

WEEKLY COMMENTARY

Canada Needs a Private Investment Revolution

By Jimmy Jean, Vice-President, Chief Economist and Strategist

The Carney government has moved with impressive speed since taking office in March, deploying a mix of industrial policy tools and crisis response measures. The Major Projects Office will fast-track nation-building projects. “Buy Canadian” procurement policies aim to support domestic suppliers. A \$5B Strategic Response Fund has been set up to support tariff-hit sectors. Liquidity measures are helping businesses weather trade disruptions. Yet beneath this surge of public-sector activism lies a more fundamental issue: creating the conditions that would unlock private sector investment, the true driver of productivity growth and economic resilience.

A Lost Half-Decade for Productivity

The numbers are sobering. Private business investment per worker in Canada ranks among the lowest in the OECD. Business-sector productivity has been essentially flat for six years. And [investment in innovation-related capital](#), machinery and equipment has remained disappointingly weak, in sharp contrast with the United States where soaring AI-related capital expenditures are making a meaningful contribution to aggregate business investment.

To its credit, the Carney government cancelled the planned capital gains tax increase shortly after the Prime Minister took office. It has also kept in place clean technology tax credits and enhanced the Scientific Research and Experimental Development incentives, for example. On paper, the incentive architecture looks decent. In practice, however, it’s not delivering.

Messy Toolkit

The problem isn’t what’s on the books but rather perception management. What might change perceptions is policy certainty, permanence and a clear signal that the role of government is to remove barriers, not pick winners.

Canada’s depreciation regime is a case in point. Ottawa moved toward permanent full expensing about a year ago, but only for a narrow set of assets, specifically in clean technology and manufacturing. While a positive step, it is far from a comprehensive capital cost recovery strategy. Even for sectors that do benefit from full expensing, the measure ultimately hinges on future governments keeping it in place. In other words, Canada has dangled an ostensibly attractive incentive but fallen short of providing the kind of certainty businesses crave.

This stands in contrast with the United States, where immediate expensing is broad and has been made permanent under the [One Big Beautiful Bill Act](#). For firms making multi-year capital allocation decisions, and particularly those with the option to invest on either side of the border, those distinctions are significant.

Again, it’s not that incentives aren’t available. Canada offers a range of federal and provincial measures that can be generous in some cases. But for many businesses, these supports are fragmented, temporary or sector-specific. The patchwork nature of these programs reduces their effectiveness, not only because they become complex to navigate and manage, but also because they don’t always demonstrate clear, measurable results.

CONTENTS

Musing of the Week.....	1	What to Watch For.....	3	Economic Indicators.....	6
-------------------------	---	------------------------	---	--------------------------	---

Jimmy Jean, Vice-President, Chief Economist and Strategist • Randall Bartlett, Deputy Chief Economist
 Benoit P. Durocher, Director and Principal Economist • Royce Mendes, Managing Director and Head of Macro Strategy
 Mirza Shaheryar Baig, Foreign Exchange Strategist • Marc-Antoine Dumont, Senior Economist • Tiago Figueiredo, Macro Strategist
 Francis Généreux, Principal Economist • Florence Jean-Jacobs, Principal Economist • Kari Norman, Economist • Sonny Scarfone, Principal Economist
 Oskar Stone, Analyst • LJ Valencia, Economist

Desjardins Economic Studies: 514-281-2336 or 1-866-866-7000, ext. 5552336 • desjardins.economics@desjardins.com • desjardins.com/economics

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively. **IMPORTANT:** This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. Data on prices and margins is provided for information purposes and may be modified at any time based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. Unless otherwise indicated, the opinions and forecasts contained herein are those of the document’s authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2025, Desjardins Group. All rights reserved.

This was evident in Quebec's 2025 Budget, which significantly pared back and consolidated tax credits in the name of simplification and fiscal discipline. While the government justified the move on efficiency grounds, the root issue may be less about the sheer number of incentives and more about their design and whether they credibly support sustained private investment. This may be a valuable lesson at the federal level.

Don't Cement the Patchwork

Ottawa recently announced that certain fiscal expenditures would be classified as capital spending in the upcoming budget, a shift that would treat major incentive programs more like balance-sheet investments. This will raise the bar for accountability. Before locking these programs into a more permanent fiscal architecture, the government should first undertake a comprehensive review of their effectiveness. Some programs might be generous and well-targeted; others are fragmented, outdated or of uncertain impact. If these expenditures are to be treated like capital investments, then rigorous evaluation (including on economic return, the impact on productivity, and crowding in) should be the starting point rather than an afterthought.

A Down Payment Is Not a Strategy

The Carney government's focus on mega-infrastructure projects and sector-specific responses to the challenges posed by US tariffs should really be interpreted as a down payment for something far more comprehensive, not the whole thing. Yes, Canada needs better infrastructure and smart responses to trade shocks. But if the goal is higher investment per worker and stronger productivity growth, public spending alone won't cut it. The heavy lifting must come from private capital.

Europe offers a useful mirror. In his 2024 competitiveness report, Mario Draghi concluded that the EU needs roughly €800 billion in additional annual investment, 80% of which must come from private sources. His recommendations centred largely on removing barriers, including lighter regulation, faster approvals and the dismantling of internal trade frictions. Canada has taken steps in that direction, but here's where momentum is needed to kickstart private investment:

1. **Lock in tax competitiveness.** Make investment incentives permanent and broad-based. Canada should not only preserve and strengthen full expensing provisions but extend them to all businesses so that the country's tax treatment is competitive relative to that of the United States.
2. **Streamline regulations.** "One project, one review" is a start, but SMEs need relief too. The cumulative compliance burden is a real deterrent to expansion and risk-taking, with a Statistics Canada study showing a 37% increase in the regulatory burden facing businesses between 2006 and 2021. The study found this to be responsible for a 9%

lower level of business investment in 2021 relative to the counterfactual scenario of a stable regulatory burden.

3. **Continuously eliminate interprovincial trade barriers.** Recent progress is encouraging, but the litmus test of these efforts will be whether the costs and frictions of operating across provinces actually fall and allow interprovincial trade to flourish. Contrary to protectionist policy applied by a nation, interprovincial trade barriers are often unintentional and a simple byproduct of fragmented regulatory policymaking. Beyond this year's exogenous sense of urgency, governments should commit to building barrier-reduction muscle. This could be via a standing mechanism that makes lowering barriers routine.
4. **Provide better visibility on labour supply.** The government has recently signalled an interest in attracting skilled workers displaced by US H-1B visa changes. At the same time, however, it is curtailing permanent resident admissions and sharply reducing foreign student intake, two of the most reliable pathways for supplying Canadian businesses with skilled talent. This mixed messaging undercuts the very confidence firms need to invest in expanding capacity and equipping their workforce with cutting-edge tools and technology.
5. **Make private investment the cornerstone of its playbook.** This means signalling clearly that private sector investment is the primary driver of productivity growth and economic resilience the government intends to support, rather than just government-directed capital allocation.

From Talk to Action

The federal budget on November 4 is an opportunity to shift gears. Instead of recycling campaign talking points or touting the growing list of new bureaucratic structures, Ottawa could focus on making gestures firmly establishing a climate in which businesses can invest with confidence, modernize their operations, employ the world's brightest and best, adopt new technologies and feel a compelling drive to compete. The Carney government has shown real ambition. Now it's time to make that ambition contagious.

What to Watch For

UNITED STATES

*** Due to the federal government shutdown in the United States, some indicators may not be released as scheduled.**

MONDAY October 20 - 10:00

September	m/m
Consensus	n/a
Desjardins	-0.3%
August	-0.5%

THURSDAY October 23 - 10:00

September	ann. rate
Consensus	4,060,000
Desjardins	4,100,000
August	4,000,000

FRIDAY October 24 - 8:30

September	m/m
Consensus	0.4%
Desjardins	0.4%
August	0.4%

FRIDAY October 24 - 10:00

September	ann. rate
Consensus	710,000
Desjardins	650,000
August	800,000

Leading indicator (September) – The leading indicator probably won't be published Monday as scheduled since some components of the index are provided by the federal government. That said, we can assume that the leading indicator fell further in September. The biggest detractors will likely be consumer confidence, the ISM index and jobless claims.

Existing home sales (September) – Home resales remain volatile. After falling 2.7% in June, existing home sales rose 2.0% in July before edging down 0.2% in August. Based on pending sales and preliminary regional data, this erratic trend likely continued in September. We expect existing home sales rose to 4,100,000 units.

Consumer price index (September) – Because of the ongoing government shutdown in Washington, September's inflation data was not released on Wednesday. However, the Bureau of Labor Statistics has announced that it will be able to publish September's consumer price index (CPI) data on Friday, October 24, to allow the Social Security Administration to meet certain legal deadlines. As we indicated in our last Weekly Commentary, we expect it to show a 0.4% increase in headline inflation, matching August's figure. Energy likely contributed more, as seasonal adjustments amplified the modest rise in gasoline prices. The direct impact of tariffs still seems modest, but we're anticipating sharp increases in food prices and in the cost of goods excluding food and energy, as was the case in the previous month. It'll be interesting to see whether the new tariffs introduced in August, especially the end of the exemption on small shipments, had a greater impact. We still believe the tariffs will start to bite a little harder in the coming months. Meanwhile we're forecasting a 0.2% increase in services excluding energy compared to August's 0.3%. Overall, we see both the all items index and core CPI, which strips out food and energy, climbing by 0.4%. The year-over-year change in the all items index should inch up from 2.9% to 3.1%, with core inflation holding steady at 3.1%.

New home sales (September) – Surprisingly, sales of new single-family homes surged 20.5% in August, the fastest pace of monthly growth since August 2022. Annualized sales reached 800,000 units, the highest level since December 2021. Apart from a recent increase in online searches for new homes, there were few signs pointing toward such a stellar print. After this strong performance, a pullback is possible. Although online searches have remained high recently, other indicators, including builder confidence and building permits for new single-family homes (up to August, the latest data available), suggest a return to the previous average of under 700,000 units. That said, this data is unlikely to be published as scheduled because of the government shutdown.

TUESDAY October 21 - 8:30

September	m/m
Consensus	-0.1%
Desjardins	-0.2%
August	-0.1%

THURSDAY October 23 - 8:30

August	m/m
Consensus	1.0%
Desjardins	0.9%
July	-0.8%

SUNDAY October 19 - 22:00

Q3 2025	y/y
Consensus	4.7%
Q2 2025	5.2%

WEDNESDAY October 22 - 2:00

September	y/y
Consensus	4.0%
August	3.8%

THURSDAY October 23 - 19:30

September	y/y
Consensus	2.9%
August	2.7%

CANADA

Consumer price index (September) – Headline consumer prices in Canada likely declined by 0.2% in September, marking a second consecutive monthly drop. Despite this, the annual inflation rate is expected to have accelerated by two ticks to 2.1%, largely due to base effects. Excluding food and energy, annual price growth probably held steady around 2.5%—a level consistent with the Bank of Canada’s latest estimate of underlying inflation. While September also marked the first month without retaliatory tariffs on many US products, goods prices likely remained relatively stable as retailers continue to draw down inventory purchased under the previous tariff regime. That said, goods inflation excluding food, energy and indirect taxes has been trending lower, and the removal of countertariffs supports the view that this trend will continue in the months to come. Services inflation remains elevated, driven by shelter costs and idiosyncratic movements in other non-shelter categories. While shelter inflation is expected to normalize in the coming months, meaningful progress may not materialize until later this year. The Bank of Canada’s core inflation measures are likely to remain close to 3.0%, reflecting price dynamics earlier in the year. The timelier 3-month annualized rates should confirm that underlying inflation is around 2.5%.

Retail sales (August) – Retail sales have generally been rangebound this year, and that trend likely continued in August and September. Sales probably increased by 0.9% in August, rebounding from the weakness experienced in July. That said, motor vehicle sales likely declined, as seasonally adjusted prices were down, and sales volumes contracted according to previously released industry data. We expect receipts at gasoline and fuel vendors to have gone up, helped by higher seasonally adjusted prices. Core sales—which exclude gasoline and autos—probably reversed course in August, edging up after July’s contraction. For September’s flash estimate, we expect a slightly positive print due in part to gasoline sales likely advancing thanks to higher gas prices. Look for sales at auto dealerships to have also inched up, in contrast to August. Core sales were probably flat to negative in September, as trade tensions are starting to be felt more clearly on the labour market and population growth continues to slow. These factors will likely curb broader retail sales growth for the remainder of the year.

OVERSEAS

China: Real GDP (Q3) – Real GDP growth likely slowed over the summer after rising 1.1% in the second quarter. Domestic demand remains weak, and although the property market showed some signs of stabilizing early in the year, it has softened again since. Average home prices and housing starts have both declined in recent months. In contrast, China’s external sector exceeded expectations, with exporters continuing to try to get ahead of the persistent threats of new tariffs from the United States. However, this momentum is likely to fade in the end and weaken the external sector.

United Kingdom: Consumer price index (September) – UK inflation has been accelerating since the second quarter. The year-over-year change in the consumer price index rose from a 2025 low of 2.6% in March to 3.8% in July and August. Food prices have been a major contributor to higher inflation. However, core inflation, which strips out food, energy, alcohol and tobacco, was still elevated at 3.6% in August. September’s print will show whether higher inflation persisted through the end of the third quarter. We’re unlikely to see a major drop that would prompt the Bank of England to cut interest rates. We expect the central bank to remain on the sidelines until the end of 2025.

Japan: Consumer price index (September) – In August, Japan’s consumer price index fell below 3% for the first time since November 2024. Based on preliminary data from the Tokyo area—which suggests that the monthly index may have declined—we expect the annual inflation rate to have edged down in September.

FRIDAY October 24 - 4:00

October

Consensus 51.0

September 51.2

Eurozone: PMI index (October – preliminary) – Preliminary data for October points to a slight uptick in activity in the eurozone, with the composite PMI coming in at 51.2 in September, its highest level in 16 months. This increase mainly reflects strength in services (51.4), while the manufacturing sector has been dragged down by persistent weakness in Germany and France and is now back in contraction territory (49.5). While the trend remains positive, the situation is still fragile, with growth reliant on just one component amid stalling new orders and employment. October's print will give us some initial insight into the strength of the economy at the start of the fourth quarter.

Economic Indicators

Week of October 20 to 24, 2025

Date	Time	Indicator	Period	Consensus		Previous reading
------	------	-----------	--------	-----------	---	------------------

UNITED STATES

* Due to the federal government shutdown in the United States, some indicators may not be released as scheduled.

MONDAY 20	10:00	Leading indicator (m/m)	Sep.	n/a	-0.3%	-0.5%
TUESDAY 21	---	---				
WEDNESDAY 22	---	---				
THURSDAY 23	8:30	Initial unemployment claims	Oct. 13–17	230,000	n/a	218,000
	10:00	Existing home sales (ann. rate)	Sep.	4,060,000	4,100,000	4,000,000
FRIDAY 24	8:30	Consumer price index				
		Total (m/m)	Sep.	0.4%	0.4%	0.4%
		Excluding food and energy (m/m)	Sep.	0.3%	0.4%	0.3%
		Total (y/y)	Sep.	3.1%	3.1%	2.9%
		Excluding food and energy (y/y)	Sep.	3.1%	3.1%	3.1%
	10:00	University of Michigan consumer sentiment index – final	Oct.	55.0	55.0	55.0
	10:00	New home sales (ann. rate)	Sep.	710,000	650,000	800,000

CANADA

MONDAY 20	8:30	Industrial product price index (m/m)	Sep.	n/a	0.1%	0.5%
	8:30	Raw materials price index (m/m)	Sep.	n/a	-0.3%	-0.6%
	10:30	Release of the Bank of Canada's Business Outlook Survey				
TUESDAY 21	8:30	Consumer price index				
		Total (m/m)	Sep.	-0.1%	-0.2%	-0.1%
		Total (y/y)	Sep.	2.2%	2.1%	1.9%
WEDNESDAY 22	---	---				
THURSDAY 23	8:30	Retail sales				
		Total (m/m)	Aug.	1.0%	0.9%	-0.8%
		Excluding automobiles (m/m)	Aug.	1.4%	1.9%	-1.2%
FRIDAY 24	---	---				

Note: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of October 20 to 24, 2025

Country	Time	Indicator	Period	Consensus		Previous reading	
				m/m (q/q)	y/y	m/m (q/q)	y/y
OVERSEAS							
SUNDAY 19							
China	22:00	Real GDP	Q3	0.8%	4.7%	1.1%	5.2%
China	22:00	Industrial production	Sep.		5.0%		5.2%
China	22:00	Retail sales	Sep.		3.0%		3.4%
MONDAY 20							
Germany	2:00	Producer price index	Sep.	0.1%	-1.5%	-0.5%	-2.2%
Eurozone	4:00	Current account (€B)	Aug.	n/a		27.7	
Italy	4:30	Current account (€M)	Aug.	n/a		8,693	
Eurozone	5:00	Construction	Aug.	n/a	n/a	0.5%	3.2%
TUESDAY 21							
Japan	19:50	Trade balance (¥B)	Sep.	-91.6		-150.1	
WEDNESDAY 22							
South Korea	---	Bank of Korea meeting	Oct.	2.50%		2.50%	
United Kingdom	2:00	Consumer price index	Sep.	0.2%	4.0%	0.3%	3.8%
United Kingdom	2:00	Producer price index	Sep.	0.2%	3.6%	0.2%	2.9%
THURSDAY 23							
France	2:45	Business confidence	Oct.	95		96	
France	2:45	Production outlook	Oct.	-13		-14	
Eurozone	10:00	Consumer confidence – preliminary	Oct.	-15.0		-14.9	
United Kingdom	19:01	Consumer confidence	Oct.	-20		-19	
Japan	19:30	Consumer price index	Sep.		2.9%		2.7%
FRIDAY 24							
United Kingdom	2:00	Retail sales	Sep.	-0.2%	0.4%	0.5%	0.7%
France	2:45	Consumer confidence	Oct.	86		87	
France	3:15	Composite PMI – preliminary	Oct.	48.7		48.1	
France	3:15	Manufacturing PMI – preliminary	Oct.	48.2		48.2	
France	3:15	Services PMI – preliminary	Oct.	48.9		48.5	
Germany	3:30	Composite PMI – preliminary	Oct.	51.5		52.0	
Germany	3:30	Manufacturing PMI – preliminary	Oct.	49.5		49.5	
Germany	3:30	Services PMI – preliminary	Oct.	51.0		51.5	
Eurozone	4:00	Composite PMI – preliminary	Oct.	51.0		51.2	
Eurozone	4:00	Manufacturing PMI – preliminary	Oct.	49.9		49.8	
Eurozone	4:00	Services PMI – preliminary	Oct.	51.3		51.3	
United Kingdom	4:30	Composite PMI – preliminary	Oct.	50.7		50.1	
United Kingdom	4:30	Manufacturing PMI – preliminary	Oct.	46.7		46.2	
United Kingdom	4:30	Services PMI – preliminary	Oct.	51.0		50.8	
Russia	6:30	Bank of Russia meeting	Oct.	16.00%		17.00%	

NOTE: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).