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# Forecast Calendar

June 8, 2012

# Canada

## Economic Indicators—Schedule and Forecasts

Ellis/Pumphrey/Husby

**June 4 – June 8, 2012**

**11**

**12**

**13**

**14**

Capacity Utilization (8:30)

| | | | |
|---|---|---|---|
| 11:Q3 | 80.0% | **12:Q1 (f)** | **80.5%** |
| 11:Q4 | 80.5% | **12:Q1 (c)** | **80.5%** |

**15**

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

| | Ships. | Inv. | New Ord. |
|---|---|---|---|
| Feb | -0.3% | 0.3% | 2.5% |
| Mar | 1.9% | 1.2% | 2.0% |
| **Apr (f)** | **1.0%** | **0.8%** | **1.2%** |
| **Apr (c)** | **0.2%** | | |

**18**

**19**

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

| | Sales | Inv. |
|---|---|---|
| Jan | -1.0% | 0.9% |
| Feb | 1.5% | 1.3% |
| Mar | 0.4% | 0.9% |
| **Apr (f)** | **0.3%** | **0.6%** |

**20**

**21**

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

| | Total | Ex-Auto |
|---|---|---|
| Jan | 0.2% | -0.8% |
| Feb | -0.2% | 0.4% |
| Mar | 0.4% | 0.1% |
| **Apr (f)** | **-0.3%** | **0.1%** |

Carney Speech (11:45), Atlantic Institute for Market Studies, Halifax NS

**22**

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

| | Total | BOC Core |
|---|---|---|
| Feb | 2.6% | 2.3% |
| Mar | 1.9% | 1.9% |
| Apr | 2.0% | 2.1% |
| **May (f)** | **1.8%** | **2.0%** |

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

## Recent History-Latest Results

**4**

**5**

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

| | | | |
|---|---|---|---|
| Nov | -1.1% | Feb | 7.7% |
| Dec | 10.5% | Mar | 4.9% |
| Jan | -11.4% | Apr | -5.2% |

Bank of Canada Rate Decision (9:00)

**6**

**7**

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

| | | | |
|---|---|---|---|
| Dec | 63.5 | Mar | 63.5 |
| Jan | 64.1 | Apr | 52.7 |
| Feb | 66.5 | May | 60.5 |

**8**

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

| | | | |
|---|---|---|---|
| Dec | 200.4 | Mar | 213.6 |
| Jan | 201.1 | Apr | 243.8 |
| Feb | 203.9 | May | 211.4 |

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

| | Prod. | Comp. | ULC |
|---|---|---|---|
| 11:Q2 | -1.0% | unch | 1.0% |
| 11:Q3 | 0.7% | -0.1% | -0.7% |
| 11:Q4 | 0.7% | 1.5% | 0.8% |
| 12:Q1 | 0.1% | 0.5% | 0.4% |

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

| | | | |
|---|---|---|---|
| Nov | 1.0 | Feb | 0.1 |
| Dec | 3.2 | Mar | 0.2 |
| Jan | 1.7 | Apr | -0.4 |

Labor Force Survey (8:30) Employment (Change, Thous., SA)

| | | | |
|---|---|---|---|
| Dec | 21.7 | Mar | 82.3 |
| Jan | 2.3 | Apr | 58.2 |
| Feb | -2.8 | May | 7.7 |

Unemployment Rate (SA)

| | | | |
|---|---|---|---|
| Dec | 7.5% | Mar | 7.2% |
| Jan | 7.6% | Apr | 7.3% |
| Feb | 7.4% | May | 7.3% |

## Indicator Highlights



Key potential market-moving indicators and events include: Capacity Utilization (Thurs., June 14, 8:30 a.m.); the Survey of Manufacturing (Fri., June 15, 8:30 a.m.); Retail Trade (Thurs., June 21, 8:30 a.m.); and the Consumer Price Index (Fri., June 22, 7:00 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.

Retail trade data will provide the first look into Q2 consumer spending behavior after a weak Q1. Consumer price indices downtick on lower energy and utilities costs.

| Indicator | Forecast | Consensus | Analysis |
|---|---|---|---|
| Capacity Utilization | 80.5% | 80.5% | Slack unchanged. |
| Survey of Manufacturing (M/M) (SA) | | | |
| Shipments | +1.0% | +0.2% | Inventory building continues as stockpiles reach a ten-year high. |
| Inventories | +0.8% | | |
| New Orders | +1.2% | | |
| Wholesale Trade (M/M) | | | |
| Sales | +0.3% | | More inventory building as auto parts rebound. |
| Inventories | +0.6% | | |
| Retail Trade (M/M) | | | |
| Total | -0.3% | | Vehicle sales decline, other categories intact. |
| Ex-Auto | +0.1% | | |
| Consumer Prices (Y/Y) | | | |
| Total | +1.8% | | Prices downtick on slower gas price increases in year-over-year terms. |
| Core | +2.0% | | |

## Post Mortem—Prior Week Results

**Building permits decline on diminished Toronto activity.** The value of building permits fell 5.2% m/m in April (Consensus: -1.5%; Decision Economics: +2.0%) to C$6.49 billion. Residential permits declined 2.8% m/m to C$3.8 billion while non-residential permits fell 8.4% m/m to C$2.7 billion. The trend towards less activity was broad-based: single-family residential, multi-family residential and institutional permits—together representing two-thirds of permits—all posted drops.

**The Band of Canada continues to hold interest rates.** The BoC maintained the overnight rate target at 1%, where it has been since September 2010, on worsening global conditions and tame domestic growth. BoC governor Mark Carney's policy statement suggested that tightening is the more likely scenario in the coming months—contingent on the global backdrop.

**Ivey PMI shows increasing purchasing activity.** The Ivey PMI overshot forecasts at 60.5 in May (Consensus: 54.3; Decision Economics: 55.0), up 7.8 points from a month ago. The 3-month average is currently 58.9—well within expansion territory—somewhat easing concerns that a weak reading last month signaled contracting activity in the manufacturing sector as a whole.

**Housing starts expectedly slow after colossal April.** The pace of Canadian housing starts slowed for the first time in six months—coming in at 211.4K for May (Consensus: 215K; Decision Economics: 198.5K). Urban starts fell off by 15.8% m/m to 189.6K, with multi-family unit construction slowing by 20.7%. Rural area housing starts increased 16.6% m/m, mostly unwinding a 19% decline in April. The pace of housing starts in urban centers in Quebec and Ontario decreased by 36% and 18% respectively, while urban starts in British Columbia picked up by 21%.

*The general slowdown is unsurprising, as it comes on the heels of a monster 243.8K pace in April. However, the current pace still exceeds that suggested by the rate of household formation. Population demographics indicate that a rate closer to 180K would be sustainable. Canadian policymakers continue to fret over the overheated urban condo markets, so it is a welcome sign that the pace of activity is abating somewhat.*

**April trade data shows weaker exports.** The Canadian trade balance was –C$0.4 billion in April (Consensus: +0.2; Decision Economics: +0.8) as exports declined. Exports dropped 1.2% m/m, to C$39.1 billion, as industrial products fell 5.7% while machinery posted a 3.1% drop. Imports increased slightly, +0.1% m/m to C$39.5 billion, as energy imports fell 6.8% and automotive parts increased 2.6%.

Eurozone exports were relatively flat, while Japan and U.S. exports each declined 1.2% m/m. U.K. exports fell 4.8% over the month, while exports to other OECD countries deteriorated by 6.5%.

While spillover effects from the Eurozone crisis are not clear in the data (yet), the crisis in the Eurozone is one reason that the BoC is forecasting for exports to contribute little to growth this year. Upcoming months will be watched for signs of weakening export activity, as the recession in the Eurozone is turning out to be worse than forecasted.

**Modest employment gains leave unemployment rate unchanged**. May Labor Force Survey data showed 7.7K jobs had been added over the month (Consensus: +5K; Decision Economics: +15K)—a major slowdown following the average of +70.2K jobs added over each of the past two months. Manufacturing added 36.4K jobs, the sixth consecutive month of increases totaling +114.9K jobs. Construction lost 27K jobs last month, more than unwinding April's +24.6K gain. The retail and wholesale industries added 23.6K jobs last month, although still have lost 41K jobs over the past year. British Columbia added 30.5K jobs last month, while Ontario lost 22.9K.

The gains were not of a favorable mix: the private sector loss of 22.5K jobs was overshadowed by gains in the public sector (+6.9K) and those claiming self-employment (+23.3K). The past two months had shown 128.4K jobs added to the private sector; while some snapback was likely, sustainable labor market improvement depends on continued job growth in this sector. The unemployment rate remained unchanged at 7.3%.

**Unit labor costs increase as compensation gains outweigh productivity.** Productivity increased 0.1% q/q (Consensus: +0.3%; Decision Economics: unch) as real GDP (+0.5% q/q) outpaced hours (+0.4% q/q). Compensation rose 0.5% q/q (Decision Economics: +0.7%) and unit labor costs increased by 0.4% q/q (Decision Economics: +0.7%).

*This is the second consecutive quarter in which productivity gains lagged compensation increases—resulting in higher unit labor costs. Moreover, the loonie appreciated 2.3% versus the dollar from a quarter ago. Therefore, Canada unit labor costs increased 2.6% when measured in dollar terms. This illustrates how a strong currency dwarfs productivity gains and hinders export competitiveness.*

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