

Global Forecast Update

Still Not Your Typical Economic Expansion

Six years and counting, global output growth has been steadily moderating following the massive stimulus-induced bounce in 2010 from the depths of the Great Recession. This is the opposite of past cycles where recoveries gained momentum on the back of strengthening and more synchronized activity among advanced and developing economies. For the time being, downside risks to growth are still dominating the outlook.

The differential economic performances throughout the world are striking. Among the two largest growth engines, the U.S. economy is gradually powering up, while China's economy is gradually powering down. The U.K. and India are posting relatively solid growth rates, but Brazil and Russia are in deep recession. Many countries, Canada included, fall into the 'moderate growth' performance category, with the negative trade impact of slowing Chinese growth having a greater impact than the positive trade impact associated with the U.S. revival. Low interest rates and low oil prices are helping to underpin global activity, but the generally sluggish behaviour internationally leaves little margin for error if downside risks persist.

The volume of world trade is growing slowly, below even the moderate advance in global real GDP which is currently trending around 3%. This contrasts with the performance in 2000-07 when the combined volume of exports and imports expanded faster than worldwide output growth. And prospects are not very encouraging. Aggregate new orders for durable goods are generally soft outside of a relatively few sectors such as transportation equipment which includes commercial airliners, rail stock, and motor vehicles. Consequently, worldwide industrial activity remains moribund, as is global bulk shipping.

Inflation remains at low levels, even in the U.S. and other countries where domestic demand is relatively firm and skilled labour shortages are evident. In China, producer prices have been consistently contracting in recent years. Deflationary shocks are continuing to pressure commodity prices, nominal earnings, and yields on interest-bearing securities, in addition to longer-term inflation expectations. Risk assets, such as luxury real estate, art work and other collectibles for example, have posted stronger gains internationally, the by-product of the record expansion of central bank balance sheets needed to resuscitate and sustain activity in many of the large industrial nations.

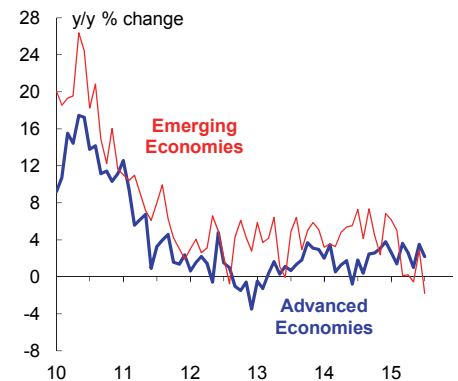
The compression of growth and earnings is forcing many businesses around the world to rationalize and consolidate their operations. Asset sales and mergers & acquisitions are on the rise, particularly in the hard-pressed resource sectors. Business investment has slowed, and the ratcheting up in financial and currency market volatility since mid-year will likely exacerbate the uncertainty surrounding the economic environment, and reinforce the current caution in capital spending.

The persistent sub-par performance of the global economy largely reflects the multiple structural imbalances that have been slow to recede, but also the dampening of growth triggered by frequent geopolitical events as well as the temporary interruptions caused by factors such as strikes and bad weather. Despite the significant deleveraging efforts on the part of some segments of the global economy including both the private and public sectors, aggregate levels of indebtedness have continued to rise and remain a headwind to stronger growth.

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Little Traction in Global Trade Volumes



Source: CPB Netherlands Bureau for Economic Policy Analysis, Scotiabank Economics.

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The Canadian economy is caught in this global 'tug-of-war'. The nation's output growth is being constrained by the broad-based weakness in the value of commodity-related exports, with the potential for even further retrenchment and investment cutbacks in the beleaguered oil patch, and increasingly other resource sectors as well. Even so, Canada's highly diversified economy has been able to offset some of the commodity-related weakness, relying on its increasing shipments to the expanding U.S. economy, and its large and broad-based service sector, including financial, business, and technology services.

At present, there are still considerable downside risks to the outlook which could undermine growth even further ...

- Global growth could lose even more momentum, dragged further down by a potentially weaker performance in China which would exacerbate the softer conditions in many emerging market economies that depend upon export markets throughout the Asia-Pacific region.
- Commodity-producing nations remain at risk of further weakness as adjustments needed to correct oversupplies in most resource sectors result in reduced capital expenditures and output growth.
- The very moderate recovery in the euro zone is susceptible to unexpected developments which could undermine the economic progress to date. The region's industrial activity will be challenged by the reduced demand for exports destined for China, with German auto production also affected by the scandal surrounding diesel engine emissions. Budgets will be stretched to deal with the intensifying migrant issue affecting most of the continent.
- Escalating risk in financial markets — slumping equity prices, sharply increasing volatility metrics and widening credit spreads — compounds the uncertain outlook and has the potential to further undermine business confidence and investment.
- The U.S. dollar has strengthened in response to the relative outperformance of the U.S. economy, the expected widening in short-term interest rate differentials between the U.S. and other more inflation-prone economies, and safe-haven capital inflows from less financially robust emerging market economies. A stronger U.S. dollar could add to the drag on the U.S. economy from a further erosion in net trade and U.S. earnings derived from foreign sources.
- Slower global growth coupled with the ongoing weakness in commodity prices increases the risk of a deflationary shock that overwhelms the cyclical rebound in prices in the U.S. and the U.K. where capacity constraints and wage pressures are showing some signs of emerging.
- Increasing event risk, as evidenced by the expanding list of geopolitical and weather-related issues, has the potential to aggravate confidence and defer spending even more.

... Although there are some factors which could lead to a renewed strengthening in global activity.

- The United States could post even stronger output growth, led by rising household expenditures in response to increasing job opportunities, strengthening income trends, and much improved balance sheets. The U.K. should also remain a relative outperformer, benefiting from continued capital inflows and construction activity.
- Comparatively low gasoline prices are a major boost to household and business spending power.
- Very accommodative policy settings in many countries and regions have the potential to underpin increased economic momentum around the world. Many central banks are still reducing historically low borrowing costs, while currencies are adjusting lower vis-à-vis the U.S. dollar to help boost export competitiveness.
- Recapitalized financial institutions, especially in the U.S. and increasingly in Western Europe, have the balance sheet strength and capabilities to further expand bank lending to households and businesses.

The uncertainty surrounding the outlook shows few signs of abating. It will take time to determine if the recent easing initiatives on the part of the Chinese authorities will help to slow the economic deceleration underway. Similarly, it will take more time in the U.S. to find out whether the drag from external trade will intensify alongside the weaker growth trends and the competitive exchange rate revaluations versus the greenback around the world. And while the long-awaited normalization of emergency-level borrowing costs in the U.S. could begin later this year, there is increasing concern internationally that a sustained rise in both short- and long-term U.S. interest rates, alongside an even stronger dollar, would adversely affect global growth and financial markets. These conditions would be particularly challenging for those countries that have less policy flexibility to deal with chronic underperformance.

International	2000-13	2014	2015f	2016f
Real GDP	(annual % change)			
World (based on purchasing power parity)	3.9	3.3	3.0	3.4
Canada	2.2	2.4	1.0	1.7
United States	1.8	2.4	2.5	2.6
Mexico	2.4	2.1	2.5	2.8
United Kingdom	1.8	3.0	2.6	2.3
Euro zone	1.2	0.9	1.4	1.6
Germany	1.2	1.6	1.6	1.8
France	1.4	0.2	1.0	1.3
Italy	0.2	-0.4	0.7	1.0
Spain	1.7	1.4	3.0	2.5
Russia	4.9	0.6	-4.5	0.3
Turkey	4.4	2.9	3.4	3.5
China	9.9	7.3	6.8	6.4
India	7.0	7.1	7.3	7.6
Japan	0.9	-0.1	0.9	1.2
South Korea	4.4	3.3	2.5	3.3
Indonesia	5.8	5.0	4.9	5.4
Australia	3.0	2.7	2.3	2.7
Thailand	4.4	0.9	3.0	3.6
Brazil	3.5	0.1	-2.8	-1.2
Colombia	4.2	4.6	2.8	3.0
Peru	5.6	2.4	3.1	3.5
Chile	4.5	1.9	2.3	2.2
Consumer Prices	(y/y % change, year-end)			
Canada	2.0	1.9	1.5	2.2
United States	2.4	1.2	0.8	2.2
Mexico	4.7	4.1	3.5	4.6
United Kingdom	2.3	0.5	0.2	1.4
Euro zone	2.0	-0.2	0.2	1.2
Germany	1.7	0.1	0.3	1.3
France	1.8	0.1	0.2	1.1
Italy	2.3	-0.1	0.2	0.9
Spain	2.7	-1.0	0.1	1.2
Russia	11.4	11.4	13.0	7.5
Turkey	16.6	8.2	7.5	6.1
China	2.4	1.5	2.0	2.1
India*	10.2	4.3	5.8	6.1
Japan	-0.1	2.4	0.5	1.0
South Korea	2.9	0.8	1.5	2.1
Indonesia	5.6	8.4	4.3	5.0
Australia	3.0	1.7	1.5	2.0
Thailand	2.6	0.6	0.0	1.6
Brazil	6.5	6.4	9.6	6.5
Colombia	5.1	3.7	4.5	3.5
Peru	2.6	3.2	4.0	3.5
Chile	3.2	4.6	4.4	2.9

* Wholesale Price Index used prior to 2012.

Forecast Changes

International

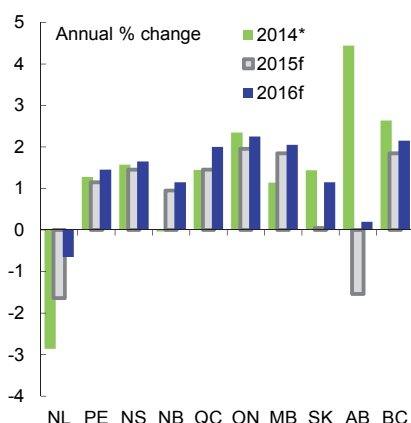
- Brazil** remains under severe economic duress as it implements its deep structural adjustment, prolonging a recessionary environment well into next year. We project a GDP decline of 2.8% for 2015 with inflation nearing the double digits. Oil-driven fiscal adjustments have prompted minor downward revisions to our growth projections in both **Mexico** and **Colombia**. In Mexico's case, we incorporate a higher inflation estimate for 2016 as a result of currency devaluation pass-through effects. The El Niño weather episode will likely translate into lower growth and higher inflation in **Peru**. Finally, heightened volatility and bearish sentiment in emerging markets triggered a weaker environment for Latin American currencies in anticipation of the first hike by the U.S. Federal Reserve. Pre-emptive monetary action by Colombia prompted revisions to our Colombian monetary outlook.
- The **South Korean** export-oriented economy is feeling the impact of subdued global demand. Accordingly, we have made a modest adjustment to our real GDP growth projections and now estimate that the country's output will expand by 2.5% this year. As policymakers' fiscal and monetary stimulus filter through to the real economy and business and consumer sentiment continue to recuperate, South Korea's economic growth will likely reach 3.3% in 2016.
- We have adjusted our outlook for **Australia's** central bank reference rate and now expect the RBA to remain on hold until the end of our forecast horizon.
- Incoming economic indicators suggest that the **euro zone** recovery remains on track. However, risks to the region's near-term growth outlook are on the downside, with slower growth in China threatening to temper demand for exports, while the economic impact of the migrant crisis is still unknown.

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International	2000-13	2014	2015f	2016f
Current Account Balance	(% of GDP)			
Canada	-0.1	-2.1	-3.4	-2.7
United States	-4.0	-2.2	-2.5	-2.6
Mexico	-1.4	-1.9	-2.6	-2.0
United Kingdom	-2.5	-5.9	-4.9	-4.2
Euro zone	-0.1	2.0	2.4	2.2
Germany	4.1	7.4	8.1	8.0
France	-0.4	-1.0	-0.7	-0.6
Italy	-1.1	1.9	2.2	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	-5.0	-5.4
China	4.3	2.1	3.1	2.8
India	-1.5	-1.5	-1.3	-1.6
Japan	2.9	0.5	2.9	2.6
South Korea	2.1	6.3	7.9	7.2
Indonesia	1.4	-3.1	-2.4	-2.3
Australia	-4.5	-3.0	-3.5	-3.1
Thailand	2.5	3.3	4.6	3.9
Brazil	-1.2	-4.0	-4.7	-4.1
Colombia	-1.9	-5.3	-6.5	-5.8
Peru	-1.3	-4.0	-3.8	-3.3
Chile	0.3	-1.2	-0.9	-1.6

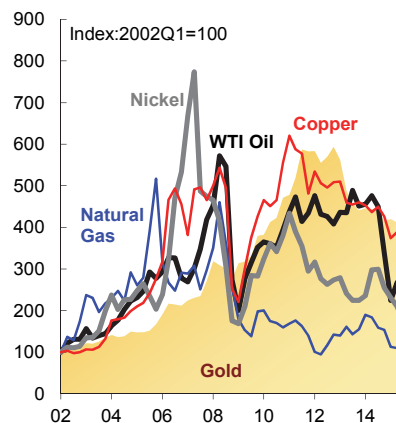
Commodities	(annual average)			
WTI Oil (US\$/bbl)	63	93	49	45-50
Brent Oil (US\$/bbl)	65	99	54	50-55
Nymex Natural Gas (US\$/mmbtu)	5.32	4.28	2.80	2.80
Copper (US\$/lb)	2.30	3.11	2.54	2.30
Zinc (US\$/lb)	0.79	0.98	0.89	0.95-1.00
Nickel (US\$/lb)	7.58	7.65	5.50	6.15
Gold, London PM Fix (US\$/oz)	792	1,266	1,165	1,125
Pulp (US\$/tonne)	745	1,025	968	975
Newsprint (US\$/tonne)	587	604	543	527
Lumber (US\$/mfbm)	280	349	285	340

Provincial GDP



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

Commodity Price Trends



Source: Bloomberg, Scotiabank Economics.

Forecast Changes

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International

The Volkswagen emissions scandal also poses a risk to German output, and will likely have wide-reaching implications for the European auto industry. The inflation outlook in the euro zone has softened, due to the pullback in global oil and other commodity prices.

Commodities

- Scotiabank's Commodity Price Index plunged to a decade-low in August — 13.9% below the April 2009 bottom. While many commodity prices including base metals remain well above 2008-09 recessionary lows, today's commodity market weakness is broader based. China has been a relative bright spot in the global economy — but financial market turbulence in China (the sharp equity market correction and the depreciation of the yuan) touched off fears of a hard landing in August and raised questions over the medium-term outlook for China as a growth market for raw materials — especially for oil and metals.
- China's potential to lift world raw material demand medium term will remain intact, even as it transitions to a consumer and services-led economy. As an example, vehicle ownership in China is a mere 104 per 1,000 people compared with 803 in the United States (2014 data) — indicating huge potential growth in metal and gasoline-intensive vehicle sales and production, despite a near-term slowdown.
- While growth rates for base metal consumption in China will slow over the balance of the decade, actual demand is still growing. Base metal prices will lift later in the decade as supplies tighten.
- The Scotiabank Commodity Price Index will likely increase slightly in September, with WTI oil prices moving back to the US\$45 level. Renewed weakness in oil-targeted drilling activity in the U.S. shales in the past month points to further gradual declines in U.S. oil production.

North America	2000-13	2014	2015f	2016f
Canada				
		(annual % change)		
Real GDP	2.2	2.4	1.0	1.7
Consumer Spending	3.0	2.7	1.9	2.1
Residential Investment	3.8	2.7	3.3	-0.7
Business Investment	3.7	-0.1	-7.3	0.5
Government	2.7	-0.3	0.8	0.5
Exports	0.8	5.4	2.3	3.7
Imports	3.3	1.8	1.0	2.2
Nominal GDP	4.7	4.3	0.7	3.4
GDP Deflator	2.4	1.8	-0.4	1.6
Consumer Price Index	2.0	1.9	1.1	1.9
Core CPI	1.8	1.8	2.2	2.1
Pre-Tax Corporate Profits	5.1	8.8	-10.0	7.0
Employment	1.5	0.6	0.8	0.7
thousands of jobs	235	111	143	122
Unemployment Rate (%)	7.1	6.9	6.8	6.9
Current Account Balance (C\$ bn.)	-6.5	-41.5	-67.0	-54.5
Merchandise Trade Balance (C\$ bn.)	33.9	5.0	-24.4	-14.7
Federal Budget Balance (C\$ bn.)	-4.5	1.9	0	0
per cent of GDP	-0.3	0.1	0	0
Housing Starts (thousands)	200	188	186	180
Motor Vehicle Sales (thousands)	1,606	1,851	1,855	1,855
Motor Vehicle Production (thousands)	2,421	2,390	2,271	2,330
Industrial Production	0.5	4.1	-1.0	2.1
United States				
Real GDP	1.8	2.4	2.5	2.6
Consumer Spending	2.2	2.7	3.2	3.1
Residential Investment	-2.0	1.8	8.7	7.2
Business Investment	2.1	6.2	3.4	4.4
Government	1.1	-0.6	0.6	0.7
Exports	4.0	3.4	1.8	3.8
Imports	3.3	3.8	5.6	5.0
Nominal GDP	4.0	4.1	3.6	4.5
GDP Deflator	2.1	1.6	1.1	1.8
Consumer Price Index	2.4	1.6	0.3	1.9
Core CPI	2.0	1.7	1.8	2.1
Pre-Tax Corporate Profits	6.6	1.7	1.0	5.5
Employment	0.4	1.9	2.1	1.6
millions of jobs	0.51	2.63	2.90	2.32
Unemployment Rate (%)	6.4	6.2	5.3	4.9
Current Account Balance (US\$ bn.)	-535	-390	-455	-495
Merchandise Trade Balance (US\$ bn.)	-655	-741	-767	-823
Federal Budget Balance (US\$ bn.)	-539	-483	-415	-445
per cent of GDP	-4.0	-2.8	-2.3	-2.4
Housing Starts (millions)	1.31	1.00	1.13	1.30
Motor Vehicle Sales (millions)	15.2	16.4	17.2	17.6
Motor Vehicle Production (millions)	10.5	11.7	12.1	12.3
Industrial Production	0.7	3.7	1.8	2.8
Mexico				
Real GDP	2.4	2.1	2.5	2.8
Consumer Price Index (year-end)	4.7	4.1	3.5	4.6
Current Account Balance (US\$ bn.)	-13.7	-25.0	-29.8	-24.5
Merchandise Trade Balance (US\$ bn.)	-6.5	-2.8	-10.5	-3.6

Forecast Changes

Canada & United States

- We are maintaining our cautious outlook for the Canadian economy for 2015-16. Household spending and housing activity remain reasonably buoyant. However, persistently weak commodity prices are weighing heavily on resource-related activity and capital investment. Non-resource exports are showing tentative signs of a pickup, benefitting from strengthening U.S. demand and a more competitive currency.
- Our forecast for U.S. GDP growth also is unchanged from last month. The U.S. economy is showing signs of improving momentum, with strong job growth, rising income gains and pent-up demand underpinning the consumer and housing sectors. Overall industrial activity and business investment have been slower to turn, held back by the retrenchment in oil & gas drilling, weak global demand and U.S. dollar strength.
- After six years of red ink, Canada's federal surplus for fiscal 2014-15 (FY15) offers a solid start to the current fiscal year. For the first third of FY16, a \$5.2 billion surplus is reported, propelled by a 9.3% y/y surge in receipts, but softening revenues are anticipated for the rest of FY16. Stronger-than-forecast revenues also are expected to benefit the final U.S. federal deficit for fiscal 2015, though uncertainty continues to shadow the FY16 balance.

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	1.0	1.7	-3,102	-5,150	1,911 *	0
Newfoundland & Labrador	3.1	-2.9	-1.6	-0.7	167	-389	-924	-1,093
Prince Edward Island	1.9	1.3	1.2	1.5	-40	-46	-35	-20
Nova Scotia	1.5	1.6	1.5	1.7	23	-677	-144 *	-123
New Brunswick	1.3	0.0	1.0	1.2	-97	-600	-389 *	-471
Quebec	1.8	1.4	1.5	2.0	-836	-2,824	-2,350	0
Ontario	1.9	2.3	2.0	2.3	-4,477	-10,453	-10,315 *	-8,512
Manitoba	2.4	1.1	1.9	2.1	-6 **	-522	-452 *	-422
Saskatchewan	2.4	1.4	0.1	1.2	186 **	589	62 *	-292
Alberta	3.3	4.4	-1.5	0.2	2,043 **	-302	1,115 *	-5,884
British Columbia	2.6	2.6	1.9	2.2	186	327	1,683 *	277
	* 2014 data are preliminary estimates of GDP by industry at basic prices.				* Final for FY15; Other FY15 & FY16: Provinces' estimates. ** MB:FY04-FY13; AB:FY05-FY13; SK:FY16 ex 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	0.8	0.7	7.1	6.9	6.8	6.9
Newfoundland & Labrador	1.3	-1.7	-1.0	-0.7	14.6	11.9	12.6	13.0
Prince Edward Island	1.5	-0.1	-0.8	0.6	11.3	10.6	10.8	10.7
Nova Scotia	0.8	-1.1	0.4	0.6	8.9	9.0	8.8	8.6
New Brunswick	0.6	-0.2	-0.4	0.4	9.5	9.9	10.1	9.9
Quebec	1.4	0.0	0.9	0.8	8.1	7.7	7.7	7.6
Ontario	1.4	0.8	0.9	0.9	7.2	7.3	6.7	6.6
Manitoba	1.0	0.1	1.4	0.7	5.0	5.4	5.5	5.4
Saskatchewan	1.3	1.0	0.4	0.3	4.9	3.8	4.9	5.1
Alberta	2.7	2.2	0.8	0.0	4.8	4.7	5.9	6.3
British Columbia	1.3	0.6	0.7	0.9	6.7	6.1	5.9	5.8
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	186	180	1,606	1,851	1,855	1,855
Atlantic	12	8	8	8	117	137	137	135
Quebec	45	39	35	37	407	420	428	430
Ontario	72	59	63	61	607	719	729	733
Manitoba	5	6	6	6	45	56	56	56
Saskatchewan	5	8	5	6	44	56	54	53
Alberta	34	41	38	32	211	269	250	245
British Columbia	27	28	31	30	175	194	201	203

Forecast Changes

Provinces

- Our provincial real GDP outlook is unchanged this month for both 2015 and 2016. For labour markets, Alberta is an example of current mixed indicators, with the household *Labour Force Survey* through August reporting job creation at twice the pace of the establishment survey through June. The latter estimate is more in line with other metrics such as average weekly hours. For the Maritime provinces, however, both surveys show soft employment growth so far this year.
- Preliminary estimates of Western Canada's 2015 crop production are varied, with Manitoba's good growing season yielding multiple crop gains as drought restricts Alberta's harvests. For Saskatchewan, assessments for barley and oats are upbeat, but wheat and canola suffered.
- Aiding provincial international merchandise trade balances this year are lower import payments for seven provinces through July. Excluding energy, import payments to date have dropped 12% y/y in Saskatchewan and 10% Alberta, but climbed 15% and 12% in New Brunswick and Ontario. Importantly, growth in ex-energy export receipts to July is outpacing import payments in six provinces.
- Stronger-than-expected condominium starts in the Toronto area have pushed up our forecast of Ontario housing starts for 2015. For British Columbia this year, starts are edged higher, reflecting the ongoing strength in Vancouver.
- With final fiscal 2014-15 (FY15) results from seven of the Provinces, the aggregate provincial deficit is now just \$11¼ billion, improving upon FY14 by \$3 billion and upon FY15 *Budget* estimates by almost \$4 billion. For FY16, provincial updates to date underline the careful management needed to achieve fiscal plans.

Quarterly Forecasts	2014		2015				2016			
	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Canada										
Real GDP (q/q, ann. % change)	3.2	2.2	-0.8	-0.5	1.8	1.5	1.8	2.0	2.2	2.2
Real GDP (y/y, % change)	2.6	2.5	2.0	1.0	0.7	0.5	1.2	1.8	1.9	2.1
Consumer Prices (y/y, % change)	2.1	1.9	1.1	0.9	1.1	1.5	1.7	1.7	1.9	2.2
Core CPI (y/y % change)	2.0	2.2	2.2	2.2	2.2	2.2	2.1	2.1	2.1	2.1
United States										
Real GDP (q/q, ann. % change)	4.3	2.1	0.6	3.9	2.0	2.6	2.8	2.6	2.4	2.4
Real GDP (y/y, % change)	2.9	2.5	2.9	2.7	2.2	2.3	2.8	2.5	2.6	2.6
Consumer Prices (y/y, % change)	1.8	1.2	-0.1	0.0	0.2	0.8	1.6	1.6	1.9	2.2
Core CPI (y/y % change)	1.8	1.7	1.7	1.8	1.8	1.9	2.0	2.0	2.1	2.1
Financial Markets										
Central Bank Rates										
Americas (% , end of period)										
Bank of Canada	1.00	1.00	0.75	0.75	0.50	0.50	0.50	0.50	0.50	0.50
U.S. Federal Reserve	0.25	0.25	0.25	0.25	0.25	0.50	0.75	1.00	1.25	1.50
Bank of Mexico	3.00	3.00	3.00	3.00	3.00	3.50	4.00	4.25	4.50	4.75
Central Bank of Brazil	11.00	11.75	12.75	13.75	14.25	14.25	14.25	13.75	13.25	12.75
Bank of the Republic of Colombia	4.50	4.50	4.50	4.50	4.75	4.75	5.00	5.25	5.25	5.25
Central Reserve Bank of Peru	3.50	3.50	3.25	3.25	3.50	3.50	3.75	3.75	3.75	3.75
Central Bank of Chile	3.25	3.00	3.00	3.00	3.00	3.25	3.25	3.25	3.25	3.25
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	0.00	0.00	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	-0.75
Asia/Oceania										
Reserve Bank of Australia	2.50	2.50	2.25	2.00	2.00	2.00	2.00	2.00	2.00	2.00
People's Bank of China	6.00	5.60	5.35	4.85	4.60	4.35	4.35	4.35	4.35	4.35
Reserve Bank of India	8.00	8.00	7.50	7.25	6.75	6.75	6.75	6.75	6.75	6.75
Bank of Korea	2.25	2.00	1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.75
Bank Indonesia	7.50	7.75	7.50	7.50	7.50	7.50	7.25	7.25	7.25	7.25
Bank of Thailand	2.00	2.00	1.75	1.50	1.50	1.25	1.25	1.25	1.25	1.50
Canada										
3-month T-bill	0.92	0.92	0.55	0.40	0.43	0.50	0.50	0.50	0.55	0.85
2-year Canada	1.12	1.01	0.51	0.41	0.51	0.75	1.00	1.30	1.60	1.80
5-year Canada	1.63	1.34	0.76	0.77	0.79	1.15	1.50	1.85	2.00	2.20
10-year Canada	2.15	1.79	1.36	1.44	1.43	1.80	2.10	2.30	2.30	2.40
30-year Canada	2.67	2.34	1.98	2.13	2.18	2.40	2.60	2.70	2.75	2.85
United States										
3-month T-bill	0.02	0.04	0.02	0.07	0.00	0.55	1.00	1.20	1.40	1.85
2-year Treasury	0.57	0.66	0.56	0.66	0.64	1.10	1.60	1.90	2.30	2.60
5-year Treasury	1.76	1.65	1.37	1.53	1.38	1.75	2.15	2.35	2.50	2.70
10-year Treasury	2.49	2.17	1.92	2.18	2.05	2.35	2.60	2.70	2.80	3.00
30-year Treasury	3.20	2.75	2.54	2.91	2.85	3.10	3.30	3.35	3.40	3.50
Canada-U.S. Spreads										
3-month T-bill	0.90	0.88	0.53	0.33	0.43	-0.05	-0.50	-0.70	-0.85	-1.00
2-year	0.56	0.35	-0.05	-0.25	-0.13	-0.35	-0.60	-0.60	-0.70	-0.80
5-year	-0.13	-0.31	-0.61	-0.76	-0.59	-0.60	-0.65	-0.50	-0.50	-0.50
10-year	-0.34	-0.38	-0.56	-0.74	-0.62	-0.55	-0.50	-0.40	-0.50	-0.60
30-year	-0.53	-0.41	-0.56	-0.78	-0.67	-0.70	-0.70	-0.65	-0.65	-0.65

Financial Markets

Exchange Rates

Americas

	2014		2015				2016			
	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Canadian Dollar (USDCAD)	1.12	1.16	1.27	1.25	1.34	1.37	1.36	1.35	1.35	1.34
Canadian Dollar (CADUSD)	0.89	0.86	0.79	0.80	0.75	0.73	0.74	0.74	0.74	0.75
Mexican Peso (USDMXN)	13.43	14.75	15.26	15.74	16.91	17.42	17.06	16.73	16.15	16.19
Brazilian Real (USDBRL)	2.45	2.66	3.20	3.10	3.99	4.20	4.25	4.30	4.35	4.40
Colombian Peso (USDCOP)	2025	2377	2600	2606	3087	3150	3200	3225	3250	3300
Peruvian Nuevo Sol (USDPEN)	2.89	2.98	3.10	3.18	3.22	3.27	3.32	3.36	3.36	3.35
Chilean Peso (USDCLP)	598	606	625	639	698	699	696	696	697	698

(end of period)

Canadian Dollar Cross Rates

Euro (EURCAD)	1.41	1.41	1.36	1.39	1.50	1.44	1.43	1.40	1.38	1.34
U.K. Pound (GBPCAD)	1.82	1.81	1.88	1.96	2.03	2.07	2.05	2.04	2.05	2.04
Japanese Yen (CADJPY)	98	103	95	98	90	91	94	96	96	98
Australian Dollar (AUDCAD)	0.98	0.95	0.97	0.96	0.94	0.96	0.97	0.97	0.99	0.99
Mexican Peso (CADMXN)	11.99	12.69	12.03	12.60	12.64	12.71	12.54	12.39	11.96	12.08

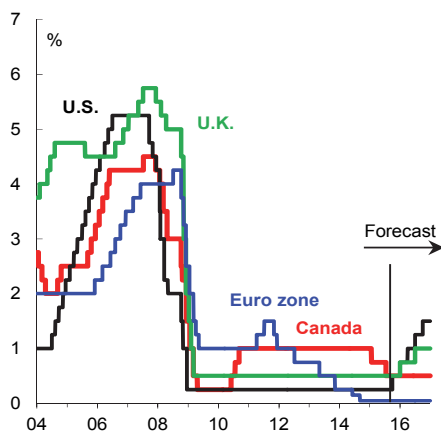
Europe

Euro (EURUSD)	1.26	1.21	1.07	1.11	1.12	1.05	1.05	1.04	1.02	1.00
U.K. Pound (GBPUSD)	1.62	1.56	1.48	1.57	1.52	1.51	1.51	1.51	1.52	1.52
Swiss Franc (USDCHF)	0.96	0.99	0.97	0.94	0.98	1.03	1.03	1.05	1.08	1.10
Swedish Krona (USDSEK)	7.21	7.81	8.63	8.28	8.41	8.60	8.60	8.55	8.55	8.50
Norwegian Krone (USDNOK)	6.43	7.45	8.06	7.85	8.53	8.30	8.20	8.10	8.00	7.90
Russian Ruble (USDRUB)	39.6	60.7	58.2	55.3	65.4	69.0	67.0	65.0	60.0	58.0
Turkish Lira (USDTRY)	2.28	2.34	2.60	2.68	3.03	2.95	2.95	2.90	2.85	2.80

Asia/Oceania

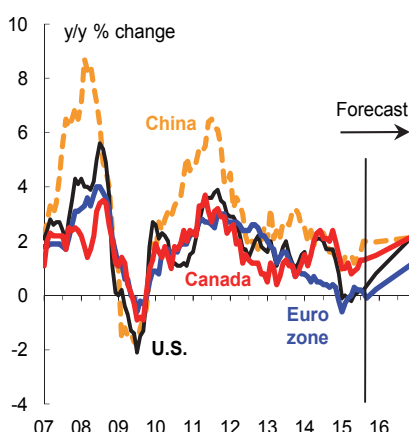
Japanese Yen (USDJPY)	110	120	120	123	120	125	128	129	130	131
Australian Dollar (AUDUSD)	0.87	0.82	0.76	0.77	0.70	0.70	0.71	0.72	0.73	0.74
Chinese Yuan (USDCNY)	6.14	6.21	6.20	6.20	6.36	6.60	6.65	6.70	6.75	6.80
Indian Rupee (USDINR)	61.8	63.0	62.5	63.7	65.6	67.0	67.3	67.5	67.8	68.0
South Korean Won (USDKRW)	1055	1091	1110	1115	1185	1210	1205	1200	1195	1190
Indonesian Rupiah (USDIDR)	12188	12388	13074	13339	14653	14300	14325	14350	14375	14400
Thai Baht (USDTHB)	32.4	32.9	32.5	33.8	36.4	36.5	36.6	36.8	36.9	37.0

Central Bank Rates



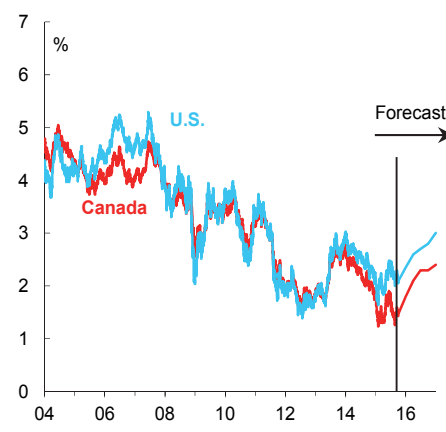
Source: Bloomberg, Scotiabank Economics.

Global Inflation



Source: Bloomberg, Scotiabank Economics.

10-Year Yields



Source: Bloomberg, Scotiabank Economics.