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THE ECONOMIC OUTLOOK

Don Drummond, SVP and Chief Economist
November 17, 2009

 **Bank Financial Group**

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TD Economics provides analysis of economic performance and the implications for investors. The analysis covers the globe, with emphasis on Canada, the United States, Europe and Asia.

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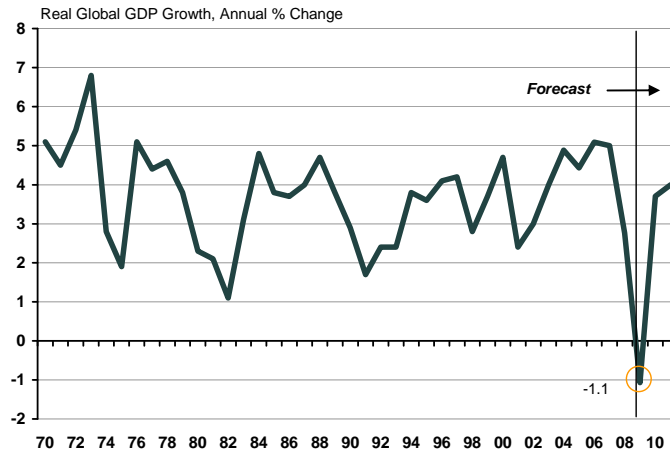
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SYNCHRONIZED GLOBAL RECESSION



GLOBAL



*Real GDP at PPP exchange rates; Source: IMF, TD Economics

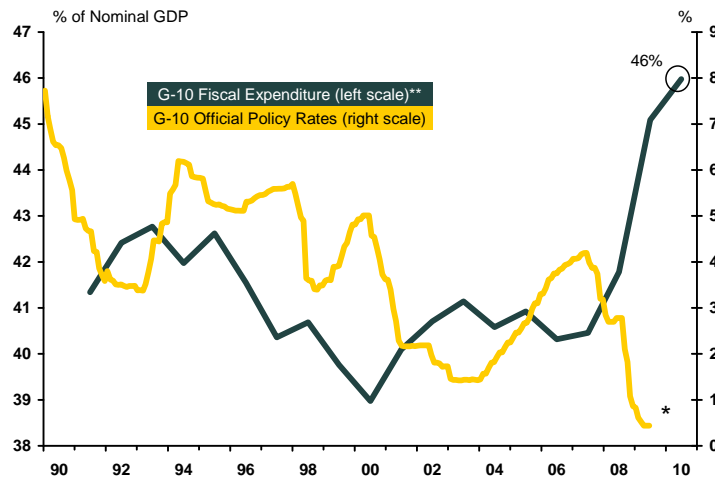
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SYNCHRONIZED GLOBAL RESPONSE



G-10



*3.76% cut in the PPP-weighted average policy interest rate; **PPP-weighted aggregate of fiscal outlays; Source: OECD, IMF, International Central Banks

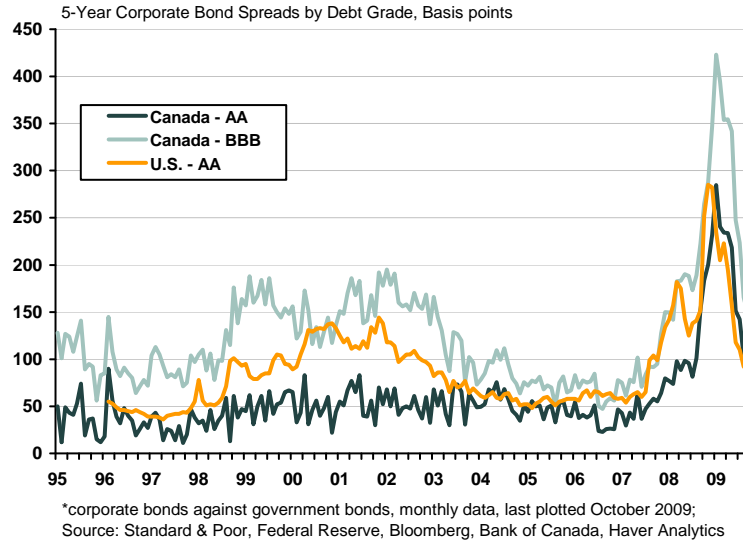
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MANY FINANCIAL RISKS ABATING



CANADA AND U.S.



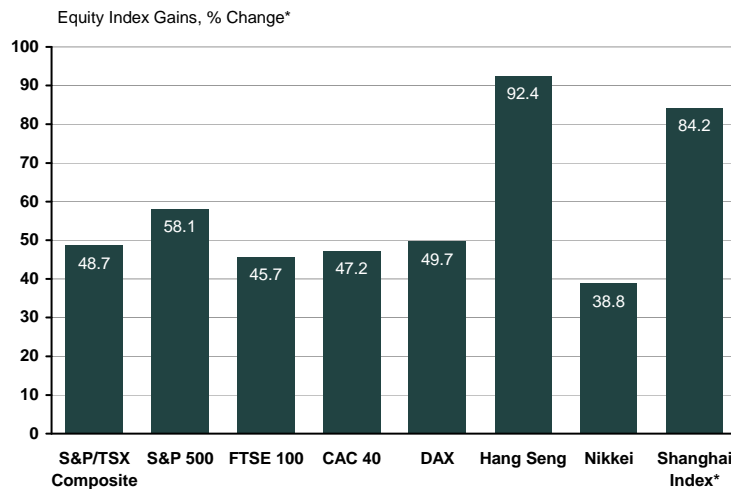
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...AND INVESTORS CONFIDENCE IS RETURNING



GLOBAL



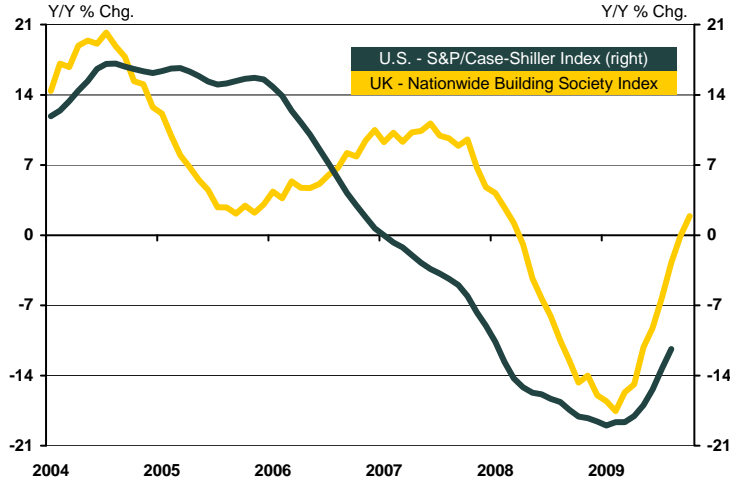
*Changes are calculated from their troughs in March 2009 to the current date; the Shanghai Index is the exception which hit its trough on Nov 6, 2008; Source: Haver Analytics

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THE EPICENTER OF THE PROBLEM WAS REAL ESTATE & THE PACE OF DECLINE IS MODERATING **TD Bank Financial Group**

GLOBAL



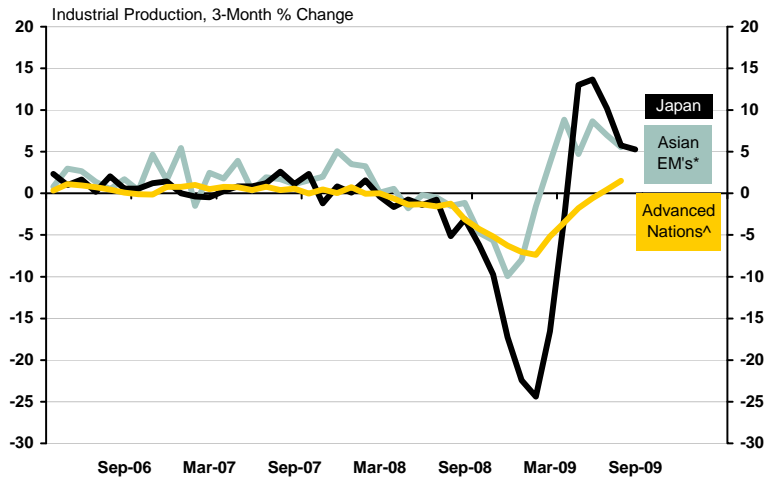
Source: Standard & Poor's, Nationwide Building Society

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RECOVERY ON THE HORIZON? **TD Bank Financial Group**

GLOBAL



*India, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand;
 ^U.S., Canada, UK, EU; Source: National Statistical Agencies, Haver Analytics

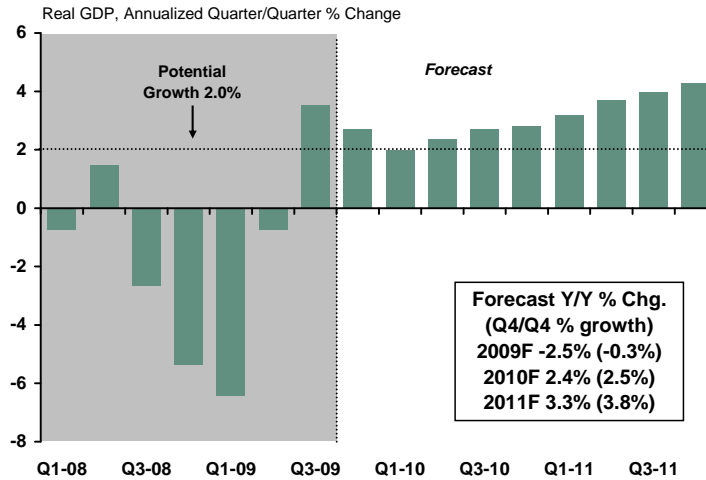
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U.S. RECESSION IS ENDING, BUT THE RECOVERY WILL BE GRADUAL



U.S.



Forecast by TD Economics as at September 2009;
Source: Bureau of Economic Analysis/Haver Analytics

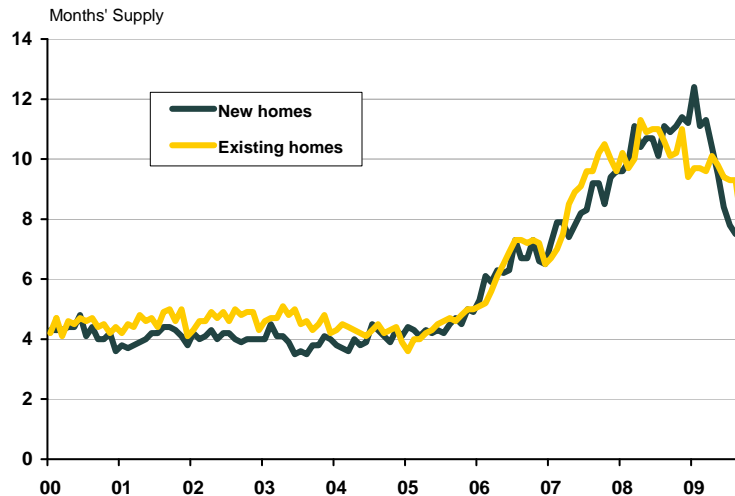
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HOUSING MARKET SHOWING SIGNS OF LIFE



U.S.



Source: Census Bureau, National Association of Realtors, Haver Analytics, Bloomberg

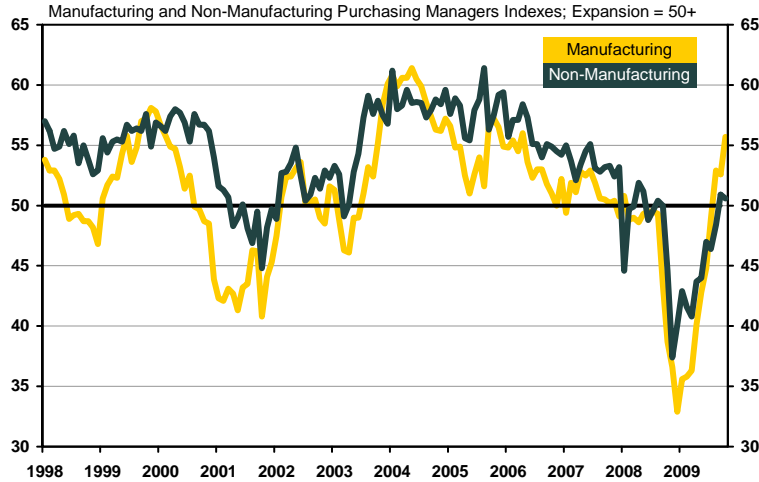
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PRODUCTION IS COMING BACK ONLINE



U.S.



Source: Institute for Supply Management

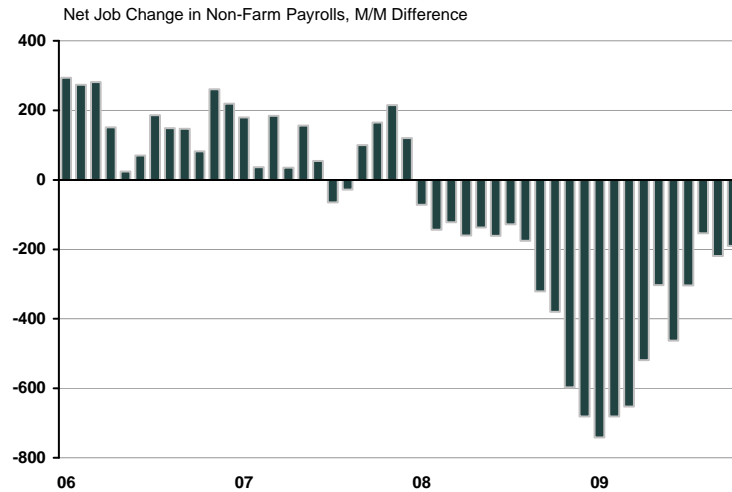
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JOB LOSSES SLOWING



U.S.



Source: Bureau of Labor Statistics

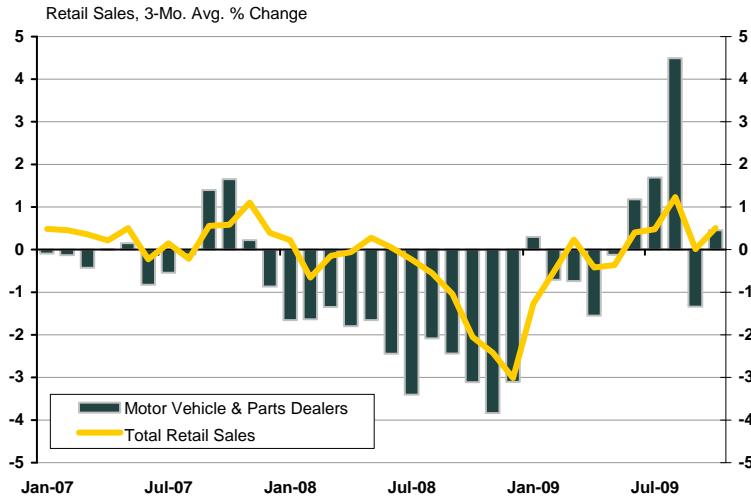
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RETAIL SPENDING RECORDING SMALL BOUNCEBACK



U.S.



Source: U.S. Census Bureau

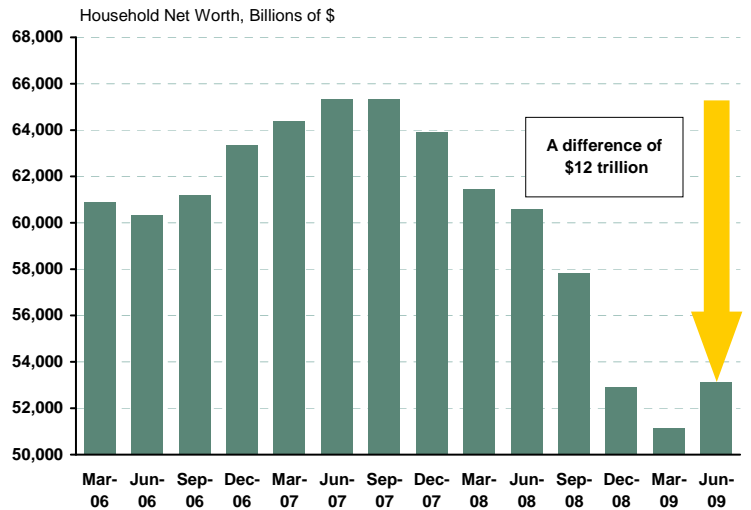
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THE DISAPPEARING ACT



U.S.



Source: Federal Reserve

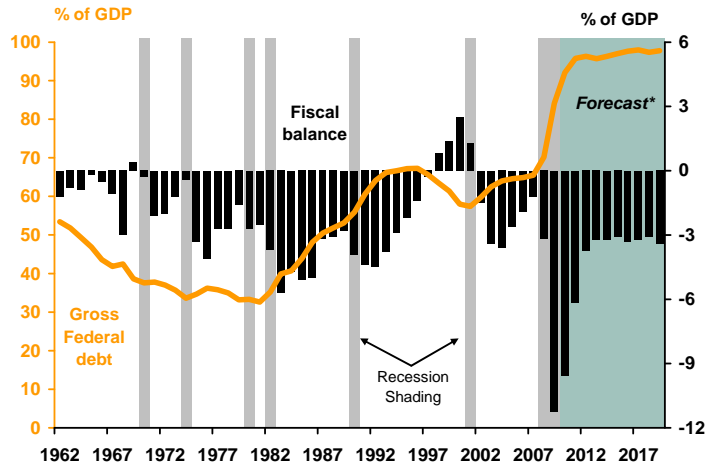
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MASSIVE FISCAL DEFICITS WILL BE A CHALLENGE IN THE FUTURE



U.S.



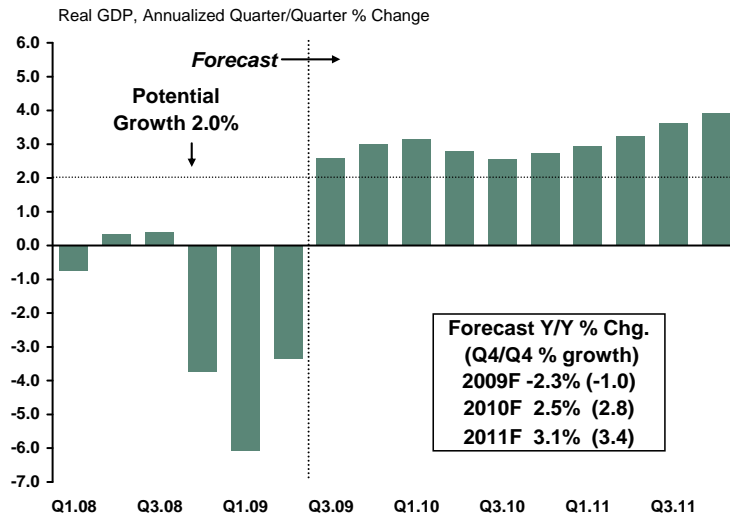
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CANADIAN ECONOMY ALSO AT A TURNING POINT



CANADA



F: Forecast by TD Economics as at September 2009; Source: Statistics Canada/Haver Analytics

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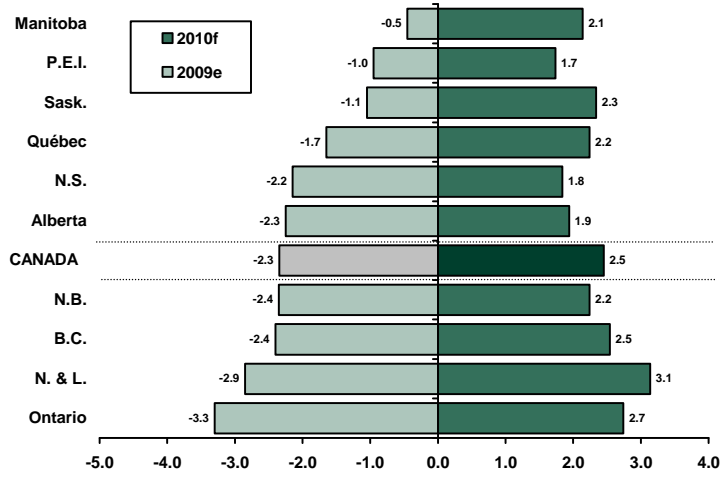
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PROVINCES SHOULD RETURN TO GROWTH BY NEXT YEAR



CANADA

Provincial Real GDP (% chg.), ranked by 2009 estimates



e: Estimate, f: Forecast by TD Economics as at Oct. 2009.

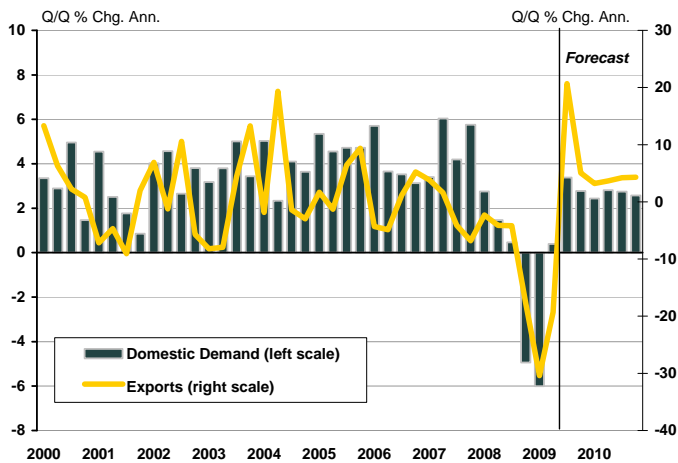
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DOMESTIC ECONOMY IS STRENGTHENING



CANADA



Source: Statistics Canada; forecast by TD Economics as at September 2009

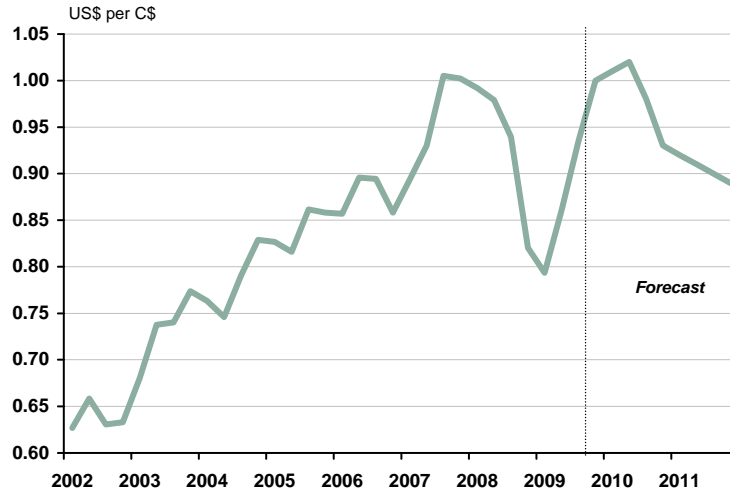
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U.S. WEAKNESS IMPLIES C\$ STRENGTH



CANADA VS. U.S.



Source: Bank of Canada; Forecast by TD Bank Financial Group as at Nov. 16 2009

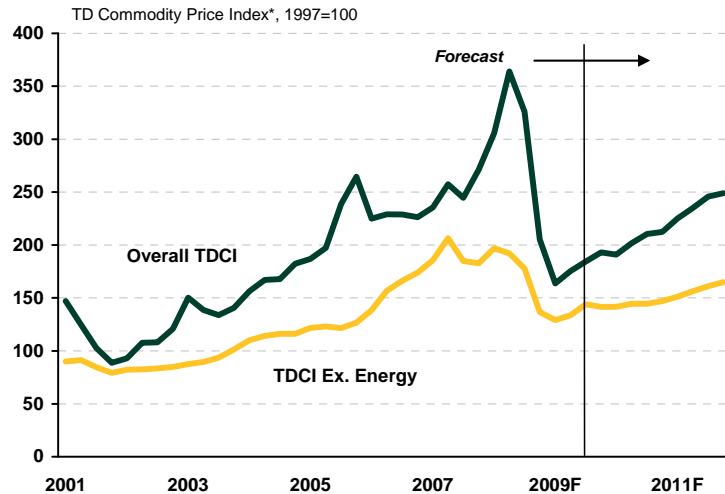
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WON'T HELP WITHOUT A COMMODITY PRICE BOOM



CANADA



*Index of 18 Canadian resource commodity prices in US\$; Last plotted: 2009Q3; Forecast as at October 2009.

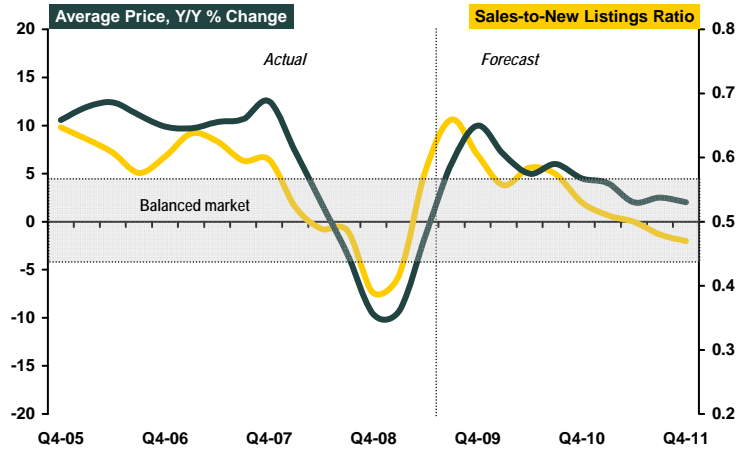
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HOUSING MARKET IS SHOWING ITS RESILIENCE



CANADA



Source: CREA. Forecast by TD Economics, Sept. 2009

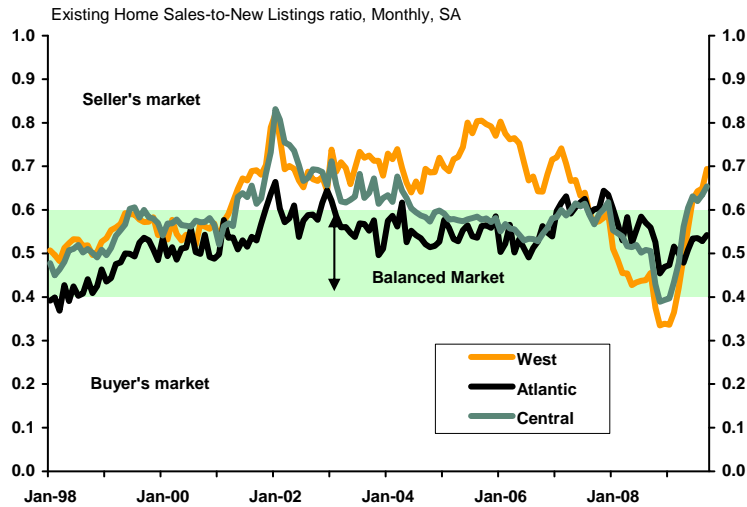
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SELLER'S MARKET HAS RETURNED



CANADA



Last Date Plotted: September 2009
Source: Canadian Real Estate Association (CREA).

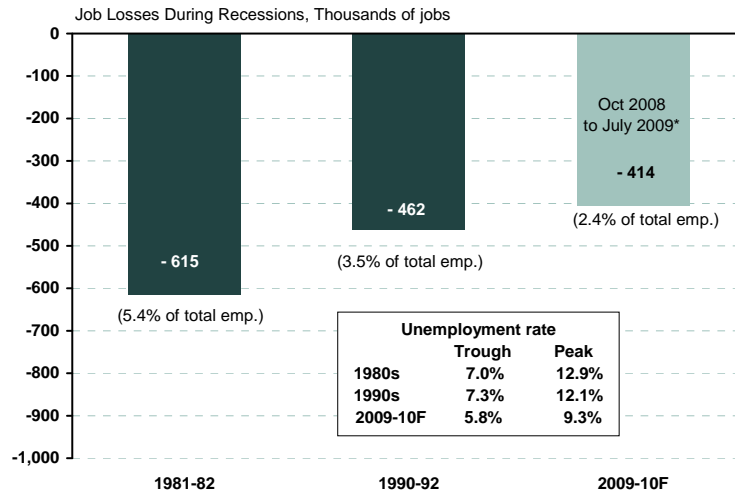
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UNEMPLOYMENT WILL EDGE HIGHER, BUT WILL NOT RISE TO PRIOR PEAKS



CANADA



F: Forecast by TD Economics as at October 2009; Source: Statistics Canada.
* Current peak to trough

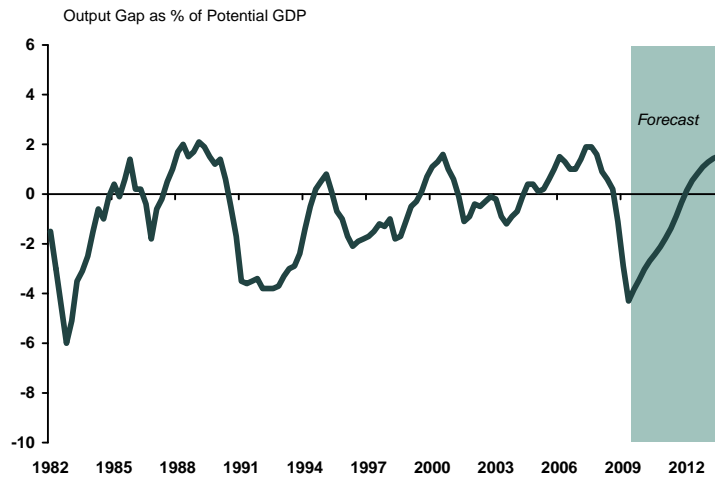
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EXCESS CAPACITY TAKES TIME TO REDEPLOY



CANADA



Source: Bank of Canada; Forecast by TD Economics as at September 2009

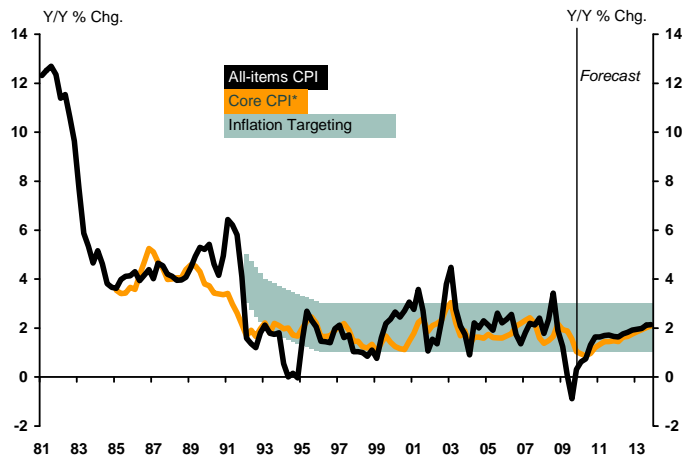
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WILL RESTRAIN ANY INFLATIONARY EPISODE



CANADA



*Headline CPI excl. 8 most volatile components and indirect taxes;
Source: Statistics Canada; forecast by TD Economics as at September 2009

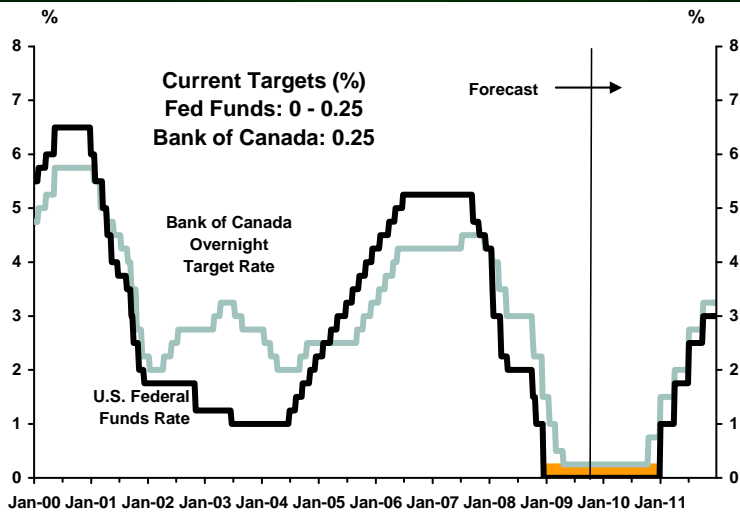
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CENTRAL BANKS TO KEEP RATES LOW FOR SOME TIME TO COME



CANADA AND U.S.



Forecast by TD Economics as at September 2009;
Source: Bank of Canada, U.S. Federal Reserve Board.

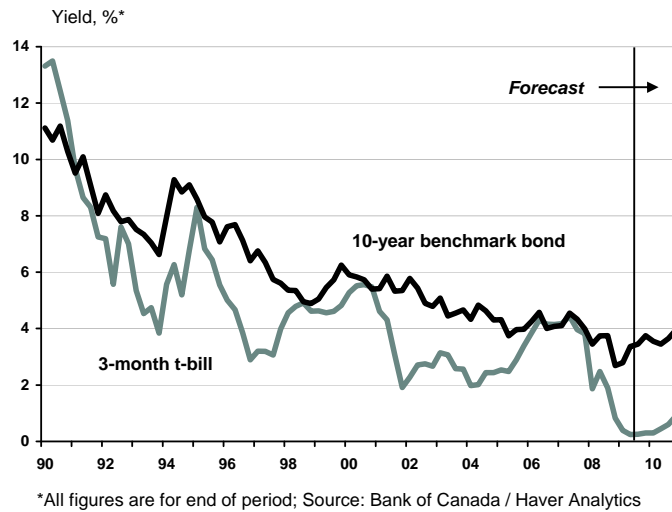
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FIXED INCOME YIELDS TO REMAIN LOW, BUT RISE MODESTLY IN 2010



CANADA



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3 PHASES TO THE CYCLE



GLOBAL

- 1) Near-Term
 - Output to grow in 2nd half of 2009
- 2) 2010-2011
 - Liquidity injections & fiscal stimulus gain traction
- 3) Medium-term
 - Incredible challenges in the U.S. and Euro-area:
 - Recapitalizing financial sector
 - Mopping up liquidity
 - Deleverage
 - Reining in deficits
 - Global Imbalances

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ELEMENTS FOR A PROSPEROUS ECONOMY IN ONTARIO BY 2020



ONTARIO

- Top quality labour force
- Effective integration of immigrants into the workforce
- World-class infrastructure, including transit
- Reliable electricity system
- A leader in the environment
- Competitive tax system
- Enhanced trade
- Shift from dependence (welfare) to workforce participation
- Supportive federal policy
- Return to budget balance

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REGION OF WATERLOO



REGION OF WATERLOO

POPULATION CHARACTERISTICS OF THE WATERLOO REGION (2006)

	Kitchener	Waterloo	Cambridge	Ontario
Total Population ^	204,668	97,475	120,371	12,160,282
% change 01-06	7.5	12.6	9.1	6.6
Median Earnings (2005)*	\$42,218	\$49,667	\$43,839	\$44,748
Industry Employment (as a % of Total)**				
Agriculture and Natural Resources	1.0	0.9	1.3	2.9
Construction	6.3	4.7	6.4	5.9
Manufacturing	24.2	16.0	26.6	13.9
Wholesale Trade	5.0	4.6	5.7	4.7
Retail Trade	10.8	10.8	11.6	11.1
FIRE	7.2	10.1	5.0	6.8
Health Care and Social Assistance	8.3	7.7	8.1	9.4
Educational Services	6.8	13.9	4.4	6.7
Business Services	16.6	17.4	16.2	19.7
Other Services	13.8	13.9	14.6	18.7
Immigrants	53,230	21,980	25,225	3,398,725
% of Population	26.0	22.5	21.0	27.9
Education				
No-degree	15.9	8.1	18.4	13.6
High School Degree	27.4	21.7	29.3	25.0
Apprenticeship, College Degree or University Degree Below Bachelor's Level	35.8	29.8	37.0	35.4
University Degree at Bachelor's Level or Above	20.9	40.3	15.3	26.0

* Persons 15 years of age or older who worked a full year full-time. ^Excludes temporary students

** Experienced labour force 15 years of age or older.

Source: Statistics Canada's 2006 Census.

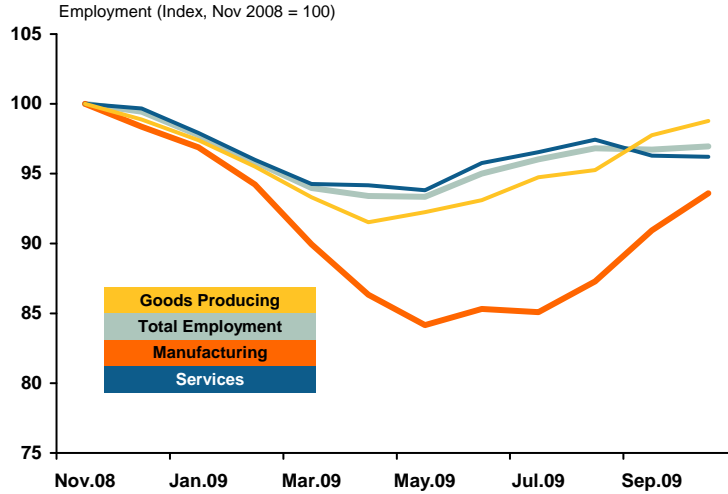
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EMPLOYMENT DURING THE DOWNTURN



REGION OF WATERLOO



Source: Statistics Canada LFS (Waterloo, Kitchener, Barrie)

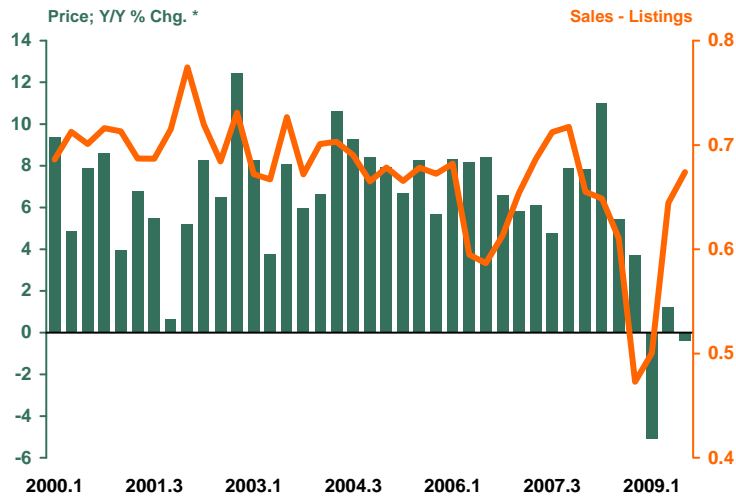
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THE WATERLOO REGION HOUSING MARKET



REGION OF WATERLOO



Source: The Canadian Real Estate Association; * Waterloo - Kitchener

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KEY INDUSTRIES TO THE REGION'S ECONOMY



REGION OF WATERLOO

1. Technology
 - Most well known industry in the region
2. Manufacturing
 - Challenges from strong dollar and international competition
3. Education
 - Continue to encourage links between education sector and entrepreneurship
4. Finance & Insurance
 - Opportunity to be a leader as the industry evolves following the crisis

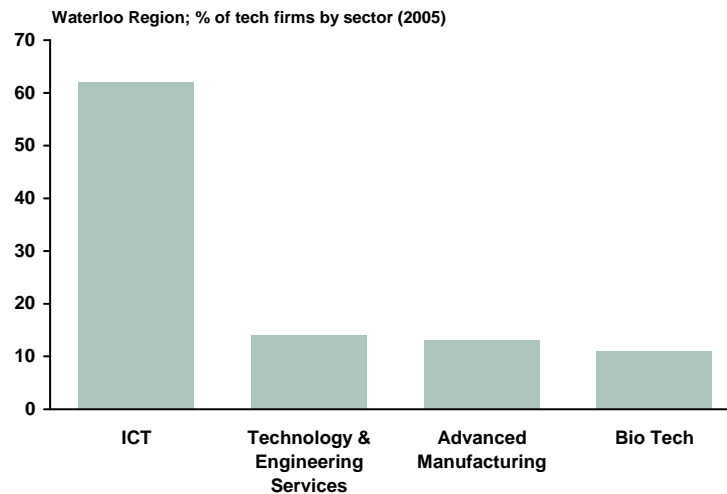
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TECHNOLOGY FIRMS IN THE WATERLOO REGION



REGION OF WATERLOO



Source: Communitel, WR&G Tech Sector Report

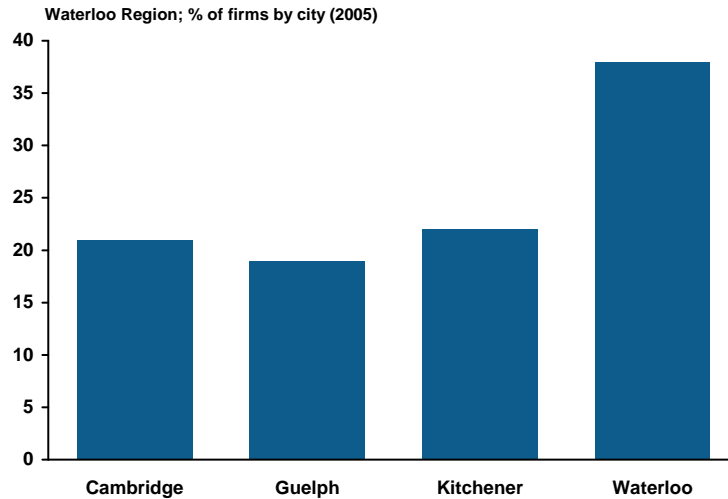
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WATERLOO IS HOME TO MANY TECH FIRMS



REGION OF WATERLOO



Source: Communtech, WR&G Tech Sector Report

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THE ICT SECTOR



REGION OF WATERLOO

- Waterloo considered one of North America's leading regions in Information and Communications Technologies (ICT)
- In 2004, 10 of 125 technology firms on the TSX were based in the Waterloo Region
- ICT sector employs around 27,000 individuals, or 11.6% of the region's active labour force
- ICT sector generates \$13 billion in revenue annually
- Federal government's national digital economy strategy expected to help boost Canada's productivity and region's economy

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ECONOMIC CHALLENGES FOR THE WATERLOO REGION



REGION OF WATERLOO

1. Labour Force

- The region's economy is highly dependent on maintaining and developing a world class 'creative' workforce

2. Manufacturing

- Region's manufacturers must find ways to innovate and increase productivity to compete in a high dollar, globalized environment

3. Immigration

- To meet these challenges, the region's immigrant population must be embraced and effectively integrated

4. Infrastructure

- The region must ensure adequate infrastructure is in place to service the needs of a creative, highly skilled, and export driven economy

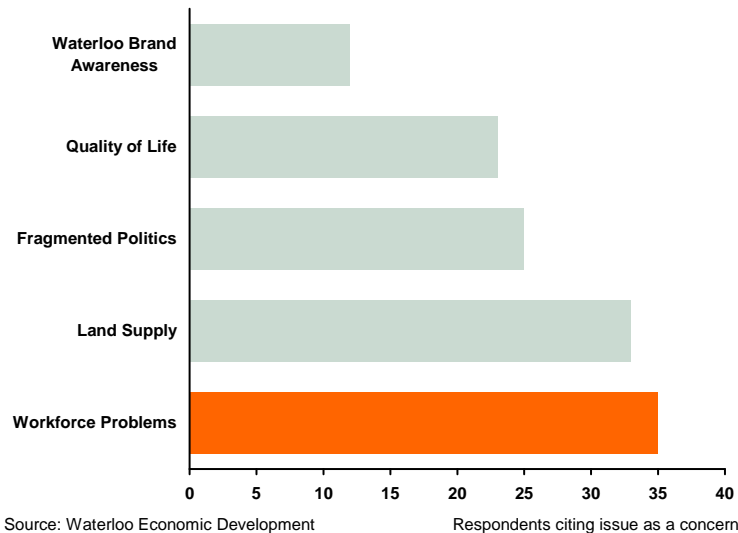
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ISSUES FACING WATERLOO



WATERLOO



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LOCAL ECONOMIC DEVELOPMENT PLANS HAVE ADDRESSED LABOUR SUPPLY ISSUES

REGION OF WATERLOO

Kitchener

- Action 3.3 – Developing and retaining talent

Waterloo

- Action 8.2.2 – Develop proactive strategies to increase educational attainment rates to meet local demand for skilled labour

Cambridge

- Advanced Manufacturing – Develop and deliver a substantive manufacturing retention program

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ECONOMIC DEVELOPMENT STRATEGY FOR WATERLOO

WATERLOO

1. Shared Vision

- Community's full potential requires an active economic development image

2. Social Inclusion

- To reach full potential all residents must be mobilized, by reducing inequality of opportunity

3. Community Cohesion

- Focus on quality of life and depth of culture to retain creative workers

4. Economic Retention

- Preserve and enhance connections between successful startups and the rest of the community

5. Business Expansion

- Most significant driver of new business growth should be local firms

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