

# Central Bank DATES



**ECONOMIC  
RESEARCH**

BMO  Capital Markets™

## FEBRUARY 2012

**Dr. Sherry Cooper**  
Chief Economist

**Benjamin Reitzes**  
Vice President  
Senior Economist  
Foreign Exchange Strategist

benjamin.reitzes@bmo.com  
416-359-5628  
1-800-613-0205

www.bmocm.com/economics























all dates are in local time

The information, opinions, estimates, projections and other materials contained herein are provided as of the date hereof and are subject to change without notice. Some of the information, opinions, estimates, projections and other materials contained herein have been obtained from numerous sources and Bank of Montreal ("BMO") and its affiliates make every effort to ensure that the contents thereof have been compiled or derived from sources believed to be reliable and to contain information and opinions which are accurate and complete. However, neither BMO nor its affiliates have independently verified or make any representation or warranty, express or implied, in respect thereof, take no responsibility for any errors and omissions which may be contained herein or accept any liability whatsoever for any loss arising from any use of or reliance on the information, opinions, estimates, projections and other materials contained herein whether relied upon by the recipient or user or any other third party (including, without limitation, any customer of the recipient or user). Information may be available to BMO and/or its affiliates that is not reflected herein. The information, opinions, estimates, projections and other materials contained herein are not to be construed as an offer to sell, a solicitation for or an offer to buy, any products or services referenced herein (including, without limitation, any commodities, securities or other financial instruments), nor shall such information, opinions, estimates, projections and other materials be considered as investment advice or as a recommendation to enter into any transaction. Additional information is available by contacting BMO or its relevant affiliate directly. BMO and/or its affiliates may make a market or deal as principal in the products (including, without limitation, any commodities, securities or other financial instruments) referenced herein. BMO, its affiliates, and/or their respective shareholders, directors, officers and/or employees may from time to time have long or short positions in any such products (including, without limitation, commodities, securities or other financial instruments). BMO Nesbitt Burns Inc. and/or BMO Capital Markets Corp., subsidiaries of BMO, may act as financial advisor and/or underwriter for certain of the corporations mentioned herein and may receive remuneration for same. BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Harris Bank N.A. and Bank of Montreal Ireland p.l.c., and the institutional broker dealer businesses of BMO Capital Markets Corp., BMO Nesbitt Burns Trading Corp. S.A., BMO Nesbitt Burns Securities Limited and BMO Capital Markets GKST Inc. in the U.S., BMO Nesbitt Burns Inc. in Canada, Europe and Asia, BMO Nesbitt Burns Ltée/Ltd. in Canada, BMO Capital Markets Limited in Europe, Asia and Australia and BMO Advisors Private Limited in India.

TO U.S. RESIDENTS: BMO Capital Markets Corp. and/or BMO Nesbitt Burns Securities Ltd., affiliates of BMO NB, furnish this report to U.S. residents and accept responsibility for the contents herein, except to the extent that it refers to securities of Bank of Montreal. Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Capital Markets Corp. and/or BMO Nesbitt Burns Securities Ltd.

TO U.K. RESIDENTS: The contents hereof are not directed at investors located in the U.K., other than persons described in Part VI of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001.

© Registered trademark of Bank of Montreal in the United States, Canada and elsewhere. © Copyright Bank of Montreal.

Monday	Tuesday	Wednesday	Thursday	Friday
		1	2	3
6	7  RBA	8  Iceland →  Poland	9  ECB →  BoE  South Korea  Indonesia	10  RBA <i>Statement on Monetary Policy</i>
13	14 →  BoJ	15  BoJ <i>Monthly Report</i>  FOMC <i>Minutes from Jan. 24-25</i>  BoE <i>Quarterly Inflation Report</i>	16  ECB <i>Monthly Report</i> →  Riksbank	17  BoJ <i>Minutes from Jan. 23-24</i>
20  Israel	21  Turkey  RBA <i>Minutes from Feb. 7</i>	22  BoE <i>Minutes from Feb. 8-9</i>	23  BoC <i>Review</i>	24  BoC <i>Governor Carney Speaks in NYC</i>
27	28  Hungary	29  FOMC <i>Beige Book</i>		


**CANADA**

The Bank of Canada pulled forward its projection for the closing of the output gap to 2013Q3, but a week later, the Fed said that rate hikes aren't likely until at least late 2014. The Bank will remain comfortably on hold through 2012 and much of 2013; but, if the Monetary Policy Report projection and Fed expectations stay unchanged, 2013 will be an interesting year for policymakers.

**Official Rate: 1.00%** • Quantitative Easing: **No** • Last Decision: **January 17, unch** • Next Decision: **March 8, unch**


**U.S.**

The perkier U.S. economic data through year end was only briefly mentioned in the Fed's latest Statement. Instead, caution remained, with the downside risks highlighted again. The still-weak growth outlook, along with the release of FOMC fed funds forecasts, prompted policymakers to vote to keep rates "*exceptionally low*" until at least late 2014. Watch the Minutes from the January meeting for further insights on the Fed's view on how its balance sheet is going to evolve.

**Official Rate: 0%-to-0.25%** • Quantitative Easing: **On Hold** • Last Decision **January 24-25, unch** • Next Decision: **March 13, unch**


**ECB**

After cutting rates 25 bps at back-to-back meetings to close 2011, the ECB moved to the sidelines in January. With Europe likely already in recession and the debt crisis persisting (though it has calmed lately), we look for further easing—but not quite yet. Recent data suggest that the downturn is not accelerating, which, along with an easing crisis, will likely be sufficient to keep the Bank sidelined for another month, though a rate cut is still possible. Note that the next 3-year refinancing operation is on February 29.

**Official Rate: 1.00%** • Quantitative Easing: **No** • Last Decision: **January 12, unch** • Next Decision: **February 9, unch**


**U.K.**

With the latest GDP data showing a contraction in Q4, the U.K. economy is likely already in recession. Look for the Bank of England to increase the Asset Purchase Facility (APF) again this month after completing October's expansion. The anticipated boost to the APF will likely take place over three months and range from £50-to-£75 bln, giving the BoE an opportunity to re-evaluate their policy stance with a new Inflation Report in hand in May.

**Official Rate: 0.50%** • Quantitative Easing: **Yes** • Last Decision: **January 11-12, unch** • Next Decision: **February 8-9, unch**


**JAPAN**

The Bank of Japan held policy steady in January for a third straight month. However, the Bank downgraded its economic outlook again, noting that "*activity will remain more or less flat for the time being.*" Indeed, a slowing global economy has sapped domestic momentum, and the yen at near record-levels is a high hurdle for exporters. With downside risks persisting, we could see further easing from the BoJ in 2012.

**Official Rate: 0%-to-0.10%** • Quantitative Easing: **Yes** • Last Decision: **Jan. 23-24, unch** • Next Decision: **Feb. 13-14, unch**


**AUSTRALIA**

With no meeting in January, as is customary, the RBA has had an extra month to evaluate the policy landscape. After easing 25 bps in consecutive months to close 2011 in an effort to offset the headwinds emanating from Europe, the Bank is expected to continue the easing trend in 2012. Growth is slowing globally, with China's deceleration most significant for Australia, while the domestic data have worsened of late. In fact, 2011 was the first time in 19 years the Aussie economy didn't see job growth. If the data continue to weaken, and the global situation doesn't continue to show signs of stabilizing, further easing is a possibility.

**Official Rate: 4.25%** • Quantitative Easing: **No** • Last Decision: **December 6, -25 bps** • Next Decision: **February 7, -25 bps**












**NEW ZEALAND**

The RBNZ held rates steady in January noting that "*the global economy remains fragile and risks to the outlook remain.*" The Bank will keep a watchful eye on the global outlook, and likely stay on the sidelines until conditions stabilize. The rebuilding following multiple earthquakes will lift growth; but, with inflation "*well contained*" and downside economic risks persisting, the RBNZ is comfortable standing pat.



































**Official Rate: 2.50%** • Quantitative Easing: **No** • Last Decision: **January 26, unch** • Next Decision: **March 8, unch**



## 2012 Rate Decisions

 <b>BANK OF CANADA</b> January 17      1.00%      unch March 8 April 17 June 5 July 17 September 5 October 23 December 4	 <b>BANK OF JAPAN</b> January 23–24    0%-0.10%      unch February 13–14 March 12–13 April 9–10 April 27 May 22–23 June 14–15 July 11-12 August 8-9 September 18-19 October 4-5 October 30 November 19-20 December 19-20	 <b>RESERVE BANK OF NEW ZEALAND</b> January 26      2.50%      unch March 8 April 26 June 14 July 26 September 13 October 25 December 6
 <b>FEDERAL RESERVE</b> January 24-25    0%-0.25%      unch March 13 April 24-25 June 19-20 July 31 September 12 October 23-24 December 11	 <b>EUROPEAN CENTRAL BANK</b> January 12      1.00%      unch February 9 March 8 April 4 May 3 June 6 July 5 August 2 September 6 October 4 November 8 December 6	 <b>SWISS NATIONAL BANK</b> March 15 June 14 September 13 December 13
 <b>BANK OF ENGLAND</b> January 11-12    0.50%      unch February 8-9 March 7-8 April 4-5 May 9-10 June 6-7 July 4-5 August 1-2 September 5-6 October 3-4 November 7-8 December 5-6	 <b>RESERVE BANK OF AUSTRALIA</b> February 7 March 6 April 3 May 1 June 5 July 3 August 7 September 4 October 2 November 6 December 4	 <b>RIKSBANK (SWEDEN)</b> February 16 April 19 July 4 September 6 October 25 December 18
		 <b>NORGES BANK (NORWAY)</b> March 14 May 10 June 20 August 29 October 31 December 19



	Period	Inflation Rate (percent)	Current Policy Rate (percent)		Period	Inflation Rate (percent)	Current Policy Rate (percent)
<b>North America and Europe</b>				<b>Asia</b>			
 Australia	Dec-2011	3.1	4.25	 Hong Kong	Dec-2011	5.7	0.50
 Canada	Dec-2011	2.3	1.00	 Indonesia	Dec-2011	3.8	6.00
 Eurozone	Dec-2011	2.7	1.00	 South Korea	Dec-2011	4.2	3.25
 Japan	Dec-2011	-0.2	0 - 0.10	 Malaysia	Dec-2011	3.0	3.00
 New Zealand	Dec-2011	1.8	2.50	 Pakistan	Dec-2011	9.7	10.50
 Norway	Dec-2011	0.2	1.75	 Philippines	Dec-2011	4.2	4.25
 Sweden	Dec-2011	2.0	1.75	 Singapore	Dec-2011	5.5	0.19
 Switzerland	Dec-2011	-0.7	0 - 0.25	 Taiwan	Dec-2011	2.0	1.88
 United Kingdom	Dec-2011	4.2	0.50	 Thailand	Dec-2011	3.5	3.25
 United States	Dec-2011	3.0	0 - 0.25	 Vietnam	Jan-2012	17.3	13.00
<b>BRICs</b>				<b>Middle East and Africa</b>			
 Brazil	Dec-2011	6.1	10.50	 Saudi Arabia	Dec-2011	5.3	2.00
 Russia	Dec-2011	6.1	8.00	 Turkey	Dec-2011	10.4	5.75
 India	Dec-2011	7.5	8.50	 South Africa	Dec-2011	6.4	5.50
 China	Dec-2011	4.1	6.56	<b>Latin America</b>			
<b>Emerging Europe</b>				 Chile	Dec-2011	4.4	5.00
 Czech Republic	Dec-2011	2.4	0.75	 Colombia	Dec-2011	3.7	4.75
 Hungary	Dec-2011	4.0	7.00	 Mexico	Dec-2011	3.8	4.50
 Poland	Dec-2011	4.6	4.50	 Peru	Dec-2011	4.7	4.25
<b>Developed Countries</b>			(last month)	<b>Developing Countries</b>			(last month)
Average Inflation Rate		2.6	3.0	Average Inflation Rate		5.8	5.9
Median Inflation Rate		2.5	3.2	Median Inflation Rate		4.5	4.7