WEEKLY COMMENTARY

AI Drove the Majority of US Business Investment in 2025

By Francis Généreux, Principal Economist

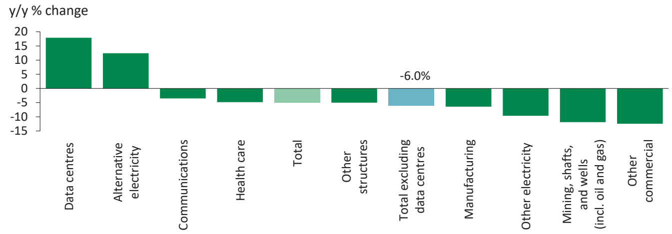
Last Friday's US GDP reading for the fourth quarter was overshadowed by the Supreme Court's decision to strike down the emergency tariffs imposed by Donald Trump. Yet the data—published nearly a month late because of the government shutdown—shed some light on the strength of the US economy at the end of an especially turbulent year. At first glance, the biggest surprise was softer-than-anticipated real GDP growth. Goods consumption, net exports and federal spending were disappointingly weak. In contrast, business investment was more robust than expected.

Despite numerous headwinds—including heightened uncertainty, higher input costs due to tariffs and persistent supply chain issues—investment held up relatively well. Non-residential business investment increased by 4.2% for 2025, more than the 2.9% recorded in 2024 (though still less than the 7.3% invested in 2023). Can this improvement be credited to Trump administration policies? Attributing this performance to the regulatory, tax and protectionist measures implemented last year would be hard to justify, if not premature.

And business investment was far from broad-based in 2025. We also didn't see much growth in manufacturing, mining and fossil fuels, even though they were heavily supported by President Trump. These industries lost workers in 2025, while their output barely increased or even fell (+0.9% for manufacturing, +0.6% for mining and -6.8% for oil and gas extraction). This weakness was also reflected by the decline in real construction in these sectors. In fact, real construction investment rose in only two categories: data centres and infrastructure for renewable energy—wind, solar, dry waste and geothermal (graph 1). Even construction in the manufacturing sector, which had trended upward sharply from 2022 to 2024, contracted in 2025.

Graph 1
Non-Residential Construction Fell in Most Sectors

United States – Growth in real investment in structures – 2025



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Data centre construction is an obvious consequence of the rise of artificial intelligence (AI). But building these centres is just the first step. They're useless if they remain empty. Consequently, in 2025, most of the uptick in real equipment investment came from companies purchasing computer hardware (graph 2 on page 2). The contrast was even more pronounced in the fourth quarter of 2025. Without the surge in real investment in IT

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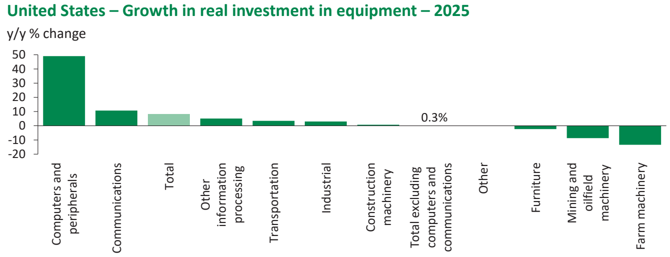
equipment, which came to an annualized 80.1%, non-residential investment in equipment would have fallen at an annualized rate of 10.3%.

Graph 2
Without IT, Growth in Investment in Equipment Would Have Been Weak
United States – Growth in real investment in equipment – 2025



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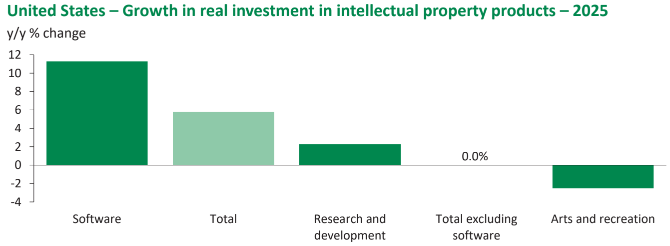
Finally, computer hardware needs software. The National Economic Accounts categorize software investment as part of the "intellectual property products" component. It's the same story we've already seen in construction and equipment. If it wasn't for the 11.0% jump in software purchases, private sector investment in intellectual property products would have stalled in 2025 (graph 3). And that doesn't even take research and development spending into account. Although detailed data for 2025 are not yet available, a large share of this investment is related to IT, which accounted for 27% of this category in 2024.

Graph 3
Software Investment Grew Rapidly in 2025

United States – Growth in real investment in intellectual property products – 2025



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All of this leads to an obvious conclusion: Much of the strength in business investment growth in the United States in 2025 came from the AI sector. Now, that's not a bad thing in and of itself. If the momentum lasts, the broader economy will continue to reap the benefits. But the implications of the AI boom don't end there. There's a lot that could be said about its impact on the job market, productivity, corporate profits, wealth distribution, energy consumption, natural resource use, and consumer and investment decisions.

We could also ask whether AI mania is crowding out other types of investment. Is AI's rapid expansion limiting the potential growth of other industries, either by stretching resources (including financial ones) or driving up input costs? Could that be the only reason for the relative weakness in other industries or has non-IT investment dropped off for reasons specific to those sectors?

This may be where factors frequently mentioned over the past year—starting with the uncertainty caused by the Trump administration's trade policy—come into play. The US government's about-face on climate policy and the end of support programs introduced under the Biden administration may have also played a role. Manufacturing investment in the automotive sector was weak (-7.8% in 2025), as motor vehicle and parts manufacturers abandoned several projects related to electric transportation.

So What About That $18 Trillion?

Upon closer inspection, private investment seems lacklustre once we take AI out of the equation. That raises questions, especially since President Trump often claims that new investment commitments, particularly from abroad, have never been higher. In this week's annual State of the Union address to Congress, he declared: "In four long years, the last administration got less than $1 trillion in new investment in the United States. And when I say less, substantially less. In 12 months, I secured commitments for more than $18 trillion pouring in from all over the globe. Think of it—much less than $1 trillion for four years, versus much more than $18 trillion for one year. What a difference a president makes. A short time ago, we were a dead country."

Unfortunately for Americans, this astronomical figure (equivalent to 58% of the country's annual nominal GDP and four times its annual nominal non-residential investment) isn't guaranteed to materialize, nor is it even realistic. The official White House web page tracking these investments lists commitments totalling US$9.7 trillion, which is still an enormous sum. And circling back to our earlier point, roughly 40% of those investments involve AI, data centres or semiconductor manufacturing. It's hard to predict how and when all that money will be deployed across the US economy. Some of these commitments also appear to be tied to the partial trade deals that the Trump administration negotiated with various partners. Given the wild shifts in US trade policy, it's far from certain they'll be honoured. The European Union has already admitted it can't guarantee that US$600 billion would be invested in the United States by 2028, as stipulated in last August's agreement. A Peterson Institute for International Economics analysis of foreign pledges to invest in the United States has also raised doubts, especially regarding these countries' ability to pay, the wide range of time horizons involved, the definition of what counts as an investment and the general lack of clarity in the process. All of this undermines confidence in the likelihood these investments will actually come through. Based on the data available so far, which run to the third quarter of 2025, there's been no observable acceleration of foreign direct investment in the United States. But it's still far too early for the country to see any of the benefits of President Trump's aggressive investment policy, assuming they ever materialize.

In the meantime, the US economy will have to rely on artificial intelligence to keep driving strong gains in private investment. Our forecast scenario calls for continued growth in this area, though at a less feverish pace than in 2025. The outlook could also improve with greater clarity around trade policy and the lasting impact of the tax cuts passed last year. If these factors fail to materialize, business investment in the United States may prove far less robust.

What to Watch For

UNITED STATES

*** Due to the federal government shutdown in the United States, there may be some changes to the data release schedule.**

MONDAY March 2 - 10:00

February	
Consensus	51.8
Desjardins	51.5
January	**52.6**

ISM Manufacturing index (February) – For the first time since January 2025, the ISM Manufacturing index surpassed the 50-point threshold that marks the dividing line between manufacturing expansion and contraction. At 52.6, it even hit its highest level since August 2022. Monthly gains by the production and new order components were particularly impressive. That said, the 4.7-point jump in the overall index seems exaggerated and far exceeds expectations based on regional manufacturing indicators. As a result, look for the ISM Manufacturing index to have decreased slightly in February, but not enough to fall back into contraction territory.

WEDNESDAY March 4 - 10:00

February	
Consensus	53.8
Desjardins	53.2
January	**53.8**

ISM Services index (February) – While the ISM Manufacturing index surged in January, the ISM Services index stalled at the same level as in December. That said, the index is still particularly high and probably edged down in February. Consumer confidence indexes improved over the past month, but regional non-manufacturing indexes are showing a little more weakness. Overall, we expect the ISM Services index to have dipped to 53.2, which is still a solid reading in the current economic environment.

FRIDAY March 6 - 8:30

February	
Consensus	60,000
Desjardins	75,000
January	**130,000**

Change in nonfarm payrolls (February) – The 130,000 jobs added in January far exceeded expectations. While the annual update that was also released involved a substantial downward adjustment and tempered the most positive sentiment, January’s gain was still the best showing since December 2024. We’re not anticipating an especially negative print for February, but we do think the monthly numbers are likely to come in slightly lower. Unemployment claims, weekly data from ADP and confidence among consumers in their ability to find a job have been fairly stable over the past month, albeit not as positive as January’s official hiring numbers. However, late-January’s severe weather may have clouded the picture. Overall, we expect a net gain of 75,000 jobs, but the risks of a weaker print due to the weather or a stronger reading that continues to build on January’s momentum are high. The unemployment rate likely remained unchanged at 4.3%.

FRIDAY March 6 - 8:30

January	m/m
Consensus	-0.3%
Desjardins	-0.6%
December	**0.0%**

Retail sales (January) – After surging in November, retail sales came in flat and disappointing in December. Look for January’s numbers to have tumbled, mainly due to the automotive sector, where new motor vehicle sales were down 6.7% for the first month of the year. Lower gasoline prices likely also dragged down gasoline station receipts. Indicators for the other sectors are rather mixed. On the one hand, card transactions appear to have increased. On the other hand, preliminary weekly data from the Federal Reserve Bank of Chicago paint a more negative picture. January’s cold snap and the heavy snowfall in the eastern US could also have curtailed store traffic, while pushing sales at building materials stores and online shopping higher. All in all, we expect a 0.6% contraction in total retail sales and a slight 0.2% gain in sales excluding motor vehicles and gasoline.

CANADA

WEDNESDAY March 4 - 8:30

Q4 2025	q/q
Consensus	n/a
Desjardins	0.0%
Q3 2025	**0.9%**

Labour productivity (Q4) – We anticipate that business sector labour productivity was flat in Q4 2025, after a 0.9% increase in the prior quarter. A probable decrease in business sector output was offset by a decline in business sector total hours worked (-0.2%). Economic growth was volatile at the end of 2025 as trade tensions and uncertainty persisted throughout last year.

OVERSEAS

TUESDAY March 3 - 20:30

February	
Consensus	n/a
January	**49.8**

China: Composite PMI (February) – Few indicators have been released due to the Lunar New Year festivities, which gives the composite PMI added importance at the start of the year. The index slumped 0.9 points in January, slipping slightly below the 50 mark, which indicates a contraction in economic activity. The decline was broad-based, with both the manufacturing and non-manufacturing sub-indexes faltering. This slowdown in Chinese PMIs is consistent with our forecast for more moderate real GDP growth in 2026. However, we'll have to wait for statistics releases to fully resume over the next few weeks to get a clearer picture of China's economic situation.

TUESDAY March 3 - 5:00

February	**y/y**
Consensus	1.7%
January	**1.7%**

Eurozone: Consumer price index (February – preliminary) – Headline inflation has slowed in the eurozone in recent months. January's rate of 1.7% is now below the European Central Bank (ECB) target. It's also the lowest rate we've seen since April 2021. Inflation is at or below 1% in many countries, including France and Italy. We expect price growth to remain fairly weak in the eurozone. Warmer than normal weather could also help keep energy prices in check. However, core inflation remains slightly higher at 2.2%. Stable core inflation combined with the eurozone's fiscal stimulus measures should keep the ECB on the sidelines.

Economic Indicators

Week of March 2 to 6, 2026

*** Due to the federal government shutdown in the United States, there may be some changes to the data release schedule.**

Day	Time	Indicator	Period	Consensus	Desjardins	Previous reading
UNITED STATES						
MONDAY 2	10:00	ISM Manufacturing index	Feb.	51.8	51.5	52.6
TUESDAY 3	---	Total vehicle sales (ann. rate)	Feb.	15,160,000	15,550,000	14,850,000
	9:55	Speech by Federal Reserve Bank of New York President J. Williams				
	11:55	Speech by Federal Reserve Bank of Minneapolis President N. Kashkari				
WEDNESDAY 4	10:00	ISM Services index	Feb.	53.8	53.2	53.8
	14:00	Release of the Beige Book				
THURSDAY 5	8:30	Initial unemployment claims	Feb. 23–27	n/a	216,000	212,000
	8:30	Export prices (m/m)	Jan.	n/a	0.6%	0.3%
	8:30	Import prices (m/m)	Jan.	n/a	0.3%	0.1%
	8:30	Nonfarm productivity – preliminary (ann. rate)	Q4	1.6%	2.0%	4.9%
	8:30	Unit labor costs – preliminary (ann. rate)	Q4	2.2%	1.9%	-1.9%
FRIDAY 6	8:30	Change in nonfarm payrolls	Feb.	60,000	75,000	130,000
	8:30	Unemployment rate	Feb.	4.3%	4.3%	4.3%
	8:30	Average weekly hours	Feb.	34.3	34.2	34.3
	8:30	Average hourly earnings (m/m)	Feb.	0.3%	0.3%	0.4%
		Retail sales				
		Total (m/m)	Jan.	-0.3%	-0.6%	0.0%
		Excluding automobiles (m/m)	Jan.	0.0%	0.1%	0.0%
	10:00	Business inventories (m/m)	Dec.	n/a	0.1%	0.1%
	13:30	Speech by Federal Reserve Bank of Cleveland President B. Hammack				
	15:00	Consumer credit (US$B)	Jan.	11.775	16.000	24.045
CANADA						
MONDAY 2	9:15	Speech by Bank of Canada Deputy Governor S. Kozicki				
TUESDAY 3	---	---				
WEDNESDAY 4	8:30	Labour productivity (q/q)	Q4	n/a	0.0%	0.9%
	10:30	Speech by Bank of Canada Governor T. Macklem				
THURSDAY 5	---	---				
FRIDAY 6	---	---				

NOTE: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours). Desjardins Economic Studies forecast.

Economic Indicators

Week of March 2 to 6, 2026

Country	Time	Indicator	Period	Consensus m/m (q/q)	Consensus y/y	Previous reading m/m (q/q)	Previous reading y/y
OVERSEAS							
SUNDAY 1							
Japan	19:30	Manufacturing PMI – final	Feb.	n/a		52.8	
MONDAY 2							
United Kingdom	2:00	Nationwide house prices	Feb.	0.2%	0.7%	0.3%	1.0%
Italy	3:45	Manufacturing PMI	Feb.	49.1		48.1	
France	3:50	Manufacturing PMI – final	Feb.	49.9		49.9	
Germany	3:55	Manufacturing PMI – final	Feb.	50.7		50.7	
Eurozone	4:00	Manufacturing PMI – final	Feb.	50.8		50.8	
United Kingdom	4:30	Manufacturing PMI – final	Feb.	52.0		52.0	
Japan	18:30	Unemployment rate	Jan.	2.6%		2.6%	
TUESDAY 3							
Eurozone	5:00	Consumer price index – preliminary	Feb.	0.5%	1.7%	-0.6%	1.7%
Italy	5:00	Consumer price index – preliminary	Feb.	0.3%	1.1%	0.4%	1.0%
Japan	19:30	Composite PMI – final	Feb.	n/a		53.8	
Japan	19:30	Services PMI – final	Feb.	n/a		53.8	
Chine	20:30	Composite PMI	Feb.	n/a		49.8	
Chine	20:30	Manufacturing PMI	Feb.	49.1		49.3	
Chine	20:30	Non-manufacturing PMI	Feb.	49.7		49.4	
WEDNESDAY 4							
Italy	3:45	Composite PMI	Feb.	51.8		51.4	
Italy	3:45	Services PMI	Feb.	52.7		52.9	
France	3:50	Composite PMI – final	Feb.	49.9		49.9	
France	3:50	Services PMI – final	Feb.	49.6		49.6	
Germany	3:55	Composite PMI – final	Feb.	53.1		53.1	
Germany	3:55	Services PMI – final	Feb.	53.4		53.4	
Eurozone	4:00	Composite PMI – final	Feb.	51.9		51.9	
Eurozone	4:00	Services PMI – final	Feb.	51.8		51.8	
Italy	4:00	Unemployment rate	Jan.	5.6%		5.6%	
United Kingdom	4:30	Composite PMI – final	Feb.	53.9		53.9	
United Kingdom	4:30	Services PMI – final	Feb.	53.9		53.9	
Eurozone	5:00	Producer price index	Jan.	0.2%	-2.6%	-0.3%	-2.1%
Eurozone	5:00	Unemployment rate	Jan.	6.2%		6.2%	
Italy	5:00	Real GDP – final	Q4	0.3%	0.8%	0.3%	0.8%
THURSDAY 5							
France	2:45	Industrial production	Jan.	0.4%	2.3%	-0.7%	1.7%
Eurozone	5:00	Retail sales	Jan.	0.2%	1.7%	-0.5%	1.3%
FRIDAY 6							
Germany	2:00	Factory orders	Jan.	-4.0%	13.2%	7.8%	13.0%
Eurozone	5:00	Net change in employment – final	Q4	n/a	n/a	0.2%	0.6%
Eurozone	5:00	Real GDP – third estimate	Q4	0.3%	1.3%	0.3%	1.3%

NOTE: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours).