

Stagnation in Atlantic Canada's Private Sector: Measuring Progress, 2007 to 2019

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The performance of the private sector in a province or region is the foundation for that jurisdiction's prosperity. It is the private sector, after all, that ultimately provides the resources for the government sector. For at least the two decades before the COVID-19 pandemic, Atlantic Canada's four provinces trailed the rest of Canada on various measures of prosperity.

Research has identified that Atlantic Canada's private sector was substantially underperforming that of the rest of Canada across most measures in 2019. If the region is to close its prosperity gap with the rest of Canada, improvement in the private sector must be a priority.

This study analyzes the private sector in Atlantic Canada and across the country by measuring five different economic indicators between 2007 and 2019: the size of government as a share of the economy, per worker business investment, private sector venture capital, the share of private sector employment in total employment, and new business creation.

Newfoundland and Labrador saw the second-largest increase in the size of government and the largest decrease in the business entry rate, with the fourth-best improvement in private sector employment and the best improvement in per worker business investment. Turning to levels, the province was in the middle of

the pack for size of government and share of private sector employment, and third highest in per worker business investment and the business entry rate. Newfoundland and Labrador generally does not attract a meaningful share of the country's venture capital investment.

Prince Edward Island reported the largest decrease in the size of government while also being the only province to report an increase in business entries. The province fares poorly on per worker business investment, with the third-largest decline, as well as share of private sector employment (reporting the largest decline and the second-lowest level in 2019). Although the province experienced some positive change over the period examined, its size of government relative to population was the highest, on average, in Canada. It also had the lowest level of per worker business investment and second-lowest average share of private sector employment. The province does not generally

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attract venture capital investment, reporting only two years with private venture capital investments over the 2007–19 period.

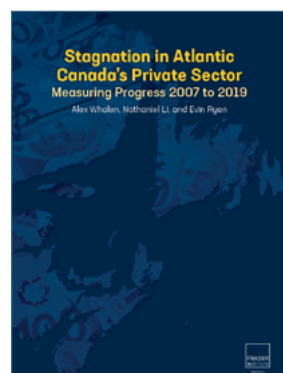
Nova Scotia fared poorly across most measures. For the size of government, the province had the highest level in 2019, and the fifth-highest increase in the country. Nova Scotia's per worker business investment saw the fourth-largest decline and the lowest level in 2019, while the province also saw a decline in private sector employment. The business entry rate also declined and was second-lowest in the country, on average. Nova Scotia attracts the most venture capital investment in Atlantic Canada in both absolute and per capita terms, but still fails to attract a meaningful share of the national total.

New Brunswick also fared poorly across most measures, with the third-largest increase in the size of government (also third overall in terms of the 2019 level). The province reported the second-largest decline in per worker business investment, with the 2019 level being third-lowest in Canada. The province had the third-largest decline in private sector employment and the fourth-largest decline in the business entry rate. In terms of levels, the province reported the third-highest average size of government in the country, the fourth-lowest average per worker business investment, and third-lowest average business entry rate. It fared slightly better in the average share of

private sector employment, ranking fifth. New Brunswick did have some level of venture capital investment during most years of the study period, but fails to attract a meaningful share of the national total.

Overall, the economies of the Atlantic provinces largely failed to converge with that of the rest of Canada during the 2007–19 period.

Overall, the economies of the Atlantic provinces largely failed to converge with that of the rest of Canada during the 2007–19 period. Despite some exceptions, the region largely remains one of big government, low and declining business investment, a relatively smaller private sector, a disproportionately low share of national private venture capital investment, and below-average business entry rates.



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