

BoC's BOS Indicates A Bit More Caution

- **Businesses turned more cautious toward expected future sales growth and investment intentions while leaving inflation expectations little changed and raising hiring intentions just as trend job growth has slowed.**

The sample period for the Business Outlook Survey ([here](#)) was from November 13th to December 9th. Key developments such as the US-China trade deal that was announced on December 13th and the widespread deterioration of Canadian macro data including the last pair of jobs reports would not have factored into the sentiments formed over these periods. That's enough to significantly impair the usefulness of the survey responses. There was little market effect.

Chart 1 shows how 2019Q4 responses to the main questions changed.

Future Sales

Business expectations for future sales growth deteriorated. The net balance of opinion on whether sales growth over the next 12 months will accelerate, decelerate or stay the same as the past 12 months fell to 11%, or about half of the 23% difference the previous quarter.

Investment Intentions

Investment intentions pulled back. On balance, the net percentage of firms saying they intend to invest at a lower rate over the next year than over the past year increased. That's interesting because the Q3 pick-up in cap-ex investment was loosely correlated with the investment gain in the GDP accounts, so pulling back indicates less momentum. In fact, net investment intentions were at their lowest since 2016Q2. Chart 2 shows investment intentions (blue line) mapped onto actual investment (green line) but with intentions lagged a year in order to track how well they match actual investment. Intentions overstate actual investment. Intentions mapped the trend in actual investment from 2011 through to 2016 but have not performed as well since then.

Hiring intentions

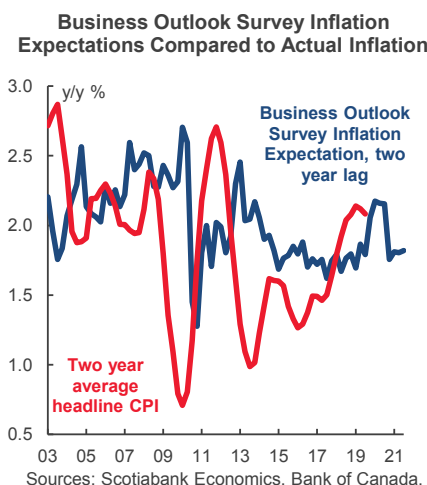
Chart 3 shows that hiring intentions over the year ahead picked up (blue line, lagged a year) and loosely map onto actual hiring over time (green line).

Output Prices

Firms expect less future pressure on their output prices. The net percentage of firms saying they expect faster output price increases over the next year as the past year pulled back slightly to -4% from +5%. That's among the lowest net percentages of the recent past.

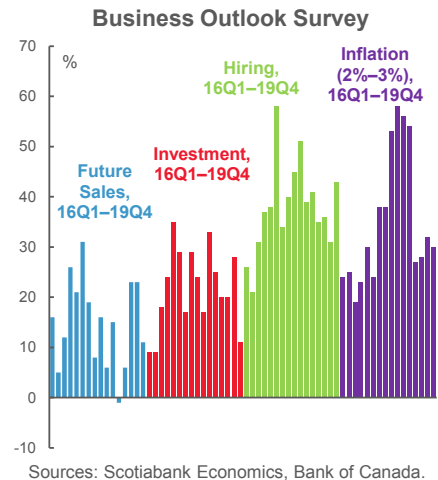
Business expectations for future inflation on average over the next two years were little changed to the prior survey but don't perform terribly well as a guide to actual two-year ahead inflation (chart 4).

Overall this survey is not expected to have a major impact upon BoC thinking but its mixed results indicate modest room for caution.

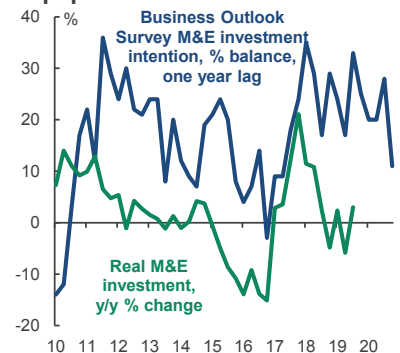


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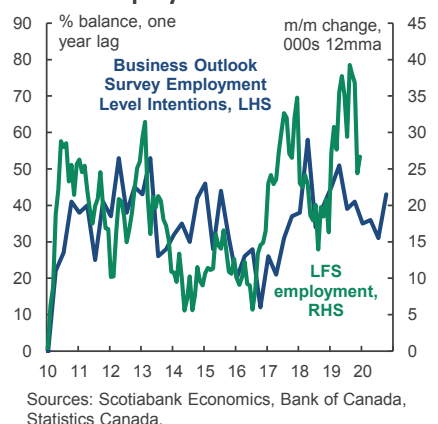
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Future Real Machinery & Equipment Investment Intentions



Future Employment Level Intentions



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