



Canadian
Chamber of
Commerce

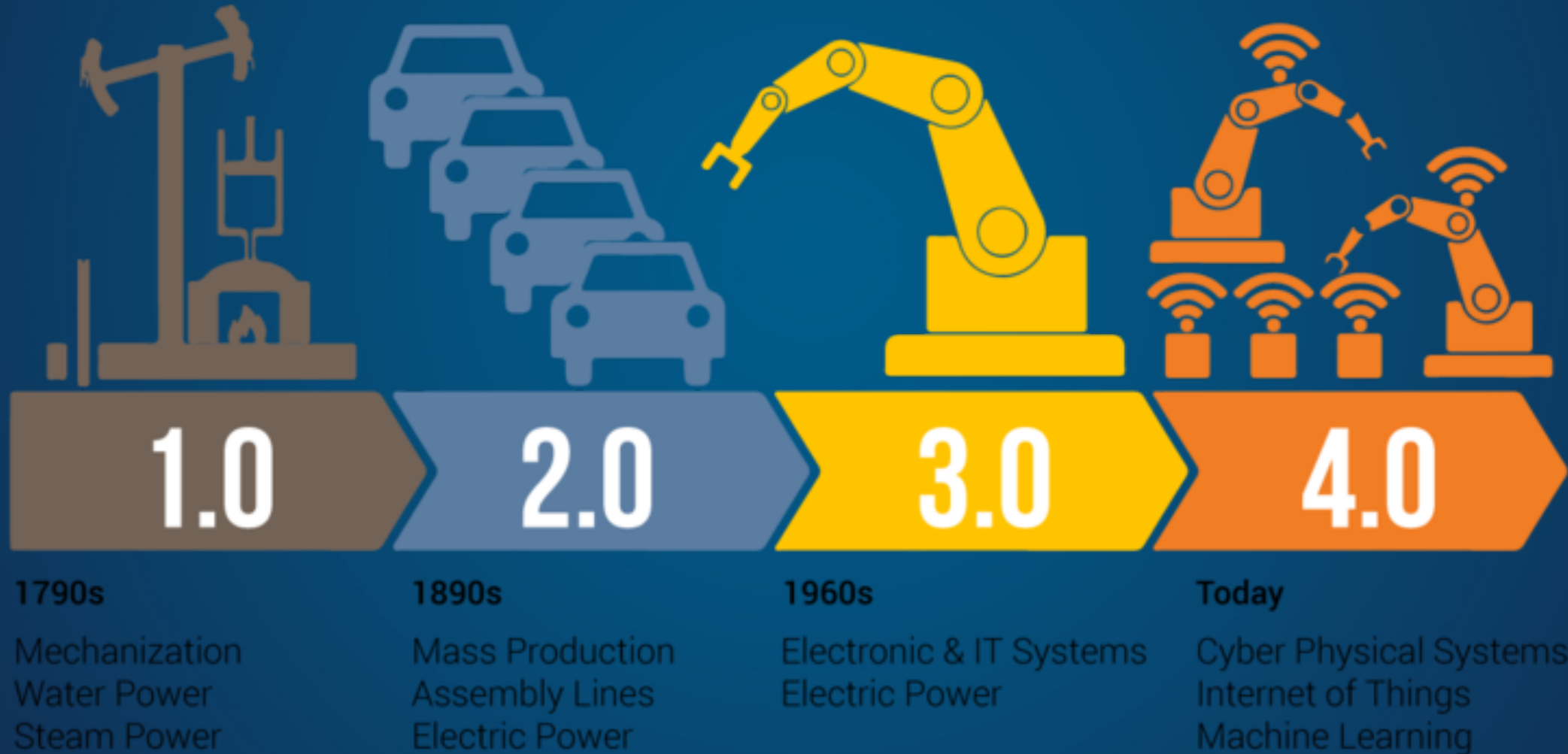
Chambre de
Commerce
du Canada

Canadian Competitiveness: The Current State and the Forces Facing the Future

Dr. Trevin S. Stratton, Chief Economist



The Fourth Industrial Revolution



Source: Christopher Roser, All About Lean



IBM Model 350 Disk (5 MB) in 1956 vs Micro SD Card (128 GB) Today



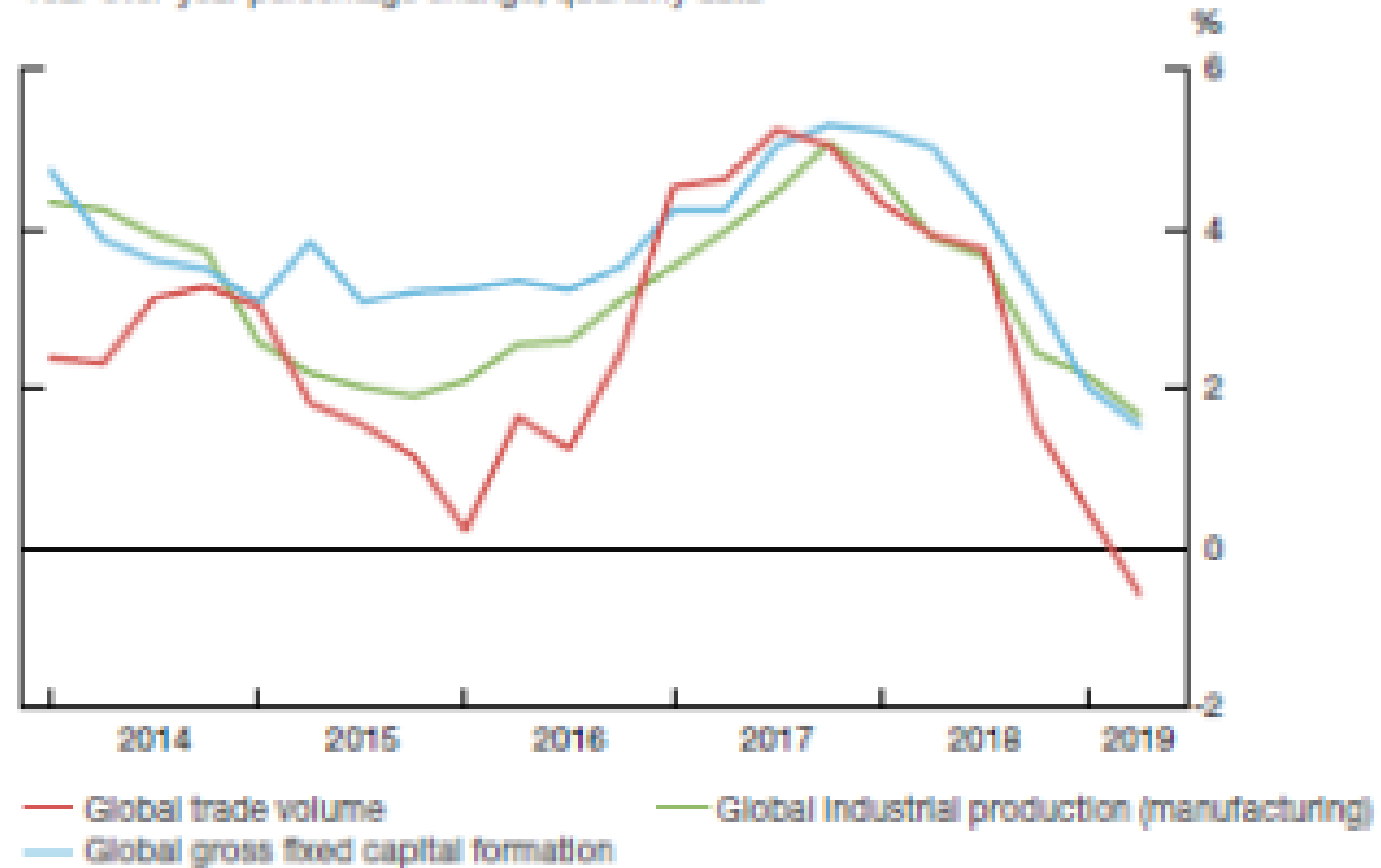
Source: Harold Sinnott



Global Growth

Chart 1: Growth in global business investment, manufacturing production and trade has slowed sharply

Year-over-year percentage change, quarterly data



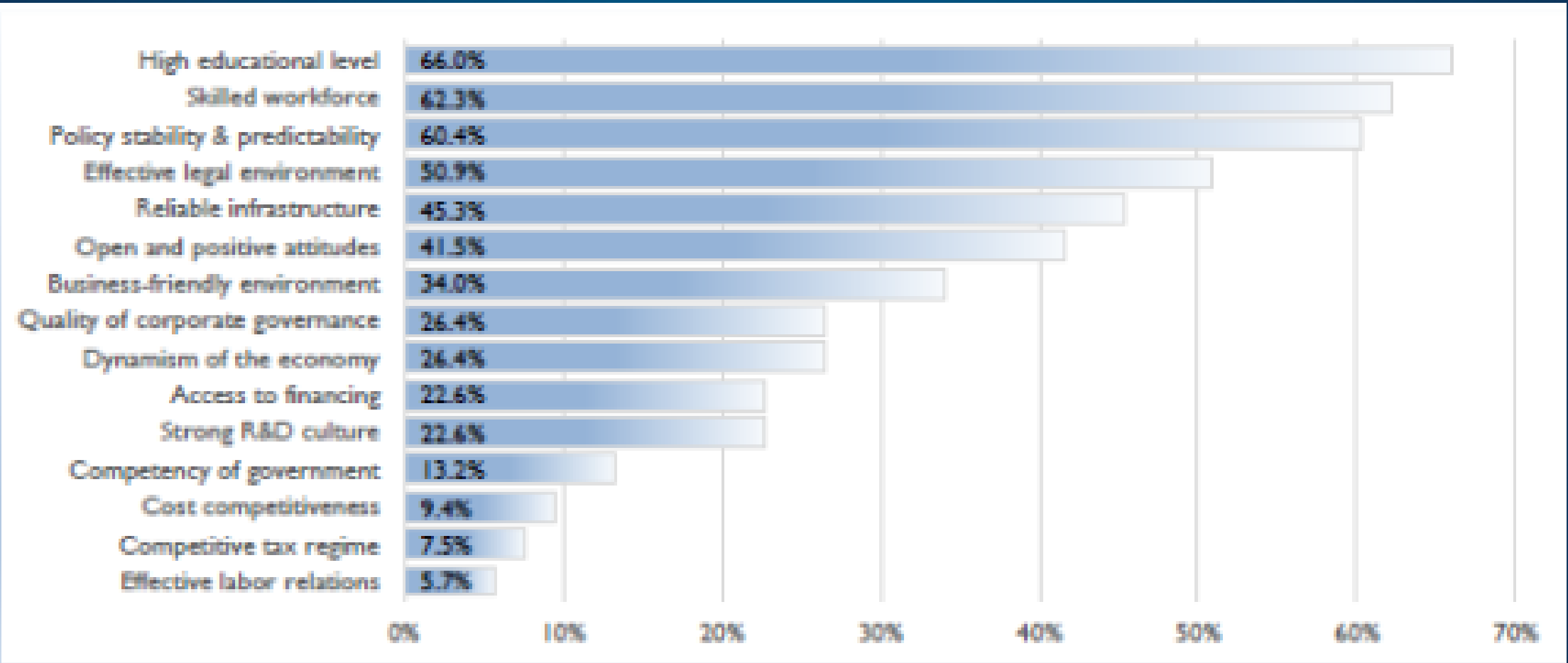
Global Competitiveness Index 2019

Rank	Economy	Score ¹	Rank	Score
1	Singapore	84.8	+1	+1.3
2	United States	83.7	-1	-2.0
3	Hong Kong SAR	83.1	+4	+0.9
4	Netherlands	82.4	+2	—
5	Switzerland	82.3	-1	-0.3
6	Japan	82.3	-1	-0.2
7	Germany	81.8	-4	-1.0
8	Sweden	81.2	+1	-0.4
9	United Kingdom	81.2	-1	-0.8
10	Denmark	81.2	—	+0.6

11	Finland	80.2	—	—
12	Taiwan, China	80.2	+1	+1.0
13	Korea, Rep.	79.6	+2	+0.8
14	Canada	79.6	-2	-0.3
15	France	78.8	+2	+0.8
16	Australia	78.7	-2	-0.1
17	Norway	78.1	-1	-0.1
18	Luxembourg	77.0	+1	+0.4
19	New Zealand	76.7	-1	-0.8
20	Israel	76.7	—	+0.1



Key Investment Attractiveness Indicators: Canada



Source: IMD, 2018 World Competitiveness Ranking




Future orientation of government: Canada

Future orientation of government 0–100	-	69.1	18	Luxembourg
1.20 Government ensuring policy stability 1–7 (best)	4.9	64.9	26	Switzerland
1.21 Government's responsiveness to change 1–7 (best)	4.3	54.2	37	Singapore
1.22 Legal framework's adaptability to digital business models 1–7 (best)	4.5	58.0	27	United States
1.23 Government long-term vision 1–7 (best)	4.4	57.0	38	Singapore
1.24 Energy efficiency regulation 0–100 (best)	87.7	87.7	2	Italy
1.25 Renewable energy regulation 0–100 (best)	82.3	82.3	10	Germany
1.26 Environment-related treaties in force count (out of 29)	20	69.0	95	Multiple (6)

Source: World Economic Forum, 2019 Global Competitiveness Index




Innovation Capability: Canada

 12th pillar: Innovation capability 0–100	-	74.0 ↓	16	Germany
Interaction and diversity 0–100	-	72.3 ↓	13	Singapore
12.01 Diversity of workforce 1–7 (best)	5.6	76.4 ↓	5	Singapore
12.02 State of cluster development 1–7 (best)	4.8	63.8 ↑	22	Italy
12.03 International co-inventions per million pop.	15.07	85.2 ↓	14	Multiple (5)
12.04 Multi-stakeholder collaboration 1–7 (best)	4.8	63.8 ↑	15	Israel
Research and development 0–100	-	77.5 ↓	12	Japan
12.05 Scientific publications score	1,032.7	100.0 =	4	Multiple (9)
12.06 Patent applications per million pop.	105.84	85.8 ↓	18	Multiple (8)
12.07 R&D expenditures % GDP	1.5	51.0 ↓	23	Multiple (7)
12.08 Research institutions prominence 0–100 (best)	0.30	73.1 ↓	12	Multiple (7)
Commercialization 0–100	-	70.7 ↑	28	Luxembourg
12.09 Buyer sophistication 1–7 (best)	4.6	59.5 ↑	17	Korea, Rep.
12.10 Trademark applications per million pop.	2,016.15	81.9 ↑	39	Multiple (7)

Source: World Economic Forum, 2019 Global Competitiveness Index



ICT Adoption: Canada

 3rd pillar: ICT adoption 0–100	-	70.3 ↑	35	Korea, Rep.
3.01 Mobile-cellular telephone subscriptions per 100 pop.	89.2	74.4 ↑	115	Multiple (63)
3.02 Mobile-broadband subscriptions per 100 pop.	76.7	N/Apl.	67	United Arab Emirates
3.03 Fixed-broadband Internet subscriptions per 100 pop.	38.6	77.1 ↑	13	Switzerland
3.04 Fibre internet subscriptions per 100 pop.	4.7	N/Apl.	43	Korea, Rep.
3.05 Internet users % of adult population	91.0	91.0 ↓	16	Qatar

Source: World Economic Forum, 2019 Global Competitiveness Index



Global Economic Growth: Advanced Economies

Table 1.1. Overview of the *World Economic Outlook* Projections
(Percent change, unless noted otherwise)

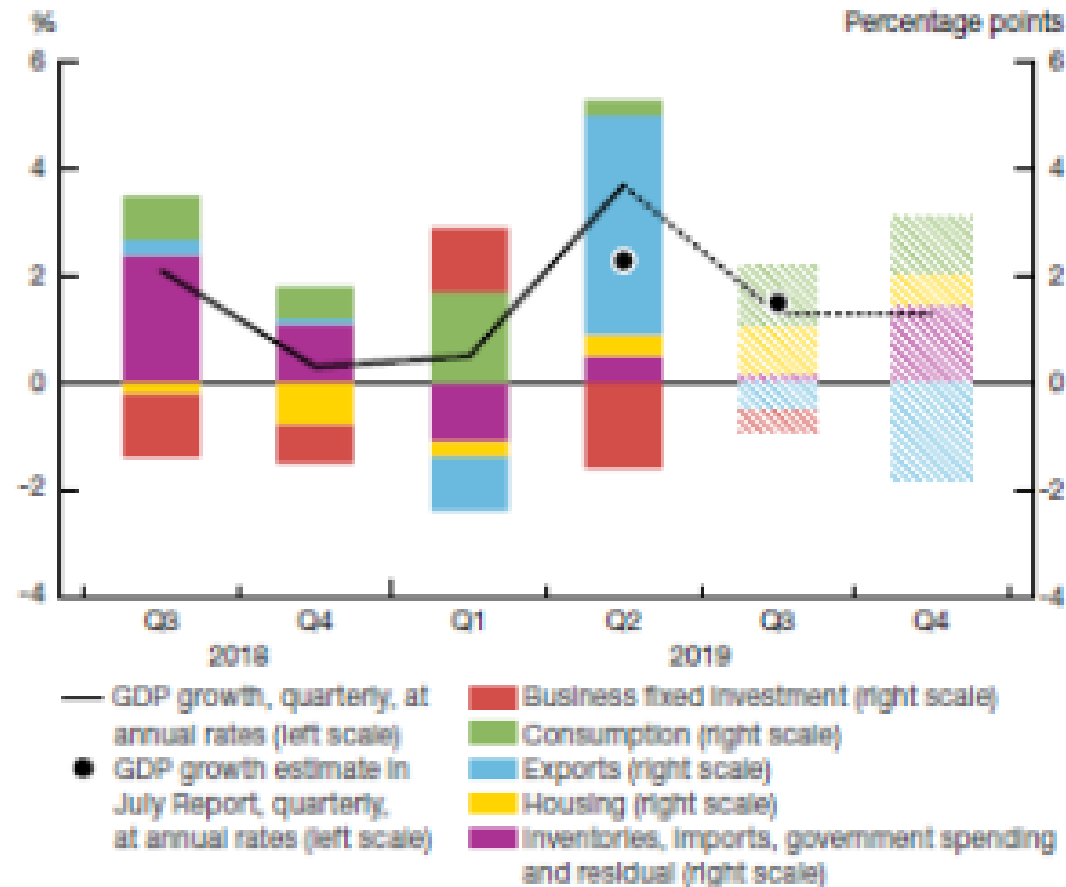
	2018	Projections		Difference from July 2019 WEO Update ¹		Difference from April 2019 WEO ¹	
		2019	2020	2019	2020	2019	2020
World Output	3.6	3.0	3.4	-0.2	-0.1	-0.3	-0.2
Advanced Economies	2.3	1.7	1.7	-0.2	0.0	-0.1	0.0
United States	2.9	2.4	2.1	-0.2	0.2	0.1	0.2
Euro Area	1.9	1.2	1.4	-0.1	-0.2	-0.1	-0.1
Germany ²	1.5	0.5	1.2	-0.2	-0.5	-0.3	-0.2
France	1.7	1.2	1.3	-0.1	-0.1	-0.1	-0.1
Italy	0.9	0.0	0.5	-0.1	-0.3	-0.1	-0.4
Spain	2.6	2.2	1.8	-0.1	-0.1	0.1	-0.1
Japan	0.8	0.9	0.5	0.0	0.1	-0.1	0.0
United Kingdom	1.4	1.2	1.4	-0.1	0.0	0.0	0.0
Canada	1.9	1.5	1.8	0.0	-0.1	0.0	-0.1
Other Advanced Economies ³	2.6	1.6	2.0	-0.5	-0.4	-0.6	-0.5



2019 Economic Growth

Chart 6: Growth is estimated to be soft in the second half of 2019

Contribution to real GDP growth, quarterly data



Sources: Statistics Canada and Bank of Canada estimates and calculations

Last data plotted: 2019Q4



Drivers of Growth

Table 2: Contributions to average annual real GDP growth

Percentage points[†]

	2018	2019	2020	2021
Consumption	1.2 (1.2)	0.9 (1.2)	1.1 (1.1)	1.0 (1.0)
Housing	-0.1 (-0.1)	0.0 (-0.2)	0.4 (0.2)	0.1 (0.1)
Government	0.7 (0.7)	0.4 (0.3)	0.2 (0.2)	0.2 (0.4)
Business fixed investment	0.2 (0.2)	-0.4 (-0.1)	0.1 (0.3)	0.4 (0.4)
<i>Subtotal: final domestic demand</i>	2.0 (2.0)	0.9 (1.2)	1.8 (1.8)	1.7 (1.9)
Exports	1.0 (1.0)	0.6 (0.5)	0.3 (0.6)	0.7 (0.7)
Imports	-0.9 (-0.9)	-0.1 (-0.4)	-0.2 (-0.4)	-0.6 (-0.6)
<i>Subtotal: net exports</i>	0.1 (0.1)	0.5 (0.1)	0.1 (0.2)	0.1 (0.1)
Inventories	-0.3 (-0.3)	0.1 (0.0)	-0.2 (-0.1)	0.0 (0.0)
GDP	1.9 (1.9)	1.5 (1.3)	1.7 (1.9)	1.8 (2.0)
Memo items (percentage change)				
Range for potential output	1.5–2.1 (1.5–2.1)	1.5–2.1 (1.5–2.1)	1.3–2.1 (1.3–2.1)	1.2–2.4 (1.2–2.4)
Real gross domestic income (GDI)	2.0 (2.0)	1.6 (1.2)	1.5 (1.8)	1.7 (1.9)
CPI inflation	2.3 (2.3)	2.0 (1.8)	1.8 (1.9)	2.0 (2.0)

* Numbers in parentheses are from the projection in the previous Report.

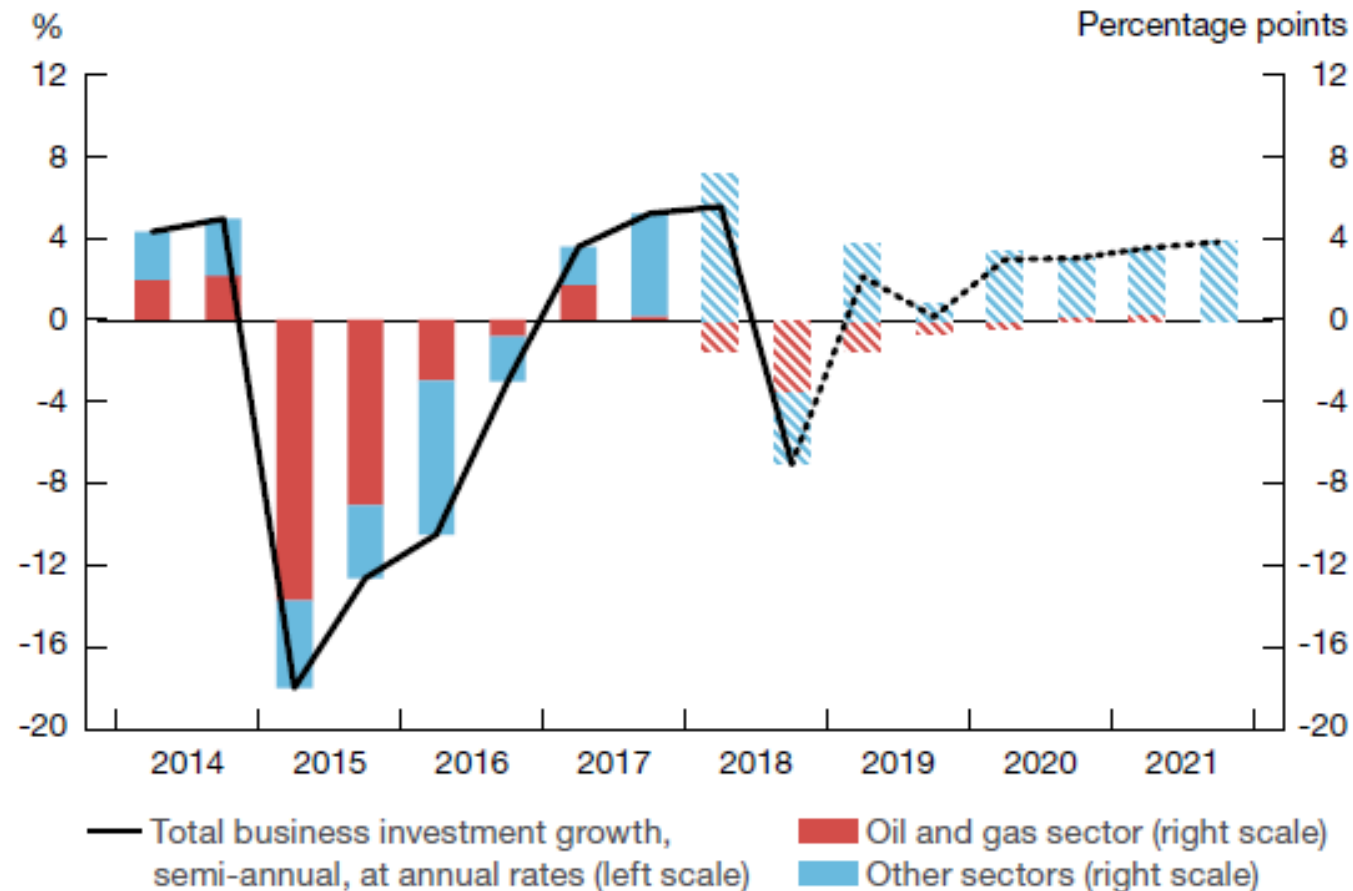
† Numbers may not add to total because of rounding.



Canadian Business Investment

Chart 11: Business investment growth outside the oil and gas sector is expected to rebound

Contribution to total business investment growth, semi-annual data

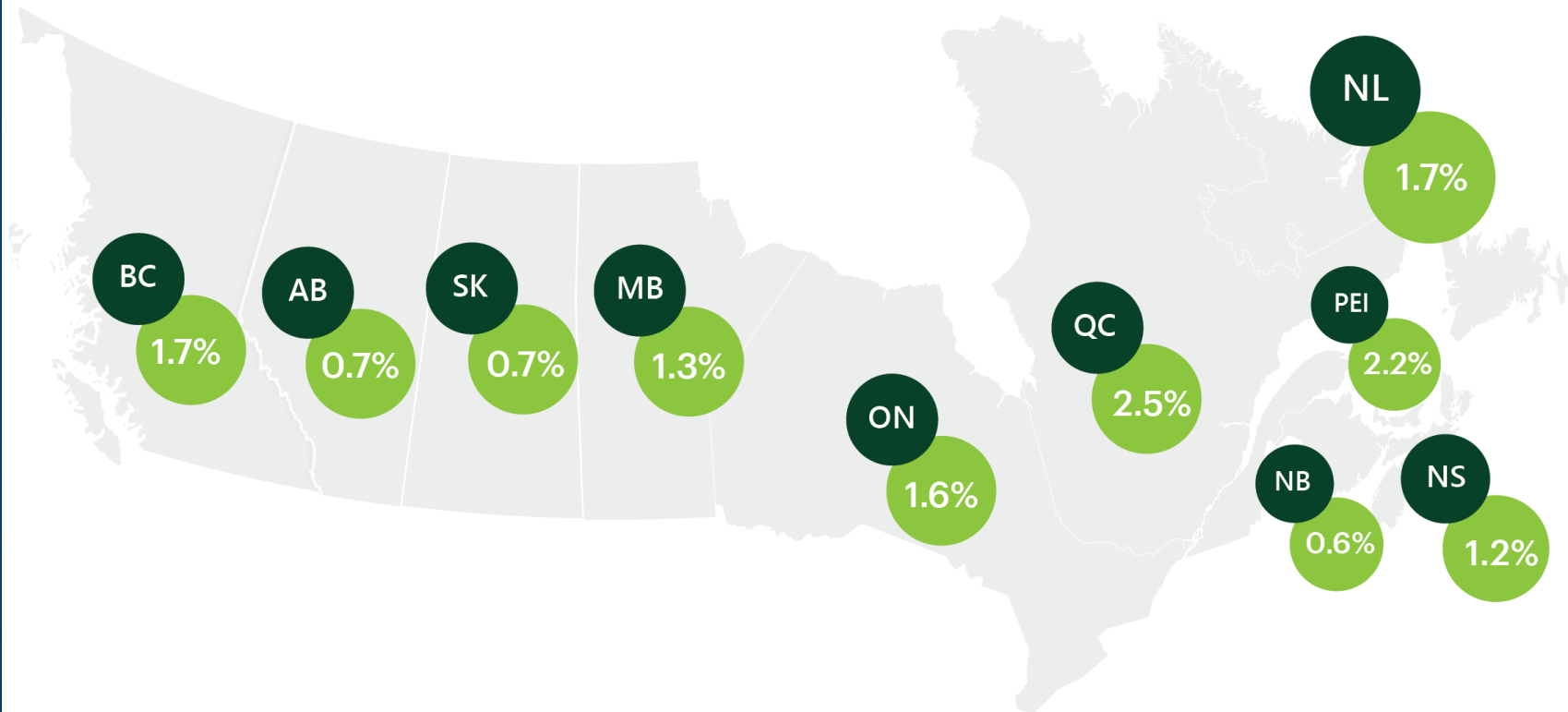


Sources: Statistics Canada and Bank of Canada calculations and projections



2019 Provincial Growth

Provincial Real GDP Growth Forecast (2019)



Source: TD Economics. Forecast as of September 2019.



Labour and Skills

b. Labour shortage intensity, contribution to balance of opinion²

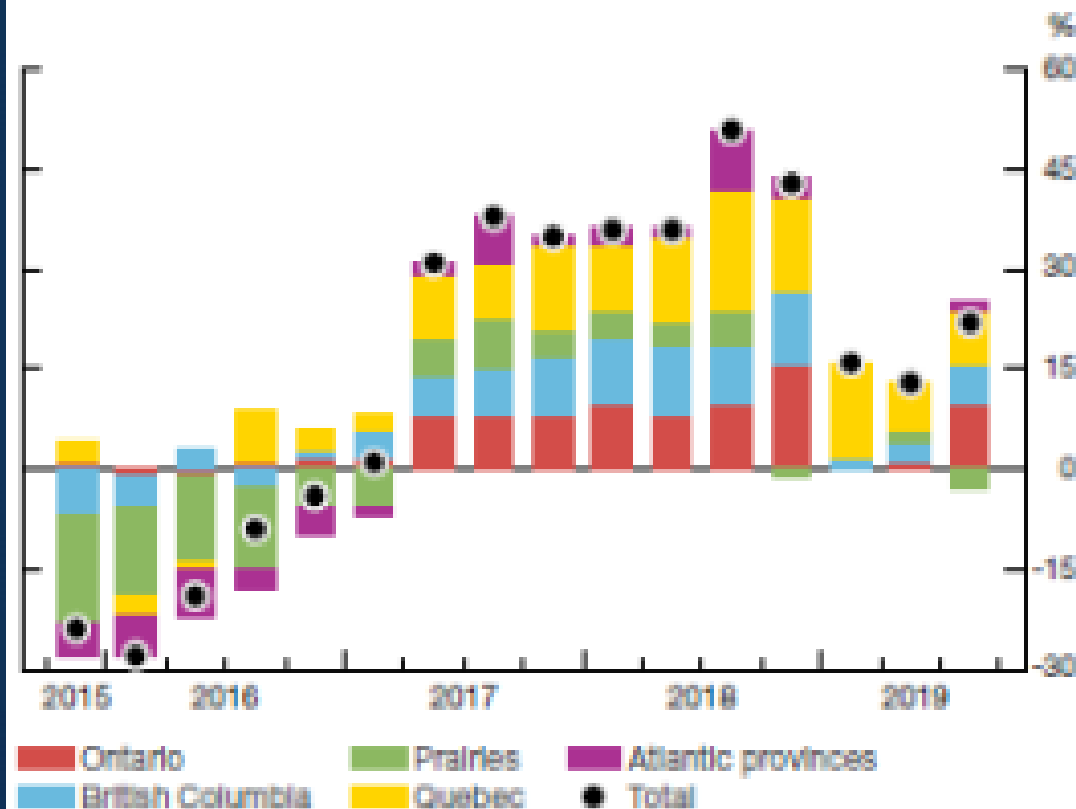
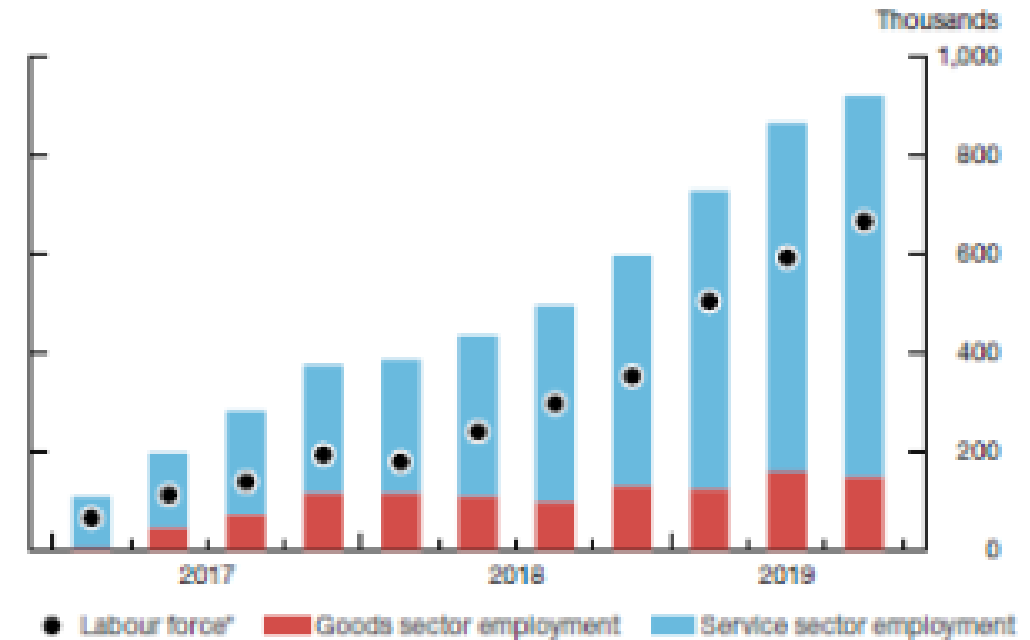


Chart 9: Gains in employment have come mainly from the service sector

Cumulative change in employment and the labour force since 2016Q4, quarterly data



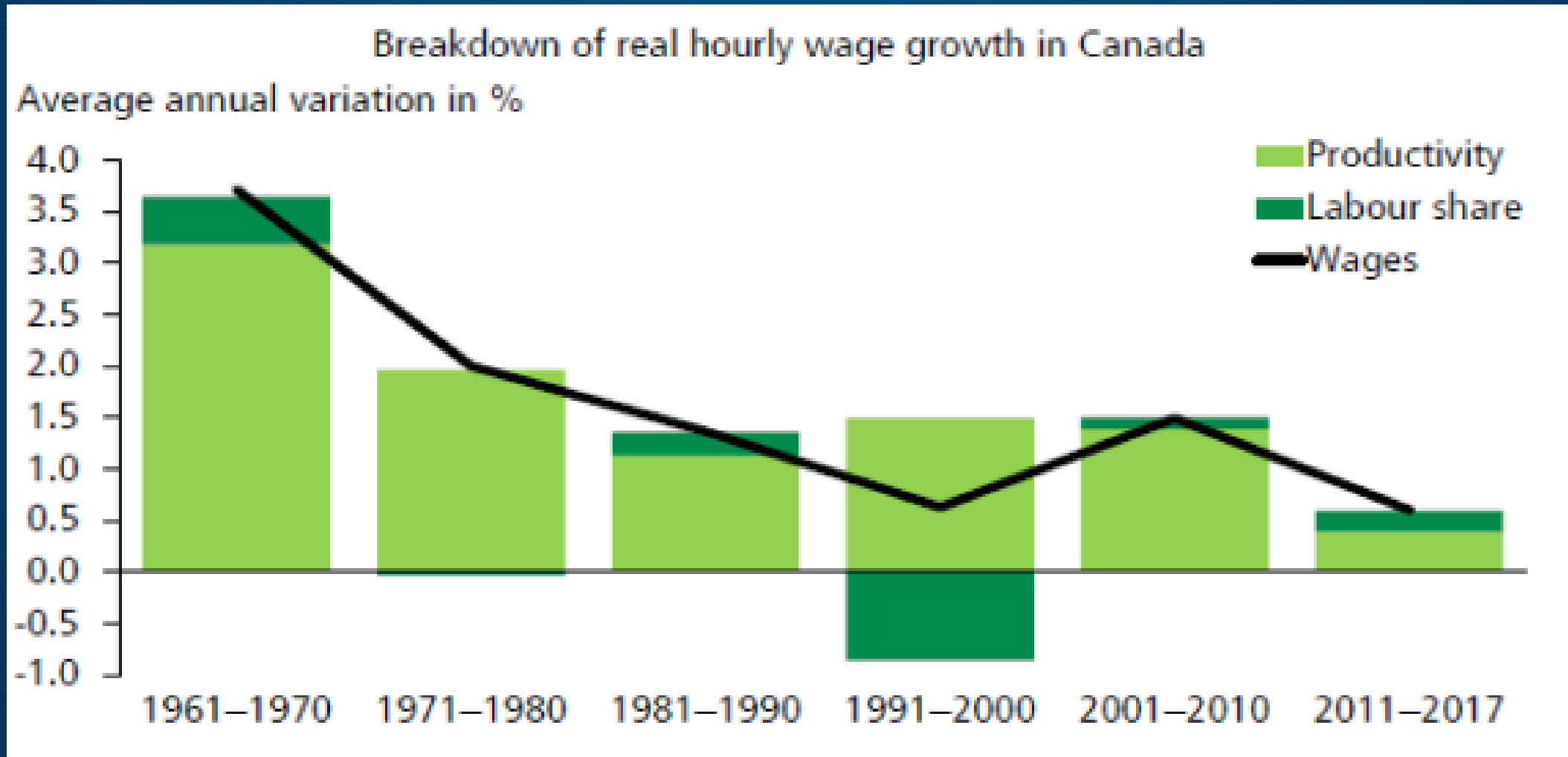
* Equivalent to the variation in employment needed to keep the unemployment rate unchanged relative to 2016Q4

Sources: Statistics Canada and Bank of Canada calculations

Last observation: 2019Q3



Productivity and Wage Growth: Canada

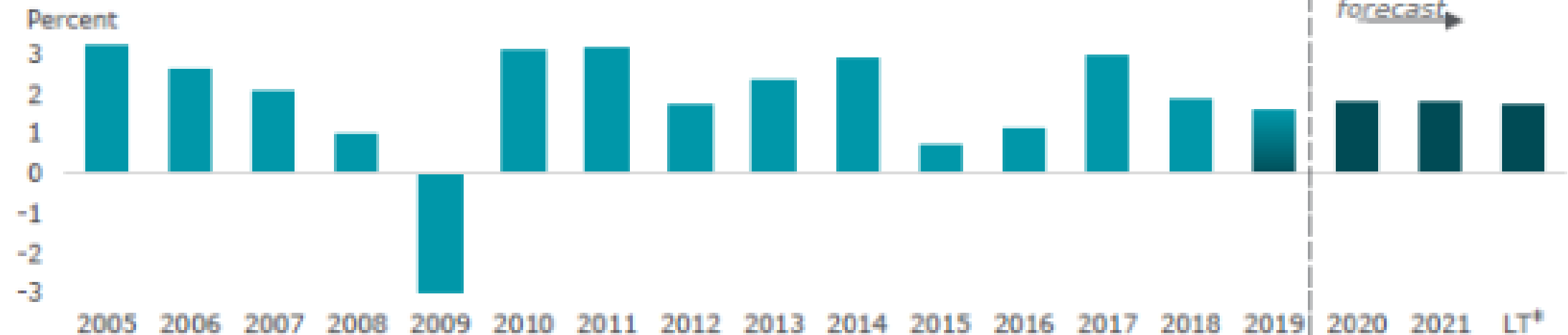


Source: Desjardins, The Causes and Consequences of Low Wage Growth in Canada



Economic Projections

Figure 1: Real GDP growth; Canada



Note: LT denotes the long-term or equilibrium rate of growth of the economy, currently estimated to be approximately 1.7%.

Source: Statistics Canada. Forecast by Deloitte Economic Advisory, as of September 2019.

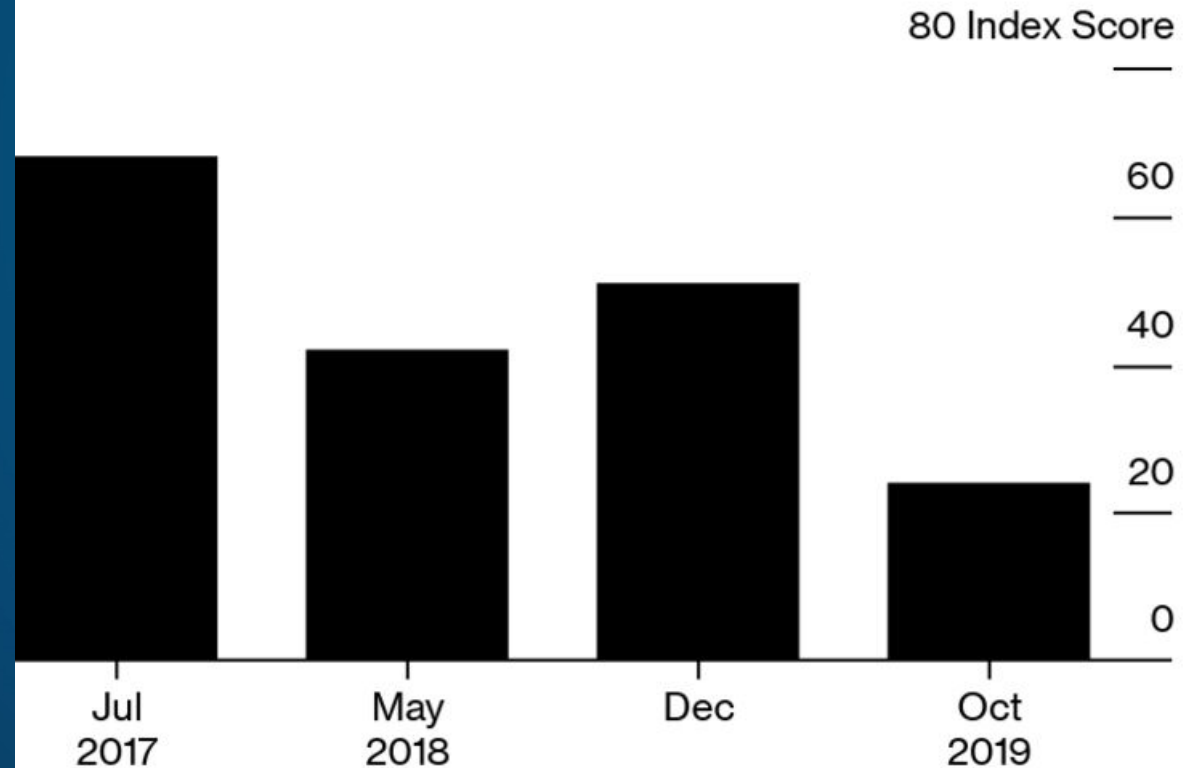


Business Confidence

Soft Outlook

Sentiment among U.S. CEOs with Canadian branches is weakest in 2 years

■ Expectations the Canadian economy will be stronger vs weaker

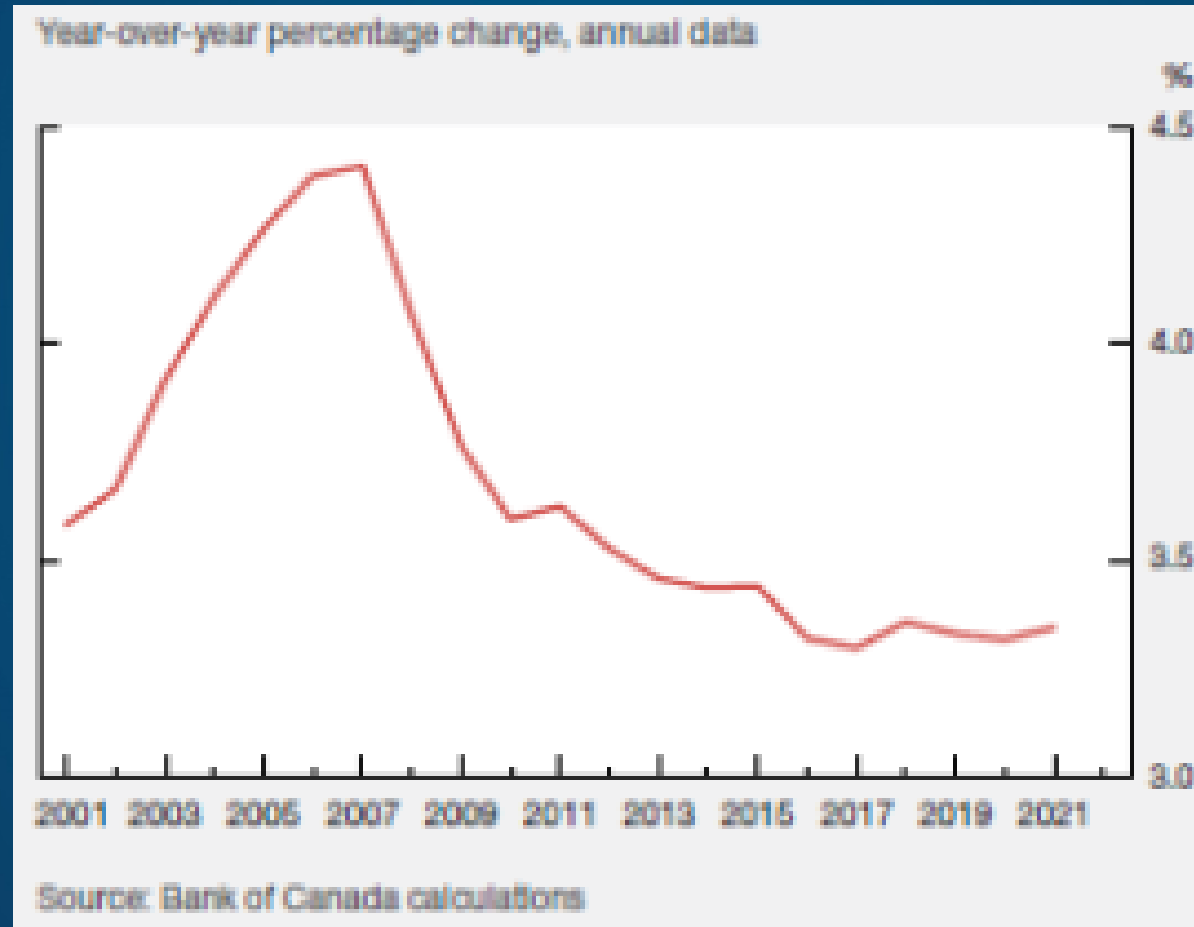


Source: AmCham/Nanos research survey

Bloomberg



Global Growth Potential





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