Global Views

Weekly commentary on economic and financial market developments

January 3, 2014

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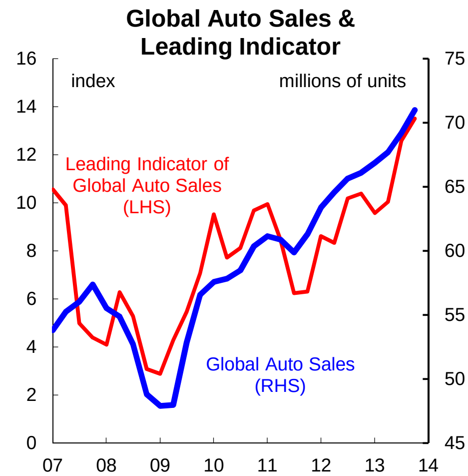
Record Global Car Sales Projected For 2014

Synchronized Expansion Drives Gains

The cyclical recovery in global auto sales that began in mid-2009 remains intact, with volumes likely to advance 5% next year to record highs. In fact, we expect 2014 to be the first synchronized expansion in global purchases since 2005, as activity in Western Europe finally begins to improve.



Source: Ward's Automotive,

Volumes will be bolstered by strengthening employment growth, rising consumer confidence and ongoing low short-term interest rates, even as the Federal Reserve continues to reduce its bond purchases. Improving financial market conditions — the Bank of Canada recently indicated that systemic risk is at the lowest level in two years — will also support sales gains.

China will continue to be the main driver of global volumes. The most populous nation has accounted for nearly half of the increase in global car sales over the past decade, and more than 60% of the improvement this year. Volumes are now nearly triple the level prevailing prior to the global economic downturn in 2008-2009. In contrast, even with the cyclical recovery in North America, passenger vehicle sales in the largest seven industrialized economies still remain 11% below the level prior to the global economic downturn.

We expect solid income gains and a rising number of new models to support a further double-digit increase in vehicle purchases in China next year. Per capita income continues to advance at a double-digit pace and leading indicators of vehicle sales, such as money supply, continue to post solid gains. Furthermore, recognizing the importance of China's market, automakers plan to introduce more than 200 new or upgraded models next year.

Ongoing replacement demand, an accelerating U.S. economy and some easing in automotive lending standards, due to lower delinquency rates, will provide valuable support to the rapid gains in China. Passenger vehicle purchases in the United States are expected to climb to 16 million units in 2014 — the highest level since 2007, as households and businesses continue to replace their aging vehicles. The average age of the U.S. fleet has jumped to a record 11.4 years at a time when U.S. household balance sheets are the healthiest in more than a decade. In addition, while long-term bond yields are likely to trend higher over the coming year, auto loans are tied to the short-end of the yield curve, and ultra-low short-term interest rates are here to stay through 2014.

Purchases in Canada are expected to edge up to a record 1.76 million units in 2014, surpassing this year's peak of 1.75 million. Volumes will be boosted by an improving labour market and the best vehicle affordability in more than three decades. Despite record new vehicle sales, Canadian households now spend only 4.3% of their disposable income on purchasing new vehicles, down from 5.8% a decade ago during the previous sales peak.

Volumes across Western Europe bottomed at a 19-year low in early 2013 and began to improve as the continent emerged from recession around mid-year. Sales are set to move higher in 2014 alongside improving consumer confidence, some labour market stabilization and an easing in credit conditions. Replacement demand is also picking up in Germany, with used car prices — a leading indicator of new vehicle sales — currently advancing 7% y/y, a sharp reversal from declining prices a year ago.

Car sales in South America advanced 5% in 2013, even with a flat performance in Brazil — a country accounting for 60% of overall volumes in the region. Purchases in Brazil were dampened by rising interest rates this year, as the central bank hiked short-term rates to contain inflation. However, with inflation recently easing below 6% y/y, interest rate increases are likely to moderate and auto loan rates have begun to edge down. We expect auto purchases in Brazil to advance 2% in 2014, underpinned by ongoing labour market strength — unemployment is only 5% — and a stimulative fiscal policy.

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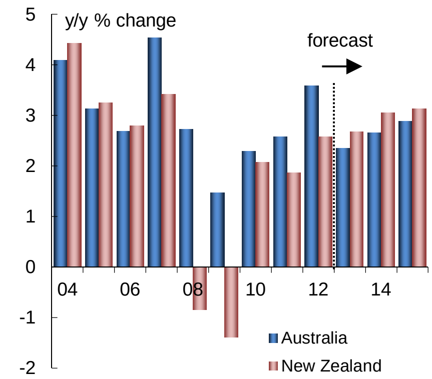
The Economic And Monetary Policy Outlook For New Zealand And Australia

- **Strong domestic demand in New Zealand may prompt monetary tightening in near term; sub-par growth in Australia will keep loose monetary conditions in place.**

Australia and New Zealand, the closely tied neighbours in Oceania, are experiencing dissimilar phases in their growth and monetary policy cycles. New Zealand whose real GDP expansion over the past decade has underperformed that of Australia (2.2% compared with 3.0%) is set to record somewhat faster output gains in 2013-15 than the nearby giant; we expect New Zealand's economy to grow by 3.0% annually in 2013-15, while our forecast for Australia is 2⅔%.

Real GDP Growth



Source: Bloomberg, Scotiabank Economics.

New Zealand's real GDP increased by 3.1% y/y in the third quarter of 2013, a marked pick-up from the average growth of 2½% in the first half of the year. Activity was underpinned by sound household spending and investment. Buoyant consumer and business confidence together with improving labour market conditions — the unemployment rate declined to 6.2% in Q3 from a recent peak of 7.2% a year earlier — indicate that domestic demand momentum will be maintained through the coming quarters.

In **Australia**, real GDP expanded by 2.3% y/y in the third quarter of 2013, remaining in line with the performance in the first half of the year. Household spending remains muted due to labour market softness; at 5.8% in November, the jobless rate has climbed to its highest level since 2009. Nevertheless, as the housing market continues to improve and the effects of monetary stimulus measures filter through the economy, consumer confidence and household spending growth should pick up. Australia's economic prospects have been adversely impacted by weakening mining investment activity, which has been a key growth contributor in recent years. Project completions have increased mining capacity; accordingly, commodity exports (equivalent to around two-thirds of total exports) will increase in importance as an economic engine.

New Zealand's sound domestic demand combined with persistently high house price inflation will likely cause increasingly evident upside pressure on consumer prices in the coming months. This is triggering **the Reserve Bank of New Zealand (RBNZ)** to signal a monetary tightening bias; following the December 12th monetary policy meeting, RBNZ officials noted that the official cash rate, currently at 2.50%, will be increased as needed to anchor future inflation. Based on our assessment that consumer price inflation reached 2% y/y, the midpoint of the RBNZ's 1-3% target range, at end-2013 (up from 1.4% y/y in the third quarter), we expect that the first benchmark interest rate hike will take place in the first quarter of 2014. Nevertheless, the disinflationary impact of the strong New Zealand dollar (NZD) will allow monetary conditions to be tightened only gradually through 2014. The RBNZ believes that the current value of the NZD is not sustainable in the long run.

Meanwhile, Australian monetary conditions are set to remain loose in the coming quarters on the back of three key factors. First, **the Reserve Bank of Australia (RBA)** assesses that domestic economic activity continues to grow at a below-trend pace. Second, monetary authorities maintain their view that the exchange rate remains "uncomfortably" strong despite its recent depreciation bias. Third, inflation remains low, with consumer price gains likely hovering within the central bank's 2-3% target through 2015. We estimate that inflation closed 2013 at 2.5% y/y. The benchmark cash rate is at 2.50%, with the most recent reduction having taken place in August; the policy rate has been cut by 225 bps since end-2011. Following the December 5th policy meeting, the RBA maintained its earlier view that it would not close off the possibility of reducing rates further should the economic recovery require further support. At the same time, however, it highlighted that a "substantial degree of policy stimulus" had been implemented, and its potential effects on the economy require continued vigilance, particularly in terms of housing market developments.

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UK: Christmas Recap

- **Unemployment rate falling like a stone;**
- **GDP Growth revised up, productivity improving;**
- **Seasonal discounting frenzy.**

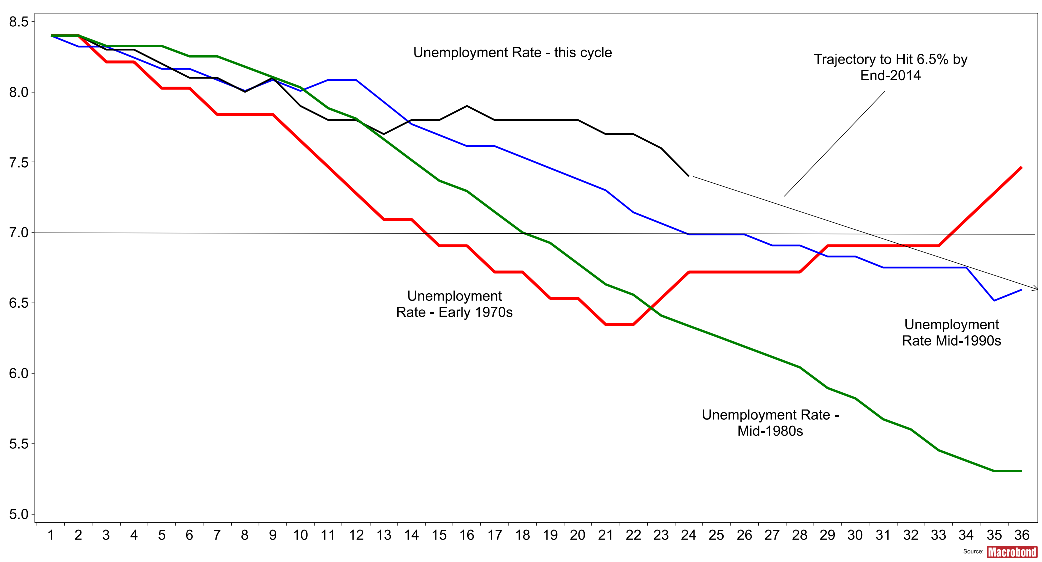
Unemployment Rate Falling Like a Stone

The unemployment rate fell by much more than expected in October, bringing forward the likely timing that the magic 7% threshold will be hit. We think that 7% will be hit in the early months of 2014. As a result, the BoE is likely to modify its forward guidance policy — lowering the threshold to 6.5% — most likely at the February *Inflation Report*. Despite moving the target, the timing of the first rate hike does feel like it is moving closer. While we wouldn't rule out an interest rate hike this year, early 2015 seems more likely at this stage.

More specifically:

- The unemployment rate fell from 7.6% to 7.4% in October — much lower than expected (the consensus was 7.6%). In fact, the level was 7.354% so we were within a whisker of the rate falling to 7.3%.
- The latest month saw pretty exceptional improvements in both employment (+133k in the latest month and +250k in the last 3 months) and unemployment (down by 78k in the last month). This pace of improvement is unlikely to be maintained.
- Assuming that we revert to a more moderate pace of improvement (30-50k increase per month in employment and 15k–20k per month fall in unemployment) then we will hit a 7% unemployment rate by March 2014.
- If that pace of improvement continues, then we could hit 6.5% before the end of this year. Clearly there is a danger of wrongly extrapolating the good news based on a few months of good data. However, that trajectory of improvement would be broadly in line with previous episodes of falling unemployment (Chart 1).

Chart 1 – Previous Falls in the Unemployment Rate Compared*



*each cycle is rebased such that the peak was 8.4% (the same as the latest cycle)

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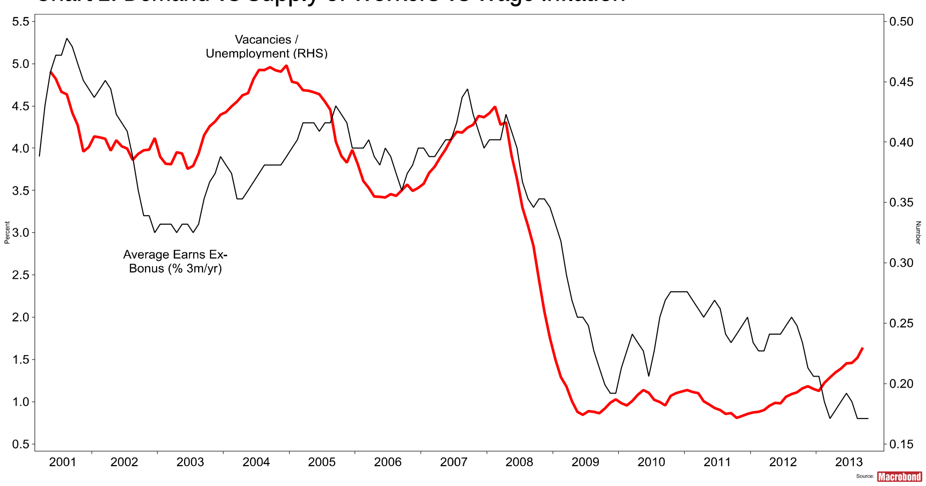
Clearly the BoE has emphasised until it is blue in the face that hitting the unemployment rate threshold is not a trigger for an interest rate hike — it is a waypoint to reassess the outlook. A key input into that reassessment is likely to be wage inflation. Thus far, the UK recovery has been heavily reliant on the UK consumer. In turn this has to a large extent reflected a reduction in the savings ratio as consumers increased their spending by more than their earnings — spurred on by the revival in the housing market. Meanwhile, real household disposable income growth has been virtually non-existent. The challenge this year is twofold; firstly for household real disposable income growth to take over the as the key driver of consumer spending growth. Faster wage inflation will be crucial for this to happen. The second challenge is for other components of GDP to do more of the heavy lifting — especially investment and net exports.

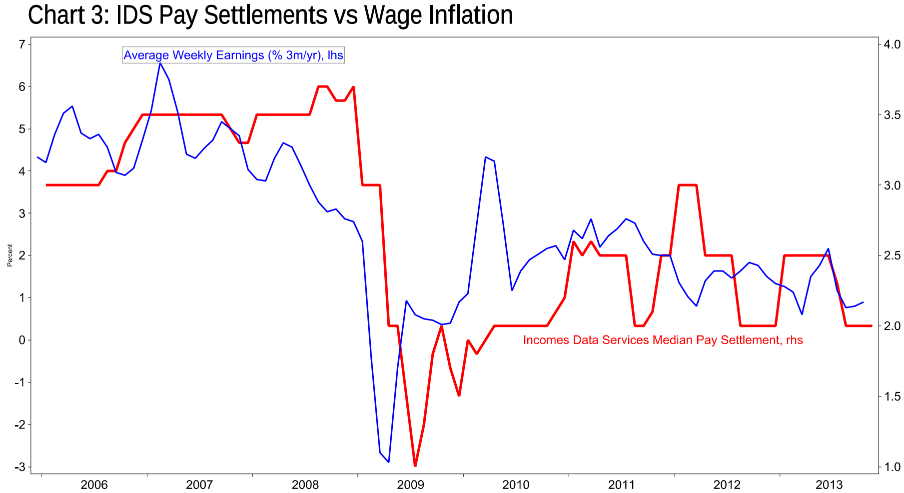
In the context of wage inflation, there are tentative signs that pay growth should creep higher this year, helping to satisfy the first of these challenges — especially if the sugar rush from housing runs out of steam. Chart 2 shows that the balance of demand versus supply for workers (i.e. vacancies versus unemployment) has been steadily rising, which points to accelerating wage inflation fairly soon.

Chart 2: Demand vs Supply of Workers vs Wage Inflation



The early signs of whether or not this is becoming a reality will probably come from pay settlements data in the early months of the year when most pay deals are set. As things stand, the latest Incomes Data Services (IDS) data show precious little sign of traction, but it is very early days. Unemployment has only just started to fall quickly so it is premature to expect to see pay rising.

Chart 3: IDS Pay Settlements vs Wage Inflation



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Last but not least the Bank of England Regional Agents' report typically contains a special survey in the early months of the New Year that looks at wage pressures. We suspect that it is too early to expect a dramatic acceleration at this stage, but it will be well worth watching nonetheless.

GDP Growth Revised Up — Productivity Improving

The third estimate of Q3 GDP showed no change in the latest quarterly growth rate (0.8% q/q). However, there was a sizeable upward revision to the % y/y growth rate — from 1.5% y/y to 1.9% y/y — owing to upward revisions to previous quarters. With employment growth running at 1.6% y/y that left productivity growth in mildly positive territory (½% y/y) for the second consecutive quarter.

Base effects should mean that Q4 looks even better. The latest vintage of data show that the economy contracted by a moderate 0.1% q/q during Q4-2012. We expect an expansion of close to 1% q/q during Q4-2013. The net effect is likely to be that % y/y GDP growth is propelled up to around 3% y/y and productivity growth gets back to a more 'normal' pace of 1.5% y/y.

It is going to be difficult for productivity to maintain that pace, let alone accelerate further. The stellar pace of hiring highlighted in the latest data suggests that employment growth should easily hit 2% y/y by mid-year. It will therefore be challenging for productivity growth to stay elevated unless GDP expands by close to 3.5% y/y — which is a full percentage point faster than the current consensus.

Clearly the latest GDP data demonstrated that revisions can change the annual growth rate by a sizeable margin. With survey data elevated and jobs growth powering ahead, we suspect it is more likely than not that there will be further upward revisions. Nonetheless, it is worthwhile to look at the quarterly growth profile that is required in order to hit that consensus growth rate of 2.5% y/y for 2014 (based on the latest vintage of data). Clearly there is more than one way to skin a cat, but the scenario that most people are probably running with is illustrated below:

		% q/q	% y/y	Annual Average
Actual	Q1-2013	0.5	0.7	
	Q2-2013	0.8	2.0	
	Q3-2013	0.8	1.9	
Projected	*Q4-2013*	*0.9*	*3.1*	*1.9*
	Q1-2014	*0.6*	*3.1*	
	Q2-2014	*0.4*	*2.7*	
	Q3-2014	*0.4*	*2.3*	
	Q4-2014	*0.4*	*1.8*	*2.5*

More specifically, growth is about as good as it gets right now. The quarterly pace of expansion peaks around Q4-2013, before gradually falling away into 2014. By end-2014, the quarterly pace of expansion will have halved compared with late-2013. The rationale for expecting the slowdown into H2 is that the buoyancy of growth in late-2013 reflected the temporary effects of the rebound in the housing market on sentiment and the working off of pent-up demand. The projected slowdown could also reflect the impact of less accommodative policy conditions on the back of the appreciation in the effective GBP exchange rate and the likely drift higher in yields now that taper has begun and the first rate hike approaches.

Our LILI model (Leading Indicator for Leading Indicators) which captures the impact of this tightening in policy conditions would tend to agree with this shape for the growth outlook hence we are in line with the consensus view of 2.5% y/y growth this year. However, if we are going to be wrong, we suspect it is that growth proves stronger rather than weaker than we have projected. The first clues on whether or not this is happening will come from the PMI surveys which are currently flying high in upper-50 territory. These would need to slip to mid-to-low-50 territory for our growth projection to remain on track.

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Seasonal Sales Frenzy

As usual, there was considerable media attention surrounding aggressive seasonal discounting over the crucial Christmas period. During late-December there were reports that the high street had been quiet and this had provoked prices to be slashed. However, we found two reports interesting. The FT Lex column on 20 December quoted a report suggesting that 72% of high street retailers had promotions that week. However, that was ***less*** than during the same period a year earlier.

Secondly, the Daily Mirror reported in the aftermath of the Boxing day sales that there had been 'bogus' deals. In particular, there were examples of prices of goods being cut by say 20%, but the labels hidden under the sales sticker showed that prices had previously been raised by 25%.

Clearly there is going to be a lot of hype about how the seasonal discounting will affect retail sales (and moreover, CPI / RPI inflation) around the turn of the year. Our best guess is that the CPI and RPI were sampled on 9 December, so would probably have pre-dated the reported aggressive pre-Christmas discounting. If that is the case then the effect of discounts would more likely be reflected in the January data. The only other date that the CPI could have been sampled was 16 December, which again is a touch early.

In the big scheme of things, we would be surprised if discounting was dramatically different to last year — despite reports of squeezed household budgets. The fact of the matter is that real household disposable income growth was weaker around last Christmas (shrinking by close to 1.5% q/q in both Q4-2012 and Q1-2013). That is compared to moderate expansion in disposable incomes currently, helped by lower inflation. The living standards story is appealing — but we have had it a lot worse in previous years when inflation was much higher.

The other key issue is that the biggest driver of overall GDP growth of late has been consumer spending. Recent reports that spending has died a death do not fit with this picture of upbeat consumer confidence associated with the buoyant housing market and rapid hiring. Could this be a reflection of increasing appetite for internet sales cannibalising physical sales on the high street? Or could it be a great form of free advertising by retailers on Christmas news broadcasts — louring shoppers to the high street in the hope of mega-bargains?

We will soon find out, but our working assumption was that overall spending growth was not a disaster and we are unlikely to see discounting massively in excess of previous seasons. The key dates for data releases are as follows:

- 8 January: BRC Shop Price Index (Dec)
- 10 January: BRC Retail Sales Monitor (Dec)
- 14 January: CPI/RPI (Dec)
- 17 January: Retail Sales (Dec)
- 5 February: BRC Shop Price Index (Jan)
- 11 February: BRC Retail Sales Monitor (Jan)
- 18 February: CPI/RPI (Jan)
- 21 February: Retail Sales (Jan)

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ECB Preview: Are Current Rate Expectations Warranted?

- Over the past year, the ECB has at many times alternated between hawkish and dovish comments from one meeting to the other. Thus, after cutting rates in May, the ECB sounded less dovish in June but entered into a dovish mode in July through the announcement of forward guidance. In the last two months of last year, the ECB once again made a surprise move by cutting rates in November and then, sounded less dovish as soon as the December meeting. Could we have at next week's meeting a repeat of the "July meeting" with once again a dovish stance?

- Looking to available macroeconomic indicators, there is nonetheless a higher chance of seeing a repeat of the December meeting than a shift back into the dovish side. Indeed:

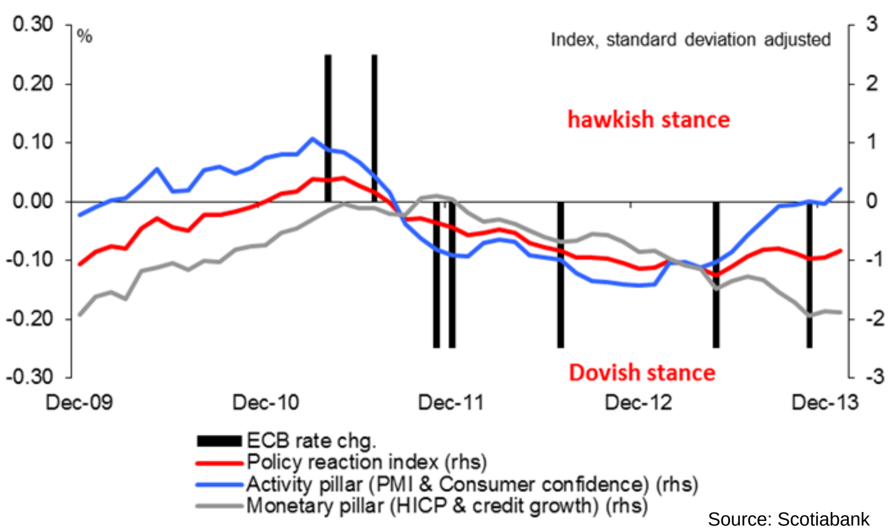
  - Both the May and November rate cuts took place following a significant downside surprise on inflation. After October's low, EMU inflation moved slightly up from 0.7% to 0.9% yoy in November. For December, the flash estimate will be released just ahead of this meeting and we look for a stale 0.9% yoy, although the bias could be slightly again on the downside. This will, in our view, keep the pressure on the ECB to act although at a later stage.

  - Also, July's forward guidance came at a time when business sentiment was still very low. Since then, forward leading indicators suggest that the EMU recovery is gaining speed and is spreading across countries and sectors. The December EMU manufacturing PMI increased to 52.7, its highest level in two years and above its long-term average (between 51.0/52.0). While Germany is leading the pack, the index is also in expansionary territory (above 50) in peripheral countries like Spain and Italy. In the meantime, on the demand side of the economy, the EMU consumer confidence index also continued to recover, printing above its long-term average in January.

  - On the soft side however, private credit growth continued to worsen, falling 2.3% yoy in November. While the ECB has constantly repeated that weak loan dynamics partly reflect their lagged relationship with the business cycle, the lack of any improvement despite business sentiment turning up still suggests that the transmission of monetary policy remains impaired, maintaining pressure on the ECB to act.

  - So, all in all, looking to our traditional ECB reaction function index tracking all of the above-mentioned indicators, it seems that there is little to expect in terms of action or in changing the ECB's tone compared to the stance of the December meeting.

Chart 1: Scotiabank's ECB reaction function index



Source: Scotiabank

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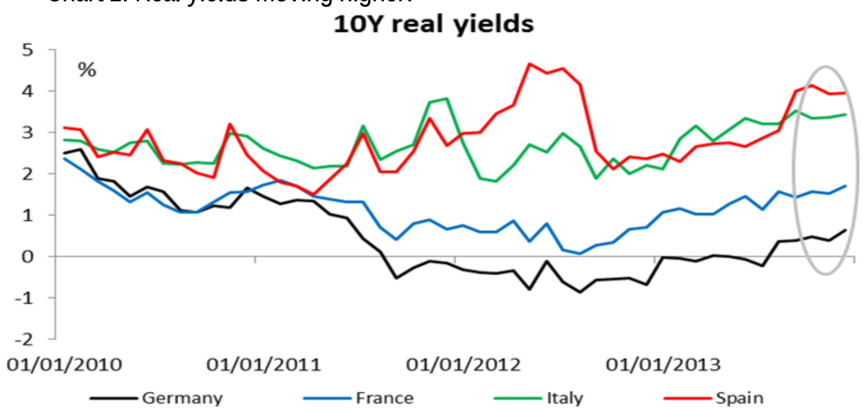
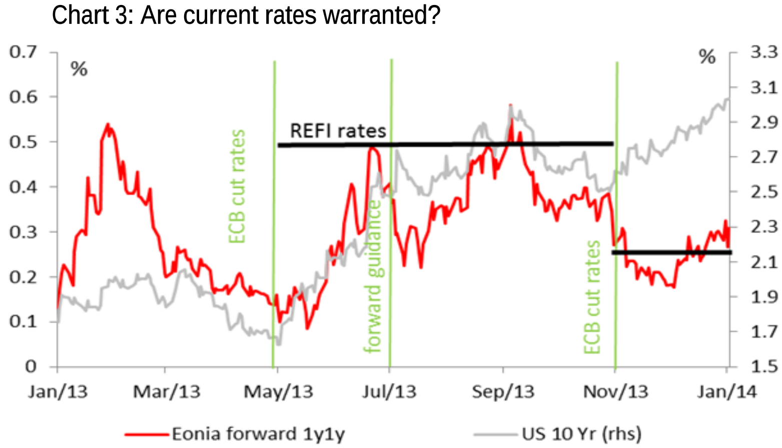
- However, the trend in financial conditions could nonetheless call for some caution at the ECB. On the positive side, behind the traditional volatility, euro equity markets have continued to rally, starting the New Year at their highest level since the Lehman collapse. On the negative side, the euro nominal effective exchange rate also prolonged its upward trend to approach a two-year high! In the meantime, while the November rate cut has enabled euro rates, both short and long, to disconnect from the rising trend in US rates, it has no longer been the case over the past month. This means that the euro area is partly importing the tightening (or less accommodative) move in financial conditions orchestrated by the Fed. While higher rates in core countries like Germany might be justified and could contribute calming fears of an asset bubble in that country, it also limits the capacity for peripheral yields to rally further. At a time when large output gaps in these countries still point to greater downside than upside risks on inflation, there is therefore an increased likelihood to see higher real rates at a premature stage in the economic cycle. For countries like Italy or Spain, while 10Y rates closed the year around the low levels reached early May (just before the indication of potential Fed tapering), inflation in these countries has slowed to between 0.5% and 1% yoy, implying a stronger rise in real yields than in core countries.

Chart 2: Real yields moving higher!



- Next week's meeting will help to gauge how this risk of higher rates is impacting the ECB's current stance. In August, the fact that the 1Y in 1Y forward eonia was flirting around or even slightly above the refi rates of 0.5% pushed the ECB president to mention that "*rate hikes in money markets are, according to our assessment unwarranted*". Would it be the same with the 1Y in 1Y forward eonia around 0.3% that is above the refi rate at 0.25%? Although it proved to be a strong wording to suggest that the bias on the monetary policy was very much on the downside, this assessment had, at that time, little impact to disconnect euro rates from the US or to soften the euro. With the recent experience, the market's reaction could be a bit different and stronger this time.

Chart 3: Are current rates warranted?



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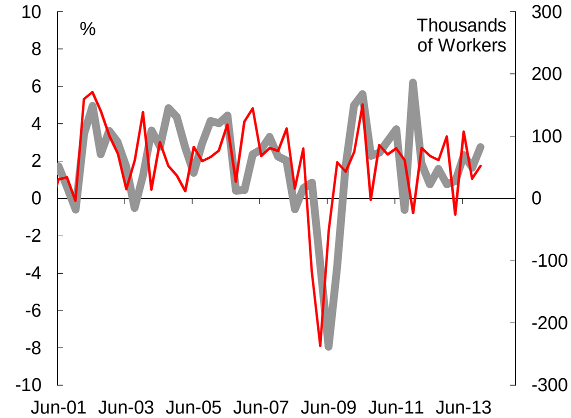
Key Data Preview

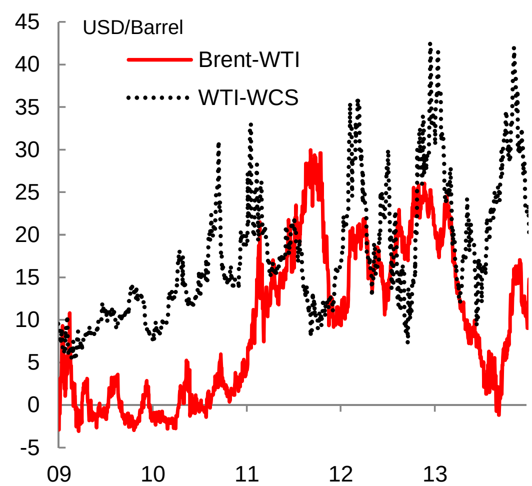
CANADA

We're expecting **Canadian employment data** (January 10) to come in at a fairly average monthly gain of 15k for the month of December, a bit better than the 2013 average so far of 13.5k/month — but not much. There aren't any special factors guiding our call, so we're stuck with our view that job gains should be in line with the average implied by the fairly run-of-the-mill pace of Canadian economic growth that we've seen in the data released so far covering 2013. As the chart to the right shows, a pick-up in growth in Q3 should result in better jobs figures for Q4 — which we've seen thus far, with October and November averaging 17.4k jobs/month. We're looking for the unemployment rate to hold steady at 6.9%.



Source: Scotiabank Economics, Statistics Canada

We're expecting Canada's **trade deficit** (January 7) to have widened in November to C$ -400m after posting a narrow surplus in October. We're anticipating the decline for a number of reasons: a) the improvement in the trade balance in October was driven entirely by a 1.2% m/m drop in imports which we expect will undo itself this month; b) the price of the heavy crude oil that Canada exports fell by a very sharp 15% m/m while the price of the crude oil that Canada imports fell by a much narrower 1.4% (see chart); c) the C$ depreciated on the month, meaning imports, which we expect to spike, will be costlier.



Source: Bloomberg, Scotiabank Economics

UNITED STATES

Will December's **jobs** report (January 10) be able to follow up on the strength of the very solid November report with further gains? We're looking for job gains to come in at 185k/month after a very solid run in November and October (respectively +203k and +200k jobs) that essentially saw the U.S. labour market shrug off the government shutdown. Note that wage and hour gains were very strong in October/ November as well, so the labour market clearly picked up some steam — and perhaps needs a mild breather for the month. It's hard to gain very much insight from initial jobless claims figures, which were fairly distorted due to seasonality issues in early December and saw initial claims range from 380k to 339k; nonetheless, notwithstanding seasonal adjustment issues, the average level of claims was 346k on the month, somewhat higher than what we've seen of late and implying a slightly softer December than what we saw in October/ November when initial claims cumulatively averaged 337k/week. We're looking for the unemployment rate to hold steady at 7% after the household survey was very strong in November.

We're looking for a solid improvement in the U.S. **trade** deficit (January 7), forecasting a decline to the USD 38bn range on a mix of a stronger USD, a drop in oil import costs, and a possible large uptick in exports of capital goods and cars. U.S. shipments of capital goods (+2.3% m/m) and cars (+3%) were both quite strong in November, and if part of this surge in production was exported, then the results for the trade deficit can be quite salutary. One risk here is that the U.S. has tended to import more crude when prices drop, but, conversely, the large ramp-up in U.S. domestic crude oil production in 2013 also resulted in a spike in exports of refined petroleum products, which itself has been a cushion for the U.S. trade deficit.

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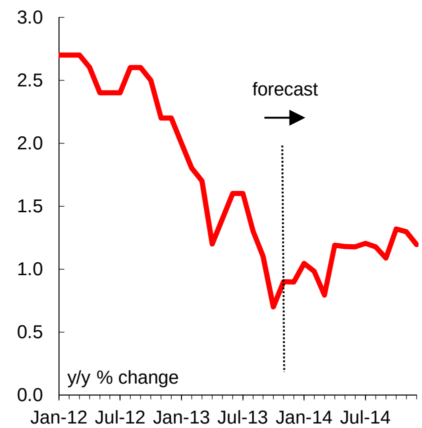
EUROPE

Following a stable inflation reading in December in Spain and a softer trend in Italy, we expect the December flash CPI estimate for the euro area to remain stable at 0.9% y/y, although the risk could be on the downside with a figure closer to 0.8%. Like in November, favourable base effects in energy prices will play on the upside. Looking to early data in gasoline prices, fuel prices could be up around 1.0% m/m, pushing total energy prices up around 0.3% m/m (compared to a 0.5% drop in December 2012). Part of the upside risk linked to higher energy prices could be offset by softer food prices where the base effect could play in reverse. However, the main potential surprise in the December report could come from the trend in core inflation, where we expect a slowdown back to 0.8% y/y from 0.9% in the prior month. Here, conflicting factors could be playing. On the upside: a potential rebound in clothing prices in Greece following a sharp 10% m/m drop in November. On the downside: a softer trend in service prices on the back of lower costs in recreation & culture as well as in communication. For the former, this would mainly reflect some payback linked to the unexpected increase in German recreation prices in November. Our projection for German inflation shows a modest slowdown from 1.6% y/y to 1.5% in December. For the latter, a boost could come from the potential spill-over effect of the renewing downside trend in French communication prices.

Euro Area Consumer Price Inflation

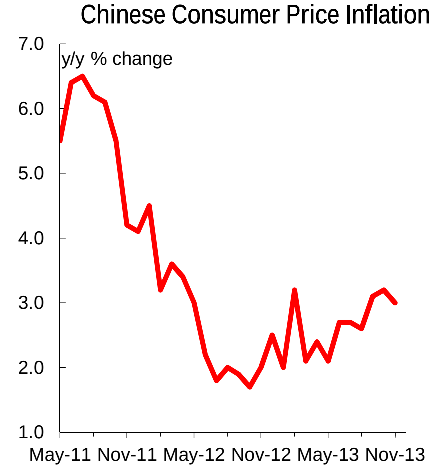


Source: Bloomberg, Scotiabank Economics.

ASIA

China will release a substantial amount of data next week. Consumer and producer price inflation for December will be published on January 8th. The Chinese inflation outlook remains manageable, with consumer prices increasing by 3.0% y/y in November, and we estimate that the inflation rate remained unchanged in December. Headline inflation will likely continue to hover below the 4% mark through 2015. While home prices and credit growth dynamics will be key factors influencing inflationary developments in the coming year, persistent deflation further up the distribution chain due to industrial overcapacity should alleviate any concerns regarding significant upside pressure on prices. Producer prices declined by 1.4% y/y in November; we assess that deflation eased slightly by year-end, with producer prices dropping by 1.2% y/y.

Chinese Consumer Price Inflation



Source: Bloomberg, Scotiabank Economics.

Credit growth data for December will be released on January 10th. The People's Bank of China is tightening its monetary policy stance by withdrawing liquidity from the banking system, which caused the one-month Shibor-rate to touch a six-month high in December. Monetary authorities will continue to limit lending expansion in pursuit of reaching a more structurally balanced financial environment and bringing the economy to a sustainable growth trajectory. The authorities' efforts since May have been effective; aggregate financing contracted by 21% y/y on average in the May-November period, compared with an increase of 63% y/y in the first four months of the year. We assess that this trend continued in December, with aggregate financing expanding by CNY1100 billion; this would take overall annual credit expansion to 8.8% for 2013 as a whole.

Key Indicators for the week of January 6 – 10

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	01/06	08:30	IPPI (m/m)	Nov	--	-0.1	-0.3
CA	01/06	08:30	Raw Materials Price Index (m/m)	Nov	--	-1.5	-2.3
US	01/06	10:00	Factory Orders (m/m)	Nov	1.8	1.7	-0.9
US	01/06	10:00	ISM Non-Manufacturing Composite	Dec	55.0	54.5	53.9
CA	01/07	08:30	Merchandise Trade Balance (C$ bn)	Nov	-0.4	-0.1	0.1
US	01/07	08:30	Trade Balance (US$ bn)	Nov	-38.0	-40.0	-40.6
US	01/08	08:15	ADP Employment Report (000s m/m)	Dec	185.0	200.0	215.2
US	01/08	15:00	Consumer Credit (US$ bn m/m)	Nov	--	13.8	18.2
CA	01/09	08:15	Housing Starts (000s)	Dec	180.0	--	192.2
CA	01/09	08:30	Building Permits (m/m)	Nov	--	--	7.4
CA	01/09	08:30	New Housing Price Index (m/m)	Nov	--	--	0.1
US	01/09	08:30	Initial Jobless Claims (000s)	JAN 4	340	335	339
US	01/09	08:30	Continuing Claims (000s)	DEC 28	2850	2890	2833
MX	01/09	09:00	Bi-Weekly Core CPI (% change)	Dec 31	--	--	0.3
MX	01/09	09:00	Bi-Weekly CPI (% change)	Dec 31	--	0.2	0.4
MX	01/09	09:00	Consumer Prices (m/m)	Dec	--	0.5	0.9
MX	01/09	09:00	Consumer Prices (y/y)	Dec	--	3.9	3.6
MX	01/09	09:00	Consumer Prices Core (m/m)	Dec	--	0.3	0.1
MX	01/09	09:00	Global Economic Indicator IGAE (y/y)	Oct	--	1.5	0.8
CA	01/10	08:30	Employment (000s m/m)	Dec	15.0	13.1	21.6
CA	01/10	08:30	Unemployment Rate (%)	Dec	6.9	6.9	6.9
US	01/10	08:30	Nonfarm Employment Report (000s m/m)	Dec	185.0	195.0	203.0
US	01/10	08:30	Unemployment Rate (%)	Dec	7.0	7.0	7.0
US	01/10	08:30	Average Hourly Earnings (m/m)	Dec	--	0.2	0.2
US	01/10	08:30	Average Weekly Hours	Dec	--	34.5	34.5
US	01/10	08:30	Household Employment Report (000s m/m)	Dec	--	--	818.0
MX	01/10	09:00	Industrial Production (m/m)	Nov	--	0.6	0.5
MX	01/10	09:00	Industrial Production (y/y)	Nov	--	0.3	0.1
US	01/10	10:00	Wholesale Inventories (m/m)	Nov	--	0.4	1.4
US	01/10	10:00	IBD/TIPP Economic Optimism Index	Jan	--	--	43.1

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IT	01/06	03:45	Services PMI	Dec	--	48.5	47.2
FR	01/06	03:50	Services PMI	Dec F	--	47.4	47.4
GE	01/06	03:55	Services PMI	Dec F	--	54.0	54.0
EC	01/06	04:00	Composite PMI	Dec F	--	52.1	52.1
EC	01/06	04:00	Services PMI	Dec F	--	51.0	51.0
UK	01/06	04:30	Services PMI	Dec	59.5	60.3	60.0
UK	01/06		Halifax House Price (3 month, y/y)	Dec	8.4	8.2	7.7
GE	01/06	08:00	CPI (y/y)	Dec P	--	1.4	1.3
GE	01/06	08:00	CPI - EU Harmonized (m/m)	Dec P	0.8	0.7	0.2
GE	01/06	08:00	CPI - EU Harmonized (y/y)	Dec P	1.5	1.4	1.6
GE	01/07	03:55	Unemployment Rate (%)	Dec	--	6.9	6.9
EC	01/07	05:00	Euro zone CPI Estimate (y/y)	Dec	0.9	0.9	0.9
GE	01/08	02:00	Trade Balance (€ bn)	Nov	--	18.9	17.9
EC	01/08	05:00	Retail Trade (m/m)	Nov	--	0.1	-0.2
EC	01/08	05:00	Unemployment Rate (%)	Nov	12.1	12.1	12.1
GE	01/08	06:00	Factory Orders (m/m)	Nov	1.5	1.5	-2.1
FR	01/09	02:45	Trade Balance (€ mn)	Nov	--	-4600	-4697
UK	01/09	04:30	Visible Trade Balance (£ mn)	Nov	-9700	-9450	-9732
EC	01/09	05:00	Business Climate Indicator	Dec	--	0.2	0.2
EC	01/09	05:00	Consumer Confidence	Dec F	--	-13.6	-13.6
EC	01/09	05:00	Economic Confidence	Dec	--	99.1	98.5
EC	01/09	05:00	Industrial Confidence	Dec	--	-3.0	-3.9
GE	01/09	06:00	Industrial Production (m/m)	Nov	1.8	1.5	-1.2
UK	01/09	07:00	BoE Asset Purchase Target (£ bn)	Jan	375	375	375
UK	01/09	07:00	**BoE Policy Announcement (%)**	**Jan 9**	**0.50**	**0.50**	**0.50**
EC	01/09	07:45	**ECB Announces Interest Rates (%)**	**Jan 9**	**0.25**	**0.25**	**0.25**

Forecasts at time of publication.
Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of January 6 – 10

Europe *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	01/10	02:45	Industrial Production (m/m)	Nov	--	0.4	-0.3
FR	01/10	02:45	Manufacturing Production (m/m)	Nov	--	0.2	0.4
SP	01/10	03:00	Industrial Output NSA (y/y)	Nov	--	--	1.8
UK	01/10	04:30	Industrial Production (m/m)	Nov	0.4	0.4	0.4
UK	01/10	04:30	Manufacturing Production (m/m)	Nov	0.5	0.4	0.4

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
TA	01/05	19:30	CPI (y/y)	Dec	--	0.8	0.7
CH	01/05	20:45	HSBC Services PMI	Dec	--	--	52.5
HK	01/05	21:30	Purchasing Managers Index	Dec	--	--	52.1
JN	01/06	00:00	Vehicle Sales (y/y)	Dec	--	--	13.3
SI	01/06	08:30	Purchasing Managers Index	Dec	--	51.1	50.8
JN	01/06	18:50	Monetary Base (y/y)	Dec	--	--	52.5
AU	01/06	19:30	Trade Balance (AUD mn)	Nov	--	-300.0	-529.0
TA	01/07	03:00	Exports (y/y)	Dec	--	0.5	0.0
TA	01/07	03:00	Imports (y/y)	Dec	--	2.2	-0.5
TA	01/07	03:00	Trade Balance (US$ bn)	Dec	--	3.6	3.5
MA	01/07	23:01	Exports (y/y)	Nov	--	10.3	9.6
MA	01/07	23:01	Imports (y/y)	Nov	--	15.1	13.9
MA	01/07	23:01	Trade Balance (MYR bn)	Nov	--	8.6	8.2
AU	01/08	00:30	Foreign Reserves (AUD bn)	Dec	60.0	--	59.9
NZ	01/08		QV House Prices (y/y)	Dec	--	--	9.2
CH	01/08		Exports (y/y)	Dec	4.5	5.2	12.7
CH	01/08		Imports (y/y)	Dec	4.0	5.0	5.3
CH	01/08		Trade Balance (USD bn)	Dec	33.0	32.9	33.8
AU	01/08	19:30	Building Approvals (m/m)	Nov	--	-1.0	-1.8
AU	01/08	19:30	Retail Sales (m/m)	Nov	--	0.4	0.5
SK	01/08	20:00	**BoK Base Rate (%)**	**Jan 9**	**2.50**	**2.50**	**2.50**
TH	01/08	22:30	Consumer Confidence Economic	Dec	--	--	65.0
MA	01/08	23:01	Industrial Production (y/y)	Nov	--	3.2	1.7
CH	01/09		CPI (y/y)	Dec	3.0	2.7	3.0
CH	01/09		PPI (y/y)	Dec	-1.2	-1.3	-1.4
JN	01/09	18:50	Official Reserve Assets (US$ bn)	Dec	--	--	1275.4
PH	01/09	20:00	Exports (y/y)	Nov	--	11.3	14.0
ID	01/09		**Bank Indonesia Reference Rate (%)**	**Nov**	**7.50**	**7.50**	**7.50**
JN	01/10	00:00	Coincident Index CI	Nov P	--	110.6	110.4
JN	01/10	00:00	Leading Index CI	Nov P	--	110.8	109.8
CH	01/10		Aggregate Financing (CNY bn)	Dec	1100.0	1125.0	1227.8
CH	01/10		Foreign Reserves (US$ bn)	Dec	3680.0	--	3662.7
CH	01/10		New Yuan Loans (bn)	Dec	500.0	585.0	624.6
CH	01/10		Business Climate Index	4Q	--	--	121.5
IN	01/10		Exports (y/y)	Dec	--	--	5.86
IN	01/10		Imports (y/y)	Dec	--	--	-16.37

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	01/04	19:00	Consumer Price Index (y/y)	Dec	--	1.9	1.8
CL	01/06	06:30	Economic Activity Index NSA (y/y)	Nov	--	3.4	2.8
BZ	01/08	06:00	Industrial Production (y/y)	Nov	--	-0.7	0.9
CL	01/08	06:00	CPI (y/y)	Dec	2.5	2.9	2.4
PE	01/09	18:00	**Reference Rate (%)**	**Jan**	**4.00**	**4.00**	**4.00**
BZ	01/10	06:00	IBGE Inflation IPCA (y/y)	Dec	6.0	5.8	5.8
PE	01/10		Trade Balance (USD mn)	Nov	--	-270.0	-303.0

Forecasts at time of publication.
Source: Bloomberg, Scotiabank Economics.

Global Auctions for the week of January 6 – 10

North America

Country	Date	Time	Event
US	01/06	11:00	U.S. Fed to Purchase USD1.00-1.50 Bln Notes
US	01/06	11:30	U.S. to Sell USD28 Bln 3-Month Bills
US	01/06	11:30	U.S. to Sell USD26 Bln 6-Month Bills
US	01/07	11:00	U.S. Fed to Purchase USD2.25-3.00 Bln Notes
US	01/07	11:30	U.S. to Sell USD23 Bln 52-Week Bills
US	01/07	11:30	U.S. to Sell 4-Week Bills
MX	01/07	12:30	Mexico To Sell 5-Year Bonds
US	01/07	13:00	U.S. to Sell USD30 Bln 3-Year Notes
US	01/08	11:00	U.S. Fed to Purchase USD1.00-1.50 Bln Notes
CA	01/08	12:00	Canada to Sell 3-Year Bonds
US	01/08	13:00	U.S. to Sell USD21 Bln 10-Year Notes Reopening
US	01/09	11:00	U.S. Fed to Purchase USD0.60-0.90 Bln Notes
US	01/09	13:00	U.S. to Sell USD13 Bln 30-Year Bonds Reopening
US	01/10	11:00	U.S. Fed to Purchase USD2.50-3.50 Bln Notes

Europe

Country	Date	Time	Event
FR	01/06	08:50	France to Sell Bills
DE	01/07	04:30	Denmark to Sell 4% 2019 Bonds
DE	01/07	04:30	Denmark to Sell 1.5% 2023 Bonds
GR	01/07	05:00	Greece to Sell 26-Week Bills (To be confirmed)
AS	01/07	05:15	Austria to Sell 1.75% 2023 Bonds
AS	01/07	05:15	Austria to Sell 3.15% 2044 Bonds
UK	01/07	05:30	U.K. to Sell GBP1.35 Bln 0.125% I/L 2029 Bonds
SP	01/09	04:30	Spain to Sell Bonds
IT	01/10	05:00	Italy to Sell 12-Month Bills

Asia Pacific

Country	Date	Time	Event
CH	01/05	22:00	China to Sell CNY10 Bln 5-Year Bonds
JN	01/06	22:35	Japan to Sell 3-Month Bill
JN	01/06	22:45	Japan to Sell 10-Year Bonds
CH	01/07	22:00	China to Sell 1-Year Bonds
JN	01/08	22:35	Japan to Sell 3-Month Bill
JN	01/08	22:45	Japan to Sell 10-Year Inflation-Linked Bonds
JN	01/09	22:35	Japan to Sell 6-Month Bill

Latin America

Country	Date	Time	Event
CL	01/06	11:00	1M Bill Yield
CL	01/06	11:00	3M Bill Yield
CL	01/06	11:00	6M Bill Yield
CL	01/07	11:00	1M Bill Yield
CL	01/07	11:00	3M Bill Yield
CL	01/07	11:00	6M Bill Yield
BZ	01/09	08:00	Brazil to Sell Bills due 10/01/2014 - LTN
BZ	01/09	08:00	Brazil to Sell Bills due 04/01/2016 - LTN
BZ	01/09	08:00	Brazil to Sell Bills due 1/1/2018 - LTN
BZ	01/09	11:00	Brazil to Sell Fixed-rate bonds due 1/1/2021 - NTN-F
BZ	01/09	11:00	Brazil to Sell Fixed-rate bonds due 1/1/2025 - NTN-F

Source: Bloomberg, Scotiabank Economics.

Events for the week of January 6 – 10

North America

Country	Date	Time	Event
US	JAN 3-5		U.S. and Canadian Legislative Agriculture Chairs Summit
US	01/04	10:15	Fed's Dudley, Rosengren, Plosser, Kocherlakota in Philadelphia
US	01/04	17:00	Fed's Plosser Gives Speech in Philadelphia
US	01/07	08:30	Fed's Rosengren Speaks on the Economy in Hartford, Connecticut
US	01/07	14:10	Fed's Williams Speaks on Economy in Phoenix, Arizona
US	01/08	14:00	Fed Releases Minutes from Dec 17-18 FOMC Meeting
US	01/08	14:30	U.S. Secretary of Commerce Pritzker Speaks in Las Vegas
US	01/08		Final Spending Bill Agreement - Goal
US	01/09	10:00	House Monetary Policy Subcommittee Hearing on Fed Bond Buying
US	01/10	08:30	Revision of Seasonally Adjusted Household Survey Data
US	01/10	13:00	Fed's Bullard Speaks on U.S. Economy in Indianapolis
US	01/10		House Vote on Final Spending Bill - Goal

Europe

Country	Date	Time	Event
PO	01/06	06:00	Portugal Releases Consumer, Business Confidence Report
UK	01/06		Commons Reconvenes After Christmas Recess
PO	JAN 6-7		European Parliament Delegation Visits Portugal
GE	JAN 7-9		CSU Party at Annual Conclave in Wildbad Kreuth, Bavaria
EC	01/08	13:00	EU's Van Rompuy at EU Greek Presidency Launch in Athens
GE	01/08		Merkel Travels to Warsaw to Meet Tusk for German-Polish Talks
SW	01/08		Sveriges Riksbank Releases Minutes from December Meeting
IT	01/09	05:00	Bank of Italy Report on Balance-Sheet Aggregates
UK	01/09	07:00	**Bank of England Bank Rate**
UK	01/09	07:00	BOE Asset Purchase Target
EC	01/09	07:45	**ECB Announces Interest Rates**
EC	01/09	07:45	ECB Deposit Facility Rate
EC	01/09	07:45	ECB Marginal Lending Facility
EC	01/09	08:30	ECB'S Draghi Holds Press Conference After Rate Decision
EC	01/10	05:00	EU's Van Rompuy Attends King of Belgium Reception in Brussels
EC	01/10	10:15	EU's Van Rompuy Meets Latvia's Dombrovskis in Riga
EC	01/10	11:00	EU's Van Rompuy Attends Latvia Euro-Entry Ceremony in Riga
GE	JAN 10-11		Merkel, CDU Executive Board at New Year's Conclave in Erfurt

Asia Pacific

Country	Date	Time	Event
PK	JAN 7-8		Asian Parliamentary Assembly Plenary in Pakistan
SK	01/08	20:00	**BoK 7-Day Repo Rate**
ID	JAN 8-9		**Bank Indonesia Reference Rate**

Latin America

Country	Date	Time	Event
PE	01/09	18:00	**Reference Rate**

Source: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

North America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	1.00	January 22, 2014	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	January 29, 2014	0.25	--
Banco de México – Overnight Rate	3.50	January 31, 2014	3.50	--

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.25	January 9, 2014	0.25	0.25
Bank of England – Bank Rate	0.50	January 9, 2014	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	March 20, 2014	0.00	--
Central Bank of Russia – One-Week Auction Rate	5.50	February 14, 2014	5.50	--
Hungarian National Bank – Base Rate	3.00	January 30, 2014	3.00	--
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	4.50	January 21, 2014	4.50	--
Sweden Riksbank – Repo Rate	0.75	February 13, 2014	0.75	--
Norges Bank – Deposit Rate	1.50	March 27, 2014	1.50	--

As is the case more often than not, the European Central Bank (ECB) and the Bank of England (BoE) will hold monetary policy meetings on the same day this month, next Thursday, January 9th. No policy changes are expected at this time from either central bank, which both continue to maintain exceptionally loose monetary conditions. However, signs point to diverging policy paths over the coming year. While the ECB reduced interest rates twice last year and may yet lower them further in the months ahead amid muted inflation and soft recovery dynamics, expectations for the beginning of the BoE's rate-hiking cycle have been brought forward significantly since the adoption of forward guidance in August on account of the rapid strengthening of the labour market. With the UK unemployment rate set to reach the 7% threshold as early as the first or second quarter of this year, the first rate hike could follow by the first half of 2015. For further insight into next week's ECB meeting, please see "ECB Preview: Are Current Rate Expectations Warranted?" by Frederic Pretet earlier in this publication.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Reserve Bank of Australia – Cash Target Rate	2.50	February 3, 2014	2.50	2.50
Reserve Bank of New Zealand – Cash Rate	2.50	January 29, 2014	2.50	2.50
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	7.75	January 28, 2014	8.00	--
Bank of Korea – Bank Rate	2.50	January 8, 2014	2.50	2.50
Bank of Thailand – Repo Rate	2.25	January 22, 2014	2.25	--
Bank Indonesia – Reference Interest Rate	7.50	January 9, 2014	7.50	7.50

The Bank of Korea will likely retain its accommodative monetary policy stance in the coming quarters as inflation remains low (at 1.1% y/y in December) and the domestic economy maintains a negative output gap. Accordingly, we expect the benchmark base rate to stay at 2.50% next week.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	10.00	January 15, 2014	10.25	--
Banco Central de Chile – Overnight Rate	4.50	January 16, 2014	4.50	--
Banco de la República de Colombia – Lending Rate	3.25	January 31, 2014	3.25	3.25
Banco Central de Reserva del Perú – Reference Rate	4.00	January 9, 2014	4.00	4.00

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.00	January 29, 2014	5.00	--

Forecasts at time of publication.
Source: Bloomberg, Scotiabank Economics.

Forecasts as at November 29, 2013*	2000-12	2013e	2014f	2015f	2000-12	2013e	2014f	2015f
Output and Inflation (annual % change)		Real GDP				Consumer Prices[2]		
World[1]	3.7	2.9	3.5	3.6				
Canada	2.2	1.7	2.2	2.5	2.1	1.0	1.3	1.8
United States	1.9	1.6	2.5	3.0	2.5	1.5	1.6	1.9
Mexico	2.4	1.3	3.3	3.7	4.7	3.9	4.3	4.0
United Kingdom	1.7	1.5	2.5	1.7	2.3	2.0	2.2	2.4
Euro Zone	1.3	-0.5	0.8	1.3	2.1	0.8	1.2	1.4
Japan	0.9	1.9	1.8	1.2	-0.3	1.0	1.5	2.1
Australia	3.1	2.4	2.7	2.9	3.0	2.5	3.0	2.9
China	9.3	7.7	7.3	7.0	2.4	3.0	3.3	3.9
India	7.2	4.5	5.2	5.7	6.7	6.8	7.1	6.7
South Korea	4.3	2.7	3.3	3.5	3.1	1.0	2.2	2.5
Thailand	4.2	3.5	4.0	4.5	2.7	1.6	2.5	2.9
Brazil	3.4	2.3	2.8	3.4	6.5	6.0	5.7	5.8
Chile	4.5	4.4	4.4	4.7	3.2	2.5	3.0	3.0
Peru	5.7	5.1	5.4	5.6	2.6	2.9	3.0	2.5

Central Bank Rates (%, end of period)	13Q4f	14Q1f	14Q2f	14Q3f	14Q4f	15Q1f	15Q2f	15Q3f
Bank of Canada	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Federal Reserve	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
European Central Bank	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank of England	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75
Swiss National Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reserve Bank of Australia	2.50	2.50	2.50	2.50	2.75	3.00	3.25	3.50

Exchange Rates (end of period)	13Q4f	14Q1f	14Q2f	14Q3f	14Q4f	15Q1f	15Q2f	15Q3f
Canadian Dollar (USDCAD)	1.06	1.07	1.08	1.07	1.06	1.06	1.05	1.04
Canadian Dollar (CADUSD)	0.94	0.93	0.93	0.93	0.94	0.94	0.95	0.96
Euro (EURUSD)	1.31	1.30	1.29	1.27	1.25	1.25	1.24	1.24
Sterling (GBPUSD)	1.60	1.60	1.59	1.58	1.57	1.55	1.54	1.53
Yen (USDJPY)	101	102	104	107	109	110	111	112
Australian Dollar (AUDUSD)	0.89	0.87	0.90	0.90	0.93	0.93	0.94	0.94
Chinese Yuan (USDCNY)	6.1	6.1	6.1	6.1	6.0	5.9	5.9	5.9
Mexican Peso (USDMXN)	13.2	13.2	13.1	13.2	13.4	13.4	13.4	13.5
Brazilian Real (USDBRL)	2.25	2.25	2.28	2.29	2.30	2.28	2.25	2.23

Commodities (annual average)	2000-12	2013e	2014f	2015f
WTI Oil (US$/bbl)	60	98	92	90
Brent Oil (US$/bbl)	62	109	108	108
Nymex Natural Gas (US$/mmbtu)	5.45	3.70	3.75	4.00
Copper (US$/lb)	2.22	3.30	3.10	3.00
Zinc (US$/lb)	0.78	0.87	0.97	1.40
Nickel (US$/lb)	7.64	6.95	7.25	7.60
Gold, London PM Fix (US$/oz)	745	1,410	1,270	1,375
Pulp (US$/tonne)	730	936	940	970
Newsprint (US$/tonne)	585	608	615	650
Lumber (US$/mfbm)	274	356	390	400

[1] World GDP for 2003-12 are IMF PPP estimates; 2013-15f are Scotiabank Economics' estimates based on a 2012 PPP-weighted sample of 38 countries.

[2] CPI for Canada and the United States are annual averages. For other countries, CPI are year-end rates.

* See Scotiabank Economics 'Global Forecast Update' (http://www.gbm.scotiabank.com/English/bns_econ/forecast.pdf) for additional forecasts & commentary.

North America

Canada	2012	13Q2	13Q3	Latest	
Real GDP (annual rates)	1.7	1.6	2.7		
Current Acc. Bal. (C$B, ar)	-62.2	-63.7	-61.9		
Merch. Trade Bal. (C$B, ar)	-12.0	-9.9	-9.0	0.9	(Oct)
Industrial Production	0.9	0.0	1.5	3.1	(Oct)
Housing Starts (000s)	215	190	193	192	(Nov)
Employment	1.2	1.2	1.3	1.1	(Nov)
Unemployment Rate (%)	7.3	7.1	7.1	6.9	(Nov)
Retail Sales	2.5	2.7	3.1	3.0	(Oct)
Auto Sales (000s)	1673	1744	1777	1827	(Oct)
CPI	1.5	0.8	1.1	0.9	(Nov)
IPPI	0.6	0.3	1.3	-0.8	(Oct)
Pre-tax Corp. Profits	-4.9	-8.2	-1.1		

United States	2012	13Q2	13Q3	Latest	
Real GDP (annual rates)	2.8	2.5	4.1		
Current Acc. Bal. (US$B, ar)	-440	-386	-379		
Merch. Trade Bal. (US$B, ar)	-741	-703	-715	-723	(Oct)
Industrial Production	3.6	2.1	2.4	3.3	(Nov)
Housing Starts (millions)	0.78	0.87	0.88	1.09	(Nov)
Employment	1.7	1.6	1.7	1.7	(Nov)
Unemployment Rate (%)	8.1	7.6	7.3	7.0	(Nov)
Retail Sales	5.0	4.7	4.7	4.6	(Nov)
Auto Sales (millions)	14.4	15.5	15.7	16.3	(Nov)
CPI	2.1	1.4	1.6	1.2	(Nov)
PPI	1.9	1.5	1.2	0.7	(Nov)
Pre-tax Corp. Profits	18.5	3.7	3.5		

Mexico	2012	13Q2	13Q3	Latest	
Real GDP	3.9	1.6	1.3		
Current Acc. Bal. (US$B, ar)	-14.6	-19.9	-21.8		
Merch. Trade Bal. (US$B, ar)	0.0	-3.4	-4.1	4.1	(Nov)
Industrial Production	2.6	-0.3	-0.5	0.1	(Oct)
CPI	4.1	4.5	3.4	3.6	(Nov)

Europe

Euro Zone	2012	13Q2	13Q3	Latest	
Real GDP	-0.6	-0.6	-0.4		
Current Acc. Bal. (US$B, ar)	162	276	285	429	(Oct)
Merch. Trade Bal. (US$B, ar)	122.0	272.2	220.9	321.5	(Oct)
Industrial Production	-2.5	-0.9	-1.2	-0.1	(Oct)
Unemployment Rate (%)	11.3	12.1	12.1	12.1	(Oct)
CPI	2.5	1.4	1.3	2.7	(Nov)

Germany	2012	13Q2	13Q3	Latest	
Real GDP	0.9	0.5	0.6		
Current Acc. Bal. (US$B, ar)	240.8	240.3	235.1	312.1	(Oct)
Merch. Trade Bal. (US$B, ar)	245.1	249.5	262.4	273.7	(Oct)
Industrial Production	-0.4	-0.5	-0.2	1.1	(Oct)
Unemployment Rate (%)	6.8	6.8	6.8	6.9	(Nov)
CPI	2.0	1.5	1.6	3.1	(Nov)

France	2012	13Q2	13Q3	Latest	
Real GDP	0.0	0.5	0.2		
Current Acc. Bal. (US$B, ar)	-57.3	-19.9	-49.7	-56.2	(Oct)
Merch. Trade Bal. (US$B, ar)	-52.4	-43.8	-47.4	-41.3	(Oct)
Industrial Production	-2.5	0.6	-1.4	0.0	(Oct)
Unemployment Rate (%)	10.3	10.8	11.0	10.9	(Oct)
CPI	2.0	0.8	0.9	1.7	(Nov)

United Kingdom	2012	13Q2	13Q3	Latest	
Real GDP	0.3	2.0	1.9		
Current Acc. Bal. (US$B, ar)	-92.7	-35.3	-167.6		
Merch. Trade Bal. (US$B, ar)	-172.4	-155.9	-182.6	-188.0	(Oct)
Industrial Production	-2.5	-0.5	-0.1	3.2	(Oct)
Unemployment Rate (%)	8.0	7.8	7.6	7.4	(Sep)
CPI	2.8	2.7	2.7	4.4	(Nov)

Italy	2012	13Q2	13Q3	Latest	
Real GDP	-2.6	-2.2	-1.8		
Current Acc. Bal. (US$B, ar)	-8.1	20.2	32.8	65.8	(Oct)
Merch. Trade Bal. (US$B, ar)	12.4	49.4	41.4	66.6	(Oct)
Industrial Production	-6.4	-3.5	-3.9	-1.1	(Oct)
CPI	3.1	1.2	1.0	2.7	(Nov)

Russia	2012	13Q2	13Q3	Latest	
Real GDP	3.4	1.2	1.2		
Current Acc. Bal. (US$B, ar)	74.8	3.4	0.6		
Merch. Trade Bal. (US$B, ar)	16.0	14.2	14.4	13.2	(Oct)
Industrial Production	-5.3	0.3	-0.1	-1.0	(Nov)
CPI	5.1	7.2	6.4	6.5	(Dec)

All data expressed as year-over-year % change unless otherwise noted.

Source: Bloomberg, Global Insight, Scotiabank Economics.

Asia Pacific

Australia	2012	13Q2	13Q3	Latest	
Real GDP	3.6	2.4	2.3		
Current Acc. Bal. (US$B, ar)	-64.1	-31.9	-52.8		
Merch. Trade Bal. (US$B, ar)	5.9	32.6	12.8	8.4	(Oct)
Industrial Production	4.8	5.0	2.7		
Unemployment Rate (%)	5.2	5.6	5.7	5.8	(Nov)
CPI	1.8	2.4	2.2		

Japan	2012	13Q2	13Q3	Latest	
Real GDP	1.4	1.3	2.4		
Current Acc. Bal. (US$B, ar)	60.4	70.0	53.4	-15.7	(Oct)
Merch. Trade Bal. (US$B, ar)	-85.8	-89.1	-117.9	-161.5	(Nov)
Industrial Production	0.2	-3.1	1.9	-1.7	(Nov)
Unemployment Rate (%)	4.4	4.0	4.0	4.0	(Nov)
CPI	0.0	-0.3	0.9	1.4	(Nov)

South Korea	2012	13Q2	13Q3	Latest	
Real GDP	2.0	2.3	3.3		
Current Acc. Bal. (US$B, ar)	48.1	79.2	75.9	72.4	(Nov)
Merch. Trade Bal. (US$B, ar)	28.5	57.5	43.2	44.1	(Dec)
Industrial Production	1.2	-1.7	1.0	-1.0	(Nov)
CPI	2.2	1.2	1.4	1.1	(Dec)

China	2012	13Q2	13Q3	Latest	
Real GDP	10.4	7.5	7.8		
Current Acc. Bal. (US$B, ar)	193.1				
Merch. Trade Bal. (US$B, ar)	230.7	264.1	244.8	405.6	(Nov)
Industrial Production	10.3	8.9	10.2	10.0	(Nov)
CPI	2.5	2.7	3.1	3.0	(Nov)

Thailand	2012	13Q2	13Q3	Latest	
Real GDP	6.5	2.9	2.7		
Current Acc. Bal. (US$B, ar)	-1.5	-7.2	-0.9		
Merch. Trade Bal. (US$B, ar)	0.5	-0.3	1.7	1.5	(Nov)
Industrial Production	2.1	-5.1	-3.8	-9.4	(Nov)
CPI	3.0	2.3	1.7	1.7	(Dec)

India	2012	13Q2	13Q3	Latest	
Real GDP	5.1	4.4	4.8		
Current Acc. Bal. (US$B, ar)	-91.5	-21.8	-5.2		
Merch. Trade Bal. (US$B, ar)	-16.0	-16.8	-10.1	-9.2	(Nov)
Industrial Production	0.7	-1.0	1.7	-1.8	(Oct)
WPI	7.5	4.8	6.6	7.5	(Nov)

Indonesia	2012	13Q2	13Q3	Latest	
Real GDP	6.2	5.8	5.6		
Current Acc. Bal. (US$B, ar)	-24.4	-10.0	-8.4		
Merch. Trade Bal. (US$B, ar)	-0.1	-1.0	-1.0	0.8	(Nov)
Industrial Production	4.1	7.1		12.4	(Aug)
CPI	4.3	5.6	8.6	8.4	(Dec)

Latin America

Brazil	2012	13Q2	13Q3	Latest	
Real GDP	0.9	3.1	1.9		
Current Acc. Bal. (US$B, ar)	-54.2	-74.2	-68.4		
Merch. Trade Bal. (US$B, ar)	19.4	8.3	5.9	31.8	(Dec)
Industrial Production	-2.7	3.3	0.3	0.8	(Oct)
CPI	5.4	6.6	6.1	11.1	(Nov)

Chile	2012	13Q2	13Q3	Latest	
Real GDP	5.6	4.0	4.7		
Current Acc. Bal. (US$B, ar)	0.0	-6.8	-13.8		
Merch. Trade Bal. (US$B, ar)	12.4	5.4	-1.8	2.4	(Nov)
Industrial Production	2.9	1.4	4.9	3.2	(Nov)
CPI	3.0	1.3	2.1	2.4	(Nov)

Peru	2012	13Q2	13Q3	Latest	
Real GDP	9.2	5.6	4.4		
Current Acc. Bal. (US$B, ar)	-7.1	-3.1			
Merch. Trade Bal. (US$B, ar)	0.5	-0.1	0.0	-0.3	(Oct)
Unemployment Rate (%)	7.0	5.7	5.8	5.8	(Nov)
CPI	3.7	2.5	3.1	2.9	(Dec)

Colombia	2012	13Q2	13Q3	Latest	
Real GDP	4.2	3.9	5.1		
Current Acc. Bal. (US$B, ar)	-12.1	-2.5	-3.6		
Merch. Trade Bal. (US$B, ar)	0.4	0.4	0.0	-0.3	(Oct)
Industrial Production	-0.4	0.0	-1.7	-0.1	(Oct)
CPI	3.2	2.1	2.3	1.8	(Nov)

All data expressed as year-over-year % change unless otherwise noted.

Source: Bloomberg, Global Insight, Scotiabank Economics.

Interest Rates (%, end of period)

Canada	13Q3	13Q4	Dec/27	Jan/03*	United States	13Q3	13Q4	Dec/27	Jan/03*
BoC Overnight Rate	1.00	1.00	1.00	1.00	Fed Funds Target Rate	0.25	0.25	0.25	0.25
3-mo. T-bill	0.97	0.92	0.90	0.90	3-mo. T-bill	0.01	0.07	0.06	0.06
10-yr Gov't Bond	2.54	2.76	2.78	2.77	10-yr Gov't Bond	2.61	3.03	3.00	3.00
30-yr Gov't Bond	3.07	3.23	3.25	3.23	30-yr Gov't Bond	3.68	3.97	3.94	3.94
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	68.8	71.3	71.9	(Nov)	FX Reserves (US$B)	134.7	136.7	134.1	(Nov)
Germany					**France**				
3-mo. Interbank	0.15	0.24	0.25	0.23	3-mo. T-bill	0.06	0.15	0.17	0.12
10-yr Gov't Bond	1.78	1.93	1.96	1.94	10-yr Gov't Bond	2.32	2.56	2.58	2.55
FX Reserves (US$B)	66.1	65.7	65.8	(Nov)	FX Reserves (US$B)	51.4	54.6	51.7	(Nov)
Euro Zone					**United Kingdom**				
Refinancing Rate	0.50	0.25	0.25	0.25	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.18	0.45	0.19	0.15	3-mo. T-bill	0.40	0.40	0.40	0.39
FX Reserves (US$B)	324.9	332.5	329.8	(Nov)	10-yr Gov't Bond	2.72	3.02	3.07	3.03
					FX Reserves (US$B)	90.2	93.3	93.9	(Nov)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	2.50	2.50	2.50	2.50
3-mo. Libor	0.09	0.09	0.09	0.09	10-yr Gov't Bond	3.81	4.24	4.28	4.35
10-yr Gov't Bond	0.69	0.74	0.71	0.74	FX Reserves (US$B)	45.0	45.9	51.4	(Nov)
FX Reserves (US$B)	1209.4	1240.8	1244.5	(Nov)					

Exchange Rates (end of period)

USDCAD	1.03	1.06	1.07	1.06	¥/US$	98.27	105.31	105.17	104.58
CADUSD	0.97	0.94	0.93	0.94	US¢/Australian$	0.93	0.89	0.89	0.90
GBPUSD	1.619	1.656	1.648	1.643	Chinese Yuan/US$	6.12	6.05	6.07	6.05
EURUSD	1.353	1.374	1.375	1.361	South Korean Won/US$	1075	1050	1054	1055
JPYEUR	0.75	0.69	0.69	0.70	Mexican Peso/US$	13.091	13.037	13.056	13.093
USDCHF	0.90	0.89	0.89	0.90	Brazilian Real/US$	2.217	2.362	2.338	2.376

Equity Markets (index, end of period)

United States (DJIA)	15130	16577	16478	16503	U.K. (FT100)	6462	6749	6751	6742
United States (S&P500)	1682	1848	1841	1836	Germany (Dax)	8594	9552	9589	9444
Canada (S&P/TSX)	12787	13622	13588	13567	France (CAC40)	4143	4296	4278	4251
Mexico (IPC)	40185	42727	42753	42144	Japan (Nikkei)	14456	16291	16179	16291
Brazil (Bovespa)	52338	51507	51267	50426	Hong Kong (Hang Seng)	22860	23306	23243	22817
Italy (BCI)	950	1041	1035	1045	South Korea (Composite)	1997	2011	2002	1946

Commodity Prices (end of period)

Pulp (US$/tonne)	945	990	990	990	Copper (US$/lb)	3.31	3.35	3.35	3.33
Newsprint (US$/tonne)	605	605	605	605	Zinc (US$/lb)	0.85	0.95	0.96	0.93
Lumber (US$/mfbm)	359	372	372	372	Gold (US$/oz)	1326.50	1204.50	1214.50	1234.50
WTI Oil (US$/bbl)	102.33	98.42	100.32	94.48	Silver (US$/oz)	21.68	19.50	19.92	20.18
Natural Gas (US$/mmbtu)	3.56	4.23	4.41	4.29	CRB (index)	285.54	280.17	284.16	276.90

** Latest observation taken at time of writing.*
Source: Bloomberg, Scotiabank Economics.

Fixed Income Strategy (London)

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