Canadian Businesses Still Upbeat In A Stale Survey

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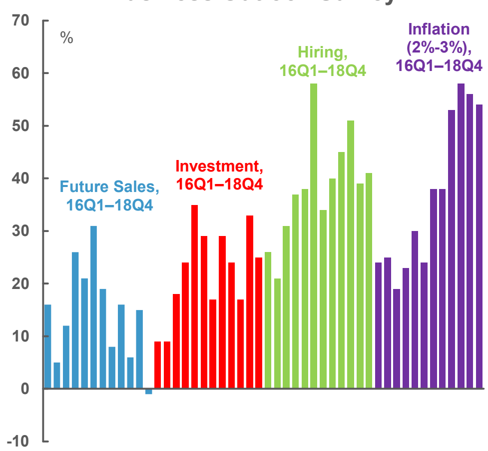
- The Bank of Canada's latest quarterly Business Outlook Survey (here) carried mixed offerings. The CAD response to the survey is impure to say the least because it coincided with strong US inflation and consumption data before NY Fed President John Williams delivered cautious remarks that weakened the USD.
- This is more stale Canadian data anyway. The survey period ran from November 5th to November 28th. That means that energy and related sectors were being surveyed when Canadian oil prices were still collapsing and before the run up in the Western Canada Select oil price that began very late in November and through to mid-December. WCS has since weakened again but remains at double the low point hit in the survey period. The survey period also does not fully capture the effects of the accelerated investment write-offs that were announced on November 21st. Perhaps investment sentiment might be stronger now with more survey respondents factoring in the lagged recognition of the incentives, but other concerns may have also take over. The accelerated deterioration in equity market conditions over December is also not captured by the sample period. While this edition of the survey was turned around faster than usual (last year's Q4 survey was only released on January 8th 2018), further improvements to timeliness perhaps also including a shortened survey period could be worthwhile when developments are proceeding rapidly.
- Companies are signalling they expect similar sales growth in 2019 to what they got over the past year which was fairly strong. The expectations for future sales growth component fell to -1 from 15 previously. Recall this measures the net balance of opinion between firms expecting sales to increase at a faster pace than the past twelve months and firms expecting sales to grow at a slower pace than the past twelve months. Being around zero it says they expect more of the same pace of growth on balance.
- As depicted in the accompanying chart, businesses were a touch less upbeat on investing but still positive, slightly more upbeat on hiring and continue to generally indicate that inflation will land in the upper half of the BoC's 1–3% target range in 2019.
- Firms see continued capacity pressures with such expectations operating at cycle highs.
- Labour shortage intensities remained strong and toward a cycle high.
- A positive signal for margin expectations that one might have expected is that input cost pressures are less of a concern, while output prices are still expected to increase at a pace toward cycle highs.



Sources: Scotiabank Economics, Bank of Canada.