1	1.8	1.9

Quebec

		2006	2007	2008	2009	2010	2011F	2012F	2013F
Real GDP	\$2002 millions	260,033	265,585	269,083	267,290	273,856	278,238	282,689	288,061
	% change	1.8	2.1	1.3	-0.7	2.5	1.6	1.6	1.9
Employment	thousands	3,743	3,834	3,880	3,848	3,915	3,954	3,960	4,011
	% change	1.1	2.4	1.2	-0.8	1.7	1.0	0.2	1.3
Unemployment rate	%	8.1	7.2	7.2	8.5	8.0	7.8	8.0	7.8
Retail sales	\$ millions	86,505	90,406	94,806	93,740	99,631	101,515	104,966	108,950
	% change	4.9	4.5	4.9	-1.1	6.3	1.9	3.4	3.8
Housing starts	units	47,877	48,553	47,901	43,403	51,363	48,200	45,000	42,000
	% change	-6.0	1.4	-1.3	-9.4	18.3	-6.2	-6.6	-6.7
Consumer price index	2002=100	108.7	110.4	112.7	113.4	114.8	118.3	120.4	122.9
	% change	1.7	1.6	2.1	0.6	1.3	3.0	1.8	2.0

Global Economic Research

March 6, 2012

Global Forecast Update

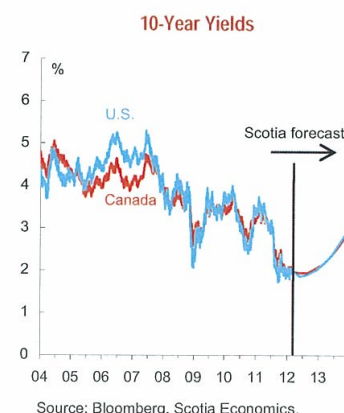
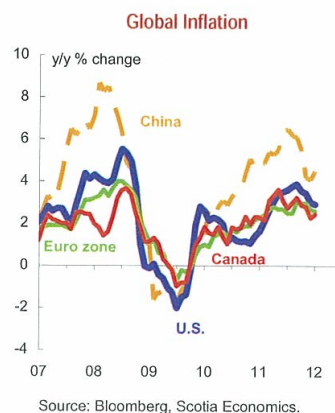
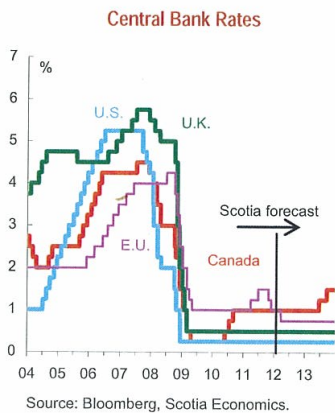
Quarterly Forecasts	11Q4	12Q1f	12Q2f	12Q3f	12Q4f	13Q1f	13Q2f	13Q3f	13Q4f
Canada									
Real GDP (q/q, ann. % change)	1.8	2.2	1.8	1.8	2.0	2.2	2.2	2.5	2.6
Real GDP (y/y, % change)	2.2	1.9	2.5	1.9	1.9	1.9	2.0	2.2	2.4
Consumer Prices (y/y, % change)	2.7	2.2	1.6	1.7	1.9	1.9	1.9	2.1	2.1
Core CPI (y/y % change)	2.0	2.0	1.9	1.7	1.7	1.8	1.8	2.0	2.0
United States									
Real GDP (q/q, ann. % change)	3.0	2.2	1.9	1.7	1.7	2.2	2.5	2.7	2.7
Real GDP (y/y, % change)	1.6	2.1	2.2	2.2	1.8	1.8	2.0	2.3	2.5
Consumer Prices (y/y, % change)	3.3	2.4	2.2	2.4	2.7	2.3	2.0	1.6	1.9
Core CPI (y/y % change)	2.2	2.0	1.7	1.5	1.5	1.7	1.7	1.9	1.9
Financial Markets									
Central Bank Rates									
(% , end of period)									
Americas									
Bank of Canada	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.50
U.S. Federal Reserve	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Bank of Mexico	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.75	5.25
Central Bank of Brazil	10.50	10.00	9.50	9.50	9.50	10.00	10.00	10.50	10.50
Bank of the Republic of Colombia	4.75	5.25	5.50	5.50	5.50	5.25	5.00	5.00	5.00
Central Reserve Bank of Peru	4.25	4.25	4.25	4.25	4.25	3.75	3.75	3.75	3.75
Central Bank of Chile	5.25	4.75	4.75	4.75	4.75	5.25	5.50	5.75	6.00
Europe									
European Central Bank	1.00	1.00	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Bank of England	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Swiss National Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asia/Oceania									
Bank of Japan	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Reserve Bank of Australia	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.50	4.50
People's Bank of China	6.56	6.56	6.56	6.31	6.31	6.10	6.10	6.10	6.10
Reserve Bank of India	8.50	8.25	8.00	7.50	7.00	6.75	6.75	6.50	6.50
Bank of Korea	3.25	3.25	3.00	3.00	3.00	3.25	3.25	3.50	3.50
Bank Indonesia	6.00	6.00	6.00	5.75	5.75	6.00	6.00	6.25	6.25
Bank of Thailand	3.25	3.25	3.00	3.00	3.00	3.00	3.00	3.25	3.25
Canada									
3-month T-bill	0.86	0.85	0.85	0.85	0.95	1.05	1.10	1.25	1.55
2-year Canada	0.97	1.05	1.00	1.00	1.15	1.35	1.55	1.75	2.00
5-year Canada	1.27	1.40	1.30	1.35	1.50	1.65	1.90	2.20	2.50
10-year Canada	1.93	1.95	1.95	1.95	2.05	2.15	2.35	2.60	2.95
30-year Canada	2.54	2.55	2.50	2.55	2.55	2.65	2.85	3.20	3.60
United States									
3-month T-bill	0.05	0.05	0.05	0.05	0.10	0.10	0.15	0.15	0.20
2-year Treasury	0.21	0.25	0.25	0.25	0.30	0.40	0.50	0.55	0.60
5-year Treasury	0.73	0.80	0.70	0.80	0.95	1.15	1.40	1.75	2.05
10-year Treasury	1.83	1.95	1.85	1.90	2.00	2.15	2.35	2.65	3.00
30-year Treasury	2.98	3.05	2.95	3.00	3.00	3.10	3.35	3.70	4.10
Canada-U.S. Spreads									
3-month T-bill	0.81	0.80	0.80	0.80	0.85	0.95	0.95	1.10	1.35
2-year	0.76	0.80	0.75	0.75	0.85	0.95	1.05	1.20	1.40
5-year	0.54	0.60	0.60	0.55	0.55	0.50	0.50	0.45	0.45
10-year	0.10	0.00	0.10	0.05	0.05	0.00	0.00	-0.05	-0.05
30-year	-0.44	-0.50	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50

Global Economic Research

March 6, 2012

Global Forecast Update

Financial Markets	11Q4	12Q1f	12Q2f	12Q3f	12Q4f	13Q1f	13Q2f	13Q3f	13Q4f
Exchange Rates (end of period)									
Americas									
Canadian Dollar (USDCAD)	1.02	1.02	1.01	0.99	0.98	0.98	0.97	0.97	0.96
Canadian Dollar (CADUSD)	0.98	0.98	0.99	1.01	1.02	1.02	1.03	1.03	1.04
Mexican Peso (USDMXN)	13.9	12.8	12.9	13.0	13.1	13.2	13.1	13.2	13.4
Brazilian Real (USDBRL)	1.87	1.72	1.73	1.74	1.75	1.77	1.80	1.82	1.85
Colombian Peso (USDCOP)	1939	1773	1792	1811	1830	1847	1865	1882	1900
Peruvian Nuevo Sol (USDPEN)	2.70	2.70	2.66	2.66	2.63	2.64	2.60	2.60	2.57
Chilean Peso (USDCLP)	520	480	490	500	495	496	499	502	505
Canadian Dollar Cross Rates									
Euro (EURCAD)	1.32	1.35	1.29	1.26	1.23	1.23	1.22	1.24	1.24
U.K. Pound (GBPCAD)	1.59	1.61	1.61	1.60	1.60	1.62	1.61	1.62	1.61
Japanese Yen (CADJPY)	75	76	79	81	84	85	86	87	88
Australian Dollar (AUDCAD)	1.04	1.08	1.08	1.07	1.07	1.08	1.07	1.08	1.07
Mexican Peso (CADMXN)	13.6	12.5	12.7	13.1	13.4	13.4	13.5	13.6	14.0
Europe									
Euro (EURUSD)	1.30	1.32	1.28	1.27	1.25	1.25	1.26	1.28	1.29
U.K. Pound (GBPUSD)	1.55	1.58	1.59	1.62	1.63	1.65	1.66	1.67	1.68
Swiss Franc (USDCHF)	0.94	0.92	0.97	0.98	0.99	1.00	0.99	0.98	0.97
Swedish Krona (USDSEK)	6.89	6.65	6.75	6.86	6.96	6.87	6.77	6.68	6.59
Norwegian Krone (USDNOK)	5.98	5.56	5.47	5.39	5.30	5.22	5.15	5.07	5.00
Asia/Oceania									
Japanese Yen (USDJPY)	77	78	80	80	82	83	83	84	84
Australian Dollar (AUDUSD)	1.02	1.06	1.07	1.08	1.09	1.10	1.10	1.11	1.11
Chinese Yuan (USDCNY)	6.3	6.3	6.2	6.1	6.1	6.0	6.0	5.9	5.8
Indian Rupee (USDINR)	53.1	49.1	49.3	49.5	49.7	49.3	48.8	48.4	48.0
Korean Won (USDKRW)	1152	1115	1103	1092	1080	1066	1052	1038	1025
Indonesian Rupiah (USDIDR)	9.07	9.00	8.91	8.83	8.75	8.65	8.55	8.45	8.35
Thai Baht (USDTHB)	31.6	30.4	30.3	30.1	30.0	29.8	29.5	29.3	29.1



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Global Economic Research

March 6, 2012

Global Forecast Update

North America	2000-10	2011e	2012f	2013f
Canada				
		(annual % change)		
Real GDP	2.2	2.5	2.0	2.1
Consumer Spending	3.2	2.2	2.0	2.1
Residential Investment	4.4	2.3	4.4	3.3
Business Investment	2.5	13.7	6.2	5.6
Government	3.6	0.5	-1.1	-1.0
Exports	0.0	4.4	5.0	4.9
Imports	3.0	6.5	3.1	3.9
Nominal GDP	4.7	5.8	4.2	3.9
GDP Deflator	2.5	3.3	2.1	1.7
Consumer Price Index	2.1	2.9	1.9	2.0
Core CPI	1.8	1.7	1.8	1.9
Pre-Tax Corporate Profits	4.6	15.0	7.5	8.0
Employment	1.5	1.5	0.8	1.1
thousands of jobs	240	262	133	196
Unemployment Rate (%)	7.1	7.5	7.4	7.2
Current Account Balance (C\$ bn.)	7.9	-48.3	-38.7	-30.8
Merchandise Trade Balance (C\$ bn.)	46.2	1.4	15.8	25.0
Federal Budget Balance (C\$ bn.)	-1.2	-26.5	-23.5	-16.0
per cent of GDP	0.0	-1.5	-1.3	-0.9
Housing Starts (thousands)	200	194	188	178
Motor Vehicle Sales (thousands)	1,588	1,590	1,640	1,650
Motor Vehicle Production (thousands)	2,447	2,135	2,345	2,430
Industrial Production	0.0	3.5	2.7	3.0
United States				
Real GDP	1.8	1.7	2.1	2.2
Consumer Spending	2.2	2.2	1.7	1.8
Residential Investment	-4.9	-1.4	6.8	6.4
Business Investment	0.9	8.7	6.0	5.9
Government	2.0	-2.1	-1.4	-1.2
Exports	3.9	6.8	4.3	4.7
Imports	3.4	4.9	2.3	2.3
Nominal GDP	4.1	3.9	3.9	3.9
GDP Deflator	2.3	2.1	1.8	1.7
Consumer Price Index	2.5	3.1	2.4	2.0
Core CPI	2.1	1.7	1.7	1.8
Pre-Tax Corporate Profits	7.0	8.1	6.0	7.0
Employment	0.1	1.2	1.4	1.5
millions of jobs	0.08	1.50	1.81	1.99
Unemployment Rate (%)	5.9	8.9	8.2	7.8
Current Account Balance (US\$ bn.)	-564	-470	-472	-441
Merchandise Trade Balance (US\$ bn.)	-633	-743	-754	-749
Federal Budget Balance (US\$ bn.)	-407	-1,300	-1,130	-960
per cent of GDP	-3.0	-8.6	-7.2	-5.9
Housing Starts (millions)	1.45	0.61	0.71	0.80
Motor Vehicle Sales (millions)	15.4	12.7	14.0	14.5
Motor Vehicle Production (millions)	10.6	8.6	9.7	10.1
Industrial Production	0.2	4.2	3.0	3.2
Mexico				
Real GDP	2.1	3.9	3.0	3.7
Consumer Price Index (year-end)	4.9	3.6	4.1	4.1
Unemployment Rate (%)	3.7	5.5	4.7	4.4
Current Account Balance (US\$ bn.)	-10.0	-13.2	-18.2	-18.2
Merchandise Trade Balance (US\$ bn.)	-8.1	-1.0	-5.0	-13.3
Industrial Production	1.4	3.8	2.7	3.9

Forecast
Changes

Canada & United States

- Our forecast for Canadian output growth in 2012-13 is largely unchanged from our February *Update*, with the economy expected to advance at around a 2% rate in both years. Improving U.S. activity is supporting a pickup in industrial production and exports. At the same time, slowing job growth and high household debt levels are expected to keep housing and consumer spending on a modest growth trajectory.
- U.S. economic indicators have been more upbeat, though the economy faces considerable headwinds, amplified by the ongoing European debt crisis and the recent surge in oil prices. Our GDP forecast for 2013 remains largely unchanged, but our call for 2012 has been upwardly revised from 1.9% to 2.1%, on front-loaded strength in the first half of the year. Modest downward revisions were made to the unemployment rate. The inflation outlook remains subdued, although higher oil prices may boost headline inflation.
- Given the November 2012 elections, much of the President's *Budget* and the proposed corporate income tax overhaul are unlikely to be implemented during the forecast period. In Canada, with further solid revenue growth and the completion of stimulus, narrower federal deficits for fiscal 2011-12 (FY12) and FY13 will set the stage for trimming the FY14 shortfall to less than 1.0% of GDP.

Mexico

- Mexico's real GDP grew 3.7% y/y in the fourth quarter of 2011, down from the 4.5% y/y rate in the previous quarter. After expanding by an average of 3.9% last year, we look for output to grow by only 2.9% in 2012. As a result of the recent Mexican peso appreciation vis-à-vis the U.S. dollar (8.5% year-to-date), we are revising our quarter-end forecast from above 13 pesos to 12.8 and to 12.9 by the end of the second quarter. The 2012 year-end rate of 13.1 remains unchanged.

Global Economic Research

March 6, 2012

Global Forecast Update

Provincial	2000-10	2011e	2012f	2013f	2000-10	2011	2012f	2013f
	<u>Real GDP</u> (annual % change)				<u>Budget Balances*, FY March 31</u> (\$millions)			
Canada	2.2	2.5	2.0	2.1	3,149	-33,372	-26,500	-23,500
Newfoundland & Labrador	3.3	4.0	1.8	2.1	91	598	756	n.a.
Prince Edward Island	1.9	1.5	1.5	1.6	-30	-52	-73	n.a.
Nova Scotia	1.8	1.6	1.6	2.2	23	569	-365	n.a.
New Brunswick	2.0	1.3	1.5	1.6	-15	-633	-471	n.a.
Quebec	1.9	1.9	1.6	2.0	-1,259	-3,150	-3,800	n.a.
Ontario	1.9	2.1	1.8	1.9	-2,407	-14,011	-15,994	n.a.
Manitoba	2.3	2.1	2.2	2.2	239 **	-298	-989	n.a.
Saskatchewan	1.9	4.0	2.8	3.0	427	48	353	n.a.
Alberta	2.7	3.7	3.1	3.0	3,957	0	0	0
British Columbia	2.5	2.5	2.2	2.5	615	-309	-2,497	-968
	<u>Employment</u> (annual % change)				<u>Unemployment Rate</u> (annual average, %)			
Canada	1.5	1.5	0.8	1.1	7.1	7.5	7.4	7.2
Newfoundland & Labrador	0.8	2.7	1.2	1.0	15.2	12.6	12.0	11.6
Prince Edward Island	1.4	2.0	0.5	0.7	11.3	11.3	11.2	11.0
Nova Scotia	1.0	0.1	0.6	1.0	8.8	8.8	8.7	8.4
New Brunswick	0.8	-1.2	0.5	0.8	9.4	9.6	9.5	9.2
Quebec	1.5	1.0	0.6	0.9	8.3	7.8	7.9	7.8
Ontario	1.5	1.8	0.7	1.0	6.9	7.8	7.8	7.7
Manitoba	1.2	0.8	0.8	1.0	4.9	5.4	5.3	5.2
Saskatchewan	1.0	0.3	0.9	1.2	5.1	5.0	4.9	4.8
Alberta	2.5	3.8	2.0	1.7	4.8	5.5	4.9	4.6
British Columbia	1.6	0.8	0.9	1.2	6.7	7.5	7.3	7.3
	<u>Housing Starts</u> (annual, thousands of units)				<u>Motor Vehicle Sales</u> (annual, thousands of units)			
Canada	200	194	188	178	1,587	1,589	1,640	1,650
Atlantic	12	13	11	11	114	119	121	122
Quebec	45	48	45	41	405	408	418	420
Ontario	73	68	65	62	604	589	607	610
Manitoba	4	6	5	5	44	47	49	49
Saskatchewan	4	7	7	6	41	50	52	53
Alberta	35	26	27	28	204	218	229	231
British Columbia	27	26	27	26	176	158	164	165

* FY12f & FY13f: Provinces' estimates.
** FY04-FY10.

Forecast
Changes

Provinces

- Stronger-than-expected vehicle sales across North America in the opening months of 2012 have prompted automakers to boost vehicle production schedules 20% above a year earlier through the first half of the year. This sharp gain will support economic activity in Ontario, especially since several popular fuel-efficient models assembled in the province are in tight supply.
- Corporate profits in both Canada and the United States continue to surprise on the upside, as the restructuring and cost-cutting measures of recent years have enabled companies to maintain historically high margins. In Canada, the strength is centred in the resource sector and financial services. These solid results will buoy double-digit gains in investment plans for Canada's resource-rich provinces over the coming year. Investment in mining and oil & gas will lead the way in 2012, with activity supported by elevated prices.
- In the first two provincial *Budgets* this spring, Alberta, before its Sustainability Fund transfer to offset its red ink, and British Columbia, projected a combined \$3.8 billion shortfall for fiscal 2011-12 (FY12), a hefty \$2.3 billion improvement from their mid-year forecasts. Five Provinces, including British Columbia and Alberta, continue to forecast balanced books by FY14. For Ontario to eliminate its deficit by FY18, its Commission on public services reform laid out a broad array of measures to curtail program spending growth to an annual average of 0.8% from FY11 to FY18.

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FINANCIAL INDICATOR OUTLOOK												
<i>end-of-period level</i>												
	2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
CANADIAN FIXED INCOME												
Overnight Target Rate (%)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.75	2.00
3-mth T-Bill Rate (%)	0.96	0.90	0.82	0.80	0.95	0.95	0.95	1.00	1.10	1.45	1.90	2.05
2-yr Govt. Bond Yield (%)	1.83	1.59	0.89	0.96	1.25	1.30	1.35	1.50	1.65	1.85	2.20	2.25
5-yr Govt. Bond Yield (%)	2.77	2.33	1.40	1.28	1.75	1.95	2.00	2.25	2.45	2.55	2.70	2.75
10-yr Govt. Bond Yield (%)	3.35	3.11	2.16	1.94	2.25	2.40	2.55	2.85	2.95	3.10	3.35	3.40
30-yr Govt. Bond Yield (%)	3.76	3.55	2.77	2.49	2.75	2.95	3.30	3.40	3.45	3.50	3.75	3.80
10-yr-2-yr Govt. Spread (%)	1.52	1.52	1.27	0.98	1.00	1.10	1.20	1.35	1.30	1.25	1.15	1.15
GLOBAL CURRENCIES												
USD per CAD	1.03	1.04	0.95	0.98	1.00	0.97	0.98	0.99	0.99	0.99	1.02	1.05
USD per EUR	1.42	1.45	1.34	1.30	1.31	1.24	1.24	1.30	1.32	1.32	1.35	1.35
JPY per USD	83.1	80.5	77.0	76.9	83.0	82.0	84.0	84.0	86.0	88.0	90.0	90.0
F: Forecast by TD Economics as at March 2012												
Source: Statistics Canada, Bank of Canada, Bloomberg												



INTEREST RATE OUTLOOK												
	2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Fed Funds Target Rate (%)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3-mth T-Bill Rate (%)	0.09	0.01	0.02	0.09	0.10	0.10	0.10	0.10	0.10	0.15	0.50	0.65
2-yr Govt. Bond Yield (%)	0.82	0.20	0.25	0.30	0.30	0.30	0.40	0.55	0.80	0.95	1.15	1.55
5-yr Govt. Bond Yield (%)	2.27	0.94	0.95	0.90	1.10	1.15	1.20	1.25	1.25	1.35	1.50	2.00
10-yr Govt. Bond Yield (%)	3.47	2.18	1.75	2.05	2.30	2.50	2.55	2.70	2.80	2.90	2.95	3.25
30-yr Govt. Bond Yield (%)	4.51	3.53	2.91	3.19	3.40	3.65	3.90	4.00	4.05	4.10	4.20	4.30
10-yr-2-yr Govt. Spread (%)	2.65	1.98	1.50	1.75	2.00	2.20	2.15	2.15	2.00	1.95	1.80	1.70

f: Forecast by TD Economics as at March 2012; All forecasts are for end of period; Source: Bloomberg, TD Economics

FOREIGN EXCHANGE OUTLOOK													
Currency	Exchange Rate	2011				2012				2013			
		Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Canadian dollar	CAD per USD	0.97	0.96	1.05	1.02	1.00	1.03	1.02	1.01	1.01	1.01	0.98	0.95
Japanese yen	JPY per USD	83.1	80.5	77.0	76.9	83.0	82.0	84.0	84.0	86.0	88.0	90.0	90.0
Euro	USD per EUR	1.42	1.45	1.34	1.30	1.31	1.24	1.24	1.30	1.32	1.32	1.35	1.35
U.K. pound	USD per GBP	1.60	1.61	1.56	1.55	1.56	1.49	1.51	1.59	1.59	1.59	1.69	1.69
Swiss franc	CHF per USD	0.92	0.84	0.91	0.94	0.93	1.01	1.01	1.00	0.98	0.98	0.96	0.96
Australian dollar	USD per AUD	1.03	1.07	0.97	1.02	1.08	1.05	1.04	1.03	1.02	1.02	0.99	0.99
NZ dollar	USD per NZD	0.76	0.83	0.76	0.78	0.84	0.83	0.84	0.83	0.82	0.82	0.81	0.81

f: Forecast by TD Economics as at March 2012; All forecasts are for end of period; Source: Federal Reserve, Bloomberg, TD Economics



CANADIAN ECONOMIC OUTLOOK																		
<i>Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated</i>																		
	2011				2012				2013				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	11	12F	13F	11	12F	13F
Real GDP	3.7	-0.6	4.2	1.8	2.1	2.2	2.6	2.5	2.2	2.3	2.4	2.1	2.5	2.2	2.4	2.2	2.4	2.3
Consumer Expenditure	0.6	2.0	1.8	2.9	1.8	2.0	2.1	2.2	2.2	2.0	1.8	1.6	2.2	2.1	2.1	1.8	2.0	1.9
Durable Goods	-5.6	2.3	-0.6	8.6	4.0	-1.6	3.0	4.4	5.7	3.8	-1.3	-4.6	1.1	3.0	2.7	1.0	2.4	0.8
Business Investment	15.7	14.4	2.1	8.1	4.5	6.0	8.1	8.7	7.5	6.9	6.4	5.9	13.7	6.4	7.4	9.9	6.8	6.7
Non-Res. Structures	15.9	0.9	17.4	13.3	6.0	5.5	6.8	7.0	6.2	5.5	4.8	4.5	13.7	8.4	6.0	11.7	6.3	5.2
Machinery & Equipment	15.5	30.2	-11.8	2.7	3.0	6.5	9.5	10.5	9.0	8.5	8.2	7.5	13.7	4.4	8.9	8.0	7.3	8.3
Residential Investment	6.5	0.3	10.6	3.3	1.4	2.0	3.5	4.2	4.9	3.5	-6.5	-6.2	2.3	3.3	1.9	5.1	2.8	-1.2
Government Expenditures	3.8	-0.4	-1.0	-3.3	-0.3	-0.5	-0.5	-0.6	-0.7	-0.8	-0.9	-0.9	0.5	-1.0	-0.7	0.9	-0.5	-0.8
Final Domestic Demand	2.1	2.6	1.7	1.9	1.6	1.9	2.3	2.4	2.3	2.0	1.2	1.0	3.0	1.9	2.0	2.1	2.0	1.6
Exports	4.7	-6.0	16.0	4.6	6.9	4.5	6.9	6.2	4.3	2.9	6.7	7.4	4.4	6.2	5.2	4.5	6.1	5.3
Imports	7.7	13.5	-1.5	2.2	5.3	3.5	5.8	6.0	4.7	2.1	2.9	4.2	6.5	4.1	4.2	5.3	5.1	3.5
Change in Non-Farm Inventories (\$2002 Bn)	6.8	18.0	7.1	4.4	4.3	4.5	5.0	5.5	5.8	6.0	6.3	6.7	9.1	4.8	6.2	--	--	--
Final Sales	0.6	-4.1	7.1	3.0	1.8	2.1	2.5	2.5	2.3	2.6	2.6	2.0	2.1	2.5	2.4	1.6	2.2	2.4
International Current Account Balance (\$Bn)	-40.3	-62.4	-49.3	-41.3	-40.4	-42.4	-40.0	-37.8	-43.7	-43.0	-35.7	-29.4	-48.3	-40.2	-38.0	--	--	--
% of GDP	-2.4	-3.7	-2.9	-2.4	-2.3	-2.4	-2.2	-2.1	-2.4	-2.3	-1.9	-1.5	-2.8	-2.2	-2.0	--	--	--
Pre-tax Corp. Profits	20.7	-5.1	18.3	21.4	7.7	7.2	8.0	7.9	7.2	7.2	7.8	7.4	15.0	10.5	7.5	13.3	7.7	7.4
% of GDP	12.0	11.8	12.1	12.5	12.6	12.7	12.8	12.9	13.0	13.1	13.2	13.3	12.1	12.8	13.2	--	--	--
GDP Deflator (Y/Y)	2.9	3.5	3.5	3.1	2.8	2.5	2.7	2.0	1.8	1.8	1.9	1.9	3.3	2.5	1.8	3.1	2.0	1.9
Nominal GDP	7.9	2.2	5.5	6.3	4.9	3.9	4.6	4.6	4.0	3.9	4.6	4.3	5.8	4.8	4.3	5.4	4.5	4.2
Labour Force	2.2	0.6	0.3	0.5	0.5	1.3	1.1	1.0	0.9	0.8	0.8	0.8	1.0	0.7	0.9	0.9	1.0	0.8
Employment	2.2	1.6	1.2	-0.3	0.7	1.0	1.2	1.4	1.4	1.3	1.2	1.2	1.5	0.8	1.3	1.2	1.1	1.3
Employment ('000s)	94	69	53	-14	30	43	52	61	59	57	53	53	262	137	224	203	186	221
Unemployment Rate (%)	7.7	7.5	7.3	7.5	7.4	7.5	7.4	7.3	7.2	7.1	7.0	6.9	7.5	7.4	7.1	--	--	--
Personal Disp. Income	3.5	2.4	0.7	5.2	3.0	3.4	3.9	4.3	4.4	4.2	4.2	4.0	3.3	3.3	4.2	2.9	3.6	4.2
Pers. Savings Rate (%)	4.4	4.0	3.4	3.4	3.2	3.0	3.0	3.0	3.1	3.2	3.2	3.3	3.8	3.1	3.2	--	--	--
Cons. Price Index (Y/Y)	2.6	3.4	3.0	2.7	2.4	2.1	1.8	2.0	2.0	2.1	2.1	2.1	2.9	2.1	2.0	2.7	2.0	2.1
Core CPI (Y/Y)	1.3	1.6	1.9	2.0	2.1	2.0	1.9	1.8	1.9	1.9	2.0	2.0	1.7	1.9	2.0	2.0	1.8	2.0
Housing Starts ('000s)	177	192	205	199	200	194	196	200	192	185	168	171	193	198	179	--	--	--
Productivity:																		
Real GDP / worker (Y/Y)	0.9	0.6	1.0	1.0	1.0	1.9	1.5	1.3	1.1	1.1	1.0	1.0	0.9	1.4	1.1	1.0	1.3	1.0

F: Forecast by TD Economics as at March 2012
Source: Statistics Canada, Bank of Canada, Canada Mortgage and Housing Corporation, Haver Analytics



U.S. ECONOMIC OUTLOOK:																		
Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated																		
	2011				2012				2013				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	11	12F	13F	11	12F	13F
Real GDP	0.4	1.3	1.8	3.0	1.7	2.2	2.6	2.7	1.8	2.1	2.9	3.2	1.7	2.2	2.4	1.6	2.3	2.5
Consumer Expenditure	2.1	0.7	1.7	2.1	1.6	2.1	2.4	2.5	1.6	2.0	2.8	2.7	2.2	1.9	2.2	1.7	2.2	2.3
Durable Goods	11.8	-5.3	5.7	15.3	13.7	3.2	5.6	5.2	2.0	5.1	7.9	7.0	8.1	8.1	4.7	6.6	6.9	5.5
Business Investment	2.1	10.3	15.7	2.8	6.3	8.4	7.7	7.5	6.3	7.4	7.0	8.7	8.7	7.6	7.3	7.6	7.5	7.3
Non-Res. Structures	-14.4	22.6	14.4	-2.6	3.4	2.6	5.5	6.1	4.9	5.7	7.2	8.6	4.4	4.9	5.7	4.0	4.4	6.6
Machinery & Equipment	8.7	6.3	16.2	4.8	7.3	10.6	8.5	8.0	6.8	8.0	7.0	8.7	10.2	8.7	7.8	8.9	8.6	7.6
Residential Construction	-2.5	4.2	1.2	11.5	8.9	6.6	7.8	9.1	11.0	13.6	16.3	16.7	-1.4	7.6	11.5	3.5	8.1	14.4
Govt. Consumption & Gross Investment	-5.9	-0.9	-0.1	-4.4	-0.8	-1.7	-1.2	-1.3	-1.3	-1.6	-1.4	-1.1	-2.1	-1.6	-1.4	-2.8	-1.2	-1.3
Final Domestic Demand	0.4	1.3	2.7	1.1	1.8	2.1	2.4	2.4	1.7	2.2	2.8	3.0	1.8	1.9	2.3	1.4	2.2	2.4
Exports	7.9	3.6	4.7	4.3	6.3	3.5	5.8	6.8	5.7	6.3	7.8	8.4	6.8	5.0	6.3	5.1	5.6	7.1
Imports	8.3	1.4	1.2	3.8	5.3	4.2	5.0	5.8	4.5	5.6	6.7	6.9	4.9	4.1	5.4	3.6	5.1	5.9
Change in Non-Farm Inventories	49.1	39.1	-2.0	54.3	47.4	53.5	59.1	65.6	64.7	63.9	67.3	70.8	35.1	56.4	66.7	---	---	---
Final Sales	0.0	1.6	3.2	1.1	1.8	1.9	2.4	2.5	1.8	2.1	2.8	3.1	2.0	2.0	2.3	1.5	2.1	2.5
International Current Account Balance (\$Bn)	-494	-493	-442	-447	-454	-464	-468	-471	-470	-473	-475	-473	-469	-464	-473	---	---	---
% of GDP	-3.3	-3.3	-2.9	-2.9	-2.9	-3.0	-3.0	-2.9	-2.9	-2.9	-2.9	-2.8	-3.1	-2.9	-2.9	---	---	---
Pre-tax Corporate Profits including IVA&CCA	4.2	13.7	6.9	-13.2	-1.4	2.5	3.1	3.7	2.3	2.9	4.3	5.1	6.7	-0.3	3.2	2.4	2.0	3.6
% of GDP	12.6	12.9	13.0	12.4	12.2	12.2	12.1	12.1	12.1	12.0	12.0	12.0	12.7	12.2	12.0	---	---	---
GDP Deflator (Y/Y)	1.8	2.1	2.4	2.1	2.2	2.1	1.9	2.2	2.0	2.0	2.0	2.0	2.1	2.1	2.0	2.1	2.2	2.0
Nominal GDP	3.1	4.0	4.4	3.9	4.6	4.2	4.6	4.7	3.9	4.2	4.9	5.2	3.9	4.3	4.4	3.8	4.5	4.5
Labor Force	-1.2	0.5	0.4	0.7	1.5	1.0	1.0	1.1	1.2	1.2	1.2	1.2	-0.2	1.0	1.1	0.1	1.2	1.2
Employment	1.4	1.7	0.9	1.4	2.0	1.7	1.8	1.9	1.5	1.8	1.9	2.2	1.2	1.6	1.8	1.3	1.8	1.8
Change in Empl. ('000s)	459	552	294	447	655	544	602	614	500	603	622	726	1,502	2,138	2,342	1,753	2,415	2,451
Unemployment Rate (%)	9.0	9.0	9.1	8.7	8.3	8.3	8.2	8.1	8.0	7.8	7.7	7.5	9.0	8.2	7.8	---	---	---
Personal Disp. Income	5.2	2.8	3.1	2.6	3.4	4.2	4.0	4.5	-0.4	3.8	5.0	5.2	3.8	3.5	3.2	3.4	4.0	3.4
Pers. Savings Rate (%)	5.0	4.8	4.6	4.5	4.4	4.6	4.5	4.5	3.5	3.5	3.5	3.6	4.7	4.5	3.5	---	---	---
Cons. Price Index (Y/Y)	2.1	3.3	3.8	3.3	2.8	2.4	2.1	2.3	2.2	2.0	2.1	2.1	3.1	2.4	2.1	3.3	2.3	2.1
Core CPI (Y/Y)	1.1	1.5	1.9	2.2	2.2	2.1	2.0	2.0	2.0	2.1	2.1	2.1	1.7	2.1	2.1	2.2	2.0	2.1
Housing Starts (mns)	0.58	0.57	0.62	0.67	0.67	0.69	0.72	0.76	0.80	0.85	0.91	0.96	0.61	0.71	0.88	---	---	---
Productivity: Real Output per hour (y/y)	1.2	0.9	0.8	0.5	0.6	0.8	0.6	0.7	0.9	0.8	0.8	0.8	0.8	0.7	0.8	0.5	0.7	0.8

F: Forecast by TD Economics as at March 2012
Source: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, TD Economics



PROVINCIAL ECONOMIC FORECASTS

REAL GROSS DOMESTIC PRODUCT (GDP)						
Annual average per cent change						
	95-09	2009	2010E	2011F	2012F	2013F
CANADA	2.6	-2.8	3.2	2.4	1.7	2.2
N. & L.	2.9	-9.0	6.1	3.4	2.1	2.1
P.E.I.	2.4	0.2	2.6	2.4	2.1	1.7
N.S.	2.2	0.0	1.9	1.4	1.6	2.6
N.B.	2.2	-0.4	3.1	1.5	1.3	1.9
Québec	2.3	-0.7	2.5	2.1	1.4	2.0
Ontario	2.6	-3.2	3.0	2.5	1.7	2.3
Manitoba	2.3	-0.3	2.4	2.2	1.7	2.2
Sask.	1.9	-3.8	4.0	3.0	2.4	2.7
Alberta	3.1	-4.5	3.3	3.1	2.6	2.9
B.C.	2.5	-2.1	3.0	1.9	1.7	2.0

E, F: Estimate, Forecast by TD Economics as at December 2011
Source: Statistics Canada / Haver Analytics

NOMINAL GROSS DOMESTIC PRODUCT (GDP)						
Annual average per cent change						
	95-09	2009	2010E	2011F	2012F	2013F
CANADA	4.7	-4.6	6.3	5.4	2.9	3.9
N. & L.	6.6	-19.6	13.9	7.4	3.6	4.1
P.E.I.	4.3	1.9	4.9	5.2	3.4	3.3
N.S.	4.2	0.7	4.5	4.5	4.9	4.1
N.B.	4.0	1.5	5.5	5.1	2.5	2.9
Québec	3.9	0.1	4.8	4.7	2.1	3.3
Ontario	4.2	-0.9	5.3	5.3	2.7	3.7
Manitoba	4.6	-0.1	5.3	5.2	3.3	4.2
Sask.	6.1	-11.7	9.6	6.8	4.0	5.2
Alberta	7.5	-16.6	9.5	6.2	4.5	5.4
B.C.	4.4	-3.8	5.9	5.3	2.7	3.5

E, F: Estimate, Forecast by TD Economics as at December 2011
Source: Statistics Canada / Haver Analytics

EMPLOYMENT						
Annual average per cent change						
	2008	2009	2010	2011F	2012F	2013F
CANADA	1.7	-1.6	1.4	1.6	0.8	1.4
N. & L.	1.0	-2.9	3.5	2.9	0.6	1.2
P.E.I.	1.2	-1.4	3.1	1.4	0.8	1.1
N.S.	0.9	-0.1	0.2	-0.3	1.4	1.7
N.B.	0.6	0.1	-0.9	-1.3	1.2	1.7
Québec	1.2	-0.8	1.8	1.2	0.6	1.3
Ontario	1.5	-2.4	1.6	1.9	0.7	1.4
Manitoba	1.7	0.0	1.9	0.7	0.7	1.3
Sask.	1.7	1.3	0.9	0.2	0.9	1.6
Alberta	3.1	-1.3	-0.4	3.7	1.5	1.8
B.C.	2.0	-2.1	1.8	0.8	0.6	1.5

F: Forecast by TD Economics as at December 2011
Source: Statistics Canada / Haver Analytics

UNEMPLOYMENT RATE						
Annual, per cent						
	2008	2009	2010	2011F	2012F	2013F
CANADA	6.1	8.3	8.0	7.4	7.6	7.4
N. & L.	13.3	15.6	14.3	12.5	12.3	12.1
P.E.I.	10.7	12.0	11.3	11.5	11.3	11.1
N.S.	7.6	9.1	9.3	9.2	8.9	8.4
N.B.	8.5	8.7	9.3	9.6	9.2	8.6
Québec	7.3	8.5	7.9	7.6	8.0	7.8
Ontario	6.5	9.0	8.6	7.8	7.9	7.8
Manitoba	4.2	5.3	5.4	5.4	5.6	5.5
Sask.	4.1	4.8	5.2	5.0	5.1	5.0
Alberta	3.6	6.6	6.5	5.4	5.0	4.8
B.C.	4.6	7.7	7.6	7.5	7.8	7.7

F: Forecast by TD Economics as at December 2011
Source: Statistics Canada / Haver Analytics

CONSUMER PRICE INDEX (CPI)						
Annual average per cent change						
	92-10	2009	2010	2011F	2012F	2013F
CANADA	1.8	0.3	1.8	2.9	1.7	1.8
N. & L.	1.8	0.3	2.5	3.2	1.6	2.1
P.E.I.	1.9	-0.1	2.0	3.2	1.8	2.1
N.S.	1.9	-0.1	2.2	3.7	1.6	1.9
N.B.	1.7	0.3	2.3	3.2	1.5	1.9
Québec	1.6	0.6	1.4	2.8	1.9	1.9
Ontario	1.8	0.4	2.4	3.2	1.5	1.7
Manitoba	1.9	0.6	0.9	2.9	1.7	1.7
Sask.	2.1	1.1	1.3	2.9	1.9	2.1
Alberta	2.3	-0.1	1.2	2.4	2.1	2.0
B.C.	1.7	0.0	1.3	2.4	1.2	1.5

F: Forecast by TD Economics as at December 2011
Source: Statistics Canada / Haver Analytics

RETAIL TRADE						
Annual average per cent change						
	91-09	2009	2010	2011F	2012F	2013F
CANADA	4.6	-2.9	5.1	3.3	2.8	3.5
N. & L.	4.1	1.6	3.7	5.0	3.5	3.9
P.E.I.	4.6	-1.3	4.9	5.2	3.0	3.3
N.S.	3.9	0.1	5.0	2.0	3.6	3.2
N.B.	4.3	0.7	4.1	4.0	2.6	2.9
Québec	4.2	-1.1	5.6	1.4	2.7	3.3
Ontario	4.3	-2.5	5.0	3.4	2.6	3.5
Manitoba	5.0	-0.4	5.5	3.8	3.1	3.6
Sask.	5.8	-0.5	2.7	8.0	3.8	4.1
Alberta	6.5	-8.3	5.7	6.7	3.6	4.4
B.C.	4.6	-4.4	4.8	1.4	2.1	2.9

F: Forecast by TD Economics as at December 2011
Source: Statistics Canada / Haver Analytics

Conference Board Quarterly Forecasts - Mar 19 2012

	2011.1	2011.2	2011.3	2011.4	2012.1	2012.2	2012.3	2012.4	2013.1	2013.2	2013.3	2013.4	2014.1	2014.2	2014.3	2014.4	2015.1	2015.2	2015.3	2015.4	2016.1	2016.2	2016.3	2016.4
Cdn GDP Price Deflator	1.25	1.26	1.27	1.28	1.29	1.29	1.30	1.31	1.31	1.32	1.33	1.33	1.34	1.35	1.35	1.36	1.37	1.37	1.38	1.39	1.40	1.40	1.41	1.42
% chge	2.8	3.5	3.5	3.1	2.6	2.4	2.5	2.0	2.1	2.1	2.2	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.0	2.1	2.1	2.0	2.0	1.9
Cdn CPI	1.18	1.20	1.20	1.21	1.21	1.22	1.22	1.23	1.24	1.24	1.25	1.26	1.27	1.27	1.28	1.29	1.29	1.30	1.30	1.31	1.32	1.32	1.33	1.34
% chge	2.6	3.4	3.0	2.7	2.2	1.4	1.8	2.1	2.4	2.2	2.1	2.1	2.1	2.3	2.2	2.2	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.0
Cdn Long Bond rate	3.74	3.59	3.09	2.74	2.61	2.60	2.50	2.41	2.33	2.34	2.38	2.44	2.52	2.61	2.72	2.88	3.11	3.34	3.51	3.62	3.71	3.80	3.87	3.95
Cdn T-Bill Rate	0.96	0.95	0.91	0.86	0.92	0.94	0.92	0.91	0.90	1.10	1.34	1.58	1.82	2.06	2.31	2.64	3.13	3.54	3.79	3.83	3.83	3.84	3.84	3.85
Cdn\$/US\$	0.99	0.97	0.98	1.02	1.00	1.00	1.00	0.99	0.99	0.98	0.98	0.98	0.98	0.97	0.96	0.96	0.97	0.97	0.97	0.97	0.98	0.98	0.98	0.98
US T-Bill Rate %	0.13	0.05	0.02	0.01	0.11	0.07	0.05	0.02	0.04	0.04	0.04	0.04	0.05	0.14	0.32	0.51	0.71	0.91	1.16	1.57	2.00	2.43	2.88	3.33
US Long Bond Rate	4.56	4.34	3.70	3.04	2.98	2.89	2.80	2.72	2.64	2.57	2.50	2.43	2.37	2.35	2.37	2.40	2.44	2.49	2.57	2.71	2.88	3.06	3.26	3.47
US GDP Price Deflator	112	113	114	114	115	115	116	116	117	117	118	118	119	120	120	121	122	122	123	124	124	125	126	127
% chge	1.8	2.1	2.4	2.1	2.1	1.8	1.6	1.8	1.7	1.9	2.0	2.0	1.9	2.0	2.0	2.1	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Cdn 10 Yr Bond rate	3.31	3.15	2.52	2.16	2.00	1.98	1.93	1.89	1.85	1.91	1.99	2.10	2.22	2.35	2.49	2.69	2.97	3.23	3.43	3.54	3.64	3.72	3.80	3.87

IHS Global Insight Quarterly Forecast - Mar 15 2012

Table 1 Selected Economic Indicators	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2	13Q3	13Q4	14Q1	14Q2	14Q3	14Q4	15Q1	15Q2	15Q3	15Q4	16Q1	16Q2	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4
Real GDP (Bil. chained 2002 \$)	1348.7	1362.5	1368.4	1375.0	1380.6	1388.8	1397.1	1406.0	1414.6	1423.9	1433.2	1442.7	1452.3	1461.7	1471.6	1481.2	1490.8	1500.5	1510.2	1519.8	1529.5	1539.5	1548.6	1558.2	1567.7	1577.6	1587.3
Annual % Ch.	-0.6	4.2	1.8	1.9	1.7	2.4	2.4	2.6	2.5	2.6	2.7	2.7	2.7	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.4	2.5	2.5	2.5	2.5
Nominal GDP (Bil. \$)	1703.0	1725.8	1752.4	1771.5	1789.3	1807.3	1822.1	1843.3	1865.1	1886.0	1907.3	1928.9	1951.8	1976.3	2001.2	2025.2	2049.1	2073.9	2098.7	2122.8	2148.2	2173.1	2198.1	2223.8	2249.7	2275.4	2301.3
Annual % Ch.	2.2	5.5	6.3	4.4	4.1	4.1	3.3	4.7	4.8	4.6	4.6	4.6	4.8	5.1	5.1	4.9	4.8	4.9	4.9	4.7	4.9	4.7	4.7	4.7	4.7	4.6	4.6
Raw Mat. Price Index	183.9	172.9	173.6	170.6	169.2	168.6	167.7	167.0	166.8	166.5	166.6	166.5	167.1	167.3	167.3	167.9	168.9	169.8	170.6	171.3	171.6	172.2	173.0	173.6	174.0	174.6	175.3
% Ch. Year Ago	23.8	15.9	9.2	-0.5	-8.0	-2.5	-3.4	-2.1	-1.4	-1.2	-0.7	-0.3	0.2	0.5	0.8	1.1	1.5	1.9	2.0	1.6	1.4	1.5	1.3	1.4	1.4	1.3	1.3
Industry Price Index	114.8	114.9	115.1	115.6	116.1	116.6	117.0	117.7	118.2	118.8	119.3	119.8	120.2	120.6	120.9	121.3	121.7	122.1	122.6	123.1	123.6	124.1	124.5	124.9	125.3	125.7	126.1
% Ch. Year Ago	5.1	5.4	3.9	2.0	1.1	1.5	1.7	1.8	1.8	1.8	1.9	1.8	1.6	1.5	1.4	1.2	1.3	1.3	1.4	1.5	1.6	1.6	1.6	1.5	1.4	1.3	1.3
GDP Deflator	126.3	126.7	128.1	128.8	129.6	130.1	130.4	131.1	131.8	132.5	133.1	133.7	134.4	135.2	136.0	136.7	137.4	138.2	139.0	139.7	140.5	141.2	141.9	142.7	143.5	144.2	145.0
Annual % Ch.	2.9	1.3	4.5	2.3	2.4	1.6	0.9	2.1	2.3	1.9	1.9	1.9	2.1	2.4	2.3	2.2	2.1	2.2	2.2	2.1	2.2	2.0	2.3	2.2	2.2	2.1	2.1
CPI	120.1	120.3	120.6	121.1	122.6	122.6	123.2	123.4	124.7	124.8	125.6	125.8	127.2	127.3	128.1	128.3	129.7	129.8	130.7	130.9	132.3	132.4	133.3	133.5	135.0	135.1	136.0
% Ch. Year Ago	3.4	3.0	2.7	2.2	2.1	1.9	2.1	1.9	1.7	1.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
3-Month T-Bill Rate (%)	0.95	0.91	0.86	0.92	0.93	0.92	0.94	0.96	0.96	1.15	1.29	1.47	1.77	2.01	2.52	2.75	3.00	3.25	3.50	3.75	4.00	4.25	4.50	4.50	4.50	4.50	4.50
US 3-Month T-Bill Rate (%)	0.05	0.02	0.01	0.07	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.07	0.18	0.57	1.04	1.54	2.07	2.58	3.05	3.45	3.74	3.77	3.77	3.77	3.77
Canada-US Differential (% pts.)	0.90	0.89	0.85	0.85	0.86	0.86	0.87	0.89	0.90	1.09	1.23	1.41	1.71	1.94	2.35	2.18	1.96	1.71	1.43	1.17	0.95	0.80	0.76	0.73	0.73	0.73	0.73
Prime Rate (%)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.25	3.33	3.50	3.83	4.08	4.58	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.50	6.50	6.75	6.75
Overnight Rate (%)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.33	1.50	1.83	2.08	2.58	2.75	3.00	3.25	3.50	3.75	4.00	4.25	4.50	4.50	4.75	4.75	4.75
Bank Rate (%)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.50	1.58	1.75	2.08	2.33	2.83	3.00	3.25	3.50	3.75	4.00	4.25	4.50	4.75	4.75	4.75	5.00	5.00
GOC Bond Rate (1-3 yrs.) (%)	1.62	1.18	1.02	1.40	1.49	1.53	1.58	1.65	1.71	1.85	1.95	2.07	2.27	2.43	2.79	3.02	3.22	3.46	3.70	3.96	4.25	4.53	4.71	4.71	4.71	4.71	4.71
GOC Bond Rate (3-5 yrs.) (%)	2.18	1.57	1.32	1.75	1.90	1.97	2.04	2.15	2.24	2.35	2.42	2.50	2.62	2.72	2.98	3.22	3.38	3.61	3.85	4.11	4.42	4.73	4.86	4.86	4.86	4.86	4.86
GOC Ten-Year Bond Rate (%)	3.15	2.52	2.16	2.13	2.34	2.46	2.55	2.70	2.82	2.90	2.94	2.98	3.01	3.05	3.19	3.43	3.55	3.78	4.01	4.28	4.62	4.94	5.03	5.03	5.03	5.03	5.03
US Ten-Year T-Note Rate (%)	3.21	2.43	2.05	1.99	2.20	2.31	2.40	2.55	2.67	2.75	2.79	2.83	2.86	2.90	3.04	3.28	3.40	3.63	3.86	4.13	4.47	4.79	4.88	4.88	4.88	4.88	4.88
US Real GDP (Bil. 2005 \$)	13271.8	13331.6	13429.9	13491.6	13561.7	13621.9	13698.5	13767.2	13849.3	13945.6	14071.1	14190.3	14317.8	14449.3	14580.5	14689.6	14792.1	14898.5	14997.5	15101.1	15199.5	15298.6	15398.5	15493.8	15588.6	15682.7	15782.5
Annual % Ch.	1.3	1.8	3.0	1.9	2.1	1.8	2.3	2.0	2.4	2.8	3.7	3.4	3.6	3.7	3.7	3.0	2.8	2.9	2.7	2.8	2.6	2.6	2.5	2.5	2.4	2.6	2.6
Household Credit (Billion \$)	1538.3	1560.0	1583.8	1607.6	1631.7	1656.2	1681.2	1706.8	1732.9	1759.3	1785.8	1812.7	1839.9	1867.3	1894.8	1922.3	1949.5	1976.5	2003.2	2029.5	2055.3	2080.5	2105.0	2128.9	2152.4	2175.4	2198.2
Annual % Ch.	6.2	5.8	6.2	6.2	6.1	6.1	6.2	6.2	6.2	6.2	6.2	6.1	6.1	6.0	5.9	5.8	5.7	5.5	5.4	5.2	5.0	4.8	4.6	4.5	4.4	4.3	4.3
ExCh. Rate (US-Can.)	103.3	102.0	97.7	100.2	101.6	101.2	101.0	100.8	100.7	100.6	100.5	100.4	99.7	99.3	98.9	97.9	97.2	96.3	95.5	94.7	93.9	93.0	92.3	91.9	91.1	90.5	90.2
Curr. Acct. Bal. (Billion \$)	-62.4	-49.3	-41.3	-31.5	-31.7	-32.6	-32.2	-32.0	-31.5	-31.2	-28.0	-26.9	-25.1	-22.8	-17.5	-15.6	-14.4	-12.2	-10.4	-8.9	-6.6	-4.7	-2.5	-0.6	1.2	3.0	5.0

IHS Global Insight Quarterly Forecast - Mar 15,2012

Table 24																											
Interest Rates																											
(Percent)																											
	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2	13Q3	13Q4	14Q1	14Q2	14Q3	14Q4	15Q1	15Q2	15Q3	15Q4	16Q1	16Q2	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4
Overnight Money	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.33	1.50	1.83	2.08	2.58	2.75	3.00	3.25	3.50	3.75	4.00	4.25	4.50	4.50	4.50	4.75	4.75
Bank Rate	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.50	1.58	1.75	2.08	2.33	2.83	3.00	3.25	3.50	3.75	4.00	4.25	4.50	4.75	4.75	4.75	5.00	5.00
Government of Canada																											
Treasury Bills																											
3 Months	0.95	0.91	0.86	0.92	0.93	0.92	0.94	0.96	0.96	1.15	1.29	1.47	1.77	2.01	2.52	2.75	3.00	3.25	3.50	3.75	4.00	4.25	4.50	4.50	4.50	4.50	4.50
6 Months	1.08	0.95	0.91	1.03	1.04	1.03	1.05	1.07	1.07	1.26	1.40	1.58	1.88	2.12	2.63	2.86	3.11	3.36	3.61	3.86	4.11	4.36	4.61	4.61	4.61	4.61	4.61
Bonds																											
1-3 Years	1.62	1.18	1.02	1.40	1.49	1.53	1.58	1.65	1.71	1.85	1.95	2.07	2.27	2.43	2.79	3.02	3.22	3.46	3.70	3.96	4.25	4.53	4.71	4.71	4.71	4.71	4.71
3-5 Years	2.18	1.57	1.32	1.75	1.90	1.97	2.04	2.15	2.24	2.35	2.42	2.50	2.62	2.72	2.98	3.22	3.38	3.61	3.85	4.11	4.42	4.73	4.86	4.86	4.86	4.86	4.86
5 Years	2.45	1.76	1.45	1.78	1.94	2.02	2.09	2.20	2.29	2.40	2.47	2.55	2.66	2.75	3.00	3.24	3.39	3.63	3.86	4.13	4.44	4.75	4.88	4.88	4.88	4.88	4.88
5-10 Years	2.81	2.20	1.86	2.02	2.22	2.33	2.41	2.55	2.66	2.75	2.80	2.85	2.91	2.96	3.13	3.37	3.50	3.73	3.97	4.23	4.57	4.89	4.98	4.98	4.98	4.98	4.98
10 Years	3.15	2.52	2.16	2.13	2.34	2.46	2.55	2.70	2.82	2.90	2.94	2.98	3.01	3.05	3.19	3.43	3.55	3.78	4.01	4.28	4.62	4.94	5.03	5.03	5.03	5.03	5.03
10+ Years	3.52	3.01	2.65	2.57	2.77	2.87	2.94	3.09	3.20	3.27	3.30	3.32	3.35	3.39	3.52	3.76	3.87	4.09	4.32	4.59	4.93	5.25	5.33	5.32	5.32	5.32	5.32
30 Years	3.59	3.09	2.74	2.68	2.88	2.97	3.04	3.18	3.29	3.36	3.39	3.41	3.44	3.47	3.60	3.84	3.95	4.17	4.40	4.66	5.00	5.32	5.40	5.40	5.40	5.39	5.39
Prime Corporate Paper																											
30 Days	1.07	1.06	1.06	1.02	1.03	1.02	1.04	1.06	1.07	1.26	1.39	1.58	1.88	2.12	2.63	2.86	3.11	3.36	3.61	3.86	4.10	4.35	4.61	4.61	4.61	4.60	4.61
90 Days	1.18	1.16	1.16	1.04	1.05	1.04	1.06	1.08	1.09	1.28	1.41	1.60	1.90	2.14	2.65	2.88	3.13	3.38	3.63	3.88	4.12	4.37	4.63	4.63	4.63	4.62	4.63
Bankers' Acceptances																											
30 Days	1.12	1.12	1.11	1.02	1.03	1.02	1.04	1.06	1.06	1.25	1.39	1.57	1.87	2.11	2.62	2.85	3.10	3.35	3.60	3.85	4.10	4.35	4.60	4.60	4.60	4.60	4.60
90 Days	1.21	1.18	1.16	1.04	1.05	1.04	1.06	1.08	1.08	1.27	1.41	1.59	1.89	2.13	2.64	2.87	3.12	3.37	3.62	3.87	4.12	4.37	4.62	4.62	4.62	4.62	4.62
Chartered Bank																											
Non-Chequable Deposits	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
5-Yr Personal Fixed Term	1.88	1.51	1.60	1.64	1.62	1.60	1.59	1.60	1.59	1.76	1.88	2.05	2.33	2.56	3.06	3.28	3.52	3.75	3.99	4.23	4.48	4.72	4.96	4.95	4.94	4.94	4.93
Chartered Bank Prime	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.25	3.33	3.50	3.83	4.08	4.58	4.75	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.50	6.50	6.75	6.75
Chartered Bank Mortgage Rate																											
1 Year	3.63	3.50	3.50	4.67	4.68	4.67	4.69	4.71	4.71	4.90	5.04	5.22	5.52	5.76	6.27	6.50	6.75	7.00	7.25	7.50	7.75	8.00	8.25	8.25	8.25	8.25	8.25
5 Years	5.56	5.32	5.29	5.08	5.16	5.15	5.13	5.18	5.21	5.21	5.18	5.14	5.12	5.11	5.20	5.40	5.48	5.67	5.87	6.11	6.43	6.73	6.79	6.77	6.75	6.74	6.73
3-Month Euro Deposit Rate	1.16	1.13	1.28	1.01	1.02	1.01	1.03	1.05	1.05	1.24	1.38	1.56	1.86	2.10	2.61	2.84	3.09	3.34	3.59	3.84	4.09	4.34	4.59	4.59	4.59	4.59	4.59

Global Insight Quarterly Forecasts - March 15 2012

Table 25		Financial Aggregates and US Interest Rates																										
	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2	13Q3	13Q4	14Q1	14Q2	14Q3	14Q4	15Q1	15Q2	15Q3	15Q4	16Q1	16Q2	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4	
US Interest Rates (Percent)																												
Federal Funds	0.09	0.08	0.07	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.12	0.47	0.98	1.47	2.01	2.55	3.07	3.52	3.95	4.00	4.00	4.00	4.00	
3-Month T-Bills	0.05	0.02	0.01	0.07	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.07	0.18	0.57	1.04	1.54	2.07	2.58	3.05	3.45	3.74	3.77	3.77	3.77	3.77	
3-Month Comm. Paper	0.17	0.15	0.14	0.15	0.17	0.21	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.27	0.68	1.16	1.66	2.18	2.72	3.23	3.65	4.01	4.04	4.04	4.04	4.04	
3-Month Euro Deposit Rate	0.26	0.30	0.48	0.50	0.41	0.39	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.38	0.43	0.77	1.27	1.78	2.33	2.87	3.41	3.84	4.21	4.25	4.25	4.25	4.25	
Bank Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.49	3.98	4.47	5.01	5.55	6.07	6.52	6.95	7.00	7.00	7.00	7.00	
5-year Treasury Notes	1.86	1.15	0.95	0.87	1.15	1.27	1.36	1.44	1.48	1.49	1.50	1.52	1.55	1.59	1.79	2.08	2.37	2.79	3.23	3.68	4.06	4.38	4.46	4.46	4.46	4.46	4.46	
10-Year Treasury Notes	3.21	2.43	2.05	1.99	2.20	2.31	2.40	2.55	2.67	2.75	2.79	2.83	2.86	2.90	3.04	3.28	3.40	3.63	3.86	4.13	4.47	4.79	4.88	4.88	4.88	4.88	4.88	
30-year Treasury Bonds	4.34	3.69	3.04	3.06	3.17	3.25	3.34	3.48	3.59	3.67	3.74	3.80	3.85	3.84	3.88	4.01	4.03	4.16	4.37	4.63	4.94	5.22	5.27	5.27	5.27	5.27	5.27	
Moody Aaa Seas Bonds	5.04	4.46	3.93	3.89	4.13	4.18	4.23	4.33	4.41	4.45	4.46	4.48	4.52	4.56	4.70	4.91	5.01	5.20	5.38	5.62	5.86	6.15	6.22	6.22	6.22	6.22	6.22	
Canada-US Rate Differentials (Unadjusted)																												
3-Month T-Bills	0.90	0.89	0.85	0.85	0.86	0.86	0.87	0.89	0.90	1.09	1.23	1.41	1.71	1.94	2.35	2.18	1.96	1.71	1.43	1.17	0.95	0.80	0.76	0.73	0.73	0.73	0.73	
3-Month Comm. Paper	1.01	1.01	1.01	0.89	0.88	0.83	0.84	0.86	0.87	1.06	1.20	1.38	1.68	1.92	2.38	2.20	1.97	1.72	1.44	1.16	0.89	0.72	0.61	0.58	0.58	0.58	0.58	
3-Month Euro Deposit Rate	0.90	0.83	0.80	0.51	0.61	0.62	0.65	0.67	0.68	0.87	1.00	1.18	1.48	1.72	2.18	2.07	1.82	1.56	1.26	0.97	0.68	0.50	0.38	0.34	0.34	0.34	0.34	
Bank Prime Rate	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.00	0.08	0.25	0.58	0.83	1.33	1.26	1.03	0.78	0.49	0.20	-0.07	-0.27	-0.45	-0.50	-0.50	-0.25	-0.25	
10-Year Govt. Bond Rate	-0.06	0.09	0.12	0.14	0.14	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	
Long-Term Corp. Bonds	-0.70	-0.67	-0.50	-0.32	-0.36	-0.32	-0.29	-0.25	-0.21	-0.18	-0.16	-0.16	-0.16	-0.17	-0.18	-0.15	-0.14	-0.11	-0.06	-0.03	0.07	0.10	0.11	0.11	0.11	0.11	0.10	

IHS Global Insight Quarterly Forecast - March 15, 2012

OBS	OBS	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2	13Q3	13Q4	14Q1	14Q2	14Q3	14Q4	15Q1	15Q2	15Q3	15Q4	16Q1	16Q2	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4
USPCWGDP	% chge	2.52	2.57	0.89	0.85	0.64	1.82	1.33	1.55	0.88	1.66	1.62	2.01	1.77	1.72	1.77	2.04	1.77	1.77	1.78	1.96	1.75	1.74	1.72	1.96	1.72	1.71	1.64
YCWGDP	% chge	2.15	2.57	2.24	1.80	2.37	1.93	2.10	2.26	2.46	2.52	2.58	2.61	2.66	2.66	2.67	2.67	2.65	2.65	2.63	2.61	2.60	2.60	2.54	2.53	2.50	2.48	2.50

Section:	Tab 5	Page No.:	
Topic:	Cost Allocation and Rate Design		
Subtopic:			
Issue:	Cost Allocation and Rate Design methodologies		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- a) When was the current Cost Allocation and Rate Design methodology first approved by the PUB; in what Board Order?
- b) Does Centra intend at some point to revisit the current approved methodology; if so, when?

RATIONALE FOR QUESTION:

CAC wishes to determine whether a more current Cost Allocation and Rate Design methodology is required or desirable.

RESPONSE:

Parts a and b:

Centra's Cost of Service and Rate Design Methodology was considered through a public process in 1996 and approved through Order 107/96. Key features of the study remain relatively unchanged since that time. Changes have occurred on an evolutionary basis over time, and these changes have been addressed in subsequent General Rate Applications.

Centra is satisfied that the natural gas cost allocation methodology remains to be appropriate and is not proposing a review of it at this time.