Forecast Calendar

September 9, 2011

Eurozone

Economic Indicators—Schedule and Forecasts (Local Times)

September 12 – September 23, 2011

Wroblewski/Liu

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Industrial Production (SA) (11:00)

	M/M	Y/Y
Jun	-0.7%	2.9%
Jul (f)	**2.0%**	**5.5%**
Jul (c)	**1.5%**	**4.6%**

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ECB Monthly Bulletin (Sep) (10:00)

Harmonized Index of Consumer Prices, Final (11:00)

	M/M	Y/Y
Jul	-0.6%	2.5%
Aug (p)		**2.5%**
Aug (f)	**0.1%**	**2.4%**
Aug (c)	**0.2%**	**2.5%**

Employment (Q2) (11:00)

ECB President Trichet speaks in Poland (20:40)

Eurozone Finance Ministers meet in Poland

Possibly from today:

EU Commission Economic Forecasts update

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New Car Registrations (Jul/Aug) (8:00)

Trade Balance (Euro billion) (NSA) (11:00)

	’11	’10
Jun	0.9	0.7
Jul (f)	**1.8**	5.2
Jul (c)	**2.0**	

Labor Costs (Q2) (11:00)

EU Finance Ministers meet in Poland

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Construction Output (Jul) (11:00)

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Purchasing Managers’ Index Manufacturing, Flash (10:00)

Apr	58.0	Jul	50.4
May	54.6	Aug	49.0
Jun	52.0	**Sep (f)**	**49.0**

Service Sector Purchasing Managers Survey, Flash (10:00)

Apr	56.7	Jul	51.6
May	56.0	Aug	51.5
Jun	53.7	**Sep (f)**	**51.0**

Industrial Orders (SA) (M/M) (11:00)

Feb	1.5%	May	3.6%
Mar	0.6%	Jun	-0.7%
Apr	-0.3%	**Jul (f)**	**1.0%**

Consumer Confidence, Flash (Sep) (16:00)

23

M/M=month-over-month f=forecast
Q/Q=quarter-over-quarter r=revised
Y/Y=year-over-year c=consensus

Recent History-Latest Results

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Service Sector Purchasing Managers Survey, Final (10:00)

Mar	57.2	Jun	53.7
Apr	56.7	Jul	51.6
May	56.0	Aug	51.5

Retail Sales (SA) (11:00)

	M/M	Y/Y
May	-1.2%	-2.0%
Jun	0.7%	-0.7%
Jul	0.2%	-0.2%

ECB President Trichet spoke in Paris (10:00)

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Gross Domestic Product, Second Estimate, (SA) (11:00)

	Q/Q	Y/Y
QIV’10	0.3%	2.0%
QI’11	0.8%	2.4%
QII’11	0.2%	1.6%

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ECB Governing Council meeting (decision at 13:45)

(no change)

Press conference at 14:30

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Key potential market-moving indicators and events include: Industrial Production (Wed. Sep. 14, 11:00 a.m.), final Harmonized Consumer Prices (Thu. Sep. 15, 11:00 a.m.) and the Visible Trade Balance (Fri. Sep. 16, 11:00 a.m.). In the following week, there are the flash Manufacturing and Services Purchasing Managers Indexes (Thu. Sep. 22, 10:00 a.m.) and Industrial Orders (Thu. Sep. 22, 11:00 a.m.).

Industrial production fell in June, swinging into negative from the rise in the previous month. The flash **HICP** estimate for August saw inflation remain unchanged, still down from the 30-month high posted in April. The (unadjusted) **trade balance** showed a surplus in June, improving modestly from the same month of the last year. The August **manufacturing PMI** confirmed a further and marked slowing in factory sector activity for the Eurozone, with the headline PMI falling to a 23-month low. The August **services PMI** also eased to a 23-month low. Industrial **new orders** fell in June, the second fall in three months.

Indicator	Forecast	Consensus	Analysis
Industrial Production (SA)			
M/M	2.0%	1.5%	Conflicts with weak survey data.
Y/Y	5.5%	4.6%	
Consumer Prices – HICP (Final) (NSA)			
M/M	0.1%	0.2%	Downward revision possible; core rate lower!
Y/Y	2.4%	2.5%	
Visible Trade (NSA)	€ 1.8 bln	€ 2.0 bln	Lower oil bill!
Purchasing Managers' Index (SA) – Flash			
- Manufacturing	49.0		Peripheral weakness more manifest.
Purchasing Managers' Index (SA) – Flash			
- Services	51.0		Is financial turmoil undermining sentiment?
Industrial Orders (SA)			
M/M	1.0%		Trend slowing.

Post Mortem—Prior Week Results

Below par activity and broadly so. The final August PMI pointed to a further marked slowing in service sector activity for the Eurozone, albeit no worse than the flash estimate. Specifically, the services PMI eased just 0.1 point to 51.5, a 23-month low but also a little further below its long-term average.

Retail sales rise further. Real retail sales increased 0.2% in M/M terms in July, accentuating the (admittedly downwardly revised) 0.7% bounce seen in June.

GDP growth slows sharply. Q2 GDP rose by 0.2% Q/Q, matching the preliminary estimate and slowing clearly from the 0.8% unrevised pace of the previous quarter.

Rate cut possibility not discouraged. The ECB kept the refi rate at 1.50% after its latest Council meeting, having hiked for a second time in the current cycle in July.

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United Kingdom

Economic Indicators—Schedule and Forecasts (Local Times)
September 12 – September 23, 2011

Wroblewski/Liu

12
Possibly from today:

Nationwide Consumer Confidence (Aug) (00:01)

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

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

	M/M	Y/Y
Jul	unch	4.4%
Aug (f)	**0.5%**	**4.4%**
Aug (c)	**0.6%**	**4.5%**

Retail Prices (NSA) (9:30)

	M/M	Y/Y
Jul	-0.2%	5.0%
Aug (f)	**0.4%**	**5.0%**
Aug (c)	**0.6%**	**5.2%**

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

	M/M	Y/Y
Jul	-0.3%	5.0%
Aug (f)	**0.4%**	**5.0%**
Aug (c)	**0.6%**	**5.2%**

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

May	-8467	**Jul (f)**	**-8150**
Jun	-8873	**Jul (c)**	**-8500**

Tuesday 13 continued…

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

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

Jun	31.3	**Aug (f)**	**25.0**
Jul	37.1	**Aug (c)**	**32.0**

ILO Unemployment Rate (3 months ending, %) (9:30)

May	7.7	**Jul (f)**	**7.9**
Jun	7.9	**Jul (c)**	**7.9**

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

May	2.3	**Jul (f)**	**2.5**
Jun	2.6	**Jul (c)**	**2.7**

15
Retail Sales (Volume, SA) (9:30) (Inc. Fuels)

	M/M	Y/Y
Jul	0.2%	unch
Aug (f)	**-0.3%**	**-0.1%**
Aug (c)	**-0.3%**	**-0.1%**

BoE Inflation Attitudes Survey (Q3) (9:30)

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Rightmove House Prices (Sep) (00:01)

BoE Quarterly Bulletin (Q3) (9:30)

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

	'11	'10
Jun	14.3	13.7
Jul	0.0	3.5
Aug (f)	**13.5**	14.4

Minutes of the Bank of England Monetary Policy Committee Meeting (September 7-8) (9:30)

22
CBI Industrial Trends Monthly Survey (Sep) (11:00)

23
British Bankers Association Consumer Lending (Aug) (9:30)

M/M=month-over-month f=forecast
Q/Q=quarter-over-quarter r=revised
Y/Y=year-over-year c=consensus

Recent History-Latest Results

5
Purchasing Managers' Survey - Services (SA) (9:30)

Mar	57.1	Jun	53.9
Apr	54.3	Jul	55.4
May	53.8	Aug	51.1

6
BRC Retail Sales Monitor (Aug) (00:01)

New Car Registrations (Aug)

7
BRC Shop Price Index (Aug) (00:01)

REC/KPMG Report on Jobs (Aug) (00:01)

HBOS House Prices (Aug) (8:00)

Manufacturing Production (SA) (9:30)

	MM	Y/Y
May	1.8%	2.8%
Jun	-0.4%	2.1%
Jul	0.1%	1.9%

Industrial Production (SA) (9:30)

	M/M	Y/Y
May	0.8%	-0.9%
Jun	0.0%	-0.3%
Jul	-0.2%	-0.7%

Narrow Money & Reserve Balances (Aug) (9:30)

8
Bank of England MPC meeting (rate announcement 12 noon – *no change expected*)

9
PPI Output (NSA) (9:30)

	MM	Y/Y
Jun	0.2%	5.8%
Jul	0.3%	6.1%
Aug	0.1%	6.1%

PPI Output Exc. Food, Drink, Tobacco & Oil (NSA) (9:30)

	MM	Y/Y
Jun	0.2%	3.2%
Jul	0.4%	3.4%
Aug	0.2%	3.6%

PPI Input (NSA) (9:30)

	MM	Y/Y
Jun	0.1%	16.8%
Jul	0.5%	18.3%
Aug	-1.9%	16.2%

Construction Output (Jul) (9:30)

Key potential market-moving indicators and events include: Consumer Prices and the Trade Balance (both Tue. Sep. 13, 9:30 a.m.), the Labor Market Report – including unemployment and average earnings details – (Wed. Sep. 14, 9:30 a.m.) and Retail Sales (Thu. Sep. 15, 9:30 a.m.). In the following week, there is Public Sector Net Borrowing (Wed. Sep. 21, 9:30 a.m.).

July **consumer price inflation** edged up. The total **visible trade** gap widened from a shortfall in May to a larger shortfall in June. Claimant count **unemployment** showed a further and steeper rise, the largest since May 2009. **Average weekly earnings** growth picked in the three months to June. Real **retail sales** (including fuels) rose in M/M terms in July, down from the gain in the previous month. **Public Sector Net Borrowing** was down in July from the outcome in the same month of last year.

Indicator	Forecast	Consensus	Analysis
CPI (NSA)			
M/M	0.5%	0.6%	Peak yet to occur?
Y/Y	4.4%	4.5%	
RPI (NSA)			
M/M	0.4%	0.6%	Higher utility bills coming through.
Y/Y	5.0%	5.2%	
Visible Trade Balance, Global (SA)	-£ 8150 mln	-£ 8500 mln	Exports bounce?
Claimant Count Unemployment (SA)			
M/M (change, thousands)	25.0	32.0	Labor market turned for the worst.
ILO Unemployment Rate (SA)	7.9%	7.9%	Moving up.
Headline Average Earnings (Y/Y)	2.5%	2.7%	Consumer spending power ebbing.
Retail Sales (Volumes, SA)			
M/M	-0.3%	-0.3%	Poor weather adds to retail sector problems.
Y/Y	-0.1%	-0.1%	
Public Sector Net Borrowing (NSA)	£ 13.5 bln		Little underlying improvement evident.

Post Mortem—Prior Week Results

Services growth plummets. The services PMI slumped in August, dropping 4.3 points to 51.1, the lowest so far this year, with the M/M fall the second largest on record and actually larger than those seen in the immediate months after the Lehman collapse.

Sales weakness more marked. According to the British Retail Consortium, like-for-like nominal store sales growth faltered afresh in August, with the growth rate swinging back to -0.6% Y/Y from the three-month high of 0.6% Y/Y seen in July.

Industrial activity still feeble. July manufacturing output edged up 0.1% M/M, repairing little of the 0.4% drop of the previous month. Overall July industrial production, meanwhile, fell 0.2% in M/M terms after a flat June reading.

Correction in house prices. The latest data from HBOS showed house prices falling 1.2% M/M in August, a result that ended a run of three successive positive readings including the 0.2% July rise.

Shop price inflation edges down. According to the BRC, August shop price inflation decreased a further notch to 2.7% Y/Y, a three-month low. Prices rose 0.1% in M/M terms.

Less positive labor market signals continue. The latest (August) REC labor-market report provided more soft signs with regards to the jobs market, no worse than in the previous month.

Modest output cost pressures continue. August producer output prices rose by 0.1% in M/M terms, a third of the gain of the previous month and the smallest outcome in a year.

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Information for Decisions™

Forecast Calendar

September 9, 2011

Germany

Economic Indicators—Schedule and Forecasts (Local Times)

Wroblewski/Liu

September 12 – September 23, 2011

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Possibly from today:

Construction Orders (Jul) (8:00)

Import Prices (NSA) (8:00)

	M/M	Y/Y
Jun	-0.6%	6.5%
Jul	0.8%	7.5%
Aug (f)	**-0.7%**	**6.6%**

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Producer Prices (NSA) (8:00)

	M/M	Y/Y
Jun	0.1%	5.6%
Jul	0.7%	5.8%
Aug (f)	**-0.2%**	**5.6%**

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

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

Apr	62.0	Jun	54.6
May	57.7	Aug	50.9
Jun	54.6	**Sep (f)**	**51.5**

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

Apr	56.8	Jul	52.9
May	56.1	Aug	51.1
Jun	56.7	**Sep (f)**	**51.0**

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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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Purchasing Managers Survey Services, Final (SA) (9:45)

Mar	60.1	Jun	56.7
Apr	56.8	Jul	52.9
May	56.1	Aug	51.1

6

Manufacturing Orders, (M/M) (SA), (12 noon)

Feb	1.9%	May	1.5%
Mar	-2.7%	Jun	1.8%
Apr	2.9%	Jul	-2.8%

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Industrial Production (M/M) (SA) (12 noon)

Apr	-0.4%	Jun	-1.0%
May	0.9%	Jul	4.0%

Manufacturing & Mining Output (M/M) (SA), (12 noon)

Apr	0.1%	Jun	-1.1%
May	1.4%	Jul	4.5%

8

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

	'11	'10
May	14.8	9.9
Jun	12.7	14.3
Jul	10.4	13.6

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

	'11	'10
May	6.9	3.1
Jun	11.5	13.4
Jul	7.5	10.4

Labor Costs (Q2) (8:00)

ECB Governing Council meeting (decision at 13:45)
(no change)
Press conference at 14:30

9

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

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

Wholesale Price Index (NSA) (8:00)

	M/M	Y/Y
Jun	-0.6%	8.5%
Jul	-0.6%	8.2%
Aug	0.1%	6.5%

Key potential market-moving indicators and events include: no data of note in the coming week. In the following week, there are Producer Prices (Tue. Sep. 20, 8:00 a.m.), the flash Manufacturing and Services PMIs (Thu. Sep. 22, 9:30 a.m.) and possibly Import Prices.

July **producer price inflation** rose from the preceding month, but still being the second lowest in six months. The August **manufacturing PMI** decreased to a 23-month low. The August **services PMI** dropped to the weakest in just over two years. **Import prices** picked up in M/M terms in July, a clear contrast to the drop in the previous month.

Indicator	Forecast	Consensus	Analysis
Producer Prices (NSA)			
M/M	-0.2%		First M/M fall in two years?
Y/Y	5.6%		
Purchasing Managers' Index (SA)			
- Manufacturing – Flash	51.5		Has the bleeding stopped?
Purchasing Managers' Index (SA)			
- Services – Flash	51.0		Slide continues!
Import Prices - (NSA)			
M/M	-0.7%		Fresh fall in commodity prices.
Y/Y	6.6%		

Post Mortem—Prior Week Results

Less weak services. The August final PMI numbers revealed deeper and broad-based weakness in the service sector, actually to the weakest in just over two years, albeit with weakness less marked than envisaged in the flash numbers. Indeed, the services PMI was dropped 1.8 points to 51.1.

Orders fall clearly. Manufacturing orders dropped 2.8% M/M in July. This drop was the first in four months and the steepest since that seen at the end of 2010.

Industrial production soars. July industrial production soared by 4.0% M/M, thereby more than unwinding the little-revised 1.0% fall seen in the previous month, the latter having been the second decline in the last four months of data.

Exports fall again. The July (unadjusted) trade surplus narrowed to € 10.4 bln from € 13.6 bln in the same month of the previous year, also worsening from the € 12.7 bln June reading.

Consumer price inflation stable. Final data for August CPI showed headline inflation stable at 2.4% Y/Y, a 0.1 percentage point upward revision from the preliminary reading.

Prices edge back up. Wholesale prices increased 0.1% in M/M terms in August, a rise led by food, and being the first rise in four months and a contrast to the 0.6% falls of the two previous months.

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France

Economic Indicators—Schedule and Forecasts (Local Times)

September 12 – September 23, 2011

Wroblewski/Liu

12	13	14	15	16
	Consumer Prices (NSA) (7:30) M/M Y/Y Jul -0.4% 1.9% **Aug (f) 0.3% 2.0%** **Aug (c) 0.3% 2.0%**			
19	**20**	**21**	**22**	**23**
			Purchasing Managers' Index Manufacturing, Flash (SA) (9:00) Apr 57.5 Jul 50.5 May 54.9 Aug 49.1 Jun 52.5 **Sep (f) 50.0** Purchasing Managers' Index Services, Flash (SA) (9:00) Apr 62.9 Jul 54.2 May 62.5 Aug 56.8 Jun 56.1 **Sep (f) 55.3**	INSEE Monthly Survey of Industry (Sep) (8:45) INSEE Monthly Survey of Households (Sep) (8:45) Wages, Final (Q2) (8:45)

M/M=month-over-month f=forecast
Q/Q=quarter-over-quarter r=revised
Y/Y=year-over-year c=consensus

Recent History-Latest Results

5	6	7	8	9
Purchasing Managers' Index Services, Final (SA) (9:50) Mar 60.4 Jun 56.1 Apr 62.9 Jul 54.2 May 62.5 Aug 56.8			Visible Trade Balance (SA) (8:45) (Euro Billion) Feb -6.30 May -6.59 Mar -5.91 Jun -5.41 Apr -6.91 Jul -6.46 Salaried Employment, Final (SA) (8:45) Q/Q Y/Y QIV'10 0.3% 0.8% QI'11 0.5% 1.2% QII'11 0.2% 1.1% BoF Business Sentiment Survey (Aug) (8:30) ECB Governing Council meeting (decision at 13:45) *(no change)* *Press conference at 14:30*	Industrial Production, exc. Construction (SA) (8:45) M/M Y/Y May 2.3% 2.0% Jun -1.5% 2.5% Jul 1.5% 3.7% Manufacturing Production (SA) (8:45) M/M Y/Y May 1.5% 4.7% Jun -1.8% 3.7% Jul 1.4% 4.2% Central Government Budget (Jul) (8:45)

Key potential market-moving indicators and events include: Consumer Prices (Tue. Sep. 13, 7:30 a.m.). In the following week, there are the flash Manufacturing and Services PMIs (Thu. Sep. 22, 9:00 a.m.).

Headline **CPI inflation** fell in July to the lowest since February. The August **manufacturing PMI** decreased for a fourth successive month, dropping to the first sub-50 and weakest reading since July 2009. The August **services PMI** jumped, thereby more than unwinding the fall to a 16-month low seen in July.

Indicator	Forecast	Consensus	Analysis
Consumer Prices (NSA)			
M/M	0.3%	0.3%	Y/Y rate moving sideways!
Y/Y	2.0%	2.0%	
Purchasing Managers' Index (SA)			
- Manufacturing – Flash	50.0		Hope of some recovery.
Purchasing Managers' Index (SA)			
- Services – Flash	55.3		Slide resumes!

Post Mortem—Prior Week Results

Better services. Notably, involving a clear upward revision, the services PMI jumped 2.6 points to 56.8, thereby more than unwinding the fall to a 16-month low seen in July.

Wider trade gap. The July trade gap widened to € 6.46 bln from a gap of € 5.41 bln in June.

Business sentiment stabilizes. In the latest (August) Bank of France monthly report, the business sentiment indicator stayed at 98, still the lowest since October 2009 and remaining below the cycle-highs of the first three months of the year.

Employment rises clearly. Updated data showed (non-farm) employment increasing by 0.2% Q/Q in Q2, half the rise seen in the preliminary estimate and down from the 0.5% Q1 outcome.

Manufacturing recovers. Manufacturing output recovered clearly in July, rising 1.4% M/M, thereby unwinding much of the little-revised 1.8% slump seen in June.

Budget deficit narrows further. The July year-to-date central government budget balance showed a deficit of € 86.57 bln, down € 6.50 bln from the deficit seen in same period last year.

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Forecast Calendar

September 9, 2011

Italy

Economic Indicators—Schedule and Forecasts (Local Times)

Wroblewski/Liu

September 12 – September 23, 2011

12	13	14	15	16
Industrial Production* (10:00) M/M Y/Y Jun -0.6% 0.2% **Jul (f) unch 0.6%** **Jul (c) 0.2% 0.8%**			NIC Consumer Prices, Final, (NSA) (11:00) M/M Y/Y Jul 0.3% 2.7% **Aug (p) 0.3% 2.8%** **Aug (f) 0.3% 2.8%** **Aug (c) 0.3% 2.8%**	Visible Trade Balance, Global (NSA) (Euro billion) (11:00) '11 '10 May -2.4 -2.3 Jun -1.8 -3.2 **Jul (f) 2.0** 1.6
19	**20**	**21**	**22**	**23**
	Industrial Orders (NSA) (Y/Y) (10:00) Feb 16.2% May 13.6% Mar 21.2% **Jun (f) 9.0%** Apr 5.8% **Jul (f) 8.0%**			Retail Sales (NSA) (Y/Y) (10:00) Feb unch May -0.4% Mar -2.1% Jun -1.2% Apr 2.2% **Jul (f) -1.6%**

* M/M is seasonally-adjusted and working day adjusted. Y/Y is not seasonally adjusted but working-day adjusted.

Q/Q=quarter-over-quarter r=revised
Y/Y=year-over-year c=consensus
M/M=month-over-month f=forecast

Recent History-Latest Results

5	6	7	8	9
Purchasing Managers Survey Service (SA) (9:45) Mar 53.3 Jun 47.4 Apr 52.2 Jul 48.6 May 50.1 Aug 48.4			ECB Governing Council meeting (decision at 13:45) *(no change)* *Press conference at 14:30*	Gross Domestic Product, Final Estimate (SA) (11:00) Q/Q Y/Y QIV'10 0.1% 1.5% QI'11 0.1% 1.0% QII'11 0.3% 0.8%

Key potential market-moving indicators and events include: Industrial Production (Mon. Sep. 12, 10:00 a.m.), final Consumer Prices (Thu. Sep. 15, 11:00 a.m.) and the Global/EU Trade Balances (Fri. Sep. 16, 11:00 a.m.). In the following week, there are Industrial Orders (Tue. Sep. 20, 10:00 a.m.) and Retail Sales (Fri. Sep. 23, 10:00 a.m.).

June **industrial production** fell for a second successive month. Preliminary data showed that **consumer price inflation** edged up a notch in August to the highest in 34 months. The June (unadjusted) global **trade** deficit narrowed clearly from the shortfall in the same month of 2010. Data for May showed that Y/Y **industrial orders** growth was up very clearly from the pace recorded in April. Unadjusted nominal **retail sales** slumped in June, a more negative reading than the fall in the previous month.

Indicator	Forecast	Consensus	Analysis
Industrial Production*			
M/M	unch	0.2%	Weakness still evident.
Y/Y	0.6%	0.8%	
Consumer Prices – Final (NSA)			
M/M	0.3%	0.3%	EU-harmonized break-down provided.
Y/Y	2.8%	2.8%	
Trade Balance – Global	€ 2.0 bln		Return to surplus.
Industrial Orders (NSA)			
Y/Y	8.0%		Softer trend coming through.
Retail Sales (NSA)			
Y/Y	-1.6%		More adverse consumer signals.

* M/M is seasonally-adjusted and working day adjusted. Y/Y is not seasonally adjusted but working-day adjusted.

Post Mortem—Prior Week Results

Services still contracting? The August services PMI slipped slightly, losing 0.2 point to 48.4, albeit actually consolidating much of the one-point plus improvement of the previous month.

Growth still fragile. Final data confirmed that Q2 GDP increased by 0.3% Q/Q, a result that was up clearly from the unrevised 0.1% outcome of the previous quarter.

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BOJ Monetary Policy Meeting Minutes (8:50) (August 4)

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

Mar	2.0%	Jun	2.6%
Apr	2.5%	Jul	2.9%
May	2.1%	**Aug (f)**	**2.9%**

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

Feb	0.8%	May	0.8%
Mar	-5.9%	Jun	1.9%
Apr	2.7%	**Jul (f)**	**0.5%**

MOF Business Outlook Survey (8:50) (Third Quarter)

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

Mar	-15.5%	Jun	3.8%
Apr	1.6%	Jul (p)	0.6%
May	6.2%	**Jul (f)**	**0.6%**

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Holiday

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

	2011	2010
Jun	67.3	670.5
Jul	70.0	784.6
Aug (f)	**-250.5**	63.8

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

Feb	0.9%	May	1.8%
Mar	-6.4%	Jun	2.3%
Apr	1.7%	**Jul (f)**	**0.5%**

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Holiday

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

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BOJ Monetary Policy Meeting

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BOJ Monetary Policy Meeting

Official Reserves ($Billion, NSA) (8:50)

Mar	1116.0	Jun	1137.8
Apr	1135.5	Jul	1150.9
May	1139.5	Aug	1218.5

Business Conditions Composite Indexes (Prelim.) (14:00)

	Leading	Coincident
May	99.5	106.6
Jun	103.3	109.3
Jul	106.0	109.0

BOJ Shirakawa Press Conference (15:30)

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Bank Lending (Y/Y) (8 :50)

Mar	-1.7%	Jun	-0.6%
Apr	-1.0%	Jul	-0.6%
May	-0.8%	Aug	-0.5%

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

	2011	2010
May	590.7	1222.6
Jun	526.9	1057.8
Jul	990.2	1718.7

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

	2011	2010
May	-772.7	402.7
Jun	131.5	762.0
Jul	123.3	897.1

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

Feb	1.7%	May	3.0%
Mar	1.0%	Jun	7.7%
Apr	-3.3%	Jul	-8.2%

BOJ Monthly Report (14:00) (September)

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

Mar	2.6%	Jun	2.9%
Apr	2.7%	Jul	3.0%
May	2.7%	Aug	2.7%

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

10:Q2	-0.2%	11:Q1	-0.9%
10:Q3	1.0%	11:Q2 (p)	-0.3%
10:Q4	-0.6%	11:Q2	-0.5%

Indicator Highlights

Key potential market-moving indicators and events include: the MOF Business Outlook Survey (Mon., Sep. 12, 8:50); Tertiary Industry Activity (Mon., Sep. 12, 8:50); Revised Industrial Production (Wed., Sep. 14, 13:30); The Merchandise Trade Balance (Wed., Sep. 21, 8:50); and All Industry Activity (Wed. Sep. 21, 8:50).

The MOF business outlook survey will give a pre-TANKAN look at business sentiment, a key concern of Governor Shirakawa. Tertiary industry data are tracking the recovery of a very large sector of the economy from the March disasters. Preliminary July industrial production results showed an abrupt slowing in the manufacturing recovery, and revised numbers will be watched for any improvement.

Trade balance results, a critical determinant of Japan's economic growth, will reflect the impacts of a stronger yen and a fade in the global economic expansion. All industry data will give a fully fleshed-out picture of July growth on the production side of the economy.

Indicator	Forecast	Consensus	Analysis
Corporate Goods Price Index (Y/Y)	+2.9%		Still running high, on effects of global materials prices.
Tertiary Industry Activity (SA) (M/M)	+0.5%		Nearly back to pre-earthquake level.
Industrial Production (Revised)	+0.6%		Little revision, if any.
Merchandise Trade Balance (NSA)	-¥250.5 Billion		Very strong import growth forces a deficit.
All Industry Activity (SA) (M/M)	+0.5%		Pace of post-earthquake recovery has slowed.

Post Mortem—Recent Data Results

Leading index recovers, coincident falls. The preliminary leading index for July, as computed by the Cabinet Office, rose a further 2.7 points (to 106.0), the third successive major increase. Meanwhile, the coincident index ended a run of three successive rises, easing 0.3 point (to 109.0), albeit from an upwardly revised June outcome. These allowed the Cabinet Office to allege once again that Japan's economy is improving.

Lending less weak. Bank lending data for August 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 22 months.

Current account shows mixed messages. Surprising to the downside, the July (unadjusted) current account surplus narrowed clearly to ¥ 990.2 bln from the ¥ 1 718.7 bln surplus seen in the same month of 2010. Meanwhile, in seasonally adjusted terms, the current account surplus also deteriorated, but to ¥ 752.5 bln in July from ¥ 922.8 bln in June.

Orders fall back. Surprising to the downside, core machinery orders (excluding shipping and utilities) dropped clearly in July, with the 8.2% M/M drop more than unwinding the 7.7% June rise, the former being the second negative reading in the last four months of data).

Softer monetary dynamics. Undershooting expectations, August M2 money supply growth slowed 0.3 percentage point to 2.7% Y/Y, down from a previous reading that had been the highest in a year. Meanwhile, growth in the broader M3 measure slowed to 2.2% Y/Y.

Steep fall in economy. Surprising few, the updated Q2 GDP numbers revealed a modest downward revision. Still showing a contraction for a third successive quarter. It dropped by 0.5% Q/Q (-2.1% annualized), 0.2 percentage point down on the preliminary estimate, following an unrevised 0.9% slump in the previous quarter. As a result, the Y/Y rate was negative for a second consecutive quarter, falling by 1.1%. The Q/Q break-down showed that the latest fall in the headline reading reflected fairly broad-based weakness across components, with the downward revision a result of an expected downgrading of capex. Meanwhile, the Q2 GDP deflator fell by an unrevised 2.2% Y/Y, a steeper drop than the 1.9% fall in Q1 and now the largest decline in three quarters.

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Capacity Utilization (8:30) (NSA)

10:Q4	76.8%	**11:Q2 (f)**	**77.5%**
11:Q1	79.0%	**11:Q2 (c)**	**78.0%**

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

	Ships.	Inv.	New Ord.
Apr	-1.2%	1.3%	-8.8%
May	-0.7%	0.8%	0.1%
Jun	-1.6%	unch	1.6%
Jul (f)	**1.2%**	**0.4%**	**2.0%**
Jul (c)	**1.5%**		

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

	Sales	Inv.
Apr	-0.1%	1.4%
May	2.0%	0.4%
Jun	0.2%	0.1%
Jul (f)	**0.2%**	**0.3%**

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

	Total	BOC Core
May	3.7%	1.8%
Jun	3.1%	1.3%
Jul	2.7%	1.6%
Aug (f)	**2.7%**	**1.6%**

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

	Total	Ex-Auto
Apr	0.3%	-0.1%
May	0.3%	0.6%
Jun	0.7%	-0.1%
Jul (f)	**-0.2%**	**0.3%**

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

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Bank of Canada Rate Decision (9:00)

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

Mar	73.2	Jun	59.9
Apr	57.8	Jul	46.8
May	65.5	Aug	56.4

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

Feb	9.8%	May	20.9%
Mar	16.8%	Jun	2.8%
Apr	-21.5%	Jul	6.3%

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

Feb	-0.1	May	-1.4
Mar	-0.2	Jun	-1.4
Apr	-0.9	Jul	-0.8

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

Mar	-1.5	Jun	28.4
Apr	58.3	Jul	7.1
May	22.3	Aug	-5.5

Unemployment Rate (SA)

Mar	7.7%	Jun	7.4%
Apr	7.6%	Jul	7.2%
May	7.4%	Aug	7.3%

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

Mar	184.8	Jun	196.1
Apr	191.7	Jul	204.5
May	189.8	Aug	184.7

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

	Prod.	Comp.	ULC
10:Q3	0.5%	1.0%	0.6%
10:Q4	0.3%	1.0%	0.7%
11:Q1	0.4%	1.0%	0.6%
11:Q2	-0.9%	unch	0.9%

Key potential market-moving indicators and events include: Capacity Utilization (Wed., Sep. 14, 8:30 a.m.); the Survey of Manufacturing (Thu., Sep. 15, 8:30 a.m.); the Consumer Price Index (Wed., Sep. 21, 7:00 a.m.); and Retail Trade (Thu., Sep. 22, 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 be important in gauging the extent and nature of a pickup in activity following auto and energy sector disruptions.

The Consumer Price Index, especially the Bank of Canada "core" measure, will be watched for confirmation that price pressures are contained, with signs of deceleration to keep the Bank focused on risks to growth. Retail trade data will give an early read on Q3 consumer spending, important for reassurance that GDP growth returns to the black.

Indicator	Forecast	Consensus	Analysis
Capacity Utilization (NSA)	77.5%	78.0%	Production disruptions boost slack.
Survey of Manufacturing (M/M) (SA)			
Shipments	+1.2%	+1.5%	Some recovery from auto and energy-related disruptions.
Inventories	+0.4%		
New Orders	+2.0%		
Wholesale Trade (M/M)			
Sales	+0.2%		Modest gain.
Inventories	+0.3%		
Consumer Prices (Y/Y)			
Total	+2.7%		Steady, as base effects keep gasoline price inflation elevated.
Core	+1.6%		Well-contained.
Retail Trade (M/M)			
Total	-0.2%		Vehicles subtract from headline after June surge.
Ex-Auto	+0.3%		

Bank of Canada drops hawkish tones; sees "diminished" need to withdraw stimulus, but no hints of cut…yet. As expected, the Bank of Canada left its target rate unchanged at 1.0%. In any event, market attention was squarely on the extent to which the accompanying statement would mirror the market's recent swing from pricing in rate hikes in late 2011, to potential cuts. Taken as a whole, the statement points to a desire to keep rates where they are for quite some time – maintaining stimulus at current levels for longer represents easing relative to the path envisioned earlier this year – but does include language that opens the door to easing if conditions continue to deteriorate. This contrasts clearly with the BoC's tone in mid-July, when the policy statement took a more hawkish bent and had a more optimistic view of the growth outlook, with more emphasis on transitory factors.

The statement substantially tempered language on both growth and inflation, and emphasized more firmly heightened downside risks, but stopped short of hinting directly at easing policy, noting only that "the need to withdraw monetary policy stimulus has diminished." Dropped was the characterization of current policy stimulus as "considerable," and added was the observation that financial conditions in Canada "have tightened somewhat and could tighten further in the event global financial conditions continue to deteriorate." However, that tightening is occurring from a loose base, as "the supply and price of credit to businesses and households remain very stimulative."

Other details included few overt surprises: the global economic outlook deteriorated as downside risks "have been realized," marked by intensification of the European debt crisis, financial market volatility, and weaker than expected growth in the U.S. due to the anticipation of "even more subdued" consumer spending and upcoming fiscal drag. On the European front, the Bank is looking for "additional significant initiatives" to resolve those strains; such initiatives, should they be happened upon, will almost certainly not be agreed upon smoothly, likely leaving that a clear risk for quite some time. On the domestic front, the Bank sees the Q2 GDP stall (-0.4% contraction) as "largely due to temporary factors," and continues to see a resumption of growth in the second half on consumer spending and business investment. The Bank's outlook for net export performance over recent quarters has gone from modestly positive, to slightly weaker growth, to now being "a major source of weakness." Consistent disappointment there has been due to both disappointing external demand, and "ongoing competitiveness challenges" due to the strong CAD. Of some concern, even the upside domestic drivers are accompanied by risks, as "lower wealth and incomes will likely moderate the pace of investment and consumption growth." Inflationary pressures are also seen to be dampened by weak global momentum, as headline inflation is expected to continue to moderate as food and energy price increases unwind.

More subdued inflation prospects, soft external demand accompanied by myriad potential shocks, and moderate consumer spending growth due to stretched balance sheets all augur maintaining accommodation deep into 2012, and perhaps longer. With respect to the chances of a cut, Financial market tensions – Eurozone-derived and broader risk sentiment – and the possibility of a declining confidence spiral will continue to have markets anticipating an eventual rate cut by the Bank of Canada. Still unlikely? Probably, but given clear risks to the downside, it remains hard to discount that outcome too strongly, even recognizing how reluctant the BoC would be to capitulate further on the outlook.

Ivey Index back above 50. The Ivey PMI rebounded to 56.4 from 46.8 in August, signifying a larger percentage of firms saw business as improving from the month prior, than declining. The Employment index slipped to 52.5, the lowest level since January. The Prices Index rose to 64.0 from 62.2, remaining well down from a high near 80 in February, and the Inventory Index remained elevated at 57.9, edging down from 58.5, still near post-recession highs. The link between the Ivey index (headline, and components) and actual activity variables on a month-to-month basis is far from tight, but the results do corroborate signs of moderate economic growth, decelerating employment growth, and elevated but diminishing price pressures, seen in recent months.

Some unwind of recent negative trade data. The merchandise trade deficit narrowed to $0.8 billion in July, from $1.4 billion in June. Of note, constant-dollar exports rose 4.1% while imports fell 0.4% (also in volume terms), providing early evidence that some of the net export weakness in Q2 will reverse in the third quarter. Exports of autos, industrial goods, and machinery and equipment rose strongly, while exports of energy product slipped for a third straight month. On the import side, energy and autos provided the largest month-on-month gains, while imports of machinery and equipment fell, after four months of gains.

Residential building permits surge. The value of building permits rose 6.3% in July to $7.0 billion, driven by a 30% surge in residential multi-family intentions, mainly in Ontario. The value of single-family permits rose 3.4% (and 1.5% in unit terms). On the non-residential side, the value of permits fell 4.5% to $2.7 billion, as weakness in industrial intentions offset institutional strength (commercial intentions were little-changed). The result on the residential side pushed that measure to a level just shy of the December 2005 peak, and more-clearly breaks the flat-to-declining trend in place since early 2010.

Weak employment data. The August Labor Force survey echoed weakness south of the border, with the economy losing 5,500 jobs during the month, a result that follows on a meager 7,100 gain in July. The goods sector lost 40,100 on another drop in the forestry/fishing industries (-11,500, a fourth consecutive decline), a reversal of some of July's construction surge (-24,300, following on a 30,800 gain in July), and a little-change manufacturing result (+3,100). In the service sector, a net increase on 34,600 was due to a surge (+50,100) in the health care sector, which more than recovered a near-40K decline in July. Elsewhere, trade and transportation industries gave back some of their July gains, while business support services declined for a second straight month. Encouragingly, full-time employment continued to rise at a brisk pace, up 25,700 in August after a similar-sized gain in July. The unemployment rate rose to 7.3%, as the labor force rose 10,500. The decline in the unemployment rate to 7.2% in July had been in large part due to a near-30K drop in the labor force, so this month's rise reflects some anticipated payback there.

Hourly wage growth held at 1.4% y/y, which still represents a pace far below the 2-4% range seen in the pre-recession period (near-5% in early 2008), and the 2-2.5% pace over 2010 to mid-2011. That adds to evidence supporting very moderate consumer spending growth, even if near-term global fragilities do not become more serious. Risks to growth in the second half of 2011 are heightened, even taking into account the favorable July international trade data. The question remains what the underlying state of consumer and business confidence are after production comes back online in the energy and auto sectors. That state appears to be increasingly fragile. Further softening on the domestic front, combined with a very uncertain external demand picture, would be unwelcome news.

Housing starts decline on multi-family units. Housing starts dipped 9.7% in August to 184,700, led by an 18,600 decline in urban multi-family units. Single-family starts were little-changed at 64,400, bouncing along a level established in late 2010.

Labor productivity declines. As expected, business labor productivity fell in Q2, dropping 0.9% from the previous quarter, as a decline in output (-0.3%), in part on temporary factors, was met by a 0.6% increase in hours. Hourly compensation, meanwhile, was flat after three straight 1.0% increases, the weakest print since late 2007. That translated into a 0.9% increase in unit labor costs, a result that looks even worse when measured in US dollar terms (+2.8%).

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