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CANADA

Canada Business Sentiment Improves Slightly: Bank of Canada

Results should reinforce expectations central bank will leave key interest rate on hold at 1.75%



The Bank of Canada survey suggests businesses generally expect their sales to increase at a greater rate over the next 12 months. PHOTO: STEPHANE MAHE/REUTERS

By Kim Mackrael

Oct. 22, 2019 11:18 am ET

OTTAWA—Overall Canadian business sentiment improved slightly in recent months but remains short of the high levels reported in previous years, a Bank of Canada survey found.

The results should reinforce analyst expectations that the central bank will leave its key interest rate on hold at 1.75% during a policy announcement next week. The Canadian economy has stayed relatively resilient in recent months, with second-quarter growth coming in above expectations and the jobless rate near a 40-year low.

The central bank's quarterly business outlook survey found future sales expectations remain positive in most regions, while hiring and investment plans are generally healthy. However, the survey highlighted a divide between the central Canadian provinces of Ontario and Quebec, where optimism has improved, and firms in the country's prairie provinces, where business sentiment is weaker.

Canada's prairie region includes the province of Alberta, where the country's energy resources are concentrated.

The survey's publication marks the Bank of Canada's first substantive communication since Canada's election campaign kicked off six weeks ago. Prime Minister Justin Trudeau's Liberal Party was re-elected on Monday, but with a weakened mandate that will force him to rely on support from other parties to pass legislation.

The Bank of Canada survey found that future sales expectations are positive, suggesting businesses generally expect their sales to increase at a greater rate over the next 12 months. Investment and hiring plans remain healthy overall, despite relative weakness in the prairie provinces, the survey found.

A majority of Canadian firms continue to anticipate that inflation will be in the lower half of the central bank's 1% to 3% target range over the next two years, the survey said.

The central bank's autumn survey of business sentiment was conducted between Aug. 20 and Sept. 13.

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