Global Views

Weekly commentary on economic and financial market developments

March 22, 2013

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

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Something For Everyone In A Week Of Dispersed Global Risks

- **Please see our full indicator, central bank, auction and event calendars on pp. A3-A9.**

Canadian markets are likely to witness a floor in Canadian CPI at the same time that weak economic growth is registered next week. A sharp rise in gasoline prices is likely to lift headline CPI from the January floor of 0.5% y/y on Wednesday, but leave a muted core CPI reading largely unchanged around a 1% y/y rate. Inflation is clearly not Canada's problem. Growth is, and the next day's GDP report will probably be another soft one. Following a 0.2% m/m contraction in December, monthly GDP in January was probably roughly flat (we're forecasting a muted outcome that gets up to 0.1% m/m due to rounding). The month's negatives included housing starts that fell from a revised 197.1k in December to 160.6k in January. Most of that was in multiples that carry lower value-added in construction. Further, starts don't translate very well into residential construction, but the magnitude of the hit still leaves us expecting construction to be a drag on GDP. Employment was also soft as 21,900 jobs were lost. Despite that fact, however, hours worked actually rose by 0.2% m/m in January; given that real GDP equals hours worked times labour productivity, a rise in hours worked would be supportive of economic growth. Note that a 0.4% m/m drop in real manufacturing shipments also lands in the camp of negative influences such that both housing and manufacturing were probably negative influences on growth. Flat retail sales volumes aren't exactly a positive either. The trade picture was also mixed. While real exports were up 0.9% m/m, real imports were up by double that pace such that the real trade deficit deteriorated. Strength in imports may nonetheless signal a pull factor by the domestic economy. Also in the positive camp is that inflation-adjusted wholesale trade was up 0.5%. Canada will also auction 10s next week.

US markets will be focused upon key data and the aftermath of the FOMC statement as several key Fed officials hit the speakers' circuit. Boston Fed President Eric Rosengren (voting, dove) speaks on the economic outlook with audience Q&A on Wednesday. Minneapolis Fed President Narayana Kocherlakota (alternate 2013, voting 2014, dove) speaks on "Improving The Outlook With Better Monetary Policy" the same day. Fed Chairman Ben Bernanke speaks on a high-profile panel chaired by the BoE's Mervyn King but the topic carries lower risk of a market impact as it reviews lessons learned from the crisis. Fed NY President William Dudley speaks on Monday but the topic has not been disclosed. Data risk will be focused upon Tuesday's US durable goods orders that should rebound smartly from the 5.2% drop in January's print. Boeing aircraft orders bounced sharply higher from 2 in January to 179 in February with 143 of those planes ordered by American Airlines. That should be enough to lift headline durable goods orders but it will also be looked through by markets as they focus upon core orders particularly in terms of core capital goods orders that soared 6.3% in January such that some take-back might occur in February (see chart). Tuesday will pose high data risk through consumer confidence and new home sales figures. New home sales recently hit their highest level since July 2008 so markets will be looking for a trend and will also watch pending home sales figures following a large January gain. A bigger potential market sensitivity could arise if the Conference Board's consumer confidence metric follows the UofM's consumer sentiment figure lower after it dipped to the lowest reading since December 2011. 2012Q4 GDP is expected to be revised higher on Thursday to 0.5% from 0.1% in the second pass, but this will leave intact the broad takeaway of greater strength in the details than the inventory-distorted headline print. Finally, the theory that higher taxes and gasoline prices would carry lagged negative effects on personal spending will be tested again in the February data on Friday. Recall that a strong 1.1% rise in retail sales that same month already works against this impression. What is more likely is that the large 3.6% drop in personal incomes in January and the spike lower in the saving rate could both be

Source: Census Bureau, Scotiabank Economics

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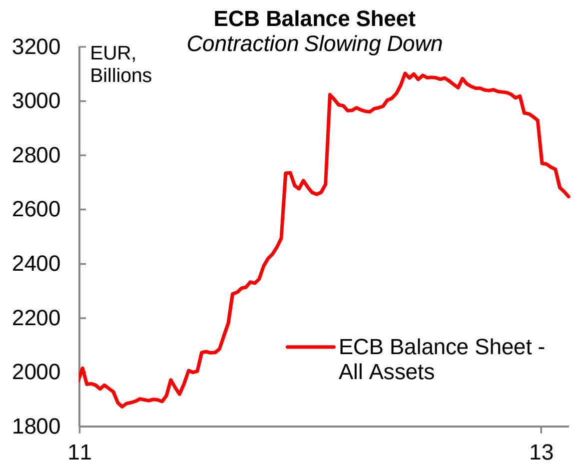
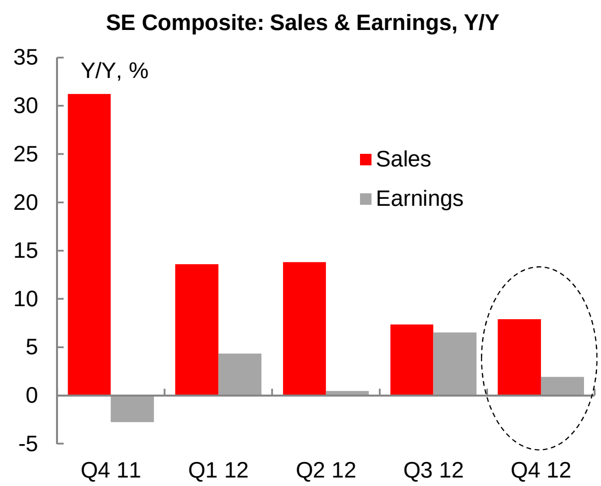
partially reversed into February particularly with tax rebates flowing through. Less influential releases will include regional surveys from the Federal Reserve District Banks of Richmond, Chicago and Dallas, initial jobless claims that are close to a five year low, and S&P Case Shiller home prices. The US auctions 2s, 5s and 7s over the course of the week.

European markets will be dominated by four principal risks in the week ahead. One concerns the risk of a ratings downgrade applied to the UK government and that would sweep across the rest of the UK market. This would follow in the wake of a budget that raised net borrowing projections by a cumulative £60 billion over the next 5-6 years compared to previous projections. Second is whether Cyprus is able to arrive at a bank restructuring plan that meets the EU and ECB's standards — and satisfies their desire to clamp down on the country's status as a tax haven. Third is that the ECB will announce the next round of LTRO repayments to be made the following week. Appetite for repaying the loans has dwindled recently (see chart) as European political and market risks have resurfaced in 2013. Finally, pockets of data risk could affect the market tone. In particular, German retail sales will probably give back some of the large 3.1% m/m rise in January, French consumer spending will attempt to reassert a reading in-the-black following a steep decline in January, and Italian retail sales will round out the readings on the European consumer.



Source: Bloomberg, ECB, Scotiabank Economics

Asian markets won't carry much sway over the global market tone next week, although the stand-out influence may be a round of economic updates on the Japanese economy for the month of February. Deflation is expected to persist in the monthly CPI updates, and retail sales probably won't sustain the large 2.3% m/m rise that was booked for January. Updates on the jobless rate, household spending, industrial production and housing starts will round out the risks. Chinese industrial profits in the month of February may set the tone for the Shanghai composite. Profit growth has been on a gradual incline since last August and in year-to-date terms stood at 5.3% in January which is up from a drop of 3.1% last summer. Private company earnings also improved in the back half of 2012 (see chart). As housing finance policies tighten, and the PBoC withdraws short-term liquidity from the market, downward pressure upon profit growth may reassert itself in lagged fashion to the policy moves.



Source: Scotia Economics, Bloomberg

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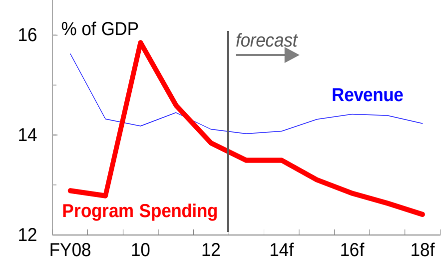
Canada's Federal Budget — Balancing The Books And Reinforcing Growth

As promoted, this *Budget's* priority is balancing the books by fiscal 2015-16 (FY16). But reinforcing job creation and economic growth are far from forgotten, using a range of measures that are either low cost or longer term.

The path to black ink is altered. Softening commodity prices and slower global and domestic growth are expected to narrow the deficit for fiscal 2012-13 (FY13) by just $0.3 billion to $25.9 billion (1.4% of GDP). In FY14, the deficit is projected to contract by $7.2 billion to $18.7 billion, followed by a dramatic $12 billion shrinkage in FY15, leaving a gap of just $6.6 billion to close the following year.

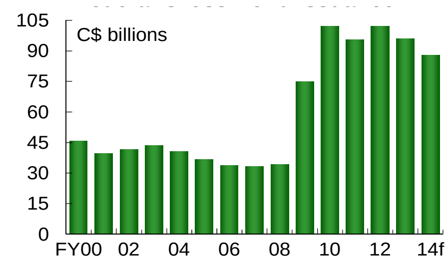
Federal Revenue and Program Spending Paths



Source: Finance Canada.

The sharp FY15 deficit improvement reflects a confluence of developments. Canada's economic growth is forecast to pick up, boosting tax receipts; the budgetary impact of the second strategic spending review will be more fully realized; and the anticipated savings from closing tax loopholes and enforcing greater tax compliance should be trending higher.

Federal Gross Bond Issuance



Source: Finance Canada.

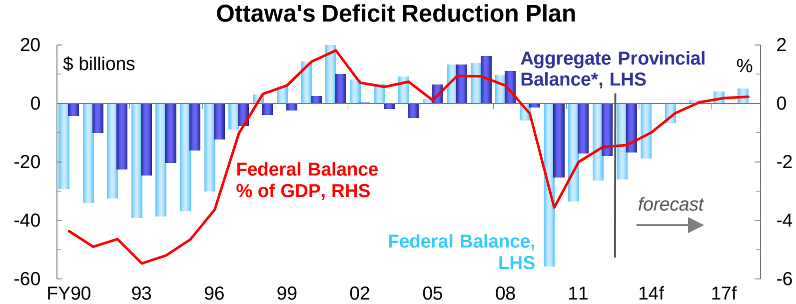
To support Canada's mid-term economic competitiveness, an overhaul of existing labour market training programs is proposed, effective in 2015; a second infrastructure program extending from FY15 to FY24 will be rolled out as the first program winds down in March 2014; funding will continue for world-class research; and support for manufacturers includes extending the accelerated depreciation on their machinery & equipment investment through 2014 and 2015.

The federal net debt is expected to peak next year at 33.8% of GDP before declining to 28.1% of GDP by FY17, outperforming the prior FY09 low. The debt service continues to benefit from historically low interest rates. Projected FY14 interest charges of $29.7 billion are just $0.3 billion higher than FY10, and represent only 11.3¢ of each revenue dollar.

Canada's federal government will stand out this year among developed nations for its financial source of funds. The repayment of principal on the purchases of insured mortgage pools under the *Insured Mortgage Purchase Program* is expected to total $41 billion in FY14, resulting in a $22 billion financial source. Gross bond issuance, therefore, is expected to drop from an estimated $96 billion in FY13 to $88 billion in FY14, while treasury bills outstanding slide from $181 billion to $149 billion. This adds to the lengthening term of the federal debt, a transition already taking place with increased 10- and 30-year issuance to take advantage of current low rates.

Markets may find the lack of immediate reduction in the deficit disappointing. However, Canada's net debt to GDP is stabilizing and the measures underway should at least trim the federal deficit to less than 1% of GDP within two years, a milestone that not many developed nations can claim.

Ottawa's Deficit Reduction Plan



* As reported by the Provinces. Source: Finance Canada, Statistics Canada, Provincial documents, Scotiabank Economics.

The full report: ***Fiscal Pulse: Canadian Federal 2013-14 Budget (March 21, 2013)*** is available on our website at http://www.gbm.scotiabank.com/English/bns_econ/fedbudget.pdf.

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Modest Improvement In Global Housing Markets

- **Residential real estate prices are gradually firming up in a number of markets internationally.**

A number of housing markets around the world showed signs of stabilization or improvement in 2012, including the U.S., the U.K., Australia and China. Overall, however, conditions remain relatively soft, and some of the hardest-hit markets, including Spain and Ireland, are still under significant pressure. In a small majority of the major housing markets in our survey, average inflation-adjusted house prices were posting year-over-year (y/y) price declines at the end of 2012 (chart 1).

Housing market conditions remain weak in much of Europe, not surprisingly given ongoing recessionary conditions, high unemployment and tight credit. Spain and Ireland continued to post large y/y real price declines through the final months of 2012, though in the case of the latter the pace of deterioration finally appears to be moderating. French property prices also were posting modest declines through year-end.

Yet several other European markets, including the U.K. and Sweden, showed signs of stabilization in late 2012. Switzerland continues to report strong, steady house price appreciation, supported by rock-bottom mortgage rates, adding to concerns of overheating. German property markets continue to firm. After over a decade of steady declines, German home prices rose for a third year in a row in 2012.

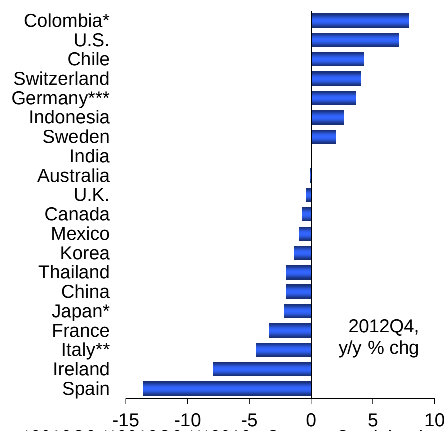
North American housing trends are diverging, with the ongoing U.S. recovery contrasting sharply with the softening market in Canada. The United States has moved to the top of the pack for price growth in our survey, as strengthening sales bump up against a shortage of listings. In Canada, tougher mortgage rules and a lack of pent-up demand have undercut sales, pulling average inflation-adjusted prices slightly below year-ago levels in the final quarter of 2012.

Latin American real estate is outperforming, supported by healthy domestic demand and resource investment. Both Chile and Colombia reported steady price growth through 2012. Mexico's housing recovery remains slow, but should get some lift this year from the recent interest rate cut and buoyant domestic production.

Asian markets are mixed. Chinese home prices are heating up again, prompting another round of official tightening measures aimed at curbing speculative activity, including stricter enforcement of capital gains taxes and higher downpayment requirements for second-home buyers. There was also a modest firming in house price trends in late 2012 in India, Indonesia and Australia, though conditions in Korea and Thailand remained soft.

Expectations of a gradual pickup in global growth combined with highly accommodative monetary policy should support a further modest improvement in global property markets in 2013. The U.S. housing market in particular appears to have considerable upside potential, buoyed by pent-up demand, near-record affordability and strengthening labour markets. In contrast, in many advanced nations, notably in Europe, the recovery will remain restrained by high unemployment, ongoing fiscal austerity and household deleveraging. Canada's housing market will likely lag, as the outperformance of recent years gives way to a period of more moderate activity and softer pricing.

Chart 1: Real House Prices



*2012Q3 **2012Q2 ***2012. Source: Scotiabank Economics

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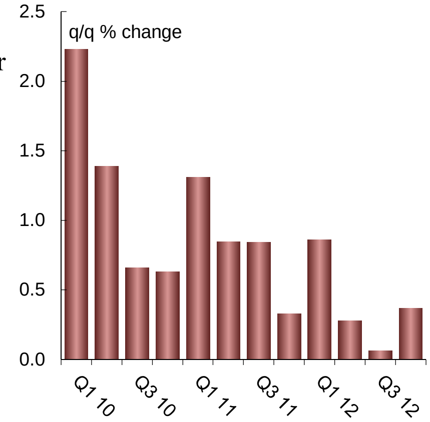
South Korean Economic Outlook 2013-14

- **Economic prospects are recovering only gradually, driven by household spending.**

The improvement of the South Korean economic outlook is only gradual; signs of an economic revival are slowly emerging with consumer confidence and leading business indicators recording modest advancements. Nevertheless, the country's very important export sector continues to show mixed signals. Real GDP growth accelerated in quarter-over-quarter terms in the final months of 2012, taking the overall economic expansion last year to 2.0%. We expect the nation's output to advance by 2.8% and 3.0% in 2013 and 2014, respectively, reflecting a pickup in private consumption and improving global demand conditions. External sector prospects are highly significant for South Korea as exports of goods and services are equivalent to over 50% of GDP. To the nation's benefit, in a time when global growth is largely driven by emerging markets, around 60% of South Korean exports are directed towards developing economies. China is the most important export destination (accounting for a quarter of all Korean shipments abroad); therefore, that economy's revival will be a significant factor for the South Korean economic outlook.

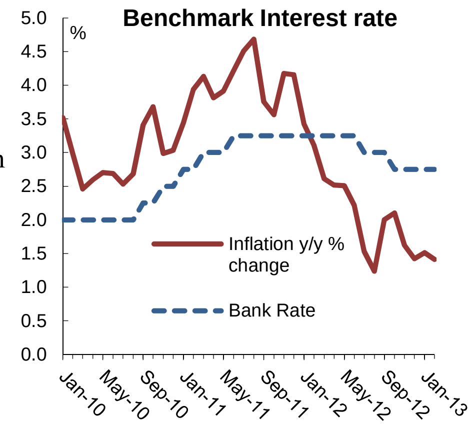
Real GDP Growth



Source: Bloomberg, Scotiabank Economics.

The inflation outlook remains manageable; at 1.4% y/y in February, consumer price inflation remains below the Bank of Korea's 2-4% target range. While price pressures will likely build up gradually over the forecast horizon, we expect inflation to remain under the 3% mark through 2014. Monetary conditions are set to remain accommodative in the coming months. The most recent benchmark interest rate reduction took place in October 2012, taking the key rate to the current level of 2.75%. While we assess that the monetary easing cycle has reached its bottom, we acknowledge the fact that the possibility of a further small interest rate cut has increased recently along with the relatively slow pickup in the domestic economy.

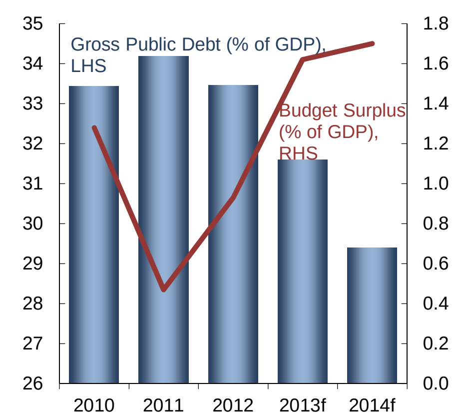
Inflation and Central Bank Benchmark Interest rate



Source: Bloomberg.

Public sector finances remain among the healthiest in the OECD, with budget surpluses recorded since 2010; South Korean policymakers continue to prioritize solid government finances, recognizing the looming challenges related to an aging population. Gross government debt should hover around 30% of GDP through 2014, comparing favourably with an overall OECD average of around 110%. On the external side, improvements in both services and income balances last year translated into a stronger current account position, with the surplus reaching 3¾% of GDP in 2012. As domestic demand recovers faster than exports, the surplus will likely narrow slightly to around 3⅓% of GDP in 2013-14.

Government Finances



Source: IMF, OECD.

South Korea has a new president; the five year term of Park Geun-hye from the New Frontier party commenced on February 25th. Her agenda focuses mainly on revising the nation's welfare system, and targeting domestic demand-driven economic growth with an emphasis on services, while moving away from export-dependence that is characterized by the dominance of the country's large conglomerates.

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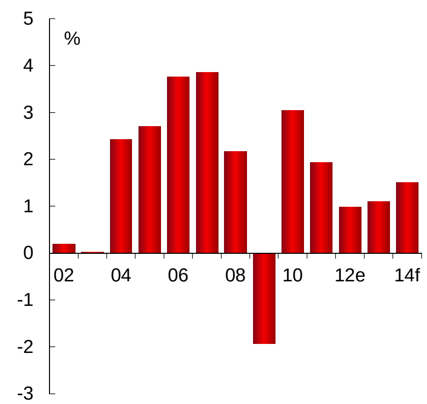
Switzerland — Economic Outlook 2013-14

- **Modest growth momentum maintained despite persistent currency strength.**

Following the sharp weakening in the Swiss franc (CHF) on the back of a softening in risk aversion at the start of 2013, optimism has faded once again following the inconclusive Italian elections and Cypriot bailout, and EURCHF has returned to around the 1.22-mark. Given that investor demand for safe-haven assets will remain high over the next year (Switzerland is one of a dwindling group of triple-A rated sovereigns with a "stable" outlook), and as the Swiss National Bank (SNB) has demonstrated its willingness to purchase unlimited quantities of foreign currency in defence of the policy, the official exchange rate floor will likely remain in place for the foreseeable future.

Economic growth prospects are modest in the context of recessionary conditions in the euro area; we expect real output expansions of 1.1% in 2013 and 1.5% in 2014. Growth decelerated sharply from mid-2011 as the flare-up in the euro crisis had investors rushing for cover in high-quality assets, pushing the franc up to threatening heights and in turn weighing on Swiss exports. Nevertheless, with low unemployment (hovering around 3%) and interest rates supporting domestic spending (in spite of ongoing deflation), in addition to a relatively accommodative fiscal stance, the economy has managed to avoid a technical recession, advancing by 1% overall in 2012. With roughly half of total shipments abroad destined for the euro zone (20% to Germany), ongoing weakness in the currency union will keep export growth subdued this year. Emerging-market demand, particularly from China, for Switzerland's high value-added goods (including pharmaceuticals and luxury items) should continue to build over the longer term.

Real GDP Growth

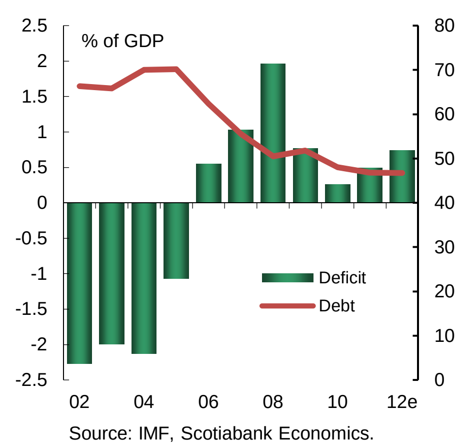


Source: IMF, Scotiabank Economics.

Persistent deflationary pressures will warrant ultra-low interest rates through 2015. After reaching –1.1% y/y in June 2012, the pace of decline in consumer prices has eased, reaching –0.3% y/y in January-February. The rate is expected to average around –0.2% y/y this year before turning modestly positive in 2014. The baseline forecast of the SNB includes an unchanged target range for the three-month Libor at 0-0.25% over the next three years. Signs of overheating in the mortgage and real estate markets in the context of prolonged low interest rates have raised the risk of banking sector destabilization. With mortgage debt topping 105% of GDP, the SNB proposed an activation of the countercyclical capital buffer, which requires banks to hold 1% of risk-weighted against residential mortgage loans.

Switzerland's ongoing fiscal adjustment is underpinned by a debt brake introduced in 2003 whereby spending is subject to an annual ceiling based on expected revenues. Gross government debt fell from 70% of GDP in 2005 to an estimated 47% in 2012 (according to IMF methodology), and the downward trajectory should continue in the years ahead. Fiscal surpluses have averaged nearly 1% of GDP since 2006. The IMF has advised the authorities to adopt a more supportive fiscal stance to complement monetary policy in view of low inflation and below-trend growth prospects. A small deficit could emerge in 2013-14 if local government budget pressures intensify and/or reduced profitability in the banking sector dents tax revenue. Switzerland has maintained a current account surplus for more than three decades, averaging over 10% of GDP since 2002 thanks to a large net services balance.

General Government Finances



Source: IMF, Scotiabank Economics.

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UK Budget 2013

Key Themes:

- **Growth forecast halved for 2013 to 0.6% y/y…**
- **…down a bit during 2014 and beyond, but not enough;**
- **Net borrowing projection up by around GBP10bn per year;**
- **Budget measures fiscally neutral…**
- **…Structural deficit narrows by around 1% of GDP per year;**
- **Micro measures were the focus of discretionary announcements;**
- **Gilt issuance GBP151bn during 2013-14 – low end of consensus range...**
- **…though cumulatively there will be GBP60bn more issued over the next 5-6 years…**
- **…and without QE, the market will have to absorb much more than of late.**
- **BoE Remit — evolution, not revolution**

Overview

The Budget could have gone one of two ways. In the face of a slump in popularity, a lack of economic growth and an overshoot in government borrowing, the Chancellor might have softened the austerity programme. The alternative was to stick to the current pace of fiscal tightening, but to micro-manage the underlying policies to make the best of a bad situation.

In the event, Chancellor George Osborne opted for the latter. The policies announced in this Budget were fiscally neutral. The structural deficit will continue to narrow by an average of 1% of GDP per year. However, Osborne has tweaked and fine-tuned a number of discretionary policies in an attempt to minimise the drag on growth coming from fiscal policy.

We would have preferred to have seen at least some relaxation in the thrust of fiscal policy in order to provide a more immediate boost to growth. Nonetheless, given Osborne's chosen strategy to fine tune, he didn't do a bad job. Two highlights included policies aimed at boosting construction and the housing sector — especially since construction is currently a major drag on economic growth. Furthermore, these measures may help to promote the success of the FLS. Secondly, there were incentives for small and medium sized businesses to take on new workers via the National Insurance Contributions incentives.

GDP revised down…again!

It wasn't the first time the Chancellor has had to aim lower on growth and it is unlikely to be the last time. The OBR's GDP growth projection for 2013 was halved to 0.6% y/y from 1.2% y/y 3 months ago. Our own forecast is around 0.5% y/y and we could easily be proven too optimistic. The consensus is way too high at 0.9% y/y.

The projection for growth during 2014 is still too high in our view, even though it was pushed down to 1.8% y/y from 2.0% y/y previously (we see 1.4% y/y). Moreover, GDP growth is still assumed to be in the 2.3-2.7% y/y bracket in 2015-2016 — despite on-going austerity.

When was the last time the UK saw GDP growth of 2.0% y/y — let alone 2.5% y/y? We got close for all of 5 minutes during mid-2010. That aside you have to go back to H1-2008 to get close to that pace. Bear in mind that 2.5% y/y assumed in 2015-2016 is an annual average — so at some points the growth rate is expected to be even higher than that. We have our doubts that the OBR's optimism will come true meaning that there is likely to be more slippage in the borrowing figures further ahead.

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Public Sector Net Borrowing (Ex-this, that and the other)

Government borrowing was revised up by an average of around GBP10bn per year over the forecast horizon. That is a broadly in line with expectations. In particular over the fiscal year just ended the undershoot in growth and overshoot in inflation expectations argued for that kind of overshoot.

The thrust of fiscal policy remains the same. The structural deficit is projected to narrow by an average of 1.0% of GDP per. Assuming a fiscal multiplier of ½ - that means a drag on growth of around ½% per year. In isolation, the projected drop in the government expenditure component of GDP will subtract around ½% from growth.

Table 1: Economic Growth Assumption

	GDP % y/y				
	2012	2013	2014	2015	2016
OBR (Mar-13)	0.2	0.6	1.8	2.3	2.7
OBR (Dec-12)	-0.1	1.2	2.0	2.3	2.7
Change	*0.3*	*-0.6*	*-0.2*	*0*	*0*
Scotia		0.5	1.4		
Consensus		0.9	1.7		

Table 2: PSNBx Projections

	PSNBx xRMPP & APF GBP bn					
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
OBR (Mar-13)	-121	-120	-108	-96	-67	-43
OBR (Dec-12)	-120	-112	-99	-81	-56	-31
Change	*-1.1*	*-8*	*-9*	*-15*	*-11*	*-12*

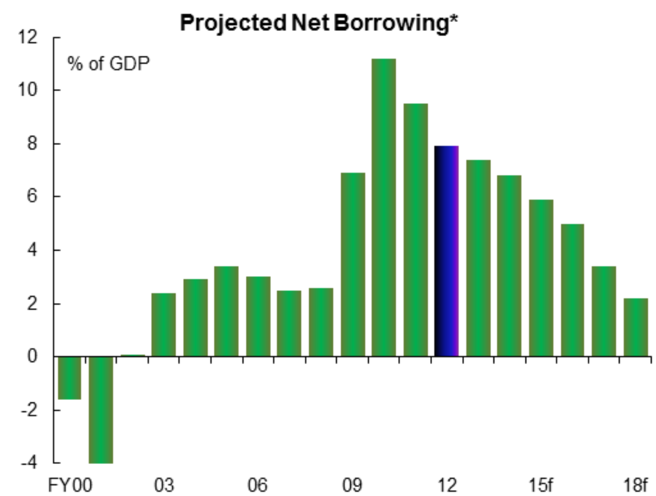
DMO remit

The updated DMO remit pointed to gilt issuance of GBP151bn over the coming fiscal year — the low end of the consensus range (which was between GBP150bn and GBP170bn). That was despite the near GBP10bn increase in the projection of government borrowing. T-bills soaked up around GBP11bn of the government's financing requirement.

Despite the lower than expected gilt issuance projection over the coming year, there will be a cumulative GBP60bn of extra supply over the forecast horizon. Furthermore, in the absence of further QE (which seems likely given the tone of the latest MPC minutes) the market is going to have to absorb rather more conventional gilt issuance than it has done in recent years.

We calculate that the market will have to absorb GBP115bn of conventional gilt issuance over the coming year compared to GBP78bn last year and GBP15bn a year earlier. There is a price for everything, and given the glut of supply coming to market, the price of gilts much beyond the 5-year feels a bit high.

Chart 1: Projected Net Borrowing as % of GDP (*Blue marks 2012-13).



* Current Budget balance plus Net Investment. Including Royal Mail Pension Plan, FY2012-13 net borrowing estimated at 5.6% of GDP. Source: HM Treasury.

	1-y Change in Cyc Adj PSNBx xRMPP & APF % of GDP					
	2012-13	2013-14	2014-15	2015-16	*2016-17*	Average
OBR (Mar-13)	0.0	0.8	1.2	0.8	1.5	0.9
OBR (Dec-12)	1.1	1.1	0.9	0.9	1.2	1.0
Change	*-1.1*	*-0.3*	*0.3*	*0.0*	*0.3*	*-0.2*

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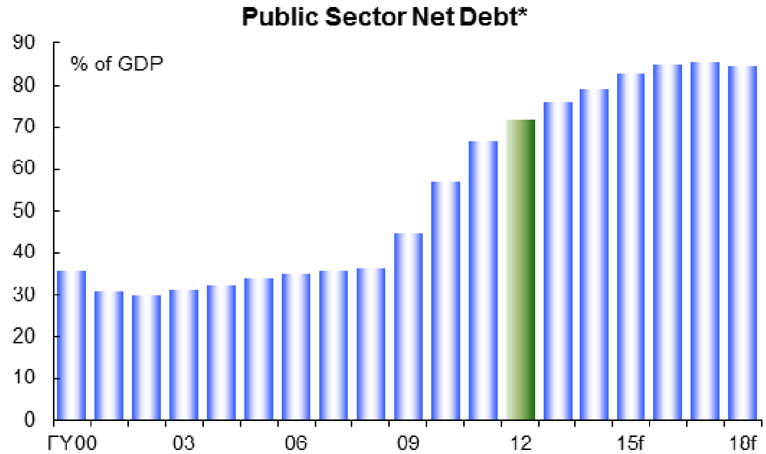
Fiscal rules

There are two fiscal targets. Firstly, the cyclically adjusted current budget should be expected to close over a rolling five year window. This is still expected to be the case thus the OBR judged that there is an above 50% probability that this rule will be met.

The second fiscal rule is that the debt to GDP ratio should begin to fall by 2015-16. According to the new projections, the debt to GDP ratio begins to fall only in 2017-18 hence this goal has been missed.

Chart 2: Public Sector Net Debt % of GDP



* Central & local governments and public corporations excluding financial-sector interventions.
Source: HM Treasury

Downgrade Coming

The projections for the net debt to GDP ratio were pushed up by around 5% by 2017 — peaking at 85.6%. That ratio will continue to be upward sloping until after the next general election. This, in combination with a sluggish growth outlook suggests to us that at least one of Fitch or S&P will downgrade the UK's triple a rating — potentially as soon as this Friday.

Key discretionary policy measures

The following is a list of the 10 most significant discretionary policy measures announced in this Budget:

i) GBP3bn of infrastructure spending…

ii) …paid for by a further cutback in departmental spending over the next 2 years;

iii) Tax hikes on beer frozen (previously scheduled to rise by 2 percentage points above RPI inflation) and a 1p per pint immediate cut in duty. The impact on inflation is likely to be minimal — probably around 0.025% points;

iv) Scrapping the petrol price tax hike scheduled for the Autumn;

v) The FLS will be reviewed (most likely tweaked to incentivise increased lending to SMEs);

vi) The threshold above which income tax is levied will be raised to GBP10k in 2014-15 — one year ahead of schedule;

vii) Businesses and Charities will be given a GBP2k employment allowance per year towards their National Insurance bill (i.e. the impediment for small businesses to hire is reduced);

viii) Incentives for first time buyers of new build properties. The government will provide an equity loan worth up to 20% of the value of a new build home. Furthermore, the government will provide a mortgage guarantee for those with small deposits (5-20%);

ix) Corporation tax cut to 20% from 2015 (though bank levy raised so banks don't benefit); and

x) Promoting shale gas projects.

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The house buying initiatives may prove to be a catalyst to help the Funding for Lending Scheme (FLS) to be more successful. There have always been question marks over the potential appetite for loans given that not many first time buyers have a sufficiently big deposit. That should be less of an issue now that the government will provide a leg-up to the first rung of the property ladder. Furthermore, if lenders were previously risk averse and loathe to lend to higher loan to value customers — the guarantees that the government is offering should make lenders less nervous. At the same time, these incentives should support the construction sector, which is currently one of the biggest drags (if not the biggest) on overall economic growth.

BoE Remit

The Chancellor announced that the Bank of England MPC's remit will be modified. However, this was a case of subtle evolution rather than an abrupt change of strategy.

- Far from going soft on inflation, hitting the 2% inflation target over the medium term will remain central to the MPC's remit. That target remains the CPI, not the new CPIH measure.
- The spirit of the previous remit was maintained, but augmented with more specific guidance.
- In exceptional circumstances, shocks to the economy may be lead to a reassessment by the BoE of the trade -offs between the speed of getting inflation back to target, versus undesirable volatility in output.
- The MPC will have to report back to the Chancellor at the time of the August *Inflation Report* with regards to 'intermediate thresholds'. This is likely to cover the possible use of forward guidance on interest rates or contingent conditions such as keeping policy loose until certain growth, wages or employment thresholds are hit.

The timing of letters between the BoE Governor and the Chancellor has been modified slightly for occasions when inflation has moved more than 1% point away from target. These will now come at the same time as the MPC minutes. This is intended to allow the committee to form and communicate its strategy to get inflation back to target.

Implications for Linkers

The direct implications for inflation are fairly muted. Cancelling the scheduled increase in petrol taxes would in theory be worth 0.1 — 0.15% points off of headline inflation. However, given the recent track record, most, including ourselves, had already assumed that this was unlikely to happen anyway.

The 1p per pint of beer reduction in tax and the freeze in its duty makes precious little difference to the inflation outlook. We calculate that this is worth just 0.025% points on headline RPI inflation.
The more meaningful takeaway points for inflation should be that the BoE and government are not likely to go soft on inflation. That is not to say that we don't think that inflation will continue to overshoot — not least given the weaker GBP and the pre-programmed price hikes that are already in the pipeline. Rather, we believe that speculation of a radical shift in the MPC's focus was overdone. Breakevens rose to the right sort of level, but for the wrong reasons.

Overall

The Budget maintains the Coalition government's commitment to a sustained decline in the structural deficit. Even with the government's planned restraint, a two percentage point rise in interest rates today from historically low levels is estimated to raise interest charges by £5.1 billion in fiscal 2014-15 and by a hefty £12.6 billion by fiscal 2016-17. We have our doubts that gilt investors are about to dump their holdings, but for the Chancellor this is clearly a case of it is better to be safe than sorry.

As such, this Budget was about making the best of a bad situation. We doubt that anyone would be in a hurry to upgrade their growth projections on the back of it. The measures and the timings make this Budget more about the politics than the economics for now. If there is going to be a radical shift in stance or giveaways, it is likely to be a year from now in the build up to the next election.

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UK: Help To Buy

Budget Housing Measures Look Supportive

Two of the most eye catching measures announced in this week's budget look like decent attempts at boosting the housing market and construction sector. The construction sector is the biggest drag on growth currently, subtracting around 2/3% off % y/y growth. We believe that the schemes announced will be a catalyst to boost take-up of the FLS, support house prices and construction activity. There were two schemes announced:

Help to Buy Equity Loan

From next month, as long as an individual has a 5% deposit, they will be able to buy a new-build property worth up to £600k and benefit from a 20% equity loan from the government. That loan from government (up to £120k) is interest free for 5 years and then is subject to a 1.75% fee during year 6, and that fee rises by RPI+1 each year after that.

Previously, buyers with just a 5% deposit had to pay somewhat higher mortgage rates on a 95% LTV loan. Similarly, banks and building societies have been reluctant to extend mortgages to the most risky high LTV borrowers. Technically, with the help of 'bank of George and Dave' these buyers are now 75% LTV borrowers in disguise. That is, as long as the Government suffers the first loss in the event of foreclosure.

We believe that this is a particularly attractive proposal. By way of example if an individual were to use the scheme to the max they would:

1. Buy a new build house for £600k
2. Put down a £30k deposit (i.e. 5%)
3. The government puts down a £120k deposit for you
4. The buyer pays no interest on the £120k government loan for 5 years
5. then pays a 1.75% fee in year 6 on that £120k — which costs £2100
6. That fee rises by RPI+1% each year thereafter — assume RPI inflation is 3.5%...
7. ...so a 4.5% increase in that fee means fee in year 7 is £2195
8. The fee implies an interest rate on the 120k loan from government of around 2% - fixed for the 25 year life of that mortgage.

We believe that this is a very attractive proposal. It cannot be used for buy-to-let. We also gather (from twitter, not official sources) that a legal declaration is required to state that the purchase is not for a second home. However, there are a couple of unanswered questions:

How big is the economic impact likely to be?

- The Treasury has allocated £3.5bn over a 3 year period.
- The scheme will help 70k transactions over that period, or an average of 23k per year.
- That is set against around 700k transactions per year currently. So the incremental maximum 23k transactions per year only represents 2-3% of annual housing turnover.
- Nonetheless, the feel-good factor and boost to new-build property prices and the boost to construction and ripple effects more widely are likely to be positive news

Will lenders see me as a 75% loan to value customer, or a 95% LTV customer?

If I have just a 5% deposit I am still a very highly levered borrower. I may only be asking the building society for a 75% Loan to Value mortgage but they know that the bank of Dave and George are lending me the other 20%. We will find out over the coming weeks whether or not the lenders see the situation this way. Presumably, as long as the Government takes the first loss on foreclosures, the borrowers should be treated as less risky 75% LTV borrowers.

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Help to Buy Mortgage Guarantee Scheme

The second of the two government schemes is essentially an insurance policy. From January 2014, lenders will have the option to purchase a guarantee from the government to cover losses on the top 20% of a high LTV mortgage. The fee has yet to be announced, but is described as being at a commercial rate. The insurance will cover 95% of the losses on that top 20% slice of the mortgage. The scheme will be available to all properties except buy-to-lets. In contrast with the equity loan scheme, it does not just apply new builds.

Once again, this should help to remove an obstacle for home buyers who only have small deposits that cannot access the most competitive borrowing rates. This scheme is likely to be much bigger — around 570k households could benefit (around 2% of total UK households) over the three year lifetime of the scheme. One aspect of the scheme which has been attacked by the opposition is that existing mortgage holders may use the scheme to refinance their loans more cheaply. While that may take away from the scheme's original intentions to generate fresh residential demand, we don't see refinancing existing mortgages as a bad thing.

More specifically, when an existing homeowner has come to the end of a fixed or tracker rate deal, if they have suffered a fall in their house price their LTV may be somewhat elevated — e.g. close to 95%. This would exclude the possibility of making use of the fall in mortgage rates that have resulted from the FLS. However, the Help to Buy Mortgage Guarantee Scheme helps people in this situation to refinance at more competitive rates available to lower LTV borrowers.

In economic terms, households in general (well — around 2% of all households) will see their real household disposable income improve slightly as their interest burden falls. That leaves more spare cash to spend on discretionary goods and services and hence a boost to growth.

RPI is not fit for purpose…but the Help to Buy Scheme will use it anyway

This week the RPI lost its status as a National Statistic. It is no longer judged to be fit for purpose or up to international standards. It will continue to be published in its current form and used as the reference index for inflation linked gilts and other contracts. Yet despite being discredited, the fee on the Help to Buy scheme is based on the RPI!

The ONS produces a more statistically acceptable measure called the RPIJ. The government has linked various benefit and pension payments to the CPI. The Bank of England's target is the CPI. The ONS has also introduced the CPIH measure of inflation. All of these are somewhat lower than the RPI — perhaps that was why they chose the RPI for the Help to Buy scheme's fee? In the government's defence, the RPI does reflect increases in mortgage rates, so that may make it a little more appropriate than the CPI. But why not use the RPIJ!

Parallels with Australia?

In October 2008, the Australia introduced the First Home Owner's Grant (FHOG). AUD14k was given to first time buyers of existing properties, and AUD21k for first time buyers of new homes. It is probably no accident that house price inflation in Australia spiked up from a trough of -5% y/y in late-2008 all the way up to 17.5% y/y by early 2010 just as the scheme ended. For the record, house price inflation subsequently dipped back down into negative territory during 2011 — although clearly other things were at work over this period.

Nonetheless, critics of the UK government's scheme have good reason to argue that it will benefit those that take part and buy a new build property (as long as they compete before prices jump). However, for aspiring homeowners that don't take part — any rise in house prices will leave a potential house purchase even further out of reach.

Conclusion

This scheme should be very popular politically. It should alleviate some of the obstacles that are holding back the success of the funding for lending scheme and the transmission of record low Bank Rate to mortgages. It should also help to boost construction activity which is the biggest drag on GDP growth at present.

The biggest downside is that this is likely to provoke an increase in house price inflation which pushes house prices even further out of reach of those that do not take part in this scheme. However, those are likely to be in the minority. In the past, positive house price inflation has been good for consumer confidence, consumer spending and overall growth. Overall, we think that this is a good idea and good for growth.

Global Views

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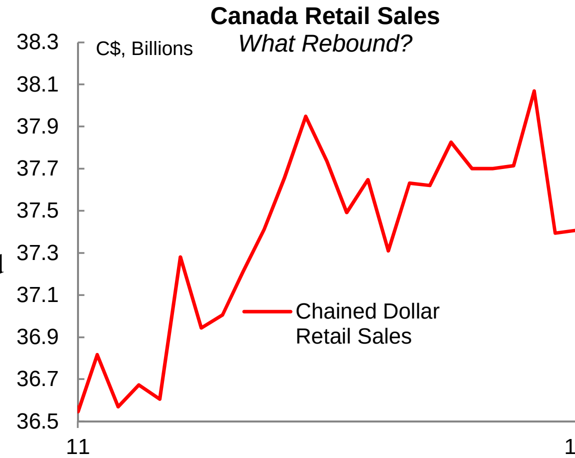
Key Data Preview

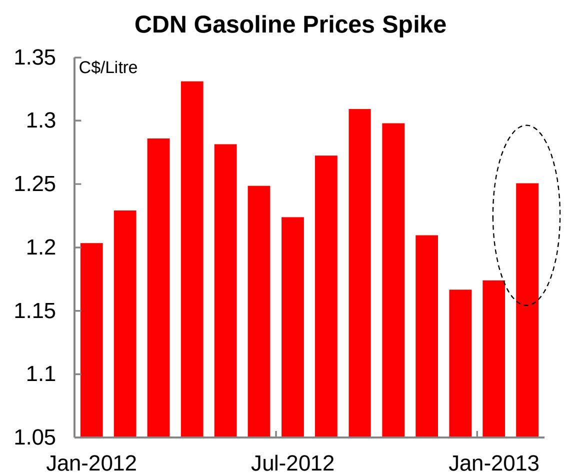
CANADA

GDP numbers for January are not looking particularly strong. A fairly mixed confluence of factors has us forecasting a muted 0.1% m/m increase in overall output. Some important components of the economy were soft in January: a) Housing starts fell to 160k from 191k in January, b) manufacturing sales volumes fell by 0.4% m/m, and c) retail sales volumes were flat. We also know that the existing home sales segment was soft which could lead to some weakness in the finance and real-estate subsector. Counteracting factors were: a) solid exports and imports, b) a 0.5% m/m increase in wholesale sales volumes, and c) a 0.2% m/m increase in hours worked. The bigger picture story is that a variety of Canadian economic indicators turned south in December and the rebound in January thus far has been less than one might have hoped for (see chart).



Source: Statistics Canada, Scotiabank Economics

The soft economic situation is one of the factors that explains the sluggishness that has been observed in **CPI** over the past 6 months. Nonetheless, Scotiabank is looking for an uptick in consumer prices in February that will see headline CPI (NSA) rise by 0.8% m/m bringing year-on-year CPI to 0.9%. Part of the increase will simply be seasonal: prices in a variety of subcategories including recreation costs, household operations costs, and health and personal care costs typically rise during February. Adding to the normal seasonal CPI advance in February, Canadian gasoline prices were up by 5.4% m/m during February (see chart). Note that even given the strength that we anticipate in February CPI, overall price growth remains fairly soft with year-on-year CPI unlikely to eclipse 1%.



Source: Scotia Economics, Bloomberg

UNITED STATES

Durable goods orders should bounce back from a superficially awful January and we're expecting a 3% m/m rise in February. The key component here is a resurgence in orders of aircraft at Boeing, which fell to 2 planes in January and rebounded to 179 planes in February, dropping the value of overall durable goods orders by USD4.4bn or roughly 2.5% of the January total and leading us to anticipate that the pick-up in orders will add back approximately USD4.5bn to the order book alone. Strong assemblies of motor vehicles (+2.9% m/m in February according to the Federal Reserve's industrial production numbers) should help out as well. Note that new orders of capital goods ex-defense and aircraft rebounded strongly in January; it will be interesting to see if the momentum can be sustained.

Personal consumption numbers have been one of the surprises of 2013 thus far. While one might have expected consumers to express caution to start the year in light of tax hikes (and the very real possibility of more to come) instead they have been spending fairly freely according to macroeconomic data (although updates from major retailers including Walmart have been more guarded). We're expecting personal spending to rise by 0.7% m/m in February following comparably strong retail sales numbers. Incomes should also be solid (we're looking for a 0.9% m/m increase) after data on February wages released as part of the BLS's establishment survey were up by 0.8% m/m.

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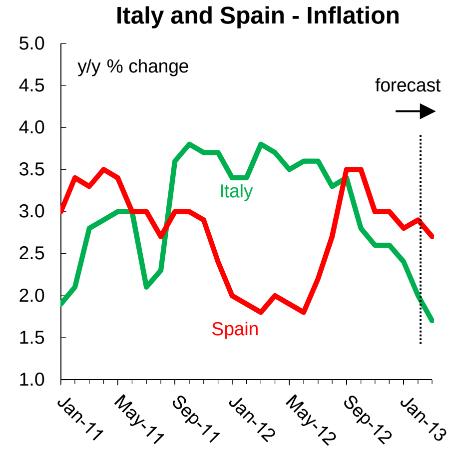
EUROPE

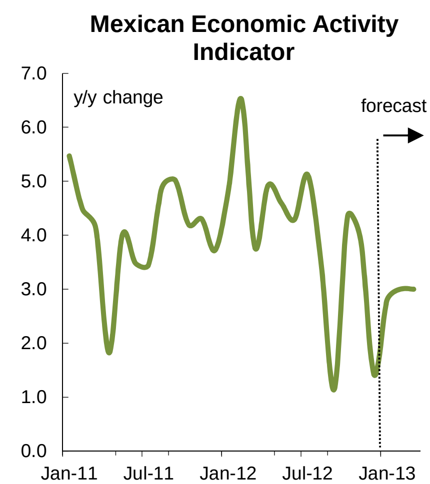
Preliminary consumer price inflation data for March will be released for select countries in the euro zone next week. We expect to see a further moderation in price gains in Spain (Wednesday) and Italy (Friday) on the back of continued softening in domestic wage and cost pressures (core inflation eased in Italy in February, though it edged up slightly in Spain). Both Spain and Italy have been in recession since the second half of 2011, with further output losses anticipated this year. Moreover, the base effect for energy prices this month will also help to bring down the headline rate across the euro zone. We anticipate a decline in the Spanish rate from 2.9% y/y to 2.7%, and in the Italian rate from 2.0% to 1.7%. The European Central Bank's latest macroeconomic projections show an expected average inflation rate of 1.6% y/y this year and 1.3% in 2014 for the region as a whole (measurably lower than the "below, but close to, 2%" target). This profile could justify monetary easing in the near term in the case that economic indicators continue to disappoint.



Source: Bloomberg, Scotiabank Economics.

LATIN AMERICA

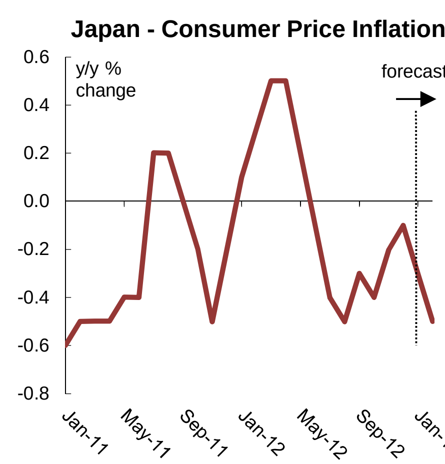
After a modest deceleration in the Mexican economy in December, we anticipate a mild rebound in the first few months of the year gaining more speed as the year goes by. The monthly economic activity indicator expanded by a weak 1.4% y/y in December, after growing on average by 3.1% y/y in the previous three months. Recent indicators for January such as retail sales and industrial production have pointed to a recovery in that month. We expect the economy to have expanded by 2.8% y/y in January, to be followed by an acceleration to rates above the 3.0% mark in the first half of the year, supported by the strong auto sector and a recovery in construction.



Source: Thomson Reuters, Scotiabank Economics.

ASIA

February consumer price inflation data for Japan will be released on March 28th. Deflationary pressures persist in Japan with prices declining by 0.3% y/y in January, marking the seventh consecutive monthly fall. Japanese authorities continue their decisive fight against deflation, relying on large-scale asset purchases to influence the cost of long-term funding in order to eventually reach the Bank of Japan's new inflation target of 2%. Nevertheless, deflationary pressures are likely to persist in the near term; we estimate that prices declined by 0.5% y/y in February (and remained flat on a month-to-month basis). The significant recent yen depreciation combined with the policymakers' efforts should eventually translate into modest price increases; we assess that the period of deflation will come to an end around mid-year, with inflation creeping gradually higher towards 0.7% y/y by the end of the year.



Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of March 25 - 29

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	03/25	10:00	Global Economic Indicator IGAE (y/y)	Jan	2.8	--	1.4
US	03/25	10:30	Dallas Fed. Manufacturing Activity	Mar	6.0	3.5	2.2
US	03/26	08:30	Durable Goods Orders (m/m)	Feb	3.0	3.9	-4.9
US	03/26	08:30	Durable Goods Orders ex. Trans. (m/m)	Feb	0.5	0.7	2.3
US	03/26	09:00	S&P/Case-Shiller Home Price Index (m/m)	Jan	0.8	0.8	0.9
US	03/26	09:00	S&P/Case-Shiller Home Price Index (y/y)	Jan	--	7.9	6.8
US	03/26	10:00	Consumer Confidence Index	Mar	70.0	67.2	69.6
US	03/26	10:00	New Home Sales (000s a.r.)	Feb	440.0	424.0	437.0
US	03/26	10:00	Richmond Fed Manufacturing Index	Mar	10.0	6.0	6.0
US	03/27	07:00	MBA Mortgage Applications (w/w)	MAR 22	--	--	-7.1
CA	03/27	08:30	Core X8 CPI (m/m)	Feb	0.5	0.4	0.1
CA	03/27	08:30	Core X8 CPI (y/y)	Feb	1.0	1.0	1.0
CA	03/27	08:30	CPI, All items (m/m)	Feb	0.8	0.7	0.1
CA	03/27	08:30	CPI, All items (y/y)	Feb	0.9	0.8	0.5
CA	03/27	08:30	CPI SA, All items (m/m)	Feb	--	--	-0.1
CA	03/27	08:30	Core CPI SA, All items (m/m)	Feb	--	--	0.1
MX	03/27	10:00	Trade Balance (US$ mn)	Feb P	--	--	-2866.4
US	03/27	10:00	Pending Home Sales (m/m)	Feb	1.0	0.3	4.5
CA	03/28	08:30	IPPI (m/m)	Feb	--	0.5	0.0
CA	03/28	08:30	Raw Materials Price Index (m/m)	Feb	--	2.0	3.8
CA	03/28	08:30	Real GDP (m/m)	Jan	0.1	0.1	-0.2
US	03/28	08:30	Initial Jobless Claims (000s)	MAR 23	340	340	336
US	03/28	08:30	Continuing Claims (000s)	MAR 16	3075	3042	3053
US	03/28	08:30	GDP (q/q a.r.)	4Q T	0.3	0.5	0.1
US	03/28	09:45	Chicago PMI	Mar	--	56.5	56.8
US	03/29	08:30	PCE Deflator (m/m)	Feb	0.5	0.5	0.0
US	03/29	08:30	PCE Deflator (y/y)	Feb	1.4	1.4	1.2
US	03/29	08:30	PCE ex. Food & Energy (m/m)	Feb	0.1	0.1	0.2
US	03/29	08:30	PCE ex. Food & Energy (y/y)	Feb	1.3	1.3	1.3
US	03/29	08:30	Personal Spending (m/m)	Feb	0.7	0.6	0.2
US	03/29	08:30	Personal Income (m/m)	Feb	0.9	0.8	-3.6
US	03/29	09:55	U. of Michigan Consumer Sentiment	Mar F	72.0	73.0	71.8

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	03/25	06:59	Retail Sales (m/m)	Feb	--	-0.6	3.0
UK	03/25	07:59	Nationwide House Prices (m/m)	Mar	--	0.2	0.2
SP	03/26	06:59	Budget Balance YTD (€ mn)	Feb	--	--	-12729.0
TU	03/26	08:00	**Benchmark Repo Rate (%)**	Mar 26	**5.50**	**5.50**	**5.50**
HU	03/26	09:00	**Base Rate (%)**	Mar 26	**5.00**	**5.00**	**5.25**
FR	03/26	13:00	Total Jobseekers (000s)	Feb	--	--	3169.3
FR	03/26	13:00	Jobseekers Net Change (000s)	Feb	--	22.8	43.9
FR	03/27	03:45	GDP (q/q)	4Q F	-0.3	-0.3	-0.3
SP	03/27	04:00	CPI (y/y)	Mar P	--	2.7	2.8
SP	03/27	04:00	CPI - EU Harmonized (y/y)	Mar P	2.7	2.7	2.9
SP	03/27	04:00	Real Retail Sales (y/y)	Feb	--	--	-9.0
UK	03/27	05:30	Business Investment (q/q)	4Q F	--	-1.2	-1.2
UK	03/27	05:30	Current Account (£ bn)	4Q	--	-12.5	-12.8
UK	03/27	05:30	GDP (q/q)	4Q F	-0.3	-0.3	-0.3

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

Key Indicators for the week of March 25 - 29

Europe *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
EC	03/27	06:00	Business Climate Indicator	Mar	--	-0.8	-0.7
EC	03/27	06:00	Economic Confidence	Mar	--	90.4	91.1
EC	03/27	06:00	Industrial Confidence	Mar	--	-12.0	-11.2
SP	03/27	07:59	Current Account (€ bn)	Jan	--	--	4.9
UK	03/27	20:01	GfK Consumer Confidence	Mar	--	-27.0	-26.0
GE	03/28	04:55	Unemployment (000s)	Mar	-1.0	-1.5	-3.0
GE	03/28	04:55	Unemployment Rate (%)	Mar	6.9	6.9	6.9
UK	03/28	05:30	Index of Services (m/m)	Jan	--	0.3	-0.4
FR	03/29	03:45	Consumer Spending (m/m)	Feb	--	0.3	-0.8
FR	03/29	03:45	Producer Prices (m/m)	Feb	--	0.1	0.5
IT	03/29	06:00	CPI (y/y)	Mar P	--	1.8	1.9
IT	03/29	06:00	CPI - EU Harmonized (m/m)	Mar P	2.2	2.3	-0.2
IT	03/29	06:00	CPI - EU Harmonized (y/y)	Mar P	1.7	1.9	2.0

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
VN	03/24	06:59	CPI (y/y)	Mar	--	--	7.0
SI	03/25	01:00	CPI (m/m)	Feb	--	0.4	0.2
SI	03/25	01:00	CPI (y/y)	Feb	--	4.1	3.6
TA	03/25	04:00	Commercial Sales (y/y)	Feb	--	--	7.7
TA	03/25	04:00	Industrial Production (y/y)	Feb	--	-9.3	19.2
VN	03/25	06:59	Exports (y/y)	Mar	--	--	23.9
VN	03/25	06:59	Imports (y/y)	Mar	--	--	10.2
VN	03/25	06:59	Industrial Production (y/y)	Mar	--	--	-10.1
VN	03/25	06:59	Real GDP YTD (y/y)	1Q	--	--	5.0
NZ	03/25	17:45	Trade Balance (NZD mn)	Feb	--	-12.0	-304.6
NZ	03/25	17:45	Exports (NZD bn)	Feb	--	3.6	3.3
NZ	03/25	17:45	Imports (NZD bn)	Feb	--	3.6	3.7
SK	03/25	19:00	GDP (q/q)	4Q F	0.4	--	0.4
SK	03/25	19:00	GDP (y/y)	4Q F	1.5	--	1.5
PH	03/25	21:00	Imports (y/y)	Jan	--	--	13.2
PH	03/25	21:00	Trade Balance (US$ mn)	Jan	--	--	-1275.0
SI	03/26	01:00	Industrial Production (m/m)	Feb	--	0.2	-9.2
SI	03/26	01:00	Industrial Production (y/y)	Feb	--	-7.0	-0.4
HK	03/26	04:30	Exports (y/y)	Feb	--	4.7	17.6
HK	03/26	04:30	Imports (y/y)	Feb	--	0.1	23.9
HK	03/26	04:30	Trade Balance (HKD bn)	Feb	--	-36.2	-27.5
TH	03/26	07:59	Customs Exports (y/y)	Feb	--	-1.0	16.1
TH	03/26	07:59	Customs Imports (y/y)	Feb	--	10.5	40.9
TH	03/26	07:59	Customs Trade Balance (US$ mn)	Feb	--	-2700.0	-5486.8
SK	03/26	17:00	Consumer Confidence Index	Mar	--	--	102.0
TA	03/27	04:00	Leading Index (m/m)	Feb	--	--	1.3
TA	03/27	04:00	Leading Index (m/m)	Feb	--	--	0.6
SK	03/27	19:00	Current Account (US$ mn)	Feb	--	--	2253.6
JN	03/27	19:50	Large Retailers' Sales (y/y)	Feb	--	-1.5	-3.5
JN	03/27	19:50	Retail Trade (m/m)	Feb	--	0.8	2.3
JN	03/27	19:50	Retail Trade (y/y)	Feb	--	-1.3	-1.1
AU	03/27	20:30	Private Sector Credit (m/m)	Feb	--	0.3	0.2
AU	03/27	20:30	Private Sector Credit (y/y)	Feb	--	3.5	3.6
CH	03/27	21:30	Industrial Profits YTD (y/y)	Feb	--	--	5.3

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

Key Indicators for the week of March 25 - 29

Asia Pacific *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
HK	03/28	04:30	Govt Monthly Budget Surp/Def (HKD bn)	Feb	--	--	41.9
TA	03/28	05:00	**Benchmark Interest Rate**	Mar 28	**1.88**	**1.88**	**1.88**
CH	03/28	06:59	Leading Index	Feb	--	--	100.5
IN	03/28	07:59	Current Account Balance	4Q	--	--	-22.3
IN	03/28	07:59	Fiscal Deficit (INR Crore)	Feb	--	--	60982.0
SK	03/28	17:00	Business Survey- Manufacturing	Apr	--	--	76.0
SK	03/28	17:00	Business Survey- Non-Manufacturing	Apr	--	--	69.0
SK	03/28	19:00	Industrial Production (m/m)	Feb	--	0.4	-1.5
SK	03/28	19:00	Industrial Production (y/y)	Feb	--	-5.3	7.3
SK	03/28	19:00	Cyclical Leading Index Change	Feb	--	--	-0.2
JN	03/28	19:15	Markit/JMMA Manufacturing PMI	Mar	--	--	48.5
JN	03/28	19:30	Household Spending (y/y)	Feb	--	0.1	2.4
JN	03/28	19:30	Jobless Rate (%)	Feb	4.2	4.2	4.2
JN	03/28	19:30	National CPI (y/y)	Feb	-0.5	-0.7	-0.3
JN	03/28	19:30	Tokyo CPI (y/y)	Mar	--	-0.9	-0.9
JN	03/28	19:50	Industrial Production (m/m)	Feb P	--	2.5	0.3
JN	03/28	19:50	Industrial Production (y/y)	Feb P	--	-8.5	-5.8
JN	03/29	00:00	Vehicle Production (y/y)	Feb	--	--	-9.9
JN	03/29	01:00	Housing Starts (y/y)	Feb	--	-1.8	5.0
JN	03/29	01:00	Construction Orders (y/y)	Feb	--	--	-3.7
TH	03/29	03:30	Exports (y/y)	Feb	--	--	15.6
TH	03/29	03:30	Imports (y/y)	Feb	--	--	38.4
TH	03/29	03:30	Trade Balance (US$ mn)	Feb	--	--	-2821.0
TH	03/29	03:30	Current Account Balance (US$ mn)	Feb	--	--	-2237.0
TH	03/29	03:30	Business Sentiment Index	Feb	--	--	51.1

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	03/27	12:00	Urban Unemployment Rate (%)	Feb	--	12.4	13.1
BZ	03/28	08:00	Unemployment Rate (%)	Feb	--	5.7	5.4
CL	03/28	08:00	Industrial Production (y/y)	Feb	--	3.4	4.3
CL	03/28	08:00	Retail Sales (y/y)	Feb	--	7.4	9.5
CL	03/28	08:00	Unemployment Rate (%)	Feb	--	6.0	6.0

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

Global Auctions for the week of March 25 - 29

North America

Country	Date	Time	Event
US	03/25	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	03/25	11:30	U.S. to Sell USD35 Bln 3-Month Bills
US	03/25	11:30	U.S. to Sell USD30 Bln 6-Month Bills
CA	03/26	10:30	Canada to Sell CAD7.4 Bln 98-Day Bills
CA	03/26	10:30	Canada to Sell CAD2.8 Bln 168-Day Bills
CA	03/26	10:30	Canada to Sell CAD2.8 Bln 350-Day Bills
US	03/26	11:00	U.S. Fed to Purchase USD2.75-3.50 Bln Notes
US	03/26	13:00	U.S. to Sell USD35 Bln 2-Year Notes
US	03/27	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
CA	03/27	12:00	Canada to Sell 10 Year Notes
US	03/27	13:00	U.S. to Sell USD27 Bln 5-Year Notes
US	03/28	11:00	U.S. Fed to Purchase USD4.25-5.25 Bln Notes
US	03/28	11:30	U.S. to Sell USD29 Bln 7-Year Notes

Europe

Country	Date	Time	Event
IT	03/25	06:00	Italy to Sell Up to EUR3 Bln Zero 2014 Bonds
IT	03/25	06:00	Italy to Sell 1.7% I/L 2018 Bonds
IT	03/25	06:00	Italy to Sell 2.6% I/L 2023 Bonds
GE	03/25	06:30	Germany to Sell EU3 Bln 12-Mth Bills
BE	03/25	07:00	Belgium to Sell 1.25% 2018 Bonds
BE	03/25	07:00	Belgium to Sell 2.25% 2023 Bonds
BE	03/25	07:00	Belgium to Sell 4% 2032 Bonds
FR	03/25	09:50	France to Sell Bills (BTF)
NE	03/26	05:00	Netherlands to Sell Jan. 2018 Bonds
IT	03/26	06:00	Italy to Sell EUR8.5 Bln 186-Day Bills
SZ	03/26	06:30	Switzerland to Sell 3-Month Bills
UK	03/26	06:30	U.K. to Sell GBP1 Bln 5% 2025 Bonds
DE	03/27	05:30	Denmark to Sell Bills
IT	03/27	06:00	Italy to Sell 5-Year and 10-Year Bonds
SW	03/27	06:03	Sweden to Sell Bonds/Sweden to Sell Bills
UK	03/28	07:10	U.K. to Sell Bills

Asia Pacific

Country	Date	Time	Event
AU	03/25	20:00	Australia Plans to Sell Inflation Linked Bonds Due 2020
CH	03/25	22:00	Agricul Dev Bank of China to Sell CNY15 Bln 2-Yr Bonds
JN	03/25	23:35	Japan to Sell 3-Month Bills
JN	03/26	04:00	Japan Auction for Enhanced-Liquidity
JN	03/27	23:45	Japan to Sell 2-Year Bonds

Latin America

Country	Date	Time	Event
BZ	03/26	12:00	Brazil to Sell I/L Bonds due 8/15/2018 - NTN-B
BZ	03/26	12:00	Brazil to Sell I/L Bonds due 8/15/2022 - NTN-B
BZ	03/28	10:30	Brazil to Sell Bills due 10/1/2013 - LTN
BZ	03/28	10:30	Brazil to Sell Bills due 04/1/2015 - LTN
BZ	03/28	10:30	Brazil to Sell Bills due 07/1/2016 - LTN

Source: Bloomberg, Scotiabank Economics.

Events for the week of March 25 - 29

North America

Country	Date	Time	Event
CA	03/25	00:30	Canadian Minister of Finance Flaherty Speaks at Asia Society
US	03/25	12:15	Fed's Dudley to Speak at Economic Club of New York
UK	03/25	13:15	Fed's Bernanke, BOE's King, IMF's Blanchard speak in London
CA	03/26	12:30	Dep. Governor Cote speech in Montreal
US	03/27	11:30	Fed's Rosengren Speaks on Economy in Goffstown, New Hampshire
US	03/27	12:15	Fed's Pianalto Speaks on Monetary Policy in Cleveland
US	03/27	13:00	Fed's Kocherlakota Speaks on Monetary Policy in Edina, MN

Europe

Country	Date	Time	Event
EC	MAR 22-23		EU Foreign Ministers Meet in Dublin, Discuss Syria Embargo
FI	MAR 22-24		Finland's Katainen Hosts European Leaders for Lapland Retreat
EC	03/24		EU's Barroso, De Gucht at EU-Japan Summit in Tokyo
IT	03/25	06:00	Berlusconi Prostitution Trial Closing Arguments
EC	03/25	07:00	ECB's Mersch Speaks in Madrid
SW	03/25	11:15	French Finance Minister Pierre Moscovici speaks in Stockholm
SZ	03/25	11:45	Speech by SNB Vice President Danthine
UK	03/25	12:00	U.K. Commons Treasury Panel Hears Testimony on Budget
UK	03/25	13:15	Fed's Bernanke, BOE's King, IMF's Blanchard speak in London
EC	03/25		EU's Van Rompuy at EU-Japan Summit in Tokyo
EC	03/25		ECB Deadline to Agree on Cyprus Bailout
SZ	03/26	05:00	Swiss bank Regulator Finma holds annual media conference
UK	03/26	06:00	U.K. Commons Treasury Panel Hears OBR Testimony on Budget
TU	03/26	08:00	**Benchmark Repo Rate**
HU	03/26	09:00	**Hungary Base Rate Announcement**
PO	03/26	09:00	Bank of Portugal Releases Spring Economic Bulletin
UK	03/26	10:15	U.K. Commons Treasury Panel Questions Osborne on Budget
IR	03/26	20:00	Ireland Holds Special Election for Meath
UK	03/26		Last Day of Commons Session Before Easter Recess
SA	MAR 26-27		2013 BRICS Summit Takes Place in South Africa
PO	03/27	07:00	Portugal Releases Consumer, Business Confidence Report
UK	03/27		BoE Financial Committee Release Regulator Capital Report
EC	03/28	05:00	ECB Publishes National Data on Bank Deposits, Balance Sheets
EC	03/28	07:00	ECB Announces 3-Year LTRO Repayment
RU	03/29	02:00	Russian Economy Minister Belousov Speaks at Conference

Source: Bloomberg, Scotiabank Economics.

Events for the week of March 25 - 29

Asia Pacific

Country	Date	Time	Event
CH	MAR 21-24		Chinese President Xi Jinping Visits Russia
IN	03/23	01:30	Finance Minister Chidambaram to Address Editors' Conference
EC	03/23		EU's Barroso on Official Visit to Mongolia
JN	03/24	11:00	Japanese Prime Minister Abe Holds Summit with EU Leaders
EC	03/24		EU's Barroso, De Gucht at EU-Japan Summit in Tokyo
CA	03/25	00:30	Canadian Minister of Finance Flaherty Speaks at Asia Society
EC	03/25		EU's Van Rompuy at EU-Japan Summit in Tokyo
CH	MAR 25-28		CoreNet Global Asia-Pacific Summit
SK	MAR 25-26		South Korea, China, Japan Begin Free Trade Talks
AU	03/26	00:45	RBA's Stevens Speaks at ASIC Forum in Sydney
EC	03/26	05:00	WTO Dispute Settlement Body Meets
AU	03/26	20:30	Reserve Bank of Australia Releases Financial Stability Review
SA	MAR 26-27		2013 BRICS Summit Takes Place in South Africa
TH	MAR 27-28		Thailand Goverment Holds Peace Talks with BRN
TA	03/28	05:00	**Benchmark Interest Rate**

Latin America

Country	Date	Time	Event
SA	MAR 26-27		2013 BRICS Summit Takes Place in South Africa

Source: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

North America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	1.00	April 17, 2013	1.00	--
Federal Reserve – Federal Funds Target Rate	0.25	May 1, 2013	0.25	--
Banco de México – Overnight Rate	4.00	April 26, 2013	4.00	--

Fed: The FOMC maintained its pace of asset purchases at its Mar. 20 meeting and signalled that purchases would continue for some time. It was fairly guarded in its acknowledgement of improving economic data, balancing stronger-than-expected recent economic outcomes against concerns regarding the drag imposed by fiscal policy. Speeches from Fed Chairman Bernanke and NY Fed Pres. Dudley this week should reinforce the view that the Fed would like to use policy to support an economic recovery even as it picks up steam. BoC: While CPI is likely to increase solidly in February in part due to seasonality and in part due to high gasoline prices, we do not expect markets to view this as a sign that policy is in any way too loose – particularly as year-on-year CPI should wind up in the 1% y/y vicinity.

Europe

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

The central bank of Turkey is expected to once again leave the benchmark one-week repo rate unchanged at 5.50% after its meeting on March 26th. The central bank expects the impact of monetary loosening implemented late last year to become evident in a recovery in domestic demand in the first half of 2013. Concerns about the re-acceleration in domestic credit growth in recent months due to surging capital inflows limit the potential for further interest rate cuts to boost the economy. On a monthly basis, the current account deficit has been widening since October. In the case of Hungary, we also anticipate a continuation of the recent monetary policy stance, which means further easing. This being the first meeting under the new governor (former economy minister Gyorgy Matolcsy), we'll likely see another quarter-point cut in the main interest rate next week, bringing the cumulative reduction to 175 basis points since August. The governor has already begun an operational restructuring at the central bank and has indicated that he will consider new tools to stimulate the struggling economy.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Target Rate	0.10	April 4, 2013	0.10	--
Reserve Bank of Australia – Cash Target Rate	3.00	April 1, 2013	3.00	3.00
Reserve Bank of New Zealand – Cash Rate	2.50	April 23, 2013	2.50	2.50
People's Bank of China – Lending Rate	6.00	TBA	--	--
Reserve Bank of India – Repo Rate	7.50	May 3, 2013	7.25	--
Bank of Korea – Bank Rate	2.75	April 10, 2013	2.75	--
Bank of Thailand – Repo Rate	2.75	April 3, 2013	2.75	--
Bank Indonesia – Reference Interest Rate	5.75	April 11, 2013	5.75	--

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	7.25	April 17, 2013	7.25	--
Banco Central de Chile – Overnight Rate	5.00	April 11, 2013	5.00	--
Banco de la República de Colombia – Lending Rate	3.75	April 26, 2013	3.50	--
Banco Central de Reserva del Perú – Reference Rate	4.25	April 11, 2013	4.25	4.25

Africa

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

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

Forecasts as at February 28, 2013*	**2000-11**	**2012e**	**2013f**	**2014f**	**2000-11**	**2012e**	**2013f**	**2014f**
Output and Inflation (annual % change)		**Real GDP**				**Consumer Prices[2]**		
World[1]	3.7	3.1	3.2	3.8				
Canada	2.2	1.8	1.7	2.4	2.1	1.5	1.1	2.0
United States	1.8	2.2	2.0	2.7	2.5	2.1	1.9	2.1
Mexico	2.2	4.0	3.6	3.9	4.8	3.6	3.8	3.8
United Kingdom	1.9	0.2	0.9	1.4	2.3	2.7	2.9	2.4
Euro Zone	1.4	-0.5	-0.3	1.0	2.1	2.2	1.7	1.7
Japan	0.8	1.9	0.8	1.4	-0.3	-0.1	0.7	0.9
Australia	3.0	3.5	2.6	3.1	3.1	2.2	2.8	3.0
China	9.4	7.8	8.1	8.3	2.4	2.5	3.3	3.9
India	7.4	5.1	6.0	6.5	6.6	7.2	7.0	6.1
South Korea	4.5	2.0	2.8	3.5	3.2	1.4	2.7	3.0
Thailand	4.0	6.5	4.5	4.2	2.6	3.6	3.1	3.3
Brazil	3.6	1.0	3.3	4.0	6.6	5.8	5.8	5.5
Chile	4.8	5.6	5.0	5.5	3.4	1.5	3.1	3.3
Peru	5.6	6.3	6.0	5.5	2.6	2.6	3.0	3.0
Central Bank Rates (%, end of period)	**12Q4**	**13Q1f**	**13Q2f**	**13Q3f**	**13Q4f**	**14Q1f**	**14Q2f**	**14Q3f**
Bank of Canada	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Federal Reserve	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
European Central Bank	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Bank of England	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Swiss National Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank of Japan	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Reserve Bank of Australia	3.00	3.00	3.00	3.00	3.25	3.25	3.50	3.50
Exchange Rates (end of period)								
Canadian Dollar (USDCAD)	0.99	1.04	1.04	1.02	1.01	1.01	1.00	1.00
Canadian Dollar (CADUSD)	1.01	0.96	0.96	0.98	0.99	0.99	1.00	1.00
Euro (EURUSD)	1.32	1.30	1.29	1.28	1.27	1.26	1.26	1.25
Sterling (GBPUSD)	1.63	1.51	1.49	1.47	1.45	1.45	1.45	1.44
Yen (USDJPY)	87	92	93	94	95	95	96	97
Australian Dollar (AUDUSD)	1.04	1.02	1.02	1.04	1.04	1.06	1.06	1.08
Chinese Yuan (USDCNY)	6.2	6.2	6.2	6.2	6.1	6.1	6.1	6.1
Mexican Peso (USDMXN)	12.9	12.9	12.7	12.8	12.9	13.0	12.9	12.9
Brazilian Real (USDBRL)	2.05	1.96	1.98	2.01	2.00	2.00	1.98	1.98
Commodities (annual average)	**2000-11**	**2012**	**2013f**	**2014f**				
WTI Oil (US$/bbl)	57	94	94	96				
Brent Oil (US$/bbl)	58	112	112	112				
Nymex Natural Gas (US$/mmbtu)	5.67	2.83	3.75	4.00				
Copper (US$/lb)	2.10	3.61	3.54	3.15				
Zinc (US$/lb)	0.77	0.88	1.00	1.15				
Nickel (US$/lb)	7.62	7.95	8.25	8.50				
Gold, London PM Fix (US$/oz)	668	1,670	1,690	1,650				
Pulp (US$/tonne)	718	872	910	950				
Newsprint (US$/tonne)	581	640	625	660				
Lumber (US$/mfbm)	272	298	360	400				

[1] World GDP for 2000-11 are IMF PPP estimates; 2012-14f are Scotiabank Economics' estimates based on a 2011 PPP-weighted sample of 38 countries.

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

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

North America

Canada	2012	12Q3	12Q4	Latest	
Real GDP (annual rates)	1.8	0.7	0.6		
Current Acc. Bal. (C$B, ar)	-66.9	-72.2	-69.0		
Merch. Trade Bal. (C$B, ar)	-12.1	-20.3	-10.6	-2.8	(Jan)
Industrial Production	1.2	0.5	-0.4	-1.5	(Dec)
Housing Starts (000s)	215	222	202	178	(Feb)
Employment	1.2	1.0	1.6	2.0	(Feb)
Unemployment Rate (%)	7.3	7.3	7.2	7.0	(Feb)
Retail Sales	2.5	2.5	0.7	-0.1	(Jan)
Auto Sales (000s)	1671	1655	1665	1747	(Jan)
CPI	1.5	1.2	0.9	0.5	(Jan)
IPPI	0.6	0.0	-0.1	0.2	(Jan)
Pre-tax Corp. Profits	-2.7	-3.6	-9.1		

United States	2012	12Q3	12Q4	Latest	
Real GDP (annual rates)	2.2	3.1	0.1		
Current Acc. Bal. (US$B, ar)	-475	-450	-442		
Merch. Trade Bal. (US$B, ar)	-735	-697	-722	-741	(Jan)
Industrial Production	3.7	3.5	2.7	2.7	(Feb)
Housing Starts (millions)	0.78	0.77	0.90	0.92	(Feb)
Employment	1.7	1.7	1.6	1.5	(Feb)
Unemployment Rate (%)	8.1	8.0	7.8	7.7	(Feb)
Retail Sales	4.8	4.6	4.0	4.7	(Feb)
Auto Sales (millions)	14.4	14.5	15.0	15.3	(Feb)
CPI	2.1	1.7	1.9	2.0	(Feb)
PPI	1.9	1.5	1.7	1.7	(Feb)
Pre-tax Corp. Profits		19.3			

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

Europe

Euro Zone	2012	12Q3	12Q4	Latest	
Real GDP	-0.5	-0.6	-0.9		
Current Acc. Bal. (US$B, ar)	145	205	319	-71	(Jan)
Merch. Trade Bal. (US$B, ar)	136.4	152.9	229.0	-35.6	(Jan)
Industrial Production	-2.3	-2.4	-2.9	-2.1	(Jan)
Unemployment Rate (%)	11.3	11.4	11.7	11.9	(Jan)
CPI	2.5	2.5	2.3	1.8	(Feb)

Germany	2012	12Q3	12Q4	Latest	
Real GDP	0.9	0.9	0.4		
Current Acc. Bal. (US$B, ar)	238.6	225.0	278.0	179.5	(Jan)
Merch. Trade Bal. (US$B, ar)	243.1	254.5	244.6	249.1	(Jan)
Industrial Production	-0.4	-0.7	-2.1	-1.3	(Jan)
Unemployment Rate (%)	6.8	6.8	6.9	6.9	(Feb)
CPI	2.0	2.0	2.0	1.5	(Feb)

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

United Kingdom	2012	12Q3	12Q4	Latest	
Real GDP	0.2	0.2	0.3		
Current Acc. Bal. (US$B, ar)		-100.9			
Merch. Trade Bal. (US$B, ar)	-168.6	-164.5	-174.3	-157.0	(Jan)
Industrial Production	-2.4	-1.7	-2.6	-3.0	(Jan)
Unemployment Rate (%)	8.0	7.8	7.8	7.8	(Dec)
CPI	2.8	2.4	2.7	2.8	(Feb)

Italy	2012	12Q3	12Q4	Latest	
Real GDP	-2.4	-2.6	-2.8		
Current Acc. Bal. (US$B, ar)	-12.6	4.3	17.1	-73.5	(Jan)
Merch. Trade Bal. (US$B, ar)	13.8	23.0	35.7	-25.8	(Jan)
Industrial Production	-6.3	-6.1	-6.6	-4.1	(Jan)
CPI	3.1	3.2	2.5	1.8	(Feb)

Russia	2012	12Q3	12Q4	Latest	
Real GDP		2.9			
Current Acc. Bal. (US$B, ar)	81.2	6.7	17.3		
Merch. Trade Bal. (US$B, ar)	16.2	12.8	15.7	17.7	(Jan)
Industrial Production	-5.3	2.5	1.7	-2.1	(Feb)
CPI	5.1	6.0	6.5	7.3	(Feb)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Asia Pacific

Australia	2012	12Q3	12Q4	Latest
Real GDP	3.6	3.1	3.1	
Current Acc. Bal. (US$B, ar)	-56.4	-68.1	-64.7	
Merch. Trade Bal. (US$B, ar)	6.2	1.6	-5.7	-8.9 (Jan)
Industrial Production	4.0	4.3	4.8	
Unemployment Rate (%)	5.2	5.3	5.3	5.4 (Feb)
CPI	1.8	2.0	2.2	

Japan	2012	12Q3	12Q4	Latest
Real GDP	2.0	0.4	0.4	
Current Acc. Bal. (US$B, ar)	58.9	82.4	-4.5	-49.1 (Jan)
Merch. Trade Bal. (US$B, ar)	-85.8	-97.4	-107.6	-139.9 (Feb)
Industrial Production	-1.0	-4.6	-6.7	-7.1 (Jan)
Unemployment Rate (%)	4.4	4.3	4.2	4.2 (Jan)
CPI	0.0	-0.4	-0.2	-0.3 (Jan)

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

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

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

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

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

Latin America

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

Chile	2012	12Q3	12Q4	Latest
Real GDP	5.6	5.8	5.7	
Current Acc. Bal. (US$B, ar)		-19.6	-11.5	
Merch. Trade Bal. (US$B, ar)	12.7	-7.3	3.8	0.8 (Feb)
Industrial Production	3.6	1.5	4.1	4.3 (Jan)
CPI	3.0	2.6	2.2	1.3 (Feb)

Peru	2012	12Q3	12Q4	Latest
Real GDP	9.1	6.8	5.9	
Current Acc. Bal. (US$B, ar)		-2.8		
Merch. Trade Bal. (US$B, ar)	0.4	0.3	0.4	-0.5 (Jan)
Unemployment Rate (%)	7.0	6.5	5.9	6.4 (Feb)
CPI	3.7	3.5	2.8	2.5 (Feb)

Colombia	2012	12Q3	12Q4	Latest
Real GDP	4.0	2.7	3.1	
Current Acc. Bal. (US$B, ar)		-3.6		
Merch. Trade Bal. (US$B, ar)	0.3	0.0	0.2	-0.2 (Jan)
Industrial Production	0.0	-0.3	-1.9	-3.0 (Dec)
CPI	3.2	3.1	2.8	1.8 (Feb)

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

Source: Bloomberg, Global Insight, Scotiabank Economics.

Interest Rates (%, end of period)

Canada	12Q3	12Q4	Mar/15	Mar/22*	United States	12Q3	12Q4	Mar/15	Mar/22*
BoC Overnight Rate	1.00	1.00	1.00	1.00	Fed Funds Target Rate	0.25	0.25	0.25	0.25
3-mo. T-bill	0.98	0.93	0.95	0.96	3-mo. T-bill	0.09	0.04	0.08	0.07
10-yr Gov't Bond	1.73	1.80	1.90	1.82	10-yr Gov't Bond	1.63	1.76	1.99	1.93
30-yr Gov't Bond	2.32	2.37	2.60	2.52	30-yr Gov't Bond	2.82	2.95	3.21	3.14
Prime	3.00	3.00	3.00	3.00	Prime	3.25	3.25	3.25	3.25
FX Reserves (US$B)	67.9	68.4	68.7	(Jan)	FX Reserves (US$B)	142.0	139.1	140.9	(Jan)
Germany					**France**				
3-mo. Interbank	0.11	0.10	0.10	0.14	3-mo. T-bill	0.00	-0.01	0.02	0.02
10-yr Gov't Bond	1.44	1.32	1.46	1.37	10-yr Gov't Bond	2.18	2.00	2.07	2.01
FX Reserves (US$B)	68.5	67.4	68.0	(Jan)	FX Reserves (US$B)	50.9	54.2	58.0	(Jan)
Euro Zone					**United Kingdom**				
Refinancing Rate	0.75	0.75	0.75	0.75	Repo Rate	0.50	0.50	0.50	0.50
Overnight Rate	0.11	0.13	0.07	0.06	3-mo. T-bill	0.35	0.36	0.37	0.39
FX Reserves (US$B)	332.8	332.5	337.6	(Jan)	10-yr Gov't Bond	1.73	1.83	1.94	1.85
					FX Reserves (US$B)	87.9	88.6	90.1	(Jan)
Japan					**Australia**				
Discount Rate	0.30	0.30	0.30	0.30	Cash Rate	3.50	3.00	3.00	3.00
3-mo. Libor	0.13	0.11	0.10	0.10	10-yr Gov't Bond	2.99	3.27	3.63	3.56
10-yr Gov't Bond	0.78	0.79	0.63	0.57	FX Reserves (US$B)	42.4	44.9	44.0	(Jan)
FX Reserves (US$B)	1233.3	1227.2	1226.3	(Jan)					

Exchange Rates (end of period)

USDCAD	0.98	0.99	1.02	1.02	¥/US$	77.96	86.75	95.28	94.75
CADUSD	1.02	1.01	0.98	0.98	US¢/Australian$	1.04	1.04	1.04	1.04
GBPUSD	1.617	1.626	1.511	1.522	Chinese Yuan/US$	6.28	6.23	6.22	6.21
EURUSD	1.286	1.319	1.308	1.298	South Korean Won/US$	1111	1064	1111	1119
JPYEUR	1.00	0.87	0.80	0.81	Mexican Peso/US$	12.859	12.853	12.434	12.373
USDCHF	0.94	0.92	0.94	0.94	Brazilian Real/US$	2.026	2.052	1.983	2.014

Equity Markets (index, end of period)

United States (DJIA)	13437	13104	14514	14503	U.K. (FT100)	5742	5898	6490	6423
United States (S&P500)	1441	1426	1561	1555	Germany (Dax)	7216	7612	8043	7926
Canada (S&P/TSX)	12317	12434	12830	12788	France (CAC40)	3355	3641	3844	3779
Mexico (IPC)	40867	43706	42605	42480	Japan (Nikkei)	8870	10395	12561	12339
Brazil (Bovespa)	59176	60952	56869	55734	Hong Kong (Hang Seng)	20840	22657	22533	22115
Italy (BCI)	825	873	880	875	South Korea (Composite)	1996	1997	1987	1949

Commodity Prices (end of period)

Pulp (US$/tonne)	830	870	900	900	Copper (US$/lb)	3.75	3.59	3.53	3.46
Newsprint (US$/tonne)	640	640	610	610	Zinc (US$/lb)	0.95	0.92	0.88	0.87
Lumber (US$/mfbm)	300	388	408	408	Gold (US$/oz)	1776.00	1657.50	1595.50	1607.75
WTI Oil (US$/bbl)	92.19	91.82	93.45	93.06	Silver (US$/oz)	34.65	29.95	28.91	29.06
Natural Gas (US$/mmbtu)	3.32	3.35	3.87	3.97	CRB (index)	309.30	295.01	296.44	294.26

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

Fixed Income Strategy (London)

www.gbm.scotiabank.com

Fixed Income Strategy (Paris)

Scotiabank Economics

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