January 5, 2016

Global Forecast Update

More Of The Same, More Or Less

The global economy is expected to regain some modest traction this year, with the expansion supported by still-accommodative financial market conditions throughout much of the world and very low energy prices. Nevertheless, the globe's overall performance will remain historically sub-par, with the pace of growth dampened by the slowdown in China, the persistent underperformance in the euro zone and Japan, and ongoing weakness in most commodity and manufacturing sectors. As well, chronically high private and public sector debt burdens, the ongoing restraint on investment stemming from oversupply conditions in most commodity markets, and the elevated level of uncertainty associated with recurring geopolitical strains will also contribute to the lacklustre advance.

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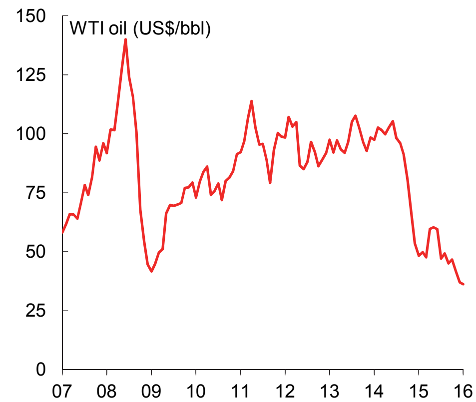
From a performance perspective, the U.S. and the U.K. are expected to lead the advanced nations. Euro zone activity is likely to post a further modest gain, while Japan and Canada should continue to lag. India and China will take the top two spots on the emerging markets' growth ladder, although the two nations will continue to exhibit diverging growth trends. India should benefit from increased infrastructure and domestic spending, while China's transition to a more consumer- and service-focused economy is being constrained by efforts to reduce overcapacity in many of its trade-sensitive manufacturing industries. Lower oil prices will provide a lift to many of the large importing nations in the Asia-Pacific region and help offset the impact of China's slowdown. China's under performance will also limit the export potential in the Pacific Alliance countries, although Mexico and Colombia will benefit from the pick-up in U.S. activity. Recessionary conditions will persist in Brazil and Russia.

Crude Oil's Slide
Good For Users, Bad For Producers



Source: Bloomberg, Scotiabank Economics.

Global output growth could exceed generally low expectations if the stimulative mix of low borrowing costs, low oil/commodity prices, significant currency depreciations versus the U.S. dollar, and additional fiscal stimulus in some countries is finally able to translate into stronger momentum. The U.S. has the potential to generate increased domestic spending, with consumers benefitting from improving job and income performances alongside much improved household balance sheets and considerable pent-up demand, especially for housing. Low mortgage rates for longer are also supportive of improved U.S. housing activity. There are some encouraging signs that Chinese households are responding to the series of stimulative monetary and fiscal measures introduced last year, and that euro zone activity is continuing to build momentum gradually.

Nevertheless, stronger economic growth has failed to materialize in recent years because of the absence of more synchronized economic performances internationally, and the persistent weakness in business investment especially among the commodity-producing nations. Imbalances persist even in the U.S. where the strong greenback is undercutting net exports and foreign earnings. Capital goods orders in the U.S. and around the world have yet to mount a meaningful rebound, thereby keeping global trade in the slow lane. Comparatively high and rising debt burdens across a number of advanced and emerging market economies and sectors are becoming an increasing drag, especially with incomes constrained by the sluggish growth. Pressure is mounting on many advanced and emerging countries to provide additional fiscal stimulus to help boost growth with monetary policy already very accommodative.

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Demand for some commodities, and crude oil in particular, is reviving, even in In the current slow growth environment. However, the oil market remains oversupplied, with global production continuing to increase, inventories at record levels, and potentially more supply coming on stream. This situation can be rectified either through much stronger commodity demand, or via a combination of further industry consolidation and production cuts. For the time being, prices are well below breakeven costs for most crude oil producers in the NAFTA zone, highlighting the increasing financial stress being absorbed by producers. Meaningful production cuts have yet to be implemented, but will likely be needed to promote a quicker and sustained rebalancing of markets and a revival in prices.

Canada's non-resource shipments should receive a boost from U.S. spending gains, underpinned by the NAFTA region's highly integrated supply chains for manufactured products such as machinery, transportation equipment, and housing-related materials. The currency-sensitive sectors should receive a further assist from a Canadian dollar which has depreciated over 30% vis-à-vis the greenback since mid-2011. The country's large and diversified service sector should help support activity during this period of continuing consolidation in the resource-producing regions, and only limited gains in domestic spending and housing activity in response to moderating employment and high household debt burdens. Nonetheless, Canadian exports have significantly underperformed relative to prior expansions, and even those where the Canadian dollar had depreciated sharply. Sub-par economic gains in the U.S. and globally in recent years are largely responsible, but other factors have also contributed, such as the sharp slide in commodity prices, the enhanced competitiveness of countries with lower-cost manufacturing capabilities and equally large currency adjustments, the lingering non-tariff barriers which restrict trade between Canada and the U.S., and the increased reshoring capabilities of U.S. firms.

Price pressures are most evident in the lofty valuations for many risk assets including real estate and other collectibles which have benefitted from the non-conventional monetary easing needed to keep the global economy out of recession, as well as the highly inflation-prone countries such as Venezuela, Brazil, and Argentina. Some inflation resilience internationally is expected because of rising wages in the U.S., higher imported costs in many countries which have been aggravated by increasing currency weakness, higher costs for goods & services owing to increased government taxes and regulations, and generally poor productivity gains. Inflation could also mount a more sustainable recovery if commodity prices — and energy prices in particular — move higher. But for the most part, the persistent deflationary consequences associated with chronic economic underperformances around the world, the likelihood that commodity prices will remain low as supply-side adjustments are slowly implemented, and the lack of buying power in countries challenged by sub-par income gains, suggest that inflation will be slow to revive.

The Fed expects that solid U.S. domestic demand and tightening labour markets, alongside expectations for more stable commodity prices, will eventually boost U.S. wages and overall inflation. Following the mid-December 25 bps hike in the Fed funds rate, the FOMC projects a 'gradual' one percentage point rise in rates by the end of the year. Short-term interest rates have also moved higher in a number of countries whose economies and currencies are closely aligned to U.S. economic and financial cycles (e.g., Mexico, Colombia, Hong Kong, and a number of Middle East oil-producing nations), and some developing countries where increasing capital outflows threaten to aggravate already deteriorating domestic economic and financial conditions (e.g., Brazil and Argentina). But for most countries and regions affected by chronic economic weakness and lingering deflationary pressures, short-term rates were either left unchanged, or reduced prior to the Fed's move to mitigate any negative spillover from the U.S. shift towards restraint. A further divergence in growth performances between the U.S. and other countries could potentially trigger additional easing to counter lagging economic activity. Canadian rates will be slow to turn higher in this environment, with negative spreads widening vis-à-vis U.S. borrowing costs.

The U.S. dollar should strengthen further, underpinned by the relative economic outperformance of the U.S. and the shift to a slightly less accommodative monetary stance. Even so, the drag from a further deterioration in net exports and the compression on overseas earnings will likely limit the extent of the appreciation. At the same time, many countries around the world will continue to favour lower-valued currencies to bolster export competitiveness and foreign earnings, particularly among the harder hit commodity-producing nations. The same applies to countries undergoing structural transitions like China and Brazil. Although competitive revaluations are not a long-term panacea for the demographic and productivity challenges confronting most nations, they are an important economic safety valve during a period of unprecedented underperformance and uncertainty. Some countries will allow market forces to weaken their currencies further, while others will take unilateral actions to push their currencies lower.

Ongoing problems in the Middle East, Eastern Europe, and Africa could easily escalate into more intense regional and global confrontations, with negative ramifications for a variety of commodity and financial markets. Combined with the elevated risk triggered by recent terror events globally, increasing cyber-attacks, and the potential for heightened political uncertainty — BREXIT for example — they pose an added restraint on confidence and spending. At the same time though, there is increasing political pressure to boost government spending on infrastructure and the refugee crisis. And from a longer-term perspective, ratification of major trade deals such as TPP and CETA could provide a much needed boost for global trade.

International	2000-14	2015f	2016f	2017f
Real GDP		(annual % change)		
World (based on purchasing power parity)	3.9	3.1	3.3	3.6
Canada	2.2	1.2	1.6	2.3
United States	1.9	2.5	2.5	2.7
Mexico	2.3	2.5	2.8	3.5
United Kingdom	1.9	2.2	2.2	2.0
Euro zone	1.2	1.5	1.7	1.8
Germany	1.2	1.5	1.8	1.8
France	1.3	1.1	1.3	1.6
Italy	0.2	0.6	1.1	1.5
Spain	1.6	3.1	2.6	2.2
Russia	4.6	-3.8	-0.5	1.5
Turkey	4.3	3.7	3.4	3.6
China	9.7	6.9	6.4	6.2
India	7.0	7.3	7.6	7.5
Japan	0.9	0.7	1.1	0.9
South Korea	4.4	2.6	3.2	3.5
Indonesia	5.6	4.8	5.0	5.3
Australia	3.0	2.3	2.6	2.8
Thailand	4.2	2.7	3.2	3.3
Brazil	3.4	-3.7	-3.0	1.8
Colombia	4.3	3.2	2.9	3.2
Peru	5.4	2.9	3.5	4.4
Chile	4.3	2.1	1.9	2.9
Consumer Prices		(y/y % change, year-end)		
Canada	2.0	1.3	2.2	2.2
United States	2.3	0.5	2.2	2.3
Mexico	4.6	2.5	4.5	3.9
United Kingdom	2.2	0.2	0.9	1.5
Euro zone	1.9	0.2	1.0	1.6
Germany	1.6	0.3	1.2	1.7
France	1.7	0.1	0.9	1.5
Italy	2.1	0.1	0.9	1.5
Spain	2.5	0.0	0.9	1.6
Russia	11.4	12.9	8.5	7.0
Turkey	16.0	8.8	7.5	6.5
China	2.4	1.5	2.0	2.4
India	7.2	5.6	6.0	5.8
Japan	0.0	0.2	1.0	1.5
South Korea	2.8	1.3	2.1	2.5
Indonesia	6.2	3.4	5.0	4.8
Australia	2.9	1.9	2.5	2.3
Thailand	2.5	-0.9	1.5	2.1
Brazil	6.5	10.7	7.0	5.5
Colombia	5.0	6.5	5.0	3.0
Peru	2.7	4.4	3.5	3.0
Chile	3.3	4.3	3.3	3.0

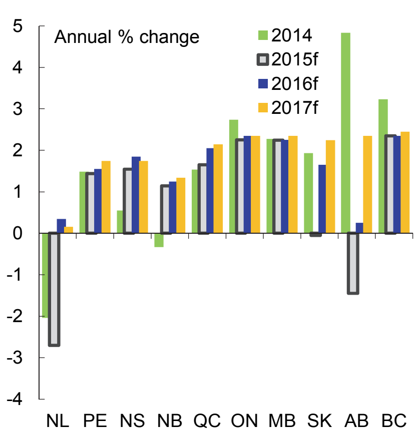
Forecast Changes

International

- We have lowered our 2016-2017 real GDP growth forecasts for **Chile** by 0.1 percentage points. Persistently depressed metal prices coupled with weak confidence indicators point to a slower-than-expected recovery. In addition, we have raised our inflation forecast with price pressures attributable to the pass-through effects from ongoing currency weakness continuing to build. We have also raised incrementally our central bank rate projection for Chile for 2016 in response to higher inflation.
- The widening divergence in economic performance between Asia's two giants is becoming increasingly evident in 2016 with **India** continuing to outpace **China's** real GDP growth. We expect India's output to expand by 7.6% this year, supported by favourable demographics. Meanwhile, China's economic performance continues to decelerate, with growth moderating to 6.4%. This reflects the structural changes underway as the nation moves to a more advanced phase of economic development, driven by services and consumers. Reforming the centrally-planned economic model will remain a policy priority.
- Inflation dynamics in **Europe** continue to disappoint. We have lowered our inflation forecast across the euro zone due to the weak outlook for oil and other commodity prices as well as the recent strengthening of the euro. Euro zone inflation is now expected to end the year at 1% y/y in 2016 and 1.6% in 2017. We anticipate a slower pick-up in **U.K.** consumer price inflation and have adjusted our 2016 and 2017 forecast to 0.9% and 1.5%.

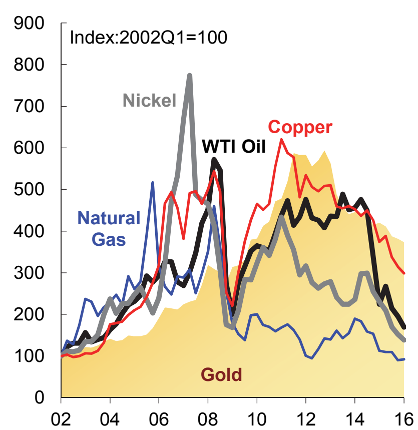
International	**2000-14**	**2015f**	**2016f**	**2017f**
Current Account Balance		(% of GDP)		
Canada	-0.3	-3.4	-2.8	-2.0
United States	-3.9	-2.7	-2.8	-2.9
Mexico	-1.4	-2.9	-2.9	-2.5
United Kingdom	-2.7	-4.5	-4.1	-4.0
Euro zone	0.1	3.1	2.8	2.5
Germany	4.3	8.3	7.7	7.5
France	-0.5	-0.7	-0.6	-0.4
Italy	-0.9	1.9	1.8	1.7
Spain	-4.6	1.5	1.4	1.3
Russia	5.5	5.2	4.5	3.5
Turkey	-4.5	-5.2	-5.1	-5.0
China	4.1	3.2	3.1	2.5
India	-1.4	-1.0	-1.3	-1.6
Japan	2.8	3.2	3.2	3.3
South Korea	2.4	8.4	8.1	7.3
Indonesia	1.1	-2.3	-2.1	-2.0
Australia	-4.4	-4.2	-4.4	-3.8
Thailand	2.5	6.5	5.9	4.3
Brazil	-1.7	-3.8	-2.7	-2.6
Colombia	-2.1	-6.3	-5.6	-4.7
Peru	-1.5	-4.1	-4.0	-2.6
Chile	0.2	-1.4	-2.8	-3.4
Commodities				
		(annual average)		
WTI Oil (US$/bbl)	65	49	40-45	45-50
Brent Oil (US$/bbl)	68	54	40-45	45-50
Nymex Natural Gas (US$/mmbtu)	5.25	2.63	2.50	2.75
Copper (US$/lb)	2.35	2.50	2.12	2.30
Zinc (US$/lb)	0.80	0.88	0.80	1.25
Nickel (US$/lb)	7.59	5.37	4.25	6.00
Gold, London PM Fix (US$/oz)	824	1,160	1,090	1,200
Pulp (US$/tonne)	745	972	920	925
Newsprint (US$/tonne)	587	538	531	550
Lumber (US$/mfbm)	280	277	300	340

Provincial GDP



Source: Statistics Canada, Scotiabank Economics.

Commodity Price Trends



Source: Bloomberg, Scotiabank Economics.

Forecast Changes

Commodities

- This year will remain challenging for most commodity producers, with global growth expected to remain lacklustre, ongoing battles for market share in oil and iron ore, and the Fed likely to tighten U.S. monetary policy further. Gradually rising U.S. rates and accommodative policy elsewhere could trigger an even stronger U.S. dollar and lower dollar-based commodity prices. While positive for consumers, last year's huge decline in oil prices has reduced global business investment, and thereby contributed to softer demand for stainless steel, nickel and steel alloying agents.
- The combination of gradually tightening supplies for many commodities linked to production curtailments and a sharp slowdown in capacity expansion alongside rising demand could begin to boost prices later this year, with larger gains potentially in 2017. With Chinese demand growing slowly, the prices of base metals and gold should end the decade higher.
- A number of commodities should outperform in 2016. OSB, a panelboard used in residential construction particularly in the U.S. and Canada, should strengthen further in 2016 amid a moderate U.S. housing recovery and limited mill capacity. (OSB was the top performing 'industrial' commodity of 2015 within the Scotiabank Commodity Price Index.) Zinc, an important metal for Canada, should see prices being lifted in 2016:H2 by already announced mine production cuts, mine closures due to depletion, and stepped-up use of galvanized steel in China's auto industry. The price of lithium, extensively used in batteries for electric & hybrid cars, should continue to rise.
- WTI oil prices could fall further in 2016:H1 as the oil sanctions on Iran are lifted and Saudi Arabia continues with its policy of rebuilding market share at the expense of price, forcing out higher-cost non-OPEC producers. Very low oil prices could finally trigger a downward U.S. supply adjustment, with prices rebounding slightly by late 2016.

North America	2000-14	2015f	2016f	2017f
Canada		(annual % change)		
Real GDP	2.2	1.2	1.6	2.3
Consumer Spending	3.0	1.9	1.8	2.0
Residential Investment	3.8	3.6	0.4	-1.1
Business Investment	3.4	-7.4	-2.8	3.2
Government	2.3	1.3	1.0	1.5
Exports	1.2	3.0	2.9	4.6
Imports	3.2	0.5	0.4	3.1
Nominal GDP	4.6	0.8	2.7	4.5
GDP Deflator	2.3	-0.4	1.0	2.2
Consumer Price Index	2.0	1.1	1.8	2.2
Core CPI	1.8	2.2	2.1	2.1
Pre-Tax Corporate Profits	5.3	-16.5	3.5	9.0
Employment	1.4	0.8	0.8	1.0
thousands of jobs	227	147	137	173
Unemployment Rate (%)	7.1	6.9	6.9	6.8
Current Account Balance (C$ bn.)	-10.0	-68.3	-56.2	-42.3
Merchandise Trade Balance (C$ bn.)	31.8	-24.3	-14.1	-2.9
Federal Budget Balance (C$ bn.)	-4.1	-2.5	-15.0	-16.0
per cent of GDP	-0.3	-0.1	-0.7	-0.7
Housing Starts (thousands)	199	195	184	176
Motor Vehicle Sales (thousands)	1,622	1,880	1,880	1,870
Motor Vehicle Production (thousands)	2,419	2,271	2,330	2,380
Industrial Production	0.7	-2.1	0.5	2.3
United States				
Real GDP	1.9	2.5	2.5	2.7
Consumer Spending	2.3	3.1	2.9	3.0
Residential Investment	-1.7	8.7	7.9	6.7
Business Investment	2.4	3.1	3.3	4.6
Government	1.0	0.8	1.0	0.8
Exports	4.0	1.3	2.8	4.4
Imports	3.4	5.2	4.3	5.4
Nominal GDP	4.0	3.5	4.3	4.8
GDP Deflator	2.1	1.0	1.8	2.0
Consumer Price Index	2.4	0.2	1.7	2.4
Core CPI	2.0	1.8	2.1	2.3
Pre-Tax Corporate Profits	6.3	-1.0	3.0	5.5
Employment	0.5	2.1	1.6	1.4
millions of jobs	0.65	2.91	2.33	2.08
Unemployment Rate (%)	6.4	5.3	4.8	4.6
Current Account Balance (US$ bn.)	-526	-480	-530	-565
Merchandise Trade Balance (US$ bn.)	-661	-764	-808	-869
Federal Budget Balance (US$ bn.)	-535	-439	-470	-495
per cent of GDP	-3.9	-2.4	-2.5	-2.5
Housing Starts (millions)	1.29	1.11	1.28	1.40
Motor Vehicle Sales (millions)	15.2	17.4	17.7	18.0
Motor Vehicle Production (millions)	10.5	12.1	12.3	12.5
Industrial Production	0.9	1.4	1.5	2.6
Mexico				
Real GDP	2.3	2.5	2.8	3.5
Consumer Price Index (year-end)	4.6	2.5	4.5	3.9
Current Account Balance (US$ bn.)	-14.2	-33.4	-33.5	-31.7
Merchandise Trade Balance (US$ bn.)	-6.3	-13.3	-11.1	-5.7

Forecast Changes

Canada & United States

- We have lowered our forecast for Canadian output growth this year from 1.8% to 1.6%. The markdown from last month reflects a weaker-than-anticipated handoff from 2015, as well as a further retrenchment in capital investment alongside even weaker oil prices. Growth is expected to pick up to 2.3% in 2017, supported by a gradual recovery in non-resource exports, moderate consumer spending gains, and increased infrastructure investment.
- Our forecast for U.S. growth is unchanged from last month. The economy is expected to expand by 2.5% this year and 2.7% in 2017, with pent-up demand and a robust job market underpinning solid gains in consumer spending and housing activity. At the same time, persistent U.S. dollar strength and sluggish global growth will continue to restrain export receipts, while weak commodity prices weigh against a faster pickup in business investment.
- Canadian government spending growth, with federal initiatives leveraging junior government outlays, is expected to build into 2017. U.S. federal deficits are revised somewhat wider reflecting less constrained spending and the revenue loss from extending for several years or making permanent multiple tax expenditures.

Mexico

- We now expect a weaker Mexican peso vis-à-vis the U.S. dollar in light of the intensifying currency market movements in emerging markets associated with the gradual normalization of U.S. monetary policy, the continuing weakness in most commodity prices, and lingering uncertainties surrounding China's growth and corporate credit quality.

Provincial

	2000-14	2015f	2016f	2017f	2000-14	2015f	2016f	2017f
	Real GDP (annual % change)				Budget Balances, FY March 31 ($millions)			
Canada	2.2	1.2	1.6	2.3	-3,238	1,911 *	-2,500	-15,000
Newfoundland & Labrador	2.8	-2.7	0.2	0.0	130	-924	-1,963	n.a.
Prince Edward Island	1.8	1.4	1.5	1.7	-40	-20 *	-33	n.a.
Nova Scotia	1.4	1.4	1.5	1.6	-24	-144 *	-241	n.a.
New Brunswick	1.2	1.1	1.2	1.3	-130	-389 *	-453	n.a.
Quebec	1.8	1.6	1.9	2.0	-968	-1,143 *	0	n.a.
Ontario	1.9	2.2	2.3	2.4	-4,876	-10,314 *	-7,524	n.a.
Manitoba	2.4	2.2	2.2	2.3	-53 **	-452 *	-550	n.a.
Saskatchewan	2.3	-0.2	1.0	2.2	450 **	62 *	-262	n.a.
Alberta	3.5	-1.6	-0.2	2.2	1,809 **	1,115 *	-6,118	n.a.
British Columbia	2.6	2.3	2.3	2.4	195	1,683 *	265	n.a.

* Final for FY15; other FY15 & FY16: Provinces' estimates. ** MB:FY04-FY14; AB:FY05-FY14; SK:FY16 ex pension accrual adjustment.

	2000-14	2015f	2016f	2017f	2000-14	2015f	2016f	2017f
	Employment (annual % change)				Unemployment Rate (annual average, %)			
Canada	1.4	0.8	0.8	1.0	7.1	6.9	6.9	6.8
Newfoundland & Labrador	1.1	-0.9	-0.4	-0.4	14.4	12.7	12.9	12.8
Prince Edward Island	1.4	-1.2	0.5	0.5	11.2	10.5	10.6	10.5
Nova Scotia	0.7	0.3	0.5	0.4	8.9	8.5	8.4	8.4
New Brunswick	0.6	-0.6	0.3	0.3	9.6	10.0	9.9	9.9
Quebec	1.3	0.9	0.8	0.9	8.1	7.6	7.6	7.5
Ontario	1.3	0.6	1.0	1.1	7.2	6.8	6.7	6.6
Manitoba	1.0	1.6	0.8	0.9	5.0	5.6	5.5	5.4
Saskatchewan	1.3	0.5	0.2	0.6	4.9	5.0	5.2	5.1
Alberta	2.6	1.2	-0.2	0.7	4.8	6.0	6.3	6.2
British Columbia	1.2	1.2	1.0	1.1	6.7	6.2	6.1	6.0

	2000-14	2015f	2016f	2017f	2000-14	2015f	2016f	2017f
	Housing Starts (annual, thousands of units)				Motor Vehicle Sales (annual, thousands of units)			
Canada	199	195	184	176	1,622	1,880	1,880	1,870
Atlantic	12	9	8	8	118	137	135	133
Quebec	44	36	37	37	408	439	441	439
Ontario	71	70	67	60	615	741	745	738
Manitoba	5	6	6	6	46	56	56	56
Saskatchewan	5	5	5	5	44	54	53	52
Alberta	35	38	30	30	215	250	245	247
British Columbia	27	31	31	30	176	203	205	205

Forecast Changes

Provinces

- Real GDP growth for several provinces has been lowered due to the direct and indirect impacts of additional commodity price weakness. Alberta's output is now expected to contract modestly in 2016 in response to the more extended downturn in oil & natural gas investment.
- Our lower commodity price outlook, particularly for oil, has the greatest impact on Alberta's and Newfoundland and Labrador's fiscal situations. However, several other Provinces' mid-year updates indicated some bottom line deterioration from *Budget* for fiscal 2015-16 (FY16). As well, the FY17 outlook for several Provinces is complicated by the slower anticipated rebound in nominal GDP growth for calendar 2016. To maintain their existing fiscal plans, some revenue and program adjustments may be required to take advantage of new federal initiatives.
- Canadian retail sales growth has rebounded above 2% with 2015 data to October, overcoming the drag from lower gasoline prices. BC stands out for its 7.0% y/y gain, followed by Ontario's 4.5% rise, while Quebec, New Brunswick, Manitoba, and PEI report strengthening y/y sales from June to October of 2015.
- Softwood lumber mill production jumped 6.8% y/y across Canada over the first three quarters of 2015, led by gains of 8.2% in Alberta, and 7.3% in Quebec. British Columbia's 3.3% y/y increase was restrained by a weak start to 2015.
- Nationally, larger harvests are estimated for most major field crops for 2015. The 6.2% y/y drop for wheat is primarily centred in Saskatchewan and Alberta, though their 2015 crop damage from drought was limited by late-summer rains. Across Western Canada, movement of railcars in 2015 through September fell 2.3% y/y, with lower crop yields as of 2014 adding to reduced crude oil shipments.

Quarterly Forecasts

Canada	2015 Q3	2015 Q4f	2016 Q1f	2016 Q2f	2016 Q3f	2016 Q4f	2017 Q1f	2017 Q2f	2017 Q3f	2017 Q4f
Real GDP (q/q, ann. % change)	2.3	0.7	1.6	1.9	2.2	2.4	2.3	2.3	2.3	2.3
Real GDP (y/y, % change)	1.2	0.5	1.1	1.6	1.6	2.0	2.2	2.3	2.3	2.3
Consumer Prices (y/y, % change)	1.2	1.3	1.5	1.6	2.0	2.2	2.3	2.3	2.2	2.2
Core CPI (y/y % change)	2.2	2.1	2.1	2.0	2.1	2.1	2.1	2.1	2.1	2.1
United States										
Real GDP (q/q, ann. % change)	2.0	1.8	2.5	2.6	2.7	2.8	2.8	2.7	2.6	2.5
Real GDP (y/y, % change)	2.1	2.1	2.5	2.2	2.4	2.7	2.7	2.8	2.7	2.7
Consumer Prices (y/y, % change)	0.1	0.5	1.3	1.4	1.7	2.2	2.4	2.3	2.3	2.3
Core CPI (y/y % change)	1.8	2.0	2.0	2.0	2.1	2.2	2.2	2.2	2.3	2.3

Financial Markets

Central Bank Rates

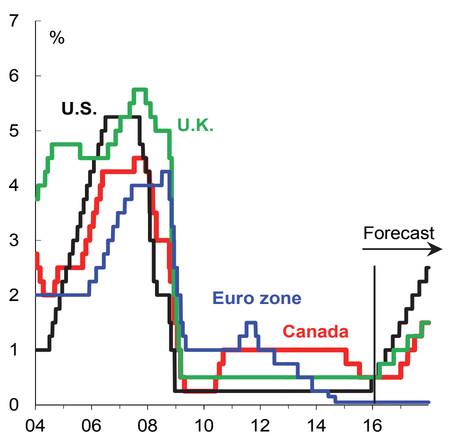
(%, end of period)

Americas	2015 Q3	2015 Q4f	2016 Q1f	2016 Q2f	2016 Q3f	2016 Q4f	2017 Q1f	2017 Q2f	2017 Q3f	2017 Q4f
Bank of Canada	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00
U.S. Federal Reserve	0.25	0.50	0.75	1.00	1.25	1.50	1.75	2.00	2.25	2.50
Bank of Mexico	3.00	3.25	3.75	4.00	4.25	4.50	5.00	5.25	5.50	5.50
Central Bank of Brazil	14.25	14.25	14.50	14.75	15.00	15.00	15.00	14.75	14.25	14.00
Bank of the Republic of Colombia	4.75	5.75	6.00	6.00	6.00	6.00	5.75	5.50	5.25	5.00
Central Reserve Bank of Peru	3.50	3.75	3.75	3.75	4.00	4.00	4.00	4.00	4.00	4.00
Central Bank of Chile	3.00	3.50	3.75	3.75	3.75	3.75	3.75	4.00	4.25	4.25
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	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50
Swiss National Bank	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
Asia/Oceania										
Reserve Bank of Australia	2.00	2.00	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
People's Bank of China	4.60	4.35	4.10	4.10	4.10	4.10	4.10	4.10	4.35	4.35
Reserve Bank of India	6.75	6.75	6.50	6.50	6.50	6.50	6.50	6.50	6.75	6.75
Bank of Korea	1.50	1.50	1.50	1.50	1.50	1.50	1.75	2.00	2.25	2.50
Bank Indonesia	7.50	7.50	7.25	7.25	7.00	7.00	7.00	7.00	7.00	7.00
Bank of Thailand	1.50	1.50	1.25	1.25	1.25	1.25	1.50	1.75	2.00	2.25
Canada										
3-month T-bill	0.44	0.51	0.50	0.50	0.50	0.50	0.50	0.55	0.85	1.10
2-year Canada	0.52	0.48	0.50	0.65	0.75	0.90	1.10	1.25	1.50	1.80
5-year Canada	0.80	0.73	0.80	0.90	1.10	1.35	1.60	1.75	2.00	2.20
10-year Canada	1.43	1.39	1.45	1.50	1.65	1.80	1.95	2.10	2.30	2.50
30-year Canada	2.20	2.15	2.20	2.30	2.40	2.45	2.60	2.60	2.70	2.95
United States										
3-month T-bill	-0.02	0.16	0.25	0.60	1.00	1.40	1.70	2.05	2.30	2.50
2-year Treasury	0.63	1.05	1.35	1.60	1.85	2.05	2.30	2.55	2.80	3.00
5-year Treasury	1.36	1.76	1.85	2.10	2.35	2.50	2.75	2.85	3.00	3.15
10-year Treasury	2.04	2.27	2.30	2.40	2.60	2.75	2.90	3.00	3.15	3.35
30-year Treasury	2.85	3.02	3.05	3.15	3.25	3.35	3.45	3.45	3.55	3.75
Canada-U.S. Spreads										
3-month T-bill	0.46	0.35	0.25	-0.10	-0.50	-0.90	-1.20	-1.50	-1.45	-1.40
2-year	-0.11	-0.57	-0.85	-0.95	-1.10	-1.15	-1.20	-1.30	-1.30	-1.20
5-year	-0.56	-1.03	-1.05	-1.20	-1.25	-1.15	-1.15	-1.10	-1.00	-0.95
10-year	-0.61	-0.88	-0.85	-0.90	-0.95	-0.95	-0.95	-0.90	-0.85	-0.85
30-year	-0.65	-0.87	-0.85	-0.85	-0.85	-0.90	-0.85	-0.85	-0.85	-0.80

Financial Markets

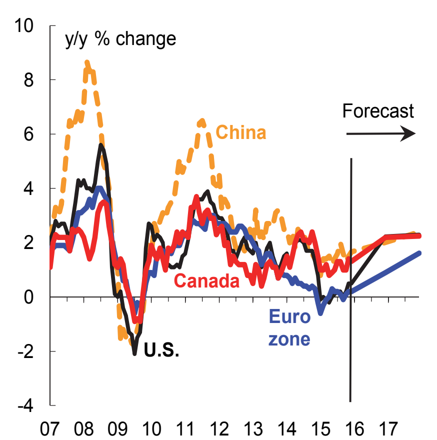
Exchange Rates	2015 Q3	2015 Q4	2016 Q1f	2016 Q2f	2016 Q3f	2016 Q4f	2017 Q1f	2017 Q2f	2017 Q3f	2017 Q4f
Americas					(end of period)					
Canadian Dollar (USDCAD)	1.33	1.38	1.37	1.38	1.39	1.39	1.35	1.33	1.30	1.26
Canadian Dollar (CADUSD)	0.75	0.72	0.73	0.72	0.72	0.72	0.74	0.75	0.77	0.79
Mexican Peso (USDMXN)	16.92	17.21	17.11	17.17	17.25	17.52	16.72	16.55	16.60	16.81
Brazilian Real (USDBRL)	3.95	3.96	4.15	4.20	4.15	4.30	4.35	4.40	4.45	4.50
Colombian Peso (USDCOP)	3087	3175	3200	3200	3250	3300	3300	3350	3400	3450
Peruvian Nuevo Sol (USDPEN)	3.23	3.41	3.46	3.50	3.45	3.45	3.47	3.46	3.45	3.50
Chilean Peso (USDCLP)	696	709	709	711	710	710	707	707	707	708
Canadian Dollar Cross Rates										
Euro (EURCAD)	1.49	1.50	1.44	1.38	1.32	1.32	1.32	1.33	1.39	1.41
U.K. Pound (GBPCAD)	2.01	2.04	2.07	2.06	2.02	2.00	1.98	1.98	1.98	2.02
Japanese Yen (CADJPY)	90	87	93	93	94	94	99	102	105	109
Australian Dollar (AUDCAD)	0.93	1.01	0.96	0.94	0.90	0.90	0.92	0.93	0.94	0.91
Mexican Peso (CADMXN)	12.71	12.43	12.49	12.45	12.41	12.61	12.39	12.45	12.77	13.34
Europe										
Euro (EURUSD)	1.12	1.09	1.05	1.00	0.95	0.95	0.98	1.00	1.07	1.12
U.K. Pound (GBPUSD)	1.51	1.47	1.51	1.49	1.45	1.44	1.47	1.49	1.52	1.60
Swiss Franc (USDCHF)	0.97	1.00	1.03	1.09	1.16	1.16	1.12	1.10	1.03	0.98
Swedish Krona (USDSEK)	8.37	8.44	8.60	9.15	9.50	9.50	9.20	9.00	8.40	8.00
Norwegian Krone (USDNOK)	8.52	8.84	8.80	8.90	9.20	9.00	8.70	8.50	8.25	7.80
Russian Ruble (USDRUB)	65.4	72.5	71.0	71.5	70.5	69.0	68.5	67.0	66.0	65.0
Turkish Lira (USDTRY)	3.03	2.92	3.10	3.15	3.10	3.05	3.00	2.95	2.90	2.85
Asia/Oceania										
Japanese Yen (USDJPY)	120	120	128	129	130	131	133	135	137	137
Australian Dollar (AUDUSD)	0.70	0.73	0.70	0.68	0.65	0.65	0.68	0.70	0.72	0.72
Chinese Yuan (USDCNY)	6.36	6.49	6.60	6.60	6.65	6.70	6.70	6.70	6.65	6.65
Indian Rupee (USDINR)	65.6	66.2	67.3	67.5	67.8	68.0	67.9	67.8	67.6	67.6
South Korean Won (USDKRW)	1185	1175	1210	1215	1220	1225	1222	1220	1218	1218
Indonesian Rupiah (USDIDR)	14653	13788	14375	14450	14525	14600	14580	14550	14530	14530
Thai Baht (USDTHB)	36.4	36.0	37.0	37.2	37.5	37.7	37.6	37.5	37.4	37.4

Central Bank Rates



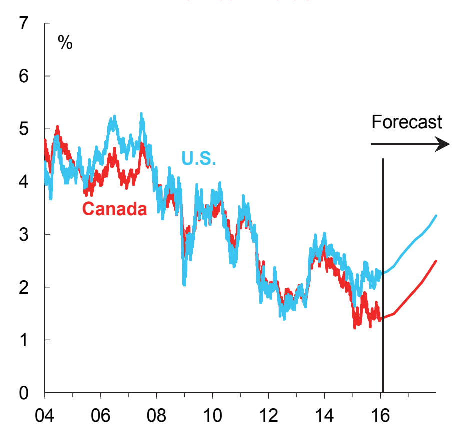
Source: Bloomberg, Scotiabank Economics.

Global Inflation



Source: Bloomberg, Scotiabank Economics.

10-Year Yields



Source: Bloomberg, Scotiabank Economics.