

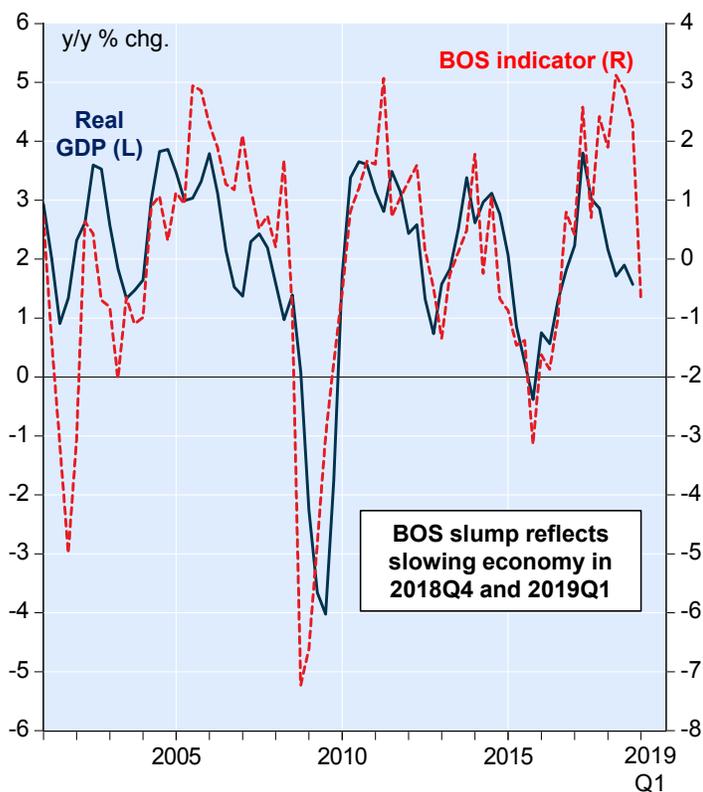
Canada Watch

By Krishen Rangasamy

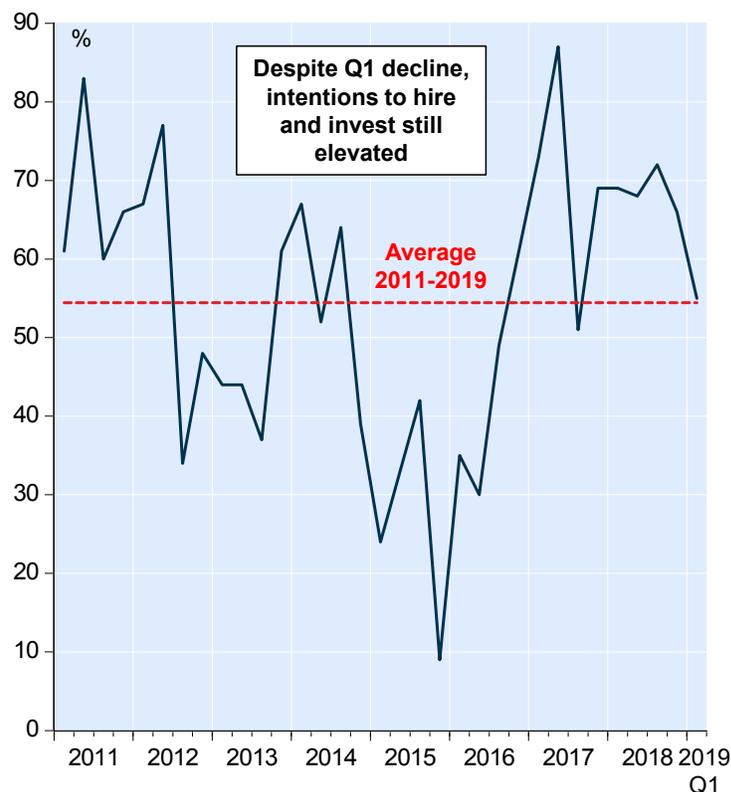
The Spring edition of the Bank of Canada's *Business Outlook Survey* (conducted between February 19th and March 13th) showed a deterioration in sentiment, the survey's main index sinking into negative territory for the first time since 2016. The observed moderation in sales and diminished optimism about the U.S. economy caused firms to scale back expectations about sales over the next 12 months. Capacity pressures and indicators of labour shortages eased dramatically in Q1. As such, intentions to increase employment and investment dropped a bit compared to the winter survey. While the survey results are disappointing, that's not to say all is bleak in Canada. The decline in business sentiment clearly reflects the soft patch of 2018Q4-2019Q1, a temporary phenomenon in our view, especially considering the rebound in oil production and prices since then. Results were also skewed by goods-producing firms battered by the slowdown in global trade. Survey responses from services-producing firms were indeed more positive with regards to future sales, hiring and investment. As today's *Hot Charts* show, that explains why hiring and investment intentions, while falling slightly in Q1, remain elevated. Also encouraging is the fact that credit remains available as evidenced by the separately-released BoC *Senior Loan Officer's Survey* for Q1 (conducted between February 4th and March 8th) which points to a further easing in business lending conditions. All told, the survey results do not warrant additional stimulus from the Bank of Canada at next week's meeting.

Canada: Slowing economy dents business sentiment

Real GDP versus Business Outlook Survey indicator



Balance of opinion with regards to employment and investment over the next 12 months



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