

Steady as She Goes

- Our outlook has remained generally unchanged over the last month. Global growth remains solid, led by a very strong US economy. Trade policy risks remain elevated, particularly as they relate to the US and China, but risks to North American trade are diminishing, as Canada, Mexico and the US appear close to agreeing on a modernized NAFTA. Financial volatility in emerging markets remains concentrated in countries with significant vulnerabilities, whereas those with solid fundamentals, such as the Pacific Alliance countries, remain reasonably insulated from this volatility.
- In Canada, we continue to expect growth will remain at, or slightly above potential through next year. If a renegotiated NAFTA is agreed to in the near future, as seems likely, it is possible that growth may be stronger than currently forecast, given the depressing impact NAFTA-related uncertainty has had on business investment in Canada. The Bank of Canada is expected to raise interest rates in October, followed by 3 more rate increases by the third quarter of next year.

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International	2000–16	2016	2017	2018f	2019f	2000–16	2016	2017	2018f	2019f
	Real GDP (annual % change)					Consumer Prices (y/y % change, year-end)				
World (based on purchasing power parity)	3.9	3.2	3.7	3.8	3.7					
Canada	2.1	1.4	3.0	2.1	2.1	1.9	1.4	1.8	3.0	2.1
United States	2.0	1.6	2.2	2.9	2.4	2.2	1.8	2.1	2.8	2.1
Mexico	2.2	2.9	2.0	1.8	2.1	4.4	3.4	6.8	4.5	4.1
United Kingdom	1.9	1.8	1.7	1.5	1.9	2.0	0.7	2.7	2.0	1.8
Eurozone	1.3	1.8	2.4	2.2	1.9	1.8	1.1	1.4	1.9	1.7
Germany	1.4	2.2	2.2	2.2	2.1	1.5	1.7	1.7	1.6	1.9
France	1.3	1.2	2.2	1.8	1.7	1.4	0.6	1.2	1.5	1.5
China	9.4	6.7	6.9	6.6	6.3	2.3	2.1	1.8	2.2	2.5
India	7.1	7.9	6.3	7.5	7.5	6.9	3.4	5.2	4.0	5.4
Japan	0.9	1.0	1.7	1.1	0.9	0.1	0.3	1.0	1.0	2.3
South Korea	4.2	2.9	3.1	2.9	2.8	2.6	1.3	1.5	2.1	2.5
Australia	3.0	2.6	2.2	3.1	2.5	2.8	1.5	1.9	2.0	2.5
Thailand	4.0	3.3	3.9	4.3	3.8	2.0	1.1	0.8	1.1	2.0
Brazil	2.6	-3.5	1.0	2.3	2.5	6.7	6.3	3.0	4.1	4.6
Colombia	4.0	2.0	1.8	2.5	3.5	5.1	5.8	4.1	3.3	3.4
Peru	5.1	4.0	2.5	3.5	4.0	2.8	3.2	1.4	2.0	2.5
Chile	4.0	1.3	1.5	3.7	3.9	3.3	2.7	2.3	2.9	3.0
Commodities	(annual average)									
WTI Oil (USD/bbl)	63	43	51	68	71					
Brent Oil (USD/bbl)	66	45	55	74	77					
WCS - WTI Discount* (USD/bbl)	-17	-14	-13	-23	-23					
Nymex Natural Gas (USD/mmbtu)	4.94	2.55	3.02	2.93	2.90					
Copper (USD/lb)	2.35	2.21	2.80	3.10	3.25					
Zinc (USD/lb)	0.81	0.95	1.31	1.45	1.45					
Nickel (USD/lb)	7.26	4.36	4.72	6.50	7.00					
Aluminium (USD/lb)	0.86	0.73	0.89	0.95	1.00					
Iron Ore (USD/tonne)	67	58	72	63	60					
Metallurgical Coal (USD/tonne)	127	114	187	190	160					
Gold, London PM Fix (USD/oz)	869	1,251	1,257	1,311	1,300					
Silver, London PM Fix (USD/oz)	14.67	17.14	17.05	18.00	19.00					

* 2008-16 average.
 Sources: Scotiabank Economics, Statistics Canada, BEA, BLS, IMF, Bloomberg.

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North America	2000–16	2016	2017	2018f	2019f	2000–16	2016	2017	2018f	2019f
	Canada (annual % change, unless noted)					United States (annual % change, unless noted)				
Real GDP	2.1	1.4	3.0	2.1	2.1	2.0	1.6	2.2	2.9	2.4
Consumer spending	2.9	2.3	3.4	2.2	2.0	2.4	2.7	2.5	2.5	2.4
Residential investment	3.7	3.4	2.8	-0.2	0.6	-0.5	6.5	3.3	0.5	1.5
Business investment	2.2	-8.8	2.7	6.4	2.4	2.9	0.5	5.3	6.9	3.1
Government	2.2	2.7	2.6	2.6	1.5	1.1	1.4	-0.1	1.7	2.2
Exports	1.3	1.0	1.1	3.1	3.5	3.7	-0.1	3.0	4.8	2.7
Imports	2.9	-1.0	3.6	4.4	2.5	3.7	1.9	4.6	4.0	3.0
Nominal GDP	4.2	2.0	5.4	4.3	4.5	4.0	2.7	4.2	5.4	5.0
GDP deflator	2.1	0.6	2.3	2.2	2.4	1.9	1.1	1.9	2.4	2.6
Consumer price index (CPI)	1.9	1.4	1.6	2.6	2.5	2.2	1.3	2.1	2.7	2.4
CPI ex. food & energy	1.6	1.9	1.6	1.9	2.1	2.0	2.2	1.8	2.2	2.2
Pre-tax corporate profits	3.6	-1.9	19.9	4.4	4.5	5.4	-1.1	3.2	6.9	2.9
Employment	1.3	0.7	1.9	1.2	1.0	0.7	1.8	1.6	1.5	1.1
Unemployment rate (%)	7.1	7.0	6.3	5.9	5.8	6.2	4.9	4.4	3.9	3.9
Current account balance (CAD, USD bn)	-17.1	-65.4	-63.3	-62.9	-52.8	-504	-433	-449	-446	-479
Merchandise trade balance (CAD, USD bn)	25.1	-25.9	-24.0	-22.9	-14.3	-672	-751	-807	-842	-893
Federal budget balance* (FY, CAD, USD bn)	-2.8	-1.0	-17.8	-20.0	-18.0	-532	-585	-665	-805	-1,000
percent of GDP	-0.2	0.0	-0.9	-0.9	-0.8	-3.7	-3.1	-3.4	-3.9	-4.6
Housing starts (000s, mn)	199	198	220	215	202	1.27	1.17	1.20	1.28	1.30
Motor vehicle sales (000s, mn)	1,657	1,949	2,041	2,000	1,950	15.5	17.5	17.1	17.1	17.0
Industrial production	0.6	0.1	5.3	3.3	2.3	0.6	-2.0	1.6	3.6	2.1
	Mexico (annual % change)									
Real GDP	2.2	2.9	2.0	1.8	2.1					
Consumer price index (year-end)	4.4	3.4	6.8	4.5	4.1					
Current account balance (USD bn)	-14.9	-23.9	-19.5	-24.5	-23.7					
Merchandise trade balance (USD bn)	-7.2	-13.1	-11.0	-15.5	-15.8					

Sources: Scotiabank Economics, Statistics Canada, CMHC, BEA, BLS, Bloomberg. * Canada federal deficit ex risk adjustment of \$3.0bn for FY19.

Quarterly Forecasts	2017		2018			2019			
	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Canada									
Real GDP (q/q ann. % change)	1.7	1.4	2.9	2.0	2.4	1.9	1.9	1.9	1.8
Real GDP (y/y % change)	3.0	2.3	1.9	2.0	2.2	2.3	2.1	2.0	1.9
Consumer prices (y/y % change)	1.8	2.1	2.3	3.0	3.0	2.9	2.6	2.3	2.1
Avg. of new core CPIs (y/y % change)	1.7	1.9	2.0	2.1	2.1	2.2	2.2	2.2	2.2
United States									
Real GDP (q/q ann. % change)	2.3	2.2	4.2	3.1	2.5	2.1	2.1	2.0	2.0
Real GDP (y/y % change)	2.5	2.6	2.9	3.0	3.0	3.0	2.5	2.2	2.0
Consumer prices (y/y % change)	2.1	2.3	2.6	2.9	2.8	2.6	2.7	2.3	2.1
CPI ex. food & energy (y/y % change)	1.7	1.9	2.2	2.4	2.4	2.3	2.3	2.1	2.0
Core PCE deflator (y/y % change)	1.6	1.7	1.9	2.0	2.1	2.2	2.2	2.1	2.1

Sources: Scotiabank Economics, Statistics Canada, BEA, BLS, Bloomberg.

Central Bank Rates	2017		2018			2019			
	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f
Americas	(% , end of period)								
Bank of Canada	1.00	1.25	1.25	1.50	1.75	2.00	2.25	2.50	2.50
US Federal Reserve (upper bound)	1.50	1.75	2.00	2.25	2.50	2.50	2.75	2.75	3.00
Bank of Mexico	7.25	7.50	7.75	7.75	8.00	8.50	8.50	8.50	8.50
Central Bank of Brazil	7.00	6.50	6.50	6.75	7.25	8.00	8.50	9.00	9.50
Bank of the Republic of Colombia	4.75	4.50	4.25	4.25	4.50	4.75	5.00	5.25	5.50
Central Reserve Bank of Peru	3.25	2.75	2.75	2.75	2.75	3.00	3.00	3.25	3.25
Central Bank of Chile	2.50	2.50	2.50	2.50	2.75	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
Bank of England	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75	1.00
Asia/Oceania									
Reserve Bank of Australia	1.50	1.50	1.50	1.50	1.50	1.50	1.75	1.75	2.00
Bank of Japan	-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
Reserve Bank of India	6.00	6.00	6.25	6.50	6.50	6.50	6.75	6.75	6.75
Bank of Korea	1.50	1.50	1.50	1.50	1.75	1.75	2.00	2.00	2.25
Bank of Thailand	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)	1.26	1.29	1.31	1.28	1.28	1.25	1.22	1.22	1.25
Canadian dollar (CADUSD)	0.80	0.78	0.76	0.78	0.78	0.80	0.82	0.82	0.80
Mexican peso (USDMXN)	19.66	18.18	19.91	19.10	20.18	20.32	20.15	20.21	20.52
Brazilian real (USDBRL)	3.31	3.31	3.88	4.25	4.30	4.35	4.50	4.55	4.65
Colombian peso (USDCOP)	2,986	2,794	2,932	3,140	3,200	3,250	3,250	3,300	3,350
Peruvian sol (USDPEN)	3.24	3.23	3.29	3.27	3.22	3.23	3.19	3.20	3.20
Chilean peso (USDCLP)	615	604	654	638	603	600	597	594	591
Europe									
Euro (EURUSD)	1.20	1.23	1.17	1.17	1.20	1.22	1.25	1.30	1.35
UK pound (GBPUSD)	1.35	1.40	1.32	1.30	1.32	1.32	1.35	1.37	1.40
Asia/Oceania									
Japanese yen (USDJPY)	113	106	111	110	110	110	110	108	105
Australian dollar (AUDUSD)	0.78	0.77	0.74	0.73	0.73	0.75	0.77	0.77	0.77
Chinese yuan (USDCNY)	6.51	6.28	6.62	6.70	6.60	6.50	6.50	6.40	6.40
Indian rupee (USDINR)	63.9	65.2	67.8	70.5	70.0	69.0	69.0	68.0	68.0
South Korean won (USDKRW)	1,067	1,064	1,115	1,100	1,080	1,070	1,070	1,060	1,060
Thai baht (USDTHB)	32.6	31.2	33.1	32.5	32.5	32.0	32.0	31.5	31.5
Canada (Yields, %)									
3-month T-bill	1.06	1.15	1.26	1.55	1.80	2.05	2.30	2.55	2.55
2-year Canada	1.69	1.78	1.91	2.15	2.25	2.40	2.50	2.55	2.60
5-year Canada	1.87	1.97	2.07	2.25	2.40	2.50	2.60	2.65	2.70
10-year Canada	2.05	2.09	2.17	2.35	2.45	2.60	2.65	2.70	2.75
30-year Canada	2.27	2.23	2.20	2.35	2.55	2.70	2.85	2.90	2.95
United States (Yields, %)									
3-month T-bill	1.38	1.70	1.92	2.15	2.45	2.50	2.70	2.75	3.00
2-year Treasury	1.88	2.27	2.53	2.70	2.75	2.80	2.90	3.00	3.10
5-year Treasury	2.21	2.56	2.73	2.90	2.95	3.00	3.05	3.10	3.20
10-year Treasury	2.40	2.74	2.84	3.00	3.05	3.10	3.15	3.20	3.30
30-year Treasury	2.74	2.97	2.96	3.15	3.20	3.30	3.35	3.40	3.45

Sources: Scotiabank Economics, Bloomberg.

The Provinces	(annual % change except where noted)										
Real GDP	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2000–16	2.1	2.5	1.7	1.3	1.2	1.7	2.0	2.3	2.0	2.7	2.8
2016	1.4	1.9	2.3	0.8	1.2	1.4	2.6	2.2	-0.5	-3.7	3.5
2017*	3.0	2.1	3.2	1.2	1.9	3.1	2.8	2.9	2.9	4.9	3.9
2018f	2.1	0.5	2.0	1.2	1.1	2.1	2.1	1.9	1.5	2.4	2.4
2019f	2.1	1.2	1.6	1.0	0.9	1.9	2.0	1.9	1.8	2.5	2.5
Nominal GDP											
2000–16	4.2	5.6	4.2	3.4	3.3	3.6	3.8	4.4	5.3	5.9	4.5
2016	2.0	2.6	4.0	2.8	3.6	2.7	4.3	2.3	-4.0	-4.9	4.8
2017e	5.4	5.6	4.7	3.1	3.2	4.5	4.8	4.3	5.4	7.9	5.9
2018f	4.3	4.1	3.9	3.2	2.9	3.9	4.2	3.9	4.1	5.5	5.0
2019f	4.5	4.0	3.9	3.1	3.0	4.2	4.4	4.2	4.1	5.5	5.1
Employment											
2000–16	1.3	0.8	1.0	0.6	0.4	1.3	1.3	0.9	1.1	2.3	1.4
2016	0.7	-1.5	-2.3	-0.4	-0.1	0.9	1.1	-0.4	-0.9	-1.6	3.2
2017	1.9	-3.7	3.1	0.6	0.4	2.2	1.8	1.7	-0.2	1.0	3.7
2018f	1.2	-0.3	2.2	0.9	0.4	1.2	1.4	0.6	0.0	1.7	0.7
2019f	1.0	-0.3	0.9	0.3	0.2	0.9	1.0	0.7	0.5	1.2	1.1
Unemployment Rate (%)											
2000–16	7.1	14.3	11.2	8.8	9.6	8.0	7.1	5.1	5.0	5.1	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
2017	6.3	14.8	9.8	8.4	8.1	6.1	6.0	5.4	6.3	7.8	5.1
2018f	5.9	14.7	9.9	8.0	8.0	5.5	5.5	5.7	6.1	6.6	4.9
2019f	5.8	14.5	10.0	7.9	7.9	5.4	5.4	5.6	6.0	6.5	4.9
Housing Starts (units, 000s)											
2000–16	199	2.6	0.8	4.3	3.5	44	72	5.1	5.2	34	28
2016	198	1.6	0.5	3.7	1.8	39	75	5.3	4.8	25	42
2017	220	1.4	1.0	4.0	2.3	46	80	7.6	5.0	29	44
2018f	215	1.5	0.9	4.3	2.0	47	78	6.3	3.8	29	42
2019f	202	1.3	0.8	3.8	1.9	42	72	6.2	4.5	30	39
Motor Vehicle Sales (units, 000s)											
2000–16	1,657	29	6	48	38	413	635	47	45	216	180
2016	1,949	33	9	54	44	458	807	55	51	220	218
2017	2,041	33	9	59	42	453	847	62	56	245	235
2018f	2,000	32	8	58	40	445	821	61	56	248	231
2019f	1,950	30	8	56	39	434	791	60	56	250	226
Budget Balances, Fiscal Year Ending March 31 (CAD mn)											
2000–16**	-2,803	-93	-38	-30	-153	-768	-5,115	-142	307	1,064	319
2016	-987	-2,206	-13	-13	-261	2,191	-3,515	-839	-1,520	-6,442	811
2017	-17,770	-1,148	-1	151	-117	2,361	-991	-764	-1,218	-10,784	2,737
2018***	-20,000	-812	1	230 †	67 †	850	642	-726	-303 †	-8,023 †	301 †
2019***	-18,000	-683	1	29	-187	0	-6,704	-521	-306	-7,757	219

Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents. * Real GDP by industry, basic prices. ** MB: FY04–FY16; AB: FY05–FY16. *** Provinces' FY18 & FY19: Budget documents. Federal FY19: ex risk adjustment of \$3.0bn. † FY18 final result.

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