

ECONOMIC NEWS

Canada: Business Investment Advances to Remain Modest in 2020

HIGHLIGHTS

- ▶ According to Statistics Canada's annual survey, capital spending on non-residential construction and machinery and equipment is expected to increase by 2.8% in 2020 to \$275.5B.
- ▶ Some industries stand out, with a relatively high forecast growth for 2020. These include administrative services (+15.8%), accommodation and food services (+12.3%), healthcare and social assistance (+9.1%) and utilities (+9.1%).
- ▶ In contrast, investment could decline significantly in some industries in 2020. These include agriculture, forestry, fishing and hunting (-10.6%), arts, entertainment and recreation (-6.3%), finance and insurance (-3.5%) and mining, oil and gas (-1.4%).
- ▶ Excluding capital spending by governments, the investment outlook for businesses is 2.9% in 2020, slightly higher than in 2019 (+2.1%). Quebec should stand out in 2020, with a 9.1% increase in business investment.

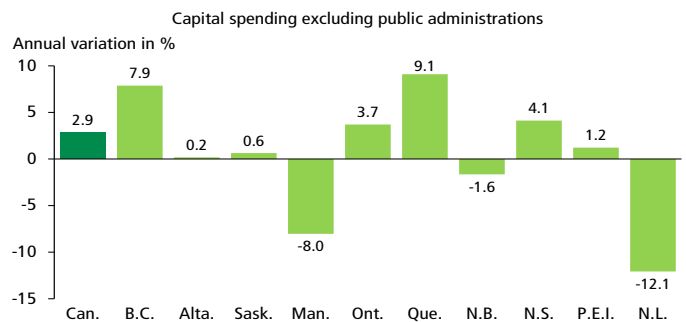
COMMENTS

Despite a slight acceleration in business investment growth forecast for 2020, one cannot help but be somewhat disappointed. With the imminent ratification of the new Canada–United States–Mexico free trade agreement (CUSMA), some of the uncertainties in recent years have subsided. In addition, labour shortages in several sectors are expected to be a factor that favours faster growth in business investment.

The fragile global economic conditions still seem to be reining in some companies' enthusiasm for their investment projects. Persistent difficulties in the natural resources sectors also continue to weigh heavily on the scale. Excluding these sectors, capital spending growth is expected to rise by 3.7%.

GRAPH

The outlook for business investment in 2020 is particularly high in Quebec



Sources: Statistics Canada and Desjardins, Economic Studies

IMPLICATIONS

The contribution of non-residential business investment to economic growth is expected to be only marginally positive in 2020. It is also clear that several sectors are still dealing with significant uncertainties. This forecast is fairly consistent with the Bank of Canada's latest projections.

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