



NEWS RELEASE--draft

Even before COVID, Canada's growth rate of business investment—a key driver of higher living standards—neared 50-year low

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VANCOUVER—From 2015 to 2019, before the COVID-19 pandemic and recession struck, Canada's growth rate of business investment was lower than virtually any other period since 1970, according to a new study by the Fraser Institute, an independent non-partisan Canadian think tank.

“Business investment is critically important because of its effects on economic growth and higher living standards for workers, but lately Canada has experienced some of the lowest investment growth in fifty years,” said Steve Globerman, senior fellow at the Fraser Institute and co-author of *An International Comparison of Capital Expenditures*.

The study finds that the growth rate of overall business investment in Canada slowed substantially from 2005 to 2019, falling from 44.8 per cent growth in the period of 2000 to 2005, to 25.1 per cent from 2005 to 2010, to 18.9 per cent from 2010 to 2015 and finally to 11.6 per cent from 2015 to 2019—among the slowest growth ever recorded in the past 50 years.

And it's not just that Canada's growth rate in business investment has declined, but also that Canada is now underperforming its peers having outperformed the OECD and the United States specifically from 2000 to 2010.

For instance, from 2000 to 2005, Canada enjoyed a 44.8 per cent increase in business investment compared to 22.8 per cent growth for select OECD countries and 26 per cent for the United States.

But since 2010, Canada has underperformed. Canada's 18.9 per cent growth in business investment between 2010 and 2015 was below the OECD's 27.3 per cent and the United States' 35.1 per cent. Similarly, Canada underperformed for the more recent 2015 to 2019 period, recording growth in business investment of 11.6 per cent compared to the OECD's 19.6 per cent and the United States' 19.7 per cent.

Crucially, Canada's decline in business investment is particularly evident in two categories: machinery and equipment, and intellectual property products (such as software), both of which significantly affect productivity and living standards.

“Given how important business investment is to increase productivity and raise living standards, the slow growth rate Canada is experiencing is alarming, particularly now as Canada emerges from the COVID recession,” Globerman said.

“Improving the conditions that encourage more business investment should be a priority for policymakers across the country.”

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