

# ECONOMIC NEWS

## Canada: Investment Should Continue to Grow

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### HIGHLIGHTS

- ▶ After rising an estimated 10.4% in 2021, capital expenditures are expected to grow 8.6% in 2022 according to Statistics Canada.
- ▶ Spending is projected to jump 7.8% in the private sector and 9.7% in the public sector.
- ▶ The largest increases are expected in mining and oil and gas extraction (+20.6%), retail trade (+17.9%) and accommodation and food services (+16.0%).

### COMMENTS

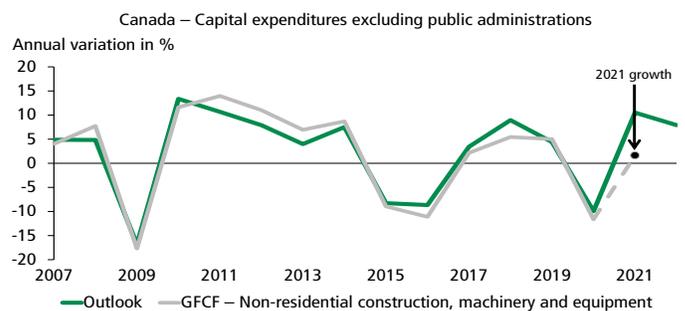
The investment outlook for the year 2022 remains greatly affected by the turmoil resulting from the pandemic. Some industries have been putting off major investment since 2020, but this should change as Canada emerges from the pandemic thanks to high vaccination rates.

But investment expectations are high. Recent supply chain and transportation disruptions and worsening labour shortages have highlighted the urgent need for investment. The projected increase in investment in the 2022 annual survey is therefore quite disappointing. There's still a lot of uncertainty, especially surrounding future waves of COVID-19. Fortunately, the public sector will partially offset the modest investment growth expected in the private sector. Local, municipal and regional public administrations are all planning major spending on non-residential buildings and other structures. In Quebec, capital outlays in this subsector are expected to rise 65.6%.

### IMPLICATIONS

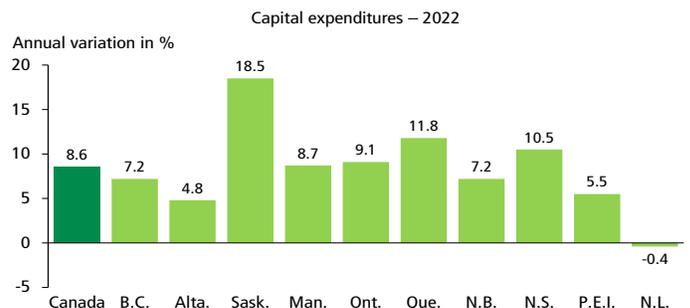
In all likelihood, gross fixed capital formation will be a positive contributor to economic growth in 2022. Aside from the pandemic, a number of other factors could affect investment. Despite best intentions, supply chain and transportation

**GRAPH 1**  
Private non-residential investment is expected to rise again in 2022



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

**GRAPH 2**  
The investment outlook is strong just about everywhere in Canada



Sources: Statistics Canada and Desjardins, Economic Studies

disruptions could limit capital spending. It also remains to be seen how much interest rates rise in response to inflation.