

Highlights

Markets

- Energy-related stocks, Canadian dollar give back some recent gains as crude oil, natural gas prices ease
- Market unease over inflationary prospects continues to build

Economy

- Canadian businesses relatively upbeat despite rising input costs, but consumer sentiment and big-ticket buying plans suffer a setback
- Disentangling Katrina’s immediate economic effects — U.S. payrolls decline in September but manufacturing activity strengthens
- North American vehicle sales cool after a sizzling summer of ‘employee discounts’

International

- Japanese businesses slightly more upbeat amid modest yen depreciation
- ECB officials on hold for now, but still eager to raise rates

This Week’s Releases

- [Foreign Exchange Outlook \(October 2005\)](#)
- [Forecast Update \(October 5, 2005\)](#)
- [Canadian Auto Report \(October 5, 2005\)](#)
- [Auto News Flash \(October 3, 2005\)](#)

Next Week’s Releases

- [Global Outlook \(October 2005\)](#)
- [October Global Outlook Webcast Commentary by our Chief Economist, Warren Jestin](#)

Available Tuesday, October 11, 2005

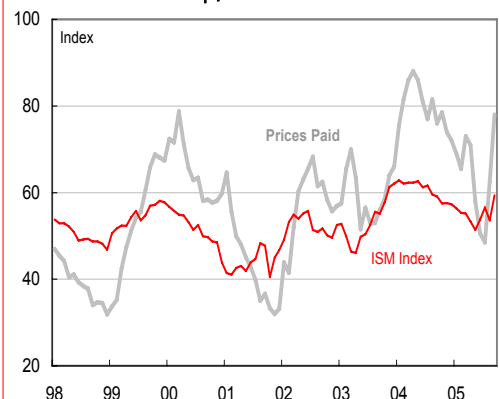
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UPDATED

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Chart of the Week

U.S. Manufacturing Activity Heats Up, But So Do Prices



Economic and Financial Forecasts

UPDATED

1990-03	2004	2005f	2006f	1990-03	2004	2005f	2006f
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Economic Performance (annual % change unless otherwise indicated)

	Canada				United States			
Real GDP	2.6	2.9	2.8	2.7	2.9	4.2	3.6	3.2
Consumer Prices	2.3	1.8	2.5	2.5	2.9	2.7	3.4	2.9
Pre-tax Profits	8.8	18.7	11.0	6.0	6.8	15.7	12.0	5.0
Federal Budget Balance (\$bn)	-11.3	1.6	4.0	4.0	-108	-412	-340	-400
Current Account Balance (\$bn)	-3.4	28.8	19.0	22.5	-214	-668	-815	-885
Merchandise Trade Balance (\$bn)	34.4	66.1	57.0	62.5	-261	-665	-780	-875
Motor Vehicle Sales (000s)*	1,367	1,534	1,590	1,570	15.2	16.9	17.0	16.8
Motor Vehicle Production (000s)*	2,431	2,710	2,650	2,600	11.5	12.0	11.9	11.8
Housing Starts (000s)*	159	233	220	190	1.46	1.95	2.01	1.90
Employment	1.3	1.8	1.3	1.1	1.3	1.1	1.6	1.4
Jobs Created (000s, Q4/Q4)*	196	261	190	155	1.52	2.13	1.80	1.95
Unemployment Rate (%)	8.9	7.2	6.8	6.7	5.6	5.5	5.1	5.0
	Mexico				Euro zone			
Real GDP	3.3	4.4	3.4	3.6	2.1	1.8	1.0	1.5
Consumer Prices	17.0	5.2	3.5	3.9	2.3	2.0	2.3	1.6
	Latin America (Excl. Mexico)				Asia			
Real GDP	2.8	6.6	4.6	4.0	3.9	4.8	4.0	3.5
Consumer Prices	210	7.6	6.7	6.3	3.1	1.8	1.7	1.6

*In the United States, millions.

1990-03	2004	2005f	2006f
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Commodity Prices (US\$ annual average)

	1990-03	2004	2005f	2006f
Pulp (tonne)	598	640	647	600-620
Newsprint (tonne)	533	544	599	640
Lumber (mfbm)	300	386	348	330
Copper (lb)	0.94	1.30	1.60	1.30
Zinc (lb)	0.49	0.48	0.60	0.65
Nickel (lb)	3.24	6.27	6.80	6.00-6.50
WTI Oil (bbl)	22.15	41.40	58	60
Nymex Natural Gas (US\$/mmbtu)	2.69	6.19	9.00	9.00
Wheat (tonne)	175	186	198	195

2005Q1	05Q2	05Q3	05Q4f	2006Q1f	06Q2f	06Q3f	06Q4f
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Financial Markets (end of period, % unless otherwise indicated)

CANADA								
3-month T-bill	2.53	2.48	2.89	3.30	3.50	3.50	3.50	3.50
5-year Canada	3.75	3.17	3.63	4.00	4.10	4.15	4.25	4.30
10-year Canada	4.32	3.75	3.97	4.10	4.20	4.25	4.40	4.70
UNITED STATES								
3-month T-bill (Yield)	2.77	3.12	3.61	4.25	4.45	4.45	4.45	4.45
5-year Treasury	4.17	3.70	4.19	4.60	4.75	4.80	4.85	4.90
10-year Treasury	4.48	3.91	4.33	4.60	4.75	4.80	4.90	5.20
CANADIAN-US SPREADS								
3-month T-bill	-0.24	-0.64	-0.72	-0.95	-0.95	-0.95	-0.95	-0.95
5-year	-0.42	-0.53	-0.56	-0.60	-0.65	-0.65	-0.60	-0.60
10-year	-0.16	-0.16	-0.36	-0.50	-0.55	-0.55	-0.50	-0.50
Canadian Dollar (C\$/US\$)	1.21	1.23	1.17	1.17	1.17	1.16	1.14	1.11
Canadian Dollar (US¢/C\$)	82.5	81.5	85.5	85.5	85.5	86.2	87.7	90.0
Yen (¥/US\$)	107	111	113	108	106	104	102	100
Euro (US\$/€)	1.30	1.21	1.21	1.28	1.29	1.31	1.33	1.35
Sterling (US\$/£)	1.88	1.79	1.77	1.83	1.82	1.85	1.85	1.88
Mexican Peso (Peso/US\$)	11.2	10.7	10.8	11.0	11.2	11.4	11.6	11.8

Financial Markets

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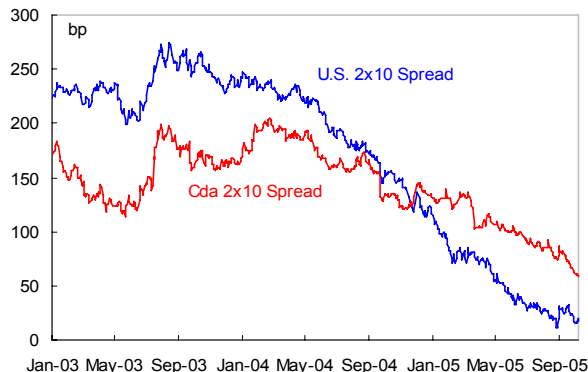
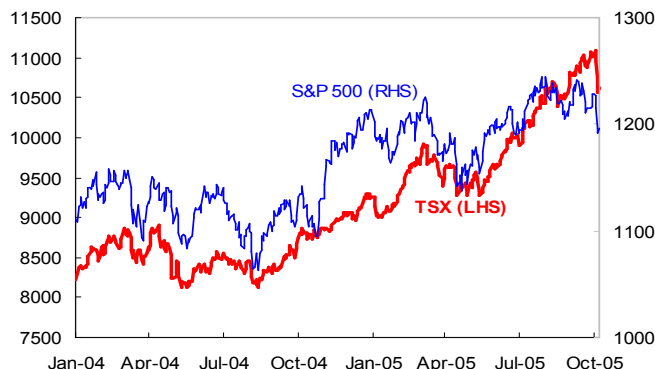
Market Watch

The largest moves this week were seen in the equity markets. Steep losses were not unique to North America, though, as major European and Asian equity indices were also in the red. The Dow was down 2.5%, while the S&P and Nasdaq each fell by about 2.8%. On this side of the border, the S&P/TSX fell by 3.4%. However, even as losses on the TSX exceeded those south of the border, they were dominated by an 8.5% plunge in the energy sector. Energy prices fell across the board this week (-6.7% for crude oil, -3.7% for natural gas and -10% for gasoline), which precipitated the losses in that sector. Most other sectors on the TSX were down by 1% to 1½%. By comparison, the S&P saw broadly based declines that exceeded 3% in half its ten economic sectors. In the U.S. markets, there was general unease regarding higher inflation that was underscored by a number of Fed speakers over the past two weeks.

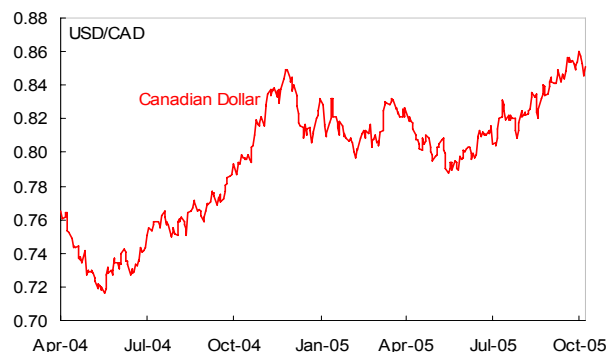
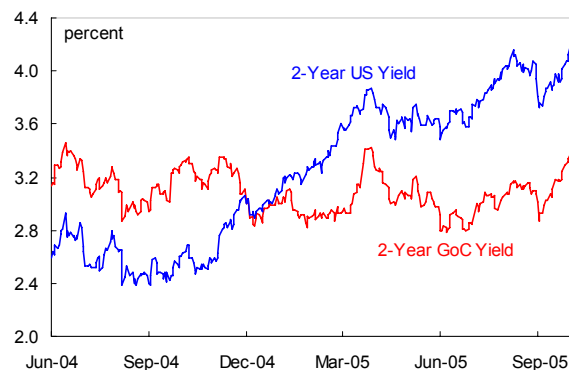
The bond markets ended the week generally unchanged from the opening. Treasury yields spiked twice this week, first with the Monday ISM manufacturing survey that surpassed expectations in a generally solid report, and second with Friday payrolls contracting by an unexpectedly small 35,000. However, after ten-year yields revisited the 4.40% level, not seen since last April, they gave back all the increases. A bid began to safe-haven treasuries later in the day, as reports trickled in regarding security concerns in the United States. Canadian yields were 1 bp to 2 bps higher, regaining ground following a solidly strong Business Outlook Survey from the BoC. This report, showing both tighter capacity constraints and higher inflation expectations, outweighed the soft payrolls report, taking yields higher. Fed speakers, as well as the BoC survey, all provided support for those expecting the central banks to continue tightening.

The U.S. dollar declined this week, with most losses occurring against the European currencies. The euro was boosted by some stronger sentiment data, as well as hawkish comments from the ECB, even as they kept rates unchanged this week. Following the better-than-expected payrolls report, however, the USD did regain some ground. The CAD, however, was one of the weakest currencies this week, falling alongside energy commodity prices as well as energy-related equity market declines. Even though other commodity prices have been strong (gold, copper and platinum all remain near two-decade highs), the CAD declined 1%.

Chart Watch



Canada/U.S. Spread: (bps) 2-yr: -82 10-yr: -42



US\$/C\$: 0.8512 Week Range: 0.8428-0.8605

Canada

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Economy Watch

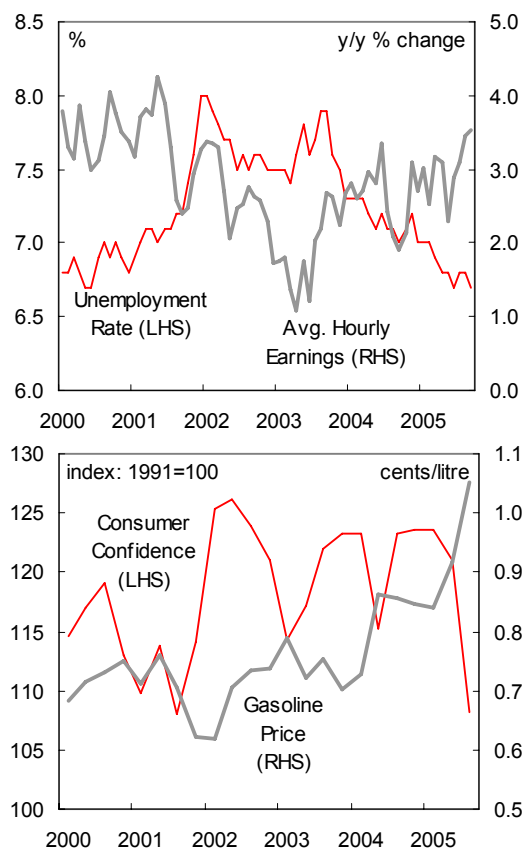
Canadian employment disappointed in September, as 2,300 jobs were shed, marking the first headline decrease since January. This soft employment reading places the total job gains for the third quarter at 31,000, and the total year-to-date gain at 135,000. Weakness was concentrated in the goods-producing sector, where payrolls fell by 14,500 during the month, with the manufacturing sector accounting for approximately half the decline. So far this year, the manufacturing sector has shed close to 100,000 jobs; excluding this sector, cumulative job gains would be significantly above 200,000. On a more positive note, the national unemployment rate edged down to 6.7%, matching the lowest rate in almost three decades. In addition, all of the weakness occurred in part-time positions, as 19,200 full-time jobs were created.

The Bank of Canada's Business Outlook Survey for the third quarter, on the other hand, was relatively firm, as firms generally remain positive regarding the economic outlook. The survey shows an increase in enterprises that believe there would be difficulty in meeting an unexpected increase in demand, an opinion that has been trending higher since the beginning of 2004. In turn, the balance of opinion regarding the expected level of employment over the next 12 months increased to 50%, the highest reading on record. Businesses have also markedly increased their inflation expectations, with 27% of respondents expecting inflation to be above 3% in the next two years, up from 7% of respondents in the second quarter.

Consumers, however, are not feeling as upbeat. The Conference Board's consumer confidence index plunged 10 points in September to 108 — the lowest reading since late 2001. The survey was conducted between September 8 and 13, and therefore reflects the peak period for gasoline prices, which averaged \$1.20/litre during the week. Although all components of the index experienced a setback during the month, the largest drop came from a weakening in household confidence toward purchasing large-ticket items. The portion of respondents who felt it would be a bad time to make a major purchase increased by 10 percentage points to 43.8%, a sign that high gas prices and modestly higher interest rates are taking a toll on confidence.

The potentially-inflationary combination of tight labour market conditions, capacity constraints and rising wages — third-quarter average hourly earnings increased 3.4% on a year-over-year basis, up from an average of 2¾% in the first half of 2005 — should maintain the central bank's tightening bias for the time being.

Chart Watch



Looking Back

	June	July	Aug	Sept
Building Permits, % m/m	1.0	-2.2	10.2	
Ivey PMI, index	63.3	51.5	54.1	63.7
Deputy Governor Macklem speaks on Inflation Target				
Employment, 000s m/m	14.2	5.9	27.5	-2.3
Unemployment Rate, %	6.7	6.8	6.8	6.7
Bank of Canada Releases Business Outlook Survey				

Looking Ahead

	June	July	Aug	Sept
Housing Starts, 000s a.r. (Tue)	241	243	201	<u>230</u>
Merchandise Trade Balance, \$ bn (Thu)	4.9	5.8	<u>5.9</u>	
Exports, % m/m	2.4	2.1	<u>2.0</u>	
Imports, % m/m	0.4	-0.5	<u>2.0</u>	
Manufacturing Shipments, % m/m (Fri)	0.7	-1.4	<u>1.0</u>	
Unfilled Orders, % m/m	1.1	2.4	<u>0.5</u>	
Inventories, % m/m	0.4	1.0	<u>0.4</u>	
Inventory-Shipments Ratio	1.28	1.31	<u>1.31</u>	
New Motor Vehicle Sales, % m/m	8.5	7.3	<u>-7.0</u>	

Underlined figures denote Scotia Economics' estimates.

United States

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Economy Watch

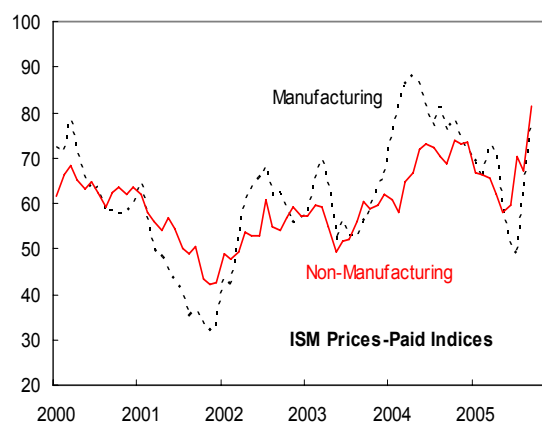
Non-farm payrolls slipped by 35,000 in September, much better than the consensus estimate for a 150,000 decline. Reflecting the effects of Hurricane Katrina, there were some significant job losses reported in the retail trade and leisure & hospitality industries. However, there appeared to be surprisingly little effect on the refining, natural resources and shipping industries that proliferate in and around New Orleans. The largest employment gains occurred in industries that have been reliable contributors to employment growth for some months — construction, financial services, health care and the public sector. The increase in overall unemployment outpaced growth in the labour force, pushing the unemployment rate up from 4.9% to 5.1%. Average hourly earnings edged 0.2% higher, holding the y/y % change steady at 2.6%.

We suspect that the October figures will show further Katrina-related job losses, although their magnitude is difficult to predict at this time. Initial jobless claims figures continue to show a significant number of Katrina-related filings — 74,000 last week, bringing the total to 363,000 — but it is difficult to determine how many were captured in the September employment figures.

Despite the loss of output in the affected region, Katrina could already be having a positive effect on the broader manufacturing sector. The ISM manufacturing index leapt to 59.4 in September from 53.6, its largest one-month increase in more than 14 years. The jump in the supplier deliveries index pointed to shipping disruptions in the Gulf of Mexico and along the Mississippi River, but the new orders and production indices also posted strong gains. Rebuilding efforts were already having a measurable effect on some respondents' businesses, but there were also some encouraging signs that factors beyond the hurricane were at work, such as stronger foreign demand. On the downside, rising input costs pushed the prices-paid index sharply higher. At 78, it now stands at its highest level in 11 months, providing yet another sign of intensifying inflation pressures.

The ISM non-manufacturing index was less upbeat than its manufacturing counterpart, falling from 65 in August to 53.3 in September — its lowest level in more than two years. This index is relatively volatile on a month-to-month basis, although the September decline was particularly pronounced. Respondents to the survey appeared very concerned about rising prices (the prices-paid component leapt from 67.1 to 81.4 — an all-time high). They also provided some insight into why the manufacturing ISM might have risen so strongly — respondents noted that jobs were being rushed to beat higher prices, and there was some concern that hurricane rebuilding efforts would result in shortages of raw materials and manufactured goods.

Chart Watch



Looking Back

	June	July	Aug	Sept
Construction Spending, % m/m	-0.5	0.3	0.4	
ISM Manufacturing Index, level	53.8	56.6	53.6	59.4
Total Vehicle Sales, mn a.r.	17.5	20.9	16.8	16.4
Factory Orders, % m/m	0.9	-2.5	2.5	
Fed's Poole speaks at University of Washington in Seattle				
Fed's Santomero speaks on Economy at Lycoming College				
ISM Non-Manufacturing Index, level	62.2	60.5	65.0	53.3
Fed's Pianalto speaks on Innovation, Education in Girard				
Fed's Hoenig speaks on Economic Outlook in Casper				
Federal Reserve holds Open Board Meeting on Basel I				
Employment Report, 000s m/m	175.0	242.0	169.0	-35.0
Unemployment Rate, %	5.0	5.0	4.9	5.1
Average Hourly Earnings, % m/m	0.2	0.4	0.1	0.2
Wholesale Inventories, % m/m	0.4	-0.1	0.5	
Consumer Credit, \$ bn m/m	14.6	4.4		

Looking Ahead

	July	Aug	Sept	Oct
Fed Releases Minutes of September 20 FOMC Meeting (41:00) (Tue)				
Fed's Kohn speaks on Globalization (19:30)				
Fed's Greenspan speaks in Washington (8:30) (Wed)				
Fed's Bies (11:00) & Olson (15:45) speak				
Merchandise Trade Bal., \$ bn (Thu)	-57.9	-61.0		
Import Prices, % m/m	0.8	1.3	NA	
Fed's Olson speaks on the Economy & Fiscal Policy (20:30)				
CPI, % m/m	0.5	0.5	0.8	
CPI ex. Food & Energy, % m/m	0.1	0.1	0.2	
Retail Sales, % m/m (Fri)	1.8	-2.1	0.2	
Retail Sales ex. Autos, % m/m	0.5	1.0	0.5	
Industrial Production, % m/m	0.1	0.1	-0.4	
Capacity Utilization, %	79.8	79.8	NA	
U. of M. Consumer Sentiment, level	96.5	89.1	76.9	78.5
Fed's Poole speaks on Monetary Policy (12:00)				

Underlined figures denote Scotia Economics' estimates.

Industry & Commodity

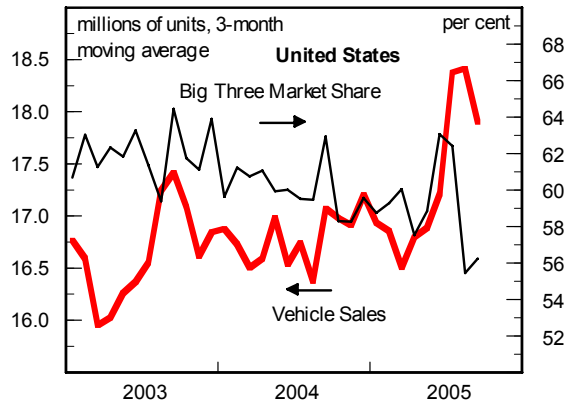
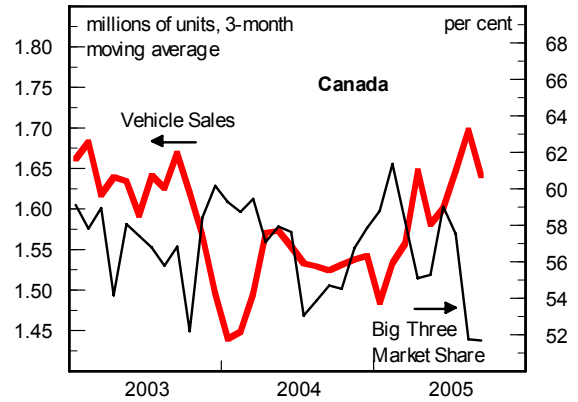
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Auto Industry Watch

Vehicle sales 'cooled' in Canada last month, after a sizzling summer with volumes powered by 'employee discounts'. We estimate new vehicle purchases moderated to about an annualized 1.50 million units in September, from an average of 1.72 million during July and August (the best back-to-back performance in nearly three years). North American automakers accounted for most of the slowdown, with their light truck sales falling 13% below a year ago — the first year-over-year decline since May. Large gas-guzzling SUVs plunged 50% below a year ago — more than triple the decline during the previous three months. Japanese manufacturers are still making inroads. Japanese automakers reported a 6% year-over-year gain last month, with Toyota and Nissan both posting record sales for the month of September.

Passenger vehicle purchases also eased in the United States, falling to an annualized 16.3 million units in September, from an average of 18.7 million during the previous two months. While Hurricanes Katrina and Rita contributed to weaker sales, high gasoline prices were the main culprit. Car sales remained strong, but light truck purchases fell by nearly 20% alongside gasoline prices in excess of US\$3 per gallon. Truck sales at General Motors and Ford slumped 28% below a year ago, as large SUVs plunged 54%. In contrast, the shift to more fuel-efficient crossover utility vehicles (CUVs) continues. Purchases of these models surged 39% year-over-year at Ford.

Chart Watch



International

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Asia/Oceania Watch

Japan — Business confidence remained intact in the third quarter of 2005, as moderate yen depreciation helped to offset the adverse impact of rapidly rising energy costs. The closely followed headline Tankan index, which measures sentiment among large manufacturers, rose one point from the previous quarter to 19. Overall, respondents are slightly more upbeat about profits in the current fiscal year ending March 31st, 2006; they anticipate a further 3.4% rise in earnings this year — compared with a previous projection of 2.7% — following three successive years of double-digit gains. As a result, investment plans were also revised slightly higher, with capital expenditures now forecast to increase by 6.8% compared with 5.4% in June.

The average yield at the monthly 10-year government bond auction rose 15 bps from August to 1.475%, the highest level since March. The run-up in yields reflected a marked softening in overall investor interest; the bid/cover ratio was a 19-month low of 2.26. The recent slump in bond prices is already triggering an official response. Finance Minister Sadakazu Tanigaki stated that “we must closely monitor daily moves of rates;” he also indicated that the government intends to reduce new bond sales in fiscal year 2006 (beginning April 1, 2006) by at least ¥2.2 trillion from this year’s projected total of ¥34.4 trillion.

Korea — A pickup in the consumer price index has triggered further Bank of Korea (BoK) warnings of possible preemptive interest rates hikes even though the core annual inflation rate remains below 2%. Markets are now anticipating a modest rate increase following the BoK’s monetary policy meeting on October 11th. Governor Park Seung this week stated, “We have approached a point where we need to consider a gradual change in monetary policy.” The headline consumer price index rose 0.7% in September (2.7% y/y), bringing the cumulative increase over the most recent three months to 1.4%. The BoK’s benchmark interest rate has been held at a record-low 3.25% since November 2004.

The recovery in Korea’s export performance remains intact, underpinning an upbeat tone among domestic manufacturers. Foreign sales jumped 19% y/y in September to a record US\$24.7 billion, virtually matching the August gain; in contrast, export earnings through the first seven months of the year rose a less robust 11% y/y. Yet Korean imports continue to outpace shipments abroad, jumping 25% y/y, the biggest advance since November 2004. The run-up in energy costs and the gradual upturn in domestic spending are fueling import demand. Even so, the trade account remains in comfortable surplus, totaling US\$17.9 billion through the first nine months of 2005, helping to push international reserves to a record-high US\$206.7 billion.

European Watch

Euro zone — The European Central Bank (ECB) left its benchmark refinancing rate unchanged at 2.0% following the monthly policy meeting, though officials continue to signal an eagerness to raise rates at the earliest possible opportunity. ECB President Jean-Claude Trichet intensified the central bank’s rhetoric, stressing the need for “strong vigilance,” in comparison with the “particular vigilance” that had been called for in previous months, while conceding that “there continues to be no clear evidence of domestic inflationary pressures building up in the euro area.”

Manufacturers across western Europe reported improved business conditions in September. Purchasing managers in Germany, France, Italy and Spain reported gains. The responses to the regional survey were broadly consistent across the continent, including increased orders and output, a pickup in employment, and a rising backlog of work; on the negative side, input costs outpaced output prices, pointing to a squeeze on profit margins. The pickup may have been underpinned by the rebound in retail activity the previous month, in which case the rebound in output may prove short-lived. Retail sales in the euro zone rose 0.9% m/m in August, the first advance in three months; however, a survey of retail purchasing managers points to renewed weakness in September.

The combination of a pickup in inflation and uncertain labour market conditions will continue to weigh on consumers’ ability and willingness to spend. The euro zone jobless rate moved marginally higher in August to 8.6%, entirely as a result of a 0.3 percentage point (EU definition) jump in Germany’s unemployment rate. No other euro zone country saw an increase in joblessness in August, according to the official figures. While there is still ample excess capacity in both labour markets and manufacturing plants on the continent, the recent backup in euro zone consumer inflation will not be quickly reversed. Producer prices rose 0.4% in August, pushing the cumulative advance over the most recent three months to 1.5%. However, as is the case at the consumer level, price pressures further up the distribution chain are heavily influenced by the run-up in energy costs; indeed excluding energy, the producer price index was up just 1.3% y/y in August, down more than a percentage point from six months earlier despite the potential inflationary impact of euro depreciation.

United Kingdom — The Bank of England (BoE) also opted to leave its benchmark interest rate unchanged at 4.5% following the monthly meeting of the Monetary Policy Committee. The BoE’s interest rate cycle is now on a downward trend. The decision to maintain the current policy stance indicates that the monetary authorities in the U.K. believe that the economy is still operating too close to capacity to justify more aggressive easing.

Latest Economic Statistics

(% change from a year earlier unless otherwise noted)

Canada	2004	05Q1	05Q2	Latest
Real GDP (annual rates)	2.9	2.1	3.2	
Current Acc. Bal. (C\$B, ar)	28.8	13.5	18.7	
Merch. Trade Bal. (C\$B, ar)	66.1	51.6	55.3	69.9 (Jul)
Industrial Production	3.8	3.1	1.2	0.6 (Jul)
Housing Starts (000s)	232	213	235	201 (Aug)
Employment	1.8	1.5	1.4	1.2 (Sep)
Unemployment Rate (%)	7.2	7.0	6.8	6.7 (Sep)
Retail Sales	4.7	6.8	7.1	7.9 (Jul)
Auto Sales (000s)	820	834	848	906 (Jul)
CPI	1.8	2.1	1.9	2.6 (Aug)
IPPI	3.2	3.0	0.5	-0.4 (Aug)
Pre-tax Corp. Profits	18.7	13.2	6.6	

United States	2004	05Q1	05Q2	Latest
Real GDP (annual rates)	4.2	3.8	3.3	
Current Acc. Bal. (US\$B, ar)	-668	-795	-783	
Merch. Trade Bal. (US\$B, ar)	-665	-745	-748	-751 (Jul)
Industrial Production	4.2	3.6	3.3	3.3 (Aug)
Housing Starts (millions)	1.95	2.08	2.04	2.01 (Aug)
Employment	1.1	1.7	1.6	1.7 (Sep)
Unemployment Rate (%)	5.5	5.3	5.1	5.1 (Sep)
Retail Sales	7.1	7.3	8.5	8.0 (Aug)
Auto Sales (millions)	7.5	7.5	7.6	8.0 (Sep)
CPI	2.7	3.0	2.9	3.6 (Aug)
PPI	3.6	4.6	4.0	5.1 (Aug)
Pre-tax Corp. Profits	13.0	33.8	32.6	

Mexico	2004	05Q1	05Q2	Latest
Real GDP	4.4	2.4	3.1	
Current Acc. Bal. (US\$B, ar)	-7.4	-10.1	-0.1	
Merch. Trade Bal. (US\$B, ar)	-8.8	-7.8	-2.8	-8.7 (Aug)
Industrial Production	3.8	-0.2	2.8	-1.1 (Jul)
CPI	4.7	4.4	4.5	3.9 (Aug)

Brazil	2004	05Q1	05Q2	Latest
Real GDP	4.6	2.6	3.7	
Current Acc. Bal. (US\$B, ar)	11.7	10.8	10.3	
Merch. Trade Bal. (US\$B, ar)	33.7	33.3	45.4	51.9 (Sep)
Industrial Production	8.0	5.9	5.1	2.9 (Aug)
CPI	6.4	6.4	7.1	4.6 (Aug)

Argentina	2004	05Q1	05Q2	Latest
Real GDP	9.0	8.0	10.1	
Current Acc. Bal. (US\$B, ar)	3.3	0.0		
Merch. Trade Bal. (US\$B, ar)	12.1	9.7	12.4	13.9 (Aug)
Industrial Production	7.8	6.2	6.6	6.0 (Aug)
CPI	4.4	8.2	8.8	10.3 (Sep)

Italy	2004	05Q1	05Q2	Latest
Real GDP	1.0	-0.2	0.1	
Current Acc. Bal. (US\$B, ar)	-15.5	-43.1	-46.6	39.9 (Jul)
Merch. Trade Bal. (US\$B, ar)	-2.1	-23.6	-11.7	34.5 (Jul)
Industrial Production	-0.6	-2.3	-1.5	-1.6 (Jul)
CPI	2.2	1.8	1.8	1.9 (Aug)

Germany	2004	05Q1	05Q2	Latest
Real GDP	1.1	0.8	0.6	
Current Acc. Bal. (US\$B, ar)	103.7	146.7	118.9	100.1 (Dec)
Merch. Trade Bal. (US\$B, ar)	191.1	215.0	200.9	194.4 (Jul)
Industrial Production	2.4	2.4	1.9	2.1 (Aug)
Unemployment Rate (%)	10.6	11.7	11.8	11.7 (Sep)
CPI	1.7	1.7	1.7	2.5 (Sep)

France	2004	05Q1	05Q2	Latest
Real GDP	2.1	1.9	1.3	
Current Acc. Bal. (US\$B, ar)	-8.1	-24.7	-53.7	-39.8 (Jul)
Merch. Trade Bal. (US\$B, ar)	-12.3	-29.2	-24.5	-38.6 (Jul)
Industrial Production	1.8	0.9	-0.2	-0.7 (Jul)
Unemployment Rate (%)	10.0	10.1	10.2	9.9 (Aug)
CPI	2.1	1.7	1.7	1.8 (Aug)

Euro Zone	2004	05Q1	05Q2	Latest
Real GDP	1.8	1.3	1.1	
Current Acc. Bal. (US\$B, ar)	58.0	3.7	-68.5	2.9 (Jul)
Merch. Trade Bal. (US\$B, ar)	127.7	76.0	99.7	132.9 (Jul)
Industrial Production	1.9	1.0	0.6	0.5 (Jul)
Unemployment Rate (%)	8.9	8.8	8.7	8.6 (Aug)
CPI	2.1	2.0	2.0	2.2 (Aug)

United Kingdom	2004	05Q1	05Q2	Latest
Real GDP	3.2	1.7	1.5	
Current Acc. Bal. (US\$B, ar)	-42.5	-49.6	-43.4	
Merch. Trade Bal. (US\$B, ar)	-110.4	-118.9	-108.5	-106.6 (Jul)
Industrial Production	0.8	-1.1	-1.8	-1.9 (Aug)
Unemployment Rate (%)	4.7	4.7	4.7	4.7 (Jun)
CPI	3.0	3.2	3.0	2.8 (Aug)

Japan	2004	05Q1	05Q2	Latest
Real GDP	2.6	1.0	2.2	
Current Acc. Bal. (US\$B, ar)	172.1	177.9	152.4	176.8 (Jul)
Merch. Trade Bal. (US\$B, ar)	110.5	103.5	78.1	66.7 (Aug)
Industrial Production	5.3	2.7	0.3	0.4 (Aug)
Unemployment Rate (%)	4.7	4.6	4.3	4.3 (Aug)
CPI	0.0	-0.2	-0.1	-0.3 (Aug)

Australia	2004	05Q1	05Q2	Latest
Real GDP	3.3	1.9	2.6	
Current Acc. Bal. (US\$B, ar)	-39.7	-40.9	-38.4	
Merch. Trade Bal. (US\$B, ar)	-18.1	-20.4	-10.8	-14.2 (Aug)
Industrial Production	-0.1	1.3		
Unemployment Rate (%)	5.5	5.1	5.1	5.0 (Aug)
CPI	2.3	2.4	2.5	

China	2004	05Q1	05Q2	Latest
Real GDP	9.3	9.4	9.5	
Current Acc. Bal. (US\$B, ar)	68.7			
Merch. Trade Bal. (US\$B, ar)	32.6	67.2	93.0	127.1 (Aug)
Industrial Production	14.4	15.1	16.8	16.0 (Aug)
CPI	2.4	2.7	1.6	1.3 (Aug)

South Korea	2004	05Q1	05Q2	Latest
Real GDP	4.6	2.7	3.3	
Current Acc. Bal. (US\$B, ar)	27.6	23.8	11.0	-4.8 (Aug)
Merch. Trade Bal. (US\$B, ar)	29.4	25.1	24.7	24.9 (Sep)
Industrial Production	10.2	3.9	3.3	5.5 (Aug)
CPI	3.6	3.1	3.0	2.7 (Sep)

Latest Financial Statistics

Interest Rates (% , end of period)

Canada	05Q1	05Q2	Sep/30	Oct/07*	United States	05Q1	05Q2	Sep/30	Oct/07*
BoC Overnight Rate	2.50	2.75	2.75	2.75	Fed Funds Target Rate	2.75	3.75	3.75	3.75
3-mo. T-bill	2.52	2.91	2.91	3.00	3-mo. T-bill	3.12	3.54	3.54	3.60
10-yr Gov't Bond	3.75	3.97	3.97	3.96	10-yr Gov't Bond	3.91	4.32	4.32	4.42
30-yr Gov't Bond	4.21	4.22	4.22	4.21	30-yr Gov't Bond	4.19	4.57	4.57	4.64
Prime	4.25	4.50	4.50	4.50	Prime	6.25	6.75	6.75	6.75
FX Reserves (US\$B)	36.4	35.4	33.3 (Jul)		FX Reserves (US\$B)	70.6	71.6	63.6 (Jul)	

Germany	05Q1	05Q2	Sep/30	Oct/07*	France	05Q1	05Q2	Sep/30	Oct/07*
3-mo. Interbank	2.09	2.14	2.14	2.18	3-mo. T-bill	2.00	2.05	2.05	2.03
10-yr Gov't Bond	3.13	3.15	3.15	3.20	10-yr Gov't Bond	3.13	3.19	3.19	3.23
FX Reserves (US\$B)	51.4	50.1	46.3 (Jul)		FX Reserves (US\$B)	29.5	30.6	30.9 (Jul)	

Euro-Zone	05Q1	05Q2	Sep/30	Oct/07*	United Kingdom	05Q1	05Q2	Sep/30	Oct/07*
Refinancing Rate	2.00	2.00	2.00	2.00	Repo Rate	4.75	4.50	4.50	4.50
Overnight Rate	2.17	2.15	2.10	2.10	3-mo. T-bill	4.64	4.45	4.45	4.45
FX Reserves (US\$B)	235.3	211.8	194.3 (Jul)		10-yr Gov't Bond	4.17	4.29	4.29	4.28
					FX Reserves (US\$B)	38.1	41.7	41.4 (Jul)	

Japan	05Q1	05Q2	Sep/30	Oct/07*	Australia	05Q1	05Q2	Sep/30	Oct/07*
Discount Rate	0.10	0.10	0.10	0.10	Cash Rate	5.50	5.50	5.50	5.50
3-mo. Libor	-0.01	0.00	0.00	0.00	10-yr Gov't Bond	5.11	5.36	5.36	5.35
10-yr Gov't Bond	1.17	1.48	1.48	1.52	FX Reserves (US\$B)	26.3	33.7	42.3 (Jul)	
FX Reserves (US\$B)	537.1	808.2	828.8 (Jul)						

Exchange Rates (end of period)

	05Q1	05Q2	Sep/30	Oct/07*		05Q1	05Q2	Sep/30	Oct/07*
US\$/C\$	81.13	85.64	85.64	84.83	¥/US\$	110.69	113.39	113.39	113.43
C\$/US\$	1.23	1.17	1.17	1.18	US\$/Australian\$	76.02	76.11	76.11	75.90
US\$/£	1.793	1.766	1.766	1.767	Chinese Yuan/US\$	8.28	8.09	8.09	8.09
US\$/EUR	1.205	1.205	1.205	1.215	South Korean Won/US\$	1032	1042	1042	1038
¥/EUR	133.41	136.67	136.67	137.78	Mexican Peso/US\$	10.743	10.787	10.787	10.835
Swiss Franc/US\$	1.28	1.29	1.29	1.27	Brazilian Real/US\$	2.356	2.214	2.214	2.292

Equity Markets (index, end of period)

	05Q1	05Q2	Sep/30	Oct/07*		05Q1	05Q2	Sep/30	Oct/07*
United States (DJIA)	10275	10569	10553	10287	U.K. (FT100)	5113	5478	5478	5370
United States (S&P500)	1191	1229	1228	1191	Germany (Dax)	4586	5044	5044	5027
Canada (S&P/TSX)	9903	11012	11012	10562	France (CAC40)	4229	4600	4600	4549
Mexico (Bolsa)	13486	16120	15842	15248	Japan (Nikkei)	11584	13574	13574	13228
Brazil (Bovespa)	25051	31584	31584	29824	Hong Kong (Hang Seng)	14201	15429	15429	14848
Italy (BCI)	1549	1681	1683	1636	South Korea (Composite)	966	1008	1231	1201

Commodity Prices (end of period)

	05Q1	05Q2	Sep/30	Oct/07*		05Q1	05Q2	Sep/30	Oct/07*
Pulp (US\$/tonne)	650	680	630	630	Copper (US\$/lb)	1.04	1.79	1.79	1.85
Newsprint (US\$/tonne)	570	573	593	593	Zinc (US\$/lb)	0.46	0.64	0.64	0.67
Lumber (US\$/mfbm)	350	406	348	316	Gold (US\$/oz)	318.5	473.3	472.4	471.8
WTI Oil (US\$/bbl)	55.40	66.24	66.24	61.96	Silver (US\$/oz)	7.1	7.5	7.5	7.6
Natural Gas (US\$/mmbtu)	7.65	13.92	13.92	13.34	CRB	313.6	333.0	283.9	324.0

* Note: Latest observation taken at time of writing.

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