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TD Economics

Data Release: Small business confidence little changed in February

- Confidence among small businesses was little changed in February, with the CFIB Business Barometer Index rising by 0.3 points to 54.7. The index continues to hover around the lowest levels seen since the 2009 crisis, and is more than 12 points lower than the most recent peak reached in late 2014.
- Confidence continued to decline among oil-producing regions. The index fell almost 10 points in Newfoundland and Labrador (to 53.5) and 6.3 points in Saskatchewan (to 52.4). Meanwhile, small business confidence in Alberta remains the weakest, falling over 2 points to 26.7 – the most pessimistic level in recorded history. On the other hand, notable gains were recorded in Prince Edward Island (up 5.2 points to 65.5), Quebec (up 5.1 to 66.3) and Ontario (up 2.4 to 60.8).
- On a sectoral basis, gains in construction led the way, rising by over 10 points and more than recovering the significant ground lost during the prior month. The information, arts and recreation sector also recorded notable gains (up 4.7 points to 66.7). Most other sectors recorded drops in confidence between 2 and 4 points, while transportation shed almost 8 points on the month. Confidence in agriculture, natural resources and transportation was below the 50 point threshold, indicating that most business owners in these sectors don't expect their business performance to be stronger in the year ahead.

Key Implications

- Small business confidence has been trending down since the collapse in oil prices in mid-2014. With oil prices still at very low levels, persistent volatility in equity markets, sharp movements in exchange rates and ongoing concerns about global growth, it is unsurprising that confidence remains so weak.
- Going forward, these factors, combined with the lengthy adjustment process underway in the Canadian economy, will continue to weigh on sentiment among business owners.
- While concerns about currency-related costs and insufficient domestic demand have risen, the relatively low Canadian dollar and strong U.S. domestic economy should bode well for some industries such as hospitality (one of the most optimistic at present) and manufacturing. As such, business sentiment within these sectors should see some improvement as the year unfolds. (For more on the outlook for Canadian manufacturing, see our recent report [link](#)).

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