

Canada: Weekly Notes

Key events for the week of February 1-5 2010

Economic diary – Canada

Date		Last	Median	HSBC	Impact	Comments
Feb 4	Building Permits M/M – Dec (8:30)	-4.6%		-2.7%	Minor	<p>▶ There is a growing backlog of activity in the residential category. In November, approved housing units jumped 9.7%/m/m although starts were largely flat. And although starts jumped 5.8%/m/m in December, the pace of activity was still lagging the rate of approvals. For the December permits data, we are assuming that the growing backlog of residential approvals will curb builder interest to cut ground on new projects. For the forecast, we are looking for residential permits to have declined by -3.2%/m/m. Non-residential permits is a mixed bag with some areas of the category continuing to work off a +44.0%/m/m surge in October. We are looking for moderate declines in the commercial and industrial components to be partially offset by gains in the institutional and government category. Overall, we expect non-residential permits to be down by -1.8%/m/m.</p>
	IVEY PMI – Jan (10:00)	48.4		55.0	Med	<p>▶ Once again, what a difference a year makes. Recall that last January's IVEY PMI was running at a rather bleak 36.1 in keeping with the theme of economic recession. For the current release, we are looking for the IVEY to print 55. A significant improvement over December's rather depressed reading of 48.4. Yet soft as it appeared to be, the December number was actually in keeping with what would be considered the seasonal norm for the number set. Rather than signalling a significant bounce-back in activity, so too is our forecast for the January PMI merely a return to the historical norms for a number set that has appeared to have shaken loose the trappings of recession. Since the bursting of the tech bubble in 2001, the IVEY, with the exception of last year's recession riddled number, has averaged a reading of 54.0 for the month of January. The IVEY PMI is not seasonally adjusted and on that basis, often tends to have a distinct seasonal rhythm to it.</p> <p>▶ In January, the employment index is expected to peak above the boom bust line at 50. Although the inclination of the market will be to try and lever the IVEY report as a means of getting a handle on the Statcan employment report, the IVEY employment index typically bears little resemblance to actual economic activity.</p> <p>▶ Followed by a press conference at 14:30 EST.</p>
	BoC Governor Mark Carney (13:45 EST)					
Feb 5	Employment Report (7:00)	-2.6K		-15K	Major	▶ Continued on Page 2.

Source: HSBC Canada estimates

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Economic diary – Canada (cont'd)

Date		Last	Median	HSBC	Impact	Comments
Feb 5	Net Change in Employment – Jan (7:00)	-2.6K		-15K	Major	▶ For the forecast, we expect job losses to be driven by a rollback in the large number of jobs created in December in the health-care category. At the time, a national H1N1 vaccination program contributed to the creation of an outsized 35K jobs in the December job report, positions which are expected to be unwound in January as the campaign was winding down. As well, significant gains in December in the professional management category and the unexpectedly large run-up in educational jobs that occurred in November are also expected to have continued to unwind in January. Recall that in the middle of the academic calendar, November's employment report pointed to nearly 40.0K jobs created in educational services, of which less than 7K fell out of the December report. On the upside, job gains are expected in construction, mining, oil and gas, transportation, warehousing, finance, and public administration. So too is some benefit expected to accrue in the accommodation and food services category as Vancouver gears up for the 2010 Winter Olympics in February.
	Unemployment Rate – Jan (7:00)	8.5%		8.7%	Major	▶ Our forecast for the unemployment rate is at 8.7%, a function of the expectation for the economy to shed a net -15K jobs combined with the natural growth in the labour force, (estimated at 22K). This is enough to push the unemployment rate up 0.23ppt. For our forecast we are assuming that the participation rate will remain unchanged.

Source: HSBC Canada estimates

Disclosure appendix

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