

- Updated on June 21, 2017 to reflect forecasts for the Bank of Canada and exchange rates published last week. No other changes to the tables were made. A full forecast update will be published with our *Global Outlook* on July 6th.
- Global momentum remains robust, despite elevated geopolitical risks. Business and household activity is generally strengthening across the globe, though growth in the US underwhelmed in the first quarter. Our tracking of the global economy continues to suggest a solid acceleration relative to last year, with growth of 3.5% in 2017.
- In Canada, our forecast has been increased to 2.6% in 2017 following the strong first-quarter data. Household and business spending rose more rapidly than earlier anticipated. Most notably, business investment rose by 10% (annual rate), the result of broad-based increases in capital spending. First-quarter growth would have been much stronger were it not for a spike in imports of machinery and equipment, which reflects the increase in investment activity. The surge in imports was a reflection of the strength of the economy. We expect growth to stabilize around a 2% annualized rate for the remainder of the year, leading to annual growth of 2.6%, double the Bank of Canada's estimate of potential output growth.
- The very strong growth registered in 2017Q1 combined with a large increase in the GDP deflator imply that nominal GDP growth this calendar year will significantly exceed the estimates used to prepare Canada's federal Budget. In addition, the stronger-than-expected federal revenue growth estimated for fiscal year 2016–17 just ended raises the baseline for revenue into 2017–18. These factors led us to narrow our federal deficit forecasts for the next two fiscal years. For the current fiscal year, fiscal 2017–18, we now anticipate a deficit of \$24.5 billion, followed by a deficit of \$23.5 billion in 2018–19. These are well below the Budget forecasts of \$28.5 billion in 2017–18 and \$27.4 in 2018–19.

CONTACTS

Jean-François Perrault, SVP & Chief Economist
416.866.4214
Scotiabank Economics
jean-francois.perrault@scotiabank.com

International	2000–15	2016	2017f	2018f	2000–15	2016	2017f	2018f
	Real GDP (annual % change)				Consumer Prices (y/y % change, year-end)			
World (based on purchasing power parity)	3.9	3.2	3.5	3.6				
Canada	2.2	1.5	2.6	2.0	1.9	1.4	1.8	2.1
United States	1.9	1.6	2.2	2.4	2.2	1.8	2.3	2.3
Mexico	2.4	2.3	2.0	2.5	4.5	3.4	6.1	4.3
United Kingdom	1.8	1.8	2.0	1.2	2.2	0.7	2.7	2.4
Euro zone	1.2	1.6	1.7	1.7	1.9	1.1	1.4	1.7
Germany	1.2	1.7	1.8	1.7	1.6	1.7	1.5	1.8
France	1.3	1.2	1.4	1.6	1.7	0.6	1.3	1.4
Russia	4.6	-0.2	1.2	1.4	11.4	5.4	5.5	5.0
China	9.8	6.7	6.6	6.1	2.4	2.1	2.2	2.5
India	7.0	7.6	7.5	7.8	7.2	3.4	5.5	5.7
Japan	0.9	1.0	1.2	0.7	0.0	0.3	0.8	1.1
South Korea	4.4	2.8	2.8	2.7	2.8	1.3	2.1	2.3
Indonesia	5.6	5.0	5.3	5.5	6.2	3.0	5.0	4.7
Australia	3.0	2.5	2.5	2.7	2.9	1.5	2.0	2.1
Thailand	4.2	3.2	3.2	3.2	2.7	1.1	1.3	2.0
Brazil	3.4	-3.6	0.3	2.5	6.5	6.3	4.0	4.5
Colombia	4.3	2.0	1.9	2.8	5.0	5.7	4.5	3.5
Peru	5.3	3.9	2.6	3.7	2.7	3.2	3.1	2.8
Chile	4.3	1.6	1.6	2.4	3.3	2.7	2.8	3.2
Commodities								
	(annual average)							
WTI Oil (USD/bbl)	64	43	53	56				
Brent Oil (USD/bbl)	67	45	56	59				
Nymex Natural Gas (USD/mmbtu)	5.09	2.55	3.10	3.05				
Copper (USD/lb)	2.36	2.21	2.50	2.65				
Zinc (USD/lb)	0.81	0.95	1.35	1.55				
Nickel (USD/lb)	7.45	4.36	5.00	5.50				
Aluminium (USD/lb)	0.87	0.73	0.85	0.85				
Iron Ore (USD/tonne)	68	58	65	55				
Metallurgical Coal (USD/tonne)	127	115	170	130				
Gold, London PM Fix (USD/oz)	845	1,251	1,200	1,250				

North America	2000–15	2016	2017f	2018f	2000–15	2016	2017f	2018f
	Canada				United States			
	(annual % change, unless noted)				(annual % change, unless noted)			
Real GDP	2.2	1.5	2.6	2.0	1.9	1.6	2.2	2.4
Consumer Spending	2.9	2.3	2.9	1.8	2.3	2.7	2.5	2.7
Residential Investment	3.8	3.0	4.0	-1.3	-0.7	4.9	5.3	2.7
Business Investment	2.7	-7.8	-0.8	3.0	2.4	-0.5	4.2	3.3
Government	2.2	1.8	2.0	2.0	1.0	0.8	0.2	0.9
Exports	1.3	1.0	1.8	3.9	3.8	0.4	2.7	2.8
Imports	3.1	-0.9	2.1	2.7	3.5	1.1	4.2	3.5
Nominal GDP	4.4	2.1	5.2	4.1	4.0	3.0	4.3	4.5
GDP Deflator	2.2	0.6	2.5	2.2	2.0	1.3	2.0	2.0
Consumer Price Index	2.0	1.4	1.8	2.0	2.2	1.3	2.3	2.3
CPI Ex. Food & Energy	1.6	1.9	1.7	1.8	2.0	2.2	2.1	2.3
Pre-Tax Corporate Profits	3.9	-4.5	25.0	5.0	5.9	-0.1	4.5	3.5
Employment	1.4	0.7	1.4	0.8	0.6	1.8	1.5	1.3
Unemployment Rate (%)	7.1	7.0	6.6	6.5	6.3	4.9	4.5	4.4
Current Account Balance (CAD, USD bn)	-13.9	-67.0	-47.4	-33.4	-521	-481	-474	-505
Merchandise Trade Balance (CAD, USD bn)	28.2	-26.0	0.4	11.5	-668	-750	-822	-877
Federal Budget Balance (FY, CAD, USD bn)	-2.9	-1.0	-22.0	-24.5	-529	-585	-610	-650
percent of GDP	-0.2	0.0	-1.1	-1.1	-3.8	-3.2	-3.2	-3.2
Housing Starts (000s, mn)	199	198	202	188	1.27	1.18	1.25	1.33
Motor Vehicle Sales (000s, mn)	1,639	1,949	1,940	1,925	15.4	17.5	17.4	17.6
Industrial Production	0.5	-0.3	3.8	1.5	0.8	-1.2	1.5	2.0
	Mexico							
	(annual % change)							
Real GDP	2.4	2.3	2.0	2.5				
Consumer Price Index (year-end)	4.5	3.4	6.1	4.3				
Current Account Balance (USD bn)	-13.9	-27.9	-20.7	-28.1				
Merchandise Trade Balance (USD bn)	-6.8	-13.1	-4.5	-7.5				

Quarterly Forecasts	2016				2017				2018			
Canada	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Real GDP (q/q ann. % change)	2.8	-1.4	4.2	2.7	3.7	2.2	2.1	2.0	1.9	1.9	1.8	1.8
Real GDP (y/y % change)	1.3	1.1	1.5	2.0	2.3	3.2	2.7	2.5	2.0	2.0	1.9	1.9
Consumer Prices (y/y % change)	1.5	1.6	1.2	1.4	1.9	1.7	1.8	1.8	1.9	1.9	2.1	2.1
CPI Ex. Food & Energy (y/y % change)	1.7	2.0	2.0	1.8	2.0	1.5	1.5	1.6	1.7	1.7	1.9	1.9
Avg. of New Core CPIs (y/y % change)	1.8	2.0	1.8	1.7	1.5	1.4	1.5	1.5	1.6	1.7	1.7	1.8
United States												
Real GDP (q/q ann. % change)	0.8	1.4	3.5	2.1	1.2	3.0	2.5	2.4	2.4	2.4	2.3	2.3
Real GDP (y/y % change)	1.6	1.3	1.7	2.0	2.0	2.4	2.2	2.3	2.6	2.4	2.4	2.4
Consumer Prices (y/y % change)	1.1	1.1	1.1	1.8	2.6	2.2	2.3	2.3	2.2	2.4	2.4	2.3
CPI Ex. Food & Energy (y/y % change)	2.2	2.2	2.2	2.2	2.2	2.0	2.0	2.1	2.1	2.3	2.3	2.3

Central Bank Rates	2016		2017				2018			
	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Americas	(%, end of period)									
Bank of Canada	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.25	1.25
US Federal Reserve (upper bound)	0.50	0.75	1.00	1.25	1.25	1.50	1.50	1.75	1.75	2.00
Bank of Mexico	4.75	5.75	6.50	6.75	7.00	7.25	7.50	7.50	7.50	7.50
Central Bank of Brazil	14.25	13.75	12.25	10.25	9.50	9.00	9.00	9.25	9.50	9.50
Bank of the Republic of Colombia	7.75	7.50	7.00	6.25	6.00	5.75	5.50	5.50	5.25	5.25
Central Reserve Bank of Peru	4.25	4.25	4.25	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Central Bank of Chile	3.50	3.50	3.00	2.50	2.50	2.50	3.00	3.25	3.50	3.75
Europe										
European Central Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank of England	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Swiss National Bank	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
Asia/Oceania										
Reserve Bank of Australia	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75
Bank of Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
People's Bank of China	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Reserve Bank of India	6.50	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
Bank of Korea	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.50	1.50	1.75
Bank Indonesia	5.00	4.75	4.75	4.75	4.75	4.75	4.75	5.00	5.00	5.25
Bank of Thailand	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75	1.75	2.00
Currencies and Interest Rates										
Americas	(end of period)									
Canadian Dollar (USDCAD)	1.31	1.34	1.33	1.33	1.30	1.28	1.28	1.27	1.25	1.25
Canadian Dollar (CADUSD)	0.76	0.74	0.75	0.75	0.77	0.78	0.78	0.79	0.80	0.80
Mexican Peso (USDMXN)	19.39	20.73	18.72	18.12	19.86	20.39	20.60	20.45	20.51	20.79
Brazilian Real (USDBRL)	3.26	3.26	3.12	3.28	3.30	3.35	3.45	3.45	3.50	3.45
Colombian Peso (USDCOP)	2,882	3,002	2,874	2,949	3,125	3,100	3,125	3,150	3,100	3,125
Peruvian Nuevo Sol (USDPEN)	3.38	3.36	3.25	3.28	3.26	3.25	3.26	3.22	3.23	3.20
Chilean Peso (USDCLP)	657	670	660	665	653	658	655	652	649	647
Europe										
Euro (EURUSD)	1.12	1.05	1.07	1.11	1.12	1.13	1.15	1.18	1.20	1.20
U.K. Pound (GBPUSD)	1.30	1.23	1.26	1.28	1.28	1.28	1.28	1.28	1.31	1.31
Swiss Franc (USDCHF)	0.97	1.02	1.00	0.98	0.98	0.97	0.97	0.95	0.93	0.93
Swedish Krona (USDSEK)	8.58	9.10	8.97	8.75	8.80	8.70	8.60	8.50	8.40	8.30
Norwegian Krone (USDNOK)	7.98	8.64	8.60	8.50	8.00	8.00	7.80	7.60	7.40	7.20
Russian Ruble (USDRUB)	62.9	61.5	56.2	57.8	58.0	58.3	58.7	59.0	59.2	59.3
Asia/Oceania										
Japanese Yen (USDJPY)	101	117	111	111	110	110	112	112	115	115
Australian Dollar (AUDUSD)	0.77	0.72	0.76	0.76	0.75	0.75	0.77	0.77	0.78	0.78
Chinese Yuan (USDCNY)	6.67	6.95	6.89	6.81	6.95	7.00	6.95	6.95	6.90	6.90
Indian Rupee (USDINR)	66.6	67.9	64.9	64.5	66.0	67.0	66.0	66.0	65.5	65.5
South Korean Won (USDKRW)	1,101	1,208	1,118	1,124	1,150	1,160	1,150	1,150	1,140	1,140
Indonesian Rupiah (USDIDR)	13,042	13,473	13,326	13,286	13,450	13,500	13,450	13,450	13,400	13,400
Thai Baht (USDTHB)	34.6	35.8	34.4	34.0	34.8	35.2	34.8	34.8	34.5	34.5
Canada (Yields, %)										
3-month T-bill	0.53	0.46	0.55	0.50	0.50	0.50	0.60	0.80	0.90	1.10
2-year Canada	0.52	0.75	0.75	0.70	0.90	1.05	1.20	1.35	1.45	1.60
5-year Canada	0.62	1.11	1.12	0.95	1.10	1.30	1.50	1.65	1.80	1.90
10-year Canada	1.00	1.72	1.63	1.40	1.60	1.80	1.90	2.10	2.20	2.30
30-year Canada	1.66	2.31	2.30	2.00	2.20	2.40	2.50	2.60	2.70	2.80
United States (Yields, %)										
3-month T-bill	0.27	0.50	0.75	1.00	1.05	1.25	1.30	1.55	1.60	1.80
2-year Treasury	0.76	1.19	1.25	1.25	1.50	1.65	1.75	1.85	1.95	2.10
5-year Treasury	1.15	1.93	1.92	1.65	1.85	2.10	2.25	2.40	2.55	2.60
10-year Treasury	1.59	2.44	2.39	2.05	2.30	2.60	2.75	2.90	2.95	3.00
30-year Treasury	2.31	3.07	3.01	2.75	3.00	3.25	3.35	3.40	3.45	3.50

The Provinces

(annual % change, except where noted)

Real GDP	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2000–15	2.2	2.5	1.8	1.4	1.2	1.7	2.0	2.4	2.1	3.1	2.7
2016p*	1.5	1.9	2.4	0.9	1.4	1.7	2.6	2.4	-1.0	-3.8	3.7
2017f	2.6	-1.9	1.3	1.4	0.8	2.2	2.8	2.3	1.8	2.9	2.8
2018f	2.0	-0.2	1.2	1.2	0.6	1.7	2.2	2.0	2.0	2.3	2.3
Nominal GDP											
2000–15	4.4	5.7	4.3	3.3	3.3	3.6	3.8	4.5	6.0	6.5	4.5
2016e	2.1	-0.1	3.7	2.4	2.5	3.0	4.2	3.7	-3.5	-6.0	5.4
2017f	5.2	2.4	3.1	3.3	2.6	4.4	5.1	4.4	5.2	7.0	5.2
2018f	4.1	2.8	2.7	2.8	2.2	3.5	4.1	3.8	4.4	5.2	4.2
Employment											
2000–15	1.4	1.0	1.2	0.7	0.5	1.3	1.3	1.0	1.3	2.5	1.2
2016	0.7	-1.5	-2.3	-0.4	-0.1	0.9	1.1	-0.4	-0.9	-1.6	3.2
2017f	1.4	-2.1	1.1	0.5	0.5	1.4	1.4	0.8	0.4	0.7	2.4
2018f	0.8	-1.1	0.4	0.3	0.2	0.7	1.1	0.6	0.6	0.9	1.2
Unemployment Rate (%)											
2000–15	7.1	14.3	11.2	8.9	9.6	8.1	7.2	5.1	4.9	4.9	6.6
2016	7.0	13.4	10.7	8.3	9.5	7.1	6.5	6.1	6.3	8.1	6.0
2017f	6.6	14.3	10.2	8.1	8.8	6.4	6.2	5.8	6.1	8.2	5.5
2018f	6.5	14.7	10.1	7.9	8.7	6.3	6.2	5.7	6.0	8.0	5.4
Housing Starts (units, 000s)											
2000–15	199	2.7	0.8	4.3	3.6	44	71	5.1	5.2	35	28
2016	198	1.4	0.6	3.8	1.8	39	75	5.3	4.8	25	42
2017f	202	1.1	0.6	4.0	1.7	42	80	6.4	4.5	26	36
2018f	188	1.3	0.5	3.7	1.8	39	73	5.5	4.6	26	33
Motor Vehicle Sales (units, 000s)											
2000–15	1,639	28	6	48	37	410	624	47	45	216	178
2016	1,949	33	9	54	44	458	807	55	51	220	218
2017f	1,940	31	8	54	42	456	800	56	52	223	218
2018f	1,925	30	7	54	41	452	792	55	53	226	215
Budget Balances, Fiscal Year Ending March 31 (CAD mn)											
2000–15	-2,917	59	-39	-31	-146	-1,009	-5,215	-84	425	1,746	291
2016	-987	-2,207	-13	-11	-261	2,191	-3,514	-846	-675	-6,442	730
2017f**	-22,000	-1,080	-18	41	-231	250	-1,524	-872	-1,289	-10,806	1,458
2018f**	-24,500	-778	1	136	-192	0	0	-840	-685	-10,344	295

* Real GDP by industry at basic prices. ** FY17f & FY18f: Provinces' estimates, SK:FY15–FY18f excluding pension accrual adjustment; history: MB:FY04–FY15 and AB:FY05–FY15.

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