

- 1   **Q.    Please provide a copy of the most recent consensus forecast received by**  
2       **Newfoundland Power.**  
3  
4    A.    Attachment A is a copy of the December 2002 Consensus Forecast for Canada provided  
5       to Newfoundland Power by Consensus Economics Inc.

**Consensus Forecast for Canada**

**December 2002**

	Average % Change on Previous Calendar Year												Annual Total			
	Gross Domestic Product		Personal Expenditure		Machinery & Equipment Investment		Pre - Tax Profits		Industrial Production		Consumer Prices		Industrial Product Prices		Housing Starts (thousand units)	
	Produit Intérieur Brut		Dépenses de Consommation des Ménages		Investissement Productif		Bénéfices des Sociétés avant impôts		Production Industrielle		Prix à la Consommation		Prix des Produits Industriels		Construction de Logements mises en chantier, milliers	
Economic Forecasters	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Conf Board of Canada	3.5	3.4	2.6	3.1	-1.2	7.1	2.4	7.5	na	na	2.3	2.5	-0.3	2.1	201	181
Economap	3.4	3.5	2.7	3.0	-1.5	4.0	2.5	12.5	2.0	4.0	2.2	2.1	-0.2	1.8	200	180
Bank of Montreal	3.3	3.8	2.6	3.2	-1.6	7.8	4.5	13.5	na	na	2.2	2.2	na	na	204	181
BMO Nesbitt Burns	3.3	3.1	2.6	2.4	-1.7	5.5	3.5	12.0	1.9	3.8	2.2	2.1	0.0	2.0	204	190
Caisse de Depot	3.3	2.9	2.6	2.6	-1.0	4.2	na	na	na	na	2.3	2.5	na	na	195	175
CIBC World Markets	3.3	3.0	2.6	2.7	-1.7	5.5	4.4	11.5	na	na	2.2	2.4	na	na	205	182
Global Insight	3.3	3.4	2.5	2.8	-1.7	7.0	1.8	-1.3	2.0	4.6	2.1	2.1	0.1	2.4	204	208
Merrill Lynch Canada	3.3	2.8	2.5	2.2	-1.6	5.7	4.4	13.7	2.4	3.5	2.2	2.4	na	na	205	170
National Bank Financial	3.3	3.6	2.7	3.0	-1.4	10.2	4.7	12.3	na	na	2.2	2.9	na	na	190	180
Royal Bank of Canada	3.3	3.7	2.6	3.2	-1.7	5.5	2.4	8.5	na	na	2.3	3.2	0.1	2.5	204	200
Scotia Economics	3.3	2.8	2.6	2.5	-1.7	6.9	4.0	12.0	2.5	3.4	2.1	2.6	na	na	206	194
Toronto Dominion Bank	3.3	2.9	2.6	2.5	-1.6	7.4	4.3	10.6	na	na	2.2	2.1	na	na	200	185
University of Toronto	3.3	3.2	2.6	2.9	-1.7	5.6	3.5	3.7	na	na	2.2	2.3	na	na	203	186
Informetrica	3.2	3.3	2.6	2.8	0.0	8.0	5.0	12.0	2.0	4.0	2.0	2.0	0.2	2.8	200	172
JP Morgan	3.2	2.6	2.4	1.6	-2.1	5.2	na	na	1.6	4.3	2.1	2.1	0.1	2.3	203	188
Consensus (Mean)	3.3	3.2	2.6	2.7	-1.5	6.4	3.6	9.9	2.1	3.9	2.2	2.4	0.0	2.3	202	185
Last Month's Mean	3.4	3.4	2.7	3.0	-1.0	6.5	3.0	9.7	2.1	3.9	2.2	2.5	-0.2	2.1	199	180
3 Months Ago	3.4	3.5	2.6	3.0	-1.3	6.8	3.3	10.8	2.2	4.0	1.9	2.3	0.1	2.6	191	174
High	3.5	3.8	2.7	3.2	0.0	10.2	5.0	13.7	2.5	4.6	2.3	3.2	0.2	2.8	206	208
Low	3.2	2.6	2.4	1.6	-2.1	4.0	1.8	-1.3	1.6	3.4	2.0	2.0	-0.3	1.8	190	170
Standard Deviation	0.1	0.4	0.1	0.4	0.5	1.6	1.1	4.4	0.3	0.4	0.1	0.3	0.2	0.3	4	10
Comparison Forecasts																
IMF (Sep. '02)	3.4	3.4	2.8	3.6							1.8	2.1				
OECD (Nov. '02)	3.3	3.1	2.6	2.9							2.2	2.7				

## Government and Background Data

**Prime Minister** - Mr. Jean Chrétien (Liberal). **Government** - The Liberals hold 172 of the 301 seats in parliament. **Next Election** - By 2005 (general election). **Nominal GDP** - C\$1,092bn (2001). **Population** - 31.1mn (mid-year, 2001). **C\$/US\$ Exchange Rate** - 1.55 (average, 2001).

## Quarterly Consensus Forecasts

*Historical Data and Forecasts (bold italics) From Survey of December 9, 2002*

	2002				2003				2004			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross Domestic Product	2.1	3.1	4.0	<b>3.8</b>	<b>3.2</b>	<b>3.0</b>	<b>3.2</b>	<b>3.4</b>	<b>3.6</b>	<b>3.7</b>		
Personal Expenditure	2.1	2.7	2.9	<b>2.6</b>	<b>2.6</b>	<b>2.3</b>	<b>2.9</b>	<b>3.0</b>	<b>3.0</b>	<b>3.1</b>		
Consumer Prices	1.5	1.4	2.3	<b>3.3</b>	<b>3.0</b>	<b>2.4</b>	<b>1.9</b>	<b>1.9</b>	<b>2.1</b>	<b>2.1</b>		

*Percentage Change (year-on-year)*

## Historical Data

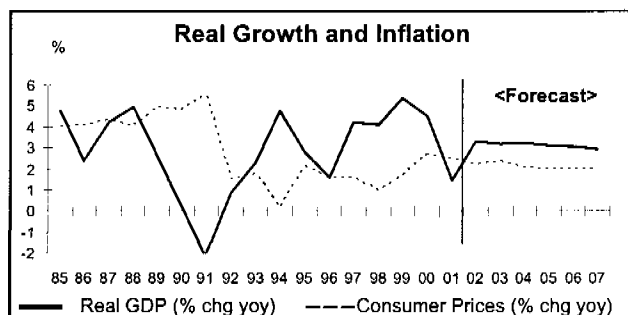
* % change on previous year	1998	1999	2000	2001
Gross Domestic Product*	4.1	5.4	4.5	1.5
Personal Expenditure*	2.8	3.9	3.7	2.6
Machinery & Eqpt Investment*	8.6	11.4	9.3	-2.2
Pre - Tax Profits*	-2.0	26.3	19.4	-8.9
Industrial Production*	3.5	5.5	5.1	-3.4
Consumer Prices*	1.0	1.7	2.7	2.5
Industrial Product Prices*	0.4	1.8	4.2	0.9
Housing Starts, '000 units	138	149	153	164
Unemployment Rate, %	8.3	7.6	6.8	7.2
Current Account, C\$ bn	-11.4	2.0	27.8	30.1
Federal Govt Budget				
Balance, fiscal years, C\$ bn	3.1	12.7	18.1	8.9
3 mth Trsy Bill, % (end yr)	4.6	5.0	5.5	2.1
10 Yr Govt Bond, % (end yr)	4.9	6.2	5.4	5.4

Year Average	Annual Total	Fiscal Years (Apr-Mar)		Rates on Survey Date			
				2.7%		4.9%	
Unemployment Rate (%)	Current Account (C\$ bn)	Federal Govt Budget Balance (C\$ bn)		3 month Treasury Bill Rate (%)		10 Year Government Bond Yield (%)	
Taux de Chômage (%)	Balance Courante (C\$ md)	Balance Budgétaire (C\$ md)		Rendement sur les Bons du Trésor de 3 mois %		Rendement des Obligations d'État de 10 ans %	
2002 2003	2002 2003	FY 02-03	FY 03-04	End Mar'03	End Dec'03	End Mar'03	End Dec'03
7.7 7.2	20.2 19.4	5.5 7.8	3.3 4.9	6.2 6.6			
7.6 7.2	20.5 22.0	4.0 4.0	2.8 3.8	5.2 5.5			
7.7 7.3	19.9 16.5	na na	3.1 4.7	5.5 6.4			
7.6 7.3	20.0 21.0	4.0 3.0	3.0 3.8	5.2 5.5			
7.6 7.4	20.0 27.0	3.0 3.0	2.8 3.2	5.0 5.3			
7.6 7.2	20.7 26.3	5.0 5.0	2.6 2.7	4.7 4.9			
7.7 7.4	18.1 7.8	4.0 4.0	3.0 4.6	5.3 6.1			
7.7 7.4	21.0 25.7	na na	2.7 2.9	4.8 4.8			
7.6 7.6	20.6 16.2	4.0 5.0	3.4 4.6	5.5 5.9			
7.6 7.4	20.5 24.7	na na	3.0 4.8	5.2 5.6			
7.6 7.5	20.0 23.5	4.0 4.0	2.8 4.0	5.0 5.8			
7.7 7.4	20.4 24.1	na na	2.8 4.1	5.4 5.9			
7.7 7.3	20.8 28.1	na na	3.1 4.3	5.7 6.1			
7.6 7.2	30.0 33.0	4.5 7.0	3.0 4.0	5.0 5.6			
7.7 7.3	20.8 25.7	3.0 4.0	2.8 3.5	5.0 5.4			
7.6 7.3	20.9 22.7	4.1 4.7	2.9 4.0	5.2 5.7			
7.6 7.2	20.9 24.0	4.3 4.4					
7.6 7.1	22.2 26.0	4.4 4.0					
7.7 7.6	30.0 33.0	5.5 7.8	3.4 4.9	6.2 6.6			
7.6 7.2	18.1 7.8	3.0 3.0	2.6 2.7	4.7 4.8			
0.1 0.1	2.6 6.0	0.8 1.6	0.2 0.7	0.4 0.5			
7.6 6.7							
7.6 7.3							

### Downside Risks Increase Interest Rates Unchanged

The economy continued to expand over the third quarter, although underlying signs of weaker growth prospects for the final quarter of this year and the first half of next have become more pronounced. Personal expenditure drove economic growth, buoyed by positive labour market developments - particularly with regard to part-time employment - which helped to bring the unemployment rate down to 7.6% in October. However, the slip in the 2003 consensus forecast for GDP growth suggests that consumption strength - which has enabled the economy to outperform the rest of the G-7 countries this year - is expected to weaken going forward. The slightly more downbeat outlook was of some concern to the Bank of Canada which decided to leave interest rates unchanged at the December monetary policy meeting despite indications of renewed inflation pressures in October as a result of increased insurance premiums. Many analysts do not foresee a rise in interest rates until spring 2003 and only then if the economy is showing sufficient signs of resilience. Our panel believe that the central bank's decision not to increase rates at present may well be justified. The consensus forecast for personal expenditure next year has slipped to 2.7% this month from 3.0% in November, pointing to a further slowdown in consumer activity ahead.

Industrial production growth increased to 4.1% y-o-y over the third quarter, although this may not necessarily signal a retrenchment in production. Rather, it is partly a result of temporary base-year effects such as considerably lower growth in the third quarter of 2001 - as a result of September 11<sup>th</sup> - and a one-off increase in automobile demand which included a 50% increase in truck exports to the US in August as firms rushed to upgrade their fleets before new legislation on auto emissions came into effect in October. Overall, the merchandise trade surplus was cut by C\$1 billion in August as a result of surging import demand and sluggish growth in the US and Europe, and net trade accounted for just 1.5% of third quarter GDP.



Direction of Trade 2001			
Major Export Markets (% of Total)		Major Import Suppliers (% of Total)	
United States	86.6	United States	65.1
Japan	2.1	Japan	4.2
United Kingdom	1.3	China	3.7
Asia (ex. Japan)	2.8	Asia (ex. Japan)	9.4
Latin America	1.6	Latin America	5.5
Middle East	0.5	Middle East	0.8

