BCG | CENTRE FOR Canada's Future

Missions For Prosperity: Unlocking Canadian Investment

NOVEMBER 2025

INTRODUCTION

Executive Summary

THE BURNING PLATFORM

Investment stagnating:
Canada's investment has stagnated since 2014, ending a 30-year growth run (+31%, +61%, +38%, by decade, before a −1% decline), with the outlook further constrained by uncertainty over trade and market access

Broad-based decline:
The slowdown in growth shows up almost everywhere—12 of 13 provinces and territories, 16 of 18 industries, and 5 of 5 asset classes

Uniquely Canadian challenge:
Over the last decade, Canada has meaningfully underperformed not just the U.S., but also a broader set of advanced peer economies (G7+Nordics+Australia)

A Clear Burning Platform:
Real per-capita GDP has been flat for over 5 years—reversing this trend will require Canada to break out of its investment stagnation, as investment directly drives about 1/5th of GDP, and has lasting impacts on consumption, government spend, and net exports

Source: BCG analysis
1. Intellectual property and machinery & equipment

THE OPPORTUNITY PIPELINE

Three spaces Canada can look to for opportunity:	Within each, Canada should set bold aspirations—what if we:
1 PAST **Underinvesting versus historic potential:** Almost 60% of last decade's underperformance was driven by one sector: mining and oil & gas extraction	**Match 2014 investment levels in natural resources:** Build 10-15 major projects across 4 resource verticals: critical minerals, liquefied natural gas (LNG), oil sands, and pipelines
2 PRESENT **Underinvesting versus peer countries:** If Canadian firms invested at U.S. rates, investment would be over $300B higher per year	**Match peer growth rates in private sector IP and M&E:**[1] Accelerate private sector IP and M&E investment growth from roughly 1% today to 3%
3 FUTURE **Emerging tailwinds Canada can capture:** Capital intensive trends in AI, power system growth and decarbonization, and public builds in defense and infrastructure	**Match peer-share of emerging investment waves:** Deliver per-capita investment in line with peers on Artificial Intelligence (AI), electricity infrastructure, and public investments

By 2030, this agenda could drive incremental annual investment growth of roughly $140B and GDP growth of 4.5%

THE PATH FORWARD

To achieve these outcomes, Canada must focus on becoming:

- A place where big projects get built quickly & predictably
- A place where all businesses are incentivized to make innovative investments
- A strong competitor for global capital in emerging sectors

These aspirations are feasible for Canada... we can learn from inspirational peer examples:

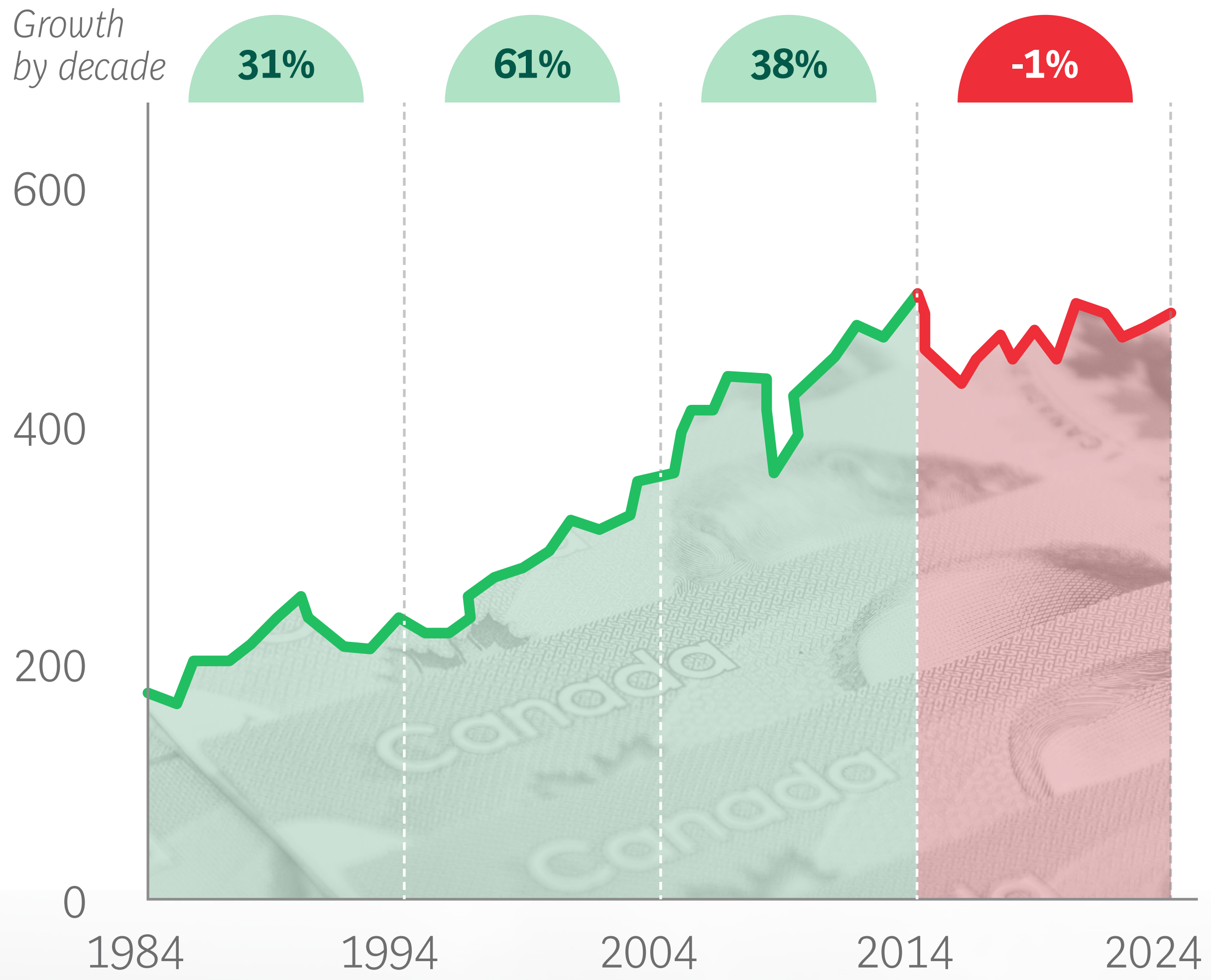
- Germany using fast-track legislation to get an LNG import terminal built in 9 months
- Italy materially reversing its stagnating IP and M&E investment via bold policy levers
- Poland growing real investment at about 2x the pace of developed EU peers since the mid-90s, supported by policy carve-outs to attract foreign capital investment

Canada has experienced a decade of broad-based investment stagnation

Flatlining investment

Canada's annual investment flows have declined over the last decade, dampening the capacity–building spending that drives productivity

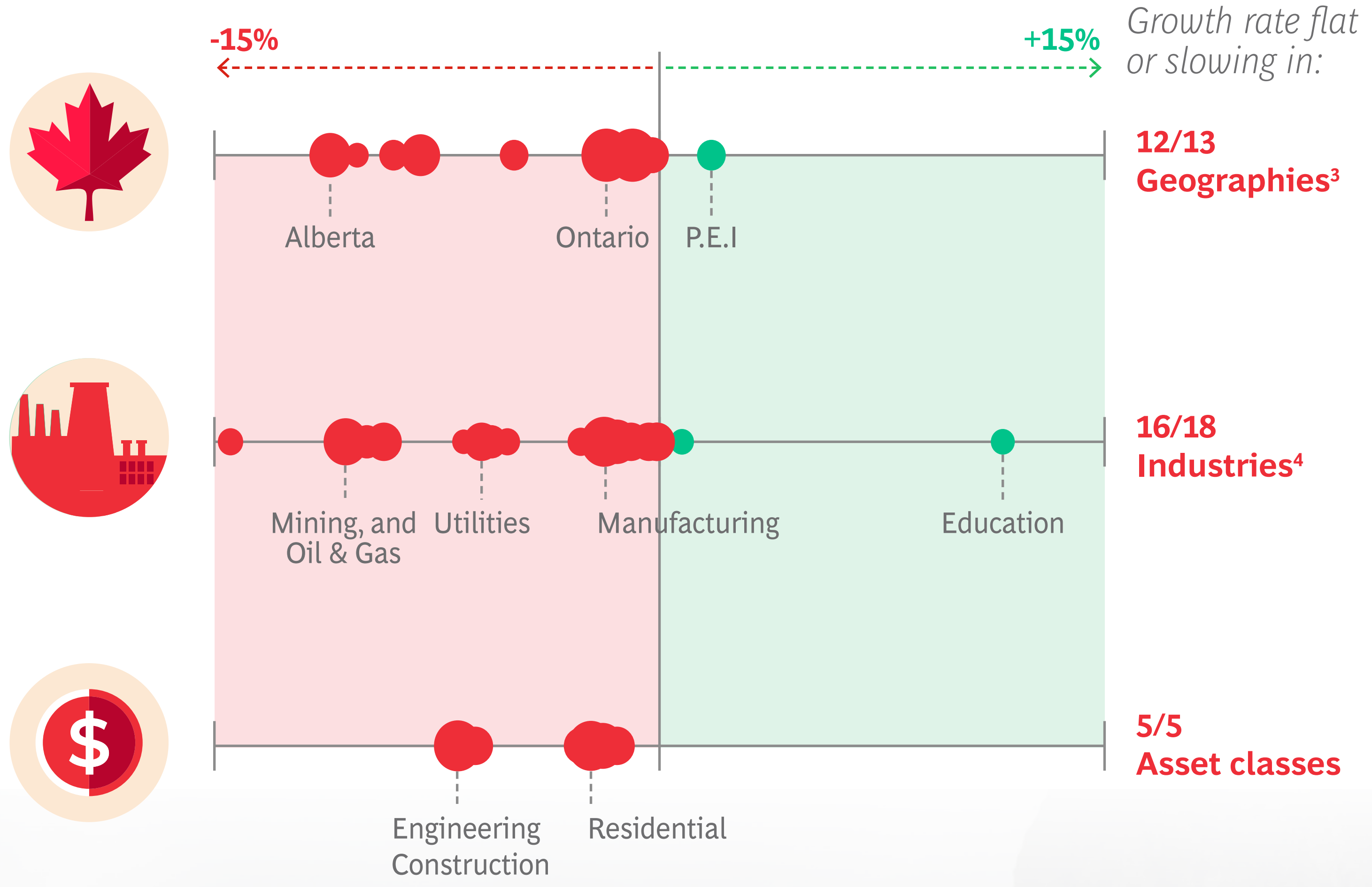
Gross Fixed Capital Formation ($B)[1]



Broad-based weakness

The slowdown isn't isolated: 12 of 13 provinces and territories, 16 of 18 industries, and all five asset classes have lost momentum

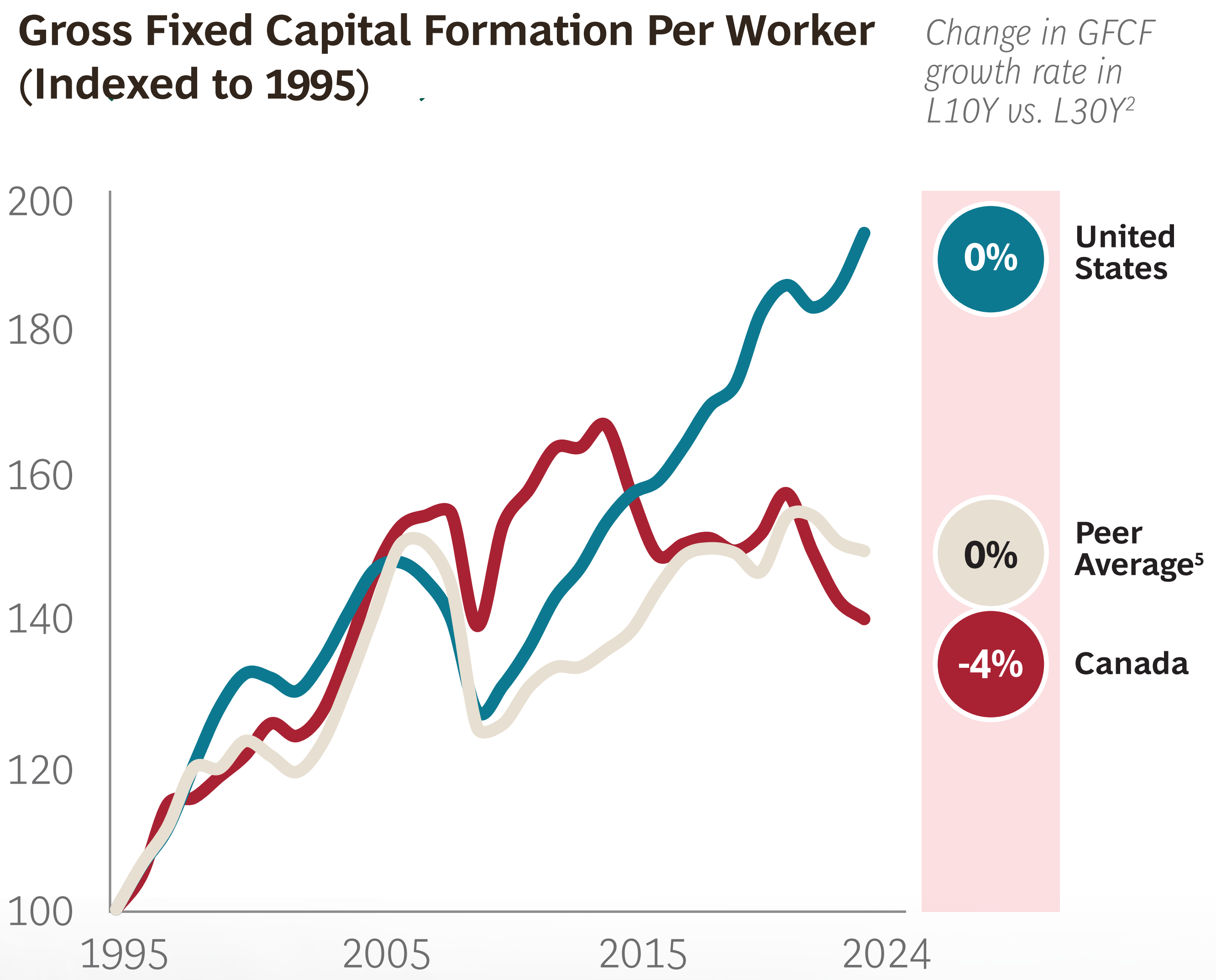
Change in Gross Fixed Capital Formation growth rate between last 10 years and the prior 30[2]:



Unique to Canada

Canada is falling well behind the U.S.—and the gap isn't just bilateral. A wider peer set has kept growing near historical rates while Canada has drifted far off trend

Gross Fixed Capital Formation Per Worker (Indexed to 1995)



Source: StatsCan; BCG analysis

1. Chained 2017 $CAD 2. Last 10 years refers to the 2014 to 2024 period (or to 2023, depending on data availability), while prior 30 years refers to 1984 to 2014 3. Northwest Territories and Nunavut prior 30-year average based on '99-'13, due to limited data availability 4. Excludes residential dwellings investment asset class 5. Peer Average is unweighted average of G7 + Nordics + Australia (excluding U.S. and CAN)

WHY INVESTMENT MATTERS:

A two-pronged impact on GDP

GDP

Investment	Consumption	Government Spend	Exports	Imports
~21%	~58%	~23%	~31%	~(33%)
New fixed capital in the form of buildings, intellectual property and equipment	Productivity gains from investment lead to sustainable increases in wages and disposable income	A larger tax base increases fiscal capacity for services and infrastructure	More competitive, capital intensive firms expand tradable output and export volumes	Stronger domestic supply reduces reliance on imports

Direct Impact

Investment directly drives about 1/5th of GDP...

Indirect Impact

...and it grows the economy's capacity and enhances productivity in the process, amplifying growth over the longer term

Investment builds Canada's productive base: new structures, machinery and equipment, and intellectual property. It drives about one-fifth of total GDP directly, but more and better capital lets each hour of work produce more. This increase in productivity over time is the main engine driving higher living standards.

Those productivity gains ripple across the economy, boosting other GDP drivers. Spillovers are larger when projects use high Canadian content in materials, services, and talent (for example: Ontario steel versus imports). When firms invest, they can pay workers more and often charge less as unit costs fall. Whether it's through lower prices or higher incomes, household purchasing power improves. Higher profits and wages expand the tax base, funding more services and infrastructure without higher tax rates. More competitive firms scale exports and trim reliance on imports in key sectors.

Why now? Not only has trailing investment been a long stranding issue, but geopolitical risk and a more protectionist U.S. tariff posture are reordering global trade and supply chains. For a small, open economy, the practical response is to build resilience and optionality by driving investment higher.

Source: Statistics Canada, BCG Analysis

To understand the challenge and identify opportunities, we have investigated three areas:

1

PAST

Where is Canada underinvesting versus historical potential?

2

PRESENT

Where is Canada underinvesting versus peer countries?

3

FUTURE

What are emerging investment tailwinds Canada can capture?

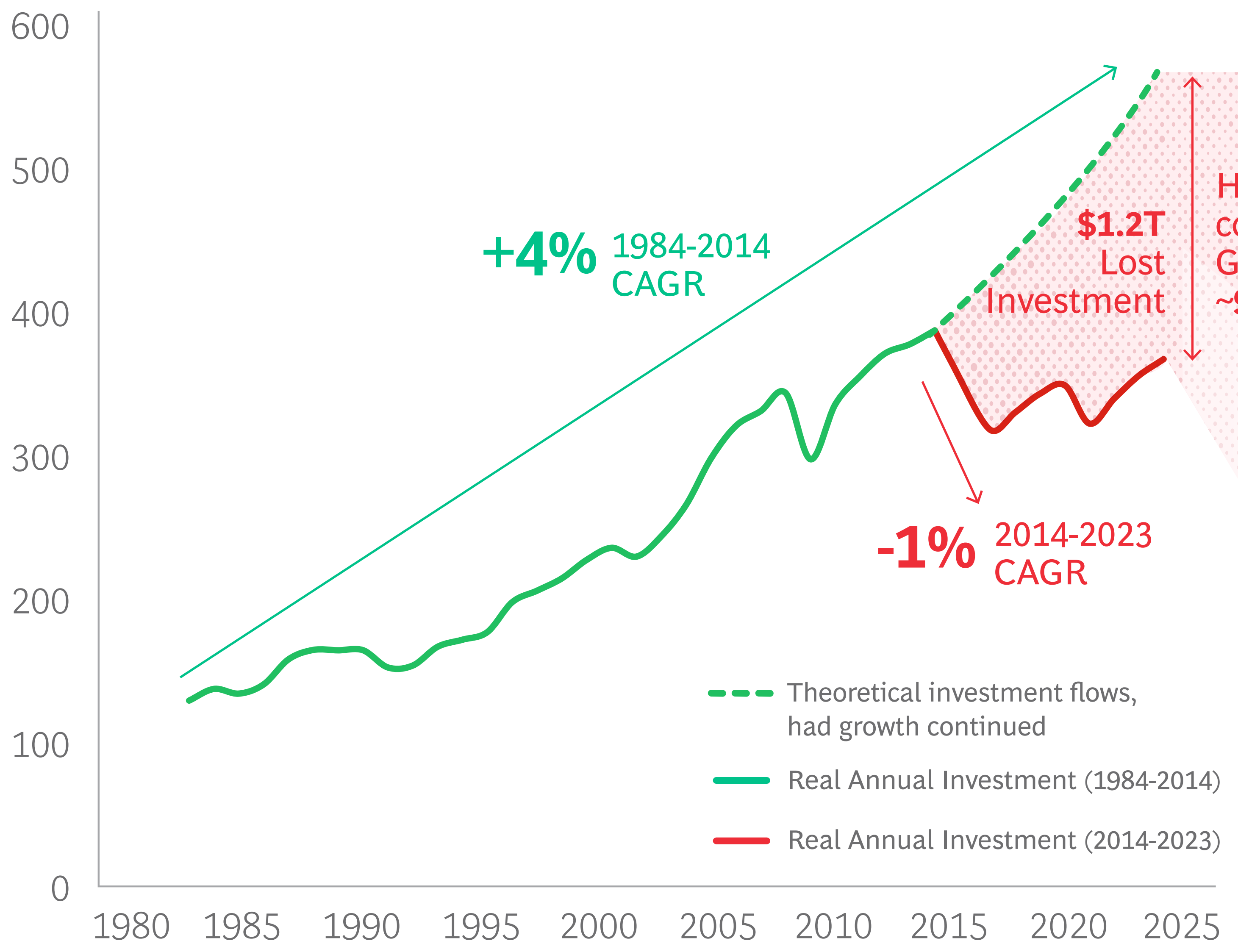
1

PAST: UNDERINVESTING VERSUS HISTORIC POTENTIAL

Canada's break from historic trend was driven by declines in mining and oil and gas extraction

Canada's underperformance versus historical trend has resulted in over $1T in lost investment...

Gross fixed capital formation from 1984 to 2023, excluding residential dwellings ($B)[1]



...driven by a slowdown in engineering construction in mining and oil and gas

Portion of "lost investment $" by industry based on slowdown in industry-specific gross fixed capital formation versus historical trend

58%

Mining, quarrying, and oil and gas extraction

Slowdown is primarily due to decline in 'engineering construction' asset class (physical building of mines and associated infrastructure)

42%

Other
Utilities (10%)
Government (7%)
Professional Services (6%)
Retail and Wholesale (5%)

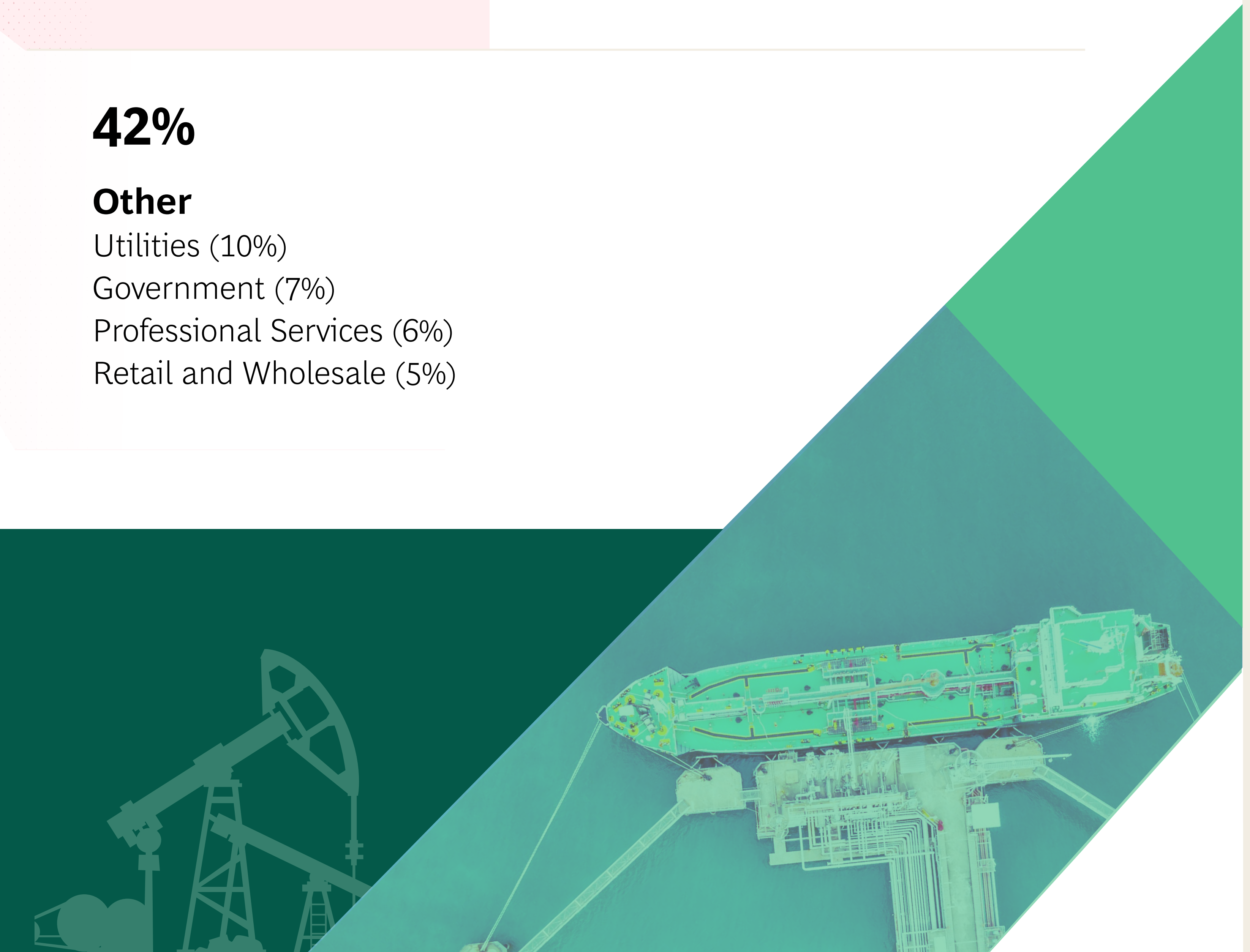
Had Canada stayed on its pre-2014 investment path, real GDP today would be about 9% higher-based on investment value alone, not accounting for the value of knock-on consumption and exports that would have been generated by new mines, factories, and intellectual property. That’s thousands of dollars more in output per Canadian, a larger taxbase for housing, transit, and public services, and a stronger export platform.

The decline began with the 2014 oil-price shock. Resource capital spending fell sharply, and rather than snapping back as in previous cycles, investment has never fully recovered. The difference between actual investment and the historical trend now exceeds $1 trillion in cumulative terms. Canada failed to capitalize on multiple upswings to reignite its resource investment engine and expand its broader economic impact.

The path forward to recapture this strength lies in addressing the conditions that have driven the slowdown. That includes revitalizing value-added projects like oil sands and pipelines, while accelerating growth in emerging verticals with stronger forward prospects-like LNG and critical minerals. An aspirational outcome would be recapturing 2014 investment levels by generating investment in major projects across these resource verticals.

ASPIRATIONAL 'WHAT IF ':

Canada recaptures 2014-level of investment in mining and oil and gas extraction, by 2030



Source: Statistics Canada, BCG Analysis
Note: industry and asset class definitions as per StatsCan definition
1. Chained 2017 $CAD

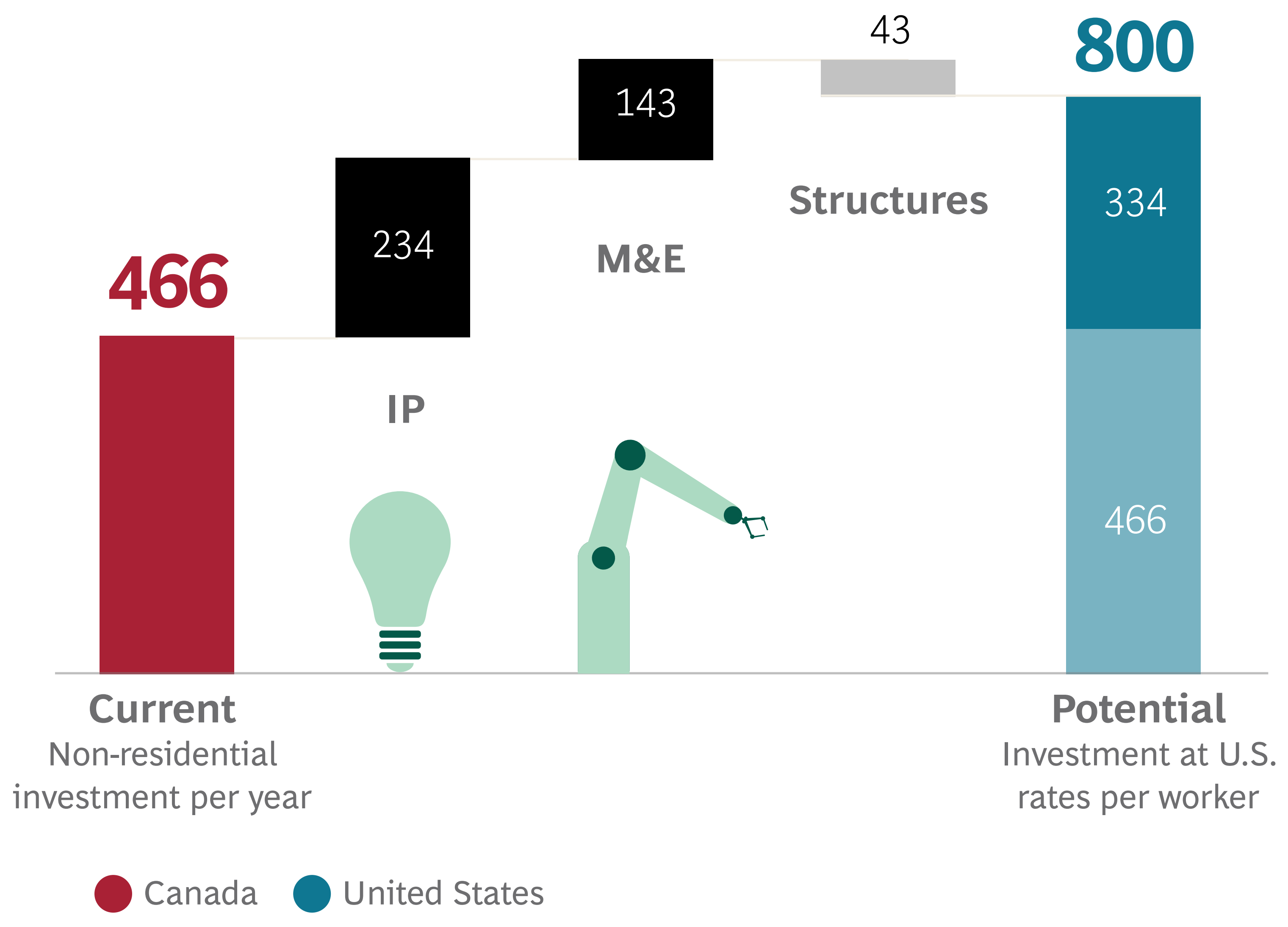
2 PRESENT: UNDERINVESTMENT VERSUS PEERS

IP and M&E drive entire >$300B annual investment gap with U.S., cutting across many industries

Gap to U.S. (and many peers) is driven by IP and M&E, and it's growing

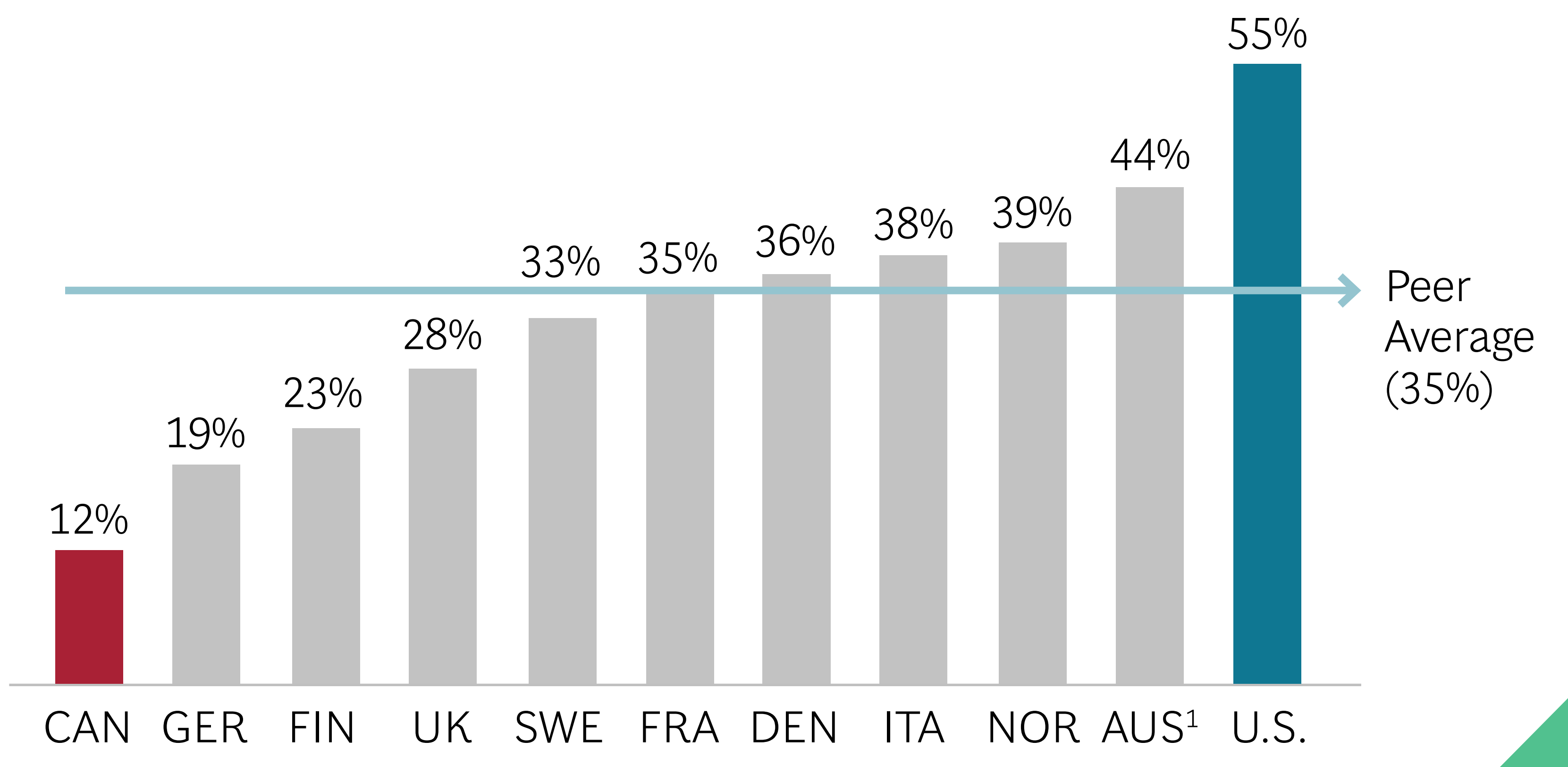
If Canadian private sector firms invested at U.S. rates; investment would be more than **$300B higher**

Total Investment (Current Canadian $B)



Canada's growth in IP and M&E investment over the last decade has been the **slowest** in its peer group

Growth in IP and M&E Investment over last decade (% total growth 2014 to 2024)



ASPIRATIONAL 'WHAT IF ':

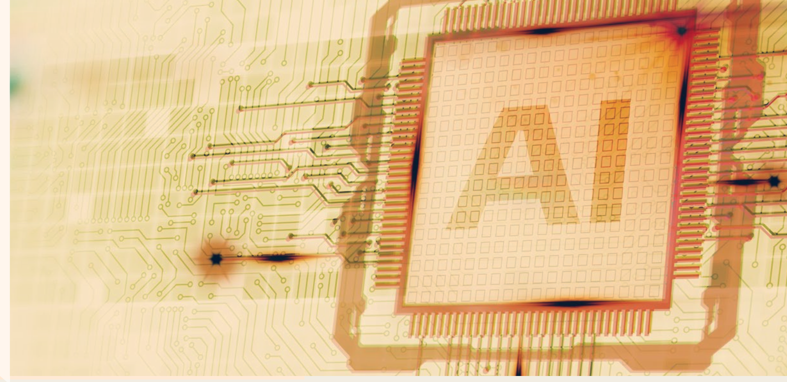
Canada matches peers' recent IP and M&E growth over next 5 years

Source: OECD, BCG Analysis
1. Australia

Canada has developed a sizable shortfall in investment per worker versus the U.S. If Canadian private firms invested at U.S. rates, annual non-residential investment would be $300B+ higher. The gap is concentrated in IP and M&E and the lag in those assets is not a bilateral story. Canada trails all peers in growth among these assets classes over last decade.

This isn't a Silicon Valley story; it shows up across mainstream sectors. In finance, U.S. banks moved earlier on core-system upgrades and cloud. In retail, big U.S. chains rolled out warehouse automation and real-time inventory systems across their networks faster. In manufacturing, adoption of robotics, sensors, and modern machine tools still lags. Bridging the entire gap quickly is unrealistic.

The destination is not parity tomorrow; it is a period of faster, smarter investment that closes the gap and lifts wages and profitability. Starting from a weaker base, Canada could aim to match the peer average growth rate of the last decade by tilting spend toward IP and M&E and following fast on trends peers like the U.S. have already scaled.



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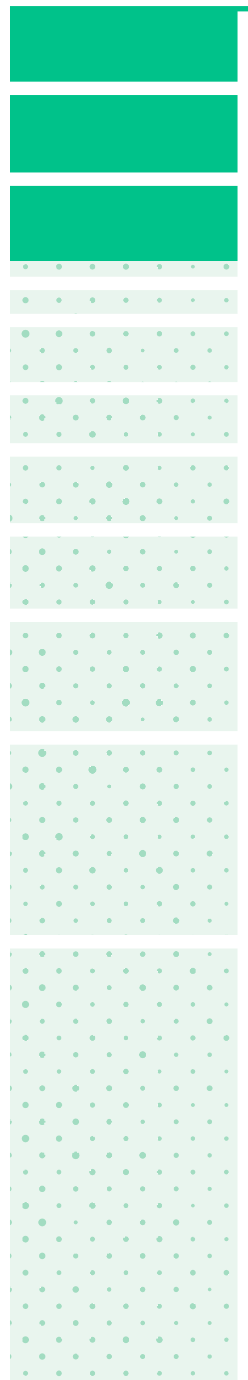
FUTURE: EMERGING OPPORTUNITIES

Three investment tailwinds for Canada to capitalize on

Beyond organic growth of the investment base, **Canada can capture opportunities to drive a step-change in investment**



AI
Infrastructure and Adoption

AI is reshaping industries across the economy, scaling it will require large-scale investment in compute infrastructure (data centres, power, land) and in IP adoption by companies adapting core business models and workflows

Peer example: The U.S. is expected to attract $1.8T in data centre investment by 2030, and is already rapidly outpacing Canadian data centre builds

GRID
Expansion and Decarbonization

Electricity demand is set to surge, driven by AI and electrification, just as Canada has committed to a net-zero grid and economy by 2050, creating a dual imperative to both expand and decarbonize the grid, requiring significant investment

Peer example: Canada will need to double power generation by 2050, but total annual power generation has shrunk by 3% since 2013

FEDERAL INVESTMENT
Delivery of major public investments: defense, and trade and transport infrastructure

Canada has committed to meeting NATO's 5% of GDP defense spending target by 2035, and diversifying trade & transport routes—all of which require major investment in new capabilities and infrastructure

Peer example: NATO has 20% minimum target for equipment investment as share of defense spend, Canada sits at 19% versus 51% in Poland, generating less investment per dollar spent

ASPIRATIONAL 'WHAT IF ':

Canada matches peer-share of emerging investment trends over next 5 years

Match per-capita investment of Europe and U.S. on AI data centres

Grow power generation and distribution investment at rate expected by peers[1]

Achieve defense spend and equipment investment rate in-line with NATO peers, and deliver on platform commitments related to trade and transport infrastructure

Source: BCG Analysis, Real Estate Institute of Canada, Electricity Canada NATO
1. Based on capital requirements to 2030 in IEA STEPS scenario

Three areas present a unique opportunity to create a step change in investment alongside Canada's existing base: AI, grid, and federal investment.

AI: Infrastructure and adoption
Scaling AI demands capital-intensive data centres, alongside company-level investments in IP and workflow redesign. Canada's colder climate and low-carbon electricity give it a natural advantage. Global capital is flowing into AI infrastructure at scale—Canada should position itself to capture a meaningful share of this investment wave.

Grid: Expansion and decarbonization
Demand from AI and electrification will require sustained investment in generation, long-haul transmission, and local distribution. Canada is already a global leader in clean electricity. Continued investment is essential to maintain this edge, meet climate commitments, and meet rising demand.

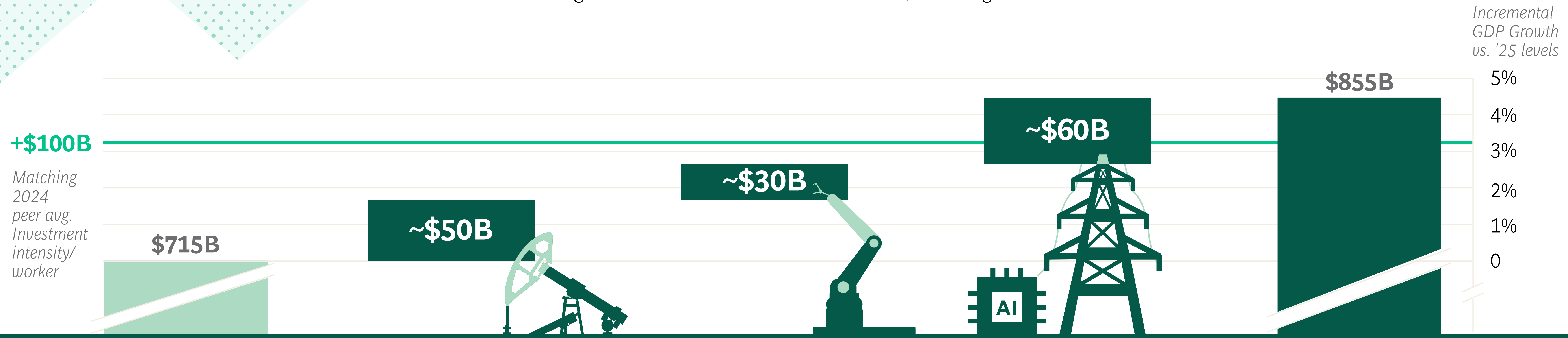
Federal: Delivery of major investments
This is a moment of geopolitical consequence. Canada should deliver on defense commitments and work to diversify trade corridors to generate lasting economic opportunity. If done right, this can unlock durable private investment and position Canada strongly for long-term growth.

3 ASPIRATIONAL LEVERS COULD DELIVER:

$140B in annual investment growth by 2030, adding about 4.5% to GDP and bringing Canada above peer investment levels

Annual Fixed Capital Investment Flows ($B)

Annual investment is about $715B today... by 2030, this aspirational agenda could drive investment levels $140B higher



Current	Lever 1	Lever 2	Lever 3	2030
ASPIRATIONAL 'WHAT IF ':	Match historic peak in natural resource sector	Match recent peer growth in asset classes where Canada has lagged most	Match peer investment share of emerging opportunities	*Note: Assumes baseline GFCF remains same from 2025 to 2030*
What this looks like:	Building 10-15 major projects across 4 resource verticals in 2030 (critical minerals, LNG, oil sands, and pipelines), where each project has a 5-year capital outlay	Boosting business-sector IP and M&E investment growth to match peer-average growth levels over last decade (from about 1%→3%), finding opportunities in sectors driving majority of current gap: IT, manufacturing, finance and retail	Growing technologies: **AI:** Matching per-capita data centre investment of EU & US (over 6GW of data centres)[1] **Grid:** Growing investment in power gen. and distribution in line with IEA expectations (+50% versus today) Societal commitments: **Public spend**: Achieving 3% of GDP defense spend (path to NATO 5% by 2035) at 35% equipment investment rates[2], and deliver on election platform on trade and transport infrastructure	

Source: OECD, StatsCan, BCG Analysis
1. Per BCG report: Breaking Barriers to Data Center Growth
2. Per BCG report: How Canada Can Get the Most Out of Its Defense Spending Surge

Here's the scale of what's on the table. If Canada pulls three levers in parallel-resource build, IP and M&E investment, and capitalizing on capital-intensive trends-annual capital formation could rise by over $140B and 4.5% GDP. Together, these moves could bring Canada's investment intensity in line with or above peer economies. Across these levers, there are opportunities both to catch up where Canada has been lagging – in resources, IP and M&E, and key social commitments – and to unlock emerging vectors for new growth by attracting capital into emerging areas such as AI and power generation.

Lever 1:
The renewed national focus on major project delivery is well placed. A single marquee project, such as an LNG terminal, mine, or energy corridor, can add up to 0.5% of GDP in peak-year capital spending and catalyze long-term growth.

Lever 2:
If Canada matches peer growth, it will unlock major gains in productivity and exports. These investments support competitiveness across ICT, manufacturing, retail, and financial services.

Lever 3:
Growth in AI infrastructure, grid expansion, and federal capital projects presents a step-change opportunity, one that could establish new growth platforms and position Canada for the next era of economic leadership.

What enablers does Canada need to take action on to realize these aspirations?

	Match historic peak in natural resource sector	Match recent peer growth in asset classes where Canada has lagged most	Match peer investment share of emerging opportunities
To achieve this Canada must	**Become a place where big projects get built quickly and predictably**	**Become a place where all businesses are incentivized to invest in IP and M&E**	**Become a strong competitor for global capital in emerging sectors**
Why this matters	Energy and infrastructure projects require massive upfront capital and long payback periods. If timelines are uncertain or risk is unclear, investors go elsewhere. Speed and predictability can help bring capital off the sidelines.	Canada's large per-worker investment gaps are fertile ground for growth. Shifting capital into IP and M&E will speed technology adoption, boost productivity, and raise wages/competitiveness.	Emerging capital-intensive sectors like AI demand investment and expertise. When capital flows openly and predictably into emerging sectors, it accelerates growth, boosts competition, and helps Canadian firms reach global scale.
Sample enablers to reach this aspiration: What good looks like	Fast and consistent permitting timelines +	Compelling investment tax credits +	Creation of 'special investment zones' with attractive carveouts +
	Ample delivery capacity (for example, Labour)	Accelerated capital cost allowance (CCA) depreciation	Attractive tax and regulatory frameworks
	Well-defined jurisdictional ownership	Defined patent/innovation box	Well-defined investment review thresholds
	Stable carbon policy & pricing certainty	Ample scale-up and small business financing	Regular global investment and trade missions with specific offers/asks
	Etc.	Etc.	Etc.

+ **Investigation of levers on next page, with select peer examples**

These aspirations won't become reality without meaningful change. The world is increasingly looking to Canada as a destination for capital—at a time when geopolitical shifts have made many traditionally investable markets less predictable. But to realize this opportunity, Canada must make it faster and more attractive to invest.

This starts with improving project delivery. Clear timelines, concurrent permitting, stable carbon policy, and meaningful Indigenous partnerships are essential to moving projects from concept to construction-supported by skilled trades and workforce planning.

Canada also needs to send a strong and consistent signal to businesses investing in productivity. Multi-year incentives for equipment, software, and automation can encourage firms to move from pilot to rollout, helping close the competitiveness gap with global peers.

And finally, Canada should strengthen its position as a top destination for global capital. That means stable rules, responsive institutions, and a clear path for investment-especially in fast-changing, capital-intensive sectors where timing and clarity matter most.

How can Canada enable these aspirational outcomes?

Across levers, there are often cited best-in-class performers to learn from: Australia for its large-scale LNG build, the U.S. for leading growth in IP investment, and Singapore for attracting exceptional levels of foreign capital. Yet here, we highlight three inspirational European peers that faced similar challenges to Canada and found ways to drive improved outcomes:

Streamline permitting to build projects quickly and predictably

Germany built the Wilhelmshaven LNG import terminal in just 9 months when faced with Russian gas pipeline cuts. Two key principles were instrumental:

- **Fast-track legislation:** Germany's LNG Acceleration Act enabled coordinated, fast-tracked approvals or exemptions to support public interest in the face of emergency
- **Creative construction approach:** Floating storage and regasification unit was built off-site and was moored at an existing port to speed construction timelines

Compete for global capital

Poland has grown real investment at about 2x the pace of developed EU peers since the mid-90s, supported by policy carveouts to attract foreign capital investment

- **Special economic zones:** Creation of special regions to encourage fixed capital investment into key sectors "with benefits such as tax incentives, fast-track permitting"
- **Incent profit-reinvestment:** Reinvested earnings are treated favourably (for example, tax exemptions) encouraging foreign players to reinvest profits into fixed capital

Use tax incentives to drive investment

Italy's emergence from a post-2008 investment stagnation was in part supported and enabled by targeting incentives at productivity-enabling assets such as machinery, software, and IP.

- **M&E:** Super-depreciation from 2017 (140-250% basis) to jump-start CapEx → simple, multi-year tax credits from 2020 (peak ~50% for eligible M&E), with clear eligible-asset lists
- **IP:** Tailored incentive policy to better target intangible assets—refreshed R&D tax credit plus a revamped Patent Box with 110% super-deduction of eligible R&D

Source: BCG Analysis

A Call to Action for Canada

Look around: peers are acting—clearing bottlenecks, moving capital, turning ambition into assets. The common thread is seriousness. Canada must do the same, borrowing unapologetically from the successes of others, adapting to our context, and executing with discipline.

We must apply the lessons we lift from peers through a distinctly Canadian lens: **unblock** priority builds with one-window approvals, and firm timelines; **honour** Indigenous rights through partnership and equity; **respond** to tectonic shifts in a North American economy rewiring around tariffs and local-content rules; **ready** the grid so industry and AI can scale; and **aim** incentives at the asset classes where Canada lags most, IP and M&E.

Now is the time to turn today's uncertainty into resilience, competitiveness, and durable growth.

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If you have questions or comments about this publication or our work please contact Terence Smith

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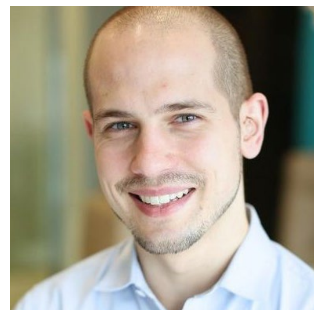

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