

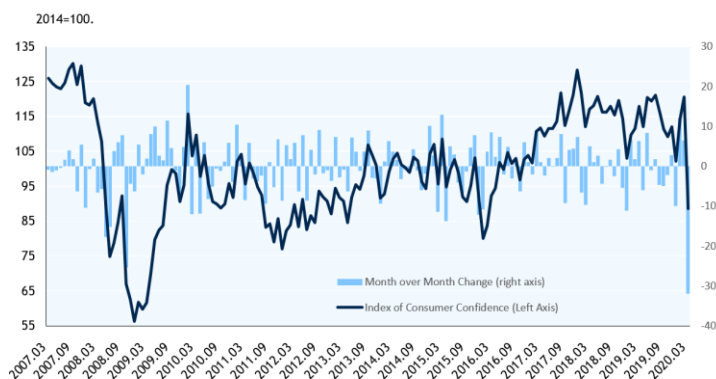
March 19, 2020

A crisis of confidence

It's still early days but indicators are beginning to show the widespread anxiety gripping consumers and business alike. By our count, the Conference board's Canadian consumer confidence indicator registered its largest monthly decrease (~32points) on record. Like many other countries, Canada has taken bold steps to contain and slow down the spread of COVID-19. With these necessary measures in place it's likely that things will look worse before they look better and we could see confidence continue to fall.

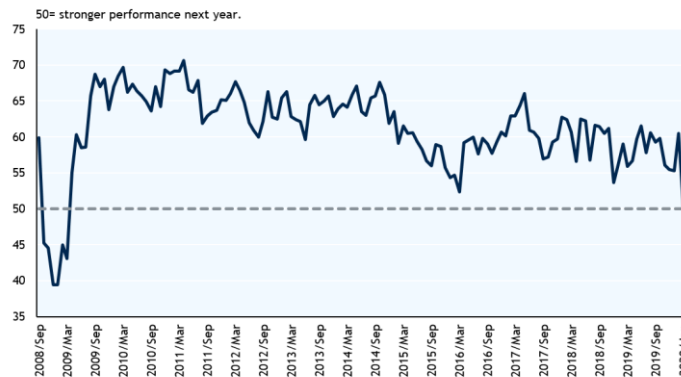
A plunge in confidence adds to the broad narrative we've seen in financial and commodity markets. Since February 20, Canada's TSX is down 35% slightly more than the 30% drop in the global stock index. Oil prices have fared even worse, as they weather a twin crisis; one of confidence (low demand) and over supply. Despite recently announced fiscal and monetary stimulus we are already seeing businesses announce layoffs. This isn't surprising given the latest CFIB survey shows businesses are now expecting their performance to be weaker in the next year. How Canadians respond to this downturn depends largely on how quickly we can see signs of normalcy emerging. For now it's too early to tell when that time will come.

Index of Consumer Confidence - Canada



Source: RBC Economics, Conference Board Canada

Business Barometer Index - Canada



Source: RBC Economics, CFIB

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