Global Forecast Update

Cloudy, But With A Greater Chance Of Compromise

Regaining and sustaining a higher rate of global economic growth just got a little more difficult again. The U.S. outlook, and that of the world, are being buffeted again by another in a series of recurring economic and political developments that slow, but do not derail growth.

In the past few months, economic growth, investor confidence and financial markets have been sideswiped by a number of developments. First, there were growing expectations that the U.S. Federal Reserve would begin to unwind its extraordinary monetary stimulus. Second, escalating tensions surrounding the civil war in Syria had raised the threat of U.S. military intervention. And third, the headwinds facing the larger emerging market economies appeared to be getting stronger. For the most part, these issues have been largely diffused, although not without some residual negative impact on growth internationally due to unsettled capital and currency market developments.

Currently, the partial shutdown of the U.S. government and the need to extend the government's borrowing authority by mid-October risk undermining the forward momentum of the U.S. economy and its global trading partners if no political compromise can be reached quickly. Prior U.S. government shutdowns were eventually resolved with relatively minor economic repercussions. Eleventh hour debt ceiling compromises have been reached. Although it is still a very low probability, the political, economic and financial market fallout associated with even a relatively brief failure by the U.S. government to service its debt obligations could be much more severe and longer-lasting.

A resolution to the acrimonious debate being played out between the executive and legislative branches will likely be forthcoming, because the economic, financial, and importantly, political consequences of failing to act become much greater the longer it takes to resolve. Financial market volatility has been relatively muted, with risk-averse investors selling equities, and the U.S. dollar and Treasury bond yields benefitting from capital inflows. Despite Washington being the epicentre of the current debate, U.S. 'safe haven' investments are still getting the benefit of the doubt because the U.S dollar remains the world's premier reserve currency, America's fiscal deficit has been roughly halved in nominal dollar values, and the United States remains a diversified and resilient economy that continues to be supported by a very stimulative monetary policy.

Nevertheless, the risk of a much more severe outcome cannot be ruled out in light of the political intransigence in Washington. In a worst-case scenario where default becomes reality, stock markets would come under significant downward pressure, foreshadowing a much deeper retrenchment in U.S. economic activity and global economic prospects. But instead of global capital inflows that typically would support the U.S. dollar in troubled times, investors may increasingly favour more diversified international portfolios which

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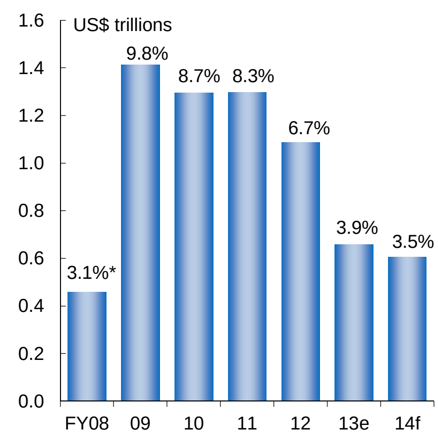
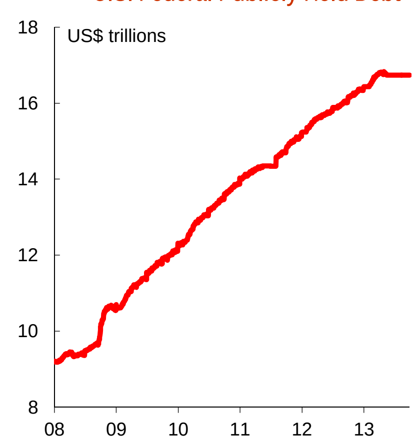
U.S. Federal Deficit



* Per cent of GDP.
Source: U.S. Treasury, Scotiabank Economics.

U.S. Federal Publicly Held Debt



Source: U.S. Treasury, Scotiabank Economics.

would result in a much weaker U.S. dollar. Admittedly, it would take a much more significant loss of confidence by Americans and international investors in the U.S. economy and its elected officials to undermine the U.S. dollar, but it is not out of the question. Bond yields and credit spreads would likely move much higher to account for the increasing risk.

The U.S. economy could become increasingly handicapped if the anticipated revival in business investment does not materialize. Any meaningful back-up in borrowing costs would further aggravate already cautious business spending, thereby contributing to a deeper and more protracted slowdown. Instead of creating jobs, businesses would reinforce the emerging slowdown by consolidating operations and cutting back their workforces. Consumer spending and residential activity would increasingly be at risk.

Nonetheless, our base case forecast for the U.S. economy includes a political compromise that will quickly raise the federal debt ceiling. There will be a relatively small impact on U.S. consumer and business investment expenditures in the current quarter, though the anticipated weakness will not be sufficiently large to lower our annual real GDP estimate of 1.6%. We are maintaining our view that the U.S. economy will gain some traction in 2014, with output advancing by an average 2.6%. A slightly weaker economic handoff into the New Year will be offset by a lessening in fiscal drag and the Fed's recent decision to delay the tapering of its massive monthly bond buying program in a bid to keep downward pressure on longer-term borrowing costs. (A 30-year mortgage rate has declined to 4.32% from a recent high of 4.54%, but remains roughly three-quarters of a percentage point above its most recent low of 3.54%.)

Canadian exports and output will likely be pressured a bit by the events unfolding south of the border, though the overall impact will be limited by the resiliency in domestic personal spending and housing activity. Increasing exports and business investment should reinforce a slightly stronger pace of growth in 2014, building upon the improving performance expected in the United States, and the encouraging signs that some of the larger emerging market economies, like China, are stabilizing and underpinning the demand and prices of commodities. Similar performances are anticipated in Mexico and in other Latin American countries whose industrial activity and tourism are closely tied to U.S. developments.

International	2000-11	2012	2013f	2014f
Real GDP		(annual % change)		
World (based on purchasing power parity)	3.7	3.1	2.8	3.5
Canada	2.2	1.7	1.6	2.3
United States	1.9	2.8	1.6	2.6
Mexico	2.3	3.8	1.9	3.7
United Kingdom	1.9	0.2	1.5	2.1
Euro zone	1.4	-0.6	-0.5	0.7
Germany	1.4	0.7	0.5	1.5
France	1.4	0.0	0.1	0.6
Italy	0.7	-2.4	-1.8	0.1
Spain	2.1	-1.6	-1.5	0.2
Greece	1.3	-6.4	-4.7	-1.3
Portugal	0.8	-3.2	-2.7	-0.3
Ireland	3.2	0.2	0.5	1.2
Russia	5.3	3.4	1.7	2.9
Turkey	4.6	2.3	3.2	4.0
China	9.4	7.7	7.3	7.3
India	7.4	5.1	5.0	5.8
Japan	0.8	2.0	2.0	1.8
South Korea	4.5	2.0	2.5	3.2
Indonesia	5.3	6.2	5.7	6.0
Australia	3.0	3.7	2.4	2.7
Thailand	4.0	6.5	3.7	4.0
Brazil	3.6	0.9	2.3	2.8
Colombia	4.2	4.2	4.2	4.7
Peru	5.6	6.3	5.7	5.7
Chile	4.4	5.6	4.6	4.4
Consumer Prices		(y/y % change, year-end)		
Canada	2.1	0.9	1.6	1.9
United States	2.5	1.9	1.6	2.1
Mexico	4.8	3.6	4.0	4.0
United Kingdom	2.3	2.7	2.5	2.2
Euro zone	2.1	2.2	1.2	1.6
Germany	1.7	2.0	1.5	1.9
France	1.9	1.5	1.1	1.4
Italy	2.4	2.6	1.1	1.4
Spain	2.9	3.0	1.7	1.2
Greece	3.3	0.3	-0.5	-0.1
Portugal	2.6	2.1	0.5	1.0
Ireland	2.2	1.7	0.7	1.1
Russia	12.2	6.6	6.3	6.0
Turkey	18.2	6.2	6.8	6.2
China	2.4	2.5	3.0	3.3
India*	6.6	7.3	6.1	6.5
Japan	-0.3	-0.1	0.9	1.5
South Korea	3.2	1.4	1.5	2.8
Indonesia	8.3	4.3	9.3	8.3
Australia	3.1	2.2	2.5	3.0
Thailand	2.6	3.6	1.7	3.0
Brazil	6.6	5.8	6.0	6.0
Colombia	5.6	2.4	2.6	3.3
Peru	2.6	2.6	2.9	3.0
Chile	3.4	1.5	2.7	3.3

*WPI inflation.

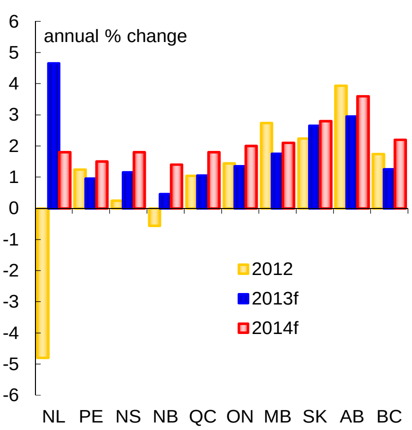
Forecast Changes

International

- We have adjusted Japan's real GDP growth forecasts to 2.0% for 2013 (from 1.7%) and to 1.8% for 2014 (from 1.7%), reflecting revised GDP data. Output grew by 0.9% q/q in the second quarter. The most significant change was to investment activity, which increased by 1.5% q/q; this, if sustained, may indicate that companies are changing their inflation expectations and are no longer postponing investment spending in anticipation of lower prices. On October 1st, Prime Minister Shinzo Abe announced his decision to implement the controversial sales tax increase in April 2014, raising it from 5% to 8%. Given the tax hike combined with recent substantial yen depreciation and sustained monetary stimulus efforts, we now expect Japanese consumer price inflation to reach 1½% y/y by the end of 2014 (compared with the previous forecast of 1.2%).
- We have made slight adjustments to the growth forecasts for the euro area next year as forward-looking indicators depict gradually building economic momentum globally and in the region, particularly in Germany. Moreover, although EU finance officials failed to approve a proposed change to the calculation of member states' structural fiscal deficits, we anticipate some moderation in the pace of fiscal tightening next year relative to earlier expectations. After a 0.5% GDP contraction this year, we expect the region to grow by 0.7% in 2014. The persistent and unexpected strength of the euro represents an increasing threat for the recovery in addition to ongoing political risks.
- The U.K. continues to show signs of a domestic-led recovery. With support from the government's 'Help to Buy' scheme and accommodative monetary conditions, household spending and construction are robust. Though this impetus will fade in 2014, the carry-over from this year will likely be enough to lift the growth rate above 2%, from 1.5% in 2013.

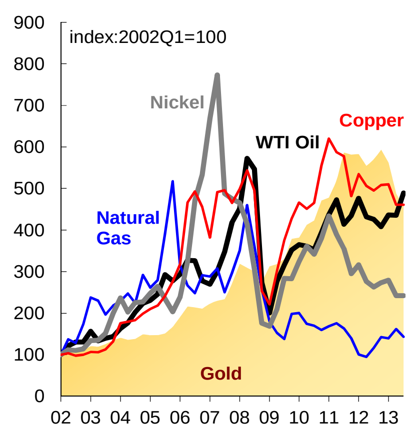
International	2000-11	2012	2013f	2014f
Current Account Balance		(% of GDP)		
Canada	0.4	-3.4	-3.0	-2.5
United States	-4.3	-2.7	-2.4	-2.3
Mexico	-1.3	-1.1	-1.5	-2.0
United Kingdom	-2.0	-3.8	-2.9	-2.5
Euro zone	-0.2	1.0	1.4	1.6
Germany	3.9	6.4	6.4	5.9
France	-0.2	-2.2	-1.9	-1.9
Italy	-1.4	-0.5	0.0	0.2
Spain	-5.7	-1.0	0.5	1.0
Greece	-8.8	-3.4	-2.6	-1.4
Portugal	-9.7	-1.5	-0.9	-0.3
Ireland	-1.7	4.4	3.5	3.8
Russia	8.5	3.7	2.6	1.8
Turkey	-4.0	-6.1	-7.0	-8.0
China	4.7	2.3	2.1	2.0
India	-1.0	-5.4	-5.3	-4.9
Japan	3.2	1.1	1.1	1.5
South Korea	2.3	3.8	4.2	4.0
Indonesia	2.1	-2.8	-3.1	-2.7
Australia	-4.3	-3.7	-2.7	-2.5
Thailand	3.1	-0.4	0.2	1.0
Brazil	-1.0	-2.4	-3.7	-3.4
Colombia	-1.7	-3.2	-3.2	-3.5
Peru	-1.0	-3.6	-4.2	-4.7
Chile	0.6	-3.5	-4.2	-4.8
Commodities				
		(annual average)		
WTI Oil (US$/bbl)	57	94	100	102
Brent Oil (US$/bbl)	58	112	109	109
Nymex Natural Gas (US$/mmbtu)	5.67	2.83	3.75	4.00
Copper (US$/lb)	2.10	3.61	3.30	3.10
Zinc (US$/lb)	0.77	0.88	0.88	1.05
Nickel (US$/lb)	7.62	7.95	6.95	7.75
Gold, London PM Fix (US$/oz)	668	1,670	1,420	1,325
Pulp (US$/tonne)	718	872	930	900
Newsprint (US$/tonne)	581	640	608	630
Lumber (US$/mfbm)	272	299	350	390

Provincial GDP



Source: Statistics Canada, Scotiabank Economics.

Commodity Price Trends



Source: Bloomberg, Scotiabank Economics.

Forecast Changes

International

- In Latin America, monthly indicators suggest that economic activity has improved in the third quarter, supporting our view that growth will accelerate in the second half of the year. In Colombia, second-quarter real GDP expanded by 4.2% y/y, as measures undertaken by the authorities since the end of last year have been filtering into the real economy. We expect the Colombian economy to expand by 4.2% in 2013 and by 4.7% in 2014.

Commodities

- Brent oil prices (the international benchmark) climbed to a high of US$116.61 per barrel in late August buoyed by geopolitical tensions surrounding Syria and the near total shutdown of Libyan production, before receding to US$107 in early October, partly due to concern over a partial U.S. Government shutdown. World supply & demand conditions in 2013Q3 were largely balanced. While global demand should pick up slightly in 2014 (+1.2%), Fed tapering could act to trim growth in emerging markets. Ongoing gains in new 'light tight' oil in the United States, backing out imports from West & North Africa and Venezuela, could also cap prices for Brent and WTI (at still high levels).
- Lengthy delays in U.S. Presidential approval of the Keystone XL Pipeline are encouraging the development of new rail loading terminals in Western Canada mostly for unit train shipments of heavy crude oil. Rail shipment capability could surpass volumes through the proposed Keystone XL Pipeline by 2015. While fully economic, rail costs to the USGC will initially be double that of pipeline transportation.
- After a correction in 2013Q2, Western Spruce-Pine-Fir 2x4 lumber prices have rebounded strongly, leading North American prices higher. The gain was triggered by a surge in buying by China, now Canada's second-largest export destination (19.2% of export volumes).

North America	2000-11	2012	2013f	2014f
Canada	(annual % change)			
Real GDP	2.2	1.7	1.6	2.3
Consumer Spending	3.1	1.9	2.3	2.4
Residential Investment	4.0	5.8	-0.7	-1.8
Business Investment	3.6	4.8	1.0	4.5
Government	3.1	1.0	0.8	0.0
Exports	0.6	1.5	2.2	5.4
Imports	3.5	3.1	1.8	3.7
Nominal GDP	4.8	3.4	2.8	4.0
GDP Deflator	2.5	1.7	1.2	1.7
Consumer Price Index	2.1	1.5	1.2	1.8
Core CPI	1.8	1.7	1.3	1.7
Pre-Tax Corporate Profits	6.1	-4.9	-5.6	6.0
Employment	1.5	1.2	1.2	1.2
thousands of jobs	242	203	216	211
Unemployment Rate (%)	7.1	7.2	7.1	7.0
Current Account Balance (C$ bn.)	2.0	-62.2	-56.0	-49.4
Merchandise Trade Balance (C$ bn.)	41.1	-12.0	-9.9	-2.1
Federal Budget Balance (C$ bn.)	-3.3	-22.0	-18.0	-9.0
per cent of GDP	-0.1	-1.2	-1.0	-0.5
Housing Starts (thousands)	200	215	180	170
Motor Vehicle Sales (thousands)	1,588	1,677	1,720	1,725
Motor Vehicle Production (thousands)	2,421	2,464	2,260	2,300
Industrial Production	0.3	1.0	0.8	2.1
United States				
Real GDP	1.9	2.8	1.6	2.6
Consumer Spending	2.3	2.2	1.9	2.6
Residential Investment	-4.1	12.9	14.0	11.6
Business Investment	1.5	7.3	2.4	5.1
Government	1.7	-1.0	-2.0	-0.6
Exports	4.0	3.5	2.3	5.0
Imports	3.4	2.2	1.6	4.7
Nominal GDP	4.0	4.6	3.1	4.5
GDP Deflator	2.1	1.7	1.5	1.9
Consumer Price Index	2.5	2.1	1.6	2.1
Core CPI	2.0	2.1	1.7	1.8
Pre-Tax Corporate Profits	7.0	7.0	3.6	7.3
Employment	0.2	1.7	1.6	1.7
millions of jobs	0.20	2.24	2.18	2.34
Unemployment Rate (%)	6.2	8.1	7.5	6.9
Current Account Balance (US$ bn.)	-553	-440	-405	-403
Merchandise Trade Balance (US$ bn.)	-645	-741	-712	-737
Federal Budget Balance (US$ bn.)	-481	-1,087	-660	-605
per cent of GDP	-3.3	-6.7	-3.9	-3.5
Housing Starts (millions)	1.38	0.78	0.92	1.14
Motor Vehicle Sales (millions)	15.2	14.4	15.4	16.0
Motor Vehicle Production (millions)	10.4	10.3	10.9	11.3
Industrial Production	0.5	3.6	2.4	3.2
Mexico				
Real GDP	2.3	3.8	1.9	3.7
Consumer Price Index (year-end)	4.8	3.6	4.0	4.0
Unemployment Rate (%)	3.8	5.0	4.9	4.2
Current Account Balance (US$ bn.)	-11.6	-14.2	-20.4	-28.1
Merchandise Trade Balance (US$ bn.)	-7.5	-0.1	-10.1	-17.2
Industrial Production	1.5	2.8	0.6	3.2

Forecast Changes

Canada & United States

- We have edged down our forecast of Canadian GDP growth this year by 0.1 percentage point to 1.6%. Economic uncertainty is tempering both consumer and business spending, while the slower pace of global growth continues to restrain exports. Housing activity remains relatively buoyant, but is expected to cool as higher mortgage rates pressure affordability. We expect growth to pick up to 2.3% next year, piggybacking on strengthening U.S. demand.
- Our forecast for U.S. growth this year and next is unchanged at 1.6% and 2.6%, respectively. As in Canada, heightened uncertainty has led to some loss of economic momentum in recent months. However, pent-up demand and stronger household and corporate finances should underpin a faster recovery next year as fiscal strains ease.
- As fiscal 2014 begins, Washington’s current partial shutdown is assumed to be relatively short in our forecast of the federal deficit for the year narrowing to 3½% of GDP. In Canada, a new wave of regional infrastructure proposals is anticipated for the federal government’s second ten-year *Building Canada* Plan that begins in April 2014.

Mexico

- In response to weak economic performance in the first half of the year and price pressures moderating significantly in recent months (core inflation is at record lows), the central bank of Mexico loosened monetary conditions by reducing the reference rate by 25 bps to 3.75% in September. Although the decision was not unanimous, we expect the authorities to cut at least 25 bps more in the coming months. We maintain our view that economic activity will accelerate in the second half of the year, bringing the overall expansion to 1.9% for 2013.

Provincial	2000-11	2012	2013f	2014f	2000-11	2012	2013f	2014f
	Real GDP* (annual % change)				Budget Balances*, FY March 31 ($millions)			
Canada	2.2	1.7	1.6	2.3	106	-26,220	-22,000	-18,000
Newfoundland & Labrador	3.1	-4.8	4.7	1.8	133	883	-431	-564
Prince Edward Island	1.9	1.2	1.0	1.5	-32	-78	-69	-59
Nova Scotia	1.7	0.2	1.2	1.8	74	-259	-302 *	18
New Brunswick	1.8	-0.6	0.5	1.4	-77	-261	-411	-500
Quebec	1.9	1.0	1.1	1.8	-623	-2,628	-1,500	0
Ontario	1.9	1.4	1.4	2.0	-3,374	-12,969	-9,220 *	-11,743
Manitoba	2.2	2.7	1.8	2.1	188 **	-1,001	-580 *	-518
Saskatchewan	2.2	2.2	2.7	2.8	393	352	58 *	17
Alberta	3.0	3.9	3.0	3.6	3,627	0	0 *	0
British Columbia	2.6	1.7	1.3	2.2	540	-1,814	-1,146 *	136

*2000-07: estimated; 2012: basic prices, industry basis.

*Final. FY13 & FY14 estimates: Provincial documents. ** FY04-FY11.

Provincial	2000-11	2012	2013f	2014f	2000-11	2012	2013f	2014f
	Employment (annual % change)				Unemployment Rate (annual average, %)			
Canada	1.5	1.2	1.2	1.2	7.1	7.2	7.1	7.0
Newfoundland & Labrador	0.9	2.3	1.9	1.3	15.0	12.5	11.3	10.9
Prince Edward Island	1.5	1.1	1.6	0.8	11.3	11.3	11.3	11.1
Nova Scotia	1.0	0.6	0.2	0.8	8.8	9.0	9.1	9.0
New Brunswick	0.6	-0.2	-0.4	0.5	9.4	10.2	10.7	10.5
Quebec	1.4	0.8	1.1	1.0	8.2	7.8	7.7	7.5
Ontario	1.5	0.8	1.1	1.1	7.0	7.8	7.6	7.4
Manitoba	1.2	0.9	1.1	1.0	4.9	5.3	5.2	5.1
Saskatchewan	0.9	2.1	3.2	1.8	5.1	4.7	4.1	4.0
Alberta	2.6	2.7	2.5	2.3	4.8	4.6	4.5	4.3
British Columbia	1.5	1.7	0.3	1.1	6.7	6.7	6.6	6.5

Provincial	2000-11	2012	2013f	2014f	2000-11	2012	2013f	2014f
	Housing Starts (annual, thousands of units)				Motor Vehicle Sales (annual, thousands of units)			
Canada	200	215	180	170	1,588	1,677	1,720	1,725
Atlantic	12	13	11	10	114	126	128	128
Quebec	45	47	38	38	405	416	415	416
Ontario	73	77	56	54	603	618	632	633
Manitoba	5	7	7	6	44	50	55	55
Saskatchewan	4	10	7	7	42	55	58	58
Alberta	34	33	36	32	205	239	255	257
British Columbia	27	27	25	23	175	173	177	178

Forecast Changes

Provinces

- Alberta's 3.5% population growth over the year to July 1st was its strongest gain in more than 30 years and led the other provinces. For Alberta, rising immigration added to net interprovincial migration that surged to more than 52,000 over the twelve months to June.
- Employment growth this year continues to be weaker than expected in New Brunswick, Nova Scotia and British Columbia.
- Crop production, according to preliminary estimates, should be positive for 2013 growth. Sizeable gains are projected for barley and wheat (the latter particularly strong in Ontario and Quebec), higher yields are boosting Saskatchewan's and Manitoba's canola harvests, and corn for grain production will likely remain near record levels.
- Fluctuating refinery production this year includes downtime at facilities in Sarnia (Ontario), Edmonton (Alberta), Regina (Saskatchewan) and Levis (Quebec). Early in 2014, extended maintenance is planned at the Saint John refinery in New Brunswick. While ground was recently broken for Canada's first new refinery in decades, just north of Edmonton, the Come by Chance refinery in Newfoundland & Labrador was recently put up for sale and the Dartmouth refinery in Nova Scotia is being converted into a terminal facility. Longer term, the proposed Energy East oil pipeline to Quebec and then Saint John will benefit refining in Central and Atlantic Canada.
- Alberta now estimates total costs from the flooding in June 2013 at roughly $6 billion, with infrastructure repair (and expansion) stretching over several years. Mid-year reports from the Provinces in the upcoming quarter are expected to indicate significant offsets, including the recent influence of a somewhat softer Canadian dollar.

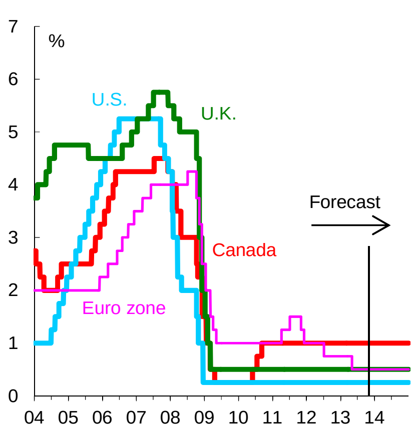
Quarterly Forecasts	12Q4	13Q1	13Q2	13Q3	13Q4f	14Q1f	14Q2f	14Q3f	14Q4f
Canada									
Real GDP (q/q, ann. % change)	0.9	2.2	1.7	1.9	2.2	2.3	2.4	2.4	2.5
Real GDP (y/y, % change)	1.0	1.4	1.4	1.7	2.0	2.0	2.2	2.3	2.4
Consumer Prices (y/y, % change)	0.9	0.9	0.8	1.3	1.6	1.7	1.8	1.8	1.9
Core CPI (y/y % change)	1.2	1.3	1.2	1.3	1.4	1.5	1.5	1.7	1.8
United States									
Real GDP (q/q, ann. % change)	0.1	1.1	2.5	2.0	2.3	2.7	2.7	2.8	3.0
Real GDP (y/y, % change)	2.0	1.3	1.6	1.4	2.0	2.4	2.4	2.6	2.8
Consumer Prices (y/y, % change)	1.9	1.7	1.4	1.6	1.6	1.7	2.2	2.0	2.1
Core CPI (y/y % change)	1.9	1.9	1.7	1.7	1.7	1.6	1.7	1.8	1.9

Financial Markets

Central Bank Rates				(%, end of period)					
Americas									
Bank of Canada	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
U.S. Federal Reserve	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Bank of Mexico	4.50	4.00	4.00	3.75	3.50	3.50	3.50	4.00	4.00
Central Bank of Brazil	7.25	7.25	8.00	9.00	9.75	9.75	9.75	10.25	10.25
Bank of the Republic of Colombia	4.25	3.25	3.25	3.25	3.25	4.00	4.00	4.50	4.50
Central Reserve Bank of Peru	4.25	4.25	4.25	4.25	4.25	4.25	4.50	5.00	5.00
Central Bank of Chile	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.25
Europe									
European Central Bank	0.75	0.75	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Bank of England	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Swiss National Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Asia/Oceania									
Bank of Japan	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Reserve Bank of Australia	3.00	3.00	2.75	2.50	2.50	2.50	2.75	2.75	3.00
People's Bank of China	6.00	6.00	6.00	6.00	6.00	6.30	6.30	6.60	6.60
Reserve Bank of India	8.00	7.50	7.25	7.50	8.00	8.00	8.00	8.00	8.00
Bank of Korea	2.75	2.75	2.50	2.50	2.50	2.50	2.50	2.75	3.00
Bank Indonesia	5.75	5.75	6.00	7.25	7.50	7.50	7.50	7.50	7.50
Bank of Thailand	2.75	2.75	2.50	2.50	2.50	2.50	2.75	2.75	3.00
Canada									
3-month T-bill	0.93	0.98	1.02	0.98	1.00	1.00	1.00	1.00	1.05
2-year Canada	1.14	1.00	1.22	1.19	1.20	1.25	1.35	1.60	1.80
5-year Canada	1.38	1.30	1.80	1.86	1.95	2.10	2.25	2.50	2.75
10-year Canada	1.80	1.87	2.44	2.54	2.65	2.70	2.85	3.20	3.40
30-year Canada	2.37	2.50	2.90	3.07	3.20	3.25	3.30	3.60	3.75
United States									
3-month T-bill	0.04	0.07	0.03	0.01	0.05	0.05	0.05	0.05	0.10
2-year Treasury	0.25	0.24	0.36	0.32	0.40	0.45	0.65	0.95	1.30
5-year Treasury	0.72	0.76	1.39	1.39	1.45	1.60	1.90	2.15	2.40
10-year Treasury	1.76	1.85	2.49	2.61	2.75	2.85	3.00	3.40	3.60
30-year Treasury	2.95	3.10	3.50	3.69	3.85	3.90	3.95	4.25	4.40
Canada-U.S. Spreads									
3-month T-bill	0.89	0.91	0.99	0.98	0.95	0.95	0.95	0.95	0.95
2-year	0.89	0.76	0.86	0.87	0.80	0.80	0.70	0.65	0.50
5-year	0.66	0.54	0.41	0.47	0.50	0.50	0.35	0.35	0.35
10-year	0.04	0.02	-0.05	-0.07	-0.10	-0.15	-0.15	-0.20	-0.20
30-year	-0.58	-0.60	-0.60	-0.62	-0.65	-0.65	-0.65	-0.65	-0.65

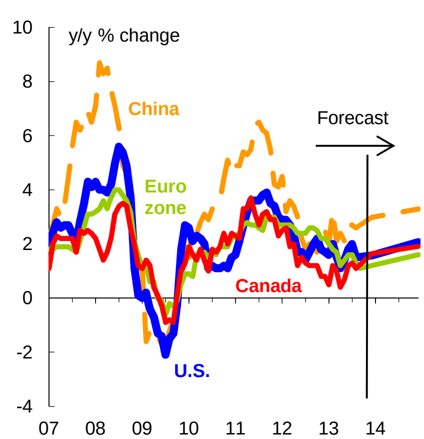
Financial Markets	12Q4	13Q1	13Q2	13Q3	13Q4f	14Q1f	14Q2f	14Q3f	14Q4f
Exchange Rates				(end of period)					
Americas									
Canadian Dollar (USDCAD)	0.99	1.02	1.05	1.03	1.06	1.07	1.07	1.06	1.06
Canadian Dollar (CADUSD)	1.01	0.98	0.95	0.97	0.94	0.93	0.93	0.94	0.94
Mexican Peso (USDMXN)	12.85	12.33	12.93	13.09	13.08	13.04	12.85	12.78	12.82
Brazilian Real (USDBRL)	2.05	2.02	2.23	2.22	2.30	2.32	2.35	2.38	2.40
Colombian Peso (USDCOP)	1767	1825	1923	1906	1900	1900	1900	1910	1920
Peruvian Nuevo Sol (USDPEN)	2.55	2.59	2.78	2.79	2.69	2.69	2.65	2.65	2.65
Chilean Peso (USDCLP)	479	472	508	505	500	500	500	505	510
Canadian Dollar Cross Rates									
Euro (EURCAD)	1.31	1.30	1.37	1.39	1.39	1.38	1.36	1.33	1.30
U.K. Pound (GBPCAD)	1.61	1.55	1.60	1.67	1.64	1.64	1.62	1.59	1.59
Japanese Yen (CADJPY)	87	93	94	95	97	98	100	103	104
Australian Dollar (AUDCAD)	1.03	1.06	0.96	0.96	0.95	0.96	0.97	0.98	0.98
Mexican Peso (CADMXN)	12.96	12.12	12.29	12.70	12.34	12.19	12.01	12.06	12.09
Europe									
Euro (EURUSD)	1.32	1.28	1.30	1.35	1.31	1.29	1.27	1.25	1.23
U.K. Pound (GBPUSD)	1.63	1.52	1.52	1.62	1.55	1.53	1.51	1.50	1.50
Swiss Franc (USDCHF)	0.92	0.95	0.95	0.90	0.93	0.95	0.98	1.00	1.02
Swedish Krona (USDSEK)	6.50	6.53	6.70	6.43	6.62	6.80	6.70	6.69	6.67
Norwegian Krone (USDNOK)	5.56	5.85	6.07	6.01	6.10	5.80	5.70	5.60	5.50
Russian Ruble (USDRUB)	30.5	31.1	32.8	32.4	32.8	32.6	32.6	32.7	32.7
Turkish Lira (USDTRY)	1.78	1.81	1.93	2.02	2.04	2.03	2.02	2.01	2.00
Asia/Oceania									
Japanese Yen (USDJPY)	87	94	99	98	103	105	107	109	110
Australian Dollar (AUDUSD)	1.04	1.04	0.91	0.93	0.90	0.90	0.91	0.92	0.92
Chinese Yuan (USDCNY)	6.23	6.21	6.14	6.12	6.10	6.09	6.07	6.06	6.04
Indian Rupee (USDINR)	55.0	54.3	59.4	62.6	68.0	67.3	66.5	65.8	65.0
South Korean Won (USDKRW)	1064	1111	1142	1075	1120	1115	1110	1105	1100
Indonesian Rupiah (USDIDR)	9793	9735	10004	11406	11500	11450	11400	11350	11300
Thai Baht (USDTHB)	30.6	29.3	31.1	31.2	34.0	33.6	33.3	32.9	32.5

Central Bank Rates



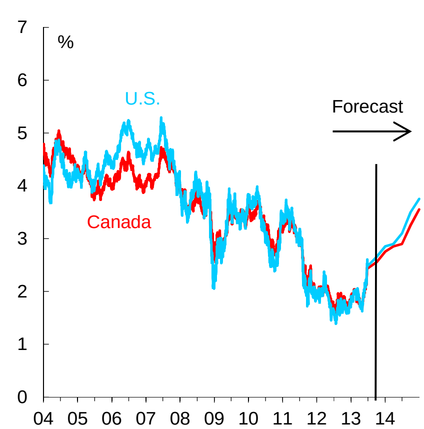
Source: Bloomberg, Scotiabank Economics.

Global Inflation



Source: Bloomberg, Scotiabank Economics.

10-Year Yields



Source: Bloomberg, Scotiabank Economics.

Scotiabank Economics

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