

Business gives Canadian economy vote of confidence, consumers remain wary

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OTTAWA - The Canadian economic recovery is getting a vote of confidence from business executives, but Canadian consumers still need convincing, two new surveys suggest.

The Conference Board of Canada's consumer confidence index fell a surprising and statistically significant 7.8 points this month to 84.8, the lowest it's been since December.

The gloomy finding comes as a U.S. survey found consumer confidence there rising, although the mood of Americans remained far more pessimistic in comparison with Canadians.

Meanwhile, a survey of chartered accountant executives working for Canadian companies found 61 per cent were optimistic about the economy. That was up 13 points from three months ago and only six points off the pre-recession peak.

Conference Board economist Todd Crawford said his survey's results on consumer confidence were "a little bit disconcerting," given the improving economic conditions, including the resumption of job growth. About 180,000 jobs have been added since July.

He speculated that Canadians may be disappointed at the pace of recovery, particularly on the employment front, and may have new anxieties about the prospect of rising interest rates by the Bank of Canada.

Canadian chartered banks have already stepped ahead of the curve with a string of rate hikes that have added about one per cent to the fixed rate on longer-term mortgages. The Royal Bank and TD Bank edged rates up slightly again Monday by 0.15 per cent.

"Consumer confidence is far higher than it was a year ago, but at the same time there could be a little frustration setting in with the pace of the recovery," Crawford said.

TD Bank economist David Onyett-Jeffries said it would be a mistake to read too much into the one-month dip in consumer confidence, noting that it is still much higher than its bottom during the recession and much stronger than in the U.S..

The lesser known Canadian Institute of Chartered Accountants quarterly survey paints a rosier picture. Not only do the business executives think the economy is on the mend, but they believe their firms' immediate future prospects are strong.

Optimism was lowest in Ontario, the epicentre of the just-past recession, although at 40 per cent, sentiment is far brighter than the 16 per cent reading obtained three months ago.

"The chartered accounts who complete these surveys are from some of our largest integrated companies and they have a pretty good pulse on their business plans," said Doug Baker, chairman of the institute.

"The people looking at their own companies are seeing a little better optimism," he added.

The executives cited low interest rates, oil prices, earnings, the stock market recovery and increased consumer confidence for their improved expectations.

The drop in consumer confidence in April followed gains in two of the previous three months.

Meanwhile, U.S. consumer confidence remains well below pre-recession levels, not surprising given the severity of the recession south of the border.

A recent Statistics Canada analysis showed that the U.S. economy suffered far greater losses in the just-past recession than did Canada's, especially in the area of employment. The U.S. shed about 8.5 million jobs, whereas job losses in Canada - taking into account population differences - were about half that level at slightly more than 400,000.

Economists are of mixed mind about how much importance to attach to confidence surveys, although the Conference Board believes they are mostly accurate indicators of future purchasing intentions.

The April survey found soft sentiment across the spectrum, with more Canadians saying they were financially worse off than they were six months ago. And more respondents also said they expected to be worse off six months from now and that job prospects would be worse in six months.

The only non-negative response was on the question of buying intentions. About 47 per cent said they believed now was a good time for a major purchase, such as a car or home, about the same as in March.

Regionally, consumer sentiment in Quebec and the four western provinces tended to be more negative than in Ontario and the Atlantic provinces.