

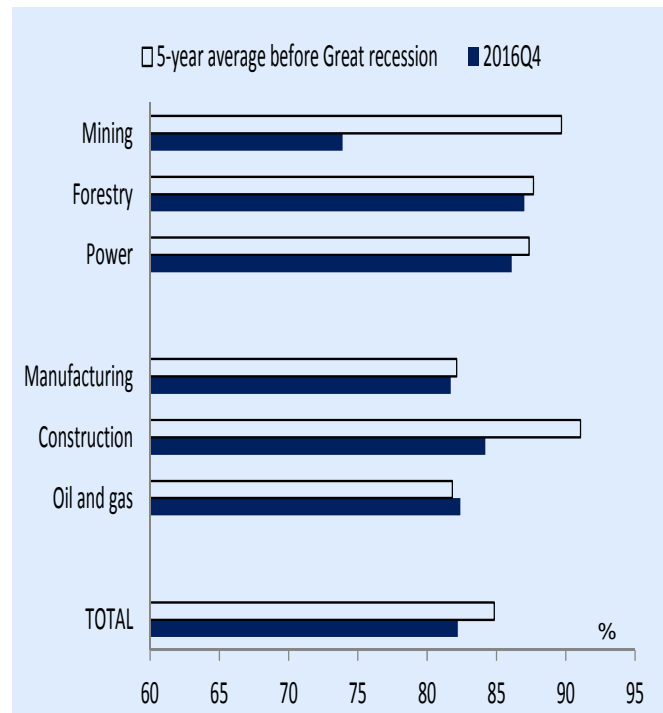
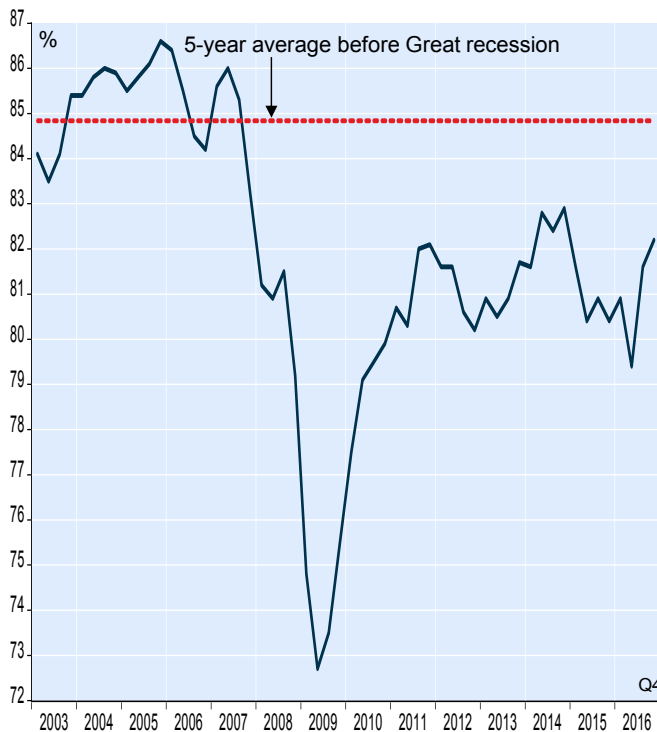
Canada Watch

An uptick in economic activity in the second half last year pushed Canada’s capacity utilization rate to a two-year high of 82.2% at the end of 2016. Utilization rates rose in mining (73.9% is a 2-year high), the oil and gas sector (82.4% is a 9-year high) and construction, more than offsetting declines in forestry, power, and manufacturing. The decline in manufacturing was largely due to transportation equipment (whose capacity usage was restrained by retooling at an Ontario auto plant during the quarter) which more than offset increases in other sectors including machinery and chemicals manufacturing. As today’s Hot Charts show, despite the overall increase, the capacity utilization rate remains well below the average before the Great recession on 2008-09. That does not suggest good things for business investment spending. While a few sectors such as oil & gas, forestry and manufacturing have relatively elevated utilization rates and hence could warrant new investment, we suspect firms (particularly exporters) will want to wait for more clarity about U.S. trade policy before committing to increase investment outlays. All told, it may take some time before business investment spending can get out of its rut.

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Canada: Economy still has excess capacity

Capacity utilization rate



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