

## ECONOMIC NEWS

# Canada: Businesses Showing a Little More Confidence

### HIGHLIGHTS

- ▶ The quarterly Business Outlook Survey conducted by the Bank of Canada (BoC) between November 13 and December 9, 2019 showed that, in general, businesses are confident.
- ▶ Among other things, the survey's overall indicator rose further in Q4 2019, suggesting that business confidence once again edged up.
- ▶ Aside from the energy sector, signs of an improved outlook for domestic sales have been noted. Concerns over trade tensions have also dissipated somewhat, with the result that expectations for sales abroad are a little less cautious.
- ▶ Intentions concerning investments in machinery and equipment are slightly lower. The number of respondents indicating an increase in the next 12 months is still higher than those suggesting a decrease.
- ▶ Intentions to hire firmed up, particularly in British Columbia and Quebec.
- ▶ The surplus capacity of businesses has been absorbed and over half are having difficulty meeting an unexpected rise in demand. The main obstacle seems to be labour-related constraints.

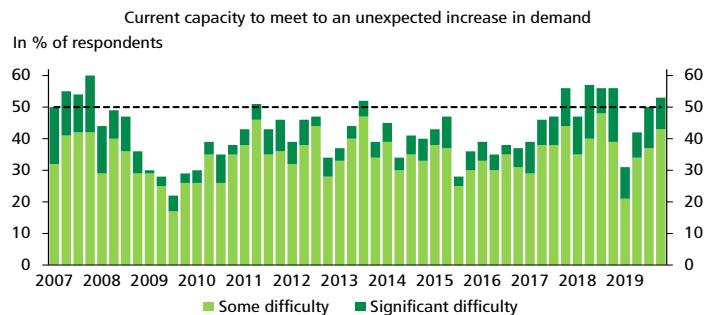
### COMMENTS

While hardly revolutionary, the results of the BoC's latest Business Outlook Survey is another step in the right direction. Clearly, the easing of trade tensions with the agreement between China and the United States and the looming ratification of the Canada-United States-Mexico Agreement (CUSMA) have helped boost business confidence.

That being said, the BoC will have to pay close attention to rising pressure on production capacity. The absorption of surplus capacity is accompanied by an increase in business expectations

### GRAPH

#### Over half of businesses would have difficulty responding to an unexpected increase in demand



Sources: Bank of Canada and Desjardins, Economic Studies

for future input price movements, with most respondents expecting faster growth in the next 12 months.

### IMPLICATIONS

While the results of the Business Outlook Survey are better in many regards, for now, they do not justify a shift in monetary policy by the BoC. BoC leaders still have sufficient leeway to maintain the status quo for key interest rates in the coming quarters.

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