

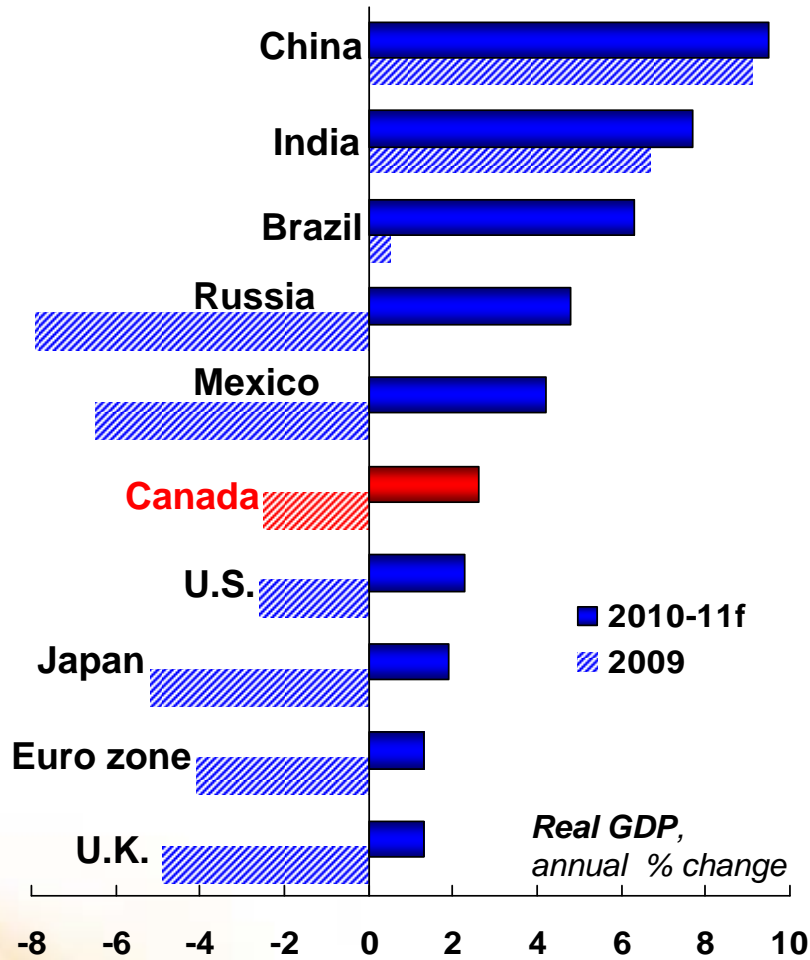
New World Realities

**Warren Jestin
SVP & Chief Economist**

September 2010

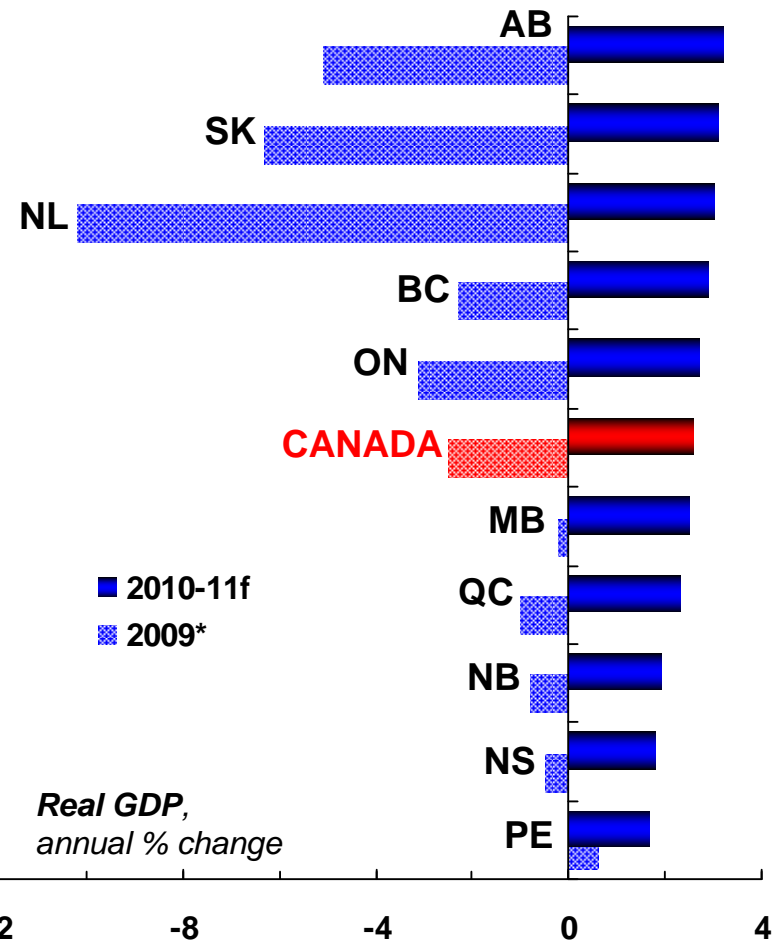
Emerging Nations are Driving the Global Recovery . . .

Emerging Market Economic Leadership. . .



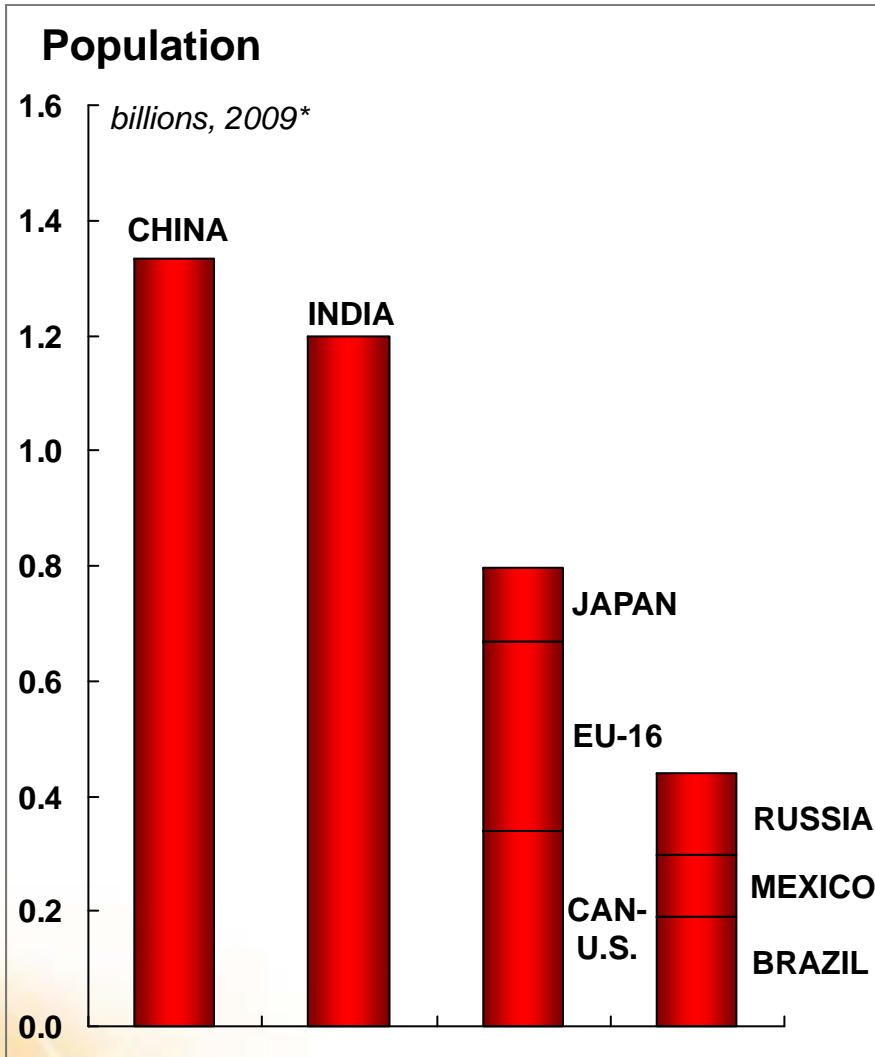
Source: Global Insight, Scotia Economics.

. . . Is Good News for Resource Regions

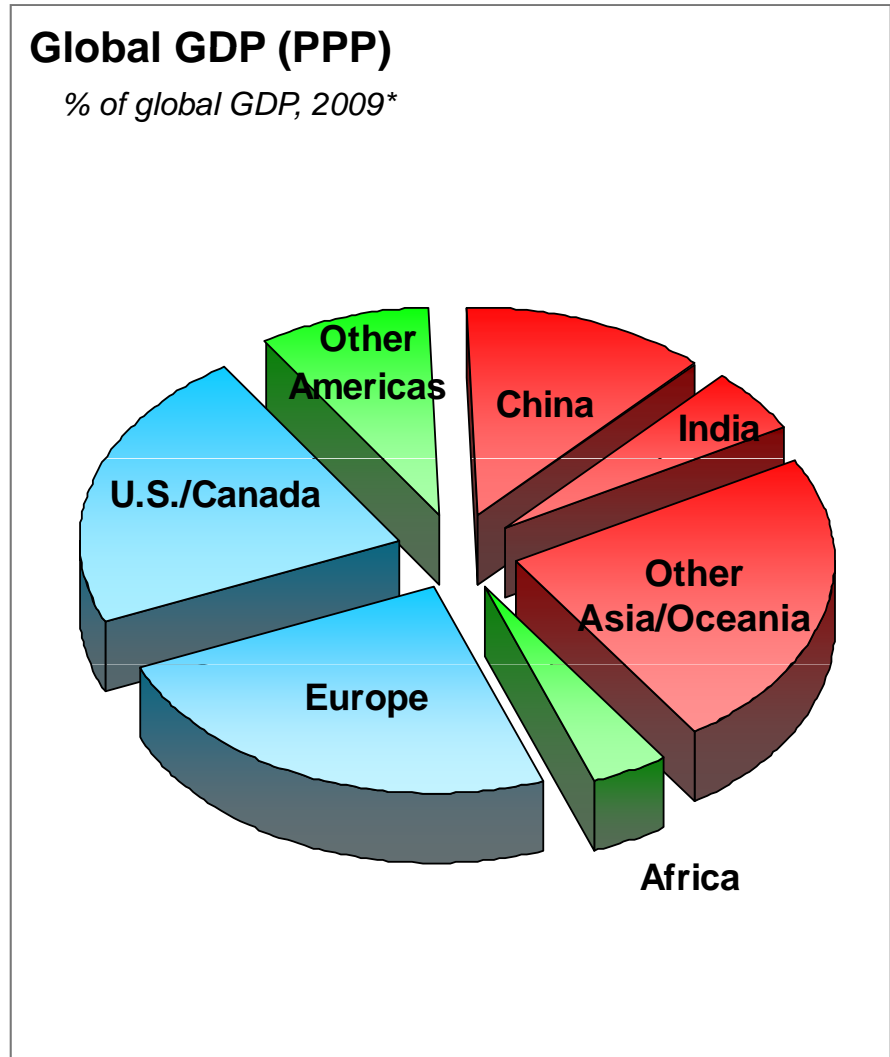


* 2009 data preliminary industry-based estimates.
Source: Statistics Canada, Scotia Economics.

... & are Reshaping the Economic Landscape



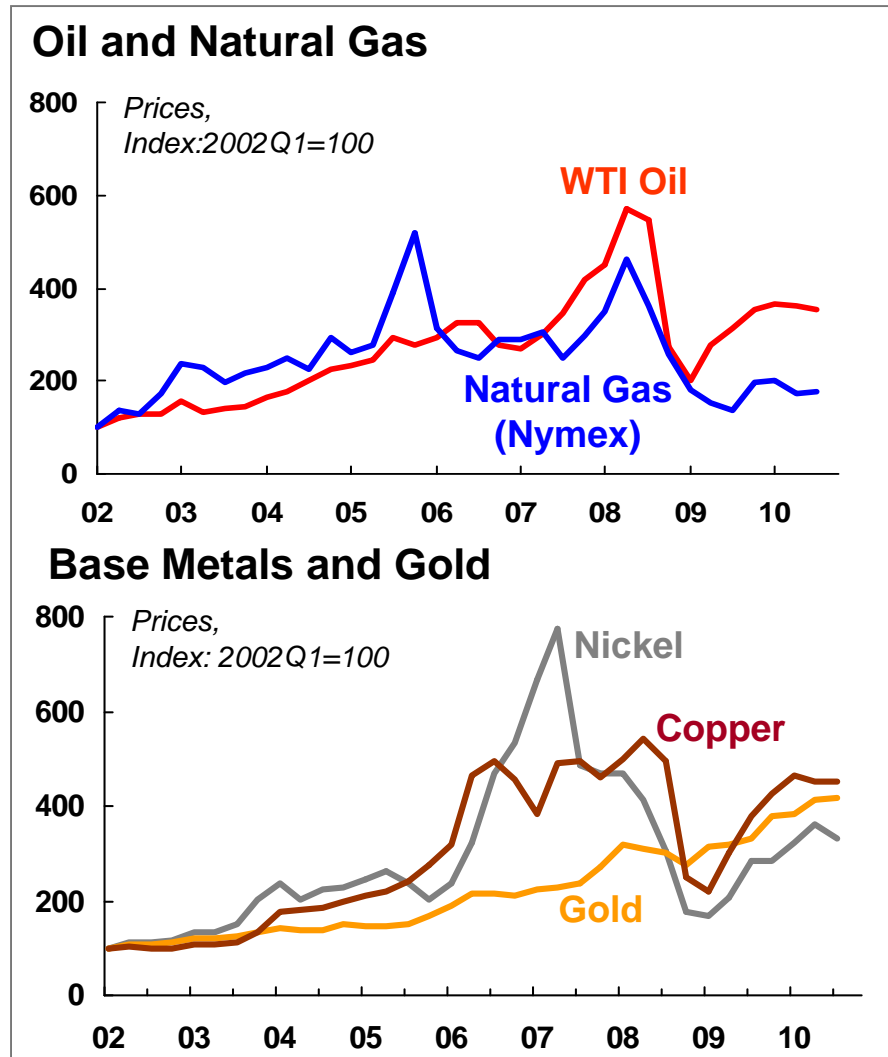
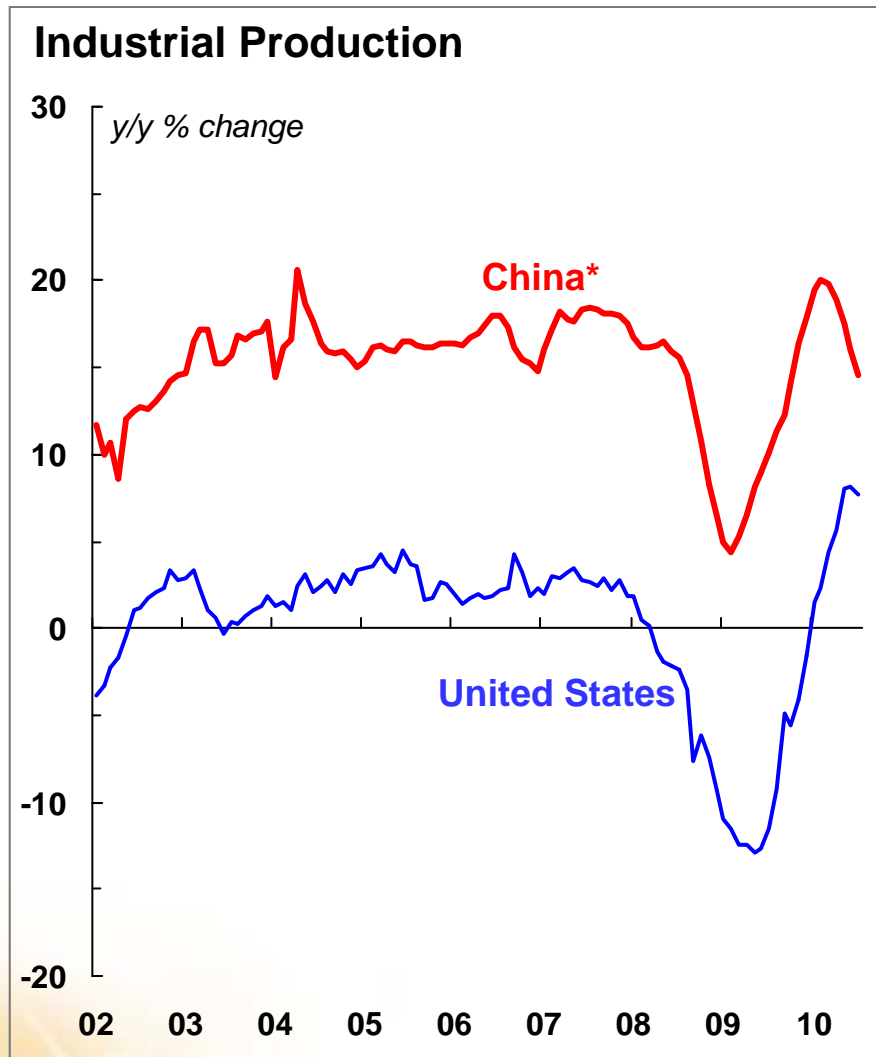
*IMF estimate.



*IMF estimate.



Production Gains have Boosted Commodity Prices . . .

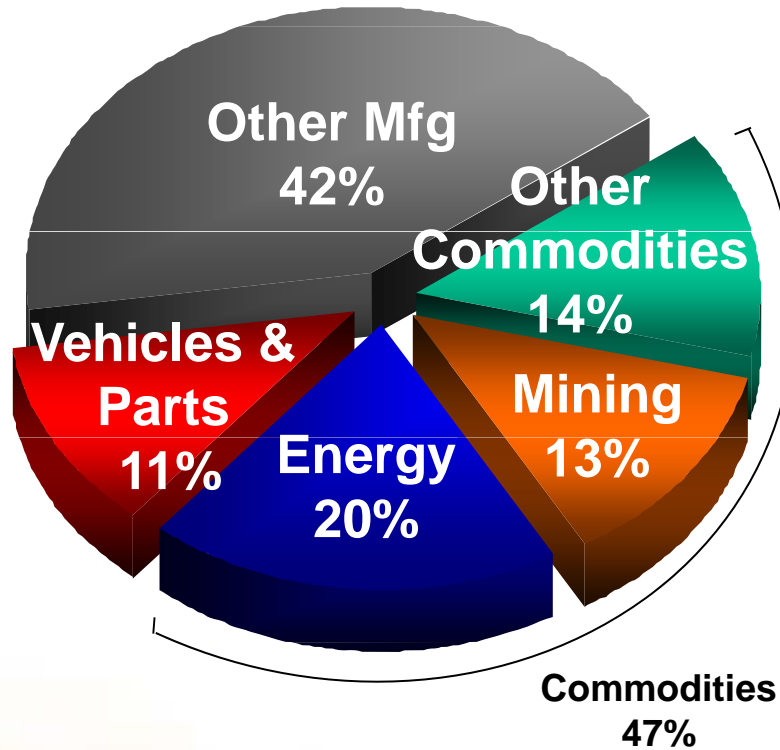


Source: Scotia Economics, Global Insight.
*3-month moving average.

... & Bolstered Canadian Export Earnings ...

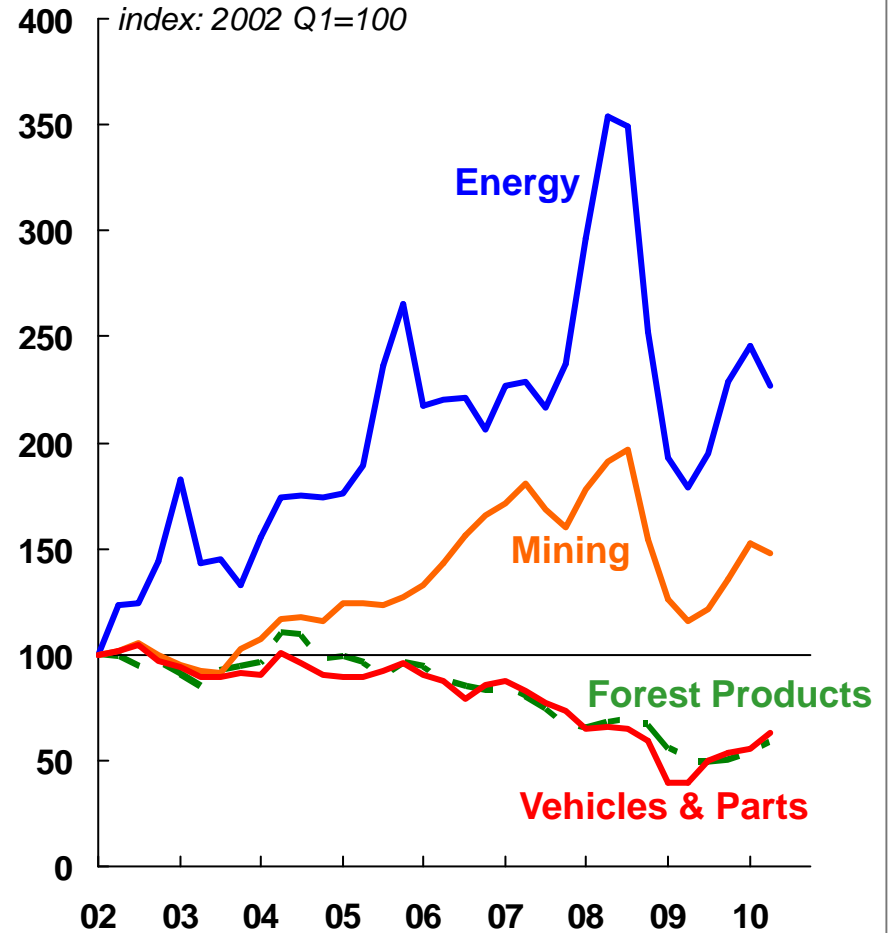
Commodities Drive Canadian Exports

% share of total export receipts, 2009



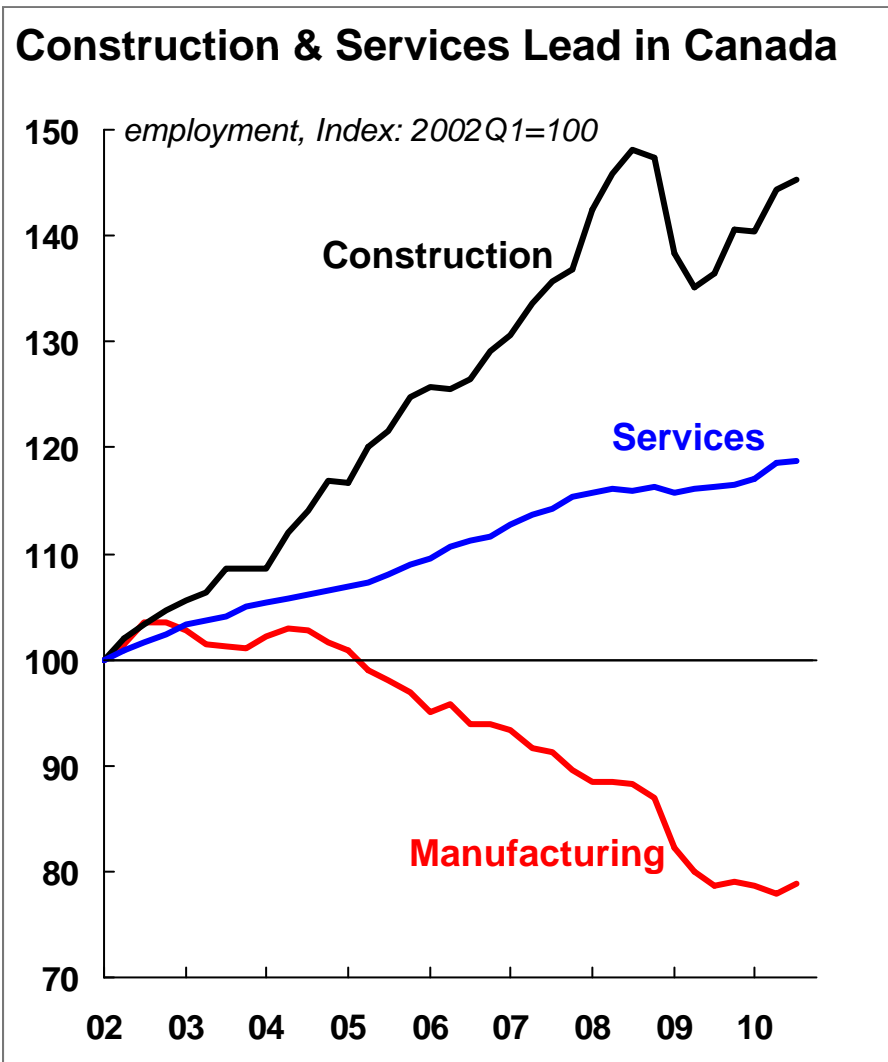
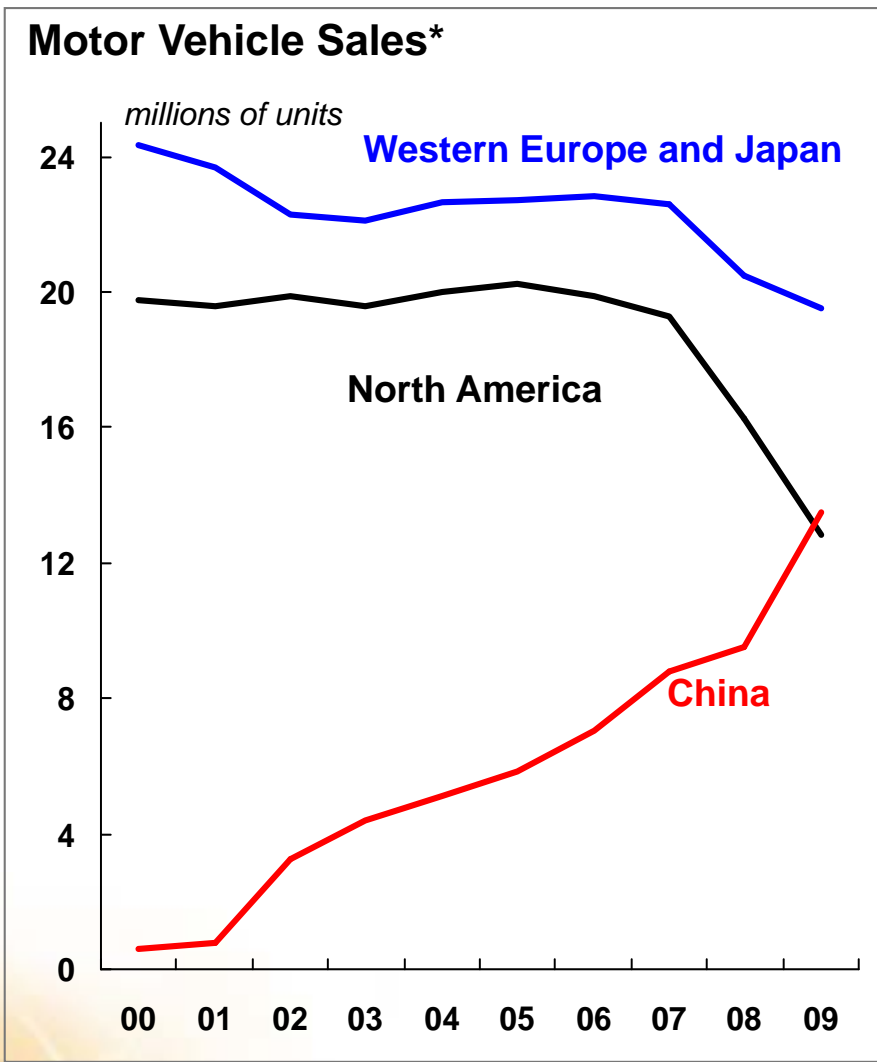
Export Growth

index: 2002 Q1=100

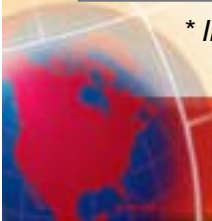


Source: Scotia Economics, Global Insight.

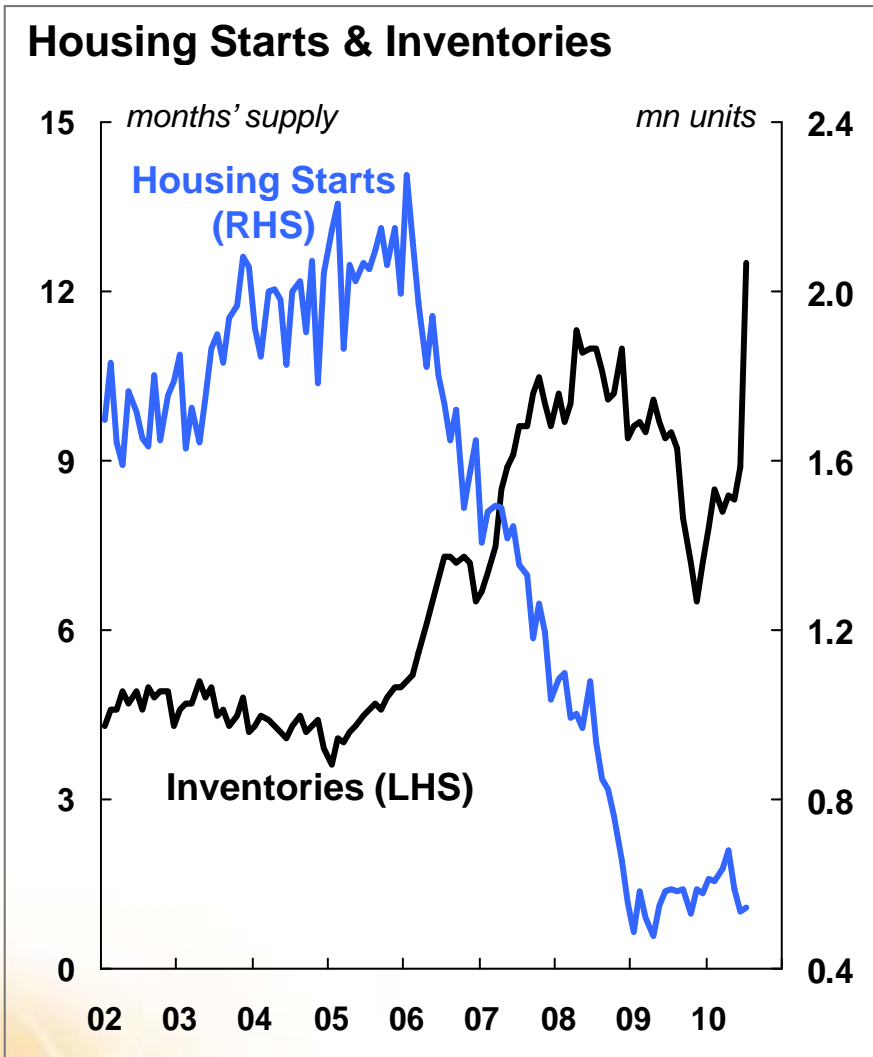
... But Manufacturing is Undergoing Major Changes ...



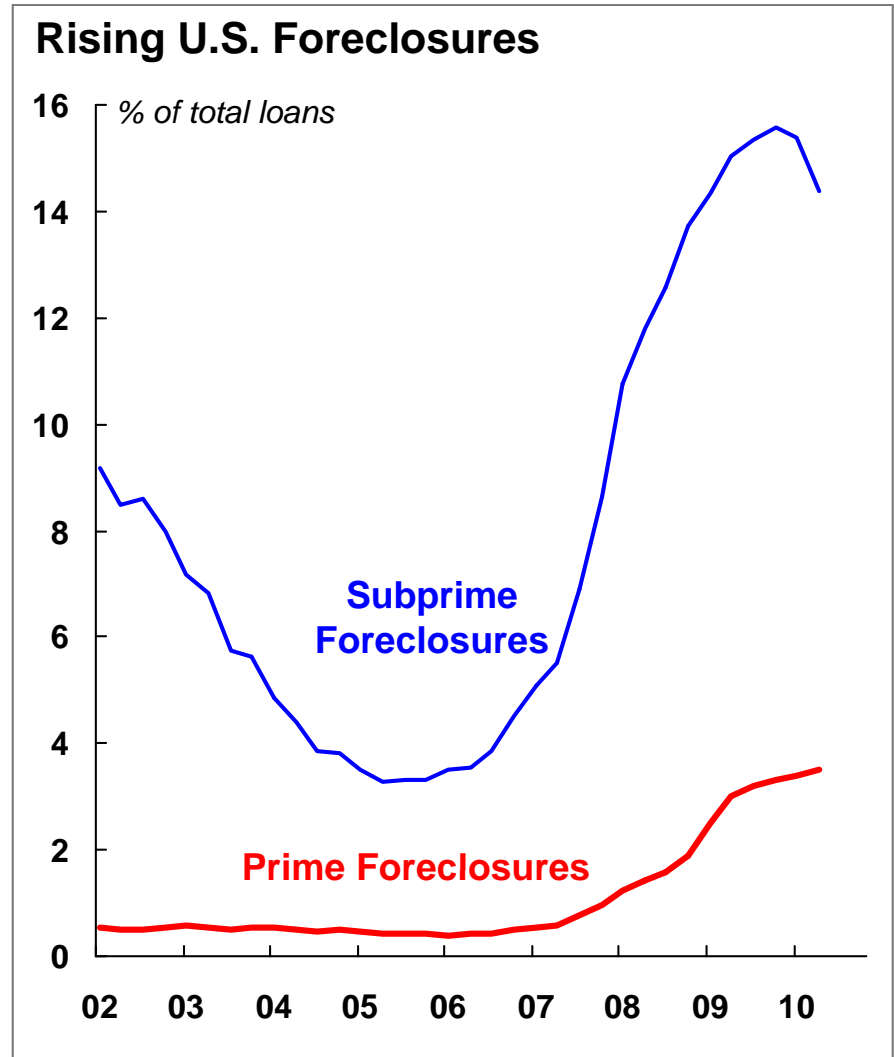
* Includes cars and trucks. Source: Scotia Economics, Global Insight.



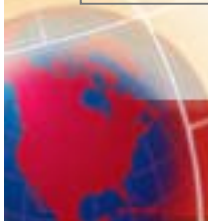
... & the U.S. Faces a Long Road to Recovery



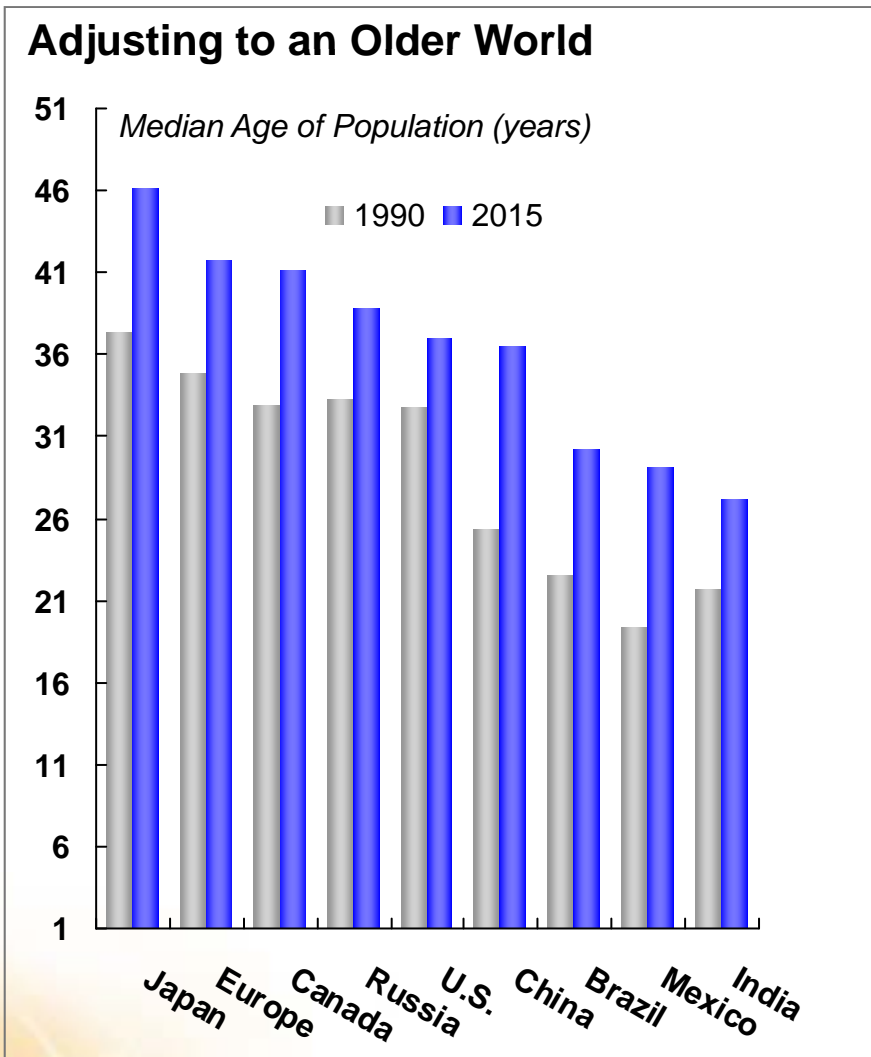
Source: Scotia Economics, Global Insight.



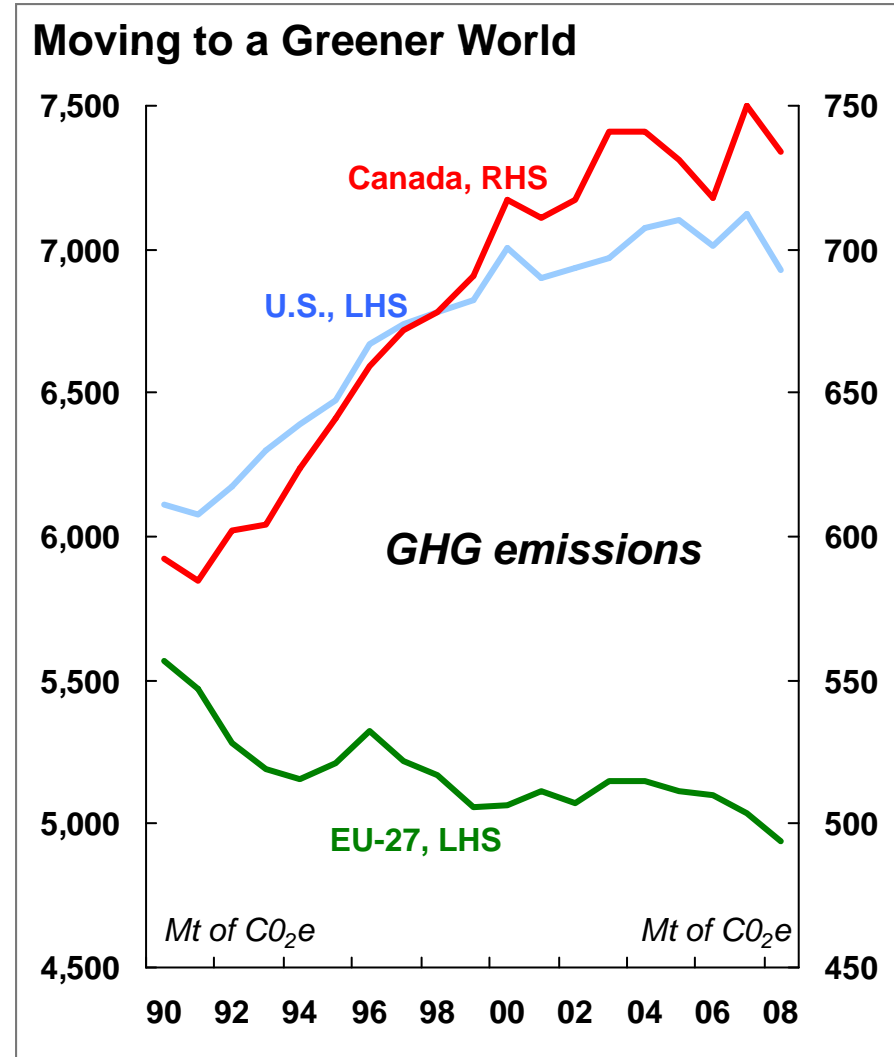
Source: Bloomberg.



Demographic & Environmental Issues Are Also Looming

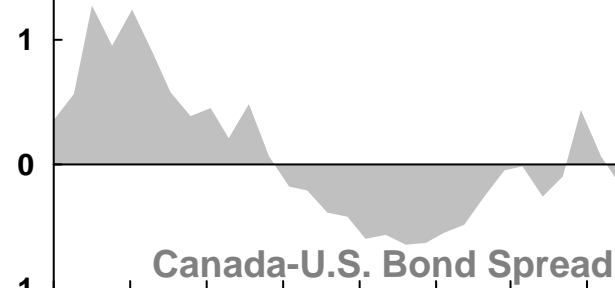
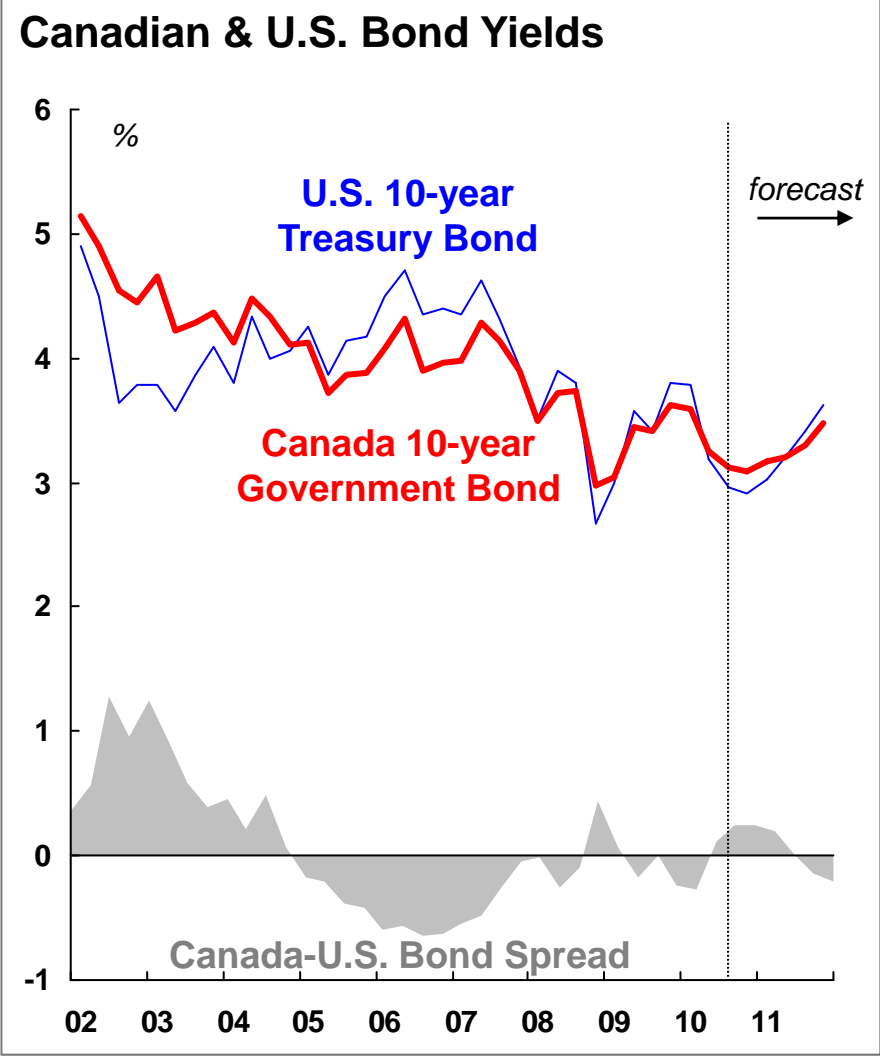
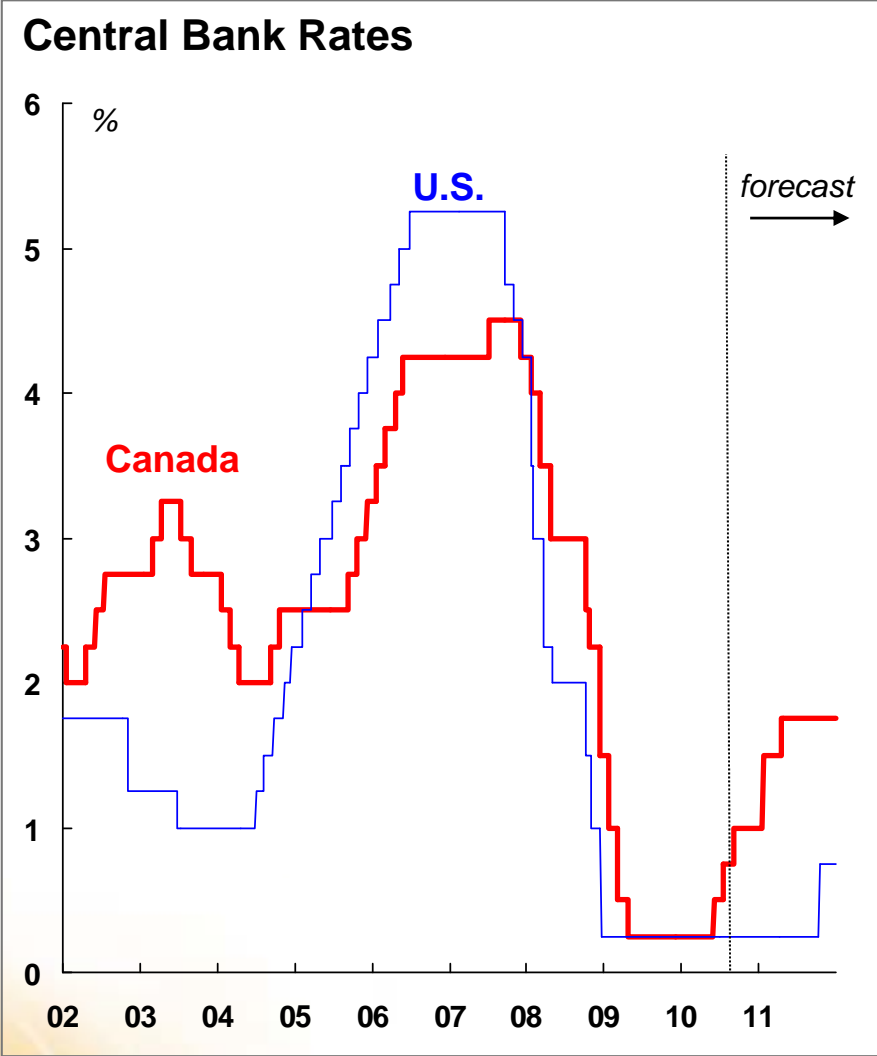


Source: IMF.



Source: U.S. Environmental Protection Agency, Environment Canada, European Environment Agency.

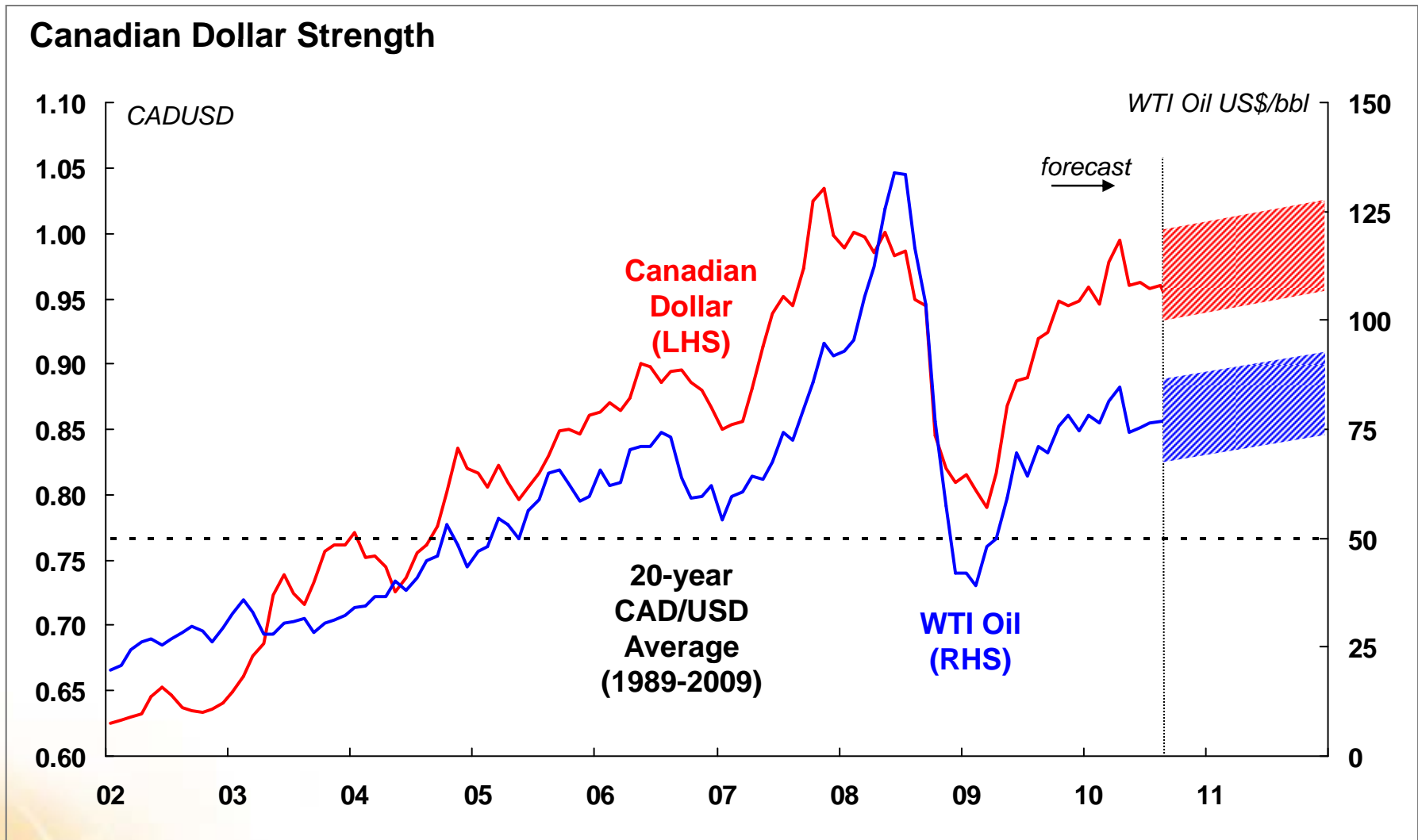
The Bank of Canada Leads the Fed in Reducing Stimulus



Source: Bank of Canada; Federal Reserve; Global Insight; Scotia Economics

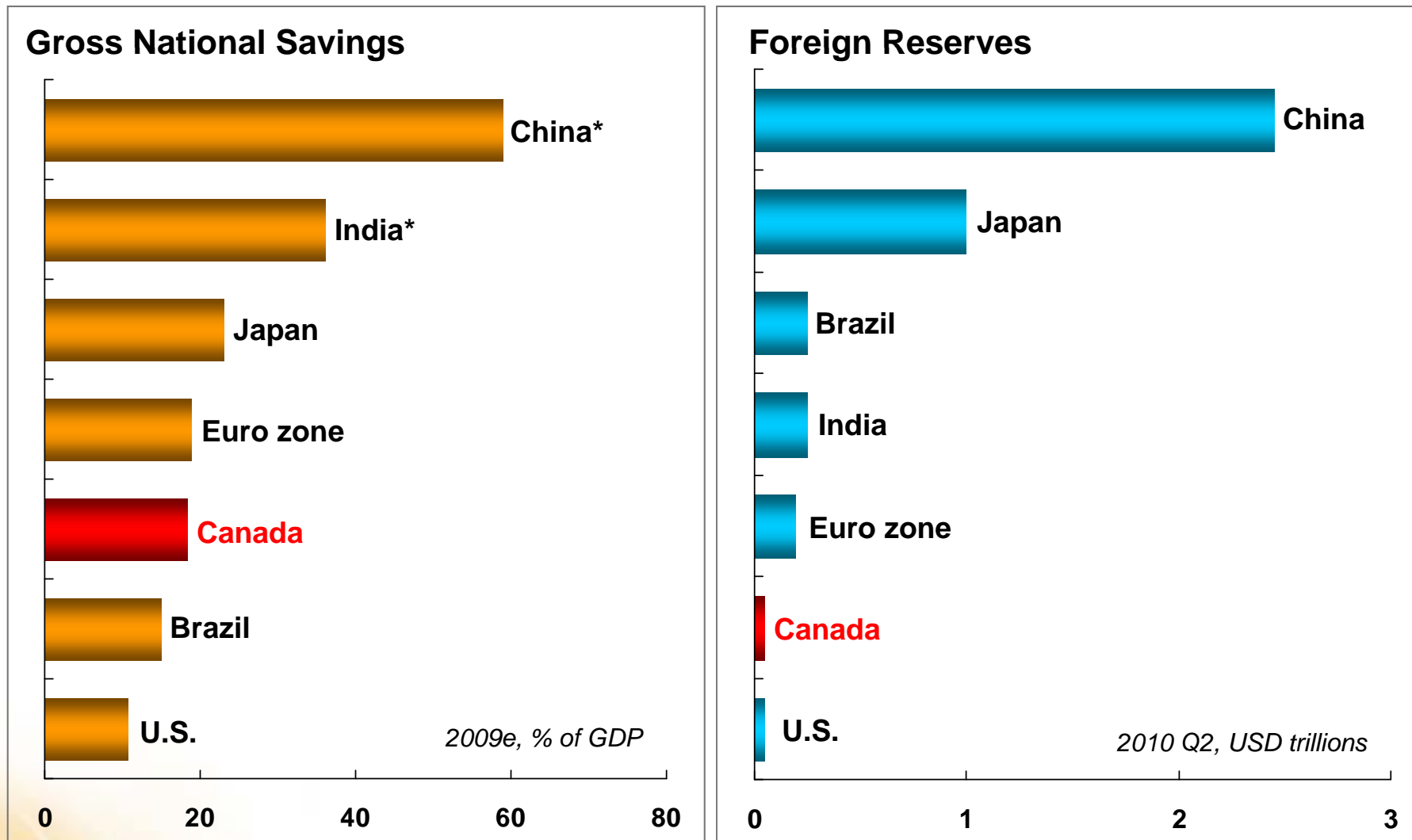


Look For a Strong Loonie in Volatile Exchange Markets



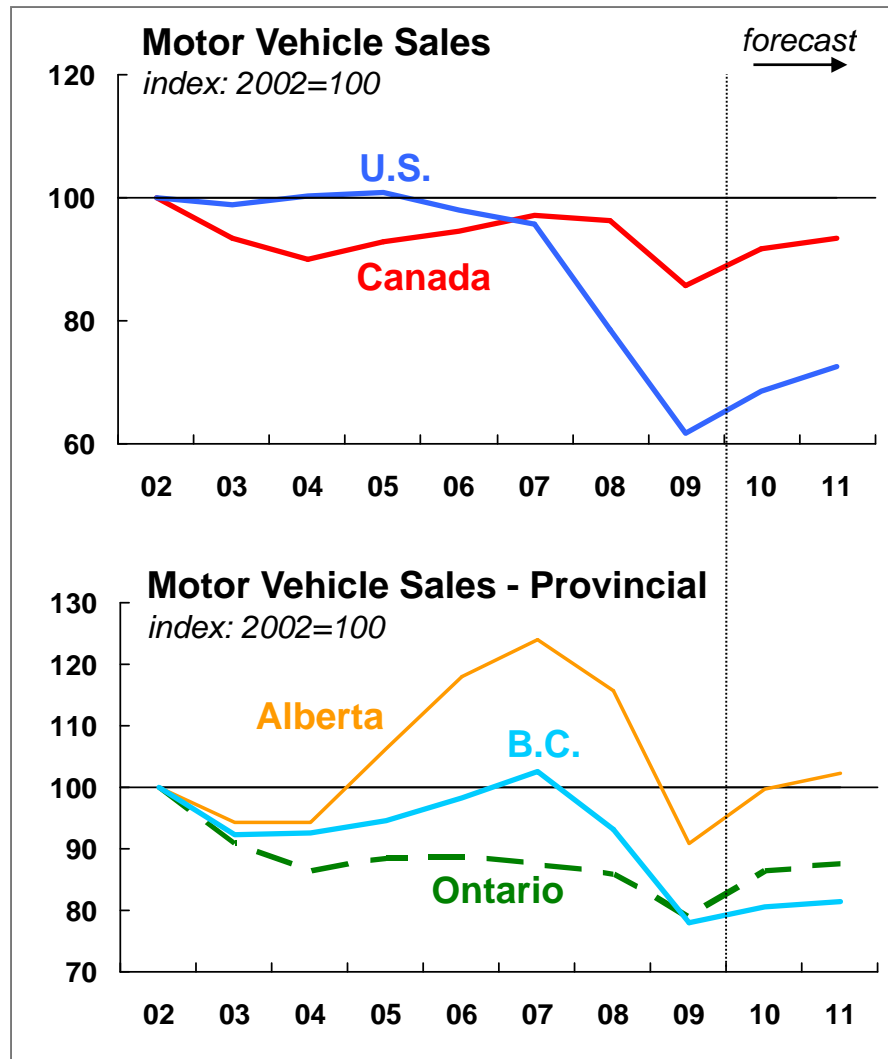
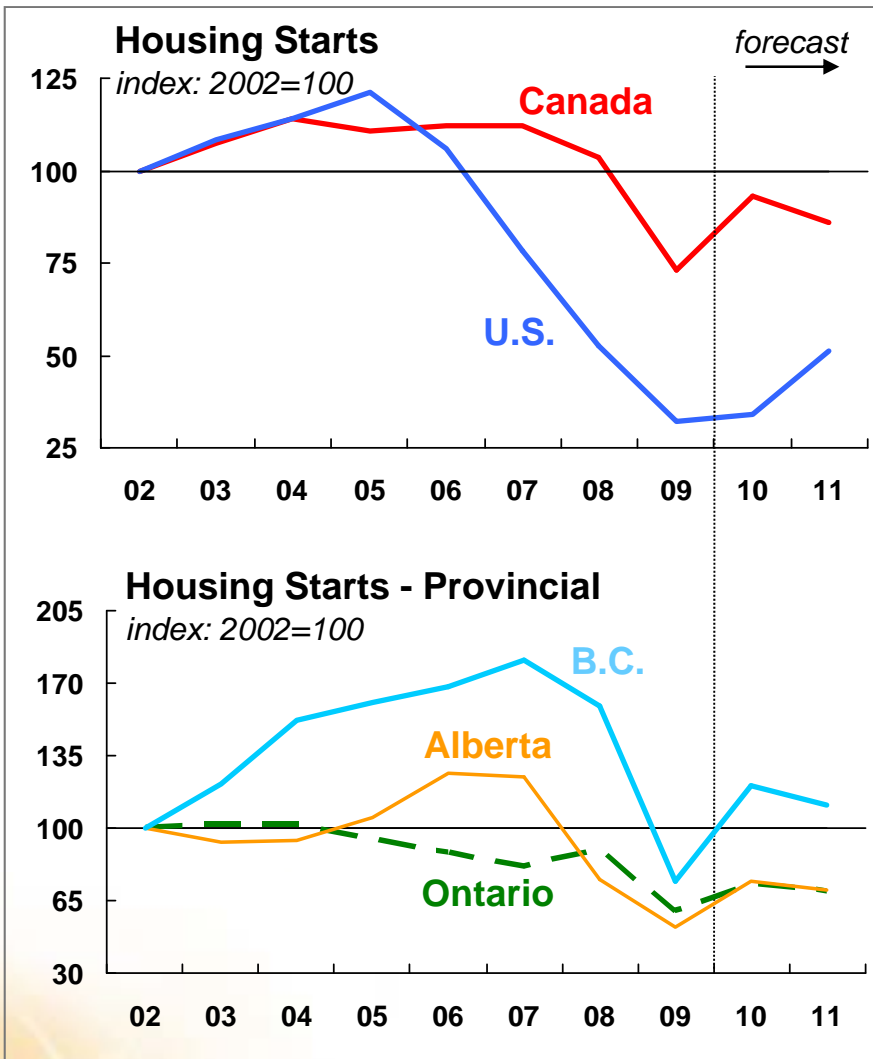
Source: Scotia Economics, Global Insight.

Global Financial Imbalances Will Aggravate Market Volatility



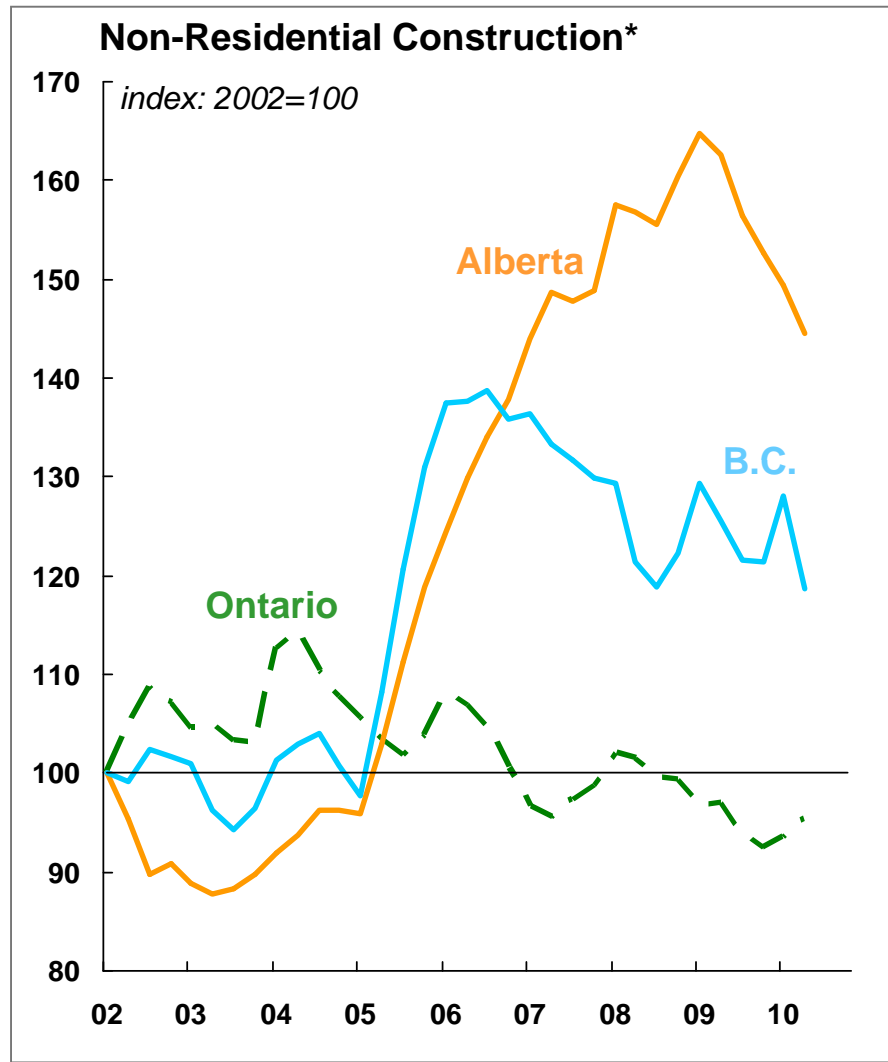
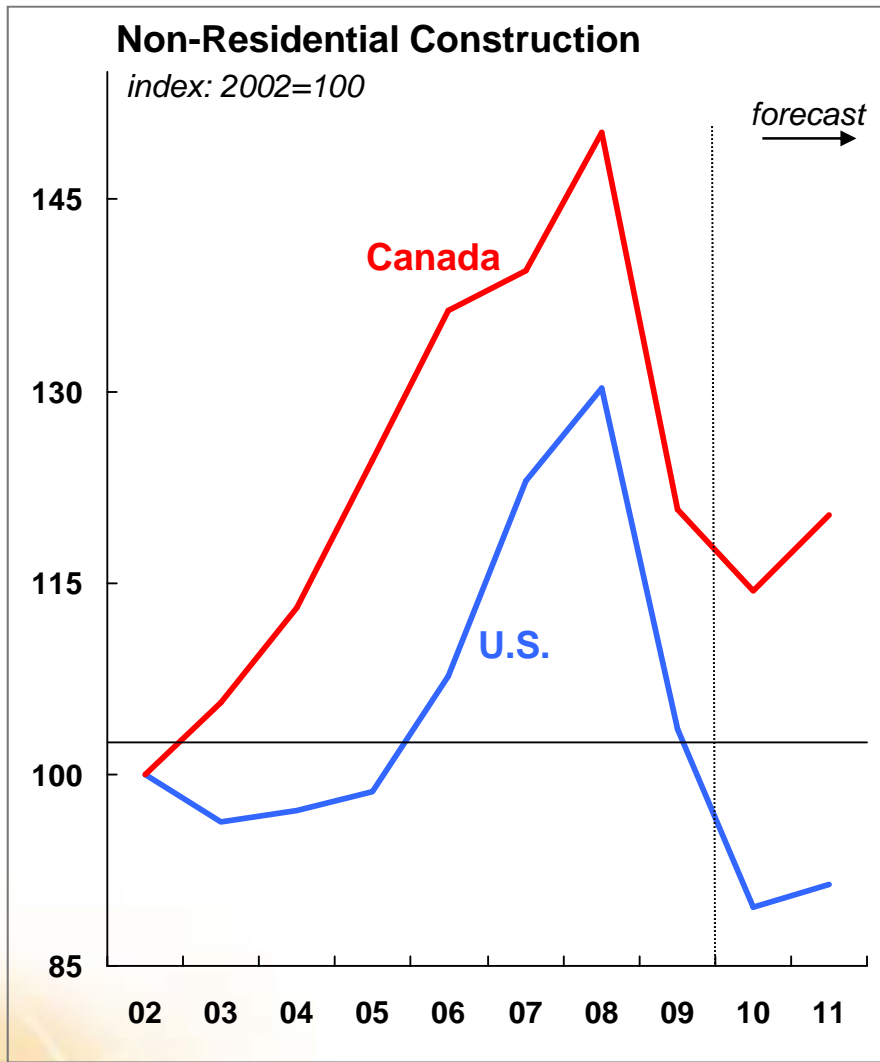
Source: IMF, OECD, Bloomberg & Scotia Economics.
*2008 data.

Big-Ticket Sales Held Up Better in Canada than in the U.S.



Source: Scotia Economics, Global Insight.

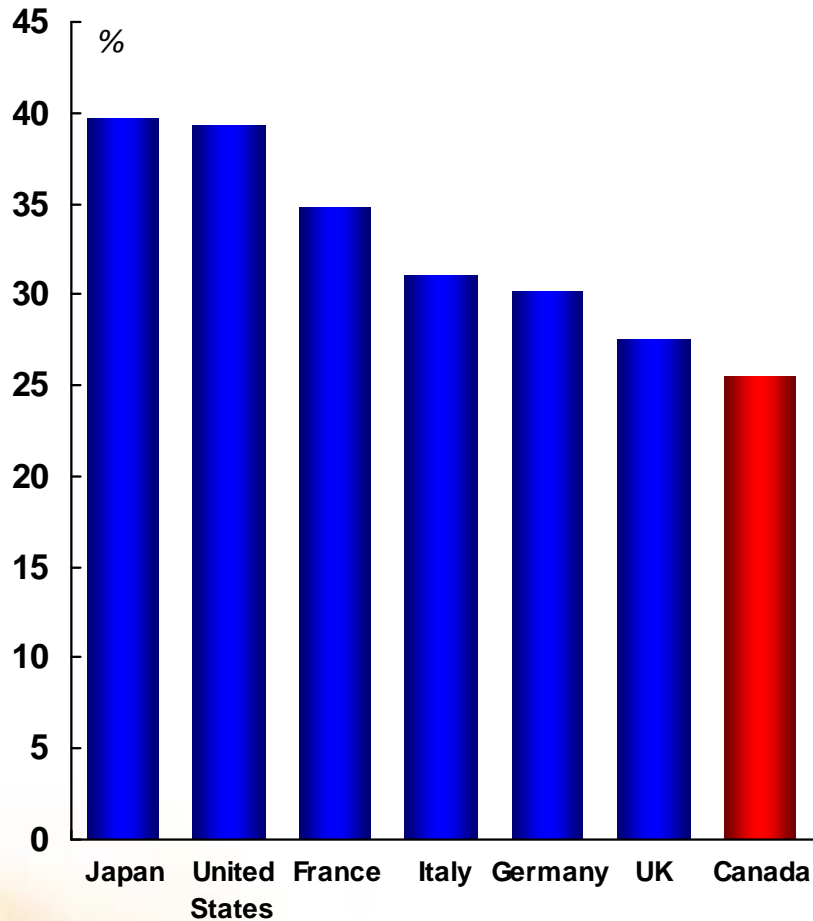
Non-res Construction More Resilient in Canada



*Provincial figures do not include engineering construction, pipelines or drilling activity.
Source: Scotia Economics, Global Insight.

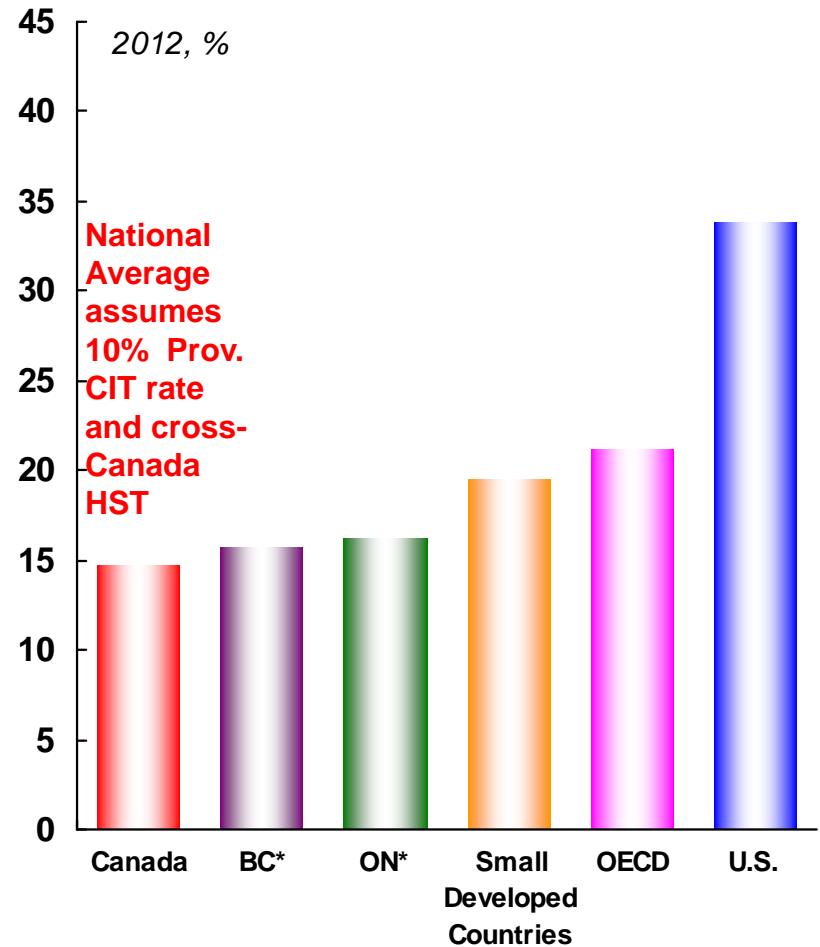
Canada's Tax Regime Now Provides a Competitive Edge

Corporate Income Tax Rates in 2012*



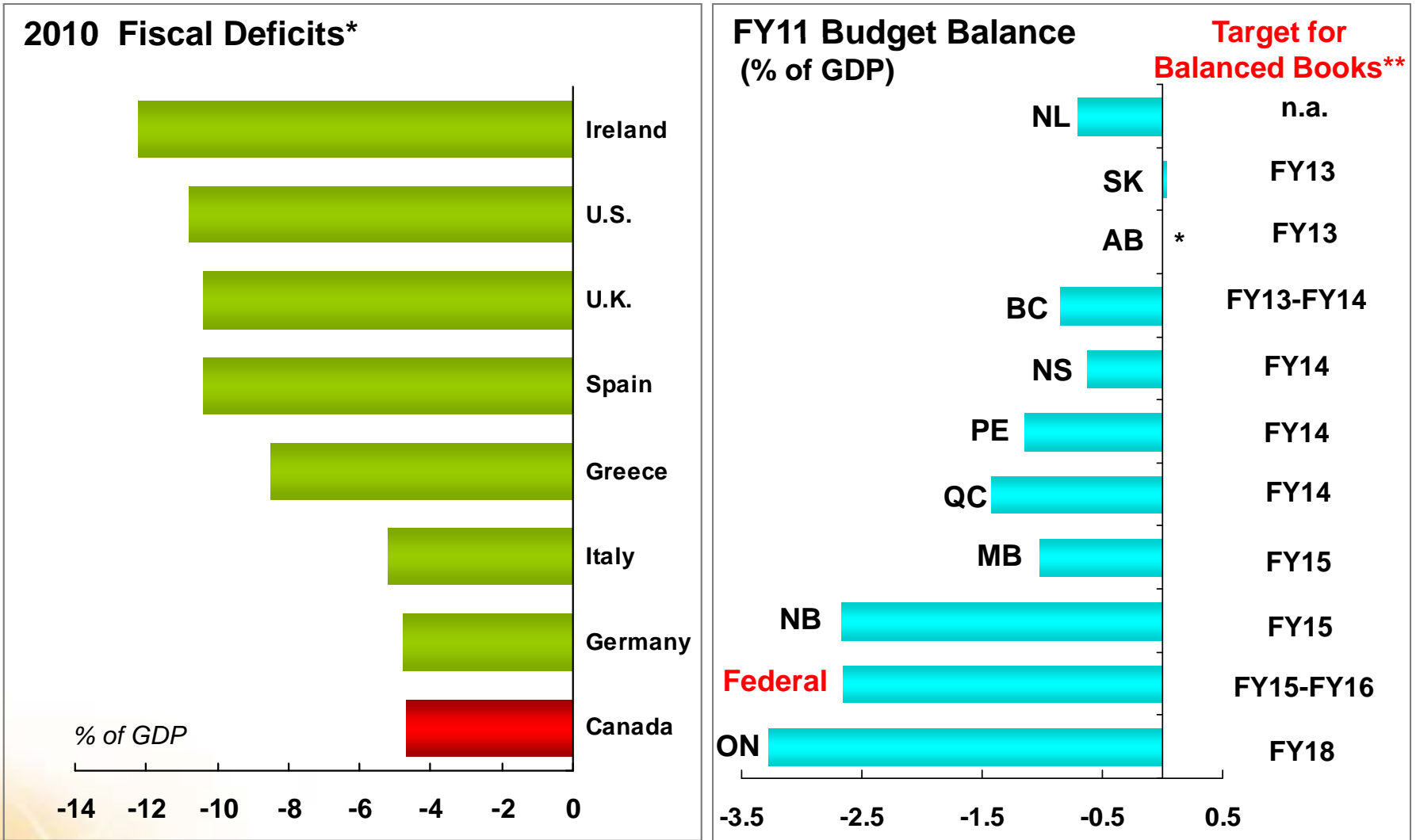
* Sum of national and sub-national statutory rates.
Source: Finance Canada, OECD, Scotia Economics.

Marginal Effective Tax Rates on Capital



















* Rates when HST fully implemented in 2018.
Source: Finance Canada, Ontario and BC.










Canada's Fiscal Situation Beats Most Developed Nations



* General government basis.
Source: IMF, Scotia Economics.

* Balanced budget reported. ** Without using reserve funds.
Source: Budget documents, Scotia Economics.

		09	10f	11f
REAL GDP, annual average				
U.S.		-2.6	2.6	2.1
Canada		-2.5	3.0	2.3
Mexico		-6.5	4.8	3.5
U.K.		-4.9	1.4	1.2
Euro zone		-4.1	1.5	1.1
Japan		-5.2	2.5	1.3
China		9.1	10.0	9.0
India		6.7	8.3	7.0
INFLATION, end of period				
U.S.		1.5	0.9	1.6
Canada		0.8	2.1	2.1
Mexico		3.6	4.9	4.6
U.K.		2.9	2.5	2.0
Euro zone		0.9	1.3	1.6
Japan		-1.7	0.3	0.5
China		1.9	3.0	2.5
India		9.9	7.0	5.5

		09	10f	11f
CURRENCY, end of period				
USDCAD		1.05	1.05	0.98
CADUSD		0.95	0.95	1.02
EURUSD		1.43	1.29	1.38
USDYEN		93	85	95
USDMXN		13.1	12.9	13.3
USDCNY		6.8	6.8	6.5
3-MONTH T-BILLS, end of period				
Canada		0.31	1.10	1.95
U.S.		0.08	0.25	1.00
10-YEAR BONDS, end of period				
Canada		3.61	2.85	3.40
U.S.		3.84	2.60	3.60
COMMODITIES, annual average				
WTI Oil (US\$/bbl)		61.78	78	80
NYMEX Natural Gas (US\$/mmbtu)		4.15	4.55	4.55
Gold, London PM Fix (US\$/oz)		973	1,175	1,200

Source: Scotia Economics, Global Insight, at September 2, 2010.

Disclaimer

This report has been prepared by Scotia Economics as a resource for the clients of Scotiabank and Scotia Capital. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank Group nor its affiliates accepts any liability whatsoever for any loss arising from any use of this report or its contents.