Global Views

Weekly commentary on economic and financial market developments

May 24, 2013

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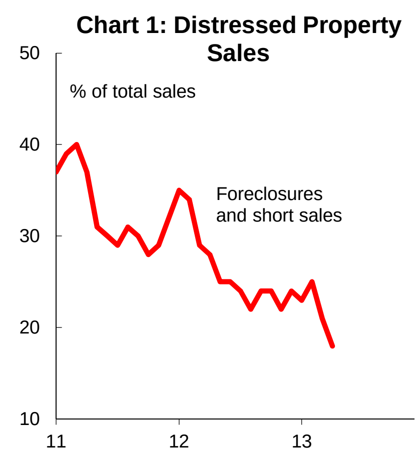
The U.S. Housing Recovery Deepens

- **U.S. housing bucks the recent trend of soft economic reports.**

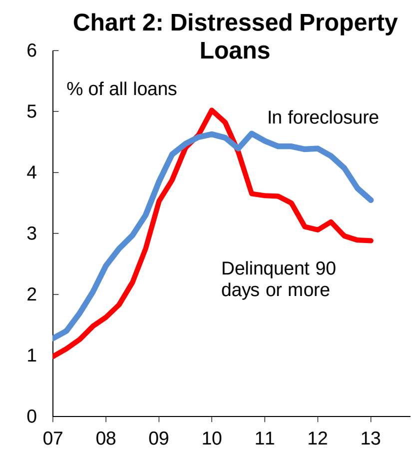
The U.S. spring homebuying season is off to a strong start. Both new and existing home sales posted solid gains in April, combining to reach a 3½-year high. The recovery remains broadly based, with all major regions of the country reporting sizeable increases in both sales volumes and median prices over the past year.



Source: NAR, Scotiabank Economics

Housing demand is being supported by near-record affordability, historically low interest rates, and improving labour market conditions. Investors are a significant force behind the revival, accounting for almost 20% of sales, about the same as a year ago and well above its historical share. Even so, rising buyer traffic and mortgage purchase applications suggest more owner occupiers are re-entering the market.

Low housing inventories are contributing to accelerating price appreciation. Existing home listings have picked up, but supply remains constrained at 5.2 months in April. The supply of new homes is even tighter at 4.1 months, but should begin to improve alongside the rise in new construction.

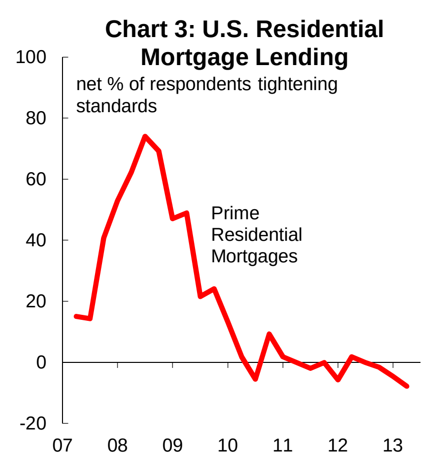


Source: MBA, Scotiabank Economics

Fewer distressed property sales, which sell at a significant discount from market value, are also underpinning price gains. Foreclosures and short sales accounted for just 18% of purchases last month, compared with 28% a year ago and almost 40% in early 2011 (chart 1). Foreclosures are expected to continue to decline, with delinquency rates at a four-year low (chart 2).

Importantly, rising home prices are pulling more 'underwater' mortgage holders back into a positive equity position. Positive equity facilitates mortgage refinancing at today's historic low interest rates, yielding household savings. It generates new listings and demand among potential 'move-up' buyers. And, it supports labour mobility for previously 'house-bound' workers.

Sustaining the U.S. housing recovery's momentum is contingent on maintaining a healthy pace of hiring gains in the face of weak global growth and slowing industrial activity. It will also require a greater participation from first-time buyers, especially as a shrinking pool of foreclosed properties and rising valuations begin to dampen investor demand. Tight lending conditions, notwithstanding a modest easing in prime standards since late 2012 (chart 3), have slowed the transition to homeownership, particularly among younger households contending with high unemployment and student debt.



Source: U.S. Federal Reserve, Scotiabank Economics

We expect the direct impact of residential investment (new construction, renovations and sales costs) will add close to half a percentage point to U.S. GDP growth this year and next. The indirect benefits of strengthening housing activity and housing-related wealth on consumer spending and business services are similarly large. Rising home prices have generated $1.6 trillion in additional household net worth in the past 12 months.

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Immigration Trends For Canada

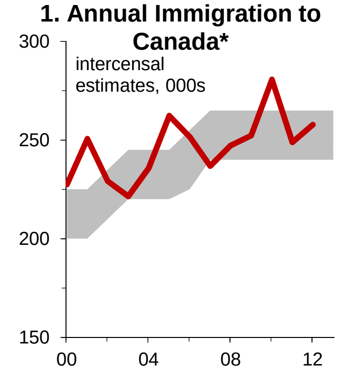
- **Recent immigrants' regional distribution has broadened, but their large city focus persists.**

Helping to anchor frequent discussions on immigration to Canada is the recently released first wave of data from the *National Household Survey,Census 2011*. Between 2006 and 2011, Canadian immigration totalled 1.16 million, up 17% from the prior five-year period and representing a 3.5% population boost. population. The step-up in immigrants should not be surprising — Ottawa elevated its target immigration range to 240,000-265,000 in 2007 *(chart 1)*. By 2011, 6.78 million residents, or one out of every five individuals, had immigrated to Canada, the highest proportion among the G8 nations, though less than Australia's share of almost 27%. Of relevance, given expanding Seniors cohorts in most developed nations, is the lower 31.7 year median age for Canada's recent newcomers, 5½ years less than the median age of Canadian-born residents. Only 7¾% of the immigrants over the half decade to 2011 were 55 years or older.

Between 2006 and 2011, 57% of Canada's immigrants were born in Asia, including the Middle East, with a further 13¾% from Europe. Among individual nations, the Philippines' 13% share of Canada's newcomers was largest, followed by China's 10.5% share *(chart 2)*. Immigrants' destination within Canada, however, has shifted. Ontario's share of immigrants fell from 52.3% in the first half of the decade *(charts 3 and 4)* to 43% during the second half, though this share still exceeded its 38.5% population share in 2011. Except for British Columbia's constant portion, the other provinces have raised their share, in several instances through their Provincial Nominee programs. What has not changed is immigrants' preference for larger cities *(chart 5)*, with 91% of foreign-born residents in 2011 living in one of Canada's 33 census metropolitan areas, compared with 63.3% of individuals born in Canada. For Toronto, Vancouver and Montreal, receiving 62.4% of Canada's immigrants between 2005 and 2011, immigration is one of several factors driving suburban growth, with the five-year population increase for their central cities less than half the rate of their respective metropolitan areas.

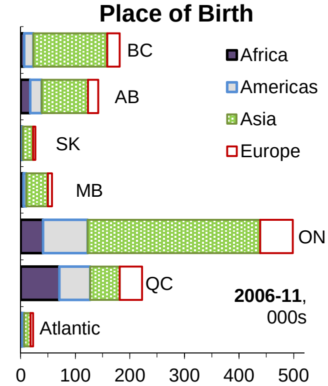
Federal and provincial policies support immigrants' positive contributions, from their skills to their global market contacts. In 2009-10, as in 2000-01, over 50% of Canada's foreign-born immigrants were college- or university-educated. This was the highest share among the OECD nations measured, and compares with the U.S. share of about 35%.

1. Annual Immigration to Canada*

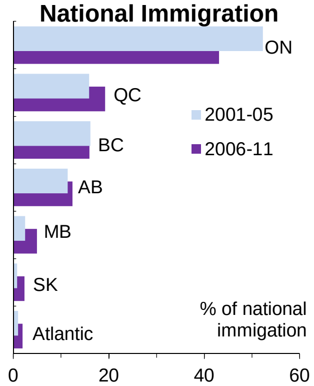


* Grey area is the federal immigration target range.
Source: Statistics Canada.

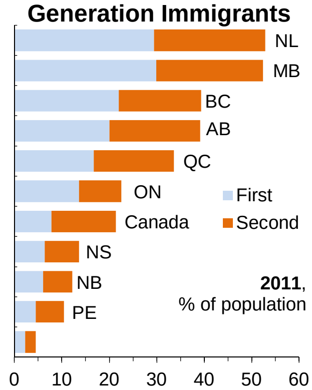
2. Recent Immigrants: Place of Birth



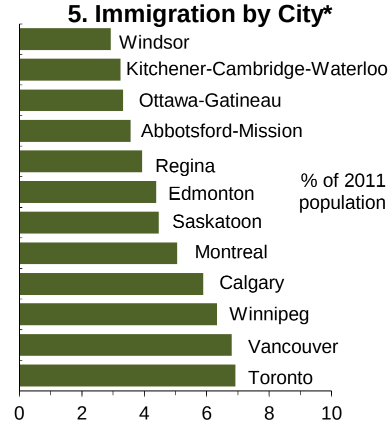
3. Provincial Share of National Immigration



4. First & Second Generation Immigrants



5. Immigration by City*



Source for charts 2-5: Statistics Canada, *National Household Survey, Census 2011*..

* 2006-11.

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Why Have Chilean Breakevens Fallen?

The following article was published on May 23, 2013.

Over the past two months, breakeven inflation rates expressed in 10Y bonds in Chile have fallen by around 30bp to 270bp. That drop is significant when we consider the relative stability of long-term Chilean breakevens, which tend to stay very close to the inflation target of 3%, with the exception of a few periods. Three year breakevens in bonds are down to 2.2%, having fallen 60bp relative to the first quarter of the year. There are both fundamental and technical explanations for this development.

On the fundamental side, inflation has indeed been low, and continues to fall, with April's y/y figure at 1.0%. The last five years of history show that long-term breakevens respond to current inflation; the three recent periods where breakevens differed from the 3% target (2008 above, 2009 below, and 2011 above) corresponded to periods where CPI was away from the target.

Problems in inflation methodology have received much attention in the press, but we think that is only part of the explanation, especially as the fall in breakevens started in March, while it was not till April that Statistics Institute employees made public their concerns and the head of the Statistics Institute resigned. Apparently, the consumer basket includes out-dated items in fashion and perhaps electronics whose prices are falling in part because they are no longer purchased by consumers. We are not aware of any official estimates of the magnitude of the "errors" that result. Looking at the aggregate data ourselves, we find that prices have fallen by 13%, 18%, 26% and 12%, for clothes, shoes, phones, and electronics, respectively. Removing all of those items from the basket, we find that inflation would have been 1.8% in April instead of 1.0%.

We view those estimates as an upper limit and think that the actual effects of a change in methodology would be smaller. Consider, for example, that the prices of telephones and electronics fell in the US as well, albeit by a smaller amount (5% and 8%), presumably as a result of quality improvements. A new agency director was recently appointed, one who is well-respected for his quantitative methodologies, and experts are being consulted. There is hope that some changes could be introduced to clothing prices in the fall. Still, the basket is normally only adjusted once every five years, and one should not underestimate the political sensitivities, especially in an election year. Remember that the Chilean economy is highly indexed. Banks have indexed-assets and nominal liabilities, for example, and indexation also affects the lives of ordinary Chileans through its role in salaries, pensions and rents.

The Central Bank has downplayed the methodological factors, and instead emphasized the role of "specific and temporary factors." These include base effects related to the spike in fruit and vegetable prices, as well as fuel prices, the appreciation of the peso, and the reduction in stamp tax. As a result, the Central Bank forecasts a 2.8% inflation rate by December. Economists seem to largely accept this latter explanation, with the latest survey of financial institutions showing expectations of 2.5% inflation for 2013 and 3.0% for 2014, down only slightly from the 3.0% expectations for both years in surveys done just two months ago.

An alternative explanation is the launch of the GDN program, whose timing corresponds roughly to the fall in breakevens. According to the issuer, that program has allowed foreign investors to increase their exposure to Chilean bonds by around $1bn USD-equivalent. We know from the available data in other countries that foreigners predominately invest in nominal bonds; for example, in Mexico foreign investors own 56% of nominal bonds but only 15% of inflation-linkers. Thus, we would imagine that most of the GDN flows are directed towards nominal bonds as well. The role of technical factors is also visible in the fact that breakevens in 10Y swaps, which would only be affected by the GDN program indirectly, have declined less than those in bonds.

The sell-off in Latam currencies and Latam rates this week on the back of QE news caused breakevens in bonds to widen about 5bp. We have yet to see whether inflows to Chilean local bonds will continue, in spite of the developments in the US Treasury market, and we think that could determine the direction of breakevens in the near term.

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Euro Financial Transaction Tax Debate Heating Up

- The debate in Europe surrounding the Financial Transaction Tax (FTT) due to take effect on January 1st 2014 has been heating up over the past two weeks.
- While there are divergent views between Germany and France with regards to many issues, the cooperation over the FTT is particularly striking. So financial markets should better prepare for it.
- The FTT will have two consequences; raising revenue at the expense of reducing the activity that is being taxed. However, it is not clear that the advantage of generating the additional tax revenue in this case justifies the downside risks to financial market activity.
- There is still some room for last-minute tweaking. On this issue, the points raised by the ECB on the excessive impact on the repo market, shorter maturities and the liquidity in the secondary market in particular could carry some weight. However, we do not expect any strong decision before the German elections in September which means that there will be precious little time left for adjustment before the January 1st implementation date

For the first time, a supranational Financial Transaction Tax (FTT) is poised to take effect. Eleven EU countries accounting for two-thirds of EU GDP have decided through an enhanced cooperation system[1] to implement the FTT from January 1st 2014 (Table 1 — while there are more countries that oppose the FTT than support it, these only account for one third of EU GDP). For the EU Commission, this measure is seen as an important step towards building a more harmonised tax system and to significantly reshape the eurozone financial sector away from its past "irresponsible" habits.

The idea of taxing the financial system, which has been at the heart of the current crisis, is popular with the wider population. However, the reverse is true among politicians, economists and financial institutions where the debate is more intense. Last week, the BoE governor noted that *"within Europe (he) can't find anyone in the central banking community who thinks it's a good idea"*. Also, ECB member Mersch took the opportunity to express some concerns on this issue in a recent speech dealing with the coming challenges for the euro and the ECB[2].

Table 1: geographic scope of the FTT

Inside	Outside
Austria	Bulgaria
Belgium	Czech Republic
Estonia	Cyprus
France	Denmark
Germany	Finland
Greece	Hungaria
Italy	Ireland
Portugal	Latvia
Spain	Luxembourg
Slovakia	Lithuania
Slovenia	Malta
	Netherlands
	Poland
	Romania
	Sweden
	United Kingdom

Sources: EU Commission, Scotiabank

Aims and scopes of the Financial Transaction Tax

The Financial Transaction Tax (FTT), like any other tax, will have two consequences; raising revenue at the expense of reducing the activity that is being taxed. However, it is not clear that the advantage of generating the additional tax revenues in this case justifies the downside risks to financial market activity. If indeed the FTT is to proceed, then at the very least it should be calibrated in order to minimise the harm done to financial market activities, particularly those which are key to the efficiency of financial markets and could have a negative impact on the real economy.

Regarding the scope of this tax, it will be very wide, covering transactions on all financial instruments and markets once there is an economic link to countries inside the FTT-zone. The rate charged will be 0.1% for cash financial products (i.e. shares, bonds, etc.) and 0.01% for derivatives products. This tax will have to be paid by each financial institution involved in the transaction. On the other side, in order to limit the impact on

[1] Enhanced cooperation is when a group of at least 9 Member States decide to move ahead with an initiative proposed by the Commission, once it proves impossible to reach unanimous agreement on it within a reasonable period. It is only relevant to policy areas which require unanimity.

[2] "The euro and the ECB. Perspectives and challenges ahead", 06/05/13

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the real economy, day to day financial activities and operations dedicated to raising capital (i.e. primary issuance), certain restructuring operations as well as all operations with the ECB, national central banks or the EFSF/ESM will be excluded (Table 2).

Table 2: Scope the FTT

Included	Excluded
0.1% to be paid	**Day to day financial activities**
shares	insurance contract
bonds	mortgage and business lending
unit of collective investments funds	credit card transations
money market instruments	payment services
repurchase agreements	deposits
securities lending agreements	spot currency transactions
0.01% to be paid	real estate
derivatives product	**Raising capital**
	primary issuance of shares and bonds
	unit of collective investments funds
	certain restructuring operations
	Certain financial transactions with
	the ECB
	national central banks
	the EFSF and ESM

Sources: EU Commission, Scotiabank

The rationale for raising revenue under the FTT is to ensure that the financial sector makes a fair contribution to public finances and contributes towards covering the cost of the crisis (particularly as some argue that the sector is currently under-taxed compared to other sectors). Indeed, the EU Commission estimates that the financial sector is currently under-taxed by about €18bn a year. In terms of extra revenue, the EU commission has estimated that between €55 and €60bn will be generated for the whole EU (Table 3). As only 11 countries will take part, the estimated revenue is now seen between €30bn and €35bn per year — accounting for around 1% of the participating member states' total tax revenues. That is roughly in line with what countries such as the UK and Ireland already generate through taxes already levied on shares, but much lower than in Taiwan where the tax covers a broader range of financial assets (Table 4).

Table 3: Revenue Estimates for the Whole EU (in bn €)

	Rate (%, for each tax payer)	
Product	0.01%	0.10%
Securities		**19.4**
shares		6.8
bonds		12.6
Derivatives	**37.7**	
equity linked	3.3	
interest rate linked	29.6	
currency linked	4.8	

Sources: EU Commission, Scotiabank

Table 4: Revenues from Selected Financial Transaction Taxes

	UK	Ireland	Taiwan	South Africa
2007	0.9	1.3	7.8	1.9
2008	0.7	1	5.5	1.9

source: european Parliament, Scotiabank

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Dealing with the risk of tax avoidance

Questions have been raised regarding how realistic it is that this €30 to €35bn of extra revenue will be achieved. Disappointment could come from either the impact of the tax in terms of a) reducing activity or b) encouraging financial institutions to migrate to avoid paying the tax. Both impacts are highly uncertain and are at the core of the current debate between the pro- and anti-FTT camps.

Regarding the risk linked to lower activity, the EU Commission in its estimate made the assumption that the volume of transactions in securities markets would be reduced by 15%. Looking to the most recent example, which is the introduction of the 0.2% tax on shares in France as of August 1st, the CEPII institute[3] estimates that the reduction in turnover has been around 10%, implying that the Commission's estimate is reasonable. However, in some segments of the derivatives market such as high frequency trading and highly leveraged products, the Commission recognised that the drop in turnover could be up to 75%. In fact, this is one of the main 'targets' of the FTT as these activities are seen as creating "excessive short term speculation".

Regarding tax avoidance, there are three possibilities to limit the risk: implementing a very low tax rate, increasing the number of financial products where the tax will apply in order to discourage financial institutions from moving their activities to tax-exempt products, and increasing the number of countries implementing the tax to avoid the risk of relocation. The first two arguments were behind the decision to opt for a low but wide tax rate. On the last point, the risk of relocation could be high as 16 EU members have decided to opt out. Hence, in order to minimise this risk, the tax carries both a "residence principle" (the tax will apply to financial institutions established in the FTT zone) and an "issuance principle" (the tax will apply if it involves a financial instrument issued in one of the participating member states). Finally, as previously mentioned, the 11 members represent two-thirds of EU GDP, so a significant proportion of the market. So, avoiding paying the tax will involve financial institutions giving up their client base and no longer trading financial products issued in the FTT area.

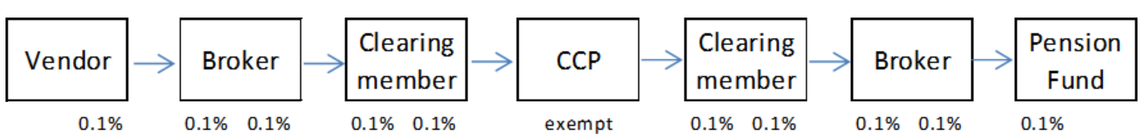
Facing this prospect, critics, especially from the financial community, have multiplied.

Concerns rising

- **Lower volume and the risk of relocation implies lower revenues than expected**. On this issue, the Swedish experience is often cited. The introduction of a tax on equity securities was supposed to bring additional tax revenues of up to SEK1.5 bn per year[4]. In the event, only around SEK50 million per year was raised. It is true that because the tax only applied to transactions made through local brokers, it was easy to circumvent by switching to foreign broker services and through relocation of activities. This is seen as the major design flaw which the EU FTT is supposed to avoid through its very wide scope.

- **Lower volumes imply higher volatility and risk** which is exactly the opposite of what the tax is supposed to achieve. Supporters of the tax would argue that studies have been inconclusive with regards to whether this is actually the case.

- **A not so "low" tax**: For securities for example, given that a 0.1% tax is charged on each institution taking part in the exchange, depending on the number of transactions, there could be "a cascade effect" which could increase the cost to 1%.



[3] CEPPI, N 331, 26/03/2013

[4] Commission staff working paper, impact assessment, 28/09/2011

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Given this, there will be a temptation to reduce the number of intermediations. It could contribute to a movement of part of the flows from the secondary to primary markets, which are exempt from the tax. This would lead to greater investor appetite at auctions. However, both the primary and the secondary markets remain closely linked and the ECB has expressed concerns that this could refuel the risk of market fragmentation and hamper the smooth transmission of monetary policy.

At a time of very low interest rates and therefore returns, it could also shift customer appetite further out the curve in favour of longer duration, a point also raised by the ECB.

- **Significant negative impact on financial segments which contribute to the efficiency of financial markets and the financing of the real economy.** A key example of this is the repo market. Indeed, the average fee in the repo market is around 5 bps. So, a tax of 0.1% for each transaction would therefore have severe consequences. A study commissioned by the European Repo Council of the International Capital Market Association points to a contraction of 66% in activity. Given that banks use the repo market for short term funding, this is likely to have consequences for lending to the real economy. At a time when the transmission of monetary policy to the real economy is already impaired, this is an added thorn in the side of the market. The consequence would be for banks to increase their reliance on short term funding such as ECB liquidity, something that the central bank would like to reduce.

- **A higher cost of funding.** In the case of government bonds, it is argued that there will be upward pressure on government yields in order to compensate for the impact of the taxation. In the case of shares, studies on Sweden in the 90's (Umlauf, 1993) or the UK (Oxera, 2007) suggest that the tax on shares depressed the equity market by around 5% and between 8% and 12%, respectively.

Conclusion

As things stand, it seems likely that in one form or another, the FTT will be implemented. While there are divergent views between Germany and France with regard to many issues (e.g., how to deal with the current euro crisis, the management of the ECB, the pace of implementation of structural reforms, the potential for a banking union), the cooperation with regard to the FTT is actually quite strong. So financial markets should better prepare for its implementation.

However, there is still some room for last-minute tweaking. On this issue, the points raised by the ECB on the excessive impact on the repo market, shorter maturities and the liquidity in the secondary market in particular could prove important. It is worth remembering that under the arguments of the ECB over the past two years, all operations with national central banks have been removed from the original plan for the tax. However, we do not expect any strong decision before the German elections in September, which means that there will be precious little time left for adjustment before the January 1st implementation date. Furthermore, this is based on the assumption of a Merkel victory and a renewing of the current CDU/CSU/FDP government. Given the (opposition) SPD's strong support for the FTT or indeed any plan dedicated to strengthening financial sector regulation, any victory for the opposition or even a grand coalition CDU/SPD government (which is currently favoured in the polls) would reduce the possibility to see any material adjustments.

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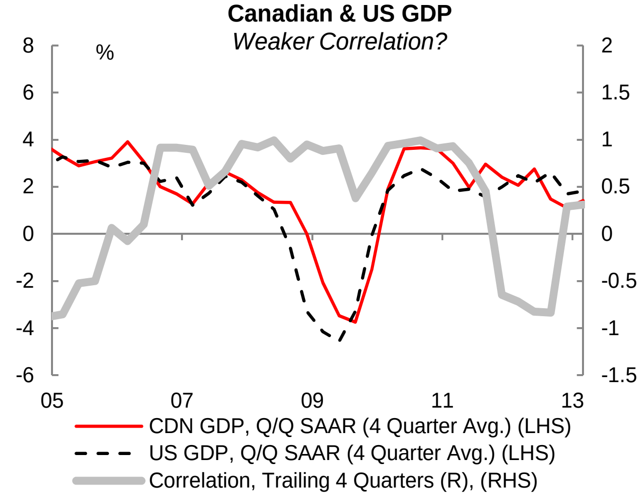
Key Data Preview

CANADA

It surprises us to be writing this, but **Canadian GDP** looks to have been quite firm in Q1 2013 (the number lands on May 31). If one assumes a flat outcome across all of the key GDP categories for March, based on what we already know about the economy during January and February (when GDP was up by 0.3% m/m in both months), the implication would be a solid GDP print to begin with.

That said, we also know a decent amount about the key drivers of GDP during March: manufacturing sales were up by 0.2% m/m in real terms, wholesale trade volumes were somewhat softer at +0.1% m/m, and retail trade volumes notched a 0.7% m/m increase. The international trade side of the picture was also quite strong, with export volumes rising by a very strong 5.1% m/m (yes, you read that correctly). The soft side of the picture is residential construction as housing starts were essentially flat. Pulling it all together, our forecast model points to a 0.2% m/m increase in GDP with risks tilted to the upside. The restraining factor is that total hours worked fell in March (-0.4% m/m), which was a generally soft month with respect to employment data (-54.5k jobs).

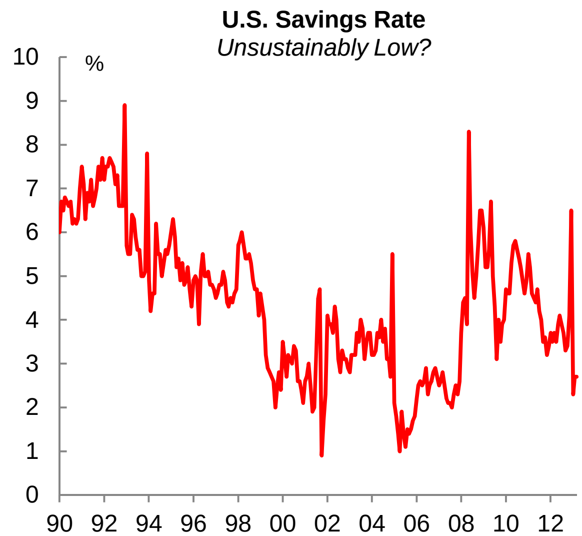
So where does that leave us with respect to our quarterly forecast? Assuming a 0.2% m/m increase in GDP for March, the GDP-by-industry measure ought to notch a gain of 2.5% q/q SAAR — or higher. The main downside risks are: a) hours worked were much weaker than the GDP add up, and are tracking a sub-2% GDP gain, and b) retail sales volumes were only up by 1.7% q/q SAAR, and as household consumption accounts for more than 55% of GDP-by-expenditure… a soft consumer is no small shakes.



Source: Statistics Canada, Scotiabank Economics

UNITED STATES

As we enter into the data cycle for Q2, numbers on the state of the U.S. consumer will be of heightened interest as it seems as though U.S. households binged during Q1 2013 even in the wake of tax hikes and uncertainty surrounding the economic effects of the sequester. We don't expect that data on **personal spending and income** (May 31) will be anywhere near as strong in Q2 & Q3 as they were to start the year. We're looking for spending to be up by 0.1% m/m in April after retail sales posted a commensurate gain, while we expect numbers on personal income to reflect a drop of 0.1% m/m (wages were down by a sharper 0.2% m/m but dividends and rents may have increased on the margin). The net would leave the U.S. personal savings rate within the ballpark of its already very low level (see chart) which we see as a major risk for economic growth in the medium term as even with rising asset prices (stocks are up as are home prices this year), we still don't think that U.S. consumers are out of the deleveraging woods just yet. One interesting risk is that even as the nominal sales and income numbers ought to be fairly anemic, inflation fell by a sharp 0.4% m/m so a better performance on the 'real' inflation-adjusted numbers for spending and wages is totally plausible.



Source: BEA, Scotiabank Economics

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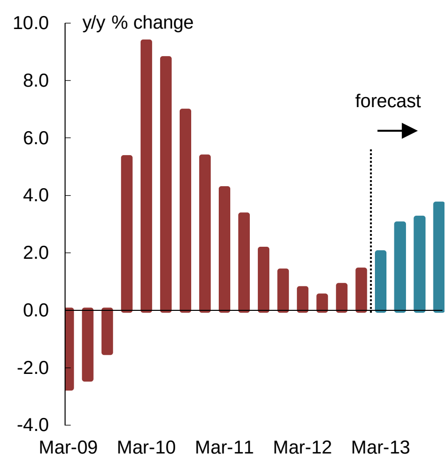
EUROPE

After last month's sharp downward surprise in inflation in the euro area, we expect a modest bounce-back in May. The CPI estimates will be released next week for Germany (Wednesday), Spain (Thursday), Italy and the aggregate euro zone (both Friday). Last month's drops, most notably in Germany (1.8% y/y to 1.1%) and Spain (2.6% y/y to 1.5%), were largely the result of temporary factors, including the earlier timing of the Easter holiday this year, as well as sharply lower energy costs. However, with recessionary conditions persisting across most of the region through the first quarter, there has also been a significant sustained drag on prices from domestic demand weakness. Although we do anticipate some rebound in the yearly headline inflation rates in May, given that core inflation measures (which exclude the more volatile food and energy components of the CPI) are falling, the indication is that consumer price gains will remain subdued throughout the forecast horizon. We expect May inflation to measure 1.5% y/y in Germany, 1.7% in Spain, 1.3% in Italy and 1.4% in the euro area.

LATIN AMERICA

Brazil's first-quarter real GDP data will be released next week (May 29th) and we anticipate a mild recovery of 2% y/y, compared with a 1.4% expansion in the previous quarter. The monthly economic activity indicator expanded by 0.7% m/m (seasonally adjusted) in March, the second biggest monthly gain in five months. Additionally, in the first quarter the index expanded by 1.1% q/q, the fastest quarterly advance since the beginning of 2011. Economic activity is gaining traction as a result of the government's strong stimulus programs, a weaker currency, loose monetary policy implemented last year and slowly recovering external demand. We anticipate that the Brazilian economy will expand by 3.0% this year and by 3.5% in 2014.

Brazilian Real GDP

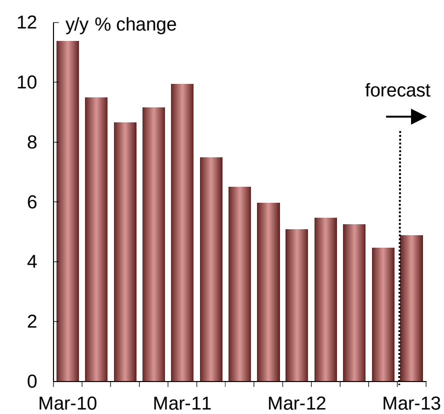


Source: Bloomberg, Scotiabank Economics.

ASIA

India will release first-quarter real GDP data on May 31st. India's economic performance remains subdued, challenged by a high cost of financing, constrained fiscal room and subdued global demand conditions. We estimate that India's output advanced by 4.9% y/y in the January-March period following a 4.5% gain in the final quarter of 2012. A gradual improvement is in sight, however, supported by monetary easing and the government's attempt to implement modest economic reforms. We expect India's real GDP to advance by 6% this year, followed by a pickup to 6½% in 2014. Growth will be mainly supported by measured improvements in private consumption and fixed capital formation, though investment will remain low by historical standards due to structural limitations that create a challenging business environment. While the Indian economy is more domestically driven than many of its regional peers, the export sector is starting to show signs of tentative recovery.

Real GDP Growth - India



Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of May 27 - 31

North America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	05/27	09:00	Trade Balance (US$ mn)	Apr P	--	--	1706.0
US	05/28	09:00	S&P/Case-Shiller Home Price Index (m/m)	Mar	0.8	1.0	1.2
US	05/28	09:00	S&P/Case-Shiller Home Price Index (y/y)	Mar	--	10.2	9.3
US	05/28	10:00	Consumer Confidence Index	May	69.0	71.0	68.1
US	05/28	10:00	Richmond Fed Manufacturing Index	May	-5.0	-4.0	-6.0
US	05/28	10:30	Dallas Fed. Manufacturing Activity	May	--	-10.0	-15.6
US	05/29	07:00	MBA Mortgage Applications (w/w)	MAY 24	--	--	-9.8
CA	05/29	10:00	**BoC Interest Rate Announcement (%)**	**May 29**	**1.00**	**1.00**	**1.00**
CA	05/30	08:30	Current Account (C$ bn a.r.)	1Q	--	-15.5	-17.3
CA	05/30	08:30	IPPI (m/m)	Apr	-0.3	-0.3	0.1
CA	05/30	08:30	Raw Materials Price Index (m/m)	Apr	-1.0	-0.9	-1.7
US	05/30	08:30	Continuing Claims (000s)	MAY 18	2900	2970	2912
US	05/30	08:30	Initial Jobless Claims (000s)	MAY 25	345	340	340
US	05/30	08:30	GDP (q/q a.r.)	1Q S	2.5	2.5	2.5
US	05/30	10:00	Pending Home Sales (m/m)	Apr	1.5	1.5	1.5
CA	05/31	08:30	Real GDP (m/m)	Mar	0.2	0.1	0.3
CA	05/31	08:30	Real GDP (q/q a.r.)	1Q	2.5	2.3	0.6
US	05/31	08:30	PCE Deflator (m/m)	Apr	-0.2	-0.2	-0.1
US	05/31	08:30	PCE Deflator (y/y)	Apr	--	0.8	1.0
US	05/31	08:30	PCE ex. Food & Energy (m/m)	Apr	--	0.1	0.0
US	05/31	08:30	PCE ex. Food & Energy (y/y)	Apr	--	1.0	1.1
US	05/31	08:30	Personal Spending (m/m)	Apr	0.1	0.1	0.2
US	05/31	08:30	Personal Income (m/m)	Apr	-0.1	0.1	0.2
US	05/31	09:45	Chicago PMI	May	50.0	50.0	49.0
US	05/31	09:55	U. of Michigan Consumer Sentiment	May F	83.7	83.7	83.7

Europe

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	05/27	06:59	Retail Sales (m/m)	Apr	0.3	0.2	-0.5
SP	05/28	06:59	Budget Balance YTD (€ mn)	Apr	--	--	-17090.0
UK	05/28	07:59	Nationwide House Prices (m/m)	May	--	0.5	-0.1
HU	05/28	08:00	**Base Rate (%)**	**May 28**	**4.50**	**4.50**	**4.75**
SP	05/29	03:00	Real Retail Sales (y/y)	Apr	--	--	-10.9
SW	05/29	03:30	GDP (y/y)	1Q	--	1.4	1.4
GE	05/29	03:55	Unemployment Rate (%)	May	6.9	6.9	6.9
PD	05/29	04:00	GDP (y/y)	1Q	0.6	0.5	0.7
GE	05/29	08:00	CPI (y/y)	May P	1.4	1.3	1.2
GE	05/29	08:00	CPI - EU Harmonized (m/m)	May P	0.2	0.2	-0.5
GE	05/29	08:00	CPI - EU Harmonized (y/y)	May P	1.5	1.4	1.1
SZ	05/30	01:45	GDP (y/y)	1Q	0.9	1.0	1.4
SP	05/30	03:00	CPI (y/y)	May P	--	1.6	1.4
SP	05/30	03:00	CPI - EU Harmonized (y/y)	May P	1.7	1.7	1.5
SP	05/30	03:00	Real GDP (q/q)	1Q F	-0.5	-0.5	-0.5
EC	05/30	05:00	Business Climate Indicator	May	-0.85	-0.85	-0.93
EC	05/30	05:00	Economic Confidence	May	90.0	89.4	88.6
EC	05/30	05:00	Industrial Confidence	May	-12.8	-13.0	-13.8
EC	05/30	05:00	Services Confidence	May	-9.2	-10.6	-11.1
FR	05/30	12:00	Jobseekers Net Change (000s)	Apr	--	30.0	36.9
UK	05/30	19:01	GfK Consumer Confidence Survey	May	--	-26.0	-27.0

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

Key Indicators for the week of May 27 - 31

Europe *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
FR	05/31	02:45	Consumer Spending (m/m)	Apr	--	-0.6	1.3
FR	05/31	02:45	Producer Prices (m/m)	Apr	--	-0.3	0.0
IT	05/31	04:00	Unemployment Rate (%)	1Q	--	11.6	11.2
EC	05/31	05:00	Euro zone CPI Estimate (y/y)	May	1.4	1.4	1.2
EC	05/31	05:00	Unemployment Rate (%)	Apr	--	12.2	12.1
IT	05/31	05:00	CPI (y/y)	May P	--	1.2	1.1
IT	05/31	05:00	CPI - EU Harmonized (m/m)	May P	0.0	0.0	0.3
IT	05/31	05:00	CPI - EU Harmonized (y/y)	May P	1.3	1.3	1.3
SP	05/31	07:59	Current Account (€ bn)	Mar	--	--	-1.3

Asia Pacific

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
VN	05/25	06:59	Exports (y/y)	May	--	--	15.1
VN	05/25	06:59	Imports (y/y)	May	--	--	16.8
VN	05/25	06:59	Industrial Production (y/y)	May	--	--	5.8
SK	05/26	17:00	Consumer Confidence Index	May	--	--	102.0
CH	05/26	21:30	Industrial Profits YTD (y/y)	Apr	--	--	12.1
TA	05/27	04:00	Leading Index (m/m)	Apr	--	--	0.4
TA	05/27	04:00	Coincident Index (m/m)	Apr	--	--	-0.3
HK	05/27	04:30	Exports (y/y)	Apr	--	9.7	11.2
HK	05/27	04:30	Imports (y/y)	Apr	--	9.1	11.3
HK	05/27	04:30	Trade Balance (HKD bn)	Apr	--	-46.4	-49.1
CH	05/28	07:59	Leading Index	Apr	--	--	99.4
SK	05/28	19:00	Current Account (US$ mn)	Apr	--	--	4978.5
JN	05/28	19:50	Large Retailers' Sales (y/y)	Apr	--	-0.6	2.4
JN	05/28	19:50	Retail Trade (m/m)	Apr	--	0.0	-1.4
JN	05/28	19:50	Retail Trade (y/y)	Apr	--	-0.5	-0.3
TH	05/29	03:30	**BoT Repo Rate (%)**	**May 29**	**2.50**	**2.50**	**2.75**
SK	05/29	17:00	Business Survey- Manufacturing	Jun	--	--	81.0
SK	05/29	17:00	Business Survey- Non-Manufacturing	Jun	--	--	72.0
SK	05/29	19:00	Industrial Production (m/m)	Apr	--	0.8	-2.6
SK	05/29	19:00	Industrial Production (y/y)	Apr	--	-0.3	-3.0
SK	05/29	19:00	Cyclical Leading Index Change	Apr	--	--	-0.2
AU	05/29	21:30	Building Approvals (m/m)	Apr	--	4.0	-5.5
AU	05/29	21:30	Private Capital Expenditure	1Q	--	0.5	-1.2
PH	05/29	22:00	Real GDP (q/q)	1Q	--	1.7	1.5
PH	05/29	22:00	Real GDP (y/y)	1Q	--	6.0	6.8
HK	05/30	04:30	Retail Sales - Value (y/y)	Apr	--	14.1	9.8
HK	05/30	04:30	Retail Sales - Volume (y/y)	Apr	--	14.5	10.2
NZ	05/30	04:30	Terms of Trade Index (q/q)	Apr	--	--	-1.3
JN	05/30	18:45	Markit/JMMA Manufacturing PMI	1Q	--	--	51.1
JN	05/30	19:30	Household Spending (y/y)	Apr	--	3.0	5.2
JN	05/30	19:30	Jobless Rate (%)	Apr	4.1	4.1	4.1
JN	05/30	19:30	National CPI (y/y)	Apr	-0.8	-0.7	-0.9
JN	05/30	19:30	Tokyo CPI (y/y)	May	--	-0.4	-0.7
JN	05/30	19:50	Industrial Production (m/m)	Apr P	--	0.6	0.9
JN	05/30	19:50	Industrial Production (y/y)	Apr P	--	-3.4	-6.7
AU	05/30	21:30	Private Sector Credit (m/m)	Apr	--	0.3	0.2
AU	05/30	21:30	Private Sector Credit (y/y)	Apr	--	3.0	3.2

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

Key Indicators for the week of May 27 - 31

Asia Pacific *(continued from previous page)*

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	05/31	00:00	Vehicle Production (y/y)	Apr	--	--	-16.4
JN	05/31	01:00	Housing Starts (y/y)	Apr	--	4.1	7.3
JN	05/31	01:00	Construction Orders (y/y)	Apr	--	--	-3.4
IN	05/31	01:30	Annual GDP Govt. Estimate (y/y)	1Q P	--	5.0	5.0
IN	05/31	01:30	Real GDP (y/y)	1Q	4.9	4.8	4.5
TH	05/31	03:30	Exports (y/y)	Apr	--	--	4.2
TH	05/31	03:30	Imports (y/y)	Apr	--	--	-12.5
TH	05/31	03:30	Trade Balance (US$ mn)	Apr	--	--	2025.0
TH	05/31	03:30	Current Account Balance (US$ mn)	Apr	--	-900.0	1936.0
TH	05/31	03:30	Business Sentiment Index	Apr	--	--	54.4
IN	05/31	06:30	Fiscal Deficit (INR Crore)	Apr	--	--	41678.0
PH	05/31	07:59	Bank Lending (y/y)	Apr	--	--	14.7
SK	05/31	20:00	Exports (y/y)	May	--	-1.2	0.4
SK	05/31	20:00	Imports (y/y)	May	--	-1.4	-0.3
SK	05/31	20:00	Trade Balance (US$ mn)	May	--	3109.0	2447.0
CH	05/31	21:00	Manufacturing PMI	May	--	49.9	50.6

Latin America

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	05/29	07:59	**SELIC Target Rate (%)**	**May 29**	**7.75**	**7.75**	**7.50**
BZ	05/29	08:00	GDP (IBGE) (q/q)	1Q	--	1.0	0.6
BZ	05/29	08:00	GDP (IBGE) (y/y)	1Q	2.0	2.3	1.4
CL	05/30	09:00	Industrial Production (y/y)	Apr	--	2.0	-3.0
CL	05/30	09:00	Retail Sales (y/y)	Apr	--	10.4	10.2
CO	05/31	06:59	**Overnight Lending Rate (%)**	**May 31**	**3.25**	**3.25**	**3.25**
CL	05/31	09:00	Unemployment Rate (%)	Apr	--	6.4	6.2
CO	05/31	12:00	Urban Unemployment Rate (%)	Apr	--	11.4	11.6

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

Global Auctions for the week of May 27 - 31

North America

Country	Date	Time	Event
US	05/28	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	05/28	11:30	U.S. to Sell USD30 Bln 3-Month Bills
US	05/28	11:30	U.S. to Sell USD25 Bln 6-Month Bills
MX	05/28	12:30	1M T-Bill Yield
MX	05/28	12:30	3M T-Bill Yield
MX	05/28	12:30	6M T-Bill Yield
MX	05/28	12:30	1Y T-Bill Yield
MX	05/28	12:30	30Y I/L Yield
MX	05/28	12:30	20Y Fixed Yield
US	05/28	13:00	U.S. to Sell USD35 Bln 2-Year Notes
US	05/29	11:00	U.S. Fed to Purchase USD2.75-3.50 Bln Notes
US	05/29	11:30	U.S. to Sell USD25 Bln 52-Week Bills
US	05/29	11:30	U.S. to Sell 4-Week Bills
US	05/29	13:00	U.S. to Sell USD35 Bln 5-Year Notes
US	05/30	11:00	U.S. Fed to Purchase USD1.25-1.75 Bln Notes
US	05/30	13:00	U.S. to Sell USD29 Bln 7-Year Notes
US	05/31	11:00	U.S. Fed to Purchase USD4.25-5.25 Bln Notes

Europe

Country	Date	Time	Event
GE	05/27	05:30	Germany to Sell EUR3 Bln 364-Day Bills
FR	05/27	08:50	France to Sell Bills
NE	05/28	04:00	Netherlands to Sell Up to EUR3 Bln 1.75% 2023 Bonds
IT	05/28	05:00	Italy to Sell Up to EUR2.5 Bln Zero 2014 Bonds
IT	05/28	05:00	Italy to Sell Up to EUR1 Bln 1.7% I/L 2018 Bonds
BE	05/28	06:00	Belgium to Sell Bonds
IT	05/29	05:00	Italy to Sell 6-Month Bills
SW	05/29	05:03	Sweden to Sell SEK3.5 Bln 1.5% 2023 Bonds
UK	05/29	05:30	U.K. to Sell GBP1.75 Bln 4.75% 2015 Bonds
IT	05/30	05:00	Italy to Sell 5-Year and 10-Year Bonds
UK	05/31	06:10	U.K. to Sell Bills

Asia Pacific

Country	Date	Time	Event
JN	05/27	23:45	Japan to Sell 20-Year Bonds
CH	05/28	23:00	China to Sell 5-Year Bonds
NZ	05/29	22:05	New Zealand Plans to Sell Bonds
JN	05/29	23:35	Japan to Sell 3-Month Bill
JN	05/29	23:45	Japan to Sell 2-Year Bonds

Latin America

Country	Date	Time	Event
BZ	05/28	12:00	Brazil to Sell I/L Bonds due 8/15/2018 - NTN-B
BZ	05/28	12:00	Brazil to Sell I/L Bonds due 8/15/2022 - NTN-B

Source: Bloomberg, Scotiabank Economics.

Events for the week of May 27 - 31

North America

Country	Date	Time	Event
US	21-27 MAY		Secretary of State Kerry Travels to Middle East, Africa
CA	05/28	11:45	Former Ontario Finance Minister Duncan Speaks at Economic Club
CA	05/29	10:00	**Bank of Canada Rate**
US	05/29	13:00	Fed's Rosengren Speaks on Economy in Minneapolis
US	05/29		Former Fed Chairman Paul Volcker Speaks in New York
CA	05/30		Canadian Economic Association Annual Conference
US	05/31	08:45	Fed's Pianalto Speaks on Financial Stability in Washington
CA	05/31	12:00	Ontario Finance Minister Sousa Speaks at CANY

Europe

Country	Date	Time	Event
EC	24-25 MAY		EU's Barroso, Piebalgs Attend African Union Summit
GE	05/25	06:00	Merkel Attends CDA Employee Wing of her CDU: Muenster
GE	05/26	11:45	Merkel Hosts Chinese Premier Li
GE	05/27	02:30	ECB's Asmussen Briefs on Euro Themes at IHK Breakfast: Berlin
SW	05/27	03:30	Sweden's Riksbank Releases Financial Stability Report
GE	05/27	04:00	Schaeuble, Altmaier Speak on German Economy at CDU Conference
GE	05/27	08:30	Merkel, Daimler's Zetsche Speak at Mobility Conference: Berlin
EC	05/27		EU Foreign Ministers Hold Meeting in Brussels
EC	05/27		Eurogroup chairman Dijsselbloem to visit Lisbon
EC	05/27		European Union Experts Meet on Carbon Markets
HU	05/28	08:00	**Hungary Base Rate Announcement**
PO	05/28	08:00	Bank of Portugal Releases Financial Stability Report
EC	05/28	08:00	ECB's Asmussen Speaks in Frankfurt
GE	05/28		Merkel Consults With CDU Members on Party's Election Program
PO	05/29	05:00	Portugal's Gaspar, Moedas Speak in Parliment
HU	05/29	05:00	EC Publishes Recommendation on Hungary EDP Process
PO	05/29	10:00	Portugal Parliament to Debate Government's Spending Cuts
EC	05/29		EU Makes Annual Economic Policy Recommendations
EC	29-30 MAY		European Union Competitiveness Council Meeting
GE	05/30	04:30	CDU Party Manager Klaus Schueler comes into office
PO	05/30	05:15	ECB's Costa, Portugal's Gaspar Speak at Conference in Lisbon
PO	05/30	12:30	ECB's Costa Speaks at Conference on Portugal and the EU
GE	05/31	05:30	Merkel Speaks at Espresso Capsule Factory Ground-Breaking
EC	05/31	06:00	ECB Announces 3-Year LTRO Repayment
IT	05/31		Bank of Italy Annual Assembly in Rome
IT	05/31		EU President Van Rompuy Visits Rome, Meets PM Letta

Source: Bloomberg, Scotiabank Economics.

Events for the week of May 27 - 31

Asia Pacific

Country	Date	Time	Event
WW	19-27 MAY		Chinese Premier Visits India, Pakistan, Germany, Switzerland
AU	24-25 MAY		Northern Tablelands By-elections
CH	24-25 MAY		8th China Futures and Derivatives Forum
AU	25-27 MAY		Queensland Government Community Cabinet
JN	05/26	00:50	BOJ Governor Kuroda Speech in Tokyo
JN	05/26	19:50	Bank of Japan April 26 meeting minutes
IN	26-30 MAY		Indian Prime Minister Singh Visits Japan
JN	05/27	23:45	BoJ Board Member Miyao Speaks at Correspondents' Club
CH	27-29 MAY		UNCTAD Global Services Forum Beijing Summit
JN	05/28	20:00	Bank of Japan Governor Kuroda Speaks at BOJ Conference
TH	05/29	03:30	**Benchmark Interest Rate**
NZ	05/29	23:00	RBNZ Publishes Monthly Assessment of Currency Flows
JN	05/30	04:15	BoJ Deputy Governor Nakaso to Speak at Forum in Tokyo

Latin America

Country	Date	Time	Event
EC	05/29	04:00	Peruvian Central Bank Governor Speaks in Frankfurt
EC	05/29	06:00	Peruvian Finance Minister Speaks in Frankfurt
BZ	05/29		**SELIC Target - Central Bank**
CO	05/31		**Overnight Lending Rate**

Source: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

North America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	1.00	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: Governor Carney's final interest rate statement at the helm of the BoC lands on May 29th. We are not expecting a change in the interest rate or rate guidance. The statement will likely draw a balance between caution regarding low CPI (currently 0.4% y/y) and optimism surrounding what looks like stronger than anticipated GDP growth in Q1. Fed: To taper or not to taper asset purchases? That remains the main question for the Fed, and the past week's barrage of Fedspeak obscured rather than clarified the time-frame for asset purchase tapering. Our view remains that everything's contingent on the economic data – and that the Fed will want to have a better sense of the effects of the sequester on the economy before deciding one way or the other.

Europe

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
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	--

With Hungarian inflation falling to a 39-year low of 1.7% y/y in April (notwithstanding the fact that the decline is largely attributable to one-off factors), and the forint now back around the level where it started 2013 (having recovered from a 14-month high of 307 versus the euro in March), the country's monetary authorities likely perceive further scope for easing next week. Moreover, seeing the economy move out of technical recession in the first quarter (posting a 0.7% q/q expansion, the strongest performance since 2011 Q1), the central bank may judge that earlier monetary accommodation has been effective, bolstering the case for further stimulus. We expect another 25 basis point reduction in the policy rate to bring the rate to a new record low of 4.50%.

Asia Pacific

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Target Rate	0.10	June 11, 2013	0.10	--
Reserve Bank of Australia – Cash Target Rate	2.75	June 4, 2013	2.75	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	2.50	2.50
Bank Indonesia – Reference Interest Rate	5.75	June 13, 2013	5.75	--

Monetary policymakers of the Bank of Thailand will meet on May 29th. Given the weaker-than-expected economic growth in the first quarter (real GDP grew by 5.3% y/y) combined with a manageable inflation outlook (consumer prices increased by 2.4% y/y in April), the probability that the Thai authorities will join several other central banks in monetary easing has increased substantially.

Latin America

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
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

We expect the central bank of Brazil to raise the reference rate by 25 basis points to 7.75% at the next policy committee meeting scheduled for May 29th. The authorities have stated that monetary policy will be conducted with caution, signaling that rate hikes will be gradual; nonetheless, the central bank chief maintained a hawkish tone ahead of the meeting, increasing the probability of larger rate hikes. Headline inflation remains high (6.5% y/y in April vs. 6.6% in March), while economic activity is still subdued.

The central bank of Colombia will likely leave the reference rate unchanged at 3.25% at the next meeting on May 31st. With economic activity expected to regain strength in the second half of the year, coupled with government stimulus measures announced in April and inflation returning to within the central bank's tolerance range (2-4%, but closer to the 2% y/y mark), we do not anticipate any monetary policy easing in the remainder of the year. Nevertheless, we assess that the central bank could opt to extend the USD purchases program that will expire by the end of May, probably until the end of the year.

Africa

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	5.00	July 18, 2013	5.00	--

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
Output and Inflation (annual % change)		Real GDP				Consumer Prices[2]		
World[1]	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
Central Bank Rates (%, end of period)	12Q4	13Q1	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	0.50	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
Exchange Rates (end of period)								
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

Commodities (annual average)	2000-11	2012	2013f	2014f
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

[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)	-12.0	-21.5	-11.1	0.3	(Mar)
Industrial Production	1.1	0.1	-0.4	2.4	(Feb)
Housing Starts (000s)	215	222	202	175	(Apr)
Employment	1.2	1.0	1.6	0.9	(Apr)
Unemployment Rate (%)	7.3	7.3	7.2	7.2	(Apr)
Retail Sales	2.5	2.5	1.0	1.1	(Mar)
Auto Sales (000s)	1674	1660	1666	1665	(Mar)
CPI	1.5	1.2	0.9	0.4	(Apr)
IPPI	0.6	0.0	-0.1	-0.9	(Mar)
Pre-tax Corp. Profits	-2.7	-3.6	-9.1		

United States	2012	12Q3	12Q4	Latest	
Real GDP (annual rates)	2.2	3.1	0.4	2.5	(Q1-A)
Current Acc. Bal. (US$B, ar)	-475	-450	-442		
Merch. Trade Bal. (US$B, ar)	-735	-697	-722	-674	(Mar)
Industrial Production	3.6	3.4	2.8	2.5	(Apr)
Housing Starts (millions)	0.78	0.78	0.90	0.85	(Apr)
Employment	1.7	1.7	1.6	1.6	(Apr)
Unemployment Rate (%)	8.1	8.0	7.8	7.5	(Apr)
Retail Sales	4.8	4.6	4.0	3.6	(Apr)
Auto Sales (millions)	14.4	14.5	15.0	14.9	(Apr)
CPI	2.1	1.7	1.9	1.1	(Apr)
PPI	1.9	1.5	1.7	0.6	(Apr)
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$B, ar)	-9.2	-4.6	-28.1		
Merch. Trade Bal. (US$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	2012	12Q3	12Q4	Latest	
Real GDP	-0.6	-0.7	-0.9		
Current Acc. Bal. (US$B, ar)	149	204	309	385	(Mar)
Merch. Trade Bal. (US$B, ar)	129.3	151.6	196.6	372.2	(Mar)
Industrial Production	-2.3	-2.4	-3.1	-1.6	(Mar)
Unemployment Rate (%)	11.3	11.5	11.8	12.0	(Mar)
CPI	2.5	2.5	2.3	1.2	(Apr)

Germany	2012	12Q3	12Q4	Latest	
Real GDP	0.9	0.9	0.3		
Current Acc. Bal. (US$B, ar)	238.6	225.0	278.0	313.9	(Mar)
Merch. Trade Bal. (US$B, ar)	243.2	253.3	243.3	274.1	(Mar)
Industrial Production	-0.4	-0.7	-2.4	-2.6	(Mar)
Unemployment Rate (%)	6.8	6.8	6.9	6.9	(Apr)
CPI	2.0	1.9	2.0	-6.8	(Apr)

France	2012	12Q3	12Q4	Latest	
Real GDP	0.0	0.0	-0.3		
Current Acc. Bal. (US$B, ar)	-60.2	-41.4	-58.0	-67.2	(Mar)
Merch. Trade Bal. (US$B, ar)	-52.5	-50.5	-47.5	-43.5	(Mar)
Industrial Production	-2.3	-1.6	-3.3	-2.5	(Mar)
Unemployment Rate (%)	10.3	10.3	10.5	11.0	(Mar)
CPI	2.0	2.0	1.5	0.7	(Apr)

United Kingdom	2012	12Q3	12Q4	Latest	
Real GDP	0.3	0.4	0.2		
Current Acc. Bal. (US$B, ar)	-91.4	-111.9	-76.0		
Merch. Trade Bal. (US$B, ar)	-168.6	-164.5	-174.3	-163.8	(Mar)
Industrial Production	-2.4	-1.7	-2.6	-1.3	(Mar)
Unemployment Rate (%)	8.0	7.8	7.8	7.8	(Feb)
CPI	2.8	2.4	2.7	2.4	(Apr)

Italy	2012	12Q3	12Q4	Latest	
Real GDP	-2.4	-2.6	-2.8		
Current Acc. Bal. (US$B, ar)	-15.3	-0.7	19.7	29.8	(Mar)
Merch. Trade Bal. (US$B, ar)	13.8	23.0	35.7	50.4	(Mar)
Industrial Production	-6.3	-6.0	-6.6	-5.0	(Mar)
CPI	3.1	3.2	2.5	1.1	(Apr)

Russia	2012	12Q3	12Q4	Latest	
Real GDP	3.4	3.0	2.1		
Current Acc. Bal. (US$B, ar)	74.8	6.3	12.8		
Merch. Trade Bal. (US$B, ar)	16.1	12.8	15.5	16.1	(Mar)
Industrial Production	-5.3	2.5	1.7	2.3	(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	
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)	6.1	1.7	-6.3	43.1	(Mar)
Industrial Production	4.0	4.3	4.8		
Unemployment Rate (%)	5.2	5.3	5.4	5.5	(Apr)
CPI	1.8	2.0	2.2		

Japan	2012	12Q3	12Q4	Latest	
Real GDP	2.0	0.4	0.4		
Current Acc. Bal. (US$B, ar)	60.4	82.4	1.4	158.5	(Mar)
Merch. Trade Bal. (US$B, ar)	-85.7	-96.7	-105.9	-93.9	(Apr)
Industrial Production	-1.0	-4.6	-6.7	-5.4	(Mar)
Unemployment Rate (%)	4.4	4.3	4.2	4.1	(Mar)
CPI	0.0	-0.4	-0.2	-0.9	(Mar)

South Korea	2012	12Q3	12Q4	Latest	
Real GDP	2.0	1.6	1.5		
Current Acc. Bal. (US$B, ar)	43.1	58.2	59.3	59.7	(Mar)
Merch. Trade Bal. (US$B, ar)	28.3	29.9	39.8	29.4	(Apr)
Industrial Production	1.2	-1.6	1.9	-1.5	(Mar)
CPI	2.2	1.6	1.7	1.2	(Apr)

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	217.9	(Apr)
Industrial Production	10.3	9.2	10.3	9.3	(Apr)
CPI	2.5	1.9	2.5	2.4	(Apr)

Thailand	2012	12Q3	12Q4	Latest	
Real GDP	6.5	3.1	19.1		
Current Acc. Bal. (US$B, ar)	2.7	2.7	0.9		
Merch. Trade Bal. (US$B, ar)	0.7	1.7	0.3	2.0	(Mar)
Industrial Production	2.3	-10.0	42.7	1.8	(Mar)
CPI	3.0	2.9	3.2	2.4	(Apr)

India	2012	12Q3	12Q4	Latest	
Real GDP	5.0	5.3	4.5		
Current Acc. Bal. (US$B, ar)	-93.3	-22.6	-32.6		
Merch. Trade Bal. (US$B, ar)	-16.3	-16.7	-19.4	-17.8	(Apr)
Industrial Production	0.7	0.4	2.1	2.5	(Mar)
WPI	7.5	7.9	7.3	4.9	(Apr)

Indonesia	2012	12Q3	12Q4	Latest	
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	
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	-11.9	(Apr)
Industrial Production	-2.7	-2.1	-0.6	1.0	(Mar)
CPI	5.4	5.2	5.6	6.5	(Apr)

Chile	2012	12Q3	12Q4	Latest	
Real GDP	5.6	5.8	5.7		
Current Acc. Bal. (US$B, ar)	0.5	-19.6	-11.5		
Merch. Trade Bal. (US$B, ar)	12.4	-7.3	3.8	5.4	(Apr)
Industrial Production	2.9	3.5	1.4	2.2	(Mar)
CPI	3.0	2.6	2.2	1.0	(Apr)

Peru	2012	12Q3	12Q4	Latest	
Real GDP	9.1	6.8	5.9		
Current Acc. Bal. (US$B, ar)	-7.1	-2.6	-1.9		
Merch. Trade Bal. (US$B, ar)	0.5	0.4	0.5	0.3	(Mar)
Unemployment Rate (%)	7.0	6.5	5.9	5.6	(Apr)
CPI	3.7	3.5	2.8	2.3	(Apr)

Colombia	2012	12Q3	12Q4	Latest	
Real GDP	4.0	2.7	3.1		
Current Acc. Bal. (US$B, ar)	-11.4	-3.5	-3.6		
Merch. Trade Bal. (US$B, ar)	0.4	0.1	0.4	0.3	(Mar)
Industrial Production	0.0	-0.3	-1.9	-11.5	(Mar)
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)

Canada	12Q4	13Q1	May/17	May/24*	United States	12Q4	13Q1	May/17	May/24*
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	0.99	3-mo. T-bill	0.04	0.07	0.03	0.04
10-yr Gov't Bond	1.80	1.87	1.92	1.95	10-yr Gov't Bond	1.76	1.85	1.95	2.01
30-yr Gov't Bond	2.37	2.50	2.53	2.57	30-yr Gov't Bond	2.95	3.10	3.17	3.17
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)
Germany					**France**				
3-mo. Interbank	0.10	0.11	0.10	0.15	3-mo. T-bill	-0.01	0.01	0.01	0.01
10-yr Gov't Bond	1.32	1.29	1.33	1.43	10-yr Gov't Bond	2.00	2.03	1.86	1.94
FX Reserves (US$B)	67.4	66.6	66.6	(Mar)	FX Reserves (US$B)	54.2	52.6	52.6	(Mar)
Euro Zone					**United Kingdom**				
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	0.39	0.38
FX Reserves (US$B)	332.5	326.6	326.6	(Mar)	10-yr Gov't Bond	1.83	1.77	1.88	1.90
					FX Reserves (US$B)	88.6	88.4	88.4	(Mar)
Japan					**Australia**				
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	3.17	3.31
10-yr Gov't Bond	0.79	0.55	0.80	0.83	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	1.03	1.03	¥/US$	86.75	94.22	103.21	101.03
CADUSD	1.01	0.98	0.97	0.97	US¢/Australian$	1.04	1.04	0.97	0.97
GBPUSD	1.626	1.520	1.517	1.513	Chinese Yuan/US$	6.23	6.21	6.14	6.13
EURUSD	1.319	1.282	1.284	1.293	South Korean Won/US$	1064	1111	1117	1127
JPYEUR	0.87	0.83	0.75	0.77	Mexican Peso/US$	12.853	12.331	12.347	12.532
USDCHF	0.92	0.95	0.97	0.96	Brazilian Real/US$	2.052	2.022	2.035	2.051

Equity Markets (index, end of period)

United States (DJIA)	13104	14579	15354	15263	U.K. (FT100)	5898	6412	6723	6654
United States (S&P500)	1426	1569	1667	1644	Germany (Dax)	7612	7795	8398	8305
Canada (S&P/TSX)	12434	12750	12613	12631	France (CAC40)	3641	3731	4001	3957
Mexico (IPC)	43706	44077	41807	40210	Japan (Nikkei)	10395	12398	15138	14612
Brazil (Bovespa)	60952	56352	55164	55950	Hong Kong (Hang Seng)	22657	22300	23083	22619
Italy (BCI)	873	851	959	933	South Korea (Composite)	1997	2005	1987	1973

Commodity Prices (end of period)

Pulp (US$/tonne)	870	900	930	930	Copper (US$/lb)	3.59	3.44	3.32	3.28
Newsprint (US$/tonne)	640	610	610	610	Zinc (US$/lb)	0.92	0.85	0.82	0.83
Lumber (US$/mfbm)	388	408	332	320	Gold (US$/oz)	1657.50	1598.25	1368.75	1390.25
WTI Oil (US$/bbl)	91.82	97.23	96.02	93.91	Silver (US$/oz)	29.95	28.64	22.52	22.38
Natural Gas (US$/mmbtu)	3.35	4.02	4.06	4.24	CRB (index)	295.01	296.39	287.60	284.78

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

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