



NEWS RELEASE

Weak business investment in technologies compared to the U.S. hindering improvements in living standards

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For immediate release

VANCOUVER—Over the past decade, weak business investment in technologies that increase worker productivity is stifling Canada’s economic growth and suppressing improvements in Canadian living standards, finds a new study published today by the Fraser Institute, an independent non-partisan Canadian think-tank.

“Weak business investment in technologies like IT and research and development, which help Canadian workers be more productive impedes improvements in Canadian living standards,” said Steven Globerman, senior fellow at the Fraser Institute and co-author of *Comparing the Investment Performances of Canada and the United States Over the Past Five Decades*.

According to the study, total investment in Canada relative to the size of the economy was greater, on average, than in the U.S. over the past two decades. That result is largely due to the enormous investments made in housing in Canada versus the U.S. Consider, for instance, that between 2014 and 2021, investment in housing represented 34.1 per cent of total investment in Canada compared to 18.5 per cent in the United States.

But crucially, during those same years, productivity-enhancing investments in information and communication technologies (for example software and communications equipment), and in intellectual property products such as research and development were much lower than in the United States. Consider that investment in IT was 10.4 per cent of total investment in Canada compared to 16.5 per cent in the United States. And investment in research and development and other intellectual products was more than double in the United States (27.7 per cent of total investment) compared to Canada’s 12.6 per cent.

The underinvestment in key technologies is showing up in Canada’s productivity numbers, which are essential for improved living standards. From 2014 to 2022, output per hours worked, a common measure of labour productivity, increased at an average annual rate of 1.35 per cent in Canada, while it increased at an average annual rate of 1.78 per cent in the U.S.

“If governments in Canada want to promote rising living standards through faster productivity growth, they must create a policy environment that’s attractive to productivity-enhancing business investments and not simply focus on building more housing,” said Globerman.

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MEDIA CONTACT:
Steven Globerman, Senior Fellow
Fraser Institute

To arrange media interviews or for more information, please contact:
Drue MacPherson, 604-688-0221 ext. 721, drue.macpherson@fraserinstitute.org

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