

Layoffs and slashed rates signal trouble

Consumers spooked. But maybe a two-for-one car sale might tempt you

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Further evidence that a recession has begun to bite hard in Quebec surfaced yesterday in various unsettling ways, notably with job losses at a major manufacturer.

Bombardier Recreational Products said it will lay off almost 1,000 of its employees, including 630 at its Valcourt plant and head office.

The layoffs come as the Bank of Canada cut its trend-setting rate by an unusually large three-quarters of a point, bringing it to 1.5 per cent, the lowest level in 50 years.

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The rate cuts, meant to stimulate consumer borrowing, prompted commercial banks to follow suit. They reduced their prime lending rate by half a point to 3.5 per cent, an all-time low.

In making the bold move, the central bank conceded that "the outlook for the world economy has deteriorated significantly and the global recession will be broader and deeper than previously anticipated."

Analysts said further interest rate cuts can be expected.

Meanwhile, a new poll conducted by Nanos Research suggested that spooked consumers, worried about their jobs and deteriorating savings, are reluctant to borrow and spend regardless of how low rates go.

Investors were also unimpressed by the rate cuts. The the Toronto Stock Exchange suffered a 170-point drop, shadowing a similar decline on the Dow of almost 250 points.

Once again, falling commodity prices spurred the retreat. After spiking upward on Monday, oil fell back to \$42.07 a barrel yesterday.

Emblematic of how the weakening economy is affecting consumers and businesses, a car dealership in Repentigny has begun offering two-for-one specials on new vehicles.

Girard Automobile Inc., a Dodge/Chrysler/Jeep dealership, will throw in a 2009 Dodge Caliber valued at \$17,500 at no extra cost if a customer will take a 2008 Dodge Ram, Dodge Durango, Chrysler Aspen or Jeep Commander off its hands.

Sales manager Michel Leduc concedes that the dealership is not making the unusual offer to boost the volume of its sales, but to get the gas-guzzlers off the lot.

Carrying the cars costs the dealer about \$500 each in interest charges. It's better to get rid of the vehicles now than to incur costs and possibly still have them around a few months from now.

Details, Pages B1, B4.

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