

International	2000-14	2015	2016f	2017f	2000-14	2015	2016f	2017f
	Real GDP (annual % change)				Consumer Prices (y/y % change, year-end)			
World (based on purchasing power parity)	3.9	3.2	3.0	3.4				
Canada	2.2	1.2	1.6	2.0	2.0	1.3	2.0	2.2
United States	1.9	2.4	1.8	2.3	2.3	0.4	2.0	2.3
Mexico	2.3	2.5	2.4	3.1	4.6	2.1	3.8	3.9
United Kingdom	1.8	2.3	1.7	1.9	2.2	0.2	1.0	1.6
Euro zone	1.2	1.5	1.5	1.6	1.9	0.2	0.8	1.5
Germany	1.2	1.7	1.4	1.6	1.6	0.3	0.9	1.7
France	1.3	1.2	1.3	1.4	1.7	0.2	0.7	1.4
Russia	4.6	-3.7	-1.0	1.5	11.4	12.9	6.8	6.2
China	9.7	6.9	6.4	6.2	2.4	1.6	2.1	2.3
India	7.0	7.3	7.4	7.5	7.2	5.6	5.5	5.8
Japan	0.9	0.5	0.7	0.2	0.0	0.2	0.6	1.5
South Korea	4.4	2.6	2.7	2.9	2.8	1.3	1.5	2.1
Indonesia	5.6	4.8	5.0	5.3	6.2	3.4	4.1	4.7
Australia	3.0	2.5	2.6	2.7	2.9	1.7	1.9	2.3
Thailand	4.1	2.8	3.0	3.2	2.5	-0.9	1.0	2.0
Brazil	3.4	-3.8	-3.8	0.5	6.5	10.7	7.0	5.5
Colombia	4.3	3.1	2.4	3.0	5.0	6.8	5.5	4.0
Peru	5.4	3.2	3.8	3.6	2.7	4.4	3.4	3.0
Chile	4.3	2.1	1.7	2.3	3.3	4.4	3.3	2.9
Commodities								
	(annual average)							
WTI Oil (US\$/bbl)	65	49	42	53				
Brent Oil (US\$/bbl)	68	54	43	54				
Nymex Natural Gas (US\$/mmbtu)	5.25	2.63	2.25-2.50	2.50-2.75				
Copper (US\$/lb)	2.35	2.50	2.20	2.30				
Zinc (US\$/lb)	0.80	0.88	0.83	1.25				
Nickel (US\$/lb)	7.59	5.37	3.90	4.50				
Gold, London PM Fix (US\$/oz)	824	1,160	1,190	1,250				

Canada/U.S. Economic Update

- Canada's real GDP is expected to decline by an annualized 0.5% in Q2. The renewed slump in non-energy exports is compounded by the falloff in crude oil shipments due to the Fort McMurray wildfires. We estimate that the reduction in Q2 oil exports will trim growth by about an annualized percentage point in Q2. We have factored in a relatively solid rebound in Q3 of an annualized 2.5% as the drag from these two factors dissipates.
- For the year as a whole, Canadian output growth is likely to average 1.6%. This represents a 0.2 percentage point decline from the 1.8% advance that had been expected prior to the abrupt reversal in non-energy exports in February and March. The overall impact of the wildfires on national output is assumed to be a relatively small negative this year as the rebuilding efforts — both public and private — take hold.
- Key to the Canadian outlook is the downgraded expectations for the U.S. economy and the resulting slower pace of U.S.-bound exports. U.S. real GDP is now expected to advance by a more subdued 1.8% in 2016. A weaker-than-expected early-year performance alongside the softening trend in exports and industrial activity are restraining the pace of growth. U.S. consumers are still relatively cautious spenders despite improving fundamentals and pent-up demand. Housing activity remains on a gradual improving trend. Business investment is still being negatively impacted by developments in the oil sector and the lingering softness in earnings across many sectors.
- The continuing weakness in Canadian business investment reflects the lack of confidence associated with the economic slowdown internationally and in the U.S. in particular. Profitability continues to be pressured in this slow growth environment, and by the recent reversal in the Canadian dollar's performance. Nevertheless, consumer spending and housing activity remain quite resilient. Increased federal government spending — augmented by Alberta relief and rebuilding measures — will also provide support.

Latest Forecast Tables

North America	2000-14	2015	2016f	2017f	2000-14	2015	2016f	2017f		
		Canada (annual % change)					United States (annual % change)			
Real GDP	2.2	1.2	1.6	2.0	1.9	2.4	1.8	2.3		
Consumer Spending	3.0	1.9	1.8	1.8	2.3	3.1	2.5	2.6		
Residential Investment	3.8	3.8	1.0	-0.5	-1.7	8.9	9.9	5.6		
Business Investment	3.4	-8.8	-7.2	3.1	2.4	2.8	-1.0	3.4		
Government	2.3	1.6	1.2	2.1	1.0	0.7	0.9	0.8		
Exports	1.2	3.0	2.4	3.5	4.0	1.1	0.5	3.2		
Imports	3.2	0.1	-1.0	2.8	3.4	4.9	1.6	3.9		
Nominal GDP	4.6	0.6	2.4	4.4	4.0	3.5	3.1	4.4		
GDP Deflator	2.3	-0.5	0.8	2.4	2.1	1.0	1.4	2.0		
Consumer Price Index	2.0	1.1	1.7	2.2	2.4	0.1	1.6	2.4		
Core CPI	1.8	2.2	2.0	2.1	2.0	1.8	2.3	2.3		
Pre-Tax Corporate Profits	5.3	-15.2	-5.0	7.0	6.3	-3.1	-5.5	5.0		
Employment	1.4	0.8	0.6	0.8	0.5	2.1	1.8	1.5		
Unemployment Rate (%)	7.1	6.9	7.2	7.2	6.4	5.3	4.8	4.7		
Current Account Balance (C\$ bn.)	-10.0	-65.7	-58.7	-49.9	-526	-484	-490	-506		
Merchandise Trade Balance (C\$ bn.)	31.8	-23.6	-17.9	-11.7	-661	-759	-751	-790		
Federal Budget Balance (C\$ bn.)	-4.1	-2.5	-26.0	-26.0	-535	-439	-482	-528		
per cent of GDP	-0.3	-0.1	-1.3	-1.2	-3.9	-2.4	-2.6	-2.7		
Housing Starts (thousands)	199	196	188	180	1.29	1.11	1.24	1.38		
Motor Vehicle Sales (thousands)	1,622	1,898	1,900	1,890	15.2	17.3	17.7	18.0		
Industrial Production	0.7	-1.3	0.4	2.3	0.8	0.3	0.0	2.5		
		Mexico (annual % change)								
Real GDP	2.3	2.5	2.4	3.1						
Consumer Price Index (year-end)	4.6	2.1	3.8	3.9						
Current Account Balance (US\$ bn.)	-14.5	-32.4	-34.3	-26.6						
Merchandise Trade Balance (US\$ bn.)	-6.3	-14.5	-17.1	-10.0						

Quarterly Forecasts	2015		2016				2017			
Canada	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Real GDP (q/q, ann. % change)	2.4	0.8	3.2	-0.5	2.5	2.0	2.0	2.3	2.3	2.1
Real GDP (y/y, % change)	1.1	0.5	1.5	1.5	1.5	1.8	1.5	2.2	2.2	2.2
Consumer Prices (y/y, % change)	1.2	1.3	1.5	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
United States										
Real GDP (q/q, ann. % change)	2.0	1.4	0.5	2.2	2.3	2.6	2.3	2.4	2.2	2.1
Real GDP (y/y, % change)	2.1	2.0	1.9	1.5	1.6	1.9	2.4	2.4	2.4	2.2
Consumer Prices (y/y, % change)	0.1	0.4	0.8	1.1	1.4	2.0	2.5	2.3	2.3	2.3
Core CPI (y/y % change)	1.8	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3

Central Bank Rates	2015		2016				2017			
	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Americas	(% , 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	0.50	0.50	0.75	1.00	1.25	1.50	1.75	2.00
Bank of Mexico	3.00	3.25	3.75	4.00	4.25	4.25	4.50	4.75	5.00	5.00
Central Bank of Brazil	14.25	14.25	14.25	14.25	14.25	14.25	14.00	13.50	13.00	12.50
Bank of the Republic of Colombia	4.75	5.75	6.50	7.00	7.25	7.25	7.25	6.75	6.25	5.75
Central Reserve Bank of Peru	3.50	3.75	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Central Bank of Chile	3.00	3.50	3.50	3.50	3.50	3.50	3.75	4.00	4.00	4.25
Europe										
European Central Bank	0.05	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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
Asia/Oceania										
Reserve Bank of Australia	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75	1.75	1.75
People's Bank of China	4.60	4.35	4.35	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	6.25	6.25	6.25	6.25	6.25	6.50
Bank of Korea	1.50	1.50	1.50	1.25	1.25	1.25	1.25	1.25	1.50	2.00
Bank Indonesia	7.50	7.50	6.75	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Bank of Thailand	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75
Currencies & Interest Rates										
Americas	(end of period)									
Canadian Dollar (USDCAD)	1.33	1.38	1.30	1.33	1.30	1.30	1.28	1.28	1.25	1.25
Canadian Dollar (CADUSD)	0.75	0.72	0.77	0.75	0.77	0.77	0.78	0.78	0.80	0.80
Mexican Peso (USDMXN)	16.92	17.21	17.28	17.61	17.68	17.89	17.75	17.49	17.40	17.20
Brazilian Real (USDBRL)	3.95	3.96	3.59	3.70	3.90	3.90	4.20	4.10	4.00	4.00
Colombian Peso (USDCOP)	3087	3175	3002	3100	3200	3275	3250	3200	3200	3200
Peruvian Nuevo Sol (USDPEN)	3.23	3.41	3.31	3.35	3.35	3.35	3.32	3.30	3.30	3.28
Chilean Peso (USDCLP)	696	709	668	700	708	716	714	712	711	709
Europe										
Euro (EURUSD)	1.12	1.09	1.14	1.08	1.05	1.02	1.02	1.05	1.07	1.12
U.K. Pound (GBPUSD)	1.51	1.47	1.44	1.35	1.40	1.40	1.45	1.45	1.50	1.50
Swiss Franc (USDCHF)	0.97	1.00	0.96	1.01	1.05	1.08	1.09	1.06	1.05	1.00
Swedish Krona (USDSEK)	8.37	8.44	8.12	8.30	8.50	8.50	8.20	8.00	8.40	8.00
Norwegian Krone (USDNOK)	8.52	8.84	8.27	8.40	8.30	8.30	8.20	8.20	7.80	7.80
Russian Ruble (USDRUB)	65.4	72.5	66.9	68.5	69.5	70.5	69.0	68.5	68.0	68.5
Asia/Oceania										
Japanese Yen (USDJPY)	120	120	113	112	115	118	120	120	125	125
Australian Dollar (AUDUSD)	0.70	0.73	0.77	0.72	0.70	0.70	0.72	0.72	0.75	0.75
Chinese Yuan (USDCNY)	6.36	6.49	6.45	6.60	6.65	6.70	6.70	6.70	6.65	6.65
Indian Rupee (USDINR)	65.6	66.2	66.2	67.5	67.5	68.5	68.5	68.0	68.0	67.5
South Korean Won (USDKRW)	1185	1175	1143	1230	1240	1250	1240	1240	1230	1220
Indonesian Rupiah (USDIDR)	14653	13788	13239	14000	14000	14500	14500	14480	14480	14460
Thai Baht (USDTHB)	36.4	36.0	35.1	36.0	36.4	36.8	36.8	36.7	36.6	36.6
Canada (Yields, %)										
3-month T-bill	0.44	0.51	0.45	0.50	0.50	0.50	0.50	0.55	0.85	1.15
2-year Canada	0.52	0.48	0.54	0.50	0.60	0.70	1.00	1.20	1.45	1.75
10-year Canada	1.43	1.39	1.23	1.30	1.55	1.65	1.90	2.15	2.30	2.50
United States (Yields, %)										
3-month T-bill	-0.02	0.16	0.20	0.25	0.55	0.80	1.25	1.55	1.80	2.05
2-year Treasury	0.63	1.05	0.72	0.80	1.10	1.55	2.00	2.25	2.50	2.70
10-year Treasury	2.04	2.27	1.77	1.95	2.15	2.25	2.55	2.80	3.00	3.15

Latest Forecast Tables

Provincial	2000-14	2015f	2016f	2017f	2000-14	2015f	2016f	2017f
	<u>Real GDP</u> (annual % change)				<u>Nominal GDP</u> (annual % change)			
Canada	2.2	1.2	1.6	2.0	4.6	0.6	2.4	4.4
Newfoundland & Labrador	2.8	-2.6	0.4	-1.4	6.9	-9.2	-1.6	2.1
Prince Edward Island	1.8	1.3	1.4	1.4	4.4	2.7	2.9	3.1
Nova Scotia	1.4	1.1	1.3	1.2	3.4	2.5	2.8	2.9
New Brunswick	1.2	1.0	0.6	0.7	3.3	2.3	2.0	2.3
Quebec	1.8	1.2	1.6	1.6	3.7	2.8	3.2	3.4
Ontario	1.9	2.4	2.7	2.4	3.7	4.0	4.4	4.5
Manitoba	2.4	2.0	2.3	2.2	4.6	3.3	3.9	4.2
Saskatchewan	2.3	-0.3	0.4	2.0	6.7	-4.3	-0.6	4.8
Alberta	3.5	-1.9	-1.7	2.2	8.0	-9.1	-3.9	5.7
British Columbia	2.6	2.4	2.7	2.4	4.4	4.0	4.4	4.5
	<u>Employment</u> (annual % change)				<u>Unemployment Rate</u> (annual average, %)			
Canada	1.4	0.8	0.6	0.8	7.1	6.9	7.2	7.2
Newfoundland & Labrador	1.1	-1.0	-1.2	-0.7	14.4	12.8	13.5	14.2
Prince Edward Island	1.4	-1.1	-0.3	0.5	11.2	10.4	10.6	10.5
Nova Scotia	0.7	0.1	0.2	0.3	8.9	8.6	8.6	8.5
New Brunswick	0.6	-0.6	-0.2	0.2	9.6	9.8	9.8	9.8
Quebec	1.3	0.9	0.7	0.7	8.1	7.6	7.6	7.5
Ontario	1.3	0.7	1.2	1.1	7.2	6.8	6.8	6.8
Manitoba	1.0	1.5	0.4	0.9	5.0	5.6	5.8	5.6
Saskatchewan	1.3	0.5	-0.2	0.4	4.9	5.0	6.0	5.8
Alberta	2.6	1.2	-1.4	0.7	4.8	6.0	7.5	7.2
British Columbia	1.2	1.2	1.6	1.1	6.7	6.2	6.4	6.4
	<u>Housing Starts</u> (annual, thousands of units)				<u>Budget Balances*, FY March 31</u> (\$ millions)			
Canada	199	196	188	180	-3,238	1,911	-2,500	-26,000
Newfoundland & Labrador	2.7	1.7	1.7	1.7	130	-986	-2,200	-1,830
Prince Edward Island	0.8	0.6	0.5	0.5	-40	-20	-28	-10
Nova Scotia	4.4	3.8	3.0	3.4	-24	-144	-71	127
New Brunswick	3.7	2.0	1.8	1.9	-130	-389	-466	-347
Quebec	44	38	38	38	-968	-725	0	0
Ontario	71	70	72	68	-4,876	-10,314	-5,686	-4,306
Manitoba	5.1	5.5	5.0	5.5	-53 **	-452	-773	-619
Saskatchewan	5.2	5.1	4.4	4.2	450 **	62	-427	-259
Alberta	35	37	23	23	1,809 **	1,115	-6,393	-10,421
British Columbia	27	31	39	34	195	1,683	377	264

* FY16 & FY17: Provinces' estimates; FY16 and FY17 for SK & MB from pre-election Budget Updates. ** MB:FY04-FY14; AB:FY05-FY14; SK:FY16 ex pension accrual adjustment.

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