

Canadian Economic Outlook

Presented to: Counselors of Real Estate

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Montreal

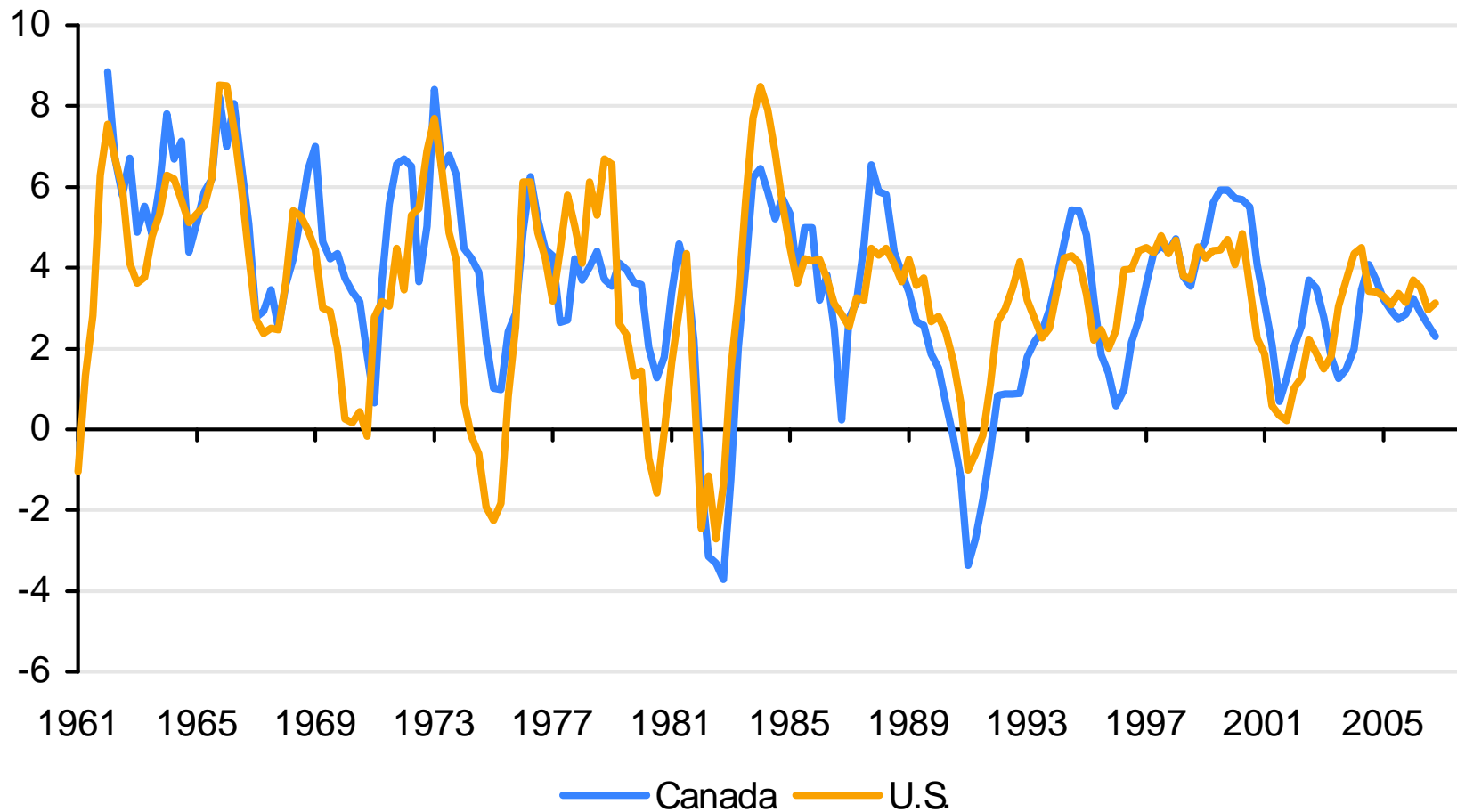
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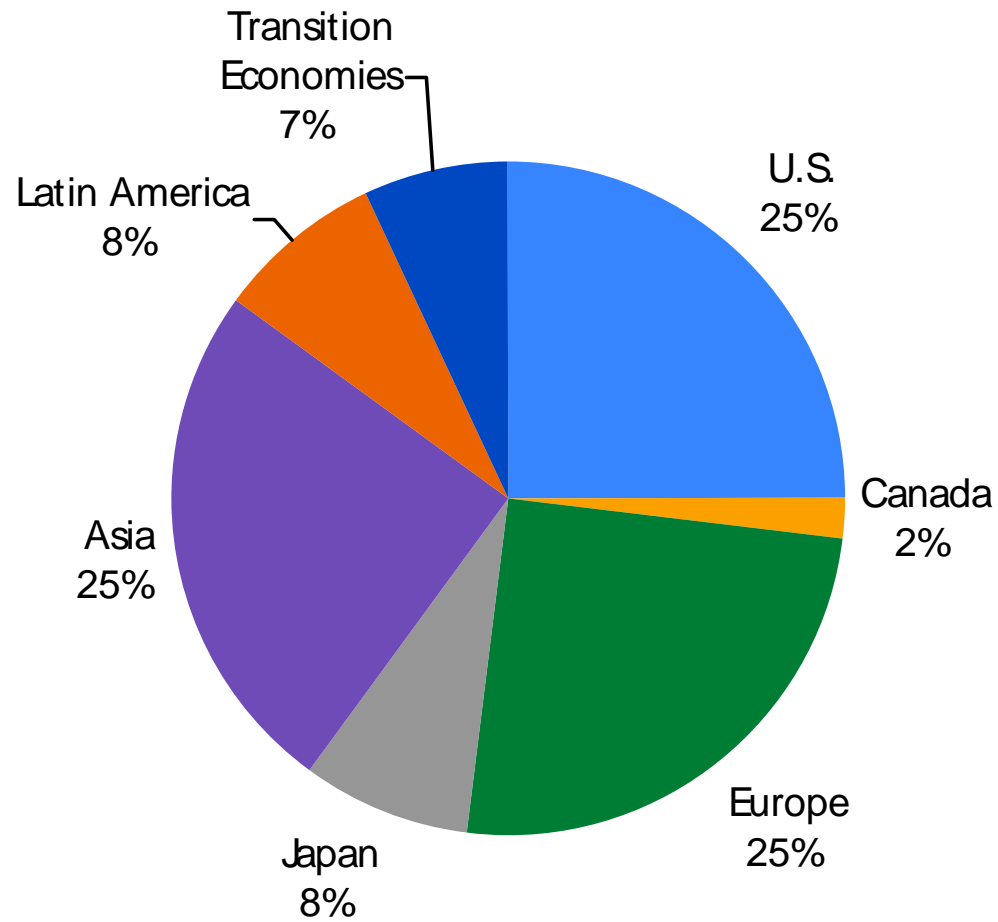
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Canada – U.S. real gross domestic product (% chg, y/y)



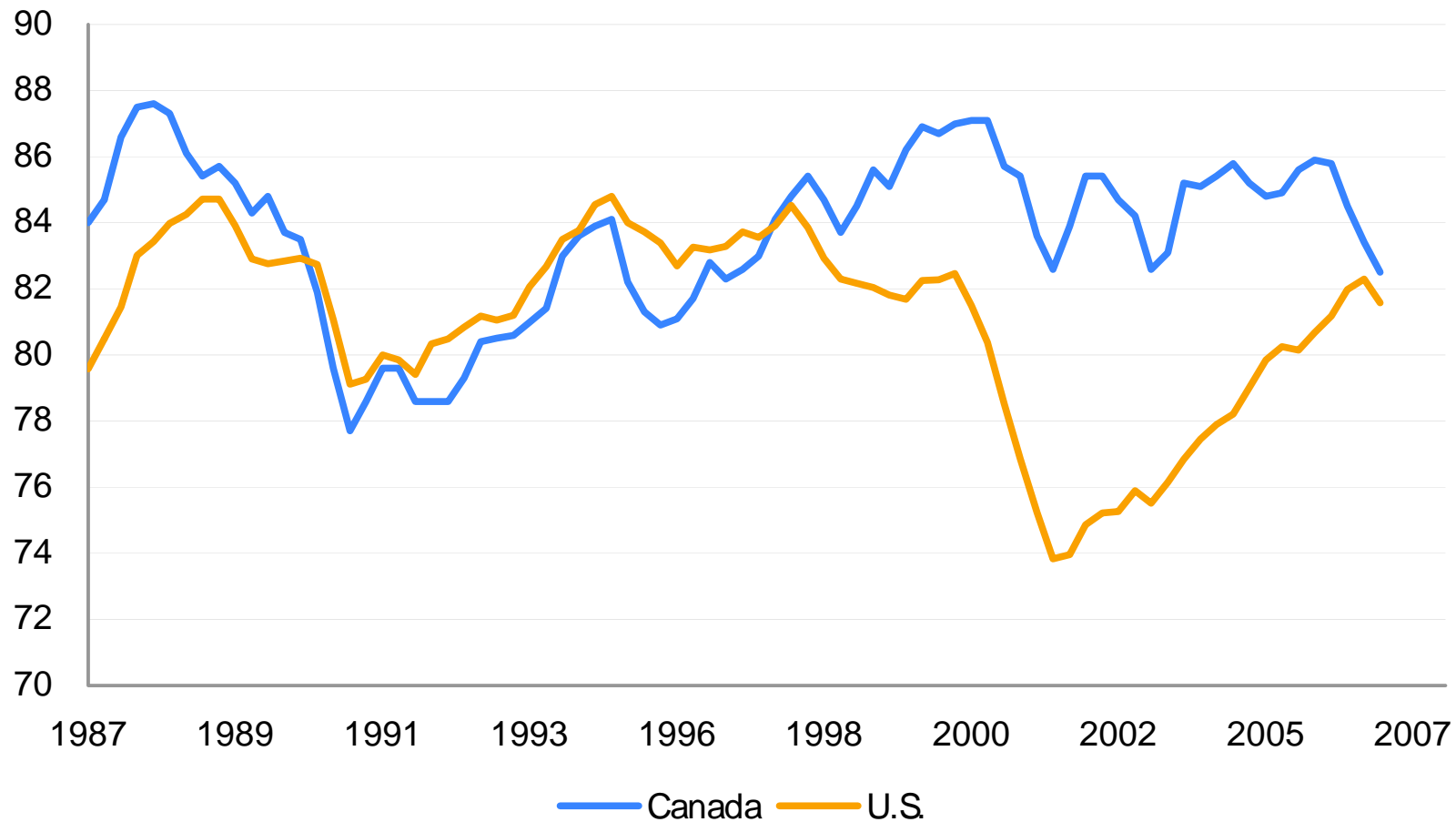
Source: Statistics Canada, Dept. of Commerce

Global GDP weights



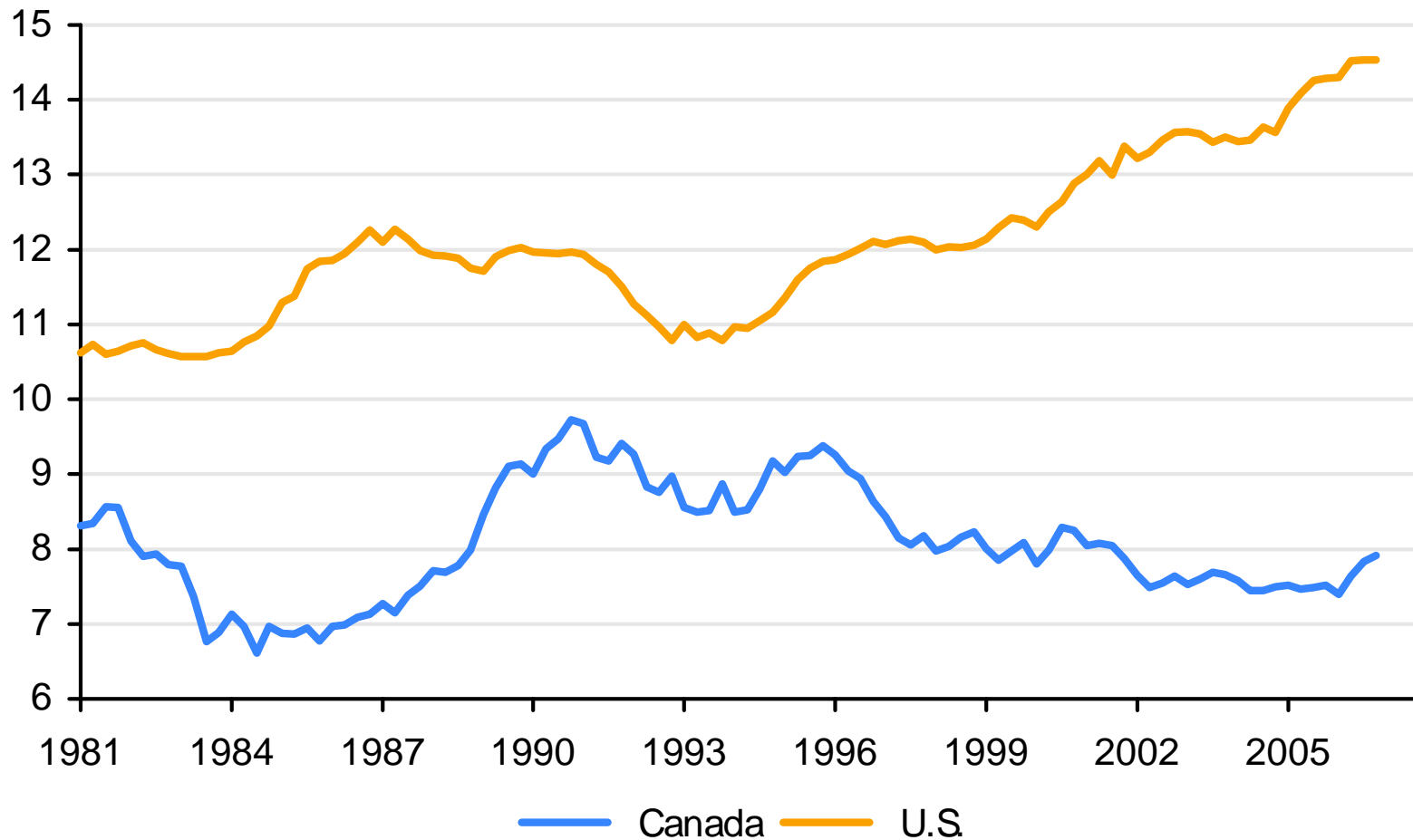
Source: UBS

Canada – U.S. capacity utilization



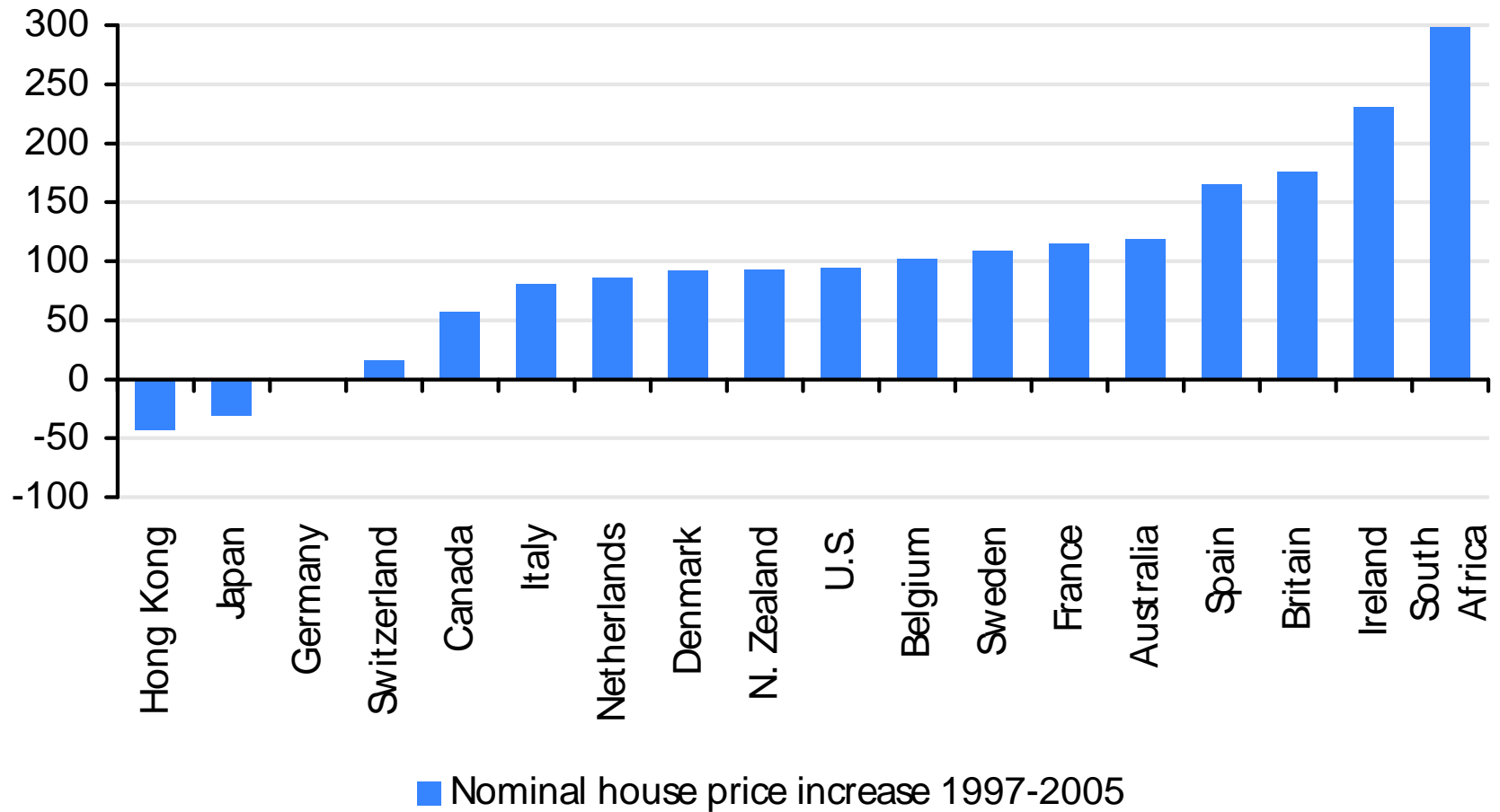
Source: Statistics Canada, Dept. of Commerce

Canada – U.S. debt service ratio (% of disposable income)



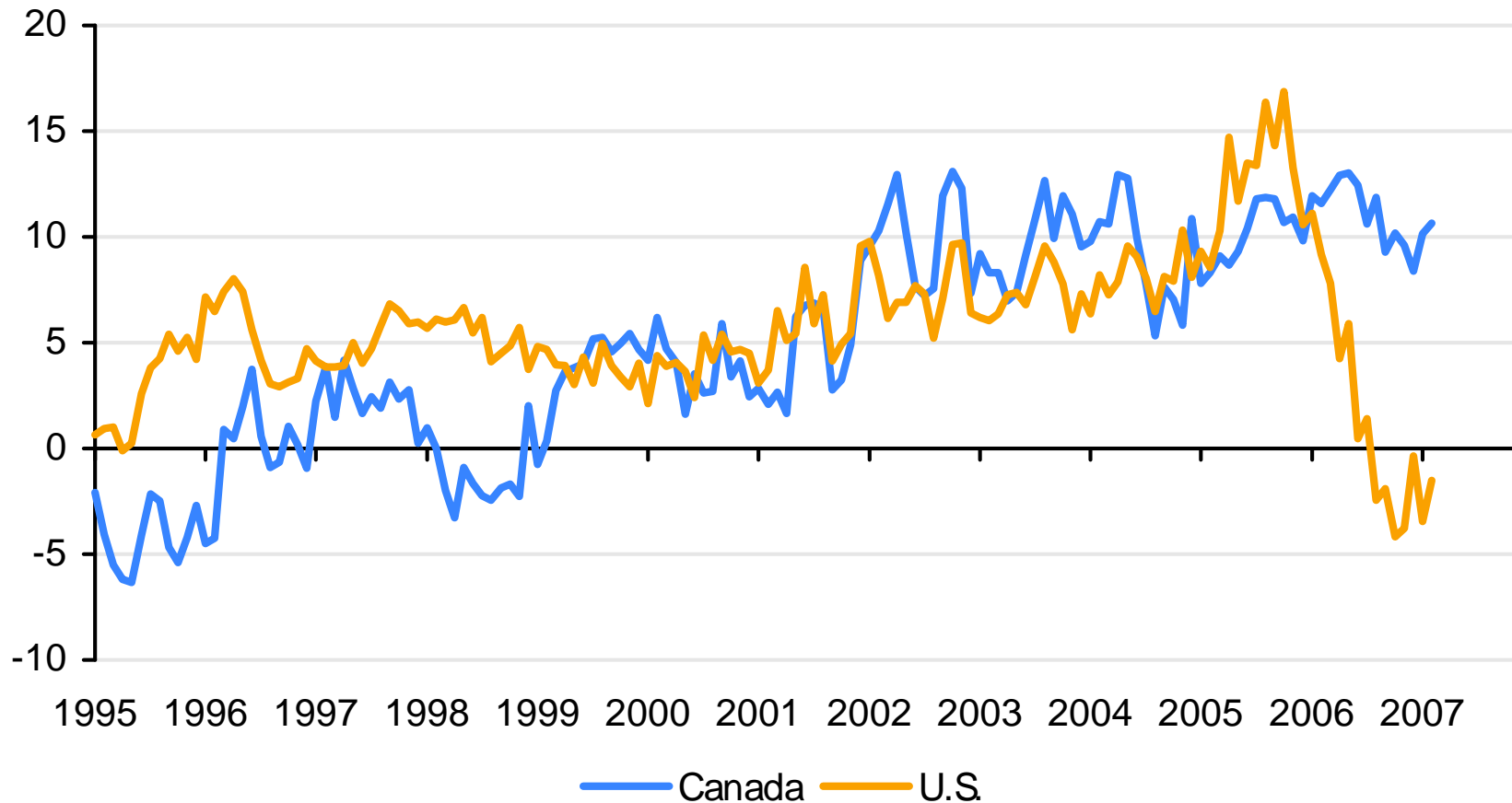
Source: Statistics Canada, Federal Reserve

Canada has lagged the global housing boom (%)



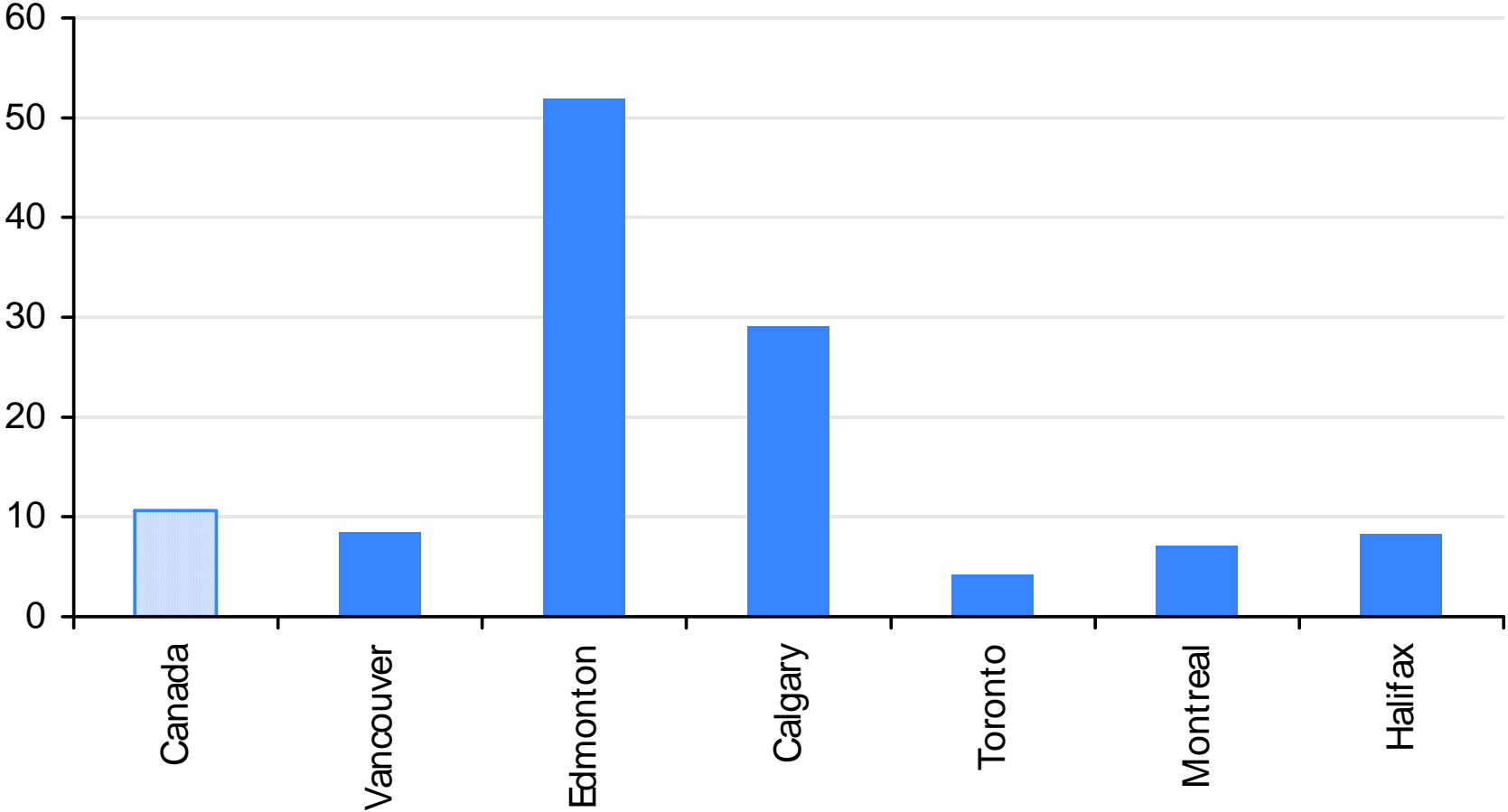
Source: "The Economist" and UBS

Canada – U.S. house prices (y/y % ch)



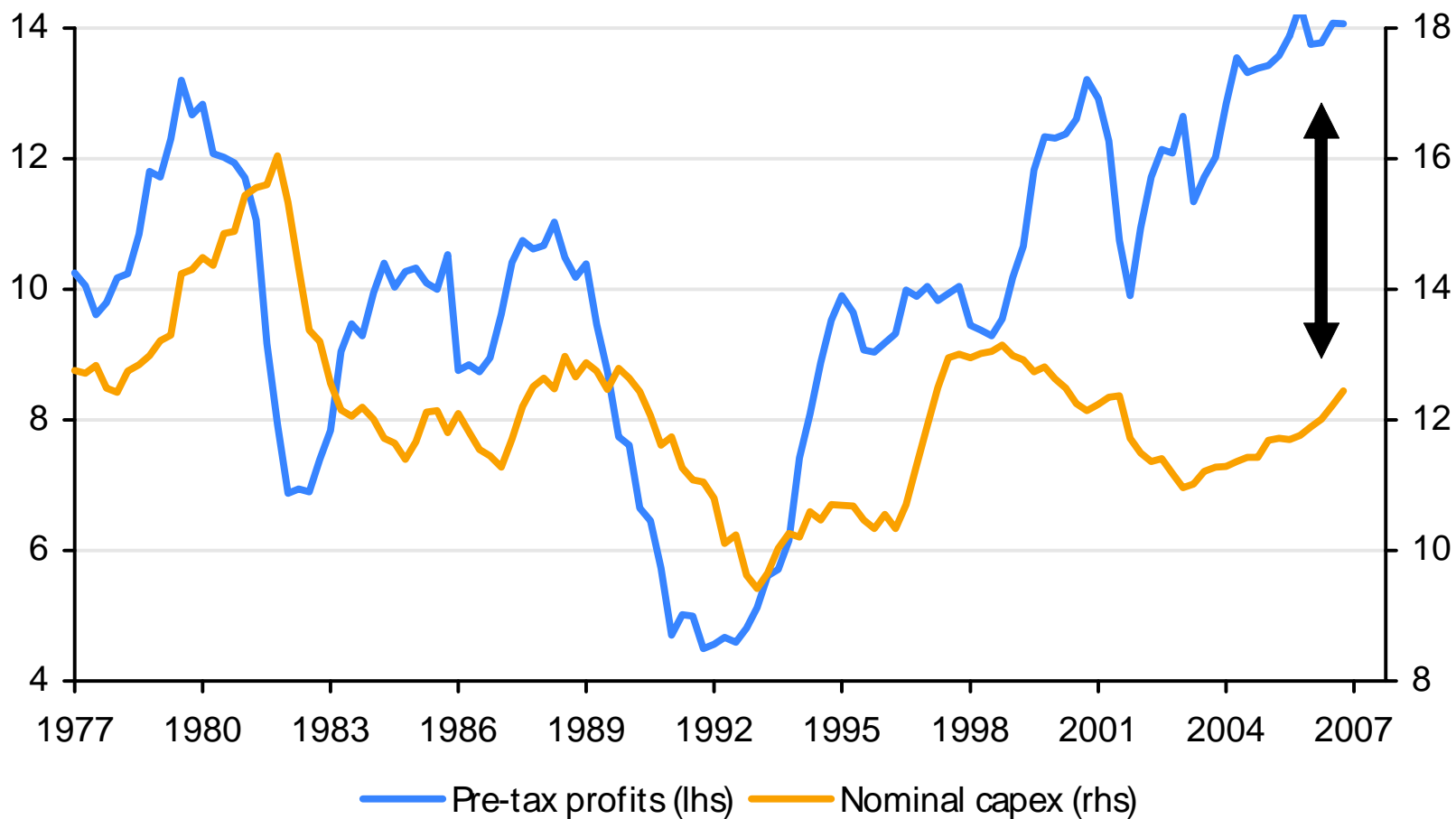
Source: Canadian Real Estate Association, National Association of Realtors

Regional house prices (y/y)



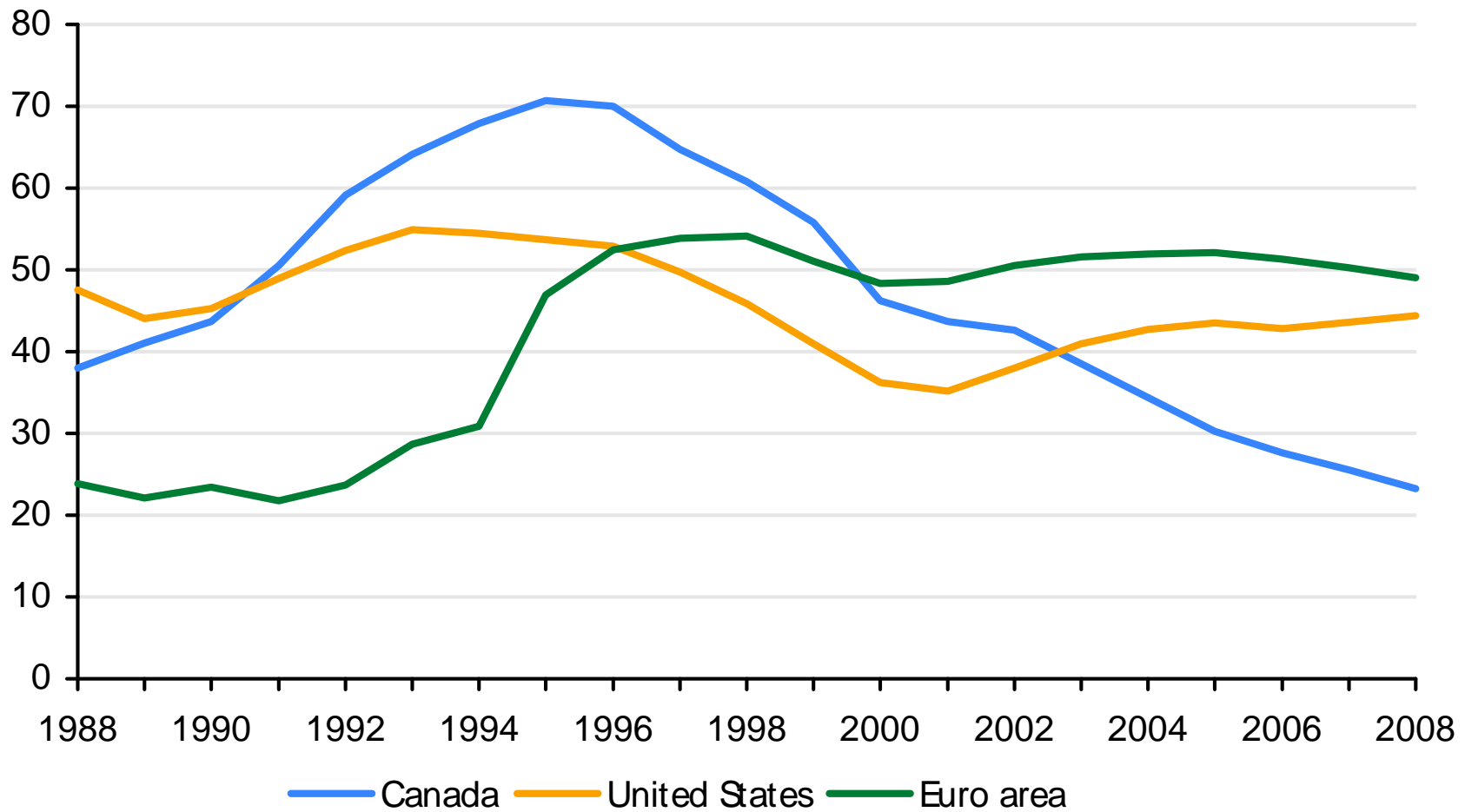
Source: Canadian Real Estate Association

Canadian pre-tax profits and nominal capex (% of GDP)



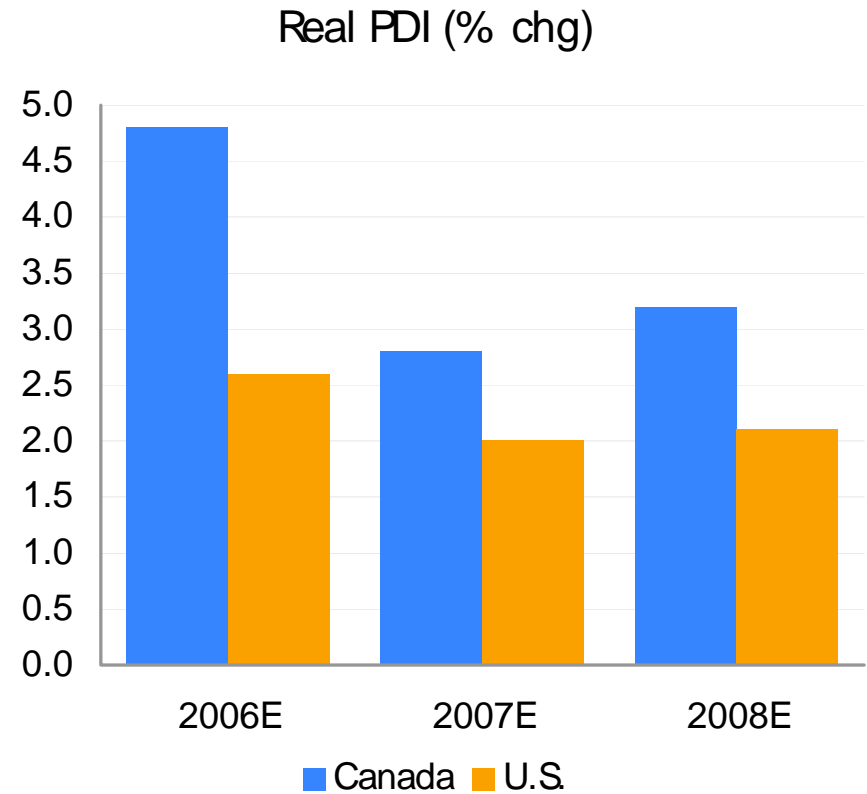
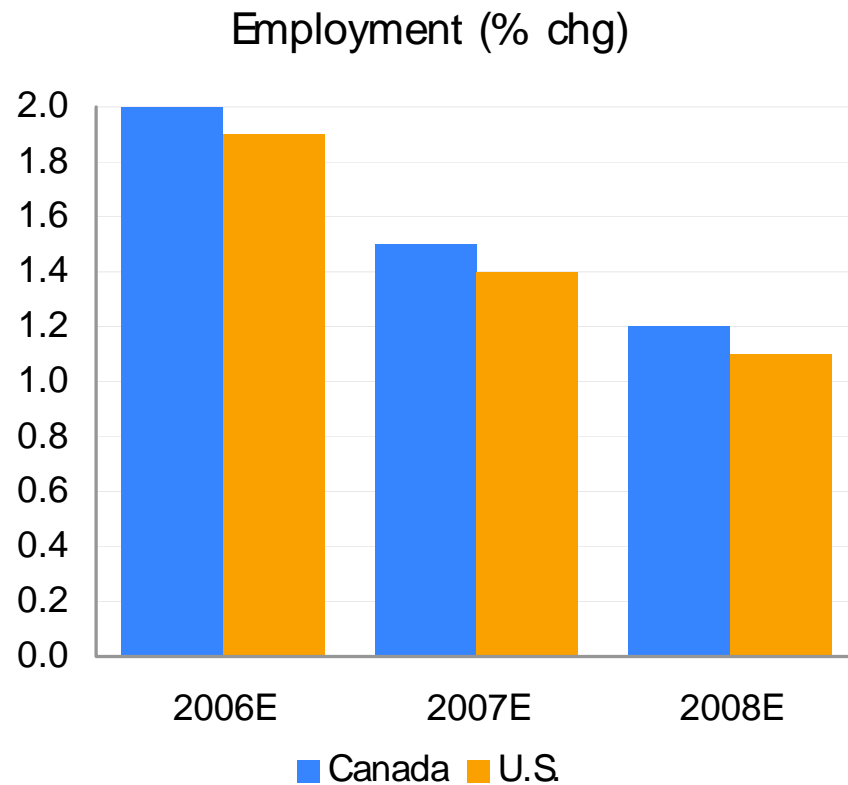
Source: Statistics Canada, UBS

Government net financial liabilities as % GDP



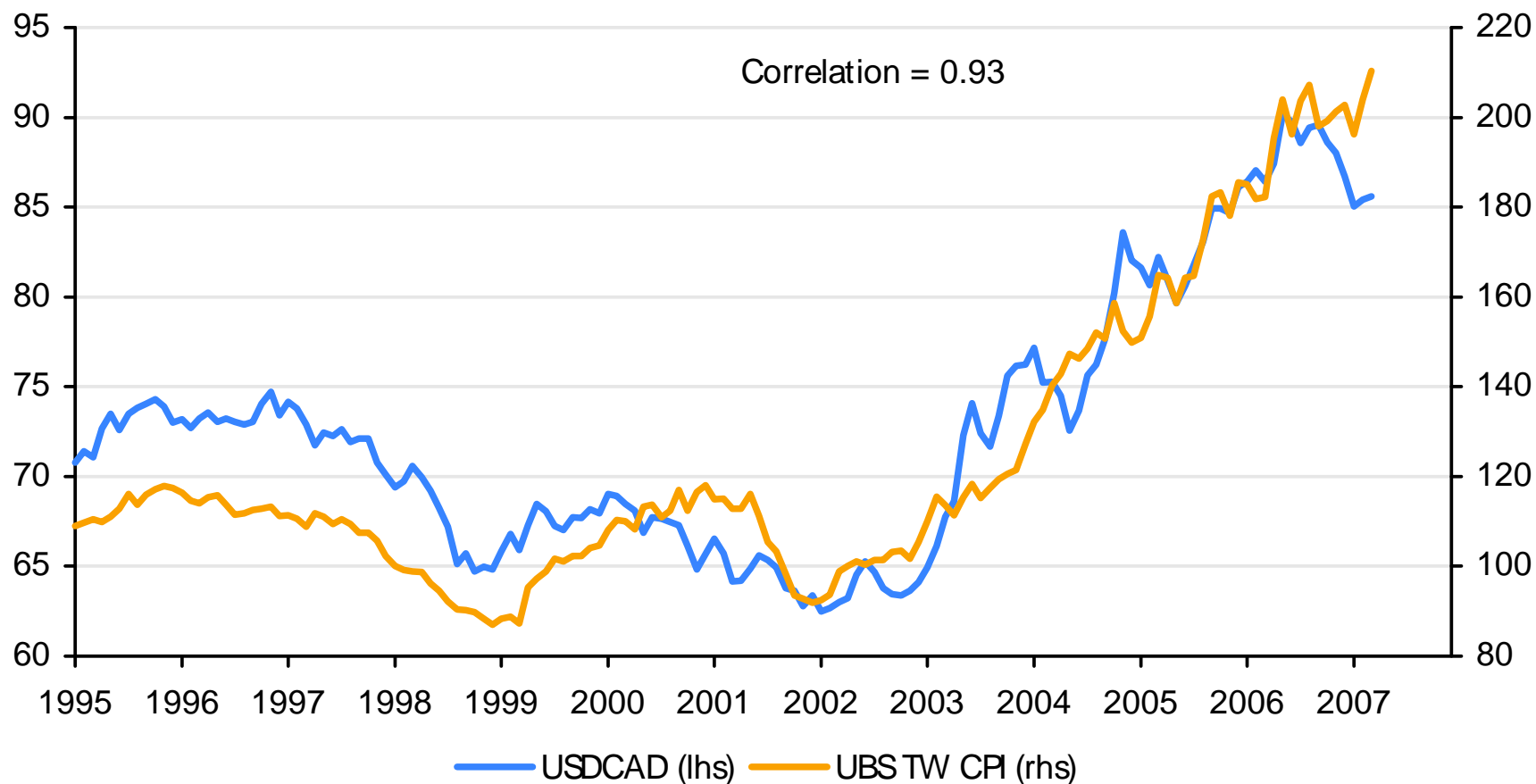
Source: OECD

Consumer fundamentals



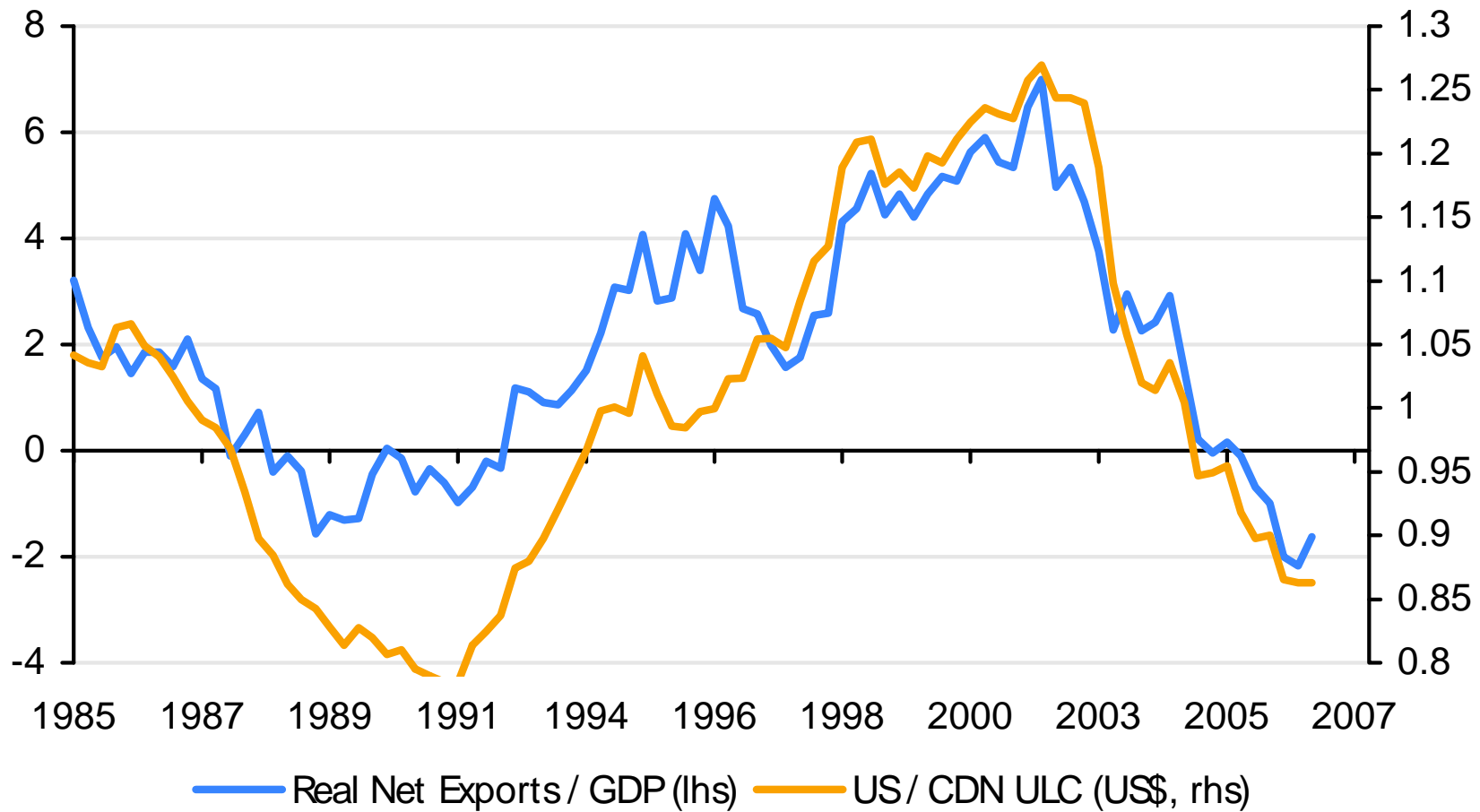
Source: Statistics Canada, Bureau of Labor Statistics, Bureau of Economic Analysis, UBS

Canadian dollar vs. trade-weighted commodity price index



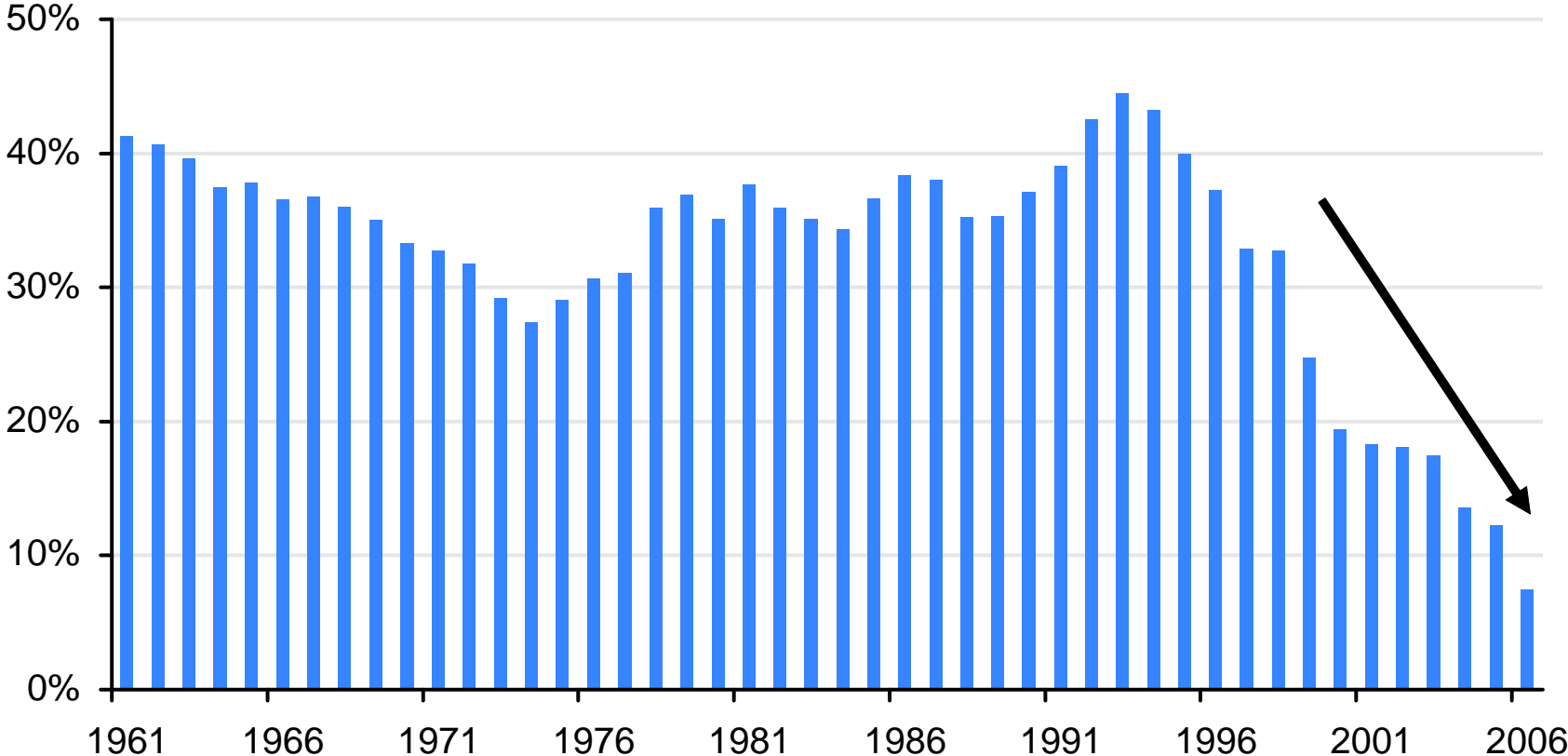
Source: Statistics Canada, Bank of Canada

Real net exports vs. exchange-rate adjusted ratio of unit labour costs



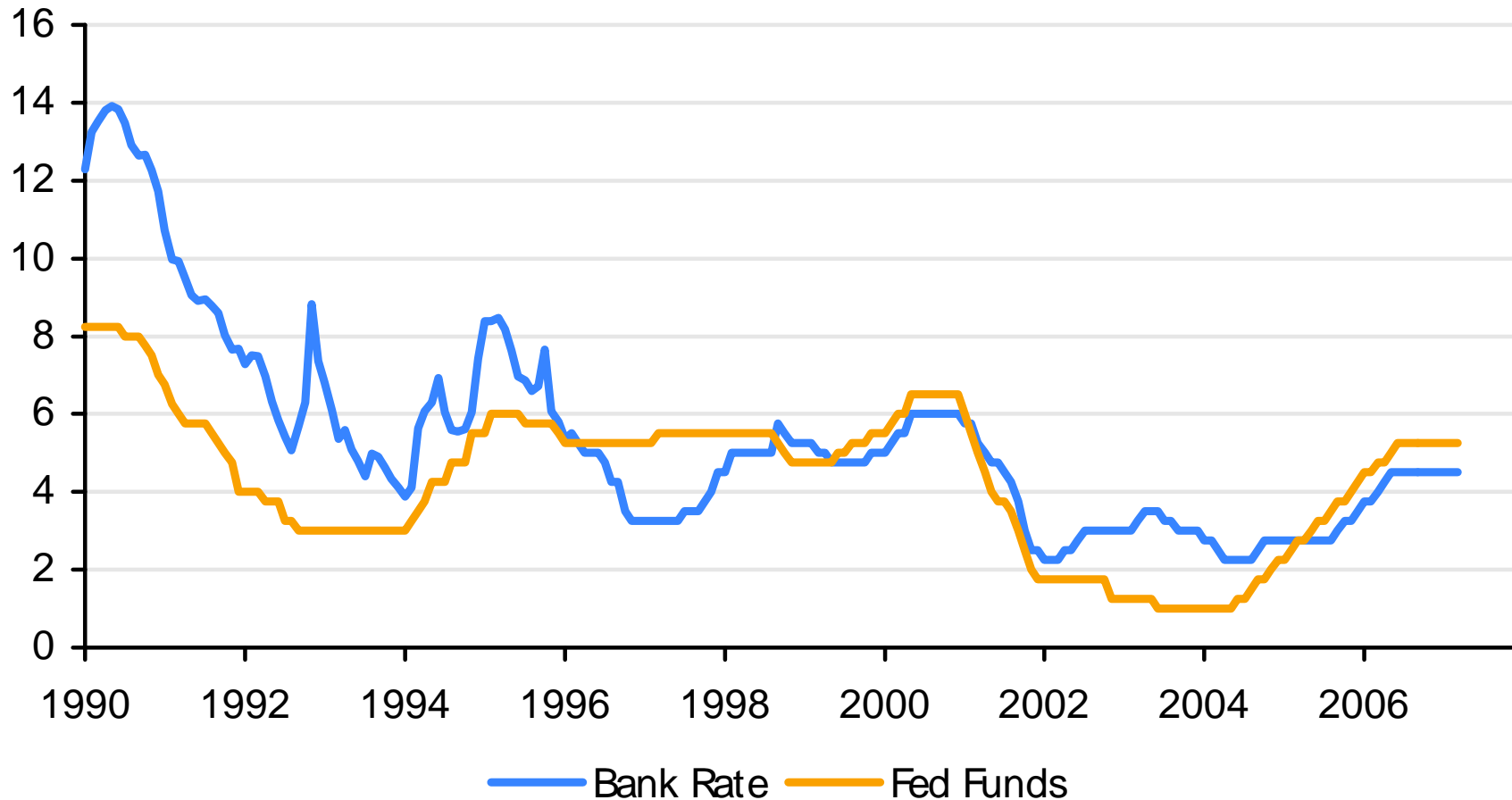
Source: Statistics Canada, Bank of Canada, UBS

Net foreign liabilities (% of GDP)



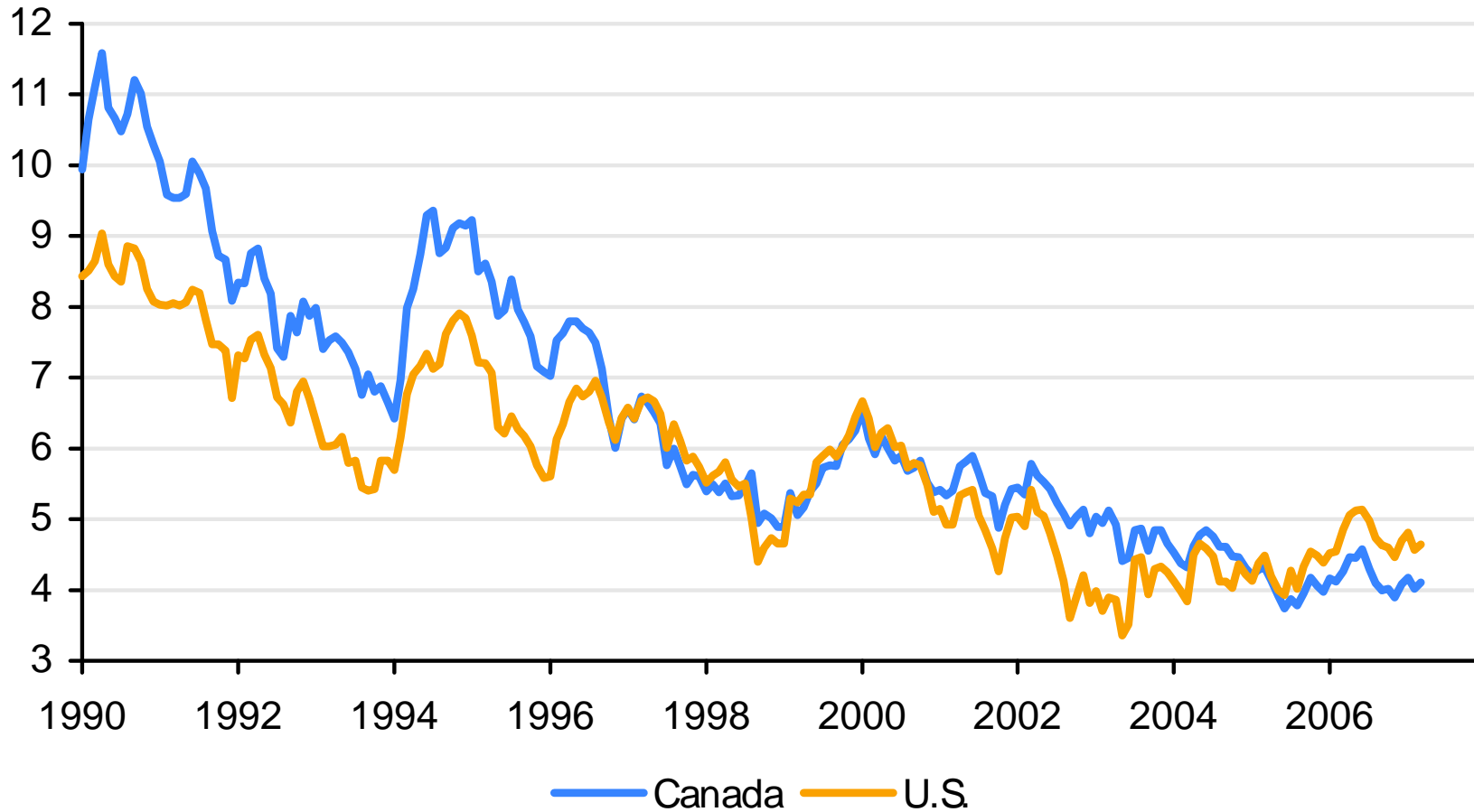
Source: Statistics Canada, Bank of Canada

Canadian Bank Rate vs. U.S. Fed Funds Rate (%)



Source: Statistics Canada, Federal Reserve

Canada vs. U.S. 10-year government bond yield (%)



Source: Statistics Canada, Federal Reserve

Summary

Canada's structural underpinnings have improved significantly

Consumer not stretched, corporates flush with cash

Commodity prices still drive the CAD

Surpluses moving Canada to becoming a creditor nation

Increasingly independent monetary policy

Disclosures

Single author

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UBS rating	Definition	UBS rating	Definition	Rating category	Coverage ¹	IB services ²
Buy 1	FSR is > 6% above the MRA, higher degree of predictability	Buy 2	FSR is > 6% above the MRA, lower degree of predictability	Buy	47%	37%
Neutral 1	FSR is between -6% and 6% of the MRA, higher degree of predictability	Neutral 2	FSR is between -6% and 6% of the MRA, lower degree of predictability	Hold/Neutral	42%	36%
Reduce 1	FSR is > 6% below the MRA, higher degree of predictability	Reduce 2	FSR is > 6% below the MRA, lower degree of predictability	Sell	12%	28%

1: Percentage of companies under coverage globally within this rating category.

2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Ratings allocations are as of 31 March 2007.

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Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Predictability Level The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.

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Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned or Company Disclosure table in the relevant research piece.

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