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Forecast Calendar

April 15, 2011

Canada

Economic Indicators—Schedule and Forecasts Ellis/Husby

April 18 – April 29, 2011

18	19	20	21	22
	Consumer Prices (7:00) (Y/Y) Total / BOC Core Dec 2.4% 1.5% Jan 2.3% 1.4% Feb 2.2% 0.9% **Mar (f) 2.6% 1.2%** **Mar (c) 2.8% 1.2%** Wholesale Trade (8:30) (M/M) (SA) Sales Inv. Nov 1.1% 0.5% Dec 0.9% -0.4% Jan 1.5% 1.8% **Feb (f) 0.5% 0.6%** **Feb (c) -0.1%**		Retail Trade (8:30) (M/M) (SA) Total / Ex-Auto Nov 1.5% 0.9% Dec -0.2% 0.6% Jan -0.3% unch **Feb (f) 0.6% 0.7%** **Feb (c) 0.5% 0.5%**	**Holiday**
25	**26**	**27**	**28**	**29**
				Real GDP (8:30) (M/M) (SA) Sep -0.1% Dec 0.5% Oct 0.3% Jan 0.5% Nov 0.4% **Feb (f) 0.2%**

M/M=month-over-month Y/Y=year-over-year
f=forecast c=consensus p=preliminary
r= revised

Recent History-Latest Results

11	12	13	14	15
	International Trade (8:30) (Balance, C$ Billion, SA) Sep -2.1 Dec 1.9 Oct -1.1 Jan 0.4 Nov -0.6 Feb 0.0 Bank of Canada Rate Decision (9:00)	Bank of Canada Monetary Policy Report (10:30)	Survey of Manufacturing (8:30) (M/M) (SA) Ships. Inv. New Ord. Nov -0.8% 0.9% -0.2% Dec 1.0% -0.4% -0.3% Jan 4.4% 1.0% 7.8% Feb -0.8% -0.3% -2.6%	

Indicator Highlights

Canada

Key potential market-moving indicators and events include: The Consumer Price Index (Tue., Apr. 19, 7:00 a.m.); Retail Trade (Thu., Apr. 21, 8:30 a.m.); and Monthly GDP (Fri., Apr. 29, 8:30 a.m.).

The Consumer Price Index, especially the Bank of Canada "core" measure, will be important from a monetary policy standpoint, helping to signal when a resumption of policy tightening may be necessary. Retail trade data give another look at consumer spending behavior in the first quarter, with generally-firmer employment readings giving a more-solid backdrop in recent months, though higher gas prices show signs of crimping spending elsewhere.

Monthly GDP will be watched for confirmation that economic growth continued to strengthen heading into early 2011, and will help to clarify Q1 GDP expectations.

Indicator	Forecast	Consensus	Analysis
Consumer Prices (Y/Y)			
Total	+2.6%	+2.8%	Headline climbing above 2% target but core still subdued.
Core	+1.2%	+1.2%	
Wholesale Trade (M/M)			
Sales	+0.5%	-0.1%	Strong gains in recent months ease.
Inventories	+0.6%		
Retail Trade (M/M)			
Total	+0.6%	+0.5%	Vehicle sales flattening.
Ex-Auto	+0.7%	+0.5%	More subdued pace of growth in ex-autos and gas figure relative to pre-recession trend.
Real GDP (M/M) (SA)	+0.2%		Some reversal of January manufacturing gains, modest growth elsewhere.

Post Mortem—Prior Week Results

Bank of Canada holds rates steady. As expected, the Bank of Canada left its overnight-rate target unchanged at 1 percent, judging recent stronger-than-expected domestic growth still to be "largely consistent" with the outlook presented in the January Monetary Policy Report. The stronger performance did prompt forecast upgrades which implied that full-capacity operation will be reached by mis-2012—two quarters sooner than expected in January. Nevertheless, the potential for "even greater headwinds" from Canadian dollar strength kept the Bank of the opinion that "Any further reduction in monetary policy stimulus would need to be carefully considered," just as at the previous policy-rate decision.

Trade surplus shrinks on lower export volumes. The merchandise trade balance narrowed to C$0.03 billion in February, from a revised C$0.38 billion in January, as a decline in exports (-C$1.9 billion; -4.9 percent) outstripped a decline in imports (-C$1.5 billion; -4.0 percent). The value of exports fell for the first time in five months, led by energy (-8.0 percent) and automotive products (-12.3 percent), with agriculture the only sector recording an increase in the month (+1.3 percent). This was driven primarily by lower export volumes (-5.2 percent), as prices increased 0.3 percent. Similarly, plunging imports of energy (-9.4 percent) and automotive products (-12.5 percent) led a broad-based decline in the total value of imports; volumes contracted (-4.3 percent), while prices rose 0.2 per cent. Nevertheless, the trade balance remains well above the record July 2010 deficit of -C$2.42 billion. The trade surplus with the United States widened to C$4.58 billion in February on a 6.1 percent fall in imports, which more than offset a 3.5 percent fall in exports as the appreciation of the CAD against the USD appears to be weighing on the latter. Excluding the U.S., Canada's trade deficit with the rest of the world widened, largely a result of lower exports of precious metals to the European Union.

Seemingly "steady as she goes" for BoC on growth and inflation outlook. The details within the Bank of Canada's April Monetary Policy Report gave little indication that the central bank is in a hurry to hike rates, the updated projections giving a nod to clear strengthening in the economy in recent quarters, but highlighting risks from external events, and the stronger Canadian dollar. The report, and policy statement, recognized the smaller degree of slack in the economy (now "material" as opposed to "significant"), with the economy returning to full capacity in mid-2012, two quarters faster than it had foreseen in January, but importantly saw GDP growing at its estimated potential (2.1%) in 2013, suggesting only a moderate, non-inflationary pace of growth further down the road. Core inflation is also expected to reach 2.0% y/y in Q2 2012, two quarters earlier than previously envisioned. After upgrading its Q1 GDP forecast to 4.2% (from 2.5% in January), Q2 is expected to see some payback to 2.0%, then a gradual decline thereafter from the mid-2% range to 2%, signaling it views the recent acceleration as largely front-loaded. Looking at the export sector, the Bank is, as expected, viewing the year-end 2010 surge as in part a result of one-off factors and commodity-price swings, with net exports perhaps likely to contribute negatively to GDP in Q1 and potentially, Q2 as well. Recent data do validate the view that the CAD is weighing on export performance. On that front, the persistent strength in the CAD is one of two main downside risks to the inflation outlook for the BoC (the other is high household debt, and housing market weakness), acting through weaker net export performance and lower import prices. The BoC outlines two upside risks to inflation. The first, potentially ineffective efforts in emerging markets to restrain demand and inflation, which would boost commodity prices and Canadian household incomes, putting upward pressure on consumer prices. The second is stronger momentum in consumer spending, as "exceptionally stimulative" financial conditions could spur growth in borrowing in excess of incomes.

Manufacturing sales fall on autos. As expected, headline factory sales fell 1.5% on weakness in vehicle sales, offsetting a portion of the 4.4% jump in January, which had been artificially boosted by auto plant shutdown late in 2010. Still, the ex-autos and parts figure also fell, down 0.3%. In constant-dollar terms, shipments dipped 2.3%, offsetting a portion of the solid January increase. Elsewhere, inventories were little-changed, and new orders fell 2.6% on autos and aerospace products, the result there once again coming after a solid increase in January. Taken together, recent volatility should be discounted based on the temporary factors driving the results, with the recent trend in both sales and orders still firmly on the upswing.

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