NEWS RELEASE

Collapse of commodity prices exposes longstanding underperformance of Ontario and Atlantic Canada

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For Immediate Release

TORONTO—The resilience of the Canadian economy during the global recession and its strong performance post-recession—which was largely rooted in the resource-intensive provinces of Alberta, Saskatchewan, Newfoundland and Labrador, and British Columbia—masked weakness in Central and Atlantic Canada, particularly Ontario, finds a new study published today by the Fraser Institute, an independent non-partisan Canadian policy think-tank.

"The fall in commodity prices and the ensuing economic slowdown in Canada's resource-intensive provinces laid bare the weaknesses of provinces such as Ontario and New Brunswick, prompting a crucial question—which provinces will propel Canada's economic growth?" said Livio Di Matteo, Fraser Institute senior fellow, professor of economics at Lakehead University, and co-author of ***Comparing Recent Economic Performance in Canada and the United States: A Provincial and State Level Analysis.***

Consider that from 2010 to 2014, per person economic growth (inflation-adjusted) in resource-intensive provinces (Alberta, Saskatchewan and Newfoundland & Labrador) was 2.6 per cent compared to 1.1 per cent in non-resource-intensive provinces.

Similarly, during the same four-year period, private-sector employment in Canada grew at an annual average rate of 1.6 per cent. However, a closer look finds that private-sector employment growth in Canada's resource-intensive provinces (2.9 per cent) more than doubled growth in non-resource-intensive provinces (1.3 per cent).

"Simply put, Canada's national economy has relied on the resource-intensive provinces to propel economic growth in recent years," Di Matteo said.

While the resource-intensive provinces boomed, many of the non-resource intensive provinces—particularly Ontario—failed to get their economic fundamentals right and lost sight of the importance of competitiveness. The rapid decline in the performance of the resource-intensive provinces has made the national economy more dependent on the non-resource-intensive provinces to deliver economic growth.

Unfortunately, many governments across Canada are heading in the wrong direction. Ontario, for example, continues to struggle with massive debt and uncompetitive tax rates. Alberta and the federal government have raised taxes, pursued deficit-spending and increased government debt. As a result, the environment for entrepreneurs, business leaders and investors will remain at best uncertain and at worse inhospitable to economic prosperity.

"Now more than ever, governments across Canada must enact policies that attract and retain entrepreneurs, skilled workers and investors to help grow the economy and increase prosperity," Ben Eisen, study co-author and associate director of provincial prosperity studies at the Fraser Institute.

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