

ECONOMIC UPDATE

CANADA	08Q4A	09Q1A	09Q2F	09Q3F	09Q4F	2008A	2009F	2010F
Real GDP Growth (AR)	-3.7	-5.4	-3.1	-0.5	2.5	0.4	-2.5	1.5
Real Final Domestic Demand (AR)	-4.9	-5.7	-2.5	0.0	2.6	2.6	-2.6	1.6
All Items CPI Inflation (Y/Y)	1.9	1.2	-0.1	-0.8	0.2	2.4	0.1	1.2
Core CPI Ex Indirect Taxes (Y/Y)	2.2	1.9	1.8	1.6	1.2	1.7	1.6	1.3
Unemployment Rate (%)	6.4	7.6	8.3	8.6	8.8	6.1	8.3	9.0
U.S.								
Real GDP Growth (AR)	-6.3	-5.7	-3.2	-0.4	2.1	1.1	-3.1	1.7
Real Final Sales (AR)	-6.2	-3.4	-3.7	-1.1	1.8	1.4	-2.7	1.0
All Items CPI Inflation (Y/Y)	1.6	0.0	-1.2	-2.6	0.3	3.8	-0.9	1.6
Core CPI Inflation (Y/Y)	2.0	1.7	1.8	1.4	1.7	2.3	1.7	2.2

CANADA

The worst is now behind us with the passing of Q1. But despite the market's optimism, boom times are not on the horizon just yet. While there have been some encouraging signs lately, especially in Asia, the global economy remains fragile and that will continue to restrict Canada's speed limit. Expect Canada's economy to continue to contract in the second and third quarters, before finally seeing some growth in the final quarter of the year, albeit at a sluggish pace. The year-over-year inflation rate will turn negative and remain so until at least the end of the year, with the strong C\$ helping to keep CPI well under the Bank of Canada's target throughout 2010.

UNITED STATES

The pace of US economic contraction continues to slow, but we still do not expect to see real GDP growth turn positive until the fourth quarter. Unfortunately, even then the economy should remain sluggish well into next year as business capital expenditures and consumer spending remain lackluster. Meanwhile, the unemployment rate should hit 10% as job losses continue to multiply, albeit at a more modest pace. Year-over-year inflation will keep falling as we head into the anniversary of record-high oil prices, but core inflation will stay contained.

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