

# National Post

## Australian coffee giant hot for Canadian spots; Gloria Jean's eyes partnership with key franchiser

Tue 28 Apr 2009

Page: FP5

Section: Financial Post

Byline: Damien Lynch

Source: Financial Post

Illustrations: Color Photo: Photo Courtesy Gloria Jean's / A Gloria Jean's Coffees coffee house in Germany. The franchise plans to open a Canadian outlet within a year. ;

The highly successful Australian specialty coffee franchise Gloria Jean's Coffees will soon be saying a big "G'Day" to Canada.

Gloria Jean's Coffees plans to open its first coffee house in this country inside a year in a move that will likely increase competition for local franchise heavyweights -- such as Tim Horton's, Timothy's, Second Cup and Starbucks -- and hundreds of independently-owned coffee houses.

Gloria Jean's has appointed the Canadian arm of one of the top four global accounting firms as an advisor to evaluate options. It is also working with the Australian government's trade and investment development agency, The Australian Trade Commission (Austrade).

Gloria Jean's has a strong focus on working in close partnership with master franchise partners in all markets it enters. Until a Canadian partner is found, the exact details of when and how the Australian giant will make its first foray into the Canadian market will remain under wraps.

Co-founder and executive chairman Nabi Saleh told the Financial Post that advertisements placed in Canadian newspapers and magazines have sparked responses from interested potential partners "but nothing firm yet."

Mr. Saleh said Gloria Jean's Coffees, which has opened more than 900 coffee houses and signed 36 master franchise agreements across the world, is looking to partner with either a high net worth individual or a company with strong business roots in North America.

Usually the company works with a new partner to open an initial four coffee houses in a new market within three to four months of a master franchise agreement being signed. If Gloria Jean's doesn't find a suitable master franchise partner over the short term, they may consider starting off with two company-owned pilot coffee houses in Toronto.

Despite the huge numbers of coffee and doughnut operations in Canada, CAC president Sandy McAlpine said the coffee market isn't in danger of over-saturation.

"Twenty years ago the specialty business looked saturated as it was only oriented toward regional shopping centres and major office towers -- and there was at least one coffee operation in most properties,"

Mr. McAlpine said.

"Then franchised coffee operators started to find and open locations in smaller malls, strip malls and even on street fronts and the larger centres and office towers started to have more than one coffee operation in each mall/ building."

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# The Toronto Star

## Island airport expansion to double Porter passengers; An extra \$45 million will bring in customers and hundreds of jobs, along with community unrest

Tue 28 Apr 2009

Page: B04

Section: Business

Byline: Chris Sorensen

Source: Toronto Star

Illustrations: Finance Minister Jim Flaherty, left, joins Porter Airlines chair Don Carty, CEO Robert J. Deluce, Transport Minister John Baird and deputy minister Jean-Marc Lalonde at the launch for a new terminal at City Centre Airport. ;

Porter Airlines will more than double its passenger volume once a \$45 million terminal expansion project is completed next year, an addition that will allow the ambitious young airline to accommodate more than 20 aircraft at Toronto's tiny island airport.

Robert Deluce, chief executive of Porter, said yesterday the first phase of the expansion, paid for by Porter, will be ready by November.

The full facility will include 10 aircraft gates with bridges, United States and Canadian customs facilities and two passenger lounges to accommodate domestic and transborder passengers.

Porter, which launched in 2006 and flies to short-haul destinations in Canada and the U.S., plans to have 18 Bombardier-built turboprop planes in operation by the end of the year, up from the current eight.

"When the second phase of this terminal is built, upward of one million passengers will be using this airport each year," said Deluce, adding that roughly 500,000 passengers are now using the facility annually.

Deluce made the comments at a formal launch yesterday for the new terminal facilities at the City Centre Airport.

Also in attendance were federal Finance Minister Jim Flaherty and John Baird, the federal minister of transport, infrastructure and communities.

"Companies like Porter Airlines are helping to further stimulate the economy and help it move forward," said Flaherty, who added that Ottawa is not contributing any money to Porter's terminal expansion.

The new additions to Porter's terminal are already under construction, having been announced several months ago. Once completed, the expanded facility will dwarf the airport's original wood-framed terminal building, built in 1939.

The new terminal will include a mix of retail, food, duty free and car rental services.

Deluce estimated that Porter will employ about 1,000 staff by next year, up from the current 600.

The airline flies to Ottawa, Montreal, Halifax and

Quebec City in Canada, with seasonal service to Mont Tremblant.

Porter recently announced that it will begin flying from Toronto to Thunder Bay in June.

Porter also flies to New York and Chicago and is planning to add more American destinations this year.

The airline's original business plan ultimately called for a network of 17 destinations in the U.S. and Canada.

The continued expansion, which comes as the broader airline industry grapples with an economic slowdown, is good news for passengers who value the island airport's proximity to downtown Toronto.

But not everyone is thrilled with the changes taking place on the island.

About 30 protesters marched back and forth yesterday at the entrance to the airport's ferry terminal on the mainland.

"It's bad for Toronto and it's bad for the waterfront," said Brian Iler, chair of CommunityAIR, an organization opposed to the expansion of the airport's operations.

"The jobs don't go anywhere if Porter goes to Pearson (International Airport), where it belongs."

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# The Toronto Star

## Jean Coutu Group set to increase store size

Tue 28 Apr 2009  
Page: B02  
Section: Business

Jean Coutu Group plans to increase the size of its stores by almost 9 per cent this year as the drug-store chain moves to fend off rising competition in its home territory of Quebec.

The Montreal-based chain, which reported a wider fourth-quarter loss on its investment in U.S. drug store chain Rite Aid, said it plans to increase the total square footage of its stores by 8.5 per cent to 9 per cent.

It also said it has earmarked about \$80 million in capital expenditures for this year.

This was seen by some as a defensive move as Shoppers Drug Mart, Canada's biggest pharmacy chain, eyes the lucrative Quebec market and its growing prescription sales.

The largely French-speaking province is a highly coveted market because of the number of prescriptions dispensed there - an average 90,000 per drug store annually versus 40,000 elsewhere in Canada.

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# The Toronto Star

## City expands list of sites that it wants to develop

Tue 28 Apr 2009  
Page: GT05  
Section: Gta  
Byline: John Spears  
Source: Toronto Star

If you're a City of Toronto taxpayer, you're now in the real estate development game - and the city has released a list of 30 properties that are now in play.

From the derelict bus stalls at Eglinton subway station, to the C.O. Bick Police College at Finch Ave. E. and Brimley Rd., the city's new development company, Build Toronto, will soon have a substantial portfolio. Yesterday, the city released a list of 22 new properties that will be assigned to Build Toronto for development, if council approves.

Council had already earmarked three others, and Build Toronto will inherit five more through its predecessor, the Toronto Economic Development Corp.

The city will explore ways to make money from the sites, ranging from selling them off to developing them for commercial use.

The Eglinton bus terminal, for example, is geographically almost at the dead centre of the city. The TTC moved the bus terminal beneath a parking garage several years ago - while the bus stalls sit vacant, surrounded by chain-link fence.

A special panel appointed by Mayor David Miller estimated last year the city could make \$150 million a year by developing its real estate.

Last week, Build Toronto's board of directors named the company's top two officers: real estate executive Lorne Braithwaite as chief executive, and Derek Ballantyne, head of Toronto Community Housing Corp., as chief operating officer.

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# Waterloo Region Record

## Developer buys La-Z-Boy plant; After \$5-million purchase, Waterloo company plans to turn property into office space

Tue 28 Apr 2009  
Page: C1  
Section: Business  
Byline: Chuck Howitt  
Dateline: WATERLOO  
Source: RECORD STAFF

Activa Group, a Waterloo-based residential and commercial property developer, has acquired the former La-Z-Boy plant in Waterloo and plans to redevelop it into commercial office space.

Activa purchased the 4.4-hectare site from Fercan Developments of Toronto for \$5 million in a deal that closed April 24.

"It's in our backyard. We're a Waterloo-based company," Tony Giovinazzo, vice-president of finance for the Activa Group, said yesterday. "The site had sat there for sometime. I think it's a great location." The site, which includes a 145,000-square-foot building, is at Weber and Columbia Streets.

Activa plans to renovate 84,000 square feet in the first phase, with occupancy set for the spring of 2010. Future phases may include a new three-storey building of about 45,000 square feet, but this is not definite, Giovinazzo said.

Activa has a couple of "fairly large tenants" who are eagerly looking at the building, he added.

Fercan bought the building in 2007 from La-Z-Boy. The furniture giant had closed its plant two years earlier.

Fercan planned to renovate the building and lease it to industrial tenants, but work never got off the ground.

Floor plans were drawn up, but Fercan had "a lot of balls in the air," and when the economy went south, the property became expendable, said Peter Hall, managing director of the regional office of CB Richard Ellis, a commercial real estate firm. Several tenants made commitments to lease space from Fercan but got tired of waiting and looked elsewhere, he said. "Some are still around. I think I can bring them to the table, now that Activa is in control."

Ellis was leasing the property for Fercan and has taken over those duties for Activa. Waterloo has an office vacancy rate of 1.9 per cent in the suburbs and 3.9 per cent in the core, Hall said. The region's office vacancy rate is 5.6 per cent.

"I'm very bullish," Hall said. "There are clients out there who are still looking, especially in Waterloo."

Over its 25 years, Activa has mostly developed residential land for the home-building industry. In

recent years it has been trying to diversify its portfolio by building and leasing commercial and retail space.

Among recent projects are the 26,000-square-foot Corporate Centre at 725 Bridge St. in Waterloo and the 15,000-square-foot Baden Village Square retail complex.

"We're continuing to diversify our assets and expand our number of income-producing properties," Giovinazzo said.

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# Marketwire

## League Assets Corp. Considers New Residential REIT

Tue 28 Apr 2009  
Dateline: VICTORIA, BRITISH COLUMBIA  
Time: 09:15 AM

VICTORIA, BRITISH COLUMBIA--(Marketwire - April 28, 2009) - League Assets Corp. ([www.league.ca](http://www.league.ca)) announced the launch today of its IGW Residential Capital Limited Partnership (IGW ResCap LP), providing an opportunity for qualified investors to enter the burgeoning multi-tenant residential real estate market.

The fund has invested in one residential apartment in Vegreville, AB, and expects to acquire two others in Hamilton, ON.

"We believe that all three properties offer significant unrealized value that can best be captured by undergoing substantial renovations and converting the rental buildings into individual condominiums," said League Co-Founder, Adam Gant. Two of the properties have already received permission for condominium conversion.

Mr. Gant said the fact that the investment is not listed on the stock exchange, and its initial private LP unit price of \$1.00, makes it a very attractive investment, especially at a time when public markets are characterized by major volatility. He also believes that many home buyers may be attracted to the condominiums by a combination of low market prices and historically low interest rates.

Eventually, said Mr. Gant, League hopes to fold the ResCap LP into a Real Estate Investment Trust (REIT) structure, following in the footsteps of its highly successful IGW REIT - a private REIT, which holds a number of commercial properties. As of its most recent quarterly revaluation on February 1, 2009, the annual return for the preceding 12 months was 14.04%, which included cash distributions plus an increase in its Pricing Net Asset Value.

Victoria-based League Assets Corp. manages the IGW REIT, one of North America's fastest growing private Real Estate Investment Trusts, comprising a portfolio of Canadian commercial, industrial, multi-family residential properties with combined assets approaching \$300 million. The Trust exists to find, acquire, improve, and manage profitable real estate properties on behalf of its 1,400 Member-Partners. Combined with its other investment pools, League is currently managing and developing assets with approximate build-out values totaling \$2-Billion.

For more information, download The Blue Book of Real Estate Syndication and Company Backgrounder. Or, contact Emanuel Arruda, Founding Partner at 1-877-772-8836 or by e-mail at [info@league.ca](mailto:info@league.ca).

There are risks associated with any investment. Read the Offering Memorandum for requisite disclosure.

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FOR FURTHER INFORMATION PLEASE  
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INDUSTRY: FSVC

SUBJECT: BFC

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# The Globe and Mail

## Magna cutting 725 jobs as GM demand for truck parts dwindles

Tue 28 Apr 2009  
Page: B12  
Section: Report On Business: Canadian  
Byline: Greg Keenan

### AUTO INDUSTRY REPORTER

Magna International Inc. MG.A-T is cutting 725 jobs temporarily at one of its largest parts-making plants in Canada amid a major trim in production of trucks and sport utility vehicles by General Motors Corp.

The job cuts at Magna's Formet pickup truck and SUV frame-making facility in St. Thomas, Ont., will leave about 200 people working and will remain in effect until the GM plants come back on line, Magna said in a statement.

The GM pickup and SUV plants, four in the United States and one in Mexico, will be shuttered for several weeks longer than the auto maker's normal summer shutdown this year.

The GM pickup truck plant in Oshawa, Ont., will close permanently later this month.

The layoff comes as Magna is negotiating with GM to purchase a stake of slightly less than 20 per cent in Adam Opel AG, GM's key European manufacturing arm and one of its major brands in Europe and South America.

Sources said Magna and Russian investors are discussing an investment that will give them about 50 per cent of the Germany-based subsidiary and leave GM with about 45 per cent.

GM has had discussions with several interested investors, which should enable the auto maker to meet the German government's requirement that an adequate level of investment be injected into Opel, GM chief executive officer Fritz Henderson said yesterday during a news conference on the latest version of GM's restructuring plan.

"Those discussions continue as we speak," Mr. Henderson said.

Gaz Group, controlled by Russian oligarch Oleg Deripaska, denied a report in yesterday's Globe and Mail that it could be among the Russian investors kicking the tires at Opel.

Magna (MG.A-T)

Close: \$43.22, down \$1.78

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# The Ottawa Citizen

## GM set to drastically reduce Canadian footprint; Under last-ditch survival plan, U.S. government will own automaker

Tue 28 Apr 2009  
Page: C1 / FRONT  
Section: Business & Technology  
Byline: Nicolas Van Praet, with files from Bert Hill  
Dateline: TORONTO  
Source: Financial Post

Illustrations: Colour Photo: Stuart Gradon, Canwest News service / GM said Monday it will slash its Canadian workforce by more than half and tell hundreds of dealers across the country they're no longer needed. An Ottawa dealer says this city's dealerships have fared better than most in the recession. ;

General Motors Corp. will be owned by the U.S. government and shrink drastically under a sweeping and final fix proposed by the automaker that will see it slash its Canadian workforce by more than half and tell hundreds of dealers across the country they're no longer needed.

After several slow-moving attempts at revamping its business over the last four years, North America's largest automaker on Monday laid bare a last-gasp effort to secure its future in the face of the lowest new-car sales volumes since the Second World War.

It said it will complete the plan in or out of bankruptcy court, depending on whether its bondholders agree to swap the \$27 billion U.S. of debt they hold for 10 per cent of the company's shares.

The U.S. Treasury is currently funding GM's survival with \$15.4 billion U.S. in emergency loans. The government will take a stake of at least 50 per cent of the company's common stock under GM's plan.

"Our objective is to make this ... a truly defining moment for the corporation," GM chief executive Fritz Henderson said at a news conference. "We only want to do this once."

The carmaker's final plan was readied in close consultation with officials from the U.S. President Barack Obama's automotive task force.

It calls for GM to speed up the closure of U.S. factories, wipe out more than 23,000 jobs across North America, and slash its dealer count by 42 per cent. Some 310 dealers now selling GM cars in Canada would be asked to shut their doors permanently in communities from coast to coast.

GM said it expects to reduce its hourly Canadian workforce to 4,400 by 2014 from 10,300 in 2008, mostly through previously announced plant closures, as part of its plan to return to viability.

"The population is going to shrink dramatically," said Chris Buckley, president of Canadian Auto Workers union Local 222 in Oshawa, where a truck plant is due to be shuttered and about 2,600 workers laid off on May 14.

"This crisis, going into the future, is going to be devastating as far as job losses in Canada," Buckley said.

Just 10 years ago, GM used to sell and build roughly one out of every three new vehicles in Canada. It now forecasts its market share will fall to less than one in five.

"This does mark a bit of a watershed," said Doug Porter, economist for BMO Capital Markets. "I think it's a tragedy for the Canadian economy to some extent. GM was a huge employer. And one that paid relatively high wages. ... Its decline has gone hand-in-hand with some diminishing of the Ontario economy."

Porter said GM's downsizing will be felt in the wider Canadian economy, which depended on the auto sector for a little more than two per cent of GDP as of the middle of last year. He said he is not optimistic that overseas-based automakers like Toyota Motor Corp. will boost their output and employment in Canada to completely offset GM's decline.

Canada will always remain a critical source of products for North America, said Ray Young, GM's chief financial officer.

He noted that of six new vehicles being launched this year on the continent, three are built in its Ontario plants, including the new Chevrolet Camaro.

As expected, the company will phase out its Pontiac brand as it aims to sell just four core vehicle types -- Chevrolet, Buick, Cadillac and GMC.

"The government is trying to do everything to absolutely ensure the survival of this industry and this company," said David Cole, chairman of the Center for Automotive Research in Ann Arbor, Michigan. "They know that if there's a cascading failure, that it could turn what is a tough recession into a depression.

"The danger in nationalization is that the government doesn't have a clue as to how manufacturing works," Cole added. "But I think it's a temporary thing. Politically, they need to have a role here. But I would expect to see them exit (ownership) fairly quickly."

The key element of GM's future in the near-term is the success or failure of its shares-for-debt swap offer for bondholders, which will determine whether the company falls into bankruptcy protection or not.

GM on Monday launched an offer to its bondholders to swap 225 shares of GM common stock for each \$1,000 U.S. in claims they own. In return, the bondholders are being offered 10 per cent of the common shares in a revamped GM.

Under the plan, GM's main union, the United Auto Workers would own as much as 39 per cent of GM shares if the union agrees to cut at least half of GM's \$20.4 billion U.S. in health care obligations to a retiree medical fund in exchange for stock.

Existing shareholders would own about one per cent.

The remainder, at least 50 per cent, would be owned by the U.S. Treasury. Henderson said it was unclear what the Treasury would do with its shares in the longer term or whether it would seek representation on the company's board of directors.

Tony Clement, Canada's industry minister, said the federal government is also not ruling out taking an equity stake in GM.

Canada has pledged \$3 billion to help GM stabilize its Canadian operations and GM expects to draw down on the money in the coming weeks. GM also announced it would be cutting about 300 dealerships across Canada.

"The numbers are pretty stark ... that's close to half of the entire GM dealer base," said Michael Hatch, chief economist at the Canadian Automobile Dealers Association.

Hatch said GM dealers employ about 33,000 to 34,000 people across the country, so depending on which dealerships go and which stay, 12,000 to 15,000 jobs are potentially at risk.

Tom Donnelly, owner of Donnelly Pontiac Buick, said "if there are 12 dealers in Ottawa, there may be only eight in five years. But it won't happen overnight and it won't happen because GM is swinging an axe."

He said each dealer will have to assess product offerings, competitive positions and the merits of combining with other dealers. In some markets like Toronto, he said it could make more sense for some dealers to close, sell the real estate and live off the interest.

"Pontiac is an icon in the industry and we would be sorry to see it go."

He said dealers will be looking closely to see how GM fills the void with new small cars and sports utility vehicles under other brand names.

"One thing I can tell you is that we will be in business in five years time."

Rob Mews, the dealer principal of Mews Chevrolet and a partner in a group that owns Myers and Chevy West dealerships, said that while 40 per cent of GM dealers might disappear across Canada, the reduction

will be much lower in Ottawa.

With an economy anchored on a strong public sector, he said the Ottawa dealerships are generally in strong financial condition and not feeling the same boom-and-bust economy of other big cities.

"It's tough to swallow because sales and performance are strong and we are having a good year, better than in 2008."

While some dealerships will likely disappear, he said that consumers won't have less choice or suffer from less competition.

The 12 Ottawa dealers sell an estimated 3,500 new vehicles a year and employ about fifty people each in sales, parts and service operations.

Typically, GM dealerships are divided into three main brand networks: Pontiac, Buick; Chevrolet, Cadillac; and Saturn, Saab.

# The Calgary Herald

## Industrial real estate market stalls

Tue 28 Apr 2009

Page: D3

Section: Calgary Business

Byline: Mario Toneguzzi

Source: Calgary Herald

Illustrations: Colour Photo: Calgary Herald Archive / "Activity just seems to have picked up," say Greg Kwong, regional director of CB Richard Ellis, of the industrial real estate market. ;

Calgary's industrial real estate market has experienced an increase in vacancies in the first quarter of this year, a decrease in lease rates and sales have stalled as companies struggle to find conventional financing.

But in a market report, commercial real estate firm CB Richard Ellis Ltd. said activity and demand for industrial space is expected to increase next quarter.

"A lot of good purchase and sublease opportunities are continually coming onto the Calgary market," said the report. "Prospective tenants and purchasers are starting to take advantage of these opportunities at a discounted rate, increasing the market activity.

"Prices are still expected to decline slightly. However, the decrease in price should not be as significant as the drop at the end of 2008. Overall, the market will continue to adjust to the downturn in the local economy in the second quarter of 2009."

Although activity is down in the market currently, the city is still seeing companies that are interested in Calgary, said Richard Pootmans, business development manager of real estate for Calgary Economic Development.

"They're still very positive about the medium-term and the long-term prospects in Calgary," he said.

The CBRE report said the vacancy rate in the industrial real estate market in the first quarter increased to 3.7 per cent from 3.1 per cent in the fourth quarter of 2008. The vacancy rate was 0.9 per cent in 2007 and 0.8 per cent in 2006.

In the first quarter, the overall average asking lease rate decreased by 60 cents per square foot to \$8.90.

In the last 45 days, "we've noticed a dramatic increase in the amount of calls we're getting, the amount of deals we're doing. Activity just seems to have picked up," said Greg Kwong, regional managing director for CBRE in Calgary. "And it's all the bread and butter stuff. The blue-collar worker . . . that has 5,000 to 10,000 square feet who originally put off a decision to do anything."

In general, the overall optimism for leasing industrial space has increased, he said, mainly from the smaller entrepreneurial sector.

CBRE said the industrial market has about 1.5 million square feet under construction, the majority of which is east of the 84th Street S. E. corridor and

in the southeast submarket.

The first quarter also saw only 629,440 square feet of new supply come to the market, which is a large decrease from the 1.2 million square feet that came to the market during the last quarter of 2008.

"The number of land transactions continued to decrease this quarter," said CBRE. "Only five market industrial land deals have been completed since the beginning of January. Development costs continue to stagnate as marginal price decreases have been seen on commodities and labour costs."

It said land prices per acre for serviced land are still hovering around \$575,000, but are slowly starting to decrease.

"Land prices for larger pockets of land on the outskirts of the city are starting to adjust prices accordingly, while the prices of large tracts of land held by the City of Calgary within the city limits remain stagnant."

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# The Toronto Star

## Half the provinces log positive growth in 2008

Tue 28 Apr 2009  
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Section: Business  
Source: The Canadian Press

Only half the provinces showed positive growth in real GDP last year, Statistics Canada reported yesterday.

Saskatchewan led the list, with growth of 4.4 per cent. Also posting positive numbers were Nova Scotia (2.0), Prince Edward Island (0.9), Quebec (1.0), and Manitoba (2.4).

The GDP fell in Newfoundland and Labrador (-0.1), Ontario (-0.4), Alberta (-0.2) and British Columbia (-0.3), while New Brunswick experienced no growth.

Yukon and Nunavut both saw higher GDP, while the Northwest Territories' output shrank.

The federal agency said national economic growth was sluggish during the first half of last year, then contracted during the final five months amid global financial turmoil.

It said goods production fell 2.8 per cent in 2008, the first decline since 2001, while services production increased 2.1 per cent.

Saskatchewan's growth was almost double the 2.5 per cent increase of 2007, as its farms basked in good weather. Potash and uranium output dropped modestly in volume terms but strong prices hiked corporate profits 58 per cent.

In Manitoba, construction investment was up and good wheat and canola harvests boosted farm incomes.

In Nova Scotia, personal spending, government expenditures and natural gas extraction were all up.

In Quebec, export demand was weak for forestry, furniture and textile products as manufacturing production fell. But stronger aerospace industries tempered this decline.

Growth in P.E.I. slowed, in part due to a poorer potato crop.

GDP in Ontario fell 0.4 per cent in 2008 after rising 2.3 per cent in 2007. Automotive production declined more than 20 per cent while forestry dropped sharply. Weakened export demand led to a decline in 16 of 21 major manufacturing industry groups in Ontario.

B.C. showed its first GDP drop since 1982, with forestry off sharply. Personal spending slid.

In Alberta, business investment fell, especially in the housing sector - but high oil prices in the first half kept corporate profits robust.

Newfoundland and Labrador led all provinces in 2007 with GDP up 9.1 per cent but '08 output slipped, on a sharp drop in oil extraction.

New Brunswick's labour income was up, boosting personal spending, but weak foreign demand hurt exports, particularly forestry.

Nunavut's economy grew 5.5 per cent. Mining activity drove Yukon's GDP up 5.2 per cent. But Northwest Territories flagged, with GDP down 6.5 per cent.

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# The Globe and Mail

## Confidence in spotlight

Tue 28 Apr 2009  
Page: B14  
Section: Report On Business: Globe Investor Markets  
Byline: Allan Robinson  
Illustrations: Illustration ;

It's easy to see why U.S. consumer confidence is at a record low, but it is less clear as to why it is expected to bounce higher today.

The U.S. Conference Board's consumer confidence index is forecast to have increased to 30 in April from 26 in March, according to a survey of economists by Bloomberg.

The expected pickup in confidence today would come even as U.S. house prices, which many consider to be at the crux of the U.S. financial crisis and a key destroyer of confidence, continue to decline.

What are the expectations?

The S&P/Case-Shiller Home Price Index, which is scheduled for release today, is forecast to have declined 2.5 per cent in February from the previous month.

There could be a "meaningless" upward creep in consumer confidence, but confidence remains mired at deep recessionary levels, said Avery Shenfeld, chief economist with CIBC World Markets Inc.

"Modest movements in consumer confidence don't translate into spending decisions," he cautioned.

Some say consumer confidence is being bolstered by the stock market rally. Even with the swine flu scare that yesterday sent the U.S. dollar and bond prices soaring on a flight to safety, the S&P 500 index showed only a modest selloff.

How will the market react?

"It does seem like that market can shake off dire economic news these days," said Douglas Porter, deputy chief economist with BMO Nesbitt Burns Inc. "That has to be seen as moderately positive."

Before the market opened yesterday, the futures indicated a serious selloff, but stock markets came back, said Tony Genua, portfolio manager of AGF American Growth Class Fund. "Investors know we are in an economic valley and are willing to look beyond it," Mr. Genua said. "It will take four to six months for confidence to return," he said.

And companies that should do well in an economic upturn, such as Amazon.com Inc., Apple Inc., Corning Inc. and Qualcomm Inc., are showing improvement even in a tough economy, Mr. Genua said.

Not even dismal economic projections being made by

U.S. government officials and economic agencies are shaking investor confidence.

"While these official projections now look quite reasonable, one can't help but wonder if this late conversion to deep pessimism isn't another sign that a bottom has finally been reached," BMO's Mr. Porter said.

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