



PROVINCIAL ECONOMIC OUTLOOK
BY SÉBASTIEN LAVOIE, ECONOMIST OF LAURENTIAN BANK SECURITIES

Montreal, February 19, 2009 - Sébastien Lavoie, Assistant Chief Economist of Laurentian Bank Securities, has disclosed this morning the new edition of the *Provincial Monitor*.

This new edition of the *Provincial Monitor* highlights some of the key factors that will influence the Canadian provinces' economic performance. **Firstly**, after waiting for job- and economic-related uncertainties to dissipate, households will continue to boost spending on consumption and housing. In Quebec for example, rising confidence and hiring in several sectors will continue to unleash pent-up demand, and push consumption into becoming the economic growth driver during 2010. The release of pent up demand is more powerful in western provinces.

Secondly, Canadian provinces can no longer count as much on the US economy as they did in the past to stimulate export demand. Companies will need to develop new markets and to diversify their economic bases, a long-term task. More specifically, provinces will need to look closer at the emerging BRIC (Brazil, Russia, India, China) markets. Resource-rich provinces, such as Alberta and Saskatchewan, are presently better positioned to leverage these possibilities. Furthermore, since several sectors and industries will not bounce back to their previous cruising speed, provinces such as Ontario have begun the transition into more green-technology friendly economies. This diversification should eventually bear fruit in the long-run.

Thirdly, on the public finances front, provincial finance ministers will eventually have to take charge of their respective deficits. Those with higher deficits, such as Ontario, or with a heavier debt burden, such as Quebec, will be under greater pressure to act rapidly to bring their budgets into balance. This will risk slowing economic growth starting in 2011.

In light of a better fiscal shape, stronger pent-up demand, and greater reliance to BRIC countries, Saskatchewan will lead all provinces in terms of real GDP growth this year and next, followed by Alberta. *LBS Economic Research's* outlook regarding Central Canada remains unchanged. Both recession and recovery were modest in Quebec, as will be future economic expansion. In Ontario, until the province's industrial diversification efforts bear fruit, the appearance of structural unemployment will lead to moderate growth. Better job market conditions in Manitoba will enable the province to perform well despite a lack of pent-up demand. In British Columbia, sluggishness in traditional sectors will keep growth below its western neighbours. In the Atlantic region, employment gains will be weak in New Brunswick due to a lack of large non-residential construction projects. The expansion will be a bit more vigorous in Nova Scotia, which can count on a greater number of private and public sector investment projects to support its economy. In Prince Edward Island, various infrastructure projects will compensate for increasingly tough times in the tourism sector. And finally, Newfoundland and Labrador will see modest growth, as the province awaits development of new oil fields in a few years. The full report is available on Laurentian Bank Securities Economic Research web site: <http://www.lb-securities.ca/EconomicResearch>



Press release

FOR IMMEDIATE RELEASE

About Laurentian Bank

Laurentian Bank of Canada is a banking institution operating across Canada and offering its clients diversified financial services. Differentiating itself through excellence in service, as well as through its simplicity and proximity, the Bank serves individual consumers and small and medium-sized businesses. The Bank also offers its products to a wide network of independent financial intermediaries through B2B Trust, as well as full-service brokerage solutions through Laurentian Bank Securities.

Laurentian Bank is well established in the Province of Quebec, operating the third-largest retail branch network. Elsewhere throughout Canada, it operates in specific market segments where it holds an enviable position. Laurentian Bank of Canada has more than \$22 billion in balance sheet assets and more than \$14 billion in assets under administration. Founded in 1846, the Bank employs more than 3,500 people.

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Information:

Manon Stébenne
Senior Manager
Medias and Public relations
Office: 514 284-4500, extension 8232
manon.stebenne@banquelaurentienne.ca