

ECONOMIC NEWS

Canada: Business Confidence Is Up Slightly

HIGHLIGHTS

- ▶ The Bank of Canada's (BoC) *Business Outlook Survey* indicator rose in the third quarter from -0.07 to +0.43. This reflects a slight improvement in business confidence.
- ▶ Still, major regional differences remain. On the one hand, businesses in Quebec and Ontario posted greater confidence. On the other, confidence was down among businesses in the Prairies.
- ▶ The pressure on production capacity is higher, as half of the businesses indicated that they would have difficulty meeting an unexpected increase in demand.
- ▶ Furthermore, the labour shortage indicators are signalling increased tensions in the labour market.
- ▶ According to the *Senior Loan Officer Survey*, mortgage-lending conditions were again relaxed due to lower rates for some mortgages.

COMMENTS

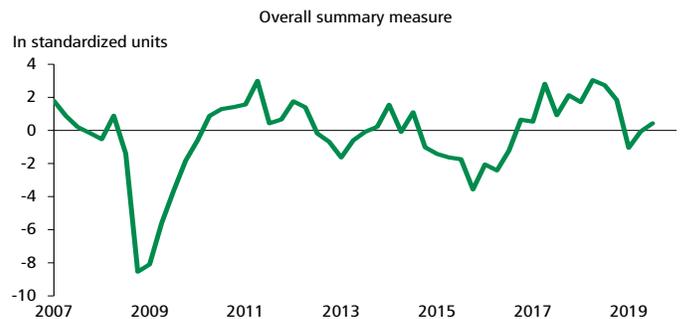
The slight increase in business confidence is, without a doubt, good news for the BoC. Moreover, the proportion of businesses expecting sales to grow over the next 12 months rose once again and is now sitting at 48%, a level unmatched since spring 2017. Intentions concerning investments in machinery and equipment also improved. Now, all that remains is knowing whether or not this will translate into a rebound for this component within the economic accounts for the coming quarters.

IMPLICATIONS

The slight improvement in business confidence should prompt the BoC to refrain from reducing its key rates in contrast to the recent move by the Federal Reserve. Therefore, extending the status quo for Canadian key rates appears to be the most likely option for the coming quarters, especially since the survey is still showing major regional differences.

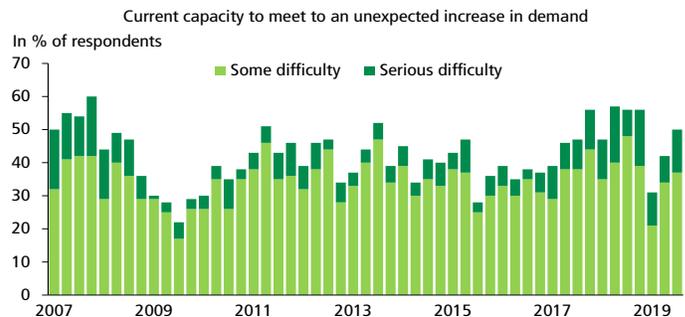
GRAPH 1

Businesses are a little more optimistic



GRAPH 2

Half of the businesses would have difficulty meeting an unexpected increase in demand



Benoit P. Durocher, Senior Economist

François Dupuis, Vice-President and Chief Economist • Mathieu D'Anjou, Deputy Chief Economist
Hélène Bégin, Senior Economist • Benoit P. Durocher, Senior Economist • Francis Généreux, Senior Economist

Desjardins, Economic Studies: 514-281-2336 or 1 866-866-7000, ext. 5552336 • desjardins.economics@desjardins.com • desjardins.com/economics

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2019, Desjardins Group. All rights reserved.