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At the Crossroads

The Forces Reshaping Canada's Economy

June 23, 2026
IAB State of the Nation

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Senior Research Director

Three Forces Are Reshaping Canada's Economic Outlook:

DEMOGRAPHICS

- Aging population
- Rising dependency ratios
- Slower labour force growth

TECHNOLOGY

- Artificial intelligence
- Digital transformation
- Automation & productivity

GEOPOLITICS

- Economic fragmentation
- Industrial policy
- Supply chain resilience

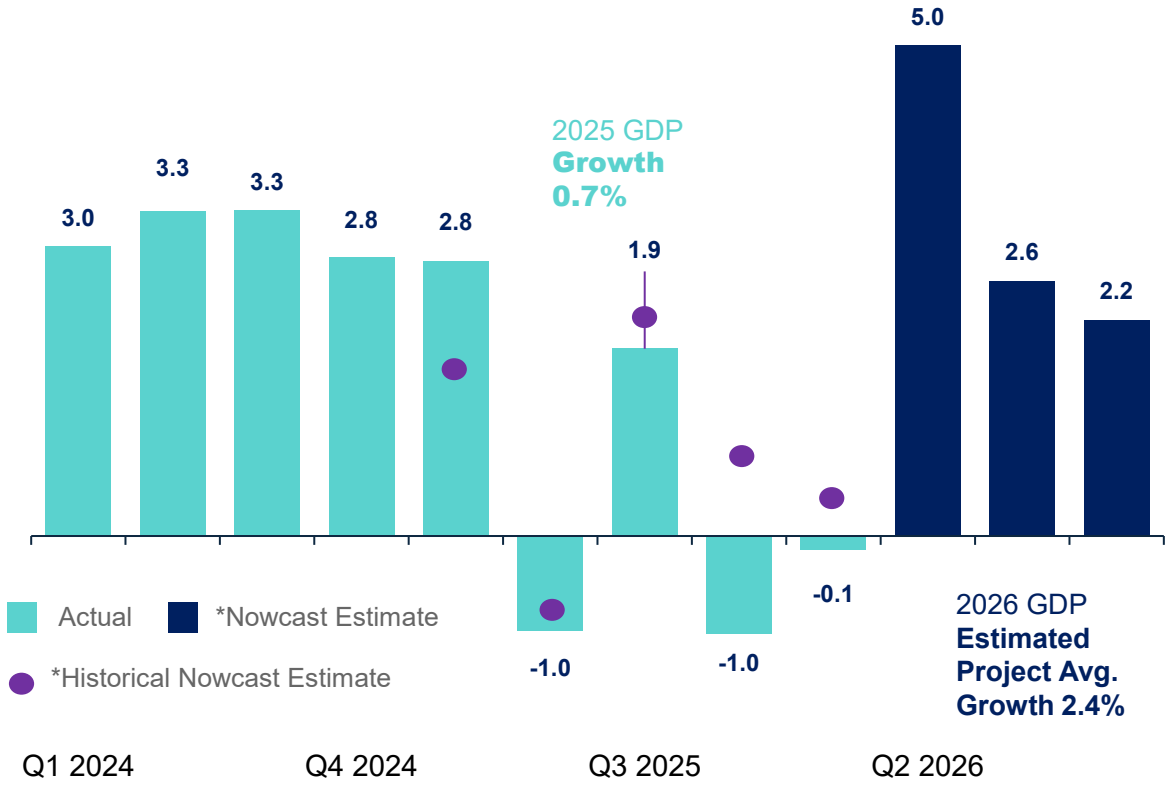


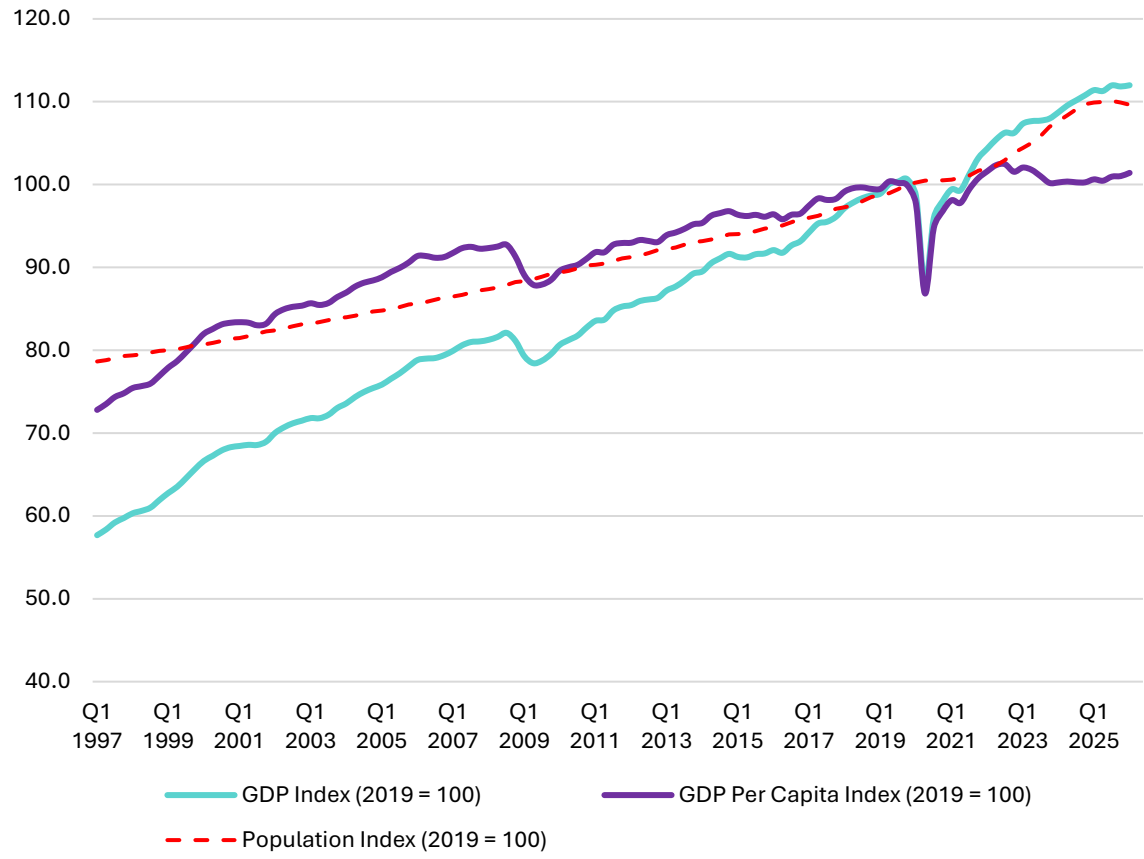
Canada's challenge is no longer simply generating growth. It is *translating* growth into productivity, capability, and prosperity.

The Growth-Prosperity Gap:

Growth Is Returning, But Prosperity Remains Elusive

LHS: Chained 2017 dollars, annualized quarterly percent change; RHS: Population, Real GDP and Real GDP Per Capita, Index (Q4 2019 = 100)



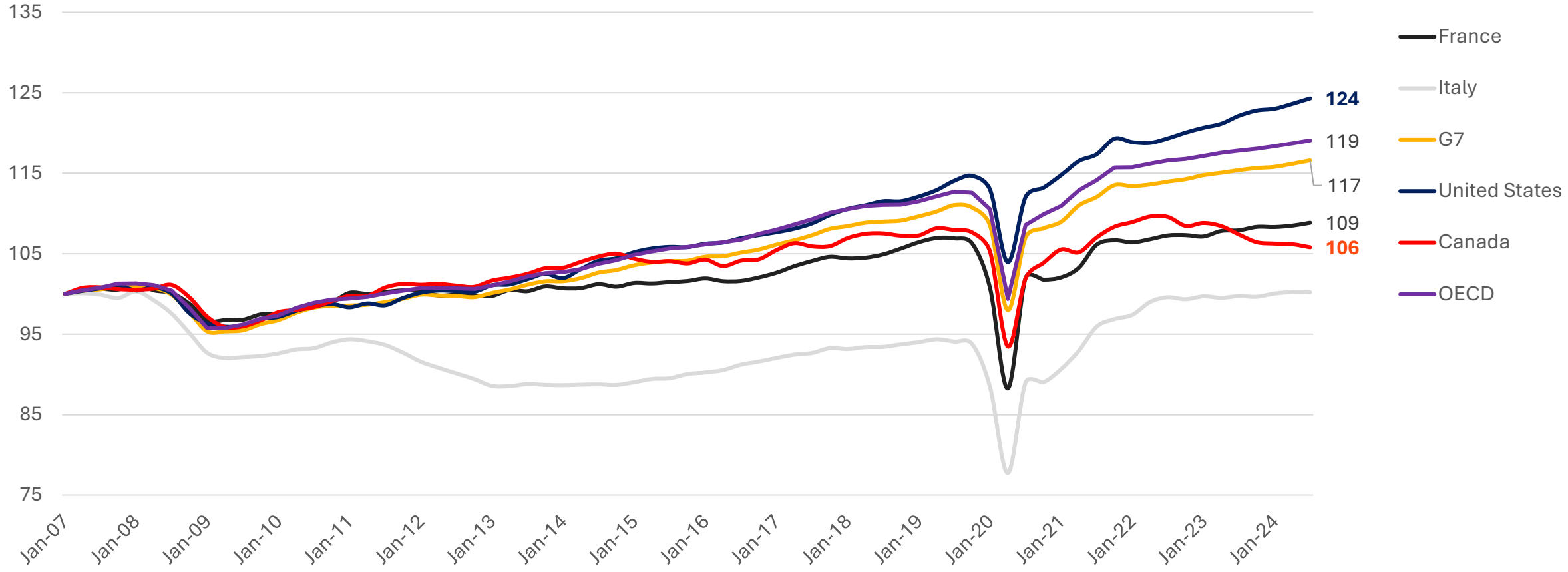


Note: *Powered by 45 economic indicators, BDLNow is a nowcast tool that delivers a real-time estimate of Canada's GDP growth.
Sources: *LHS – BDL Analysis, Statistics Canada's historical data and BDL's nowcast estimate as of June 21, 2026*; *RHS – Statistics Canada Tables 36-10-0434-01 (GDP at Basi Prices, Chained 2017 Dollars) and 17-10-0009-01 (Population Estimates).*

Growth Has Returned. Prosperity Has Not.

GDP Per Capita, Select OECD And G7 Countries

Real (inflation-adjusted) gross domestic product per capita, index 2007-Q1 = 100, seasonally adjusted, 2007 – 2024.

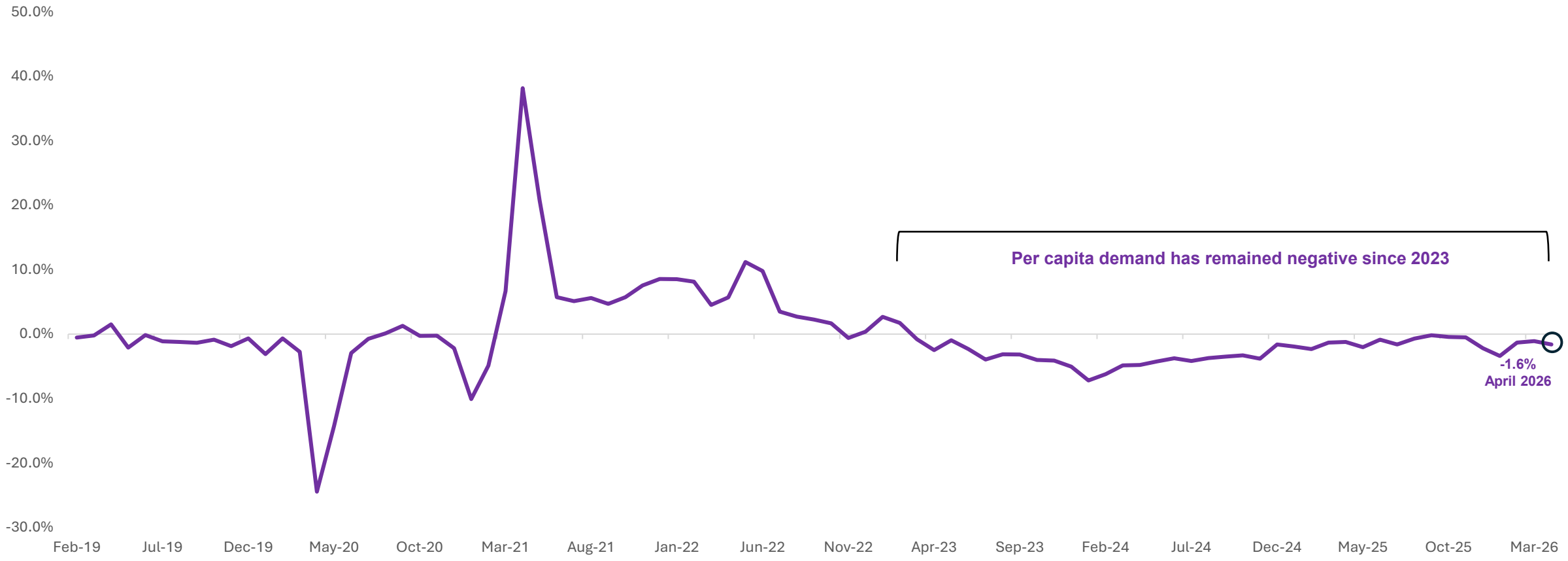


Sources: *MA Analysis, Organisation for Economic Co-operation and Development, May 2025*

Consumers Are Losing Purchasing Power:

Real Consumer Spending Per Person

Year-over-year % change in real consumer spending per person, Canada.

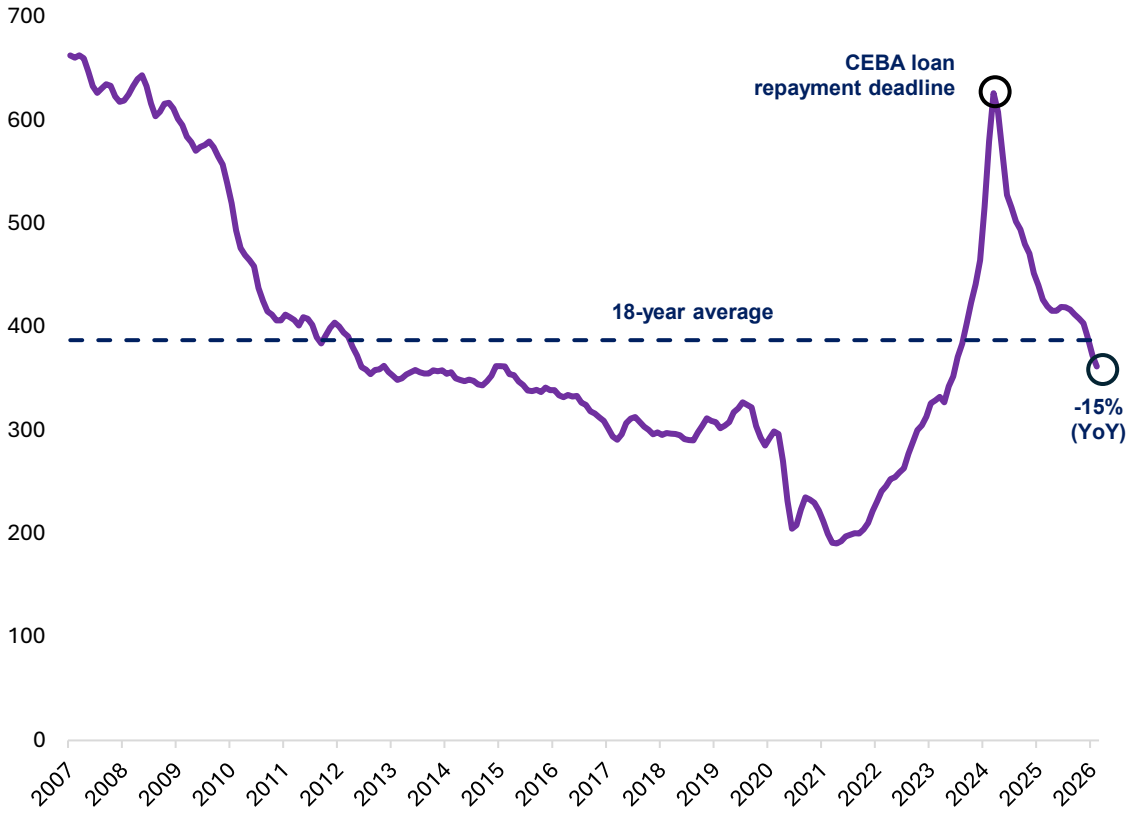


Source: *BDL Analysis, BDL's Business Sales Tracker - Monitor Canadian consumer spending health powered by Moneris payments data.*

The Entrepreneurial Engine Is Losing Momentum:

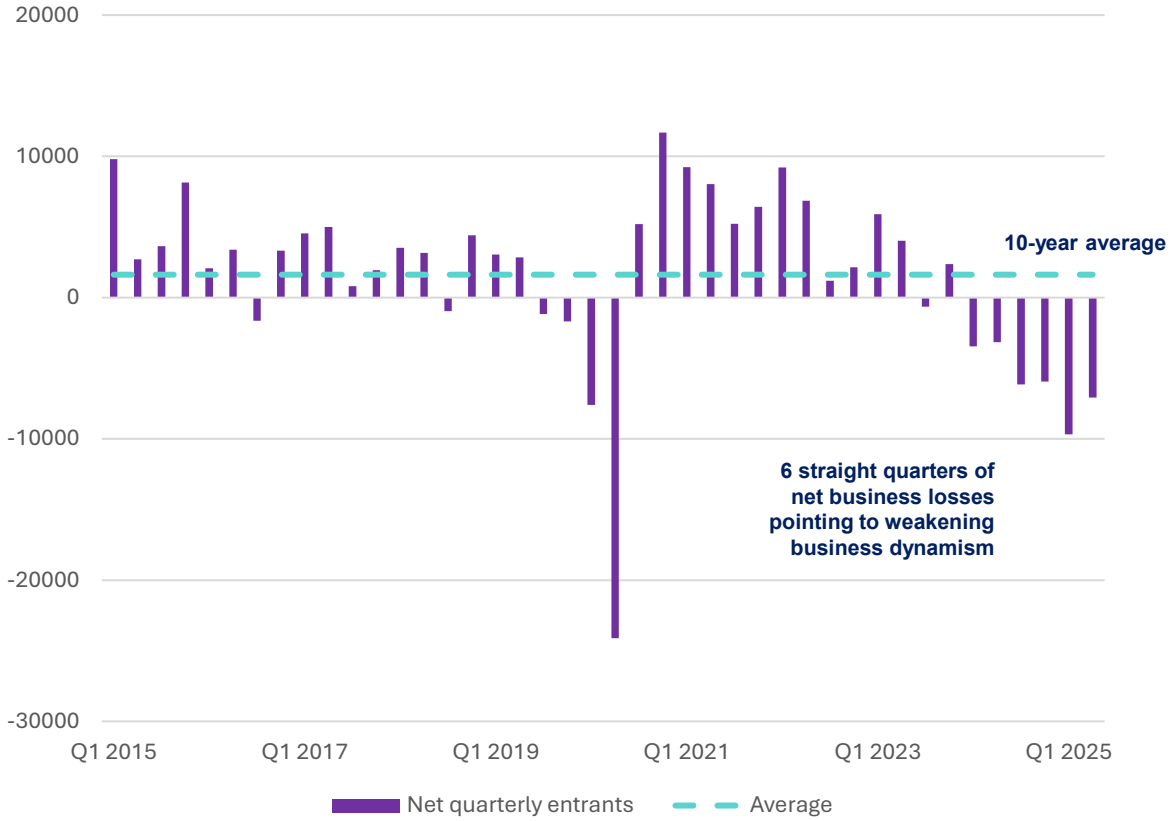
Business Insolvencies In Canada

Number of businesses, three month moving average, seasonally adjusted.



Net Business Formation In Canada

Quarterly net entrants (entrants minus exits).



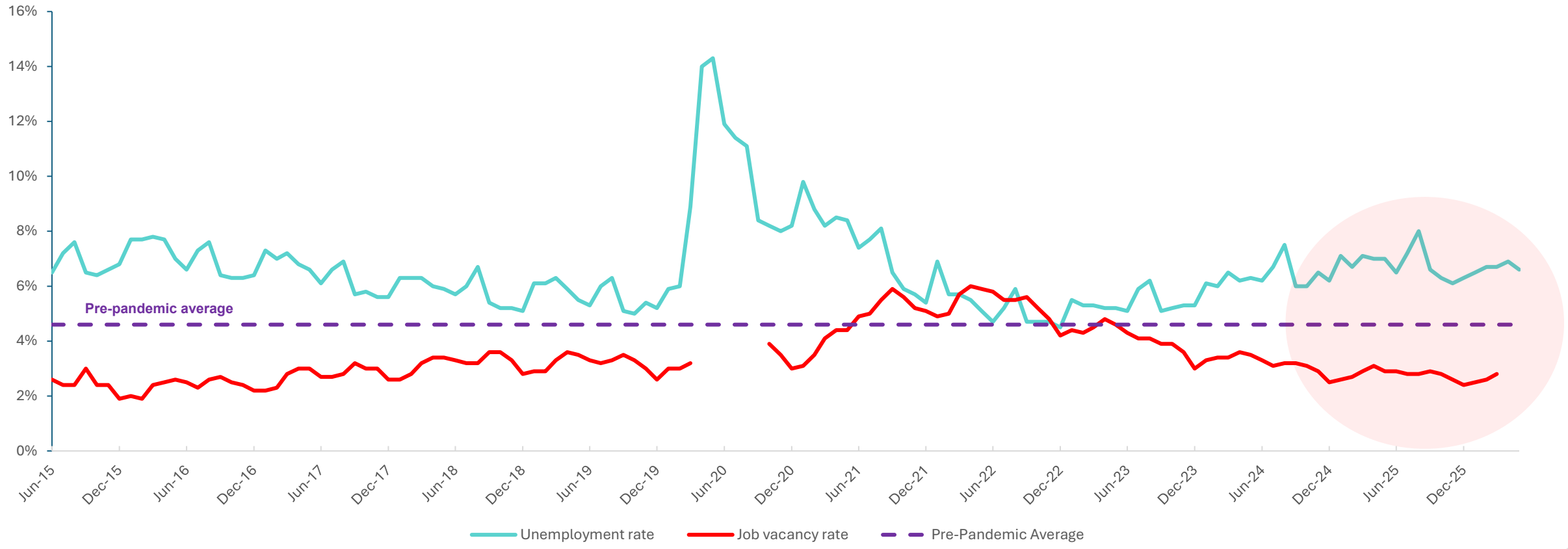
Note: CEBA = Canada Emergency Business Account

Source: *BDL Analysis, BDL and CFIB analysis using Macrobond and Statistics Canada Table: 33-10-0270-01.*

The Great Labour Market Reset:

Labour Market Tightness Has Returned To Pre-Pandemic Levels

Unemployment rate (% of labour force) versus job vacancy rate (% of labour demand), monthly

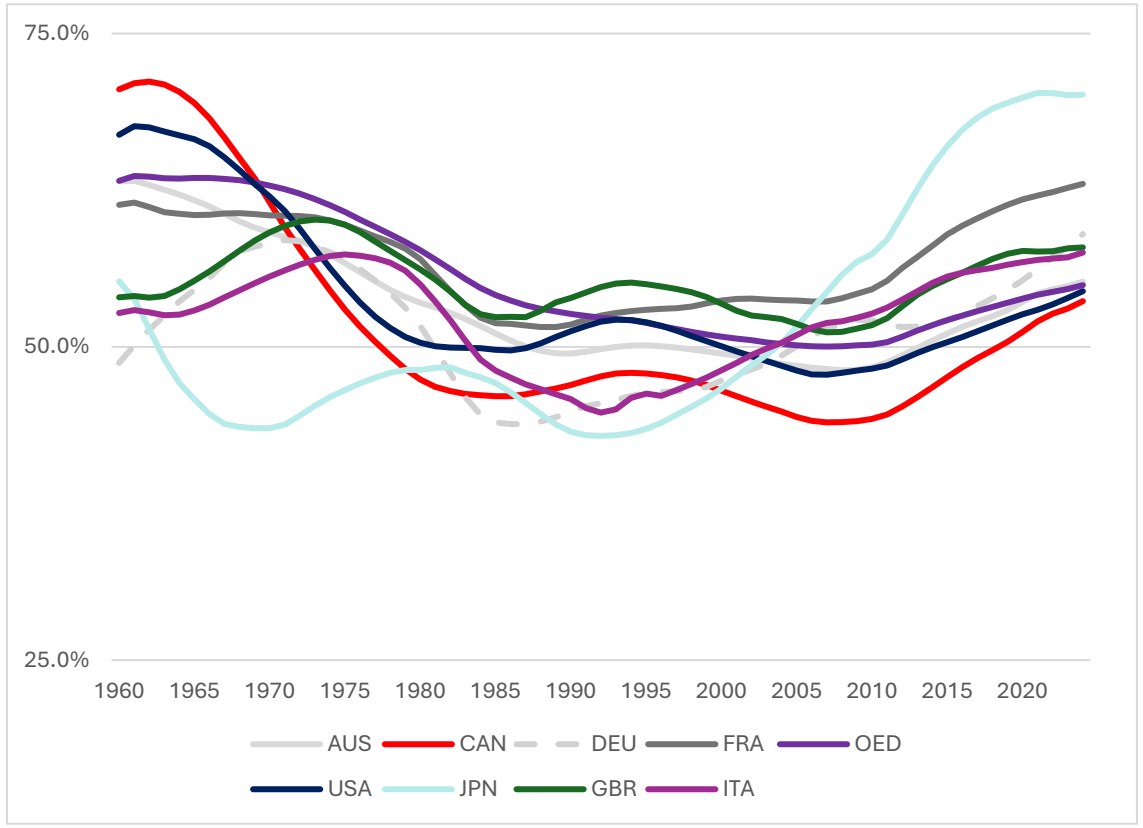


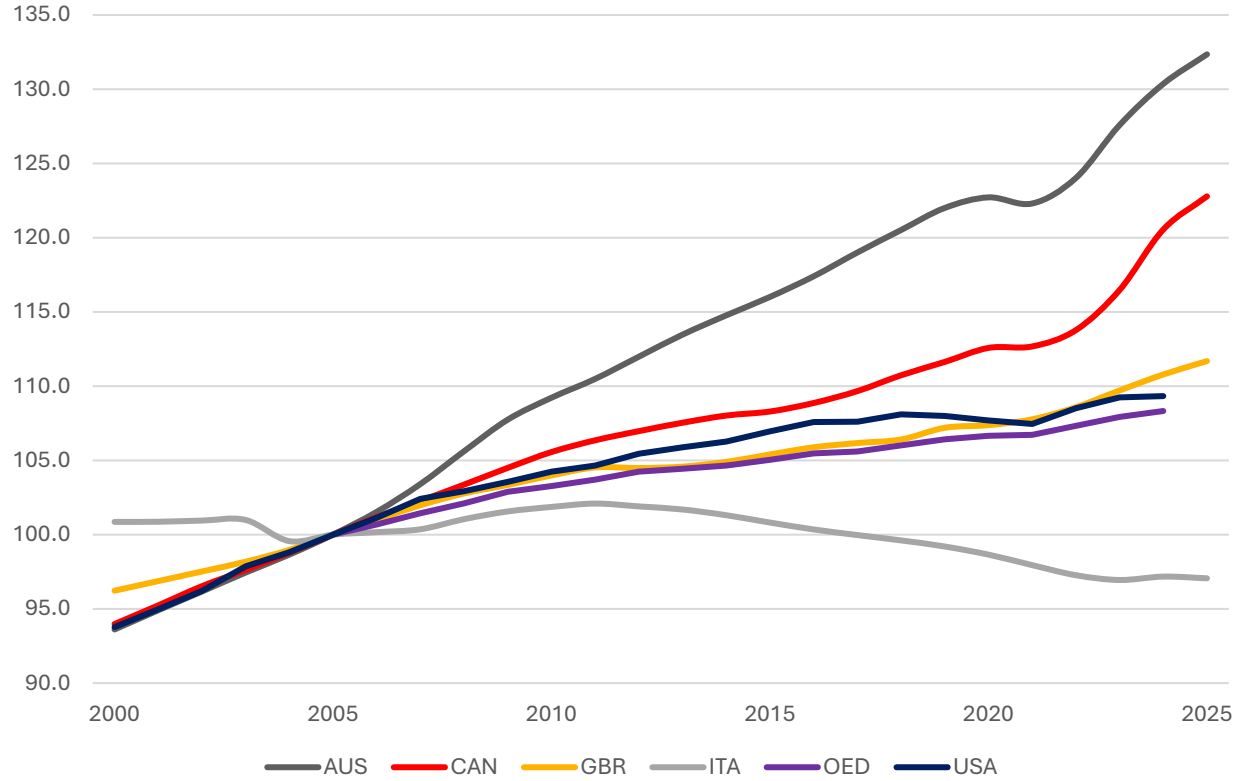
Source: *BDL and Globe and Mail Analysis; Statistics Canada, Tables 14-10-0287-01, 14-10-0371-01.*

The Demographic Tailwind Is Fading

Aging Is Accelerating Even As Canada's Workforce Continues To Grow

LHS: Age Dependency Ratio (% of Working-Age Population) ; RHS: Growth of Working-age population, Index = 2005



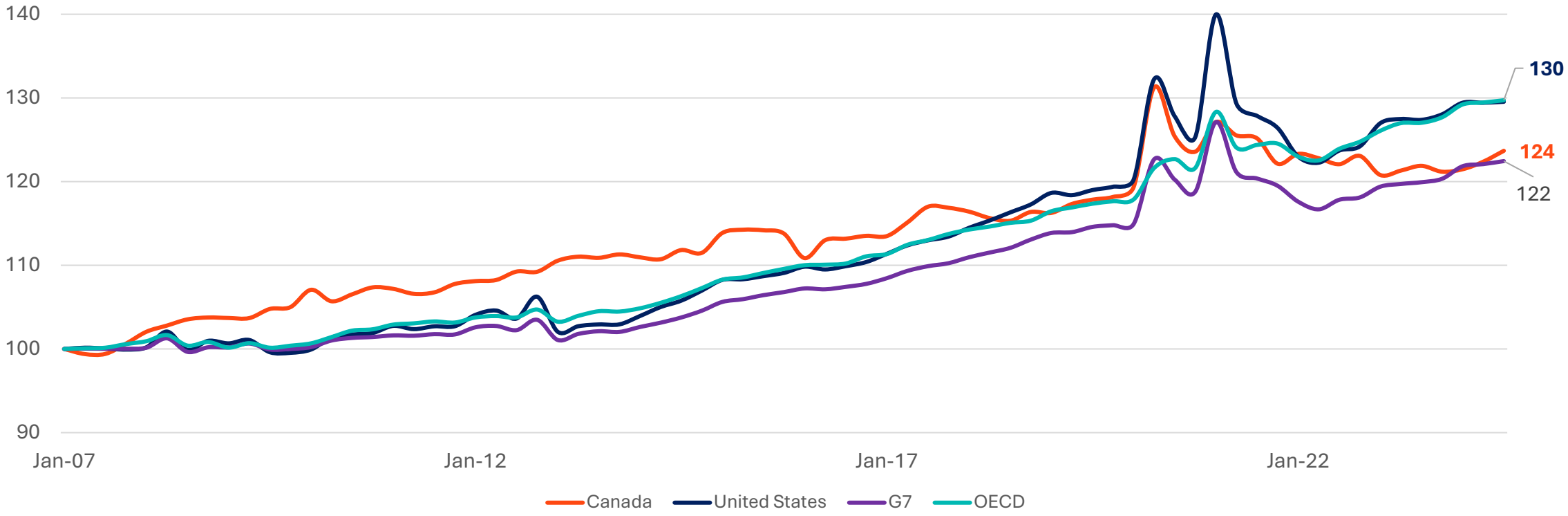


Source: *MA Analysis, LHS: World Bank Data Bank; RHS: OECD Data Explorer*

Canada Is Falling Behind On Living Standards:

Household Disposable Income Per Capita, G7 Countries

Real (inflation-adjusted) household disposable income per person, index, 2007-Q1 = 100, seasonally adjusted., 2007 - 2024



Sources: *MA Analysis,* *Organisation for Economic Co-operation and Development*.

Debt Is Consuming More Household Income:

Household Financial Pressure Is Increasing Despite Income Growth

Indexed disposable income and debt payments, Canada (2000 = 100), 1990–2024 (LHS); Debt service ratio, Canada, 1990–2024 (% of disposable income)

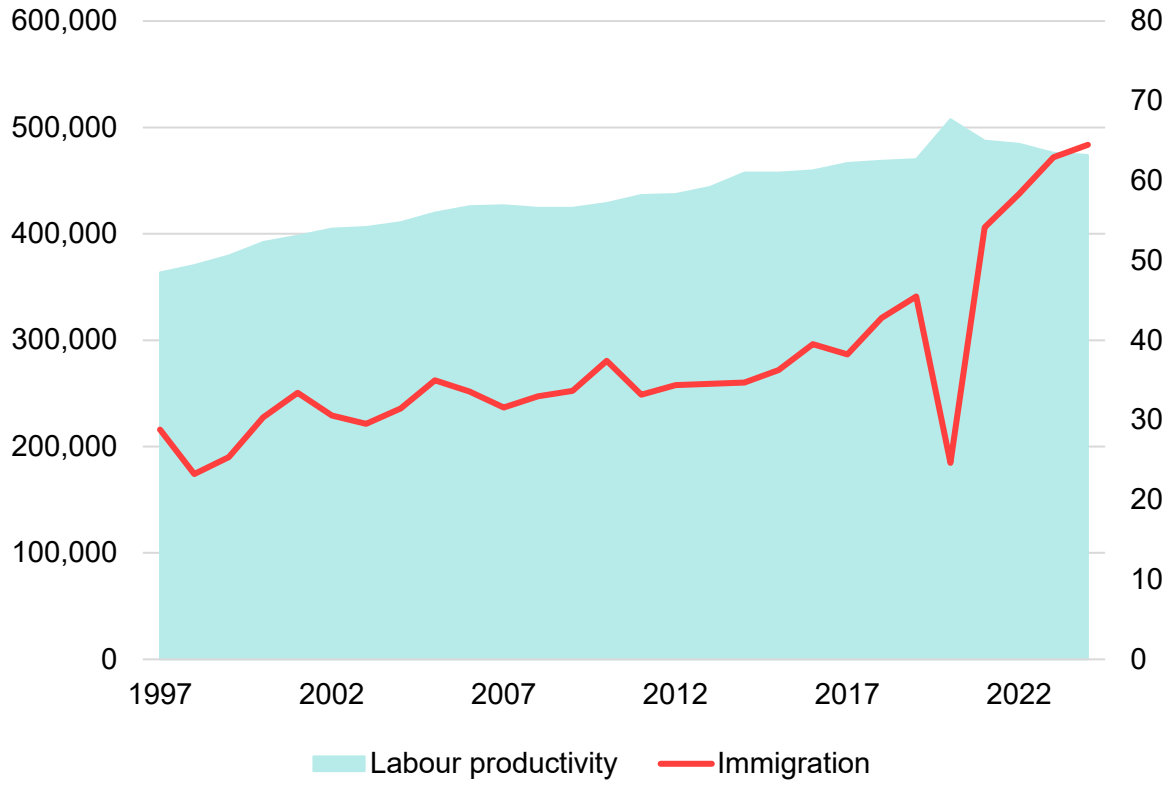


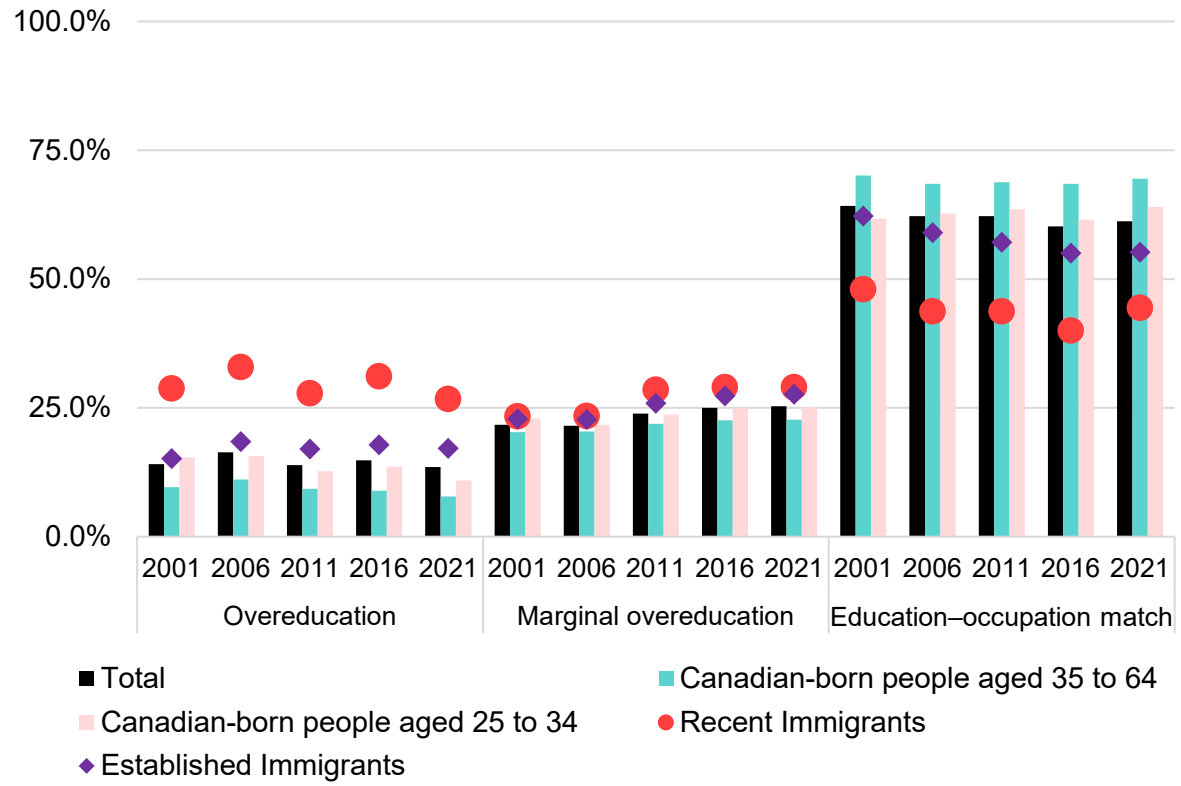
Source: *MA Analysis, Statistics Canada, Table 11-10-0065-01 Debt service indicators of households, national balance sheet accounts.*

More People Alone Won't Solve The Productivity Problem:

Immigration Is Rising, But Productivity Growth And Job Matching Lag

LHS: Annual immigration and labour productivity, Canada, 1997–2024; RHS: Occupational distribution by educational level (workers 25 to 64 years) with a bachelor's degree or higher, 2001 to 2021



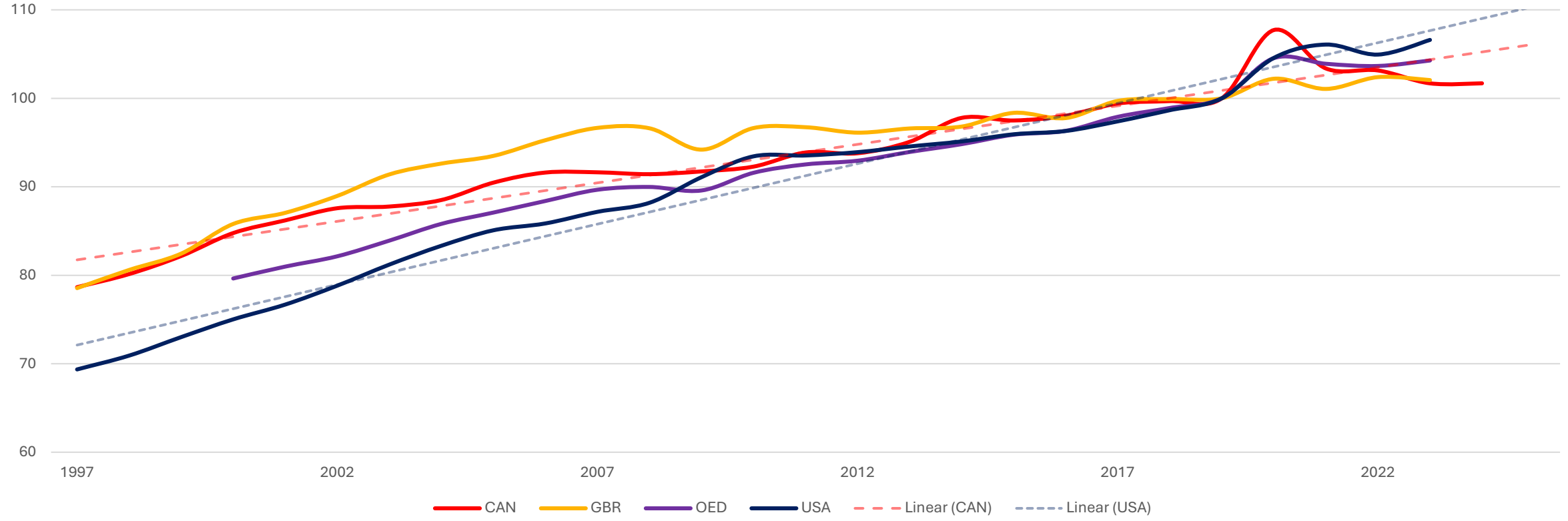


Source: *MA Analysis, Statistics Canada, Table 17-10-0040-01, Table 36-10-0480-01 , 2001 to 2021.*

Demographics Bought Canada Time. Productivity Is How It Can Deliver Prosperity.

Productivity Growth Has Lagged Behind Key Peers

Real GDP per hour worked, Select OECD countries, Index (2019 = 100)

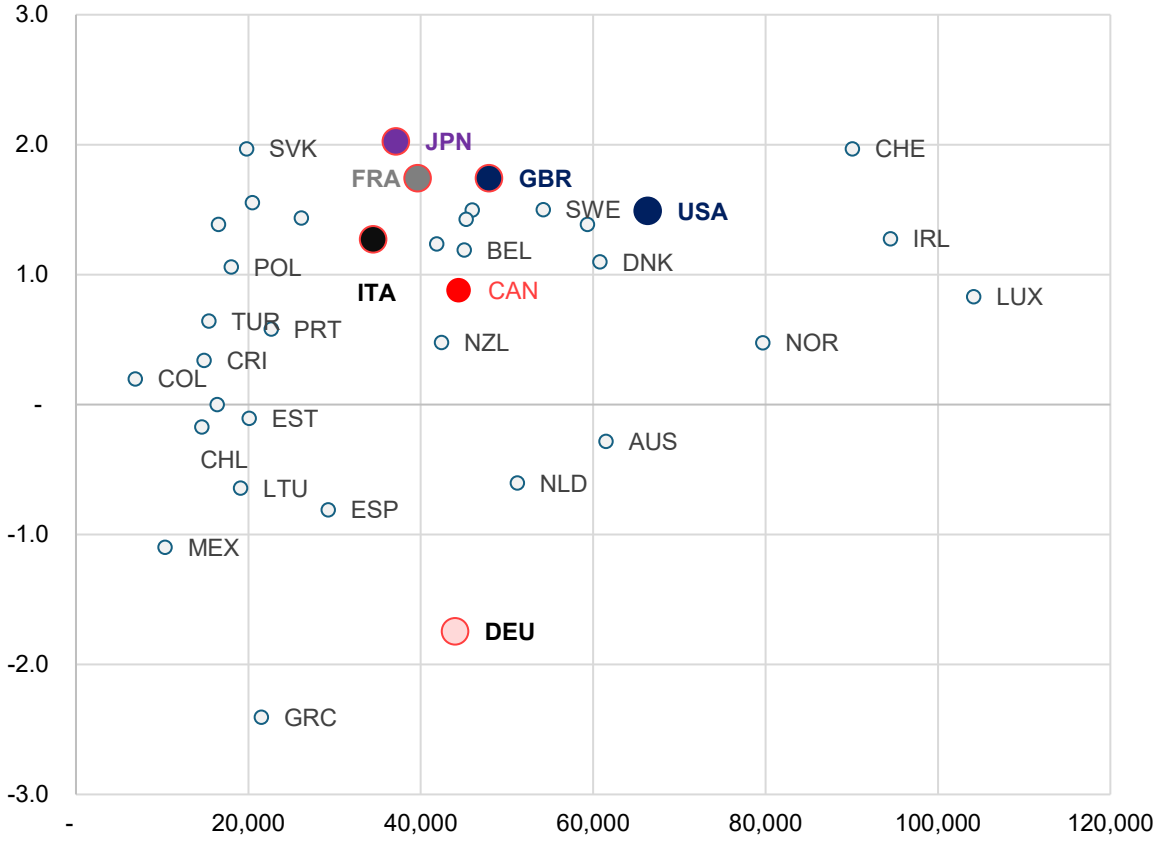


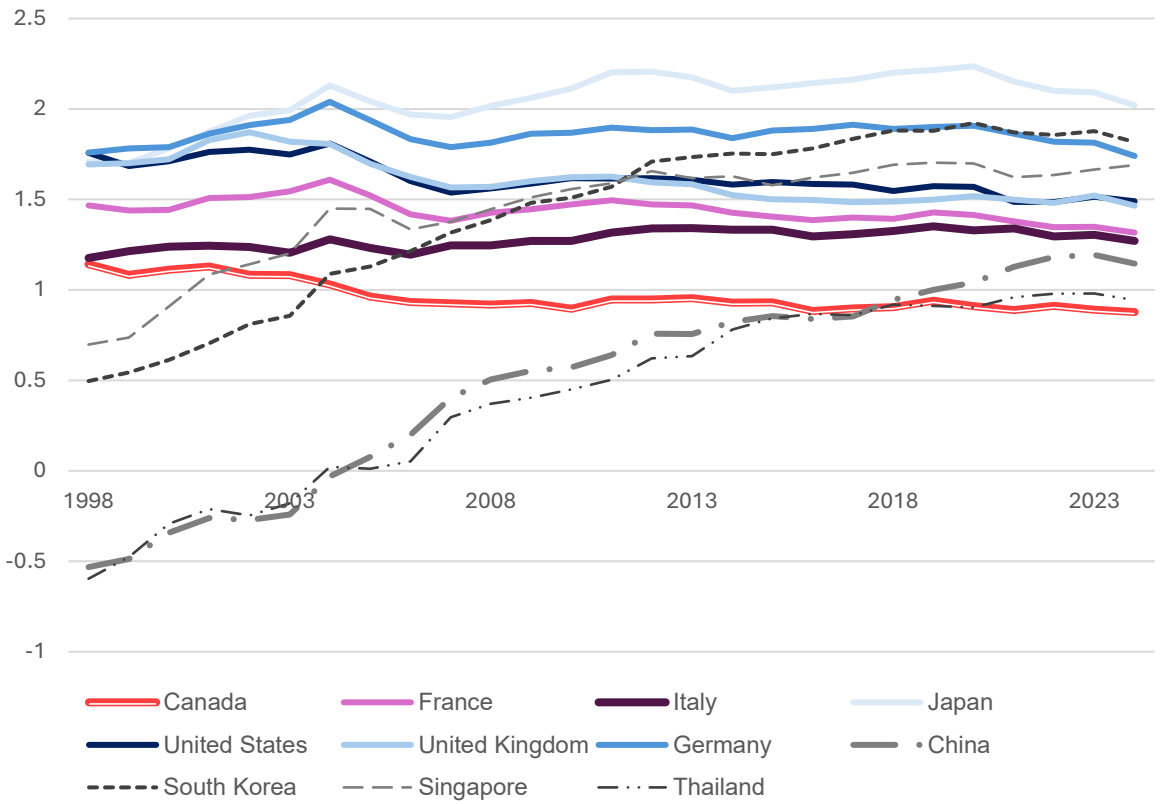
Note: *Real GDP per hour worked shown in national currency per hour, chain-linked volume, rebased to 2020 and indexed to 2019 = 100.*
Source: *BDL Analysis, OECD Productivity Statistics*

Canada's Productive Structure Is Narrowing — Declining Steadily For Almost Three Decades.

Cross-country EC Levels And Trajectories Show Canada's Stagnation And Divergence From Higher-complexity Peers

LHS: Cross-country Economic Complexity (Trade) Index position vs GDP per capita (constant 2015 US$) 2024; RHS: Evolution of Economic Complexity across the G7 and Select ASEAN/APEC Economies (RHS)



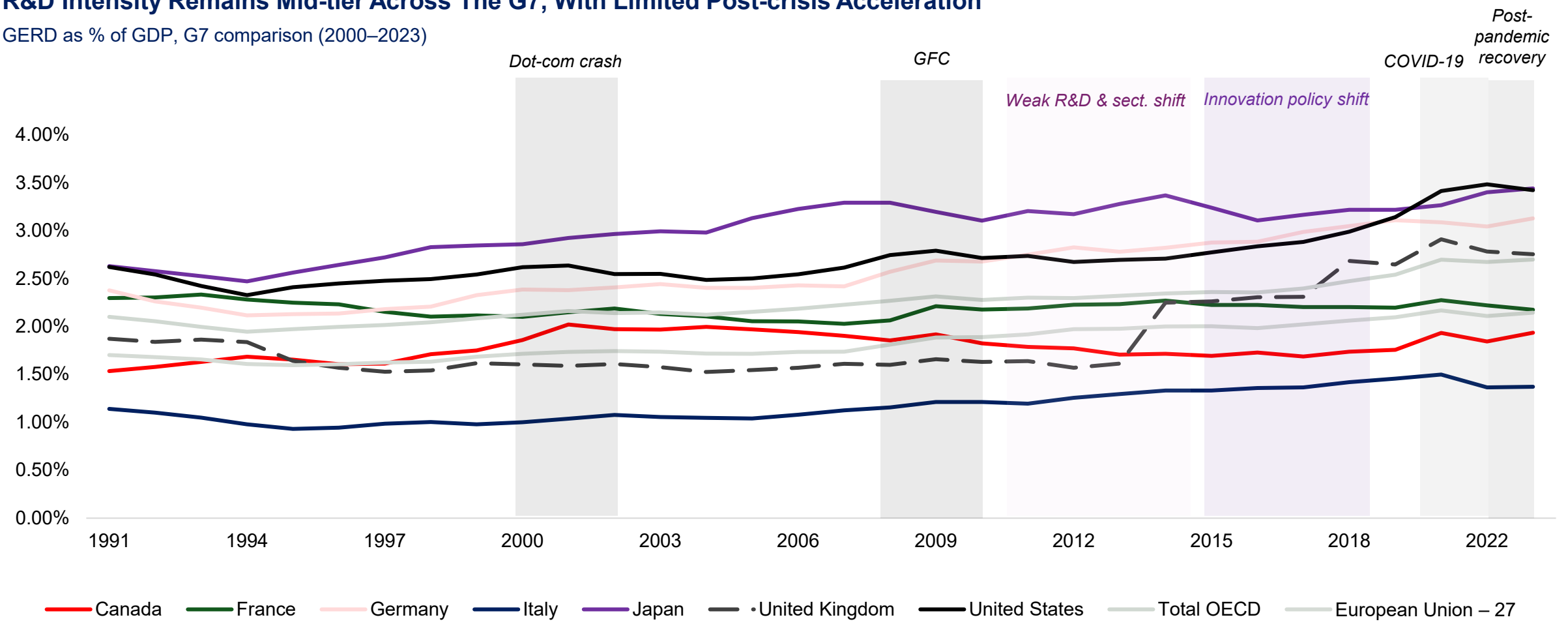


Source: *MA Analysis, Observatory of Economic Complexity (OEC), Countries (ECI), and April 2026*

Canada's Innovation Investment Gap Persists

R&D Intensity Remains Mid-tier Across The G7, With Limited Post-crisis Acceleration

GERD as % of GDP, G7 comparison (2000–2023)

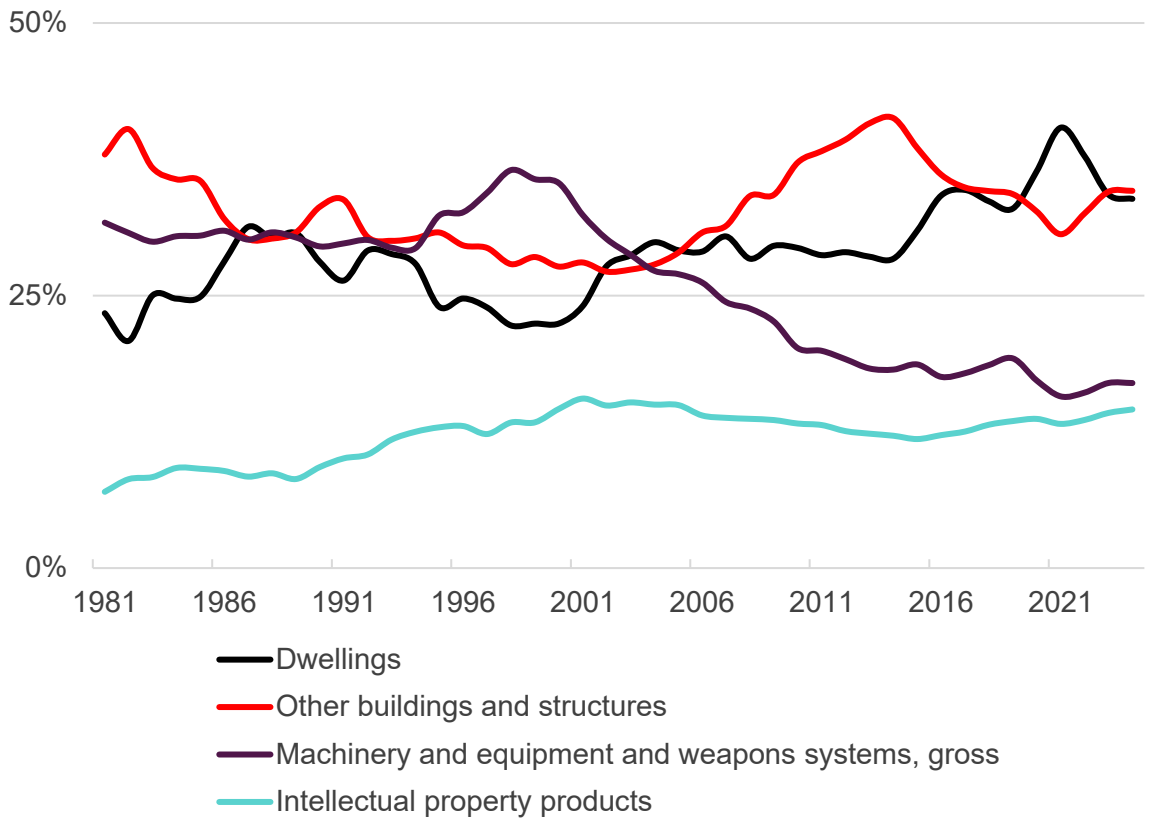


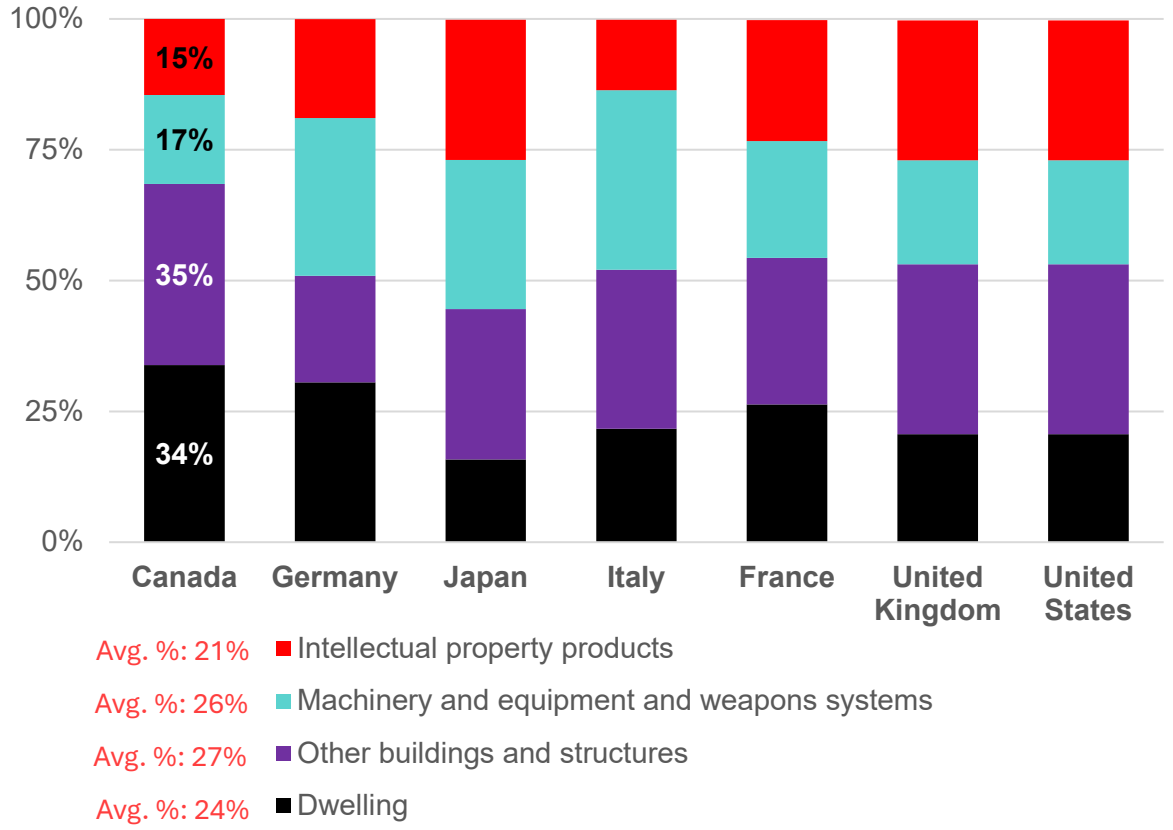
Source: *MA Analysis, OECD Data Explorer Gross Domestic Expenditure on R&D (GERD), April 2026.*

Canada Invests Heavily — But Not in Productivity-Enhancing Assets.

Canada Allocates a Larger Share of Investment to Housing Than G7 Peers and Investment Mix Has Shifted Away from Machinery and Toward Housing Over Time

LHS: Composition of investment by asset type, Canada (1981–2024); RHS: Share of gross fixed capital formation (GFCF) by asset type, 2024



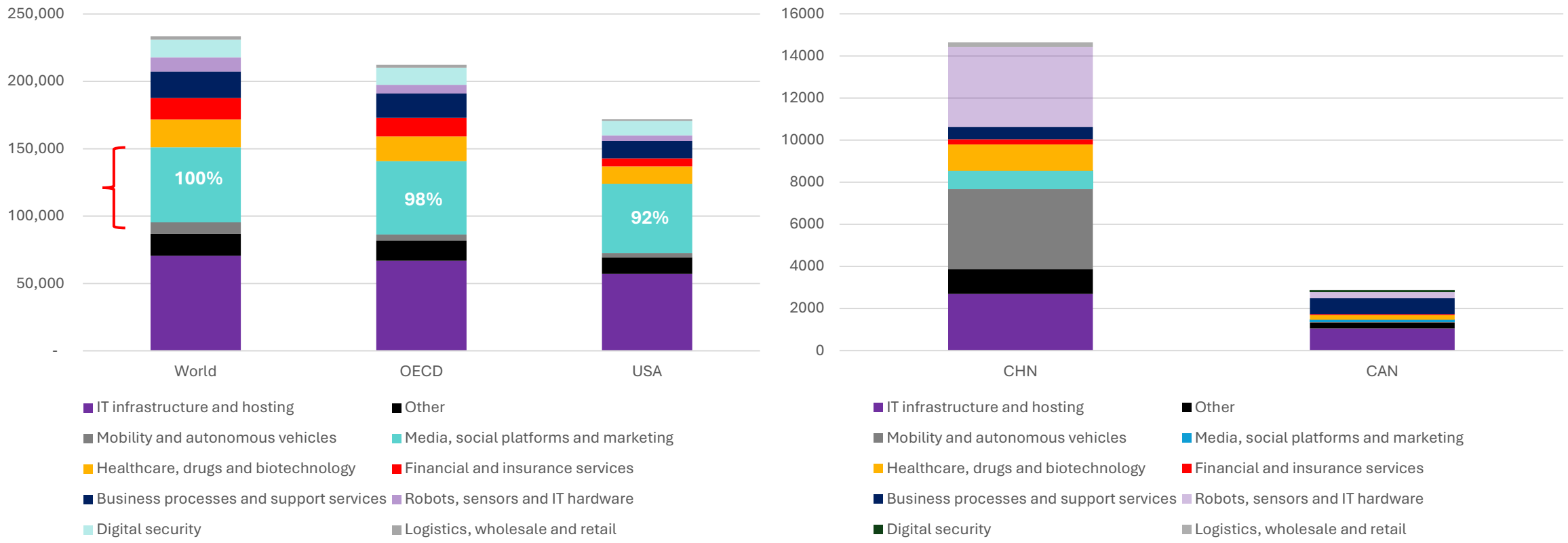


Source: *MA Analysis, OECD Data Explorer Annual GFCF by asset, April 2026*

The AI Race Is Increasingly A Capital Race

Total VC Investments in AI by Country and Industry

Sum of VC investments in AI by country/region in 2025, USD Millions, broken down by industry.

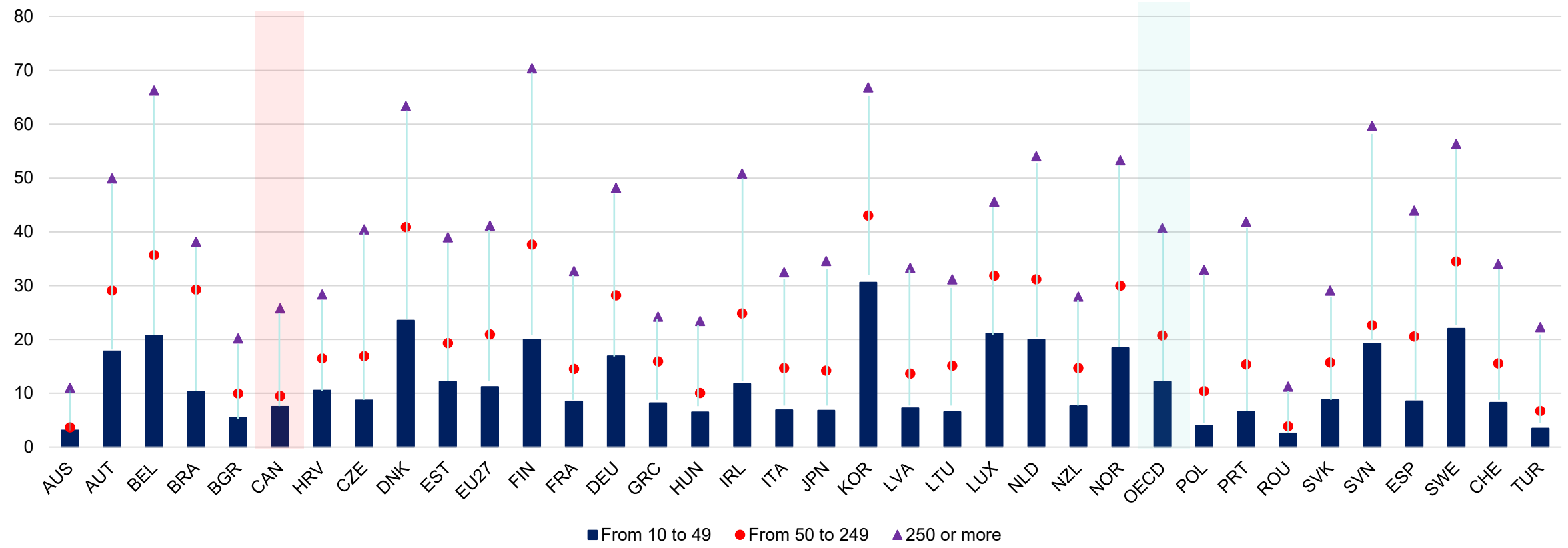


Source: *MA Analysis, OECD AI Policy Observatory.*

Canada's SMEs Are Falling Behind In AI Adoption

Businesses Using Artificial Intelligence (AI)

Percentage of Enterprises, by Size and Country, Latest Available Data

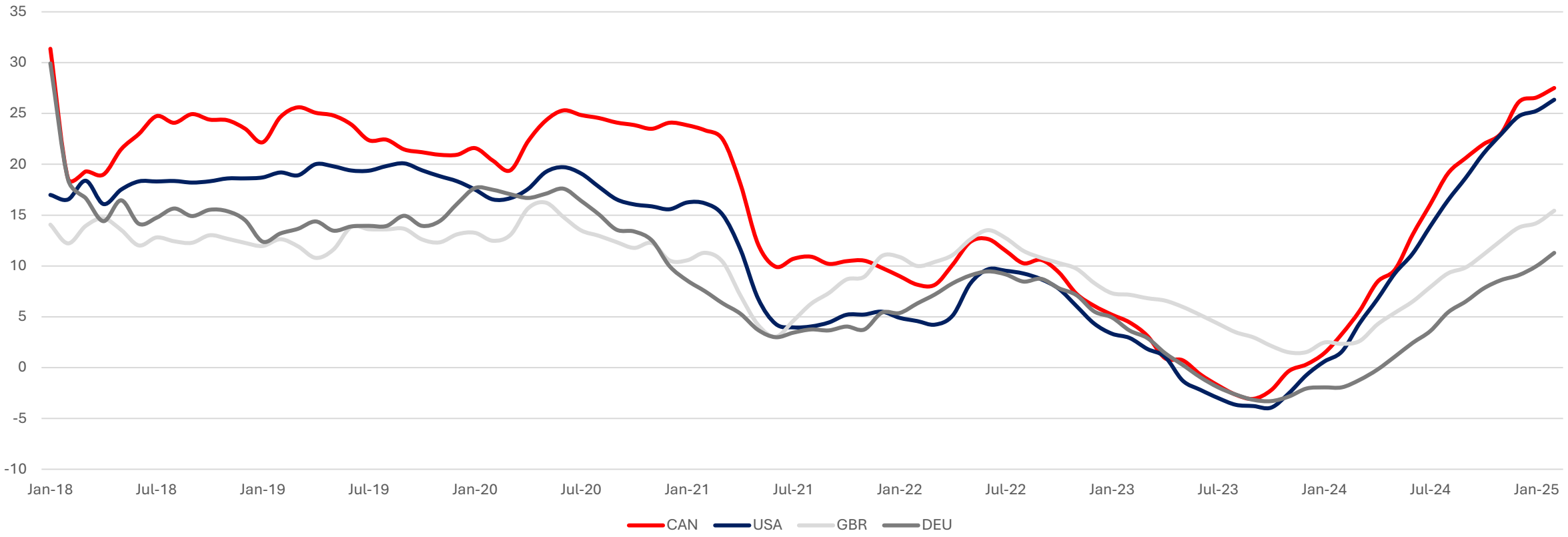


Source: *MA Analysis, OECD ICT Access and Usage Database.*

The Next Labour Market Challenge Is Capability

AI Hiring Over Time

Ratio of AI talent hiring relative to overall hiring of LinkedIn members,12-month moving average going back from December.

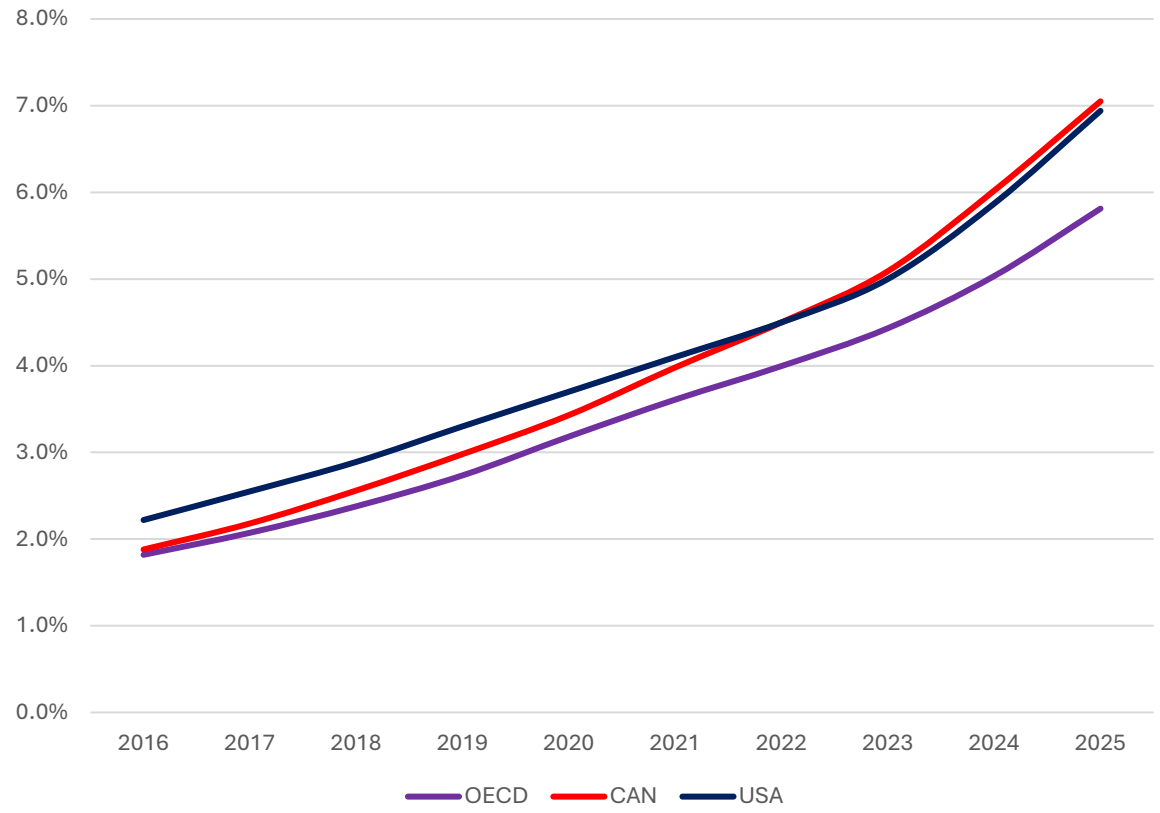


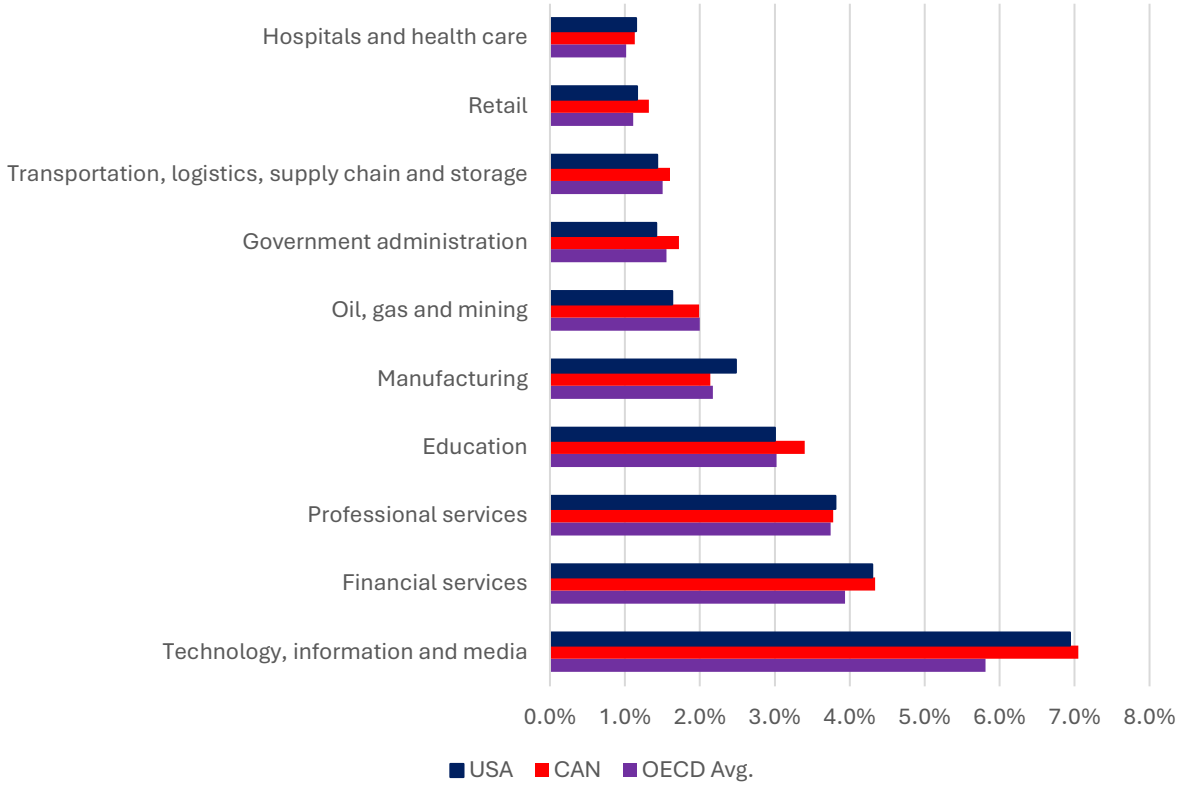
Source: *MA Analysis, OECD AI Policy Observatory.*

AI Is No Longer A Technology Story. It Is Becoming An Economy-Wide Capability.

AI Talent Concentration By Industry Per Country

Concentration of LinkedIn members with at least two AI engineering skills or who perform an AI occupation in Technology, Information and Media 2016-2025. RHS: Only 2025



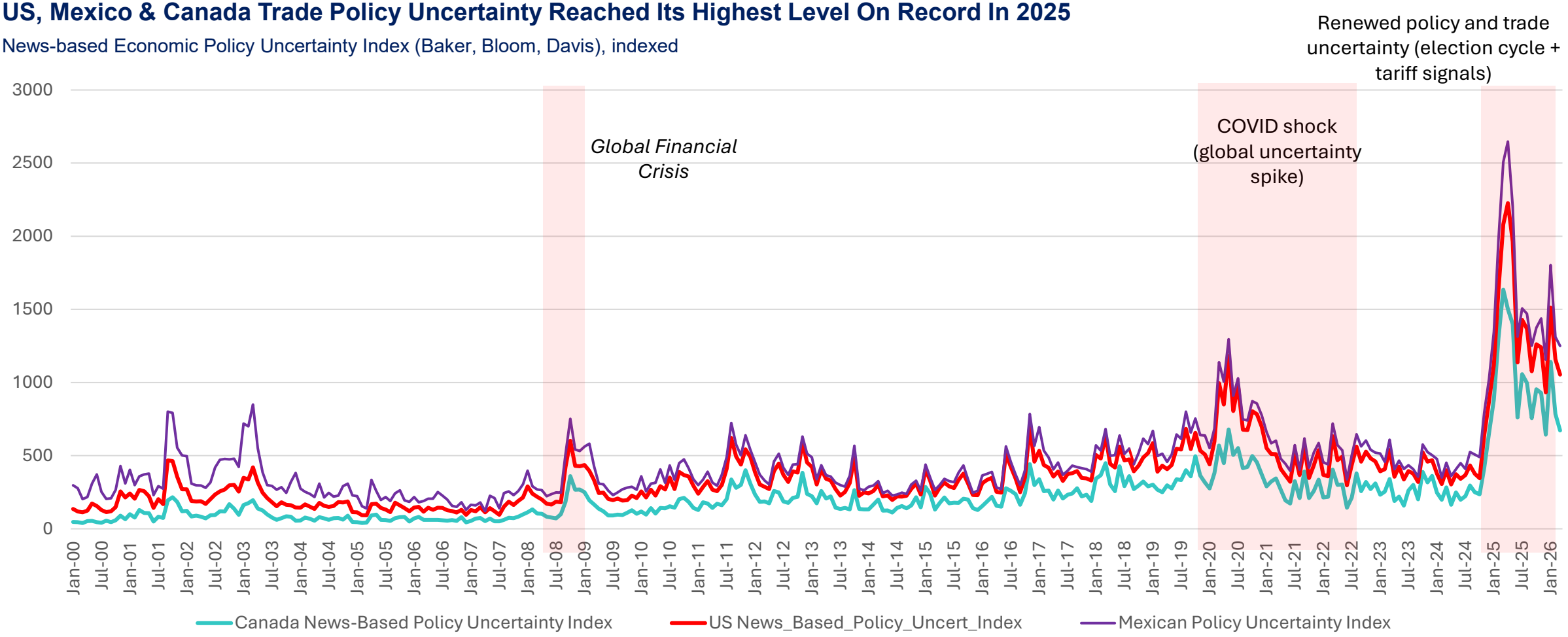


Source: *MA Analysis, OECD AI Policy Observatory.*

The Global Operating Environment Is Becoming More Uncertain

US, Mexico & Canada Trade Policy Uncertainty Reached Its Highest Level On Record In 2025

News-based Economic Policy Uncertainty Index (Baker, Bloom, Davis), indexed

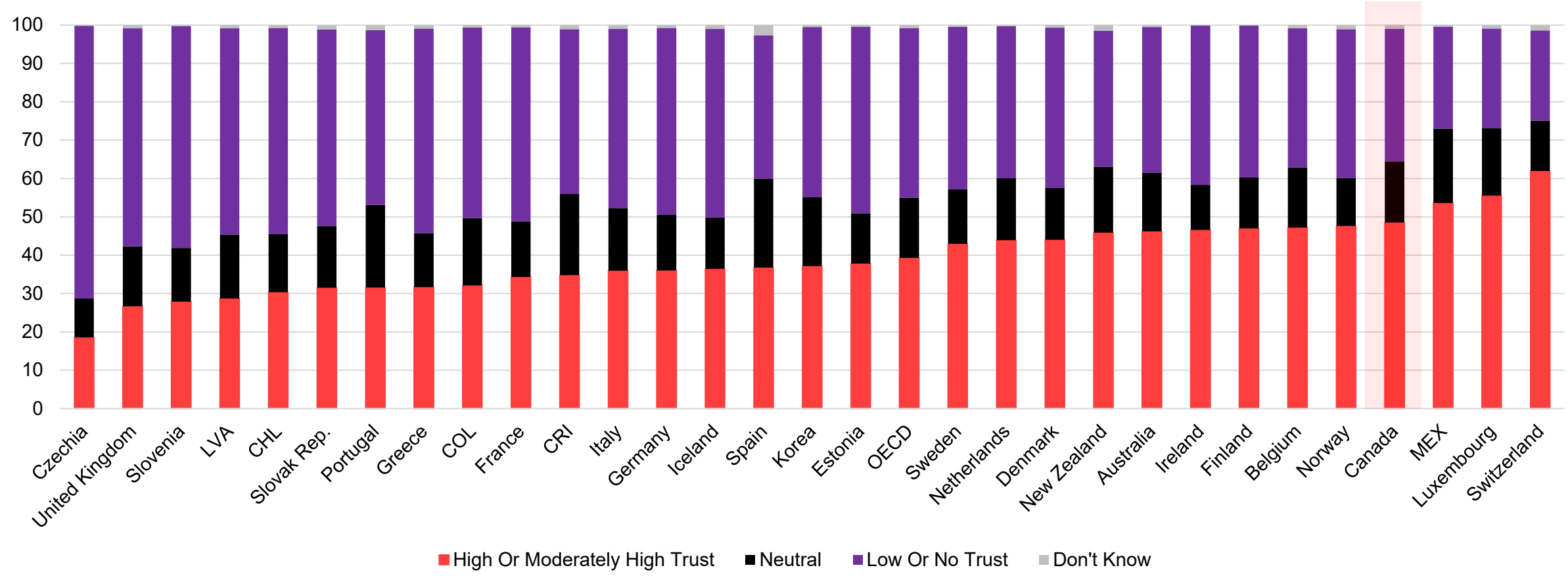


Source: *MA Analysis,* *'Measuring Economic Policy Uncertainty' by Scott Baker, Nicholas Bloom and Steven J.*

Trust Remains A Competitive Advantage For Canada

Canada Stands Out as a High-Trust Economy Among OECD Peers

(%) Share of population who indicate different levels of trust in their national government (on a 0-10 scale), 2023



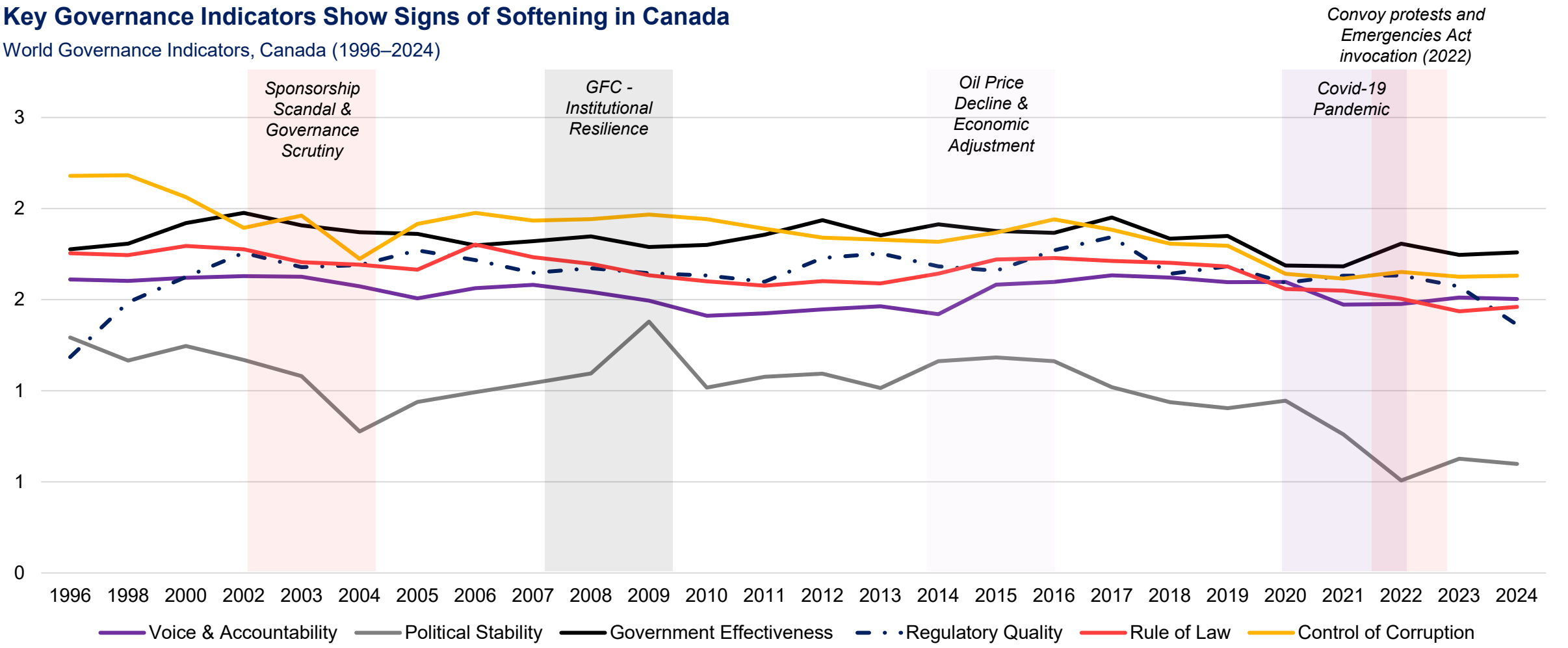
Notes: The figure presents the within-country distributions of responses to the question “On a scale of 0 to 10, where 0 is not at all and 10 is completely, how much do you trust the national government?”. A 0-4 response corresponds to “low or no trust“, a 5 to “neutral“ and a 6-10 to “ high or moderately high trust“. “OECD” presents the unweighted average across countries.

Source: *MA Analysis, OECD Trust Survey 2023.*

Strong Institutions Cannot Be Taken For Granted

Key Governance Indicators Show Signs of Softening in Canada

World Governance Indicators, Canada (1996–2024)



Source: *MA Analysis, World Bank Group World Governance Indicators, April 2026*

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Canada's Economy, Explained

The official Business Data Lab podcast with Marwa Abdou.



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