

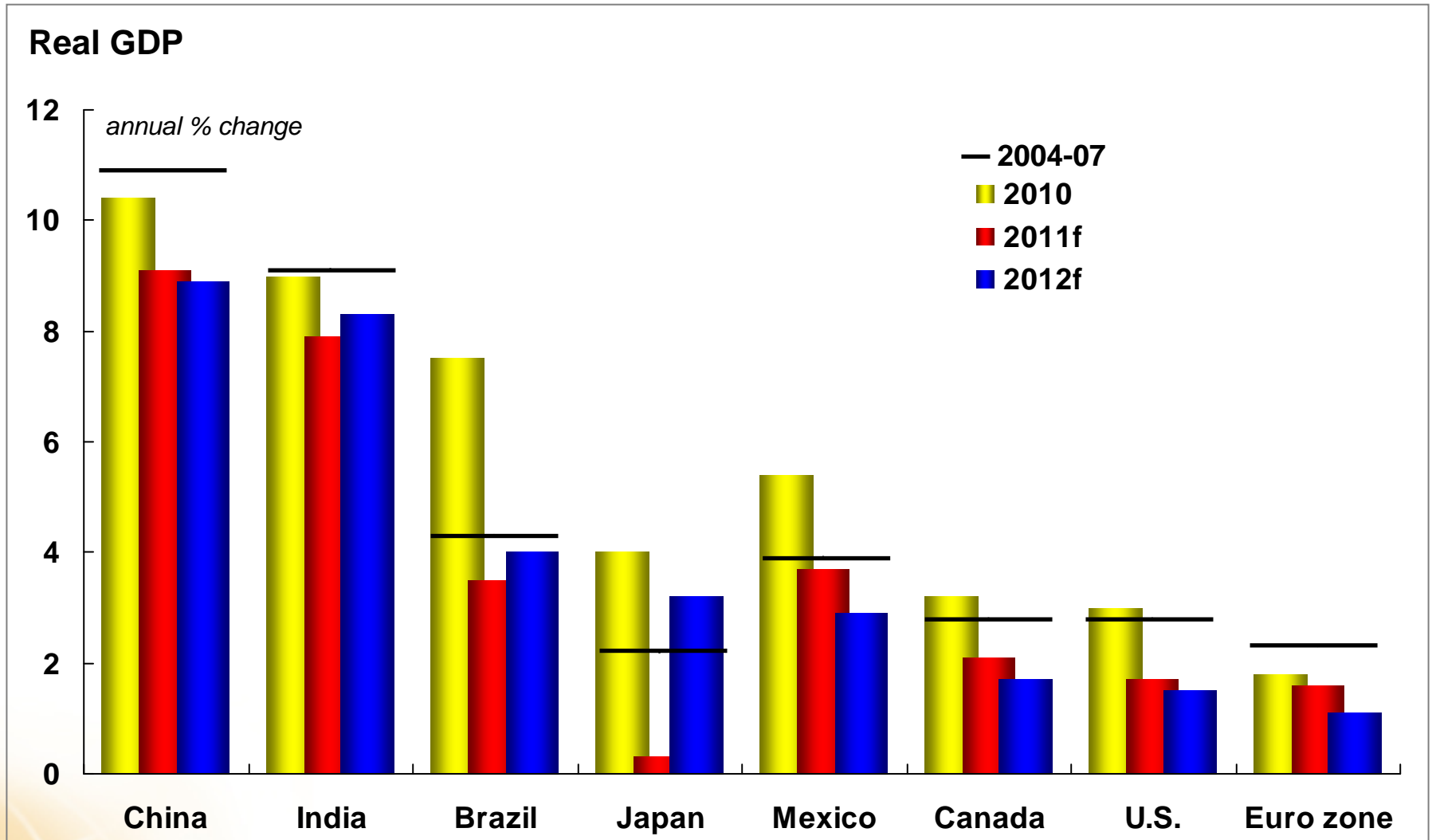
More Twists & Turns On the Road to Recovery

**Warren Jestin
SVP & Chief Economist**

2011 Calgary Real Estate Forum:

Calgary, October 26, 2011

The Global Economy Has Lost Momentum...

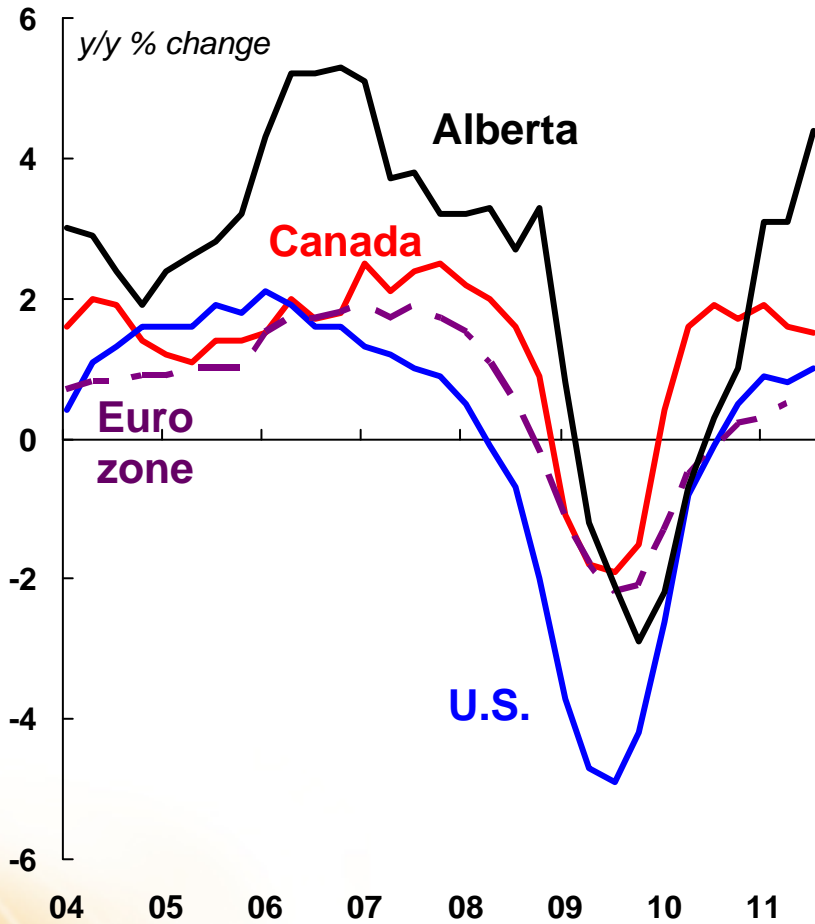


Source: Scotia Economics, Bloomberg, BEA, Statistics Canada, Eurostat.

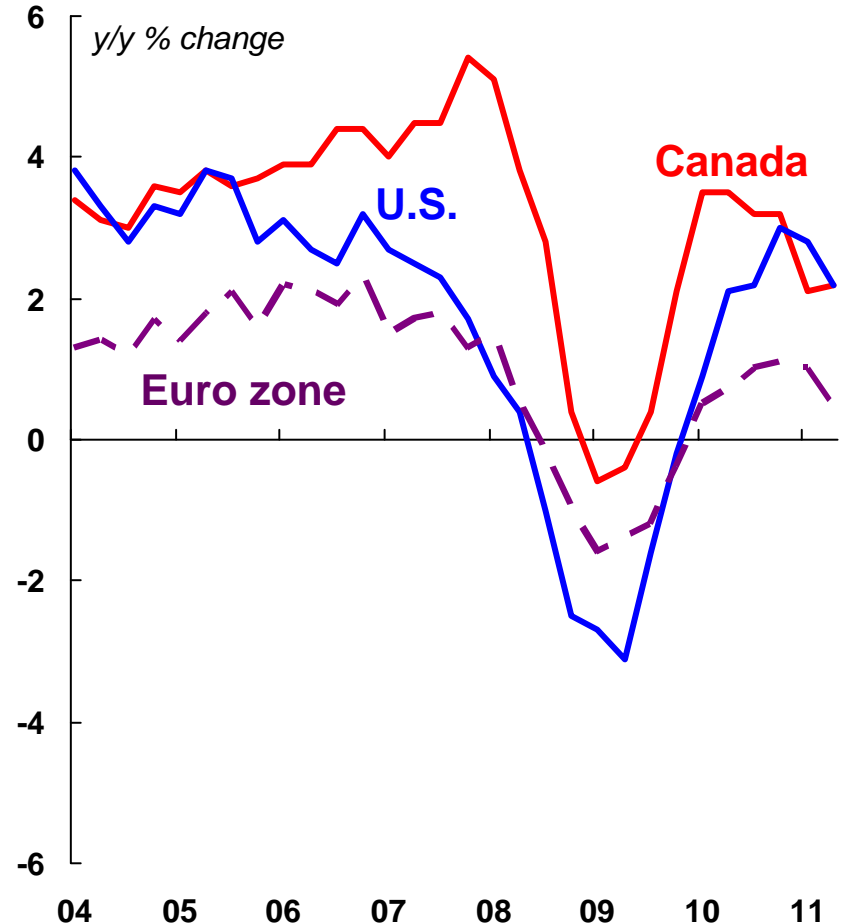
Forecasts as of October 7, 2011.

... & Is Very Uneven Among Major Developed Nations

Employment Growth



Consumer Spending

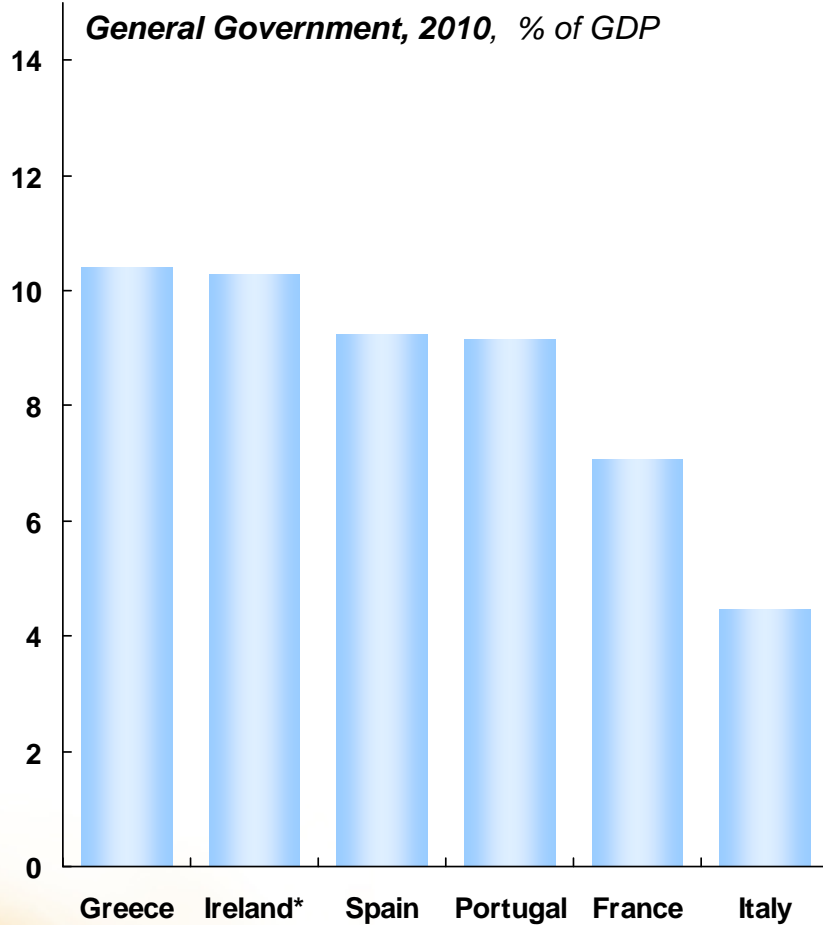


Source: Statistics Canada, BEA, Scotia Economics, Eurostat.

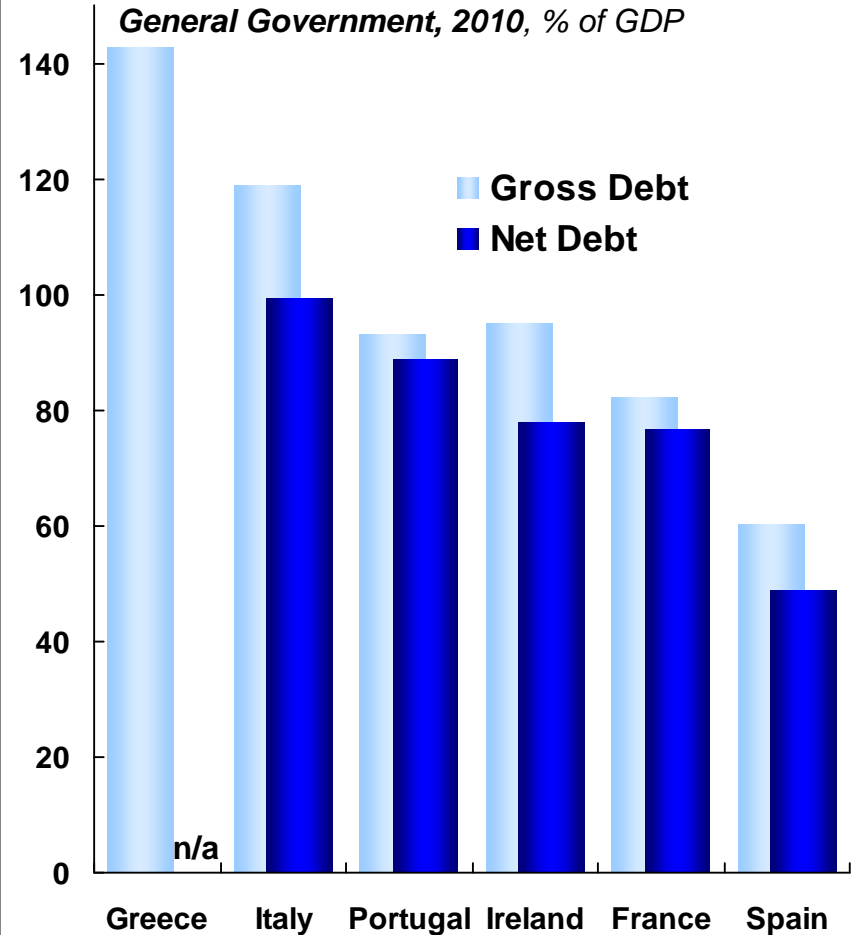
Forecasts as of October 7, 2011.

European Debt Concerns are Fuelling Market Volatility...

Fiscal Deficits



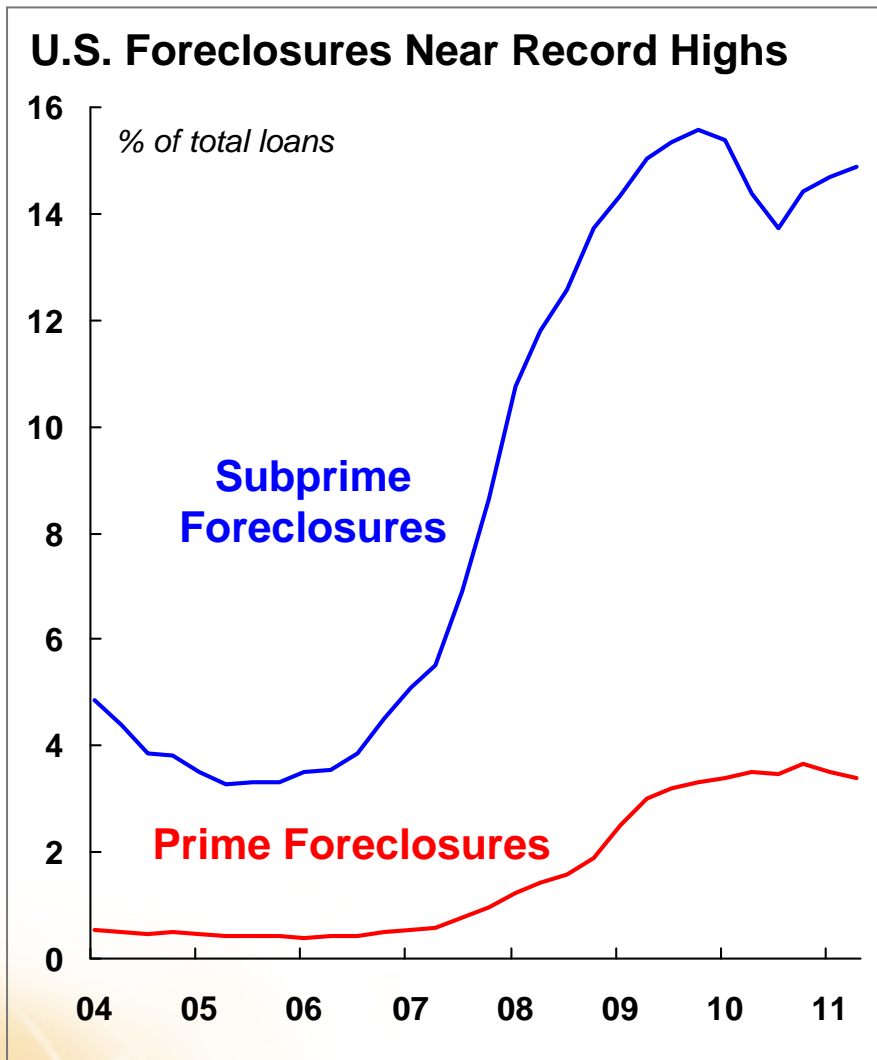
Debt



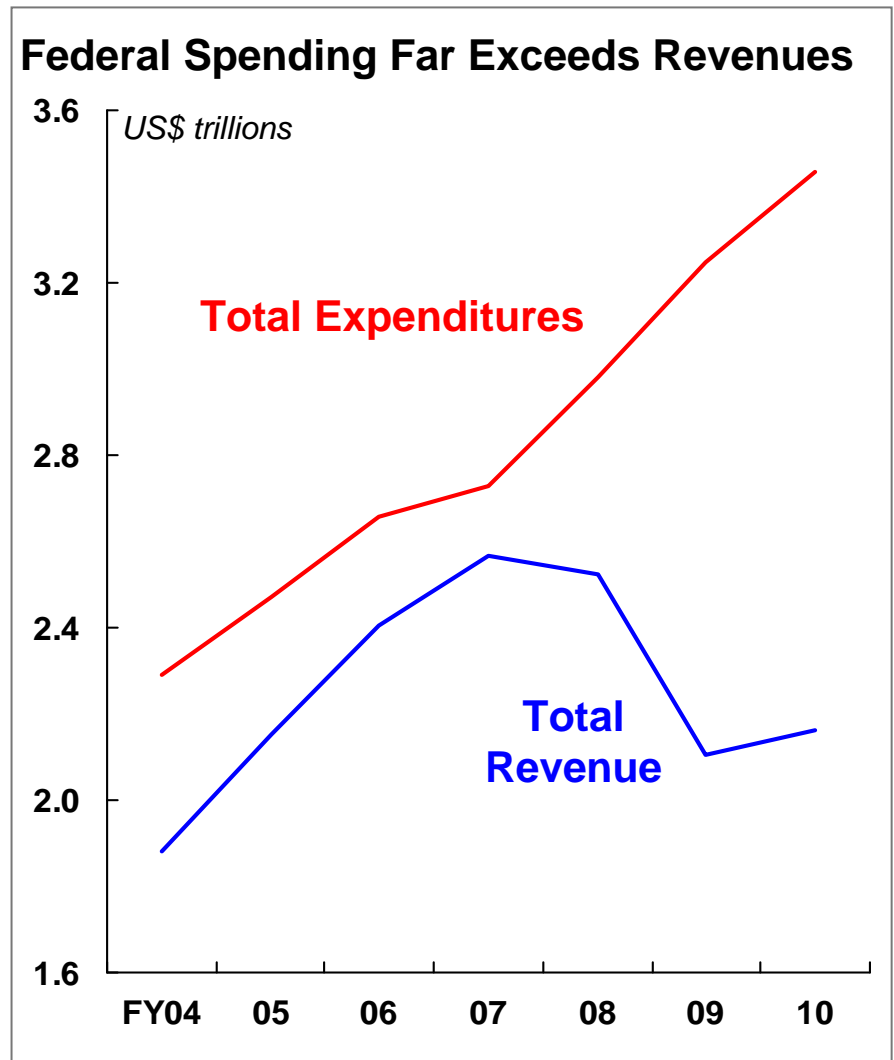
*2011f: 10.3%; 2010: 32% reflects extensive bank support. Source: IMF September 2011, Scotia Economics.

Forecasts as of October 7, 2011.

... U.S. Financial Strains Remain Intense...



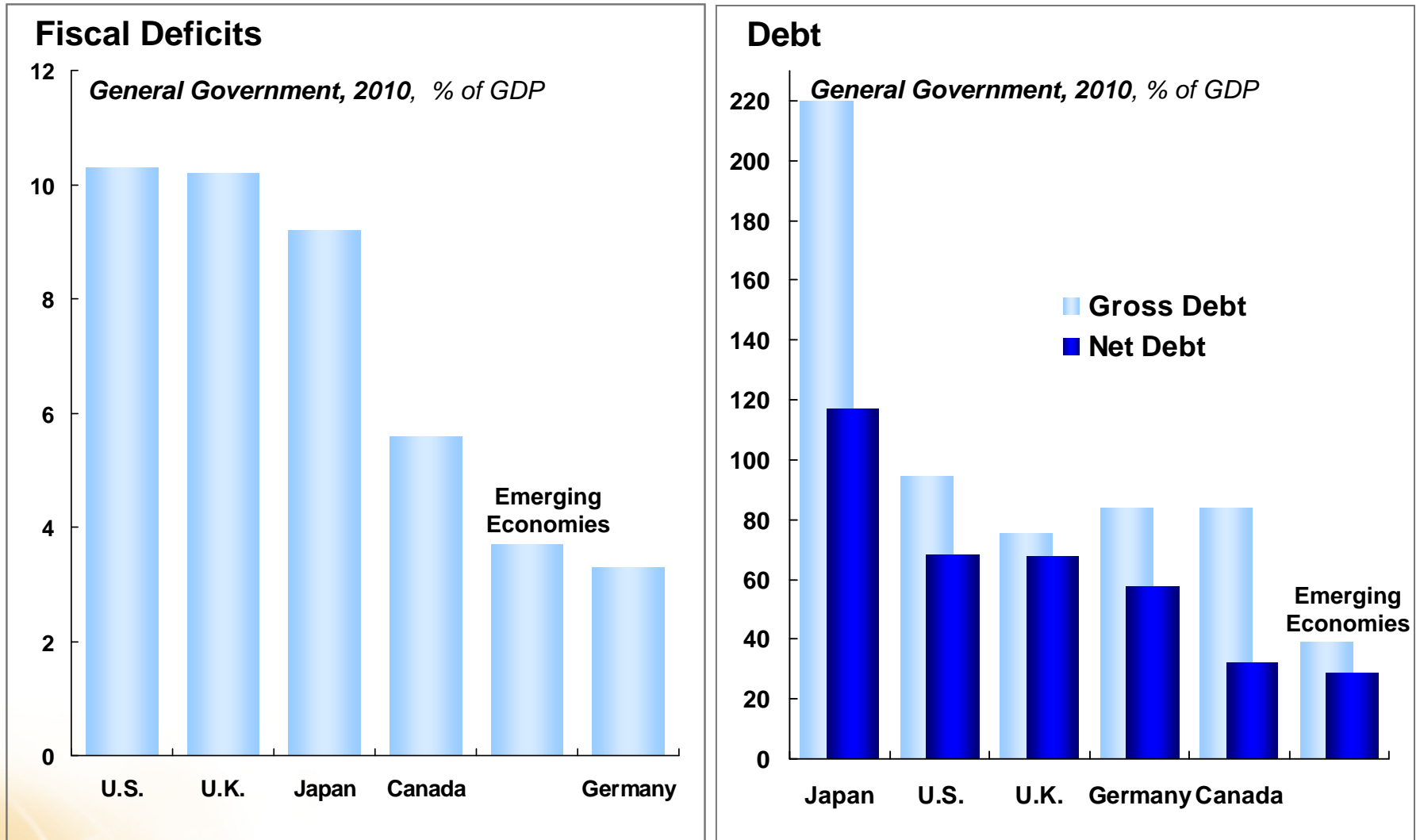
Source: Bloomberg.



Source: U.S. Treasury.

Forecasts as of October 7, 2011.

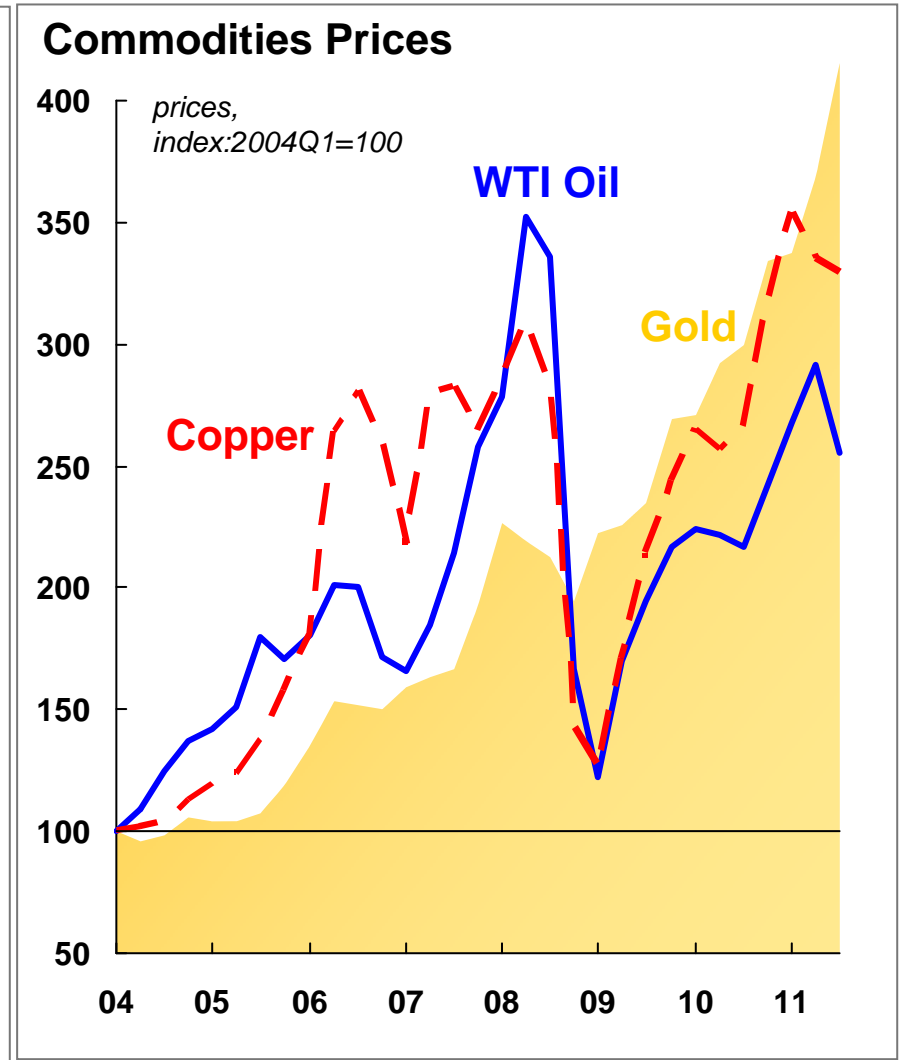
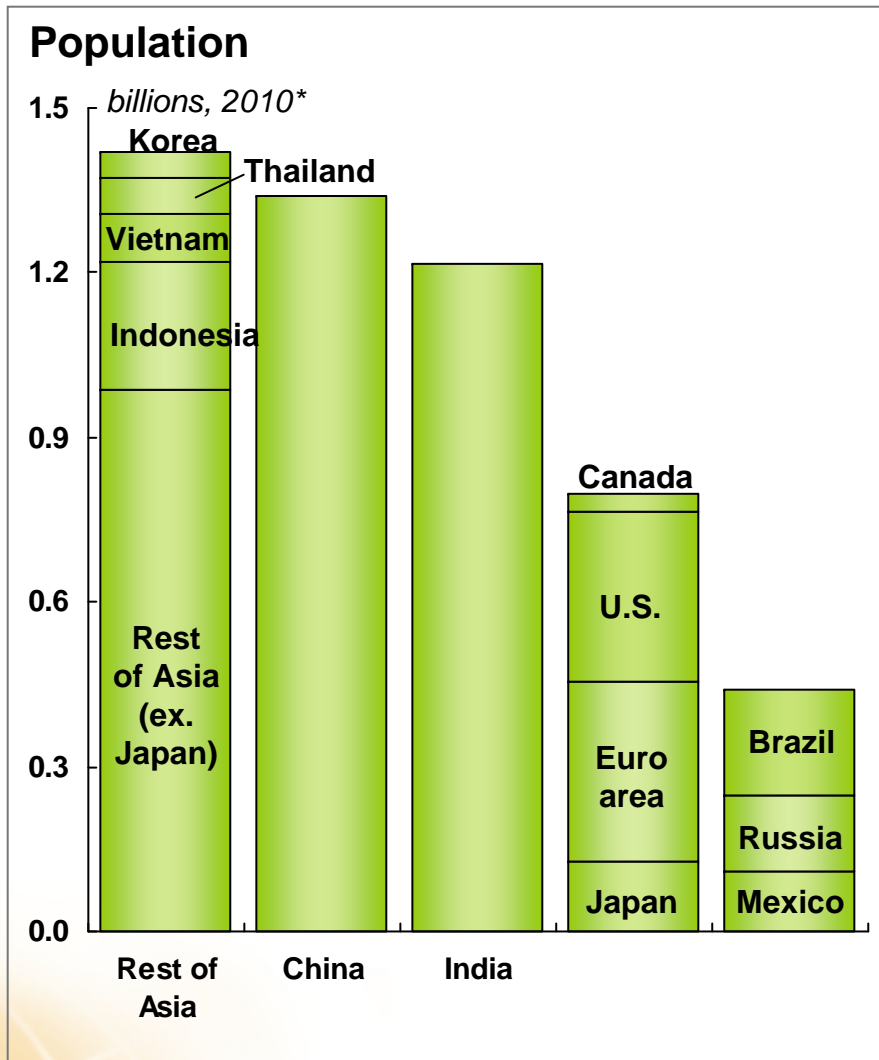
... and G7 Growth Prospects Are Hit by Need for Fiscal Repair



Source: IMF September 2011, Scotia Economics.

Forecasts as of October 7, 2011.

Emerging Market Strength will Underpin Commodities

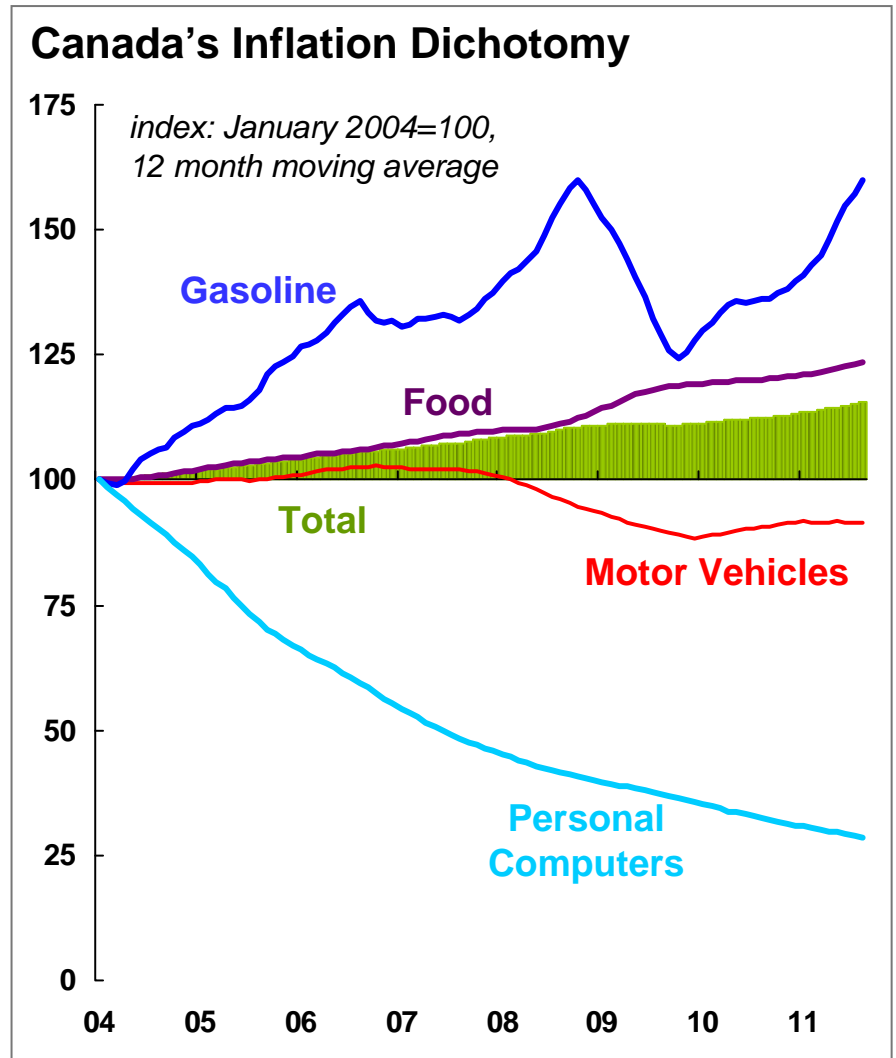
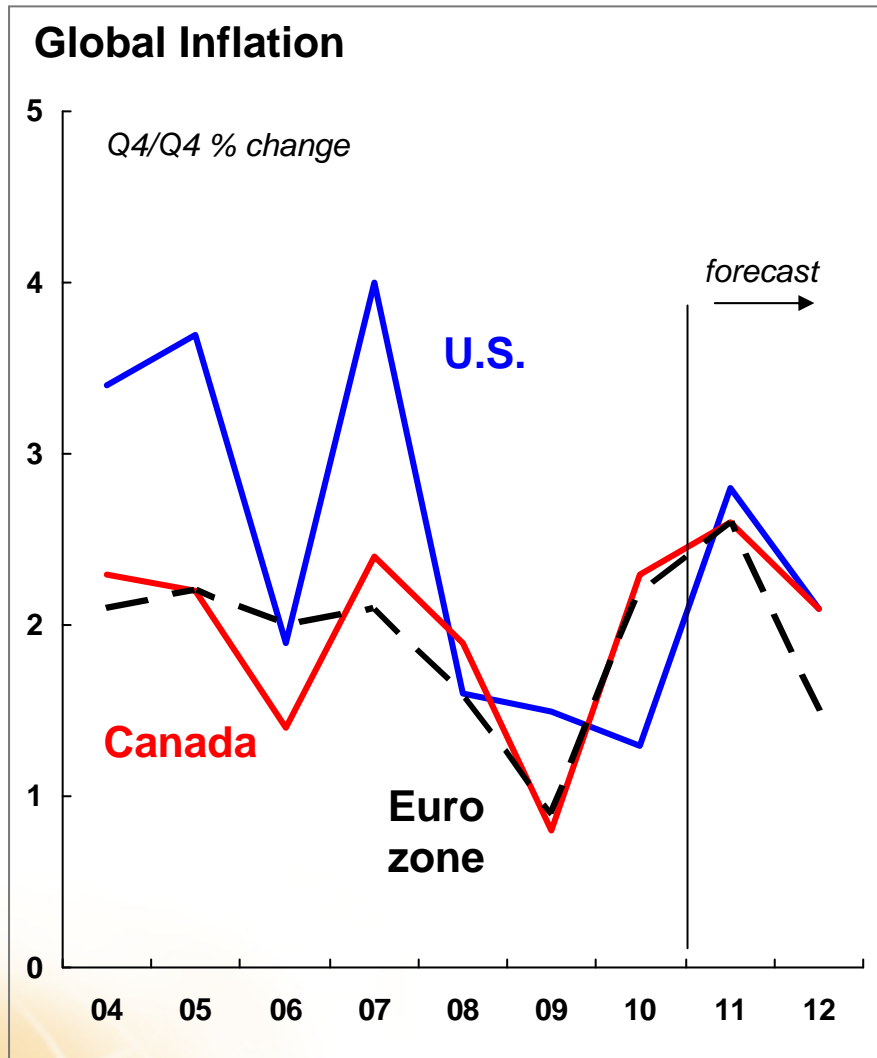


* 2010 IMF forecast.

Source: Scotia Economics, Bloomberg.

Forecasts as of October 7, 2011.

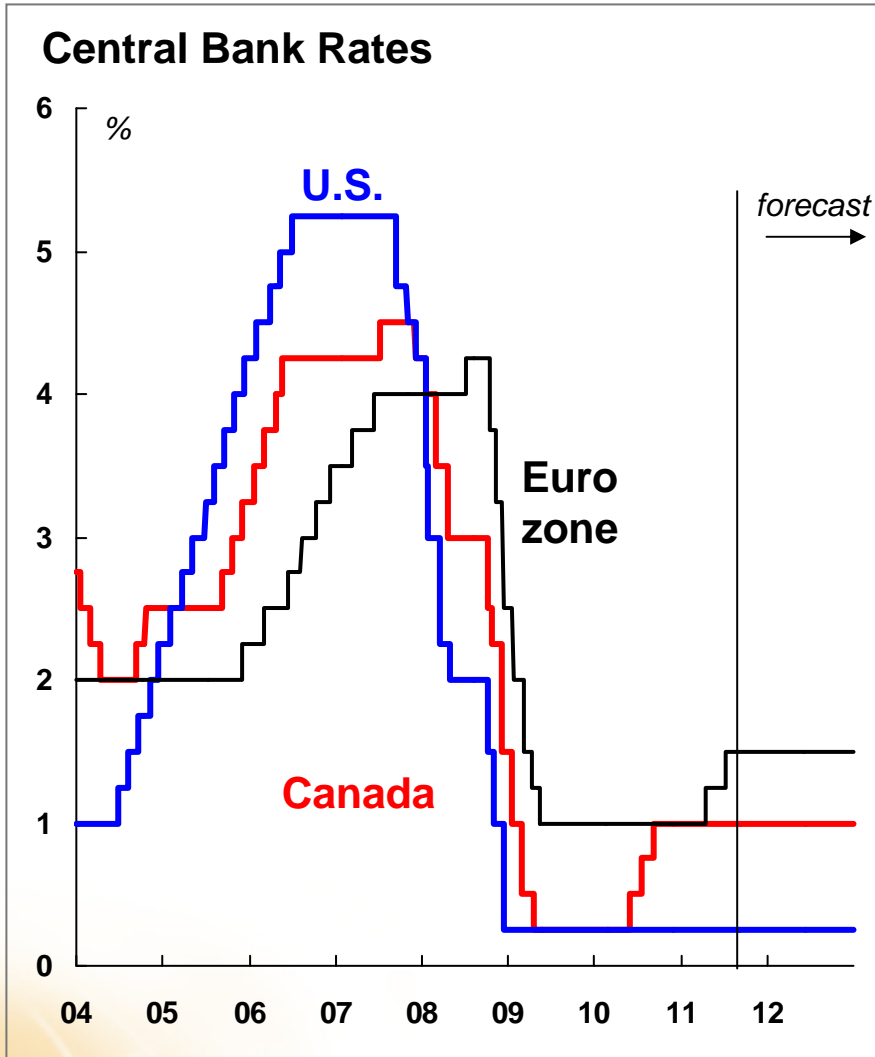
Lackluster Growth Has Reduced Inflation Risks... For Now



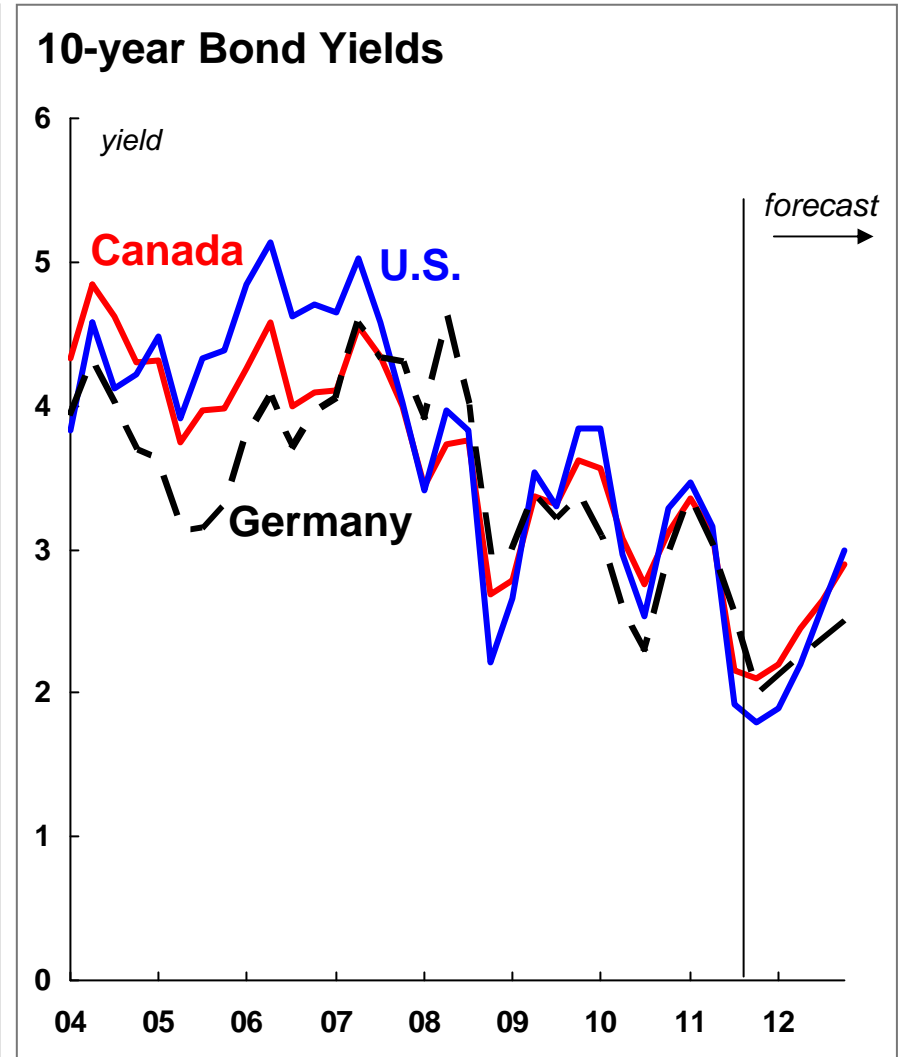
Source: Scotia Economics, Statistics Canada, Bloomberg.

Forecasts as of October 7, 2011.

Monetary Policies are Geared to Reviving Growth



Source: Bank of Canada, U.S. Federal Reserve, European Central Bank, Scotia Economics.

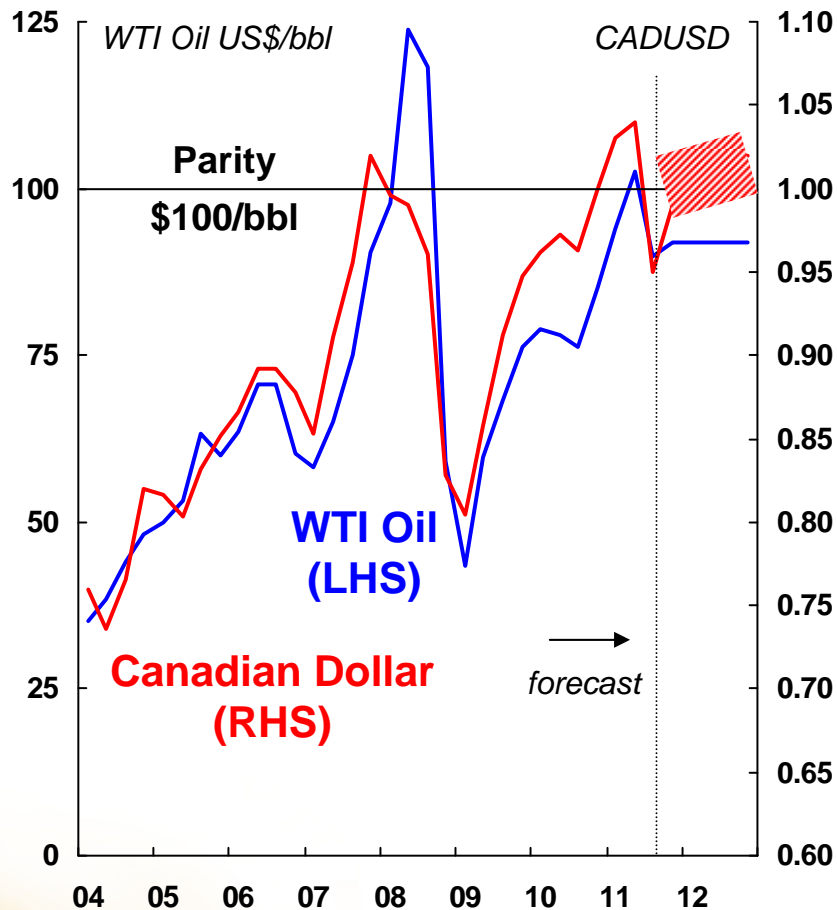


Source: Scotia Economics, Bloomberg.

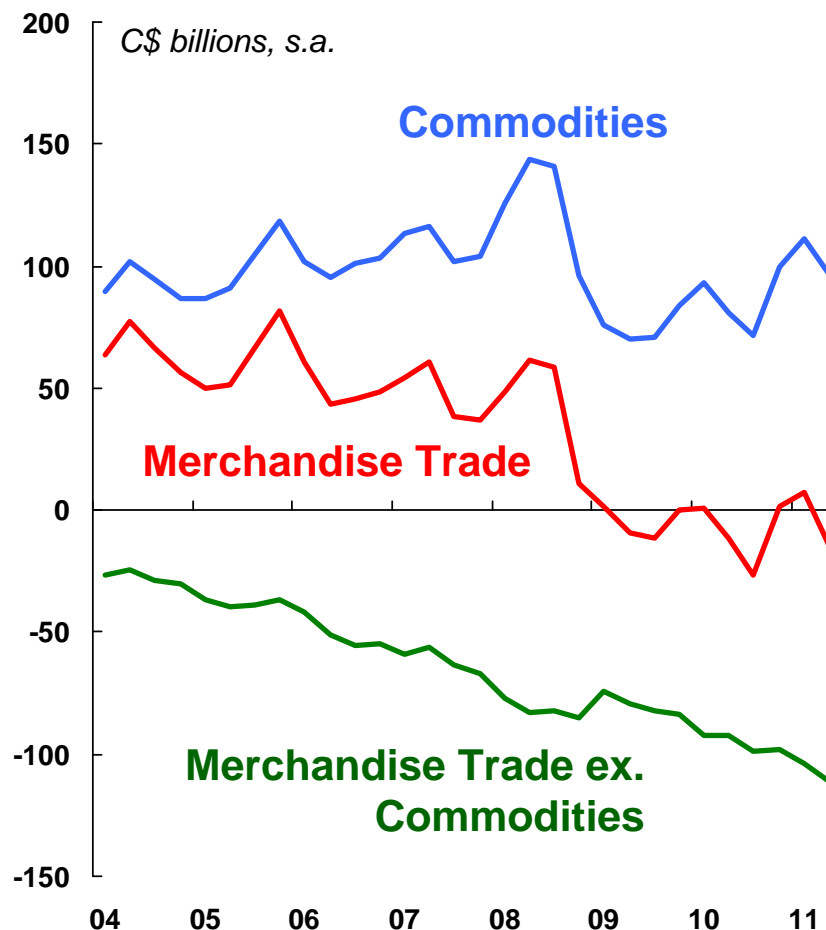
Forecasts as of October 7, 2011.

Loonie Strength, U.S. Weakness Hit Canadian Exports

The Loonie Continues to Fly High...



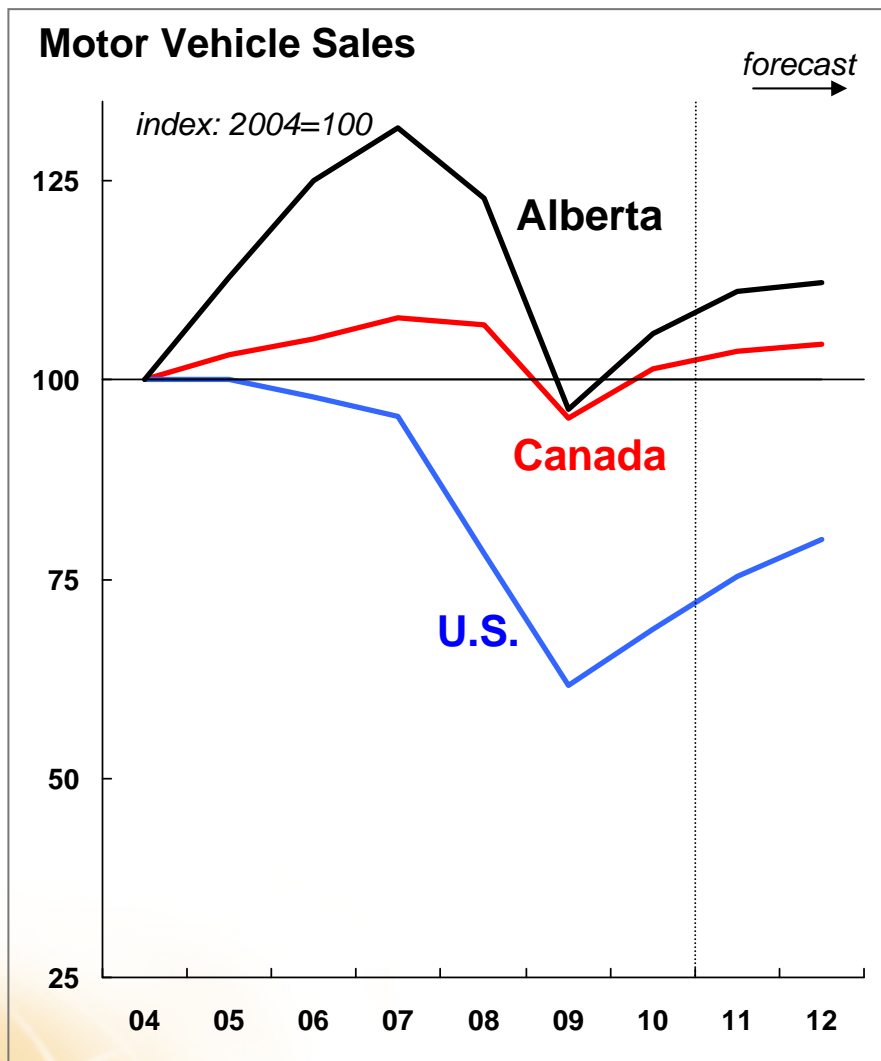
...Despite Weaker Trade Balances



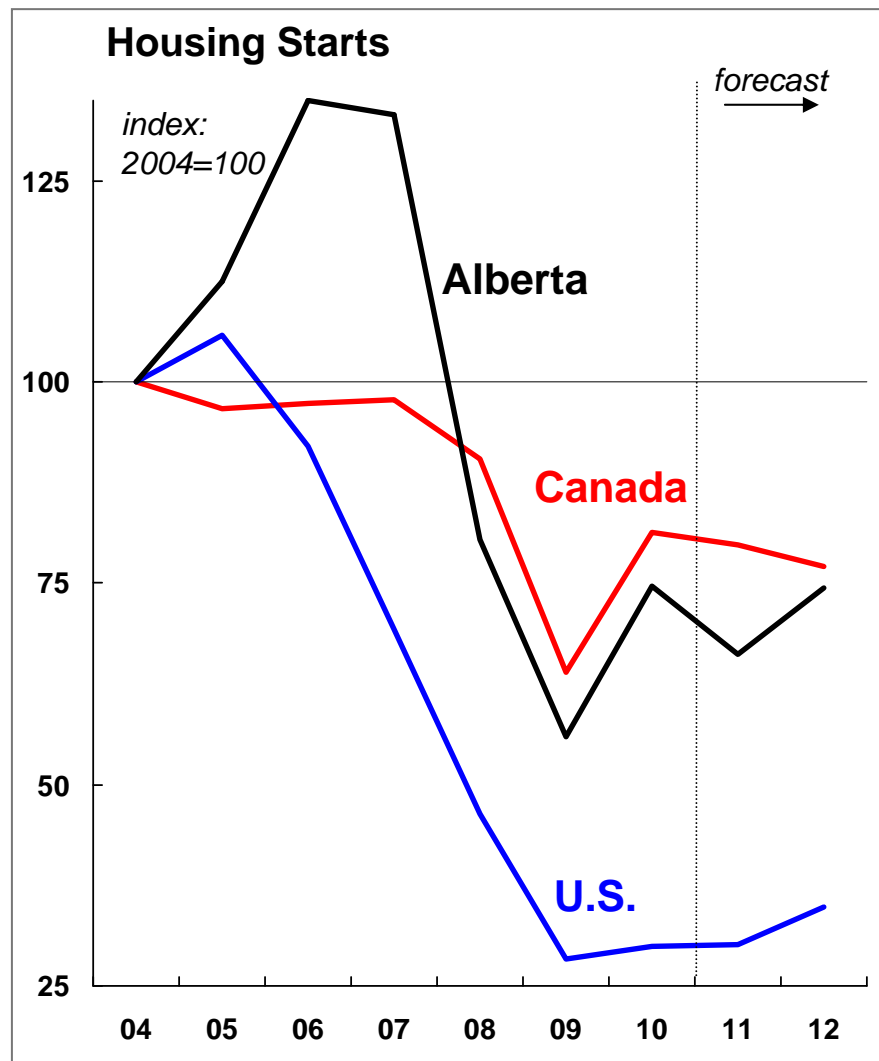
Source: Scotia Economics, Statistics Canada, Bloomberg.

Forecasts as of October 7, 2011.

Domestic Demand More Resilient Than In The U.S. ...



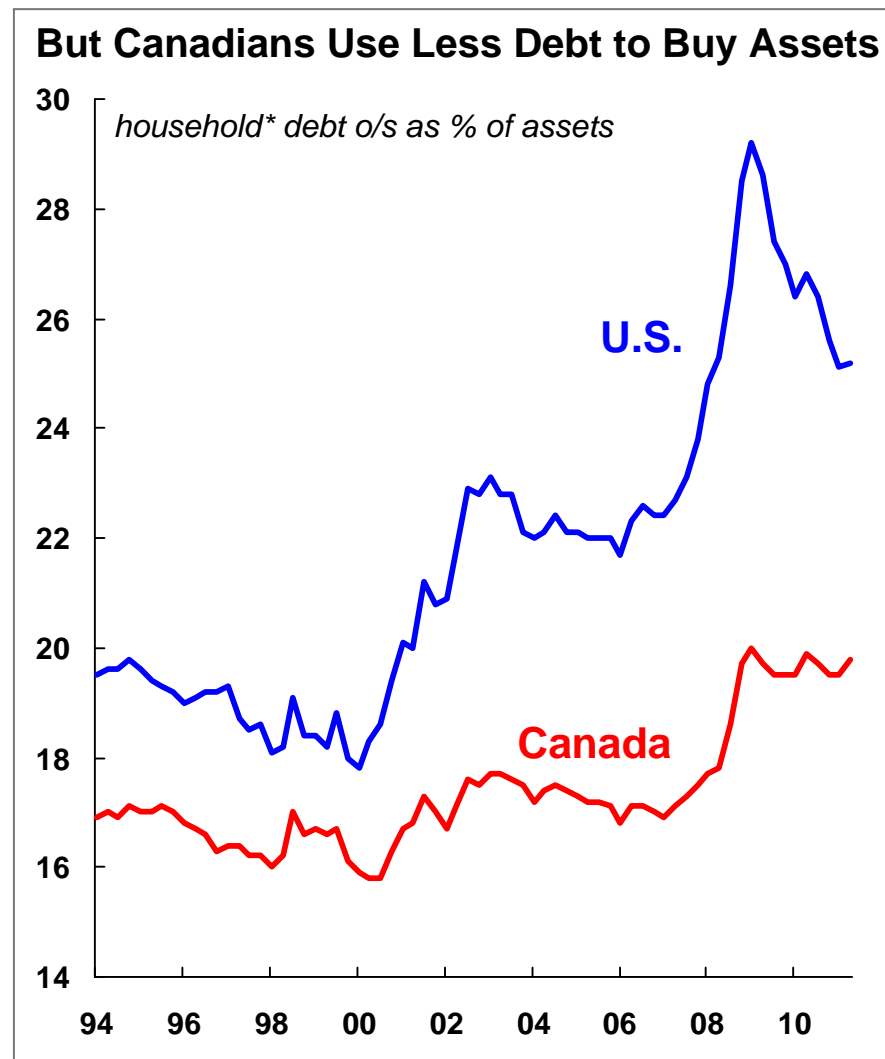
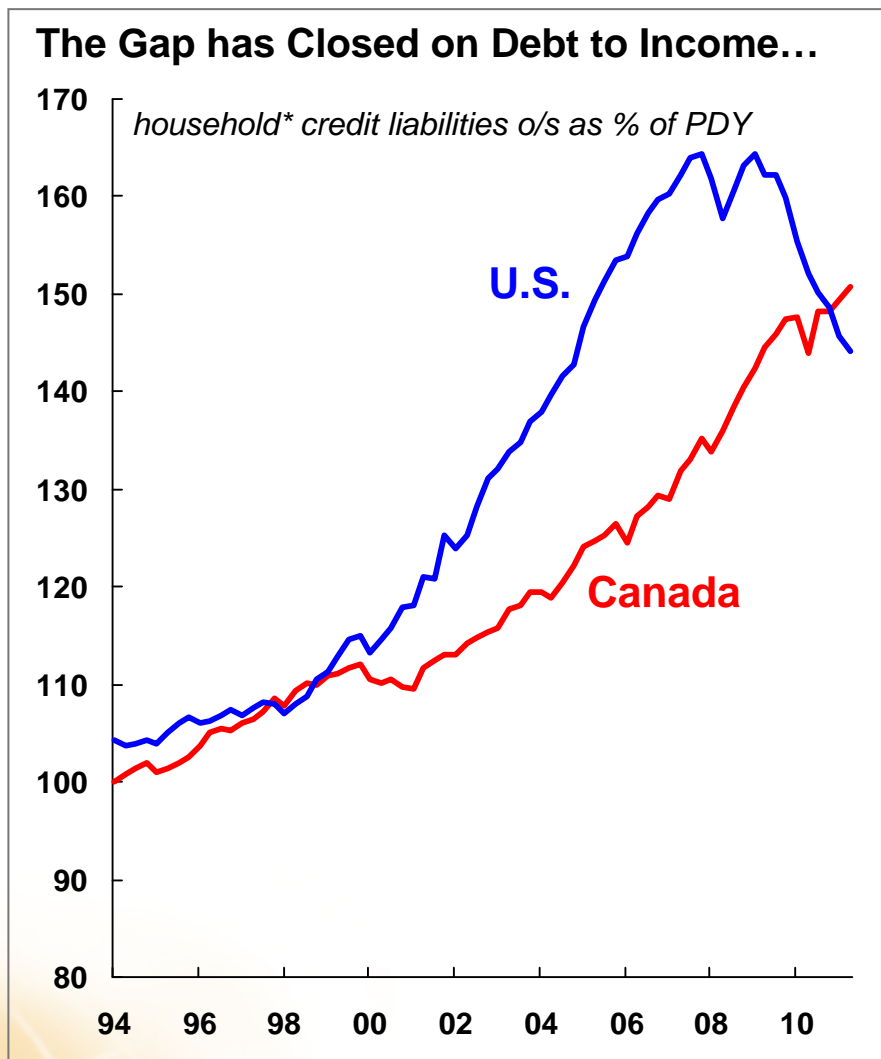
Source: Statistics Canada, Scotia Economics.



Source: CMHC, NAHB, Scotia Economics.

Forecasts as of October 7, 2011.

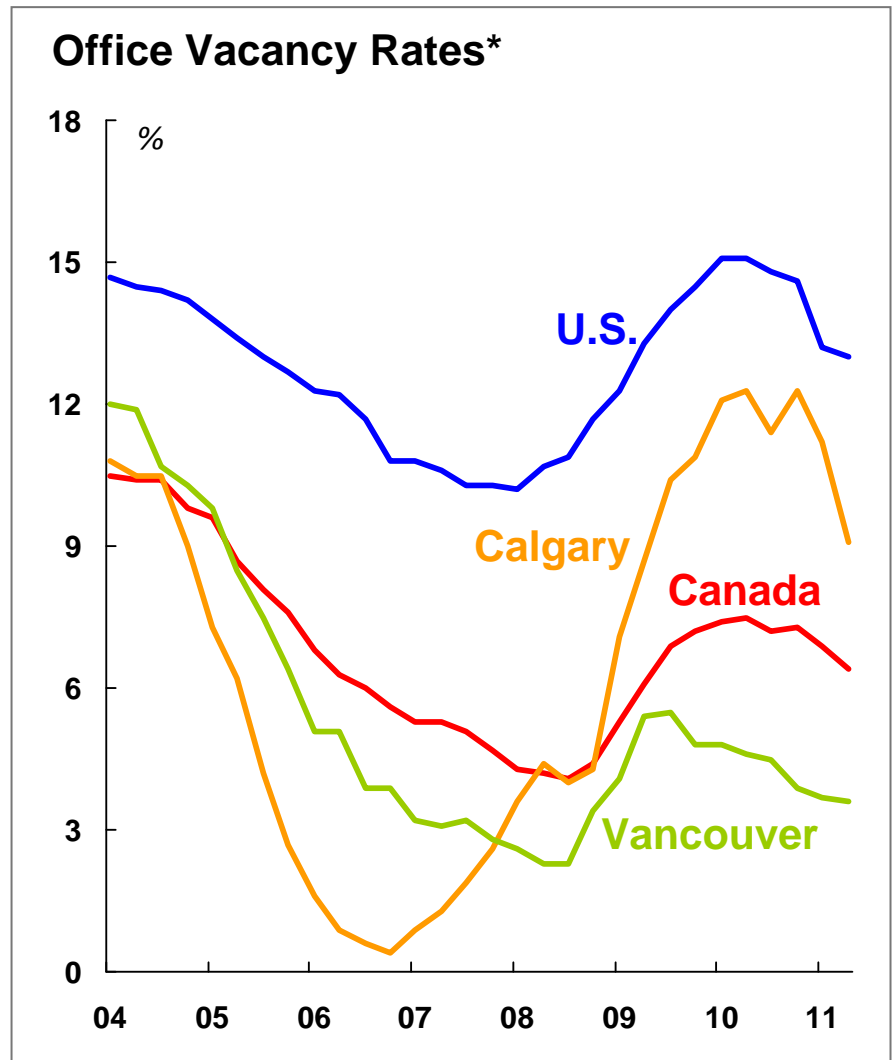
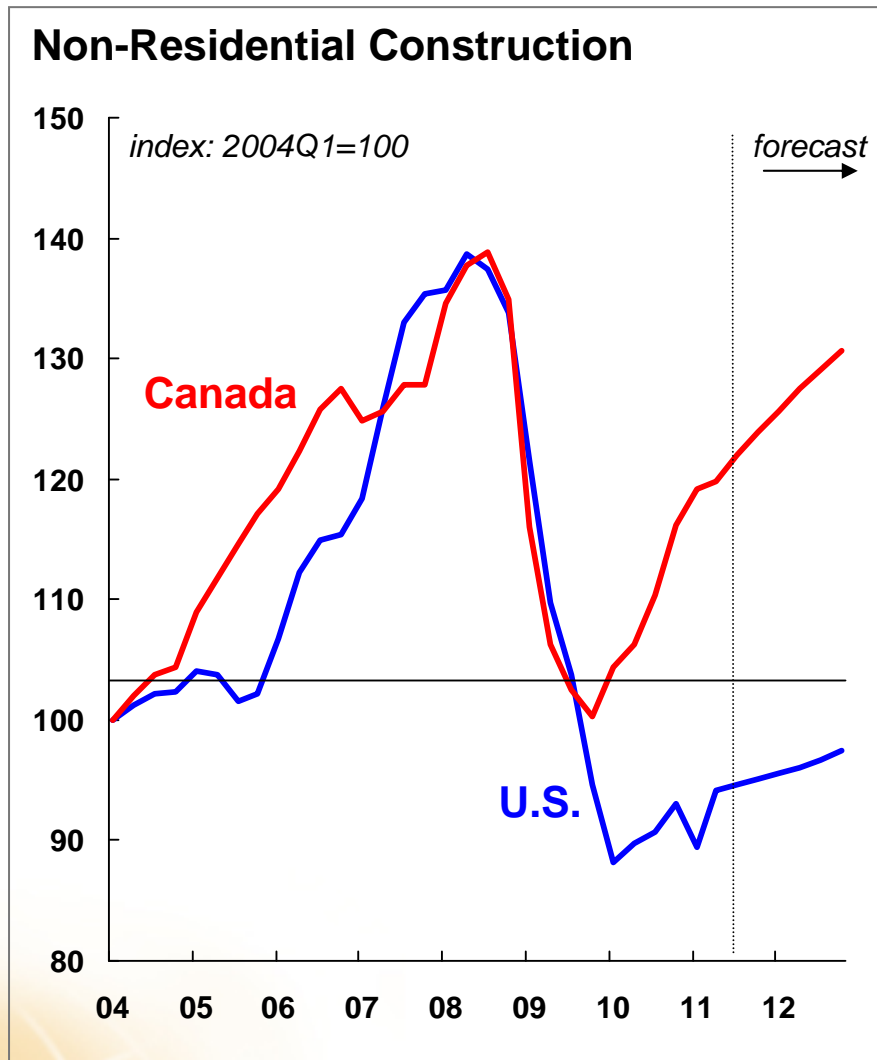
... Supported by Stronger Household Finances



* Includes households and unincorporated business. Source: U.S. Federal Reserve, Statistics Canada, Scotia Economics.

Forecasts as of October 7, 2011.

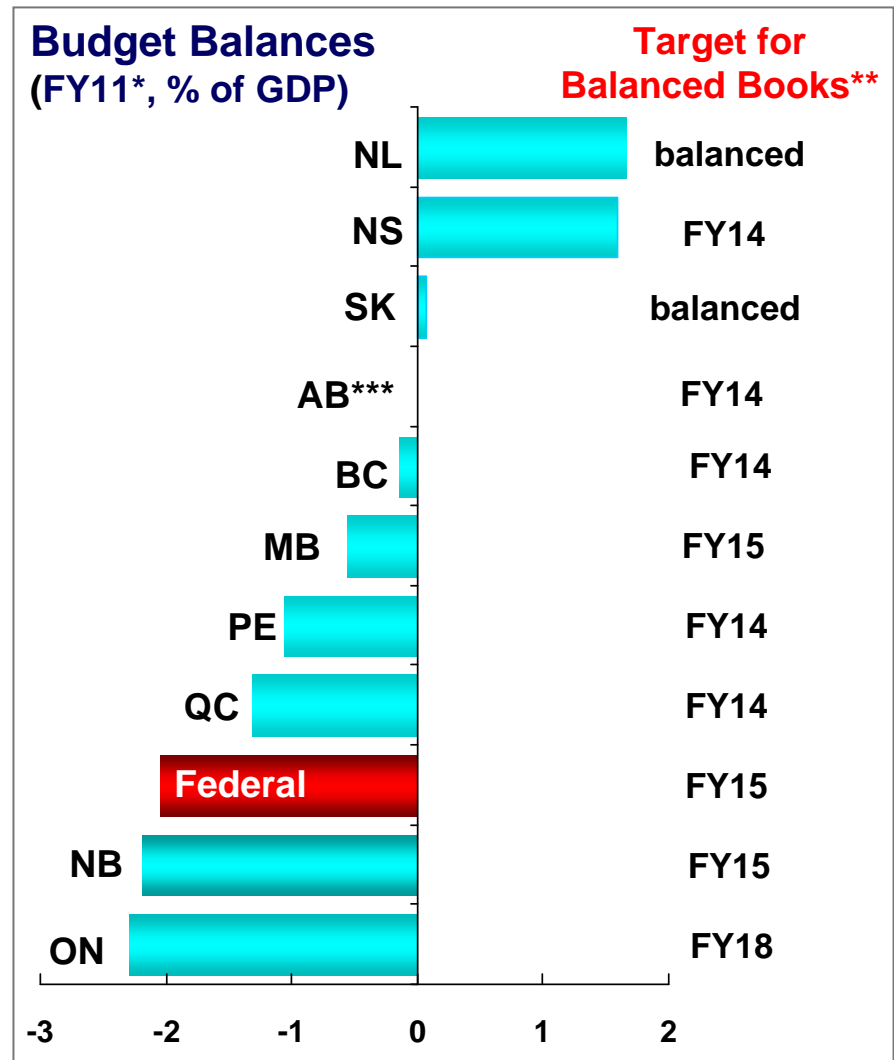
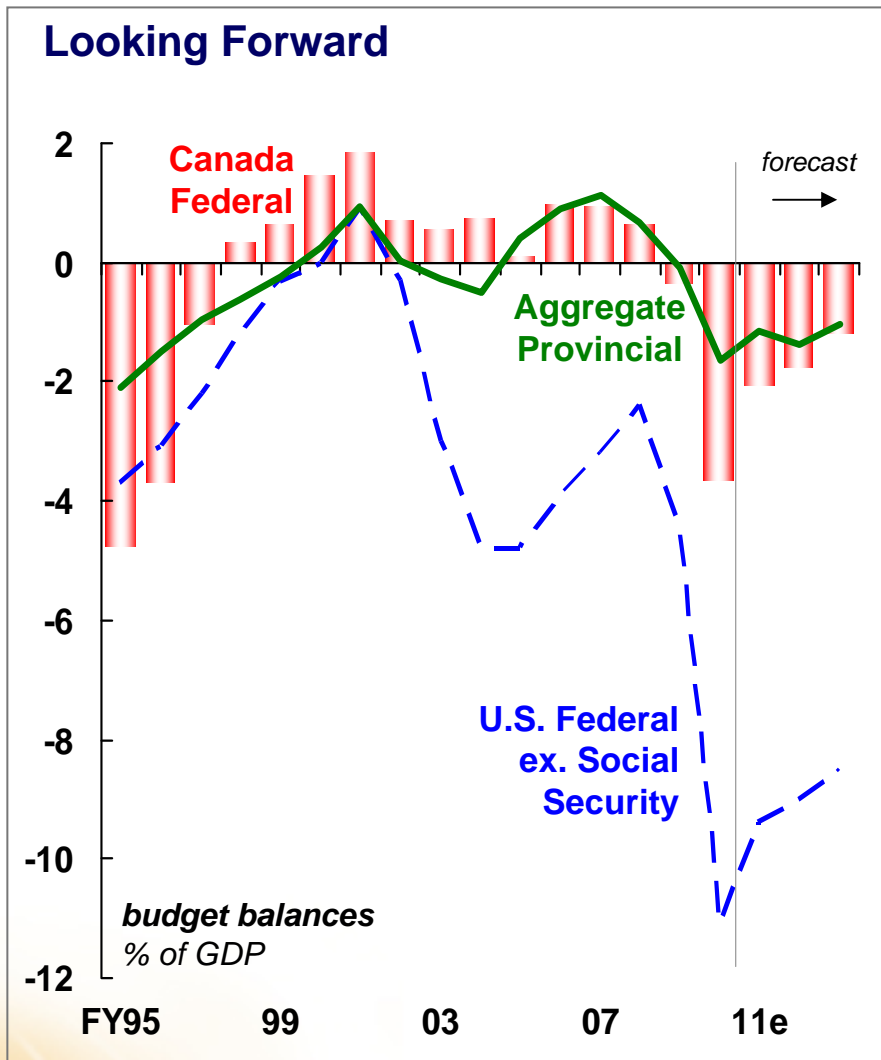
Non-res Construction Has Also Been More Buoyant Here



Source: Statistics Canada, BEA, Eurostat, CBRE, Cushman & Wakefield, Scotia Economics.

Forecasts as of October 7, 2011.

Canada has Led Most Major Nations in Fiscal Repair...

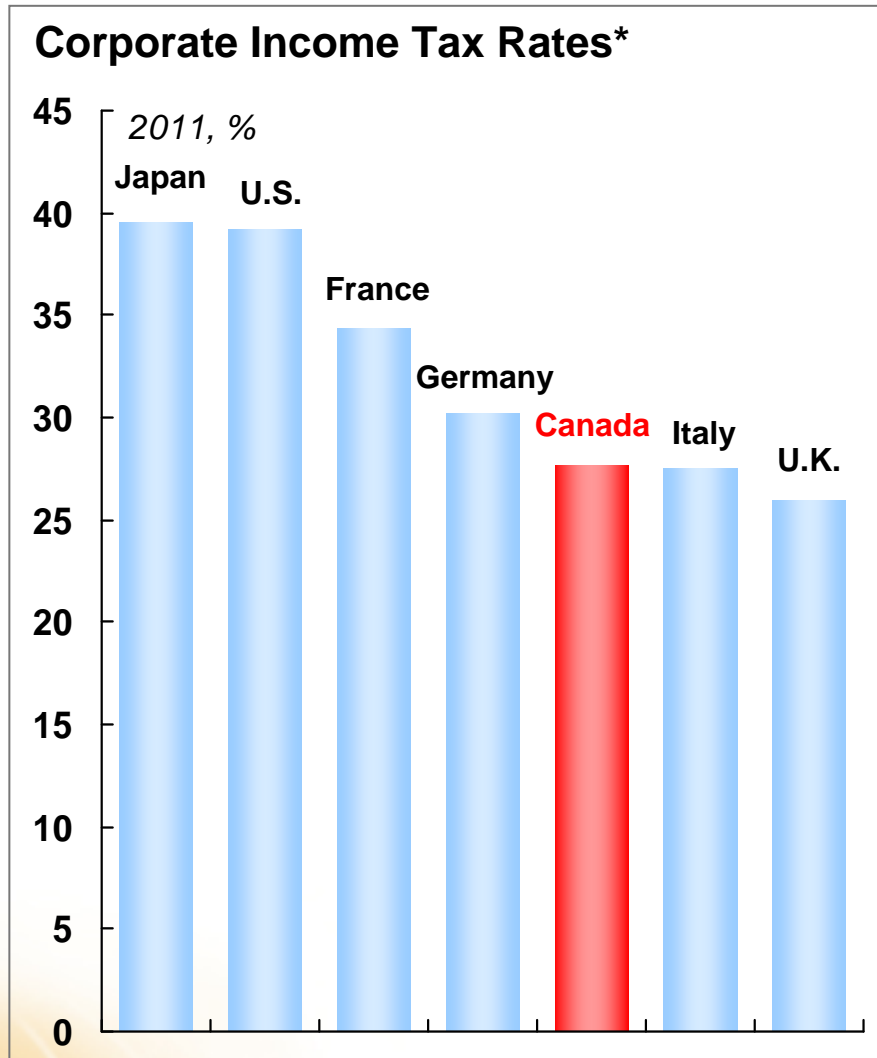


Source: Budget documents, Statistics Canada, BEA, Scotia Economics.

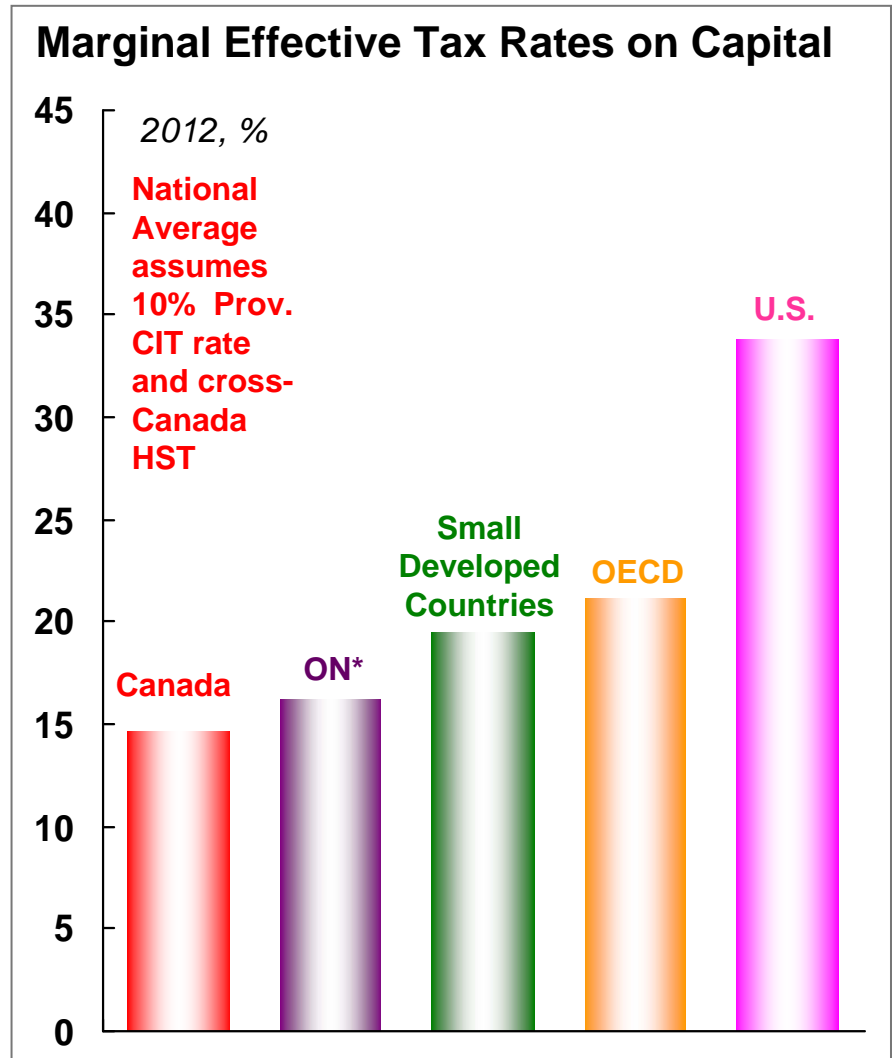
*Final results except for NL and QC. ** Without using reserve funds. *** After Sustainability Fund transfer. Source: Budget documents.

Forecasts as of October 7, 2011.

... & Has Developed a Competitive Tax Advantage



* Central plus sub-central rates. Source: OECD.

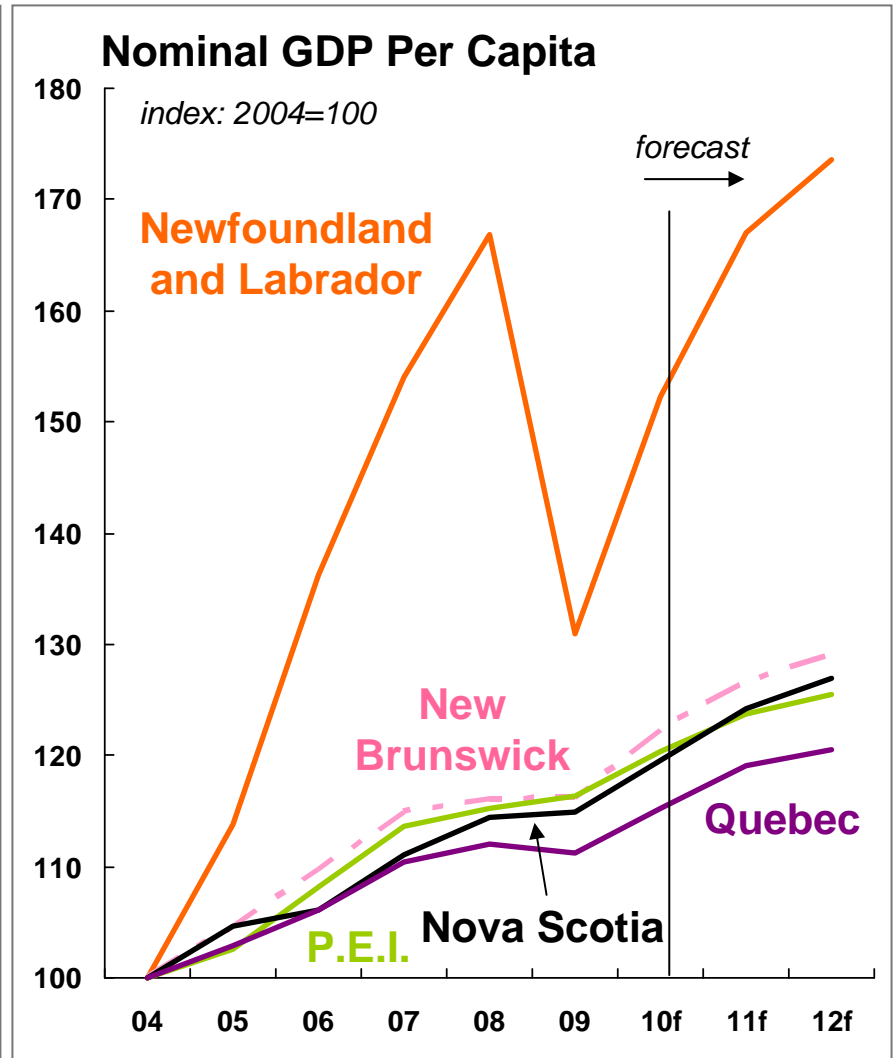
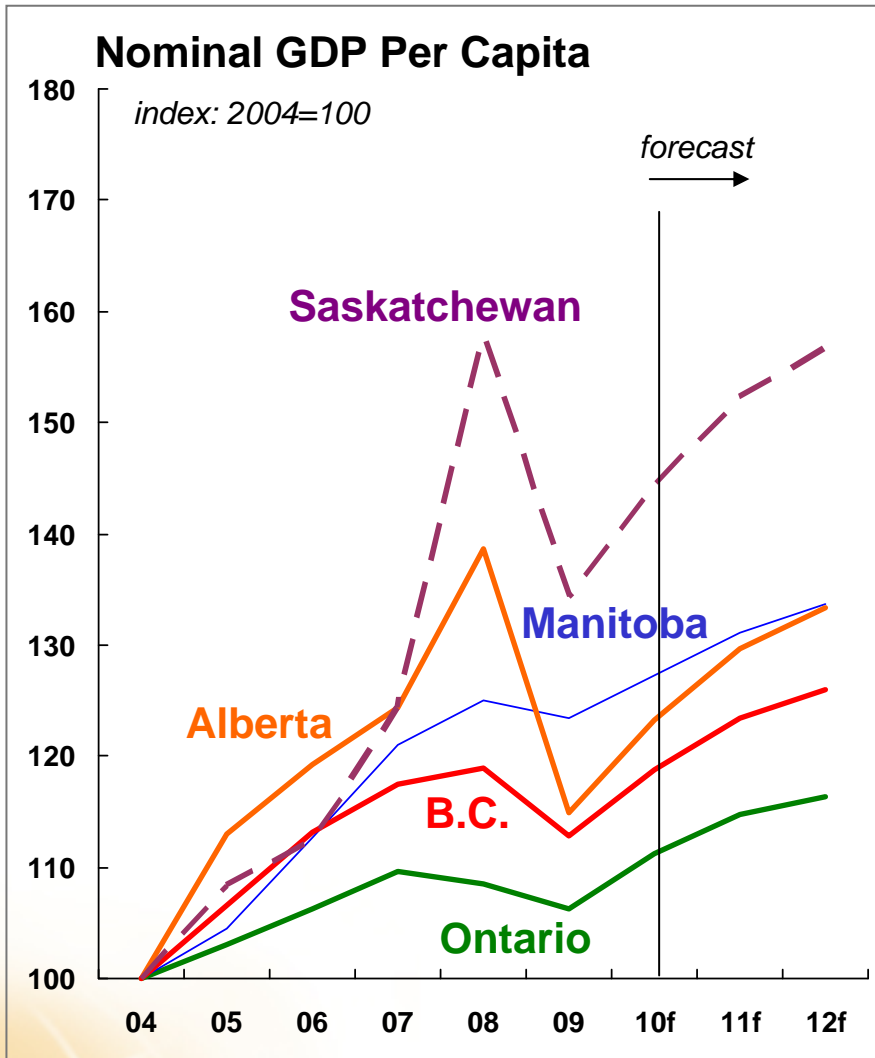


* Rates when HST fully implemented in 2018.

Source: Finance Canada, Finance Ontario.

Forecasts as of October 7, 2011.





Growth & Income Prospects Best in Resource Regions



Source: Statistics Canada, Scotia Economics.

Forecasts as of October 7, 2011.

ECONOMIC OUTLOOK		10	11f	12f
REAL GDP, annual average				
U.S.		3.0	1.7	1.5
Canada		3.2	2.1	1.7
Mexico		5.4	3.7	2.9
U.K.		1.8	0.7	0.7
Euro zone		1.8	1.6	1.1
Japan		4.0	0.3	3.2
China		10.4	9.1	8.9
India		9.0	7.9	8.3
INFLATION, annual average				
U.S.		1.6	2.8	1.9
Canada		1.8	2.9	2.0
Mexico		4.4	3.4	4.0
U.K.		3.7	4.4	2.1
Euro zone		2.2	2.6	1.5
Japan		-0.4	1.1	1.3
China		4.6	5.0	4.5
India		9.5	7.5	6.0

MARKET OUTLOOK		10	11f	12f
CURRENCY, end of period				
USD/CAD		1.00	.99	1.02
CAD/USD		1.00	1.02	0.99
EUR/USD		1.34	1.40	1.40
USD/YEN		81	80	85
USD/MXN		12.3	12.9	12.7
USD/CNY		6.6	6.3	5.9
3-MONTH T-BILLS, end of period				
Canada		1.05	0.85	1.95
U.S.		0.12	0.00	0.15
10-YEAR BONDS, end of period				
Canada		3.12	2.10	2.90
U.S.		3.29	1.80	3.00
COMMODITIES, annual average				
WTI Oil (US\$/bbl)		79	92	92
NYMEX Natural Gas (US\$/mmbtu)		4.40	4.25	4.50
Gold, London PM Fix (US\$/oz)		1,225	1,565	1,675

Source: Scotia Economics, Bloomberg.

Forecasts as of October 7, 2011.

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