

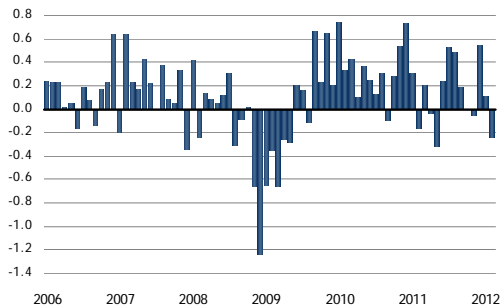
CURRENT TRENDS UPDATE – CANADA

Update - May 11, 2012

Overview and highlights

Real GDP

% change, month-over-month



Source: Statistics Canada

▲ GDP declines in February with decreases in four of the five major goods-producing industries.

▲ April marked the second monthly increase in employment and boosted the tally of job gains so far this year to 140,000 or an average monthly gain of 35,000 jobs.

▲ The weakness in February retail sales was concentrated in a sizeable 2.4% decline in motor vehicle and parts sales.

▲ Following a robust first quarter, Canadian housing starts strengthened even further in April.

▲ The improvement in the March merchandise trade surplus reflected the weakness in imports outpacing a decline in exports.

▲ The overall CPI rose at a slightly slower than expected 0.4% in March 2012, thereby matching increases in both January and February.

February GDP declined

Latest available: February

Release date: April 30, 2012

GDP activity in February 2012 fell 0.2% following unrevised gains of 0.1% and 0.5% in January 2011 and December 2012, respectively. The decline largely reflected a 1.0% drop in goods-producing industries with most sub-components down in the month. The largest percentage decline was in utilities where activity was off 1.9%. Statistics Canada attributed part of the weakness to warmer than usual winter temperatures, and attendant weakening in demand for electricity and natural gas. This weakness should reverse going forward. The mining sector also showed a sizeable 1.6% drop, which was attributed to temporary shutdowns of potash and nickel production facilities. Manufacturing activity fell 1.2%. Agriculture fell 1.0% with construction the only goods-producing industry to show an increase in the month by rising 0.5%. Activity among service-producing industries rose 0.1%. Declines in retail trade (-0.4%), and transportation and warehousing (-0.9%) tempered sizeable gains in wholesale trade (1.5%), and finance, insurance, and real estate (0.4%). Despite the decline in February, increases in earlier months still point to positive first-quarter 2012 GDP growth although we have downwardly revised our projected increase to 1.5% from 2.5% previously. This pace of growth implies some modest weakening relative to the 1.8% gain recorded in the fourth quarter of 2011.

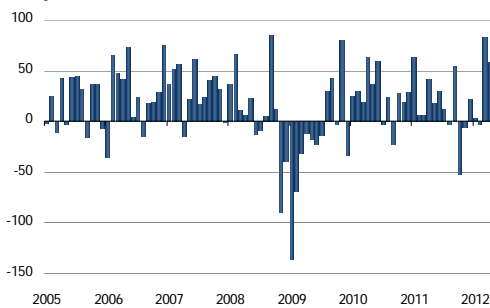
Economy at a glance

	Lastest month	% change from	
		Previous month	Year ago
Real GDP	Feb.	-0.2	1.6
Industrial production	Feb.	-1.4	1.3
Employment	Apr.	0.3	1.2
Unemployment rate*	Apr.	7.3	7.6
Manufacturing			
Production	Feb.	-1.2	3.3
Employment	Apr.	1.4	0.1
Shipments	Feb.	-0.3	6.3
New orders	Feb.	2.5	7.6
Inventories	Feb.	0.3	8.5
Retail sales	Feb.	-0.2	4.1
Car sales	Feb.	-6.7	5.8
Housing starts (000s)*	Apr.	244.9	190.2
Exports	Mar.	-0.4	6.0
Imports	Mar.	-0.6	4.3
Trade balance (\$billions)*	Mar.	0.4	-0.3
Consumer prices	Mar.	0.4	1.9

* Levels are shown for the latest period and the same period a year earlier.

Employment

Change in thousands, month-over-month



Source: Statistics Canada

Unemployment rate

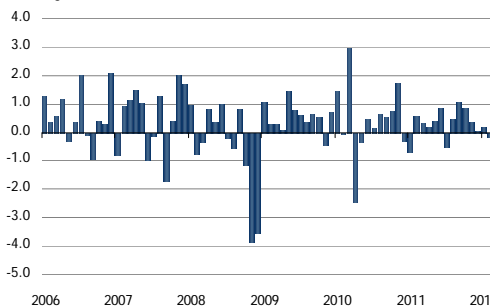
% of labour force



Source: Statistics Canada

Retail sales

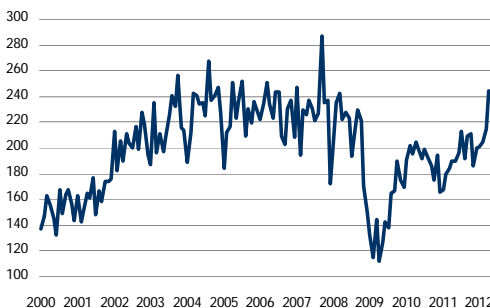
% change, month-over-month



Source: Statistics Canada

Housing starts

Thousands



Source: Statistics Canada

Canada's Economy turns the hiring machine back on

Latest available: April

Release date: May 11, 2012

Employment surged by 58,200 in April with the goods-producing sector adding 70,000 positions and the service sector cutting 11,800. Public sector employment fell by 19,200 while private employment rose by 85,800. The number of self-employed edged down by 8,400 in April. The unemployment rate inched back up to 7.3% from 7.2% in March (its post-recession low) as 72,500 returned to the labour force. Gains in the goods-producing sector were broad based. Manufacturing employment increased for the fifth consecutive month, rising by 23,800 for a cumulative 52,500 this year. Since November, manufacturing employment rose 54,000. The construction industry also increased payrolls by 24,600. Service sector employers trimmed back employment by 11,800 in April, tempering March's 57,500 surge. Even though service sector companies reduced employment in three of the four months of 2012, there were still a net 18,000 jobs created this year. 43,900 full-time jobs were added in April with 14,300 part-time jobs. Over the past 12 months, full time employment rose by 217,300 with part-time off by 3,400. Average hourly wages for permanent workers were up 2.4% in April compared to a year earlier. The number of hours worked held steady in April following a solid 0.5% gain in March and was 1.5% higher than in April 2011.

Retail sales slip 0.2% in February

Latest available: February

Release date: April 24, 2012

Canadian retail sales dipped 0.2% in February following a revised 0.2% (was 0.5%) gain in January and a flat reading in December. Sales were weighed down by a 2.4% drop in the motor vehicle and parts component. Excluding the auto component, sales rose 0.5%. Eliminating the impact of prices, the volume of retail activity dropped 0.6% in February following a revised 0.1% decline (was a 0.3% increase) in January but an upwardly revised 0.4% (was 0.2%) gain in December. A partial retracement in vehicle sales in February was expected given the previously reported 6.7% decline in unit sales in the month that following an outsized 13.6% gain in January. Excluding motor vehicles and parts, sales rose 0.5% marking a notable rebound from the disappointing 0.8% decline (was -0.5%) in January; however part of the strength in ex-auto sales reflected a 1.7% gain in nominal gasoline station sales that likely, at least in part, was the result of higher gasoline prices. Excluding both autos and gasoline stations, sales rose a more modest 0.2% following a sizeable 0.7% drop (was -0.5%) in January. Excluding the impact of prices, the volume of retail sales fell 0.6% in February following a downwardly revised 0.1% drop in January and an upwardly revised 0.4% gain in December.

Housing starts surged in April

Latest available: April

Release date: May 8, 2012

Housing starts increased by 14.0% to an annualized pace of 244,900 in April 2012. The strong increase in overall housing starts was primarily the result of a 27.4% surge in urban-multiple starts to 158,500. Urban-single starts remained essentially flat by increasing 0.6% to 67,700. Rural starts fell by 19.0% to 18,700. The largest increases in urban starts were seen in Quebec (56.5%) and Ontario (12.2%), although all regions posted increases. Atlantic Canada saw a 2.6% gain, while the Prairies and British Columbia each saw an increase of 6.3%. Following a robust first quarter, Canadian housing starts strengthened even further in April. Factors such as the persistence of low mortgage rates may be contributing to the rapid pace of new building. While this report presents

some upside risk to our housing starts forecast for 2012, we, nonetheless, expect that there will be some easing in the coming months to a more sustainable pace of growth.

March merchandise trade surplus improved modestly

Latest available: March

Release date: May 10, 2012

The Canadian merchandise trade surplus edged higher in March rising to \$0.4 billion from \$0.3 billion in February. The improvement reflected the weakness in imports (down \$0.2 billion or 0.6%) outpacing a decline in exports (down \$0.1 billion or 0.4%). Despite the declines on a nominal basis, exports rose 1.0% on a volumes basis in March while imports volumes rose by a lesser 0.6%. This resulted in net exports volumes improving to \$-8.0 billion from \$-8.1 billion in February (on a chained \$2002 basis). The weakness in imports was driven by two main components: energy, which reversed the previous month's \$0.7 billion (17.1%) jump by falling a like-sized \$0.7 billion (14.9%); and industrial goods and materials, which declined \$0.3 billion (4.0%) in the month. All remaining sectors registered increases, with automotive imports leading the way with a \$0.3 billion (4.7%) gain, while imports of machinery and equipment rose \$0.2 billion (2.3%), which was a sign of increased business investment. On the export side of the ledger, energy was the main source of weakness with exports falling by \$1.0 billion (8.9%) in March. In particular, this decline was driven by the \$1.2 billion (15.7%) drop in the crude petroleum component, which may reflect reported oil sands production shutdowns weighing on production. Exports of industrial goods and materials provided the main offset by rising \$0.6 billion (6.2%).

Canadian core and headline inflation rates dipped in March

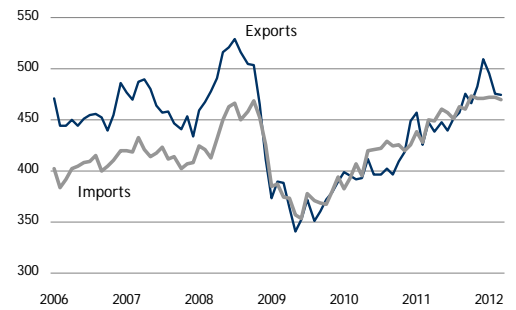
Latest available: March

Release date: April 20, 2012

The all-items Canadian CPI for March 2012 rose 0.4%, marking the third monthly increase of this magnitude. On a year-over-year basis, the inflation rate eased to 1.9% from 2.6% in February. Core measure rose 0.3%; the core inflation rate dipped to 1.9% from 2.3% in February. The easing in Canada's inflation rates relative to March 2011 reflected slower monthly increases compared to those recorded a year earlier although both measures posted healthy monthly gains this year as well. Some of this pressure reflected renewed upward momentum in energy prices complemented by the core inflation rate rising by 0.3%. The report was broadly in line with the Bank of Canada's updated inflation forecast, which was released earlier, as the headline rate averaged 2.3% in the first quarter of 2012 (the Bank of Canada expected 2.4%), and the core measure averaged 2.1%. Both the Bank and RBC's forecasts assume the core inflation rate will remain below the 2% target for the remainder of 2012. The output gap is now estimated to be "about half a percent" as of the first quarter of 2012, and based on RBC's growth forecast, the economy will likely reach full capacity late this year.

Merchandise trade

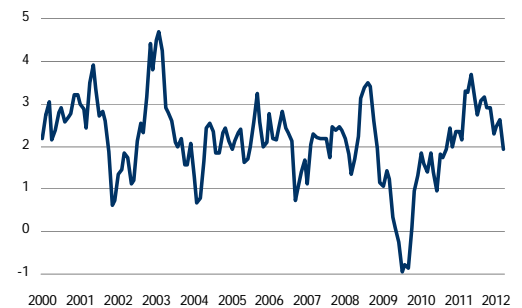
C\$ billions, annualized



Source: Statistics Canada

Consumer price index

% change, year-over-year



Source: Statistics Canada

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