



## Is Canada About to Plunge Into a Recession?

### Description

While the Canadian economy might look to be in good shape now there are some major storm clouds on the horizon.

January's retail sales numbers showed a 1.7% drop in spending and that was after tepid numbers over the holidays. Canadians collectively have the highest debt-to-disposable income ratio in the history of the country, coming in at more than 163%.

Energy-related jobs are being shed at an alarming rate, primarily affecting Alberta, but also Saskatchewan, British Columbia, and Newfoundland. Weak prices for commodities such as coal, iron ore, and uranium are affecting the mining sector, and both gold and silver are still stubbornly refusing to go higher.

Even the weak Canadian dollar isn't really giving manufacturers the extra boost that so many people anticipated. Canada's trade deficit more than doubled in January, hitting \$2.45 billion for the month, which is near an all-time record. Manufacturing exports are showing gains, but they're not much in the face of energy exports, which slowed rapidly.

Canada's housing market is also showing signs of weakness. In January eight of our 11 largest metros experienced year-over-year declines in median price, with only Vancouver, Victoria, and Hamilton eking out gains. Housing starts were also weak, coming in at 156,276 for the month of February, even after the Bank of Canada's rate cut in January. Economists expected approximately 180,000 starts.

Put all this together with nasty weather experienced by the eastern part of the country, and it's easy to see why certain economists are predicting a small decline in Canadian GDP over the first quarter. Is it time to reposition your portfolio accordingly?

If you do believe Canada is heading for a recession, consider hiding out in these three stocks.

### Dollarama

**Dollarama Inc.** ([TSX:DOL](#)) is a terrific stock to hold during times of economic weakness.

When times get tough, suddenly consumers get price conscious. They want all the things they had before, but not at normal retail prices. That's a huge boost to Dollarama, where nothing costs more than \$3, even if the quality isn't quite up to par.

Plus, investors in the stock get to participate in one of Canada's great growth stories. Currently at about 950 stores, the company plans to open 50-100 more annually in the next couple years. According to an analyst report last year, that's just the tip of the iceberg. Canada has the potential for hundreds more dollar stores over the long term, as the sector races to get the kind of scope enjoyed by U.S. dollar stores.

## **Loblaw**

Even when things get tough, people still have to eat. That's where **Loblaw Companies Limited** ([TSX:L](#)) comes in.

Typically during recessions, consumers will cut restaurant spending and replace it with eating at home. Also, Loblaw's acquisition of Shoppers Drug Mart really bolstered its pharmacy operations, another sector that's recession-resistant. You don't stop taking your pills just because times are tough.

Loblaw has a history of doing well during recessions. The stock actually went up in 2008, and held up well as the rest of the market crashed in 2009. Even in 2001 and 2002, the stock handily outperformed the TSX Composite when we navigated through that recession.

## **Fortis**

When things get rough, Canadians may resort to cutting cable or getting rid of expensive smartphone plans. But there's no avoiding keeping the lights on.

**Fortis Inc.** ([TSX:FTS](#)) is an incredibly diversified utility provider, with electric assets in Atlantic Canada, Ontario, British Columbia, as well as in the U.S. and the Caribbean. It also boasts natural gas assets in most of those same markets, as well as an impressive collection of real estate.

Fortis also pays investors a generous 3.5% dividend, with a history of hiking that dividend for 43 consecutive years. That's the kind of steady growth that becomes invaluable during tough economic times, since it encourages investors to hang on. And if the Canadian dollar remains weak, Fortis' U.S. results will look all the better converted back to local currency.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **POST TAG**

1. Editor's Choice

## **TICKERS GLOBAL**

1. TSX:DOL (Dollarama Inc.)
2. TSX:FTS (Fortis Inc.)
3. TSX:L (Loblaw Companies Limited)

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### Date

2025/08/26

### Date Created

2015/03/24

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