

ECONOMIC NEWS

Canada: The Investment Outlook Is Good

HIGHLIGHTS

- ▶ This morning Statistics Canada released the results of its annual investment outlook survey conducted from September 2020 to January 2021.
- ▶ Capital expenditures of businesses and public and private organizations should rise 7.0% in 2021. According to the preliminary results, 2020 closed with a decline of 9.2%.
- ▶ Investments should grow in the public sectors (+9.3%), mainly due to many ongoing infrastructure projects. Investments should also rise in the private sectors (+5.6%).
- ▶ However, there are mixed signals between sectors. On the one hand, much less investment is expected in the industries that were hit hard by health measures such as accommodation and food services (-26.6%). On the other hand, there should be a sharp rise in some other industries such as public services (+16.8%), manufacturing (+11.3%) and professional, scientific and technical services (+11.3%).
- ▶ Among the provinces, Quebec stands out with a forecast increase of 10.9% in 2021. A 9.1% increase is expected in Ontario.

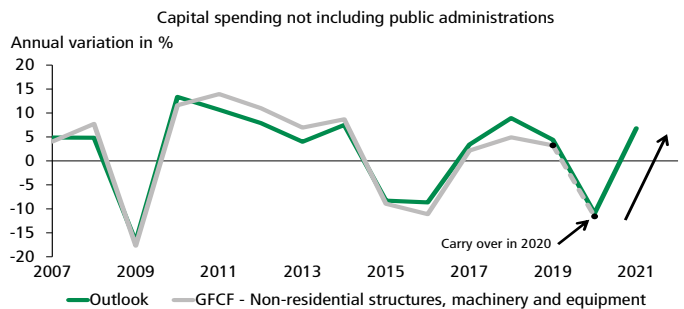
COMMENTS

After wreaking havoc with the 2020 results, the pandemic will continue to affect capital expenditures heavily in 2021. Even though significant disparities will continue, there is an overall glimmer of hope. It is clear that some businesses and organizations have learned how to deal with pandemic-related constraints. Several respondents also seem to be already planning for the post-pandemic future.

IMPLICATIONS

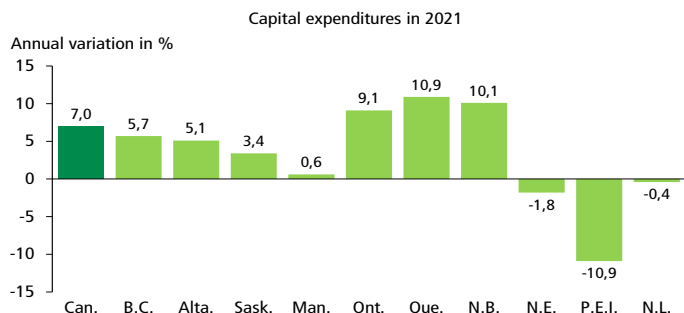
It now remains to be seen whether the forecasts will hold up until the end of 2021, because the pandemic could take us by surprise again. If the trend solidifies, the contribution of

GRAPH 1
Non-residential investments should bounce back in 2021



GFCF: Gross fixed capital formation
Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 2
Quebec could post the highest increase in investments in 2021



Sources: Statistics Canada and Desjardins, Economic Studies

non-residential investment to 2021's economic growth could exceed expectations.

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