



FROM BARRIERS TO BREAKTHROUGHS: PART II

The High Cost of Low Investment:
Understanding Canada's Economic Stagnation

Canada's prosperity is under pressure.

Over time, bad policy, overlapping regulations, slow approvals, and an uncompetitive tax system have **made it harder for businesses to invest here**, which stymies Canada's growth.

Part II of BCA's *From Barriers to Breakthroughs* series—*The High Cost of Low Investment*—dives into the roots of Canada's weak capital investment.

Simply put, **businesses aren't investing enough in Canada** because it isn't an attractive place to invest.

Whether local companies or foreign enterprises, they see **too many obstacles and not enough opportunity**.

Canada is facing a crisis of declining prosperity

A national economy losing momentum:

Canada is a nation in stagnation. We have experienced a “lost decade” in which our standards of living are slacking, wages have barely grown, and labour productivity remains sluggish. To become the strongest economy in the G7, reversing this trend is essential.

Business investment matters:

Since 2014, business investment per worker has declined by nearly 3% annually, with weakness across a range of industries. Business investment in Canada lags well behind other advanced economies, and is growing at half the pace as in the U.S.

An unattractive investment environment:

Over time, bad policy, overlapping regulations, slow approvals, and an uncompetitive tax system have made it harder for businesses to want to invest here, which stymies Canada's growth.

So, why aren't businesses investing in Canada?

Canada has everything it takes to create prosperity — boundless resources, brilliant people, and the stability and strength to turn potential into power.

But while our global competitors race ahead, Canada has tied its own hands together with red tape.



The good news:

Recent government actions suggest a recognition of some of these urgent challenges, signalling that **meaningful reform is possible.**

Where do we go from here?

The roadmap to renewal is clear: faster and more predictable project approvals; smarter tax policy that incentivizes growth; and a regulatory and policy environment that enables ambition and competitiveness.



Create a positive and investment-friendly policy environment



Ensure faster, more predictable project approvals and a lower regulatory burden



Develop a modernized tax regime, rewarding investment, innovation and growth

This paper examines the roots of Canada's weak capital investment. While some forces are global, the most important challenges are domestic: government messaging and policy signals, and our tax and regulatory systems. **All are major impediments—and unless they change, Canada will continue to fall short of its potential.**

BCA's forthcoming work will deliver detailed, actionable recommendations on how to further improve Canada's policy, regulatory and tax environment.

The task is not easy—but **the cost of inaction is far greater.**

EXECUTIVE SUMMARY

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