



CANADA

Business outlook: many uncertainties persist

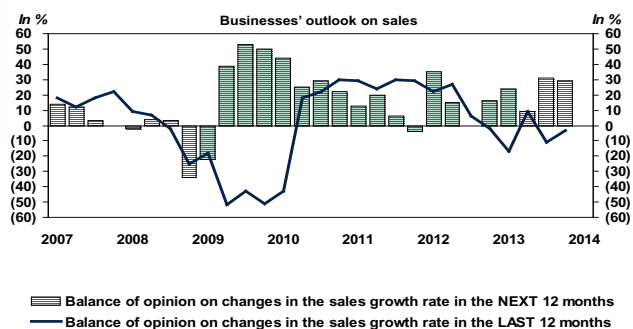
This morning, the Bank of Canada (BoC) released the results of its latest Business Outlook Survey. In general, the outlook on sales growth has not changed much. A majority of respondents still expect sales growth to accelerate over the coming 12 months. Expectations are buoyed by gradual improvement in global and U.S. demand. In addition, businesses active in international markets indicated a growing backlog of orders in the last 12 months.

That being said, the situation continues to disappoint for now, as many respondents indicated weaker sales growth over the last 12 months. Clearly, uncertainties continue to be significant. Many businesses are maintaining that fierce competition has been a challenge to gaining market share in the United States and elsewhere in the world.

Nonetheless, Canadian businesses seem slightly more inclined to invest. A higher number of respondents are reporting that they will ratchet up investments in machinery and equipment in the coming 12 months. The same goes for hiring plans. According to the BoC, this improvement is not actually widespread across sectors. Greater expectations for investment are more pronounced in services and rather modest in goods.

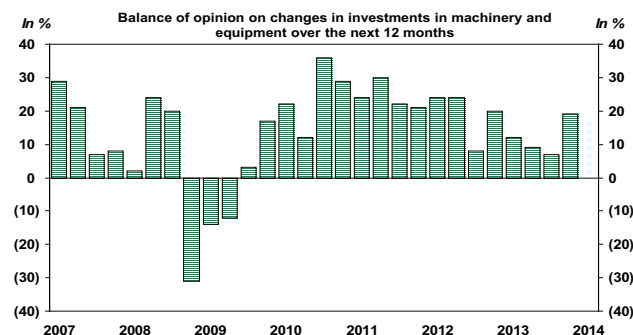
Implications: Canadian business confidence has shown little improvement these past few months. This is a rather disappointing situation considering that the hopes underlying economic growth in 2014 were based on accelerating exports and non-residential investments. Given the Canadian dollar's depreciation these past few weeks, Canadian exports could become more competitive in international markets. To further enhance their competitiveness, Canadian businesses should also resolve to grow their investments. The latest survey results are a step in the right direction on this point.

Businesses still expect improvement in the next 12 months



Sources: Bank of Canada and Desjardins, Economic Studies

Businesses are more optimistic about investments



Sources: Bank of Canada and Desjardins, Economic Studies

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