

## Canada's 'lost decade'

By Taylor Schleich

At first glance, Canada's Q2 GDP report was solid as top line growth printed above 2%. That's better than most of Canada's peers (aside from the U.S. where GDP continues to defy gravity). Indeed, Canada's post-pandemic recovery has been the strongest in the G7 (again, outside the U.S.) and over the past decade, we *appear* to have performed better than our European and Japanese counterparts.

What has Canada done right? The simple answer is we've 'excelled' at growing our population. The working age demographic is up a G7-best 16% over the past ten years, including 5.5% in just the last two. For perspective, Canada's working age cohort has expanded by more than in Germany, Italy and France combined in the last eight quarters, despite an underlying population over five times smaller.

It follows that GDP *per capita* tells us a whole different story. This latest quarter marked the fifth straight contraction and the seventh out of the last eight. It shouldn't come as a surprise that comparisons to our G7 counterparts are not favourable. And while per capita GDP struggles have been particularly acute since the population exploded in 2022, this is a longstanding problem. Over the past decade, Canada has been at the back of the pack when it comes to per capita growth. As of 2024:Q2, a representative Canadian is

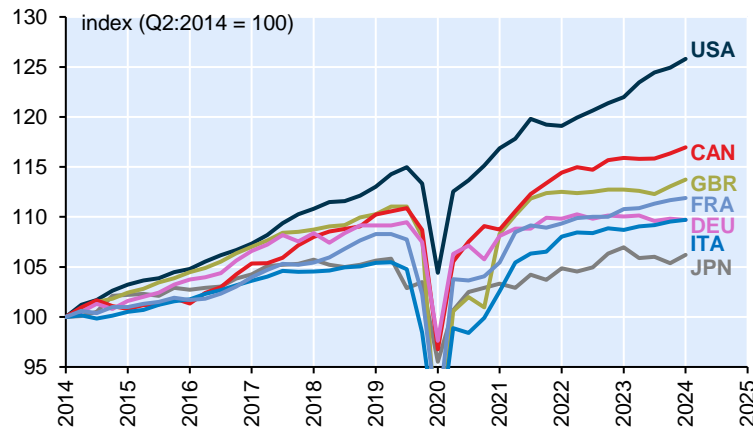
producing no more than they were in mid-2014. Okay, technically they're producing 0.7% more but we're not sure that this slight increase makes the data any less disappointing. Consider that the next weakest G7 nation, Germany, has seen >5% growth over this period. Unsurprisingly, we're not even in the same league as our U.S. counterparts who enjoyed a cumulative increase of more than 16%.

What's driven our decade-long per capita woes? It's not household spending, although 4.3% growth over ten years isn't exactly forceful. It's also not the government sector which has expanded ~8% on a per capita basis. No, this is largely an investment story, the hollowing out here contributing to Canada's lacklustre productivity record.

We're tempted to call the past ten years Canada's lost decade and we're hoping that we'll break out of the stagnation over next ten. An imminent population growth slowdown may help per capita measures but one of the quickest and easiest ways to boost per capita GDP might be to lower interest rates materially to spur interest sensitive demand. These data, and a slew of other key releases (e.g., the Labour Force Survey), indicate that this is clearly warranted. See our [BoC Preview](#) for more on the rate outlook.

**Chart 1: After the U.S., Canada leads the G7 on GDP growth...**

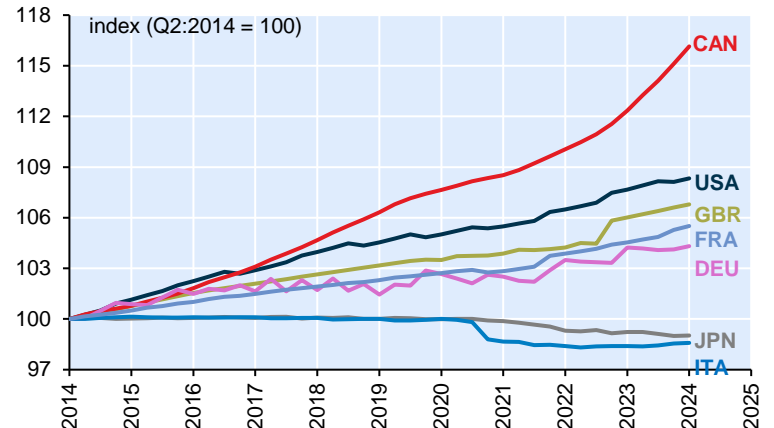
Real GDP growth among G7 countries: Last 10 years



Source: NBF, Bloomberg

**Chart 2: ...thanks largely to a surging population...**

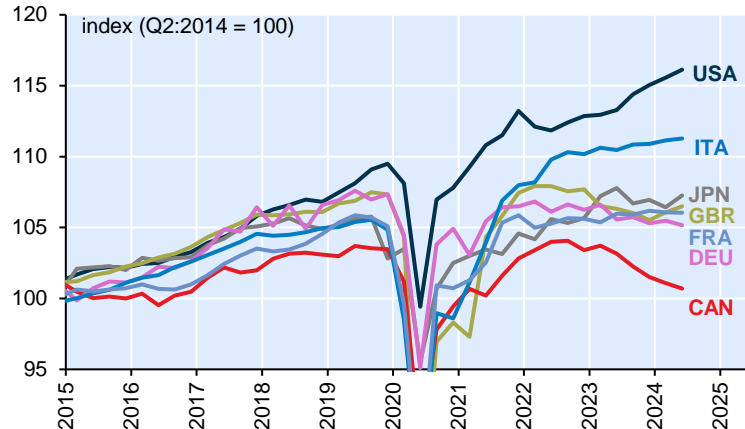
Working age population growth among G7 countries: Last 10 years



Source: NBF, OECD, Bloomberg

**Chart 3: ...which makes for a sad per capita comparison**

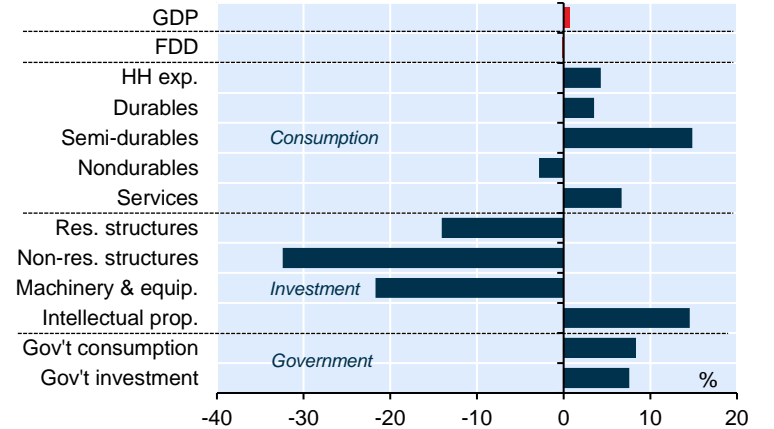
Real per capita GDP growth among G7 countries: Last 10 years



Source: NBF, OECD, Bloomberg | Note: GDP per capita based on working age population

**Chart 4: What's driving Canada's per capita GDP woes?**

Per capita growth for GDP components: Q2:2014 to Q2:2024



Source: NBF, StatCan



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