



**PROVINCIAL ECONOMIC OUTLOOK
BY THE LAURENTIAN BANK SECURITIES
ECONOMIC RESEARCH TEAM**

Montreal, September 22, 2011 – The Laurentian Bank Securities Economic Research team has disclosed the new edition of the *Provincial Monitor* which highlights some of the key factors that will influence the Canadian provinces' economic performance. More specifically, it assesses the vulnerability of Canadian provinces to a US recession.

Increasingly telling signs of a return to recession in the United States, our largest market, have led us to examine the impact this would have on each of Canada's provinces. It has been previously established that this time around, if a US recession occurs, Canada would likely be hit harder than during the 2008-2009 episode, due to the fact that households and governments do not have the financial strength to respond as well to negative external shocks. That said, it makes sense to analyze each province's vulnerabilities, which differ greatly due to the country's size and geographic diversity.

Briefly, the vulnerability of Canadian provinces to a US recession varies. British Columbia, the most western province seems the most secure, while New Brunswick is the most exposed. Alberta, and to a lesser extent, Saskatchewan, which export considerably to the US (energy products) would also be vulnerable to a US recession, since it would have an impact not only in Canada, but globally. In this situation, the outcome on oil prices would be a drop. Obviously, resource-rich provinces are also at risk in this eventuality. Provinces with higher exports diversity, not only by commodity but also geographically, notably Quebec, Manitoba and Nova Scotia, should escape with relatively minor bruises. Bruises that would be major for Ontario, since its exports to U.S. are important and are essentially concentrated in the auto sector.

In short, risks remains elevated for provinces, but some are more immune because they export different type of commodities split between many different countries and global regions. For example, China's geographic distance has not been such a barrier for the Province of Quebec since this country is now the third destination for its international exports. The provinces need to pursue export diversification to reduce their reliance on our southern neighbor, especially as Canada is losing market share in the US to China and other countries.

In these uncertain times, the most likely economic scenario is still for modest global economic growth in the second semester of this year and into 2012. Regarding North America, our base-case scenario calls for a real GDP growth slightly above 2 % during the second semester of this year in Canada as well as in the U.S. Overall, *LBS Economic Research* anticipates Canadian economic growth to decelerate from 3.2% in 2010, to 2.2% in 2011 and 2.0% in 2012.

The full report as well as an update of provincial economic forecasts are available on Laurentian Bank Securities Economic Research web site: <http://www.lb-securities.ca/EconomicResearch>.

About Laurentian Bank

Laurentian Bank of Canada is a banking institution operating across Canada and offering its clients diversified financial services. Distinguishing 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.



Press release

FOR IMMEDIATE RELEASE

Laurentian Bank is well established in the Province of Québec, 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 \$24 billion in balance sheet assets and more than \$15 billion in assets under administration. Founded in 1846, the Bank employs more than 3,800 people.

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