United States

- **The large federal spending increases authorized for 2018 and 2019 will end an eight-year run in which fiscal policy has added little net contribution to overall growth. Combined with recent tax cuts, the expenditure boost will provide substantial fiscal stimulus to an economy on a firm upswing late in an elongated expansion.**
- **Risks continue to come from within. The combination of weaker public and private saving is likely to produce even larger trade deficits, which could make it difficult for the White House to walk back its sabre-rattling on trade with China.**

FISCAL POLICY RUNS HOT AS TRADE SKIRMISHES HEAT UP

Recent policy decisions in Washington, DC have revived Reagan- and Bush-era concerns about the rise of the US's "twin deficits" driven by looser domestic fiscal policy and widening external current-account gaps. On the heels of December's tax reform and the roughly USD 300 bn increase in spending over the next two years under February's Bipartisan Budget Act, the US federal deficit is set to widen from 3.4% of GDP in 2017 to 4.7% of GDP in 2019. After eight years in which US fiscal policy has made either a marginal or negative contribution to growth, about a fifth of US growth will be contributed by government (chart 1). Even more stimulus may be coming through the White House's planned infrastructure initiative.

Nevertheless, our forecast for real growth has been shaved from our March *Forecast Tables'* projection of 2.7% in 2018 to 2.6% for the year, owing to what we expect will be a temporary pause by consumers to start 2018. Growth is revised upward in 2019 from 2.2% to 2.4% as the effects of the federal tax cuts and spending increases kicks in. Growth in 2018 and 2019 is dampened somewhat by the widening of the US trade deficit as the fiscal stimulus is expected to drive aggregate consumption growth ahead of aggregate savings.

In an economy that is already running hot, the combination of substantial fiscal stimulus with possible new tariffs on a sizable slice of imports from China and foreign steel and aluminum suppliers implies greater upward pressure on prices—and a stronger impetus for the US Fed to keep raising rates. On fundamentals alone, the *Scotiabank Global Macroeconomic Model* (SGMM), introduced last year and discussed in our *Long-Term Outlook*, points toward a rate path in line with the FOMC's March dot plots. We have, however, left our US rate call unchanged at two more 25 bps increases in 2018 and two further hikes in 2019, which would take the fed funds rate to only 2.75% at end-2019 (table 1). This decision reflects two major developments: a recent tightening in financial conditions from capital markets (which does some of the Fed's work), and intensifying risks to US and global growth stemming from the escalating trade-policy spat between the US and China. The *US & Canadian Monetary Policy & Capital Markets* report justifies our view in greater depth.

Risks to the US outlook continue to come from within. The White House's capricious approach to trade policy combined with Washington's delivery of

CONTACTS

Brett House, VP & Deputy Chief Economist
416.863.7463
Scotiabank Economics
brett.house@scotiabank.com

Carlos Gomes
416.866.4735
Scotiabank Economics
carlos.gomes@scotiabank.com

Juan Manuel Herrera
416.866.6781
Scotiabank Economics
juanmanuel.herrera@scotiabank.com

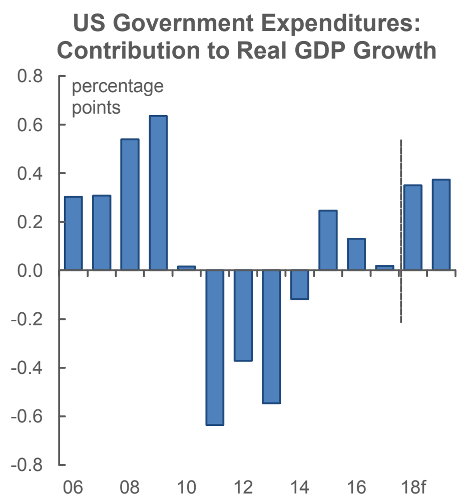
René Lalonde
416.862.3174
Scotiabank Economics
rene.lalonde@scotiabank.com

Nikita Perevalov
416.866.4205
Scotiabank Economics
nikita.perevalov@scotiabank.com

Adrienne Warren
416.866.4315
Scotiabank Economics
adrienne.warren@scotiabank.com

Mary Webb
416.866.4202
Scotiabank Economics
mary.webb@scotiabank.com

Chart 1



Sources: Scotiabank Economics, BEA.

intensive fiscal stimulus in a late-cycle economy that doesn't need it have the marks of the policy mistakes that typically curtail long-running expansions.

ROBUST JOB MARKETS DRIVE STEADY HOUSEHOLD SPENDING GAINS

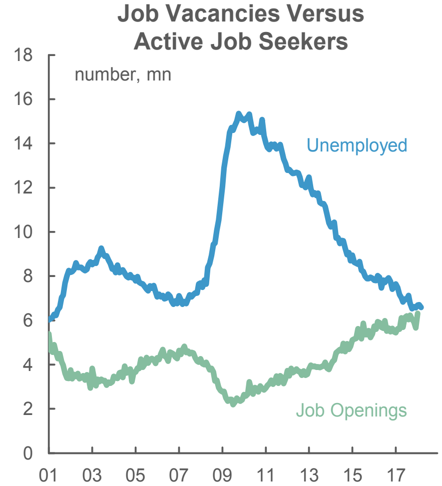
US consumers have taken a bit of a breather to start 2018, albeit after embarking on a mini spending spree to close out 2017. Solid fundamentals, including a robust job market and healthy household balance sheets, imply that the recent pause will prove short-lived. Consumer confidence is near a 17-year high, and major purchase plans remain elevated. Overall, real consumer spending growth is forecast to increase 2.6% in 2018, matching the advance of the prior two years, before moderating to 2.4% in 2019.

US job growth has cooled slightly in early 2018, but remains solid with job gains averaging just over 200,000 new positions each month. Hiring gains have been broadly-based across private-sector goods and services industries. The overall pace of hiring is likely to be more subdued this year given increasingly-tight labour market conditions. The unemployment rate is holding at a 17-year low of 4.1%—below the Federal Reserve's long-run range of 4.2–4.8%. Jobless claims are near a 50-year low.

Reports of labour shortages are becoming more widespread. The number of job openings reached 6.3 mn in January, or 4.1% of all positions, the highest share in records that date back to 2001. Rising vacancy numbers are now approaching the declining number of unemployed Americans looking for work (chart 2). Encouragingly, the strength in hiring is beginning to draw discouraged workers back into the labour force. The prime-age participation rate increased to 82.0% in Q1-2018, its highest level since 2010, and up from a cycle-low of 80.7% in 2015 (chart 3).

The trend in wage growth has firmed, and is expected to accelerate this year with the labour market near full employment. Household purchasing power is getting a further boost from both minimum wage increases in many states and the tax cuts that began to roll out in early-February 2018. The tax cuts disproportionately benefit higher-income households with a lower propensity to spend out of income, which is expected to dull their macroeconomic impact. Meanwhile, some lower- and middle-income households may face higher health care premiums as a result of the elimination of the

Chart 2



Sources: Scotiabank Economics, BLS.

Chart 3

Sources: Scotiabank Economics, BLS.

Table 1

Quarterly US Forecasts	2017		2018				2019			
	Q3	Q4	Q1e	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Economic										
Real GDP (q/q ann. % change)	3.2	2.9	2.2	2.6	2.5	2.5	2.4	2.3	2.1	2.1
Real GDP (y/y % change)	2.3	2.6	2.8	2.7	2.6	2.5	2.5	2.4	2.3	2.2
Consumer prices (y/y % change)	2.0	2.1	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4
CPI ex. food & energy (y/y % change)	1.7	1.7	1.9	2.2	2.3	2.3	2.3	2.3	2.3	2.3
Financial										
Euro (EURUSD)	1.18	1.20	1.23	1.25	1.28	1.30	1.30	1.33	1.35	1.35
U.K. Pound (GBPUSD)	1.34	1.35	1.40	1.40	1.42	1.47	1.48	1.48	1.50	1.50
Japanese Yen (USDJPY)	113	113	106	108	110	110	110	110	108	105
Fed Funds Rate (upper bound, %)	1.25	1.50	1.75	1.75	2.00	2.25	2.25	2.50	2.50	2.75
3-month T-bill (%)	1.04	1.38	1.70	1.85	2.05	2.30	2.30	2.55	2.60	2.80
2-year Treasury (%)	1.48	1.88	2.27	2.40	2.55	2.70	2.80	2.95	3.00	3.05
5-year Treasury (%)	1.93	2.21	2.56	2.65	2.75	2.90	2.95	3.00	3.10	3.15
10-year Treasury (%)	2.34	2.40	2.74	2.85	2.95	3.00	3.05	3.10	3.15	3.25
30-year Treasury (%)	2.86	2.74	2.97	3.00	3.15	3.20	3.25	3.30	3.35	3.40

Sources: Scotiabank Economics, BEA, BLS, Bloomberg.

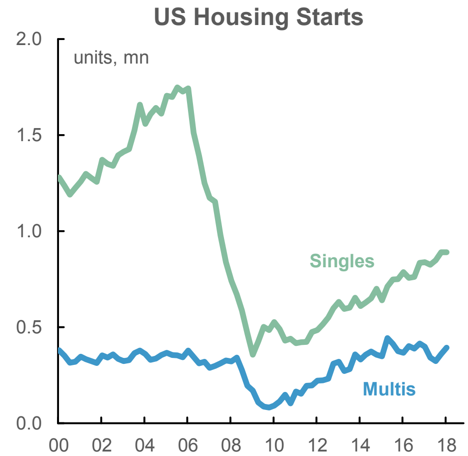
federal individual mandate under the new tax legislation, which may crowd out some discretionary spending.

ROBUST HOUSEHOLD FINANCES BOLSTER CONFIDENCE

Healthy household balance sheets are providing another fillip to confidence and spending. Notwithstanding increased debt loads, rising property and stock market valuations have pushed household net worth further into record territory to levels that average almost seven times disposable income as of Q4-2017. Assuming a wealth effect of 3 cents on the dollar, the USD 7.2 tn increase in household net worth last year may have added more than a percentage point to 2017's annual increase in consumer spending. The average homeowner gained almost USD 13,000 in home equity last year.

Debt-service costs as a share of disposable income are near record lows, but have likely bottomed with interest rates headed higher. Stronger income growth has helped to shore up the savings rate which had fallen to a decade low of 2.5% at the end of last year, but has subsequently moved back above 3%. Delinquency rates are low, though they are edging higher for some types of lending.

Chart 4



Sources: Scotiabank Economics, US Census Bureau.

GROWING HOMEOWNERSHIP CHALLENGES

US housing demand fundamentals, including robust job growth, low unemployment, and rising incomes, remain broadly supportive of the market. Millennials are ageing into their prime home-buying years, in turn driving up the homeownership rate for the first time since the 2007 housing crash. Lenders continue to gradually ease mortgage standards.

Home sales momentum, however, remains lacklustre. Potential buyers are facing a persistent shortage of listings, which is most acute for entry-level homes. The inventory of existing homes for sale has fallen to its lowest level in at least 35 years. The dearth of lower-priced listings is holding first-time buyers share of overall home sales at around 30%, compared with a typical level of about 40%. High-end home sales have outperformed, but may be slowed by new tax rules that have reduced interest rate and property tax deductions. The National Association of Realtors (NAR) estimates that about 5–6% of homeowners are affected by the new caps.

The combination of higher mortgage rates and home prices that are rising at about double the pace of wage growth is leading to gradual erosion in housing affordability. The 30-year fixed-rate mortgage rate has risen almost 50 bps since the beginning of the year to the highest level since early-2014. Higher mortgage rates also dampen 'move-up buyer' demand, which could be choking off the new supply of existing home listings.

US housing starts are forecast to climb to 1.26 mn units this year and 1.30 mn in 2019, up from 1.20 mn units in 2017. Despite the ongoing recovery, the overall level of single-family construction remains well below historical trends, constrained by labour shortages and rising land and construction costs. Multi-family starts rebounded strongly following the 2008–09 recession, but appear to have peaked for the current cycle amid slowing rental demand and rising completions (chart 4).

Table 2

United States	2000–16	2016	2017	2018f	2019f
	(annual % change, unless noted)				
Real GDP	1.9	1.5	2.3	2.6	2.4
Consumer spending	2.4	2.7	2.8	2.6	2.4
Residential investment	-0.4	5.5	1.8	2.3	2.1
Business investment	2.3	-0.6	4.7	5.1	2.8
Government	1.0	0.8	0.1	2.1	2.2
Exports	3.6	-0.3	3.4	3.3	2.5
Imports	3.4	1.3	4.0	4.8	3.2
Nominal GDP	3.9	2.8	4.1	4.7	4.5
GDP Deflator	2.0	1.3	1.8	2.0	2.1
Consumer price index (CPI)	2.2	1.3	2.1	2.4	2.4
CPI ex. food & energy	2.0	2.2	1.8	2.2	2.3
Pre-tax corporate profits	5.5	-2.1	4.4	2.7	0.5
Employment	0.7	1.8	1.6	1.4	1.1
Unemployment rate (%)	6.2	4.9	4.4	4.0	3.9
Current account balance (USD bn)	-507	-452	-466	-554	-612
Merchandise trade balance (USD bn)	-673	-753	-811	-908	-982
Federal budget balance (USD bn)	-150	-585	-665	-812	-990
percent of GDP	-1.0	-3.1	-3.4	-4.0	-4.7
Housing starts (mn)	1.27	1.17	1.20	1.26	1.30
Motor vehicle sales (mn)	15.5	17.5	17.1	17.4	17.3
Industrial production	0.6	-2.0	1.6	2.8	1.1
WTI oil (USD/bbl)	63	43	51	65	68
Nymex natural gas (USD/mmbtu)	4.94	2.55	3.02	2.80	2.85

Sources: Scotiabank Economics, BEA, BLS, Bloomberg.

MIXED OUTLOOK FOR NON-RESIDENTIAL CONSTRUCTION

Private non-residential construction spending is advancing at a moderate pace. Strong demand for warehousing and distribution facilities is driving commercial expansion, and investment in private transportation projects, including airport improvements, is up sharply. Office-market activity is expected to remain more subdued, given a high level of completions, and expectations of slowing employment growth with the US labour market near full capacity. Tightening manufacturing capacity rates should set the stage for a modest revival in industrial construction in 2018–19.

BROADLY-BASED SERVICE SECTOR EXPANSION

Service-sector activity—which accounts for roughly 70% of US output and employment—is rising at what is nearly its fastest pace in 10 years (chart 5). The pick-up has been broadly based. Strengthening business confidence and investment is lifting demand for professional, scientific, and technical services; the ongoing expansion of US retailers' e-commerce capabilities is fueling the warehousing and transportation sectors; and an ageing population is boosting demand for health care services. Of the 18 industries in the ISM non-manufacturing business survey, only two are contracting: arts, entertainment and recreation, and accommodation and food services.

The softness in the latter two industries may, at least in part, reflect continuing weak international tourism. Hampered by a strong dollar and new travel restrictions, international tourist visits to the United States through the first three quarters of 2017 fell 4% from a year earlier, bucking the broad strengthening trend in global tourism. Spain overtook the United States last year as the second most-visited country in the world.

Chart 5

Sources: Scotiabank Economics, ISM.

Chart 6

Sources: Scotiabank Economics, US Census Bureau, BLS.

INDUSTRIAL ADVANCES

US and global industrial activity continue to sustain momentum and a revival in manufacturing jobs has taken hold across the United States. Industrial production is advancing more than 4% y/y in early 2018, the best performance since 2011 and is lifting manufacturing employment at the fastest year-on-year pace in twenty years. In fact, US manufacturing payroll growth is currently outpacing overall US job growth, a development last seen when the global economy was just beginning to rebound from the global economic downturn of a decade ago (chart 6).

New orders for manufacturing goods continue to advance at an even faster pace than production, both in the US and across the globe, pointing to a further acceleration in both industrial output and manufacturing job growth in the coming months. For example, new orders for US manufactured goods have jumped 6.6% y/y in early-2018, and the advance is even stronger across Europe, with order growth in excess of 9% y/y.

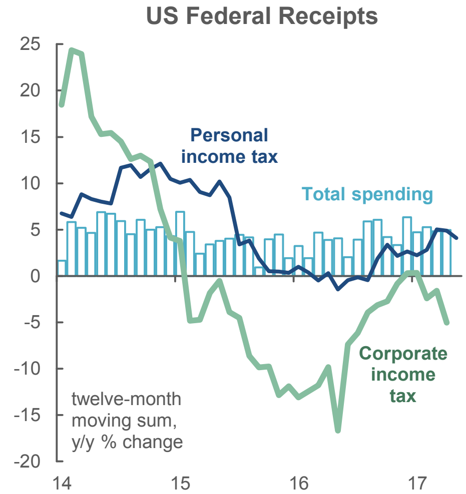
The economically-sensitive resource sector also remains in the forefront of both employment and order growth as US economic growth accelerates. New orders for metals and fabricated products have consistently climbed more than 10% y/y since May 2017, and employment growth in the sector is advancing at double the pace of overall jobs growth. This represents the widest outperformance by the resource sector since the opening months of 2012, and highlights that broad economic activity continues to build momentum, both in the United States and across much of the globe.

High-tech demand also remains robust, highlighted by a 36% y/y surge in semiconductor orders in the United States in the year to end-February 2018, and gains in excess of 22% y/y around the world. This represents the fastest demand growth since early-2011, and is being supported by accelerating business investment. Spending on high-tech products recently picked up in the United States to the fastest rate of growth of the past decade, which is lifting job growth in the computer and peripheral equipment sector at the fastest pace on record. The United States accounts for about 20% of global high-tech spending.

BUSINESS INVESTMENT ACCELERATES

US business investment is 'firing on all cylinders', with expenditures on machinery and equipment advancing 9% y/y in Q4-2017, even before the recent US corporate tax overhaul which provides more positive treatment of capital expenditures. Core capital goods order growth, a proxy for business investment, has gained additional momentum in the opening months of 2018, supported by more than a 2.5 percentage point increase in operating rates over the past year. The capital intensive high-tech sector has the highest capacity utilization rate of any manufacturing sector, with computer and peripheral equipment manufacturers operating at 97% of capacity, even after the recent surge in output and hiring over the past year. However, overall manufacturing operating rates have jumped 2.5 percentage points year-over-year through February even when one excludes technology, which provides a positive backdrop for business investment.

Chart 7



Source: US Treasury.

MAJOR FISCAL STIMULUS DRIVES RECALIBRATION OF THE US OUTLOOK

The Bipartisan Budget Act of 2018 authorizes federal spending for fiscal 2018 and fiscal 2019 that is atypical outside of a recession or a global conflict. It halts the eight-year trend of modest or negative contributions from government spending to real GDP. Federal spending is set to overwhelm the minimal real spending growth anticipated from state and local jurisdictions, pushing up the aggregate government contribution to real GDP growth from a weak 0.1 to 0.35 percentage points in calendar 2018 and toward 0.4 percentage points in 2019. A long-term infrastructure plan is expected to move towards the top of the Congressional agenda after the November mid-term elections and add even more pro-cyclical fiscal stimulus to the US economy.

Combining this additional spending with US personal and corporate tax reform implies an average half percentage point fiscal boost to US real GDP growth this year and next. The projected growth response to this sizeable aggregate stimulus would be larger if the US economic recovery were not already well advanced. With the US output gap closed, the stimulus is expected to support the further rate hikes by the Fed anticipated in table 1 and explained in the *Monetary Policy & Capital Markets* section.

By fiscal 2019, the combined stimulus is expected to ratchet the US federal deficit toward USD 1.0 tn (around 4¾% of GDP), roughly double the fiscal 2015 deficit of USD 438 bn (2.4% of GDP). The subdued trend in federal income tax receipts witnessed during fiscal 2016–17, possibly reflecting income management in anticipation of tax reform benefits, appears to be receding (chart 7), assisted by the pick-up in economic growth. During the second half of fiscal 2018, some revenue impact is anticipated from the revised personal income tax withholding schedules in place since mid-February and the lower tax burden on pass-through income and domestic corporate earnings. As individual state governments sort through the impact of federal tax reform on their definitions of taxable income and allowed deductions and exemptions, proposed fiscal 2019 state budgets to date suggest modest real spending increases, partly as insurance while federal programs continue to evolve.

TRADE DEFICIT TO CONTINUE EXPANDING FROM SPENDING AND TAX STIMULUS

Last year, US goods exports grew at their fastest pace since 2011 though the country's trade deficit continues to widen as import growth surpassed that of exports for the fourth consecutive year. The US's goods trade deficit will likely reach a record high within the next few quarters as US fiscal stimulus stokes demand for foreign goods. However, the imposition of tariffs by the US administration on a variety of products may restrict imports in specific sectors. US exports may also be dented if the countries impacted by the tariffs retaliate by imposing their own on US goods. China has announced trade measures in response to both (i) US tariffs on steel and aluminum, and (ii) US tariffs on up to USD 50 bn exports to the US from China. A White House threat to hit another USD 100 bn of imports from China with tariffs drew a promise of reciprocal action from Beijing, but more recent comments have indicated a possibility of compromise.

Capacity pressures are building in the US industrial sector with manufacturing shipments reaching a record-high in January in dollar terms. US firms are set to ramp up spending to accommodate demand from continuing household sector strength and renewed economic optimism, which will likely require an increase in imports of raw and intermediate inputs as well as industrial machinery—in direct conflict with White House aims to shrink the US trade deficit.

GROWING SUPPLY OF GOVERNMENT DEBT MAY REQUIRE INCREASED FOREIGN PARTICIPATION

Net official purchases of US Treasury bonds (USTs) by official institutions are trending back toward positive levels after a large unwinding that began in late-2014. Foreign buyers, both official and private, were the biggest purchasers of USTs in 2017. Increased issuance resulting from wider deficits and a move to replenish cash balances, combined with the run-off of the Fed's balance sheet, should result in significant new supply of US government marketable debt on markets (exclusive of Fed holdings) in the coming years, particularly beyond 2020.

Further increases in foreign participation in the UST market, which currently sits at around 52% of total privately-held USTs (down from close to 60% in 2014) will likely be required—just as trade tensions have put China's future activity in the Treasurys market into question. Heightened geopolitical tensions could, however, drive investors in search of a safe-haven into USTs.

Foreign purchases of domestic corporate debt have steadied since late-2014, while net acquisitions of US equities came back from the red in mid-2016 as stock market indices in the US outperformed their global peers in 2017. Protectionist rhetoric may turn international investors off US equities and direct investments, particularly in those sectors with large foreign exposure to integrated supply chains that are vulnerable to trade-policy retaliation by other countries.

The expected widening of the country's current account deficit will also require additional funding from abroad. Even as official US policy stokes trade-policy conflicts with other countries, domestic-policy choices are set to make the US public and private sectors more dependent on foreign capital. Credit markets may, however, see some crowding-out as a larger pool of available USTs pushes up market rates.

RISKS FROM THE INSIDE

As the US economy looks in May to take on the mantle of the country's second-longest expansion on record, the main threats to the recovery's continuation are coming principally from domestic policy choices. Just as the world is getting used to discussing 'synchronized global growth', one of the core sources of this synchronization is heading off-rhythm.

The move by Washington to boost the US fiscal impulse through tax reform, increased budget spending, and additional infrastructure investments risks inducing both tighter financial conditions from markets and moves by the Fed to remove monetary accommodation more quickly. The combination of looser fiscal policy and tighter monetary policy in an already-heated economy materially raises the risk of a policy mistake that could see the US's long-running 'Goldilocks' combination of moderate growth with moderate inflation brought to an unnecessary end.

The White House's approach to reforming US commercial relations with its major trading partners poses potentially greater danger for both the US and the global economy. The burgeoning trade conflict with China could easily widen to encompass other economic channels. If the US follows through with its threat to impose tariffs on up to USD 150 bn or so of imports from China, reciprocal action by Beijing would then cover all Chinese imports from the US. In a battle of 'tit for tat', China would not have any more 'tats' left on which to levy additional tariffs, whereas the US would have imposed new tariffs on only about a third of its imports from China.

Beijing may then move to intensify non-tariff barriers and skew procurement processes to favour non-US firms. Ultimately, Beijing's range of options is limited on both fronts by China's demand for US industrial, technological, and agricultural products, and the need to maintain a competitive environment amongst China's suppliers. Beijing could also reduce its purchases of US Treasuries, which could tighten financial conditions further in the US by pushing up interest rates, but China's scope for action is limited here too. There are only narrow opportunities to substitute USD-denominated paper from other countries for USTs; therefore, a move to limit UST purchases or reduce holdings would tend to induce an appreciation in China's currency and make China's exports less competitive. China could also *increase* UST purchases in order to devalue the RMB versus the USD, but this runs the risk of prompting destabilizing capital flight.

White House freedom to act against China is also likely to be curtailed by business sectors and political constituencies, such as agriculture, that would see markets for their products narrowed and their costs of inputs pushed upward by reciprocal tariffs with China. Reflecting these interests, US Senators and Representatives could act to stymie the presumed automatic renewal on 1 July of the President's existing 2015 Trade Promotion Authority (TPA). Loss of the TPA or heavier restrictions on its use could complicate ratification of revisions to NAFTA if they are not agreed before end-June.

While both Washington and Beijing face constraints on their pursuit of a trade war, the danger is that these constraints may not bind before serious damage is done to the global economy and the international trading system.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.