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Information for Decisions™

Forecast Calendar

August 12, 2011

Eurozone

Economic Indicators—Schedule and Forecasts (Local Times)

Wroblewski/Liu

August 15 – August 26, 2011

15	16	17	18	19
	Gross Domestic Product, First Estimate, (SA) (11:00) Q/Q Y/Y QIV'10 0.3% 1.9% QI'11 0.8% 2.5% **QII'11 (f) 0.2% 1.7%** **QII'11 (c) 0.3% 1.8%** Trade Balance (Euro billion) (NSA) (11:00) '11 '10 May 0.0 -4.9 **Jun (f) 2.5** 0.7 **Jun (c) 1.1**	Harmonized Index of Consumer Prices, Final (11:00) M/M Y/Y Jun unch 2.7% **Jul (p) 2.5%** **Jul (f) -0.6% 2.5%** **Jul (c) -0.6% 2.5%**	Construction Output (Jun) (11:00)	
22	**23**	**24**	**25**	**26**
	Purchasing Managers' Index Manufacturing, Flash (10:00) Mar 57.5 Jun 52.0 Apr 58.0 Jul 50.4 May 54.6 **Aug (f) 50.2** Service Sector Purchasing Managers Survey, Flash (10:00) Mar 57.2 Jun 53.7 Apr 56.7 Jul 51.6 May 56.0 **Aug (f) 51.0** Consumer Confidence, Flash (Aug) (16:00)	Industrial Orders (SA) (M/M) (11:00) Jan 1.9% Apr -0.1% Feb 0.3% May 3.6% Mar 0.4% **Jun (f) -2.0%**		M3 Money Supply (Y/Y) (SA) (10:00) Feb 2.1 May 2.5 Mar 2.3 Jun 2.1 Apr 2.0 **Jul (f) 2.0** Private Sector Loans (Y/Y) (SA) (10:00) Feb 2.6 May 2.7 Mar 2.5 Jun 2.5 Apr 2.6 **Jul (f) 2.4**

M/M=month-over-month
Q/Q=quarter-over-quarter
Y/Y=year-over-year

f=forecast
r=revised
c=consensus

Recent History-Latest Results

8	9	10	11	12
			ECB Monthly Bulletin (Aug) (10:00)	Industrial Production (SA) (11:00) M/M Y/Y Apr 0.2% 5.3% May 0.2% 4.4% Jun -0.7% 2.9%

Indicator Highlights

Key potential market-moving indicators and events include: the first estimate of Q2 Gross Domestic Product and the Visible Trade Balance (both Tue. Aug. 16, 11:00 a.m.) as well as final Harmonized Consumer Prices (Wed. Aug. 17, 11:00 a.m.). In the following week, there are the flash Manufacturing and Services Purchasing Managers Indexes (Tue. Aug. 23, 10:00 a.m.), Industrial Orders (Wed. Aug. 24, 11:00 a.m.) and Money Supply (Fri. Aug. 26, 10:00 a.m.).

GDP jumped in Q1, very much up from the pace of the previous quarter. The (unadjusted) **trade balance** was in exact balance in May, improving from the shortfall in the same month of the last year. The flash **HICP** estimate for July saw inflation drop to the lowest since February. The July **manufacturing PMI** confirmed a further, marked slowing in factory sector activity for the Eurozone. The July **services PMI** declined to a 22-month low. **Industrial new orders** rose in May, more than correcting drop in the previous month. June **M3 money supply** growth slowed afresh, almost fully unwinding the pick-up seen in the previous month.

Indicator	Forecast	Consensus	Analysis
Gross Domestic Product, Q2 (SA) – First estimate			
Q/Q	0.2%	0.3%	Below trend growth returns?
Y/Y	1.7%	1.8%	
Visible Trade (NSA)	€ 2.5 bln	€ 1.1 bln	Seasonal improvement.
Consumer Prices – HICP (Final) (NSA)			
M/M	-0.6%	-0.6%	Seasonal M/M fall; core rate drops on clothing.
Y/Y	2.5%	2.5%	
Purchasing Managers' Index (SA) – Flash			
- Manufacturing	50.2		Weakest in two years.
Purchasing Managers' Index (SA) – Flash			
- Services	51.0		Fifth successive fall?
Industrial Orders (SA)			
M/M	-2.0%		Volatile!
M3 Money Supply (SA)			
Y/Y	2.0%		Still running well below (falling) inflation!

Post Mortem—Prior Week Results

Nothing new from the ECB. As usual, and as expected, the editorial of the ECB's (August) Monthly Bulletin repeated the themes highlighted at last week's post-Council-meeting press-briefing by President Trichet.

Output falls. Coming in below expectations once again, industrial production fell by 0.7% M/M in June, swinging into negative from the 0.2% rise in the previous month and now a new cycle low.

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Forecast Calendar

August 12, 2011

United Kingdom

Economic Indicators—Schedule and Forecasts (Local Times)

Wroblewski/Liu

August 15 – August 26, 2011

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Rightmove House Prices (Aug) (00:01)

Possibly from today:

Nationwide Consumer Confidence (Jul) (00:01)

16

Consumer Price Index (CPI) (NSA) (9:30)

	M/M	Y/Y
Jun	-0.1%	4.2%
Jul (f)	**-0.3%**	**4.1%**
Jul (c)	**-0.2%**	**4.3%**

Retail Prices (NSA) (9:30)

	M/M	Y/Y
Jun	unch	5.0%
Jul (f)	**-0.3%**	**4.9%**
Jul (c)	**-0.2%**	**5.0%**

Retail Prices, Underlying (RPIX) (NSA) (9:30)

	M/M	Y/Y
Jun	unch	5.0%
Jul (f)	**-0.3%**	**5.0%**
Jul (c)	**-0.2%**	**5.1%**

Department for Communities & Local Government House Prices (Jun) (9:30)

17

Claimant Count Unemployment, (Change Thousands) (SA) (9:30)

May	22.5	**Jul (f)**	**15.0**
Jun	24.5	**Jul (c)**	**20.0**

ILO Unemployment Rate

(3 months ending, %) (9:30)

Apr	7.7	**Jun (f)**	**7.7**
May	7.7	**Jun (c)**	**7.7**

Average Weekly Earnings (Y/Y) (3-Month Moving Average) (9:30)

Apr	2.0	**Jun (f)**	**2.2**
May	2.3	**Jun (c)**	**2.3**

Minutes of the Bank of England Monetary Policy Committee Meeting (August 3-4) (9:30)

18

Retail Sales (Volume, SA) (9:30)

(Inc. Fuels)	M/M	Y/Y
Jun	0.7%	0.4%
Jul (f)	**-0.3%**	**-0.5%**
Jul (c)	**0.3%**	**0.4%**

19

Public Sector Net Borrowing (ex. financial interventions) (£ bln, NSA) (9:30)

	'11	'10
Jun	14.0	13.6
Jul (f)	**4.0**	3.5
Jul (c)	**2.5**	

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Possibly from today:

Nationwide House Prices (Aug) (7:00)

23

British Bankers Association Consumer Lending (Jul) (9:30)

CBI Industrial Trends Monthly Survey (Aug) (11:00)

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CBI Distributive Trades Quarterly Survey (Aug) (11:00)

26

Gross Domestic Product, Second Estimate (SA) (9:30)

	Q/Q	Y/Y
QIV'10	-0.5%	1.5%
QI'11	0.5%	1.6%
QII'11 (p)	**0.2%**	**0.7%**
QII'11 (f)	**0.2%**	**0.7%**

Index of Services (Jun) (9:30)

Business Investment, Preliminary (Q2) (9:30)

M/M=month-over-month
Q/Q=quarter-over-quarter
Y/Y=year-over-year

f=forecast
r=revised
c=consensus

Recent History-Latest Results

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BRC Retail Sales Monitor (Jul) (00:01)

RICS House Price Survey (Jul) (00:01)

Manufacturing Production (SA) (9:30)

	MM	Y/Y
Apr	-1.6%	1.2%
May	1.8%	2.8%
Jun	-0.4%	2.1%

Industrial Production (SA) (9:30)

	M/M	Y/Y
Apr	-1.8%	-1.2%
May	0.8%	-0.9%
Jun	0.0%	-0.3%

Visible Trade Balance, Global (SA) (£ Million) (9:30)

Mar	-7708	May	-8467
Apr	-7262	Jun	-8873

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BoE Inflation Report (Aug) (10:30)

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Construction Output (Jun) (9:30)

Indicator Highlights

Key potential market-moving indicators and events include: Consumer Prices (Tue. Aug. 16, 9:30 a.m.), the Labor Market Report – including unemployment and average earnings details – (Wed. Aug. 17, 9:30 a.m.), Retail Sales (Thu. Aug. 18, 9:30 a.m.) and Public Sector Net Borrowing (Thu. Aug. 19, 9:30 a.m.). In the following week, there is the second estimate of Q2 Gross Domestic Product (Fri. Aug. 26, 9:30 a.m.)

June **consumer price inflation** dropped a three-month low. **Claimant count unemployment** showed a further and steeper rise in June, the largest since May 2009. **Average weekly earnings** growth picked up in the three months to May. Real **retail sales** (including fuels) rose in M/M terms in June, a relatively broad-based bounce. **Public Sector Net Borrowing** was up in June from the outcome in the same month last year. Real **GDP** increased in Q/Q terms in Q1.

Indicator	Forecast	Consensus	Analysis
CPI (NSA)			
M/M	-0.3%	-0.2%	Large rise beckons later in the summer.
Y/Y	4.1%	4.3%	
RPI (NSA)			
M/M	-0.3%	-0.2%	Lowest Y/Y rate so far this year.
Y/Y	4.9%	5.0%	
Claimant Count Unemployment (SA)			
M/M (change, thousands)	15.0	20.0	Further increase?
ILO Unemployment Rate (SA)	7.7%	7.7%	Still large supply of unused labor.
Headline Average Earnings (Y/Y)	2.2%	2.3%	Running well below CPI inflation.
Retail Sales (Volumes, SA)			
M/M	-0.3%	0.3%	More clues from BRC sales survey this coming week.
Y/Y	-0.5%	0.4%	
Public Sector Net Borrowing (NSA)	£ 4.0 bln	£ 2.5 bln	Major month for tax revenues.
Gross Domestic Product (SA) – Second Estimate			
Q/Q	0.2%		Expenditure break-down revealed; modest downward
Y/Y	0.7%		revision possible.

Post Mortem—Prior Week Results

Industrial activity still feeble. June manufacturing output dropped 0.4% M/M, thereby unable to build on the 1.8% recovery seen in May.

Sales weakness less marked. According to the British Retail Consortium, like-for-like nominal store sales growth recovered in July, with the growth rate swinging from -0.6% Y/Y in May to 0.6% Y/Y, a three-month high.

Exports picture less upbeat. The total visible trade gap widened from a little-revised shortfall of £ 8.47 bln in May to a shortfall of £ 8.87 bln in June, the later being the highest since the record gap posted last December.

Still soft housing market, outside London. The latest (July) Royal Institute of Chartered Surveyors house price survey provided continued signs of softness regarding the housing market, outside of London at least, where the message is one of falling prices and low turnover.

Rates on hold, further stimulus not ruled out? The latest (August) BoE Inflation Report suggested that the unchanged BoE decision last week saw fewer divides than of late, with it likely that no members continued to advocate tighter policy.

Construction output rises. Following a smaller-than-expected rise in May of 2.4% M/M, and after a drop of -12.4% in April, construction output growth picked up to 3.8% in June.

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Forecast Calendar

August 12, 2011

Germany

Economic Indicators—Schedule and Forecasts (Local Times)

Wroblewski/Liu

August 15 – August 26, 2011

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Gross Domestic Product, First Estimate, (SA) (8:00)

	Q/Q	Y/Y
QIV'10	0.4%	3.8%
QI'11	1.5%	4.9%
QII'11 (f)	**0.4%**	**3.0%**
QII'11 (c)	**0.5%**	**3.1%**

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18

19

Producer Prices (NSA) (8:00)

	M/M	Y/Y
Jun	0.1%	5.6%
Jul (f)	**0.1%**	**5.2%**
Jul (c)	**0.1%**	**5.3%**

22

Possibly from today:

Construction Orders (Jun) (8:00)

Import Prices (NSA) (8:00)

	M/M	Y/Y
May	-0.6%	8.1%
Jun	-0.6%	6.5%
Jul (f)	**0.5%**	**7.2%**

Real Retail Sales (M/M) (SA) (8:00)

Feb	-0.3%	May	-2.5%
Mar	-1.6%	Jun	6.3%
Apr	0.4%	**Jul (f)**	**-4.0%**

23

Purchasing Managers' Survey Manufacturing, Flash (SA) (9:30)

Mar	60.9	Jun	54.6
Apr	62.0	Jul	52.0
May	57.7	**Aug (f)**	**51.5**

Purchasing Managers' Survey Services, Flash (SA) (9:30)

Mar	60.1	Jun	56.7
Apr	56.8	Jul	52.9
May	56.1	**Aug (f)**	**53.4**

ZEW Financial Experts Survey (Aug) (11:00)

24

Ifo Survey (SA) (2005=100) (10:00)

Mar	115.0	Jun	114.5
Apr	114.1	Jul	112.9
May	114.2	**Aug (f)**	**111.2**

25

26

GfK Consumer Confidence Outlook (Sep) (8:00)

M/M=month-over-month
Q/Q=quarter-over-quarter
Y/Y=year-over-year

f=forecast
r=revised
c=consensus

Recent History-Latest Results

8

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Trade Balance (NSA) (Euro billion) (8:00)

	'11	'10
Apr	10.8	13.2
May	14.8	9.9
Jun	12.7	14.3

Current Account (NSA) (Euro billion) (8:00)

	'11	'10
Apr	9.0	12.0
May	6.9	3.1
Jun	11.9	13.4

10

Cost-of-Living, Final (NSA) (8:00)

	M/M	Y/Y
May	unch	2.3%
Jun	0.1%	2.3%
Jul	0.4%	2.4%

11

Wholesale Price Index (NSA) (8:00)

	M/M	Y/Y
May	unch	8.9%
Jun	-0.6%	8.5%
Jul	-0.6%	8.2%

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Indicator Highlights

Germany

Key potential market-moving indicators and events include: the first estimate of Q2 GDP (Tue. Aug. 16 8:00 a.m.) and Producer Prices (Fri. Aug. 19, 8:00 a.m.). In the following week, there is the flash Manufacturing and Services PMIs (Tue. Aug. 23, 9:30 a.m.), the Ifo Survey (Wed. Aug. 24, 10:00 a.m.) and possibly Import Prices and Retail Sales.

Final Q1 **GDP** data confirmed the growth rate jumping to almost four times the gain seen in Q4. June **producer price inflation** fell from the preceding month, now a six-month low. The July final **manufacturing PMI** numbers revealed slightly deeper weakness than the flash estimate, decreasing to a 21-month low. The July final **services PMI** numbers slumped to a 17-month low. The July **Ifo business climate index** dropped the lowest since last October. **Import prices** fell in M/M terms in June, matching the drop seen in May. According to Federal Statistics Office data, real **retail sales** (excluding auto and petrol sales) jumped in June, a contrast to the drop in May.

Indicator	Forecast	Consensus	Analysis
Gross Domestic Product, (SA) – 1st Estimate			
Q/Q	0.4%	0.5%	Clear, but slower, growth continues.
Y/Y	3.0%	3.1%	
Producer Prices (NSA)			
M/M	0.1%	0.1%	Y/Y rate hits 7-month low.
Y/Y	5.2%	5.3%	
Purchasing Managers' Index (SA)			
- Manufacturing – Flash	51.5		Further, but more modest fall.
Purchasing Managers' Index (SA)			
- Services – Flash	53.4		Corrects some of marked July drop.
Ifo Survey Business Climate (SA)	111.2		Still implies well above-par activity.
Import Prices - (NSA)			
M/M	0.5%		Brief bounce in prices.
Y/Y	7.2%		
Retail Sales ex. Autos & Gas			
(Volume, SA) (M/M)	-4.0%		Excessively volatile of late.

Post Mortem—Prior Week Results

Exports correct back. The June (unadjusted) trade surplus narrowed to € 12.7 bln from € 14.3 bln in the same month of the previous year, also worsening from the € 14.8 bln May reading.

Consumer price inflation edges higher. Final data for July confirmed that CPI inflation increased 0.1 percentage point to 2.4% Y/Y, ie matching the April cycle-high.

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Forecast Calendar

August 12, 2011

France

Economic Indicators—Schedule and Forecasts (Local Times)

Wroblewski/Liu

August 15 – August 26, 2011

15	16	17	18	19
22	**23**	**24**	**25**	**26**
	Purchasing Managers' Index Manufacturing, Flash (SA) (9:00) Mar 55.4 Jun 52.5 Apr 57.5 Jul 50.5 May 54.9 **Aug (f) 50.5** Purchasing Managers' Index Services, Flash (SA) (9:00) Mar 60.4 Jun 56.1 Apr 62.9 Jul 54.2 May 62.5 **Aug (f) 53.5**		Unemployment (Jul) (18:00)	INSEE Quarterly Survey of Investment (Jul) (8:45)

M/M=month-over-month
Q/Q=quarter-over-quarter
Y/Y=year-over-year

f=forecast
r=revised
c=consensus

Recent History-Latest Results

8	9	10	11	12
BoF Business Sentiment Survey (Jul) (8:30)	Central Government Budget (Jun) (8:45)	Industrial Production, exc. Construction (SA) (8:45) M/M Y/Y Apr -0.7% 2.1% May 1.9% 1.9% Jun -1.6% 2.3% Manufacturing Production (SA) (8:45) M/M Y/Y Apr -0.2% 3.7% May 1.4% 4.5% Jun -1.9% 3.3%		Gross Domestic Product, First Estimate, (SA) (7:30) Q/Q Y/Y QIV'10 0.3% 1.4% QI'11 0.9% 2.1% QII'11 unch 1.6% Consumer Prices (NSA) (7:30) M/M Y/Y May 0.1% 2.0% Jun 0.1% 2.1% Jul -0.4% 1.9% Salaried Employment, Preliminary (SA) (8:45) Q/Q Y/Y QIV'10 0.3% 0.9% QI'11 0.4% 1.1% QII'11 0.4% 1.3%

Indicator Highlights

Key potential market-moving indicators and events include: no data of note. In the following week, there are the flash Manufacturing and Services PMIs (Tue. Aug. 23, 9:00 a.m.).

The July **manufacturing PMI** decreased to a 24-month low. The July **services PMI** did not drop as precipitously as in June, this time falling to a 16-month low.

Indicator	Forecast	Consensus	Analysis
Purchasing Managers' Index (SA) - Manufacturing – Flash	50.5		Stays below average.
Purchasing Managers' Index (SA) - Services – Flash	53.5		Third successive drop.

Post Mortem—Prior Week Results

Business sentiment softens further. In the latest (July) Bank of France monthly report, the business sentiment indicator fell one more point to 98, the lowest since October 2009.

Budget deficit narrows. The June year-to-date central government budget balance showed a deficit of € 61.35 bln, down € 0.32 bln from the deficit seen in same period last year.

Manufacturing falls afresh. Manufacturing output decreased strongly in June, slumping 1.9% M/M, thereby more than unwinding the little-revised 1.4% bounce seen in May.

Economic growth stagnates. According to preliminary data, real GDP was flat in Q/Q terms in Q2.

Inflation moderates. Headline CPI inflation fell by 0.2 percentage point to 1.9% Y/Y in July from the previous month, now the lowest since February.

Employment rises. Preliminary data showed (non-farm) employment increasing by 0.4% Q/Q in Q2, following a rise of the same size in the previous quarter.

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Italy

Economic Indicators—Schedule and Forecasts (Local Times)

Wroblewski/Liu

August 15 – August 26, 2011

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M/M=month-over-month

r=revised
c=consensus
f=forecast

Recent History-Latest Results

8	9	10	11	12
				NIC Consumer Prices, Final, (NSA) (11:00) M/M Y/Y May 0.1% 2.6% Jun 0.1% 2.7% Jul 0.3% 2.7% Visible Trade Balance, Global (NSA) (Euro billion) (11:00) '11 '10 Apr -3.8 -1.3 May -2.4 -2.3 Jun -1.8 -3.2 Visible Trade Balance, EU (NSA) (11:00) (Euro billion) '11 '10 Apr -0.7 0.0 May -0.6 -0.7 Jun -0.3 -1.8

Indicator Highlights

Key potential market-moving indicators and events include: there are no data of note. In the following week, there are also no data of note.

Indicator	Forecast	Consensus	Analysis

Post Mortem—Prior Week Results

Mixed messages in inflation. Seeing no revision, final data confirmed that consumer price inflation was stable at 2.7% in July, the joint-highest in 32 months.

Trade deficit narrows clearly. The June (unadjusted) global trade deficit narrowed clearly to € 1 829 mln from a shortfall of € 3 197 mln in the same month of 2010.

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Forecast Calendar

August 12, 2011

Japan

Economic Indicators—Schedule and Forecasts

Ellis/Wroblewski

August 15 – August 26, 2011 (Local Times)

15

Real GDP (SA) (Q/Q) (8:50)

10:Q1	2.3%	10:Q4	-0.7%
10:Q2	unch	11:Q1	-0.9%
10:Q3	0.9%	**11:Q2 (f)**	**-0.7%**

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Merchandise Trade Balance (¥Billion, NSA) (8:50)

	2011	2010
May	-855.8	309.1
Jun	70.7	670.5
Jul (f)	**-75.5**	784.6

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All Industry Activity (SA) (M/M) (13:30)

Jan	-0.5%	Apr	1.4%
Feb	0.9%	May	2.0%
Mar	-6.4%	**Jun (f)**	**1.8%**

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Corporate Service Prices (Y/Y) (8:50)

Feb	-1.1%	May	-0.9%
Mar	-1.1%	Jun	-0.7%
Apr	-0.7%	**Jul (f)**	**-0.8%**

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Tokyo CPI (Y/Y) (8:30) (2005 Base)

	Total	Ex-Fresh Food
Jun	-0.2%	0.1%
Jul	0.5%	0.4%
Aug (f)	**0.5%**	**0.4%**

Nationwide CPI (Y/Y) (8:30) (2010 Base)

	Total	Ex-Fresh Food
May	-0.4%	-0.1%
Jun	-0.4%	-0.2%
Jul (f)	**-0.4%**	**-0.2%**

M/M=month-over-month f= forecast
Y/Y=year-over-year c=consensus

Recent History-Latest Results

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Bank Lending (Y/Y) (8:5)

Apr	-1.0%	Jun	-0.6%
May	-0.8%	Jul	-0.5%

Current Account Balance (¥Billion, NSA) (8:50)

	2011	2010
May	590.7	1222.6
Jun	526.9	1051.8

Current Account Visible Trade (¥Billion, NSA) (8:50)

	2011	2010
May	-772.7	402.7
Jun	131.5	762.0

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Money Supply (M2) (Y/Y) (8:50)

Feb	2.4%	May	2.7%
Mar	2.6%	Jun	2.9%
Apr	2.7%	Jul	2.9%

BOJ Monetary Policy Meeting Minutes (8:50) (July 11-12)

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Corporate Goods Price Index (Y/Y) (8:50)

Feb	1.7%	May	2.1%
Mar	2.0%	Jun	2.6%
Apr	2.5%	Jul	2.9%

Tertiary Industry Activity (SA) (M/M) (8:50)

Jan	-0.1%	Apr	2.7%
Feb	0.8%	May	0.8%
Mar	-5.9%	Jun	1.9%

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Machinery Orders, Core (SA) (14:00)

Jan	4.0%	Apr	-3.3%
Feb	1.7%	May	3.0%
Mar	1.0%	Jun	7.7%

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Industrial Production (Revised) (SA) (M/M) (13:30)

Feb	1.8%	May	6.2%
Mar	-15.5%	Jun (p)	3.9%
Apr	1.6%	Jun	3.8%

Indicator Highlights

Key potential market-moving indicators and events include: Real GDP (Mon., Aug. 15, 8:50); Merchandise Trade Balance (Thu., Aug. 18, 8:50); All Industry Activity (Fri., Aug. 19, 13:30); and Tokyo and Nationwide CPI (Aug. 26, 8:30).

GDP numbers will synthesize disparate monthly data into a summary measure of activity—this time, somewhat deceptively, as the average of months on the upside of a "V" is compared to the average of months on the downside. Merchandise trade results, particularly on the export side, will be a critical factor in the outlook for the overall economy. All-industry data will break out the composition of growth by sector.

CPI data will be studied carefully for any hint of relapse into deflation–a concern given new urgency by benchmark revisions showing much less bouyant results over recent months.

Indicator	Forecast	Consensus	Analysis
Real GDP (SA) (Q/Q)	-0.7%		Not so bad as once feared.
Merchandise Trade Balance	-¥75.5 Billion		In very precarious balance lately.
All Industry Activity (SA) (M/M)	+1.8%		A strong month.
Corporate Services Prices (Y/Y)	-0.8%		Ongoing decline.
Tokyo CPI (Y/Y) (2005 Base)			
Total	+0.5%		Revised core figures no longer steady.
Ex-Fresh Food	+0.4%		
Nationwide CPI (Y/Y) (2010 Base)			
Total	-0.4%		
Ex-Fresh Food	-0.2%		

Post Mortem—Recent Data Results

Lending improves. Bank lending data for July showed total bank loans falling by 0.5% Y/Y, a slight improvement from the 0.6% fall in the previous month but also being the smallest fall in 20 months.

Current account show mixed messages. Surprising to the downside this time around, the June (unadjusted) current account surplus narrowed clearly to ¥ 526.9 bln from the ¥ 1057.8 bln surplus seen in the same month of 2010. Meanwhile, in seasonally adjusted terms, the current account surplus actually widened to ¥ 922.8 bln in June from ¥ 391.0 bln in May.

Unchanged monetary dynamics. Matching expectations, July M2 money stock growth remained at 2.9% Y/Y, still the highest in a year. Meanwhile, growth in the broader M3 measure remained at 2.3% Y/Y.

Corporate goods prices edge up further. Exceeding expectations, July corporate good prices rose by 0.2% M/M, the second such rise. Y/Y growth increased a further 0.3 percentage point to 2.9%. The data showed export price pressures falling at a less rapid pace (-1.1% Y/Y), alongside higher import price inflation (at 12.9%).

Tertiary index rises further. Coming in higher expected, the tertiary index rose by 19% M/M in June, very much accentuating the 0.8% rise seen in May and the 2.7% April bounce, these all largely unwinding the record drop of 5.9% seen in April when the impact of the earthquake hit services. The Y/Y rate, meanwhile, turned positive at 0.8%.

Orders bounce further. Surprising to the upside, core machinery orders (excluding shipping and utilities) bounced further and much more clearly in June, rising 7.7% M/M, after a 3.0% May recovery, both more than unwinding almost the 3.3% April drop (the latter being the only negative in the last six months of data).

Industrial production growth moderates more clearly. Showing a slightly clearer slowdown by coming in 0.1 percentage point below the preliminary reading, final data for June showed industrial production rising by 3.8% M/M, down clearly from the 6.2% jump in the previous month. Elsewhere, the data showed a (0.4 percentage point downwardly revised) 8.1% M/M jump in shipments in June, alongside an unrevised 2.8% drop in inventories.

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Forecast Calendar

August 12, 2011

Canada

Economic Indicators—Schedule and Forecasts

Ellis/Husby

August 15 – August 26, 2011

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

	Ships.	Inv.	New Ord.
Mar	1.9%	2.1%	11.2%
Apr	-1.3%	1.1%	-10.5%
May	-0.8%	0.8%	unch
Jun (f)	**-0.1%**	**0.2%**	**2.0%**
Jun (c)	**-0.7%**		

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

	Sales	Inv.
Mar	0.2%	1.1%
Apr	-0.1%	1.5%
May	1.9%	0.1%
Jun (f)	**-0.2%**	**0.3%**
Jun (c)	**-0.5%**	

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Consumer Prices (7:00) (Y/Y)

	Total	BOC Core
Apr	3.3%	1.6%
May	3.7%	1.8%
Jun	3.1%	1.3%
Jul (f)	**2.6%**	**1.6%**
Jul (c)	**2.8%**	**1.6%**

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

	Total	Ex-Auto
Mar	-0.1%	-0.2%
Apr	0.3%	unch
May	0.1%	0.5%
Jun (f)	**1.0%**	**0.4%**

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

Feb	180.4	May	190.1
Mar	184.8	Jun	196.6
Apr	191.7	Jul	205.1

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

Jan	2.0	Apr	-0.9
Feb	0.0	May	-1.0
Mar	-0.1	Jun	-1.6

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Indicator Highlights

Canada

Key potential market-moving indicators and events include: the Survey of Manufacturing (Tue., Aug. 16, 8:30 a.m.); the Consumer Price Index (Fri., Aug. 19, 7:00 a.m.); and Retail Trade (Tue., Aug. 23, 8:30 a.m.).

The Survey of Manufacturing will be watched for signs of a recovery from Japan-related disruptions. The Consumer Price Index, especially the Bank of Canada "core" measure, will be important from a monetary policy standpoint, with further signs of deceleration to keep the Bank focused on risks to growth.

Retail trade data will round out the consumer spending picture for the second quarter, signs so far pointing to very modest growth.

Indicator	Forecast	Consensus	Analysis
Survey of Manufacturing (M/M) (SA)			
Shipments	-0.1%	-0.7%	May begin to see rebound in autos, but petroleum products suffer from lower prices.
Inventories	+0.2%		
New Orders	+2.0%		
Wholesale Trade (M/M)			
Sales	-0.2%	-0.5%	Increase in May reflected pent-up demand for farm products, some payback possible.
Inventories	+0.3%		
Consumer Prices (Y/Y)			
Total	+2.6%	+2.8%	Decelerates further on easing energy prices, tax effects.
Core	+1.6%	+1.6%	Vehicle discounts weigh on core figure.
Retail Trade (M/M)			
Total	+1.0%		Vehicle sales jumped in June.
Ex-Auto	+0.4%		

Housing starts jump on multi-family units. A 13% jump in urban multi-family starts pushed the headline starts number above 200K despite a 7.8% drop in single-family units. Total starts rose 4.3%, to 205,100 at an annual rate. Overall, the measure has been bucking expectations of moderation in recent months, but nearly all of the strength has been a result of multi-family building. Single-family units, meanwhile, continue to bounce around the 60-70K range, well down from pre-recession levels near 100K, and a post-recession high around 95K in mid-2010.

Trade data a clear negative for Q2 GDP. The merchandise trade deficit widened to $1.6 billion in June from $1.0 billion in May, missing general expectations to the downside. The result reflected a 1.7% drop in exports, mostly on energy (-5.1%) and autos (-5.3%), and a 0.2% decline for imports. Energy imports fell 11.7%, while imports of machinery and equipment (+2.5%) rose for a fourth consecutive month. Businesses appear to be taking advantage of the strong CAD to boost investment in machinery and equipment – positive over the long run in terms of improving productivity and competitiveness. Importantly, the constant-dollar data were even weaker than the nominal numbers suggested, with export volumes falling 2.3% and imports rising 1.9%. The combination there, combined with the weak real export trend in place for some time now, means net exports will be an even greater drag on Q2 growth than previously thought. During the quarter, real goods exports fell nearly 10% at an annual rate, while imports rose about 13%. With consumer spending on track to, at best, come in about flat once again, investment and inventories are potentially the only sources of strength during the quarter. In short, a negative Q2 GDP print is now very possible, albeit with some important June data still unavailable.

The Bank of Canada had penciled in a 1.5% Q2 result in its July MPR, and the deterioration in the recent data, and still soft outlook, makes it very likely that the BoC will keep rates on hold into 2012. Still, markets are justified in pricing in a chance of a cut in coming months, but actually getting there will be tough. A crisis-induced large cut may be what swaps markets are rightly pricing in; that is, small odds of credit market strains and global turmoil kicking the Bank into action, rather than a small cut being the sure thing. Alternatively, if the worst of the negative news flow shows signs of lightening up, and sluggish expansion in developed economies remains the baseline, a cut would leave the bank wrong-footed in the face of domestic risks. The BoC is concerned that low rates are already spurring unsustainable growth in household debt burdens, and housing price appreciation in some areas. So, it is unclear whether with rates already at 1%, the benefits of a cut would outweigh the risks. Businesses are already taking advantage of low rates to boost investment, and household debt is at levels comparable to the U.S. pre-recession experience. Given the current still-accommodative policy setting, remaining on the sidelines appears the much more likely course of action.

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