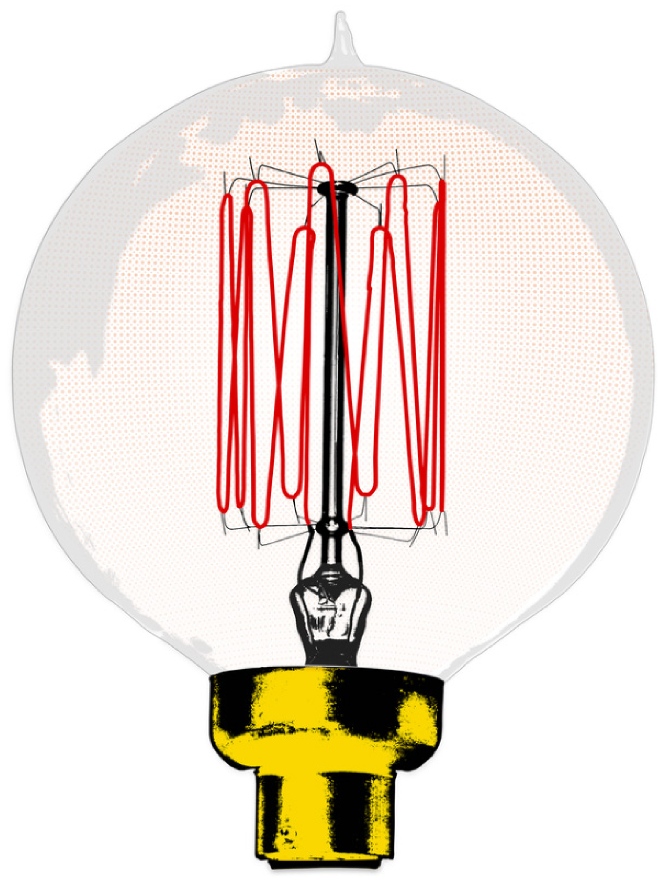
ATB Economics Series with Studio.Energy

Canada's GDP

Part 1 - 3



Canada's Economy Under Siege

GDP as a Defence Strategy

As economic pressure replaces military force as a primary tool of statecraft, GDP has become a strategic target rather than a passive statistic. Understanding how to grow it is therefore essential — a matter of national security. For Canada, that means moving beyond population-driven expansion of GDP toward productivity, investment, and export capacity that builds real economic strength in a post "rupture" world.

Summary

- Economic growth has been dominating the national conversation yet what growth actually means is rarely examined.
- In a world of economic warfare, GDP isn't just a statistic; it's a measure of national strength and resilience.
- Canada's economy has grown bigger — not stronger — and that carries strategic risk.

In case it wasn't already obvious, the events of the first few weeks of 2026 have made one thing clear: Canada is caught in the middle of an economic world war. We are not just collateral damage in tensions unfolding elsewhere; be it Greenland, Europe or South America. We are a target in the trenches.

So, if Canada is being targeted economically, then the metric that matters most is the one that is referenced constantly yet generally grasped only superficially.

GDP in a Dangerous World

We often hear the letters GDP casually thrown into conversation as if their meaning was self-evident — an economic acronym everyone is expected to understand.

Gross Domestic Product is one of the most frequently cited numbers in public life, yet one of the least examined. The three letters are invoked in political speeches, market commentary, and corporate boardrooms as a proxy for prosperity, confidence, or national success. But beneath that familiarity lies a problem: there is rarely an understandable connection made between economic growth, as measured by changes in GDP, and the pressing issues facing the nation. That matters, because prosperity is not abstract. A country's fiscal capacity, investment appeal, and relevance in this new era of economic warfare depend directly on how its economy, as measured by the components of GDP, is protected, diversified, and grown.

Understanding GDP is no longer a yawn-worthy academic pursuit. For Canadians, it is suddenly mandatory in a dangerous world.

Speaking at Davos in January, Prime Minister Mark Carney described a global "rupture," a break from an era of rules-based integration toward one defined by rivalry, resilience, and power politics. Economic relationships once taken for granted are being reassessed. Supply chains are being re-engineered. Global influence is increasingly pursued through economic means, and at times reinforced through military force as well.

Carney's description of rupture demands a change in posture. As he put it in Davos, *"We actively take on the world as it is, not wait around for a world we wish to be."*[1] His words are a blunt acknowledgment that idealistic constructs of the past no longer hold when existential issues rise to the top of the national agenda.

[1] Davos 2026: Special address by Mark Carney, PM of Canada; World Economic Forum; January 20, 2026

Economic Bullseye

Economic warfare does not target armies or territory. Instruments such as tariffs and sanctions aim at an adversary's financial jugular: its GDP. The objective is not territorial conquest, but constraint — to weaken an opponent's ability to grow, invest, trade, and fund its public priorities, and ultimately to impose economic hardship on its citizens. In turn, this improves the aggressor's relative economic and political position without having to bear the expense or risk of military action.

GDP Flashback

Interprovincial Pipe Line Company Postcard

Source: 1950's Postcard from the Collection of Peter Tertzakian

Construction of the 1,800 km Edmonton to Great Lakes Pipeline, shown in this postcard, by the Interprovincial Pipe Line Company was completed in late 1950. Today the pipeline is part of the Enbridge system. This historical infrastructure project contributed to GDP through initial investment for the build and continues to add to Canada's GDP decades later by flowing oil to customers in Central Canada and the US.

The arsenal is nothing new. Economic weaponry hails from earlier eras, with 17th-century mercantilism offering an apt analogue.[2] States once sought power by controlling trade routes, securing access to strategic resources, and protecting domestic production. Today's tools are more sophisticated, but the logic is familiar. Tariffs, sanctions, capital restrictions, industrial subsidies, and supply-chain interventions are now routinely deployed as instruments of statecraft. Energy markets, shipping lanes, trade agreements, and financial systems have become contested terrain.

On this landscape, GDP — the flow of economic activity through a country's economy — becomes the bullseye. A targeted nation whose economy is impaired cannot sustain its public finances, attract foreign capital, or absorb prolonged social stress such as unemployment.

The converse is also true. A strong, resilient GDP, supported by diversified access to markets and critical resources, becomes a country's first line of defence in a geoeconomic world. It provides optionality, competitive staying power and strategic leverage in negotiations.

Bigger But Not Stronger

Canada enters this era of economic warfare from a position of weakness.

The country's GDP problem is not new. For years, economic growth has leaned heavily on population growth, consumer spending, and expanding government activity, rather than on making the economy more productive or building new export capacity. As a result, the economy has grown, but not in strength. Yes, GDP has risen over the past decade, but spreadsheet measures like GDP-per-person have hardly budged. At first glance, Canada looks like it's growing. Dig deeper into what composes GDP, and the foundations appear weak.

Aside from overdependence on a single trading partner, the core source of weakness is productivity. If GDP is the size of the economy, productivity is the horsepower behind it. Businesses have invested too little in machinery,

[2] See Now You're Thinking Issue 014 Oil, Mercantilism and the Return of Gunboat Economics; Studio.Energy; January 12, 2026

technology, and export-enabling infrastructure. Projects have taken too long to approve or were never built at all. Canada's economy stays busy, but it does not build muscle. That weakness matters far more now than it would have in a calmer world.

Fire Alarm

In a global economy, where economic strength is increasingly used as leverage, complacency is a risky place to be. So too is pinning hopes on a return to the past.

That vulnerability has not gone unnoticed. Following his election in the spring of 2025, Prime Minister Carney articulated a clear national ambition: *"Together, we'll… build the fastest-growing economy in the G7."*[3] It is a bold benchmark, and a revealing one. In this more coercive geoeconomic environment, GDP growth is no longer just a measure of prosperity. It has become a proxy for sovereign resilience, competitiveness, and strategic capacity. Carney's message sounded less like a campaign slogan and more like a fire alarm.

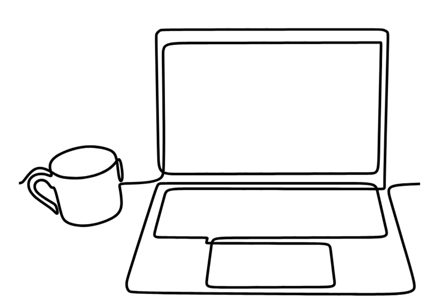
Policy is beginning to reflect that urgency. Ottawa is placing renewed emphasis on protecting and expanding Canada's economic reach, particularly through exports and new trading partners. Legislation such as Bill C-5 aims to accelerate approvals for major infrastructure and resource projects, while also targeting long-standing interprovincial trade barriers. The objective is clear: grow GDP externally through exports and internally by reducing friction within the domestic economy. Before those strategies can be evaluated, however, there is a more basic requirement: understanding what GDP measures, how it is constructed, and therefore identifying the strategic levers that can be exercised in an aggressive world of economic coercion.

Up Next

As we continue to explore GDP, one of our upcoming issues provides a "GDP 101" to establish a shared understanding of this key economic diagnostic tool.

That will be followed by a detailed examination of Canada's GDP composition and what the data reveal about the country's growth model, investment patterns, and structural weaknesses, including analysis of the contributions of the oil and gas sector.

And finally, we wrap-up by exploring what is possible, quantifying the GDP implications of building new energy infrastructure, particularly an oil pipeline to Canada's West Coast.



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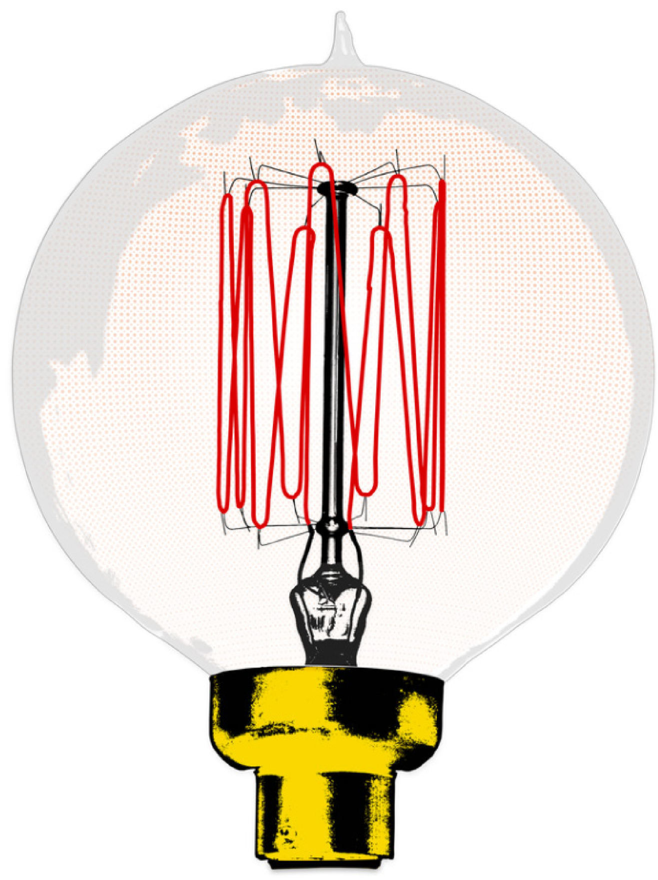
[3] Mark Carney's Plan to Build a Stronger Canada; Liberal Party of Canada



What is GDP, Really?

The acronym GDP, short for Gross Domestic Product, is everywhere in Canada's economic debate, but rarely well understood. This article offers a "GDP 101" primer to explain the components of GDP and their impact on the economy. It breaks down what drives GDP and why investment, trade, and productivity matter more than headline growth.

Summary

- GDP measures the flow of economic activity through an economy, not wealth or income distribution.
- Long-term GDP growth depends on investment, productivity, and export capacity — not just population growth or government spending.
- In a world of economic coercion, a strong and resilient GDP underpins a country's fiscal capacity, competitiveness, and strategic leverage.

A Brief Recap

GDP is one of the most cited numbers in public life, yet one of the least understood. The measure is used as shorthand for prosperity or national success, often without much attention to context or what drives the numbers.

In Part I, we argued that this is no longer sufficient. In a world of economic warfare, GDP shapes a country's fiscal capacity, investment appeal, strategic relevance and even defense of sovereignty. This article turns to the mechanics. We examine what GDP measures, how it is constructed, and why its components matter.

GDP in Plain English

At its simplest, Gross Domestic Product is a measure of economic activity, not wealth. One of the easiest ways to understand it is through an analogy most people grasp immediately: your household finances.

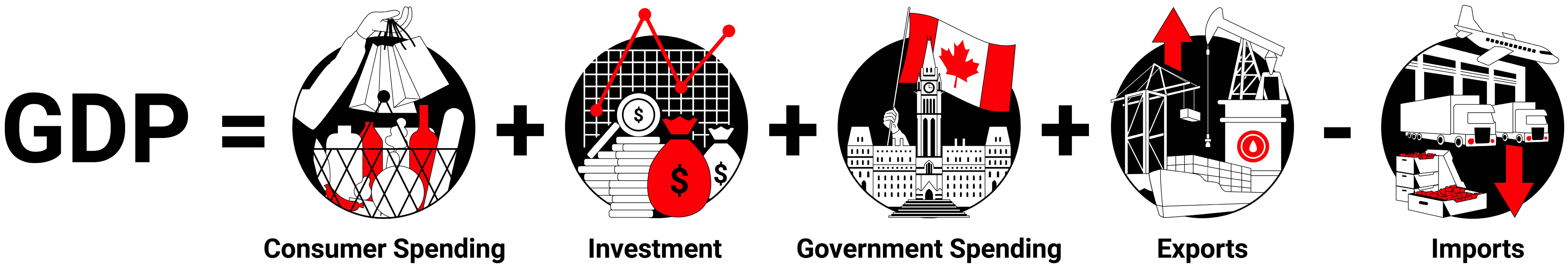
Think about your household over the course of a year. Money comes in through paycheques, investment income, and perhaps other sources. That income is then spent on day-to-day living, longer-term outlays — say a renovation or new appliances — or set aside as savings. By year-end, those flows don't tell you everything about your family's financial health, but they do tell you something important: how much economic activity moved through your household during that period.

The Country as a Houshold

GDP works much the same way at the scale of an entire country. The calculation measures the total value of economic activity generated over a given period, usually a quarter or a year. Reported numbers capture how much is being spent, invested, and traded. But note: GDP does not reflect how wealthy a country is, nor how income is distributed among its citizens.

That distinction between money flow and wealth matters. A household can have a strong income one year and still be financially fragile if it spends poorly or underinvests in the future. Countries are no different. Strong GDP growth can coexist with long-term vulnerabilities. What cannot be hidden for long is the strain that comes from weak income growth or insufficient investment.

GDP has its shortcomings. Detractors say GDP per person doesn't measure national happiness or other gauges of wellbeing. Fair comments, but there are other ways to assess those considerations. For overall financial health, GDP remains one of the best, broadest and well accepted measures of a country's economic capacity.



The Formula

There are several ways to calculate GDP, each offering a different lens on the economy. From a macroeconomic lens, one of the most commonly used is the *expenditure identity*: **GDP = C + I + G + (X − M)**

At first glance, formulas like this can feel abstract — or even mildly intimidating. The good news is that this one is far more intuitive than it looks.

The equation simply itemizes the basic sources of economic activity: household consumption, investment, government spending, and trade with the outside world. Taken together, the terms show where GDP comes from and provide a practical framework for thinking about how an economy grows — or why it stalls.

Let’s break it down, letter by letter.

C — Consumption

Consumption reflects household spending on goods and services such as food, housing, transportation, healthcare, and discretionary purchases. In most advanced economies, this is the largest component of GDP. In Canada, consumption accounted for about 55% of total GDP in 2024. At an economy-wide level, consumption tends to be relatively stable, particularly when population growth is steady.

That stability, however, should not be confused with rigidity. Anyone who manages a household budget knows that spending responds to conditions. Confidence matters. Income growth matters. Prices matter. When costs rise faster than wages, or uncertainty sets in, spending tightens — and the economy feels it.

Consumption keeps an economy moving, but on its own it rarely makes an economy stronger.

I — Investment

Investment captures spending on assets that expand future productive capacity. This includes business investment in machinery, equipment, factories, infrastructure, technology, and intellectual property, as well as residential construction. Despite the name, this is not about financial assets like stocks or bonds. Investment is about building productive assets.

Private spending on pipelines, ports, railroads, telecommunications networks, roads, airstrips, and

LNG Canada and the Ladder of Ambition

Source: LNG Canada

LNG Canada shows how large private investment drives GDP through construction spending and exports, while also shifting Canada’s gas sector toward more diversified global markets. GDP captures the activity, but only partly reflects the strategic step up from dependence to export optionality.

[*GDP Qualitative Example: LNG Canada*]

power generation and transmission lines are all examples of investment that enable future economic activity. In practical terms, 'I' lays the groundwork for future growth in both consumption and exports by increasing the economy's capacity to produce, move goods, and earn income.

Consider liquefied natural gas (LNG). Investment in LNG facilities — gas processing plants, liquefaction terminals, pipelines, and port infrastructure — creates immediate construction activity. More importantly, once built, that infrastructure enables decades of upstream investment, export revenue, employment, and tax income. The economic value does not end when construction crews leave; it continues when gas starts flowing.

Investment is where ambition shows up in GDP — and where energy infrastructure plays its most visible and consequential role. Without sustained investment, growth may continue for a time, but it becomes thinner, more vulnerable, and harder to sustain. In Canada, investment accounts for roughly 20% of GDP, but not all investment contributes equally to future growth. Whether that share is being allocated for maximum torque to the Canadian economy is a distinction we will explore in the next part of this series.

G — Government Spending

Government spending reflects public-sector purchases of goods and services, including healthcare, education, defence, and infrastructure such as bridges and roads. It does not include transfer payments like pensions or income supports, which redistribute income but do not directly add to economic output. In Canada, government consumption accounts for roughly 20% of GDP, making it a significant component of overall economic activity.

What matters, however, is how that spending is deployed. Over the past decade, much of the growth in government spending has taken the form of expanded administration and program delivery. While this supports employment and short-term activity, it does not necessarily expand the economy's productive capacity or export potential.

By contrast, a more strategic use of public spending treats parts of 'G' as a catalyst for investment. Subsidies, incentives, loan guarantees, and co-investment programs can be structured as a form of strategic "I", designed to attract private capital into infrastructure and industries that support future growth.

This distinction lies at the heart of modern industrial policy. In state-capitalist models such as China's — and increasingly in the United States — governments invest alongside corporate partners in strategic sectors including energy, telecommunications, AI, and critical resources. The objective is not simply near-term GDP growth, but longer-term geoeconomic strength and resilience. Whether Canada's approach has achieved similar results is a question we will return to later in this series.

Trans Mountain and Escaping the Market Hostage Trap

Source: Trans Mountain

The Trans Mountain Pipeline expansion illustrates how government capital spending can progress major infrastructure projects that may not proceed with private investment alone. This contributes to GDP during construction and, more importantly, once the project is operational.

[GDP Qualitative Example: Trans Mountain]

X — Exports

Exports represent goods and services produced domestically and sold to foreign buyers. From a GDP perspective, exports add to national income because they bring demand — and dollars — into the country from abroad.

For resource-rich economies like Canada, exports are not only a major source of GDP but also a potential accelerator of growth. They connect domestic production to global markets and, in doing so, provide a form of strategic leverage. Countries that can reliably supply energy, commodities, or critical goods gain economic influence that extends beyond simple trade flows.

Exports, however, do not materialize on their own. They must be enabled. In the case of oil and natural gas, that means pipelines, LNG facilities, and port infrastructure. In short, "X" cannot be realized without "I." Export growth is inseparable from investment in the infrastructure that allows products to reach global markets — an important consideration when evaluating policy initiatives such as Bill C-5, Canada's federal legislation aimed at accelerating approvals for major infrastructure and resource projects while reducing interprovincial trade barriers.

M — Imports

Imports are goods and services produced abroad and consumed domestically. They are subtracted from GDP not because they are undesirable, but because their value is already embedded in consumption, investment, or government spending while the underlying economic activity occurred outside the country.

From a strategic perspective, imports matter because they reveal where economic activity is leaking abroad. Reducing imports by producing more at home, or by removing barriers to interprovincial trade, can raise GDP without increasing overall spending. In that sense, lowering unnecessary imports is often less about protectionism and more about unlocking domestic capacity that already exists but remains underutilized.

Formula Recap

Seen this way, the GDP formula is more than a static accounting identity. Each term captures a different source of economic strength, and the balance between them determines whether an economy merely stays busy or becomes more resilient over time. Once the mechanics are understood, the more important question follows: how should those components be shaped deliberately in a country like Canada where economic capacity itself has become a strategic asset?

Applying a Strategic Lens to GDP

The components of GDP are co-dependent. They move together, reinforce one another, and weaken together. When GDP is viewed strategically rather than as a backward-looking statistic, several core principles become clear.

Attracting Investment Is Vital

Without sustained investment, both consumption and exports eventually falter. Investment maintains and expands the productive backbone of the economy.

Neglect it long enough, and the system weakens — much like a household that stops maintaining its home and appliances.

Private-sector investment depends on policy certainty and regulatory credibility. Capital is mobile. If the investment climate is slow, uncertain, or hostile, capital will flow elsewhere. Countries do not compete for investment with slogans. They compete with stable rules, credible timelines, and returns that justify risk.

Attracting foreign investment to build infrastructure has an additional advantage: it's shrewd and allows a country like Canada to use other people's capital to expand productive capacity. Once built, that infrastructure supports domestic consumption and exports for decades, generating long-term GDP well beyond the initial investment.

The Different Flavours of "I"

Not all investment contributes equally to long-term growth. Residential construction and government consumption can keep GDP growing in the short term, but they do little to expand export capacity or productivity. Durable growth depends on investment in assets that raise output, enable trade, and improve competitiveness — especially infrastructure that connects resources to markets.

The Role of the Government Purse

Not all government spending is created equal. Expanding bureaucracy may lift GDP on paper, but it does little to expand productive capacity. Government spending directed toward investment — particularly infrastructure — can position the economy for sustained growth, provided it is designed to attract private capital rather than crowd it out.

This approach is not without controversy. Free-market skeptics argue that government intervention distorts price signals, misallocates capital, and risks politicizing investment decisions. From this perspective, states are poor capital allocators and tend to pick winners badly.

State-capitalist models counter that in strategic sectors — energy, infrastructure, and critical resources — markets often underinvest due to scale, risk, and long time horizons. A more pragmatic view has emerged in practice: governments need not replace markets, but they can shape them, aligning public objectives with private capital to accelerate investment that would otherwise stall.

Avoiding Recency Bias

A short-term GDP lift from building assets should not be confused with the long-term economic value created after a project is built. Construction boosts GDP once. Productive infrastructure generates income, trade, and growth for decades. Confusing the two leads to narrow thinking about subsidies, public investment, and the role of foreign capital.

Oilsands Development and Catalytic Public Investment

Source: Cenovus

Development of the oilsands demonstrates how early public investment can catalyze private capital, producing successive waves of GDP growth as projects scale.

[GDP Qualitative Example: Oilsands Development]

GDP as a Tool, Not a Target

GDP is often treated as a scoreboard — a number debated after the fact. In a world of economic warfare, however, GDP shapes how much a country can invest, how resilient it is under pressure, and how much leverage it can exert or withstand.

The GDP identity is not an accounting curiosity. It is a map showing where economic strength is built — and where it quietly erodes when the wrong choices are made. GDP does not answer every policy question, but as a framework for understanding how today's decisions shape tomorrow's capacity, it remains indispensable.

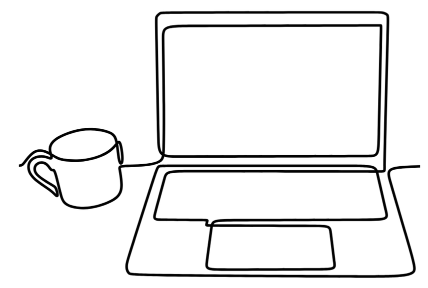
Closing Thoughts

GDP is often treated as a headline number, something to debate after the fact. But viewed through its components — consumption, investment, government spending, and trade — it becomes a strategic diagnostic. The formula reveals how economic strength is built, where it is sustained, and where it quietly erodes.

The lesson is not subtle. Economies that lean too heavily on consumption and government activity can remain busy for a time, but resilience comes from investment and exports. Long-term growth depends not just on how much an economy spends, but on what it builds and how effectively it connects production to markets.

This matters now more than at any point in recent decades. Canada is entering an era of economic warfare from a position of weakness, with sluggish productivity, underwhelming investment, and constrained export capacity to global markets. In a geoeconomic world, GDP determines fiscal room, investment appeal, and the ability to absorb external pressure. Attracting capital, building long-lived infrastructure, and expanding access to global markets are no longer optional policy choices — they are core elements of economic security.

The next parts of this series move from framework to evidence. We will examine Canada's GDP composition in detail, assess where growth has come from and where it has not, and explore how strategic investment, particularly in energy infrastructure, could materially strengthen the country's economic resilience and strategic position.



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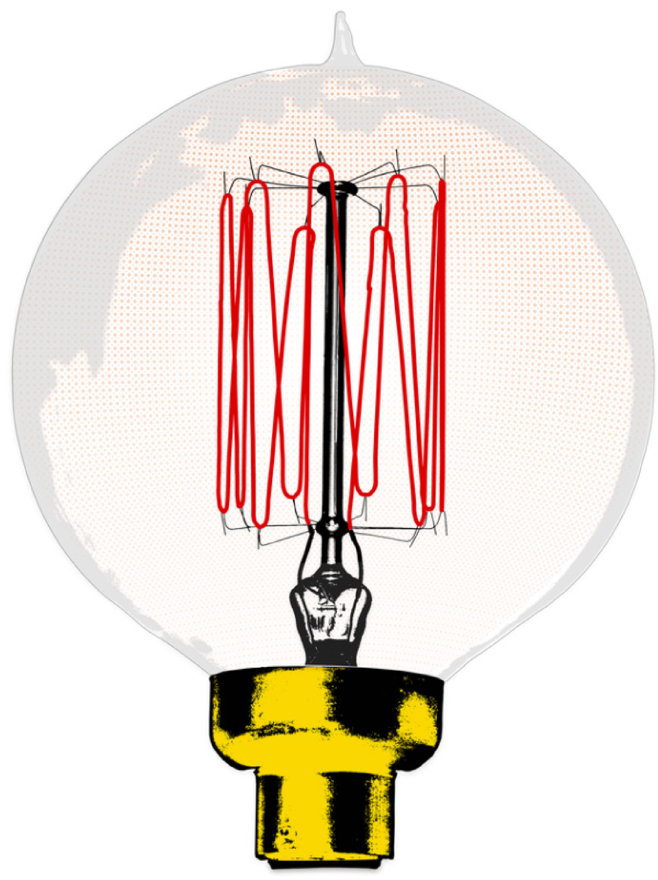


Canada's GDP Dilemma: The Illusion of Growth

Canada's economy has grown in size, but not in strength. GDP per capita has barely advanced over the past decade and trails well behind the US. Growth has leaned on household consumption and government spending, while business investment and exports have stagnated. Capital has flowed disproportionately into housing rather than productive, export-generating infrastructure. Canada's GDP challenge is structural — rooted in insufficient investment in high-value, export-enabling infrastructure.

Summary

- Canada's GDP per capita has underperformed for over a decade, falling well behind the US and losing its historical advantage over the OECD average.
- More concerning, GDP growth has leaned heavily on household consumption, building homes, and government spending, while private business investment and exports have stagnated.
- Canada's GDP problem is structural. In a world of economic coercion, long-term economic strength for national security will demand greater investment into productive capacity and expanding diversified export infrastructure.

Bigger, But Not Stronger

In our opening issue of this series, *Canada's Economy Under Siege*, we argued that Canada has entered a more coercive global economic environment, one where economic strength is not abstract, but strategic. A country's GDP and its underlying metrics are not just statistics, but measures of national resilience.

In our second issue of this series, *What is GDP, Really?* we broke down GDP into its components: Consumption (C); Investment (I); Government Spending (G); Exports (X) and Imports (M). **GDP = C + I + G + (X − M)**

We explored how investment into resource infrastructure builds capacity for exports, how exports convert the capacity into long-term income, and how government policy can either enable or constrain both.

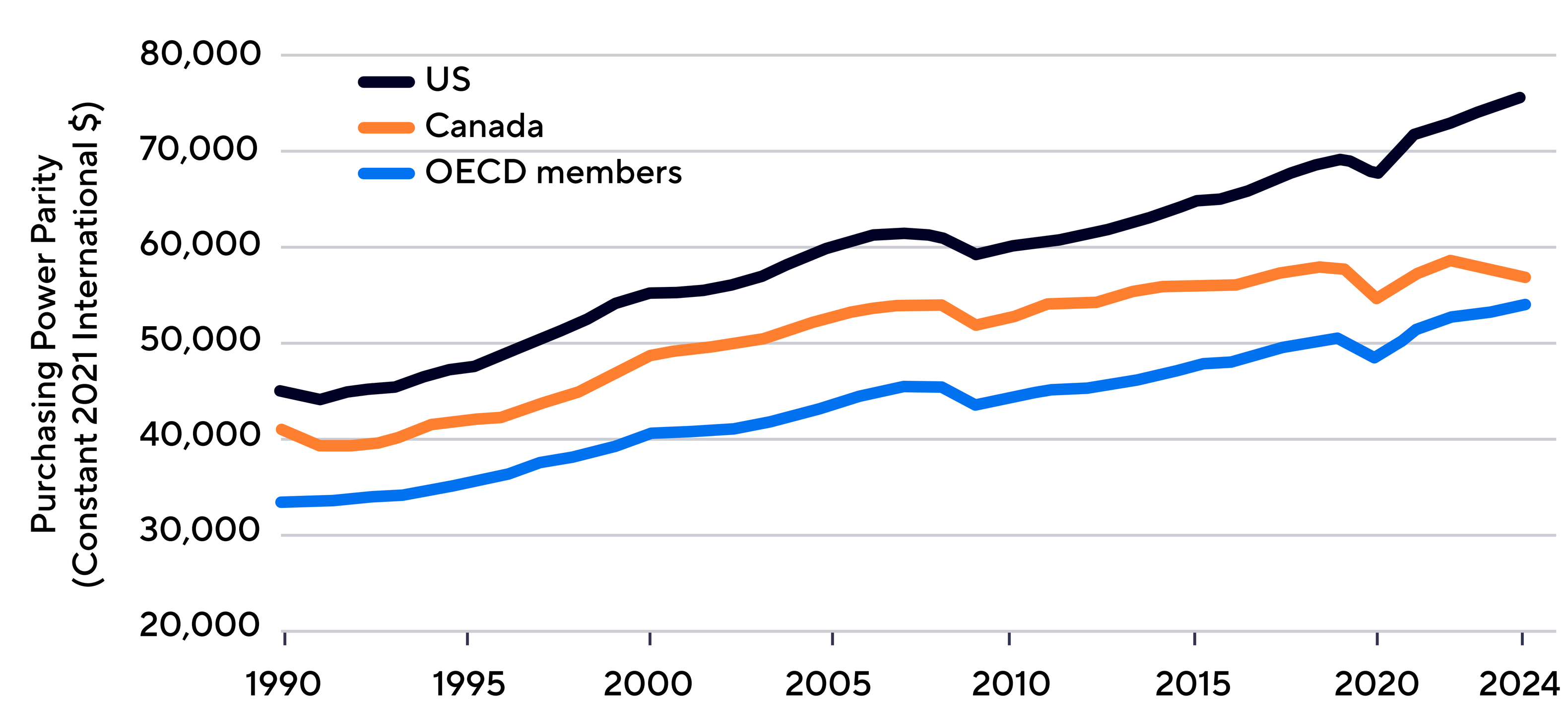
Now we turn to the hard question: What is Canada's GDP prognosis as the country seeks to grow economic strength amidst the new world realities?[4]

Falling Behind Peers

A key measure of economic strength is GDP per person — total output divided across Canada's roughly 41.6 million people.[5] But as the chart below illustrates, Canada's performance has been slipping relative to our closest peer. Adjusted for purchasing power, in 2024 Canada sat at roughly 25% below the US, our largest trading partner.[6]

Real GDP Per Capita

Purchasing Power Parity



Source: World Bank and ATB Economics

[4] See Now You're Thinking Issue 002 – Geoeconomics and State Capitalism; Studio.Energy; September 8, 2025
[5] Key Indicators; Statistics Canada; October 1, 2025
[6] World Bank, GDP per capita, PPP (current international $); World Development Indicators; March 2026

The chart also shows that Canada's GDP per capita is now only marginally ahead of the average of all 38 OECD countries spanning North America, Europe, Asia-Pacific and Latin America. Historically, Canada enjoyed a comfortable lead over the OECD average, but that cushion in the past couple of years has nearly disappeared.

Canada's economic performance gap is not a blip. It reflects a longer-running trend. Over the past decade, the country's real GDP per capita has grown at roughly 0.46% per year — that can be considered a modest pace at best.

Yet the real problem is not that Canada's economy is barely growing. The biggest concern is how the economy has grown. When we get underneath the hood, in the GDP formula, Canada has made the car bigger, but hasn't increased the horsepower of the engine.

For a resource-based economy competing in a more mercantilist world, horsepower comes from sustained investment in productive capacity, especially export infrastructure.

Peering Under the Hood

Returning to the GDP formula, C + I + G + (X − M), if GDP per person is weak, the natural question is: which components of the formulaic engine are pulling their weight, and which are not?

In Canada's case, the answer is increasingly clear. Over the past decade, growth has leaned heavily on household consumption (C) and government spending (G), rather than on sustained investment (I) that expands productive business capacity and enables long-term export growth (X).

That distinction matters. Domestic consumption from building houses and public-sector expansion can keep an economy active. But only investment in productive infrastructure — the kind that supports durable export capacity — makes it structurally stronger and allows it to better defend against coercive geoeconomics.

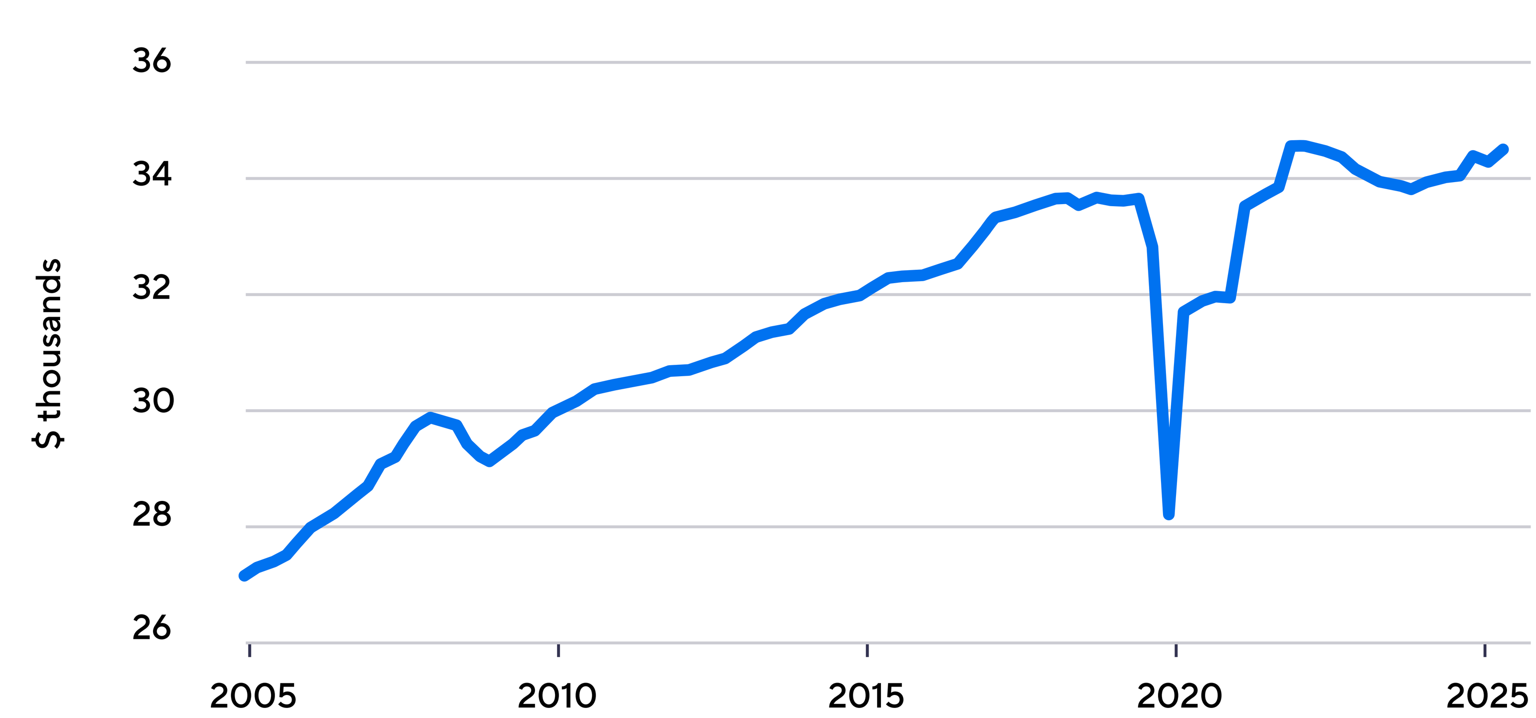
The Consumer Economy

The chart below shows that household spending has been the primary driver of Canada's GDP growth through 2022, aside from the sharp pandemic contraction between 2020 and 2021. Since then, consumption growth has largely flattened.

In the GDP identity, consumption (C) now accounts for roughly 55% of total output, but there are limits to how long households can carry an economy with structural weaknesses elsewhere. Canadian households remain among the most indebted in the G7. Many mortgages will continue resetting at current or higher interest rates. Population growth, which temporarily boosted spending through a surge in immigration, is slowing to a crawl. And, as in many OECD countries, the lingering effects of inflation continue to strain household balance sheets.

Consumption is essential. It keeps the flow of dollars circulating. But consumption alone does not expand an economy's productive capacity. It does not build new export corridors or raise productivity. Canada cannot spend its way to durable economic strength without first investing in assets that allow it to produce more and earn more from global markets.

Real Household Spending Per Capita



Canadian household final consumption expenditures in 2017 dollars.
Quarterly Seasonally Adjusted Annual Rate data.

Source: Statistics Canada and ATB Economics

The Expanding Role of Government

Government spending (G) has risen significantly over the past decade, following a period of restraint in the years after the 2008–2009 financial crisis, as shown in the chart below.

Public spending should grow alongside population and economic activity. It should enable growth, not substitute for it. Yet the data suggest that government outlays have become one of the primary contributors to expanding the size of Canada's GDP — without necessarily strengthening its underlying productive capacity.

Governments cannot indefinitely replace private investment. Rising debt levels, higher taxes, and fiscal constraints eventually narrow the room for manoeuvre. Public spending that expands operating budgets may lift GDP arithmetically, but it does little to raise productivity or export capacity. Taxpayers cannot sustainably finance long-term growth without a parallel expansion of private capital formation.

Recognizing these limits, the federal government's most recent budget commits to reducing the size of the civil service by roughly 10% — approximately 40,000 positions from a peak workforce of about 368,000 — as part of a broader effort to curb operating expenditures.[7]

Fiscal restraint, however, is not in itself a growth strategy. Reducing "G" in the GDP formula lowers output unless it is offset by stronger investment and export growth. The objective is not simply to shrink government, but to rebalance the composition of growth toward the component that builds economic strength: sustained private investment.

Real Government Spending Per Capita

Canadian government spending on consumption and capital in 2017 dollars.
Quarterly Seasonally Adjusted Annual Rate data.

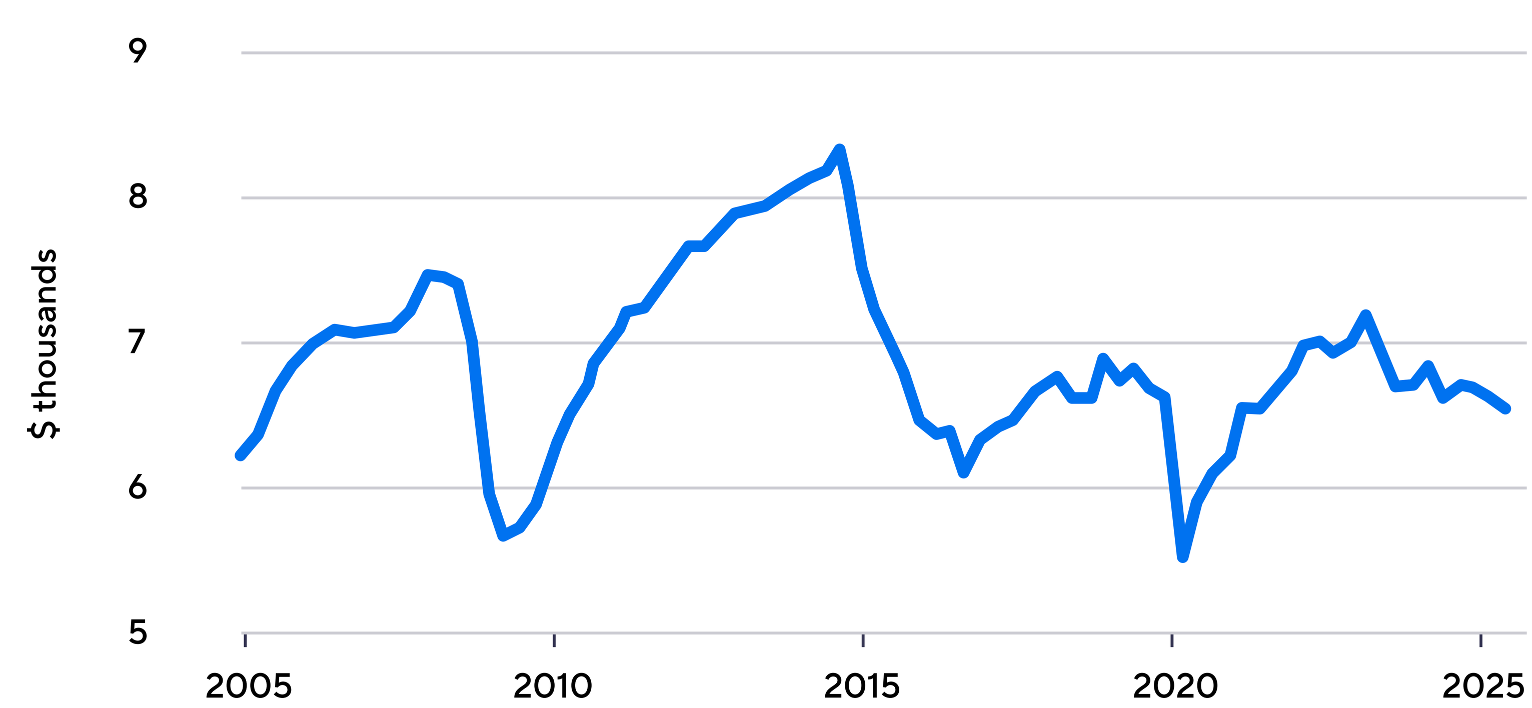
Source: Statistics Canada and ATB Economics

The Structural Weakness: Investment

The largest structural fault line in Canada's GDP story is the stagnation of private business investment.

The next chart shows that, on a per-person basis, real business investment has failed to grow in the last two decades. Setting aside the volatility of the 2008–2009 financial crisis and the 2020 pandemic, per-capita investment in non-residential structures, machinery, and equipment has effectively flatlined.

Real Business Investment Per Capita



Private investment in Canadian non-residential structures, machinery and equipment, and intellectual property in 2017 dollars.
Quarterly Seasonally Adjusted Annual Rate data.

Source: Statistics Canada and ATB Economics

Statistics Canada has described this weakness as "pervasive across industries."[8] In other words, this is not a single-sector problem. Across much of the business economy, investment has struggled to outpace population growth. The investment engine is idling at best.

Oil and gas, one of Canada's largest capital-intensive industries, illustrates part of the story. Upstream capital expenditures peaked at roughly C$80 billion in 2014 before falling sharply amid lower commodity prices, the Saudi-led price war, the pandemic shock, and rising regulatory and policy uncertainty. In 2026, upstream investment is estimated at roughly half its 2014 level — only C$40 billion.[9]

[7] Budget 2025 and the Public Service; Government of Canada; November 4, 2025
[8] Research to Insights: Challenges and Opportunities in Innovation, Technology Adoption and Productivity; Statistics Canada; July 24, 2024
[9] Studio.Energy CapFlow Model

But the weakness runs deeper than energy alone. Across multiple sectors, firms have been slower to deploy capital into productivity-enhancing assets. Manufacturing investment remains below levels seen two decades ago. Machinery and equipment spending has lagged.

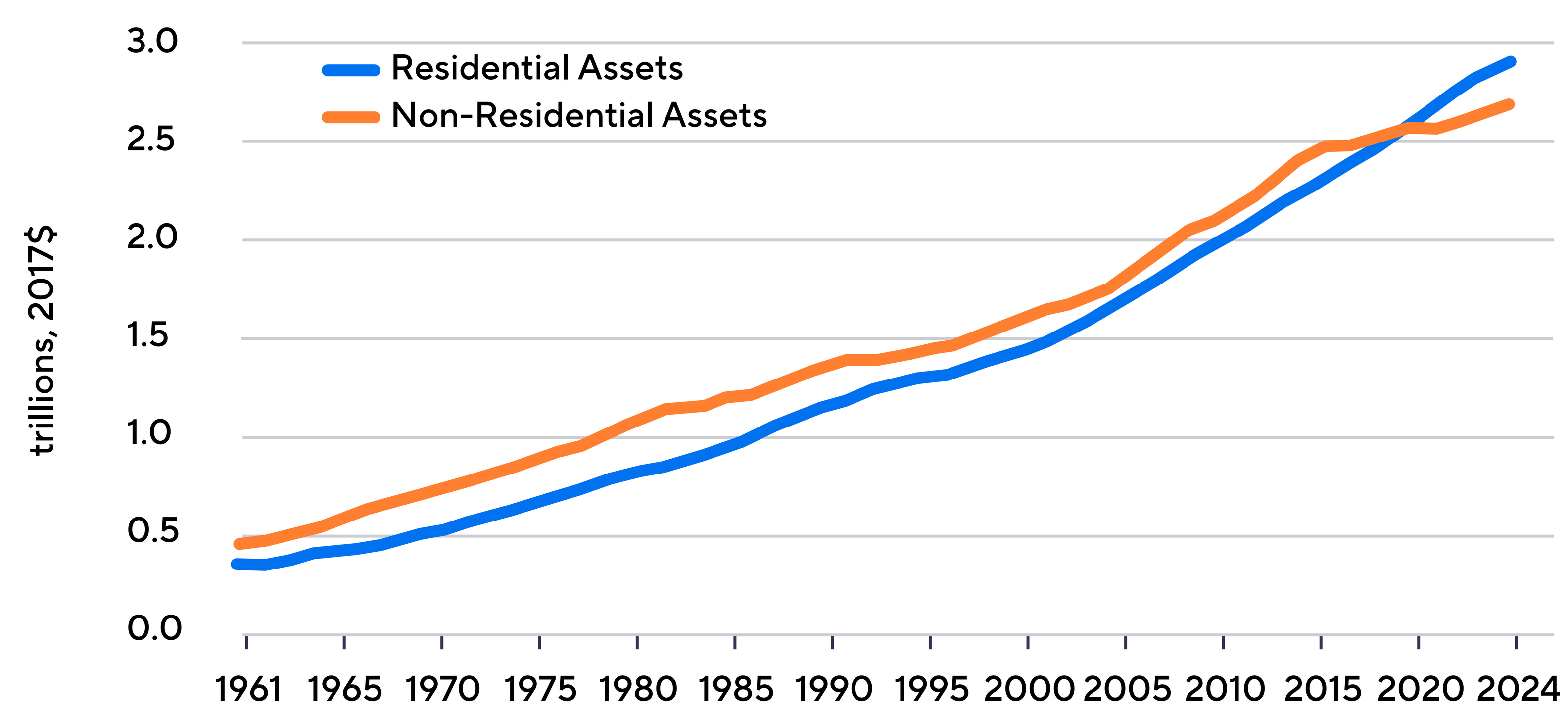
Some argue that a shift toward a service and technology-based economy explains the slowdown in bricks-and-mortar, infrastructure investment. Yet Canada also trails in intangible capital formation. Investment in intellectual property has fallen further behind the US. Research and development spending underperforms most OECD peers. Other innovation metrics, including our ability to commercialize research, tell a similar story.[10]

Meanwhile, residential construction has surged to accommodate rapid population growth. More housing has been, and will continue to be, necessary to address affordability and demographic expansion. But residential assets do not expand export capacity or raise productivity in the same way as new mines, manufacturing plants, data centres, petrochemical facilities, ports, railways, pipelines, or power infrastructure.

The next chart displays Net Stock of Capital and illustrates this shift clearly. Non-residential investment began slowing around 2014, while residential investment continued on a steepening trajectory that started in the early 2000s. Today, the stock of housing assets in Canada exceeds the stock of non-residential assets, as can been seen in the crossover of lines in the chart. And the gap is widening. In other words, capital is increasingly flowing disproportionately toward assets that support consumption (buying houses) rather than those that expand production.

Houses are essential. But they do not generate export corridors to create long-term prosperity for the people who live in the houses. Infrastructure and productive assets do. And without sustained investment in those assets, the economy's long-term growth potential weakens.

Net Stock of Capital in Canada



Geometric year-end net stock.

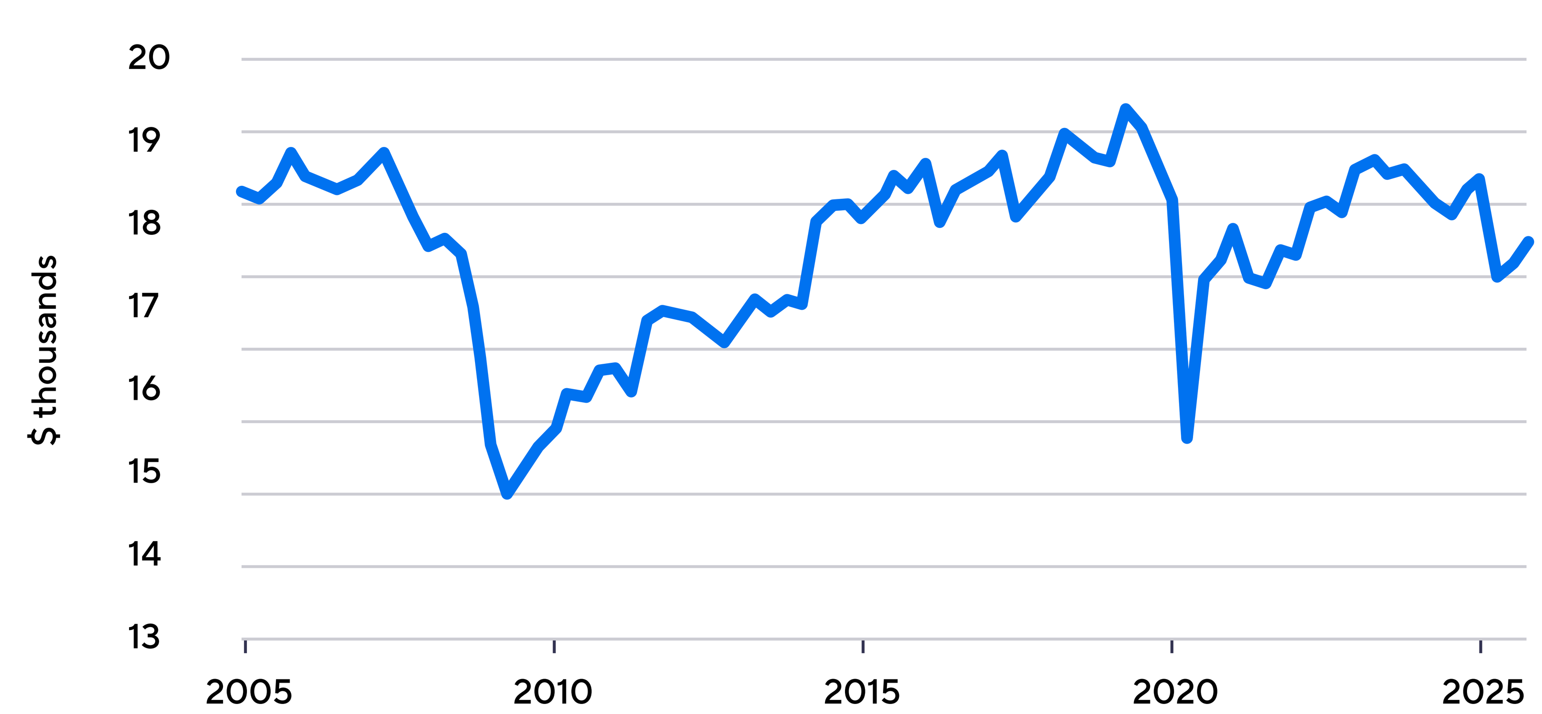
Source: Statistics Canada and ATB Economics

Exports: The Missing Multiplier

Exports are where investment turns into durable GDP strength — particularly for a resource-rich country like Canada. Diversified export markets provide not just income, but insulation against economic coercion against a country that's been on the lower rungs of the The Ladder of Ambition.[11]

Yet on a per-capita basis, Canada's export volumes have shown little growth over the past two decades. The chart on real exports per capita illustrates this stagnation, with a troubling softening trend since the post-pandemic rebound in 2023.

Real Exports Per Capita



International exports of Canadian goods and services in 2017 dollars.
Quarterly Seasonally Adjusted Annual Rate data.

Source: Statistics Canada and ATB Economics

[10] "Back to Productivity" - Issue of the Seven; ATB Economics; May 2, 2025 and "Life in Fast Lane" - Issue of the Seven; ATB Economics: February 13, 2025

[11] See Now You're Thinking Issue 003 – Gauging Canada's Energy Ambition; September 8, 2025

The challenge is not global demand. Canadian oil, natural gas, critical minerals, agricultural products, and other commodities remain highly sought after worldwide. The constraint is capacity — the ability to move, process, and ship those resources efficiently to diversified markets beyond a heavily concentrated US customer base. In an environment where trade relationships are increasingly subject to tariff threats and political pressure, concentration risk carries strategic consequences.

Without sustained investment in export-enabling infrastructure, businesses will lack the capacity to scale into higher-value and more diversified markets. If domestic consumption slows and government spending moderates, GDP will have little underlying formulaic support unless exports (X) strengthen.

Recent infrastructure additions, such as the Trans Mountain Expansion and LNG Canada Phase 1, represent meaningful steps toward expanding export capacity. Proposed projects under Bill C-5, including port expansions and new energy corridors, aim to further improve interprovincial trade and access to global markets. The economic logic is straightforward: without investment, export growth stalls; without export growth, long-term GDP strength remains constrained. Or worse, it weakens.

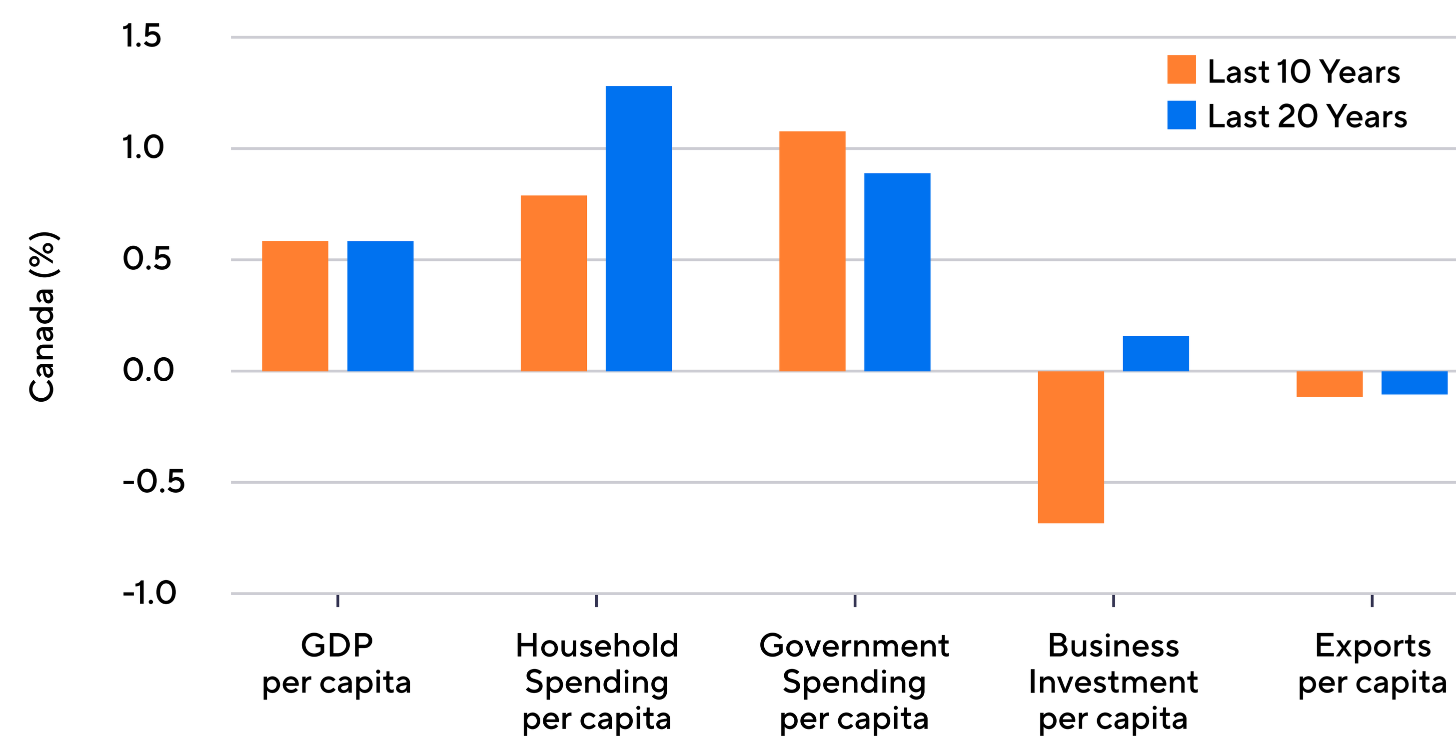
The Heart of the Issue

In a world where economic leverage is exercised through trade, capital flows, and supply chains, building the conditions for infrastructure investment is not optional — it is imperative.

Canada's GDP has grown in absolute terms, but per-person output has barely moved. Beneath the headline numbers, growth has relied disproportionately on household spending and government expansion, while business investment and exports have underperformed.

In a more mercantilist and competitive global economy, that imbalance carries risk: economies driven mainly by domestic consumption are more vulnerable to shocks, and countries that underinvest in productive capacity resign themselves to being price takers.[12]

Annual Growth in Real GDP per Capita by Component



Last 10 years is 2015 to 2025. Last 20 years in 2005 to 2025.

Source: Statistics Canada, ATB Economics.

The Figures in the analysis show that Canada's GDP per capita problem is not cyclical. GDP growth is a structural problem in Canada and at its core, it is an investment problem.

The Path Forward

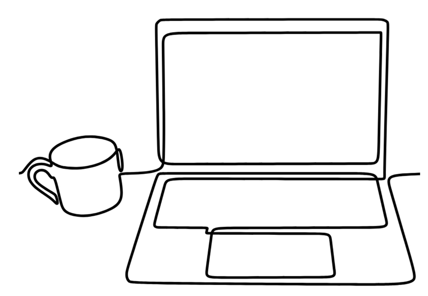
The federal government has acknowledged that future GDP growth must be anchored in investment, particularly in export-enabling infrastructure. Prime Minister Mark Carney and his cabinet have set ambitious targets to enable C$1 trillion in new investment and to diversify exports beyond the US.12 Budget 2025 and Bill C-5 recognize that protracted approval timelines and regulatory uncertainty have constrained business investment and must be addressed. If Canada is serious about strengthening its economic position, policies that deter capital will need to be reviewed, streamlined, and, where necessary, removed.

Investment, however, cannot be abstract. Every sector — from autos to technology to natural resources — requires renewed capital formation. The more pressing question is where investment can generate the largest and fastest gains in GDP, given the urgency of Canada's strategic circumstances. Oil and natural gas extraction and export remains one of the country's most significant export earners and therefore GDP generators.

[12] See Now You're Thinking Issue 003 - The Cost of Being a Market Hostage; Studio.Energy; September 8, 2025

Up Next

In the next part of this series, we examine what expanding oil export capacity could mean for Canada's GDP and for its economic resilience.



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