

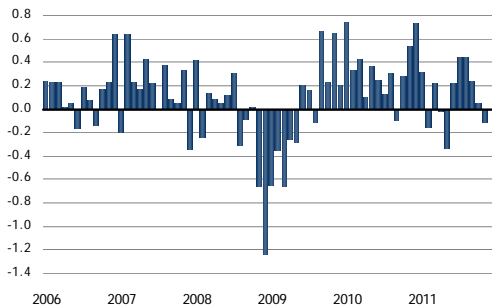
## CURRENT TRENDS UPDATE – CANADA

Update - February 3, 2012

### Overview and highlights

#### Real GDP

% change, month-over-month



Source: Statistics Canada

▲ GDP declined in November but some of this slowing reflects temporary factors that will reverse in subsequent months.

▲ Canada's labour market is showing signs of fatigue after very strong growth in 2010 and early 2011 although we expect hiring to ramp up again in the months ahead.

▲ November 2011 retail sales rose 0.3% in the month and built on the solid 0.9% gain in October.

▲ The average pace of housing starts in the fourth quarter of 2011 was 199,200 units, compared to 204,600 in the third quarter.

▲ The improvement in the November trade balance is encouraging particularly as it resulted from a strong increase in exports.

▲ December consumer price index eases with slower growth in gasoline prices and lower vehicle costs.

### GDP falls 0.1% in November

Latest available: November

Release date: January 31, 2012

GDP activity in November fell 0.1% following unchanged activity in October. The decrease was led by the mining and oil and gas extraction component falling 2.2% in November along with declines in utilities (0.6%) and construction (0.3%). Activity among service-producing industries managed to show an increase rising a minimal 0.1%. The drop in November output suggests a more pronounced slowing in the fourth quarter GDP growth than previously expected with the annualized rate being more than halved to 1.5% from the 3.5% recorded in the third quarter. Some of this slowing reflects temporary factors that will reverse in subsequent months. Through the third quarter monthly activity rose 0.3% on average. The weakness in November was concentrated on the goods-producing side of the economy which fell 0.6%. A large component of this decline reflected further maintenance shutdowns in the petroleum sector though natural gas extraction was down as well in the month. The volume of manufacturing sales rose 0.6% in November. Along with the 2.2% drop in oil and gas extraction, there was a 0.6% drop in utilities and a 0.3% decline in construction. The weakness in the former was attributed to unseasonably warm weather that contributed to a drop in electricity demand. The gain in service-producing industries was limited by a 0.6% decline in wholesale trade.

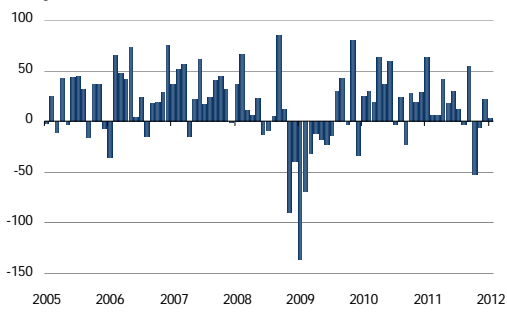
### Economy at a glance

	Lastest month	% change from	
		Previous month	Year ago
Real GDP	Nov.	-0.1	2.0
Industrial production	Nov.	-0.8	2.8
Employment	Jan.	0.0	0.7
Unemployment rate*	Jan.	7.6	7.7
Manufacturing			
Production	Nov.	0.6	3.3
Employment	Jan.	0.6	-2.5
Shipments	Nov.	2.0	10.2
New orders	Nov.	3.6	11.9
Inventories	Nov.	0.4	8.5
Retail sales	Nov.	0.3	3.1
Car sales	Nov.	-1.0	1.0
Housing starts (000s)*	Dec.	199.9	165.8
Exports	Nov.	3.2	15.1
Imports	Nov.	-0.8	11.6
Trade balance (\$billions)*	Nov.	1.1	-0.1
Consumer prices	Dec.	-0.6	2.3

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

## Employment

Change in thousands, month-over-month



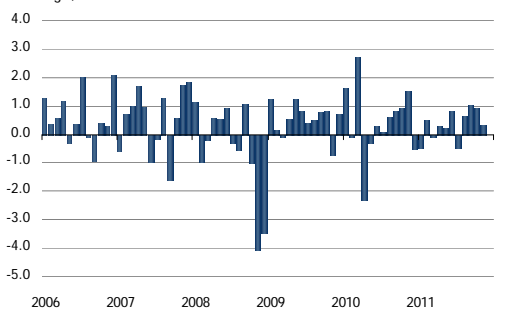
## Unemployment rate

% of labour force



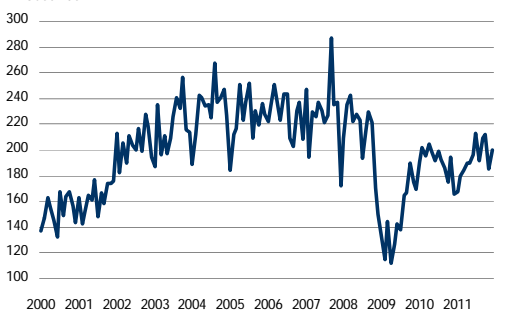
## Retail sales

% change, month-over-month



## Housing starts

Thousands



## Labour market disappoints

Latest available: January

Release date: February 3, 2012

Employment increased by 2,300 in January marking the second monthly rise and working to offset declines in November and October of 5,500 and 52,700, respectively. The unemployment rate inched up to 7.6% from 7.5% in December as the labour force increased by 23,700. In January jobs were created in the goods producing sector of the economy while the services sector cut 7,000 positions. In total, there were 9,300 goods sector positions added. Manufacturers added another 10,100 to their workforce, marking the second consecutive month of gains for a total of 36,100. It was full-time positions that were cut in January with a loss of 3,600 reported while part-time jobs increased by 5,900. The public sector added 19,600 workers in January while private sector employment rose by an equal amount. The number of self-employed individuals fell by 37,000 in January which may explain some of the sharp declines in finance, insurance and real estate (-23,200) and professional services (-44,800). On a regional basis, Quebec's unemployment rate dipped by 0.3 percentage points to 8.4%. Saskatchewan's unemployment rate posted a 0.2 ppt decline to 5.0%. Ontario lost 7,500 jobs in January and the unemployment rate rose 0.4 ppt to 8.1%. Average hourly wages for permanent workers in January were up 2.2% relative to a year earlier.

## Canadian retail sales continued to rise in November

Latest available: November

Release date: January 24, 2012

November 2011 retail sales rose 0.3% in the month and built on the solid 0.9% gain in October. Eliminating the effect of price changes, the volume of retail sales rose 0.5%, indicating some price discounting by retailers in November. November retail sales were expected to be restrained by a slight drop in unit auto sales and falling gasoline prices; however, both components surprised on the upside (increased sales at dealerships up 0.3% and at service stations up 0.8%). Excluding motor vehicle and service station components, sales rose 0.2%, reflecting solid gains in sporting goods (2.9%) and clothing stores (0.9%) being partially offset by declines in furniture stores (0.8%) and electronic and appliance stores (0.3%). The November gain in retail sales volumes, along with indications of strength in manufacturing, will more than offset some weakness in wholesale trade and likely contribute to November GDP rising 0.3% in the month. The projected increase in fourth-quarter 2011 consumer spending will more than offset indications that net exports likely subtracted about a percentage point from the pace of activity in that quarter. This is expected to result in sustaining GDP growth in the fourth quarter of 2011 at a 2.0% annualized rate; however, this pace of growth represents a slowing from the 3.5% surge recorded in the third quarter of 2011.

## Housing starts show strong increase in December

Latest available: December

Release date: January 10, 2012

Canadian housing starts increased by 7.8% in December 2011 to an annualized pace of 200,200 units from 185,600 in November 2011 (previously reported as 181,200). The outsized increase in the pace of housing starts was mainly due to a 14.5% increase in the volatile urban-multiples component to 111,300, from 97,200 last month (previously reported as 95,300). This partially retraces the 22.8% decline seen in this component in November. Urban-single starts also rose but by a smaller 3.8% to 70,600. Rural starts decreased by 10.3% to 18,300. Urban starts increased in Atlantic Canada (52.9%), Ontario (35.3%), and Quebec (9.0%). In all three regions, gains were driven entirely by multiple starts, with

single starts decreasing slightly. British Columbia and the Prairies showed an opposite pattern, with single starts increasing but large declines in the multiples component. Overall, housing starts decreased by 19.8% in British Columbia and 11.0% in the Prairies. Housing construction activity slowed in the fourth quarter of 2011 but only slightly: the average pace of housing starts in the fourth quarter of 2011 was 199,200 units, compared to 204,600 in the third quarter. We expect further moderation in housing starts, with our forecast calling for a pace of 185,000 in 2012 and 183,000 in 2013.

## Canada's November merchandise trade returns to surplus

Latest available: November

Release date: January 13, 2012

The November merchandise trade balance returned to a surplus of \$1.1 billion from an October deficit of \$0.5 billion and a surplus in September of \$1.1 billion. The marked improvement in November largely reflected a 3.2% surge in exports led by the energy and industrial goods components. The improvement was largely driven by exports rising \$1.3 billion (3.2%) although a \$0.3 billion (0.8%) drop in imports also made a contribution. The strength in export growth is occurring in the face of some weakening in global growth and a strong Canadian dollar; however, demand for natural resources continues to be robust. The improvement in exports was led by three main components: energy (\$0.6 billion), industrial goods (\$0.4 billion), and automotive products (\$0.2 billion). The increase in energy exports was due to a strengthening in prices. The increase in industrial goods was helped by a recovery in the precious metals along with a strong gain in non-metallic minerals. Automotive exports have now increased for the third consecutive month reflecting the ongoing strengthening in US auto sales. The decline in imports was led by a \$0.3 billion drop in the industrial goods component. The trade performance on a volumes basis (constant 2002 chained dollars) showed a marked improvement even with the effect of higher prices for energy exports eliminated. The volume of exports rose 1.9% in November. This in conjunction with a 0.9% drop in import volumes contributed to real net exports improving to -\$8.2 billion from -\$9.2 billion in October.

## Consumer prices for December dropped 0.6%: annual rate down to 2.3%

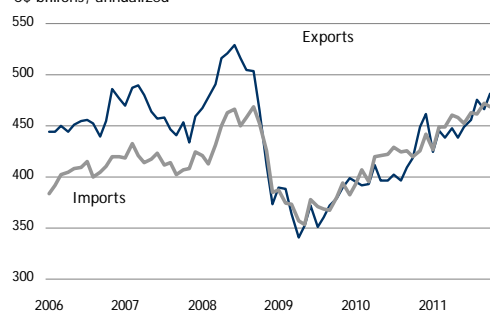
Latest available: December

Release date: January 20, 2012

The all-items Consumer Price Index dropped 0.6% in December. The decline contributed to the year-over-year rate dropping to 2.3% from November's 2.9%. Eliminating the impact of various volatile components plus indirect taxes, the core measure fell 0.5% in December. On an annual basis core inflation moderated to 1.9% in December from 2.1% in November. Gasoline prices declined 3% in December. The major contributor to the decline in both the all-items and core measure was the 2.3% drop in motor vehicle prices as manufacturers offered discounts on the new 2012 models. The report also indicated slightly greater price discounting in the final month of the Christmas sales period in 2011 relative to 2010. For example, the clothing and footwear price component showed a monthly decline of 4.3% in December 2011 which compared to a 3.6% drop a year ago. There was a similar pattern to the home entertainment equipment component (-1.9% versus -1.0%) and household furnishings and equipment (-1.4% versus -0.8%). The main offset to these declines was a 3.0% rise in electricity prices in the month which put upward pressure on both the all-items and core measure.

### Merchandise trade

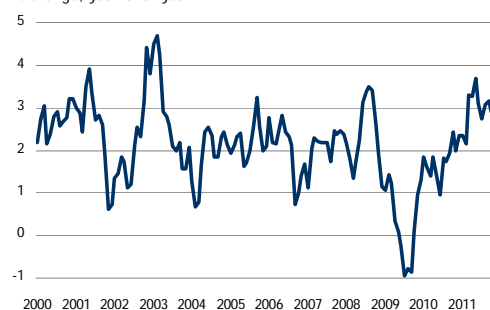
CS\$ billions, annualized



Source: Statistics Canada

### Consumer price index

% change, year-over-year



Source: Statistics Canada

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