

# Global Views

Weekly commentary on economic and financial market developments

May 17, 2013

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### **Spain Sees Little To Cheer About — On Or Off The Football Field**

- **Fiscal targets eased as recession likely to persist through year end.**

The recession in Spain is expected to extend through the end of 2013, resulting in a 1.8% output loss for the year as a whole. A preliminary estimate showed real GDP contracting 0.5% q/q (-2.0% y/y) in the first quarter, marking the sixth straight quarterly decline. A soft recovery will begin to take hold in 2014 on the back of strengthening global demand, however, the domestic economy will likely continue to retrench. Private sector deleveraging remains the largest drag on growth, with budget consolidation targets precluding the possibility of counter-cyclical government stimulus. Household incomes are constrained by the continuing decline in house prices (-10% in 2012) and rising joblessness (the total unemployment rate is approaching 27%, with the youth rate at 56%), while business activity is inhibited by falling profitability and restricted access to funding. With roughly three-quarters of the workforce employed by small and medium-sized businesses (SMEs), the inflated interest rates facing these firms weighs heavily on the economy.

The inflation outlook is favourable, following a period of price instability attributable to various revenue-boosting fiscal measures and energy price volatility. The headline rate slowed dramatically over the last eight months, falling from a peak of 3.5% y/y last fall to just 1.5% in April (a 38-month low). Inflation is expected to average around 1.7% this year (buoyed by a value-added tax increase last September) before persistent domestic demand weakness pulls the rate down toward 1% in 2014. After reducing the benchmark refinancing rate by 25 basis points to 0.50% in May, the ECB's remaining options for supporting the region's economies in the context of an impaired monetary transmission mechanism include cutting the deposit rate (paid on excess bank deposits at the ECB) below 0% and implementing a targeted program to improve financing conditions for SMEs.

Spain's fiscal challenges continue. Recession-induced fiscal slippage last year combined with increasing backlash to harsh austerity measures and a renewed focus on growth promotion have prompted a re-calibration of the government's medium-term budget targets. Policymakers have agreed to extend the timeline for fiscal consolidation and now aim to bring the general government deficit below the EU-mandated threshold of 3% of GDP by 2016 (from 2014 previously). The shortfall has averaged above 10% of GDP over the last four years (10.6% in 2012, including bank recapitalization costs). In addition to retail investor contributions, Spain has already received over €1 billion from its euro zone partners for financial sector reform (out of a €100 billion conditional European Stability Mechanism (ESM) credit line). Further capital injections may be needed, though the ultimate impact on the government's balance sheet is unclear. The gross debt ratio is expected to top 100% of GDP by 2014 (up from 40% in 2008). The nation's external position has improved markedly in recent years, reflecting a steep decline in imports and lower unit labour costs. From a peak of 10% of GDP in 2007, the current account deficit fell to 1% in 2012, and is expected to move into a slight surplus position this year.

The banking sector has undergone a substantial recapitalization and restructuring since the collapse of the property bubble, including a major overhaul of the savings banks ('cajas') system. Going forward, reforms will focus on strengthening the supervisory framework, addressing large outstanding non-performing loans (the NPL ratio was 10.4% in December) and improving private sector credit conditions. The ongoing contraction in private sector lending (now into its second year) has accelerated in recent months, with loans to households and non-financial corporations down 3.9% y/y and 6.9%, respectively, in March.

Spain's sovereign credit rating occupies a fragile position on the cusp of investment-grade status. The nation remains vulnerable to euro crisis-related shifts in market sentiment due to its still high fiscal imbalances, bank recapitalization needs, feeble economic environment, mounting austerity fatigue, inter-governmental strains, and the prospect for an official assistance program through the ESM. Thanks to efforts by the ECB, European Commission and national governments to ward off a full-scale credit crisis, the yield on Spain's 10-year government bond trended lower after mid-2012 (when it reached 7.5%), recently flirting with the 4.0% mark for the first time since October 2010 (currently 4.3%). Standard & Poor's ("BBB-"), Moody's ("Baa3"), and Fitch ("BBB") each hold a "negative" outlook on the country's rating.

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### South Korean And Taiwanese Exports Remain Sluggish

- The depreciation of the Japanese yen has yet to be reflected in the countries' relative export sector performance.

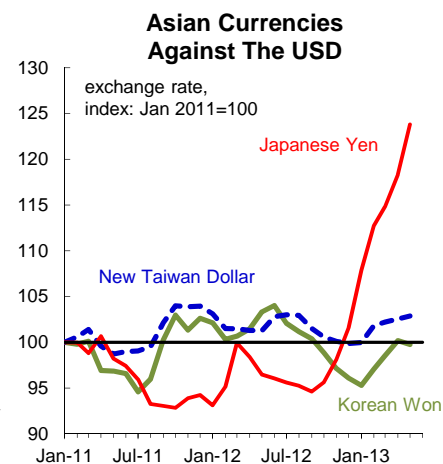
South Korea and Taiwan face similar challenges in their efforts to establish a sustainable economic recovery. Both economies are highly externally oriented, with exports of goods and services equivalent to around 55% of GDP in South Korea and 75% in Taiwan. The nations' manufacturers are major competitors in many export categories, producing similar goods such as electronics, and metal and chemical products.

Still-subdued demand conditions globally are reflected in the economic performance of both countries. Real GDP grew by 1.5% y/y in the first quarter of the year in both South Korea and Taiwan, and policymakers hope for a significant revival in the remainder of the year. We expect the economies to expand by around 2½% in 2013 as a whole. So far, the countries' export sectors are performing sluggishly. South Korean exports are down by 2.3% y/y so far this year in local currency terms, while Taiwan is performing better with shipments up by 2.2% y/y year-to-date. Taiwan's modest outperformance may

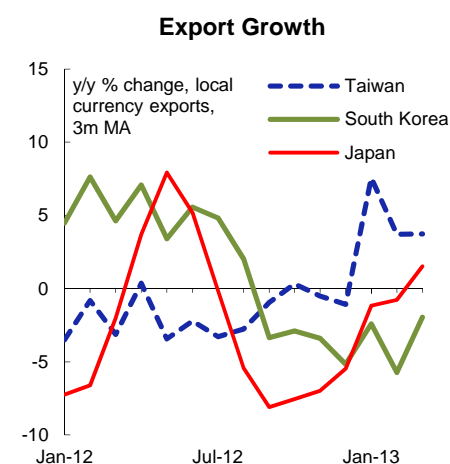
largely be explained by a combination of two factors: First, Taiwanese exports are somewhat more oriented towards relatively rapidly growing economies; top Asian destinations (e.g. China, Japan, Singapore, etc.) account for 56% of Taiwan's shipments abroad, while the equivalent figure for South Korea is 49%. For both countries, China accounts for around a quarter of total exports while the US purchases around 10% of their shipments. Second, in the first four months of the year, the Korean won has been around 4% stronger vis-à-vis the New Taiwan dollar compared with the same period a year earlier.

With Japanese manufacturers competing in the same product segments as their Korean and Taiwanese counterparts, exporters in South Korea and Taiwan have become increasingly concerned about the future impact of the recent substantial depreciation of the Japanese yen (JPY) that makes Japanese products comparatively cheaper in world markets. While we expect Japanese exports to perform well in the coming quarters, the first-quarter performance does not yet show a substantial improvement. Despite the fact that the JPY was around 14% weaker against the US dollar in the January-March period from the year earlier level, the country's exports (in JPY terms) were up by only 1.2% y/y. This can partially be explained by the fact that innovative high tech products tend to have low price elasticity of demand (high variation in price does not significantly impact demand), because the costs of switching to another product/producer are high. Nevertheless, as the JPY's depreciation continues, the differences in export sector performance will likely become more evident, as hinted by the adjacent chart.

In the near term, South Korea and Taiwan face similar export sector challenges. In the long run, however, South Korea seems slightly better positioned to face a demanding export sector environment, given the fact that it has a somewhat more diversified export base. In addition, over the past 25 years, South Korea has recorded faster productivity growth rates, with output per person employed in manufacturing increasing on average by 7.7% annually while the corresponding figure for Taiwan is 5.5%. The country also enjoys a better network of Free Trade Agreements, while Taiwan is constrained by issues related to its diplomatic status.



Source: Bloomberg, Scotiabank Economics.



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**New Brunswick — Measured Advances**

- Higher power production and wood product shipments underpin modest growth this year.

After two years with no output growth, modest gains are forecast for New Brunswick in 2013, supported by a pick-up in electricity generation and rising wood product shipments. For 2014, slightly stronger advances in output and employment are anticipated as an expanded potash facility ramps up production. New Brunswick’s spring Budget included income tax increases and further spending restraint, alongside ongoing reform and economic renewal initiatives.

Accounting for about 70% of the value of New Brunswick’s international export receipts, petroleum product exports from the Saint John refinery edged up 2% last year. For now, the Canaport liquid natural gas (LNG) terminal, set up to receive LNG imports from overseas with subsequent shipments to the U.S. Northeast, is expected to be only periodically active, given the higher price of LNG imports relative to North American gas prices. In addition to New Brunswick’s current natural gas production, the province also has sizeable shale gas deposits for future development.

This spring operations ended at the longstanding Brunswick Mine due to depleted reserves, but some mining jobs may be regained over the next two years at other mines, including the expanding Sussex potash mine and processing plant, and the Halfmile zinc-lead-silver-copper-gold mine starting up in 2014. For the proposed tungsten-molybdenum Sisson mine, its two-year construction is also scheduled to begin next year.

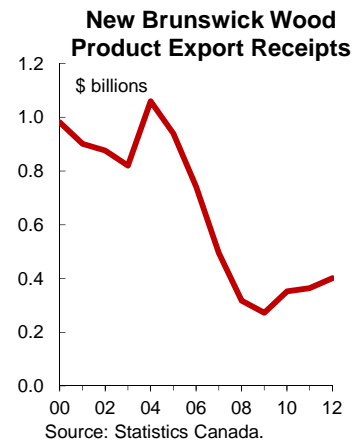
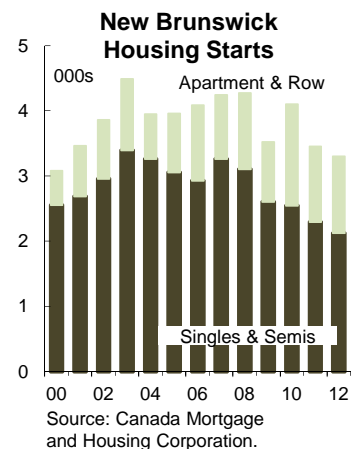
Total capital spending is expected to slip again in 2013, after several major projects were completed last year, including the twinning of Route 1 and the 56-month refurbishment of the Point Lepreau nuclear station. Housing starts have already cooled (side chart), with limited additional easing expected. Contributing to New Brunswick’s soft consumption outlook is provincial employment, which remains below its late-2009 peak. Lower employment also contributed to the 0.2% edging down of New Brunswick’s population in 2012 after increasing for five consecutive years.

The Point Lepreau nuclear generator resumed operations last November, improving the province’s trade deficit by restraining out-of-province power purchases and increasing export opportunities, though refueling and fuel cap issues are constraining its output.

Led by the U.S. housing recovery, further gains in wood product manufacturing are forecast through 2014, following a sharp correction from 2004 to 2009 (bottom chart). For the first quarter of 2013, the value of wood product exports posted a 19% jump from a year earlier. The agri-food outlook is mixed, a new poultry plant, the ramping up of cranberry production and rebounding processed potato production will support output, but the closure of a large bakery and major meat plant will limit growth through 2014.

Economic Outlook				
Population, July 2012: 755,950 (2.2% of national)				
	<b>2000-11</b>	<b>12</b>	<b>13f</b>	<b>14f</b>
Real GDP (% change)*	1.8	-0.6	0.9	1.6
Employment (% change)	0.6	-0.2	0.5	0.7
Unemployment Rate (%)	9.4	10.2	10.1	9.9

\*Growth in 2012 calculated on an industry basis.  
Source: Statistics Canada, Scotiabank Economics, Global Forecast Update, April 30, 2013.



For more information, see: [Provincial Trends: New Brunswick](#), May 17, 2013.

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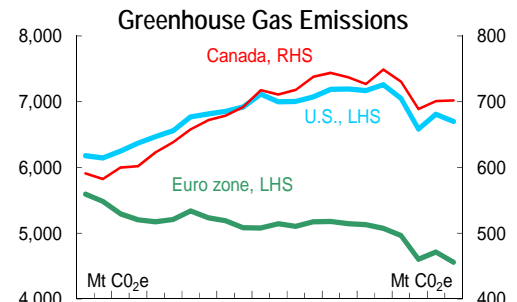
**Canada's 2011 GHG Emissions — Stable At Post-Recession Lows**

- **Stabilizing GHG emissions, an important step towards targeted declines.**

The latest greenhouse gas (GHG) emissions data<sup>1</sup> for Canada for 2011 indicate further stability since 2009's recessionary low, rising just one megaton (0.14%) from 2010, 1.9% from 2009 (first chart). The improvement in emissions since the 2007 pre-recession peak is 6.3% for Canada, 7.7% for the U.S. Nevertheless, Canada's GHG emissions in 2011 were still 18.7% higher than the 1990 benchmark, well above Canada's former *Kyoto* commitment to reduce its average GHG emissions to 6% below 1990 between 2008 and 2012 (Canada withdrew from the *Kyoto Protocol* in December 2011). Even Canada's current *Copenhagen* target — aiming to trim emissions to 17% below 2005 emissions by 2020 — requires significant annual emissions reductions, beyond the 4.8% drop achieved from 2005 to 2011.

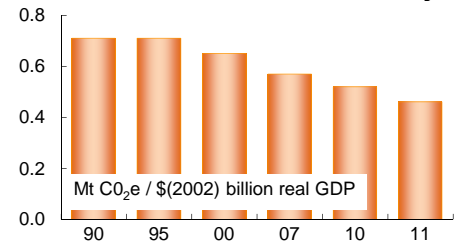
Encouraging is the decline of emissions per capita, from the 2000 peak of 23.4 tonnes, to 20.4 tonnes in 2011. As well, national emissions per unit of real GDP (second chart) have trended lower, 28% since 1990. This decline reflects three developments. The first is Canada's ongoing shift from goods production to services and adjustments within sectors such as the steel industry's greater use of recycled steel. The second is increased energy efficiency and emission reduction efforts, facilitated by technology, and incited by municipal, provincial and federal policy. The third is a shift away from coal-fired power generation since 2000, led by Ontario (third and fourth charts). Coal use for energy production was only 13% in 2011, its GHG emissions dropping 31% since 2007.

Transportation in 2011 generated 28% of Canada's GHG emissions, and has been responsible for 47% of national emissions growth since 1990. This sector's rising emissions reflects the increasing number of vehicles — up 7.5% from 2007 to 2011 — and the shift from cars to light-duty gasoline trucks (sport utility vehicles) that emit 44% more GHGs per kilometer. Following the required improvements on 2011-2016 models, further changes to reduce emissions are proposed for 2017-2025 models. Emissions from fossil fuel industries (coal mining and the production, processing, refining and distribution of oil and natural gas) have climbed 51% from 1991 to 2011, in part due to the 66% rise in oil and natural gas production. Notable is the 26% drop in emissions intensity for oil sands production since 1990. Alongside the emissions intensity reductions planned for transportation, ongoing research & development to reduce the environmental footprint for the oil sands also is critical for achieving Canada's *Copenhagen* target.



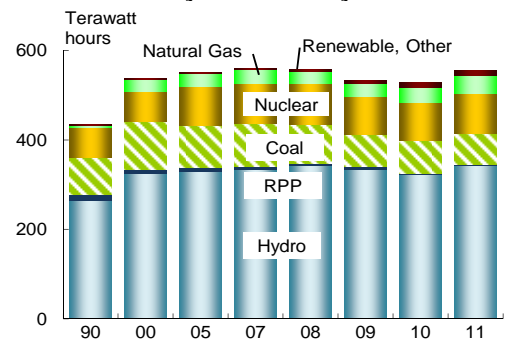
Source: Environment Canada, U.S. Environmental Protection Agency, Eurostat.

**Canada's GHG Emissions Intensity**

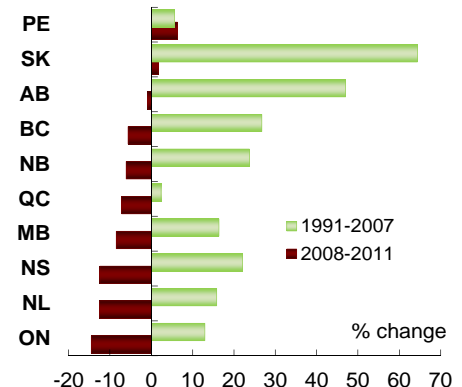


Source: Environment Canada, Statistics Canada.

**Electricity Generation By Source**



**Provincial GHG Emissions**



Source for bottom two charts: Environment Canada.

<sup>1</sup> GHG emissions measured in megatonnes of carbon dioxide equivalent (Mt CO<sub>2</sub>e).



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## Impact Of New Colombian Pension Fund Regulations

*The following article was published on May 14, 2013.*

The new regulations for Colombian pension funds that were proposed a couple of weeks ago, but not yet adopted, were likely designed in part to increase the amount of money that pension funds invest abroad. While much ambiguity remains, we think these regulations could have an impact both on bond markets and on the currency. The minimums proposed for foreign equities are 5%, 10%, and 25% of assets, for conservative, moderate, and high-risk funds respectively. For foreign fixed income, those minimums are 2%, 5%, and 10%. These figures are not strictly obligatory — pension funds can invest less. Nevertheless, since pension funds will be penalized if their total return falls below the return of model portfolios constructed using minimum and maximum investment percentages, we think pension funds will stay within the guidelines. The new minimums would take effect in September 2014, with calculations based on the previous twelve months. As a result, to the extent that market conditions permit, pension funds would want to shift their portfolios by September 1<sup>st</sup> of this year.

Comparing the minimums with the actual pension fund investments as of January 2013, we find that the funds already have the required amount of international equities. In contrast, they fall short in international fixed income, an asset class in which they hold only around 1% of their portfolio. Pension funds would need to reallocate about \$2.5bn USD of their portfolio to foreign assets in order to comply with the minimums. Our 1% estimate excludes investments in commodities, structured products, and money market instruments, however. If the regulators included those in their definition of foreign fixed income, then the additional amount that must be allocated to foreign fixed income is only \$300mn rather than \$2.5bn. We await clarification on this issue.

Another ambiguity in the proposed regulation concerns the policy towards FX hedging. Pension funds currently hedge around \$4bn of their foreign currency investments. Considering the goals of the regulators, we imagine new regulations will discourage any new hedging, but we don't know if they will seek to reverse the existing hedges.

Around 40% of pension fund assets are invested in Coltes bonds, implying that pension funds would have to sell \$1bn of those bonds to purchase more foreign securities. In comparison, the market value of Coltes bonds outstanding is \$80bn USD-equivalent, of which foreign investment funds held about \$3bn as of the end of March. In the twelve months ending in March, foreigners had increased their exposure by around \$800mn. In other words, the magnitude of the required divestment by pension funds could, in our worst case scenario, be larger than the total amount of recent foreign inflows, suggesting a significant impact on bond prices.

On the FX side, we have, in the worst case scenario \$2.5bn in USD purchases, and perhaps an additional \$4bn in currency hedge reversals. According to BIS data (for 2010, as the “2013 BIS [Triennial Central Bank Survey](#)” is not scheduled for release until later this year), daily turnover in COP is US\$1.7bn in spot and close to US\$2.2bn in derivatives, meaning a substantial impact if the pension funds are given a short window to adjust their hedges/allocations. Our base case is that funds would likely try to reallocate over a longer time frame as BanRep seeks to avoid “excessive volatility.”

To give a sense of the impact on the currency, consider that typical daily interventions by the Central Bank and Ministry of Finance are only \$35mn, suggesting that the new regulations could potentially amount to months of such interventions. An example of how uncertainty over pension fund investing rules led to sharp currency moves was January 2010, when Chile's pension fund foreign investment rules were adjusted. Uncertainty over the rules helped drive a greater than 10% sell-off in CLP, which was later partially reversed within 3 months. Discussions between the government and pension funds with regards to regulations continue this week, and we are awaiting the final decree before drawing any definitive conclusions.

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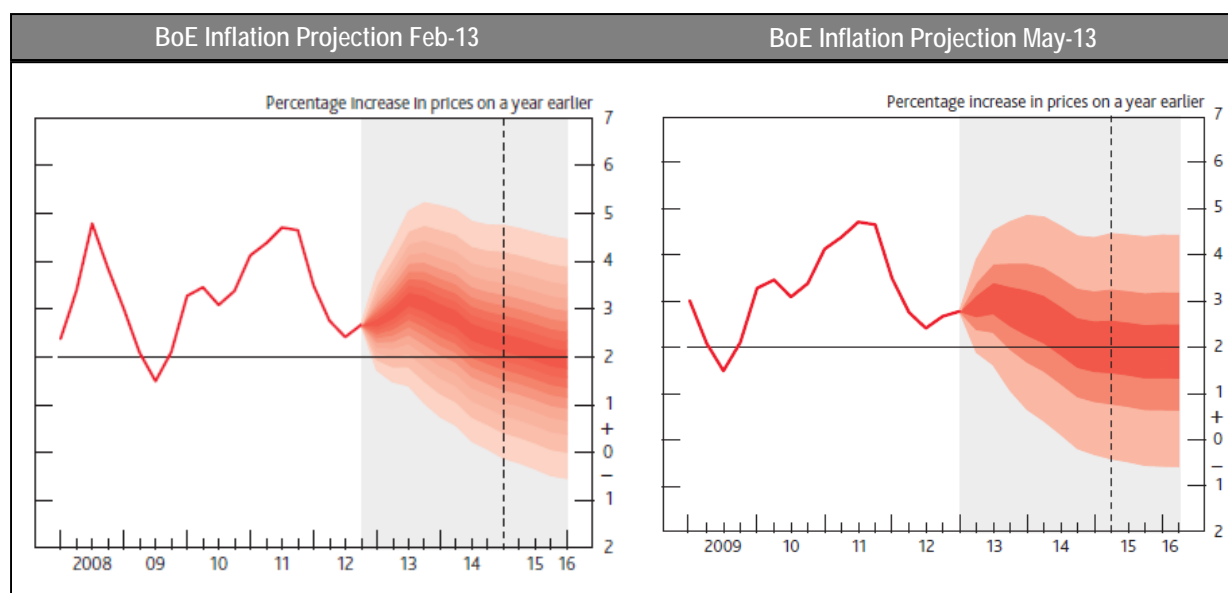
## Bank Of England Inflation Report — May

### Getting there slowly

The May Bank Of England *Inflation Report* was broadly as expected. To summarise:

- The inflation projection was revised lower. In particular, CPI inflation is projected to return to the 2% y/y target after two years — about a year sooner than previously envisaged (Chart 1).
- The peak in the Bank's inflation projection has been nudged down a little — down from 3.2% y/y last time to 3% y/y or a little lower. That is not a drastic amount compared with past revisions, but in the right direction nonetheless.
- The Bank's ribbon chart was nudged lower — now showing a 50% chance that inflation will be above target from around 18 months from now.
- Similarly, the growth projection was nudged a little higher. One report suggests that the Bank expects 0.5% q/q GDP growth during Q2 which is punchy, but very much achievable.

Chart 1: BoE Inflation Projections — Old vs New



### Glass half-full on the growth outlook

King's tone on growth was upbeat on the whole (once again). On the downside, the Inflation Report highlighted that the main risks come from abroad. That aside, King highlighted that were it not for the drag on growth from construction and North Sea oil, then overall GDP growth would have been 1-1½% y/y. His point is that these temporary subtractions will not last forever and, when they fade, GDP growth should revert to a more respectable pace. Furthermore, the subtractions from North Sea oil output partly reflect investment programmes which should lead to even stronger growth further ahead.

While there is a lot of sense in this reasoning, we continue to believe that it overlooks the influences that have temporarily boosted growth over the last year. Namely, were it not for super-strong government expenditure growth, GDP would have contracted by around ¼% y/y — not expanded by 0.3% y/y.

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Similarly, super-strong employment growth of around 2% y/y, coupled with wage inflation of 1¾% and slowing headline inflation helped to promote an upward trend in household consumption. We hope it is temporary, but employment growth has stalled in recent months. Wage inflation has slowed and CPI inflation is going to be around a percentage point higher than last year. Regrettably, while King's glass is half full, ours is half empty.

#### **Other issues**

- The last time the BoE expanded the quantitative easing program (QE) was July-2012. At that point the euro zone situation was going bananas — coinciding with the peak in the spread between Italian and German government bond yields. That spread is back at a multi-year low. Notwithstanding the recent setback in euro zone survey indicators, the pressure to deliver more QE has eased.
- Just because the inflation projection has been nudged lower does not automatically make further policy ease more likely. It is the right kind of lower inflation, so the MPC are unlikely to be in a bigger rush to loosen. In fact, lower energy price inflation is good for growth — reducing the risk of further policy ease.
- When questioned about the possibility of cutting interest rates into negative territory, the Governor kept the Bank's options open.

#### **Overall**

Mervyn King's final *Inflation Report* did not rock the boat. Our view has tended to be that unless there is an emergency, the Bank is unlikely to pull the trigger on more QE or a controversial interest rate cut. There is no emergency right now, hence we expect no change in BoE policy for the foreseeable future.

All options are still open; if the euro zone crisis flares up again, then an expansion in QE will become more likely. For now, the Governor conveyed a picture of an economy that is seeing signs of moderate recovery, that is largely home grown. The main downside risks are coming from abroad and there is precious little that the BoE can do about that.



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## Key Data Preview

### CANADA

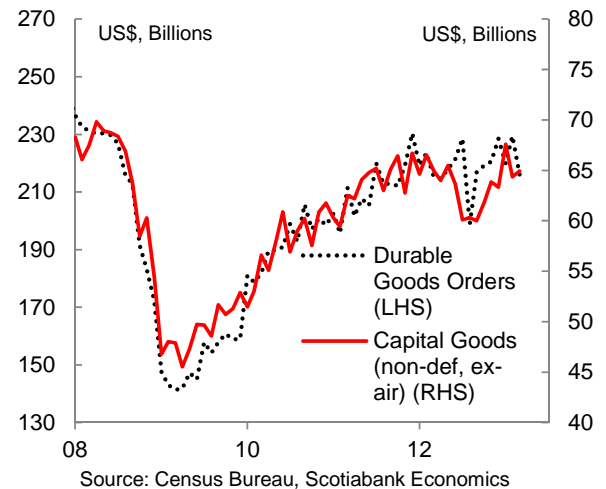
Can **retail sales** (May 22) make back the ground that they lost in late 2012? Canadian retail sales dropped sharply in December 2012, falling by a steep 2.2% m/m. So far in 2013, sales have made back some of the decline — but not all of it. Nominal sales will only be up by an anemic 0.8% q/q SAAR if our forecast for a 0.2% m/m gain for March plays out (although volumes will be up by a stronger 1.4% q/q SAAR if those increase by a comparable amount). Our retail sales forecast is built on a slight increase in Canadian vehicle sales and higher gasoline prices, but we're wary of predictions of continued overall strength after sales increased by 0.8% m/m and 0.9% m/m in February and January respectively. A comparable gain will be required to 'get back to even' (i.e. flat with the Q4 2012 highs); we don't expect such a gain. Pay careful attention to the retail sales volumes numbers, which were up strongly in January (+1.1% m/m) but flat in February.

### UNITED STATES

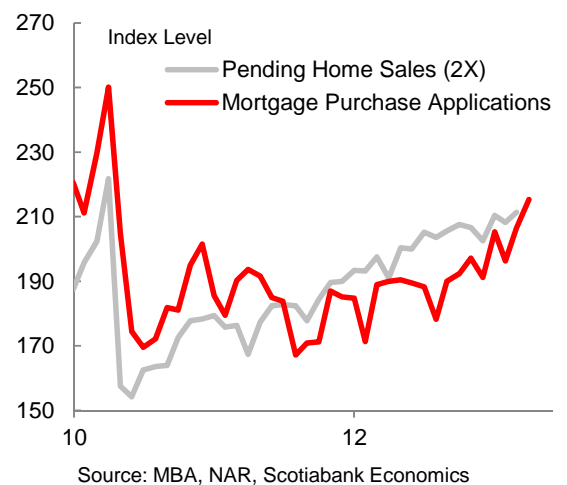
The succession of soft U.S. economic data of late started with the release of **durable goods** orders data for March showing a -5.7% m/m drop in headline orders and a -1.4% m/m number ex-transportation. That print encapsulated the reasons why we are wary of the U.S. sequester: while the non-defence capital goods orders (ex-aircraft) that reflect private sector behaviour were decently strong at +0.2% m/m (and were revised higher to 0.9% m/m later) that didn't stop overall orders from slipping into negative territory even after ignoring volatile orders at Boeing. While the private sector remained somewhat resilient, that strength was overwhelmed by weakness in sectors tied to the government. We're expecting somewhat of a rebound on headline durable goods orders for April (May 24) due to an uptick in new orders at Boeing (51 planes were ordered in April vs. 39 in March). Motor vehicles orders might undo some of that momentum after the Fed reported a decrease in auto production (implying weaker orders on the month). One risk is that the ISM manufacturing survey retreated in April; another is that overall manufacturing production fell by 0.6% m/m implying soft ordering for just-in-time production.

Just as soft industrial production numbers have left markets apprehensive about the effects of the sequester on manufacturing, so too have soft housing starts numbers for April drawn into question the resiliency of the housing rebound during the sequester period. We'll get an update on momentum in residential real estate via data on both **existing home sales** (May 22) and **new home sales** (May 23). We're forecasting fairly flat prints for both (4.9m annualized sales on the existing home sales metric and 410k annualized sales on the new home sales metric). Leading metrics ranging from pending home sales to foot traffic of prospective buyers were fairly flat during March (ahead of the April sales numbers). A positive which poses some upside risk is that mortgage purchase applications on average were quite strong in April (see chart).

### U.S. New Orders Private & Public Sector Divergence?



### Housing Leading Indicators Reflecting Modest Pick-Up



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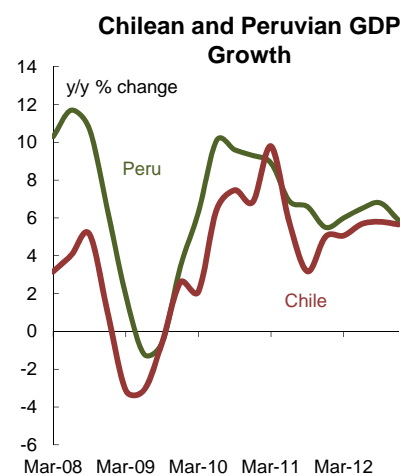
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**EUROPE**

So far this month we have seen downward surprises in headline inflation in the US, Sweden, Germany, France, Italy and Spain, and we anticipate the trend continuing with the UK release next week. We expect to see RPI inflation slow quite sharply from 3.3% y/y to 2.9% in April, while CPI is likely to fall by a little less — down to 2.6% y/y from 2.8%. Firstly, as we highlighted last month, there is a risk of an ‘Easter funny’ in the data given that both the March and April CPI collection dates are likely to have missed the usual seasonal price hikes associated with the holiday (particularly in airfares), hence there are downside risks to the April data. Secondly, petrol prices have come down sharply in recent weeks (down from 140 pence per litre in March to 133 pence per litre last week). However, the way in which petrol prices are sampled means that the impact is likely to be slow to feed into the UK inflation data — particularly the RPI. Lastly, April is a key month for the CPI and RPI given that measures announced in the Budget tend to come into effect and some prices change just once per year during April. A good example is water and sewage bills, which this year are scheduled to rise by 3.5% y/y — just over half the pace of a year earlier. Similarly, Budget-related increases in alcohol and tobacco prices are less pronounced than a year ago.

**LATIN AMERICA**

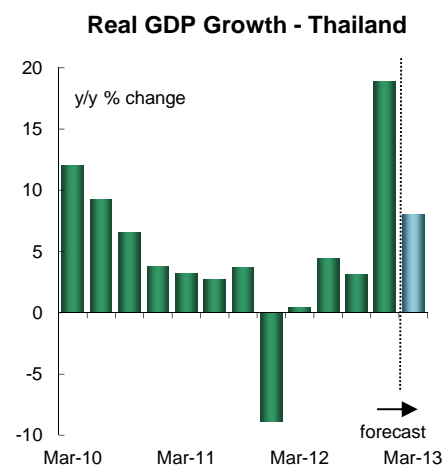
Chilean and Peruvian real GDP growth for the first quarter will be released on May 20<sup>th</sup> and 23<sup>rd</sup>, respectively. High frequency indicators suggest that both economies decelerated in the first months of the year; nonetheless, we anticipate the slowdown to be moderate and for the pace of growth to resume its upward trend by the second and third quarter of the year. Both countries have been affected by weaker international demand, lower commodity prices and fewer working days due to the Easter holidays. The industrial sector has been hit in both countries, while local consumption remains solid – albeit moderating. We expect Chile to expand by around 5% in 2013 overall, while Peru will outperform with growth approaching the 6.0% mark.



Source: Bloomberg, Scotiabank Economics.

**ASIA**

Thailand’s economy continues to perform robustly, remaining among top performers in the Asia/Pacific region. The country’s first quarter real GDP data will be released on May 19th. We estimate that the economy grew by 8.0% y/y, reflecting a low base resulting from the extensive flooding at the end of 2011. Output surged by 18.9% y/y in the final quarter of 2012. While strong household consumption is the main growth driver, Thai exports are showing signs of a broad-based recovery across different sectors. Solid growth in private credit and household incomes combined with a supportive labour market and consumer confidence indicate that domestic demand will continue to be the economy’s cornerstone in the coming quarters.



Source: Bloomberg, Scotiabank Economics.

## Key Indicators for the week of May 20 - 24

## North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05/22	07:00	MBA Mortgage Applications (w/w)	MAY 17	--	--	-7.3
CA	05/22	08:30	Retail Sales (m/m)	Mar	0.3	0.1	0.8
CA	05/22	08:30	Retail Sales ex. Autos (m/m)	Mar	0.1	0.1	0.7
MX	05/22	09:00	Retail Sales (INEGI) (y/y)	Mar	--	-0.3	-2.6
US	05/22	10:00	Existing Home Sales (mn a.r.)	Apr	4.9	5.0	4.9
US	05/23	08:30	Initial Jobless Claims (000s)	MAY 18	360	350	360
US	05/23	08:30	Continuing Claims (000s)	MAY 11	3000	3000	3009
MX	05/23	09:00	Bi-Weekly Core CPI (% change)	May 15	--	--	0.0
MX	05/23	09:00	Bi-Weekly CPI (% change)	May 15	-0.6	-0.6	0.0
US	05/23	10:00	New Home Sales (000s a.r.)	Apr	410	425	417
US	05/24	08:30	Durable Goods Orders (m/m)	Apr	1.3	1.6	-6.9
US	05/24	08:30	Durable Goods Orders ex. Trans. (m/m)	Apr	0.5	0.5	-2.9
MX	05/24	09:00	Unemployment Rate (%)	Apr	4.5	4.7	4.5

## Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
IT	05/20	05:00	Current Account (€ mn)	Mar	--	--	-1592.0
GE	05/21	02:00	Producer Prices (m/m)	Apr	--	-0.1	-0.2
UK	05/21	04:30	CPI (m/m)	Apr	0.3	0.4	0.3
UK	05/21	04:30	CPI (y/y)	Apr	2.6	2.6	2.8
UK	05/21	04:30	DCLG House Prices (y/y)	Mar	--	2.0	1.9
UK	05/21	04:30	PPI Input (m/m)	Apr	-0.8	-1.3	-0.1
UK	05/21	04:30	PPI Output (m/m)	Apr	0.5	0.2	0.3
UK	05/21	04:30	RPI (y/y)	Apr	2.9	3.1	3.3
EC	05/22	04:00	Current Account (€ bn)	Mar	--	--	16.3
UK	05/22	04:30	PSNB ex. Interventions (£ bn)	Apr	9.0	8.5	15.1
FR	05/23	03:00	Manufacturing PMI	May P	44.2	44.8	44.4
FR	05/23	03:00	Services PMI	May P	--	44.5	44.3
GE	05/23	03:30	Manufacturing PMI	May A	48.5	48.5	48.1
GE	05/23	03:30	Services PMI	May A	50.0	50.0	49.6
EC	05/23	04:00	Composite PMI	May A	47.1	47.2	46.9
EC	05/23	04:00	Manufacturing PMI	May A	47.2	47.0	46.7
EC	05/23	04:00	Services PMI	May A	47.0	47.2	47.0
UK	05/23	04:30	Business Investment (q/q)	1Q P	--	--	-0.8
UK	05/23	04:30	GDP (q/q)	1Q P	0.2	0.3	0.3
UK	05/23	04:30	Index of Services (m/m)	Mar	-0.2	0.1	0.8
UK	05/23	04:30	Retail Sales ex. Auto Fuel (m/m)	Apr	0.5	0.1	-0.8
UK	05/23	04:30	Retail Sales with Auto Fuel (m/m)	Apr	0.4	0.1	-0.7
EC	05/23	10:00	Consumer Confidence	May A	--	-21.8	-22.3
GE	05/24	02:00	GfK Consumer Confidence Survey	Jun	6.3	6.2	6.2
GE	05/24	04:00	IFO Business Climate Survey	May	104.0	104.4	104.4
GE	05/24	04:00	IFO Current Assessment Survey	May	106.5	107.2	107.2
GE	05/24	04:00	IFO Expectations Survey	May	101.4	101.6	101.6

Forecasts at time of publication.

Source: Bloomberg, Scotiabank Economics.

## Key Indicators for the week of May 20 - 24

## Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
TH	05/19	22:30	GDP (q/q)	1Q	--	-1.5	3.6
TH	05/19	22:30	GDP (y/y)	1Q	8.0	6.0	18.9
JN	05/20	01:00	Coincident Index CI	Mar F	93.3	--	93.3
JN	05/20	01:00	Leading Index CI	Mar F	97.6	--	97.6
JN	05/20	01:00	New Composite Leading Economic Index	Mar F	97.6	--	97.6
JN	05/20	02:00	Machine Tool Orders (y/y)	Apr F	-24.1	--	-24.1
TA	05/20	04:00	Export Orders (y/y)	Apr	--	-1.5	-6.6
TA	05/20	04:20	Current Account Balance (US\$ mn)	1Q	--	--	15960
HK	05/20	04:30	Unemployment Rate (%)	Apr	3.5	3.5	3.5
PH	05/20	06:59	Balance of Payments (US\$ mn)	Apr	--	--	452.0
SI	05/20	07:59	Real GDP (y/y)	1Q F	-0.6	-0.5	-0.6
SI	05/20	07:59	GDP Annualized (q/q)	1Q F	-1.4	-1.2	-1.4
SI	05/20	07:59	GDP (q/q)	1Q F	--	-0.5	-0.6
SK	05/20	07:59	Discount Store Sales (y/y)	Apr	--	--	-4.40
SK	05/20	07:59	Department Store Sales (y/y)	Apr	--	--	7.5
AU	05/20	20:00	Conference Board Leading Index (%)	Mar	--	--	0.3
JN	05/21	00:30	All Industry Activity Index (m/m)	Mar	--	-0.4	0.6
JN	05/21	01:00	Supermarket Sales (y/y)	Apr	--	--	1.7
HK	05/21	04:30	CPI (y/y)	Apr	--	3.6	3.6
PH	05/21	06:59	Budget Deficit/Surplus (PHP bn)	Apr	--	--	-35.2
JN	05/21	19:50	Merchandise Trade Balance (¥ bn)	Apr	--	-637.3	-364.0
JN	05/21	19:50	Adjusted Merchandise Trade Balance (¥ bn)	Apr	--	-605.8	-922.0
JN	05/21	19:50	Merchandise Trade Exports (y/y)	Apr	--	5.5	1.1
JN	05/21	19:50	Merchandise Trade Imports (y/y)	Apr	--	6.9	5.6
TA	05/21	20:30	Unemployment Rate (%)	Apr	4.2	4.2	4.2
MA	05/22	05:00	CPI (y/y)	Apr	1.7	1.7	1.6
MA	05/22	05:00	Foreign Reserves (US\$ bn)	May 15	--	--	140.3
JN	05/22	07:59	<b>BoJ Target Rate (%)</b>	May 22	<b>0.10</b>	--	<b>0.10</b>
AU	05/22	21:00	Consumer Inflation Expectation (%)	May	--	--	2.2
CH	05/22	21:45	HSBC Flash China Manufacturing PMI	May	--	50.4	50.5
SI	05/23	01:00	CPI (m/m)	Apr	--	-0.1	-0.5
SI	05/23	01:00	CPI (y/y)	Apr	3.2	3.1	3.5
SI	05/23	01:00	Industrial Production (m/m)	Apr	--	0.1	6.2
SI	05/23	01:00	Industrial Production (y/y)	Apr	--	1.6	-4.1
TA	05/23	04:00	Commercial Sales (y/y)	Apr	--	1.5	-0.7
TA	05/23	04:00	Industrial Production (y/y)	Apr	--	-0.5	-3.3
NZ	05/23	18:45	Trade Balance (NZD mn)	Apr	--	480.0	718.1
NZ	05/23	18:45	Exports (NZD bn)	Apr	--	4.1	4.4
NZ	05/23	18:45	Imports (NZD bn)	Apr	--	3.6	3.7
PH	05/23	21:00	Imports (y/y)	Mar	--	--	-5.8
PH	05/23	21:00	Trade Balance (US\$ mn)	Mar	--	--	-967.0
TA	05/24	05:00	Real GDP (y/y)	1Q F	1.5	1.5	1.5
VN	05/24	06:59	CPI (y/y)	May	--	6.6	6.6

## Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	05/20	08:30	GDP (y/y)	1Q	4.5	4.5	5.7
CO	05/20	17:00	Trade Balance (US\$ mn)	Mar	--	76.0	386.4
BZ	05/22	09:30	Current Account (US\$ mn)	Apr	--	-7100	-6873
PE	05/23	06:59	GDP (y/y)	1Q	5.0	4.8	5.9
BZ	05/23	08:00	Unemployment Rate (%)	Apr	--	5.7	5.7

Forecasts at time of publication.

Source: Bloomberg, Scotiabank Economics.

## Global Auctions for the week of May 20 - 24

## North America



<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	05/20	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	05/20	11:30	U.S. to Sell 3-Month Bills
US	05/20	11:30	U.S. to Sell 6-Month Bills
CA	05/21	10:30	Canada to Sell CAD7.575 Bln 98-Day Bills
CA	05/21	10:30	Canada to Sell CAD2.775 Bln 168-Day Bills
CA	05/21	10:30	Canada to Sell CAD2.775 Bln 350-Day Bills
US	05/21	11:00	U.S. Fed to Purchase USD2.75-3.50 Bln Notes
US	05/21	11:30	U.S. to Sell 4-Week Bills
MX	05/21	12:30	1M T-Bill Yield
MX	05/21	12:30	1M T-Bill Bid/Cover Ratio
MX	05/21	12:30	3M T-Bill Yield
MX	05/21	12:30	3M T-Bill Bid/Cover Ratio
MX	05/21	12:30	6M T-Bill Yield
MX	05/21	12:30	6M T-Bill Bid/Cover Ratio
MX	05/21	12:30	10Y I/L Yield
MX	05/21	12:30	5Y Fixed Yield
US	05/22	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
CA	05/22	12:00	Canada to Sell 30 Year Bonds
US	05/23	11:00	U.S. Fed to Purchase USD3.00-3.75 Bln Notes
US	05/23	13:00	U.S. to Sell 10-Year TIPS Reopening

## Europe



<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
FR	05/20	08:50	France to Sell Bills
NE	05/21	04:00	Netherlands to Sell Up to EUR2 Bln 99-Day Bills
NE	05/21	04:00	Netherlands to Sell Up to EUR2 Bln 190-Day Bills
SP	05/21	04:30	Spain to Sell 3 Month and 9 Month Bills
MB	05/21	05:00	Malta to Sell Bills
SZ	05/21	05:30	Switzerland to Sell 182-Day Bills
SW	05/22	05:03	Sweden to Sell SEK10 Bln 89-Day Bills
GE	05/22	05:30	Germany to Sell EUR5 Bln 2023 Bonds
SP	05/23	04:30	Spain to Sell Bonds
SW	05/23	05:03	Sweden to Sell SEK1 Bln 0.5% I/L 2017 Bonds
UK	05/24	06:10	U.K. to Sell Bills

Source: Bloomberg, Scotiabank Economics.



## Global Auctions for the week of May 20 - 24

## Asia Pacific

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	05/20	21:00	Australia to Sell AUD150-250 Mln I/L Bonds Due Feb 2022
JN	05/20	23:35	Japan to Sell 2-Month Bill
JN	05/20	23:45	Japan to Sell 40-Year Bonds
CH	05/21	23:00	China To Sell CNY30 Bln 10-Year Bonds
JN	05/22	23:35	Japan to Sell 3-Month Bill
JN	05/23	04:00	Japan Auction for Enhanced-Liquidity

## Latin America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	05/23	10:30	Brazil to Sell Bills due 1/1/2017 - LTN
BZ	05/23	10:30	Brazil to Sell Fixed-rate bonds due 1/1/2019 - NTN-F
BZ	05/23	10:30	Brazil to Sell Fixed-rate bonds due 1/1/2023 - NTN-F
CL	05/23	11:30	5Y Fixed Yield (Cen Bank)
CL	05/23	11:30	10Y Fixed Yield (Cen Bank)
CL	05/23	11:30	5Y I/L Yield (Cen Bank)

Source: Bloomberg, Scotiabank Economics.

## Events for the week of May 20 - 24

## North America

Country	Date	Time	Event
US	MAY 15-24		17th Round of Negotiations of the Trans-Pacific Partnership
US	05/18	11:00	Fed's Bernanke Delivers Commencement Speech at Bard College
US	05/19		U.S. Government's Borrowing Limit Resumes
US	05/19		U.S. President Obama Speaks at Morehouse College
US	05/20	13:00	Fed's Evans Speaks on Economy in Chicago
US	05/21	11:30	Fed's Bullard Speaks on Monetary Policy in Frankfurt
CA	05/21	12:30	BoC Gov. Carney Speech in Montreal
US	05/21	13:00	Fed's Dudley Speaks in New York
US	05/22	10:00	Fed's Bernanke Testifies on Economic Outlook
US	05/22	10:00	U.S. Treasury Secretary Jack Lew testifies before House Panel
US	05/22	14:00	Fed Releases Minutes from Apr 30 - May 1 FOMC Meeting
US	05/23	06:05	Fed's Bullard to Speak on Monetary Policy in London
US	05/24		U.S. President Obama Speaks at the Naval Academy

## Europe

Country	Date	Time	Event
PO	05/20	06:00	Portugal Reports Monthly Economic Survey
FI	05/21	03:25	ECB's Liikanen Speaks in Helsinki
EC	05/21	04:00	EU General Affairs Ministers Hold Meeting in Brussels
HU	05/21	04:00	Hungary MNB Publishes Financial Stability Report
NO	05/21	06:30	Norges Bank Governor Speaks at Parliamentary Hearing
NO	05/22	04:15	Norges Bank Deputy Governor, NBIM Dep. CEO Speak in Stavanger
UK	05/22	04:30	Bank of England Releases Monetary Policy Committee Minutes
IT	05/22	05:00	Istat Presents Annual Report on Italian Economy in Parliament
SZ	05/22	06:00	SNB President Jordan Speaks to Journalists in Frankfurt
GE	05/22	08:30	Schaeuble, Von der Leyen Brief VAP Foreign Press in Berlin
GE	05/22	09:00	Peterson's Kirkegaard, Finance Ministry's Kampeter on Euro
EC	05/22	12:30	ECB's Praet Speaks on Monetary Policy in Washington
EC	05/22		EU Leaders Hold Summit in Brussels
NO	05/23	03:00	Norges Bank, FSA Organize Seminar on Bank Payment Systems
EC	05/23	03:00	ECB's Noyer Speaks in Paris
GE	05/23	03:30	DIHK Presents Business Survey of 24,000 Companies, Berlin
SW	05/23	04:30	Riksbank, NIER participates at SIMRA seminar
AS	05/23	05:15	ECB's Nowotny at Austrian central bank press conference
EC	05/23	07:05	ECB's Liikanen Speaks in Copenhagen
EC	05/23	08:50	ECB's Coeure Speaks in Copenhagen
EC	05/23	15:30	ECB's Draghi Speaks in London
PO	05/23		Portugal Releases Year-to-Date Budget Report
GE	05/23		Merkel, Hollande, Gauck Celebrate 150 Years of SPD, Leipzig
GE	05/23		Merkel, Rutte to Head German-Dutch Cabinet Talks
SP	05/23		Spanish Prime Minister Rajoy Speaks at Pacific Alliance Summit
EC	05/24	03:00	EU's Barnier Speaks on Financial Regulation in Brussels
PO	05/24	04:00	Bank of Portugal's Costa at Conference on Institutional Reform
PO	05/24	05:00	Portuguese Prime Minister Attends Debate in Parliament
EC	05/24	06:00	ECB Announces 3-Year LTRO Repayment
EC	05/24	06:00	ECB's Weidmann Speaks in Paris
FI	05/24	07:30	Bank of Finland Debate Between King, Katainen in Helsinki
EC	05/24	08:30	ECB's Constancio Speaks on Financial Regulation in Brussels
EC	05/24	11:45	EU's Rehn Speaks on Financial Regulation in Brussels

Source: Bloomberg, Scotiabank Economics.

## Events for the week of May 20 - 24

## Asia Pacific

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	05/20	21:30	RBA Policy Meeting - May Minutes
JN	MAY 21-22		BOJ Target Rate
JN	05/22	02:30	BOJ Kuroda Press Conference After Policy Meeting
IA	05/22		Iran Announces List of Presidential Candidates
JN	05/23	01:00	Bank of Japan's Monthly Economic Report for May (Table)
JN	05/23	22:55	Bank of Japan Governor Kuroda speech at Nikkei Conference
CH	05/24		China's Premier Li Keqiang Visits Switzerland

## Latin America

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
PE	MAY 15-24		17th Round of Negotiations of the Trans-Pacific Partnership

Source: Bloomberg, Scotiabank Economics.

## Global Central Bank Watch

## North America

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Canada – Overnight Target Rate	1.00	May 29, 2013	1.00	1.00
Federal Reserve – Federal Funds Target Rate	0.25	June 19, 2013	0.25	--
Banco de México – Overnight Rate	4.00	June 7, 2013	4.00	--

**BoC:** With CPI running at 0.4% y/y (and core CPI at 1.1% y/y) it's hard to make the case that Canadian inflation upside is a concern with respect to monetary policy. On the contrary, were it not for: a) low interest rates globally, and b) the BoC's macroprudential concerns, some incremental easing of policy would arguably merit at least a hard look. **Fed:** A recent crop of weak economic data have somewhat diminished what we think are misplaced market expectations for FOMC asset-purchase tapering this summer. Minutes from the May 1 FOMC meeting will be released this week and will be scrutinized for hints as to what the FOMC meant when it said "The Committee is prepared to increase or reduce the pace of its purchases to maintain appropriate policy accommodation as the outlook for the labor market or inflation changes."

## Europe

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	0.50	June 6, 2013	0.50	--
Bank of England – Bank Rate	0.50	June 6, 2013	0.50	0.50
Swiss National Bank – Libor Target Rate	0.00	June 20, 2013	0.00	--
Hungarian National Bank – Base Rate	4.75	May 28, 2013	4.50	4.50
Central Bank of the Republic of Turkey – 1 Wk Repo Rate	4.50	June 18, 2013	4.50	--
Sweden Riksbank – Repo Rate	1.00	July 3, 2013	1.00	--
Norges Bank – Deposit Rate	1.50	June 20, 2013	1.50	--

## Asia Pacific

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Japan – Target Rate	0.10	May 22, 2013	0.10	--
Reserve Bank of Australia – Cash Target Rate	2.75	June 4, 2013	2.75	--
Reserve Bank of New Zealand – Cash Rate	2.50	June 12, 2013	2.50	2.50
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	7.25	June 17, 2013	7.00	--
Bank of Korea – Bank Rate	2.50	June 12, 2013	2.50	--
Bank of Thailand – Repo Rate	2.75	May 29, 2013	2.75	--
Bank Indonesia – Reference Interest Rate	5.75	June 13, 2013	5.75	--

Monetary policymakers at the Bank of Japan will meet on May 22nd. In light of the substantial measures announced in April, we do not foresee any material policy changes in the near term.

## Latin America

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Banco Central do Brasil – Selic Rate	7.50	May 29, 2013	7.75	7.75
Banco Central de Chile – Overnight Rate	5.00	June 13, 2013	5.00	--
Banco de la República de Colombia – Lending Rate	3.25	May 31, 2013	3.25	3.25
Banco Central de Reserva del Perú – Reference Rate	4.25	June 13, 2013	4.25	4.25















## Africa

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
South African Reserve Bank – Repo Rate	5.00	May 23, 2013	5.00	5.00

The South African Reserve Bank (SARB) will likely leave monetary policy unchanged after next week's meeting, with the reference rate staying at 5.0%. Inflation continues to test the upper boundary of the bank's 3-6% tolerance range (at 5.9% y/y in February-March) partly due to enduring rand weakness (the currency has accumulated year-to-date losses of 9.7% versus the US dollar). Thus, although economic conditions remain soft, the scope for monetary easing at this time is limited.

Forecasts at time of publication.

Source: Bloomberg, Scotiabank Economics.

Forecasts as at April 30, 2013*	2000-11	2012	2013f	2014f	2000-11	2012	2013f	2014f
<b>Output and Inflation (annual % change)</b>	<b>Real GDP</b>				<b>Consumer Prices<sup>2</sup></b>			
World <sup>1</sup>	3.7	3.1	3.1	3.8				
 Canada	2.2	1.8	1.5	2.3	2.1	1.5	1.2	1.8
 United States	1.8	2.2	2.1	2.7	2.5	2.1	1.8	2.1
 Mexico	2.2	3.9	3.4	3.9	4.8	3.6	4.1	4.0
 United Kingdom	1.9	0.3	0.6	1.4	2.3	2.7	2.5	2.4
 Euro Zone	1.4	-0.6	-0.5	0.9	2.1	2.2	1.3	1.5
 Japan	0.8	2.0	1.0	1.5	-0.3	-0.1	0.7	1.2
 Australia	3.0	3.6	2.6	3.1	3.1	2.2	2.7	3.0
 China	9.4	7.8	8.0	8.3	2.4	2.5	3.3	3.9
 India	7.4	5.0	6.0	6.5	6.6	7.3	6.5	6.5
 South Korea	4.5	2.0	2.6	3.5	3.2	1.4	2.5	2.9
 Thailand	4.0	6.5	4.5	4.2	2.6	3.6	3.0	3.3
 Brazil	3.6	0.9	3.0	3.5	6.6	5.8	5.8	6.0
 Chile	4.7	5.6	5.0	5.2	3.4	1.5	2.9	3.3
 Peru	5.6	6.3	6.2	6.4	2.6	2.6	2.9	3.0
<b>Central Bank Rates (% end of period)</b>	<b>12Q4</b>	<b>13Q1</b>	<b>13Q2f</b>	<b>13Q3f</b>	<b>13Q4f</b>	<b>14Q1f</b>	<b>14Q2f</b>	<b>14Q3f</b>
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	3.00	3.00	3.25	3.25	3.50	3.50
<b>Exchange Rates (end of period)</b>								
Canadian Dollar (USDCAD)	0.99	1.02	1.04	1.02	1.02	1.01	1.00	1.00
Canadian Dollar (CADUSD)	1.01	0.98	0.96	0.98	0.98	0.99	1.00	1.00
Euro (EURUSD)	1.32	1.28	1.27	1.26	1.25	1.25	1.24	1.24
Sterling (GBPUSD)	1.63	1.52	1.49	1.47	1.45	1.45	1.45	1.44
Yen (USDJPY)	87	94	102	104	105	106	107	109
Australian Dollar (AUDUSD)	1.04	1.04	1.02	1.04	1.04	1.06	1.06	1.08
Chinese Yuan (USDCNY)	6.2	6.2	6.2	6.1	6.1	6.1	6.1	6.1
Mexican Peso (USDMXN)	12.9	12.3	11.9	12.1	12.2	12.3	12.2	12.2
Brazilian Real (USDBRL)	2.05	2.02	2.01	2.01	2.00	2.01	2.02	2.04
<b>Commodities (annual average)</b>	<b>2000-11</b>	<b>2012</b>	<b>2013f</b>	<b>2014f</b>				
WTI Oil (US\$/bbl)	57	94	94	96				
Brent Oil (US\$/bbl)	58	112	108	110				
Nymex Natural Gas (US\$/mmbtu)	5.67	2.83	4.00	4.50				
Copper (US\$/lb)	2.10	3.61	3.40	3.20				
Zinc (US\$/lb)	0.77	0.88	0.92	1.10				
Nickel (US\$/lb)	7.62	7.95	7.85	8.85				
Gold, London PM Fix (US\$/oz)	668	1,670	1,480	1,350				
Pulp (US\$/tonne)	718	872	907	870				
Newsprint (US\$/tonne)	581	640	620	660				
Lumber (US\$/mfbm)	272	299	375	400				



<sup>1</sup> 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.

<sup>2</sup> 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](http://www.gbm.scotiabank.com/English/bns_econ/forecast.pdf)) for additional forecasts & commentary.





## North America

Canada 					United States 				
	2012	12Q3	12Q4	Latest		2012	12Q3	12Q4	Latest
Real GDP (annual rates)	1.8	0.7	0.6		Real GDP (annual rates)	2.2	3.1	0.4	2.5 (Q1-A)
Current Acc. Bal. (C\$B, ar)	-66.9	-72.2	-69.0		Current Acc. Bal. (US\$B, ar)	-475	-450	-442	
Merch. Trade Bal. (C\$B, ar)	-12.0	-21.5	-11.1	0.3 (Mar)	Merch. Trade Bal. (US\$B, ar)	-735	-697	-722	-674 (Mar)
Industrial Production	1.1	0.1	-0.4	2.4 (Feb)	Industrial Production	3.6	3.4	2.8	2.5 (Apr)
Housing Starts (000s)	215	222	202	175 (Apr)	Housing Starts (millions)	0.78	0.78	0.90	0.85 (Apr)
Employment	1.2	1.0	1.6	0.9 (Apr)	Employment	1.7	1.7	1.6	1.6 (Apr)
Unemployment Rate (%)	7.3	7.3	7.2	7.2 (Apr)	Unemployment Rate (%)	8.1	8.0	7.8	7.5 (Apr)
Retail Sales	2.5	2.5	1.0	1.5 (Feb)	Retail Sales	4.8	4.6	4.0	3.6 (Apr)
Auto Sales (000s)	1673	1658	1665	1651 (Feb)	Auto Sales (millions)	14.4	14.5	15.0	14.9 (Apr)
CPI	1.5	1.2	0.9	0.4 (Apr)	CPI	2.1	1.7	1.9	1.1 (Apr)
IPPI	0.6	0.0	-0.1	-0.9 (Mar)	PPI	1.9	1.5	1.7	0.6 (Apr)
Pre-tax Corp. Profits	-2.7	-3.6	-9.1		Pre-tax Corp. Profits	16.6	19.3	14.7	



  

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	20.5 (Mar)
Industrial Production	3.6	3.6	1.8	-4.9 (Mar)
CPI	4.1	4.6	4.1	4.6 (Apr)



## Europe

Euro Zone 					Germany 				
	2012	12Q3	12Q4	Latest		2012	12Q3	12Q4	Latest
Real GDP	-0.6	-0.7	-0.9		Real GDP	0.9	0.9	0.3	
Current Acc. Bal. (US\$B, ar)	149	204	309	194 (Feb)	Current Acc. Bal. (US\$B, ar)	238.6	225.0	278.0	313.9 (Mar)
Merch. Trade Bal. (US\$B, ar)	129.3	151.6	196.6	191.8 (Feb)	Merch. Trade Bal. (US\$B, ar)	243.2	253.3	243.3	273.8 (Mar)
Industrial Production	-2.3	-2.4	-3.1	-1.6 (Mar)	Industrial Production	-0.4	-0.7	-2.4	-2.6 (Mar)
Unemployment Rate (%)	11.3	11.5	11.8	12.0 (Mar)	Unemployment Rate (%)	6.8	6.8	6.9	6.9 (Apr)
CPI	2.5	2.5	2.3	1.2 (Apr)	CPI	2.0	2.0	2.0	1.2 (Apr)

France 					United Kingdom 				
	2012	12Q3	12Q4	Latest		2012	12Q3	12Q4	Latest
Real GDP	0.0	0.0	-0.3		Real GDP	0.3	0.4	0.2	
Current Acc. Bal. (US\$B, ar)	-60.2	-41.4	-58.0	-67.2 (Mar)	Current Acc. Bal. (US\$B, ar)	-91.4	-111.9	-76.0	
Merch. Trade Bal. (US\$B, ar)	-52.5	-50.5	-47.5	-43.5 (Mar)	Merch. Trade Bal. (US\$B, ar)	-168.6	-164.5	-174.3	-163.8 (Mar)
Industrial Production	-2.3	-1.6	-3.3	-2.5 (Mar)	Industrial Production	-2.4	-1.7	-2.6	-1.3 (Mar)
Unemployment Rate (%)	10.3	10.3	10.5	11.0 (Mar)	Unemployment Rate (%)	8.0	7.8	7.8	7.8 (Feb)
CPI	2.0	2.0	1.5	0.7 (Apr)	CPI	2.8	2.4	2.7	2.8 (Mar)








  

Italy 					Russia 				
	2012	12Q3	12Q4	Latest		2012	12Q3	12Q4	Latest
Real GDP	-2.4	-2.6	-2.8		Real GDP	3.4	3.0	2.1	
Current Acc. Bal. (US\$B, ar)	-15.3	-0.7	19.7	-25.5 (Feb)	Current Acc. Bal. (US\$B, ar)	74.8	6.3	12.8	
Merch. Trade Bal. (US\$B, ar)	13.8	23.0	35.7	50.4 (Mar)	Merch. Trade Bal. (US\$B, ar)	16.1	12.8	15.5	16.1 (Mar)
Industrial Production	-6.3	-6.0	-6.6	-5.0 (Mar)	Industrial Production	-5.3	2.5	1.7	2.6 (Mar)
CPI	3.1	3.2	2.5	1.1 (Apr)	CPI	5.1	6.0	6.5	7.2 (Apr)





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

Source: Bloomberg, Global Insight, Scotiabank Economics.

## Asia Pacific

Australia 		2012	12Q3	12Q4	Latest	Japan 		2012	12Q3	12Q4	Latest
Real GDP		3.6	3.1	3.1		Real GDP		2.0	0.4	0.4	
Current Acc. Bal. (US\$B, ar)		-56.4	-68.1	-64.7		Current Acc. Bal. (US\$B, ar)		60.4	82.4	1.4	158.5 (Mar)
Merch. Trade Bal. (US\$B, ar)		6.1	1.7	-6.3	43.1 (Mar)	Merch. Trade Bal. (US\$B, ar)		-85.8	-97.6	-106.9	-116.8 (Mar)
Industrial Production		4.0	4.3	4.8		Industrial Production		-1.0	-4.6	-6.7	-5.4 (Mar)
Unemployment Rate (%)		5.2	5.3	5.4	5.5 (Apr)	Unemployment Rate (%)		4.4	4.3	4.2	4.1 (Mar)
CPI		1.8	2.0	2.2		CPI		0.0	-0.4	-0.2	-0.9 (Mar)
South Korea 						China 					
Real GDP		2.0	1.6	1.5		Real GDP		10.4	7.4	7.9	
Current Acc. Bal. (US\$B, ar)		43.1	58.2	59.3	59.7 (Mar)	Current Acc. Bal. (US\$B, ar)		290.0			
Merch. Trade Bal. (US\$B, ar)		28.3	29.9	39.8	29.4 (Apr)	Merch. Trade Bal. (US\$B, ar)		230.7	316.5	332.0	217.9 (Apr)
Industrial Production		1.2	-1.6	1.9	-1.5 (Mar)	Industrial Production		10.3	9.2	10.3	9.3 (Apr)
CPI		2.2	1.6	1.7	1.2 (Apr)	CPI		2.5	1.9	2.5	2.4 (Apr)
Thailand 						India 					
Real GDP		6.4	3.1	18.9		Real GDP		5.0	5.3	4.5	
Current Acc. Bal. (US\$B, ar)		2.7	2.7	0.9		Current Acc. Bal. (US\$B, ar)		-93.3	-22.6	-32.6	
Merch. Trade Bal. (US\$B, ar)		0.7	1.7	0.3	2.0 (Mar)	Merch. Trade Bal. (US\$B, ar)		-16.3	-16.7	-19.4	-17.8 (Apr)
Industrial Production		2.3	-10.0	42.7	1.8 (Mar)	Industrial Production		0.7	0.4	2.1	2.5 (Mar)
CPI		3.0	2.9	3.2	2.4 (Apr)	WPI		7.5	7.9	7.3	4.9 (Apr)
Indonesia 											
Real GDP		6.2	6.2	6.1							
Current Acc. Bal. (US\$B, ar)		-24.1	-5.3	-7.6							
Merch. Trade Bal. (US\$B, ar)		-0.1	0.2	-0.9	0.3 (Mar)						
Industrial Production		4.1	-0.4	11.0	11.0 (Dec)						
CPI		4.3	4.5	4.4	5.6 (Apr)						









## Latin America

Brazil 		2012	12Q3	12Q4	Latest	Chile 		2012	12Q3	12Q4	Latest
Real GDP		0.8	0.8	1.1		Real GDP		5.6	5.8	5.7	
Current Acc. Bal. (US\$B, ar)		-54.2	-35.6	-80.4		Current Acc. Bal. (US\$B, ar)		0.5	-19.6	-11.5	
Merch. Trade Bal. (US\$B, ar)		19.4	34.6	14.9	-11.9 (Apr)	Merch. Trade Bal. (US\$B, ar)		12.4	-7.3	3.8	5.4 (Apr)
Industrial Production		-2.7	-2.1	-0.6	1.0 (Mar)	Industrial Production		2.9	3.5	1.4	2.2 (Mar)
CPI		5.4	5.2	5.6	6.5 (Apr)	CPI		3.0	2.6	2.2	1.0 (Apr)
Peru 						Colombia 					
Real GDP		9.1	6.8	5.9		Real GDP		4.0	2.7	3.1	
Current Acc. Bal. (US\$B, ar)		-7.1	-2.6	-1.9		Current Acc. Bal. (US\$B, ar)		-11.4	-3.5	-3.6	
Merch. Trade Bal. (US\$B, ar)		0.5	0.4	0.5	0.3 (Mar)	Merch. Trade Bal. (US\$B, ar)		0.4	0.1	0.4	0.4 (Feb)
Unemployment Rate (%)		7.0	6.5	5.9	5.6 (Apr)	Industrial Production		0.0	-0.3	-1.9	-4.5 (Feb)
CPI		3.7	3.5	2.8	2.3 (Apr)	CPI		3.2	3.1	2.8	2.0 (Apr)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

## Interest Rates (% , end of period)

Country	12Q4	13Q1	May/10	May/17*	Country	12Q4	13Q1	May/10	May/17*
<b>Canada</b> 					<b>United States</b> 				
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	0.93	0.98	0.99	1.00	3-mo. T-bill	0.04	0.07	0.04	0.03
10-yr Gov't Bond	1.80	1.87	1.89	1.89	10-yr Gov't Bond	1.76	1.85	1.90	1.91
30-yr Gov't Bond	2.37	2.50	2.51	2.51	30-yr Gov't Bond	2.95	3.10	3.09	3.13
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US\$B)	68.4	70.0	70.0	(Mar)	FX Reserves (US\$B)	139.1	135.2	135.2	(Mar)
<b>Germany</b> 					<b>France</b> 				
3-mo. Interbank	0.10	0.11	0.10	0.13	3-mo. T-bill	-0.01	0.01	0.01	0.01
10-yr Gov't Bond	1.32	1.29	1.38	1.31	10-yr Gov't Bond	2.00	2.03	1.96	1.85
FX Reserves (US\$B)	67.4	66.6	66.6	(Mar)	FX Reserves (US\$B)	54.2	52.6	52.6	(Mar)
<b>Euro Zone</b> 					<b>United Kingdom</b> 				
Refinancing Rate	0.75	0.75	0.50	0.50	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.13	0.11	0.07	0.08	3-mo. T-bill	0.36	0.39	0.38	0.37
FX Reserves (US\$B)	332.5	326.6	326.6	(Mar)	10-yr Gov't Bond	1.83	1.77	1.89	1.87
<b>Japan</b> 					<b>Australia</b> 				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	3.00	3.00	2.75	2.75
3-mo. Libor	0.11	0.10	0.09	0.09	10-yr Gov't Bond	3.27	3.41	3.23	3.17
10-yr Gov't Bond	0.79	0.55	0.70	0.80	FX Reserves (US\$B)	44.9		40.9	(Feb)
FX Reserves (US\$B)	1227.2	1215.0	1215.0	(Mar)					

## Exchange Rates (end of period)

USDCAD	0.99	1.02	1.01	1.03	¥/US\$	86.75	94.22	101.62	102.82
CADUSD	1.01	0.98	0.99	0.97	US¢/Australian\$	1.04	1.04	1.00	0.97
GBPUSD	1.626	1.520	1.536	1.521	Chinese Yuan/US\$	6.23	6.21	6.14	6.14
EURUSD	1.319	1.282	1.299	1.284	South Korean Won/US\$	1064	1111	1106	1117
JPYEUR	0.87	0.83	0.76	0.76	Mexican Peso/US\$	12.853	12.331	12.085	12.299
USDCHF	0.92	0.95	0.96	0.97	Brazilian Real/US\$	2.052	2.022	2.020	2.034

## Equity Markets (index, end of period)

United States (DJIA)	13104	14579	15118	15289	U.K. (FT100)	5898	6412	6625	6726
United States (S&P500)	1426	1569	1634	1660	Germany (Dax)	7612	7795	8279	8401
Canada (S&P/TSX)	12434	12750	12589	12571	France (CAC40)	3641	3731	3954	4015
Mexico (IPC)	43706	44077	41742	41913	Japan (Nikkei)	10395	12398	14608	15138
Brazil (Bovespa)	60952	56352	55108	55209	Hong Kong (Hang Seng)	22657	22300	23321	23083
Italy (BCI)	873	851	943	956	South Korea (Composite)	1997	2005	1945	1987

## Commodity Prices (end of period)

Pulp (US\$/tonne)	870	900	930	930	Copper (US\$/lb)	3.59	3.44	3.35	3.32
Newsprint (US\$/tonne)	640	610	610	610	Zinc (US\$/lb)	0.92	0.85	0.83	0.82
Lumber (US\$/mfbm)	388	408	338	332	Gold (US\$/oz)	1657.50	1598.25	1426.50	1368.75
WTI Oil (US\$/bbl)	91.82	97.23	96.04	95.63	Silver (US\$/oz)	29.95	28.64	23.37	22.52
Natural Gas (US\$/mmbtu)	3.35	4.02	3.91	3.96	CRB (index)	295.01	296.39	288.68	286.89

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

### Emerging Markets Strategy

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**Scotiabank Economics**

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