

# Global Forecast Update

To our clients, colleagues & readers: We are transitioning the *Global Forecast Update* from a monthly to quarterly publication, with the next release scheduled for mid-June. The quarterly report will provide a richer analysis of developments in Canada, the U.S., key global economies, commodities and financial markets than is currently possible in our monthly publication. The new format will also enable our economics team to focus on special themes, highlight key risks, and provide a more in-depth analysis of the challenges facing policymakers in our countries of interest. Our aim is to provide Scotiabank's clients with a more complete assessment of the global economy to help you make the most informed decisions possible.

## Spotlight On Growth

The global economy is still struggling to generate stronger growth. Aggregate demand has yet to revive despite very supportive monetary conditions internationally. World trade volumes lost considerable momentum at the end of last year, with sub-par readings on manufacturing activity and bulk shipping persisting in the opening months of 2016.

Much of the continuing underperformance can be attributed to China's plan to eliminate overcapacity in many of its traditional industrial and manufacturing sectors as it transitions to higher-valued production and service-related output, and the cascading effect on suppliers throughout Asia-Pacific and Latin America. In addition, most commodity-dependent countries and regions are still responding to the collapse in prices, particularly for energy and metals, through sizeable cutbacks in investment and hiring. Structural adjustments are dampening activity globally, and in the emerging market economies in particular. At the same time, the renewed volatility in financial markets, now aggravated by unsettled politics in the U.K. and the U.S., threatens to aggravate the already elevated level of economic uncertainty.

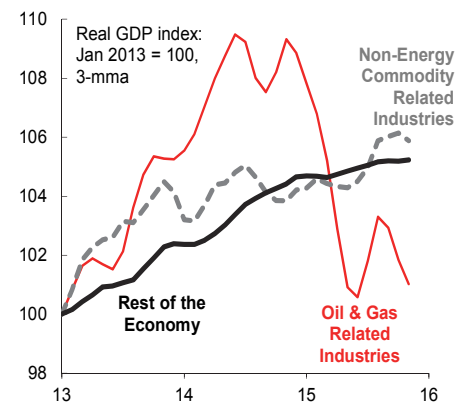
The absence of more synchronized global economic activity, and the resulting divergence in policy, remain a weak spot in the outlook. Deflationary risks in the euro zone are again increasing against the backdrop of lingering modest growth, forcing policymakers to favour even deeper negative interest rates and an expanded asset purchase program. Japan has also implemented negative borrowing costs with its economy registering little if any growth. In the United States, the Fed has begun to gradually normalize borrowing costs in view of the United States' very low unemployment rate and signs of emerging price pressures. This has helped keep the U.S. dollar relatively firm, and forced countries such as Mexico to raise interest rates to arrest capital outflows and stabilize their currencies. Many countries, like Canada, are keeping monetary policy on hold in the current slow growth and low inflation environment.

One of the major keys to generating stronger global growth is that U.S. consumers must continue to drive spending, thereby broadening the U.S. expansion and buoying imports from around the world. The purchasing power of U.S. households is being reinforced by consistently solid job gains, sharply lower gasoline prices, rising home valuations, and reduced debt burdens. Auto sales should remain elevated and housing activity will likely continue to build momentum in response to considerable pent-up demand. Non-residential construction stands to benefit from expanding government infrastructure upgrades, and increasing commercial building. Nonetheless,

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### Canada — An Economy In Transition



Source: Statistics Canada, Scotiabank Economics.

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the U.S. economy is having a difficult time in attaining escape velocity because of the downturn in the energy sector, and the chronic weakness in capital goods orders, manufacturing activity, and exports largely attributable to slow growth abroad and the still strong U.S. dollar.

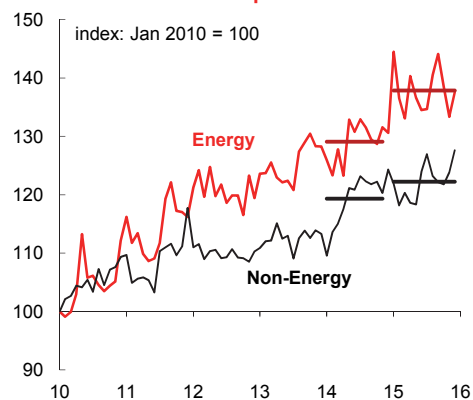
Another key is the ramping up of consumer spending and service-related activity in China, thereby lessening the downside risks to growth associated with its multi-year structural adjustments affecting both the private sector and state-owned enterprises. Chinese policymakers recently cut bank reserve requirements again to bolster liquidity and credit demands. Improving prospects internationally would go a long way towards stabilizing commodity prices, and help to alleviate the significant retrenchment underway among producers.

Canada's relatively modest growth reflects a highly imbalanced regional performance, highlighted by the significant retrenchment in investment and hiring underway in the energy-dominated producing provinces of Alberta, Saskatchewan and Newfoundland & Labrador. At the same time, an important rebalancing is underway towards B.C. and the central provinces which are collectively benefitting from much more diversified economies in manufacturing, services, retail/wholesale activity, residential construction, in addition to non-energy resources. Many of these sectors are expected to continue to leverage their increased currency and export competitiveness to take advantage of further advances in U.S. domestic demand. Over the past year, for example, export volumes in consumer goods, industrial machinery, electronics equipment and aircraft & parts expanded at 6.9%, 6.1%, 4.3% and 2.6%, respectively. Similarly, an important stabilization in the international price of crude oil — triggered by a slowing in global oil production that begins to reduce inventories amid rising demand — would help limit the spreading fallout in the resource-centric provinces.

Continuing, albeit modest job gains in the less energy-sensitive Canadian provinces, are helping to underpin consumer purchases and housing activity. Incentives are also buoying auto and light truck sales alongside lower pump prices for gasoline, although rising imported inflation is taking an increasing bite out of purchasing power. And with single-family home affordability being stretched by high prices, and household debt burdens already at historically high levels, the contribution from residential construction and renovation activity will be restrained. Canada's large tourism sector should remain a bright spot in the outlook, with the weaker exchange rate a significant inducement to foreign travellers from the United States and the Asia-Pacific region, as well as domestic visitors.

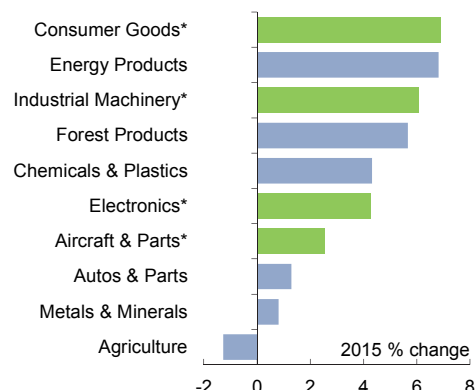
Our Canadian forecast incorporates our recommendation for federal fiscal stimulus of \$20 billion, equivalent to 1% of GDP, implemented during the second half of 2016 and the first half of 2017. This stimulus would be over and above the deficit resulting from weaker economic conditions, estimated for fiscal 2016-17 at \$18 billion by the federal government. The stimulus should be designed to: deliver a rapid economic impact; raise Canada's economic capacity and thus our longer-term growth prospects; and, facilitate adjustments in the provinces most affected by weak commodity prices. Once the Canadian economy no longer requires policy support, targeting a declining ratio of net debt-to-GDP should resume.

### Canadian Export Volumes



Source: Statistics Canada, Scotiabank Economics.

### Canada's Exchange Rate Sensitive Exports



\* Exchange rate sensitive.

Source: Statistics Canada, Bank of Canada, Scotiabank Economics.

International	2000-14	2015f	2016f	2017f
<b>Real GDP</b>	(annual % change)			
World (based on purchasing power parity)	3.9	3.1	3.2	3.5
Canada	2.2	1.2	1.3	2.5
United States	1.9	2.4	2.2	2.7
Mexico	2.3	2.5	2.5	3.5
United Kingdom	1.8	2.2	1.9	1.9
Euro zone	1.2	1.5	1.6	1.7
Germany	1.2	1.4	1.7	1.8
France	1.3	1.1	1.4	1.6
Italy	0.2	0.6	1.0	1.4
Spain	1.6	3.2	2.7	2.0
Russia	4.6	-3.8	-1.0	1.5
Turkey	4.3	3.7	3.4	3.6
China	9.7	6.9	6.4	6.2
India	7.0	7.3	7.4	7.5
Japan	0.9	0.5	0.7	0.6
South Korea	4.4	2.6	2.9	2.9
Indonesia	5.6	4.8	5.0	5.3
Australia	3.0	2.5	2.7	2.8
Thailand	4.1	2.8	3.2	3.3
Brazil	3.4	-4.0	-3.6	0.8
Colombia	4.3	3.0	2.5	3.0
Peru	5.4	3.3	3.5	4.4
Chile	4.3	2.0	1.9	2.9
<b>Consumer Prices</b>	(y/y % change, year-end)			
Canada	2.0	1.3	2.0	2.2
United States	2.3	0.4	2.2	2.3
Mexico	4.6	2.1	3.9	3.9
United Kingdom	2.2	0.2	0.8	1.5
Euro zone	1.9	0.2	0.9	1.6
Germany	1.6	0.3	1.0	1.7
France	1.7	0.2	0.8	1.5
Italy	2.1	0.1	0.7	1.4
Spain	2.5	0.0	0.4	1.5
Russia	11.4	12.9	8.3	7.0
Turkey	16.0	8.8	8.2	7.0
China	2.4	1.6	2.1	2.3
India	7.2	5.6	6.0	5.8
Japan	0.0	0.2	1.0	1.5
South Korea	2.8	1.3	1.6	2.4
Indonesia	6.2	3.4	4.5	4.8
Australia	2.9	1.7	2.4	2.3
Thailand	2.5	-0.9	1.0	2.0
Brazil	6.5	10.7	7.5	5.5
Colombia	5.0	6.8	5.5	3.5
Peru	2.7	4.4	3.6	3.3
Chile	3.3	4.4	3.3	2.9

## Forecast Changes

### International

- Distressed economic conditions and substantial fiscal adjustment in Brazil continue to shape the outlook for South America. We have adjusted our GDP growth projection accordingly, while toning down our forecast for monetary tightening in the two years ahead. Colombia has also adopted budget restraint to align to the new global energy market conditions, prompting a mild downward revision to our GDP forecast. A positive reading of economic growth in the fourth quarter of 2015 led to a 3.3% economic expansion in Peru; we estimate a 3.5% gain this year.
- The euro zone economy is losing momentum. The slowdown in emerging markets and elevated financial market volatility are weighing on consumer and business sentiment at a time when household consumption, industrial production and demand for exports have already shown signs of easing. As such, we have edged down our forecast for euro zone and German real GDP growth this year. We expect that the European Central Bank will announce another cut to its deposit rate and step up its quantitative easing program on March 10th in order to revive the economy and inflation. In the U.K., given below-target inflation, muted wage growth and uncertainty ahead of the June 23rd EU referendum, we have pushed back the timing of the first Bank of England rate hike to August 2017; though it could be delayed further.
- Economic weakness remains firmly in place in Japan. The country's real GDP growth returned to negative territory in the final quarter of 2015, as output declined by 0.4% q/q following a 0.3% expansion in the prior three-month period. The main factor behind the weak outcome was a struggling Japanese consumer. We have revised our real GDP growth forecasts for Japan downward and now expect the economy to expand by 0.7% in 2016 and 0.6% in 2017. The Bank of Japan will likely consider additional stimulus measures to complement the existing policy program.

International	2000-14	2015f	2016f	2017f
<b>Current Account Balance</b>	(% of GDP)			
Canada	-0.3	-3.3	-2.7	-2.1
United States	-3.9	-2.6	-2.7	-2.8
Mexico	-1.5	-2.8	-3.2	-2.9
United Kingdom	-2.7	-4.7	-4.1	-3.8
Euro zone	0.1	3.1	2.8	2.5
Germany	4.3	8.4	7.9	7.6
France	-0.5	-0.5	-0.4	-0.4
Italy	-0.9	1.9	1.8	1.7
Spain	-4.4	1.5	1.3	1.3
Russia	7.1	5.1	4.0	4.2
Turkey	-4.5	-6.0	-5.2	-5.0
China	4.1	2.7	2.7	2.4
India	-1.4	-1.0	-1.3	-1.6
Japan	2.8	3.3	3.8	3.7
South Korea	2.4	7.9	7.9	7.3
Indonesia	1.1	-2.1	-2.2	-2.1
Australia	-4.4	-4.6	-4.5	-4.0
Thailand	2.5	8.9	9.1	7.6
Brazil	-1.7	-3.8	-2.1	-2.0
Colombia	-2.1	-6.7	-5.9	-5.5
Peru	-1.5	-4.4	-3.9	-2.6
Chile	0.2	-1.8	-3.2	-3.5

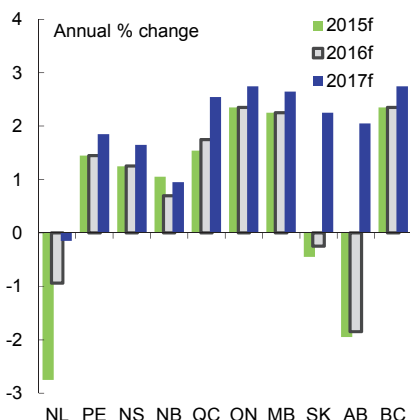
Commodities	(annual average)			
WTI Oil (US\$/bbl)	65	49	35-40	40-45
Brent Oil (US\$/bbl)	68	54	35-40	40-45
Nymex Natural Gas (US\$/mmbtu)	5.25	2.63	2.37	2.62
Copper (US\$/lb)	2.35	2.50	2.00	2.25
Zinc (US\$/lb)	0.80	0.88	0.80	1.25
Nickel (US\$/lb)	7.59	5.37	4.00	6.00
Gold, London PM Fix (US\$/oz)	824	1,160	1,150	1,250
Pulp (US\$/tonne)	745	972	930	930
Newsprint (US\$/tonne)	587	538	538	550
Lumber (US\$/mfbm)	280	277	300	340

### Forecast Changes

#### Commodities

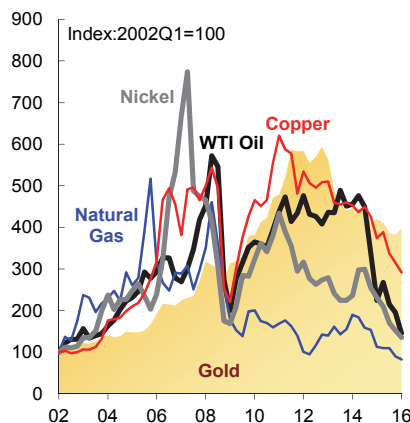
- Commodity prices have rallied moderately in recent weeks — lifted by a weaker U.S. dollar (-1.7% since the peak on January 20) and a positive reaction to monetary policy easing in China. A number of base metals — especially zinc and copper — were heavily oversold in January on concern over the outlook for China. LME zinc prices have recovered from a low of only US\$0.66 per pound on January 12 to US\$0.81 today, with traders realizing that zinc is in a 'supply-side deficit' (that is, world demand exceeds supply). The 'deficit' is likely to grow as 2016 unfolds, given the recent closure of Century in Australia and Lisheen in Ireland, mine production cuts by Glencore and ongoing growth (albeit slow) in Chinese demand. Copper (vital to Chile and Peru as well as the Sudbury Basin and B.C.) has rebounded from a low of US\$1.96 per pound in mid-January to US\$2.17. Both zinc and copper remain at profitable levels for most miners. Nickel has also rallied to US\$3.97, but generally remains below average world break-even costs including depreciation. (Canadian producers are low cost.) Weak global business investment in heavy industry as well as the downturn in oil & gas investment has checked demand for nickel-containing stainless steel.
- Gold has been among the strongest performing commodities to date in 2016. Prices have rallied from US\$1,060 per ounce in late December to as high as US\$1,250 last week and remain at US\$1,236 today — a profitable level. Equity & currency market volatility at the beginning of 2016 and the negative interest rates adopted by some central banks to spur lacklustre economic growth have lifted prices. While the Fed could tighten monetary policy as 2016 unfolds (a development which would temporarily check gold prices), declining world gold production is tightening 'physical' supplies and will attract investors over the next several years.

#### Provincial GDP



Source: Statistics Canada, Scotiabank Economics.

#### Commodity Price Trends



Source: Bloomberg, Scotiabank Economics.

North America	2000-14	2015f	2016f	2017f
<b>Canada</b>		(annual % change)		
Real GDP	2.2	1.2	1.3	2.5
Consumer Spending	3.0	1.9	1.4	1.7
Residential Investment	3.8	3.8	0.1	-1.0
Business Investment	3.4	-8.8	-7.1	3.2
Government	2.3	1.6	1.2	2.7
Exports	1.2	3.0	2.5	4.3
Imports	3.2	0.1	-1.5	2.7
Nominal GDP	4.6	0.6	2.0	4.8
GDP Deflator	2.3	-0.5	0.6	2.3
Consumer Price Index	2.0	1.1	1.7	2.2
Core CPI	1.8	2.2	2.0	2.1
Pre-Tax Corporate Profits	5.3	-15.2	-4.0	7.0
Employment	1.4	0.8	0.6	0.9
thousands of jobs	227	147	115	159
Unemployment Rate (%)	7.1	6.9	7.2	7.1
Current Account Balance (C\$ bn.)	-10.0	-65.7	-55.2	-43.5
Merchandise Trade Balance (C\$ bn.)	31.8	-23.6	-14.4	-5.4
Federal Budget Balance (C\$ bn.)	-4.1	-2.5	-35 to -40	-25 to -30
per cent of GDP	-0.3	-0.1	-1.7 to -2.0	-1.2 to -1.4
Housing Starts (thousands)	199	196	182	175
Motor Vehicle Sales (thousands)	1,622	1,898	1,900	1,890
Motor Vehicle Production (thousands)	2,419	2,271	2,330	2,380
Industrial Production	0.7	-1.3	0.4	2.3
<b>United States</b>				
Real GDP	1.9	2.4	2.2	2.7
Consumer Spending	2.3	3.1	2.8	3.0
Residential Investment	-1.7	8.7	8.0	6.7
Business Investment	2.4	2.9	2.2	4.6
Government	1.0	0.7	0.9	0.8
Exports	4.0	1.1	2.1	4.4
Imports	3.4	4.9	3.6	5.4
Nominal GDP	4.0	3.4	3.9	4.8
GDP Deflator	2.1	1.0	1.6	2.0
Consumer Price Index	2.4	0.1	1.6	2.4
Core CPI	2.0	1.8	2.2	2.3
Pre-Tax Corporate Profits	6.3	-1.4	1.0	5.0
Employment	0.5	2.1	1.7	1.4
millions of jobs	0.65	2.94	2.40	2.08
Unemployment Rate (%)	6.4	5.3	4.8	4.7
Current Account Balance (US\$ bn.)	-526	-474	-507	-541
Merchandise Trade Balance (US\$ bn.)	-661	-760	-790	-848
Federal Budget Balance (US\$ bn.)	-535	-439	-490	-525
per cent of GDP	-3.9	-2.4	-2.6	-2.7
Housing Starts (millions)	1.29	1.11	1.26	1.38
Motor Vehicle Sales (millions)	15.2	17.3	17.7	18.0
Motor Vehicle Production (millions)	10.5	12.1	12.3	12.5
Industrial Production	0.9	1.3	1.5	2.7
<b>Mexico</b>				
Real GDP	2.3	2.5	2.5	3.5
Consumer Price Index (year-end)	4.6	2.1	3.9	3.9
Current Account Balance (US\$ bn.)	-14.5	-32.4	-34.5	-34.0
Merchandise Trade Balance (US\$ bn.)	-6.3	-14.5	-13.8	-14.0

## Forecast Changes

### Canada & United States

- We have edged up our forecast for Canadian GDP growth this year from 1.1% to a still-muted 1.3% on the heels of a better-than-expected performance in the final quarter of 2015. Energy sector cutbacks continue to limit the economy's momentum, though domestic demand remains relatively buoyant outside of the oil-producing regions. Fiscal stimulus is expected to provide an increasing assist to growth later this year and into 2017.
- Our forecast for U.S. growth is unchanged. The economy is expected to expand by 2.2% this year and 2.7% in 2017. Pent-up demand, a robust job market and rising household incomes are underpinning healthy gains in consumer spending and housing activity. At the same time, U.S. dollar strength and weak global demand are restraining overall industrial activity, while slumping commodity prices are weighing on capital spending.
- Significant Canadian federal stimulus to support growth is assumed over the four quarters to mid-2017. It adds to the red ink indicated by Ottawa in a *pre-Budget* update stemming from Canada's current economic challenges and a larger risk adjustment. Our U.S. federal deficit forecasts are presented excluding a significant fiscal 2016 year-end timing adjustment to show the widening trend anticipated, in part due to more moderate revenue gains.

### Mexico

- The surprise 50 bp monetary policy rate hike does not change our expectation of another 75 bp upward rate adjustment through the remainder of the year. Our GDP growth view incorporates a rate of expansion this year similar to the 2.5% registered in 2015. Nevertheless, the risks to growth are tilted to the upside. We continue to anticipate a higher than the officially projected inflation rate for the next 12 months.

Provincial	2000-14	2015f	2016f	2017f	2000-14	2015f	2016f	2017f
	<u>Real GDP</u> (annual % change)				<u>Budget Balances*, FY March 31</u> (\$millions)			
<b>Canada</b>	2.2	1.2	1.3	2.5	-3,238	1,911	-2,500	-35,000 to -40,000
Newfoundland & Labrador	2.8	-2.8	-0.9	-0.2	130	-986	-1,963	n.a.
Prince Edward Island	1.8	1.4	1.5	1.8	-40	-20	-33	n.a.
Nova Scotia	1.4	1.2	1.3	1.6	-24	-144	-241	n.a.
New Brunswick	1.2	1.0	0.7	0.9	-130	-389	-466	-347
Quebec	1.8	1.5	1.7	2.4	-968	-1,143	0	n.a.
Ontario	1.9	2.4	2.3	2.7	-4,876	-10,314	-5,686	-4,306
Manitoba	2.4	2.2	2.2	2.6	-53 **	-452	-550	n.a.
Saskatchewan	2.3	-0.5	-0.3	2.3	450 **	62	-427	n.a.
Alberta	3.5	-2.0	-1.9	2.0	1,809 **	1,115	-6,315	n.a.
British Columbia	2.6	2.4	2.3	2.7	195	1,683	377	264
					* FY15 & FY16: Provinces' estimates. ** MB:FY04-FY14; AB:FY05-FY14; SK:FY16 ex pension accrual adjustment.			
					<u>Employment</u> (annual % change)			
					<u>Unemployment Rate</u> (annual average, %)			
<b>Canada</b>	1.4	0.8	0.6	0.9	7.1	6.9	7.2	7.1
Newfoundland & Labrador	1.1	-1.0	-0.8	-0.5	14.4	12.8	13.3	13.6
Prince Edward Island	1.4	-1.1	0.3	0.5	11.2	10.4	10.4	10.4
Nova Scotia	0.7	0.1	0.4	0.3	8.9	8.6	8.5	8.5
New Brunswick	0.6	-0.6	0.1	0.2	9.6	9.8	9.8	9.9
Quebec	1.3	0.9	0.7	0.9	8.1	7.6	7.7	7.6
Ontario	1.3	0.7	1.0	1.2	7.2	6.8	6.7	6.7
Manitoba	1.0	1.5	0.5	1.0	5.0	5.6	5.7	5.6
Saskatchewan	1.3	0.5	-0.1	0.4	4.9	5.0	5.8	5.7
Alberta	2.6	1.2	-1.5	0.9	4.8	6.0	7.5	7.2
British Columbia	1.2	1.2	1.2	1.2	6.7	6.2	6.3	6.2
					<u>Housing Starts</u> (annual, thousands of units)			
					<u>Motor Vehicle Sales</u> (annual, thousands of units)			
<b>Canada</b>	199	196	182	175	1,622	1,898	1,900	1,890
Atlantic	12	8	8	8	118	140	138	135
Quebec	44	38	38	38	408	444	450	447
Ontario	71	70	70	66	615	761	772	766
Manitoba	5	6	6	6	46	56	56	56
Saskatchewan	5	5	4	4	44	54	53	54
Alberta	35	37	23	22	215	236	220	222
British Columbia	27	31	33	31	176	207	211	210

## Forecast Changes

## Provinces

- For 2016, we now look for slightly stronger output gains in Ontario, British Columbia and Manitoba as non-resource exports, including business services, gain traction.
- The sharp correction in Alberta's employment from October to January is expected to be slow to reverse, accentuating the decline in average payrolls forecast for 2016. The higher national employment growth for 2015 reported by the establishment survey indicates significantly stronger job creation than the household-based *Labour Force Survey* for Newfoundland and Labrador, NB, PEI, Ontario and British Columbia, with annual gains over 2% for the latter two provinces.
- The overall pace of new homebuilding in Alberta has been slowing since mid-2015 alongside softening resale market conditions, rising unsold inventory and less favourable homebuying demographics. We now expect provincial housing starts to total just 23,000 units in 2016, down from 37,000 last year, and to remain low in 2017. In Newfoundland and Labrador and Saskatchewan, housing starts over the next two years also are expected to slip from 2015 levels. Conversely, some of last year's buoyancy in B.C.'s and Ontario's housing markets is expected to extend into 2016.
- Weighing on Newfoundland and Labrador's real GDP growth in 2015 was a 20½% drop in its offshore oil production. In Nova Scotia, as the Deep Panuke project shifted to seasonal operation, and Sable output edged lower, offshore gas production fell by almost 40% in 2015.
- The provincial *Budgets* to date this year have addressed some specific issues. New Brunswick is proceeding with its *Strategic Program Review* to curtail its deficit while British Columbia is addressing housing affordability. To meet its 2020 greenhouse gas reduction target, Ontario detailed its cap-and-trade program for implementation in January 2017, linked to similar frameworks currently operating in Quebec and California.

Quarterly Forecasts	2015		2016				2017			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
<b>Canada</b>										
Real GDP (q/q, ann. % change)	2.4	0.8	1.0	1.2	2.3	2.5	2.7	2.7	2.4	2.3
Real GDP (y/y, % change)	1.1	0.5	1.0	1.4	1.3	1.7	2.2	2.5	2.6	2.5
Consumer Prices (y/y, % change)	1.2	1.3	1.6	1.4	1.8	2.0	2.1	2.2	2.2	2.2
Core CPI (y/y % change)	2.2	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.0	2.0
<b>United States</b>										
Real GDP (q/q, ann. % change)	2.0	1.0	2.2	2.5	2.8	2.8	2.8	2.7	2.6	2.5
Real GDP (y/y, % change)	2.1	1.9	2.3	1.9	2.1	2.6	2.7	2.8	2.7	2.6
Consumer Prices (y/y, % change)	0.1	0.4	1.1	1.2	1.4	2.2	2.4	2.2	2.3	2.3
Core CPI (y/y % change)	1.8	2.0	2.2	2.2	2.2	2.3	2.3	2.3	2.3	2.3
<b>Financial Markets</b>										
<b>Central Bank Rates</b>										
<b>Americas</b>										
	(% , end of period)									
Bank of Canada	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00
U.S. Federal Reserve	0.25	0.50	0.75	1.00	1.25	1.50	1.75	2.00	2.25	2.50
Bank of Mexico	3.00	3.25	3.75	4.00	4.25	4.50	5.00	5.25	5.50	5.50
Central Bank of Brazil	14.25	14.25	14.25	14.50	14.75	14.75	14.75	14.25	14.00	13.75
Bank of the Republic of Colombia	4.75	5.75	6.50	6.50	6.50	6.50	6.25	5.75	5.25	5.00
Central Reserve Bank of Peru	3.50	3.75	4.25	4.50	4.50	4.50	4.25	4.25	4.25	4.25
Central Bank of Chile	3.00	3.50	3.50	3.50	3.50	3.50	3.50	3.75	4.00	4.00
<b>Europe</b>										
European Central Bank	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Bank of England	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75
Swiss National Bank	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
<b>Asia/Oceania</b>										
Reserve Bank of Australia	2.00	2.00	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
People's Bank of China	4.60	4.35	4.10	4.10	4.10	4.10	4.10	4.10	4.35	4.35
Reserve Bank of India	6.75	6.75	6.75	6.50	6.50	6.50	6.50	6.50	6.75	6.75
Bank of Korea	1.50	1.50	1.50	1.50	1.50	1.50	1.75	2.00	2.25	2.50
Bank Indonesia	7.50	7.50	7.00	6.75	6.75	6.75	6.75	6.75	6.75	6.75
Bank of Thailand	1.50	1.50	1.25	1.25	1.25	1.25	1.25	1.50	1.75	2.00
<b>Canada</b>										
3-month T-bill	0.44	0.51	0.50	0.50	0.50	0.50	0.50	0.55	0.85	1.10
2-year Canada	0.52	0.48	0.50	0.65	0.75	0.90	1.10	1.25	1.50	1.80
5-year Canada	0.80	0.73	0.80	0.95	1.10	1.30	1.50	1.75	2.00	2.20
10-year Canada	1.43	1.39	1.35	1.40	1.55	1.70	1.90	2.15	2.30	2.50
30-year Canada	2.20	2.15	2.10	2.20	2.30	2.35	2.50	2.60	2.70	2.95
<b>United States</b>										
3-month T-bill	-0.02	0.16	0.35	0.60	1.00	1.40	1.70	2.05	2.30	2.50
2-year Treasury	0.63	1.05	1.05	1.35	1.75	2.05	2.30	2.55	2.80	3.00
5-year Treasury	1.36	1.76	1.70	1.95	2.20	2.35	2.60	2.85	3.00	3.15
10-year Treasury	2.04	2.27	2.10	2.25	2.35	2.50	2.75	3.00	3.15	3.35
30-year Treasury	2.85	3.02	2.85	3.00	3.10	3.20	3.35	3.45	3.55	3.75
<b>Canada-U.S. Spreads</b>										
3-month T-bill	0.46	0.35	0.15	-0.10	-0.50	-0.90	-1.20	-1.50	-1.45	-1.40
2-year	-0.11	-0.57	-0.55	-0.70	-1.00	-1.15	-1.20	-1.30	-1.30	-1.20
5-year	-0.56	-1.03	-0.90	-1.00	-1.10	-1.05	-1.10	-1.10	-1.00	-0.95
10-year	-0.61	-0.88	-0.75	-0.85	-0.80	-0.80	-0.85	-0.85	-0.85	-0.85
30-year	-0.65	-0.87	-0.75	-0.80	-0.80	-0.85	-0.85	-0.85	-0.85	-0.80

**Financial Markets**

**Exchange Rates**

**Americas**

	2015		2016				2017			
	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Canadian Dollar (USDCAD)	1.33	1.38	1.37	1.38	1.39	1.39	1.35	1.33	1.30	1.26
Canadian Dollar (CADUSD)	0.75	0.72	0.73	0.72	0.72	0.72	0.74	0.75	0.77	0.79
Mexican Peso (USDMXN)	16.92	17.21	18.06	17.60	17.66	17.90	17.73	17.48	17.38	17.22
Brazilian Real (USDBRL)	3.95	3.96	4.15	4.20	4.15	4.30	4.35	4.40	4.45	4.50
Colombian Peso (USDCOP)	3087	3175	3350	3500	3450	3400	3400	3400	3350	3350
Peruvian Nuevo Sol (USDPEN)	3.23	3.41	3.55	3.56	3.56	3.55	3.57	3.52	3.55	3.52
Chilean Peso (USDCLP)	696	709	747	745	742	738	734	734	734	734

(end of period)

**Canadian Dollar Cross Rates**

Euro (EURCAD)	1.49	1.50	1.44	1.38	1.32	1.32	1.32	1.33	1.39	1.41
U.K. Pound (GBPCAD)	2.01	2.04	1.85	1.86	1.95	1.95	1.96	1.93	1.95	1.89
Japanese Yen (CADJPY)	90	87	93	93	94	94	99	102	105	109
Australian Dollar (AUDCAD)	0.93	1.01	0.96	0.94	0.90	0.90	0.92	0.93	0.94	0.91
Mexican Peso (CADMXN)	12.71	12.43	13.18	12.75	12.71	12.88	13.13	13.14	13.37	13.67

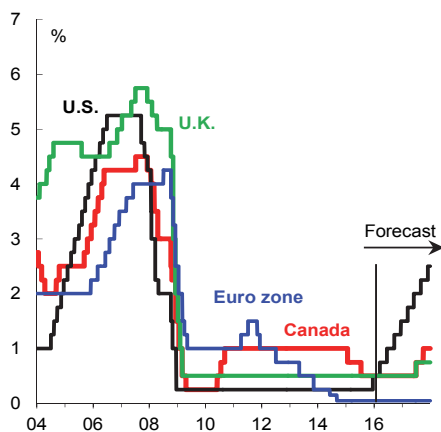
**Europe**

Euro (EURUSD)	1.12	1.09	1.05	1.00	0.95	0.95	0.98	1.00	1.07	1.12
U.K. Pound (GBPUSD)	1.51	1.47	1.35	1.35	1.40	1.40	1.45	1.45	1.50	1.50
Swiss Franc (USDCHF)	0.97	1.00	1.03	1.09	1.16	1.16	1.12	1.10	1.03	0.98
Swedish Krona (USDSEK)	8.37	8.44	8.60	9.15	9.50	9.50	9.20	9.00	8.40	8.00
Norwegian Krone (USDNOK)	8.52	8.84	8.80	8.90	9.20	9.00	8.70	8.50	8.25	7.80
Russian Ruble (USDRUB)	65.4	72.5	72.5	72.0	71.5	71.0	69.0	68.5	68.0	68.5
Turkish Lira (USDTRY)	3.03	2.92	3.00	3.02	3.04	3.07	3.05	3.03	3.02	3.00

**Asia/Oceania**

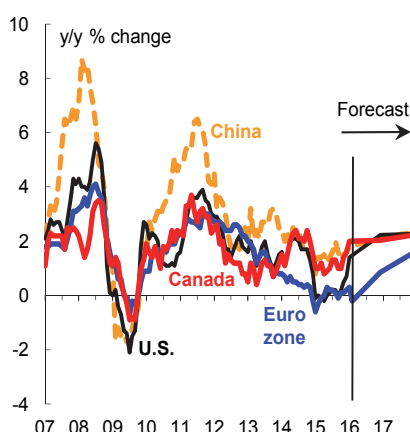
Japanese Yen (USDJPY)	120	120	128	129	130	131	133	135	137	137
Australian Dollar (AUDUSD)	0.70	0.73	0.70	0.68	0.65	0.65	0.68	0.70	0.72	0.72
Chinese Yuan (USDCNY)	6.36	6.49	6.60	6.60	6.65	6.70	6.70	6.70	6.65	6.65
Indian Rupee (USDINR)	65.6	66.2	68.5	68.9	69.2	69.5	69.5	69.0	68.5	68.0
South Korean Won (USDKRW)	1185	1175	1220	1230	1240	1250	1240	1240	1230	1220
Indonesian Rupiah (USDIDR)	14653	13788	14000	14200	14400	14600	14580	14550	14530	14530
Thai Baht (USDTHB)	36.4	36.0	37.0	37.2	37.5	37.7	37.6	37.5	37.4	37.4

**Central Bank Rates**



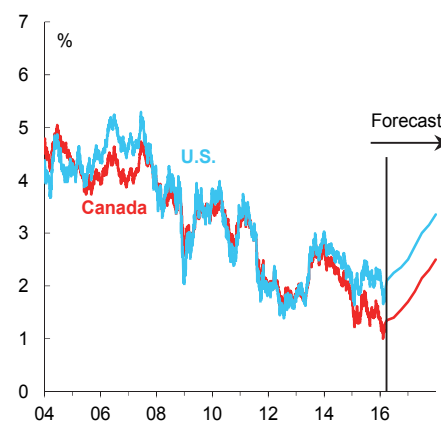
Source: Bloomberg, Scotiabank Economics.

**Global Inflation**



Source: Bloomberg, Scotiabank Economics.

**10-Year Yields**



Source: Bloomberg, Scotiabank Economics.