2016 Outlook:

The Economics of Change

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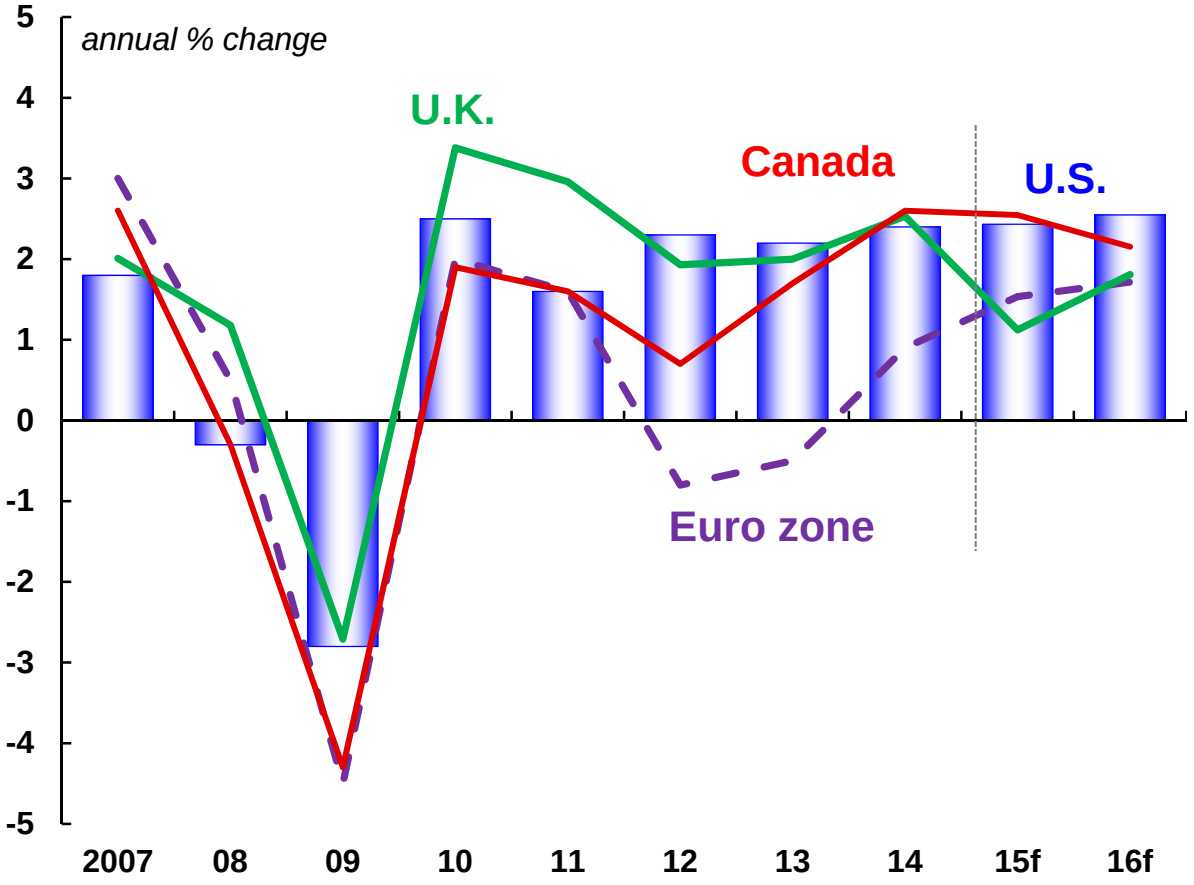
Real Estate Forum - Toronto

December 2, 2015

The U.S. Gears Up . . . Gradually

Real GDP Growth



Source: Statistics Canada, BEA, Bloomberg, Scotiabank Economics.

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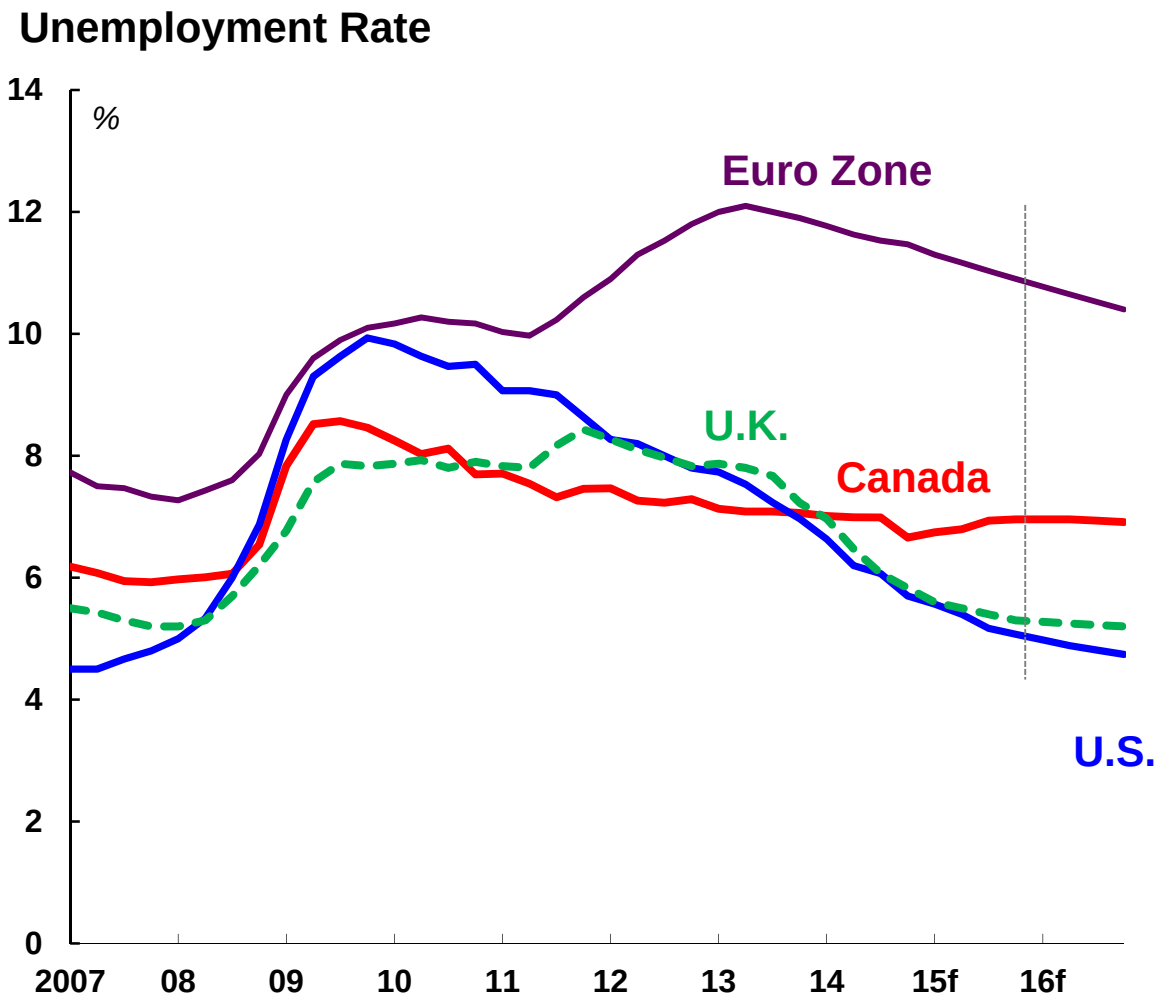
Improved U.S. Job Prospects Fuel Consumer Confidence . . .



Source: Statistics Canada, BLS, Bloomberg, Scotiabank Economics.

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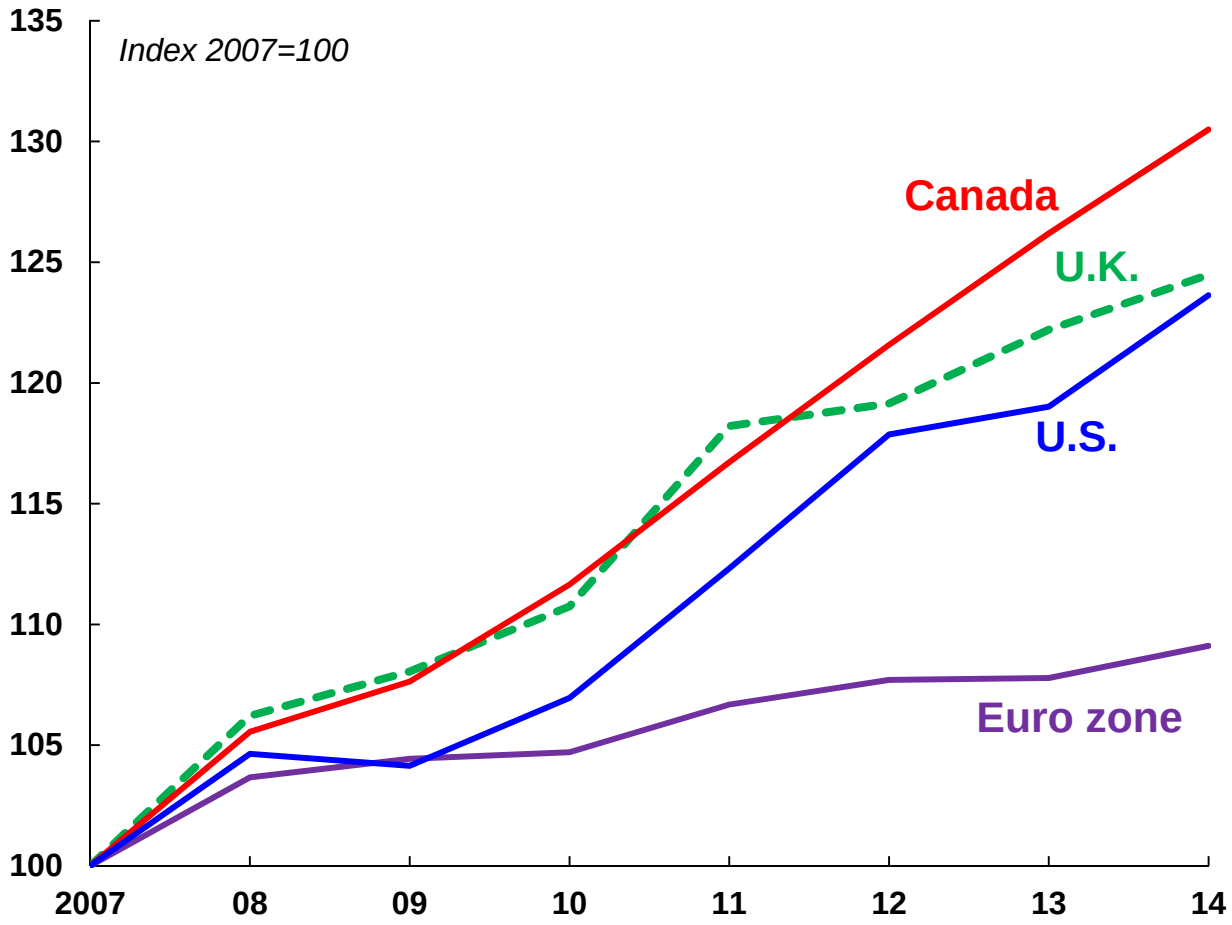
. . . Supported by Income Gains . . .

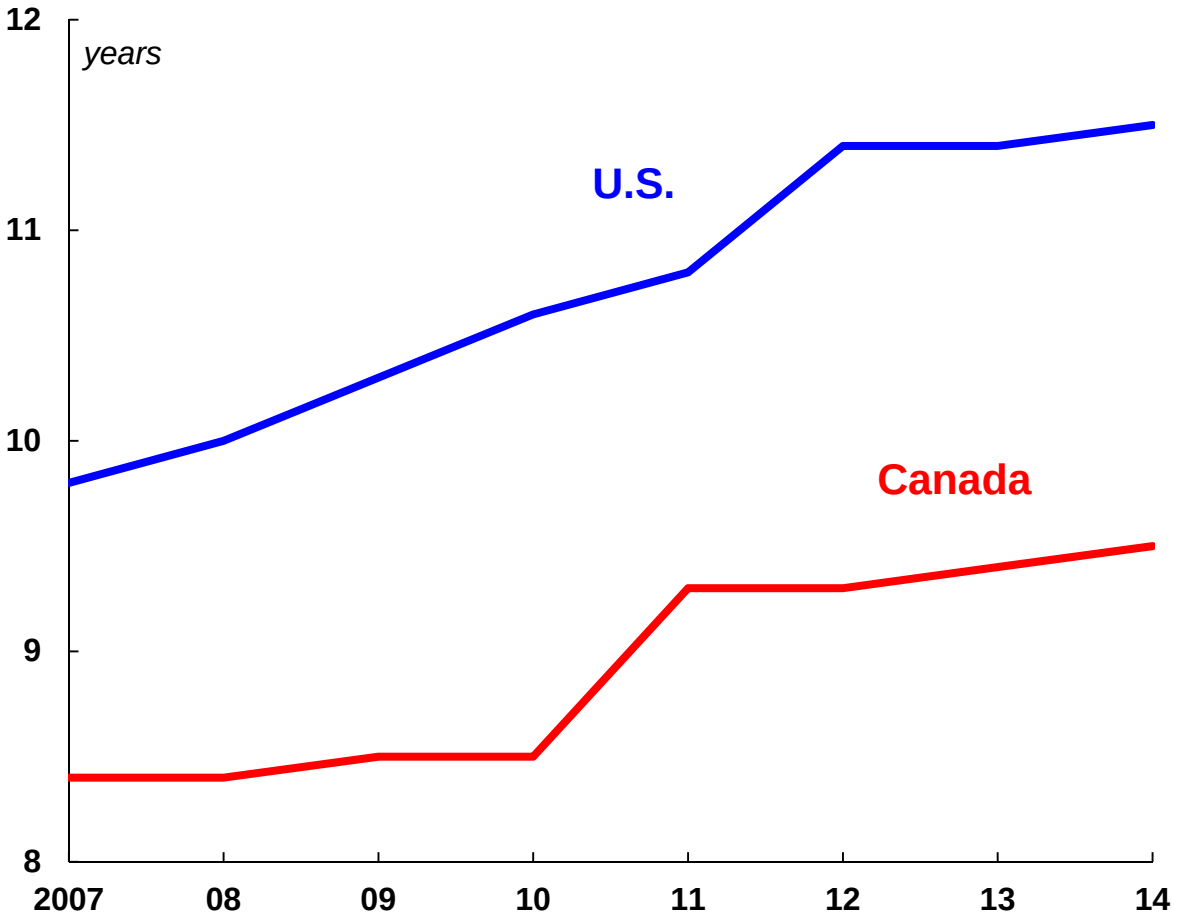
Growth In Personal Disposable Income



Source: Bloomberg, Scotiabank Economics.

. . . & Years of Pent-up Demand

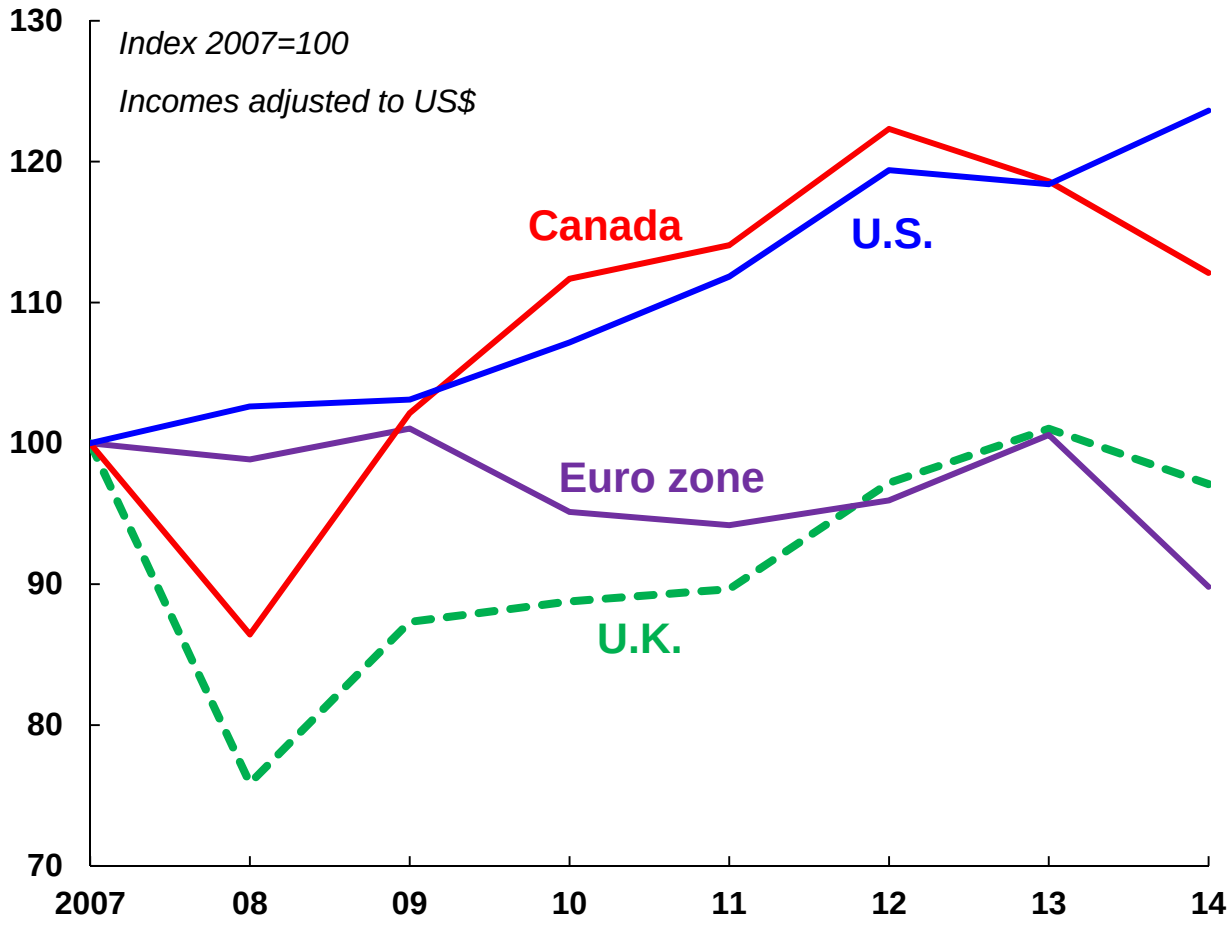
Average Age Of Motor Vehicles



Source: Wards Automotive, DesRosiers Automotive Consultants

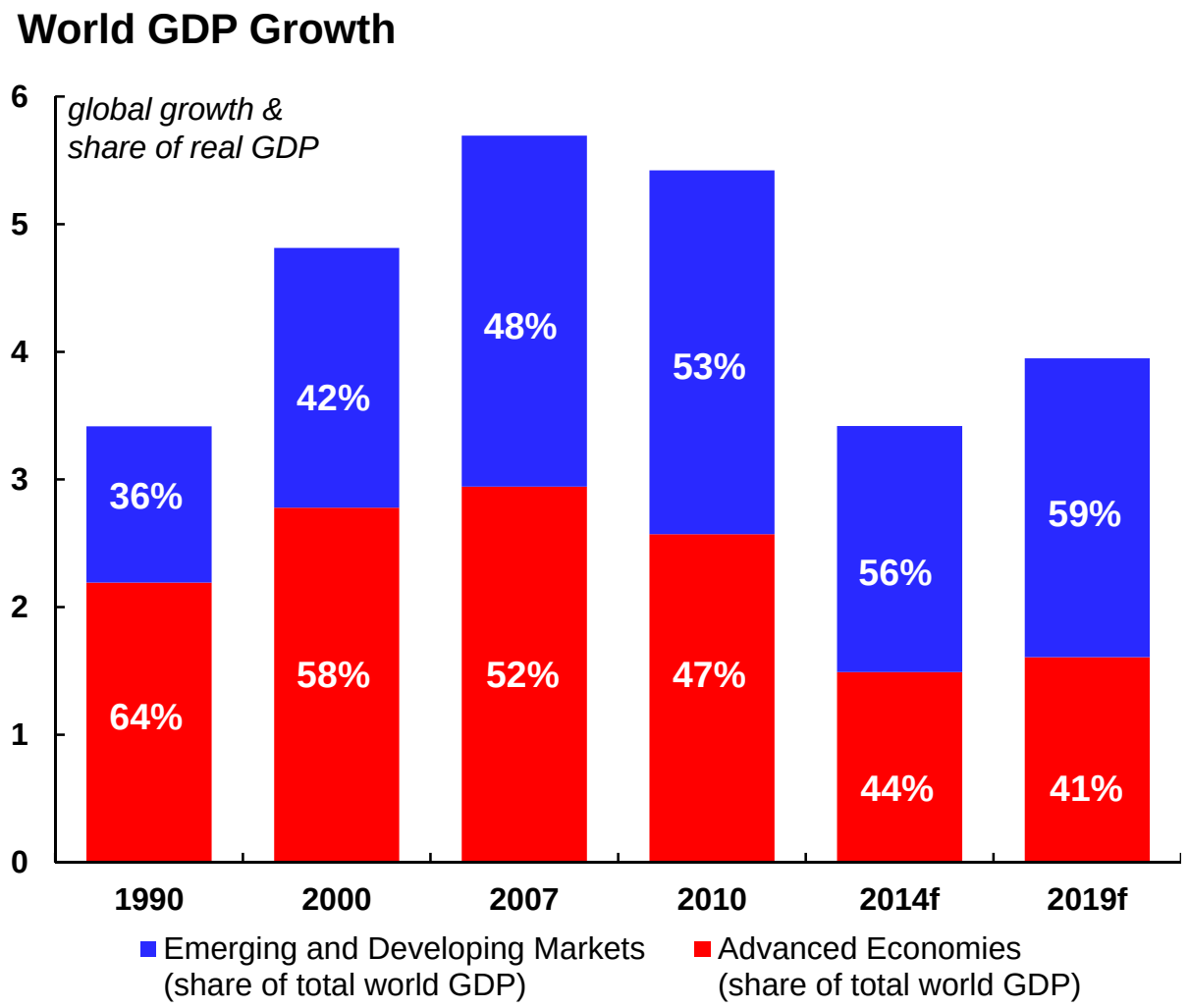
Weak C$ Undercuts Purchasing Power But Boosts Competitiveness

Personal Disposable Income Gains in US$



Source: Bloomberg, Scotiabank Economics.

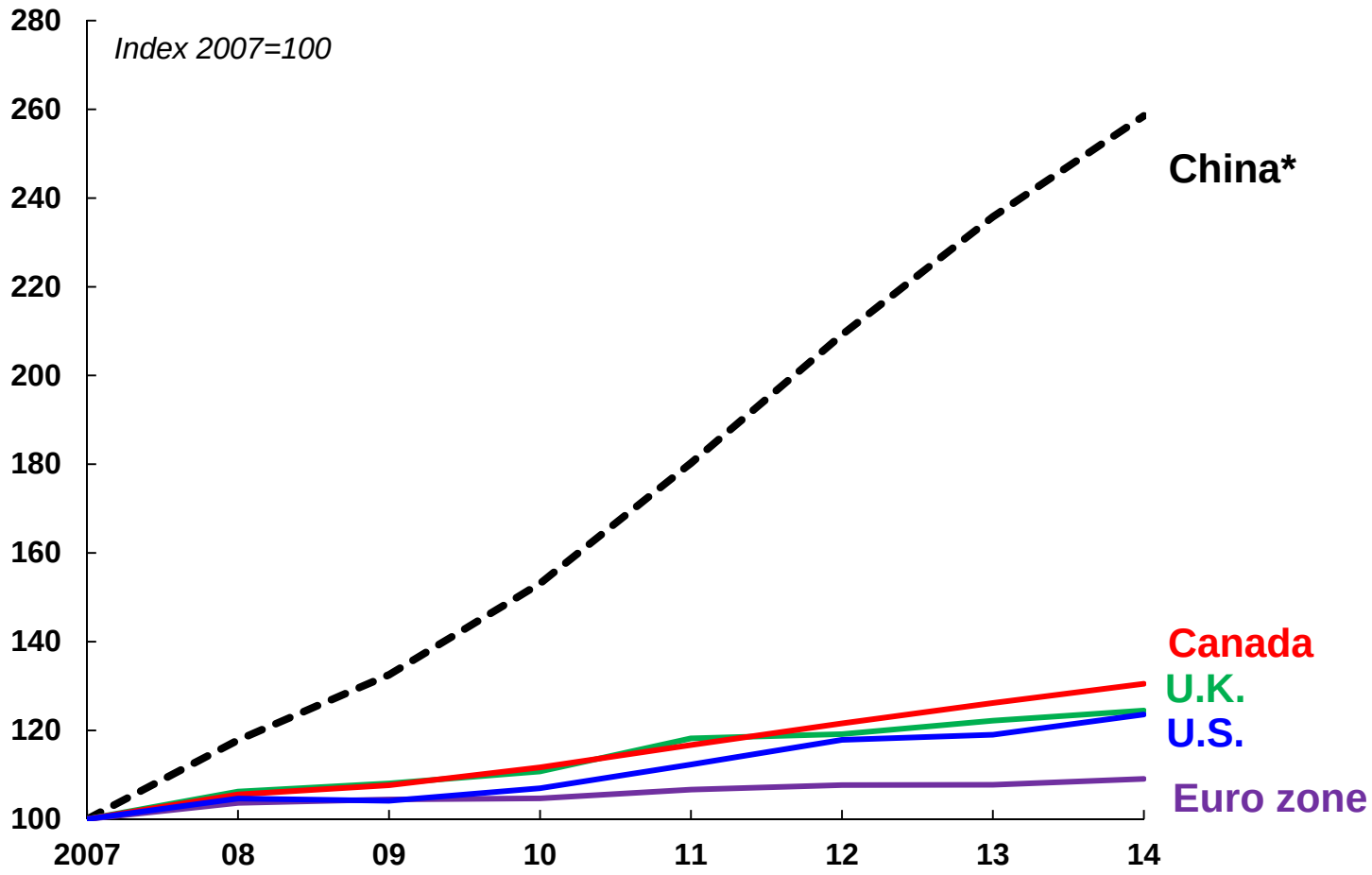
Emerging Nations Are Still Major Drivers of Global Growth . . .



Source: IMF WEO April 2015, Scotiabank Economics.

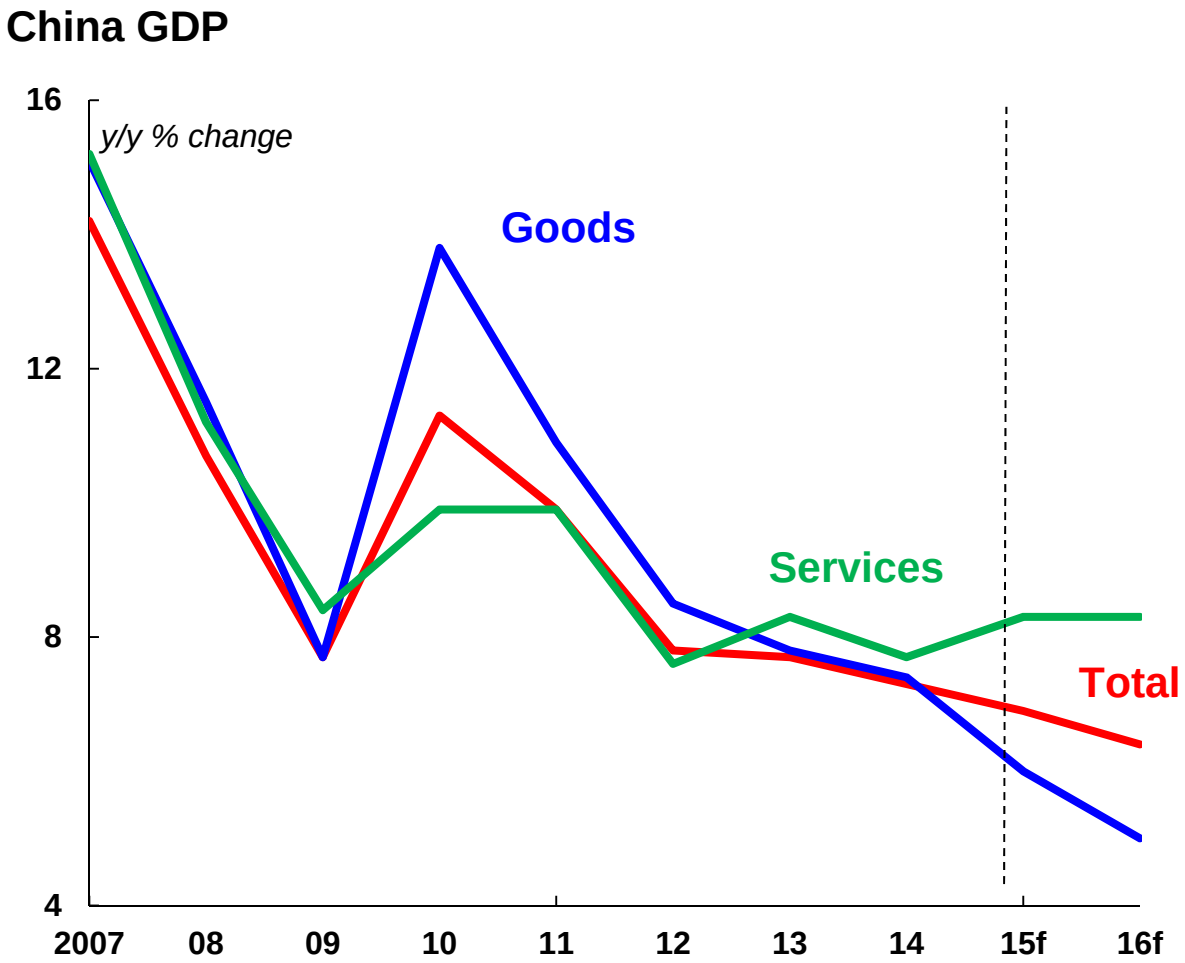
. . . Supported by Rapid Income Gains

Growth In Personal Disposable Income



Source: Bloomberg, Scotiabank Economics. ***Urban households**.*

But China Is Gearing Down . . .



Source: National Bureau of Statistics of China, Scotiabank Economics.

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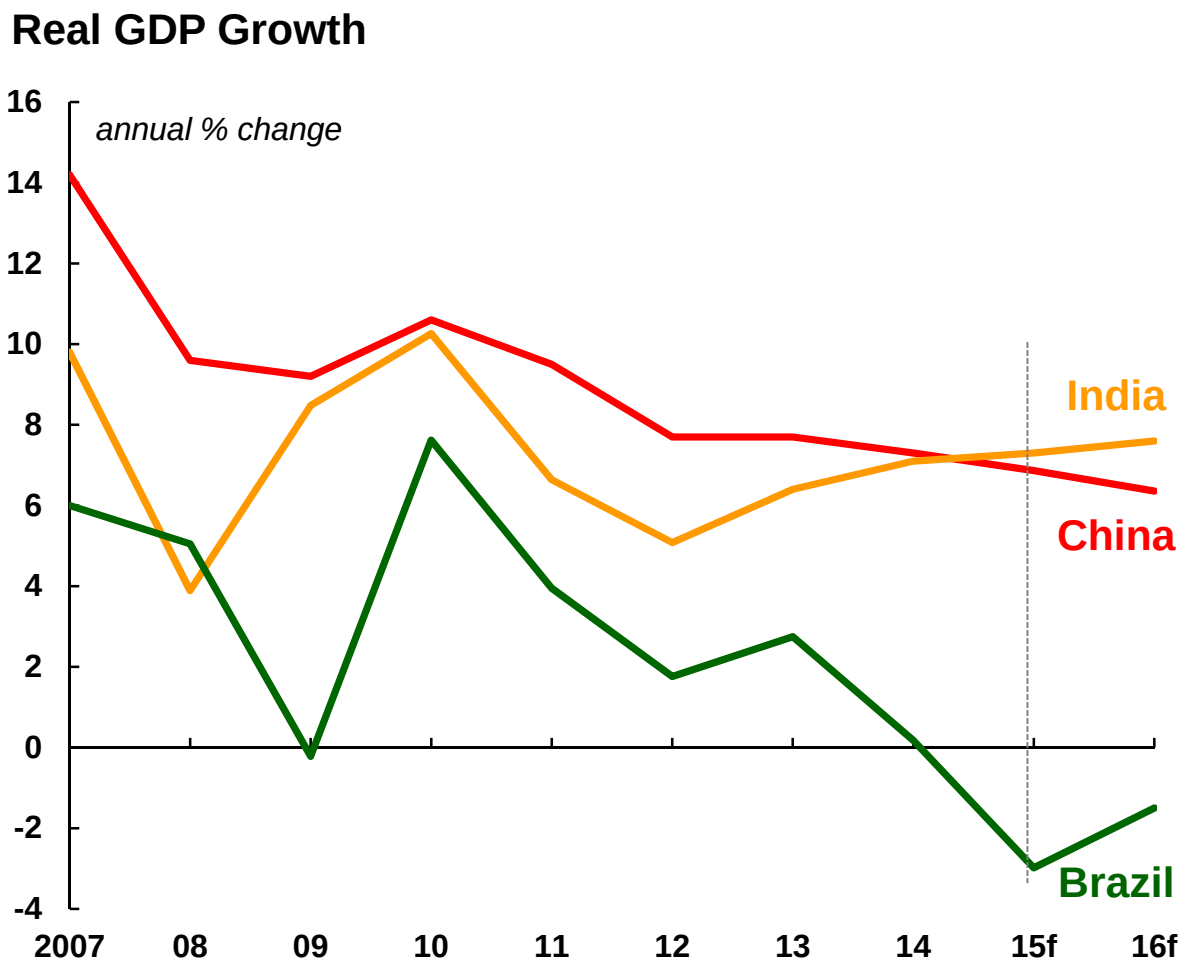
. . . & Emerging Market Trends Are Uneven . . .



Source: Bloomberg, Scotiabank Economics.

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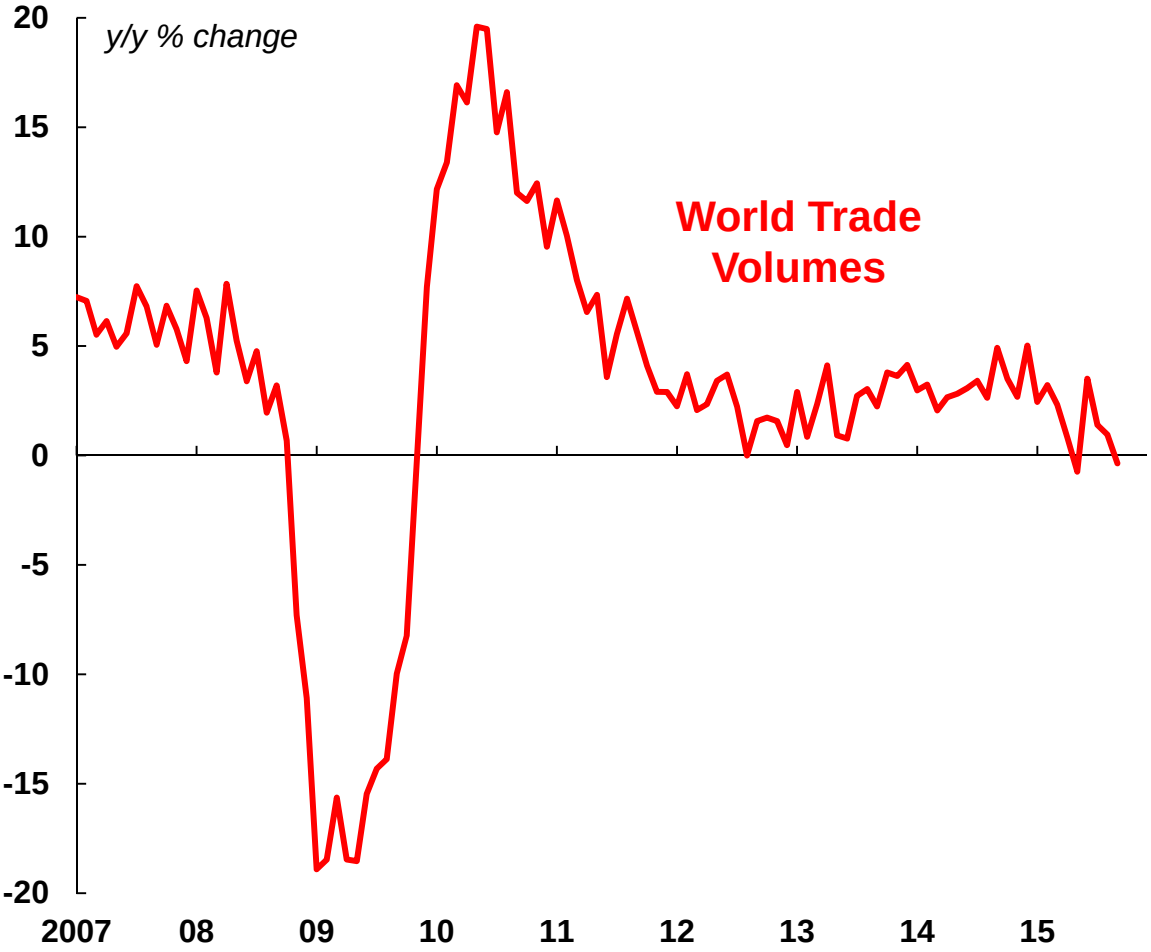
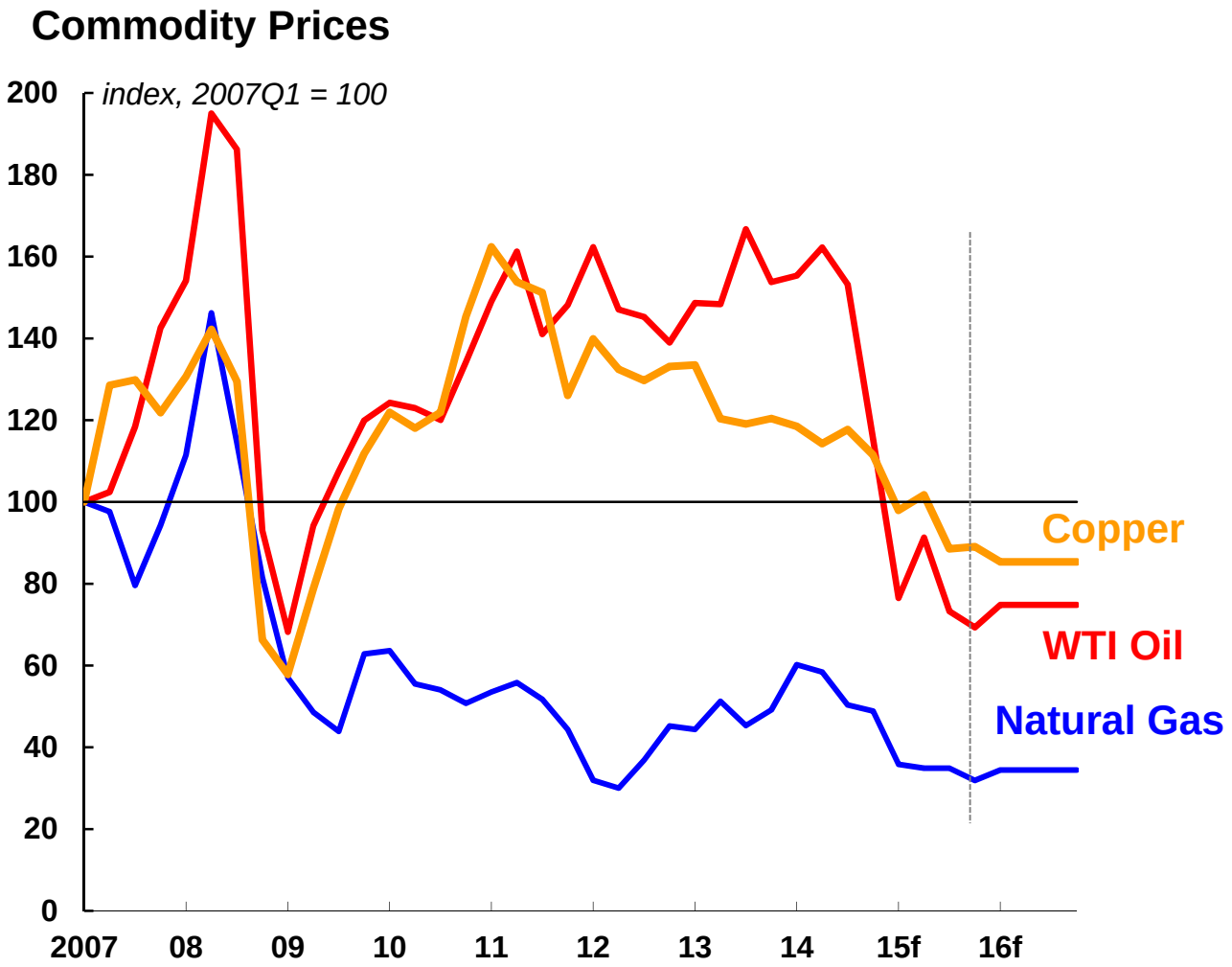
. . . Undercutting World Trade . . .

World Trade Growth Is Low & Slow



Source: CPB Netherlands Bureau of Economic Research.

. . . & Depressing Oil & Other Commodities



Source: Bloomberg, Scotiabank Economics.

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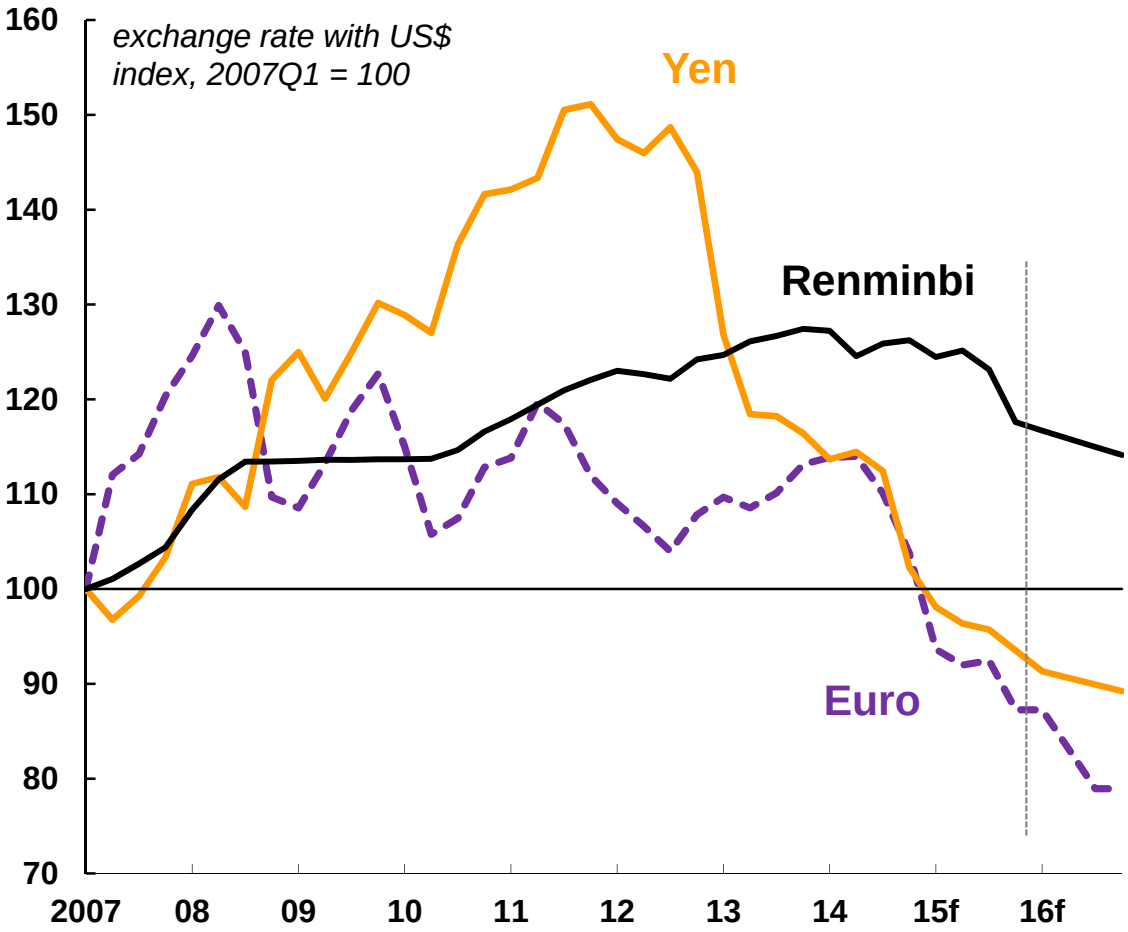
U.S. Dollar Underpinned By Domestic Strength & International Risks

Currencies vs. U.S. Dollar



Source: Bloomberg, Scotiabank Economics.

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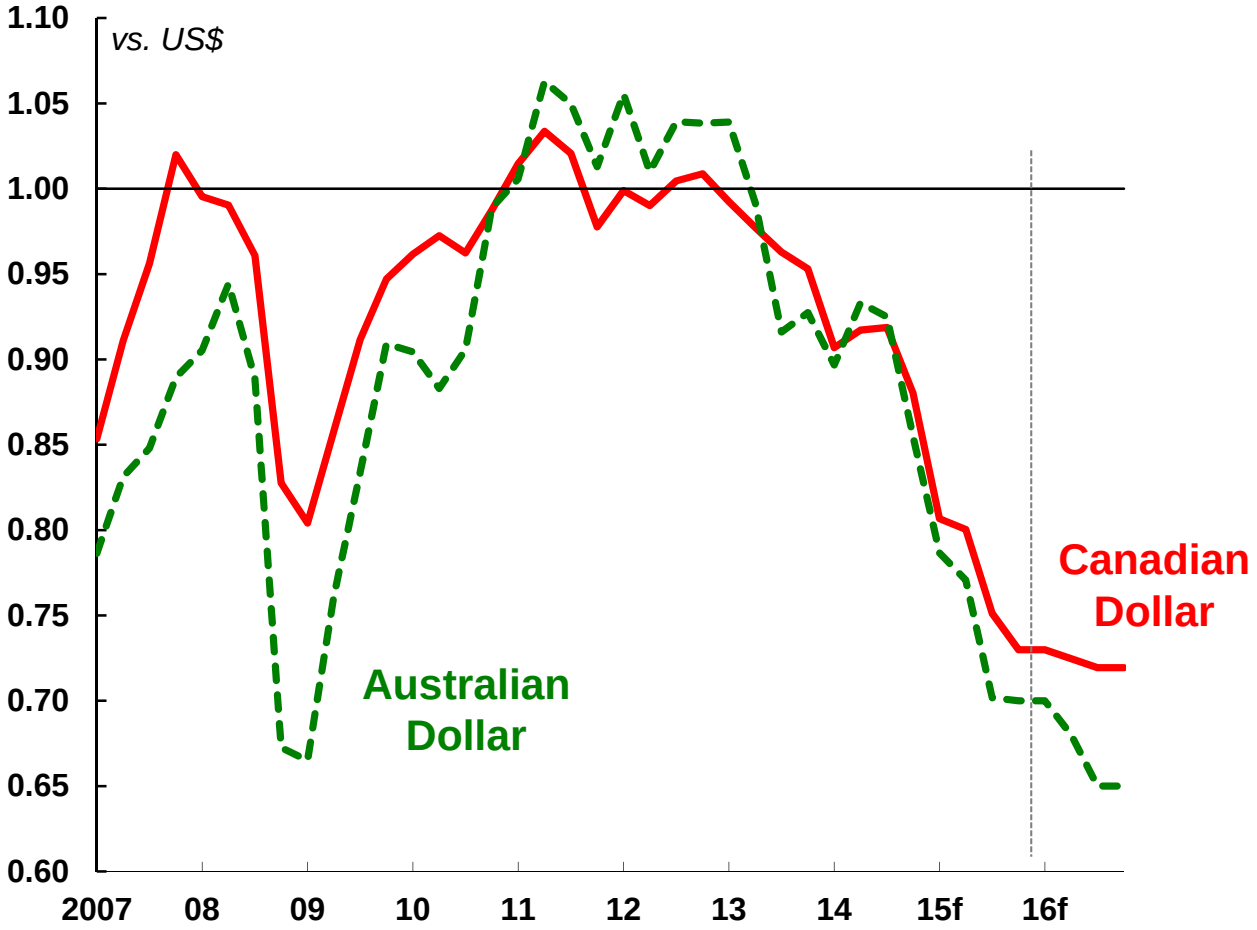
The U.S. Dollar Also Flies High Against Commodity Currencies

A Sharp Slide from Parity



Source: Bloomberg, Scotiabank Economics.

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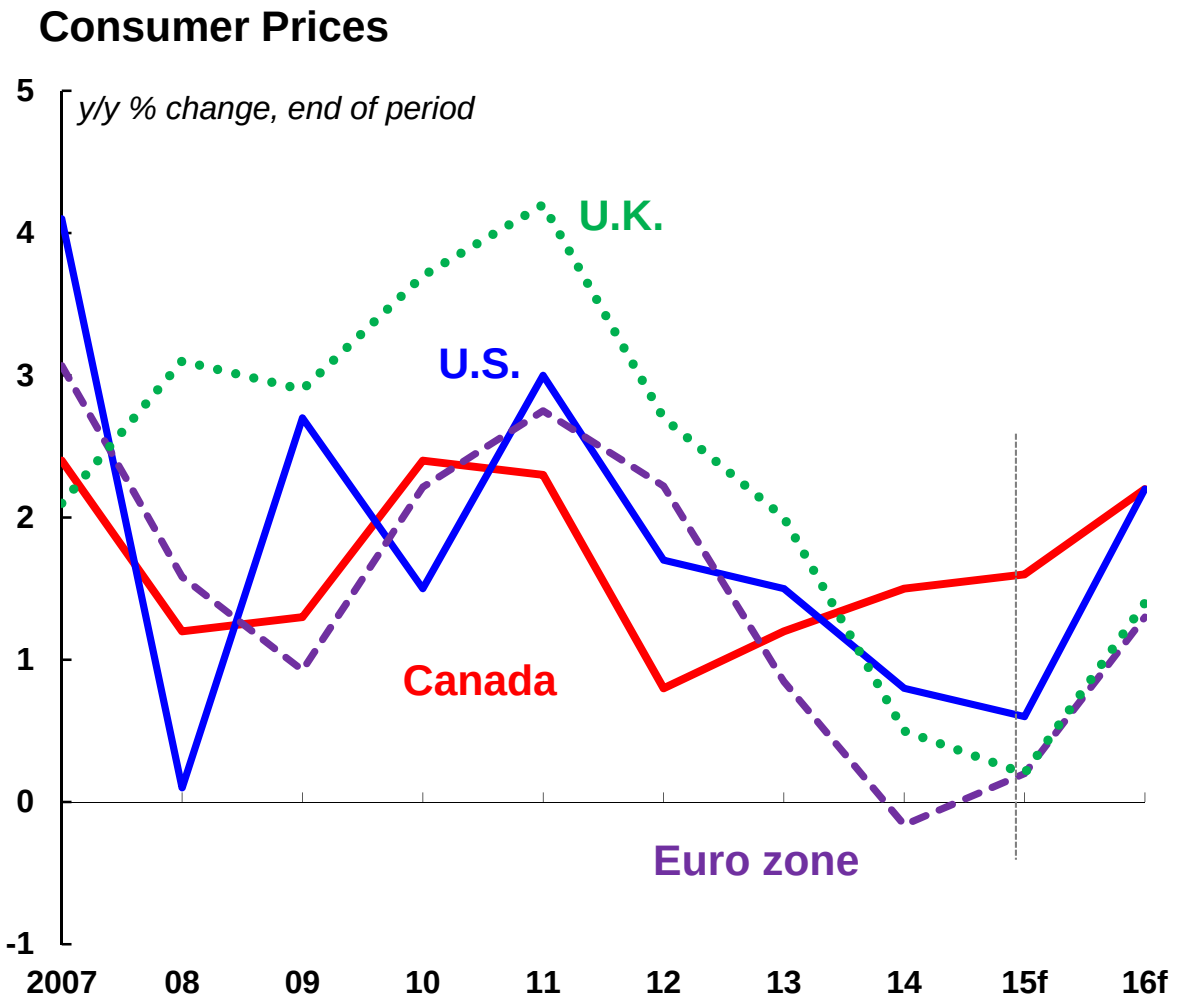
Inflation Interrupted … Again



Source: Statistics Canada, BLS, Bloomberg, Scotiabank Economics.

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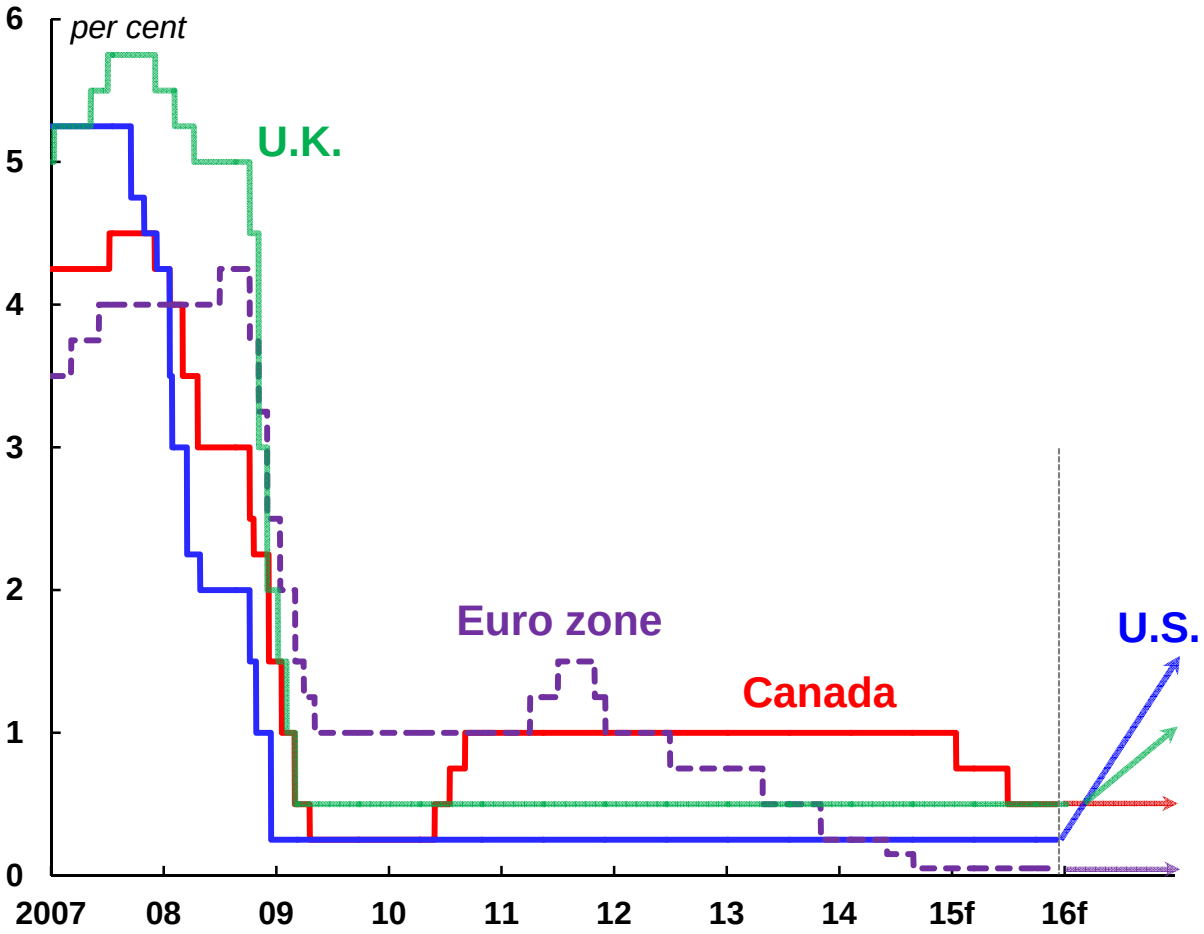
Monetary Policy Is On Hold For Now . . .

Central Bank Rates



Source: Bank of Canada, U.S. Federal Reserve, ECB, Bank of England, Scotiabank Economics.

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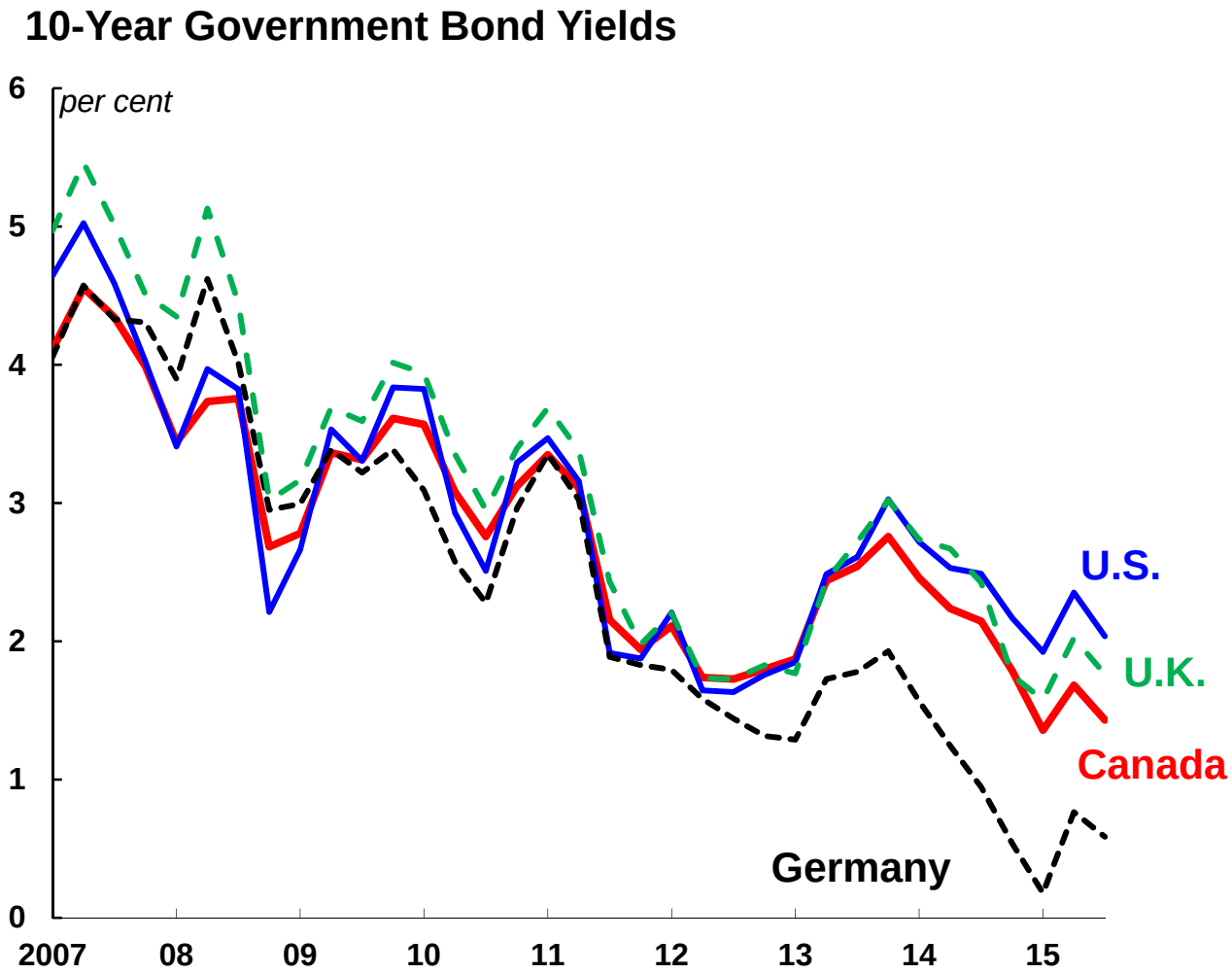
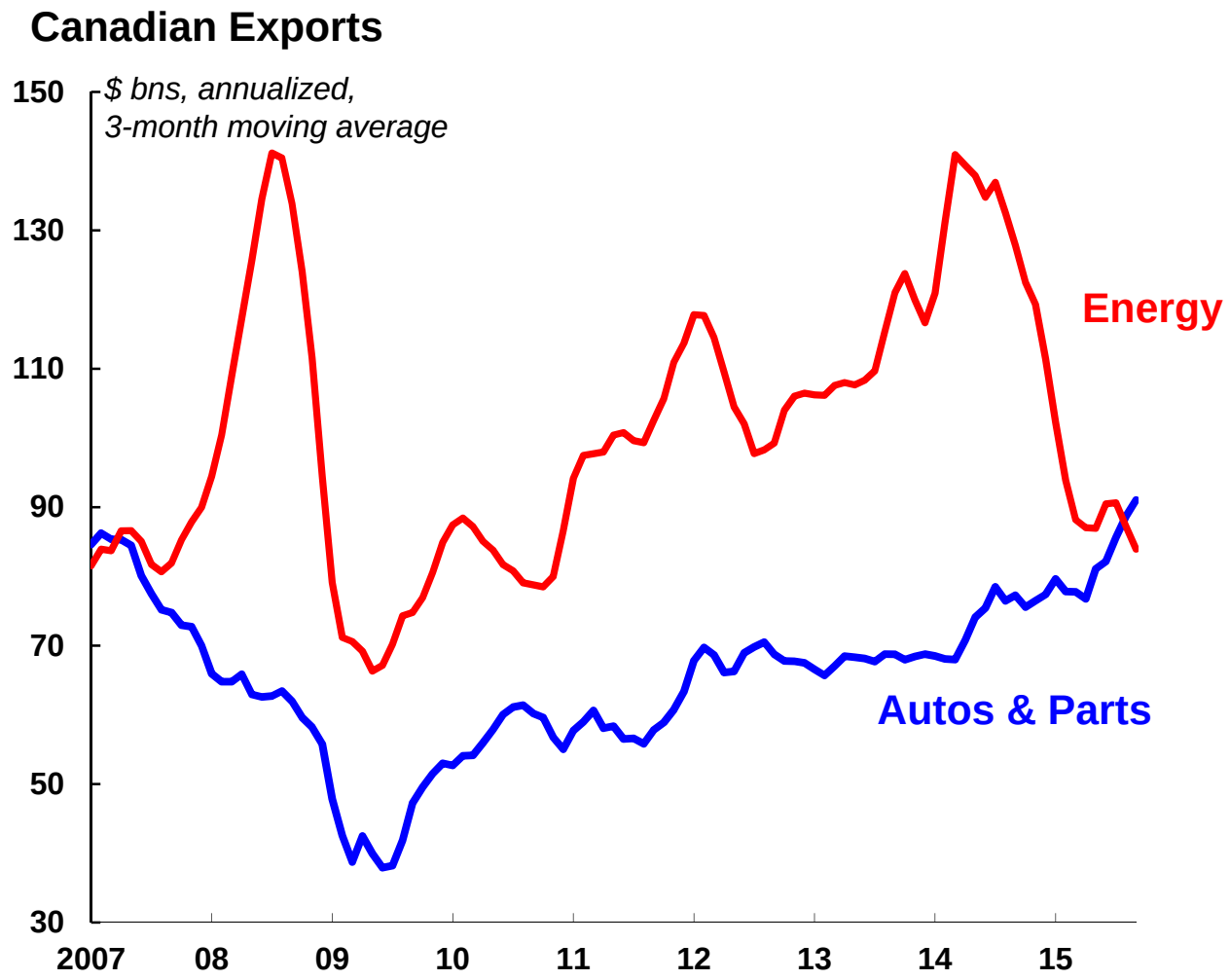
. . . With Bond Yields Still Near Lifetime Lows



Source: Bloomberg, Scotiabank Economics.

Changing Global Fortunes Have Big Impact on Canadian Economy



Source: Statistics Canada, Scotiabank Economics.

Economic & Market Outlook

ECONOMIC OUTLOOK	13	14	15f	16f
REAL GDP, annual average				
U.S.	1.5	2.4	2.4	2.5
Canada	2.0	2.4	1.1	1.8
U.K.	1.7	3.0	2.5	2.2
Euro zone	-0.2	0.9	1.5	1.7
Brazil	2.7	0.1	-3.0	-1.5
Mexico	1.4	2.1	2.5	2.8
China	7.7	7.3	6.9	6.4
India	6.4	7.1	7.3	7.6
INFLATION, end of period				
U.S.	1.2	1.2	0.6	2.2
Canada	0.9	1.9	1.6	2.2
U.K.	2.0	0.5	0.2	1.4
Euro zone	0.8	-0.2	0.2	1.3
Brazil	5.9	6.4	9.8	7.0
Mexico	4.0	4.1	3.3	4.6
China	2.5	1.5	1.8	2.1
India	9.9	4.3	5.7	6.0

MARKET OUTLOOK	13	14	15f	16f
CURRENCY, end of period				
Canadian Dollar (USDCAD)	1.06	1.16	1.37	1.39
Brazilian Real (USDBRL)	2.36	2.66	4.00	4.25
Euro (EURUSD)	1.37	1.21	1.05	0.95
Mexican Peso (USDMXN)	13.04	14.75	17.17	16.68
Chinese Renminbi (USDCNY)	6.05	6.21	6.60	6.80
3-MONTH T-BILLS, end of period				
Canada	0.92	0.92	0.50	0.60
U.S.	0.07	0.04	0.55	1.65
10-YEAR BONDS, end of period				
Canada	2.76	1.79	1.75	2.35
U.S.	3.03	2.17	2.35	2.85
COMMODITIES, annual average				
WTI Oil (US$/bbl)	98	93	49	45-50
NYMEX Natural Gas (US$/mmbtu)	3.73	4.28	2.70	2.70
Gold, London PM Fix (US$/oz)	1,411	1,266	1,170	1,090

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