

As The World Turns

Warren Jestin
SVP & Chief Economist

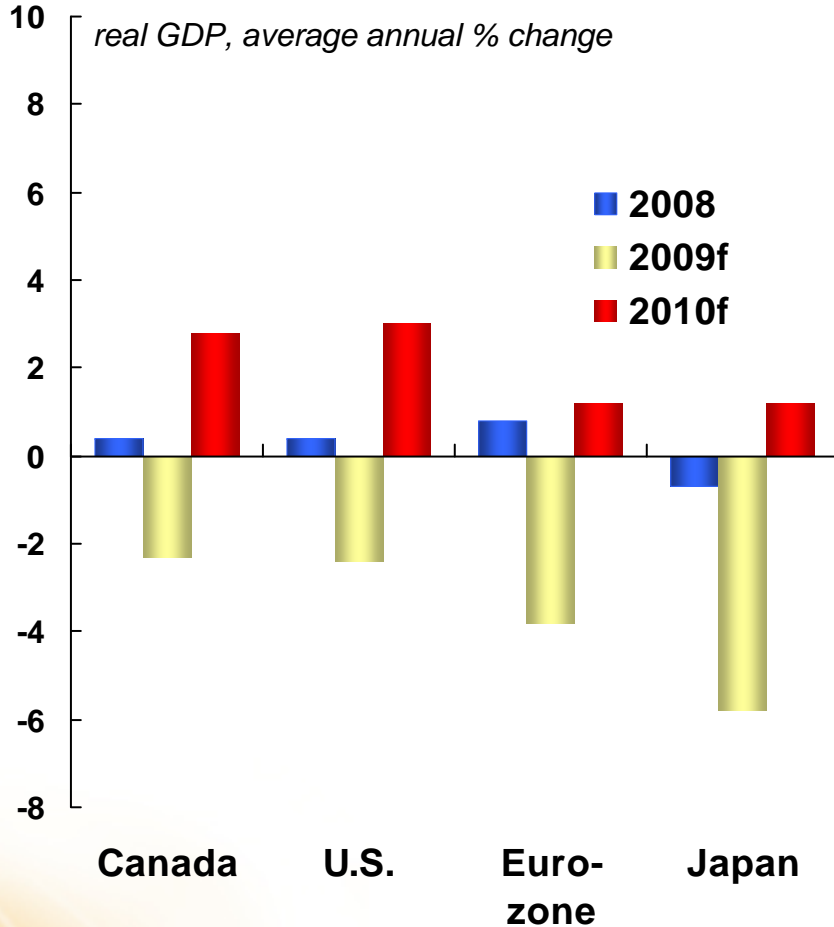
Presentation to:

***Pharmaceutical Marketing
Club of Quebec***

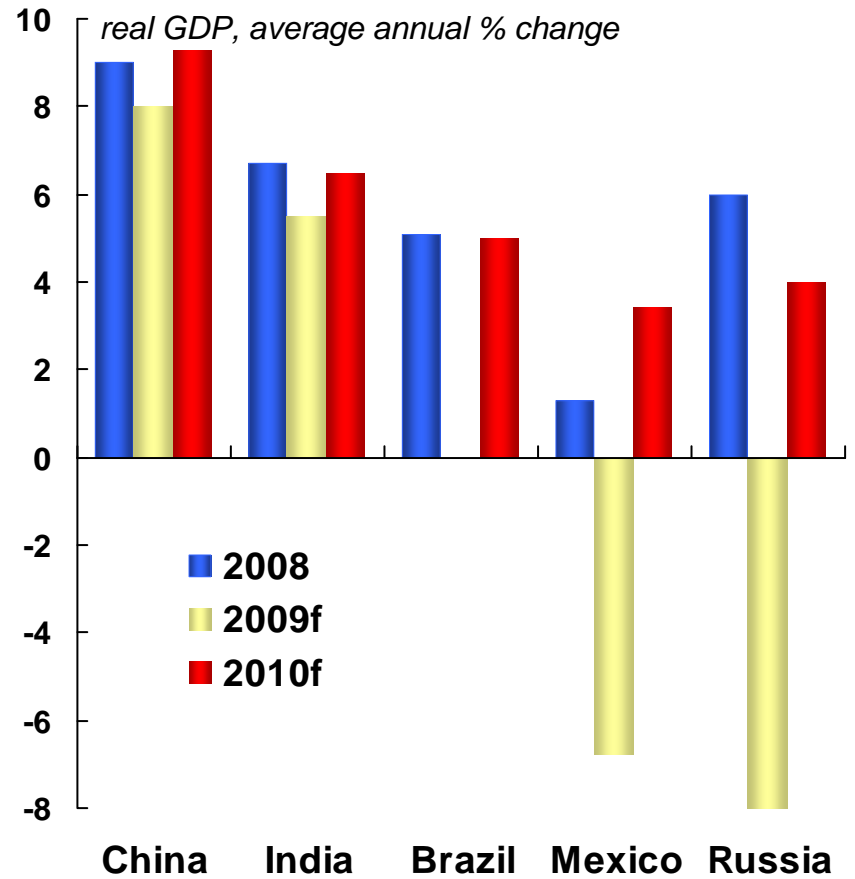
**Montreal
October 20, 2009**

The Global Economy Is Approaching a Turn

G7 Set for an Uneven Recovery

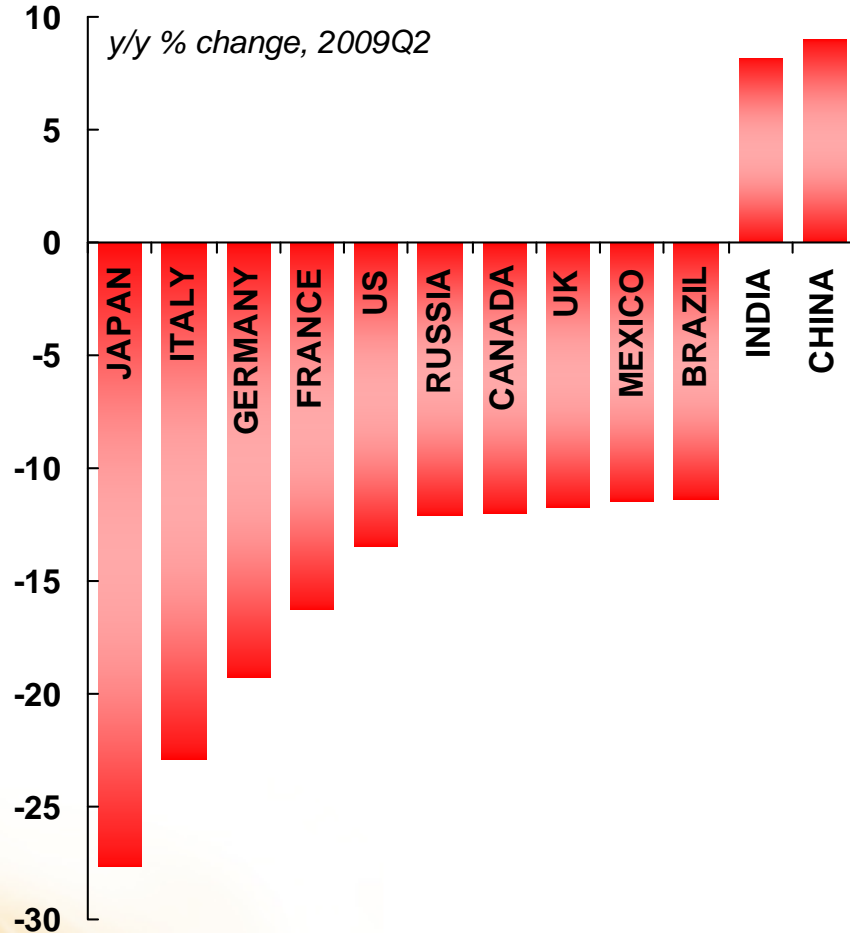


Emerging Nations Remain Growth Leaders

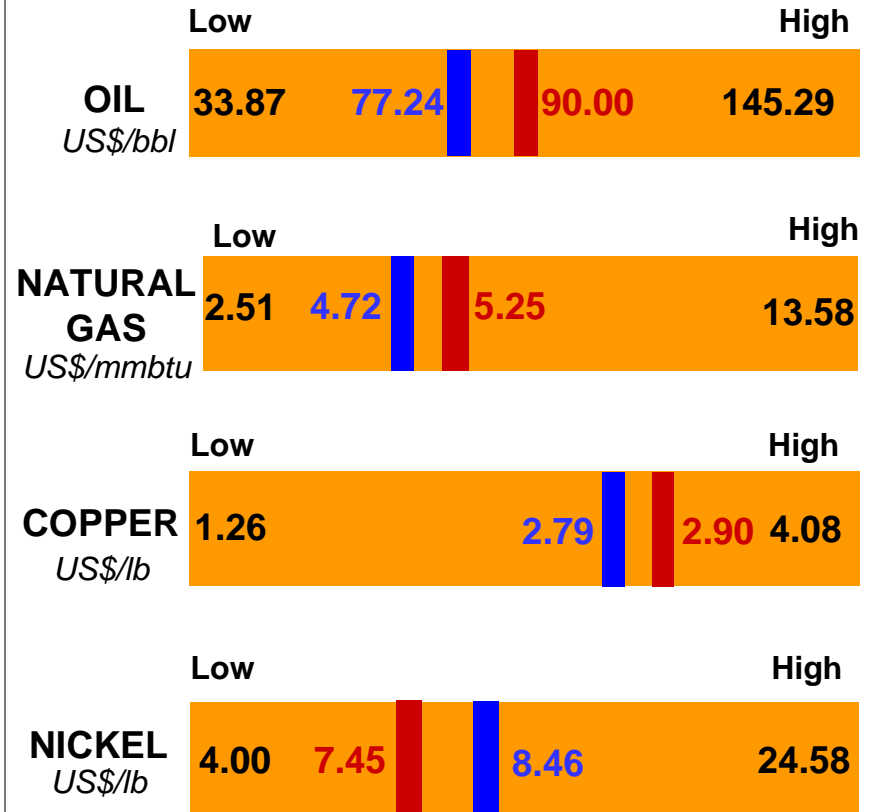


Emerging Market Demand Will Boost Commodity Prices . . .

Industrial Production



Price Fluctuations Since January 2008

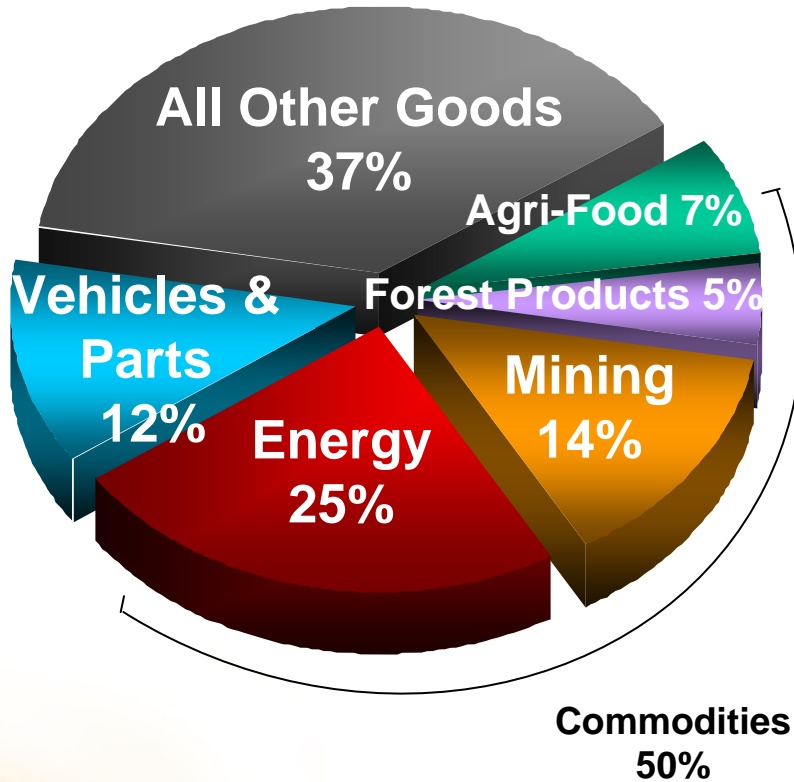


Blue bar represents price at October 16, 2009.
 Red bars represent Scotia Economics 2010F (average price).
 Historical end of day observations; Source: Bloomberg.

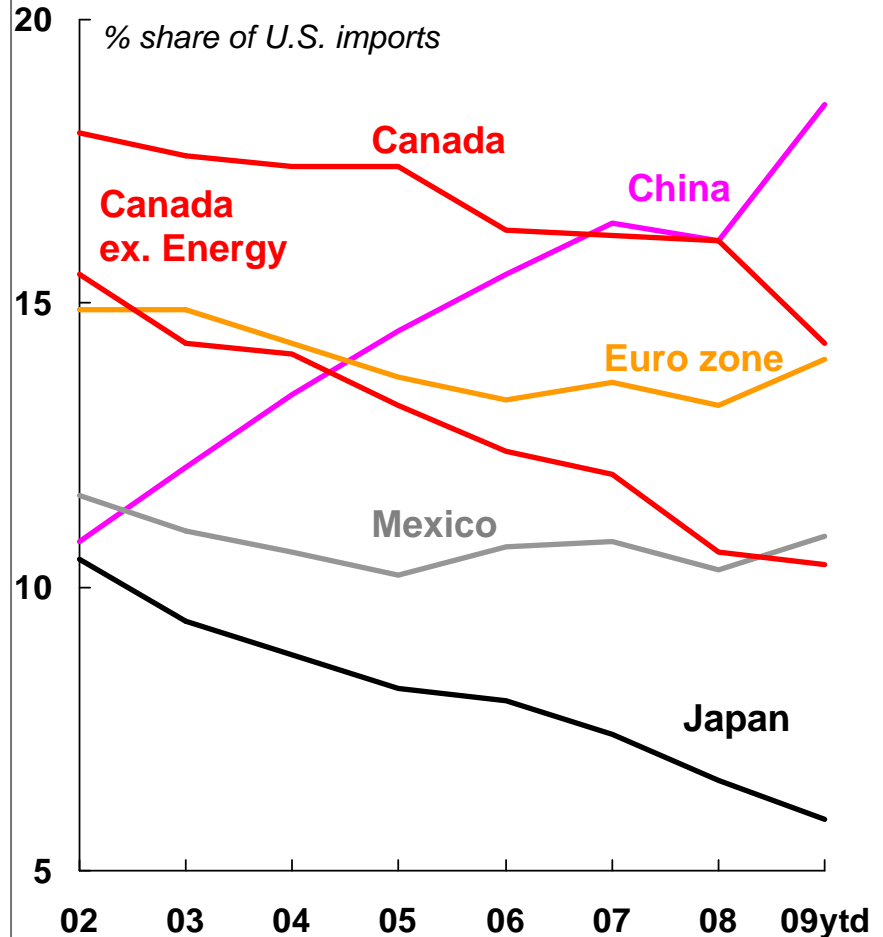
... Which Will Revive Canadian Export Earnings

Commodities Drive Canadian Exports

% share of total export receipts, 2008

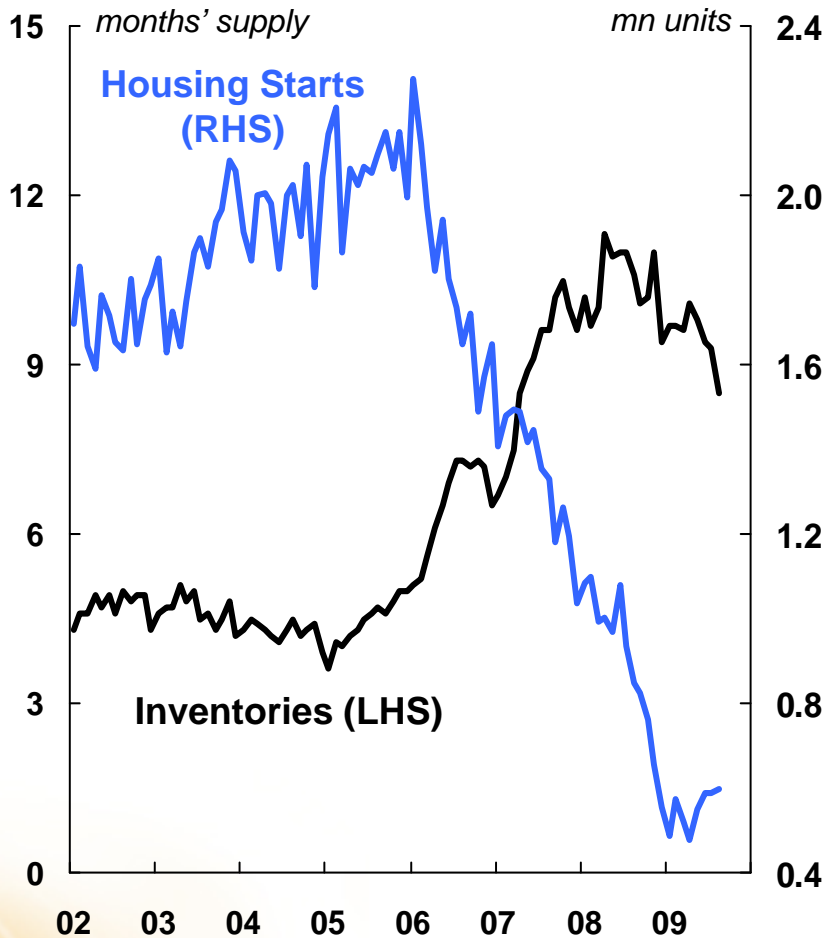


Canada's U.S. Market Share is Declining

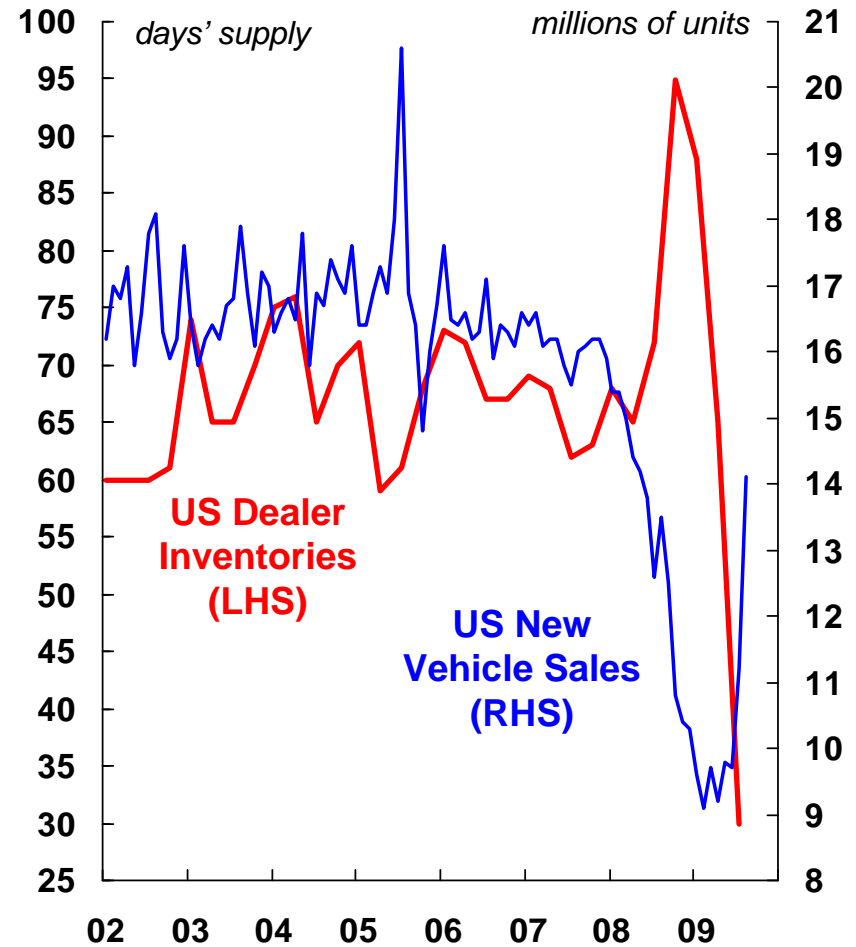


The Freefall in U.S. Housing and Autos is Over . . .

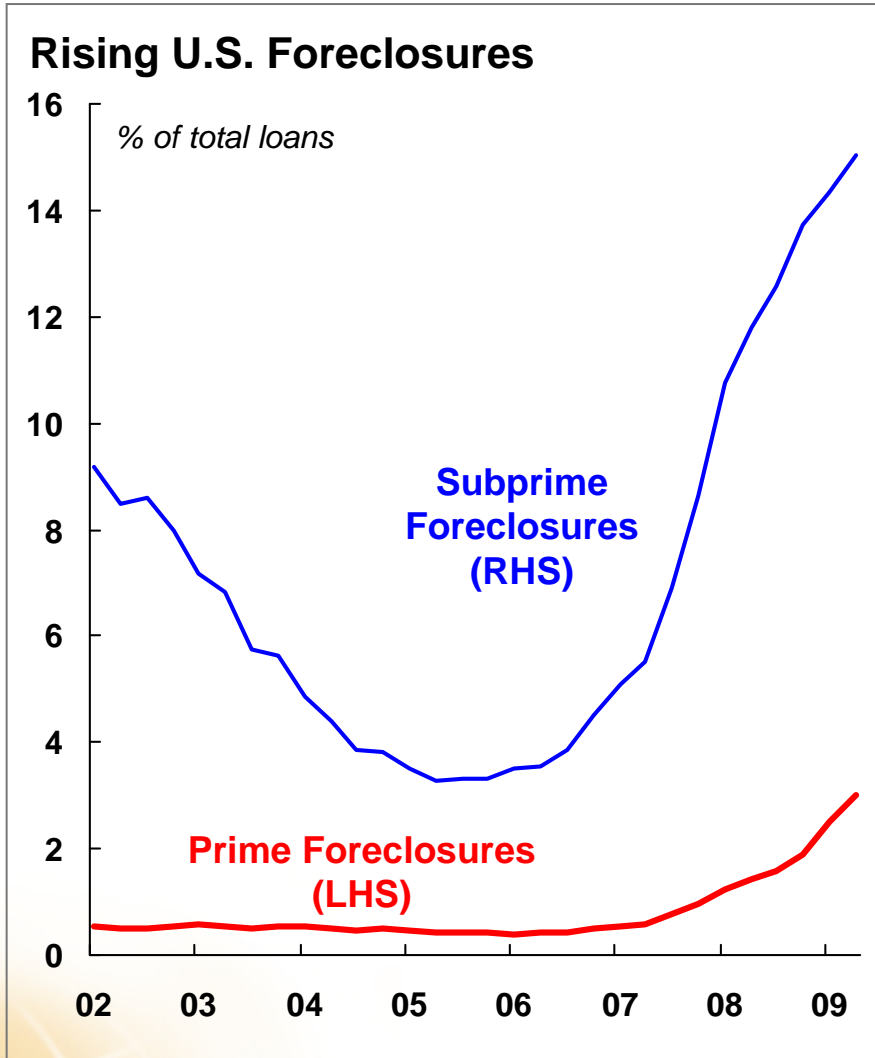
Housing Starts & Inventories



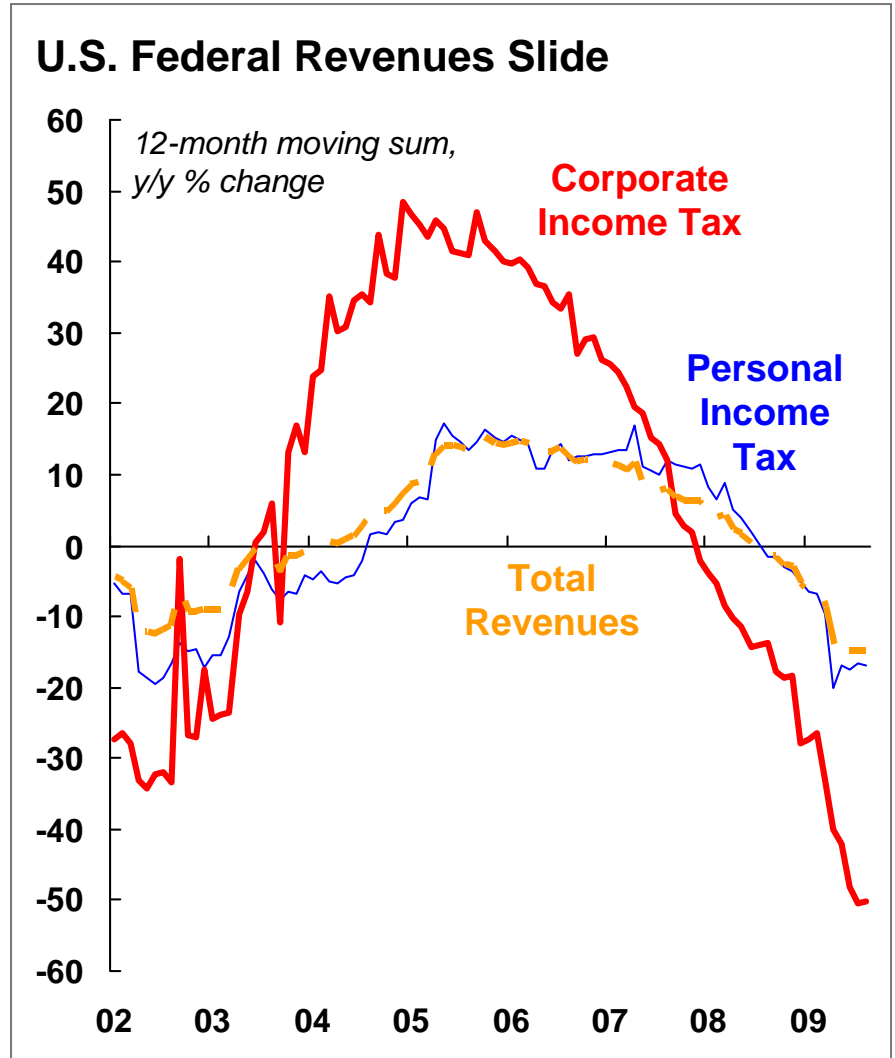
Vehicle Sales & Inventories



... but U.S. Private & Public Financial Strains Remain Intense ...

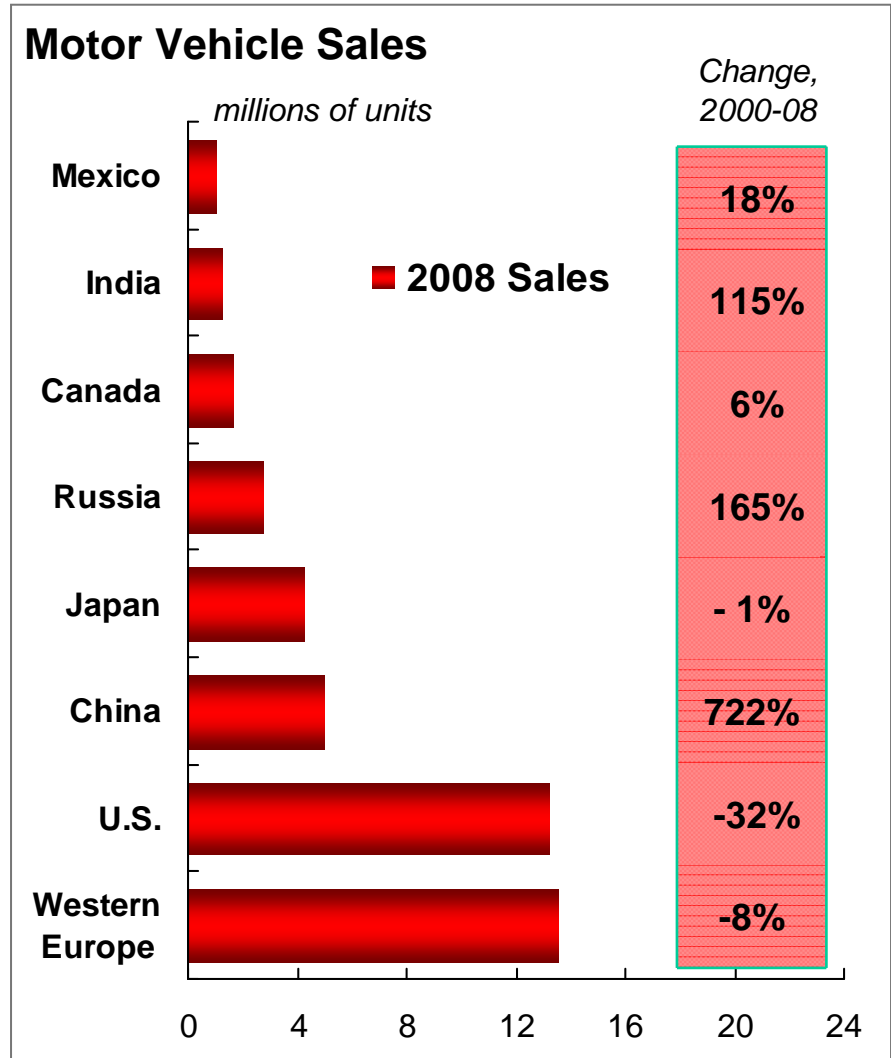
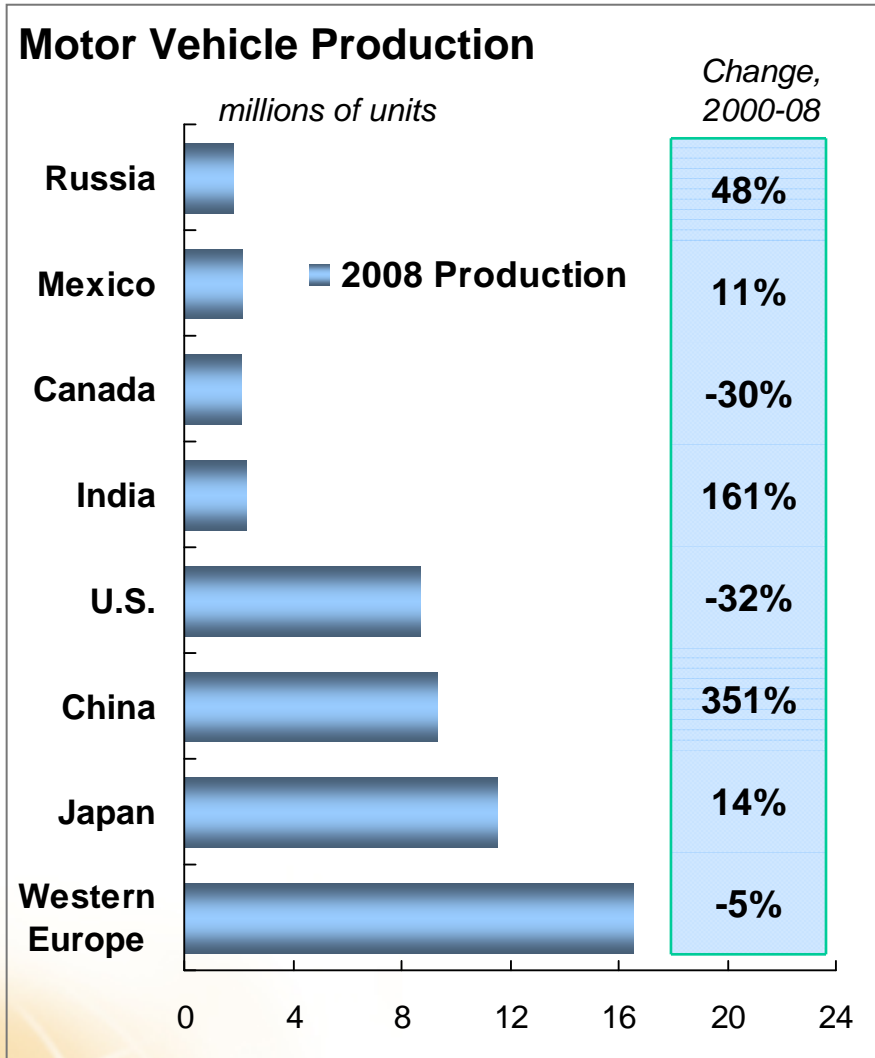


Source: Bloomberg.



Source: U.S. Treasury.

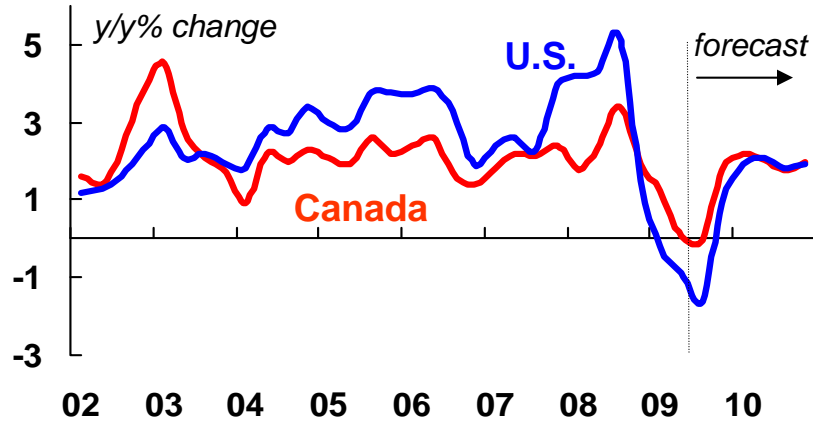
... & Auto Producers Face Major Structural Adjustments



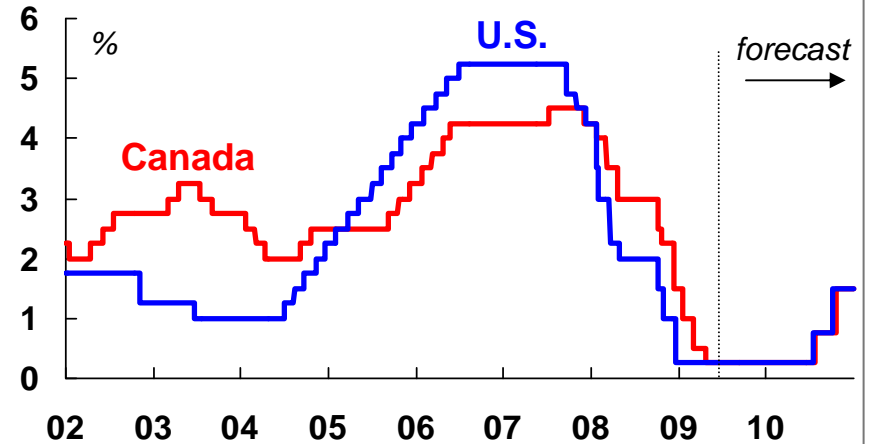
Source: Scotia Economics.

Less Monetary Stimulus Ahead

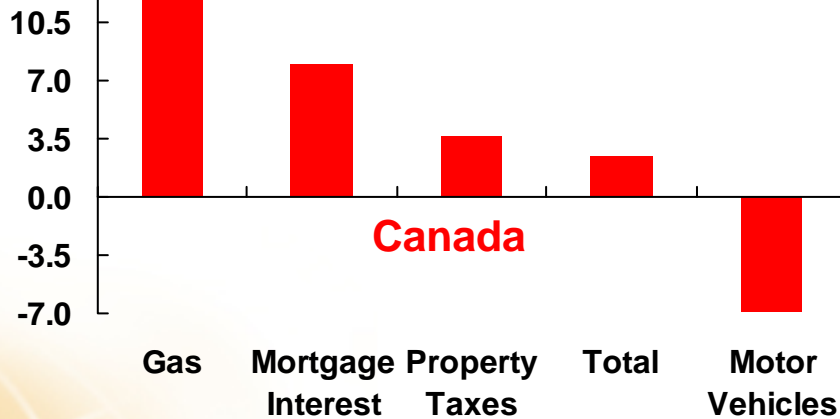
CPI



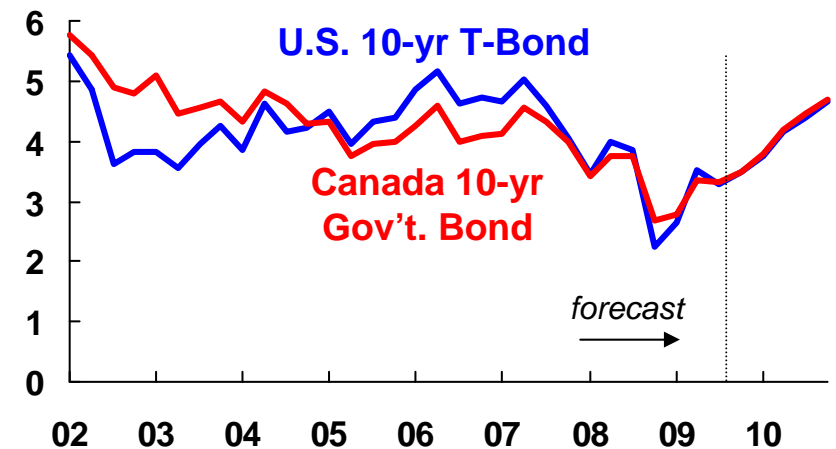
Central Bank Rates



% change, 2007-08

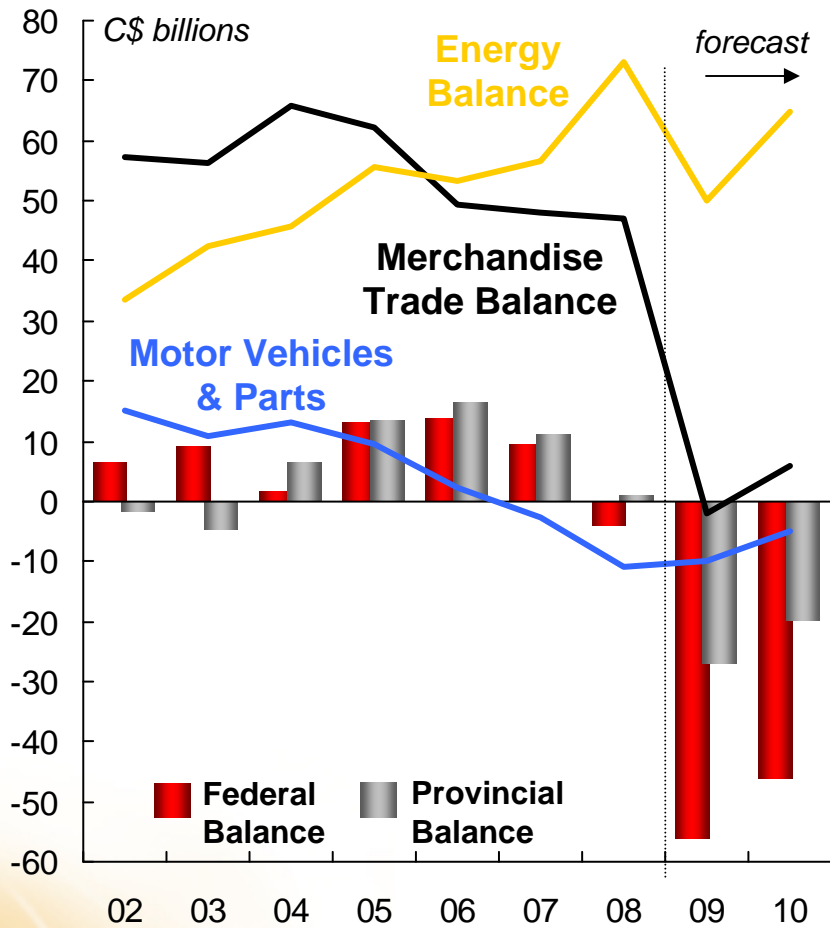


Bond Yields

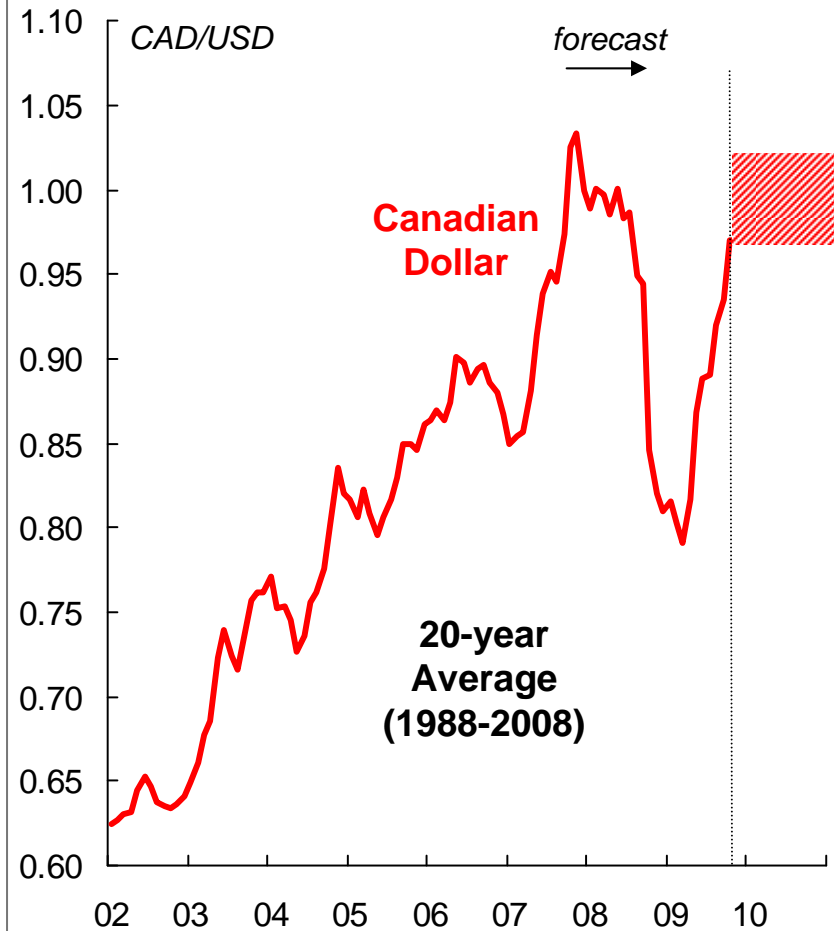


Commodity Rebound Helping the Loonie Take Flight

Commodity Revival Will Boost Canadian Export Earnings ...

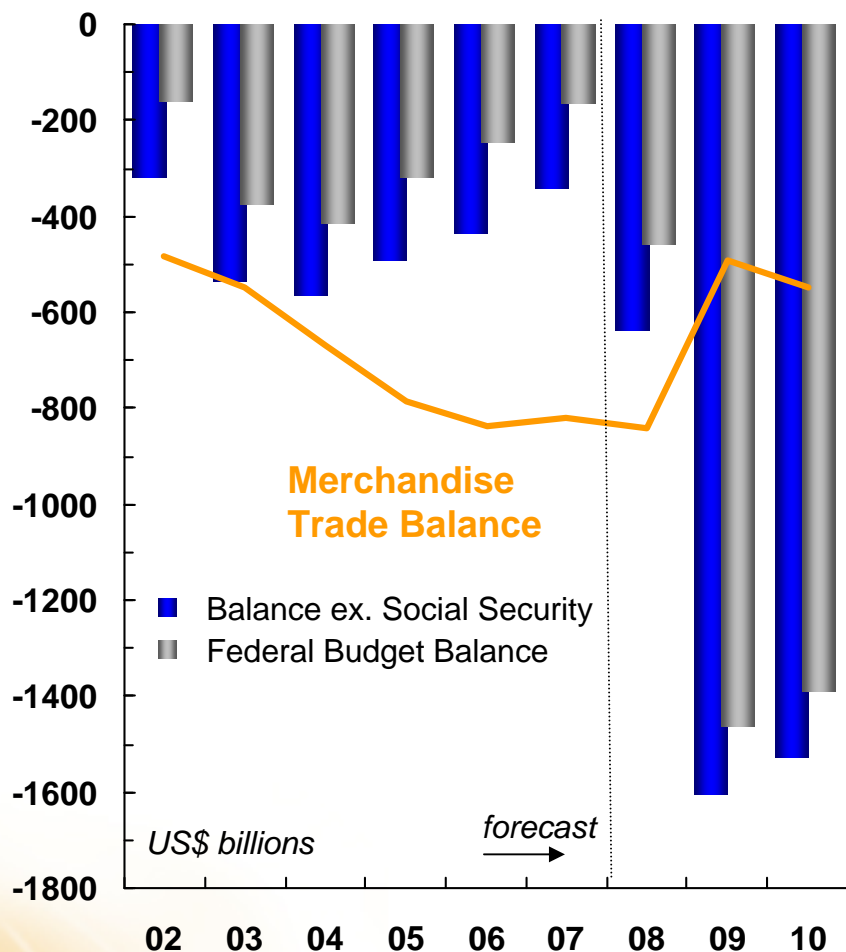


... & Boost the Canadian Dollar



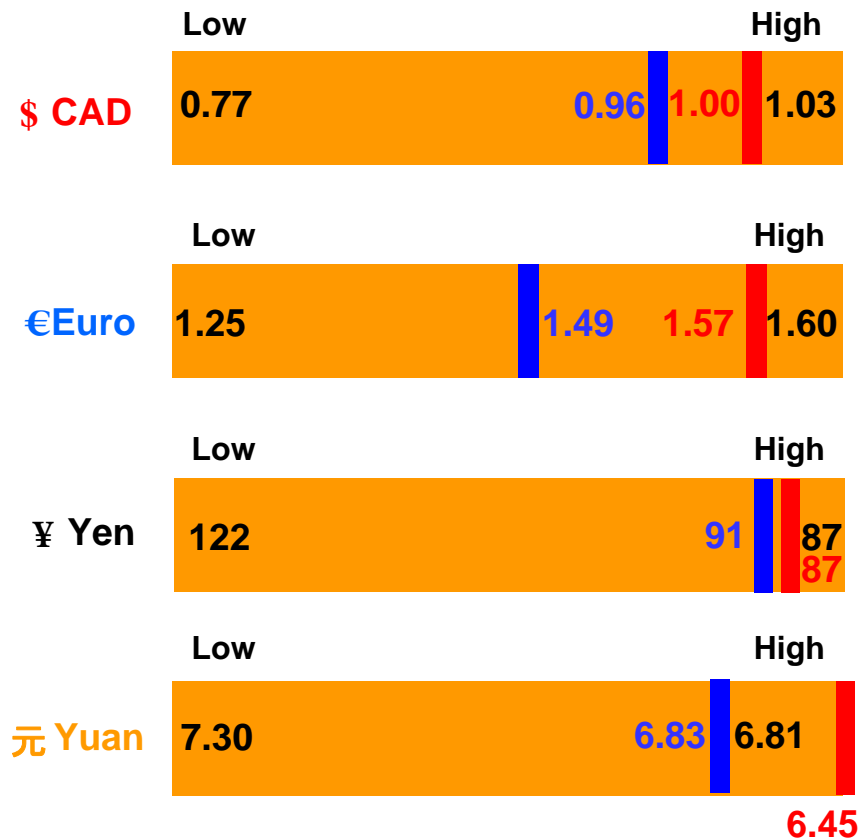
U.S. Dollar Remains on Shaky Ground

U.S. Fiscal Deficit Soars



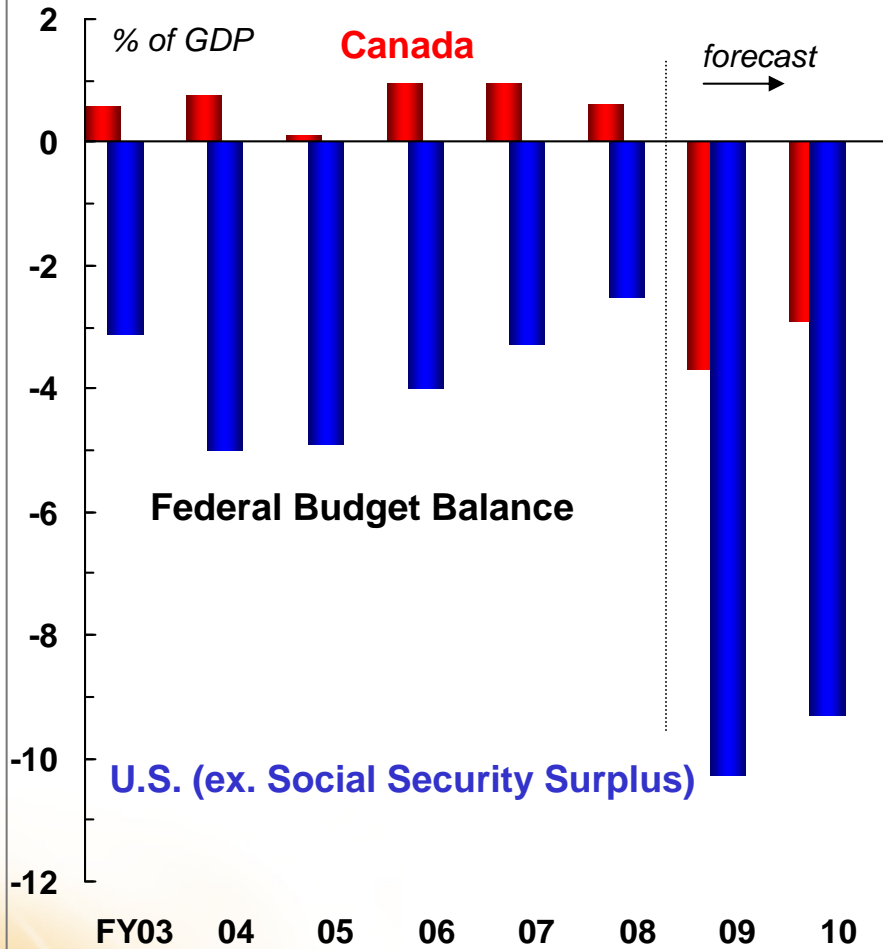
US\$ Shows Signs of Weakening

US\$ Exchange Rates Since January 2008

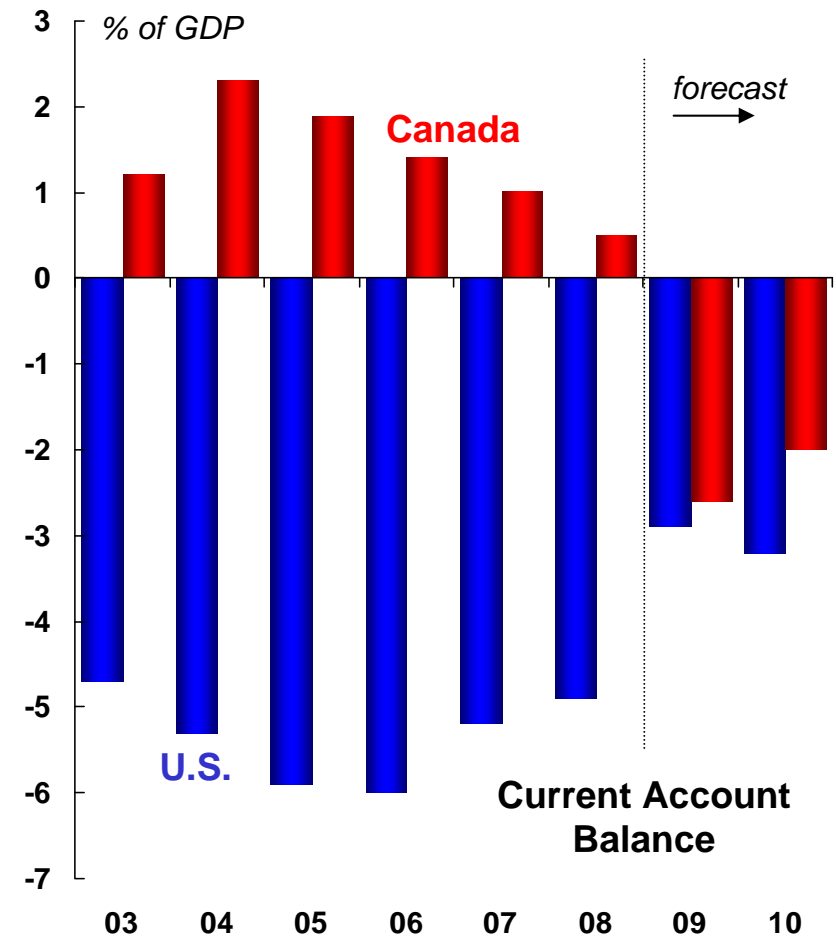


Canada Has Big Fiscal & Trade Advantages . . .

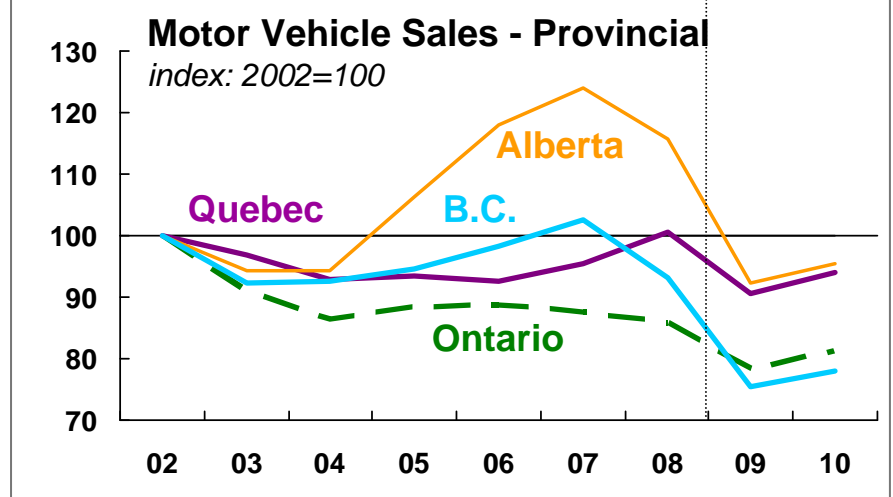
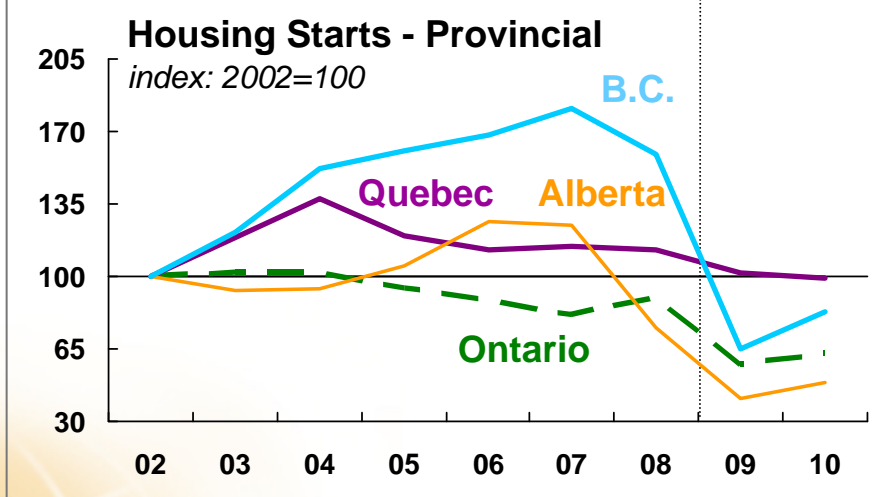
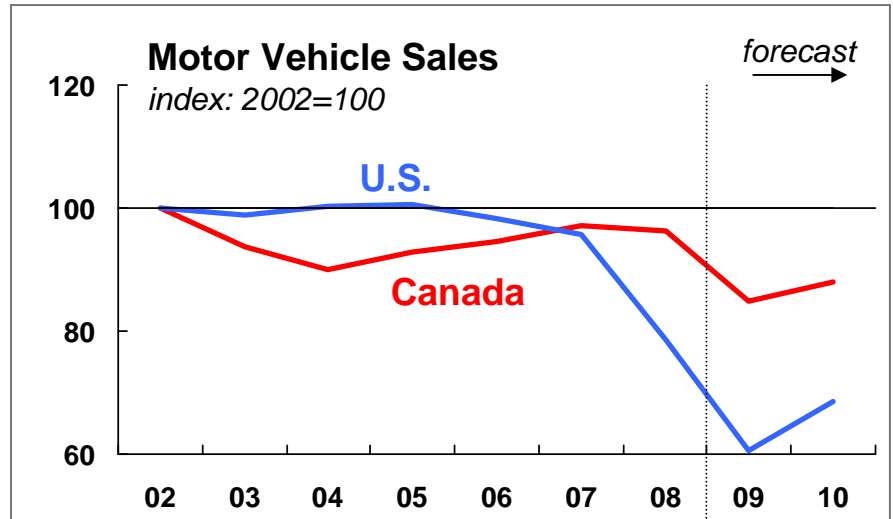
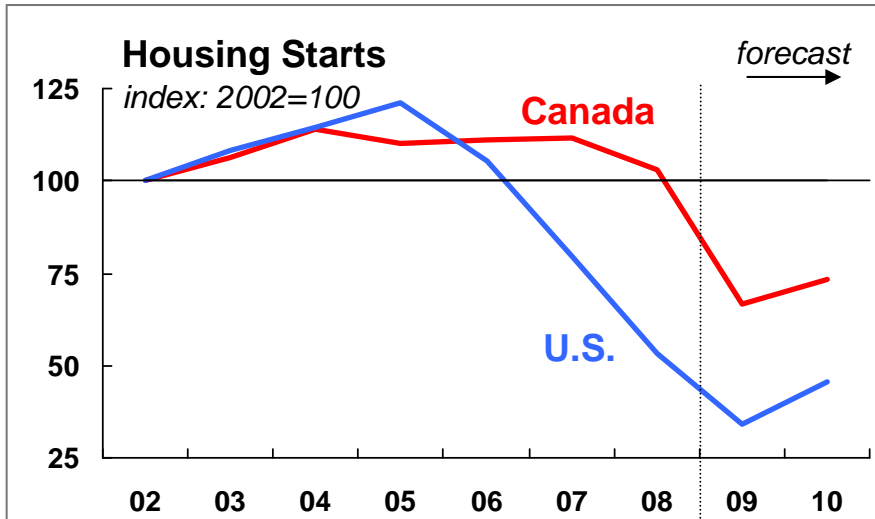
Ottawa Avoids Washington's Mega-Deficits



Resource Exports Underpin Canadian Trade



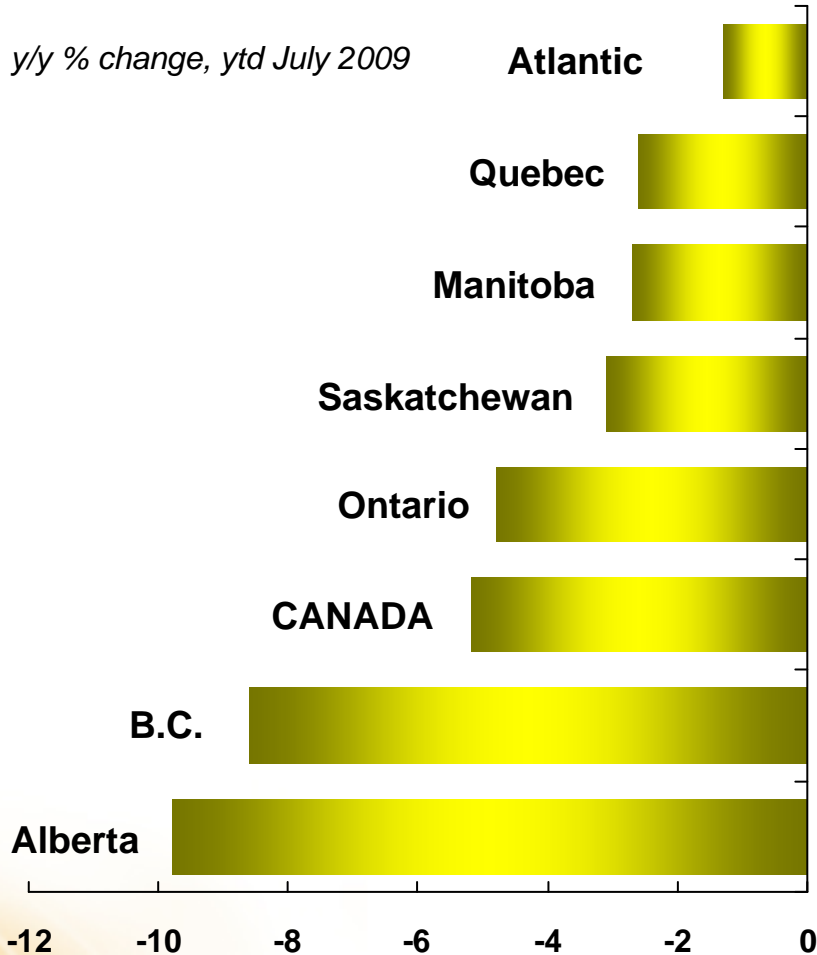
... Big-Ticket Sales Have Held Up Better Here ...



. . . but Spending Has Weakened in All Regions

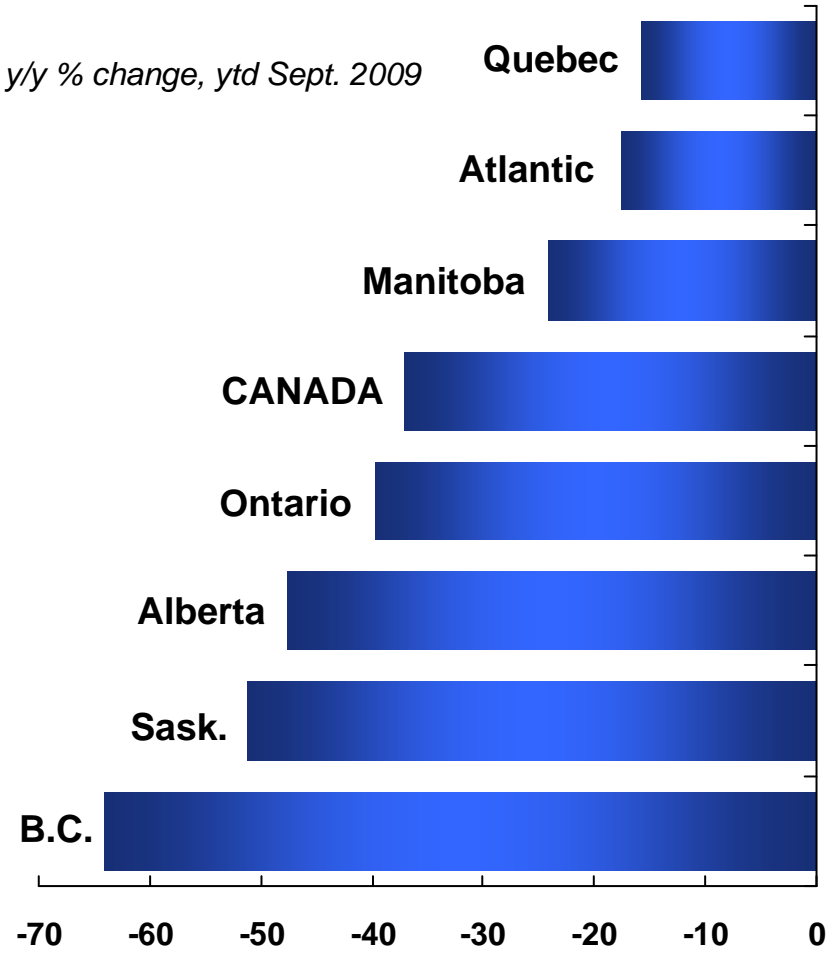
Retail Sales

y/y % change, ytd July 2009

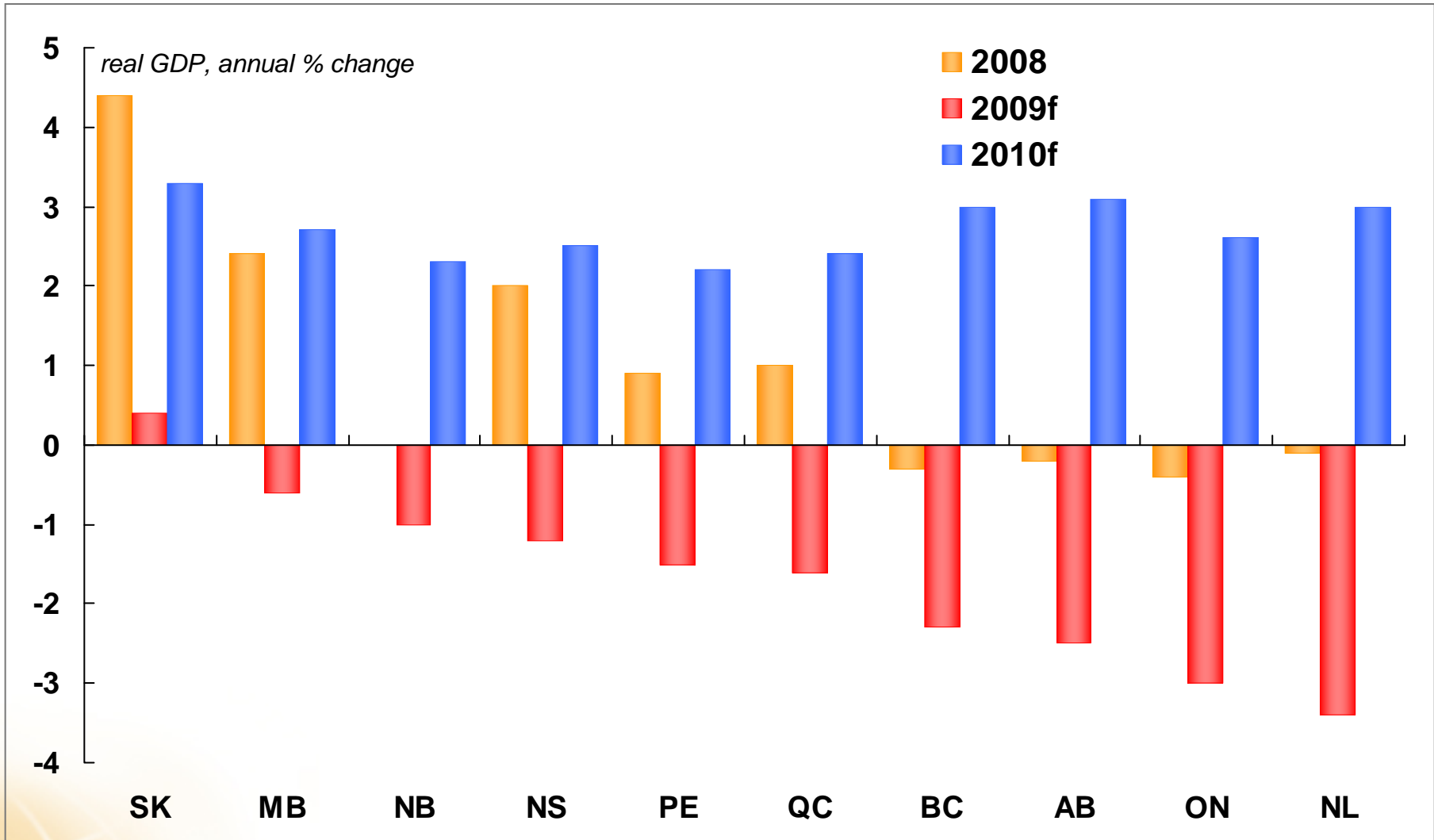


Urban Housing Starts

y/y % change, ytd Sept. 2009

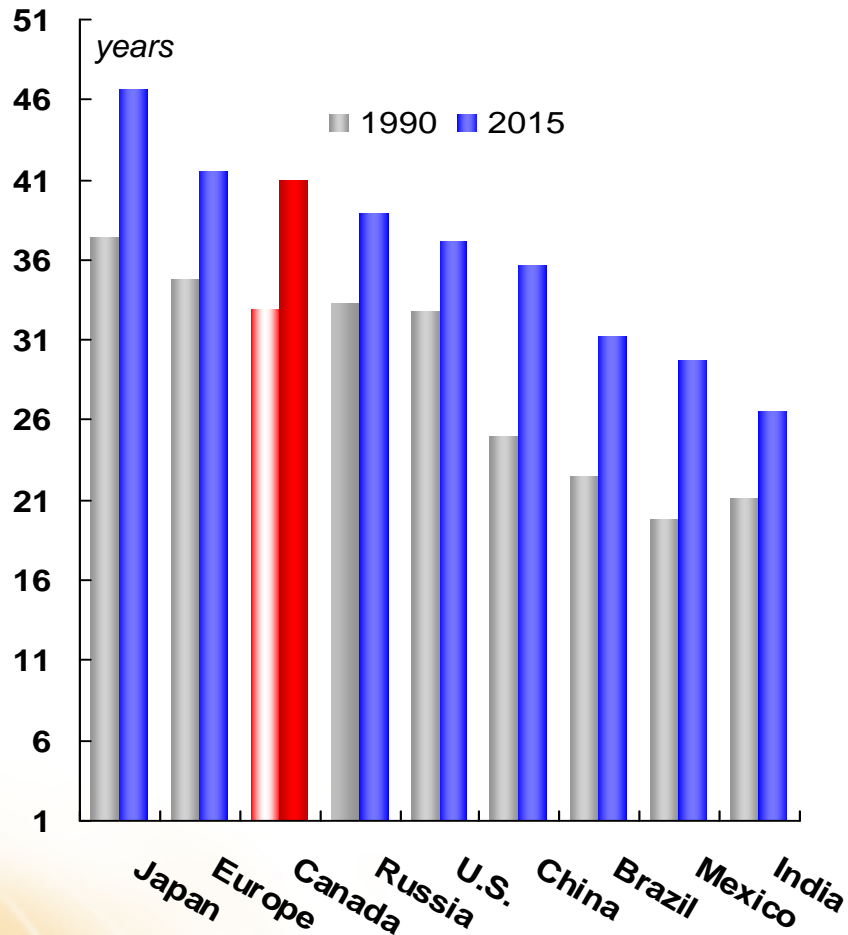


The Repair & Recovery Phase will Extend Through 2010 . . .



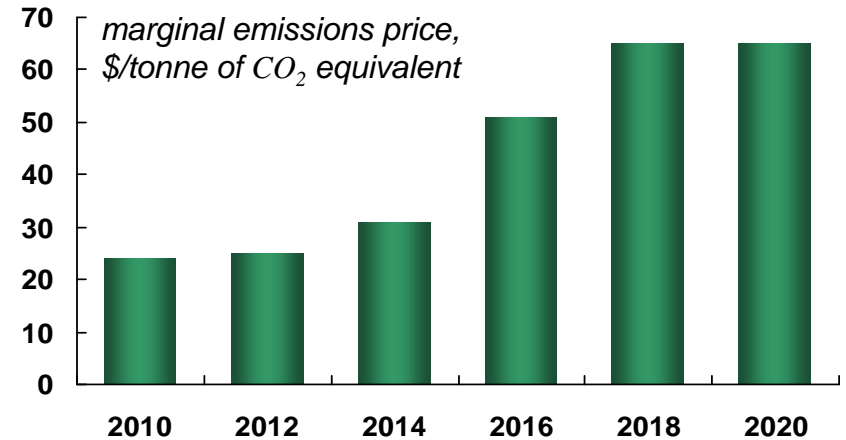
... & Big Environmental & Demographic Challenges Are on the Horizon

Median Age Climbs

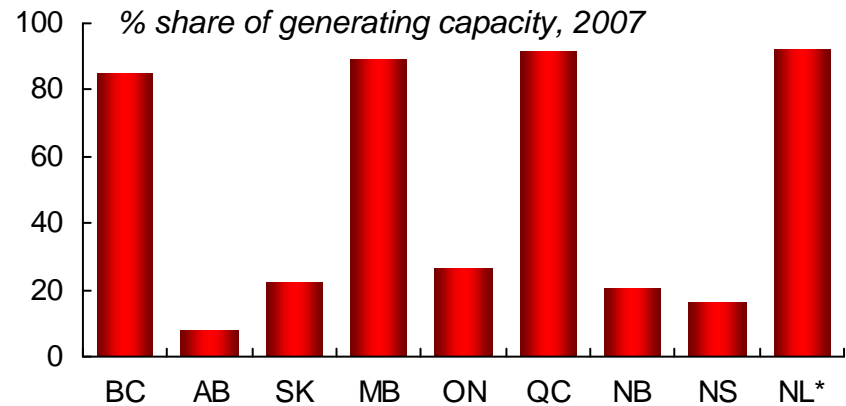


Source: U.N. Population Division.

Federal Government's Projected Carbon Prices



Hydroelectric Power by Province



Source: Environment Canada. *Major hydroelectric power exports from Labrador to Quebec.

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