Global Views

Weekly commentary on economic and financial market developments

August 16, 2013

Global Views is available on: www.scotiabank.com, Bloomberg at SCOT and Reuters at SM1C

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A 'Euro-Turn' For The Better

- **Europe's incipient economic revival is good news for Canadian and global exporters.**

Keep your fingers crossed! The global economy is getting a much needed 'shot in the arm' from the improving economic performances in the advanced nations. The pick-up in activity is fundamentally important, providing a further self-reinforcing boost to the confidence of households, businesses and policymakers alike. Nonetheless, output around the world is still stuck in the relative slow lane of growth. Most of the advanced economies are still being constrained by fiscal restraint, while many of the larger emerging market countries, China, India and Brazil in particular, are undergoing structural realignments that have contributed to a noticeable deceleration in the pace of activity.

The U.S. economy expanded by a moderate 1.7% annualized rate in Q2, though the recent rebound in retail and housing activity, as well as manufacturing- and service-related output, points to an improving growth trajectory in the second half of the year. Japan posted a 2.6% annualized advance in Q2, and like the United States, an increase that was below expectations. But here too expectations are for the consumer- and export-led performances to record better results going forward.

Importantly, the euro area posted positive economic growth in the second quarter. The U.K. economy grew at an annualized rate of 2.4% in the April-June period, led by housing and manufacturing gains. The euro zone's real GDP expanded at a 1.1% annualized rate in Q2, ending six consecutive quarters of contraction — their longest period of recession on record. The upturn in the euro zone was led by the two biggest regional economies, Germany and France, which grew at annualized rates of 2.9% and 1.9% respectively. Even the hardest hit peripheral nations in the south registered some economic improvement — Portugal's output grew at an annualized 4.3% rate in the second quarter, while the economic contractions in Spain and Greece moderated. In most countries, the relative improvement reflected competitive gains in manufacturing and export activity-related developments that have bolstered growth in many of the emerging Europe countries as well.

Canada's economic performance is somewhere in the middle of the pack of advanced nations, and is on track to post a U.S.-like annualized growth rate of under 2% in the April-June period. Fiscal restraint continues to drag on growth at a time when domestic demand is being constrained by a reduced pace of consumer spending and housing-related activity. Looking ahead, however, prospective Canadian output gains should be supported by the gradual strengthening in demand emanating from the nation's two largest trading partners, the United States and Europe — the destination of roughly 75% and 8½% of Canadian exports, respectively.

Since the beginning of the new millennium, Canadian exports to the EU have increased at a compound annual rate of almost 6%, compared with no gain to the United States and a 7% annual rise to the remaining countries Canada ships to — a performance that has led to an almost four percentage point increase in market share since 2000. Canada's export performance with the EU is quite respectable given the extent of the austerity-induced recession in Europe that has just ended. The fact that the value of Canadian exports to the

Canadian Export Growth By Destination

	y/y % change														CARG	Share of Total Exports, %	
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2000-12	2000	2012
EU	15.3	-4.3	-4.6	12.0	14.7	8.5	16.9	19.2	4.2	-18.1	16.1	16.2	-3.6	-13.1	5.8	4.7	8.5
U.S.	16.6	-2.1	-1.8	-5.4	6.6	5.1	-1.8	-1.0	5.6	-28.1	10.6	10.4	2.7	1.8	-0.5	86.9	74.5
Other	13.1	-2.2	-1.4	3.6	19.9	10.9	14.0	15.1	19.8	-16.4	9.6	18.2	-0.8	3.9	7.0	8.3	17.0
Total	16.3	-2.2	-1.9	-3.9	8.2	5.8	0.9	2.3	7.4	-25.6	10.9	12.2	1.5	0.8	0.8	100.0	100.0

* January - June of 2013. Source: Industry Canada, Scotiabank Economics.

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United States has lagged over this period is reflective of a number of factors. First, the downturns in the United States have been generally more frequent and deeper. Second, the Canadian dollar's more significant appreciation vis-à-vis the U.S. dollar has contributed to the slower pace of exports destined south of the border since domestic productivity has lagged U.S. trends. And third, Canadian exports to Germany have held up reasonably well given that country's performance leadership in the EU.

Nonetheless, Canadian export values to the EU have slowed this year in response to the lingering downturn in the EU, recurring problems in the global economy, and renewed softness in commodity prices. In the first half of 2013, the value of Canadian exports to the EU has declined quite sharply at 13%, compared with a gain of 1.8% to the United States and 3.9% to our other trading partners.

We expect, however, that Canadian exports should begin to revive on the back of the gradual upturn in EU economic output. Over the past dozen years, recovery periods following economic setbacks witnessed the value of Canadian exports to the EU increasing quite sharply — in excess of 14% annually in the 2003-07 period that followed back-to-back declines in 2001 and 2002, and a 16% annual rise in 2010 and 2011 on the heels of the 18% contraction in 2009. The improving economic conditions currently in the EU point to a renewed uptick in the value of Canadian exports if the new-found economic momentum is sustained, and commodity prices remain at profitable levels. Based on the EU's share of Canadian exports, a 10% increase in shipments to the region would add 0.2 percentage points to Canada's GDP.

From a sector perspective, Canadian gold and silver shipments are at the top of the list with a 30% share of the value of EU-destined Canadian exports. Aerospace products come in second place, with a 7% share. Non-ferrous metals are in third place at just over 6%, followed by iron ore and chemical products at around 4½% and 4¼% respectively. Combined, the top five export sectors account for 52% of total Canadian exports to the EU.

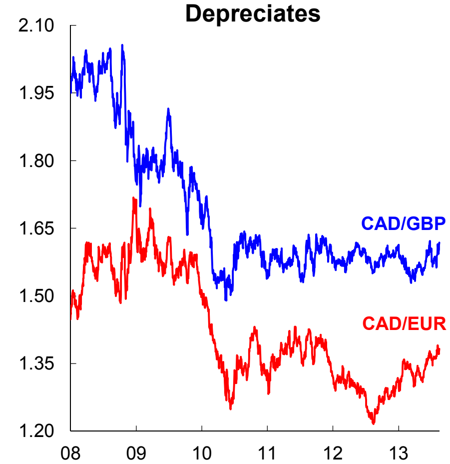
Canadian output remains highly leveraged to the commodity-related sectors, both raw and value-added. The nation's large and highly diversified resource base should benefit from the incipient recovery in manufacturing underway in Europe. Manufactured exports are less prevalent, though they have the chance to gain market share in an environment where the Canadian dollar has depreciated vis-à-vis the euro, Sterling, and the U.S. dollar. Finalizing the current bilateral trade negotiations with Europe [CETA] remains an important step to help support Canada's longer-term competitiveness.

Top 10 Canadian Exports Destined For The European Union

Rank (2013*):		2000	2013*
1	Gold & Silver Ore Mining	0.0	29.8
2	Aerospace Product & Parts Manufacturing	10.8	6.9
3	Non-Ferrous Metal (excluding Aluminum) Smelting & Refining	4.5	6.3
4	Iron Ore Mining	2.9	4.6
5	Other Basic Inorganic Chemical Manufacturing	0.9	4.3
6	Other Non-Metallic Mineral Mining & Quarrying	3.6	3.3
7	Engine, Turbine & Power Transmission Equipment Manufacturing	2.1	2.6
8	Pharmaceutical & Medicine Manufacturing	1.2	2.6
9	Petroleum Refineries	0.0	2.4
10	Alumina & Aluminum Production & Processing	1.8	2.0
	Subtotal	27.8	64.9
	Other	72.2	35.1
	Total	100.0	100.0

* January - June of 2013. Source: Industry Canada, Scotiabank Economics.

The Canadian Dollar Depreciates



Source: Bloomberg.

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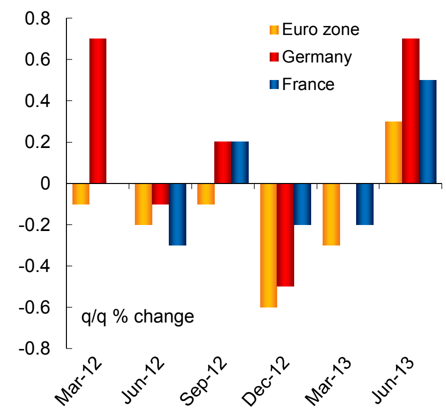
Euro Area Exits Recession, But Headwinds Remain

- **In the wake of better-than-expected GDP results in the second quarter, we note that Europe's road to recovery will be long and uneven.**

The preliminary second-quarter real GDP estimate for the euro zone showed that output expanded by 0.3% q/q, following an equivalent loss in the prior three months. The region has been stuck in recession since the fourth quarter of 2011. The pick-up is attributable to robust performances by Germany (0.7% q/q) and France (0.5% q/q), the latter of which handily surpassed consensus expectations. The unexpectedly strong 1.1% q/q expansion in Portugal is also worth noting, after 10 quarters of decline. Italy, Spain, the Netherlands and Greece continued to see output contract, albeit at a moderated pace.

Euro Area Real GDP Growth



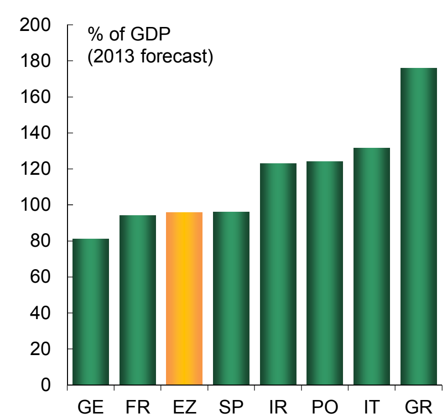
Source: Bloomberg.

The muted optimism in financial (primarily equity) markets brought on by this week's reports was short-lived — much of it, having stemmed from the earlier Spanish and Italian reports, had already faded by the time the German, French and aggregate releases came out.

The good news is that the German economy — the currency union's largest — is beginning to gain momentum. The second-quarter expansion was driven mainly by domestic demand strength (though net trade also made a modest contribution as exports outpaced imports). The improvement in fixed capital investment was in part due to a weather-related rebound after a particularly harsh winter, but according to the German statistics office, consumer and government spending also posted increases — a reflection of the low unemployment rate and lack of fiscal austerity. In theory, domestic demand strength in Germany should translate to improved prospects elsewhere in Europe, as many neighbouring economies rely on the nation as a top export market.

However, the euro zone is not out of the woods yet. While survey and real economic data have in recent months painted a picture of stabilizing conditions, we do not envision a sustained uptrend from this point (our forecast sees a return to flat or slightly negative growth in the region in the second half of 2013, followed by a subdued 0.2% q/q average pace in 2014). Medium-term growth prospects will remain constrained by:

Euro Area Gross Debt



Source: Scotiabank Economics.

- The immense burden of fiscal consolidation — public debt ratios have yet to peak in most members states (see adjacent chart)
- High unemployment — the overall jobless rate remains at a record-high 12.1% (though, there has been some recent moderation in certain countries including Italy, Spain and Portugal)
- Still restrictive credit conditions, particularly for small and medium-sized businesses — loans to non-financial corporations have declined by 2.8% y/y on average so far this year
- Relatively high energy prices — Brent oil is expected to average US$108/bbl in 2013-14, up from roughly $62 in 2000-12

Downside risks continue to dominate the baseline outlook. For one, the outcome of the German general election next month is unclear, and there remains the possibility that the next administration proves less willing to act as the financial backstop for the currency union. Moreover, political instability abounds elsewhere in the euro area and progress on a regional banking union has been slow. As the patience of financial markets wears thin, sovereign debt yields may again be pushed to unmanageable heights. Additional financial assistance packages may be required, even if economic conditions continue to improve. Finally, there is the risk that slower external growth throws the region into a triple-dip recession lasting through 2014.

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Energy Reform Proposal In Mexico

- **A first step to improving the energy sector, still a long way to go.**

This week, President Enrique Peña Nieto presented the long-awaited energy reform initiative to the Senate, which includes modifying Articles 27 and 28 of the Constitution. Such modifications are based on six pillars: strengthening the role of the state as the governing entity of the oil industry, economic growth, inclusive development, energy security, transparency and sustainability and environmental protection. The government's proposal is divided into two main topics: oil and electricity.

Hydrocarbons

The proposed reform consists of two specific points: *i)* remove the prohibition for the state to sign contracts for the exploitation of hydrocarbons and, *ii)* subtract from the strategic areas of the state the basic petrochemicals activities, so they may be undertaken by both state entities and private sector.

Electricity

The proposal is to open a power generation market in order to reduce costs, with the state maintaining total control over the electrical system and the exclusivity for transmitting and distributing energy as a public service. This means allowing only electricity generation by private participants.

One of the key aspects of the proposal is the modification to PEMEX's tax regime, in order to acknowledge the company's investment needs within the profits generated by the exploitation and the whole process of oil production. The modification is intended to be incorporated into the fiscal reform that is expected to be sent over next month to the Congress.

Main Considerations

The proposed changes represent an important first step in the improvement of the energy sector in Mexico. Basically, the idea is to remove the constitutional restrictions of private participation in these sectors, while maintaining the ban on concessions. The secondary legislation following the constitutional reform is expected to regulate in detail the manner and extent to which private entities may participate in these activities. Although no details have been provided on this, it is expected that private entities may participate in the energy sector via profit sharing agreements.

If the proposal is approved and the changes materialize, it is expected that the potential GDP growth rate in Mexico will increase, based on higher investment in the energy sector, reduced costs, and thereby increased competitiveness of firms, particularly PEMEX and CFE (Federal Electricity Commission). This would also boost employment and further expansion of domestic production. Nevertheless, it is difficult to determine the magnitude of the impact until we know the details of the secondary regulation. The key point will be if private investors will find the new regime to be profitable enough to enable abundant investment inflows.

While the proposal includes constitutional changes it preserves the ownership and total control of the State in oil production, which should be acceptable to the less radical members of the Democratic Revolution Party (PRD). The Senate will start discussing the proposal on September 1st, the date on which the second ordinary period in Congress starts. Previously, the National Action Party (PAN) delivered its proposal with fundamental similarities to the one presented by the president this week, including the involvement of the private sector in the energy sector.

Once it has been discussed in the Constitutional, Energy and Legislative Studies committees, this reform will pass to the Senate where a ⅔ majority vote is required for its approval (that means 86 senators in favor). In the present legislative period, the Institutional Revolutionary Party (PRI) and the PAN have 52 and 38 senators, respectively, making the approval more likely, although it will be important to achieve agreements with members of the PRD. After that, the proposal needs to be passed by the Lower Chamber of Congress and state legislatures, so the road ahead is still long.

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UK — Labouring The Point

More Than One Way to Skin a Cat

The UK unemployment rate has become the new a-list celebrity in the economic indicator world. This was the result of Mark Carney and the Bank of England committing to leaving Bank Rate unchanged until the unemployment rate falls to 7% (from 7.8% currently).

A lot of nonsense was talked about the UK unemployment rate before it was released this week, and just as much after it came out. For example, part of the logic some forecasters used for predicting a chunky increase in the unemployment rate (from 7.8% to 8.0%) was because of a little-watched (and rightly so) monthly experimental version of the unemployment rate.

More specifically, the logic was that the latest three unemployment rate numbers on this monthly basis were 7.4, 8 and 8. Hence when the 3-month average was updated, the 7.4 would drop out of the calculation and the new month would surely not be that low. For argument's sake assume the new month is in line with the prior month, i.e. 8%, so the latest three months become 8,8 and 8 and hey presto the 3-month average jumps to 8%. Wrong.

There is more than one way to skin a cat and there is more than one way to forecast UK unemployment — and this way is wrong, wrong, wrong. For the record, the latest month on that measure was 7.4% — so the 3-month average didn't change. Just to burden the point, the same monthly breakdown showed a 425k increase in employment in the latest month alone. That would be a very strong US non-farm payrolls number — an economy many times the size of the UK. If someone wants to forecast the unemployment rate in that way then good luck to them.

In fact, it seems that there are several people that want to forecast the unemployment rate that way. Several forecasters have concluded that since the latest individual month showed a 7.4% unemployment reading, we are half way towards hitting the 7% threshold announced in last week's forward guidance statement. As such, they say a rate hike is not as far off as previously assumed. If that is why gilts sold off then this is surely an opportunity to get long.

The unemployment rate is like an oil tanker. It doesn't turn corners very quickly. Typically we are going to see a 0.1 percentage point move in the rate every 3-4 months if we are lucky. In very rare circumstances the rate might move by 0.2 points, but only on rare occasions.

Take The Hint!

Clearly the sell-off in gilts this week wasn't just because of the unemployment rate, the MPC minutes also helped to undermine the forward guidance strategy. More specifically, MPC member Martin Weale dissented against the forward guidance strategy (opting for a shorter time horizon for committing to unchanged policy). Understandably, Martin Weale is a little concerned that inflation expectations could become dislodged if the Bank commits to leaving policy on hold for 3 years. However, this conflicted with the mission statement of forward guidance contained in that same document to:

> *'reduce the risk of an unwarranted rise in market interest rates that prematurely tightened financial market conditions'.*

While the two doves might have still wanted more QE, they supported the team objective and voted with the majority. Weale's dissent has undermined the united front. It has planted the seed of doubt in the market's mind that the Bank will stick to its commitment to leave policy on hold for three years, let alone two. At the time of writing, a rate hike during late 2014 is now priced by the market.

Forward guidance is Mark Carney's baby. When people call your baby ugly, you tend to take offence and there has been plenty to offend Carney in the press this week. A speech or a well-timed media interview is a distinct possibility over the coming weeks. If that doesn't work and the sell-off in gilts continues, then at the very least we would expect to see the two doves (David Miles and Paul Fisher) dissenting in favour of more QE fairly soon. Carney could easily move into Camp Dove. Given his impressive leadership skills thus far, if that happened then he is likely to take several colleagues with him and more QE would probably be triggered.

We don't believe that further QE is the most likely outcome at this stage, but it is looking like an increasingly significant risk.

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Latin America Week Ahead: For The Week Of August 19 - 23

The trend of outflows from emerging market funds we have seen since May continues in place, with the latest EPFR data showing US$818mn left emerging markets fixed income funds as the 'taper story' continues to weigh on the asset class. Of the total outflows, the split was roughly 50/50 between local and hard currency funds. In terms of data, we expect US activity indicators to remain the major drivers for LATAM FX, as the September FOMC decision and Jackson Hole meetings approach.

Week-ahead views:

Brazil: With USD/BRL having now moved beyond the previous line in the sand at 2.30, the BCB (central bank) has indicated it intends to start rolling the swaps contracts it auctioned over recent months, and also stated that it plans to continue stepping up to contain the real's weakness. As focus on next year's presidential elections starts to rise, inflation and growth should increasingly become conflicting objectives for the government, but with unemployment still low, inflation will dominate in our view. This week's BRL price action is likely to be primarily driven by Fed tapering expectations and China's flash PMI, as local data takes the back seat.

Chile: With the BCCh (central bank) leaving the policy rate unchanged in its latest meeting, but maintaining a dovish bias and suggesting rate cuts remain a possibility over coming months, this week's GDP data should be closely monitored. In our opinion, the current account has lost some importance in the BCCh's policy discussions given the weakening of CLP (Chilean peso) we've seen on the back of the Fed's taper-talk. Over the past week, the Chilean peso got some support from the BCCh's decision to hold rates unchanged, but this week's main peso driver will be the strength of China's PMI, as a confirmation of the stabilizing trend hinted at by the latest trade data.

Colombia: The Colombian peso has been the second worst performing LATAM currency this week, and its USD cross is now trading north of 1900. However, FinMin Cardenas still described peso strength as the country's major challenge ("the mother of all problems") and suggested Ecopetrol could rely on COP (Colombian peso) financing to avoid boosting the peso. These comments in our view suggest he could back extending BanRep's (central bank) USD program beyond its current set expiry in September. In addition, FinMin Cardenas suggested the government plans to announce a major infrastructure program today. This week's retail sales and industrial production data are both relevant, but IP takes centre stage in our view, given lingering apparent Dutch disease concerns.

Mexico: According to local media, the PRI (party in power) has agreed to support the political/electoral reform that the opposition has demanded in exchange for its support of the energy reform proposal. However, the PRD's (left leaning party) stand on the energy front remains undefined, with some local commentators suggesting that Cuahutemoc Cardenas, former leader and presidential candidate for the PRD, as well as son of Lazaro Cardenas, who nationalized the oil sector, will decide the stance the PRD takes (particularly, whether he will oppose the PRI's use of the text for Article 27 that his father introduced into the Constitution). It remains unclear what stance the "moderate left" will take, but it is important to highlight that even without the PRD, the PRI + PAN + Green parties should have more than enough votes to approve the reform, although passing it without the PRD could be the end of the Pact for Mexico. With the uncertainty regarding the PRI's proposal out of the way, the three major rating agencies have given their first reactions. S&P (Standard and Poor's) and Moody's sounded more constructive on potential ratings upgrades, while Fitch, which already upgraded Mexico earlier this year, sounded more cautious. In Particular, S&P said it is looking for the energy reform to be formally approved before taking action, while Moody's said that while the PRI's proposal is not as strong as the PAN, it is "good enough". Over the next week, it will be important to monitor what the PRD's reaction is, and how strong AMLO's anti-reform campaign is, although its true strength could not become apparent until the act he has planned for September 7th. Although this week features a relatively strong pipeline of domestic data, we look for the main drivers to be reform talk, and US data.

Peru: The BCRP's (central bank) 2.80 line in the sand in USD/PEN has held so far, supported by strong intervention in both CDRs and spot, with the question being whether at some point the central bank allows for the level to be breached in order to introduce 2-way risk. For now, our bias remains to sell USD/PEN at 2.80, although the view remains purely a tactical play as QE-taper risks loom in the horizon. In terms of data, this week's local GDP, US data and Chinese PMI should dominate price action.

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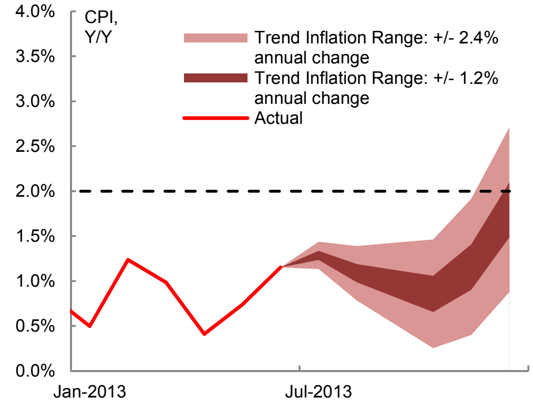
Key Data Preview

CANADA

Canadian CPI for July (August 23) is likely to come in fairly soft, still below 1.5% y/y and substantially shy of the BoC's 2% y/y target. We're anticipating a 0.1% m/m outcome that yields a 1.3% y/y pace of change in CPI. Key factors are looking fairly disinflationary: gasoline prices were soft (+0.4% m/m) and an index of foodstuff commodities showed weakness (and has shown weakness in the preceding months, just as importantly). In terms of seasonality, while recreation prices typically rise quite a bit in July, clothing discounting should compensate for that. Where does this leave our outlook for CPI? Assuming even fairly soft trend CPI growth at a 1.5% y/y pace over the final 6 months of the year, CPI will still hit 2% y/y by the end of 2013 — even as it will likely soften in the coming months in year-on-year terms (see chart). In other words, inflation is by no means strong, and the outlook is such that the BoC is likely to continue to describe soft inflation as a concern — but not one that necessitates policy changes.

CPI: Stable in Q3, Higher in Q4?



Source: Scotiabank Economics, Statistics Canada

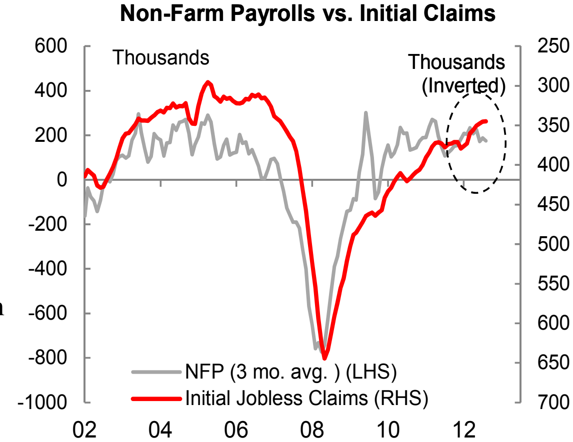
Retail sales for June (August 22) pose another question mark with respect to the pace of economic growth in Canada at the tail end of Q2 — a period that was severely impacted by temporary disruptions including flooding in Alberta and storms in Ontario. The temporary factors, combined with the fact that May was *very* strong (+1.9% m/m), would on the face of things lead one to expect very weak retail sales for June. The trouble is that gasoline prices were strong (+2.3% m/m) and car sales weren't that bad (-4.3% m/m). The net has us expecting a soft retail sales number (-0.5% m/m), with a slightly less bad outcome ex-autos (-0.3% m/m).

UNITED STATES

Among the key questions for monetary policy is how the increase in U.S. mortgage rates impacts activity in the housing sector. We'll get an important update on that subject by way of data on **existing home sales** (Aug. 21) and **new home sales** (Aug. 23) for July. We're anticipating fairly stable numbers on both metrics, but not because we think that higher mortgage costs are failing to impact demand; rather, we think that the real step down is likely to come in August/September, while pre-committed mortgages and previously hatched plans to buy homes keep the rate of sales of existing and new homes fairly stable in July relative to June levels. Seeing as the spike in mortgage rates happened in May and June, it's the August numbers that will most purely reflect what we expect will be diminished demand due to rising mortgage costs. We're forecasting 500k annualized new home sales and 5.2m annualized existing home sales for July.

While our forecast for **initial jobless** claims is for continued strength (330k for the week ending August 16), we would like to point to an interesting conundrum in the claims numbers: While claims are very low, non-farm payrolls have not been responding (see chart). Our reading of the job opening and loss numbers leads us to feel fairly firm in our view that the diminished hiring is a function of lower overall activity in the jobs market, and therefore, not to expect miracles out of the non-farm payrolls numbers. Nonetheless, continued strength in the initial claims data (during a week that lies at the heart of the reference period for the NFP survey) would at least imply that payrolls shouldn't come in exceptionally weak.

Non-Farm Payrolls vs. Initial Claims



Source: DoL, BLS, Scotiabank Economics

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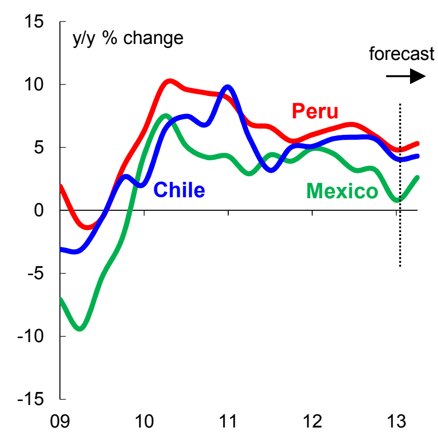
EUROPE

The euro zone PMI has surprised on the upside over the past two months and moved back to around the expansion/contraction threshold (50). The manufacturing index reached 50.3 while the service index picked up to 49.8 in July. We believe that further upward momentum during August is likely, with our forecast for a rise to 51.2 for manufacturing and 50.5 for the service index. The underlying details of the July report were encouraging regarding the sustainability of this upward momentum. Firstly, the pace of improvement stepped up a gear compared with June's moderate increase, and secondly, the PMIs increased in all countries — especially in the peripheral economies, meaning that the recovery is also broadening. Since last month, economic and financial news have shown further improvements. In particular, peripheral yields have moved lower and re-tightened vs. Germany, a factor which should support optimism in these countries. Also equity markets moved up. So, all in all, financial conditions have improved. The only negative news has been the strength of the euro. However, we feel that this would be a constraining factor for the months ahead, rather than for the August report. The improvement in the US economy (as gauged by the higher ISM) should also offset the negative impact of slowing growth in emerging markets.

LATIN AMERICA

Amid concerns regarding economic activity in the second half of the year, Mexican, Chilean and Peruvian second-quarter GDP reports will be released next week (August 19th to 23rd). Several major economies in Latin America have seen their pace of growth moderate in the first two quarters of the year. However, we maintain our view that the region will regain strength in H2. As a result of reduced government spending and a weak construction sector, the Mexican economy started the year on a softer trend that has been followed by lower retail sales and household consumption. We anticipate that the economy expanded by 2.6% y/y in the April-June period. The economic moderation in China coupled with weaker commodity prices have weighed on Chilean and Peruvian output. We expect the Chilean economy to have grown by 4⅓% y/y in the second quarter, the second lowest rate in the last six quarters, while Peru remains one of the faster-growing countries in the region, likely expanding by around 5¼% in Q2.

Real GDP Growth

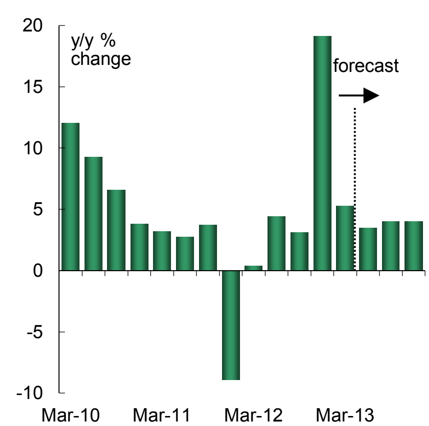


Source: Bloomberg, Scotiabank Economics.

ASIA

Thailand will publish second-quarter GDP data on August 18th. We assess that the economy is losing some momentum as the government's earlier stimulus measures fade and China (Thailand's main export destination) moves onto a slower growth trajectory. We estimate that real GDP increased by 3.5% y/y in the second quarter of the year following a 5.3% gain in the January-March period. Output will likely expand by around 4⅓% this year as a whole. Nevertheless, economic growth remains broadly-based with household spending being the largest contributor, underpinned by rising incomes. Solid growth in private credit indicates that domestic demand will continue to be the economy's cornerstone in the coming quarters. Furthermore, supportive labour market conditions and an accommodative monetary policy stance bode well for the domestic economic outlook.

Thailand - Real GDP Growth



Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of August 19 - 23

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	08/20	08:30	Wholesale Trade (m/m)	Jun	0.0	-0.5	2.3
MX	08/20	09:00	GDP (q/q)	2Q	--	--	0.5
MX	08/20	09:00	GDP (y/y)	2Q	2.6	2.4	0.8
MX	08/20	09:00	Global Economic Indicator IGAE (y/y)	Jun	--	1.2	1.7
US	08/21	07:00	MBA Mortgage Applications (w/w)	AUG 16	--	--	-4.7
MX	08/21	09:00	Retail Sales (INEGI) (y/y)	Jun	--	-0.5	0.1
US	08/21	10:00	Existing Home Sales (mn a.r.)	Jul	5.2	5.1	5.1
US	08/21	10:00	Existing Home Sales (m/m)	Jul	--	1.1	-1.2
CA	08/22	08:30	Retail Sales (m/m)	Jun	-0.5	-0.4	1.9
CA	08/22	08:30	Retail Sales ex. Autos (m/m)	Jun	-0.3	0.0	1.2
US	08/22	08:30	Initial Jobless Claims (000s)	AUG 17	330	330	320
US	08/22	08:30	Continuing Claims (000s)	AUG 10	3000	2970	2969
MX	08/22	09:00	Bi-Weekly Core CPI (% change)	Aug 15	--	0.1	0.0
MX	08/22	09:00	Bi-Weekly CPI (% change)	Aug 15	--	0.2	0.0
US	08/22	10:00	Leading Indicators (m/m)	Jul	--	0.5	0.0
CA	08/23	08:30	CPI, All items (m/m)	Jul	0.1	0.2	0.0
CA	08/23	08:30	CPI, All items (y/y)	Jul	1.3	1.4	1.2
CA	08/23	08:30	Core X8 CPI (m/m)	Jul	0.2	0.1	-0.2
CA	08/23	08:30	Core X8 CPI (y/y)	Jul	1.6	1.4	1.3
CA	08/23	08:30	CPI SA, All items (m/m)	Jul	--	0.1	0.3
CA	08/23	08:30	Core CPI SA, All items (m/m)	Jul	--	0.1	0.2
MX	08/23	09:00	Unemployment Rate (%)	Jul	--	5.3	5.0
US	08/23	10:00	New Home Sales (000s a.r.)	Jul	500.0	490.0	497.0

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	08/20	02:00	Producer Prices (m/m)	Jul	--	0.2	0.0
TU	08/20	07:00	**Benchmark Repo Rate (%)**	**Aug 20**	**4.50**	**4.50**	**4.50**
UK	08/21	04:30	PSNB ex. Interventions (£ bn)	Jul	-1.5	-2.9	8.5
UK	08/21	04:30	Public Finances (PSNCR) (£ bn)	Jul	--	-8.7	3.1
UK	08/21	04:30	Public Sector Net Borrowing (£ bn)	Jul	--	-5.0	10.2
FR	08/22	03:00	Manufacturing PMI	Aug P	--	50.3	49.7
FR	08/22	03:00	Services PMI	Aug P	--	49.2	48.6
GE	08/22	03:30	Manufacturing PMI	Aug A	--	51.1	50.7
GE	08/22	03:30	Services PMI	Aug A	--	51.7	51.3
EC	08/22	04:00	Composite PMI	Aug A	50.7	50.9	50.5
EC	08/22	04:00	Manufacturing PMI	Aug A	51.2	50.7	50.3
EC	08/22	04:00	Services PMI	Aug A	50.5	50.2	49.8
UK	08/23	04:30	Business Investment (q/q)	2Q P	--	--	-1.9
UK	08/23	04:30	GDP (q/q)	2Q P	0.6	0.6	0.6
UK	08/23	04:30	Index of Services (m/m)	Jun	0.2	0.1	0.2
EC	08/23	10:00	Consumer Confidence	Aug A	--	-16.5	-17.4

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

Key Indicators for the week of August 19 - 23

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
NZ	08/18	18:45	Producer Price - Inputs (q/q)	2Q	--	--	0.8
NZ	08/18	18:45	Producer Price - Outputs (q/q)	2Q	--	--	0.8
JN	08/18	19:50	Merchandise Trade Balance (¥ bn)	Jul	--	-773.5	-182.3
JN	08/18	19:50	Adjusted Merchandise Trade Balance (¥ bn)	Jul	--	-741.3	-598.7
JN	08/18	19:50	Merchandise Trade Exports (y/y)	Jul	--	12.8	7.4
JN	08/18	19:50	Merchandise Trade Imports (y/y)	Jul	--	16.0	11.8
AU	08/18	21:30	New Motor Vehicle Sales (m/m)	Jul	--	--	4.0
TH	08/18	22:30	GDP (y/y)	2Q	3.5	3.3	5.3
JN	08/19	01:00	Coincident Index CI	Jun F	105.2	--	105.2
JN	08/19	01:00	Leading Index CI	Jun F	107.0	--	107.0
HK	08/19	04:30	Unemployment Rate (%)	Jul	3.3	3.3	3.3
PH	08/19	06:59	Balance of Payments (US$ mn)	Jul	--	--	692.0
PH	08/19	06:59	Budget Deficit/Surplus (PHP bn)	Jul	--	--	-8.5
HK	08/19	07:59	Composite Interest Rate (%)	Jul	--	--	0.3
JN	08/20	00:30	All Industry Activity Index (m/m)	Jun	--	-0.7	1.1
JN	08/20	01:30	Nationwide Department Store Sales (y/y)	Jul	--	--	7.2
TA	08/20	04:00	Export Orders (y/y)	Jul	--	-0.7	-3.5
TA	08/20	04:20	Current Account Balance (US$ mn)	2Q	--	--	11087
HK	08/20	04:30	CPI (y/y)	Jul	--	4.6	4.1
JN	08/21	01:00	Supermarket Sales (y/y)	Jul	--	--	2.7
TH	08/21	03:30	**BoT Repo Rate (%)**	**Aug 21**	**2.50**	**2.50**	**2.50**
MA	08/21	05:00	CPI (y/y)	Jul	2.0	2.0	1.8
MA	08/21	06:00	Current Account Balance (MYR mns)	2Q	--	0.2	8659
MA	08/21	06:00	GDP (y/y)	2Q	4.8	4.8	4.1
SK	08/21	07:59	Discount Store Sales (y/y)	Jul	--	--	4.20
SK	08/21	07:59	Department Store Sales (y/y)	Jul	--	--	4.1
AU	08/21	20:00	Conference Board Leading Index (%)	Jun	--	--	0.0
TA	08/21	20:30	Unemployment Rate (%)	Jul	4.2	4.2	4.2
CH	08/21	21:45	HSBC Flash China Manufacturing PMI	Aug	--	48.2	47.7
JN	08/22	02:00	Machine Tool Orders (y/y)	Jul F	--	--	-12.1
MA	08/22	05:00	Foreign Reserves (US$ bn)	Aug 15	--	--	137.8
SI	08/23	01:00	CPI (y/y)	Jul	2.3	2.1	1.8
TA	08/23	04:00	Commercial Sales (y/y)	Jul	--	-0.1	-0.3
TA	08/23	04:00	Industrial Production (y/y)	Jul	--	-0.3	-0.4

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	08/20	08:30	GDP (q/q)	2Q	--	0.6	0.5
CL	08/20	08:30	GDP (y/y)	2Q	4.3	4.0	4.1
BZ	08/22	08:00	Unemployment Rate (%)	Jul	--	5.7	6.0
CO	08/22	17:00	Industrial Production (y/y)	Jun	--	-2.8	-3.1
CO	08/22	17:00	Retail Sales (y/y)	Jun	--	4.1	6.5
PE	08/23	06:59	GDP (y/y)	2Q	5.3	5.6	4.8
BZ	08/23	09:30	Current Account (US$ mn)	Jul	--	-8250	-3953

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

Global Auctions for the week of August 19 - 23

North America

Country	Date	Time	Event
US	08/19	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	08/19	11:30	U.S. to Sell USD30 Bln 3-Month Bills
US	08/19	11:30	U.S. to Sell USD25 Bln 6-Month Bills
US	08/20	11:00	U.S. Fed to Purchase USD0.75-1.00 Bln Notes
US	08/20	11:30	U.S. to Sell USD25 Bln 52-Week Bills
US	08/20	11:30	U.S. to Sell 4-Week Bills
MX	08/20	12:30	20Y Fixed Yield
MX	08/20	12:30	30Y I/L Yield
CA	08/21	12:00	Canada to Sell 2 Year Notes
US	08/22	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	08/22	13:00	U.S. to Sell USD16 Bln 5-Year TIPS Reopening
US	08/23	11:00	U.S. Fed to Purchase USD2.75-3.50 Bln Notes

Europe

Country	Date	Time	Event
NE	08/19	04:00	Netherlands to Sell Up to EUR2 Bln 100-Day Bills
NE	08/19	04:00	Netherlands to Sell Up to EUR2 Bln 191-Day Bills
FR	08/19	08:50	France to Sell Bills
SP	08/20	04:30	Spain to Sell 6-Month and 12-Month Bills
NO	08/20	05:00	Norway to Sell NOK3 Bln 4.5% 2019 Bonds
SZ	08/20	05:30	Switzerland to Sell 182-Day Bills
UK	08/20	05:30	U.K. to Sell GBP1.75 Bln 0.125% I/L 2019 Bonds on Aug. 20
SW	08/21	05:03	Sweden to Sell SEK3.5 Bln 1.5% 2023 Bonds
GE	08/21	05:30	Germany to Sell EUR5 Bln 2015 Bonds
PO	08/21	05:30	Portugal to Sell 91 Days Bills
PO	08/21	05:30	Portugal to Sell 364 Days Bills
IC	08/23	06:00	Iceland to Sell Bonds
UK	08/23	06:10	UK to Sell Bills

Asia Pacific

Country	Date	Time	Event
CH	08/18	23:00	China Muni Bond to Sell CNY25.3 Bln 3-Year Bonds
AU	08/19	21:00	Australia Plans to Sell Inflation Bonds Due 2030
JN	08/19	23:45	Japan to Sell 40-Year Bonds
AU	08/20	21:00	Australia to Sell AUD800 Mln 3.25% Bonds Due 2025
CH	08/20	23:00	China to Sell CNY30 Bln 10-Year Bonds
AU	08/21	20:30	Australia to Sell AUD1 Bln Bills Due Nov 2013
JN	08/21	23:35	Japan to Sell 3-Month Bill
JN	08/22	04:00	Japan Auction for Enhanced-Liquidity
AU	08/22	21:00	Australia to Sell AUD800 Mln 5.5% Bonds Due 2018

Source: Bloomberg, Scotiabank Economics.

Events for the week of August 19 - 23

North America

Country	Date	Time	Event
CA	08/18		House of Commons Member Van Loan Speaks at C.D. Howe
CA	AUG 18-21		ACPA Annual General Meeting and Conference
US	08/21	14:00	Fed Releases Minutes from Jul 30-31 FOMC Meeting
US	08/22	14:00	Fed's Fisher Speaks in Orlando, Florida
US	08/22	15:15	Treasury Secretary Lew Speaks in Mountain View, Calif.
US	AUG 22-24		Kansas City Fed Jackson Hole Economic Summit

Europe

Country	Date	Time	Event
GE	08/17	08:00	Merkel Speech in Cloppenburg at CDU Lower Saxony Congress
GE	08/17	10:00	Steinbrueck Speaks at SPD 150th Anniversary Event in Berlin
IT	08/18	09:00	Italian Premier Speaks at Event in Rimini
GE	08/18	13:00	Merkel `Summer Interview' with ZDF Television
EC	08/19	11:00	Bundesbank releases monthly report
GE	08/19	11:00	Germany's Schaeuble Speaks at CDU Election Event, Guetersloh & Huellhorst
GE	08/19	11:00	Merkel Holds Campaign Rallies in Ingolstadt & Regensburg
GE	08/20	05:30	Germany's Schaeuble Speaks at CDU Election Events
TU	08/20	07:00	**Benchmark Repurchase Rate**
GE	08/20	10:30	Merkel Holds Campaign Rallies in Erlangen & Dachau
GE	08/20		Steinbrück campaign event in Detmold
IT	08/21	04:00	Prime Minister Letta Meets With Austrian Chancellor Faymann
GE	08/21	11:00	Merkel Holds Campaign Rally in Schwäbisch Gmünd
GE	08/21	13:00	Germany's Schaeuble Speaks at CDU Election Event, Gross-Gerau
GE	08/21		Steinbrück campaign event in Hannover
GE	08/21		Merkel Answers Questions at a Stuttgarter Zeitung Event
GE	08/22	11:00	Merkel Holds Campaign Rallies in Quedlinburg & Oschatz
GE	08/22	11:30	Germany's Schaeuble Speaks at CDU Election Events, Maria Laach & Usingen
GE	08/22		Steinbrück campaign event in Chemnitz
EC	08/23	06:00	ECB Announces 3-Year LTRO Repayment
PO	08/23	08:00	Bank of Portugal Releases Monthly Economic Indicators Report
GE	08/23	11:00	Germany's Schaeuble Speaks at CDU Election Events
GE	08/23	11:00	Merkel Holds Campaign Rallies in Münster & Recklinghausen
PO	08/23		Portugal Releases Year-to-Date Budget Report
GE	08/23		Steinbrück campaign event in Mainz

Asia Pacific

Country	Date	Time	Event
TA	AUG 10-22		Taiwan President Ma Visits Central America, Caribbean Nations
SI	08/18	06:45	Singapore Prime Minister Delivers National Day Speech
HK	AUG 18-19		Composite Interest Rate
AU	08/19	21:30	RBA Policy Meeting - August Minutes
TH	08/21	03:30	BoT Benchmark Interest 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	September 4, 2013	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	September 18, 2013	0.25	--
Banco de México – Overnight Rate	4.00	September 6, 2013	4.00	--

Fed: This will be a big week for Fedspeak, with minutes from the July FOMC meeting out on August 21 and the Jackson Hole economic summit from the 22nd-24th. The latter might be somewhat of a disappointment as Vice Chair Yellen is only scheduled to moderate a panel – and not, as far as we know, to give a major policy speech. Chairman Bernanke is not scheduled to attend at all. The minutes from the July meeting will be watched carefully for signals on what the FOMC thinks with respect to tapering. Note that there were fairly dovish aspects to the July statement (it noted rising mortgage rates, for instance), so there is a possibility for a somewhat 'less hawkish' surprise.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.50	September 5, 2013	0.50	--
Bank of England – Bank Rate	0.50	September 5, 2013	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	September 19, 2013	0.00	--
Central Bank of Russia – Refinancing Rate	8.25	September 13, 2013	8.25	--
Hungarian National Bank – Base Rate	4.00	August 27, 2013	3.90	3.90
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	4.50	August 20, 2013	4.50	4.50
Sweden Riksbank – Repo Rate	1.00	September 5, 2013	1.00	--
Norges Bank – Deposit Rate	1.50	September 19, 2013	1.50	--

After failing to contain the lira's downward slide through foreign exchange sales, the Turkish central bank has adopted a new method for stabilizing financial conditions, opting to raise the overnight lending rate (from 6.50% to 7.25%) at the last policy-setting meeting. The authorities have indicated that further liquidity tightening is likely forthcoming, although the benchmark policy rate (the one-week repo rate) will be kept at 4.50%, in large part because the government is averse to raising interest rates when the economy is underperforming relative to the official growth target (4% for this year). Lira weakness has amplified price stability concerns; the headline inflation rate picked up to 8.9% y/y in July, marking a 10-month high, and the central bank recently boosted its year-end inflation forecast, from 5.3% y/y to 6.2%.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Target Rate	0.10	September 5, 2013	0.10	--
Reserve Bank of Australia – Cash Target Rate	2.50	September 3, 2013	2.50	--
Reserve Bank of New Zealand – Cash Rate	2.50	September 11, 2013	2.50	2.50
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	7.25	September 18, 2013	7.25	--
Bank of Korea – Bank Rate	2.50	September 11, 2013	2.50	--
Bank of Thailand – Repo Rate	2.50	August 21, 2013	2.50	2.50
Bank Indonesia – Reference Interest Rate	6.50	September 12, 2013	6.50	--

Monetary policymakers of the Bank of Thailand will meet on August 21st. We expect the policy rate to remain unchanged at 2.50% through the end of the year following the most recent rate cut of 25 basis points in May. Thailand's inflation outlook is manageable, with the consumer price index increasing by 2.0% y/y in July. We expect the headline inflation rate to close the year near the current level before picking up to around 3% by the end of 2014. Core inflation, at 0.9% y/y in July, remains comfortably within the central bank's 0.5-3.0% target range.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	8.50	August 28, 2013	9.00	--
Banco Central de Chile – Overnight Rate	5.00	September 12, 2013	5.00	--
Banco de la República de Colombia – Lending Rate	3.25	August 30, 2013	3.25	3.25
Banco Central de Reserva del Perú – Reference Rate	4.25	September 12, 2013	4.25	4.25

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.00	September 19, 2013	5.00	--

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

Forecasts as at August 1, 2013*	2000-11	2012	2013f	2014f	2000-11	2012	2013f	2014f
Output and Inflation (annual % change)		Real GDP				Consumer Prices[2]		
World[1]	3.7	3.2	2.8	3.5				
Canada	2.2	1.7	1.7	2.3	2.1	1.5	1.1	1.8
United States	1.9	2.8	1.5	2.6	2.5	2.1	1.5	2.0
Mexico	2.2	3.9	2.9	4.2	4.8	3.6	4.0	4.0
United Kingdom	1.9	0.1	1.0	1.5	2.3	2.7	2.4	2.4
Euro Zone	1.4	-0.5	-0.7	0.5	2.1	2.2	1.5	1.6
Japan	0.8	1.9	1.7	1.7	-0.3	-0.1	0.7	1.2
Australia	3.0	3.6	2.5	3.0	3.1	2.2	2.5	3.0
China	9.4	7.8	7.3	7.3	2.4	2.5	3.3	3.9
India	7.4	5.1	5.5	6.0	6.6	7.3	5.5	6.5
South Korea	4.5	2.0	2.5	3.2	3.2	1.4	1.9	2.9
Thailand	4.0	6.5	4.5	4.2	2.6	3.6	2.1	3.0
Brazil	3.6	0.9	2.5	3.5	6.6	5.8	5.8	6.0
Chile	4.4	5.6	4.6	4.4	3.4	1.5	2.6	3.3
Peru	5.6	6.3	5.7	6.0	2.6	2.6	2.9	3.0

Central Bank Rates (%, end of period)	12Q4	13Q1	13Q2	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	0.50	0.50	0.50	0.50	0.50	0.50
Bank of England	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
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	2.75	2.50	2.50	2.50	2.75	2.75
Exchange Rates (end of period)								
Canadian Dollar (USDCAD)	0.99	1.02	1.05	1.04	1.05	1.05	1.05	1.04
Canadian Dollar (CADUSD)	1.01	0.98	0.95	0.96	0.95	0.95	0.95	0.96
Euro (EURUSD)	1.32	1.28	1.30	1.26	1.25	1.25	1.24	1.24
Sterling (GBPUSD)	1.63	1.52	1.52	1.47	1.45	1.45	1.45	1.44
Yen (USDJPY)	87	94	99	104	105	106	107	109
Australian Dollar (AUDUSD)	1.04	1.04	0.91	0.92	0.90	0.90	0.91	0.92
Chinese Yuan (USDCNY)	6.2	6.2	6.1	6.1	6.1	6.1	6.1	6.1
Mexican Peso (USDMXN)	12.9	12.3	12.9	12.6	12.6	12.7	12.5	12.6
Brazilian Real (USDBRL)	2.05	2.02	2.23	2.15	2.20	2.20	2.20	2.30

Commodities (annual average)	2000-11	2012	2013f	2014f
WTI Oil (US$/bbl)	57	94	99	102
Brent Oil (US$/bbl)	58	112	108	108
Nymex Natural Gas (US$/mmbtu)	5.67	2.83	3.75	4.00
Copper (US$/lb)	2.10	3.61	3.30	3.05
Zinc (US$/lb)	0.77	0.88	0.88	1.10
Nickel (US$/lb)	7.62	7.95	7.00	8.00
Gold, London PM Fix (US$/oz)	668	1,670	1,375	1,200
Pulp (US$/tonne)	718	872	925	870
Newsprint (US$/tonne)	581	640	615	645
Lumber (US$/mfbm)	272	299	350	390

[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	13Q1	13Q2	Latest	
Real GDP (annual rates)	1.7	2.5			
Current Acc. Bal. (C$B, ar)	-62.2	-56.3			
Merch. Trade Bal. (C$B, ar)	-12.0	-7.8	-9.7	-5.6	(Jun)
Industrial Production	0.9	0.8		0.0	(May)
Housing Starts (000s)	215	175	190	193	(Jul)
Employment	1.2	1.7	1.2	1.3	(Jul)
Unemployment Rate (%)	7.3	7.1	7.1	7.2	(Jul)
Retail Sales	2.5	1.0		3.6	(May)
Auto Sales (000s)	1673	1683	1753	1718	(Jun)
CPI	1.5	0.9	0.8	1.2	(Jun)
IPPI	0.6	0.7	0.2	-0.6	(Jun)
Pre-tax Corp. Profits	-4.9	-10.6			

United States	2012	13Q1	13Q2	Latest	
Real GDP (annual rates)	2.8	1.1	1.7		
Current Acc. Bal. (US$B, ar)	-440	-425			
Merch. Trade Bal. (US$B, ar)	-741	-717	-698	-638	(Jun)
Industrial Production	3.6	2.4	1.9	1.4	(Jul)
Housing Starts (millions)	0.78	0.96	0.87	0.90	(Jul)
Employment	1.7	1.6	1.6	1.7	(Jul)
Unemployment Rate (%)	8.1	7.7	7.6	7.4	(Jul)
Retail Sales	5.0	3.9	4.7	5.6	(Jul)
Auto Sales (millions)	14.4	15.2	15.5	15.7	(Jul)
CPI	2.1	1.7	1.4	2.0	(Jul)
PPI	1.9	1.5	1.6	2.1	(Jul)
Pre-tax Corp. Profits	18.5	1.4			

Mexico	2012	13Q1	13Q2	Latest	
Real GDP	3.9	0.8			
Current Acc. Bal. (US$B, ar)	-11.4	-22.1			
Merch. Trade Bal. (US$B, ar)	0.0	-4.1	-3.4	10.3	(Jun)
Industrial Production	3.6	-1.4	0.3	-2.4	(Jun)
CPI	4.1	3.7	4.5	3.5	(Jul)

Europe

Euro Zone	2012	13Q1	13Q2	Latest	
Real GDP	-0.6	-1.2	-0.7		
Current Acc. Bal. (US$B, ar)	157	172	272	414	(Jun)
Merch. Trade Bal. (US$B, ar)	127.1	171.6	272.6	294.0	(Jun)
Industrial Production	-2.3	-2.3	-0.5	0.3	(Jun)
Unemployment Rate (%)	11.3	12.0	12.1	12.1	(Jun)
CPI	2.5	1.9	1.4	1.6	(Jul)

Germany	2012	13Q1	13Q2	Latest	
Real GDP	0.9	-0.3	0.5		
Current Acc. Bal. (US$B, ar)	238.8	237.7	236.8	274.1	(Jun)
Merch. Trade Bal. (US$B, ar)	243.2	266.5	250.0	249.1	(Jun)
Industrial Production	-0.3	-2.5	0.6	2.1	(Jun)
Unemployment Rate (%)	6.8	6.9	6.8	6.8	(Jul)
CPI	2.0	1.5	1.5	1.9	(Jul)

France	2012	13Q1	13Q2	Latest	
Real GDP	0.0	-0.5	0.3		
Current Acc. Bal. (US$B, ar)	-57.3	-65.6	-48.7	66.6	(Jun)
Merch. Trade Bal. (US$B, ar)	-52.1	-48.0	-43.2	-40.4	(Jun)
Industrial Production	-2.5	-2.3	0.2	-0.2	(Jun)
Unemployment Rate (%)	10.3	10.8	10.9	11.0	(Jun)
CPI	2.0	1.1	0.8	1.1	(Jul)

United Kingdom	2012	13Q1	13Q2	Latest	
Real GDP	0.2	0.3	1.4		
Current Acc. Bal. (US$B, ar)	-93.8	-97.5			
Merch. Trade Bal. (US$B, ar)	-171.1	-164.3	-152.8	-150.1	(Jun)
Industrial Production	-2.4	-2.6	-0.8	1.3	(Jun)
Unemployment Rate (%)	8.0	7.8		7.8	(May)
CPI	2.8	2.8	2.7	2.7	(Jul)

Italy	2012	13Q1	13Q2	Latest	
Real GDP	-2.4	-2.3	-2.0		
Current Acc. Bal. (US$B, ar)	-11.3	-31.0	26.1	51.8	(Jun)
Merch. Trade Bal. (US$B, ar)	13.8	14.1	50.0	57.3	(Jun)
Industrial Production	-6.4	-4.2	-3.7	-2.6	(Jun)
CPI	3.1	1.9	1.2	1.1	(Jul)

Russia	2012	13Q1	13Q2	Latest	
Real GDP	3.4	1.6	1.2		
Current Acc. Bal. (US$B, ar)	74.8	25.1	6.9		
Merch. Trade Bal. (US$B, ar)	16.0	16.2	14.3	13.6	(Jun)
Industrial Production	-5.3	-0.1	0.3	-0.7	(Jul)
CPI	5.1	7.1	7.2	6.5	(Jul)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Asia Pacific

Australia	2012	13Q1	13Q2	Latest
Real GDP	3.6	2.5		
Current Acc. Bal. (US$B, ar)	-56.9	-38.9		
Merch. Trade Bal. (US$B, ar)	5.9	14.3	34.0	45.6 (Jun)
Industrial Production	3.8	3.6		
Unemployment Rate (%)	5.2	5.5	5.6	5.7 (Jul)
CPI	1.8	2.5	2.4	

Japan	2012	13Q1	13Q2	Latest
Real GDP	2.0	0.1	0.9	
Current Acc. Bal. (US$B, ar)	60.4	66.4	65.9	41.4 (Jun)
Merch. Trade Bal. (US$B, ar)	-85.9	-114.1	-83.4	-73.7 (Jun)
Industrial Production	0.2	-6.5	-3.1	-3.4 (Jun)
Unemployment Rate (%)	4.4	4.2	4.0	3.9 (Jun)
CPI	0.0	-0.6	-0.3	0.2 (Jun)

South Korea	2012	13Q1	13Q2	Latest
Real GDP	2.0	1.5	2.3	
Current Acc. Bal. (US$B, ar)	43.1	39.9	79.2	86.8 (Jun)
Merch. Trade Bal. (US$B, ar)	28.3	22.8	57.3	32.6 (Jul)
Industrial Production	1.2	-0.8	-1.8	-1.3 (Jun)
CPI	2.2	1.4	1.1	1.4 (Jul)

China	2012	13Q1	13Q2	Latest
Real GDP	10.4	7.7	7.5	
Current Acc. Bal. (US$B, ar)	290.0			
Merch. Trade Bal. (US$B, ar)	230.7	168.9	262.9	213.8 (Jul)
Industrial Production	10.3	8.9	8.9	9.7 (Jul)
CPI	2.5	2.1	2.7	2.7 (Jul)

Thailand	2012	13Q1	13Q2	Latest
Real GDP	6.5	5.3		
Current Acc. Bal. (US$B, ar)	0.2	1.3	-5.1	
Merch. Trade Bal. (US$B, ar)	0.5	-0.1	-0.2	0.6 (Jun)
Industrial Production	2.4	3.9	-5.3	-2.2 (Jun)
CPI	3.0	3.1	2.3	2.0 (Jul)

India	2012	13Q1	13Q2	Latest
Real GDP	5.1	4.8		
Current Acc. Bal. (US$B, ar)	-91.5	-18.1		
Merch. Trade Bal. (US$B, ar)	-16.3	-15.1	-16.9	-12.3 (Jul)
Industrial Production	0.7	2.2	-1.1	-2.2 (Jun)
WPI	7.5	6.7	4.7	5.8 (Jul)

Indonesia	2012	13Q1	13Q2	Latest
Real GDP	6.2	6.0	5.8	
Current Acc. Bal. (US$B, ar)	-24.4	-5.8	-9.8	
Merch. Trade Bal. (US$B, ar)	-0.1	-0.1	-1.0	-0.8 (Jun)
Industrial Production	4.1	9.0	6.6	3.4 (Jun)
CPI	4.3	5.3	5.6	8.6 (Jul)

Latin America

Brazil	2012	13Q1	13Q2	Latest
Real GDP	0.8	1.8		
Current Acc. Bal. (US$B, ar)	-54.2	-99.2	-74.7	
Merch. Trade Bal. (US$B, ar)	19.4	-20.6	8.3	-22.8 (Jul)
Industrial Production	-2.7	1.2	3.2	4.2 (Jun)
CPI	5.4	6.4	6.6	6.3 (Jul)

Chile	2012	13Q1	13Q2	Latest
Real GDP	5.6	4.1		
Current Acc. Bal. (US$B, ar)	0.1	-6.8		
Merch. Trade Bal. (US$B, ar)	12.4	3.2	6.8	-3.0 (Jul)
Industrial Production	2.9	3.3	1.4	2.3 (Jun)
CPI	3.0	1.5	1.3	2.2 (Jul)

Peru	2012	13Q1	13Q2	Latest
Real GDP	9.2	4.8		
Current Acc. Bal. (US$B, ar)	-7.1	-2.7		
Merch. Trade Bal. (US$B, ar)	0.5	0.1	-0.2	-0.1 (Jun)
Unemployment Rate (%)	7.0	6.3	5.7	6.0 (Jul)
CPI	3.7	2.6	2.5	3.2 (Jul)

Colombia	2012	13Q1	13Q2	Latest
Real GDP	4.0	2.8		
Current Acc. Bal. (US$B, ar)	-11.9	-3.0		
Merch. Trade Bal. (US$B, ar)	0.4	0.2		0.3 (May)
Industrial Production	0.0	-6.5		-3.1 (May)
CPI	3.2	1.9	2.1	2.2 (Jul)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Interest Rates (%, end of period)

Canada	13Q1	13Q2	Aug/09	Aug/16*	United States	13Q1	13Q2	Aug/09	Aug/16*
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	1.02	0.99	0.99	3-mo. T-bill	0.07	0.03	0.05	0.04
10-yr Gov't Bond	1.87	2.44	2.48	2.71	10-yr Gov't Bond	1.85	2.49	2.58	2.81
30-yr Gov't Bond	2.50	2.90	2.99	3.17	30-yr Gov't Bond	3.10	3.50	3.63	3.84
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	70.0	68.8	68.8	(Jun)	FX Reserves (US$B)	135.2	134.7	134.7	(Jun)
Germany					**France**				
3-mo. Interbank	0.11	0.14	0.14	0.14	3-mo. T-bill	0.01	0.03	0.04	0.06
10-yr Gov't Bond	1.29	1.73	1.68	1.88	10-yr Gov't Bond	2.03	2.35	2.23	2.40
FX Reserves (US$B)	66.6	66.1	66.1	(Jun)	FX Reserves (US$B)	52.6	51.4	51.4	(Jun)
Euro Zone					**United Kingdom**				
Refinancing Rate	0.75	0.50	0.50	0.50	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.11	0.21	0.08	0.08	3-mo. T-bill	0.39	0.39	0.39	0.38
FX Reserves (US$B)	326.6	324.9	324.9	(Jun)	10-yr Gov't Bond	1.77	2.44	2.46	2.70
					FX Reserves (US$B)	88.4	90.2	90.2	(Jun)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	3.00	2.75	2.50	2.50
3-mo. Libor	0.10	0.09	0.09	0.09	10-yr Gov't Bond	3.41	3.76	3.71	3.97
10-yr Gov't Bond	0.55	0.85	0.76	0.76	FX Reserves (US$B)	46.7	45.0	45.0	(Jun)
FX Reserves (US$B)	1215.0	1209.4	1209.4	(Jun)					

Exchange Rates (end of period)

USDCAD	1.02	1.05	1.03	1.03	¥/US$	94.22	99.14	96.21	97.61
CADUSD	0.98	0.95	0.97	0.97	US¢/Australian$	1.04	0.91	0.92	0.92
GBPUSD	1.520	1.521	1.550	1.562	Chinese Yuan/US$	6.21	6.14	6.12	6.11
EURUSD	1.282	1.301	1.334	1.332	South Korean Won/US$	1111	1142	1112	1114
JPYEUR	0.83	0.78	0.78	0.77	Mexican Peso/US$	12.331	12.931	12.617	12.886
USDCHF	0.95	0.95	0.92	0.93	Brazilian Real/US$	2.022	2.232	2.272	2.362

Equity Markets (index, end of period)

United States (DJIA)	14579	14910	15426	15116	U.K. (FT100)	6412	6215	6583	6500
United States (S&P500)	1569	1606	1691	1662	Germany (Dax)	7795	7959	8338	8392
Canada (S&P/TSX)	12750	12129	12542	12768	France (CAC40)	3731	3739	4077	4124
Mexico (IPC)	44077	40623	42649	42139	Japan (Nikkei)	12398	13677	13615	13650
Brazil (Bovespa)	56352	47457	49875	51305	Hong Kong (Hang Seng)	22300	20803	21808	22518
Italy (BCI)	851	849	943	955	South Korea (Composite)	2005	1863	1881	1920

Commodity Prices (end of period)

Pulp (US$/tonne)	900	950	950	950	Copper (US$/lb)	3.44	3.06	3.26	3.33
Newsprint (US$/tonne)	610	605	605	605	Zinc (US$/lb)	0.85	0.83	0.86	0.88
Lumber (US$/mfbm)	408	292	323	328	Gold (US$/oz)	1598.25	1192.00	1309.00	1369.25
WTI Oil (US$/bbl)	97.23	96.56	105.97	107.85	Silver (US$/oz)	28.64	18.86	20.31	22.83
Natural Gas (US$/mmbtu)	4.02	3.57	3.23	3.38	CRB (index)	296.39	275.62	285.38	292.69

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

Fixed Income Strategy (London)

www.gbm.scotiabank.com

Fixed Income Strategy (Paris)

Foreign Exchange Strategy

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