

Global Forecast Update

Here We Go Again...

The early-year weakness in some of the advanced economies is giving way to improving performances. Expectations are again building that global activity may finally achieve a higher growth trajectory. Nonetheless, the myriad of challenges that have confronted much of the world in recent years — uneven global activity triggered by one-off events, the austerity and structural forces restraining many economies, the recurring and growth-dampening geopolitical events, and the heightened volatility in financial and currency markets — continue to reinforce the lingering uncertainty surrounding the outlook.

The U.S. economy is slowly regaining momentum. Weather- and strike-related disruptions have receded, and U.S. consumers are returning to the shopping malls again. Housing and auto activity are rebounding. The slide in oil prices which undercut investment has been partially reversed. And the steady appreciation in the U.S. dollar that undermined exports and foreign earnings has leveled out, at least for the time being.

Like their U.S. counterpart, the hard-hit Canadian and Mexican economies have weathered the rocky start to the year, and are poised to report better results. The rise in oil prices and, in the case of Canada, the reduced discounts on the price of heavy crude and increased shipments to U.S. refineries, are helping to lift export earnings, although the NAFTA zone countries are still adjusting to the significant decline in the energy sector's capital expenditures and spreading regional disruptions. The strengthening production cycle in the United States should help bolster non-energy exports from both Canada and Mexico. Even so, consumer spending in the respective countries has remained quite resilient and should remain supportive of a slow and steady turnaround.

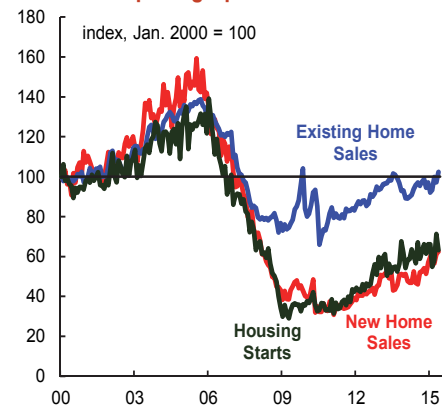
Improving and more broad-based results are also evident in other advanced countries. The U.K. remains at the high end of the G7 growth ladder because of the ongoing gains in consumer spending, construction, and industrial activity, and the continuing inflows of foreign capital. A fledgling rebound is gaining momentum in the euro zone, highlighted by improving fortunes in France, Spain and Germany, despite the challenge presented by the latest sovereign debt crisis in Greece. Export competitiveness has been bolstered by the weaker euro, while lower borrowing costs and increased lending are helping to jump-start consumer spending. In the Asia-Pacific region, both Japan and Australia are also benefiting from the accommodative thrust of monetary policies on domestic spending, and the competitive boost associated with weaker currencies.

There are also some signals pointing to some winding down of the weakening performances in some of the larger developing and emerging economies which have faced considerable headwinds. China's growth continues to moderate, led by the ongoing consolidation in the residential real estate and construction sectors and the slower pace of exports, though recent easing initiatives suggest some relief is underway. The reduced pace of activity in Chile, Peru and Uruguay appears to have stabilized following adjustments and reforms implemented to bring the respective economies' performances in line with the slower pace of international activity and weaker demand and prices for many commodities.

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U.S. Households Are Opening Up Their Wallets



Source: Scotiabank Economics, NAR, U.S. Census Bureau.

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However, Brazil remains firmly in the grip of recession, with the downturn aggravated by deepening fiscal restraint and sharply higher interest rates (the overnight rate is 13.75%) needed to contain rising inflation and support the weaker real. Colombia's trade continues to be dampened by the oil price plunge despite a major push by the government to boost infrastructure investments. On a more positive note, economic prospects in India are getting a boost from strong monsoons which will boost agricultural output and limit food price increases and wage inflation.

Financial market conditions remain generally supportive of improving growth around the world. Short-term interest rates are still mostly at or near historical lows throughout the advanced economies, though the U.S. Federal Reserve appears poised to begin a gradual process of normalizing borrowing costs by raising its bellwether funds rate in September, or December at the latest, if current economic and employment trends persist. U.S. long-term yields are trending modestly higher again from their early-year low, but are still around the mid-point of the range over the past year. The upward trend reflects a number of factors, including the re-pricing of German government bonds as the euro zone's recession and deflation concerns abate, the strengthening in U.S. growth and inflation expectations, the anticipated firming in Fed policy, and increasing liquidity concerns surrounding the dampening impact on the market-making capabilities of financial institutions in the wake of regulations which have boosted capital charges.

At the same time, a number of countries — both advanced and developing — have been lowering short-term borrowing costs — for example, China, South Korea, New Zealand, and Norway. In line with still very accommodative monetary policies internationally, many asset classes are still experiencing price appreciation and adding to wealth, whether they be equities, homes or collectibles.

... But Is The Rebound In Growth Sustainable?

There is no shortage of issues that could weigh against a stronger and more sustainable rebound in global activity.

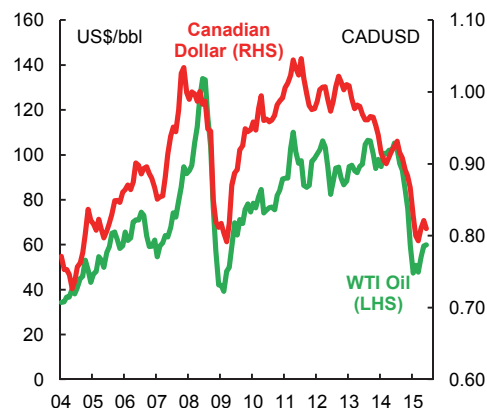
With regard to Greece's latest sovereign debt crisis, there appear to be much stronger financial backstops put in place by the European Central Bank (ECB) and the euro zone to contain the regional fallout associated with a potential 'Grexit'. Even so, any adverse consequence could eventually morph into a more systemic problem with global financial and economic consequences if the contagion is allowed to affect other highly indebted nations in both Europe's periphery and core countries.

Another concern is the absence of more synchronized growth internationally. China's continuing slowdown has contributed to the significant moderation in global trade flows, notwithstanding ongoing efforts to ratify trade-expanding deals. Oversupply conditions persist in a number of areas, most notably commodities, with prices at or close to cyclical lows. Many businesses are continuing to reduce costs by focusing on boosting operational efficiencies through the elimination of underperforming business lines and through strategic investments, including mergers & acquisitions. Since monetary policy in most countries has already been extensively utilized and has less maneuvering room, some countries and jurisdictions are utilizing expanded infrastructure expenditures to provide the additional thrust needed to support stronger growth.

There is still uncertainty over the extent of the U.S. consumer spending revival underway. The continuing strength in job creation has yet to significantly translate into increasing wage and income gains. While there is considerable pent-up demand for goods and services, U.S. households appear to have become more cautious shoppers, with a propensity to save more and pay down debt. Demographic factors are also in play, with millennials' shopping patterns and student debt burdens contrasting with those of aging and asset-rich baby-boomers. The housing market will be key to the U.S. consumer spending outlook. Confidence is on the rise, but so are mortgage rates. The sharp rise in borrowing costs during the 2013 'taper tantrum' quickly short-circuited the fledgling housing recovery.

Deflation concerns surrounding developments in the euro zone, the U.K. and Japan have diminished alongside encouraging signs of renewed economic growth and the rebound in crude oil prices. For the most part, inflation pressures in the advanced economies are well grounded, even in countries where weaker currencies are lifting imported prices, as in Canada. Going forward, though, stronger and more sustainable growth, particularly in the U.S., has the potential to raise some inflation warning flags if strengthening labour demand, combined with chronic skills mismatches, increases the pressure on wages and overall inflation. In this environment, U.S. borrowing costs would probably rise at an accelerated pace, precipitating risk adjustments to yield curves in most countries, and contributing to sharply higher financial and currency market volatility.

Oil Price Improvement Helping To Stabilize Producing Nations



Source: Scotiabank Economics, Bloomberg.

International	2000-13	2014	2015f	2016f
Real GDP	(annual % change)			
World (based on purchasing power parity)	3.9	3.3	3.2	3.6
Canada	2.2	2.4	1.6	2.0
United States	1.9	2.4	2.3	2.8
Mexico	2.4	2.1	2.6	3.1
United Kingdom	1.8	2.8	2.5	2.3
Euro zone	1.2	0.9	1.5	1.7
Germany	1.2	1.6	1.9	2.0
France	1.4	0.2	1.1	1.4
Italy	0.2	-0.4	0.5	1.0
Spain	1.7	1.4	2.6	2.3
Russia	4.9	0.6	-4.9	0.5
Turkey	4.4	2.9	3.3	3.9
China	9.1	7.4	7.0	6.5
India	7.0	7.4	7.5	7.7
Japan	0.9	-0.1	1.0	1.2
South Korea	4.4	3.3	3.0	3.5
Indonesia	5.8	5.0	5.1	5.7
Australia	3.0	2.7	2.5	2.8
Thailand	4.4	0.9	3.7	4.0
Brazil	3.5	0.1	-1.5	0.8
Colombia	4.2	4.6	3.0	3.4
Peru	5.6	2.4	3.1	4.1
Chile	4.5	1.9	2.4	3.1
Consumer Prices	(y/y % change, year-end)			
Canada	2.0	1.9	1.8	2.1
United States	2.4	1.2	1.0	2.2
Mexico	4.7	4.1	3.2	3.8
United Kingdom	2.3	0.5	0.6	2.3
Euro zone	2.0	-0.2	0.8	1.4
Germany	1.7	0.1	1.0	1.5
France	1.8	0.1	0.7	1.2
Italy	2.3	-0.1	0.5	1.0
Spain	2.7	-1.0	0.5	1.2
Russia	11.4	11.4	12.5	7.9
Turkey	16.6	8.2	7.3	5.9
China	2.4	1.5	1.7	2.1
India*	10.2	4.3	5.8	6.2
Japan	-0.1	2.4	0.7	1.0
South Korea	2.9	0.8	1.7	2.5
Indonesia	5.6	8.4	4.7	5.1
Australia	3.0	1.7	1.8	2.2
Thailand	2.6	0.6	1.0	2.2
Brazil	6.5	6.4	9.0	6.0
Colombia	5.1	3.7	3.8	3.5
Peru	2.6	3.2	3.2	3.0
Chile	3.2	4.6	3.1	2.9

* Wholesale Price Index used prior to 2012.

Forecast Changes

International

- Signs of moderate recovery are emerging in the Japanese economy. Revised data show that real GDP expanded by 1.0% q/q (-1.0% y/y) in the first quarter of 2015 following a 0.1% contraction in 2014 as a whole. Consequently, we have revised Japan's 2015 growth forecast to 1.0% from 0.7%. The economy will likely continue to pick up moderately in 2016, expanding by 1.2%. The somewhat stronger momentum reflects recuperating export sector performance, a pickup in private sector investment given rising corporate profits, as well as household spending that is underpinned by improving income and employment conditions.
- In Brazil, we have made upward adjustments to our Central Bank rate forecast following the recent monetary policy decision, hawkish official rhetoric by monetary authorities, and weaker GDP growth and foreign exchange market projections. Chilean GDP growth and the profile for the Chilean peso have been revised downward in both 2015 and 2016. We have increased our forecast for the Colombian fiscal deficit in the 2015-16 period.
- If a bailout agreement between Greece and its creditors is not reached, there is an increased likelihood of significant turmoil in the Greek economy, which would result in negative ripple effects across Europe and present downside risk to our current euro zone growth outlook of 1.5% and 1.7% in 2015 and 2016, respectively.

International	2000-13	2014	2015f	2016f
Current Account Balance	(% of GDP)			
Canada	-0.1	-2.1	-3.2	-2.4
United States	-4.0	-2.2	-2.6	-2.7
Mexico	-1.4	-2.0	-2.8	-2.6
United Kingdom	-2.5	-5.5	-4.6	-4.5
Euro zone	-0.1	2.1	2.2	2.1
Germany	4.1	7.5	6.6	6.2
France	-0.4	-1.0	-0.8	-0.6
Italy	-1.1	1.9	2.3	2.1
Spain	-5.0	0.8	0.6	0.5
Russia	5.7	3.5	4.5	5.0
Turkey	-4.5	-5.9	-4.9	-5.1
China	4.3	2.1	2.2	2.0
India	-1.5	-1.5	-1.4	-1.8
Japan	2.9	0.5	2.0	2.2
South Korea	2.1	6.3	7.7	6.6
Indonesia	1.4	-2.9	-2.4	-2.2
Australia	-4.5	-2.9	-3.1	-2.7
Thailand	2.5	3.2	3.7	3.3
Brazil	-1.2	-4.0	-4.6	-4.0
Colombia	-1.9	-5.4	-5.8	-5.4
Peru	-1.3	-4.0	-3.9	-3.7
Chile	0.3	-1.2	-0.5	-0.7

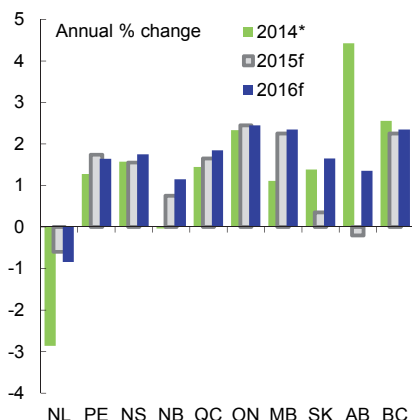
Commodities	(annual average)			
WTI Oil (US\$/bbl)	63	93	58	65
Brent Oil (US\$/bbl)	65	99	63	70
Nymex Natural Gas (US\$/mmbtu)	5.32	4.28	2.95	3.25
Copper (US\$/lb)	2.30	3.11	2.75	2.75
Zinc (US\$/lb)	0.79	0.98	1.00	1.50
Nickel (US\$/lb)	7.58	7.65	6.38	8.75
Gold, London PM Fix (US\$/oz)	792	1,266	1,185	1,185
Pulp (US\$/tonne)	745	1,025	968	975
Newsprint (US\$/tonne)	587	604	558	550
Lumber (US\$/mfbm)	280	349	320	360

Forecast Changes

Commodities

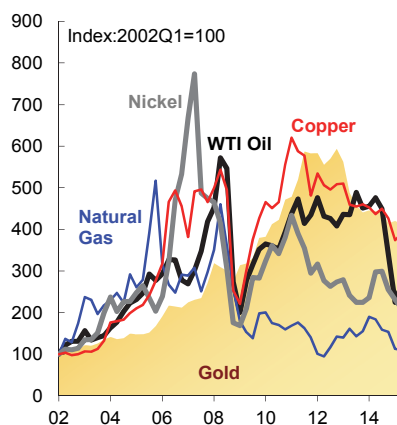
- Oil prices have steadied at the US\$59-60 mark for WTI and US\$63-64 for Brent amid a strong pick-up in global petroleum demand and a slowdown in shale production in the United States. Negotiations on a final nuclear agreement between Iran and the permanent members of the UN Security Council plus Germany get underway this weekend — likely placing some downward pressure on oil prices.
- Lumber & OSB prices retreated in the opening months of 2015, as winter weather in the U.S. Northeast and Midwest and torrential rain in the U.S. South inhibited housing starts. However, prices have snapped back in late May and June with signs of a pick-up in residential construction. Building permits in May rose to the highest level since August 2007, with particular strength in multiple units. A high backlog of sold, but not started units points to a pick-up in construction activity in coming months.
- Base metal prices have lost ground in late June alongside ongoing concern over the Chinese economy and lacklustre global economic conditions. However, the closure of two major zinc mines due to depletion in 2015Q3 will tighten supply & demand conditions for zinc, likely sending prices higher by year-end.

Provincial GDP



* 2014 data are preliminary GDP by industry estimates. Source: Statistics Canada, Scotiabank Economics.

Commodity Price Trends



Source: Bloomberg, Scotiabank Economics.

North America	2000-13	2014	2015f	2016f
Canada				
		(annual % change)		
Real GDP	2.2	2.4	1.6	2.0
Consumer Spending	3.0	2.7	1.9	2.2
Residential Investment	3.8	2.7	4.0	-0.7
Business Investment	3.7	-0.1	-4.5	2.4
Government	2.7	-0.3	0.6	0.3
Exports	0.8	5.4	2.9	4.7
Imports	3.3	1.8	1.3	3.0
Nominal GDP	4.7	4.3	1.4	4.3
GDP Deflator	2.4	1.8	-0.2	2.3
Consumer Price Index	2.0	1.9	1.2	2.1
Core CPI	1.8	1.8	2.2	2.0
Pre-Tax Corporate Profits	5.1	8.8	-7.0	9.0
Employment	1.5	0.6	0.7	0.8
thousands of jobs	235	111	132	146
Unemployment Rate (%)	7.1	6.9	6.8	6.7
Current Account Balance (C\$ bn.)	-6.5	-41.5	-63.4	-51.0
Merchandise Trade Balance (C\$ bn.)	33.9	5.0	-22.5	-10.0
Federal Budget Balance (C\$ bn.)	-4.5	0.8	1.5	2.0
per cent of GDP	-0.3	0.0	0.1	0.1
Housing Starts (thousands)	200	188	180	178
Motor Vehicle Sales (thousands)	1,606	1,851	1,855	1,855
Motor Vehicle Production (thousands)	2,421	2,390	2,430	2,490
Industrial Production	0.5	4.1	0.3	2.7
United States				
Real GDP	1.9	2.4	2.3	2.8
Consumer Spending	2.3	2.5	3.1	3.1
Residential Investment	-1.8	1.6	6.6	7.6
Business Investment	2.0	6.3	3.6	5.1
Government	1.2	-0.2	0.6	0.7
Exports	4.0	3.2	2.2	4.0
Imports	3.4	4.0	5.9	5.3
Nominal GDP	4.0	3.9	3.1	4.6
GDP Deflator	2.1	1.5	0.8	1.7
Consumer Price Index	2.4	1.6	0.4	2.1
Core CPI	2.0	1.7	1.8	2.0
Pre-Tax Corporate Profits	6.9	-0.8	-1.0	5.0
Employment	0.4	1.9	2.1	1.6
millions of jobs	0.51	2.63	2.95	2.33
Unemployment Rate (%)	6.4	6.2	5.3	5.0
Current Account Balance (US\$ bn.)	-535	-390	-459	-511
Merchandise Trade Balance (US\$ bn.)	-655	-741	-769	-833
Federal Budget Balance (US\$ bn.)	-539	-485	-470	-490
per cent of GDP	-4.0	-2.8	-2.6	-2.6
Housing Starts (millions)	1.31	1.00	1.12	1.30
Motor Vehicle Sales (millions)	15.2	16.4	17.0	17.3
Motor Vehicle Production (millions)	10.5	11.7	12.1	12.3
Industrial Production	0.9	4.2	1.8	3.1
Mexico				
Real GDP	2.4	2.1	2.6	3.1
Consumer Price Index (year-end)	4.7	4.1	3.2	3.8
Current Account Balance (US\$ bn.)	-13.7	-26.5	-33.4	-33.5
Merchandise Trade Balance (US\$ bn.)	-6.5	-2.4	-11.6	-10.1

Forecast Changes

Canada & United States

- Our forecast for the Canadian economy is unchanged, with growth pegged at 1.6% and 2.0%, respectively, for 2015 and 2016. While the moderate expansion continues to rely heavily on consumers and housing activity, strengthening U.S. demand alongside a lower-valued Canadian dollar should support a stronger export-led growth trajectory over the forecast horizon.
- We have edged up our forecast of U.S. GDP growth for 2015 to 2.3% following an upward revision to the first quarter. The U.S. economy is showing signs of rebounding in the spring, led by consumer spending and housing activity. The recovery is expected to gain further traction in the second half of the year, setting the stage for a stronger 2.8% average output gain in 2016.
- In Canada, federal pre-election party policy announcements signal potentially greater stimulus through 2016. While multiple policy issues await resolution in Washington, health care stability is supported by the Supreme Court ruling upholding national health insurance subsidies through exchanges.

Mexico

- Modest adjustments have been made to the Mexican peso outlook, and the country's policy outlook remains aligned with that of the U.S. Federal Reserve.

Provincial	2000-13	2014	2015f	2016f	2000-13	2014	2015f	2016f
	<u>Real GDP*</u> (annual % change)				<u>Budget Balances*, FY March 31</u> (\$millions)			
Canada	2.2	2.4	1.6	2.0	-3,102	-5,150	800	1,500
Newfoundland & Labrador	3.1	-2.9	-0.6	-0.8	167	-389	-924	-1,093
Prince Edward Island	1.9	1.3	1.7	1.6	-40	-46	-35	-20
Nova Scotia	1.5	1.6	1.6	1.8	23	-679	-102	-98
New Brunswick	1.3	0.0	0.8	1.2	-97	-499	-255	-477
Quebec	1.8	1.4	1.7	1.9	-836	-2,824	-2,350	0
Ontario	1.9	2.3	2.5	2.5	-4,477	-10,453	-10,933	-8,512
Manitoba	2.4	1.1	2.3	2.4	-6 **	-522	-424	-422
Saskatchewan	2.4	1.4	0.4	1.7	440 ***	589	62	107
Alberta	3.3	4.4	-0.1	1.5	n.a.	-302	248	n.a.
British Columbia	2.6	2.6	2.3	2.4	198	353	879	284
	* 2014 data are preliminary estimates of GDP by industry at basic prices.				* FY15 and FY16: Provinces' estimates. ** FY04-FY13. *** FY16 excludes pension accrual adjustment.			
Provincial	<u>Employment</u> (annual % change)				<u>Unemployment Rate</u> (annual average, %)			
	2000-13	2014	2015f	2016f	2000-13	2014	2015f	2016f
Canada	1.5	0.6	0.7	0.8	7.1	6.9	6.8	6.7
Newfoundland & Labrador	1.3	-1.7	-0.8	-0.9	14.6	11.9	12.6	12.9
Prince Edward Island	1.5	-0.1	0.1	0.6	11.3	10.6	10.6	10.6
Nova Scotia	0.8	-1.1	0.4	0.6	8.9	9.0	8.9	8.7
New Brunswick	0.6	-0.2	0.0	0.4	9.5	9.9	10.0	9.9
Quebec	1.4	0.0	0.8	0.8	8.1	7.7	7.5	7.4
Ontario	1.4	0.8	0.9	1.0	7.2	7.3	6.8	6.8
Manitoba	1.0	0.1	1.2	0.8	5.0	5.4	5.3	5.2
Saskatchewan	1.3	1.0	0.3	0.7	4.9	3.8	4.6	4.5
Alberta	2.7	2.2	0.1	0.5	4.8	4.7	5.6	5.6
British Columbia	1.3	0.6	0.6	0.9	6.7	6.1	6.0	5.9
Provincial	<u>Housing Starts</u> (annual, thousands of units)				<u>Motor Vehicle Sales</u> (annual, thousands of units)			
	2000-13	2014	2015f	2016f	2000-13	2014	2015f	2016f
Canada	200	189	180	178	1,606	1,851	1,855	1,855
Atlantic	12	8	8	8	117	137	137	135
Quebec	45	39	35	37	407	420	426	427
Ontario	72	59	59	60	607	719	726	729
Manitoba	5	6	6	6	45	56	56	56
Saskatchewan	5	8	6	7	44	56	53	52
Alberta	34	41	37	33	211	269	258	256
British Columbia	27	28	29	27	175	194	199	200

Forecast Changes

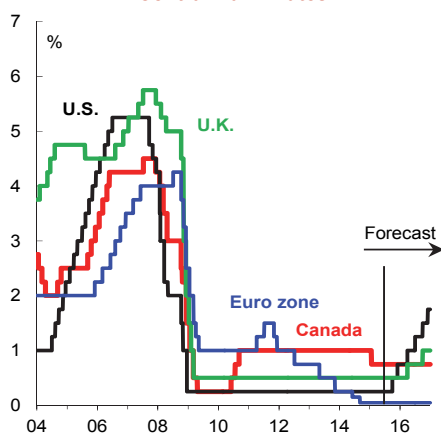
Provinces

- Though Manitoba's employment growth for 2015 is raised to 1.2% and Atlantic Canada's employment is now slightly softer for the year, our forecast of national job creation is unchanged at 0.7%. Ontario's 2015 employment forecast relies upon a boost from June onwards from infrastructure investment and the Pan Am and Parapan Am Games. For British Columbia, a second-half pick-up in employment is expected to reflect several industries' momentum, already evident in the establishment employment survey. In Alberta and Saskatchewan, the impact of lower oil prices is expected to dampen payrolls through December.
- Excluding oil & natural gas, power and motor vehicles which are shipped almost entirely to the U.S., merchandise export receipts rose y/y through April 2015, though growth slowed. Seven provinces report material y/y gains to April while Alberta's rise is modest and Newfoundland and Labrador and New Brunswick are lower.
- Net interprovincial out-migration from Newfoundland and Labrador, Nova Scotia, New Brunswick and Ontario eased in Q1 2015 from a year earlier, and positive net migration into BC almost tripled. Alberta's positive net interprovincial inflow in Q1 dropped to 70% of the year-ago level. Saskatchewan witnessed the largest Q1 net outflow to other regions since 2006. A sizable y/y fall-off in international immigration to Canada during Q4 2014 and Q1 2015 is reflected across all provinces except New Brunswick.
- In Alberta, the new government's withdrawal of prior spending restraint and fee hikes should support domestic demand near-term. Yet constraints persist, reflecting elevated uncertainty and corporate and personal income tax adjustments.
- Across all regions, federal infrastructure allocations are expected to buoy non-residential construction activity over the next few years. For fiscal 2015-16, this will add to a majority of provincial governments maintaining elevated infrastructure investment.

Quarterly Forecasts	2014		2015				2016			
	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Canada										
Real GDP (q/q, ann. % change)	3.2	2.2	-0.6	1.4	2.3	2.0	2.0	2.0	2.2	2.2
Real GDP (y/y, % change)	2.6	2.5	2.1	1.6	1.3	1.3	2.0	2.1	2.1	2.1
Consumer Prices (y/y, % change)	2.1	1.9	1.1	0.9	1.2	1.8	2.1	2.1	2.1	2.1
Core CPI (y/y % change)	2.0	2.2	2.2	2.2	2.1	2.1	2.0	2.0	2.0	2.0
United States										
Real GDP (q/q, ann. % change)	5.0	2.2	-0.2	2.5	3.0	3.2	2.8	2.7	2.5	2.5
Real GDP (y/y, % change)	2.7	2.4	2.9	2.4	1.9	2.1	2.9	2.9	2.8	2.6
Consumer Prices (y/y, % change)	1.8	1.2	-0.1	0.1	0.3	1.0	2.1	2.0	2.1	2.2
Core CPI (y/y % change)	1.8	1.7	1.7	1.7	1.8	1.9	1.9	1.9	2.0	2.1
Financial Markets										
Central Bank Rates										
Americas (% , end of period)										
Bank of Canada	1.00	1.00	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
U.S. Federal Reserve	0.25	0.25	0.25	0.25	0.50	0.75	1.00	1.25	1.50	1.75
Bank of Mexico	3.00	3.00	3.00	3.02	3.50	3.75	4.00	4.25	4.50	4.75
Central Bank of Brazil	11.00	11.75	12.75	13.75	14.25	14.25	13.75	13.25	12.75	12.25
Bank of the Republic of Colombia	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.75	5.00
Central Reserve Bank of Peru	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.50	3.50
Central Bank of Chile	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.25	3.25	3.50
Europe										
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	0.75	0.75	1.00	1.00
Swiss National Bank	0.00	-0.25	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.50
Asia/Oceania										
Reserve Bank of Australia	2.50	2.50	2.25	2.00	2.00	2.00	2.00	2.00	2.25	2.50
People's Bank of China	6.00	5.60	5.35	5.10	5.00	4.90	4.90	4.90	4.90	4.90
Reserve Bank of India	8.00	8.00	7.50	7.25	7.00	7.00	7.00	7.00	7.00	7.00
Bank of Korea	2.25	2.00	1.75	1.50	1.50	1.50	1.50	1.75	2.00	2.25
Bank Indonesia	7.50	7.75	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Bank of Thailand	2.00	2.00	1.75	1.50	1.50	1.50	1.50	1.75	2.00	2.25
Canada										
3-month T-bill	0.92	0.92	0.55	0.58	0.70	0.75	0.75	0.75	0.75	0.75
2-year Canada	1.12	1.01	0.51	0.61	0.75	0.90	1.25	1.50	1.80	2.00
5-year Canada	1.63	1.34	0.76	0.97	1.25	1.50	1.75	1.95	2.10	2.30
10-year Canada	2.15	1.79	1.36	1.80	1.90	1.95	2.15	2.25	2.35	2.45
30-year Canada	2.67	2.34	1.98	2.40	2.40	2.50	2.60	2.70	2.75	2.85
United States										
3-month T-bill	0.02	0.04	0.02	0.00	0.30	1.05	1.30	1.55	1.80	2.10
2-year Treasury	0.57	0.66	0.56	0.70	0.95	1.45	1.70	2.00	2.30	2.60
5-year Treasury	1.76	1.65	1.37	1.72	1.85	2.00	2.15	2.35	2.50	2.70
10-year Treasury	2.49	2.17	1.92	2.40	2.45	2.60	2.80	2.90	2.90	3.00
30-year Treasury	3.20	2.75	2.54	3.15	3.20	3.25	3.30	3.35	3.40	3.50
Canada-U.S. Spreads										
3-month T-bill	0.90	0.88	0.53	0.58	0.40	-0.30	-0.55	-0.80	-1.05	-1.35
2-year	0.56	0.35	-0.05	-0.09	-0.20	-0.55	-0.45	-0.50	-0.50	-0.60
5-year	-0.13	-0.31	-0.61	-0.75	-0.60	-0.50	-0.40	-0.40	-0.40	-0.40
10-year	-0.34	-0.38	-0.56	-0.60	-0.55	-0.65	-0.65	-0.65	-0.55	-0.55
30-year	-0.53	-0.41	-0.56	-0.75	-0.80	-0.75	-0.70	-0.65	-0.65	-0.65

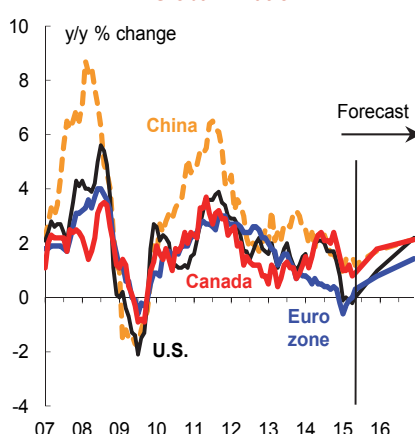
Financial Markets	2014		2015				2016			
	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Exchange Rates										
Americas										
(end of period)										
Canadian Dollar (USDCAD)	1.12	1.16	1.27	1.24	1.23	1.26	1.26	1.25	1.25	1.24
Canadian Dollar (CADUSD)	0.89	0.86	0.79	0.81	0.81	0.79	0.79	0.80	0.80	0.81
Mexican Peso (USDMXN)	13.43	14.75	15.26	15.57	15.65	15.50	15.34	15.09	15.04	15.12
Brazilian Real (USDBRL)	2.45	2.66	3.20	3.13	3.25	3.30	3.35	3.40	3.45	3.40
Colombian Peso (USDCOP)	2025	2377	2600	2577	2550	2575	2625	2650	2675	2700
Peruvian Nuevo Sol (USDPEN)	2.89	2.98	3.10	3.17	3.22	3.20	3.25	3.28	3.24	3.25
Chilean Peso (USDCLP)	598	606	625	635	630	631	631	632	633	634
Canadian Dollar Cross Rates										
Euro (EURCAD)	1.41	1.41	1.36	1.38	1.33	1.32	1.32	1.30	1.28	1.24
U.K. Pound (GBPCAD)	1.82	1.81	1.88	1.95	1.88	1.90	1.90	1.89	1.90	1.88
Japanese Yen (CADJPY)	98	103	95	100	100	99	102	103	104	106
Australian Dollar (AUDCAD)	0.98	0.95	0.97	0.95	0.93	0.92	0.92	0.93	0.94	0.93
Mexican Peso (CADMXN)	11.99	12.69	12.03	12.59	12.72	12.30	12.18	12.07	12.03	12.19
Europe										
Euro (EURUSD)	1.26	1.21	1.07	1.12	1.08	1.05	1.05	1.04	1.02	1.00
U.K. Pound (GBPUSD)	1.62	1.56	1.48	1.57	1.53	1.51	1.51	1.51	1.52	1.52
Swiss Franc (USDCHF)	0.96	0.99	0.97	0.93	0.98	1.02	1.03	1.05	1.08	1.10
Swedish Krona (USDSEK)	7.21	7.81	8.63	8.30	8.55	8.60	8.60	8.60	8.60	8.60
Norwegian Krone (USDNOK)	6.43	7.45	8.06	7.84	7.85	7.90	7.90	7.85	7.75	7.70
Russian Ruble (USDRUB)	39.6	60.7	58.2	55.3	56.5	56.0	55.5	55.0	54.0	53.0
Turkish Lira (USDTRY)	2.28	2.34	2.60	2.67	2.77	2.80	2.78	2.75	2.69	2.65
Asia/Oceania										
Japanese Yen (USDJPY)	110	120	120	124	123	125	128	129	130	131
Australian Dollar (AUDUSD)	0.87	0.82	0.76	0.77	0.76	0.73	0.73	0.74	0.75	0.75
Chinese Yuan (USDCNY)	6.14	6.21	6.20	6.21	6.15	6.10	6.08	6.05	6.03	6.00
Indian Rupee (USDINR)	61.8	63.0	62.5	63.6	65.0	66.0	66.4	66.8	67.1	67.5
South Korean Won (USDKRW)	1055	1091	1110	1116	1140	1170	1165	1160	1155	1150
Indonesian Rupiah (USDIDR)	12188	12388	13074	13308	13650	14000	13975	13950	13925	13900
Thai Baht (USDTHB)	32.4	32.9	32.5	33.8	34.2	34.5	34.4	34.3	34.1	34.0

Central Bank Rates



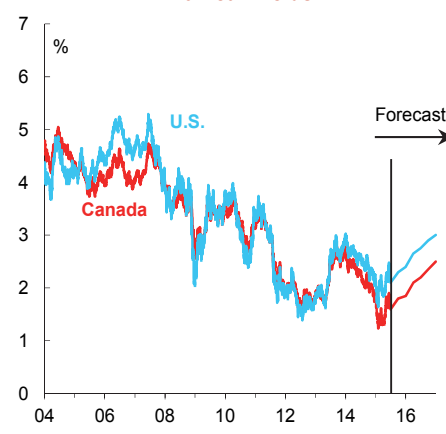
Source: Bloomberg, Scotiabank Economics.

Global Inflation



Source: Bloomberg, Scotiabank Economics.

10-Year Yields



Source: Bloomberg, Scotiabank Economics.