Bank Of Canada Holds Interest Rate; Oil Prices Cited

Growth Projected At 1.7%; Stagnant Wages, High Borrowing Costs Also A Matter Of Concern

OTTAWA:The Bank of Canada left its trend-setting interest rate unchanged at 1.75 per cent Wednesday as the sharp decline in oil prices temporarily dims its economic outlook for the coming months.

Before long, however, the central bank expects the economy to expand with renewed vigour. More rate hikes, it stressed, will be necessary “over time.”

In its first policy announcement of 2019, the bank said the recent drop in crude prices will result in slower-than-expected growth in an economy that has otherwise been performing well.

The bank is now projecting growth to be just 1.7 per cent in 2019, down from its October forecast of 2.1 per cent _ but it remains optimistic the economy will begin to strengthen again as early as the second quarter of this year.

“The drop in global oil prices has a material impact on the Canadian outlook, resulting in lower terms of trade and national income,” the bank said. “Looking ahead, exports and non-energy investment are projected to grow solidly... Indicators of demand should start to show renewed momentum in early 2019, leading to above-potential growth of 2.1 per cent in 2020.”

The business-investment lift, the bank said, will get a boost from Ottawa’s recently announced tax changes to allow companies to write off a bigger share of the cost of new assets in the year they are purchased.

The big question, however, is what this will all mean for the pace of future interest-rate hikes.

Governor Stephen Poloz has been gradually raising the rate since mid-2017 to keep inflation from rising too high.

The timing of its next hike will depend on several factors, the bank said, and there will be a particular focus on developments in the oil markets, the Canadian housing sector and global trade policy.

The Bank of Canada has estimated it will no longer need to raise the rate once it reaches a “neutral” level of between 2.5 and 3.5 per cent.

In addition to the oil slump, consumption and housing investment were underlined as weaker than expected in large part due to higher borrowing costs and stricter mortgage guidelines. But household spending is expected to continue to be supported by other factors, the bank said in its latest monetary policy report, also released Wednesday.

The bank listed these factors as population growth fuelled by immigration, low unemployment rates, cheaper gasoline prices and wage gains.

The bank projects growth in the fourth quarter of 2018 to be 1.3 per cent, compared with its earlier prediction of 2.3 per cent. Growth is expected to be just 0.8 per cent over the first three months of 2019.

Canada’s sharp deceleration in wage growth since last spring has also been highlighted by experts as a concern for the economy _ particularly since the tightened labour market should translate into higher wages.

The bank addressed the issue Wednesday by saying national wage-growth figures have been weighed down by weaker numbers in the oil-producing provinces.

The rest of the country has shown a steady level of wage growth in recent years and the bank remains hopeful it will pick up its pace.

Canadian bank notes are seen in Ottawa on Wednesday, September 6, 2017. Rising interest rates appear to be taking a toll on Canadians’ finances as the total number of insolvencies filed under the Bankruptcy and Insolvency Act increased by 5.2 per cent in November from the prior year. THE CANADIAN PRESS/Adrian Wyld

Insolvencies Up In November By 5.2% From Previous Year

OTTAWA _ Rising interest rates appear to be taking a toll on Canadians’ finances as the total number of insolvencies filed under the Bankruptcy and Insolvency Act increased by 5.2 per cent in November from the prior year.

The Office of the Superintendent of Bankruptcy Canada says the number of consumer insolvencies in November rose by 5.2 per cent from a year ago, while business insolvencies increased by 8.9 per cent.

The Bank of Canada raised its key lending rate five times since the middle of 2017.

The number of insolvencies decreased by 2.5 per cent in November from October with bankruptcies falling by 8.2 per cent and proposals increasing by 2.1 per cent.

For the 12-month period ending Nov. 30, the number of bankruptcies and proposals grew by two per cent with consumer bankruptcies falling by five per cent and proposals increasing by 8.4 per cent. Consumer insolvency filings accounted for 97.2 per cent of total insolvency filings.

Business insolvencies for the 12-month period ending Nov. 30, 2018, decreased by 0.6 per cent compared with the 12-month period a year prior, with the mining, oil and gas extraction and manufacturing sectors falling the most while construction and retail insolvencies sustained the greatest increases.

The number of insolvencies rose in all provinces except Nova Scotia in November compared with the same period a year earlier. Newfoundland and Labrador’s filings rose 11 per cent, followed by Alberta at 8.3 per cent. Quebec and Ontario grew by less than one per cent.

Bell Asking Customers’ Permission To Collect More Personal Data

TORONTO: Canada’s largest telecommunications group is getting mixed reviews for its plan to follow the lead of companies like Google and Facebook in collecting massive amounts of information about the activities and preferences of its customers.

Bell Canada began asking its customers in December for permission to track everything they do with their home and mobile phones, internet, television, apps or any other services they get through Bell or its affiliates.

In return, Bell says it will provide advertising and promotions that are more “tailored” to their needs and preferences.

“Tailored marketing means Bell will be able to customize advertising based on participant account information and service usage patterns, similar to the ways that companies like Google and others have been doing for some time,” the company says in recent notices to customers.

If given permission, Bell will collect information about its customers’ age, gender, billing addresses, and the specific tablet, television or other devices used to access Bell services. It will also collect the “number of messages sent and received, voice minutes, user data consumption and type of connectivity when downloading or streaming.”

“Bell’s marketing partners will not receive the personal information of program participants; we just deliver the offers relevant to the program participants on their behalf,” the company assures customers.

Teresa Scassa, who teaches law at the University of Ottawa and holds the Canada Research Chair in Information Law and Policy, says Bell has done a good job of explaining what it wants to do.

But Scassa says Bell customers who opt into Bell’s new program could be giving away commercially valuable personal information with little to no compensation for increased risks to their privacy and security.

“Here’s a company that’s taking every shred of personal information about me, from all kinds of activities that I engage in, and they’re monetizing it. What do I get in return? Better ads? Really? That’s it? What about better prices?”

Toronto-based consultant Charlie Wilton, whose firm has advised Bell and Rogers in the past, says there’s “tonnes” of evidence that consumers are increasingly aware of how valuable their personal information can be.

“I mean, in a perfect world, they would give you discounts or they would give you points or things that consumers would more tangibly want, rather than just the elimination of a pain point _ which is what they’re offering right now,” Wilton says.

Scassa says there are also privacy and security concerns. At the macro level, Bell’s data security could be breached by hackers. At the micro level there’s the potential for family friction if everybody starts getting ads based on one person’s activities.

Ads for pornography, birth control or services for victims of abuse could trigger confrontations, for instance. “Some families are open and sharing. Others are fraught with tension and violence,” Scassa says.

Wilton says a company in Bell’s position also runs the risk that customers will feel betrayed if their information is leaked or the advertising they receive is inappropriate.

In the age of social media, he says, “one leak or one transgression gets amplified a million times.’ Bell spokesman Nathan Gibson noted that its customers aren’t required to opt into its new marketing program and they can opt out later by adjusting their instructions to the company. - CP