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The Gulf with America

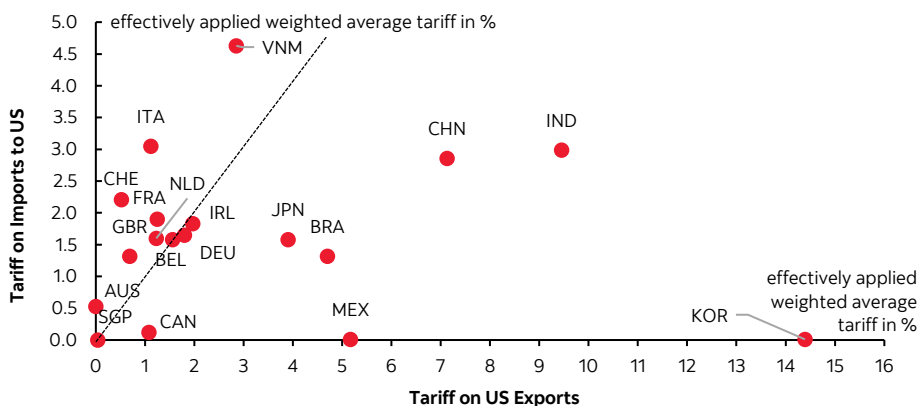
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Chart of the Week

Trump's Tit-for-Tat Tariff, Where Do You Stand?



Sources: Scotiabank Economics, World Integrated Trade Solution.

Chart of the Week: Prepared by: Jaykumar Parmar, Economic Analyst.

The Gulf with America

My gift on Presidents' Day—Washington's Birthday—is to offer a somewhat deeper dive into what the US administration is seeking to achieve with its increased trade aggression.

One camp posits that it's all just bluffing, that the damage that would be caused should the Trump administration impose its will upon other countries as threatened would be too severe to the world economy including the US such that the probability of it turning into reality is low. This camp draws upon the 2018 experience when Trump huffed and puffed a lot but then caved for a NAFTA 2.0 deal that was little changed. That seems to be the way markets are taking it, but one's confidence in this perspective should be limited by virtue of the difficulty markets have in forming expectations and evaluating the complicated effects with longer foresight than they are often known for having.

An alternative narrative is that the US is out to, well, Americanize the world. If countries could only accept the good that goes with that, then global economic welfare may be enhanced. But that's not what the Trump administration is seeking. I will argue that what it seeks is to export fiscal decay, its system of taxation, a more dangerously militarized world, dominance of its tech companies, and dominance of its culture and social policies. Few countries are likely to accept this. Fewer still *should* accept this rather than build upon what they have. Of particular issue is the lack of credibility that the US has on protectionism policies that cut across more than just tariffs and delve into the world of non-tariff barriers, subsidies, and other practices. In short, you can't just cherry-pick the best of America and that's not what this US administration is seeking to do. It should expect strong resistance.

The week ahead's developments will lack truly major global calendar-based developments, which probably means market volatility may continue to be fed by surprise policy developments.

The last holdout among major central banks is likely to cave when the RBA cuts and its decision will be joined by the RBNZ, Bank Indonesia, FOMC minutes that may reveal more about regulatory developments, and another cautious speech by BoC Governor Macklem. Data risk will focus upon Canadian CPI, UK jobs, wages, CPI and retail sales, Australian jobs and wages, and other regional measures.

THE US GOAL IS TO AMERICANIZE THE WORLD

The broadening of the potential US trade war to include reciprocal tariffs—where the US would impose a tariff equal to any imposed by other countries on it—and non-tariff barriers on the face of it sounds welcome to free traders.

And yet the US has plenty of its own barriers that I'll review.

Nevertheless, make no mistake, what the US administration is seeking to do by broadening its retaliatory targets and arguments is an all-out assault on systems and values elsewhere that is designed to make the rest of the world, well, look more American. While many countries around the world would be well advised to embrace more growth-oriented policies that would raise their economic living standards and emulate several US best practices, there is a balance provided by strong reasons to resist that are rooted in economics, how to define living standards and broader social, cultural and environmental considerations

Fear of American dominance—especially in the Americas—is equivalent to fear of Chinese dominance—especially in southeast Asia. Countries and regions struggle with preserving their identities amid a flood of Americana threatening their own identities. Different societies place differing values on goals such as protecting the environment—that Trump is sharply pivoting away from—and more inclusive growth—versus US individualism especially at the top.

The US Overlooks its Own Protectionism

A more liberalized world trade order is a very welcome target. I'm faithful to my training in that living standards could be improved around the world by tearing down barriers to commerce. I'm also of the belief that economic statistics only ever tell part of the story. Economic progress has to be defined in greater terms by including the costs to the environment lest 'boil baby boil' become the catchphrase of future generations, and also has to include strong social policy supports including retraining and progressive systems of taxation.

But achieving such an outcome requires contrition and humility on all sides. That's not what I see and hear coming from the US administration. Far from it. Do-as-I-say-not-as-I-do is the prevailing US attitude when it comes to unfair practices elsewhere but none whatsoever in the US. The US under Trump 1.0 and 2.0 is increasingly turning more protectionist as an effort to scapegoat the world for its domestic policy failings on income inequality, fiscal mismanagement, and its own varied forms of protectionism.

On tariff rates, there is little question that the US has among the lowest tariff rates in the world, but not as low as you might think and especially since its tariffs are rising. The World Bank estimates the average US tariff rate at 1.5% but of course this does not include proposed but delayed measures. Canada's is right behind at 1.4%. The UK is higher at 3.1%, Eurozone countries like Germany, France, Italy and Spain are all lower at 1.3% (chart 1).

Individual examples of US tariffs are among the most stunning. Consider, for example, the so-called 'Chicken Tax' that owes its name to the original seedlings of the trade conflict between the US and France in the 1960s. What persists from that conflict is a 25% US tax on imports of trucks from elsewhere in the world as a blatant form of protection offered to US auto firms. It is why US auto firms dominate the global light truck market as other global manufacturers get more of their growth in other countries.

Yet tariffs give a highly incomplete sense of the degree of barriers to trade. Take for instance non-tariff measures (NTMs). The UNCTAD—the UN Trade and Development agency—ranks Canada at 4.2 on its overall prevalence score for NTMs ([here](#)). The US? It's at 4.1. Such a difference is trivial. Other sites like [this](#) one for Canada and [this](#) one for the US from the World Bank offer similar conclusions.

Chart 2 shows the global ranking of NTMs by country. The US applies NTMs on \$1¼ trillion of imports and chart 3 shows the sectors where they are most prevalent.

What's an NTM you ask? So glad you did....not. They get very complicated and apply in a wide variety of sectors. They can include Sanitary and Phytosanitary Measures (SPS) to protect people, animals and plants. Also included are Technical Barriers to Trade (TBTs) that include technical regulations, standards and testing and certification procedures. So are pre-shipment measures that include inspecting goods before they are exported. Quantity and price controls are also types of NTMs. So are export restrictions, healthy and safety certifications, biosecurity compliance measures, rules of origin requirements that the US has made rather famous, and customs delays.

Not all NTMs are bad! Some are, some are not. Some are designed to protect humans, animals and crops from disease. Some are designed to track illegal activities. Some are designed to prevent violation of international sanctions.

But the list doesn't stop with NTMs as I've long argued and particularly vis-à-vis the United States.

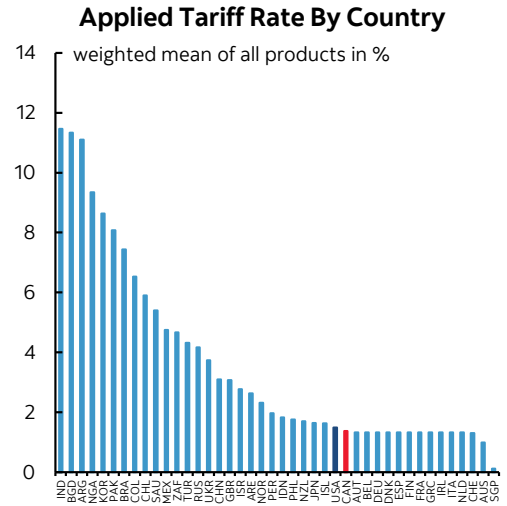
American governments make heavy use of subsidies. [Here](#) is one list that includes many of the top names in US business from tech to airplanes to automotive companies and tech firms.

Further, US southern states siphoned off industry from northern states and Canada for decades by giving subsidies to auto firms and others, and now they're complaining that Mexico is doing it to them. That's a tad rich. Canada lost a lot of business to states like Kentucky that doled out cheque after cheque in subsidies.

Fast forward and Biden's Inflation Reduction Act doled out more subsidies galore, forcing countries like Canada to be dragged further down the subsidy path in response or else lose more of their industry.

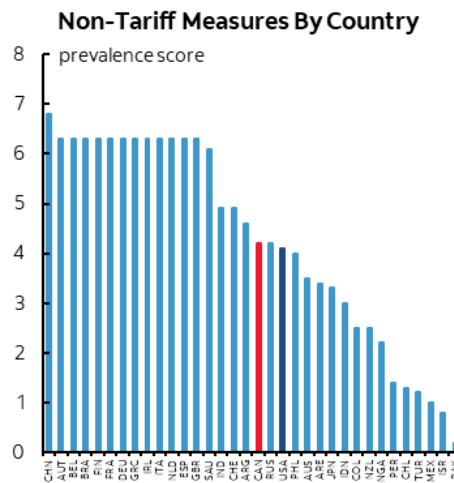
And give me a break on US agricultural policy relative to Canada or basically anywhere not named Europe as the two most highly distorting agricultural markets in the world that cause endless headaches for countries caught in between their policies. The US Farm Bill spends hundreds of billions per year in subsidies to corporate farms. These are not the farms of the 1930s.

Chart 1



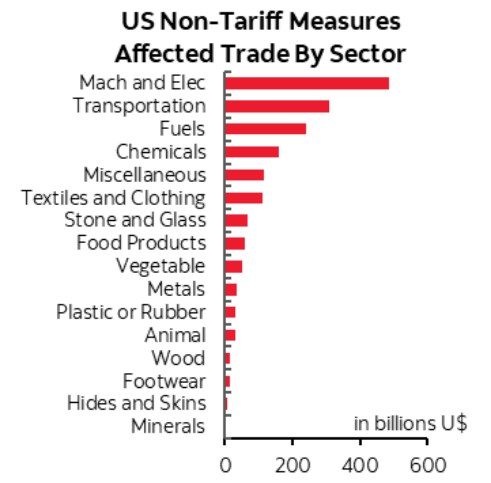
Sources: Scotiabank Economics, World Bank.

Chart 2



Sources: Scotiabank Economics, UNCTAD.

Chart 3



Sources: Scotiabank Economics, World Integrated Trade Solution.

strengthened further. After all, America’s personal saving rate of just 3.8% is just over half of Canada’s and well below rates in many European economies such as Germany, Switzerland, Netherlands and Austria.

Digital Services Tax—Barrier, or About Fairness?

The Trump administration views digital taxes in Canada and France as a trade barrier that unfairly targets US tech companies. This is partly true given that the US dominates many such services, but there is another truth to be told.

Canada, for instance, imposes a digital tax of 3% retroactive to 2022 on sales revenue of domestic and foreign—domiciled tech companies selling their services in Canada. Canada charges the levy on domestic tech services but the US argues their firms are disproportionately impacted. The tax is collected on firms with global revenue in excess of €750 million and digital services revenue from Canadian users of more than C\$20 million per year.

France also has a 3% digital tax. US tech services firms understandably don’t much like to pay this tax. Who does?!

Canada’s rationale, however, is partly that digital services are viewed as hollowing out other services without paying a user fee for what they reproduce; hence why proceeds are then redistributed to traditional media that bears the costs of producing the content.

Second, the Canadian federal government argues that it needs to tax such services provided in Canada in order to make the tech firms pay their fair share on services provided to Canadians, rather than just the income earned by US tech firms being taxed solely by the US government.

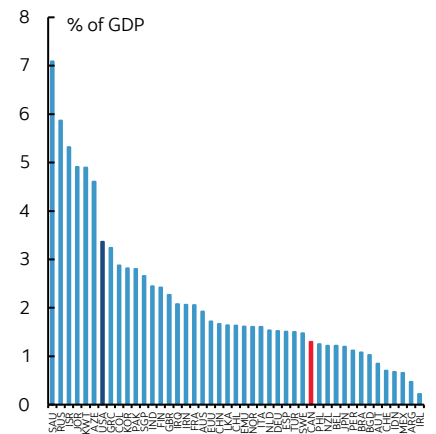
Think of comparisons here. A US retailer selling to Canadians in Canada pays sales tax. An exporter of goods into Canada faces taxes on those goods either in the hands of the end purchaser or on the profits. Out-of-country tech services firms don’t pay such taxes and so from an equity standpoint Canada and France argue this tax should stay.

Defence Spending—Understanding US Motives

The Trump administration argues that the rest of the world should be penalized for not spending as much on defence as the US does and that this too should be done through tariff and non-tariff measures. Trump demands that NATO allies spend 5% of GDP on defence which even it doesn’t do.

The US spends 3.4% of GDP on defence. Canada spends 1.3%, and other countries include the UK at 2.3%, Germany at 1.5%, Italy at 1.6%, France at 2.1%, Japan at 1.2%, and South Korea at 2.8%. Russia spends 5.9%. See chart 5.

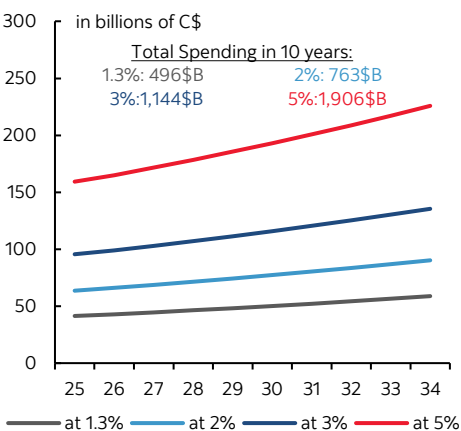
**Chart 5
Military Spending By Country**



Sources: Scotiabank Economics, World Bank.

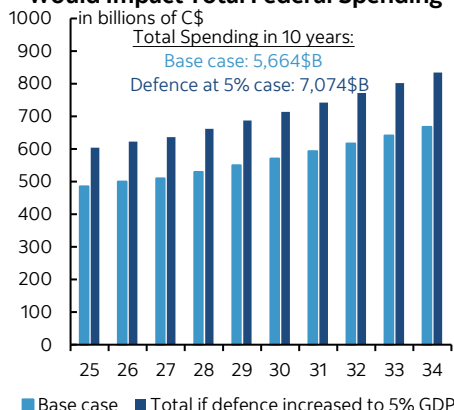
NATO countries signed on for 2% of GDP and should be spending in line with their commitments. That’s one part my opinion, but one part to honour the pledges they all signed. The US is partly right to be irritated by this issue.

**Chart 6
Defence Spending Scenarios in Canada**



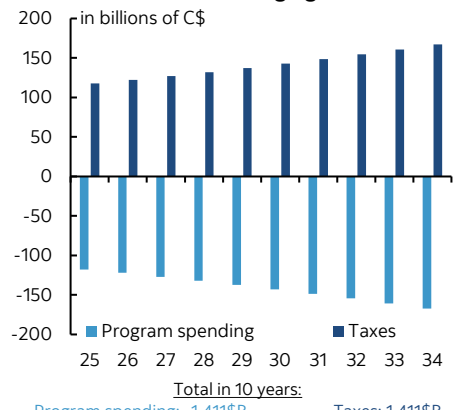
Source: Scotiabank Economics.

**Chart 7
How Spending 5% of GDP on Defence Would Impact Total Federal Spending**



Source: Scotiabank Economics.

**Chart 8
The Cuts or Tax Hikes Necessary to Hit 5% Without Further Damaging the Deficit**



Source: Scotiabank Economics.

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But to spend 5% is ridiculous and will never happen, barring war. Chart 6 shows defence spending projected over the next decade at various shares of nominal GDP including the currency share if maintained, 2%, 3% and 5%. In all cases the hikes start immediately and NGDP is assumed to grow over the long-run around 4% per year inline with the inflation target and potential real GDP growth estimates. Then ten-year spending tallies would range from about half a billion cumulative nominal dollars to up to nearly C\$2 trillion for a four-fold increase.

Chart 7 shows what would happen to federal government spending under base line program spending projections plus incremental defence spending to hit 5% of NGDP relative to a baseline of 1.3%. Chart 8 shows what would have to happen to program spending or taxes if total spending were kept constant while raising defence spending to 5% of GDP. To fund a four-fold increase in defence spending to hit the 5% Trump target would mean about C\$1½ trillion of tax hikes or equivalent program spending cuts or some combination thereof. That would mean a cumulative cut of 25% to program spending over the next full decade that would require eliminating core programs. If instead the deficit were allowed to blow out, Canada would very likely lose its AAA rating—higher than the US—while putting upward pressure on borrowing costs for households, businesses and governments.

Not gonna happen, get over it Trump. I'll come back to this point in the next section.

Next, however, is understanding the US motives.

One possible motive is to prepare the world for heightened geopolitical risks including outright confrontation. One might question whether prevention would be worse than the cure in this case. By that I mean I'm skeptical that more military toys won't tempt countries to use them. History is replete with examples of militarization that provoked conflict.

Another possible US motive is to get everyone else to spend more so it can spend less and put the savings over time toward bigger and juicier tax cuts and maybe less aggressive core program spending cuts. If so, then the American defence establishment should perhaps see through what Trump is seeking to do and so should the rest of the world.

Another motive is to get the rest of the world to simply buy more defence goodies from US firms. This could be additive to US defence spending, or as a way of getting the ROW to crowd-in space vacated on defence spending by the US government.

My view overall is that 2% should be the limit.

Casting aside all of the tariff, non-tariff and other measures that have attracted US scorn is a much more fundamental issue. The American quest to make the rest of the world just like itself.

I'm conflicted on this in that the US economy is strong, technologically innovative, with deep and liquid capital markets, some of the best universities in the world, and a high average standard of living. It sets best practices for achieving some of all of that status.

And yet, in other respects, the US system is very sub-optimal. In fact, its own policy shortcomings have driven much of today's problems—where Canada shines above the US system.

Preserving the Best of Canada

Ideally Canada would preserve all that makes it better than the United States in many regards, while tilting further toward a pro-growth agenda that includes measures like tax reform, tearing down interprovincial barriers, unleashing greater potential in resources in a reasonably environmentally responsible manner, and securing tighter economic and political ties with countries other than the US.

It should not, however, give up what makes it special, or sacrifice its sense of self-identity under constant verbal and policy abuse by Donald Trump and his servile acolytes—elected, or otherwise including one man's quest to dominate the world of government data and AI.

Consider the list of things that this author for one is rather proud about against all the Canada-bashing from abroad and even some self-serving defeatist voices from within who sound like they would be really quite content if all of what follows were wiped away. To those folks, I say don't let the door hit you on the way out, if it hasn't already from your sunnier digs.

1. There is little question that US incomes on average are higher than Canada's and that Canada's GDP per capita has been falling at least temporarily, although reducing the population of temporary residents is likely to improve this measure. But much of that comparison reflects a skewness toward the very well off. Canada ranks only slightly behind the US on median household incomes. And there is more to the picture than incomes. Much more.

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2. World Bank Human Capital Index: Canada ranks above the United States in every single category including overall human capital index, the index for men and the index for women, expected years of school, harmonized test scores, years of school and survival rates. Get the data [here](#).
3. Canada ranks above the US on the UN's Human Development Index. Go [here](#).
4. The Economist's Global Liveability Index includes two Canadian cities (Calgary, Vancouver) in the top 10 worldwide and no US cities. Toronto is 12th. The highest-ranked US city in the world is Honolulu—at #23. Sorry New York, you're only 70th. [Here](#). The Economist says "Canada's strengths are its public services, particularly its health-care and education systems, which consistently earn top scores. The country is also more stable politically and has less violence than does its southern neighbour."
5. Canada ranks higher than the US on the UN's Universal Health Coverage Service Coverage Index that measures access to health care ([here](#)). Around 26 million Americans have no health coverage ([here](#)). Don't get sick in the US if you have no insurance or little insurance which is a whole other category; at a minimum it can be financially ruinous if you are at all able to get treatment.
6. Canada ranks higher than the US on harmonized test scores ([here](#) and [here](#)).
7. On income inequality there is no comparison. Canada's Gini coefficient is much lower than the US ([here](#)).
8. The US murder rate is nearly triple that of Canada's ([here](#)). Canada's homicide rate per 100,000 people is 2.27. The US sits at 6.38. Gun ownership in the US is vastly higher than in Canada and other developed economies.
9. Canada ranks far safer than the US on overall crime rates. [These](#) folks rank Canada as a category 3 country on a 1–11 scale and rank the US at 7 on the same scale.
10. US fiscal policy is mismanaged by a massively wide margin to Canada. The US Federal government's deficit to GDP ratio is over 7%. Canada's is just over 1%.
11. Canada has longer life expectancy than the US by several years on average according to both the UN and World Bank measures ([here](#)).

CANADIAN CPI—LAST ONE BEFORE THE NEXT BOC DECISION

Canada updates CPI inflation for the month of January on Tuesday morning just as soon as everyone returns from the long Family Day weekend that will have markets shut on Monday.

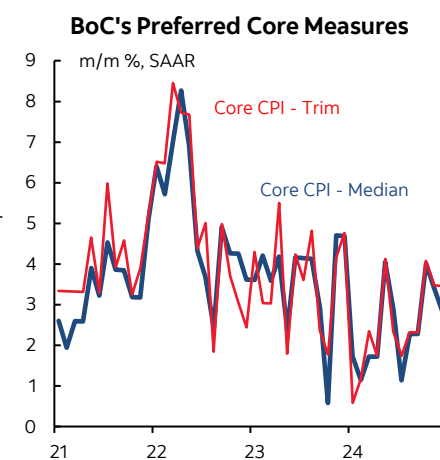
This update could be influential to the Bank of Canada's next decision on March 12th. It's the last CPI reading before then, although key data like another report on jobs and wages plus GDP figures for Q4, December and January also arrive before the decision.

I went with an estimated 0.1% m/m seasonally unadjusted rise in headline CPI that translates into an expected 1.9% y/y reading. Base effects should be a neutral influence on the y/y rate. Seasonal price pressures should be positive but vary widely to start the year. Gas prices moved higher and may add 0.2% m/m NSA to the total CPI rate. I expect shelter prices—that Canada mainly measures as rent, homeowners' replacement cost, property taxes and mortgage interest—to remain warm.

But key for headline may be ongoing effects of the GST and HST cuts that were introduced in mid-December. The way Statcan captured them was to apply them to only half of the month versus coming back and re-estimating prices to capture the tax cuts. This means that this time the tax cut will be reflected for a full month of January. Ergo, the estimated 0.4% m/m NSA hit to prices from the GST/HST cut in December is likely to be at least that same amount and get us up to our estimated total impact toward the 1% mark.

Regardless, the issue at hand that is much more difficult to estimate is whether the BoC's preferred core measures will remain hot again. There is no doubt in my mind that underlying price pressures remain acute in Canada. The BoC has raised some issues with trimmed mean, but weighted median is also trending too warmly (chart 9). Every single month since May has seen the m/m seasonally adjusted and annualized readings for trimmed mean and weighted median CPI rise at 2%+. The three-month moving averages for weighted median CPI and trimmed mean CPI are both 3.2% m/m SAAR.

Chart 9



Sources: Scotiabank Economics, Statistics Canada.

This is despite a modest amount of slack. Consumers' inflation expectations remain at the top end of the BoC's 1–3% inflation target range. Wage growth remains excessive relative to productivity. The consumer sector has shown a significant response to falling interest rates with growth of 3% q/q SAAR or better in two of the past three quarters pending Q4 for which we can point to strong tracking of retail sales volumes (chart 10).

So what's the rush to ease again? Markets are on the fence between a hold and a cut. Data and developments on the long road to the March 12th meeting will inform our expectations and markets.

CENTRAL BANKS—ANTIPODEAN CUTS

Three central bank decisions (RBA, RBNZ, and BI) will combine with a BoC speech and stale FOMC minutes.

BoC's Macklem—Policy Ambiguity Redux

Bank of Canada Governor Tiff Macklem will deliver a speech titled "Trade, Structural Change and Monetary Policy." It will be released at 12:30pmET on Friday and will be followed by moderated audience Q&A, and then a press conference.

Macklem is likely to repeat the main messages on trade tensions, inflation and Bank of Canada policy that he has emphasized of late. He may double down on some of the messaging in light of US trade escalation.

Key will be the ambiguity around how the policy rate would be managed in tariff scenarios. On that, the recent Summary of Deliberations to the January meeting provided two key passages that should be read very carefully by BoC watchers.

"Members discussed whether to provide any guidance on the future path for the policy interest rate in its communications. They agreed that given the high level of uncertainty surrounding the outlook, and the wide range and complexity of potential trade conflict scenarios, that it would not be appropriate to do so at this decision. Members agreed that it would be important to provide Canadians with their updated analysis and assessments of the impact of a trade conflict on the economy and inflation as it unfolds."

And here's another:

"Members were concerned that US tariffs on Canadian exports would add significant pressures on Canadian exporters. Over time, this could lead to business closures and companies exiting the export sector. In the long run, tariffs introduce inefficiencies that weigh on the productive capacity of an economy—meaning lower productivity and lower potential output than in the absence of the tariffs. Members recognized that monetary policy is not able to offset these longer-term implications of a trade conflict. It would only be able to smooth the path in the short-term as the economy transitions to a lower productivity and lower output trajectory."

What's the takeaway from both of those passages? I continue to think that consensus is ignoring the supply side arguments all over again and choosing to look past lessons it should have learned in the pandemic. You need to watch supply side implications stemming from trade wars as closely as the demand side implications.

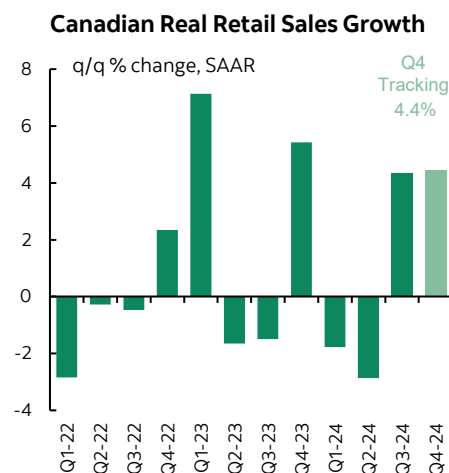
FOMC Minutes—Timing an SLR Change

Minutes to the FOMC's January 28th–29th meeting will be released on Wednesday at 2pmET. They are likely to be stale on arrival compared to the deluge of FOMC communications at that meeting, in Chair Powell's two rounds of Congressional testimony this past week, and several other Fed communications plus key data.

The overall message is unlikely to materially deviate from one of patience and being in no rush to contemplate policy changes.

Watch for further discussion of regulatory developments, such as Powell's openness toward offering relief on the Supplementary Leverage Ratio that applies to the largest banks and requires more capital to be held against low(er) risk investments such as Treasury securities. Key may be the timeline. With Vice Chair for Supervision Michael Barr having stepped down in January, the Trump administration still needs to nominate a replacement that many believe may be Governor Michelle Bowman. A candidate must be confirmed by the Senate after lengthy proceedings. Some time in the role is likely to transpire before delivering major policy decisions. A possible constraint is that Chair Powell's term in office expires next May and the movement to nominate his replacement may gather steam over coming months. It may be prudent to deliver such an SLR change before the end of this year or early next.

Chart 10



Sources: Scotiabank Economics, Statistics Canada.

RBA—Ready, Set, Go?

The RBA is widely expected to cut by 25bps late on Monday night eastern time. Markets have all but a tiny handful of the 25bps priced and twenty-eight out of thirty-two forecasters within Bloomberg’s consensus expect a 25bps cut.

One reason is that inflation has continued to make progress toward the RBA’s 2–3% target range. Key is that trimmed mean and weighted median CPI readings both landed on 0.5% q/q SA which when annualized lands at the bottom end of the RBA’s headline target range. That suggests rapidly softening underlying price pressures at the margin (chart 11).

What this also does is to reinforce the RBA’s messaging back in early January that it was gaining confidence that inflation can durably land on the 2–3% target range.

RBNZ—Rapid Rate Cuts to Continue

The RBNZ is widely expected to cut by 50bps on Tuesday night eastern time. Markets are basically fully priced, and all 20 forecasters in Bloomberg’s consensus expect a 50bps cut.

Data supports such a move. The economy is in recession marked by back-to-back quarterly contractions in GDP of about 1% q/q nonannualized while Q4 is a close call. Annualized quarter-over-quarter inflation has been falling (chart 12).

The RBNZ’s policy rate will have fallen by a total of 175bps since the first cut last August.

Bank Indonesia—Don’t Push Your Luck?

Bank Indonesia is expected to hold its policy rate unchanged at 5.75% on Wednesday but with a significant minority expecting a 25bps cut. It delivered a surprise 25bps cut back on January 15th and intervened on the rupiah exchange rate. It may be hesitant to go back-to-back as the rupiah has been little changed since that intervention.

GLOBAL MACRO—PMIS AND UK DATA TO DOMINATE

Purchasing managers’ indices will dominate the rest of the global line-up.

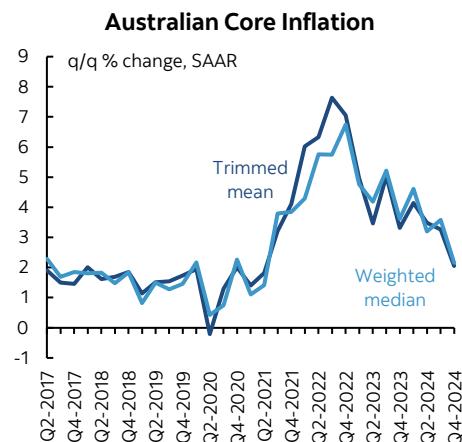
Purchasing managers’ indices are useful but not infallible tools that offer the freshest soft-data perspectives on developments across supply chains. They can be roughly correlated with GDP growth while informing attitudes toward hiring, investing, price pressures and new orders. Australia and Japan kick it off on Thursday night eastern time (their Fridays) ahead of the next morning’s measures from the Eurozone, UK, US and India. The strongest growth readings have been coming from India followed by a distant second place showing by the US, Australia and Japan.

Canada will also update some housing data with starts for January on Monday and existing home sales for January on Tuesday. Friday’s retail sales for December are expected to come in strongly given advance guidance the nominal value was up 1.6% m/m SA and we should get preliminary guidance for January.

US releases will be light with housing starts (Wednesday), a pair of regional manufacturing gauges on Tuesday (Empire) and Thursday (Philly) and existing home sales during January (Friday).

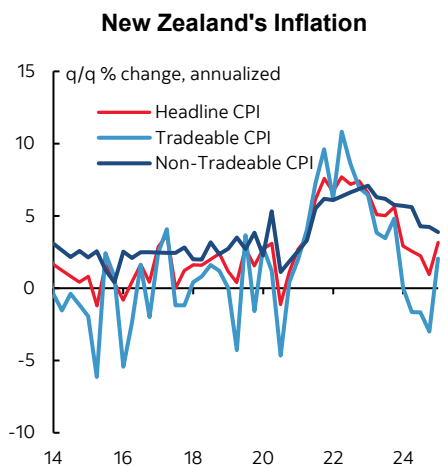
Europe’s main focus will be on UK wages and jobs for December and January (Tuesday) and then Wednesday’s CPI estimate followed by Friday’s retail sales. There is now some distance until the next Bank of England decision on March 20th with markets priced for a skip. A solid retail rebound is expected and most expect headline and core CPI as well as wage growth to pick up in year-over-year terms. The BoE will hope to see further progress in chart 13.

Chart 11



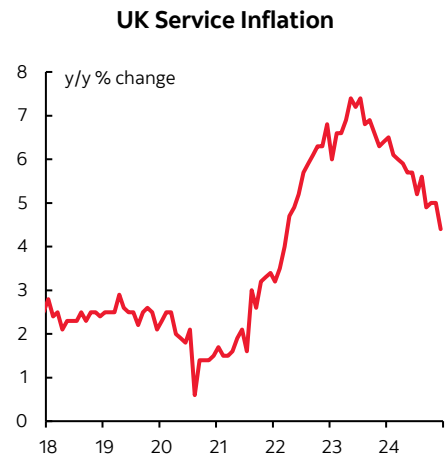
Sources: Scotiabank Economics, Australian Bureau of Statistics.

Chart 12



Sources: Scotiabank Economics, Stats NZ.

Chart 13



Sources: Scotiabank Economics, UK Office for National Statistics.

Australia’s jobs market has been on a great run (chart 14). January’s numbers on Wednesday night (ET) will hope to keep that alive.

I’ll offer more about the global indicators in regular daily notes throughout the week but right now, time’s up!

Chart 15 summarizes what’s left.

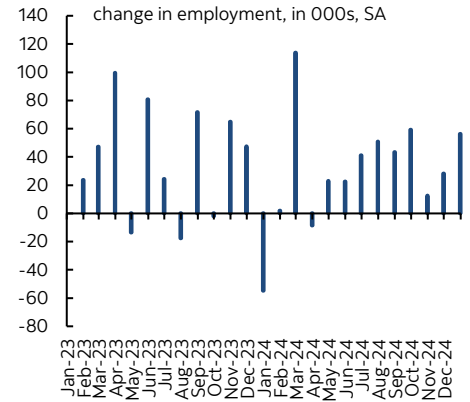
Chart 15

Other Global Macro Indicators (February 17th - February 21st)			
US	CA	CPI	Other Macro
<u>Monday</u>			
	Housing Starts		EC Trade
			BZ Economic Activity
<u>Tuesday</u>			
Empire State Manf. Index	CPI		UK Jobs & Wages
NAHB Housing Market Index	Existing Home Sales		EC ZEW Survey
			GE ZEW Survey
			JN Machine Orders, Trade
			AU Wage Cost Index
<u>Wednesday</u>			
MBA Mortgage App.		UK	AU Jobs
Building Permits			
Housing Starts			
<u>Thursday</u>			
Claims	IPPI	JN	MX Retail Sales
Philadelphia Fed Index	Raw Materials Index	MA	EC Consumer Confidence
Leading Indicators		HK	UK Gfk Consumer Confidence
<u>Friday</u>			
Existing Home Sales	Retail Sales		UK Retail Sales, PMI
			FR PMI
			GE PMI
			EC PMI

Sources: Scotiabank Economics, Bloomberg.

Chart 14

Australian Jobs On A Roll !



Sources: Scotiabank Economics, Australian Bureau of Statistics.

Key Indicators for the week of February 17 – 21

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	02-17	08:15	Housing Starts (000s a.r.)	Jan	265	250.0	231.5
CA	02-17	08:30	International Securities Transactions (C\$ bn)	Dec	--	--	16.4
CA	02-18	08:30	Core CPI - Median (y/y)	Jan	--	2.4	2.4
CA	02-18	08:30	Core CPI - Trim (y/y)	Jan	--	2.6	2.5
CA	02-18	08:30	CPI, All items (m/m)	Jan	0.1	0.1	-0.4
CA	02-18	08:30	CPI, All items (y/y)	Jan	1.9	1.9	1.8
CA	02-18	08:30	CPI, All items (index)	Jan	--	--	161.2
US	02-18	08:30	Empire State Manufacturing Index	Feb	--	-1.0	-12.6
CA	02-18	08:30	Core CPI - Common (y/y)	Jan	--	--	2.0
CA	02-18	08:30	CPI SA, All items (m/m)	Jan	--	--	0.2
CA	02-18	09:00	Existing Home Sales (m/m)	Jan	--	--	-5.8
US	02-18	10:00	NAHB Housing Market Index	Feb	--	47.0	47.0
US	02-18	16:00	Total Net TIC Flows (US\$ bn)	Dec	--	--	159.9
US	02-18	16:00	Net Long-term TIC Flows (US\$ bn)	Dec	--	--	79.0
US	02-19	07:00	MBA Mortgage Applications (w/w)	Feb 14	--	--	2.3
US	02-19	08:30	Building Permits (000s a.r.)	Jan P	--	1448.0	1482.0
US	02-19	08:30	Housing Starts (000s a.r.)	Jan	1380	1394.0	1499.0
US	02-19	08:30	Housing Starts (m/m)	Jan	-7.9	-7.0	15.8
MX	02-20	07:00	Retail Sales (INEGI) (y/y)	Dec	--	--	-1.9
CA	02-20	08:30	IPPI (m/m)	Jan	--	--	0.2
CA	02-20	08:30	Raw Materials Price Index (m/m)	Jan	--	--	1.3
US	02-20	08:30	Initial Jobless Claims (000s)	Feb 15	215	--	213.0
US	02-20	08:30	Continuing Claims (000s)	Feb 08	1890	--	1850.0
US	02-20	08:30	Philadelphia Fed Index	Feb	--	25.4	44.3
US	02-20	10:00	Leading Indicators (m/m)	Jan	--	0.0	-0.1
MX	02-21	07:00	GDP (q/q)	4Q F	--	--	-0.6
MX	02-21	07:00	GDP (y/y)	4Q F	--	--	0.6
MX	02-21	07:00	Global Economic Indicator IGAE (y/y)	Dec	--	--	0.5
CA	02-21	08:30	Retail Sales (m/m)	Dec	1.8	1.6	0.0
CA	02-21	08:30	Retail Sales ex. Autos (m/m)	Dec	--	--	-0.7
US	02-21	10:00	Existing Home Sales (mn a.r.)	Jan	4.1	4.2	4.2
US	02-21	10:00	Existing Home Sales (m/m)	Jan	-3.3	-2.1	2.2
US	02-21	10:00	U. of Michigan Consumer Sentiment	Feb F	--	--	67.8

EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
EC	02-17	05:00	Trade Balance (€ mn)	Dec	--	16353.7
UK	02-18	02:00	Average Weekly Earnings (3-month, y/y)	Dec	5.9	5.6
UK	02-18	02:00	Employment Change (3M/3M, 000s)	Dec	43.0	35.0
UK	02-18	02:00	Jobless Claims Change (000s)	Jan	--	0.7
UK	02-18	02:00	ILO Unemployment Rate (%)	Dec	4.5	4.4
FR	02-18	02:45	CPI (m/m)	Jan F	-0.1	-0.1
FR	02-18	02:45	CPI (y/y)	Jan F	1.4	1.4
FR	02-18	02:45	CPI - EU Harmonized (m/m)	Jan F	-0.2	-0.2
FR	02-18	02:45	CPI - EU Harmonized (y/y)	Jan F	1.8	1.8
EC	02-18	05:00	ZEW Survey (Economic Sentiment)	Feb	--	18.0
GE	02-18	05:00	ZEW Survey (Current Situation)	Feb	-89.4	-90.4
GE	02-18	05:00	ZEW Survey (Economic Sentiment)	Feb	20.0	10.3
UK	02-19	02:00	CPI (m/m)	Jan	-0.3	0.3
UK	02-19	02:00	CPI (y/y)	Jan	2.8	2.5
UK	02-19	02:00	RPI (m/m)	Jan	0.0	0.3
UK	02-19	02:00	RPI (y/y)	Jan	3.7	3.5
EC	02-19	04:00	Current Account (€ bn)	Dec	--	27.0
IT	02-19	04:30	Current Account (€ mn)	Dec	--	-332.1

Forecasts at time of publication.

Sources: Bloomberg, Scotiabank Economics.

Key Indicators for the week of February 17 – 21

EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	Consensus	Latest
GE	02-20	02:00	Producer Prices (m/m)	Jan	0.6	-0.1
EC	02-20	10:00	Consumer Confidence	Feb P	-14.0	-14.2
UK	02-20	19:01	GfK Consumer Confidence Survey	Feb	-22.0	-22.0
UK	02-21	02:00	PSNB ex. Interventions (£ bn)	Jan	-19.6	17.8
UK	02-21	02:00	Public Finances (PSNCR) (£ bn)	Jan	--	19.9
UK	02-21	02:00	Public Sector Net Borrowing (£ bn)	Jan	-21.0	17.8
UK	02-21	02:00	Retail Sales ex. Auto Fuel (m/m)	Jan	0.8	-0.6
UK	02-21	02:00	Retail Sales with Auto Fuel (m/m)	Jan	0.3	-0.3
FR	02-21	03:15	Manufacturing PMI	Feb P	45.3	45.0
FR	02-21	03:15	Services PMI	Feb P	49.0	48.2
GE	02-21	03:30	Manufacturing PMI	Feb P	45.5	45.0
GE	02-21	03:30	Services PMI	Feb P	52.5	52.5
EC	02-21	04:00	Composite PMI	Feb P	50.5	50.2
EC	02-21	04:00	Manufacturing PMI	Feb P	47.0	46.6
EC	02-21	04:00	Services PMI	Feb P	51.5	51.3
IT	02-21	04:00	CPI - EU Harmonized (y/y)	Jan F	1.7	1.7
UK	02-21	04:30	Manufacturing PMI	Feb P	48.5	48.3
UK	02-21	04:30	Services PMI	Feb P	51.0	50.8

ASIA PACIFIC

Country	Date	Time	Indicator	Period	Consensus	Latest
JN	02-16	18:50	GDP (q/q)	4Q P	0.3	0.3
JN	02-16	18:50	GDP Deflator (y/y)	4Q P	2.8	2.4
SI	02-16	19:30	Exports (y/y)	Jan	-2.6	9.0
PH	02-16	20:00	Overseas Remittances (y/y)	Dec	2.7	3.3
TH	02-16	21:30	GDP (q/q)	4Q	0.6	1.2
TH	02-16	21:30	GDP (y/y)	4Q	3.8	3.0
TH	02-16	21:30	Annual GDP (y/y)	2024	2.7	1.9
ID	02-16	23:00	Exports (y/y)	Jan	7.0	4.8
ID	02-16	23:00	Imports (y/y)	Jan	10.0	11.1
ID	02-16	23:00	Trade Balance (US\$ mn)	Jan	1585.0	2239.3
JN	02-16	23:30	Capacity Utilization (m/m)	Dec	--	-1.9
JN	02-16	23:30	Industrial Production (m/m)	Dec F	--	0.3
JN	02-16	23:30	Tertiary Industry Index (m/m)	Dec	0.1	-0.3
JN	02-16	23:30	Industrial Production (y/y)	Dec F	--	-1.1
AU	02-17	22:30	RBA Cash Target Rate (%)	Feb 18	4.10	4.35
HK	02-18	03:30	Unemployment Rate (%)	Jan	--	3.1
NZ	02-18	16:45	Producer Price - Inputs (q/q)	4Q	--	1.9
NZ	02-18	16:45	Producer Price - Outputs (q/q)	4Q	--	1.6
JN	02-18	18:50	Machine Orders (m/m)	Dec	0.5	3.4
JN	02-18	18:50	Merchandise Trade Balance (¥ bn)	Jan	-2106.5	132.5
JN	02-18	18:50	Adjusted Merchandise Trade Balance (¥ bn)	Jan	-319.4	-33.0
JN	02-18	18:50	Merchandise Trade Exports (y/y)	Jan	7.9	2.8
JN	02-18	18:50	Merchandise Trade Imports (y/y)	Jan	9.1	1.7
AU	02-18	19:30	Wage Cost Index (q/q)	4Q	0.8	0.8
NZ	02-18	20:00	RBNZ Official Cash Rate (%)	Feb 19	3.75	4.25
PH	02-18	20:00	Balance of Payments (US\$ mn)	Jan	--	-1508.0
ID	02-19	02:20	BI 7-Day Reverse Repo Rate (%)	Feb 19	5.75	5.75

Forecasts at time of publication.

Sources: Bloomberg, Scotiabank Economics.

Key Indicators for the week of February 17 – 21

ASIA PACIFIC (continued from previous page)

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>Consensus</u>	<u>Latest</u>
SK	02-19	16:00	Consumer Confidence Index	Feb	--	91.2
SK	02-19	16:00	PPI (y/y)	Jan	--	1.7
AU	02-19	19:30	Employment (000s)	Jan	15.0	56.3
AU	02-19	19:30	Unemployment Rate (%)	Jan	4.1	4.0
CH	02-19	20:00	PBoC Loan Prime Rate 1-Year (%)	Feb 20	3.1	3.1
ID	02-19	22:00	Current Account Balance (US\$ mn)	4Q	--	-2150.0
MA	02-19	23:00	Exports (y/y)	Jan	--	16.9
MA	02-19	23:00	Imports (y/y)	Jan	--	11.9
MA	02-19	23:00	Trade Balance (MYR bn)	Jan	--	19.2
TA	02-20	03:00	Export Orders (y/y)	Jan	--	20.8
TA	02-20	03:20	Current Account Balance (US\$ mn)	4Q	--	27477.0
HK	02-20	03:30	CPI (y/y)	Jan	--	1.4
NZ	02-20	16:45	Trade Balance (NZD mn)	Jan	--	218.6
NZ	02-20	16:45	Exports (NZD bn)	Jan	--	6838.7
NZ	02-20	16:45	Imports (NZD bn)	Jan	--	6620.0
JN	02-20	18:30	National CPI (y/y)	Jan	4.0	3.6
JN	02-20	19:30	Markit/JMMA Manufacturing PMI	Feb P	--	48.7
TH	02-20	21:00	Customs Exports (y/y)	Jan	--	8.7
TH	02-20	21:00	Customs Imports (y/y)	Jan	--	14.9
TH	02-20	21:00	Customs Trade Balance (US\$ mn)	Jan	--	-10.6
MA	02-20	23:00	CPI (y/y)	Jan	--	1.7
MA	02-21	02:00	Foreign Reserves (US\$ bn)	Feb 14	--	116.4

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Indicator</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>
BZ	02-17	07:00	Economic Activity Index SA (m/m)	Dec	--	-0.2	0.1
BZ	02-17	07:00	Economic Activity Index NSA (y/y)	Dec	--	3.7	4.1

Forecasts at time of publication.

Sources: Bloomberg, Scotiabank Economics.

Global Auctions for the week of February 17 – 21

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	02-19	13:00	U.S. To Sell USD16 Bln 20-Year Bonds
CA	02-20	12:00	Canada to Sell C\$5.5 Billion of 3% 2027 Bonds
US	02-20	13:00	U.S. To Sell USD9 Bln 30-Year TIPS

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
UK	02-18	05:00	UK to Sell GBP1.75 Billion of 4% 2063 Bonds
GE	02-18	05:30	Germany to Sell EU4.5 Billion of 2.2% 2027 Bonds
FI	02-18	06:00	Finland to Sell Bonds
UK	02-19	05:00	UK to Sell GBP4.25 Billion of 4.375% 2028 Bonds
GE	02-19	05:30	Germany to Sell EU4.5 Billion of 2.5% 2035 Bonds
SP	02-20	04:30	Spain to Sell Bonds
FR	02-20	04:50	France to Sell Bonds
FR	02-20	05:50	France to Sell I/L Bonds
MB	02-21	03:00	Malta to Sell Bonds

ASIA PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SK	02-16	20:10	Bank of Korea to Sell 500 Billion Won 91-Day Bonds
SK	02-16	21:00	South Korea to Sell 2.9 Trillion Won 10-Year Bonds
JN	02-17	22:35	Japan to Sell 20-Year Bonds
CH	02-18	22:35	China to Sell 88 Billion Yuan 2031 Bonds
SK	02-20	21:00	South Korea to Sell 800 Billion Won 1-Year Bonds

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
No Scheduled Auctions			

Events for the week of February 17 – 21

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	02-17	09:30	Fed's Harker Speaks on the Economic Outlook
US	02-17	10:20	Fed's Bowman Speaks to American Bankers Association
US	02-18	10:20	Fed's Daly Speaks to American Bankers Association
US	02-18	13:00	Fed's Barr Discusses AI, Financial Stability
US	02-19	14:00	FOMC Meeting Minutes
US	02-20	09:35	Fed's Goolsbee Speaks in Moderated Q&A
MX	02-20	10:00	Central Bank Monetary Policy Minutes
US	02-20	12:05	Fed's Musalem Speaks to Economic Club of NY
CA	02-21	12:45	Bank of Canada Governor Tiff Macklem Speaks in Mississauga

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	02-15	05:30	ECB's Panetta Speaks in Turin
EC	02-17	06:00	ECB's Nagel Speaks on German Economy
EC	02-18	04:00	ECB's Holzmann Speaks in Vienna
UK	02-18	04:30	BOE's Bailey Speaks
EC	02-18	09:00	ECB'S Cipollone Speaks in MNI Livestreamed Event
EC	02-20	06:00	ECB Publishes Financial Statements for 2024
EC	02-20	08:00	ECB's Makhlof Speaks on Irish Economy
EC	02-20	11:00	ECB's Nagel Speaks on Panel
EC	02-21	09:30	ECB's Lane Gives Speech in Vienna

ASIA PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	02-17	22:30	RBA Cash Rate Target
AU	02-17	22:30	RBA-Statement on Monetary Policy
NZ	02-18	20:00	RBNZ Monetary Policy Statement
NZ	02-18	20:00	RBNZ Official Cash Rate
JN	02-18	20:30	BOJ Board Takata Speech in Miyagi
NZ	02-18	21:00	RBNZ Governor News Conference After OCR Decision
ID	02-19	02:20	BI-Rate
CH	02-19	20:00	1-Year Loan Prime Rate
CH	02-19	20:00	5-Year Loan Prime Rate
AU	02-20	17:30	RBA-Parliamentary Testimony

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
GU	02-19		Leading Interest Rate
MX	02-20	10:00	Central Bank Monetary Policy Minutes
PY	02-21		Monetary Policy Rate

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	3.00	March 12, 2025	2.75	2.75
Federal Reserve – Federal Funds Target Rate	4.50	March 19, 2025	4.50	4.50
Banco de México – Overnight Rate	9.50	March 27, 2025	9.00	N/A

Bank of Canada (BoC): Governor Macklem will be speaking at an event in Mississauga on Friday at 12:30pm EST on "Trade, Structural Change and Monetary Policy". Remarks will be published on the bank's website at 12:30pm EST, followed by Q&A and a press conference following this event. The Governor's speech is expected to be similar to one delivered on February 6th at a BIS event, except that we have further information on Trump's 25% tariffs on Steel and Aluminum and reciprocal tariffs. Hence, key will be if Governor has anything more to offer on the new tariffs or any further hint on the March meeting. **Federal Reserve:** Minutes to the January 29th FOMC meeting arrive on Wednesday at 2pm EST and recall that the Committee left the policy rate unchanged with a couple of statement changes which sounded a bit more hawkish. Nothing major is expected from the minutes.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	2.90	March 6, 2025	2.65	2.65
European Central Bank – Marginal Lending Facility Rate	3.15	March 6, 2025	2.90	2.90
European Central Bank – Deposit Facility Rate	2.75	March 6, 2025	2.50	2.50
Bank of England – Bank Rate	4.50	March 20, 2025	4.50	4.50
Swiss National Bank – Sight Deposit Rate	0.50	March 20, 2025	0.25	0.25
Central Bank of Russia – One-Week Auction Rate	21.00	March 21, 2025	21.00	21.00
Sweden Riksbank – Repo Rate	2.25	March 20, 2025	2.00	2.00
Norges Bank – Deposit Rate	4.50	March 27, 2025	4.25	4.25
Central Bank of Turkey – Benchmark Repo Rate	45.00	March 6, 2025	43.50	43.50

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	0.50	March 19, 2025	0.50	0.50
Reserve Bank of Australia – Cash Rate Target	4.35	February 17, 2025	4.10	4.10
Reserve Bank of New Zealand – Cash Rate	4.25	February 18, 2025	3.75	3.75
People's Bank of China – 1-Year Medium-Term Lending Facility Rate	2.00	February 25, 2025	2.00	2.00
Reserve Bank of India – Repo Rate	6.25	April 9, 2025	6.00	6.00
Bank of Korea – Base Rate	3.00	February 25, 2025	2.75	2.75
Bank of Thailand – Repo Rate	2.25	February 26, 2025	2.25	2.25
Bank Negara Malaysia – Overnight Policy Rate	3.00	March 6, 2025	3.00	3.00
Bank Indonesia – BI-Rate	5.75	February 19, 2025	5.75	5.75
Central Bank of Philippines – Overnight Borrowing Rate	5.75	April 3, 2025	5.50	5.50

Reserve Bank of Australia (RBA): Consensus and market expectations point toward a 25bps rate cut to the RBA's cash rate on Monday following slower-than-expected inflation data for the 4Q. This will mark the RBA's first rate cut since the pandemic, following the last 25bps hike in November 2023. The latest core inflation figures (both trim and weighted median) slowed q/q, bringing them within the RBA's 2-3% inflation target range—the lowest reading since June 2021. However, the key question remains whether one quarter of soft inflation reading is sufficient for the RBA to deliver a cut considering strong employment growth, record-low unemployment rate, elevated wage growth, stable household spending and soft PMI data indicating expansion in both manufacturing and service sectors. Since the last meeting, central bank officials have remained silent. Hence, it will be crucial to see how the bank interprets the data so far and whether they offer any forward guidance, which seems unlikely amid high global uncertainty. In addition, the bank will be updating its economic forecasts, last updated in November. **Reserve Bank of New Zealand (RBNZ):** The Reserve Bank of New Zealand is unanimously expected to deliver another 50bps cut on Tuesday after the 3Q GDP data came out weaker than expected, dragging the economy into a technical recession. At its last meeting, the bank had forecast a GDP contraction of 0.2% in 3Q and conveyed that "If economic conditions continue to evolve as projected, the Committee expects to be able to lower the OCR further early next year". Since then New Zealand's economy declined at 1% q/q SA in 3Q (consensus: -0.2%) while the 2Q growth estimate was revised down from -0.2% to -1.1% q/q SA. However, a couple of inflation measures bounced back. The RBNZ might consider the inflation data as a one-off bounce back from low 3Q numbers and move ahead with its 50bps rate cut. Additionally, the key will be whether the RBNZ sticks to its November OCR projections or updates them to reflect faster rate cuts. **Bank Indonesia (BI):** Consensus unanimously expects Bank Indonesia (BI) to maintain its BI rate at 5.75% on Wednesday. However, with BI, it's always wise to be prepared for surprises. At its last meeting, BI surprised the consensus, which was unanimously expecting a hold, with a 25bps rate cut to support economic growth, aligned with low inflation expectations and a stable rupiah. Since then, another inflation reading has shown that inflation remains within BI's target range of 1.5% to 3.5%, and 2024 economic growth is in line with BI's projection of "slightly below the midpoint of the 4.7-5.5% range." Additionally, the rupiah has remained at the same level as during the January meeting, although it has been slightly more volatile. Furthermore, Governor Warjiyo recently stated in a briefing that "Bank Indonesia sees room for rate cuts to hit the 5.2% growth goal." Therefore, the question remains: will the bank maintain the policy rate, or will it surprise the market again with another 25bps rate cut?

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	13.25	March 19, 2025	14.25	14.25
Banco Central de Chile – Overnight Rate	5.00	March 21, 2025	5.00	5.00
Banco de la República de Colombia – Lending Rate	9.50	March 31, 2025	9.25	9.25
Banco Central de Reserva del Perú – Reference Rate	4.75	March 13, 2025	4.75	4.75

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	7.50	March 20, 2025	7.25	7.25

Sources: Bloomberg, Scotiabank Economics.

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