

Canada: Weekly Notes

Key events for the week of November 29 – December 3, 2010

Economic diary – Canada

Date		Last	Median	HSBC	Impact	Comments
Nov 29	Current account (BoP) – Q3/10 (8:30)	-CAD11.0bn	-CAD15.2bn	-CAD14.9bn	Med	<p>▶ The current account is expected to have deteriorated in Q3/10 on the back of a growing trade deficit. For our forecast, we have penciled in a widening of the trade deficit of –CAD4.2bn. In other areas of the report, the travel deficit is expected to have grown by CAD100m, as Canadian trips abroad outpaced foreign visits to Canada. As is usually the case, the wildcard for the report should be the disposition of investment income flows, which can swing sharply. On a net basis, we expect to see some continued improvement in the investment income deficit, as Canadian corporate profits were flat in Q3/10 against an improved picture in other jurisdictions outside Canada. Foreign investment flows into Canada also should have improved. For our forecast, we are assuming that the investment income deficit narrowed by CAD400m. All in, we are looking for the current account deficit to have widened to –CAD14.9bn.</p>
Nov 30	GDP M/M – Sep (8:30)	0.3%	0.1%	0.1%	Major	<p>▶ We forecast September GDP unrounded at 0.07%/m/m, not out of context with our longer-term outlook for the economy to grow at incremental rates only over 2011 and 2012. The primary drag on GDP growth in September should have flowed from a poor showing in the manufacturing sector. Recall that manufacturing shipment volumes were down 1.4%/m/m. On the upside, mining, oil, and gas should provide some offset to the softness expected out of manufacturing. Also, a continued pickup in activity in the existing home sales market suggests that financial services will provide the bulk of the upside to the monthly GDP report. In other areas of interest, wholesale trade and retail sales both should contribute incrementally to the GDP picture.</p> <p>▶ Overall, service sector output should have grown by just slightly better than 0.2%/m/m, while goods-producing industries should have declined by 0.3%/m/m.</p>
	GDP Q/Q ann. – Q3/10 (8:30)	2.0%	1.5%	1.3%	Major	<p>▶ Despite August's jump of 0.3%/m/m and September's forecast of a 0.1%/m/m rise in GDP, it is not enough to resurrect the quarter following the 0.1%/m/m decline in July. For Q3, we look for GDP growth to have slid well under the second quarter's 2.0% q/q ann. with a disappointing 1.3% q/q ann. Overall, GDP is being led lower by significant weakness in net trade, as export volumes over the period fell, while import activity continued to gather speed. Trade remains the Achilles' heel of the Canadian economy, given its reliance on US markets for slightly better than 70% of its exports. This, combined with high levels of consumer debt, continues to suggest that the Canadian economy will continue to experience incremental growth only in 2010 on into 2011. On the upside, we are looking to business demand to provide a material contribution to growth in keeping with the underlying theme of recovery.</p>

Stewart Hall

Economist
 HSBC Securities (Canada) Inc.
 +1 416 868 7523
 stewart_hall@hsbc.ca

View HSBC Global Research at:
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Source: HSBC Canada

Economic diary – Canada (cont'd)

Date		Last	Median	HSBC	Impact	Comments
Dec 3	Net change in employment – Nov (7:00)	3.0K	17.5K	20K	Major	▶ On the basis that the Canadian economy is moving toward a growth platform that we expect to be characterized by incremental rates of expansion only, we look for October's net jobs to reflect this subdued trendlike pattern. At 20K, our forecast suggests that jobs growth is just sufficient enough to keep the unemployment rate on the cusp of 7.9%, based on natural growth in the labor force that tends to average about 23K workers per month. The participation rate we have assumed will be unchanged at 67.2%. What the employment report has tended to lack in numbers, it has made up for in qualitative factors. Of particular note, jobs growth has rolled away from part-time employment to full-time work, again in keeping with an eye to economic recovery, albeit a tepid one.
	Unemployment rate – Nov (7:00)	7.9%	7.9%	7.9%	Major	
	Participation rate	67.2	67.2	67.2	Major	

Source: HSBC Canada

Disclosure appendix

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Issuer of report

HSBC Securities (Canada) Inc.
70 York Street, 8th Floor
Toronto, Ontario M5J 1S9, Canada
Telephone +1 416 868 7523
Fax +1 416 364 2543
Website: www.research.hsbc.com

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