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Forecast Calendar

June 3, 2011

Canada

Economic Indicators—Schedule and Forecasts

Ellis/Husby

June 6 – June 17, 2011

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

Dec	2.7%	Mar	17.2%
Jan	-6.6%	**Apr (f)**	**-5.0%**
Feb	9.8%	**Apr (c)**	**-7.3%**

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

Jan	46.8	Apr	57.8
Feb	70.8	**May (f)**	**56.0**
Mar	73.2	**May (c)**	**55.5**

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

Jan	169.1	Apr	179.0
Feb	180.8	**May (f)**	**180.0**
Mar	184.7	**May (c)**	**182.0**

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

Dec	1.9	Mar	0.6
Jan	1.4	**Apr (f)**	**-0.2**
Feb	0.4	**Apr (c)**	**0.6**

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

Jan	69.2	Apr	58.3
Feb	15.1	**May (f)**	**5.0**
Mar	-1.5	**May (c)**	**20.0**

Unemployment Rate (SA)

Jan	7.8%	Apr	7.6%
Feb	7.8%	**May (f)**	**7.6%**
Mar	7.7%	**May (c)**	**7.6%**

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

	Prod.	Comp.	ULC
QII'10	-0.6%	-0.1%	0.5%
QIII'10	0.4%	0.9%	0.5%
QIV'10	0.5%	1.1%	0.6%
QI'11 (f)	**0.7%**	**0.9%**	**0.2%**
QI'11 (c)	**0.9%**		

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Capacity Utilization (8:30) (NSA)

QII'10	75.8%	QIV'10	76.4%
QIII'10	76.2%	**QI'11 (f)**	**78.0%**

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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)	**0.4%**	**0.5%**	**-3.0%**

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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)	**0.5%**	**0.4%**

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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Real GDP (8:30) (Q/Q) (SAAR)

QII'10	2.3%	QIV'10	3.1%
QIII'10	2.5%	QI'11	3.9%

Real GDP (8:30) (M/M) (SA)

Oct	0.3%	Jan	0.5%
Nov	0.4%	Feb	-0.1%
Dec	0.5%	Mar	0.3%

Current Account Balance (8:30)
(C$ Billion, SA)

QII'10	-14.0	QIV'10	-10.3
QIII'10	-17.9	QI'11	-8.9

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Industrial Product Prices (8:30)

(NSA)	M/M	Y/Y
Jan	0.5%	3.1%
Feb	0.8%	3.7%
Mar	1.0%	5.0%
Apr	0.5%	5.0%

Raw Materials Prices (8:30)

(NSA)	M/M	Y/Y
Jan	0.4%	9.6%
Feb	2.1%	11.4%
Mar	5.8%	16.8%
Apr	6.8%	22.4%

Bank of Canada Rate Decision
(9:00)

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BOC Macklem Speech (12:00)
(C.D. Howe Institue)

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Indicator Highlights

Canada

Key potential market-moving indicators and events include: Building Permits (Mon., Jun. 6, 8:30 a.m.); Housing Starts (Wed., Jun. 8, 8:15 a.m.); International Trade (Thu., Jun. 9, 8:30 a.m.); the Labor Force Survey (Fri., Jun. 10, 7:00 a.m.); Productivity and Costs (Fri., Jun. 10, 8:30 a.m.); Capacity Utilization (Tue., Jun. 14, 8:30 a.m.); and the Survey of Manufacturing (Wed., May 15, 8:30 a.m.).

Housing starts will reflect builders' perceptions of supply and demand conditions in the market, the single-family sector seeing new building weaken in anticipation of softer demand. The International Trade Balance will give a fresh look at developments in the export sector, with the near-term outlook negatively impacted by weaker U.S. and global activity, in part due to trade ripples caused by the Japan disaster. Productivity and Costs is important in the estimation of potential GDP and as a gauge of labor costs. The Labor Force Survey will provide an important read on business confidence, with an eye to whether the private sector can hold on to the recent jump in payrolls. There will also be attention on the extent to which temporary supply chain disruptions impact the manufacturing sector, posing perhaps greater downside risks to the report than consensus forecasts indicate.

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 be watched for signs of further recovery toward pre-recession levels of activity.

Indicator	Forecast	Consensus	Analysis
Building Permits (M/M) (SA)	-5.0%	-7.3%	Some payback after recent surge.
Ivey Purchasing Managers' Survey (SA)	56.0	55.5	Moderation in activity.
Housing Starts (SAAR)	180,000 Units	182,000 Units	Activity in single-family sector well down from highs as tighter mortgage rules weigh on demand.
International Trade (Balance, SA)	-C$ 0.2 Billion	C$ 0.6 Billion	Auto-related disruptions impact trade.
Labor Force Survey, Employment (Change, SA)	+5,000	+20,000	Potential for a weak print based on slower growth, trade disruptions.
Unemployment Rate (SA)	7.6%	7.6%	Consolidates recent decline.
Productivity and Costs (Q/Q) (SA)			
Productivity	+0.7%	+0.9%	Longer-term productivity trend remains poor, but positive signs of late.
Compensation	+0.9%		
Unit Labor Costs	+0.2%		
Capacity Utilization (NSA)	78.0%		Still well below pre-crisis levels.
Survey of Manufacturing (M/M) (SA)			
Shipments	+0.4%		Trend is up, but coming months face headwinds.
Inventories	+0.5%		
New Orders	-3.0%		
Wholesale Trade (M/M)			
Sales	+0.5%		Shakier results in recent months.
Inventories	+0.4%		

GDP growth picked up, but composition a bit less solid. GDP rose 3.9% at an annualized rate in Q1, accelerating on a 3.1% pace in Q4 2010. The details showed effectively flat results from consumer spending and government expenditure, and a drag from net exports, while the major upward drivers were business investment and inventories. Of the 3.9% headline gain, 2.1 percentage points were due to business investment, and 2.6 from inventories, while net exports subtracted 0.8 points. Other categories had little impact. That composition, particularly on the consumer spending side, is less healthy than hoped for, but is not out of line with what the higher-frequency spending data had been indicating. Q2 is facing a tough lift-off point on that front, and trade will likely be impacted by Japan-related disruptions, suggesting that Q2 will see a material slowdown in growth.

Monthly GDP rebounded in March. Monthly real GDP rose 0.3% after a 0.1% decline in February, reflecting strength in the goods sector and a slightly negative print for the service sector of less than 0.1%. Retail trade (-1.0%) and finance and RE activities (-0.1%) softened, the latter experiencing its first drop since July 2010. All goods sectors saw positive moves in March, led by manufacturing (+1.8%) and construction (+0.7%).

Current Account deficit narrowed on goods trade. The current account deficit narrowed to $8.9 billion in Q1 from $10.2 in Q4, reflecting an anticipated narrowing in the goods and services deficit (driven by a $1.3 billion increase in the goods surplus), and accompanied by a narrowing in the investment income deficit.

Rate held, BoC recognizes need to "eventually" hike rates. As expected, the Bank of Canada left the overnight rate on hold at 1%. The major change to the statement was the line that "To the extent that the expansion continues and the current material excess supply in the economy is gradually absorbed, some of the considerable monetary policy stimulus currently in place will be eventually withdrawn, consistent with achieving the 2 per cent inflation target. Such reduction would need to be carefully considered." In short, assuming the output gap appears on track to close by the middle of 2012, in line with the Bank's April forecast, a rate hike could be in the cards later this year, but not in the next few months. However, the statement appropriately hedges itself, leaving room to remain on hold into September or October, especially given some near-term hurdles of softer consumer spending and supply-chain disruptions out of Japan. Elsewhere, the statement expressed a slightly less benign view of core inflation, noting that underlying inflation is "relatively subdued," as opposed to "is subdued" as of April. But, inflation expectations remain "well-anchored," and inflation is still expected to converge to the 2% target by the middle of 2012. As for growth, the U.S. economy "continues to grow at a modest pace," ("growth is solidifying" as of April), and growth in Europe is "maintaining momentum," (earlier, "growth has strengthened"). Not much can be gleaned from those minor changes, though it can be argued that both are slightly weaker characterizations. In Canada, the statement saw growth proceeding as expected, and while supply chain disruptions are expected to restrain growth "sharply" in Q2, that impact should reverse later in the year.

Raw materials, industrial product prices increase. Higher petroleum prices boosted both the RMPI and IPPI, the latter up 0.5% in April, while the former rose 6.8% during the month. Exchange rate effects once again held down factory-gate prices, as the index would have risen 1.0% if the USDCAD exchange rate had remained constant. Excluding petroleum and coal products, the IPPI fell 0.1% m/m. As for raw materials prices, a 13.2% jump in mineral fuels prices spurred the headline advance, as the ex-fuels index rose only 0.6% during the month, not fully offsetting a 1.8% decline in March. In year-on-year terms, the RMPI rose 22.4%, accelerating from 16.8% in March.

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