



**Bank
Financial
Group**

TD Economics

TD Quarterly Economic Forecast

March 12, 2009

FOR WHOM THE BELL TOLLS

In the December Quarterly Economic Forecast (QEF) we downgraded our 2009 outlook for Canada and the U.S. in an article entitled “Pessimism Prevails”. At that time, too many near-term negative forces were building against the forecast, particularly related to the deterioration in financial conditions that took hold in October and November. Since then, there has been significant broadening of economic weakness across the global stage, causing us to markdown our forecasts yet again. We believe the global economy will suffer a 1.6% contraction in 2009 (compared to squeaking out at 0.5% gain in our December forecast). This would mark the first global contraction on post-war record. With no country left unscathed, the bell tolls for thee.

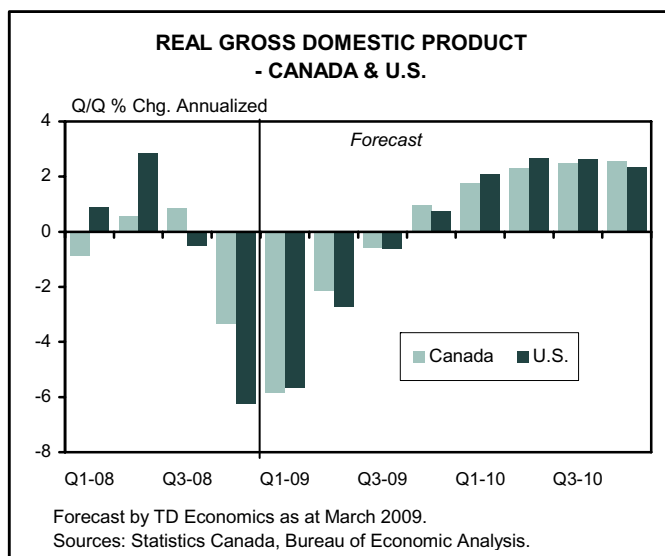
There are two elements to the downgraded forecasts: In the near-term, economic weakness appears more pronounced, with tentacles reaching across the globe. In particular, the capitulation of the U.S. consumer at the end of 2008 has been sharper than anticipated. This has been a key catalyst for causing the year-over-year decline in glo-

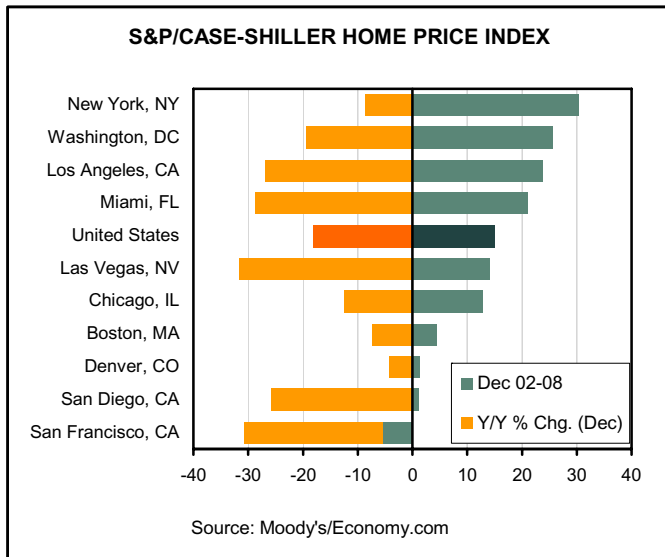
HIGHLIGHTS

- **TD predicts deeper and more extended recessions on both sides of the border.**
- **U.S. economy to contract by 3.1% in 2009 and Canada to follow suit with a 2.4% retreat.**
- **Outlook for 2010 slashed in half, with slow recovery predicted.**
- **U.S. and Canadian economies expected to rise at modest pace of 1.4% and 1.3%, respectively, in 2010.**
- **Global economic outlook also cut to -1.6%, marking the first contraction on record.**

bal trade to double and distribute the economic shock around the world. This sharp change in such a short period of time has accelerated the ongoing retrenchment in global production levels, which foreshadows an increased level of global bankruptcies, alongside losses in jobs and corporate profits, especially for Japan and the Asian emerging markets so intricately intertwined into global supply chains. The recession in the U.S. economy is now expected to extend to the third quarter, resulting in a contraction of 3.1% for 2009 as a whole (December QEF estimate -1.6%). Canada as an unfortunate bystander will see real GDP growth contract by 2.4% (December QEF estimate -1.4%).

This brings us to the second element of the forecast, which has to do with the timing and strength of an eventual economic recovery. We expect a budding U.S. recovery to materialize at the very end of 2009, but the risks in recent months argue that the recovery will be shallower than originally expected for 2010. We now expect real U.S. GDP growth of only 1.4% in that year, though we view the risks as balanced around this forecast. Meaning, it's just as probable that the economy can surprise on the upside





as on the downside in the second half of 2009 and 2010. There are five key pillars that form our current view. If all five come to fruition quickly and strongly, then the pace of economic recovery will be considerably stronger than we are currently predicting. However, if some of the five ingredients are not substantially realized in the next 3-6 months, we will consider downgrading the outlook further.

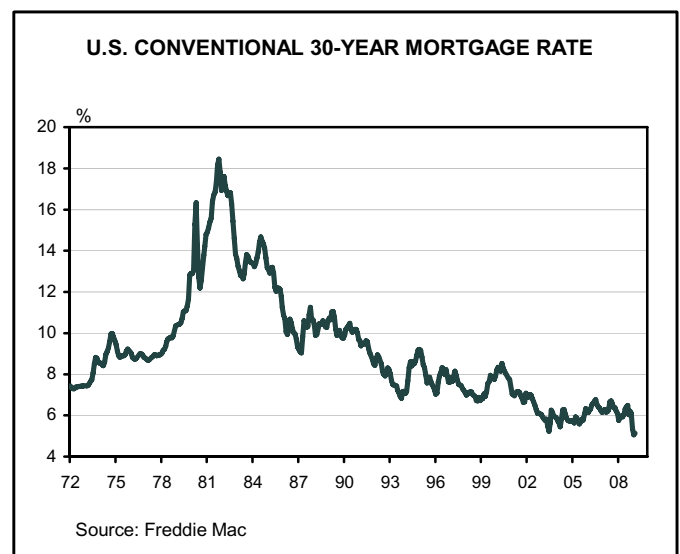
Five pillars to recovery:

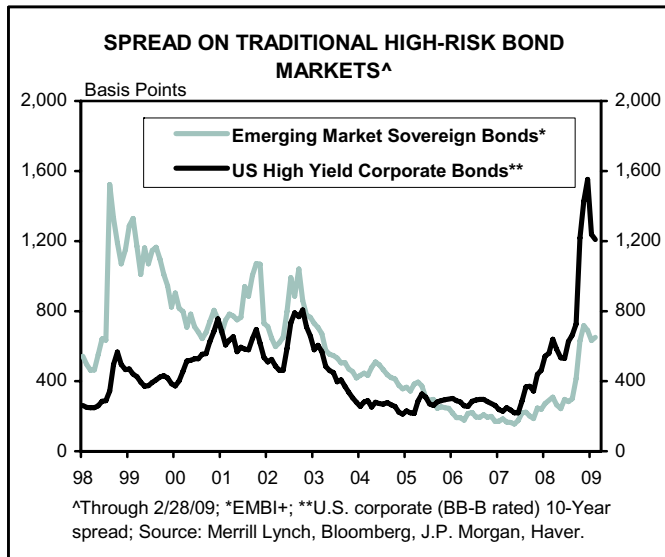
1. *The U.S. real estate market must stabilize in the next 3-6 months.* What does this mean? So much market and media attention has been placed on the rate of decline in U.S. home prices. The Case-Shiller home price index (HPI) for December showed that prices were declining at a breakneck pace of 18.5% y/y. We believe existing home prices will fall a further 10% by the first half of 2010, for a peak-to-trough contraction of close to 35%. There is obvious importance attached to price movements, especially when it comes to the psychological impact it can have on household spending and confidence alongside the direct influence on household wealth, mortgage financing and default activity. In particular, resumption in price growth would trigger the completion of housing-related write-offs, helping to restore the health of the financial industry. However, waiting for prices to return to the black will not tell you when the housing market has bottomed. Turning points in prices lag that of sales and inventories by as much as 3 to 12 months, although home prices do tend to lead new construction. Right now we're encouraged to see that inventories in the existing home sales market are

already down from their peak in November and that sales activity in the heartland of the housing woes – the West – firmed up in December and January. However, it's too early to say definitely whether these developments will improve further or stagnate. There is still acute downward pressure on the new home market, and downside risk remains over the impact of record foreclosures on inventories and prices and the possibility of a vicious cycle.

2. *Credit conditions must continue to improve.* The U.S. is making slower-than-expected progress on restoring its financial health, which was a key risk to our original assumptions set out in the December and September QEF reports. There is some good news, however. Short-term financing rates have receded dramatically in recent months and 30-year mortgage rates have fallen to an all time low. However, monetary policy filters through the economy with lags of 6-12 months, and in this environment of credit upheaval and economic uncertainty, the lags could be more exaggerated. Most of the improvement in financial markets just started to show up in the economy in early 2009, therefore it will take time to stoke GDP growth.

Furthermore, there has been little progress made on medium-term financing rates, which remain extremely high. The spread of 5-year U.S. bank debt over its Treasury counterpart is close to 400 basis points. Over time, this spread should decline to around 150 basis points. Progress on this front is tied to government policy, which must still address the core problem of toxic assets on the balance sheets of financial institutions. Attempts





thus far have not met our expectation. For instance, when the Trouble Asset Relief Program (TARP) was first created last year, it appeared to be targeted at the underlying bad asset issue. However, the objective and implementation of the TARP program has been redefined many times over and nearly half of the funds have yet to be deployed – now into the sixth month since inception. The draft of President Obama’s 2009 Budget seeks an additional \$750 billion in new aid to the financial industry. As with the other funds, though, the U.S. Treasury has not articulated an actionable plan to deal with the troubled assets, how it would deploy these funds and under what conditions. To add to the confusion and uncertainty that is already undermining the financial system, there is now an ideological debate raging as to whether the government should nationalize some of the banks.

As such, the improvement thus far in shorter term financing costs and mortgage rates, though welcomed, is not sufficient to set the stage for a broad-based solid recovery in the second half of this year. There are still too many loose ends on the financial front, which is why our forecasts reflect a longer recession in 2009 and a shallower recovery in 2010.

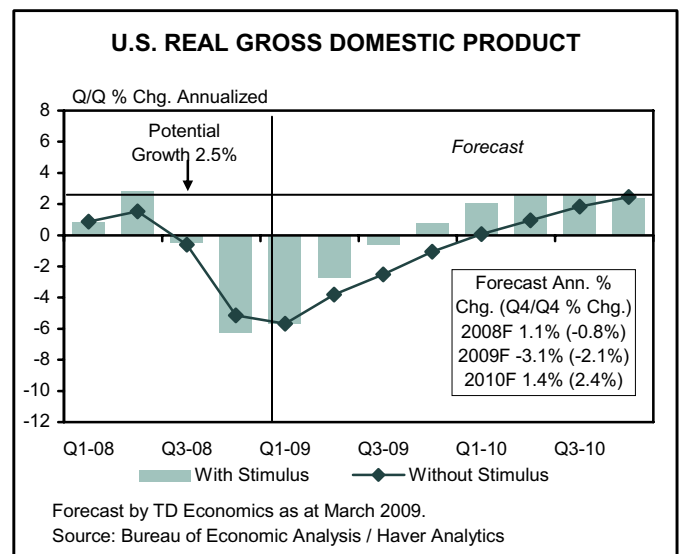
3. *Related to this is the increased prevalence of systemic risk in the global financial system, which must diminish for our forecast to materialize.* The accelerated deterioration in the global economy has exacerbated some underlying financial fragilities. A substantial amount of loans from Western European banks to

Eastern European borrowers has quickly soured, exacerbated by the sharp depreciations in many East European economies. This will be a drag on borrower and lender economies alike, thereby slowing the pace of economic recovery. We are presuming that attempts to stabilize the financial systems and economies of Central and Eastern Europe will avoid the worst case scenario of total meltdown, which would have dire knock on effects to creditors in Western Europe and even North America.

4. *Restructuring of the auto sector must continue to make progress.* If the Big 3 North American auto assemblers are allowed to fail outright, the economy would certainly be worse than currently projected. This view does not preclude these firms from seeking bankruptcy protection and restructuring, but does assume their operations continue in some, albeit diminished, form.
5. *The U.S. fiscal stimulus package must be implemented swiftly and the economic boost needs to be in the ballpark of our current expectations.* The fiscal stimulus is projected to lift the level of U.S. real GDP by 2.3% by the end of 2010. Our assumption is relatively conservative, as it rests in the middle of the Congressional Budget Office (CBO) range of potential outcomes. For further details see TD Economics report “A Primer on Fiscal Stimulus”, February 19, 2009.

Canada to take its lumps and bruises

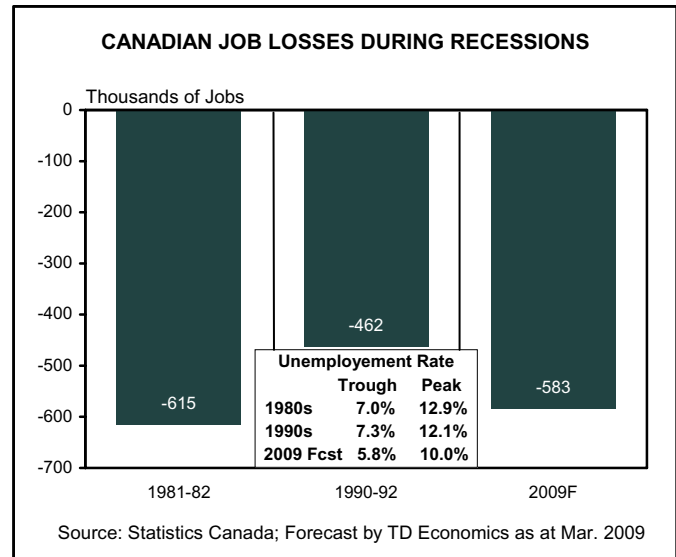
Where is Canada in all this? First, there can’t be a Canadian economic recovery without stabilization in the U.S. economy and global financial conditions. After all,



this is not a made-in-Canada recession, but the country has certainly imported all the problems surrounding financial market uncertainty, a weakened export market and the plunge in commodity prices that comes with a global recession. Second, like the U.S., we expect the fiscal package to have the intended effect of lifting the cumulative GDP growth rates of 2008 and 2009 by 1.1 percentage points. Again, this is a conservative assumption relative to government estimates on two counts. We have not assumed a large lift to real GDP growth from the stimulus in 2009; rather we have spread the impact more evenly over the two years (0.5 percentage points on growth in 2009 and 0.6 percentage points in 2010). In contrast, government projections place the stimulus lift to real GDP growth in 2009 at three times our estimate. Also, our total stimulus impact estimate over the two year horizon is almost half of government expectations.

If the U.S. recovery unfolds as planned and the Canadian fiscal stimulus hits the mark, we believe the real Canadian economy will still contract by 2.4% in 2009 before staging a modest recovery of 1.3% in 2010.

Perhaps the more interesting story for Canada is not what will happen on the real side of the economy, but rather on the nominal side. The lethal combination of a commodity price correction with a global recession was a key player behind a 13.4% (annualized) contraction in national income in the fourth quarter. Corporate profits tumbled 59% (annualized) in the quarter and we wouldn't be surprised to see profits round out 2009 at least one-third lower than when they started off the year. A detailed report on Canadian profits was produced on February 5th entitled "Canadian Profits to Fall Back to 2003 levels in 2009". We have also talked extensively about the implications of declining national income in previous publications, including the December QEF and in a special report entitled "When a Commodity Boom Goes Bust" (Dec 2008). With nominal GDP expected to decline in 2009 as a whole (-4.5%) for the first time on record, this will come to bear on employment, wages, capital investment, and government revenues as the year rolls forward. A big eye-catcher among these components is that from peak-to-trough, we expect more than a half-million jobs to be shed by the end of 2009. That's more than the total job losses experienced during the painful early 1990s recession (-462,000), which is still fresh in the minds of many Canadians. However, the size of the labour market is bigger now than it was then, so the percentage decline will not be quite as steep (3.4% vs. 3.5%). There is no doubt that 2009 will go down in the history



books as one of the most difficult economic years for Canadians.

Conclusion

We feel that too many issues related to the health of the global financial system remain unresolved for a speedy economic recovery; not to mention that there are a number of question marks still circling the auto sector, the U.S. housing market and developments in Central and Eastern Europe. At this stage, we think it prudent to downgrade the American and Canadian economic profiles for 2009 and 2010. However, the upside and downside risks are evenly balanced around this forecast, such that if some of the ambiguity lifts and progress is made on any one of these elements over the next 3-6 months, there is upside potential to the outlook, particularly for 2010. Given the excruciatingly slow economic recovery we expect on both sides of the border next year, a substantial output gap will remain in both countries for years to come. This should mitigate the risk that inflation will become problematic once some of the global and domestic risks abate, allowing central banks time to pull liquidity out of the financial system as the recovery takes hold. A U.S. and Canadian 5-year forecast has been posted at www.td.com/economics/forecasts.jsp. This long-range forecasts will be updated annually, corresponding with the release of the March QEF. Additionally, the Provincial Economic Forecast will be released on March 17th.

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CANADIAN ECONOMIC OUTLOOK

Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated

	2008				2009				2010				Annual Average			4th Qtr/4th Qtr			
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	08	09F	10F	08	09F	10F	
Real GDP	-0.9	0.6	0.9	-3.4	-5.8	-2.1	-0.6	1.0	1.8	2.3	2.5	2.6	0.5	-2.4	1.3	-0.7	-1.9	2.3	
Consumer Expenditure	2.4	1.4	0.6	-3.3	-3.6	-2.7	-1.3	0.1	1.8	1.9	2.1	2.2	3.0	-2.0	0.9	0.3	-1.9	2.0	
Durable Goods	16.8	-3.4	-0.7	-12.1	-15.0	-7.5	-2.5	-0.9	0.2	1.5	2.0	3.6	5.2	-8.3	-0.2	-0.4	-6.6	1.8	
Business Investment	2.5	-0.2	2.4	-15.1	-10.9	-7.5	-3.5	-2.5	-1.2	-0.2	2.2	3.3	1.7	-7.5	-1.3	-2.9	-6.2	1.0	
Non-Res. Structures	4.9	3.8	7.9	-0.1	-4.7	-3.5	-2.5	-1.8	-0.9	0.5	2.3	2.7	1.1	-1.1	-0.6	4.1	-3.1	1.1	
Machinery & Equipment	0.4	-3.6	-2.4	-26.8	-16.0	-11.2	-4.5	-3.2	-1.5	-0.9	2.2	3.9	2.0	-12.9	-2.0	-8.8	-8.9	0.9	
Residential Investment	-5.6	-4.6	-2.2	-22.1	-12.7	-10.7	-6.0	-3.2	-1.0	2.0	2.7	3.1	-2.9	-11.1	-1.5	-9.0	-8.2	1.7	
Government Expenditure on Goods & Services	1.5	3.9	-0.2	1.0	2.7	7.1	8.2	6.9	3.0	2.2	1.8	1.6	3.4	4.2	4.2	2.0	6.2	2.1	
Final Domestic Demand	1.8	1.3	0.5	-4.9	-3.7	-1.5	0.5	1.4	1.5	1.9	2.2	2.3	2.5	-1.1	1.4	-0.3	-0.9	2.0	
Exports	-4.6	-3.2	-3.4	-17.4	-26.2	-16.8	-7.8	-3.0	1.5	1.9	2.6	3.3	-4.7	-15.2	-1.5	-7.4	-13.9	2.3	
Imports	-7.6	3.6	-3.7	-23.5	-24.0	-16.2	-4.5	-1.9	0.3	0.9	2.0	2.7	0.7	-14.9	-1.4	-8.4	-12.1	1.5	
Change in Non-Farm Inventories (\$97 Bn)	4.0	8.0	6.2	3.8	2.0	0.1	-0.5	-0.9	-1.2	-0.9	-0.5	-0.3	5.5	0.2	-0.7	--	--	--	
Final Sales	4.0	-1.6	0.8	-1.6	-3.7	-1.2	-0.5	1.0	1.9	2.2	2.4	2.5	0.6	-1.5	1.4	0.4	-1.1	2.2	
International Current Account Balance (\$Bn)	22.3	34.1	14.5	-30.6	-50.9	-43.1	-38.8	-38.2	-33.8	-33.7	-33.8	-33.3	10.1	-42.7	-33.6	--	--	--	
% of GDP	1.4	2.1	0.9	-1.9	-3.3	-2.8	-2.5	-2.5	-2.2	-2.2	-2.2	-2.1	0.6	-2.8	-2.2	--	--	--	
Pre-tax Corp. Profits	8.7	41.5	17.9	-59.3	-48.1	-25.7	-20.7	1.7	3.5	16.8	21.7	26.1	6.4	-31.4	3.3	-7.3	-25.3	16.7	
% of GDP	13.2	14.1	14.5	12.0	10.5	9.8	9.3	9.3	9.3	9.6	10.0	10.5	13.5	9.7	9.9	--	--	--	
GDP Deflator (Y/Y)	3.4	4.6	5.6	1.8	-0.9	-3.2	-3.7	-0.9	0.2	0.3	0.4	0.5	3.9	-2.2	0.4	1.8	-0.9	0.5	
Nominal GDP	4.9	10.7	3.6	-13.4	-10.3	-2.0	-0.1	1.7	1.3	2.8	3.4	3.7	4.4	-4.5	1.7	1.0	-2.8	2.8	
Labour Force	2.0	1.7	0.0	1.7	1.2	0.9	0.5	0.4	0.1	0.1	0.2	0.5	1.7	1.0	0.3	1.4	0.7	0.2	
Employment	1.9	0.8	-0.1	0.5	-4.5	-3.9	-2.5	-1.2	-0.3	0.3	0.8	1.1	1.5	-2.1	-0.6	0.8	-3.0	0.5	
Employment ('000s)	82	36	-4	21	-195	-168	-106	-50	-11	12	35	45	258	-365	-106	134	-520	81	
Unemployment Rate (%)	5.9	6.1	6.2	6.4	7.8	8.9	9.6	9.9	10.0	10.0	9.8	9.7	6.2	9.0	9.9	--	--	--	
Personal Disp. Income	11.4	4.5	3.0	1.5	-1.6	-0.6	-0.6	0.7	3.3	2.7	2.4	3.6	6.0	0.4	1.9	5.0	-0.5	3.0	
Pers. Savings Rate (%)	3.5	3.5	3.2	4.7	5.4	6.0	6.1	6.2	6.5	6.6	6.5	6.6	3.7	6.0	6.6	--	--	--	
Cons. Price Index (Y/Y)	1.8	2.4	3.4	1.9	0.8	-1.2	-2.1	-0.5	0.5	0.8	0.9	1.0	2.4	-0.8	0.8	1.9	-0.5	1.0	
Core CPI (Y/Y)	1.4	1.5	1.7	2.2	1.6	1.0	0.6	0.3	0.6	0.8	0.9	0.9	1.7	0.9	0.8	2.2	0.3	0.9	
Housing Starts ('000s)	235	218	208	185	140	125	120	115	122	125	133	140	211	125	130	--	--	--	
Productivity:																			
Real GDP / worker (Y/Y)	-0.6	-1.4	-1.0	-1.2	-0.9	-0.2	0.0	1.3	2.0	2.0	2.0	1.8	-1.1	0.0	2.0	-1.2	1.3	1.8	

F: Forecast by TD Economics as at March 2009

Source: Statistics Canada, Bank of Canada, Canada Mortgage and Housing Corporation, Haver Analytics

U.S. ECONOMIC OUTLOOK

Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated

	2008				2009				2010				Annual Average			4th Qtr/4th Qtr			
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	08	09F	10F	08	09F	10F	
Real GDP	0.9	2.8	-0.5	-6.2	-5.7	-2.7	-0.6	0.8	2.1	2.7	2.6	2.3	1.1	-3.1	1.4	-0.8	-2.1	2.4	
Consumer Expenditure	0.9	1.2	-3.8	-4.3	-0.8	-1.0	0.4	0.3	1.4	2.3	2.2	2.1	0.2	-1.6	1.2	-1.5	-0.3	2.0	
Durable Goods	-4.3	-2.8	-14.8	-22.1	-6.8	-1.3	5.9	3.4	5.4	7.8	8.6	6.4	-4.3	-7.7	5.6	-11.4	0.2	7.1	
Business Investment	2.4	2.5	-1.7	-21.0	-25.0	-19.0	-14.1	-11.5	-5.3	0.1	1.4	1.0	1.7	-16.7	-6.5	-5.0	-17.6	-0.7	
Non-Res. Structures	8.7	18.4	9.6	-5.9	-25.7	-16.2	-9.8	-8.0	-3.3	1.1	0.8	-1.2	11.5	-10.8	-4.5	7.3	-15.2	-0.7	
Machinery & Equipment	-0.5	-5.0	-7.5	-28.8	-24.5	-20.8	-16.8	-13.7	-6.6	-0.6	1.9	2.5	-3.0	-19.9	-7.8	-11.2	-19.1	-0.8	
Residential Construction	-25.0	-13.3	-16.1	-22.2	-39.3	-29.0	-13.9	-4.9	-1.0	8.3	19.4	23.2	-20.7	-25.1	-0.2	-19.3	-22.9	12.1	
Govt. Consumption & Gross Investment	1.9	3.9	5.8	1.6	-1.9	6.9	1.9	2.9	1.6	1.7	1.4	0.6	2.9	2.5	2.1	3.3	2.4	1.3	
Final Domestic Demand	0.1	1.3	-2.2	-5.7	-5.0	-2.2	-1.1	-0.4	0.8	2.2	2.4	2.2	0.0	-3.1	0.7	-1.7	-2.2	1.9	
Exports	5.1	12.3	3.0	-23.6	-15.2	-9.5	1.7	3.2	3.5	3.8	4.0	4.2	6.2	-9.1	2.5	-1.8	-5.3	3.9	
Imports	-0.8	-7.3	-3.5	-16.0	-18.7	-6.3	-2.5	-0.2	-0.1	3.0	5.0	5.7	-3.4	-10.4	0.7	-7.1	-7.2	3.4	
Change in Non-Farm Inventories (\$96 Bn)	-17.9	-55.1	-33.3	-25.0	-71.1	-80.3	-81.2	-59.0	-34.8	-23.1	-10.4	2.4	-32.8	-72.9	-16.5	--	--	--	
Final Sales	0.9	4.4	-1.3	-6.4	-4.1	-2.4	-0.6	0.0	1.2	2.2	2.2	1.9	1.4	-2.7	0.9	-0.7	-1.8	1.9	
International Current Account Balance (\$Bn)	-693	-723	-697	-528	-518	-522	-510	-505	-504	-514	-532	-551	-660	-514	-525	--	--	--	
% of GDP	-4.9	-5.1	-4.8	-3.7	-3.7	-3.7	-3.6	-3.6	-3.6	-3.6	-3.7	-3.8	-4.6	-3.7	-3.7	--	--	--	
Pre-tax Corporate Profits including IVA&CCA	-4.3	-14.3	-4.7	-55.8	-36.4	-22.8	-2.7	11.4	21.4	16.5	22.1	15.7	-10.5	-28.2	11.9	-23.3	-14.6	18.9	
% of GDP	11.3	10.7	10.5	8.7	7.8	7.4	7.3	7.5	7.8	8.1	8.5	8.7	10.3	7.5	8.3	--	--	--	
GDP Deflator (Y/Y)	2.3	2.0	2.6	2.0	1.9	1.9	1.1	1.0	0.5	0.2	0.1	0.1	2.2	1.4	0.2	2.0	1.0	0.1	
Nominal GDP	3.5	4.1	3.4	-5.8	-3.8	-1.6	0.0	0.9	2.4	2.3	2.9	2.6	3.3	-1.7	1.6	1.2	-1.2	2.5	
Labor Force	0.3	1.4	1.0	0.0	-1.8	-0.3	-0.3	0.2	0.2	0.4	0.6	0.7	0.8	-0.3	0.2	0.7	-0.6	0.5	
Employment	-0.2	-1.3	-1.5	-3.7	-5.3	-3.9	-3.0	-1.9	-0.6	0.5	0.9	1.4	-0.4	-3.5	-0.8	-1.6	-3.5	0.5	
Change in Empl. ('000s)	-57	-434	-505	-1,277	-1,820	-1,325	-1,006	-630	-197	163	294	457	-558	-4,793	-1,120	-2,273	-4,781	717	
Unemployment Rate (%)	4.9	5.4	6.1	6.9	8.0	8.7	9.2	9.7	9.9	10.1	10.2	10.1	5.8	8.9	10.1	--	--	--	
Personal Disp. Income	2.9	15.4	-3.9	-1.8	4.9	2.3	1.6	-0.9	1.1	2.0	2.3	2.1	4.7	1.9	1.2	2.9	2.0	1.9	
Pers. Savings Rate (%)	0.2	2.4	1.3	3.2	4.9	5.4	5.5	5.1	5.0	4.9	4.8	4.7	1.8	5.2	4.8	--	--	--	
Cons. Price Index (Y/Y)	4.2	4.3	5.2	1.5	-0.2	-1.1	-2.3	-0.1	0.4	0.5	0.6	0.6	3.8	-0.9	0.5	1.5	-0.1	0.6	
Core CPI (Y/Y)	2.4	2.3	2.5	2.0	1.5	1.1	0.7	0.6	0.5	0.4	0.5	0.6	2.3	1.0	0.5	2.0	0.6	0.6	
Housing Starts (mns)	1.05	1.03	0.88	0.66	0.44	0.44	0.44	0.43	0.43	0.49	0.56	0.63	0.90	0.44	0.53	--	--	--	
Productivity:																			
Real Output per hour (y/y)	2.7	2.8	3.4	1.1	1.2	0.7	-0.7	1.8	2.6	3.1	3.0	2.5	2.2	1.7	2.8	1.1	1.8	2.5	

F: Forecast by TD Economics as at March 2009

Source: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, TD Economics

GLOBAL ECONOMIC OUTLOOK

Annual per cent change unless otherwise indicated

Real GDP	2007 Share* (%)	2007	Forecast		
			2008	2009	2010
World	99.1	5.0	3.0	-1.6	2.2
North America	25.5	2.2	1.1	-3.2	1.4
United States	21.4	2.0	1.1	-3.1	1.4
Canada	2.0	2.7	0.5	-2.4	1.3
Mexico	2.1	3.2	1.4	-4.3	1.2
European Union (EU-27)	23.7	3.1	1.0	-3.6	-0.1
Euro-zone (EU-15)	16.1	2.6	0.7	-3.5	0.1
Germany	4.4	2.6	1.0	-3.6	0.1
France	3.2	2.1	0.7	-2.8	0.4
Italy	2.8	1.4	-0.9	-4.5	-0.8
United Kingdom	3.3	3.0	0.7	-3.4	0.4
EU accession members	3.4	4.9	2.1	-4.1	-1.3
Asia	35.5	8.0	4.9	0.1	4.0
Japan	6.6	2.4	-0.7	-6.4	-0.4
Asian NIC's	3.7	5.6	1.8	-4.1	2.6
Hong Kong	0.5	6.4	2.6	-3.7	3.3
Korea	1.9	5.0	2.6	-4.4	2.7
Singapore	0.3	7.7	1.2	-3.4	2.4
Taiwan	1.1	5.7	0.3	-4.1	2.1
Russia	3.2	8.1	5.6	-3.5	0.6
Australia & New Zealand	1.4	3.9	1.7	-1.9	1.8
Developing Asia	20.6	10.5	7.5	3.6	6.4
ASEAN-4	3.1	6.0	4.7	-0.5	3.1
China	10.9	13.0	9.0	6.0	8.4
India	4.6	9.3	7.4	2.6	5.4
Central/South America	6.1	6.2	4.6	-1.2	3.2
Argentina	0.8	8.7	6.8	-0.5	2.0
Brazil	2.8	5.4	5.0	-2.1	4.3
Other Developing	8.4	6.2	5.5	1.8	3.3

*Regional wts. do not sum to 100% because some countries omitted
Forecast as at March 2009
Source: International Monetary Fund, national statistical agencies

ECONOMIC INDICATORS FOR THE G-7 AND EUROPE

	Forecast			
	2007	2008	2009	2010
Real GDP (Annual per cent change)				
G-7 (41.17%)*	2.2	0.6	-3.8	0.7
U.S.	2.0	1.1	-3.1	2.7
Japan	2.4	-0.7	-6.4	-0.4
EU-15	2.6	0.7	-3.5	0.1
Germany	2.6	1.0	-3.6	0.1
France	2.1	0.7	-2.8	0.4
Italy	1.4	-0.9	-4.5	-0.8
United Kingdom	3.0	0.7	-3.4	0.4
Canada	2.7	0.5	-2.4	1.3
Consumer Price Index (Annual per cent change)				
G-7	2.1	3.2	-0.3	0.5
U.S.	2.9	3.8	-0.9	0.5
Japan	0.1	1.4	-0.7	-0.9
EU-15	2.1	3.3	0.7	1.2
Germany	2.3	2.8	0.6	1.0
France	1.6	3.2	0.7	1.1
Italy	2.0	3.5	0.8	1.2
United Kingdom	2.3	3.6	1.5	1.1
Canada	2.1	2.4	-0.8	0.8
Unemployment Rate (Per cent annual averages)				
U.S.	4.6	5.8	8.9	10.1
Japan	3.9	4.0	5.1	6.4
EU-15	7.5	7.6	8.7	10.0
Germany	8.4	7.3	8.0	9.5
France	8.3	7.8	8.9	9.9
Italy	6.1	6.9	8.5	10.1
United Kingdom	5.3	5.6	7.3	8.7
Canada	6.0	6.2	9.0	9.9

*Share of 2007 world gross domestic product (GDP)
Forecast as at March 2009
Source: National statistical agencies, TD Economics

INTEREST RATE OUTLOOK														
	Spot Rate 3/9/2009	2008				2009				2010				
		Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	
CANADIAN FIXED INCOME														
Overnight Target Rate (%)	0.50	3.50	3.00	3.00	1.50	0.50	0.25	0.25	0.25	0.25	0.25	0.25	0.75	1.25
3-mth T-Bill Rate (%)	0.43	1.97	2.52	1.79	0.80	0.40	0.30	0.30	0.40	0.40	0.70	1.25	1.80	
2-yr Govt. Bond Yield (%)	0.95	2.62	3.25	2.78	1.10	1.00	0.90	1.10	1.20	1.35	1.60	1.80	2.00	
5-yr Govt. Bond Yield (%)	1.86	2.91	3.46	3.16	1.69	1.85	1.70	1.90	2.00	2.10	2.30	2.45	2.60	
10-yr Govt. Bond Yield (%)	2.93	3.44	3.73	3.76	2.68	2.85	2.65	2.80	2.85	2.90	3.05	3.15	3.25	
30-yr Govt. Bond Yield (%)	3.63	3.94	4.08	4.23	3.46	3.50	3.25	3.35	3.35	3.35	3.45	3.50	3.55	
10-yr-2-yr Govt. Spread (%)	1.98	0.82	0.48	0.98	1.58	1.85	1.75	1.70	1.65	1.55	1.45	1.35	1.25	
U.S. FIXED INCOME														
Fed Funds Target Rate (%)	0.00	2.25	2.00	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	1.00	
3-mth T-Bill Rate (%)	0.23	1.37	1.81	0.75	0.09	0.20	0.20	0.30	0.30	0.30	0.40	1.00	1.60	
2-yr Govt. Bond Yield (%)	0.96	1.58	2.62	1.96	0.76	0.85	0.75	1.00	1.10	1.30	1.55	1.75	1.95	
5-yr Govt. Bond Yield (%)	1.90	2.44	3.33	2.98	1.55	1.75	1.60	1.85	1.95	2.10	2.35	2.55	2.75	
10-yr Govt. Bond Yield (%)	2.89	3.41	3.97	3.82	2.21	2.65	2.45	2.70	2.75	2.90	3.15	3.35	3.55	
30-yr Govt. Bond Yield (%)	3.59	4.29	4.52	4.31	2.68	3.30	3.05	3.25	3.30	3.45	3.65	3.85	4.00	
10-yr-2-yr Govt. Spread (%)	1.93	1.83	1.35	1.86	1.45	1.80	1.70	1.70	1.65	1.60	1.60	1.60	1.60	
CANADA-U.S. SPREADS														
3-mth T-Bill Rate (%)	0.20	0.60	0.71	1.04	0.71	0.20	0.10	0.00	0.10	0.10	0.30	0.25	0.20	
2-yr Govt. Bond Yield (%)	-0.01	1.04	0.63	0.82	0.34	0.15	0.15	0.10	0.10	0.05	0.05	0.05	0.05	
5-yr Govt. Bond Yield (%)	-0.04	0.47	0.13	0.18	0.14	0.10	0.10	0.05	0.05	0.00	-0.05	-0.10	-0.15	
10-yr Govt. Bond Yield (%)	0.04	0.03	-0.24	-0.06	0.47	0.20	0.20	0.10	0.10	0.00	-0.10	-0.20	-0.30	
30-yr Govt. Bond Yield (%)	0.04	-0.35	-0.44	-0.08	0.78	0.20	0.20	0.10	0.05	-0.10	-0.20	-0.35	-0.45	

f. Forecast by TD Bank as at Mar 4 2009; All forecasts are for end of period. Source: Bloomberg, TD Economics

FOREIGN EXCHANGE OUTLOOK														
Currency	Exchange Rate	Spot Price 3/9/2009	2008				2009				2010			
			Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
Canadian dollar	USD per CAD	0.770	0.992	0.979	0.940	0.820	0.800	0.820	0.830	0.870	0.870	0.880	0.880	0.890
Canadian dollar	CAD per USD	1.299	1.008	1.021	1.064	1.219	1.250	1.220	1.205	1.149	1.149	1.136	1.136	1.124
Japanese yen	JPY per USD	98.9	104	106	106	91	95	100	102	102	104	108	110	110
Euro	USD per EUR	1.261	1.562	1.576	1.409	1.397	1.300	1.400	1.450	1.500	1.500	1.450	1.400	1.300
U.K. pound	USD per GBP	1.379	1.987	1.993	1.781	1.463	1.444	1.556	1.629	1.685	1.705	1.648	1.609	1.494
Swiss franc	CHF per USD	1.159	1.034	1.021	1.122	1.069	1.138	1.107	1.097	1.080	1.080	1.117	1.143	1.215
Australian dollar	USD per AUD	0.632	0.944	0.959	0.792	0.703	0.610	0.570	0.580	0.600	0.620	0.640	0.660	0.680
NZ dollar	USD per NZD	0.493	0.786	0.762	0.670	0.579	0.490	0.450	0.450	0.460	0.480	0.500	0.520	0.540
Mexican peso	MXN per USD	15.52	10.47	10.31	10.94	13.67	15.00	14.50	14.00	13.50	13.30	13.10	12.80	12.50

f. Forecast by TD Economics as at March 4, 2009; All forecasts are for end of period; Source: Federal Reserve of New York, TD Economics

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