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Canadian Businesses See Improvements

If a recent business survey is any indication, the Canadian economy *does* appear to be on the path to recovery.

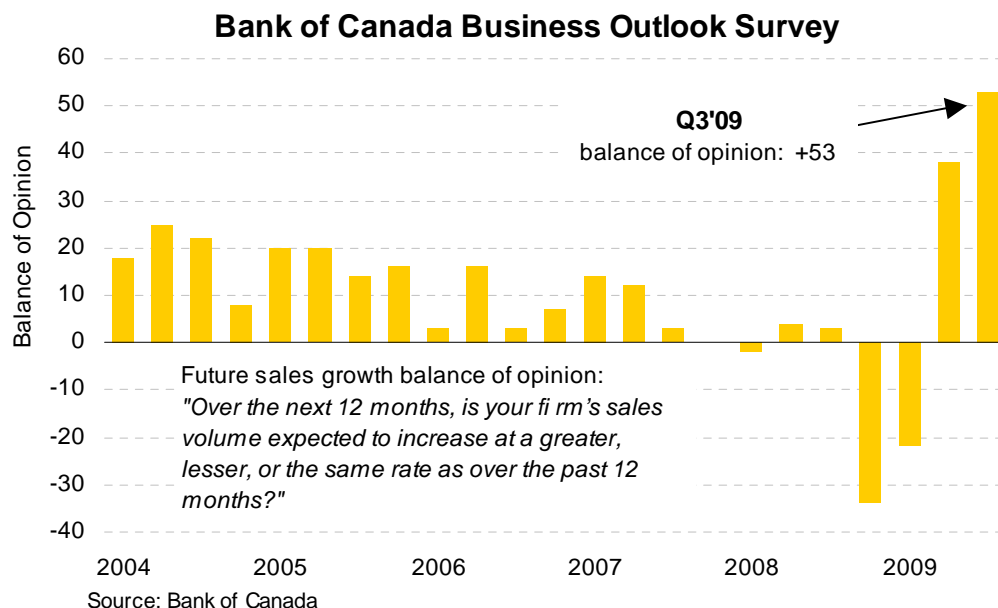
The *Business Outlook Survey* is a series of interviews conducted by the Bank of Canada's regional offices with the senior management of about 100 firms nation-wide. The companies selected provide a rough cross-section of Canada's gross domestic product; small, medium, and large firms are all included in the survey.

The most recent survey results, released last Friday, painted a decidedly upbeat picture. When asked about the expected rate of sales growth over the next 12 months, compared to the rate of sales growth over the previous 12 months, the balance of opinion was well into positive territory (+53). This

is the highest reading on future sales activity in the history of the survey (see graph).

However, this does not necessarily suggest a red-hot economy is just around the corner. The question asks respondents to gauge expected activity *compared* with the level of activity over the past 12 months. So, sales in the coming year don't need to be very robust to outpace the level of sales present during the recession.

Companies also reported improved prospects for investment in machinery and equipment, hiring intentions, an expected output prices. Opinions on access to financing suggest that the credit markets have largely stabilized.



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