NEWS RELEASE

Australia reverses long-standing Canadian advantage, now enjoys higher living standard

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For Immediate Release

CALGARY—From roughly the early 1950s to 2008, Canadians enjoyed a higher standard of living (as measured by per-person GDP, after adjusting for inflation) than Australians—but that advantage has been reversed since 2009, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Australia is an important comparator country for Canada given the economic, historical, cultural and social similarities,” said Stephen Kirchner, director of the International Economy Program at the University of Sydney and author of Understanding the Prosperity Gap between Australia and Canada.

Between 1973 and 1995, Canadians (on average) enjoyed $2,668 in higher per-person GDP compared to Australians—the gap peaked in 1988 at $3,640.

Since 2009, however, Australians have enjoyed higher living standards (again, as measured by per-person GDP). Specifically, Australia’s per-person GDP was (on average) $1,718 higher than Canada’s between 2009 and 2019 (note the analysis uses inflation-adjusted standardized U.S. dollars).

Both countries undertook significant economic reforms including removing barriers to more open trade and improving competitiveness. However, Australia has been more successful in increasing productivity, which has led to a higher level of per-person GDP than Canada.

According to the study, higher levels of investment are key to Australia’s success. Between 1995 and 2020, Australia’s total investment was 26 per cent of GDP compared to 22 per cent in Canada.

“Small differences in investment, particularly when driven by competitive pressure in open markets, can result in large differences in economic performance including higher living standards and income,” Kirchner said.

“Due to Canada’s relatively low levels of investment, Canadians are poorer than they’d otherwise be—a fact that should concern policymakers in Ottawa and across the country.”

This is the first in a three-part series of studies comparing the performance of the Canadian and Australian economies.

MEDIA CONTACT:
Stephen Kirchner, Senior Fellow, Fraser Institute

To arrange media interviews or for more information, please contact:
Mark Hasiuk, Senior Media Relations Specialist, 604-688-0221 ext. 517, mark.hasiuk@fraserinstitute.org

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