Reading the financial news is like chewing on one of those hyper-dried granola bars with no water bottle in sight. You are told there is something useful in the package, but it's difficult to digest, and absolutely gag-worthily dry. Picture the news announcer with thick glasses announcing in his best monotone that markets were up today about .37% in Toronto, .68% in New York, and that lumber futures were off .19%. Most of us will droop in to a zombie stare, and start dreaming of bacon.

The more readable stories about money usually involve scandals, class conflict, or life in the extremes. Some sort of outrageously rich person buying another planet, or a group of struggling sub-Saharan farmers suffering through a meagre existence eating roots and drinking muddy water.

It's the humanization of financial data that matters to us. So, at the risk of being accused of spoon feeding, I will translate (in brackets throughout the rest of this article) an RBC Economics report on the latest move from the Bank of Canada, hoping that summer readers will not feel like they are in summer school.

Highlights:

- The balance of opinion on future sales and investment growth moderated slightly but employment intentions moved higher. (Most business managers think business is still pretty good – yes, we actually do measure what they think.)

- Capacity pressures seemed to tighten with more firms reporting difficulties meeting demand and labour shortages (Business is so good in fact it is hard to hire new people because they already have jobs)

- The Bank of Canada noted that most survey responses were collected before the U.S. imposed tariffs on Canadian steel and aluminum products in June. (Oh-oh. Trump might be on the brink of messing up the otherwise good news by starting a world-wide trade fight just so he can remain the shiny object for another few weeks).

Sentiment remains positive in Canada's Q2/18 Business Outlook Survey

The Bank of Canada's Q2 BOS survey struck a positive tone once again. Forward-looking future sales and investment intentions indicators both slowed somewhat, but still look solid, and employment intentions increased. Perhaps more important, though, were further indications that the economy is bumping up against long-run capacity limits. (Capacity limits, hmmm – picture sawmills already running three shifts and selling all their product before it is out of the kiln – and trains running behind to keep up with demand. This sort of thing puts upward pressure on prices. So in short, capacity limits leads to inflation).

The share of firms reporting some or significant difficulties meeting new demand rose to its highest level since Q4-2007 in Q2. More firms reported labour shortages. In-deed, the Bank of Canada highlighted data not part of the 'standard' survey release showing that 'labour-related bottlenecks' are at or near record highs. (Mmmmm… bacon.) The Bank noted that relatively tight demand/supply balance has left more firms "in position to pass cost pressures through to output prices." Inflation expectations are still heavily concentrated within the central bank's 1% to 3% target range. The almost two-thirds now expecting growth in the top half of that range or above, though, is still a sharp reversal from a year ago when 72% of respondents expected inflation at or below the midpoint. (Because business is brisk, prices on the basket of things most of us have to buy might start going up more quickly than they have in a while. This will put pressure on interest rates too.)

To be sure, the Bank of Canada noted that most of the responses to the Q2 survey were collected before the U.S. slapped tariffs on Canadian steel and aluminum products on June 1st — and before a seemingly dramatic deterioration in the tone of broader U.S. and Canadian trade talks in recent weeks. Beyond the steel and aluminum tariffs — which Governor Poloz hinted in comments earlier this week would probably have a limited broader macroeconomic impact — most trade risks, though significant, remain theoretical at this point. (We keep hoping he's not so stupid as to actually do what he is threatening to do). In the mean-time, the economy increasingly looks to be bumping up against capacity limits even as interest rates are still at highly stimulative levels. (Baaaa-connnn is yummmmy.) Today's data should only support expectations, already aided by comments from Governor Poloz earlier this week, that the Bank of Canada

will withdraw some of that remaining stimulus in the system by hiking the overnight interest rate by another 25 basis points in the July 11th policy decision. (Withdrawing stimulus basically means letting interest rates go up with market pressures, which self-regulates the pace of growth. A good example of this is housing. When mortgage rates rise, we can't as easily afford monthly payments, so we look for a cheaper home, and, broadly, this puts a bit of downward pressure on home prices).

Meanwhile, futures on pork bellies stopped being traded in world markets back in 2011. (Yes, there really was such a thing – call it the bacon index – but sadly, it became outmoded when eating habits changed.)

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