

# Consumer confidence improving as BoC eyes rate hike

By Josh Wingrove

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Canadians shrugged off worries of a decline in housing prices to end last month with an increasingly positive mood about the economy.

The Bloomberg Nanos Canadian Confidence Index – a gauge based on telephone polling – rose to 58.4 in the week ended June 30, the highest level in five weeks on growing optimism about the outlook for the economy. The share of those who believe the economy will strengthen rose to 21.8 per cent, the highest level in almost two months.

The figures come after a string of strong economic indicators for Canada. Gross domestic product and employment numbers have been growing at levels rarely seen since the 2008-2009 recession. That's helping to offset worries about the health of the nation's housing market at a time when the Bank of Canada may be poised to start raising interest rates as soon as this month.

"The impact of higher lending rates on the housing market and on overall consumer spending could, however, be tempered by increased expectations for economic growth and improvements in the labor market in the months ahead," Bloomberg economist Robert Lawrie said in a statement.

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. The responses are compiled into the Bloomberg Nanos Canadian Confidence Index.

While down from record levels in May, confidence in Canada's hot housing market remains at elevated levels.

Of all respondents nationally, 43.3 per cent expect real estate in their neighborhood will increase in value over the next six months,

essentially little changed over the past four weeks. That reading reached a record 50.1 per cent in May.

The share of those expecting prices to decline rose to 12.1 per cent, the highest share since February. Another 41 per cent expect prices will be unchanged.

The prospect of higher interest rates – nine of 16 economists surveyed by Bloomberg News last week expected the Bank of Canada to raise borrowing costs at its next decision July 12 – may also begin to weigh on personal finances. The share of respondents reporting improving finances fell to 16.5 per cent, down from 17.1 per cent four weeks earlier. Those who say their finances have worsened also declined however. The biggest gains for this question were among respondents who say their finances haven't changed.

Ontario Falls Regionally, confidence over the past four weeks has fallen the most in Ontario, home to Toronto's hot housing market, where sales numbers have begun to cool off. Ontario's overall confidence index score stands at 55.9, down from 59.4 four weeks earlier.

The overall index for British Columbia, home to Vancouver's housing market, rose to 64.9 from 62.9 four weeks earlier and remains the highest in the country.

Weakening survey results for personal finances and real estate however are being offset by improving numbers for job security and the economic outlook.

With more than 150,000 jobs created so far this year, job security is on the rise, the data show. Of those polled, 67.4 per cent said their job was at least somewhat secure, the highest score since February and up from 65.8 per cent four weeks earlier.

The Bloomberg Nanos Canadian Confidence Index is based on a four-week rolling average of a total of 1,000 respondents, and is

considered accurate within 3.1 percentage points, 19 times out of 20. The latest round of polling concluded June 30.