

CONSENSUS FORECASTS®

Régie de l'énergie
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Survey Date
June 13, 2011

Every month, Consensus Economics surveys over 250 prominent financial and economic forecasters for their estimates of a range of variables including future growth, inflation, interest rates and exchange rates. More than 20 countries are covered and the reference data, together with analysis and polls on topical issues, is rushed to subscribers by express mail and e-mail.

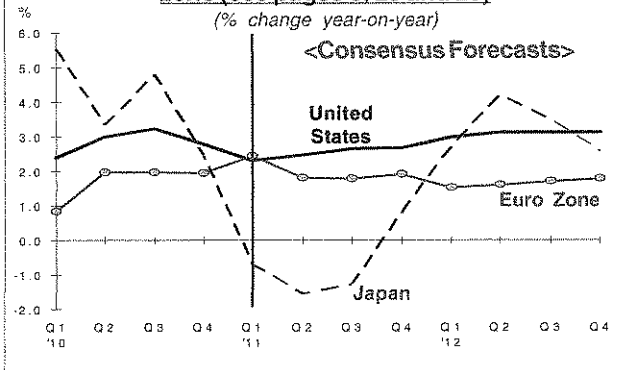
Survey Highlights

- ◆ **Euro zone** GDP expanded by 0.8% (q-o-q) in Q1, but while robust outturns in **France** and especially **Germany** shored up activity, this masked poor growth in the embattled periphery countries. **Greece**, in particular, is having difficulty passing further austerity measures and servicing its debt, making a default seem the only likely outcome. Despite this, the ECB indicated a probable base rate increase in July.
- ◆ The **Japan** earthquake, tsunami and nuclear crisis led to a decline in GDP of 0.9% (q-o-q) in Q1, pushing the economy into recession. Our panel expects quarterly GDP to return to positive growth in Q4 2011 before peaking in Q2 2012. Falling industrial production and plummeting exports caused by the crisis have led to supply-chain disruptions in Japan's export partners, too.
- ◆ Our regular survey of **Quarterly Forecasts** (pages 3, 28 and 29) shows our panels' forecasts for **GDP, Consumption, Industrial Production, Inflation** and **3-month Interest Rates** through to the final quarter of 2012. Moreover, our **Significant Changes** section (page 2) contrasts the **latest quarterly inflation expectations** with those from June and December 2010.

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Our next issue of **Consensus Forecasts** will be available at the end of the day on **July 14, 2011** and will include **Economic Policy Evaluation**.

Quarterly GDP Growth in the US, Japan and the Euro zone (see pages 3, 28 and 29)
 (% change year-on-year)



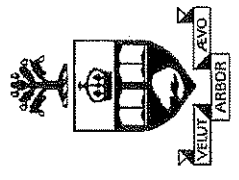
Canada not the US:3

	<u>10Q2</u>	<u>10Q3</u>	<u>10Q4</u>	<u>11Q1</u>	<u>11Q2</u>	<u>11Q3</u>	<u>11Q4</u>	<u>12Q1</u>	<u>12Q2</u>	<u>12Q3</u>	<u>12Q4</u>
<u>Canada</u>					juin 11	Sept. 11	dec. 11	març. 12	juin 12	sept. 12	dec. 12
Overnight	0.50	1.00	1.00	1.00	1.00	1.25	1.75	2.25	2.50	2.75	3.00
Three-month	0.50	0.88	0.97	1.10	1.20	1.70	2.15	2.40	2.65	2.90	3.15
Two-year	1.39	1.40	1.71	1.85	1.75	2.15	2.40	2.80	3.00	3.35	3.75
Five-year	2.32	2.04	2.46	2.65	2.50	3.00	3.30	3.50	3.65	3.85	4.05
10-year	3.08	2.75	3.16	3.25	3.25	3.50	3.80	3.95	4.05	4.15	4.15
30-year	3.65	3.34	3.55	3.80	3.75	4.00	4.30	4.45	4.50	4.50	4.55
<u>United States</u>											
Fed funds	0 to 0.25	0 to 0.25	0 to 0.25	0 to 0.25	0 to 0.25	0 to 0.25	0 to 0.25	0 to 0.25	0.50	1.00	1.50
Three-month	0.48	0.16	0.12	0.15	0.20	0.20	0.25	0.35	0.65	1.25	1.70
Two-year	0.61	0.44	0.61	0.70	0.80	0.90	1.10	1.25	1.60	2.00	2.50
Five-year	1.79	1.27	2.01	2.10	2.00	2.30	2.60	2.80	3.05	3.40	3.75
10-year	2.97	2.48	3.30	3.45	3.25	3.65	4.00	4.15	4.25	4.45	4.50
30-year	3.91	3.67	4.34	4.50	4.55	4.60	4.85	4.90	4.95	5.00	5.05

3.40%¹
3.80%
3.40%
4.0%
4.25⁴
4.95

RBC Financial Markets Monthly June, 2011

¹ Consensus Forecasts



CANADA

JUNE 2011

	Average % Change on Previous Calendar Year														Annual Total			
	Gross Domestic Product		Personal Expenditure		Machinery & Equipment Investment		Pre - Tax Corporate Profits		Industrial Production		Consumer Prices		Industrial Product Prices		Average Hourly Earnings		Housing Starts (thousand units)	
	Produit Intérieur Brut		Dépenses de Consommation des Ménages		Investissement Productif		Bénéfices des Sociétés avant impôts		Production Industrielle		Prix à la Consommation		Prix des Produits Industriels		Rémunération Horaire Moyenne		Construction de Logements mises en chantier, milliers	
Economic Forecasters	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Royal Bank of Canada	3.2	3.1	2.3	2.4	13.8	8.0	18.8	14.1	na	na	2.6	2.1	na	na	na	na	182	181
JP Morgan	3.0	2.8	2.2	2.5	13.3	7.3	na	na	4.2	2.9	2.9	1.7	4.9	4.0	na	na	na	na
Merrill Lynch Canada	3.0	3.0	2.0	2.5	15.7	8.1	25.7	10.2	3.0	3.0	3.4	2.6	na	na	na	na	164	170
National Bank Financial	3.0	2.6	2.6	2.0	10.1	7.5	9.8	6.3	na	na	3.1	2.5	na	na	na	na	175	185
Caisse de Depot	2.9	2.8	2.2	2.4	8.6	6.4	10.3	10.1	na	na	2.9	2.0	na	na	na	na	175	180
Desjardins	2.9	2.7	2.3	2.7	14.1	9.0	15.2	8.5	na	na	2.7	2.3	4.6	3.7	3.5	3.2	178	181
Economap	2.9	2.6	2.5	2.6	16.0	10.0	12.0	5.0	4.0	3.5	2.9	2.1	4.5	3.0	2.9	3.0	180	183
CIBC World Markets	2.8	2.8	2.3	2.3	12.9	12.6	11.4	10.2	na	na	2.8	1.6	na	na	na	na	173	174
BMO Capital Markets	2.8	2.6	2.1	2.5	16.5	9.6	12.0	2.0	3.6	3.2	3.0	2.2	3.9	2.5	2.6	2.5	180	182
Econ Intelligence Unit	2.8	2.4	2.9	2.4	na	na	na	na	1.9	3.5	2.5	2.2	6.1	2.4	na	na	na	na
Toronto Dominion Bank	2.8	2.5	2.3	2.3	15.3	9.6	15.4	5.7	na	na	2.8	2.2	na	na	na	na	175	164
IHS Global Insight	2.8	2.8	2.1	2.3	15.7	6.3	21.2	7.9	6.5	6.3	2.8	2.2	4.5	1.9	na	na	179	182
Scotia Economics	2.8	2.6	2.2	2.5	14.1	7.6	13.5	10.5	5.1	4.5	3.0	2.4	na	na	na	na	175	175
Capital Economics	2.7	1.5	2.3	1.9	14.0	6.0	na	na	na	na	2.9	2.3	na	na	na	na	180	150
EDC Economics	2.7	2.4	2.5	2.1	9.2	7.5	na	na	na	na	2.4	2.0	na	na	na	na	170	160
Informetrica	2.7	2.9	2.3	2.8	13.2	6.6	25.0	9.2	5.7	5.0	3.2	2.2	5.5	3.0	2.7	3.4	172	188
University of Toronto	2.7	2.3	2.0	2.2	15.1	10.1	11.7	4.1	na	na	2.8	1.9	na	na	na	na	178	182
Conf Board of Canada	2.4	2.7	2.9	2.6	12.5	7.7	17.2	3.1	na	na	2.2	2.1	3.6	3.0	na	na	175	187
Consensus (Mean)	2.8	2.6	2.3	2.4	13.5	8.2	15.7	7.6	4.3	4.0	2.8	2.1	4.7	2.9	2.9	3.0	176	176
Last Month's Mean	2.9	2.7	2.8	2.5	11.5	8.3	14.3	8.4	4.4	3.9	2.7	2.1	4.2	3.0	3.1	3.1	174	179
3 Months Ago	2.9	2.7	2.9	2.5	11.2	7.9	13.5	8.6	3.8	3.6	2.4	2.1	3.9	2.7	2.8	3.2	173	179
High	3.2	3.1	2.9	2.8	16.5	12.6	25.7	14.1	6.5	6.3	3.4	2.6	6.1	4.0	3.5	3.4	182	188
Low	2.4	1.5	2.0	1.9	8.6	6.0	9.8	2.0	1.9	2.9	2.2	1.6	3.6	1.9	2.6	2.5	164	150
Standard Deviation	0.2	0.3	0.3	0.2	2.3	1.7	5.3	3.4	1.5	1.2	0.3	0.2	0.8	0.7	0.4	0.4	5	11
Comparison Forecasts																		
IMF (Apr. '11)	2.8	2.6	3.2	2.6							2.2	1.9						
OECD (May '11)	3.0	2.8	2.6	2.7							2.9	1.6						

Government and Background Data

Prime Minister - Mr. Stephen Harper (Conservative). Government - The Conservatives hold 167 out of 308 seats in parliament (155 seats are needed for a clear majority). Next Election - by May 2015 (general election). Nominal GDP - C\$1,527bn (2009). Population - 33.6mn (mid-year, 2009). C\$/US Exchange Rate - 1.143 (average, 2009).

Quarterly Consensus Forecasts

Historical Data and Forecasts (bold italics) From Survey of June 13, 2011

	2010				2011				2012			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Gross Domestic Product	3.8	3.3	2.9	2.7	2.8	2.8	2.5	2.7	2.6	2.6		
Personal Expenditure	3.2	3.2	2.2	2.5	2.4	2.0	2.4	2.5	2.4	2.4		
Consumer Prices	1.8	2.3	2.6	3.2	2.9	2.6	2.4	2.0	2.1	2.1		

Historical Data

* % change on previous year	2007	2008	2009	2010
Gross Domestic Product*	2.2	0.7	-2.8	3.2
Personal Expenditure*	4.6	3.0	0.4	3.3
Machinery & Eqpt Investment*	4.2	-0.5	-19.5	11.8
Pre - Tax Corporate Profits*	1.9	11.0	-33.1	21.2
Industrial Production*	-0.5	-4.5	-9.4	4.6
Consumer Prices*	2.1	2.4	0.3	1.8
Industrial Product Prices*	1.6	4.3	-3.5	1.0
Average Hourly Earnings*	4.6	3.5	3.0	3.0
Housing Starts, '000 units	228	211	149	190
Unemployment Rate, %	6.1	6.2	8.3	8.0
Current Account, C\$ bn	12.8	5.3	-45.2	-50.9
Federal Govt Budget Balance, fiscal years, C\$ bn	9.6	-5.8	-55.6	-39.7 e
3 mth Trsy Bill, % (end yr)	3.8	0.9	0.2	1.0
10 Yr Govt Bond % (end yr)	4.0	2.0	2.6	2.2

Year Average	Annual Total		Fiscal Years (Apr-Mar)		Rates on Survey Date				
Unemployment Rate (%)	Current Account (C\$ bn)	Federal Govt Budget Balance (C\$ bn)	0.9%		3.0%				
Taux de Chômage (%)	Balance Courante (C\$ md)	Balance Budgétaire (C\$ md)	Rendement sur les Bons du Trésor de 3 mois %		Rendement des Obligations d'État de 10 ans %				
2011	2012	2011	2012	FY 11-12	FY 12-13	End Sep'11	End Jun'12	End Sep'11	End Jun'12
7.6	7.2	-29.6	-15.0	na	na	1.7	2.7	3.5	4.1
7.4	6.9	-27.7	-14.2	-27.0	-17.0	na	na	na	na
7.3	6.7	-20.9	-6.9	-26.1	-15.4	1.9	3.5	4.3	4.7
7.7	7.5	-47.5	-32.5	-30.0	-20.0	1.7	2.6	3.8	4.1
7.5	7.1	-40.0	-35.0	na	na	1.3	1.8	3.5	3.8
7.6	7.2	-31.4	-19.5	-30.0	-15.0	1.5	2.3	3.5	4.3
7.5	7.2	-45.0	-40.0	-29.0	-20.0	1.0	1.8	3.2	3.6
7.5	7.4	-42.6	-38.9	na	na	1.2	1.6	3.3	3.6
7.5	7.1	-44.0	-48.0	-32.0	-20.0	1.2	1.8	3.3	3.6
7.5	7.0	-35.6	-55.9	na	na	1.0	1.5	3.6	4.2
7.6	7.4	-27.6	5.5	na	na	1.1	1.1	3.2	3.3
7.5	7.1	-31.6	-22.9	na	na	1.2	2.7	3.4	3.8
7.6	7.3	-31.9	-24.1	-30.5	-20.0	1.3	2.3	3.4	3.8
7.6	7.9	-55.0	-88.0	na	na	1.0	1.0	2.9	2.7
7.6	7.4	-38.6	-34.0	na	na	na	na	na	na
7.3	7.3	-22.3	-20.0	-32.0	-18.0	1.2	2.4	3.2	3.9
7.6	7.4	-46.9	-50.5	na	na	1.1	1.8	3.4	4.1
7.5	6.9	-40.0	-32.0	-23.0	-18.0	1.2	2.6	3.4	3.8
7.5	7.2	-36.6	-31.8	-28.8	-18.2	1.3	2.1	3.4	3.8
7.6	7.2	-38.8	-31.6	-27.7	-17.8			3.4	4.0
7.5	7.2	-41.0	-34.6	-27.6	-18.9				
7.7	7.9	-20.9	5.5	-23.0	-15.0	1.9	3.5	4.3	4.7
7.3	6.7	-55.0	-88.0	-32.0	-20.0	1.0	1.0	2.9	2.7
0.1	0.3	9.4	21.0	3.0	2.0	0.3	0.7	0.3	0.4
7.6	7.3								
7.5	7.0								

RBC ->

Consensus US:

GDP Outlook Stalls Despite Strong First Quarter

The national accounts painted an upbeat picture of activity during the first three months of this year. This contrasts with the moderation in the neighbouring US over the same quarter and sounds a warning over the Canadian outlook going forward. GDP north of the border rose by 2.9% (y-o-y), down slightly from the 3.3% pace set in Q4 2010. However, in q-o-q terms, growth picked up from 0.8% to 1.0% on the back of a jump in inventories. Investment in machinery and equipment also helped to buoy the economy, accelerating from an already strong 17.4% (y-o-y) expansion in Q4 to 19.6%. However, net exports, which had contributed 2.7%-points to growth in Q4, subtracted from GDP in the January-March period. Exporters have been hit by the strong Canadian dollar against the US currency. In addition, personal expenditure registered flat growth over the previous quarter which dragged the y-o-y rate down from 3.2% to 2.2%. Despite loose monetary conditions, households are being squeezed by the surge in fuel prices and monthly retail activity has suffered accordingly, contracting by 1.0% (m-o-m) in March. Moreover, observers suggest that a downturn in Canada's roaring housing market could be around the corner. Our panel's 2011 forecast for personal expenditure has dropped significantly from 2.8% last month to 2.3%.

With headline inflation reaching 3.3% (y-o-y) in April and the central bank's core rate progressing at 1.6%, the Bank of Canada, not surprisingly, believes that monetary policy is too accommodative. The release following its most recent interest rate decision to stay on hold pointed to "considerable monetary policy stimulus... [being] eventually withdrawn." Our panellists suggest a likely Q3 rate hike.

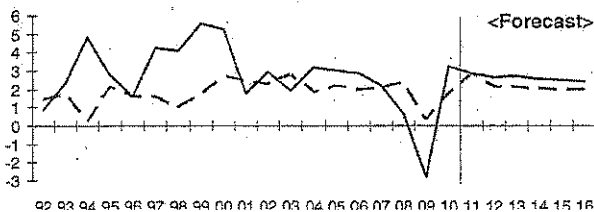
Canada Overnight Lending Rate – June 13, 2011 = 1.00%

FORECASTS	End June 2011	End Sep. 2011	End Dec. 2011	End Mar. 2012
Consensus Mean Average:	1.02%	1.16%	1.52%	1.83%
Mode (most frequent forecast):	1.00%	1.25%	1.50%	1.50%

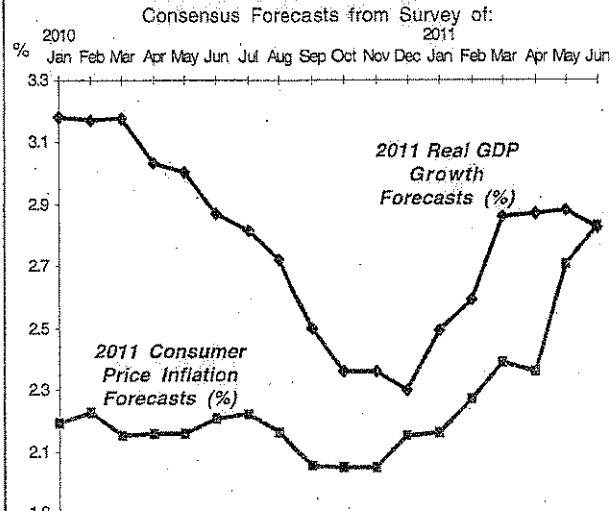
Direction of Trade – 2010

Major Export Markets (% of Total)	Major Import Suppliers (% of Total)
United States 74.9	United States 50.4
United Kingdom 4.1	China 11.0
China 3.3	Mexico 5.5
Asia (ex. Japan) 5.2	Asia (ex. Japan) 13.9
Latin America 3.1	Latin America 9.3
Middle East 1.0	Africa 2.4

Real Growth and Inflation
(% change over previous year)



GDP Growth and Inflation Forecasts



Year Average		Annual Total		Fiscal Years (Oct-Sep)		Rates on Survey Date			
Unemployment Rate (%)		Current Account (US\$ bn)		Federal Budget Balance (US\$ bn)		3 month Treasury Bill Rate (%)		10 Year Treasury Bond Yield (%)	
2011	2012	2011	2012	FY 10-11	FY 11-12	End Sep'11	End June'12	End Sep'11	End June'12
8.7	8.2	na	na	-1491	-1212	0.3	0.3	3.8	4.5
8.8	7.8	-537	na	-1400	-1059	na	na	3.7	na
8.9	8.3	-470	-430	-1425	-1166	0.1	1.0	3.5	4.4
8.8	8.0	-481	-479	-1429	-1000	0.2	0.6	3.4	4.1
8.8	8.2	-554	-495	-1362	-1171	0.1	0.3	3.3	3.9
8.9	8.4	-557	-605	-1350	-1025	0.1	0.3	3.5	4.0
8.9	8.6	-473	-428	-1424	-1169	0.2	0.6	3.4	4.3
8.9	8.6	-456	-438	-1504	-1300	0.2	0.3	3.4	4.0
8.8	7.7	-500	-601	-1350	-1000	0.1	0.3	3.2	4.5
8.8	8.1	na	na	-1300	-1000	0.1	0.1	3.7	4.5
8.8	8.4	-415	-305	-1400	-1100	0.3	1.2	3.5	3.9
9.0	8.7	na	na	na	na	0.1	0.2	3.4	3.3
8.8	7.7	-539	-641	-1350	-1150	0.1	0.2	2.9	3.5
8.7	8.3	na	na	-1500	-1200	0.2	1.5	3.6	4.0
8.8	8.4	-493	-507	-1456	-1038	0.1	0.9	3.2	3.6
8.6	7.8	-379	-470	-1360	-1100	0.2	0.5	3.6	4.2
8.9	8.2	-522	-602	-1326	-1216	0.1	1.0	3.7	4.7
8.9	8.3	na	na	-1375	-1275	0.2	0.4	3.3	3.7
8.9	8.5	-575	-622	-1450	-1100	0.2	0.2	na	na
8.9	8.2	-560	-586	-1380	-1130	0.1	0.4	3.4	4.0
8.8	8.2	-602	-559	-1382	-1191	0.2	0.2	3.4	3.9
8.9	8.8	-496	-549	-1426	-1162	0.2	0.1	3.1	3.5
8.9	8.5	-595	-675	-1150	-1100	0.2	1.0	3.2	3.8
9.1	na	na	na	na	na	0.1	na	2.9	na
8.9	8.6	-580	-578	-1437	-1128	0.2	0.8	3.8	4.4
8.8	8.5	-588	-591	-1101	-851	0.2	0.5	3.4	3.8
8.8	8.3	-519	-535	-1380	-1118	0.1	0.5	3.4	4.0
8.7	8.2	-552	-584	-1415	-1139			3.3	4.1
8.9	8.3	-526	-562	-1403	-1143				
9.1	8.8	-379	-305	-1101	-851	0.3	1.5	3.8	4.7
8.6	7.7	-602	-675	-1504	-1300	0.1	0.1	2.9	3.3
0.1	0.3	61	93	95	100	0.1	0.4	0.2	0.4
9.4	8.4			-1480	-1100				
9.3	8.6			-1645	-1101				
8.5	7.8	-494	-451	-1644	-1197				
8.8	7.9								

Concerns Grow Over Economic Stall

The consensus forecast for 2011 and 2012 GDP growth is trending downward as the recovery decidedly ebbs. The second national accounts release confirmed that GDP grew by 1.8% (q-o-q annualized) in Q1, down from 3.1% in Q4 2010. Meanwhile, real disposable income remained flat over March and April on the back of February's 0.1% (m-o-m) decline, thanks to lacklustre hiring and rising fuel and price pressures. 2011 consumption expectations have dipped as a result. Producers are also feeling the pinch from inflation. After driving economic activity last year, the impetus in industry has slowed considerably. New industrial orders fell by 1.2% (m-o-m) in April, the first fall in factory output in 10 months. Part of this was due to the slump in car production on the back of understandable Japanese supply-chain disruption that month. But ISM surveys of manufacturing have pointed to the looming threat of acute cost pressures on supply managers' profit margins for a while now, while our panel projects headline consumer price increases to average 3.0% in 2011. Production, in turn, has been downgraded from 5.1% last month to 4.5%.

The prospect of renewed monetary easing has been dashed by Ben Bernanke effectively ruling out a third round of quantitative easing (QE). In the context of medium-term inflation expectations, this is probably not a bad move. Indeed, hawkish FOMC members want the Fed's accumulated pile of US government bonds to be sold off. Bernanke remains upbeat about near-term GDP, but the Fed's own 'Beige Book' report for May showed activity slowing further across many sectors. Growing lack of confidence in the US dollar has, however, strengthened export and current account prospects.

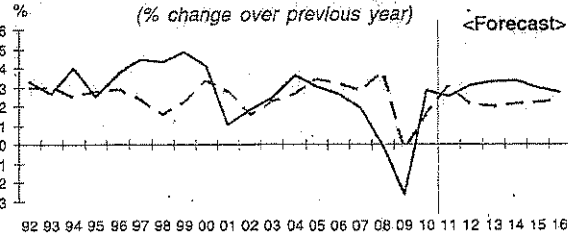
US Fed Funds Rate – June 13, 2011 = between 0%-0.25%

FORECASTS	End June 2011	End Sep 2011	End Dec. 2011	End Mar. 2012
Consensus Mean Average:	0.16%	0.16%	0.20%	0.27%
Mode (most frequent forecast):	0.125%	0.125%	0.125%	0.125%

Direction of Trade – 2010

Major Export Markets (% of Total)		Major Import Suppliers (% of Total)	
Canada	19.4	China	19.5
Mexico	12.8	Canada	14.2
China	7.2	Mexico	11.8
Latin America	23.5	Asia (ex. Japan)	26.4
Asia (ex. Japan)	12.4	Latin America	18.7
Middle East	3.5	Africa	4.2

Real Growth and Inflation



GDP Growth and Inflation Forecasts

