China

- **The US-China trade conflict has evolved from risk to reality.**
- **Weaker export sector activity will likely have a limited impact on headline growth; we see deteriorating sentiment and resulting weaker domestic demand as a bigger downside risk to the economy.**
- **The government is expected to take decisive policy action to offset the growth impact; accordingly, we expect China to sail through the trade turmoil reasonably smoothly.**
- **China will continue to reform the economy and address financial imbalances at a measured pace.**

ECONOMIC GROWTH OUTLOOK SHAPED BY THE TRADE CONFLICT

The trade dispute between the US and China is one of the key factors shaping China's economic outlook through 2020. The conflict escalated in September following the Trump administration's announcement that the US would impose tariffs on USD 200 bn worth of imports from China. The tariff rate is initially 10% and is scheduled to rise to 25% on January 1, 2019. Prior to this announcement, 25% tariffs had already been applied on USD 50 bn of Chinese imports, an action that was subsequently matched by China. As a response to the escalation by the US, China imposed a second set of counter-tariffs on USD 60 bn of shipments from the US, with duty rates ranging between 5% and 10%.

The trade conflict will likely remain in place for an extended period of time, with a low likelihood of a near-term resolution given that bilateral talks have been halted for the time being; moreover, the US has not articulated a clear objective that China would need to accomplish to resolve the situation. We expect the US to move ahead with its plan of raising the tariff rate in January from 10% to 25% on the latest batch of targeted imports. Nevertheless, we consider it unlikely that the US would act on its threat regarding covering virtually all the remaining imports from China with additional tariffs. Such a move would be highly burdensome on US consumers and industry with most of the adverse impacts likely becoming evident in the run-up to the 2020 presidential election.

The escalated trade conflict will place the Chinese economy under downward pressure over the coming quarters. While we have long anticipated a gradual slowing in China's output growth, we highlight that the drivers behind such deceleration have recently changed. Instead of an organic loss of momentum due to the economy's structural changes and authorities' deleveraging efforts, the growth slowdown is now increasingly driven by trade conflict-related issues as deleveraging efforts are set to become less stringent. We expect most of the headwinds to be felt in 2019, with China's real GDP growth likely to decelerate from 6.7% y/y in 2Q2018 to 6.0% by 4Q2019 (chart 1); we had earlier expected output growth to stabilize at 6.3% y/y in the second half of 2019. Our full-year growth forecast for 2018 remains unchanged at 6.6%, but we have revised the 2019 forecast slightly downward, from 6.3% to 6.2%. In 2020, China's expansion will likely stabilize at around 6% y/y.

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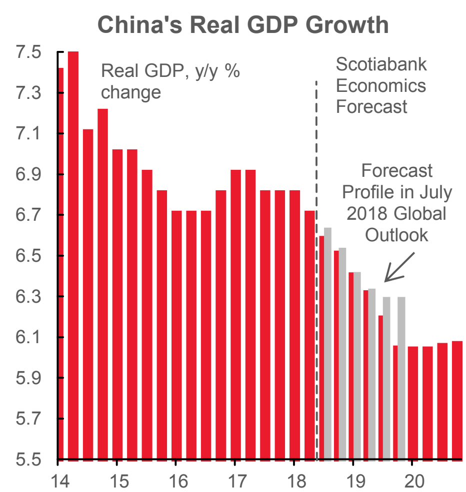
China	2017	2018f	2019f	2020f
Real GDP (annual % change)	6.9	6.6	6.2	6.0
CPI (y/y %, eop)	1.8	2.4	2.5	2.3
Central bank policy rate (%, eop)	4.35	4.35	4.35	4.35
Chinese yuan (USDCNY, eop)	6.51	6.90	6.70	6.50

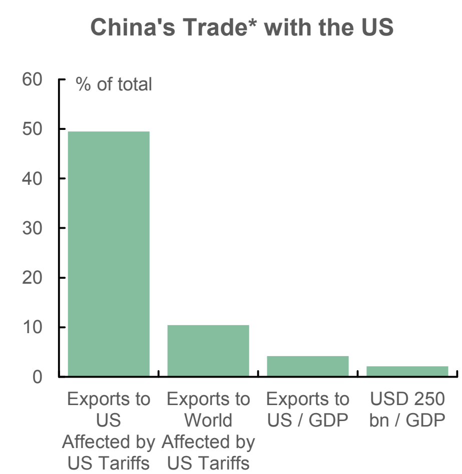
Source: Scotiabank Economics.

Chart 1



Sources: Scotiabank Economics, Bloomberg.

Chart 2



*2017 data. Sources: Scotiabank Economics, IMF.

THE TRADE CONFLICT'S IMPACT ON THE ECONOMY

The US is China's main export destination, purchasing around 20% of all Chinese shipments abroad. Following the escalation of the conflict, around half of Chinese shipments to the US will face tariffs; the targeted USD 250 bn worth of Chinese exports to the US represent 10% of China's global shipments (chart 2). Against this backdrop, Chinese exporters may face lower demand for their products in the US if tariffs result in higher prices or if the US is able to find substitutes for Chinese goods. However, given that USD 250 bn worth of Chinese exports are equivalent to only 2% of China's GDP, we assess that even a significant drop in the US demand for Chinese goods could be compensated by more proactive fiscal and monetary policies. We also highlight that the US dollar has appreciated by around 9% vis-à-vis the Chinese yuan over the past two quarters (chart 3), which should help offset some of the upward price pressure on Chinese goods in the US.

The Chinese economy has gone through a marked change in recent years, with the significance of the external sector as a source of growth diminishing and domestic demand, particularly consumer spending, becoming more important. In fact, net exports were a drag on growth in the first half of 2018 (with -9% contribution) while consumption and fixed investment accounted for 78% and 31% of growth, respectively. With the aforementioned factors in mind, we assess that the trade conflict's direct impact from net trade on China's real GDP growth will be relatively small, particularly given that both China's exports and imports will be impacted by the tariffs.

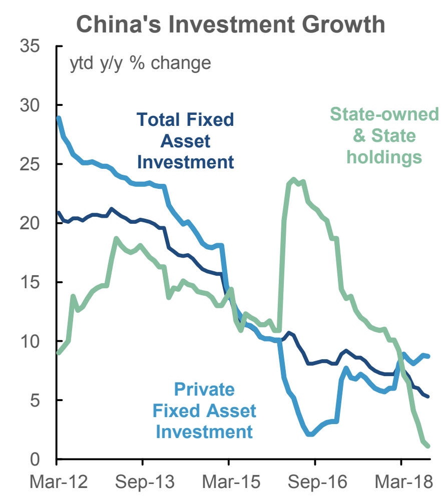
We assess that the trade conflict's biggest impact on the Chinese economy will come via business sentiment given that deteriorating confidence is likely to delay business investment decisions and alter hiring intentions, leading to broader downward pressure on domestic demand. In addition, if the conflict continues for an extended period of time, there is a risk that China's investment prospects deteriorate more dramatically as manufacturers may start shifting production facilities elsewhere, such as into neighbouring Vietnam. Recent high frequency indicators show some signs of softness in manufacturing sector sentiment. Meanwhile, aggregate fixed capital investment growth has been on a slowing trend for a prolonged period of time (chart 4). Nevertheless, robust private sector investment momentum has been a key factor preventing a more pronounced slowdown in investment growth. We will continue to monitor these developments closely over the coming months; we believe that public sector entities would pick up most of the slack should private sector investment growth come to a halt due to weaker business confidence.

In terms of the expected impact on Chinese consumer spending, we point out that—due to the government's control over media—consumers' discontent does not spread as easily in China as it does in the US. Therefore, the impact on Chinese consumer confidence and household spending will likely be relatively limited. In addition, the Chinese government's retaliatory tariffs have been planned in such a way that they minimize the impact on the consumer. Only if we saw significant job losses in the affected manufacturing sector, would consumer spending prospects soften more notably. While we continue to monitor such trends very closely, we consider that the outlook for the Chinese consumer remains solid for the time being; the median real disposable income per capita increased by 8.4% y/y in the first half of 2018, accelerating from the 2017 pace of 7.3% y/y.

Chart 3

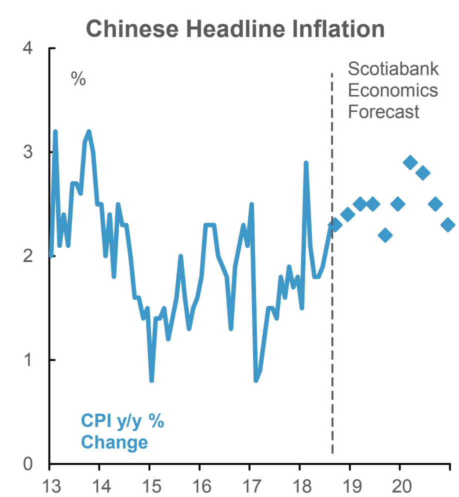
Sources: Scotiabank Economics, Bloomberg.

Chart 4



Sources: Scotiabank Economics, Bloomberg.

Chart 5



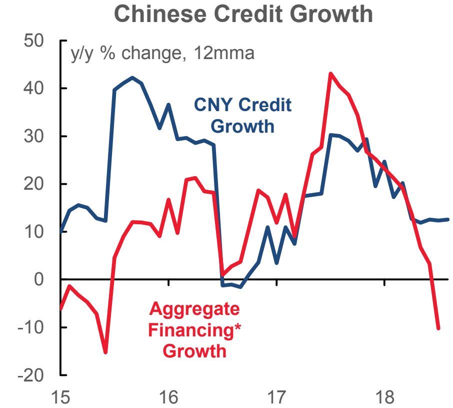
Sources: Scotiabank Economics, Bloomberg.

FISCAL AND MONETARY POLICY OUTLOOK

In the current uncertain environment, the Chinese government has two somewhat contrasting objectives that are dominating its policymaking: 1) supporting economic growth as trade tensions weigh on the outlook, and 2) containing financial risks and imbalances in the economy by deleveraging, which is a prerequisite for further economic liberalization.

The first objective will likely become increasingly dominant over the coming quarters. China has announced that it will take a more flexible approach to fiscal policy in order to offset the adverse economic impact. We expect the government to intervene in the economy to keep economic growth at 6% or above through the rest of the decade; Chinese policymakers will likely use various tools to stimulate the economy, such as personal and corporate tax cuts to boost domestic consumption, export tax rebates and other targeted aid for exporting and manufacturing companies, incentives for higher private investment, particularly in sectors that are in line with China's technology-focused industrial strategy, as well as infrastructure spending on high-speed rail for instance. The fiscal measures will likely mainly focus on enhancing China's economic transformation from focus on heavy industry and low-value-added manufacturing toward the services sector and high technology industries.

Chart 6



*PBoC changed the statistical basis for this series in August 2018; the chart depicts the old series with longer history. Sources: Scotiabank Economics, Bloomberg, PBoC.

In addition to fiscal stimulus, monetary policy will remain accommodative to support the economy, allowed by contained inflationary pressures through 2020. We expect headline inflation to average 2½% y/y over the next two years (chart 5). The People's Bank of China (PBoC) will use various tools—such as open market operations, reserve requirements, as well as standing and medium-term lending facilities—to provide the financial system with ample liquidity ensuring that sectors with favourable growth prospects will continue to have access to funding. While we do not expect the benchmark deposit and lending rates to be changed over the coming quarters, we anticipate further reductions in banks' reserve requirement ratios. The PBoC is not expected to use currency devaluation as a tool to boost the country's exports; in fact, further currency weakness would be undesirable; should it become the market expectation, capital flows out of China would intensify. Less investor demand for Chinese assets would add to the refinancing challenges faced by China's indebted companies.

As for the Chinese administration's second objective regarding reducing financial risks, China's deleveraging process is advancing with credit growth slowing to more sustainable levels in recent quarters (CNY lending grew by 12.6% y/y 12mma in August vs. the 30.1% pace recorded a year earlier). Aggregate financing growth has decelerated more markedly (12mma growth has dipped into negative territory), given the administration's efforts to contain the shadow banking industry (chart 6). In addition to the administration's focus on growth in higher quality credit, the regulatory framework for the shadow-banking industry has been strengthened notably. We expect the deleveraging process to slow down somewhat over the coming months as Chinese policymakers will be forced to prioritize economic stability in the face of increasing downside risks to growth. Nevertheless, official communications indicate that the administration is firmly committed to preventing a further build-up of financial imbalances stemming from excessive credit growth.

We expect the trade issues to linger for a while, past the US midterm elections in November and well into 2019. Meanwhile, we continue to monitor the potential for further escalation, though we note that policymakers on both sides will have a strong incentive for solving the trade dispute through dialogue once the adverse impact on the economy has become more evident. Simultaneously, China will continue to implement its structural reform agenda, gradually opening up the economy. While further liberalization of the Chinese economy is one of the US's demands, we do not expect China to execute rushed reforms. Indeed, this year marks the 40th anniversary of China's "reform and opening-up", highlighting China's preference for maintaining a measured approach to structural changes.

Japan

- **Output growth in line with potential with inflation staying below target.**

ECONOMIC GROWTH OUTLOOK

The Japanese economy is propelling ahead reasonably well—by recent Japanese standards—with real GDP rising by 1.2% y/y in the first half of 2018. Business investment is buttressed by corporations' healthy balance sheets and stimulative fiscal and monetary policies, while a tightening labour market is expected to lift wages and support household spending. Robust global demand is reflected in Japan's export sector activity. However, with China and the US being Japan's two main export markets, the US-China trade conflict along with the US's protectionist biases—evidenced by the steel and aluminium tariffs—pose a downward risk to Japan's growth outlook. The scheduled consumption tax rate hike (from 8% to 10%) in October 2019 is set to cause growth volatility next year (chart 1). We expect Japan's real GDP to expand by 1.2% this year, followed by an average gain of 1% y/y in 2019–2020, which is virtually in line with the economy's potential.

Shinzo Abe won the ruling Liberal Democratic Party's (LDP) leadership election in September. The party leader will effectively be Japan's next prime minister, given that the LDP and its junior coalition partner Komeito control both the lower and the upper house of parliament. A renewed mandate will be a welcomed opportunity for Mr. Abe to focus on the third "arrow" of his economic revival plan. The monetary and fiscal "arrows" have been used extensively and have helped bring an end to deflation, yet the third one—structural reforms—has not progressed as fast as was envisioned when Abe first came to power in 2012. Successfully implemented reforms represent an upside risk to Japan's longer-term growth outlook.

INFLATION AND MONETARY POLICY OUTLOOK

Japan's inflationary pressures are set to stay below the Bank of Japan's (BoJ) 2% target through 2020. Headline inflation has recently rebounded to 1⅓% y/y, driven by higher food costs. The CPI excl. fresh food—the BoJ's preferred measure—remains more muted at 0.9% y/y. We expect the recent modest pick-up to be short-lived with headline inflation closing 2018 at 1% y/y. Inflation will spike temporarily in the final months of 2019 reflecting the hike in the consumption tax rate, yet price gains will likely ease back toward 1% y/y over the course of 2020 (chart 2).

Highly-accommodative monetary policy will likely be maintained through 2020. Last July, the BoJ implemented some technical tweaks to its monetary operations in order to increase policy flexibility; the BoJ will allow for more volatility in yields depending on developments in economic activity and prices. We expect the monetary policy stance to remain unchanged over the coming quarters with the short-term policy rate kept at -0.1%. The BoJ will continue to adjust the amount of bond purchases depending on market developments, aiming to keep the 10-year bond yield close to 0%. The forthcoming consumption tax rate hike may cause a drop in real GDP or a growth slowdown; potential recessionary conditions do not create an environment where the BoJ would be tightening monetary policy. Against this backdrop, we do not foresee any adjustments to the policy rate before end-2020, yet the BoJ may allow long-term yields to rise marginally in 2020 assuming that the economy sails through the tax rate hike reasonably unharmed.

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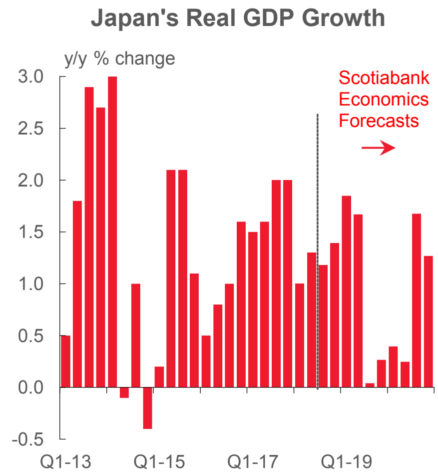
Japan	2017	2018f	2019f	2020f
Real GDP (annual % change)	1.7	1.2	1.0	0.9
CPI (y/y %, eop)	1.0	1.0	2.3	1.1
Central bank policy rate (%, eop)	-0.10	-0.10	-0.10	-0.10
Japanese yen (USDJPY, eop)	113	110	108	105

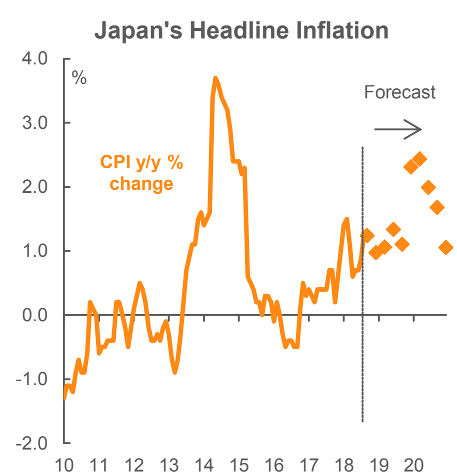
Source: Scotiabank Economics.

Chart 1



Sources: Scotiabank Economics, Bloomberg.

Chart 2



Sources: Scotiabank Economics, Bloomberg.

India

- **India continues to be a growth outperformer among major economies.**
- **Inflation risks remain elevated, warranting monetary tightening.**
- **The rupee reflects emerging market concerns and India's current account and fiscal deficits.**

ECONOMIC GROWTH OUTLOOK

The Indian economy is performing strongly. Real GDP growth averaged 7.9% y/y in the January–June period, following a 6.3% gain in 2017. We expect the economy to expand by 7.6% in 2018 as a whole (chart 1). Private consumption, investment activity, and momentum in the manufacturing and services sectors continue to be robust. In addition, the nation's fiscal policy stance remains growth-supportive. The fact that the Indian economy is less export-oriented than its regional peers is providing some protection against any adverse impact on real GDP growth stemming from the US–China trade conflict and the US's trade policy more broadly.

We assess that India's medium-to-longer-term growth outlook is reasonably encouraging as well. In our view, recent reforms—such as tax reform, bankruptcy code, bank recapitalization and non-performing asset resolution, liberalization of foreign direct investment, and various efforts to formalize the economy—will help revive credit growth, simplify India's complicated business environment, and encourage private sector investment, thereby supporting the economy's momentum. Accordingly, India is set to remain a growth outperformer among the world's major economies in the foreseeable future. We forecast India's real GDP to advance by 7½% y/y on average through the rest of the decade.

INFLATION AND MONETARY POLICY OUTLOOK

India's inflation outlook continues to warrant close monitoring despite the fact that price pressures at the headline level have weakened in recent months. Consumer price inflation has eased—mainly due to base effects—to 3¾% y/y from over 5% at the beginning of 2018. We expect the headline rate to close 2018 at 4.0% y/y and to pick up moderately over the course of 2019 (chart 2). Nevertheless, we believe that the Reserve Bank of India's (RBI) monetary tightening will help keep inflation within the central bank's target of 4% ±2% through 2020.

Despite favourable developments in recent months, India's inflation outlook is not without its challenges, highlighted by the fact that core inflation remains elevated at close to 6% y/y. We continue to observe carefully the development of the following upside risks to inflation: 1) ongoing financial market volatility and the associated depreciation of the Indian rupee; 2) households' rising inflation expectations; 3) elevated crude oil prices; 4) higher input price pressures in the manufacturing sector; 5) below-average rainfall during the monsoon season (June–September) and its potential impact on food prices; 6) the central government's decision to implement minimum support prices for certain crops; 7) potential fiscal slippage ahead of the 2019 general election; and 8) higher housing rent allowances given to government employees.

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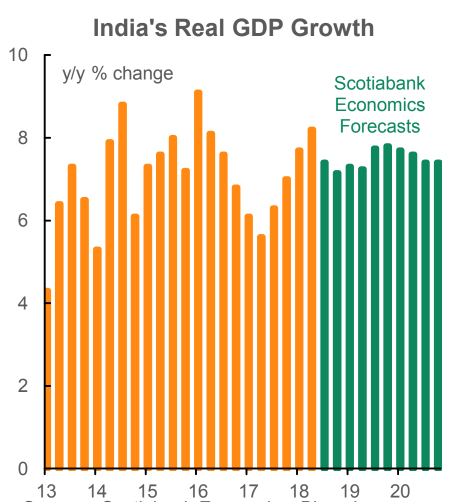
India	2017	2018f	2019f	2020f
Real GDP (annual % change)	6.3	7.6	7.5	7.5
CPI (y/y %, eop)	5.2	4.0	5.2	4.8
Central bank policy rate (%, eop)	6.00	6.75	7.25	7.25
Indian rupee (USDINR, eop)	63.9	72.5	71.0	69.0

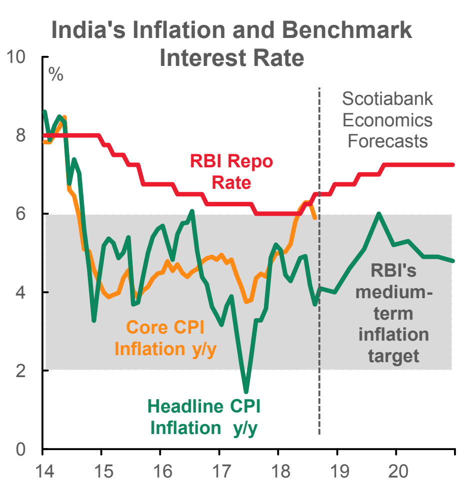
Source: Scotiabank Economics.

Chart 1



Sources: Scotiabank Economics, Bloomberg.

Chart 2



Sources: Scotiabank Economics, Bloomberg.

The RBI continues to give high priority to preserving policy credibility vis-à-vis the central bank's inflation targeting mandate. The RBI raised the benchmark repo rate by 25 basis points in June and August to the current level of 6.50%. Nevertheless, following the most recent policy meeting on October 5, the RBI opted to take a break from monetary tightening. Instead, it prioritised financial sector stability in the midst of elevated shadow banking sector stress and focused on maintaining adequate levels of liquidity in the system. Nevertheless, the central bank changed its policy stance from "neutral" to "calibrated tightening", indicating that further hikes are in store. We assess that the RBI will likely raise the policy rate by 25 basis points following the next monetary policy meeting on December 5.

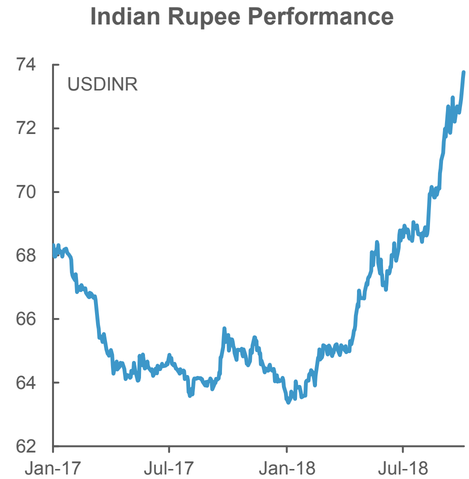
ECONOMIC FUNDAMENTALS AND THE INDIAN RUPEE

The Indian rupee (INR) is facing significant depreciation pressure against the US dollar. The INR is the worst-performing Asian currency since the beginning of the year, having recorded double-digit losses vis-à-vis the USD (chart 3). Turmoil related to Turkey and Argentina combined with the US-China trade conflict has led to weaker sentiment toward emerging markets, leading to spillovers into India on the back of the country's fiscal and current account deficits (chart 4). In addition to the twin-deficit position, political uncertainty in India will remain high over the coming months due to four state elections that will be held by the end of January 2019, followed by general elections in April–May 2019; accordingly, we remain bearish on the INR over the medium-term.

While India's current account deficit is not notably large—likely to average around 2½% of GDP during the current fiscal year (April 2018–March 2019)—foreign direct investment inflows do not fully cover the deficit financing needs; therefore, India relies on more volatile portfolio inflows and external debt to finance the current account shortfall, leading to higher currency volatility. On the fiscal front, the Indian government remains committed to gradual fiscal consolidation. The Union Budget for Fiscal Year 2018–19 projects the central government deficit to narrow to 3.3% of GDP from 3½% a year earlier. Nevertheless, we note that the risk of fiscal slippage ahead of the 2019 general elections remains elevated. We further point out that India's public deficit remains substantially larger at the general government level, likely to average 6½% of GDP over the next couple of years. We assess that the Indian economy's main fundamental weaknesses and risks continue to lie on the fiscal front as the government's ability to respond to potential adverse shocks is somewhat limited.

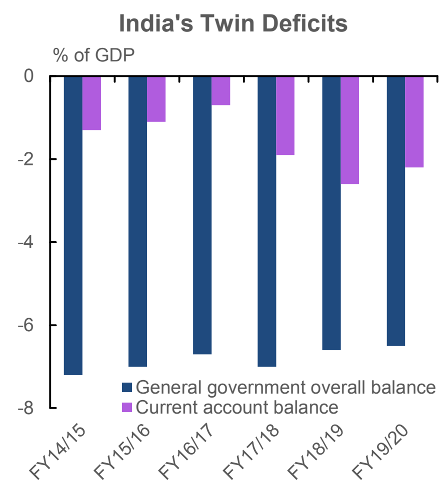
The RBI has intervened in the foreign exchange market in order to support the INR, leading to a decline in the central bank's reserves. Nevertheless, India's foreign reserves relative to short-term liabilities are reasonably solid. We assess that the central bank should have adequate tools to continue defending the currency if needed. In addition to market intervention, India has unveiled various other measures to support the INR, including steps to facilitate bond issuance by local companies in order to boost capital inflows, as well as higher tariffs to reduce imports.

Chart 3



Sources: Scotiabank Economics, Bloomberg.

Chart 4



Sources: Scotiabank Economics, IMF.

South Korea

- **Real GDP growth is likely to remain in line with potential through 2020.**
- **Inflation is expected to reach the central bank's target in near-term.**

ECONOMIC GROWTH OUTLOOK

South Korea's economic growth remains reasonably solid. We expect real GDP to advance by 2.9% in 2018, followed by an average gain of 2.7% y/y in 2019–2020 (chart 1). Momentum is driven by robust export sector activity; recent softness in consumer spending and fixed investment will likely prove temporary on the back of the government's growth-enhancing policies, such as minimum wage hikes, job creation measures, and innovation-related programs. High household debt levels and softer sentiment due to ongoing trade-related uncertainties will likely prevent the pace of growth from surpassing the economy's potential of around 2¾% y/y.

We identify two key risks for South Korea's economic growth: trade protectionism and domestic labour market developments. Given that the South Korean economy is export-oriented and tightly integrated into the Asian and global supply chains, it will likely feel the adverse impact from the escalating US-China trade conflict. China is South Korea's main export market, purchasing 30% of its shipments abroad; moreover, more than half of South Korean global exports are intermediate goods that, once assembled into final goods, could face US import duties. In addition, we are paying close attention to recent sluggishness in the domestic labour market. Reflecting the around 16% increase in the minimum wage earlier this year, the nation's unemployment rate has climbed from 3.6% to 4.0% as small companies have experienced difficulties in retaining prior employment levels. An additional minimum wage increase—of around 11%—is scheduled for 2019, pointing to further hardship ahead for small firms unless demand picks up enough to compensate for higher labour costs. To alleviate the pain, the South Korean government recently unveiled a proposal for an expansionary budget for 2019, which follows a jobs-focused supplementary budget approved for the current year.

INFLATION AND MONETARY POLICY OUTLOOK

South Korea's inflation is strengthening, approaching the Bank of Korea's (BoK) 2% y/y target on the back of year-ago base effects, higher food prices, and imported price gains due to recent currency depreciation vis-à-vis the US dollar. We expect headline inflation to hover near the 2% mark in the final months of 2018. In 2019–2020, inflation will likely remain manageable—averaging 2½ y/y—as the BoK continues to tighten monetary policy cautiously.

With a pick-up in inflation, the BoK's policy rate in real terms has dipped into negative territory. This will likely prompt the central bank to redirect its current policy focus on financial stability in the face of persisting trade-related uncertainties, elevated risk aversion, and potential capital outflows. Moreover, reasonably solid economic momentum, continued high credit growth by South Korean households, and a widening interest rate differential between the US and South Korea will likely add to the pressure on the BoK to reduce monetary accommodation. Accordingly, the likelihood of the BoK raising the Base Rate by 25 basis points to 1.75% by the end of this year remains high.

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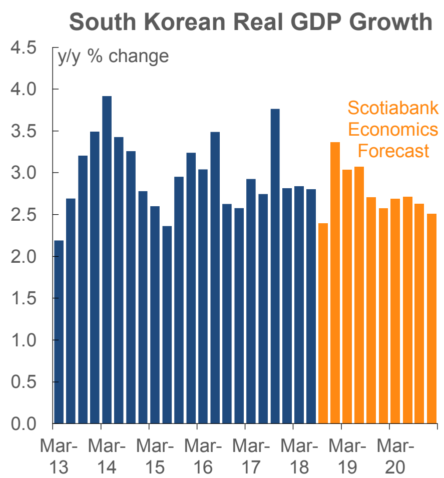
South Korea	2017	2018f	2019f	2020f
Real GDP (annual % change)	3.1	2.9	2.8	2.6
CPI (y/y %, eop)	1.5	2.2	2.5	2.2
Central bank policy rate (%, eop)	1.50	1.75	2.25	2.50
South Korean won (USDKRW, eop)	1,067	1,100	1,085	1,070

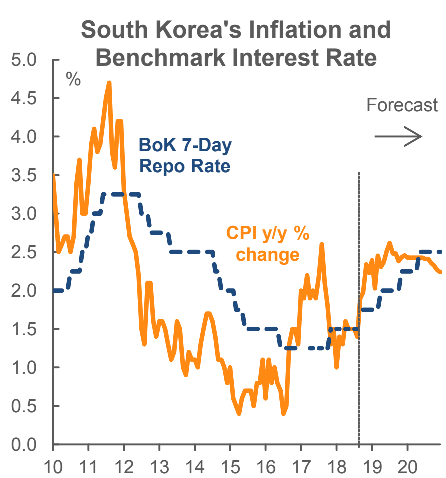
Source: Scotiabank Economics.

Chart 1



Sources: Scotiabank Economics, Bloomberg.

Chart 2



Sources: Scotiabank Economics, Bloomberg.

Australia

- **Australia's economic growth to decelerate moderately in 2019–20.**
- **Manageable inflation outlook allows measured monetary normalization.**

ECONOMIC GROWTH OUTLOOK

Australia's economic momentum so far this year has turned out to be stronger than we had anticipated, with real GDP averaging a solid 3.3% y/y in the first half of 2018 (chart 1). Therefore, we now expect the Australian economy to expand by 3.1% in 2018 (vs. 2.8% in the Q3 *Global Outlook* report). Activity is broadly based as domestic demand—notably non-mining investment, infrastructure investment, and private spending—as well as net exports are contributing to growth. Nevertheless, we assess that the economy will return toward potential growth rates of 2⅔% y/y in 2019–2020 on the back of slightly softer export sector performance. Moreover, the Australian consumer may not be able to underpin the economy's current momentum: while a strengthening labour market is supporting confidence, still-weak wage gains and high household debt levels will likely limit spending growth over the coming quarters.

We continue to monitor closely any potential adverse impact on the Australian economy stemming from the US-China trade conflict. We believe that the biggest downside risk caused by the trade dispute relates to weaker business sentiment globally. A deteriorating outlook for the global economy would likely be reflected in commodity prices, adversely affecting Australia's terms of trade. Additionally, non-mining business investment is currently an important growth driver in Australia; investment prospects would likely weaken along with softer business confidence. Nevertheless, we note that China does not purchase significant amounts of intermediate goods from Australia that, once assembled into final goods, could face US import tariffs. Therefore, we assess that Australia is less exposed to the conflict than several Asian economies, such as South Korea, Japan, and Taiwan. Australian exports to China support Chinese domestic demand, particularly construction and infrastructure development. In this light, we continue to monitor closely any further details on China's fiscal stimulus plans.

INFLATION AND MONETARY POLICY OUTLOOK

The Reserve Bank of Australia (RBA) will likely maintain the current accommodative monetary policy stance over the coming months. On the back of a still-soft wage and price inflation outlook, we expect that the RBA's monetary tightening phase will wait until the second quarter of 2019 (chart 2), followed by cautious interest rate increases. The benchmark interest rate has remained at 1.50% since August 2016. The RBA's policymakers have highlighted that "the next move in the cash rate would more likely be an increase than a decrease". Meanwhile, they have also pointed out that there is "no strong case for a near-term adjustment in monetary policy". Australian wages and prices at the headline level are rising in tandem, by 2.1% y/y in the second quarter, leaving earnings flat in real terms. Wage inflation is expected to pick up modestly, yet demand-driven inflationary pressures are set to remain manageable in the foreseeable future. We expect headline inflation to close 2018 at 2.0% y/y and average 2½% y/y in 2019–2020, thereby remaining within the RBA's inflation target of 2–3% y/y.

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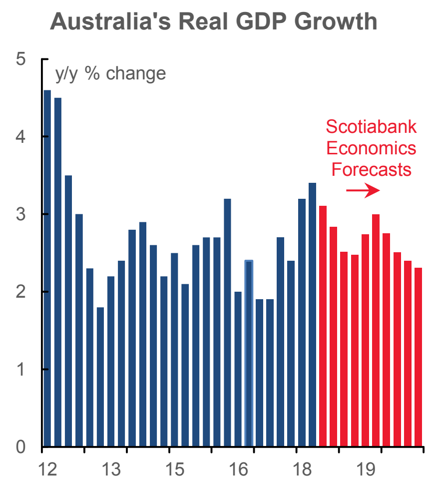
Australia	2017	2018f	2019f	2020f
Real GDP (annual % change)	2.2	3.1	2.7	2.5
CPI (y/y %, eop)	1.9	2.0	2.5	2.6
Central bank policy rate (%, eop)	1.50	1.50	2.00	2.50
Australian dollar (AUDUSD, eop)	0.78	0.73	0.78	0.78

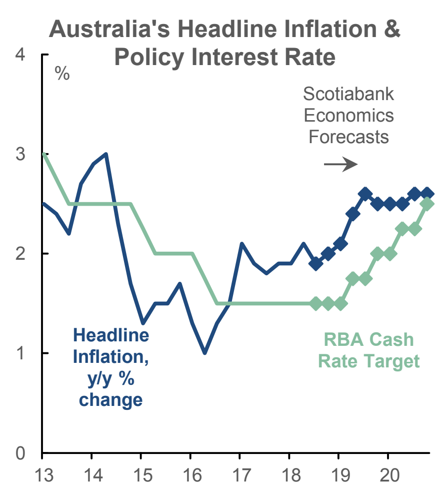
Source: Scotiabank Economics.

Chart 1



Sources: Scotiabank Economics, Bloomberg.

Chart 2



Sources: Scotiabank Economics, Bloomberg.