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Saskatchewan to lead Canada's economic growth in 2010: CIBC World Markets Inc.

REGINA, Saskatchewan, January 28, 2010 — A rebound in the oil, potash, agriculture and uranium sectors will see Saskatchewan once again lead the country in economic growth, finds a new report from CIBC World Markets Inc.

The report notes that a rebound in the global economy bodes well for resource development in Saskatchewan as well as in most of western Canada. "The West will reap the benefits of reinvigorated Asia-Pacific growth," says Warren Lovely, senior economist in CIBC's latest Economic Insights report. "Oil, potash, agriculture and uranium sectors are again in demand, with ongoing development paving the way for production increases. Expect Saskatchewan to lead all provinces in 2010, and to battle Alberta for top spot in 2011."

Mr. Lovely expects GDP growth in the province to climb 3.0 per cent in 2010 and 4.1 per cent in 2011. "Saskatchewan entered 2010 with considerable potential. In stark contrast to others, total employment advanced 1.5 per cent last year. Being closer to full employment, wage growth leads the nation, auguring well for future consumer demand. Solid job prospects will continue to spur in-migration, with population growth stronger than at any time in the past 30 years."

He believes in addition to a resurgence in demand for commodities, last year's cooling in once-overheated housing markets, wages and material costs is driving economic renewal in the province. "It was the West, after all, that earlier sparked concerns of a housing bubble and labour shortages. A global financial crisis and resource price skid put an end to Western Canada's housing boom, but in recent months, housing activity has re-accelerated. Business investment is likewise returning. The stage is again set for economic outperformance."

He says this is a big turnaround from 2009 when the global recession saw demand and prices for resources plummet. This resulted in Saskatchewan and the other commodity-based provinces taking four of the bottom five spots in real GDP growth in the country.

The report finds that the economic recovery will not be even across the country. The B.C. economy will be the second strongest in 2010 with 2.8 per cent growth on the basis of strength in the resource sector. The province will also see a broadening and deepening of its export base, with expanded transportation infrastructure allowing the province to lever its Gateway to Asia status. Mr. Lovely does not see the end of Olympics spending as a significant drag and notes that the adoption of a harmonized sales tax should boost investment and spur productivity growth.

Newfoundland and Labrador is forecast to see a big rebound this year with its GDP climbing 2.6 per cent as output recovers from production difficulties that plagued 2009. The economy also benefits from strong consumer spending and business investment. Barring disruptions, growth in 2011 should strengthen further to 3.3 per cent, with large energy projects having the potential to deliver strong growth longer-term.

A newfound availability of cost-effective inputs, alongside a recovery in commodity prices, is sparking re-investment in Alberta. But a still-tentative consumer suggests that the province will be slower to re-accelerate in 2010 seeing GDP

growth at 2.4 per cent for the year. However, by 2011 growth is expected to reach 4.2 per cent, tops in the country, just ahead of Saskatchewan.

In badly hit Ontario, inventory restocking will see GDP growth in 2010 beat the national average for the first time since the Canadian dollar began its appreciation in earnest. That resurgence may be temporary, however, as an overvalued Canadian dollar and a reversion to slower U.S. growth is likely to weigh on the economy. A harmonized sales tax, alongside cuts to corporate taxes, will boost competitiveness and help lure jobs. A focus on emerging sectors, such as green power, also looks to pay dividends. Growth in Canada's banking sector also stands to benefit Ontario disproportionately.

Manitoba escaped the recession relatively unscathed, tabling a fourth straight year of above-average growth in 2009. With less ground to be made up, growth should run just in line with the national average in 2010 at 2.3 per cent, climbing to 3.1 per cent in 2011.

Recent outperformance in Québec and the Maritimes likely won't be repeated, with solid, if unspectacular gains due in 2010-11.

The complete CIBC World Markets report is available at: research.cibcwm.com/economic_public/download/sjan10.pdf

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