12 November 2010

Economics
Canada

HSBC Global Research

Canada: Weekly Notes

Key events for the week of November 15–19, 2010

Economic diary – Canada

Date		Last	Median	HSBC	Impact	Comments
Nov 16	Manufacturing sales M/M – Sep (8:30)	2.0%		-1.6%	Med	September's trade report reflected a 2.2% decline in export volumes for merchandise, which points to a potentially significant softening in the manufacturing shipments data. The key points in our forecast of a -1.6% drop in shipments include a significant reversal of the 7.9%m/m jump in the transportation and equipment category, along with a decline in the petroleum and coal products category. Recall that shipments of crude into the US were interrupted by disruptions associated with some cross-border pipelines. In the same vein, inventories might see an involuntary spike, as energy liquids backed up in the system. On the upside, new orders were particularly strong in August, having risen 5.3%. That said, new orders were particularly weak in July at -4.2%, which did not seem to hamper sales in August.
Nov 18	Leading indicators M/M – Oct (8:30)	-0.1%		0.2%	Minor	When looking at the constituents of the LEI, we find that new housing starts in October plunged 9%m/m, while existing home sales were characterized as having only edged higher. Sales in the appliance and furniture category have softened in concert with a moderation in the housing market. Employment growth has slackened and the average hours worked stagnated. New orders, which previously provided for an offset to a weakening housing index, have begun to soften and slide. On the upside, stocks have continued to log gains, while money supply has continued to grow. Although we look for retail sales in the appliance category to have softened, preliminary data on unit auto sales point to a strong showing in the sales of durable goods category. Taking all this together, our forecast of an incremental 0.2% rise in the LEI reflects economic realities in the post-inventory restocking environment.
	Int'l securities transactions – Sep (8:30)	CAD11.1bn		CAD5.0bn	Minor	A continued flurry of foreign currency new issuance out of Canadian provincial and corporate entities targeted at foreign investors continued in September. That said, the September calendar was heavy in GOC retirements that will tend to wash against the influx of new issuance. On that basis, we forecast a significant slowdown in the rate of net consumption of Canadian securities by foreign investors. Still, the forecast of a net CAD5.0bn is still strong in terms of historical norms. That said, 2009 and 2010 may represent a new norm in which diversification has placed Canada on the investor map.
	Wholesale sales M/M – Sep (8:30)	1.2%		0.1%	Med	For September, we are looking for auto industry sales to bounce back, as the segment restocks following two months of significant inventory reduction in front of the new model year. Machinery, equipment, and supplies, the largest category, should see some softening following significant gains in previous months. Vehicle inventories in July fell 4.3% m/m. Building materials should have seen a slight improvement, following significant drawdowns in inventory levels in August.

Source: HSBC Canada

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Disclosure appendix

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