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Global Views

Weekly commentary on economic and financial market developments

March 15, 2013

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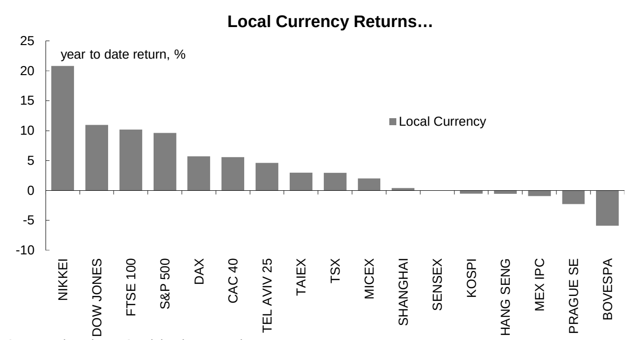
Diverse Global Risks Will Continue To Drive Vastly Different Equity Performances

- **Please see our full indicator, central bank, auction and event calendars on pp. A2-A7.**

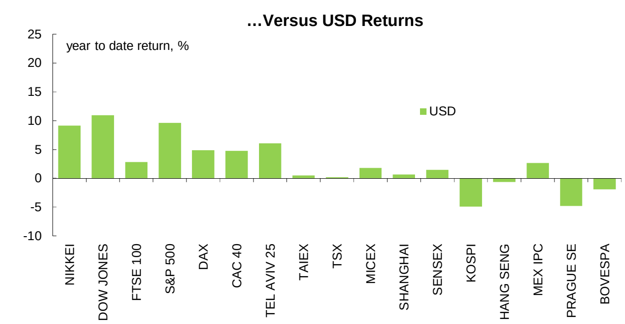
Canadian markets will carry three main forms of domestic risk in addition to the factors influencing the global market tone. Key will be Thursday's Federal Budget. Speculation on its contents has been cut short by an unexpectedly brief announcement period of one week. Clearly Ottawa was largely ready to go with the printing when the surprise announcement was made, but it is conceivable that market and media speculation on its contents may be relatively more truncated this time around. Therefore, watch the risks into the day itself in contrast to past periods when much if not all of the key contents were significantly understood in advance. Scotiabank's Mary Webb will attend the Budget lock-up in Ottawa on March 21 and will also provide commentary on the Budget. On page 4-5, Mary and I explore the topic of how cooling housing markets can influence federal, provincial and municipal government revenues by delving into the impact of a multitude of levies imposed upon new home construction across the country. Federal and provincial government revenues can react ahead of municipal revenues that are more impacted by longer-tailed development charges and this helps to explain some of the revenue downside risk that Minister Flaherty will have to address in remaining committed to achieving balance along an unaltered path. Second on the list of domestic influences could be Tuesday's manufacturing report. Manufacturers ended 2012 on very weak footing when shipments fell 3.1% m/m in December. All of that was driven by a hefty 3.8% drop in volumes as prices climbed slightly. Consensus expects a small bounce higher from a weak starting point. Data risk will also cap off the week when retail sales hit the tapes on Friday. Here too the story is one of a sharp hit in the prior month motivating a call for a modest recovery in January. Recall that December retail sales were a jaw-dropper as they fell by 2.1% m/m non-annualized and retail sales were 0.7% lower in December over the same month a year ago while volumes were 1.2% lower y/y. The consumer sector has softened alongside the cooling housing market since last spring and, within limits, I would judge any bounce higher in January's number as a technical distortion along a weak trend. In the middle of all of this, Canada auctions 2 year notes on Wednesday.

Markets in the United States could witness a constructive tone for equities yet again next week. That could come through a combination of data and the persistent support of monetary policy through the latest FOMC policy statement. As the two accompanying charts demonstrate, however, what you believe about the year-to-date equity rally is significantly dependent upon where you invest and how you manage the currency risk. Strength in building permits is likely to motivate a bounce higher in housing starts (Tuesday) from the surprise drop in January. Initial jobless claims (Thursday) have been trending toward fresh low points for the year and we're hopeful that a distortion-free recent trend will remain along this path. Thursday's Philly Fed manufacturing metric is expected to recover at least some of the sharp deterioration that had been booked in the February print. Recent improvements in pending home sales that jumped 4.5% m/m in January following two weak months should also motivate a slightly firmer print for February's existing home sales (Friday) once the usual lagged paperwork in the closings works through.

The Federal Reserve issues its next policy statement on Wednesday. Note the timing has changed with the statement and supporting Summary of Economic Projections both due out at 2pmET, followed shortly thereafter by Chairman Bernanke's press conference at 2:30pm. The aim is to shorten the period of market uncertainty between the events which is something we strongly endorse given how market volatility has behaved on past FOMC days when the full salvo is released by the Fed. We anticipate an unchanged pace of



Source: Bloomberg, Scotiabank Economics



Source: Bloomberg, Scotiabank Economics

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monthly purchases of MBS and Treasuries totaling $85 billion as the Federal Reserve is highly unlikely to risk market uncertainty at this juncture through experimenting with greater exit signals. Compared to the January statement we anticipate that the Federal Reserve will acknowledge a somewhat healthier labour market, as well as improvements in capital goods orders and investment. While the statement may note that growth has been firmer than headline GDP suggests due to the large inventory drag in Q4, the January statement had not factored in sequester cuts as a base case scenario and therefore we anticipate that downside risks may be intensified in the relatively near term. As such, we expect the pace of stimulus to be accompanied by persistent caution over the so far unsatisfactory improvement in job markets amid evidence of near-term downside risks. That would be consistent with signals from the power-weighted top of the Fed including comments by Chairman Bernanke in contrast to early-exit fears signalled by the minutes to the January FOMC that never weight opinions by voting status and that we think markets misinterpreted anyway.

Throughout it all, US fiscal negotiations will hang over markets throughout the week. The fun may start as early as Monday when the Senate is expected to present and debate its budget proposals that are skewed toward higher tax revenues while the House of Representatives presents and debates its own budget resolution that is more skewed toward spending cuts. Simultaneously over the week, Congress may pass an appropriations bill to avoid the month-end expiration of the Continuing Resolution and thereby may secure funding for the US government for the next six months. The added risk in the background is that H.R. bill #325 requires a budget to be passed in April in time to raise the debt ceiling the next month. We are therefore entering into a more critical phase for US budget negotiations.

Asia-Pacific markets could well impact the global market tone with key data due out of China next week. First up will be China's property price report for February that will be released on Sunday. The Chinese government tightened housing finance policies earlier this month following the publication of the prior month's house price report that reinforced a recently accelerating house price trend higher across the vast majority of China's cities. By Wednesday, China risk will also come through the 'flash' partial-sample edition of the private sector's purchasing managers' index for the manufacturing sector. This is a key gauge because the slowdown that was registered in the February print compared to January was thought to have been at least partly determined by New Year holidays which impact readings over different weeks from year to year. If the reading bounces higher again then it will confirm that the February drop was just a distortion. If it does not, then it will play to China growth fears. My bias on China remains that first half growth is on stronger footings than risks heading into later this year and next as the government cools property markets and the central bank tightens monetary policy while, at the same time, the country's trade account probably has not finished adjusting to the sharp multi-year appreciation in the real effective exchange rate. Leading into these figures will be the first press briefing conducted by new Chinese Premier Li Keqiang on Saturday which could well influence market tone into Monday morning if last year's briefing by outgoing Premier Wen Jiabao is repeated. An expected rate cut by the Reserve Bank of India on Tuesday, RBA minutes on Monday that may be treated as stale behind the more recent stellar job gain, 2012Q4 GDP from New Zealand that is expected to accelerate to 0.9% q/q non-annualized from 0.2% the prior quarter, and Japanese trade figures on Wednesday round out the hits. Also note that Bank of Japan Governor Shirakawa's last day will be Tuesday.

Europe will itself be no slouch in influencing the global market tone next week. Minutes to the Bank of England's meeting on March 7th will be parsed for fresher signs on the stimulus debate following the central bank's decision to meet consensus expectations for no added stimulus. Wednesday's minutes will follow what is expected to be a firmer month-over-month CPI print the day before and following January's sizeable drop, but the year-ago rate is expected to remain roughly stable at 2.8% that signaled a trend bottoming out in inflation pressures compared to the downdraft witnessed from late 2011 through to last summer. As the debate over Bank of England policy experiments once Governor-designate Carney assumes the helm has intensified, rising inflation break-evens have tended to hurt gilts and that is one reason why the central bank is currently leery of providing additional stimulus. What will further play into this debate is Wednesday's UK jobs report, and the following day's retail print that is expected to come in strong. Key European data risk with manufacturing and service sector PMIs due out on Thursday, Germany's ZEW investor confidence on Tuesday, and Friday's German IFO business confidence on Friday round out most of the data risk. Tail risk surrounds German Finance Minister Schaeuble's planned speech on tax and fiscal policy in Europe that will add further insight behind Chancellor Merkel's recent reluctance to signal a softer German attitude toward European fiscal reforms. This may be influential to the tone across auctions in France, Germany, Spain and the UK.

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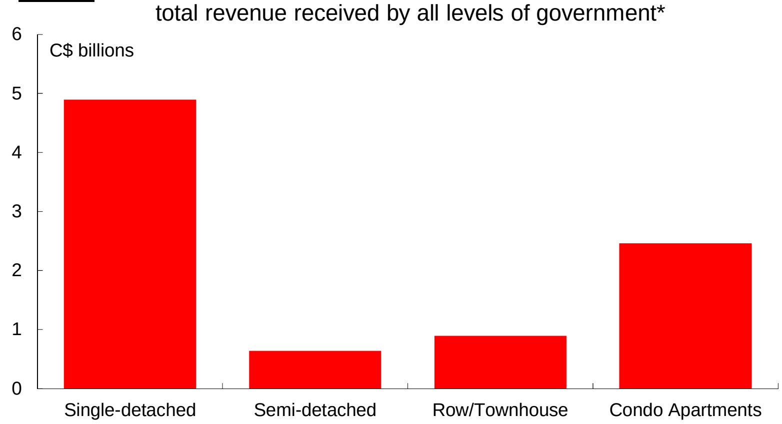
How Does New Home Construction Affect Canadian Government Revenues?

- **The steep annual drop in Canadian housing starts forecast for 2013 will have a larger negative impact upon Federal and provincial government revenues than municipal.**

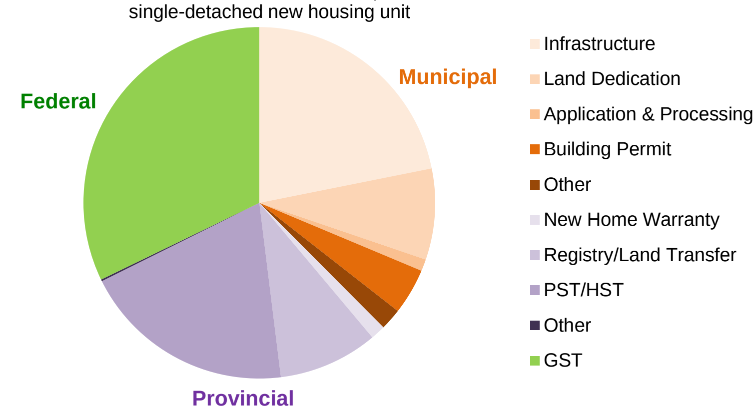
We estimate that the revenue proceeds across all levels of government in Canada derived from direct taxes and fees on housing units in 2012 will ultimately turn out to be equal to about $9 billion. This is particularly derived from single-detached (55%) and condo (28%) housing units (chart 1). We calculate this proxy by multiplying last year's new home construction volumes by estimated levies from a CMHC report outlining the fees and taxes imposed by all three levels of government in 2009 for 21 municipalities across Canada.[1]

Chart 1 **Government Revenue By Type Of Dwelling**
total revenue received by all levels of government*



* 2009 charges multiplied by 2012 volumes. Source: CMHC, Scotiabank Economics.

Chart 2 **Sources Of Revenue By Levy**
% of total levies on a median price single-detached new housing unit



Source: CMHC, Scotiabank Economics.

Revenues Per Housing Unit

Charts 2 and 3 present the impact of levies imposed upon new housing by all levels of government. Almost $60,000 worth of taxes and fees are collected on average across the country on each new median price single-family home that is constructed, while condos attracted about $25,000 in levies on average. The federal and provincial governments accounted for just over 60% of the average single-detached levy in 2009, with the federal Goods & Services Tax (GST) approximately half this amount. The Provinces, except Alberta, levy a general sales tax and they all have either a land transfer tax or a title registration requirement that rises with the sale price of the home. With the run-up in the volume and price of new and existing home sales, Ontario's land transfer tax totalled $1.4 billion in fiscal 2011-12 (FY12) and $944 million in British Columbia. In BC's February *Budget*, a 23% ($219 million) drop in its property transfer tax is forecast over FY13 and FY14.

The Timing of the Levies

Fees and taxes from new residential construction are sometimes received over a number of years, starting with the initial municipal fees as approvals for a major project proceed to the final closing on the sale of a unit. For a single-detached unit, construction to the final closing can take up to six months; for a large multi-unit project, the timeline can be far longer. For local governments, the timing of receipts from new housing

[1] "Government-imposed Charges On New Housing in Canada (2009)," Canada Mortgage And Housing Corporation, Socio-economic Series 10-022, November 2010.

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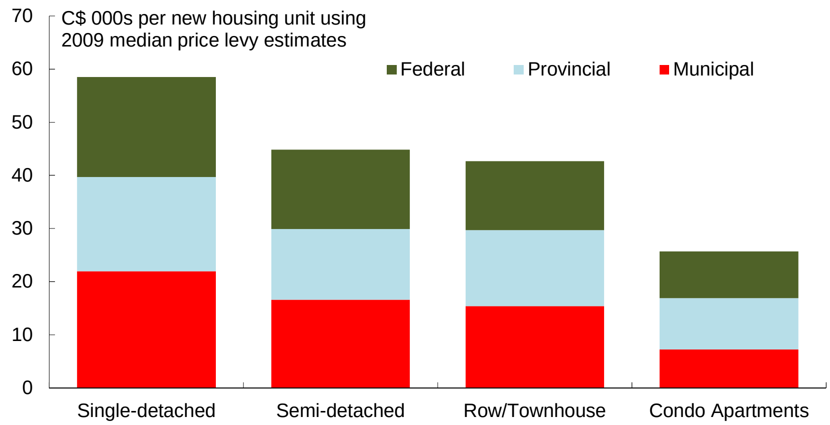
construction will vary by the type of project and the municipality. The federal GST and the provincial sales tax (PST) or the Harmonized Sales Tax (HST) are levied on inputs as the unit is built. As value-added taxes, the HST and GST paid on inputs are subsequently rebated, and the two taxes are levied on the final selling price of the unit. For the federal and provincial governments preparing their FY14 *Budgets*, the recent easing in the pace of existing home sales, plus the prospect of lower housing starts over the next year, are factors dampening revenues.[2]

Chart 3

Sources Of Revenue By Level Of Government And Housing Class



Source: CMHC, Scotiabank Economics.

Revenues By City For All Levels Of Government

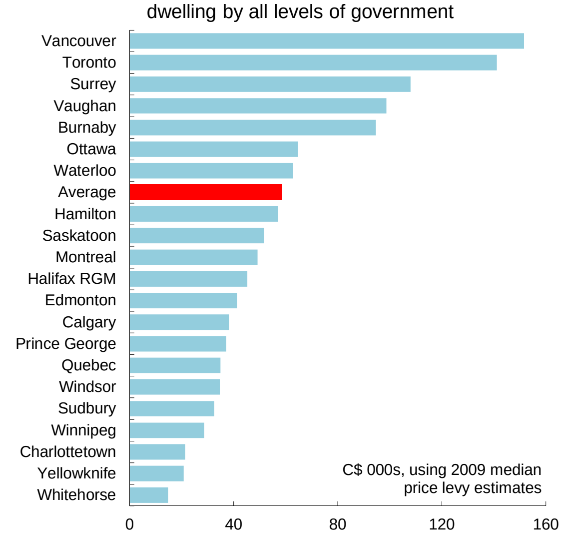
It may be striking to clients to witness the large regional differences in taxes and fees on new housing applied by all levels of government combined. Chart 4 does this for the single-family home segment. Across the three levels of government, the highest levies on newly built homes occur in Vancouver and Toronto. Those cities have had among the biggest housing booms such that when combined with attracting the greatest levies, the outlook for those markets clearly represents the biggest risk to overall government finances.

Our aim in writing this note is relatively modest. It serves as one contribution to the debate over how cooling housing markets may impact government finances. Scotiabank Economics currently forecasts that national housing starts will drop from 215,000 units in 2012 to an annual average just over 170,000 units in 2013 and 2014, with the risk that the correction could be steeper. These calculations do not suggest a revenue meltdown similar to the adjustments witnessed by a number of U.S. States and municipalities several years ago. Instead, the downturn in Canadian government revenues from weakening housing starts will be more measured, but the recovery also will be drawn out.

Chart 4

Sharp Regional Variations In Government Take On Housing

charges imposed per new single-detached, median price, dwelling by all levels of government



Source: CMHC, Scotiabank Economics.

The direct government revenue impact of a downshift in new housing construction is, however, just part of the story. A significant correction in housing starts will have a relatively broad impact, including the personal income, corporate profits, commercial investment and consumer spending related to housing markets. These related effects, and their consequences for government revenues will be more drawn out over time, while the result of lower existing home sales, and fewer new housing starts already is starting to affect government budgets.

[2] Possible factors offering a limited offset include the concentration of condos in the housing starts decline and the potential scaling back of municipal services related to housing construction. However the rise in house prices since 2009 levy estimates will steepen the potential decline going forward as it would have raised government revenues in the intervening period.

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Ontario: Growth Alongside Restructuring

- **Slowing housing activity offset by manufacturing and services gains.**

Moderate growth is forecast for Ontario in 2013 and 2014 at slightly less than the national pace, with further expansion anticipated across several export industries, including services. While Ontario will benefit from the strengthening U.S. economic recovery, the province's growth will be restrained by a moderate housing sector correction and the federal and Ontario governments' deficit reduction programs.

The most visible indication of Ontario's slowing housing sector is the 10% y/y decline in the volume of home sales over the last eight months ending in February. With home sales remaining subdued, house prices are expected to slip and a correction in housing activity will likely extend through mid-decade. Affordability is stretched from average home sale prices more than doubling since 2000. Ontario's housing starts are projected to drop nearly 25% this year, as new condominium construction is scaled back.

Reflecting the downshift in housing activity, gains in consumer spending over the next two years are forecast to be moderate, at best. Retail sales in Ontario advanced only 1.6% last year, led by new autos, which rose 4.2%. Contributing to household caution are Ontario's limited labour income gains, with total compensation increasing 2.8% last year, lagging the national average of 4.2%.

The Ontario economy must weather the remaining two years of the provincial government's broad-based austerity plan as well as a sizeable share of Ottawa's planned saving on federal direct program expenditures. However, with a focus on transit and transportation, expenditures on public infrastructure are expected to remain elevated for the next two years.

Ontario's international merchandise trade receipts have not regained their 2000 peak, but they have grown some 30% from 2009 lows. Last year, Ontario's export growth was led by transportation equipment exports to the U.S., which were up nearly 16%. Exports to the U.S. should continue to grow this year and next, but the province's limited access to faster-growing emerging markets may limit its long-term export growth. A bright spot are service exports, with volume gains resulting in new highs since the recession.

Manufacturing shipments increased nearly 5% last year, led by transportation equipment, which increased 16%. Significant auto sector investments are occurring in a number of locations, including Ingersoll, Cambridge, and a research facility in Oshawa. While motor vehicle production will continue to grow, the gains will slow over the next two years.

High levels of unfilled orders are promising for the aerospace sector. Beyond transportation equipment, machinery shipments have risen at an average annual rate of 9% since 2009. The development of liquids-rich U.S. natural gas shales is reinvigorating Ontario's petrochemical industry, with producers undertaking investments to switch from oil-based feedstocks to ethane (a Natural Gas Liquid).

According to Statistics Canada's *Survey of Investment Intentions,* almost no growth is expected for Ontario's business investment in 2013. Lower mining investment this year should subsequently bounce back with the development of the mineral deposits in northern Ontario's Ring of Fire.

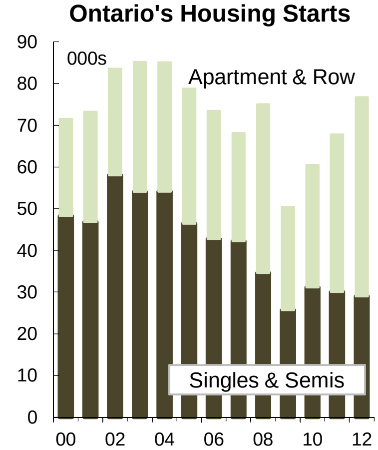
Economic Outlook

Population, 2012: 13.4 mn (38.7% of national)

	2000-11	12e	13f	14f
Real GDP (% change)	1.9	2.0	1.5	2.1
Employment (% change)	1.5	0.8	1.0	1.0
Unemployment Rate (%)	7.0	7.8	7.6	7.5
Housing Starts (000s)	73	77	58	57
Auto Sales (000s)	603	618	621	623

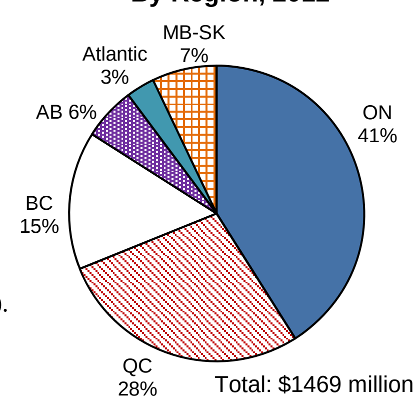
Source: Statistics Canada, CMHC, Scotiabank Economics, *Global Forecast Update*, February 28, 2013.

Ontario's Housing Starts



Source: CMHC, Scotiabank Economics.

Venture Capital Investment, By Region, 2012



Source: Canada's Venture Capital & Private Equity Association, Scotiabank Economics.

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Australia Continues To Outperform

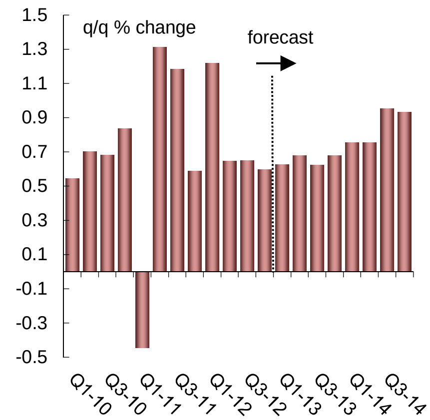
- **Weaker investment growth will be counterbalanced by household spending and export sector revival.**

The Australian economic performance will track potential output growth over the next two years. We expect the country's real GDP to advance by close to 3% annually through 2014 — equivalent to the average growth over the past decade — after increasing by 3.6% in 2012, the strongest pace of expansion of the past five years. The nation's output expanded by 0.6% q/q (3.1% y/y) in the final quarter of 2012, thereby sustaining the pace of the previous three-month period.

Australia maintains relatively fast rates of economic expansion in comparison to many other advanced economies; nevertheless, the nation exhibits pockets of strength and weakness, resulting in an imbalanced performance among different segments of the economy. Growth in fixed capital formation is slowing, reflecting the impending peak in resource investment. Household spending growth remains muted due to a still-soft, though improving, labour market; the unemployment rate remains elevated at 5.4%. Nevertheless, as consumer confidence continues to improve and recent substantial monetary stimulus measures filter through the economy, consumer spending growth should gradually pick up, offsetting some of the adverse impacts of lower investment gains. Indeed, some early signs of revival are emerging with the household spending ratio declining slightly and car sales rising gradually. The external sector is outperforming, driven by resource exports. The strong performance reflects increased mining capacity and the gradual revival of the Chinese economy, which is Australia's largest export destination, purchasing around 30% of all Australian shipments abroad. Robust demand from developing Asian countries is counterbalancing the impact of economic weakness in Japan, which is the destination for around 20% of Australian exports.

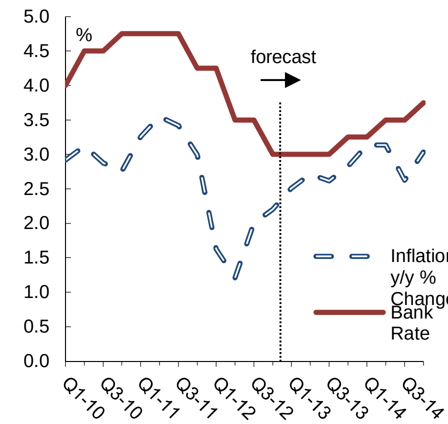
Overall, Australia's economic fundamentals are strong; the nation enjoys the benefits of a triple-A sovereign credit rating by all of the major international credit rating agencies, reflecting high fiscal flexibility and a solid track record of political stability and macroeconomic management. Government finances are healthy, with the fiscal deficit remaining miniscule and public debt at a relatively low level; gross government debt will likely remain below 30% of GDP through 2014. Indeed, Australian policymakers are well equipped to address any adverse shocks (potentially stemming from a large current account deficit) or economic underperformance; with the benchmark interest rate (currently at 3%) being the highest among major advanced economies and inflationary pressures well-contained, ample monetary policy space allows the central bank to provide additional stimulus to the economy if need be. We assess that Australian monetary policy is set to remain accommodative in the coming quarters until stronger evidence of an economic pick-up in the non-mining sector emerges.

Real GDP Growth



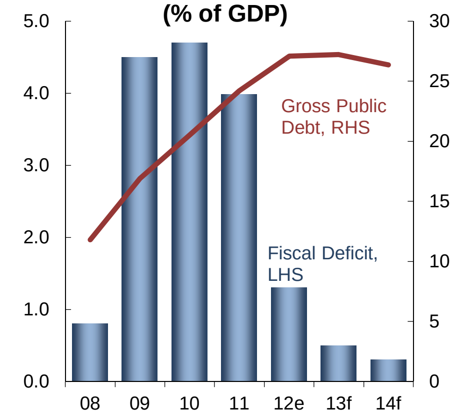
Source: Bloomberg, Scotiabank Economics.

Inflation and Central Bank Rate



Source: Bloomberg, Scotiabank Economics.

Government Finances (% of GDP)



Source: IMF, Scotiabank Economics.

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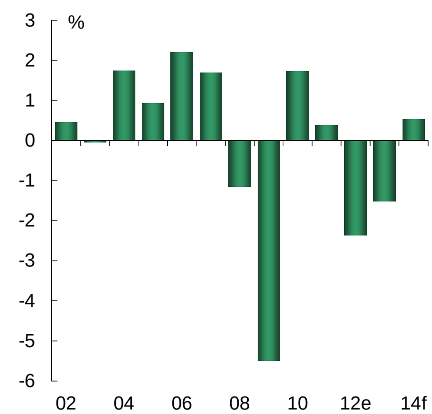
Italy — Economic Outlook 2013-14

- **Grow prospects weaker, but gradual fiscal consolidation to continue.**

Real GDP Growth



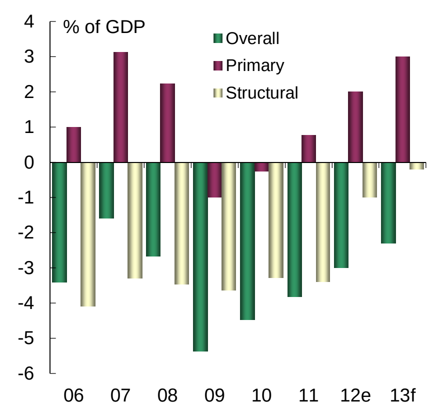
Source: IMF, Scotiabank Economics.

Without yet knowing what the composition of Italy's next government will be (new elections may be necessary), and given that financial markets have largely moved on from the initial panic of the indeterminate election results, it's worth taking a look at the state of the Italian economy and the nation's fiscal position.

The Italian economy has contracted in each of the last six quarters and further output losses are in store; we expect real GDP to fall by 1½% this year, following a 2.4% drop in 2012. A meagre recovery will likely take shape in the latter part of 2013, leading to subdued growth of roughly ½% in 2014. We anticipate a gradual turnaround in investment, conditional on an improvement in business sentiment and a relaxation in credit constraints, that will add to the ongoing positive contribution from net exports.

Consumer spending will continue to be eroded by fiscal consolidation, rising unemployment, and tight lending conditions (household lending has been declining since October, falling 0.6% y/y in January). Poor job prospects, combined with an increase in the labour force as more younger and older workers seek income on account of the recession and pension reform, portend further rises in the unemployment rate. The jobless rate for those aged 15-24 reached a record-high 38.7% in January, while the overall rate stood at 11.7%, up from 9.6% a year ago. The trend medium-term expansion rate is estimated at less than 1% annually, with potential growth inhibited by labour and product market rigidities, large barriers to entry for businesses in certain industries, a high tax burden and public sector inefficiencies.

Fiscal Deficits



Source: IMF, Scotiabank Economics.

Inflation is on a downward course. The headline rate slowed sharply in the latter half of 2012, falling from 3.6% y/y in July to 2.0% in February as the impact of earlier indirect tax increases and oil price pressures waned and the euro regained strength. Inflation is expected to ease further in the coming months, notwithstanding an impending 1% rise in the standard value-added tax rate this July, and to average below 2% y/y in 2013-14 given muted wage and cost pressures. The likelihood of a need for activation of the European Central Bank's (ECB) Outright Monetary Transactions program has increased in the wake of the economic deterioration and inconclusive election result. In this scenario, Italy (or Spain) would subscribe to a conditional program under the European Stability Mechanism (ESM) in exchange for the ECB buying the government's bonds on the secondary market to keep yields down.

Italy's fiscal situation is challenging; public debt is expected to reach 128% of GDP in 2013. Although the budget deficit is steadily declining (reaching 3% of GDP in 2012, from 5.4% in 2009), the debt trajectory is clouded by the uncertainty surrounding the domestic political situation, economic prospects, and the possibility of increased contingent liabilities under the ESM in a scenario of renewed funding stress. Since late 2011, a series of austerity and reform packages have been introduced, including product and labour market measures aimed at enhancing competition and flexibility, a modernization of the pension system, and a constitutional amendment requiring balanced budgets. The current account position has improved due to falling imports and the elimination of the services account gap. The overall deficit narrowed to 1% in 2012 and is set to moderate further through 2014 as export growth outpaces the eventual recovery in imports.

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New Policies In Mexican Housing

The following article was published on March 13, 2013.

We analyze the likely impact of each of the three programs recently announced to support the Mexican housing industry. The only one of the three that could significantly alleviate the underlying problems at the homebuilders is the land registry, and it is still too early to tell how that initiative will evolve.

Industry slowdown

Investors are becoming increasingly concerned about the long-run viability of the current players in the Mexican housing industry. Even the newspaper of the Mexican Housing Day, the conference held last week to promote the industry, was titled, “Caution about the future.” Similarly, results for the homebuilders were poor in the fourth quarter. Units sold dropped 24% for Urbi, 9% for Homex, and 26% for Geo, in what the builders attribute to delays in subsidy programs related to the political transition in the country. Apparently, even though the subsidies are small, many purchases could not be completed. Performance in the year as a whole was better with drops in sales of 18%, 12%, and 6% respectively, but these numbers still suggest a longer-term slowdown underway separate from any subsidy delays.

The slowdown in sales is not the biggest problem, however. In fact, the need to invest for future growth was often the excuse for poor cash flow results over the past several years. Instead, the government’s support for the existing builders is itself in question. While the government still wants to support housing for the poor and middle-class, it is ambivalent about the extent to which it needs the existing builders to accomplish its goals. After some statements to that effect earlier in the year scared markets, the government backtracked by announcing new support programs. In particular, three new programs were presented at housing day:

New government financing

First, the government announced a 15bn program to provide 30% guarantees for bridge loans to finance construction activity. Although few details have been released, we understand this program will facilitate 50bn pesos of construction loans. On the face of it, the amount is significant relative to homebuilder financing needs. By our calculation four large homebuilders — Ara, Geo, Homex, and Urbi — have 12bn pesos in short-term debt and, in addition, last year increased working capital by 22bn. That calculation suggests potential financing needs of 34bn for 2013 for builders representing about one-fifth of the industry. Surprisingly, the large builders who attended last week’s Housing Day did not seem particularly excited about this program, saying merely that they are awaiting more details before deciding whether to participate. They already have bridge loans to cover their construction costs, and view the SHF guarantees as potentially a way to refinance those loans at slightly lower rates. Perhaps, these guarantees are aimed at smaller builders who would not otherwise have access to construction financing.

While the first program aids builders, the second aids home buyers. The government wants to expand its mortgage support program to municipal workers, independent professionals, and others with a stable income. They placed less emphasis on workers in the informal economy who cannot document their income, even though these had been a target market for some homebuilders (especially Urbi) in the past.

Neither of these two policies directly addresses the problems of the major homebuilders. We think the primary problem is that these builders collected a large amount of land on their balance sheets in remote geographic areas; they thought they had acquired this land at bargain prices in preparation of a development boom. The previous government’s change in policies towards the building of vertical housing closer to urban centers — a change that President Peña Nieto has wholeheartedly endorsed — has left the builders with an inventory of up to 10 years of land. Some of that land is now likely unusable, unsellable, and must repeatedly

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be financed at high interest rates. Note that the government guarantees are for financing construction and not for financing the holding of land. The major builders all claim that over 90% of their land is eligible for subsidies but we are not sure how those percentages are calculated, and we doubt that all of this land will be covered as the government housing program evolves. If the land were indeed in the right locations, why would the homebuilders continue to buy more land?

Land registry

The third program recently announced by the government, the national housing registry, is the only one which could potentially help the homebuilders with this primary problem. For now, the government is asking the homebuilders to voluntarily report, by June, all of the locations of their land banks. Significant details still need to be worked out. For example, during the presentation at Housing Day, there was uncertainty as to whether the data collected would be publicly available. Since the builders often treat land reserve locations as proprietary strategic information, we were surprised there was no policy on confidentiality yet.

Nevertheless, the fact that the government is collecting data on land reserves and plans to use that data in designing subsidies seems to us a significant departure from past practices. Just one year ago, the government was promoting a complex formula and computer system designed to calculate subsidy eligibility based on objective standards such as proximity to schools and the existence of infrastructure. That system was devised to avoid bias and favoritism to particular builders. Only a year later, the government is asking builders to tell them where their land is. As an example of how it would use this data, the government says that if a builder has already started development on a piece of land, then the government may support that housing development with new infrastructure. Such an initiative could potentially make the homebuilder land bank valuable again. We are not sure, however, to what extent such an idea would be compatible with the push towards vertical housing in urban centers. Thus, it is too early to tell, what, if anything, will come of this initiative.

Hard choices for the government

Supporting existing builders brings a number of advantages to the government — they have technology, business processes, and scale to build the cheap houses the government wants. Most importantly, these established builders provide a conduit for foreign financing of the housing industry; foreigners could not easily finance small developers. We imagine that a developer starting afresh could more easily target its business to the geographies and types of housing currently favored by the administration. On one hand, new builders would have a cleaner balance sheet from which to solicit foreign financing. On the other hand, if the government were to allow existing builders to fail, foreign investors would have little confidence in the prospects for new builders. These factors may be on the mind of policymakers as they consider how to proceed.

All in all, early bond investors in Mexican homebuilders, with the exception of Urbi, have not done badly. Bonds are currently trading near par, and have been paying coupons of 9% to 10%. We imagine optimism over Mexico and the scarcity of EM corporate paper has helped and could sustain the market in the future. Nevertheless, some reduction in positions may be warranted in light of the continuing uncertainty.

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UK Budget Preview

Gilt Issuance

This year's Gilt remit is harder to call than usual. Predicting gilt issuance usually relies on a view of how the government's borrowing projections will evolve. For what it's worth, we think the borrowing estimate will be GBP5bn to GBP10bn higher. However, on this occasion that will be dominated by another influence — the transfer of coupons earned on the BoE's QE purchases back to the Treasury. These will amount to GBP36bn.

On one extreme this could mean that gilt issuance is much lower — since the QE coupon cash spares the government the bother of issuing gilts. If that is the case, then gilt issuance could be as low as GBP124bn (from around GBP165bn in 2012-13).

However, when the first instalment of coupons were transferred to the Treasury last year, pretty much all of it was absorbed by reducing the stock of T-Bills in circulation. There is good reason to pursue this strategy again at the Budget. In particular, the BoE holds above or close to 70% of the free-float for a number of gilts. This is the maximum that it can hold. Hence maintaining the pace of gilt issuance would help to maintain market liquidity and give the BoE leeway to re-engage in further asset purchases.

Hence we expect more than half of the GBP36bn of QE coupon transfers to be used to reduce the stock of T-Bills. As a result gilt issuance is likely to be in the region of GBP155bn with upside risks.

Economic Projections

The OBR is going to have to revise down its economic growth projection, but revise up its outlook for inflation. More specifically, the projection for 2013 GDP growth was 1.2% y/y. While that was broadly in line with the consensus when it was published last December, the outlook has deteriorated since then. Our own view is that growth could be as low as ½% y/y on average this year given recent disappointing data. Furthermore, with the recovery taking longer to materialise, we believe that the OBR's 2.0% y/y growth projection for 2014 is too high and will be adjusted lower.

Rather like the BoE, the OBR's CPI projection has tended to underestimate inflation. The latest OBR projection is around ½% point below our latest forecast and around ¼% below the consensus.

The combination of a weaker GDP growth outlook coupled with higher debt interest on linkers (owing to the upward revision to inflation) government borrowing should be around GBP5bn per year higher than previously assumed.

Key Discretionary Measures

With GDP growth persistently disappointing, coupled with the coalition (and moreover Conservative Party's) popularity suffering in opinion polls, the Chancellor is under increasing pressure to deliver something. There are two options:

i) Announce micro / supply side measures making the best of the current situation without changing the underlying stance of fiscal policy;
ii) Adopt Plan A+ i.e. don't abandon austerity altogether, but soften the pace of fiscal austerity in an attempt to support growth.

It is still early days and clues on the likely discretionary measures should seep out over the coming days. However, we suspect that micro measures are more likely than any concessions on austerity. That said, with persistent disappointment on growth and the government's popularity at a low ebb, if there is going to be a softening in the austerity programme, now is the time. The key possibilities at this stage appear to be:

- **Pensions** — further reducing the annual maximum amount that can be paid into a pension tax free. There is also the potential to reduce the size of the lump sum that can be withdrawn from a pension pot on retirement tax free.

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- **Income tax thresholds** — the Chancellor is scheduled to push the threshold above which income tax must be paid from GBP8105 to GBP9440. However, given the emphasis on supply side measures, the Chancellor may choose to jump all the way to GBP10,000 as promised in the coalition agreement. This could be paid for by fiscal drag — i.e. not raising the threshold on the 40% income tax band up much (or at all) meaning that more people fall into this category. The Chancellor is also likely to confirm the previously announced decision to reduce the top rate of income tax from 50% to 45%.
- **Fuel Duty** — Persistently high petrol prices mean that any scheduled increase in tax on petrol or diesel should be delayed or abandoned.
- **VAT** — we believe that the Chancellor should think the unthinkable and cut VAT. We only see a less than 50% chance of this happening since it would play into the hands of the opposition Labour Party.
- There are three key evils facing the UK economy — headwinds from the eurozone, the drag from government spending cuts and inflation. The government can do precious little about the drag on growth coming from continental Europe. Government expenditure was surprisingly robust last year and even if the Chancellor slows the pace of spending cuts this will have relatively little impact on GDP arithmetic. However, the government can do something about inflation — it can cut VAT.
- A VAT cut over the last two years would have been the wrong thing to do. A period of aggressive fiscal consolidation was necessary to win the benefit of the doubt of the market and rating agents. However, it is becoming increasingly clear that economic growth is struggling to deviate much above zero. Consumer spending recovered moderately during 2012 as the inflation headwinds that had been holding real disposable income growth deep in negative territory abated. However, inflation is on the rise again and the upward trajectory for real disposable incomes (and hence consumer spending) is likely to reverse again. That is, unless the Government does something to hold inflation back — such as cutting VAT.
- We believe that a VAT cut does not cost the Chancellor as much you might think. The hit to VAT receipts is around GBP12bn, but the offsetting boost from faster growth and lower debt interest is around GBP8bn. It has got to be worth a try. At the very least it would help the government's losing battle against disappointing growth. It might even boost popularity in the opinion polls. It may cause GBP4bn of slippage in the public finances — but dire economic growth over the last year is likely to have caused even more slippage than that.
- Tactically, this may be an opportune time for the government to get GDP growth back on an upward trajectory just in time for the start of the next General Election campaign.

BoE Mandate

The Budget is the once per year opportunity for the Chancellor to review the Bank of England MPC's operational mandate. We believe that Mark Carney's testimony to the Treasury Select Committee gives some clues to the likely changes. We believe that UK monetary policy could take on a Canadian accent. In particular,

- The wording of the existing remit is likely to be tightened up to specify the time frame to return inflation back to target can be varied if the MPC or Chancellor determines that the economy is facing exceptional circumstances. Under normal circumstances the timeframe should be around 2 years. However under exceptional circumstances (such as when interest rates are at the Zero Lower Bound, growth is still depressed but there has been a spike in oil prices) the horizon should be extended to 3-4 years.
- Furthermore, the Bank may employ forward guidance on the future path or interest rates, and / or state contingent guidance (such as policy will remain loose until the unemployment rate has fallen to X or wage inflation has risen above Y).
- Under normal circumstances the MPC should focus most closely on headline inflation. However, there will be circumstances where there is merit in observing core inflation to augment the policy decision to strip out the influence of factors that are outside of the control of the MPC (such as indirect tax movements, or swings in energy prices).

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With regards to the latter, the MPC has implicitly been doing this for years. As with the rest of the likely changes to the mandate, the changes are likely to be merely a tightening up of language or specifics. There was already considerable flexibility in the mandate, but the guidelines were vaguer.

Don't get carried away

Market speculation and media coverage have provoked huge expectations of the new Governor and the likelihood of drastic change on Threadneedle Street. Both are likely to be disappointed. With regards to the latter, market speculation suggests some anticipation that the new Governor will implement a much more dovish stance. Carney's testimony statement cautions about getting carried away on this front. In particular that delivering price stability is the best contribution that monetary policy can make. Furthermore, that any change in the MPC mandate must not destroy the hard-earned gains on inflation expectations. This would risk increasing the inflation risk premium, raise real yields and hence exacerbate unfavourable debt dynamics.

Breakevens have jumped of late, particularly in anticipation of a softening in the MPC's inflation fighting credentials. While we agree that breakevens should have jumped in recent months, they have risen for the wrong reason over the last week. Central Banks are particularly sensitive with regards to credibility and inflation expectations. As such we think that the market may have got carried away in thinking that Carney or the revised MPC mandate will go soft on inflation targeting.

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March 2013 Global Valuation Monitor

The following is the Executive Summary of our March 2013 update of our *Global Valuation Monitor* (*GVM*) report, published March 11, 2013. *Index closing prices are as at February 28, 2013. Note: For Canada, we use the S&P/TSX Composite Index at the country level. The S&P 500 is used as a U.S. benchmark. All other data are based on MSCI indices. Earnings estimates come from Thomson Financial and revisions reflect end of February 2013 updates.*

Broad P/E Expansion Since September 2012 on Increased Risk Appetite

U.S. equity benchmarks are hitting record levels and recent gains have been predominantly driven by valuations. Since our last GVM update back in September 2012, the MSCI AC World forward P/E is up 1.0 point to 12.6x, with the most notable improvements concentrated in developed markets in Japan (up 2.6 multiple points to 13.9x), Australia (up 2.5 multiple points to 14.5x), and Europe (up 1.1 multiple points to 11.3x). Forward earnings estimates have improved marginally in the last six months on the back of a weakening profit outlook in Europe, Brazil, and Australia. Asia-Pacific and North America have done better in terms of bottom-line outlook and have witnessed broader earnings revisions. See Exhibit A.

Exhibit A: Global Equity Indices: Snapshot on Earnings and Valuations (As at February 28, 2013)

	12M Fwd. P/E	6M Change in Fwd. P/E	6M Change in Fwd. EPS	6M Change in Price (US$)	EPS Revisions Ratio*
MSCI AC World	**12.6**	**1.0**	**0.7%**	**10%**	**44%**
Developed (24 Countries)	13.0	1.1	0.5%	10%	45%
Emerging (21 Countries)	10.6	0.8	1.8%	11%	39%
North America					
S&P/TSX	13.5	0.5	2.4%	3%	32%
S&P 500	13.4	0.7	1.4%	8%	44%
Europe (21 Countries)	11.3			12%	
Germany	11.0	1.2	-1.4%	16%	39%
France	11.4	1.2	-2.5%	14%	38%
U.K.	11.4	1.2	-1.3%	6%	47%
Switzerland	14.8	2.3	-0.2%	22%	44%
Spain	10.6	1.2	-1.6%	14%	50%
Russia	5.0	0.2	1.3%	8%	38%
Asia-Pacific (13 Countries)	12.9			15%	
Japan	13.9	2.6	6.8%	14%	66%
China	9.9	1.3	2.1%	20%	44%
India	13.4	0.7	2.2%	12%	43%
Australia	14.5	2.5	-2.2%	18%	48%
South Korea	8.8	0.5	0.9%	12%	38%
Hong Kong	15.6	1.8	4.4%	19%	84%
Latin America (5 Countries)	12.1			8%	
Brazil	10.5	0.7	-7.0%	5%	27%
Mexico	17.6	1.3	1.6%	15%	23%
Chile	17.2	2.4	-7.9%	8%	0%

* % of upward EPS revisions (12M out) relative to total revisions.
Source: Scotiabank GBM; Bloomberg; Thomson Financial.

In North America, P/E multiples have expanded at a more moderate pace (TSX up 0.5 multiple points, S&P 500 +0.7 multiple points) and forward EPS adjustments have been more supportive, with advances of 2.4% and 1.4%, respectively. The TSX and the S&P 500 are now trading in line and the ongoing re-rating continues to weigh on the Canadian benchmark (see Exhibit B). LatAm also registered a sub-par P/E multiple expansion, largely attributable to Brazil's lacklustre showing (up 0.7 multiple points). Mexico (up 1.3

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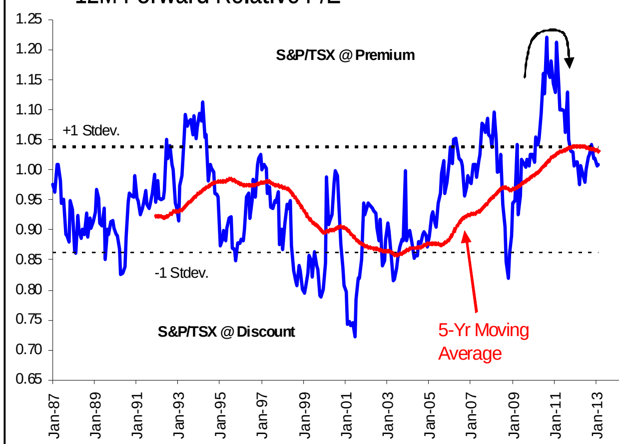
multiple points) and Chile (up 2.4 multiple points) have displayed superior valuation improvements. Still, the earnings outlook of the more commodity-sensitive indices (Brazil -7.0%, Chile -7.9%) has suffered, along with commodities (CRB Index -5.4%).

On a relative basis, the TSX's valuation premium over the S&P 500 (measured in terms of relative forward P/E) has narrowed since hitting highs of above 1.2x the S&P 500 P/E in late 2010/early 2011. Over the last six months, the TSX P/E premium has averaged 1.02x, slightly under its five-year average of 1.04x, but still below the long-term average of 0.95x. Pressure on the commodity front and domestic housing issues may eventually force this premium to disappear altogether on a medium-term horizon. A lower relative valuation would help increase the TSX's attractiveness over the S&P 500, in our view. See Exhibit B.

World PMI Supporting Earnings revisions in 1H/13

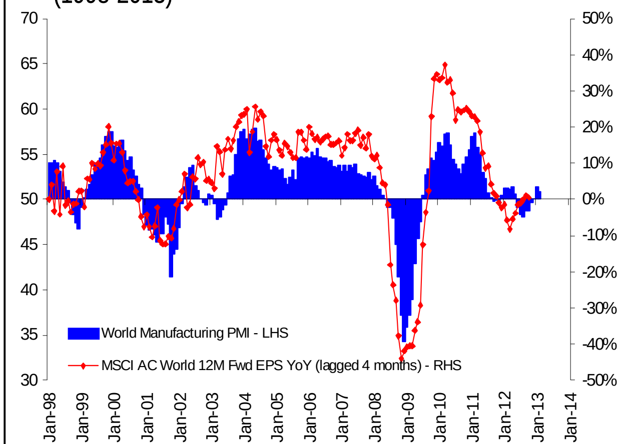
The World Manufacturing PMI Index hit 51 in January/February after spending most of 2H/12 below 50, the threshold separating economic contraction from expansion. A return of economic expansion generally helps companies' bottom line, and MSCI AC World earnings estimates have been correspondingly revised higher, expanding 0.5% year over year (YOY). As the World PMI typically leads earnings by a few months (see Exhibit C), current readings suggest positive momentum should be sustained well into 1H/13.

Exhibit B: S&P/TSX vs. S&P 500 – 12M Forward Relative P/E



Source: Scotiabank GBM; Thomson Financial.

Exhibit C: World PMI vs. MSCI AC World EPS (1998-2013)



Source: Scotiabank GBM; Bloomberg; Thomson Financial.

Earnings Leadership Trends

Earnings trends have diverged over the last year among regions and countries. The S&P 500's strong forward EPS adjustment (+5.8% YOY) is a result of the housing recovery and improved economic outlook. In Canada, TSX forward earnings (-2.8%) were mired down by falling commodity prices and a weakening economy. Within LatAm, Mexico's forward EPS (-1.4%) has been recovering since its nadir in September and compares favourably with Brazil's 13% EPS contraction. In Europe, Germany led throughout much of 2012, but of late has been challenged on prolonged EU weakness, leaving its forward EPS only 2.5% higher YOY. U.K. earnings (-4.2%) initially fared worse, given fears of a triple-dip recession, but have been strengthening in the last few months, as this scenario has become less likely. In Asia, Japan has posted the highest forward EPS change (+14%) among our sample, as new economic policies are expected to revive growth through currency depreciation. China's forward EPS has slipped 0.9%, but has been recovering since September. See Exhibits D and E.

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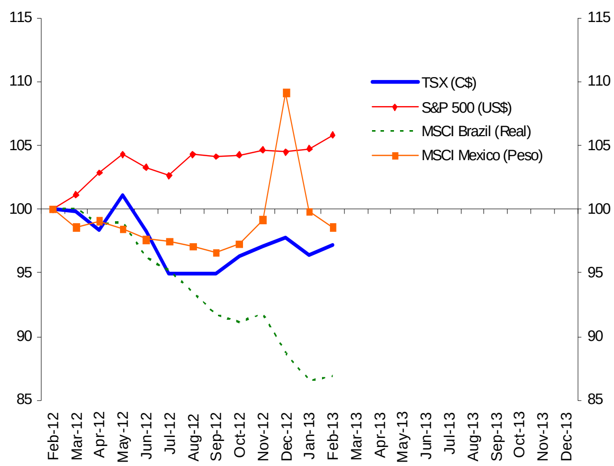
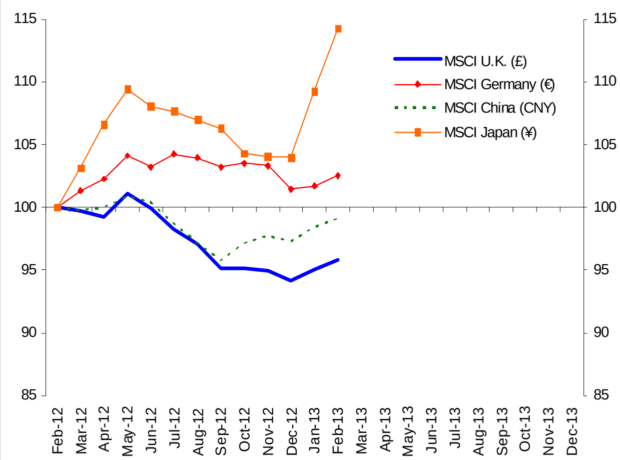
Exhibit D: Normalized Fwd EPS by Countries – The Americas



Source: Scotiabank GBM; Thomson Financial.

Exhibit E: Normalized Fwd EPS by Countries – Europe and Asia



Source: Scotiabank GBM; Thomson Financial.

The global equity recovery started in Q1/09 and current macro momentum, especially in the U.S., appears conducive to further profit gains heading into 2014. Still, we expect the pace of S&P 500 profit growth to slow. Additional P/E gains should thus contribute. The swing factor will come from the Federal Reserve and the timing of normalizing monetary policy. The current level of real Fed Fund rate does not threaten the S&P 500 bull cycle, in our opinion. Accepting higher P/E levels may be the ultimate factor as we navigate the latter stage of the cycle.

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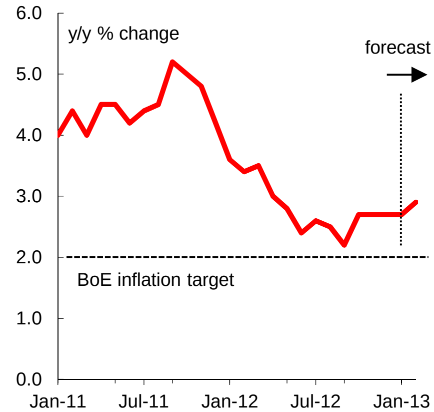
Key Data Preview

EUROPE

We expect UK CPI inflation to accelerate from 2.7% y/y in January to 2.9% y/y in February, with the RPI rising by slightly less (from 3.3% y/y to 3.4% y/y). There are likely to be two key influences this month — both of which are related to energy prices. More specifically, the near 3% increase in the price of petrol will add around 0.1 percentage point to headline inflation. Similarly, the February CPI will belatedly reflect the impact of the Eon utility bill hike which became effective from January 18th (too late to be captured by last month's CPI). This is also likely to add 0.1 percentage point to headline inflation. Those components aside, we envisage a largely uneventful breakdown. Food price inflation has been creeping higher, though after such a big acceleration last month we suspect that it will be hard to register another significant rise this month. Clothing and furniture typically see seasonal price hikes during February. These could cause a surprise in either direction.

UK Consumer Price Inflation

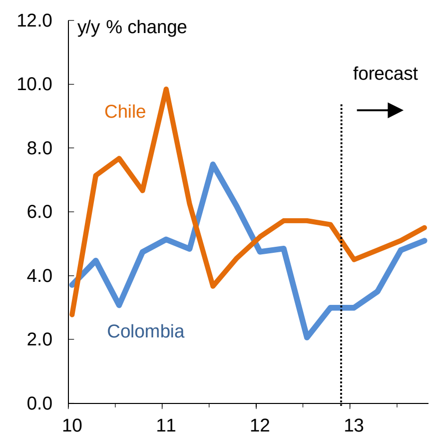


Source: Bloomberg, Scotiabank Economics.

LATIN AMERICA

Fourth-quarter real GDP growth will be released in Chile and Colombia next week. We assess that Chile maintained a solid performance, expanding by 5.6% y/y in Q4 and reaching an annual rate of 5.6% for 2012 as a whole. Monthly indicators show that economic activity for the first two months of 2013 remained strong. We expect Chile to expand by 5.0% in 2013. In contrast, the Colombian economy decelerated in the second half of 2012, slowing from 4.8% y/y on average in the first six months to an estimated pace of 2.5% in H2. We estimate that the Colombian economy expanded by 3.0% in Q4, taking the annual rate to 3.7%. Based on recent indicators, the Colombian economy maintained a soft trend at the beginning of the year; nevertheless, we anticipate that it will rebound by the second half of the year and grow by 4.1% in 2013 as a whole.

Chilean and Colombian GDP

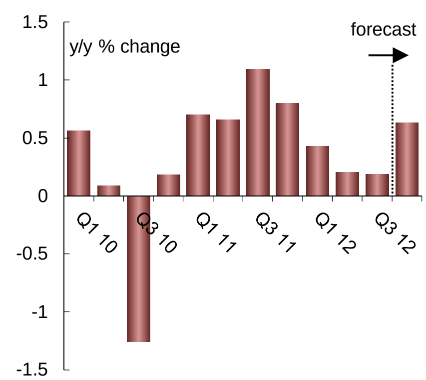


Source: Thomson Reuters.

ASIA/PACIFIC

New Zealand will release fourth-quarter real GDP data next week; we estimate that output increased by 0.6% q/q (1.5% y/y) following a 0.2% gain in the July-September period, taking the economic expansion to 2.2% in 2012 overall. We expect the economy to grow by 2⅓% this year, followed by a 2¾% advance in 2014. Domestic demand continues to be the main economic driver, driven by earthquake-related reconstruction investment, while government spending remains constrained by fiscal consolidation efforts. The housing market is recovering along with improving consumer confidence, pointing to gains in consumer spending. Meanwhile, net exports will continue to weigh on the overall performance as exporters battle with still-soft global demand and a strong currency, and as import demand remains strong reflecting reconstruction-related purchases.

Real GDP Growth - New Zealand



Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of March 18 - 22

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	03/18	08:30	International Securities Transactions (C$ bn)	Jan	--	--	-1.9
US	03/18	10:00	NAHB Housing Market Index	Mar	--	47.0	46.0
CA	03/19	08:30	Manufacturing Shipments (m/m)	Jan	0.6	0.4	-3.1
CA	03/19	08:30	Wholesale Trade (m/m)	Jan	0.4	0.3	-0.9
US	03/19	08:30	Building Permits (mn a.r.)	Feb	--	925.0	904.0
US	03/19	08:30	Housing Starts (000s a.r.)	Feb	900.0	915.0	890.0
US	03/19	08:30	Housing Starts (m/m)	Feb	--	2.8	-8.5
US	03/20	07:00	MBA Mortgage Applications (w/w)	MAR 15	--	--	-4.7
CA	03/20	09:00	Teranet - National Bank HPI (y/y)	Feb	--	--	2.7
US	03/20	12:30	**FOMC Interest Rate Meeting (%)**	**Mar 20**	**0.25**	**0.25**	**0.25**
CA	03/21	08:30	Retail Sales (m/m)	Jan	1.0	0.6	-2.1
CA	03/21	08:30	Retail Sales ex. Autos (m/m)	Jan	0.2	0.3	-0.9
US	03/21	08:30	Continuing Claims (000s)	MAR 9	--	--	3024.0
US	03/21	08:30	Initial Jobless Claims (000s)	MAR 16	340.0	340.0	332.0
MX	03/21	10:00	Retail Sales (INEGI) (y/y)	Jan	--	1.5	-1.8
US	03/21	10:00	Existing Home Sales (mn a.r.)	Feb	5.0	5.0	4.9
US	03/21	10:00	Existing Home Sales (m/m)	Feb	--	1.6	0.4
US	03/21	10:00	Leading Indicators (m/m)	Feb	--	0.3	0.2
US	03/21	10:00	Philadelphia Fed Index	Mar	-2.0	-3.0	-12.5
MX	03/22	10:00	Bi-Weekly Core CPI (% change)	Mar 15	--	--	0.1
MX	03/22	10:00	Bi-Weekly CPI (% change)	Mar 15	--	--	0.1
MX	03/22	10:00	Unemployment Rate (%)	Feb	--	5.3	5.4

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
EC	03/18	06:00	Trade Balance (€ bn)	Jan	--	-3.5	11742.0
IT	03/19	05:00	Industrial Production (y/y)	Jan	-6.8	-5.7	-6.6
UK	03/19	05:30	CPI (m/m)	Feb	0.7	0.7	-0.5
UK	03/19	05:30	CPI (y/y)	Feb	2.9	2.8	2.7
UK	03/19	05:30	PPI Input (m/m)	Feb	--	1.5	1.3
UK	03/19	05:30	PPI Output (m/m)	Feb	--	0.4	0.2
UK	03/19	05:30	RPI (y/y)	Feb	3.4	3.3	3.3
EC	03/19	06:00	ZEW Survey (Economic Sentiment)	Mar	--	--	42.4
GE	03/19	06:00	ZEW Survey (Current Situation)	Mar	--	6.0	5.2
GE	03/19	06:00	ZEW Survey (Economic Sentiment)	Mar	--	48.1	48.2
IT	03/19	06:00	Current Account (€ mn)	Jan	--	--	2362.0
GE	03/20	03:00	Producer Prices (m/m)	Feb	--	0.2	0.8
EC	03/20	05:00	Current Account (€ bn)	Jan	--	--	13.9
UK	03/20	05:30	Average Weekly Earnings (3-month, y/y)	Jan	--	1.5	1.4
UK	03/20	05:30	Employment Change (3M/3M, 000s)	Jan	--	140.0	154.0
UK	03/20	05:30	Jobless Claims Change (000s)	Feb	--	-5.0	-12.5
UK	03/20	05:30	ILO Unemployment Rate (%)	Jan	--	7.8	7.8
RU	03/20	06:59	Real GDP (y/y)	4Q A	2.4	2.4	2.9
EC	03/20	11:00	Consumer Confidence	Mar A	--	-23.2	-23.6
FR	03/21	04:00	Manufacturing PMI	Mar P	43.7	44.2	43.9
FR	03/21	04:00	Services PMI	Mar P	43.5	44.0	43.7
GE	03/21	04:30	Manufacturing PMI	Mar A	50.7	50.5	50.3
GE	03/21	04:30	Services PMI	Mar A	54.9	55.0	54.7
EC	03/21	05:00	Composite PMI	Mar A	47.6	48.2	47.9
EC	03/21	05:00	Manufacturing PMI	Mar A	47.7	48.2	47.9
EC	03/21	05:00	Services PMI	Mar A	47.5	48.2	47.9
UK	03/21	05:30	PSNB ex. Interventions (£ bn)	Feb	--	8.0	-11.4
UK	03/21	05:30	Public Sector Net Borrowing (£ bn)	Feb	--	8.2	-9.9
UK	03/21	05:30	Retail Sales ex. Auto Fuel (m/m)	Feb	--	0.6	-0.5
UK	03/21	05:30	Retail Sales with Auto Fuel (m/m)	Feb	--	0.4	-0.6
GE	03/22	05:00	IFO Business Climate Survey	Mar	--	107.8	107.4
GE	03/22	05:00	IFO Current Assessment Survey	Mar	--	110.5	110.2
GE	03/22	05:00	IFO Expectations Survey	Mar	--	105.0	104.6

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

Key Indicators for the week of March 18 - 22

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
SK	03/17	06:59	Discount Store Sales (y/y)	Feb	--	--	-24.6
SK	03/17	06:59	Department Store Sales (y/y)	Feb	--	--	-8.2
SK	03/17	17:00	PPI (y/y)	Feb	--	--	-1.6
AU	03/17	20:30	New Motor Vehicle Sales (m/m)	Feb	--	--	-2.4
SI	03/17	20:30	Exports (y/y)	Feb	--	-16.0	0.5
HK	03/18	04:30	Unemployment Rate (%)	Feb	3.4	3.4	3.4
JN	03/18	06:59	Nationwide Department Store Sales (y/y)	Feb	--	--	0.2
JN	03/19	01:00	Coincident Index CI	Jan F	92.0	--	92.0
JN	03/19	01:00	Leading Index CI	Jan F	96.3	--	96.3
JN	03/19	01:00	New Composite Leading Economic Index	Jan F	96.3	--	96.3
IN	03/19	01:30	**Repo Rate (%)**	**Mar 19**	**7.50**	**7.50**	**7.75**
IN	03/19	01:30	Reverse Repo Rate (%)	Mar 19	6.50	6.50	6.75
IN	03/19	01:30	Cash Reserve Ratio (%)	Mar 19	4.00	4.00	4.00
PH	03/19	06:59	Balance of Payments (US$ mn)	Feb	--	--	2043.0
TA	03/20	04:00	Export Orders (y/y)	Feb	--	--	18.0
MA	03/20	05:00	CPI (y/y)	Feb	1.5	1.5	1.3
NZ	03/20	17:45	GDP (q/q)	4Q	0.6	0.9	0.2
JN	03/20	19:50	Merchandise Trade Balance (¥ bn)	Feb	--	-855.9	-1630.9
JN	03/20	19:50	Adjusted Merchandise Trade Balance (¥ bn)	Feb	--	-1099.4	-678.9
JN	03/20	19:50	Merchandise Trade Exports (y/y)	Feb	--	-1.2	6.4
JN	03/20	19:50	Merchandise Trade Imports (y/y)	Feb	--	14.9	7.3
CH	03/20	21:45	HSBC Flash China Manufacturing PMI	Mar	50.7	50.9	50.4
JN	03/21	00:30	All Industry Activity Index (m/m)	Jan	--	-1.3	1.8
JN	03/21	01:00	Supermarket Sales (y/y)	Feb	--	--	-4.7
HK	03/21	04:30	CPI (y/y)	Feb	--	4.0	3.0
HK	03/21	04:30	Bal of Paymts - Current A/C (HKD bns)	4Q	--	--	23.8
NZ	03/21	12:45	GDP (y/y)	4Q	1.5	2.3	2.0
NZ	03/21	17:00	ANZ Job Ads (m/m)	Feb	--	--	-1.5
AU	03/21	19:00	Conference Board Leading Index (%)	Jan	--	--	-0.1
TA	03/21	20:30	Unemployment Rate (%)	Feb	4.2	--	4.2
MA	03/22	05:00	Foreign Reserves (US$ bn)	Mar 15	--	--	140.3

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	03/18	07:30	GDP (q/q)	4Q	--	--	1.4
CL	03/18	07:30	GDP (y/y)	4Q	5.6	5.6	5.7
CO	03/18	17:00	Trade Balance (US$ mn)	Jan	--	--	677.3
CO	03/21	12:00	GDP (y/y)	4Q	3.0	2.9	2.1
CO	03/22	06:59	**Overnight Lending Rate (%)**	**Mar 22**	**3.50**	**3.50**	**3.75**
BZ	03/22	09:30	Current Account (US$ mn)	Feb	--	-3000.0	-11371.0
CO	03/22	17:00	Industrial Production (y/y)	Jan	--	0.2	-3.0
CO	03/22	17:00	Retail Sales (y/y)	Jan	--	2.5	3.3

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

Global Auctions for the week of March 18 - 22

North America

Country	Date	Time	Event
US	03/18	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	03/18	11:30	U.S. to Sell USD35 Bln 3-Month Bills
US	03/18	11:30	U.S. to Sell USD30 Bln 6-Month Bills
US	03/18	11:30	3M Indirect Accepted %
US	03/18	11:30	3M Bid/Cover Ratio
US	03/18	11:30	3M High Yield Rate
US	03/18	11:30	3M Direct Accepted %
US	03/18	11:30	6M Direct Accepted %
US	03/18	11:30	6M Indirect Accepted %
US	03/18	11:30	6M Bid/Cover Ratio
US	03/18	11:30	6M High Yield Rate
US	03/19	11:00	U.S. Fed to Purchase USD2.75-3.50 Bln Notes
US	03/19	11:30	U.S. to Sell 4-Week Bills
US	03/19	11:30	4W Direct Accepted %
US	03/19	11:30	4W Indirect Accepted %
US	03/19	11:30	4W Bid/Cover Ratio
US	03/19	11:30	4W High Yield Rate
CA	03/20	12:00	Canada to Sell 2 Year Notes
US	03/21	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	03/21	13:00	U.S. to Sell USD13 Bln 10-Year TIPS Reopening
US	03/21	13:00	10Y Tips Bid/Cover Ratio
US	03/21	13:00	10Y Tips Direct Accepted %
US	03/21	13:00	10Y Tips High Yield Rate
US	03/21	13:00	10Y Tips Indirect Accepted %
US	03/22	11:00	U.S. Fed to Purchase USD3.00-3.75 Bln Notes

Europe

Country	Date	Time	Event
NE	03/18	06:30	Netherlands to Sell Up to EUR2 Bln 100-Day Bills
NE	03/18	06:30	Netherlands to Sell Up to EUR2 Bln 194-Day Bills
NO	03/18	07:00	Norway to Sell Bills
FR	03/18	09:50	France to Sell Bills
DE	03/19	05:30	Denmark to Sell 1.5% Bonds Due 2023
SP	03/19	05:30	Spain to Sell 3-Month and 9-Month Bills
DE	03/19	05:30	Denmark to Sell 4.5% Bonds Due 2039
SZ	03/19	06:30	Switzerland to Sell 3-Month Bills
NE	03/19	08:30	Netherlands to Sell New 10-Year Benchmark Bond
NE	03/19	08:30	Netherlands to sell 2023 Bonds
SW	03/20	06:03	Sweden to Sell SEK3.5 Bln 4.25% 2019 Bonds
GE	03/20	06:30	Germany to Sell Add'l EU4 Bln 10-Year Notes
PO	03/20	06:30	Portugal to Sell 3-Month and 18-Month Bills
SP	03/21	05:30	Spain to Sell Bonds
FR	03/21	05:50	France to Sell Bonds / Notes
UK	03/21	06:30	U.K. to Sell GBP900 Mln 0.125% I/L 2044 Bonds
UK	03/22	07:10	UK to Sell Bills

Asia Pacific

Country	Date	Time	Event
JN	03/18	23:35	Japan to Sell 2-Month Bills
JN	03/19	04:00	Japan Auction for Enhanced-Liquidity
CH	03/19	23:00	China to Sell 10-Year Bonds
NZ	03/20	21:05	New Zealand Plans to Sell Bonds
JN	03/20	23:35	Japan to Sell 3-Month Bills

Latin America

Country	Date	Time	Event
BZ	03/21	10:30	Brazil to Sell Bills due 04/1/2014
BZ	03/21	10:30	Brazil to Sell Bills due 04/1/2015
BZ	03/21	10:30	Brazil to Sell Fixed-rate bonds due 1/1/2019
BZ	03/21	10:30	Brazil to Sell Fixed-rate bonds due 1/1/2023
BZ	03/21	10:30	Brazil to Sell Bills due 7/1/2016

Source: Bloomberg, Scotiabank Economics.

Events for the week of March 18 - 22

North America

Country	Date	Time	Event
CA	16-17 MAR		Quebec Liberal Leadership Convention
CA	03/18	11:45	Alberta Premier Redford Speaks at the Economic Club of Canada
US	03/18		S&P Dow Jones Index Quarterly Review Becomes Effective
US	03/18		Iran Nuclear Technical Talks Held in Turkey
US	03/18		U.S. Senate Meets on Budget
CA	03/19	08:00	University of Toronto Pipelines Symposium
US	03/19	10:00	World Bank's Basu Speaks in Washington
US	03/19	10:30	The President's 2013 Trade Agenda
US	19-20 MAR		Federal Reserve FOMC Meeting
US	19-20 MAR		U.S. Treasury Secretary Lew Visits China
US	03/20	14:00	**FOMC Rate Decision**
US	03/20	14:00	Fed Releases Summary of Economic Projections
CA	03/20		Saskatchewan 2013-14 Budget
US	20-22 MAR		U.S. President Obama Visits Israel to Meet with Officials
CA	03/21	11:45	Canadian Minister Finley Speaks at the Economic Club
CA	03/21	12:30	Dep. Governor Cote speech in Montreal
CA	03/21		Canadian 2013-14 Federal Budget
US	03/22		Congress Breaks for Easter Holiday

Europe

Country	Date	Time	Event
SW	03/16	04:00	Swedish Prime Minister Fredrik Reinfeldt speech
EC	03/16	04:15	EU's Ashton Speaks at GMF Conference
GE	03/16	05:00	Merkel Attends Regional Event of Her CDU: Grimmen
EC	03/16	12:30	EU's De Gucht, U.S. Aide Froman Speak at GMF Conference
PO	03/18	04:00	Novabase to Replace Espirito Santo Financial on PSI-20 Index
PO	03/18	05:00	Bank of Portugal's Costa, Prime Minister at Conference
GE	03/18	05:00	Schaeuble in Panel on Tax and Fiscal Policy in Europe: Berlin
EC	03/18	05:00	Asmussen, Regling, Lautenschlaeger at Bank Union Panel: Berlin
EC	03/18	09:30	ECB's Nowotny, CBT's Basci Speak at Vienna Conference
PO	03/18	10:00	Bank of Portugal's Costa Speaks at Conference in Santarem
GE	03/18	10:00	Schaeuble, Weidmann Hold Press Conf. After Finance Comittee
GE	03/18	13:00	ECB's Asmussen Holds Speech on Euro Theme: Berlin
EC	03/18		STOXX Quarterly and Annual Reviews Become Effective
EC	03/18		EU Chairs Technical Nuclear Talks With Iran in Istanbul
EC	03/19	06:00	ECB's Weidmann, Knot, IMF's Lagarde speak in Frankfurt
HU	03/19		EU's Rehn Meets Hungary's Orban, Gives Speech in Budapest
EC	03/20	05:00	EU's Van Rompuy Speaks at EBF Conference in Brussels
UK	03/20	05:30	Bank of England Releases Monetary Policy Committee Minutes
EC	03/20	07:30	EU Proposes Economic Reforms, Financial Support Scheme
EC	03/20	08:30	ECB's Asmussen Speaks in Frankfurt
EC	03/20	11:30	EU's Barnier Speaks at EBF Conference in Brussels
GE	03/20	19:00	Merkel, State Leaders, Utilities hold Energy Policy Summit
UK	03/20		U.K. Chancellor Osborne Presents 2013 Budget to Parliament
EC	03/20		EU Negotiators Meet on Capital, Bonus Rules for Banks
EC	03/21	05:15	EU's Ashton, EADS CEO Enders Speak at Brussels Conference
EC	03/21	08:30	EU's Van Rompuy Speaks at Brussels EDA Conference
SZ	03/21	13:00	SNB's Zurbruegg Speaks in Zurich
UK	03/21		Junction and St. George's Wards By Elections
EC	03/22	07:00	ECB Announces 3-Year LTRO Repayment
PO	03/22	09:00	Bank of Portugal Releases Monthly Economic Indicators Report
PO	03/22		Portugal Releases Year-to-Date Budget Report
EC	22-23 MAR		EU Foreign Ministers Hold Meeting in Ireland
FI	22-24 MAR		Finland's Katainen Hosts European Leaders for Lapland Retreat

Source: Bloomberg, Scotiabank Economics.

Events for the week of March 18 - 22

Asia Pacific

Country	Date	Time	Event
CH	03/16	03:00	China's NPC selects Vice Premier, PBOC Governor
JN	16-17 MAR		Japan's Ruling Liberal Democratic Party Holds Convention
AU	03/18	18:15	RBA's Debelle Speaks at DCM Summit in Sydney
NZ	03/18	18:30	RBNZ Head of Prudential Supervision Fiennes speaks
AU	03/18	18:50	RBA's Lowe Speaks at DCM Summit in Sydney
NZ	03/18	19:00	NZIER publishes consensus forecasts for NZ
AU	03/18	20:30	RBA Policy Meeting - March Minutes
US	03/18		Iran Nuclear Technical Talks Held in Turkey
HK	18-19 MAR		**Composite Interest Rate**
JN	18-19 MAR		Bank of Japan Governor Shirakawa Steps Down
IN	03/19	01:30	Cash Reserve Ratio
IN	03/19	01:30	**India REPO Cutoff Yld**
IN	03/19	01:30	Reverse Repo Rate
NZ	03/19	17:00	Jobs Online Report From Labor Department
US	19-20 MAR		U.S. Treasury Secretary Lew Visits China
AU	03/20	20:30	RBA Foreign Exchange Transactn
CH	20-22 MAR		China MOFCOM Director General Shang Ming CIIAI Symposium
AU	03/21	21:45	RBA's Edey Speaks on Finance Panel in Melbourne
IA	03/21		Iran's Central Bank Issues New Banknotes

Latin America

Country	Date	Time	Event
CO	03/22	06:59	**Overnight Lending 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	April 17, 2013	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	March 20, 2013	0.25	0.25
Banco de México – Overnight Rate	4.00	April 26, 2013	4.00	--

The Federal Reserve issues its next policy statement on Wednesday. Note the timing has changed with the statement and supporting Summary of Economic Projections both due out at 2pmET and to be followed shortly thereafter by Chairman Bernanke's press conference at 2:30pm. The aim is to shorten the period of market uncertainty between the events. We anticipate an unchanged pace of monthly purchases of MBS and Treasuries totalling $85 billion as the Federal reserve is highly unlikely to risk market uncertainty at this juncture through experimenting with greater exit signals. The statement is likely to acknowledge some firming in job growth, but the prior statement did not anticipate that the US government would trigger sequester cuts. As such, we expect the pace of stimulus to be accompanied by persistent caution over the so far unsatisfactory improvement in job markets amid evidence of near-term downside risks.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.75	April 4, 2013	0.75	--
Bank of England – Bank Rate	0.50	April 4, 2013	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	June 20, 2013	0.00	--
Central Bank of Russia – Refinancing Rate	8.25	April 12, 2013	8.25	--
Hungarian National Bank – Base Rate	5.25	March 26, 2013	5.25	5.00
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	5.50	March 26, 2013	5.50	--
Sweden Riksbank – Repo Rate	1.00	April 17, 2013	1.00	--
Norges Bank – Deposit Rate	1.50	May 8, 2013	1.50	--

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Target Rate	0.10	April 4, 2013	0.10	--
Reserve Bank of Australia – Cash Target Rate	3.00	April 1, 2013	3.00	3.00
Reserve Bank of New Zealand – Cash Rate	2.50	April 23, 2013	2.50	2.50
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	7.75	March 19, 2013	7.50	7.50
Bank of Korea – Bank Rate	2.75	April 10, 2013	2.75	--
Bank of Thailand – Repo Rate	2.75	April 3, 2013	2.75	--
Bank Indonesia – Reference Interest Rate	5.75	April 11, 2013	5.75	--

The Reserve Bank of India will meet on March 19th; in the context of a reasonable budget for the fiscal year 2013-14 combined with favourable inflation dynamics, Indian policymakers will likely continue to loosen monetary conditions to encourage investment and thereby support economic growth. We expect a 25 basis point reduction in the benchmark repo rate, taking it to 7.5%.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	7.25	April 17, 2013	7.25	--
Banco Central de Chile – Overnight Rate	5.00	April 11, 2013	5.00	--
Banco de la República de Colombia – Lending Rate	3.75	March 22, 2013	3.50	3.50
Banco Central de Reserva del Perú – Reference Rate	4.25	April 11, 2013	4.25	4.25

We maintain our view that the central bank of Colombia will cut the reference rate by another 25 basis points to 3.50%. The minutes of the February monetary policy meeting, released last week, continue to reflect a dovish tone, leaving the door open for at least one more interest rate cut. Inflation remains slightly below the central bank's target range (3% +/- 1 percentage point) and economic activity continues to grow below its potential, supporting a looser monetary policy stance in the near term.

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.00	March 20, 2013	5.00	5.00

Though inflation eased in January (from 5.7% y/y to 5.4%), the rate remains close to the top of the South African Reserve Bank's (SARB) 3-6% target range. Price pressures stem from food and electricity prices and currency depreciation, partly offset by the dampening effects of weak domestic demand. The rand remains on a weakening trend, breaching 9.2 per US dollar in mid-March. As such, the SARB has little leeway for policy easing to support economic activity, and will likely leave the reference rate at a record-low 5.0% for the foreseeable future.

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

Forecasts as at February 28, 2013*	2000-11	2012e	2013f	2014f	2000-11	2012e	2013f	2014f
Output and Inflation (annual % change)		Real GDP				Consumer Prices[2]		
World[1]	3.7	3.1	3.2	3.8				
Canada	2.2	1.8	1.7	2.4	2.1	1.5	1.1	2.0
United States	1.8	2.2	2.0	2.7	2.5	2.1	1.9	2.1
Mexico	2.2	4.0	3.6	3.9	4.8	3.6	3.8	3.8
United Kingdom	1.9	0.2	0.9	1.4	2.3	2.7	2.9	2.4
Euro Zone	1.4	-0.5	-0.3	1.0	2.1	2.2	1.7	1.7
Japan	0.8	1.9	0.8	1.4	-0.3	-0.1	0.7	0.9
Australia	3.0	3.5	2.6	3.1	3.1	2.2	2.8	3.0
China	9.4	7.8	8.1	8.3	2.4	2.5	3.3	3.9
India	7.4	5.1	6.0	6.5	6.6	7.2	7.0	6.1
South Korea	4.5	2.0	2.8	3.5	3.2	1.4	2.7	3.0
Thailand	4.0	6.5	4.5	4.2	2.6	3.6	3.1	3.3
Brazil	3.6	1.0	3.3	4.0	6.6	5.8	5.8	5.5
Chile	4.8	5.6	5.0	5.5	3.4	1.5	3.1	3.3
Peru	5.6	6.3	6.0	5.5	2.6	2.6	3.0	3.0

Central Bank Rates (%, end of period)	12Q4	13Q1f	13Q2f	13Q3f	13Q4f	14Q1f	14Q2f	14Q3f
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	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Bank of England	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
Bank of Japan	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Reserve Bank of Australia	3.00	3.00	3.00	3.00	3.25	3.25	3.50	3.50
Exchange Rates (end of period)								
Canadian Dollar (USDCAD)	0.99	1.04	1.04	1.02	1.01	1.01	1.00	1.00
Canadian Dollar (CADUSD)	1.01	0.96	0.96	0.98	0.99	0.99	1.00	1.00
Euro (EURUSD)	1.32	1.30	1.29	1.28	1.27	1.26	1.26	1.25
Sterling (GBPUSD)	1.63	1.51	1.49	1.47	1.45	1.45	1.45	1.44
Yen (USDJPY)	87	92	93	94	95	95	96	97
Australian Dollar (AUDUSD)	1.04	1.02	1.02	1.04	1.04	1.06	1.06	1.08
Chinese Yuan (USDCNY)	6.2	6.2	6.2	6.2	6.1	6.1	6.1	6.1
Mexican Peso (USDMXN)	12.9	12.9	12.7	12.8	12.9	13.0	12.9	12.9
Brazilian Real (USDBRL)	2.05	1.96	1.98	2.01	2.00	2.00	1.98	1.98

Commodities (annual average)	2000-11	2012	2013f	2014f
WTI Oil (US$/bbl)	57	94	94	96
Brent Oil (US$/bbl)	58	112	112	112
Nymex Natural Gas (US$/mmbtu)	5.67	2.83	3.75	4.00
Copper (US$/lb)	2.10	3.61	3.54	3.15
Zinc (US$/lb)	0.77	0.88	1.00	1.15
Nickel (US$/lb)	7.62	7.95	8.25	8.50
Gold, London PM Fix (US$/oz)	668	1,670	1,690	1,650
Pulp (US$/tonne)	718	872	910	950
Newsprint (US$/tonne)	581	640	625	660
Lumber (US$/mfbm)	272	298	360	400

[1] World GDP for 2000-11 are IMF PPP estimates; 2012-14f are Scotiabank Economics' estimates based on a 2011 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	12Q3	12Q4	Latest	
Real GDP (annual rates)	1.8	0.7	0.6		
Current Acc. Bal. (C$B, ar)	-66.9	-72.2	-69.0		
Merch. Trade Bal. (C$B, ar)	-12.1	-20.3	-10.6	-2.8	(Jan)
Industrial Production	1.2	0.5	-0.4	-1.5	(Dec)
Housing Starts (000s)	215	222	202	181	(Feb)
Employment	1.2	1.0	1.6	2.0	(Feb)
Unemployment Rate (%)	7.3	7.3	7.2	7.0	(Feb)
Retail Sales	2.5	2.5	0.7	-0.7	(Dec)
Auto Sales (000s)	1670	1654	1660	1567	(Dec)
CPI	1.5	1.2	0.9	0.5	(Jan)
IPPI	0.6	0.0	-0.1	0.2	(Jan)
Pre-tax Corp. Profits	-2.7	-3.6	-9.1		

United States	2012	12Q3	12Q4	Latest	
Real GDP (annual rates)	2.2	3.1	0.1		
Current Acc. Bal. (US$B, ar)	-475	-450	-442		
Merch. Trade Bal. (US$B, ar)	-735	-697	-722	-741	(Jan)
Industrial Production	3.7	3.5	2.7	2.7	(Feb)
Housing Starts (millions)	0.78	0.77	0.90	0.89	(Jan)
Employment	1.7	1.7	1.6	1.5	(Feb)
Unemployment Rate (%)	8.1	8.0	7.8	7.7	(Feb)
Retail Sales	4.8	4.6	4.0	4.7	(Feb)
Auto Sales (millions)	14.4	14.5	15.0	15.3	(Feb)
CPI	2.1	1.7	1.9	2.0	(Feb)
PPI	1.9	1.5	1.7	1.7	(Feb)
Pre-tax Corp. Profits		19.3			

Mexico	2012	12Q3	12Q4	Latest	
Real GDP	3.9	3.2	3.2		
Current Acc. Bal. (US$B, ar)	-9.2	-3.8	-26.0		
Merch. Trade Bal. (US$B, ar)	0.2	-4.7	-7.8	-34.4	(Jan)
Industrial Production	3.6	3.6	1.8	1.7	(Jan)
CPI	4.1	4.6	4.1	3.6	(Feb)

Europe

Euro Zone	2012	12Q3	12Q4	Latest	
Real GDP	-0.5	-0.6	-0.9		
Current Acc. Bal. (US$B, ar)	142	205	309	426	(Dec)
Merch. Trade Bal. (US$B, ar)	133.9	152.9	219.0	205.0	(Dec)
Industrial Production	-2.3	-2.4	-2.9	-2.1	(Jan)
Unemployment Rate (%)	11.3	11.4	11.7	11.9	(Jan)
CPI	2.5	2.5	2.3	1.8	(Feb)

Germany	2012	12Q3	12Q4	Latest	
Real GDP	0.9	0.9	0.4		
Current Acc. Bal. (US$B, ar)	238.6	225.0	278.0	179.5	(Jan)
Merch. Trade Bal. (US$B, ar)	243.1	254.6	244.5	250.8	(Jan)
Industrial Production	-0.4	-0.7	-2.1	-1.3	(Jan)
Unemployment Rate (%)	6.8	6.8	6.9	6.9	(Feb)
CPI	2.0	2.0	2.0	1.5	(Feb)

France	2012	12Q3	12Q4	Latest	
Real GDP	0.0	0.0	-0.3		
Current Acc. Bal. (US$B, ar)	-63.0	-40.0	-70.7	-75.8	(Jan)
Merch. Trade Bal. (US$B, ar)	-52.4	-51.0	-46.6	-52.9	(Jan)
Industrial Production	-2.2	-2.0	-3.1	-2.1	(Dec)
Unemployment Rate (%)	10.2	10.3	10.4	10.6	(Jan)
CPI	2.0	2.0	1.5	1.0	(Feb)

United Kingdom	2012	12Q3	12Q4	Latest	
Real GDP	0.2	0.2	0.3		
Current Acc. Bal. (US$B, ar)		-100.9			
Merch. Trade Bal. (US$B, ar)	-168.6	-164.5	-174.3	-157.0	(Jan)
Industrial Production	-2.4	-1.7	-2.6	-3.0	(Jan)
Unemployment Rate (%)		7.8		7.8	(Nov)
CPI	2.8	2.4	2.7	2.7	(Jan)

Italy	2012	12Q3	12Q4	Latest	
Real GDP	-2.4	-2.6	-2.8		
Current Acc. Bal. (US$B, ar)	-12.6	4.3	17.1	37.2	(Dec)
Merch. Trade Bal. (US$B, ar)	13.8	23.0	35.7	33.1	(Dec)
Industrial Production	-6.5	-6.3	-6.7	-7.0	(Dec)
CPI	3.1	3.2	2.5	1.8	(Feb)

Russia	2012	12Q3	12Q4	Latest	
Real GDP		2.9			
Current Acc. Bal. (US$B, ar)	81.2	6.7	17.3		
Merch. Trade Bal. (US$B, ar)	16.2	12.8	15.7	17.7	(Jan)
Industrial Production	-5.3	2.5	1.7	-0.8	(Jan)
CPI	5.1	6.0	6.5	7.3	(Feb)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Asia Pacific

Australia	2012	12Q3	12Q4	Latest
Real GDP	3.6	3.1	3.1	
Current Acc. Bal. (US$B, ar)	-56.4	-68.1	-64.7	
Merch. Trade Bal. (US$B, ar)	6.3	1.6	-5.8	-9.0 (Jan)
Industrial Production	4.0	4.3	4.8	
Unemployment Rate (%)	5.2	5.3	5.3	5.4 (Feb)
CPI	1.8	2.0	2.2	

Japan	2012	12Q3	12Q4	Latest
Real GDP	2.0	0.4	0.4	
Current Acc. Bal. (US$B, ar)	58.9	82.4	-4.5	-49.1 (Jan)
Merch. Trade Bal. (US$B, ar)	-86.1	-97.0	-112.0	-91.4 (Jan)
Industrial Production	-1.0	-4.6	-6.7	-7.1 (Jan)
Unemployment Rate (%)	4.4	4.3	4.2	4.2 (Jan)
CPI	0.0	-0.4	-0.2	-0.3 (Jan)

South Korea	2012	12Q3	12Q4	Latest
Real GDP	2.0	1.5	1.5	
Current Acc. Bal. (US$B, ar)	43.1	58.2	59.3	27.0 (Jan)
Merch. Trade Bal. (US$B, ar)	28.3	29.9	39.8	24.3 (Feb)
Industrial Production	1.2	-1.6	1.9	0.3 (Jan)
CPI	2.2	1.6	1.7	1.4 (Feb)

China	2012	12Q3	12Q4	Latest
Real GDP	10.4	7.4	7.9	
Current Acc. Bal. (US$B, ar)	290.0			
Merch. Trade Bal. (US$B, ar)	230.7	316.5	332.0	183.0 (Feb)
Industrial Production	10.3	9.2	10.3	10.3 (Dec)
CPI	2.5	1.9	2.5	3.2 (Feb)

Thailand	2012	12Q3	12Q4	Latest
Real GDP	6.4	3.1	18.9	
Current Acc. Bal. (US$B, ar)	2.7	2.7	0.9	
Merch. Trade Bal. (US$B, ar)	0.7	1.7	0.3	-2.8 (Jan)
Industrial Production	2.3	-9.9	42.7	9.0 (Jan)
CPI	3.0	2.9	3.2	3.2 (Feb)

India	2012	12Q3	12Q4	Latest
Real GDP	5.0	5.3	4.5	
Current Acc. Bal. (US$B, ar)		-22.3		
Merch. Trade Bal. (US$B, ar)	-16.3	-16.7	-19.2	-14.9 (Feb)
Industrial Production	0.7	0.4	2.2	2.4 (Jan)
WPI	7.5	7.9	7.3	6.8 (Feb)

Indonesia	2012	12Q3	12Q4	Latest
Real GDP	6.2	6.2	6.1	
Current Acc. Bal. (US$B, ar)	-24.2	-5.3	-7.8	
Merch. Trade Bal. (US$B, ar)	-0.1	0.2	-0.9	-0.2 (Jan)
Industrial Production	4.1	-0.4	11.0	11.0 (Dec)
CPI	4.3	4.5	4.4	5.3 (Feb)

Latin America

Brazil	2012	12Q3	12Q4	Latest
Real GDP	0.8	0.8	1.1	
Current Acc. Bal. (US$B, ar)	-54.2	-35.6	-80.4	
Merch. Trade Bal. (US$B, ar)	19.4	34.6	14.9	-15.3 (Feb)
Industrial Production	-2.7	-2.1	-0.2	3.4 (Jan)
CPI	5.4	5.2	5.6	6.3 (Feb)

Chile	2012	12Q3	12Q4	Latest
Real GDP		5.7		
Current Acc. Bal. (US$B, ar)		-19.1		
Merch. Trade Bal. (US$B, ar)	12.7	-7.1	6.6	0.8 (Feb)
Industrial Production	3.6	1.5	4.1	4.3 (Jan)
CPI	3.0	2.6	2.2	1.3 (Feb)

Peru	2012	12Q3	12Q4	Latest
Real GDP	9.1	6.8	5.9	
Current Acc. Bal. (US$B, ar)		-2.8		
Merch. Trade Bal. (US$B, ar)	0.4	0.3	0.4	-0.5 (Jan)
Unemployment Rate (%)	7.0	6.5	5.9	6.1 (Jan)
CPI	3.7	3.5	2.8	2.5 (Feb)

Colombia	2012	12Q3	12Q4	Latest
Real GDP		2.1		
Current Acc. Bal. (US$B, ar)		-3.6		
Merch. Trade Bal. (US$B, ar)	0.2	0.0	0.2	0.7 (Dec)
Industrial Production	0.0	-0.3	-1.9	-3.0 (Dec)
CPI	3.2	3.1	2.8	1.8 (Feb)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Interest Rates (%, end of period)

Canada	12Q3	12Q4	Mar/08	Mar/15*	United States	12Q3	12Q4	Mar/08	Mar/15*
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	0.98	0.93	0.95	0.95	3-mo. T-bill	0.09	0.04	0.09	0.09
10-yr Gov't Bond	1.73	1.80	1.93	1.90	10-yr Gov't Bond	1.63	1.76	2.04	2.00
30-yr Gov't Bond	2.32	2.37	2.62	2.60	30-yr Gov't Bond	2.82	2.95	3.24	3.22
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	67.9	68.4	68.7	(Jan)	FX Reserves (US$B)	142.0	139.1	140.9	(Jan)
Germany					**France**				
3-mo. Interbank	0.11	0.10	0.10	0.10	3-mo. T-bill	0.00	-0.01	0.02	0.03
10-yr Gov't Bond	1.44	1.32	1.53	1.45	10-yr Gov't Bond	2.18	2.00	2.13	2.06
FX Reserves (US$B)	68.5	67.4	68.0	(Jan)	FX Reserves (US$B)	50.9	54.2	58.0	(Jan)
Euro Zone					**United Kingdom**				
Refinancing Rate	0.75	0.75	0.75	0.75	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.11	0.13	0.06	0.07	3-mo. T-bill	0.35	0.36	0.38	0.37
FX Reserves (US$B)	332.8	332.5	337.6	(Jan)	10-yr Gov't Bond	1.73	1.83	2.06	1.93
					FX Reserves (US$B)	87.9	88.6	90.1	(Jan)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	3.50	3.00	3.00	3.00
3-mo. Libor	0.13	0.11	0.10	0.10	10-yr Gov't Bond	2.99	3.27	3.55	3.63
10-yr Gov't Bond	0.78	0.79	0.65	0.63	FX Reserves (US$B)	42.4	44.9	44.0	(Jan)
FX Reserves (US$B)	1233.3	1227.2	1226.3	(Jan)					

Exchange Rates (end of period)

USDCAD	0.98	0.99	1.03	1.02	¥/US$	77.96	86.75	96.00	95.50
CADUSD	1.02	1.01	0.97	0.98	US¢/Australian$	1.04	1.04	1.02	1.04
GBPUSD	1.617	1.626	1.493	1.513	Chinese Yuan/US$	6.28	6.23	6.22	6.22
EURUSD	1.286	1.319	1.301	1.307	South Korean Won/US$	1111	1064	1090	1111
JPYEUR	1.00	0.87	0.80	0.80	Mexican Peso/US$	12.859	12.853	12.628	12.435
USDCHF	0.94	0.92	0.95	0.94	Brazilian Real/US$	2.026	2.052	1.944	1.977

Equity Markets (index, end of period)

United States (DJIA)	13437	13104	14397	14510	U.K. (FT100)	5742	5898	6484	6485
United States (S&P500)	1441	1426	1551	1560	Germany (Dax)	7216	7612	7986	8018
Canada (S&P/TSX)	12317	12434	12836	12849	France (CAC40)	3355	3641	3840	3844
Mexico (IPC)	40867	43706	44323	43241	Japan (Nikkei)	8870	10395	12284	12561
Brazil (Bovespa)	59176	60952	58433	57282	Hong Kong (Hang Seng)	20840	22657	23092	22533
Italy (BCI)	825	873	879	874	South Korea (Composite)	1996	1997	2006	1987

Commodity Prices (end of period)

Pulp (US$/tonne)	830	870	890	890	Copper (US$/lb)	3.75	3.59	3.51	3.53
Newsprint (US$/tonne)	640	640	625	625	Zinc (US$/lb)	0.95	0.92	0.89	0.88
Lumber (US$/mfbm)	300	388	400	408	Gold (US$/oz)	1776.00	1657.50	1581.75	1595.50
WTI Oil (US$/bbl)	92.19	91.82	91.95	93.58	Silver (US$/oz)	34.65	29.95	28.78	28.91
Natural Gas (US$/mmbtu)	3.32	3.35	3.63	3.89	CRB (index)	309.30	295.01	294.38	297.03

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

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