

Canada October CFIB SME Survey

- The CFIB's small-business sentiment barometer registered a half-point increase in October to 59.8, but is pointing to an easing in the downward economic trend so far this year.
- Divergence between Eastern and Western Canadian business sentiment persists with Eastern provinces outperforming the West due to the downturn in the agriculture and natural resources industries.
- However, growth projections point to an unwinding in the divergence of provincial sentiment with Western provinces expected to rebound in 2020–21.

SAME BUT DIFFERENT

Canadian small business sentiment remained roughly unchanged from last month, rising only half a point in October to 59.8 (chart 1). Overall SME sentiment is slightly weaker year-to-date compared to this time last year averaging only 58.6 so far in 2019 versus 60.7 for the same period in 2018.

PROVINCIAL DIVERGENCE

The East-West divergence in provincial small business sentiment continued in October with PEI, Nova Scotia and Quebec at the top of the list and Saskatchewan, BC and Alberta forming the bottom three (chart 2). PEI registered an index level of 69.4, up 6.5 points from September (chart 3), and the highest level it's seen since October 2018. Quebec, Nova Scotia and PEI have displayed the most positive SME sentiment this year with all three averaging in the mid 60's for the first ten months of 2019 (chart 4), far outpacing the national average of 58.6. The only other province to crack 60 on average has been Ontario with 60.4 year-to-date. The lone exception in the East is Newfoundland averaging 50.4 so far in 2019.

The weakest sentiment has consistently been in the Western provinces this year with Alberta, Saskatchewan and BC averaging 49.4, 52.8 and 54.6 respectively year-to-date. The data reflects responses received from October 1st to 21st and may only partially capture the results of the Federal election held on October 21st but is consistent with what the data has shown over the course of this year. Although sentiment out West is currently negative, we foresee a rebound over the next two years (chart 5) as outlined in more detail in our Q4 Provincial Outlook [here](#).

INDUSTRY BREAKDOWN

Health and Education Services led all industries with a 5.5 point jump in October to 74.4 (charts 6 & 7). Most other industries posted a modest gain or loss in October with the exception of Hospitality which fell 6.6 points to 53.7, and Professional and Business Services which continued its up and down performance in 2019 by falling 10.3 points to 62.0. Overall, sentiment has been strong in Professional and Business Services for 2019 averaging 63.0 year-to-

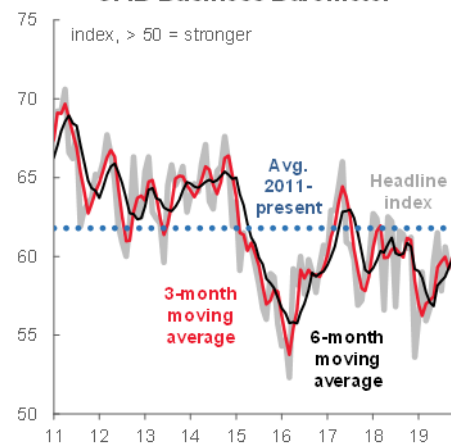
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Chart 1

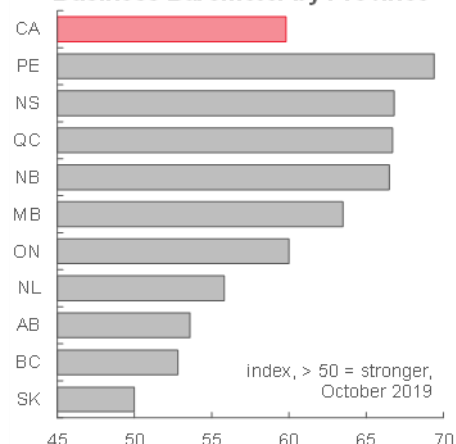
CFIB Business Barometer



Sources: Scotiabank Economics, CFIB.

Chart 2

Business Barometer by Province



Sources: Scotiabank Economics, CFIB.

date, second only to Health and Education which is averaging 63.5 year-to-date (chart 8). Finance, Insurance and Realty is a close third averaging 60.2 year-to-date for 2019 while Agriculture and Natural Resources are at the bottom with 49.1 and 51.6 year-to-date averages. This is consistent with the regional dichotomy in sentiment we're seeing with most Western economies more heavily tilted towards Agriculture and Natural Resource industries.

POINTS OF INTEREST

Shortages in skilled labour continues to be the #1 reason overall for sales or production growth limitations (chart 9); unsurprising considering the fact that Canada is on pace to record one of the best years of job creation this century (chart 10). Another contributing factor could be that SME's wage plans are moving in opposite direction to their labour needs (chart 11), due to the rise in major cost constraints in other areas (chart 12). As a gauge for tracking the overall performance of the economy, the Business Barometer continues to be a bellwether indicator and is pointing to an easing of the downward trend we've seen so far this year (chart 13).

Chart 3

Business Barometer by Province

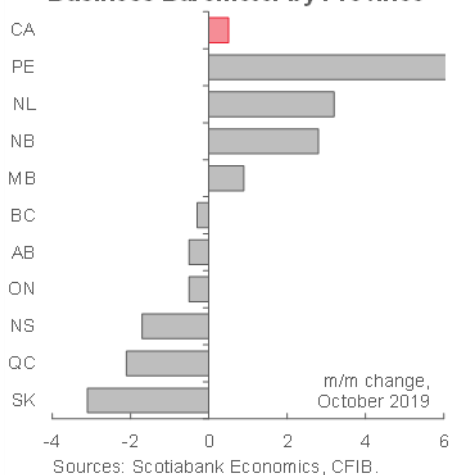


Chart 4

Business Barometer by Province

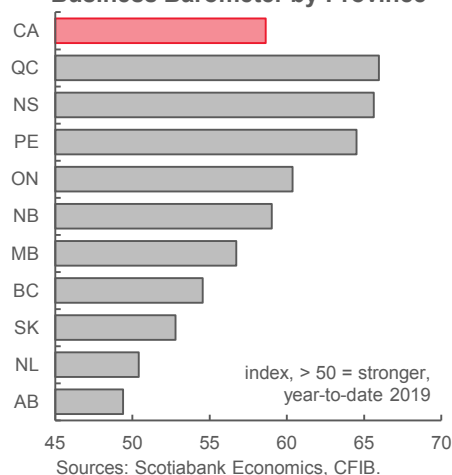


Chart 5

Provincial GDP Forecasts

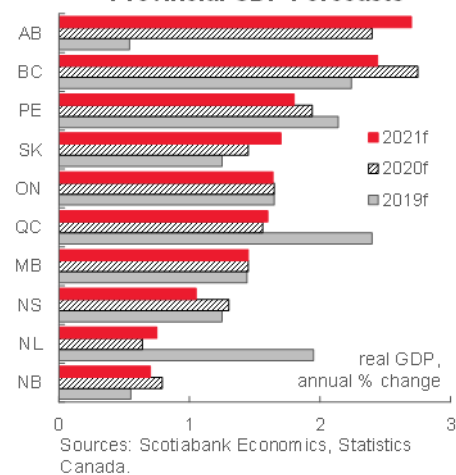


Chart 6

Business Barometer by Industry

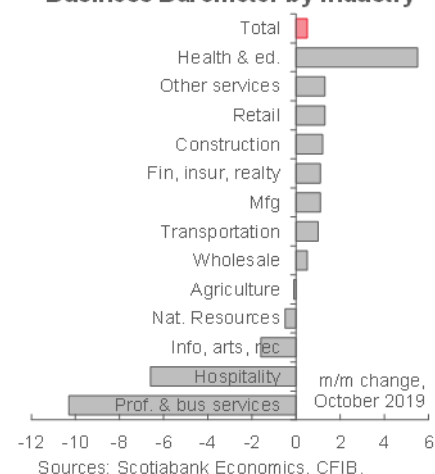


Chart 7

Business Barometer by Industry

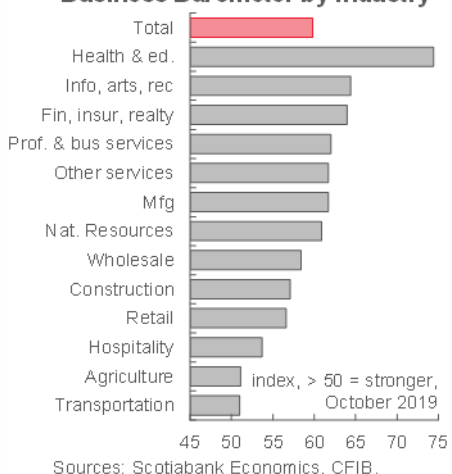


Chart 8

Business Barometer by Industry

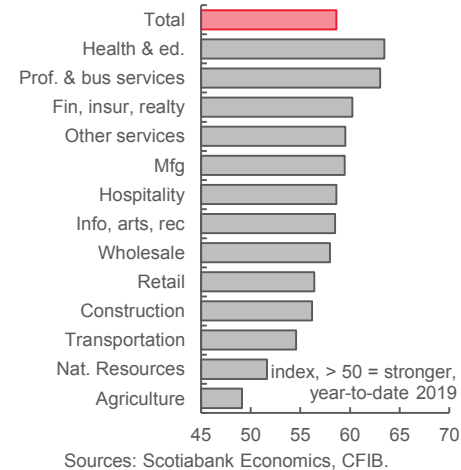


Chart 9

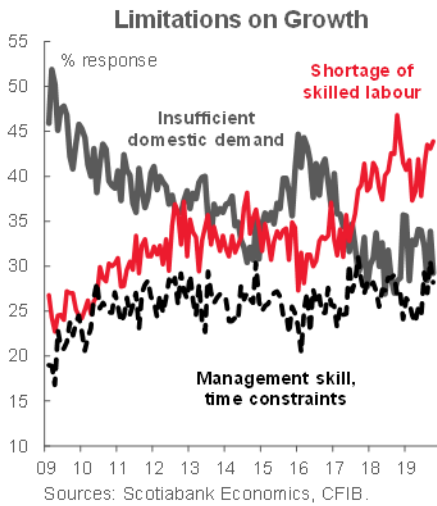


Chart 10

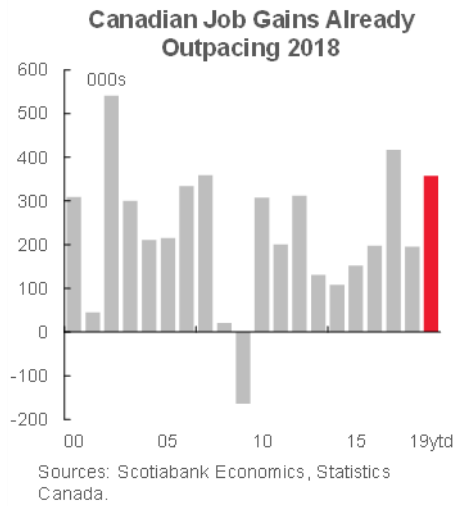


Chart 11

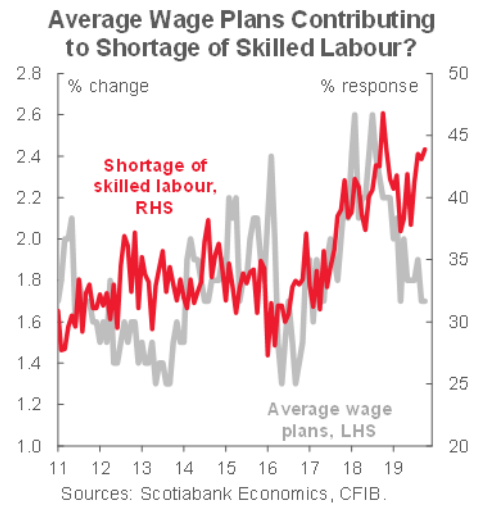


Chart 12

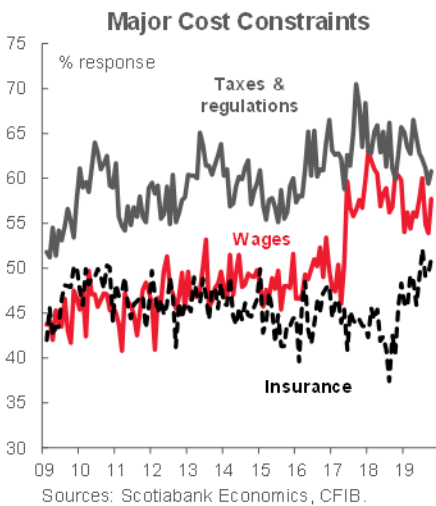
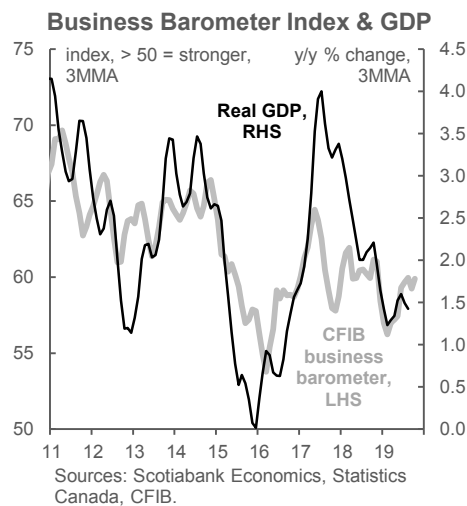


Chart 13



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