3 Recession-Resistant Stocks to Buy Right Now

Description

The economy goes through cycles. The normal economic cycle consists of an expansion period, which is followed by a period of contraction (also known as a recession). Certain sectors tend to outperform, depending on what part of the cycle we're in. That's why investors don't need to take losses laying down, even during market low points. During recessions, consumer defensive and utility stocks tend to be more resistant.

In this article, I'll discuss three recession-resistant stocks investors should buy now.

Invest in discount stores

During recessions, consumers tend to look for ways to cut back on spending. Because of that, discount stores tend to become more popular. **Dollarama** (TSX:DOL) is the most well-established discount store in Canada. It operates more than 1,400 locations, with stores in every Canadian province. In the first quarter (Q1) of 2023, Dollarama opened 10 new stores. The company also reported more than $1 billion in sales for that same quarter, representing a 12.4% year-over-year (YoY) increase.

Dollarama's initial public offering (IPO) was in October 2009. That means that it became public as the economy was exiting the last recession. Because of that, there isn't any information on how the company's business fared during the Great Recession. However, we can see that Dollarama stock has been very successful since. Over the past 13 years, Dollarama stock has grown at a compound annual growth rate (CAGR) of 28%. If you're looking for a stock to buy during a recession, Dollarama should be at the top of your list.

Grocery stores could do well in a recession

Although consumer spending should decrease during a recession, grocery stores will be the last to feel the extreme impacts on their business. This is because people will need to continue buying food regardless of what the economy looks like. In fact, grocery stores could see stronger business if consumers were to stop eating at restaurants and ordering prepared food. With that said, investors should consider buying shares of **Metro** (TSX:MRU). This company operates more than 900 grocery and 650 drugstore locations across Canada.

Like Dollarama, Metro became a public company after the Great Recession. However, since its IPO, we can see that Metro stock has also been very successful. Over the past decade, it has grown at a CAGR of about 14%. In Q3 2022, Metro reported nearly $5.9 billion in sales. That represents a 2.5% YoY increase. Another aspect of Metro stock that may interest investors is its outstanding dividend. A Canadian Dividend Aristocrat, this company has raised its distribution in each of the past 26 years.

Utility stocks are a common go-to

Finally, we get to utility stocks. These are the most popular stocks to invest in during a recession. This is because businesses and residences alike will continue to use utilities regardless of what the economy looks like. If I could only pick one utility stock to invest in, it would be **Fortis** (TSX:FTS)(NYSE:FTS). This company provides regulated gas and electric utilities to more than three million customers across Canada, the United States, and the Caribbean.

Fortis is one of Canada's most impressive dividend stocks. It has raised its dividend in each of the past 48 years. Fortis aims to continue raising its dividend at a CAGR of 6% through to 2025. With an average shareholder return of 12.8% over the past 20 years, Fortis is a stock that should be welcomed by all investors.

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