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Canadian CAPEX survey suggests 4.3% ($13B) boost to capital investment in 2023

- Canadian institutions anticipate a 4.3% ($13B) boost to capital expenditures in 2023
- Half of the lift is attributed to the energy and mining sector
- Saskatchewan, Quebec, and Newfoundland expected to post strongest increase in investment in the year ahead
- Firms unlikely to fall back on their commitments, especially in an environment of higher commodity prices

Canadian investment intentions rose 4.3% in 2023 – largely driven by a 5.2% increase in planned expenditures by private commodity-producing businesses. That is broadly consistent with BoC’s earlier Q4 Business Outlook Survey that flagged softening in the investment growth outlook, but with relative strength in commodity-producing sectors. Mining, quarrying, and oil and gas extraction account for nearly half ($6.4 billion) of the $13 billion boost to intended capital expenditure in 2023. Mining companies are planning on spending 20% more this year on construction, machinery, and equipment. A major investment in a new potash mine in Saskatchewan accounts for one-third of the lift within the subsector. Manufacturing (largely chemical, metal, and food products) and utilities make up the remainder of the anticipated lift to capital expenditure.

Investment plans in the services-sector are softer. A 10.6% planned drop in transportation and warehousing reflects the completion of major capital projects in 2022. But planned investments in the retail and hospitality sectors is also down as the sector continues to grapple with extreme labour shortages and an expected pullback in household discretionary spending as the 425 basis point increase to the Bank of Canada’s overnight rate cuts into household purchasing power.

On a province-by-province basis, Saskatchewan has the largest boost to capital investment this year (+21.5%). Quebec, Ontario, PEI, and Nova Scotia are all expected to post record gains this year. Rebuilding activities from Hurricane Fiona continue in Eastern Canada and will lift investment in 2023 and major nuclear refurbishments in Ontario add to investment in the utilities sector. Of all provinces, only BC is expected to post a significant decline in capital expenditure (-3.3% or $1.7 billion), though largely expected as its major LNG plant nears completion.
Even as we approach a recession, firms are largely expected to follow through on major capital commitments. We continue to anticipate the economy will enter a mild recession this year as higher interest rates and inflation cut into household purchasing power. And that could derail some of the investment spending businesses are planning for 2023. Still, much of the planned investment is driven by commodity prices more than domestic household demand conditions—and commodity prices are still high. But even as we enter a recession, there are many reasons firms will continue to invest. Additionally, as firms continue to grapple with persistent labour shortages, firms will rely on productivity enhancing capital investments to mitigate these shortages and offset higher wage growth. We expect to see some softness in business investment this year as the economic backdrop weakens, but expect business investment broadly to outperform what would normally be expected in an economic downturn.

![Capital investment expected to trend higher in most industries, despite looming recession risk](image)

*Source: Statistics Canada, RBC Economics*