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Forecast Calendar

June 10, 2011

Canada

Economic Indicators—Schedule and Forecasts

Ellis/Husby

June 13 – June 24, 2011

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Capacity Utilization (8:30) (NSA)

QIII'10	76.2%	**QI'11 (f)**	**78.0%**
QIV'10	76.4%	**QI'11 (c)**	**77.2%**

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Survey of Manufacturing (8:30) (M/M) (SA)

	Ships.	Inv.	New Ord.
Jan	3.7%	0.5%	6.1%
Feb	-1.8%	0.1%	-1.6%
Mar	1.9%	2.1%	11.3%
Apr (f)	**-0.9%**	**0.1%**	**-3.0%**
Apr (c)	**-1.4%**		

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Wholesale Trade (8:30) (M/M)

(SA)	Sales	Inv.
Jan	1.5%	2.2%
Feb	-0.9%	0.5%
Mar	0.1%	0.8%
Apr (f)	**-0.2%**	**0.3%**
Apr (c)	**-0.3%**	

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Retail Trade (8:30) (M/M) (SA)

	Total	Ex-Auto
Jan	-0.4%	-0.2%
Feb	0.5%	0.8%
Mar	unch	-0.1%
Apr (f)	**0.4%**	**0.2%**

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

Recent History-Latest Results

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Building Permits (8:30) (M/M) (SA)

Nov	-11.2%	Feb	9.8%
Dec	2.7%	Mar	16.8%
Jan	-6.6%	Apr	-21.1%

Ivey Purchasing Managers' Survey (10:00) (SA)

Dec	58.9	Mar	73.2
Jan	46.8	Apr	57.8
Feb	70.8	May	65.5

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Housing Starts (8:15) (Thousand, SAAR)

Dec	169.6	Mar	184.5
Jan	169.1	Apr	178.7
Feb	180.6	May	183.6

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International Trade (8:30) (Balance, C$ Billion, SA)

Nov	-0.1	Feb	-0.2
Dec	1.9	Mar	-0.4
Jan	2.0	Apr	-0.9

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Labor Force Survey (7:00)
Employment (Change, Thous., SA)

Dec	30.4	Mar	-1.5
Jan	69.2	Apr	58.3
Feb	15.1	May	22.3

Unemployment Rate (SA)

Dec	7.6%	Mar	7.7%
Jan	7.8%	Apr	7.6%
Feb	7.8%	May	7.4%

Productivity and Costs (8:30) (Q/Q) (SA)

	Prod.	Comp.	ULC
QII'10	-0.6%	0.2%	0.8%
QIII'10	0.5%	1.0%	0.6%
QIV'10	0.3%	1.0%	0.7%
QI'11	0.4%	1.0%	0.6%

Indicator Highlights

Canada

Key potential market-moving indicators and events include: Capacity Utilization (Tue., Jun. 14, 8:30 a.m.); the Survey of Manufacturing (Wed., Jun. 15, 8:30 a.m.); and Retail Trade (Tue., Jun. 21, 8:30 a.m.).

Capacity Utilization is a key indicator for the Bank of Canada, providing information on the amount of slack in the economy. The Survey of Manufacturing will quite likely be impacted by supply chain issues in the auto sector, though near-term weakness would be offset by a pickup later in the year.

Retail trade data will give an early read on consumer spending behavior in the second quarter, with generally-firmer employment readings giving a somewhat more-stable backdrop in recent months. But, higher gasoline prices are weighing on other spending categories. Consumer spending was flat in the first quarter GDP release, and quarter-end weakening leaves Q2 facing a daunting lift-off point. Combined with manufacturing and trade disruptions, Q2 growth looks quite likely to undershoot the 2% pace penciled in by the Bank of Canada in its April *Monetary Policy Report*.

Indicator	Forecast	Consensus	Analysis
Capacity Utilization (NSA)	78.0%	77.2%	Still well below pre-crisis levels.
Survey of Manufacturing (M/M) (SA)			
Shipments	-0.9%	-1.4%	Impacted by auto-related disruptions, but higher commodity prices a positive.
Inventories	+0.1%		
New Orders	-3.0%		
Wholesale Trade (M/M)			
Sales	-0.2%	-0.3%	Shakier results in recent months.
Inventories	+0.3%		
Retail Trade (M/M)			
Total	+0.4%		Modest nominal gain, but constant-dollar total will be watched for signs of a pickup.
Ex-Auto	+0.2%		Ex-autos and gas figure still running at a much weaker trend.

Building permits plunge. Building permits fell more sharply than expected in April, plunging 21.1%. This was the steepest monthly decline since January 2006, led by Ontario (-41.9%) and with only 4 out of the 12 provinces & territories – coincidentally the least populous – seeing an increase in activity. The value of non-residential permits fell 33%, while residential permits dipped 13%. The trend in the latter is volatile but heading lower, supporting notions of softer homebuilding activity this year as tighter mortgage rules, and already-high homeownership rates, weigh on new demand.

PMI climbs unexpectedly. The PMI rose 7.7 points to 65.5 in May, against expectations of a slight fall. Increases in the Employment (+2.7 points to 53.9) and Prices (+1.5 points to 67.1) indices offset declines in Inventory (-1.8 points to 65.5) and Supplier Deliveries (-9.1 points to 38.9). The PMI has remained above 50 – indicating business activity is expanding – since a brief dip in January 2011, and continues to support the overall recovery.

Housing starts hold ground for now. In line with expectations, housing starts rose 2.7% to 183,600 at an annual rate in May, with a modest rise in multi-family units (+4.0% to 100,000) offsetting a 4.1% drop in single-family starts (to 61,000). The single-family total ducked beneath the post-recession low, new building hampered by higher mortgage rates and already-elevated homeownership rates, builders signaling little willingness to add to demand. The multi-family total, meanwhile, remained near post-recession highs just over 100K. Coming months could see some modest weakening in starts as residential permits showed some signs of being temporarily boosted in recent months, in advance of new mortgage rules.

Exports decline, trade balance back in deficit. In contrast to expectations, the trade balance recorded a $0.9 billion deficit in April, compared to a March figure revised to a $0.4 billion deficit, earlier reported as a modest surplus. Industrial (-3.8% m/m) and machinery (-7.8%) goods led the export decline, the latter driven by aircraft and other transportation equipment, while an 8.6% drop in automotive imports offset a rise in industrial (+3.4%) product imports. Statistics Canada attributed the drop in automotive imports to the Japan earthquake. Importantly, in constant-dollar terms exports fell 1.1% while imports rose 1.0%, leaving the early read on Q2 exports clearly weaker than Q1 performance. With softer consumer spending already apparent, greater weakness in trade data will have many questioning even a 2.0% print for GDP growth during the quarter, with downside risks still quite present due to trade disruptions and their impact on the auto sector.

Economy adds jobs, but details a bit softer than the headline indicates. The May Labor Force Survey revealed a net gain of 22,300 jobs during the month, the result following gains of 15,100, -1,500, and 58,300 in the February to April stretch. The jobless rate also fell to 7.4% from 7.6%, the May reading now the lowest post-recession print (down from a high of 8.7% in 2009). The details of the report showed a sharp drop in manufacturing employment (-22,500), not unexpected given the supply chain disruptions in the auto sector. In the service sector, details were mixed, with gains in wholesale and retail trade (+34,000), healthcare (+14,100), and information services (+14,500) offsetting declines in education (-26,800) and transportation (-9,800). The gain in wholesale and retail trade was still not enough to reverse declines in that sector over the past three months. Also, a large portion of the headline jobs gain could be attributed to self-employment (+29,500), as the combined public/private sector payroll total fell by 7,300. Wage growth, meanwhile, slowed to 2.0% year-on-year, from a +2.5% pace of increases in recent months. That eases any worries about firmer underlying inflation pressures due to higher commodity prices, and also suggests a continuation of a relatively weak backdrop around the consumer spending outlook.

Modest productivity growth, labor costs continue to rise. Labor productivity rose 0.4% Q/Q in the first quarter, as business sector output rose 1.2%, and hours worked 0.7%. Productivity has been on a modest uptrend since 2009, easing somewhat the impact of increased global competition and the stronger Canadian dollar when compared to very weak pre-recession trends. Unit labor costs continued to climb, up 0.6%, a slightly softer pace of increase than recent quarters. Importantly, in U.S. dollar terms, labor costs rose 3.3%, matching the Q4 gain, and outstripping comparable growth in U.S. labor costs over the same period.

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