

# Canada: Weekly Notes

## Key events for the week of April 5-9, 2010

### Economic diary – Canada

Date		Last	Median	HSBC	Impact	Comments
Apr 7	Building Permits M/M – Feb (8:30)	-4.9%	1.7%	3.4 %	Minor	<ul style="list-style-type: none"> <li>▶ A spike in builder interest for single family homes in January is expected to fade in February in favor of multi family dwellings. In turn, this will affect the dollar value of residential permits, given that multi-family dwellings tend to come in at lower pricing points than single family homes.</li> <li>▶ For February, we are forecasting a -2.3%/m decline in the value of residential building permits. The upside is expected to originate in the non-residential permits category which suffered a 21%/m decline in January. We are assuming that both commercial permits, along with institutional and government permits will recover from the substantial declines realized in January. Overall, non-residential permits are forecast to have risen by 17.1%/m which when combined with a 2.3% decline in residential permits will net out to an overall rise in permits of 3.4%/m.</li> </ul>
	Ivey PMI – Mar (10:00)	51.9	53.0	58.0	Med	<ul style="list-style-type: none"> <li>▶ Historically, March is one of the strongest months for the IVEY PMI. Indeed. Out of the 11 years for which there is data available, in 8 of those years the March IVEY printed in the mid to high 60s. As the number is not seasonally adjusted, history tends to provide a decent guide. Still, the effects of recession continue to linger, causing the readings on the IVEY to disappoint the historical norms. Even with our forecast at 58.0, the March IVEY could still be viewed as under performing the seasonal norms for the data set, save for 2009's recession plagued reading of 43.2. The event risk to the forecast is that the effects of recession continue to color the number set causing it to significantly under perform the seasonal norms.</li> <li>▶ Strong manufacturing PMI's out of China, Europe, the UK and a Japanese Tankan report running stronger, are the backdrop against which the Canadian IVEY PMI will be hoisted up against. Yet while the IVEY has recently been dishing out some disappointment, the actual economy has performed where it counts, churning out high levels of GDP growth.</li> </ul>

*Continued on page 2*

Source: HSBC Canada

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Economic diary – Canada (cont'd)

Date		Last	Median	HSBC	Impact	Comments
Apr 9	<b>Net Change in Employment – Mar (7:00)</b>	20.9K	25.0K	35.0K	Major	<p>▶ Again, the goods producing sector is driving the boat. We are forecasting gains in manufacturing, construction and extraction industries which are expected to have continued to recover on the back of rising demand in keeping with the theme of global recovery and improved pricing metrics. A wet spring however may be holding up the planting season contributing to soft jobs growth for agriculture. Service sector employment is forecast to be up slightly, with gains in the trade, warehousing and financials largely offset by declines in healthcare, education, accommodation and cultural industries. Overall, goods producing sectors are expected to have added on 30K positions while service sector employment is up by only 5K.</p> <p>▶ The profile of the jobs forecast is in keeping with an economic recovery being led by rising activity in the goods sector which bore the burnt of the economic downturn. In the past 24 months, goods producing industries shed a little over 300k jobs. By contrast, at the same time that the goods sector was rapidly shedding capacity, the service sector was bulking up, adding 555K jobs.</p>
	<b>Unemployment Rate – Mar (7:00)</b>	8.2%	8.1%	8.1%	Major	<p>▶ Our forecast for the unemployment rate to remain at 8.1% is predicated on the participation rate remaining unchanged following a 0.1ppt decline in February to 67%. The net gain in jobs (+35K) is sufficient to fully offset the natural growth in the labor force (c20K), as well as sopping up some of the excess.</p>

Source: HSBC Canada

# Disclosure appendix

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