HIGHLIGHTS

• According to the Bank of Canada survey, businesses are slightly more optimistic about the movement by sales over the next 12 months. Among other things, 44% of respondents expect sales growth to accelerate.

• The slightly negative balance of opinion on the question about sales growth over the last 12 months shows, however, that the weakness in demand did not spare businesses.

• More businesses expect their investments to increase over the next 12 months. On this issue, the balance of opinion is almost back to the high levels seen at the end of 2010 and in 2011.

• Employment should continue to expand in the next 12 months.

• Pressures on output capacity seem to be under control, as inflation expectations remain fairly low.

• Overall, business credit conditions continued to ease.

COMMENTS

Following the third quarter’s spike in pessimism, the fourth quarter results for the Business Outlook survey show some renewed optimism. Clearly, respondents have been influenced by the more encouraging news from the United States. On the other hand, we must not delude ourselves: many uncertainties persist, with the European economy in recession and the fiscal problem in the United States not fully settled. Note that merchandise exports to the European Union fell 19% in November.

Implications: The rise in the balance of opinion on future investment is good news. This suggests that the weak growth by investment in machinery and equipment recorded in the third quarter (annualized +0.2%) could give way to faster growth. Business investment could well resume its key role in the economic growth. For the labour market, hiring intentions remain fairly high, with 25% of respondents reporting that they are facing labour shortages. This suggests employment will continue to make gains in the months to come.