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Signs of Thaw in Corporate Attitudes Emerging, Says Governor Carney

WINNIPEG, Manitoba – With improvements in financial conditions, economic activity, commodity prices, and confidence, the Bank of Canada anticipates that there will be a relatively modest recovery this year in business fixed investment in Canada, and an acceleration of investment spending in 2011. “The first signs of a thaw in corporate attitudes have begun to emerge,” Bank of Canada Governor Mark Carney said in a speech today.

The actions of the corporate sector will be critical for the economic recovery, growth in employment, and competitiveness in Canada. As policy stimulus begins to fade, a key determinant of the pace and sustainability of Canada’s recovery will be how investment and hiring intentions of businesses in all sectors evolve.

The recent global recession was the worst economic downturn since World War II, and both its speed and virulence took business by surprise, the Governor noted. In the future, global economic growth may not only be lower, but it could also be more volatile. “Canada is entering this period of adjustment with many strengths, but the efforts required of us will be historic,” the Governor told the Winnipeg Chamber of Commerce.

Governor Carney acknowledged that businesses in Canada are understandably waiting for confirmation of the recovery before acting. He cautioned, however, that action will be needed. “Companies are emerging from the recession to an altered world—one that may require deeper restructuring and bolder strategic initiatives than currently contemplated,” he stated.

Canada’s corporate sector has advantages, the Governor observed. Domestic demand is expected to be relatively strong, providing a base of support for some sectors. Corporate balance sheets are in outstanding shape, and margins have held up very well. In addition, Canada’s overall financial conditions are now contributing to, rather than retarding, the recovery.

In concluding, the Governor reaffirmed the Bank of Canada’s commitment to price stability and to keeping inflation low, stable, and predictable. “Price stability lowers uncertainty, minimizes the costs of inflation, reduces the cost of capital, and creates an environment in which households and firms can invest and plan for the future,” he said.