HIGHLIGHTS

• Based on the investment outlooks compiled by Statistics Canada, capital spending (construction, machinery and equipment) by businesses could increase by only 1.7% in 2013. This would be the slowest gain since the last recession.

• Construction spending should advance by 1.0%, while spending on machinery and equipment could grow by 3.6%.

• The slowdown in the real estate market will surely be felt while the outlook for residential investment points to an increase of only 0.2% in 2013, from 9.3% in 2012.

• If we exclude residential investment, other capital expenditures could edge up by 2.2% in 2013, compared with 6.5% in 2012 and 6.8% in 2011.

• In 2013, many sectors of activity could suffer from a drop in investments, especially in mining, oil and gas extraction, which should sustain a 2.7% decline. In 2012, this sector alone represented 29% of all non-residential investment.

• In Quebec, capital spending could grow a mere 0.5% in 2013, while Ontario is expected to increase spending by 1.7%.

COMMENTS

The drop in non-residential investment recorded in the economic accounts for Q3 2012 was perhaps not as much of a misstep as previously thought. The investment outlooks published this morning by Statistics Canada confirm that the slowdown recently noted in non-residential investment should continue in 2013.

Worth noting is the deterioration in corporate profitability in recent quarters, a situation that does not bode well for investments. This is especially true for oil and gas extraction, a sector that is expected to post capital spending growth of only 0.8% in 2012 and 2013, compared with 57% in 2010 and 20% in 2011.

Implications: With capital spending expected to slow in 2013, non-residential investment is poised to contribute far less to economic growth in the coming quarters. This is very bad news for the Canadian economy, since this component was initially expected to be one of the only bright spots to bolster real GDP growth.