



Canada Consumer Gloom Deepens Before Poloz Interest Rate Meeting

by Theophilos Argitis



(Bloomberg) -- Canadians aren't taking much comfort from the central bank's latest policy moves.

An index of consumer confidence calculated by Nanos Research has dropped six straight weeks since Bank of Canada Governor Stephen Poloz cut interest rates on Jan. 21, calling it "insurance" against the oil-price shock. The reading for the week ended Feb. 27 declined to 53.6, the lowest in almost two years.

Growing consumer pessimism may be an unintended consequence of Poloz's rate move, some economists such as Bank of Montreal's Doug Porter have said, prompting households to keep a lid on spending. Poloz's next rate decision is Wednesday, with swaps trading suggesting a 28 percent chance of another rate cut.

Every week, Nanos Research asks Canadians for their views on personal finances, job security, the outlook for the economy and where real estate prices are headed. This is what the survey data, which is compiled for Bloomberg News, captured for the week through Feb. 27:

*The Bloomberg Nanos Canadian Confidence Index -- a national composite score based on the four survey questions -- declined to 53.6, the lowest since May 2013. The average over the past 12 months is 58.2.

*The outlook for housing is deteriorating. The share of Canadians predicting a drop in real estate prices climbed to 21.4 percent last week, the highest since the 2009 recession and double November levels. The share of real-estate optimists fell to 32.6 percent from 33.4 percent, in line with depressed levels so far in 2015. The difference between optimists and pessimists, at 11.2 percentage points, is the narrowest since April 2013.

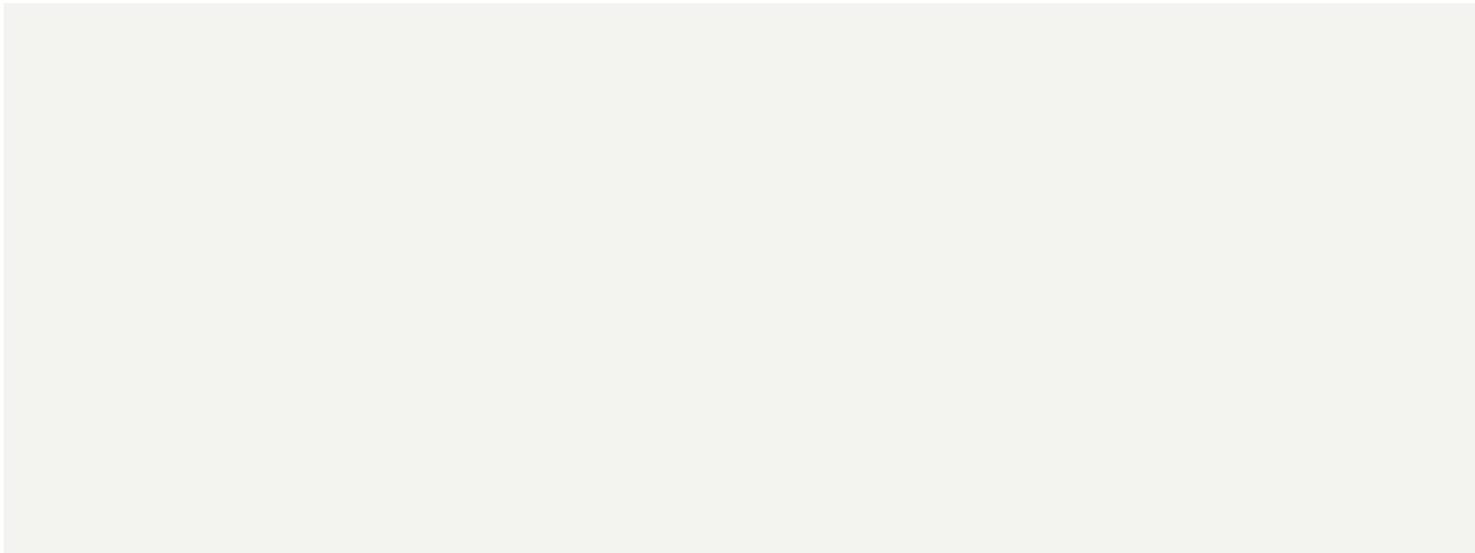
*Positive sentiment from the effect of falling gasoline prices was short-lived. The share of Canadians who reported feeling better off in terms of personal finances dropped below 20 percent for the first time this year. Those who feel worse off climbed to 23.3 percent. The spread between the two, at 4.1 percentage points, is the widest in 2015.

*One positive for Poloz may be an improving perceptions about the outlook for the economy, even though levels remain historically low. The share of Canadians who think the economy will pick up over the next six months fell to 42.2 percent, from 44.8 percent the previous week, while those who see it strengthening rose to 15.1 percent. The difference between pessimists and optimists narrowed to 27.2 percentage points from 32.6 points two weeks earlier, which was the widest since the 2008-2009 recession.

*The Nanos index is derived from weekly polling based on phone interviews with 1,000 people, using a four-week rolling average of 250 respondents. The results are accurate to within 3.1 percentage points, 19 times out of 20.

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