



Canada

Economic Indicators—Schedule and Forecasts

Ellis/Pumphrey/Husby

June 4 – June 15, 2012

4	5	6	7	8																				
	<p>Building Permits (8:30) (M/M) (SA) Dec 10.5% Mar 4.7% Jan -12.3% Apr (f) 2.0% Feb 7.5% Apr (c) -1.5%</p> <p>Bank of Canada Rate Decision (9:00) (Hold. Inflation at target, stronger labor market. But Europe still presents near-term risk, high household debt levels a longer-term concern. U.S. recovery on softer footing.)</p>		<p>Ivey Purchasing Managers' Survey (10:00) (SA) Jan 64.1 Apr 52.7 Feb 66.5 May (f) 55.0 Mar 63.5 May (c) 54.3</p>	<p>Housing Starts (8:15) (Thousand, SAAR) Jan 201.1 Apr 244.8 Feb 204.9 May (f) 198.5 Mar 214.8 May (c) 215.0</p> <p>Productivity and Costs (8:30) (Q/Q) (SA)</p> <table> <tr> <td></td> <td>Prod.</td> <td>Comp.</td> <td>ULC</td> </tr> <tr> <td>11:Q3</td> <td>0.6%</td> <td>-0.1%</td> <td>-0.6%</td> </tr> <tr> <td>11:Q4</td> <td>0.7%</td> <td>1.5%</td> <td>0.8%</td> </tr> <tr> <td>12:Q1 (f)</td> <td>unch</td> <td>0.7%</td> <td>0.7%</td> </tr> <tr> <td>12:Q1 (c)</td> <td>unch</td> <td></td> <td></td> </tr> </table> <p>International Trade (8:30) (Balance, C\$ Billion, SA) Dec 3.2 Mar 0.4 Jan 2.0 Apr (f) 0.8 Feb 0.3 Apr (c) 0.1</p> <p>Labor Force Survey (8:30) Employment (Change, Thous., SA) Jan 2.3 Apr 58.2 Feb -2.8 May (f) 15.0 Mar 82.3 May (c) 10.0</p> <p>Unemployment Rate (SA) Jan 7.6% Apr 7.3% Feb 7.4% May (f) 7.3% Mar 7.2% May (c) 7.3%</p>		Prod.	Comp.	ULC	11:Q3	0.6%	-0.1%	-0.6%	11:Q4	0.7%	1.5%	0.8%	12:Q1 (f)	unch	0.7%	0.7%	12:Q1 (c)	unch		
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11	12	13	14	15																				
			<p>Capacity Utilization (8:30) 11:Q2 79.2% 11:Q4 80.5% 11:Q3 80.0% 12:Q1 (f) 80.5%</p>	<p>Survey of Manufacturing (8:30) (M/M) (SA)</p> <table> <tr> <td></td> <td>Ships.</td> <td>Inv.</td> <td>New Ord.</td> </tr> <tr> <td>Jan</td> <td>-0.9%</td> <td>1.1%</td> <td>0.8%</td> </tr> <tr> <td>Feb</td> <td>-0.3%</td> <td>0.3%</td> <td>2.5%</td> </tr> <tr> <td>Mar</td> <td>1.9%</td> <td>1.2%</td> <td>2.0%</td> </tr> <tr> <td>Apr (f)</td> <td>1.0%</td> <td>0.8%</td> <td>1.2%</td> </tr> </table>		Ships.	Inv.	New Ord.	Jan	-0.9%	1.1%	0.8%	Feb	-0.3%	0.3%	2.5%	Mar	1.9%	1.2%	2.0%	Apr (f)	1.0%	0.8%	1.2%
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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

28	29	30	31	1
		<p>Industrial Product Prices (8:30) (NSA) M/M Y/Y Jan 0.4% 2.4% Feb 0.3% 1.8% Mar 0.2% 0.9% Apr unch 0.4%</p> <p>Raw Materials Prices (8:30) (NSA) M/M Y/Y Jan 0.1% 4.3% Feb -0.6% 1.3% Mar -1.7% -5.7% Apr -2.0% -13.6%</p>		<p>Real GDP (8:30) (Q/Q) (SAAR) 11:Q2 -0.6% 11:Q4 1.9% 11:Q3 4.2% 12:Q1 1.9%</p> <p>Real GDP (8:30) (M/M) (SA) Oct unch Jan 0.1% Nov -0.1% Feb -0.2% Dec 0.5% Mar 0.1%</p>

Indicator Highlights

Canada

Key potential market-moving indicators and events include: Building Permits (Tues., June 5, 8:30 a.m.); the Bank of Canada rate decision (Tues., June 5, 9:00 a.m.); Housing Starts (Fri., June 8, 8:15 a.m.); Productivity and Costs (Fri., June 8, 8:30 a.m.); International Trade (Fri., June 8, 8:30 a.m.); the Labor Force Survey (Fri., June 8., 8:30 a.m.); Capacity Utilization (Thurs., June 14, 8:30 a.m.); and the Survey of Manufacturing (Fri., June 15, 8:30 a.m.).

Building permits data have been noisy of late, but positive data is still a leading indicator for the business cycle. The Bank of Canada will hold rates at 1% as escalating tensions in Europe and softer data from the U.S. and China suggest that global headwinds are picking up (again!) which outweighs on-target inflation and robust labor market data of late. Housing starts data likely show moderation from recent highs, however a building permits backlog will keep housing starts above their sustainable long-run pace. Productivity and Costs is important in the estimation of potential GDP and as a gauge of labor costs. The International Trade Balance report will show if the recent trend of positive net exports continues into 2012 Q2. The Labor Force Survey provides a timely-but-volatile read on the underlying economic backdrop, and will be watched for signs that the recent breakneck pace of improvement is sustainable.

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.

Indicator	Forecast	Consensus	Analysis
Building Permits (M/M) (SA)	+2.0%	-1.5%	Residential permits still elevated, but non-residential activity shows snapback.
Ivey Purchasing Managers' Survey (SA)	55.0	54.3	Improved manufacturing sentiment on firmer labor and price data.
Housing Starts (SAAR)	198,500 units	215,000 units	Low mortgage rates keep housing starts above projected long run level.
Productivity and Costs (Q/Q) (SA)			
Productivity	unch	+0.3%	Competitiveness woes continue.
Compensation	+0.7%		
Unit Labor Costs	+0.7%		
International Trade (Balance, SA)	+C\$0.8 billion	+C\$0.1 billion	Stronger commodity prices offset by stronger loonie.
Labor Force Survey, Employment (Change, SA)	+15,000	+10,000	Some slowdown after unsustainable +130K over last two months.
Unemployment Rate (SA)	7.3%	7.3%	Holding steady as job gains are offset by rising participation.
Capacity Utilization	80.5%		Slack unchanged.
Survey of Manufacturing (M/M) (SA)			
Shipments	+1.0%		Inventory building continues as stockpiles reach ten-year high.
Inventories	+0.8%		
New Orders	+1.2%		

Post Mortem—Prior Week Results

Materials price indices meet expectations. The raw materials price index (RMPI) matched forecasts by declining 2% m/m (Consensus and Decision Economics: -2%) in April. Mineral fuels led the decline, falling 2.8% m/m and 21.3% y/y. The RMPI ex mineral fuels posted a 1.3% m/m drop. The index has fallen 13.6% from a year ago. The industrial product price index (IPPI) also came in close to forecasts, staying unchanged for the month (Consensus: +0.1%; Decision Economics: -0.2%). Petroleum and coal product prices increased 0.4% m/m while chemical product prices gained 1.7% m/m. Prices for primary metals eased by 2.1% for the month. The IPPI has increased 0.4% y/y.

This widening in the gap between the price indices suggests wider margins for manufacturers over the past year—a good sign as the strong loonie might encourage businesses to slash prices (and margins) to compete globally.

Canada GDP underwhelming—particularly domestic demand. The Canadian economy expanded by 0.1% m/m in March (Consensus and Decision Economics: +0.3%) as growing output in the services sector was offset by a shrinking goods sector. In the goods sector, mining and quarrying output fell by 1.6% m/m while utilities decreased 0.9% m/m on warmer weather.

Quarterly GDP met analyst forecasts at 1.9% (Consensus: +1.9%; Decision Economics: +1.8%) on a seasonally adjusted annualized basis. Business investment rose by 1.3% q/q as companies stockpiled inventories in Q1. Consumption increased a meager 0.2% q/q—the slowest pace in three years. Domestic demand, expected to be the major factor behind growth, fell to 1.6% from 1.9% in y/y terms—also a three-year low. Export growth slowed to 0.6% q/q (from 1.7%) as global demand waned, while import growth picked up to 1.1% q/q (from 0.6%).

BoC forecasts in April called for 2.5% growth in the first quarter and 2.4% growth for 2012, more optimistic than the DE forecast of 2% to 2.5% with risks to the downside. BoC head Mark Carney had hinted at upcoming rate hikes, but meager growth in Q1 plus mounting external headwinds suggest hold rates with a bias towards easing through the end of the year. Don't be surprised if the next BoC Monetary Policy Report has downgraded forecasts.

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