

OECD Economic Surveys

CANADA - 2008

Economics Department

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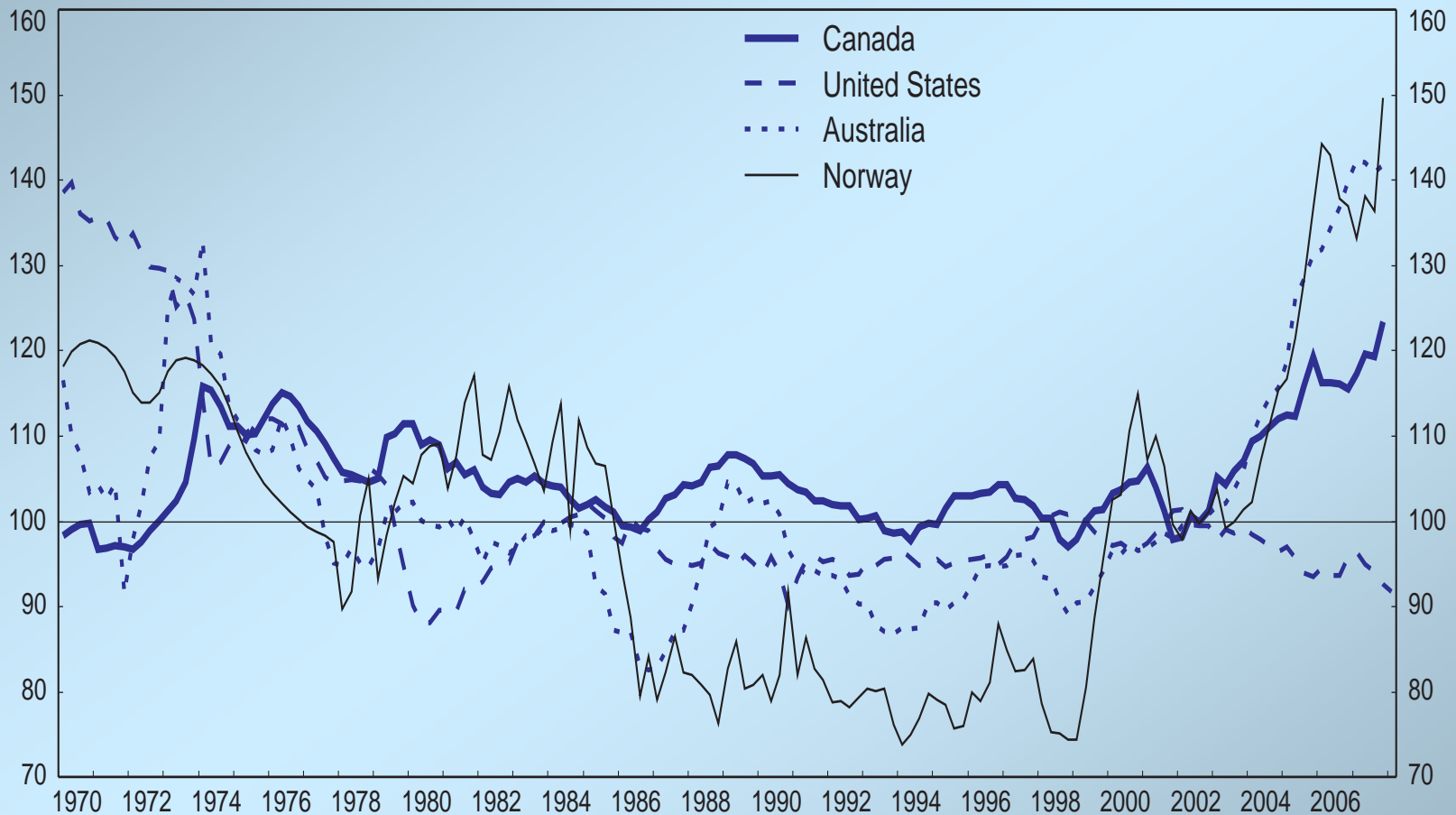
12 JUNE 2008

Key challenges

- An ongoing terms of trade shock – is Canada adjusting well?
- A looming demographic shock – is Canada doing enough to prepare?
- Climate change and global food crisis – is Canada growing sustainably?

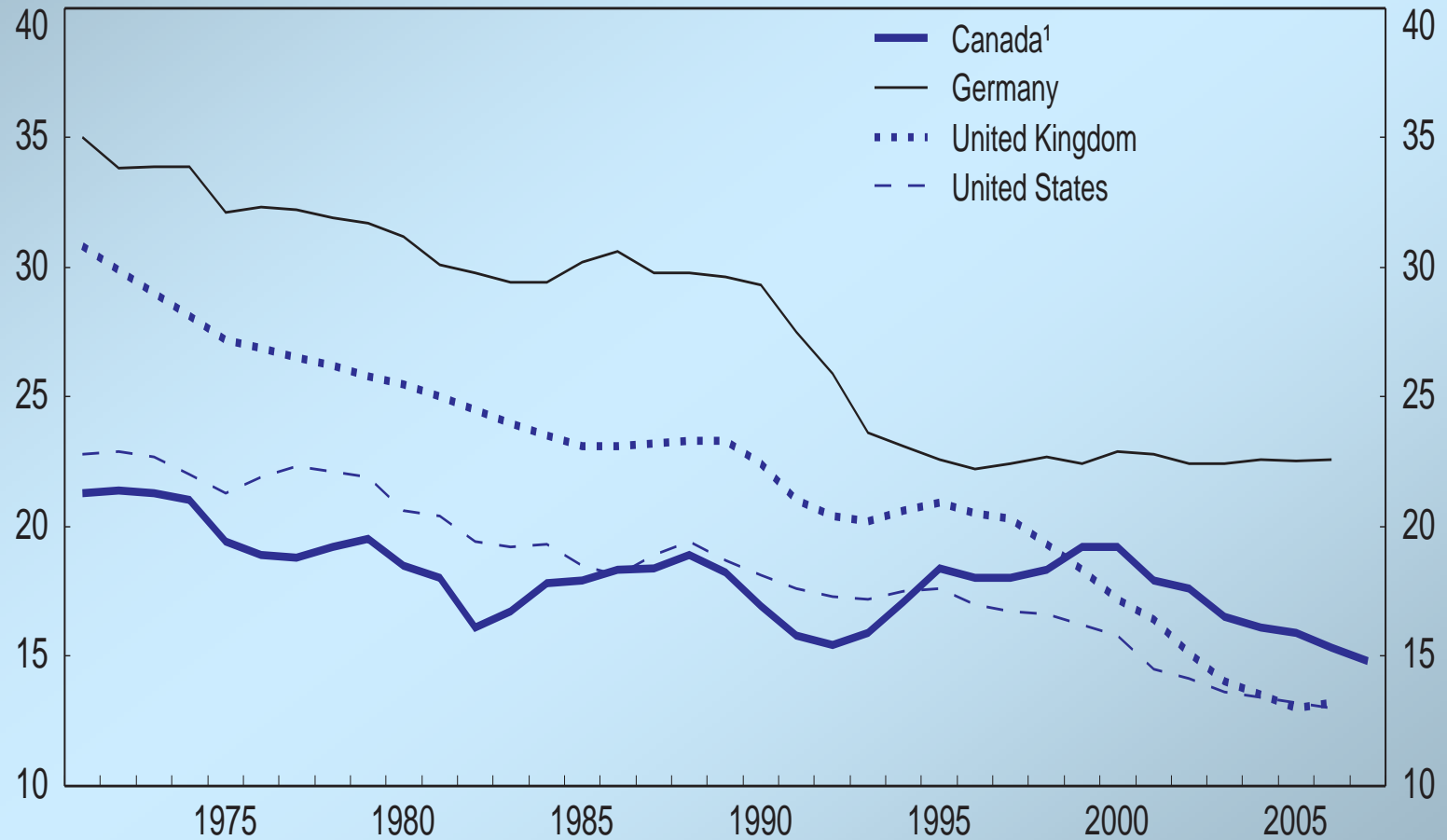
Terms of trade have benefited Canada

Index, 2002 = 100



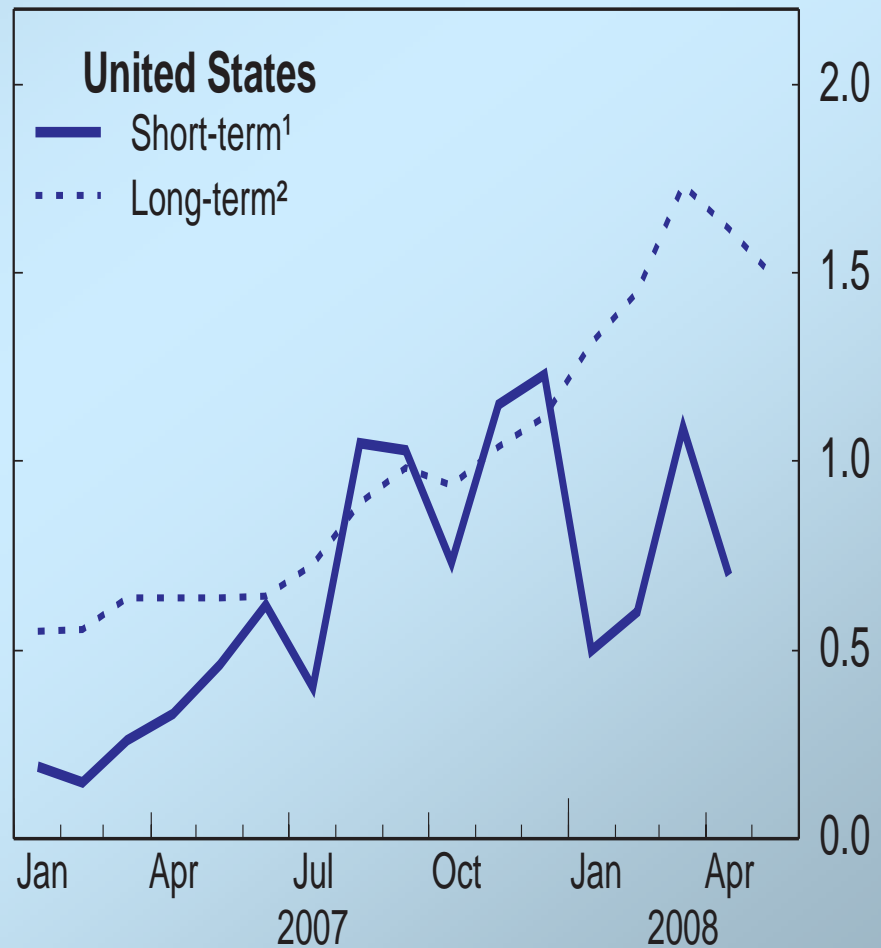
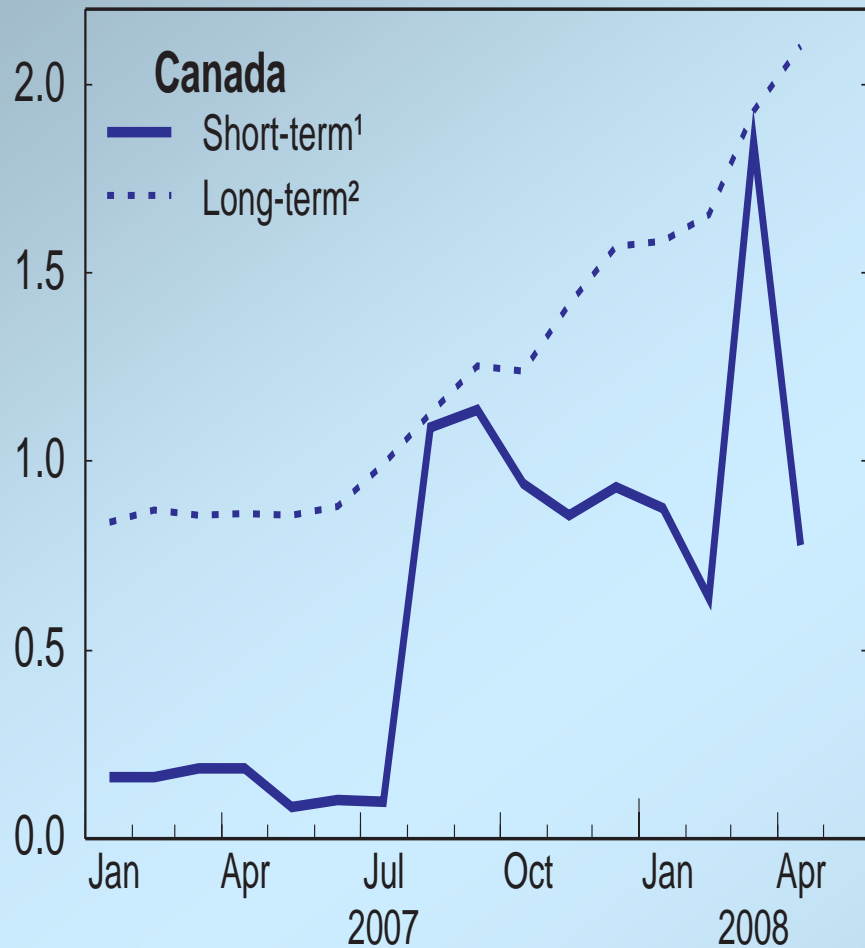
But manufacturing's decline has accelerated

Share of value added



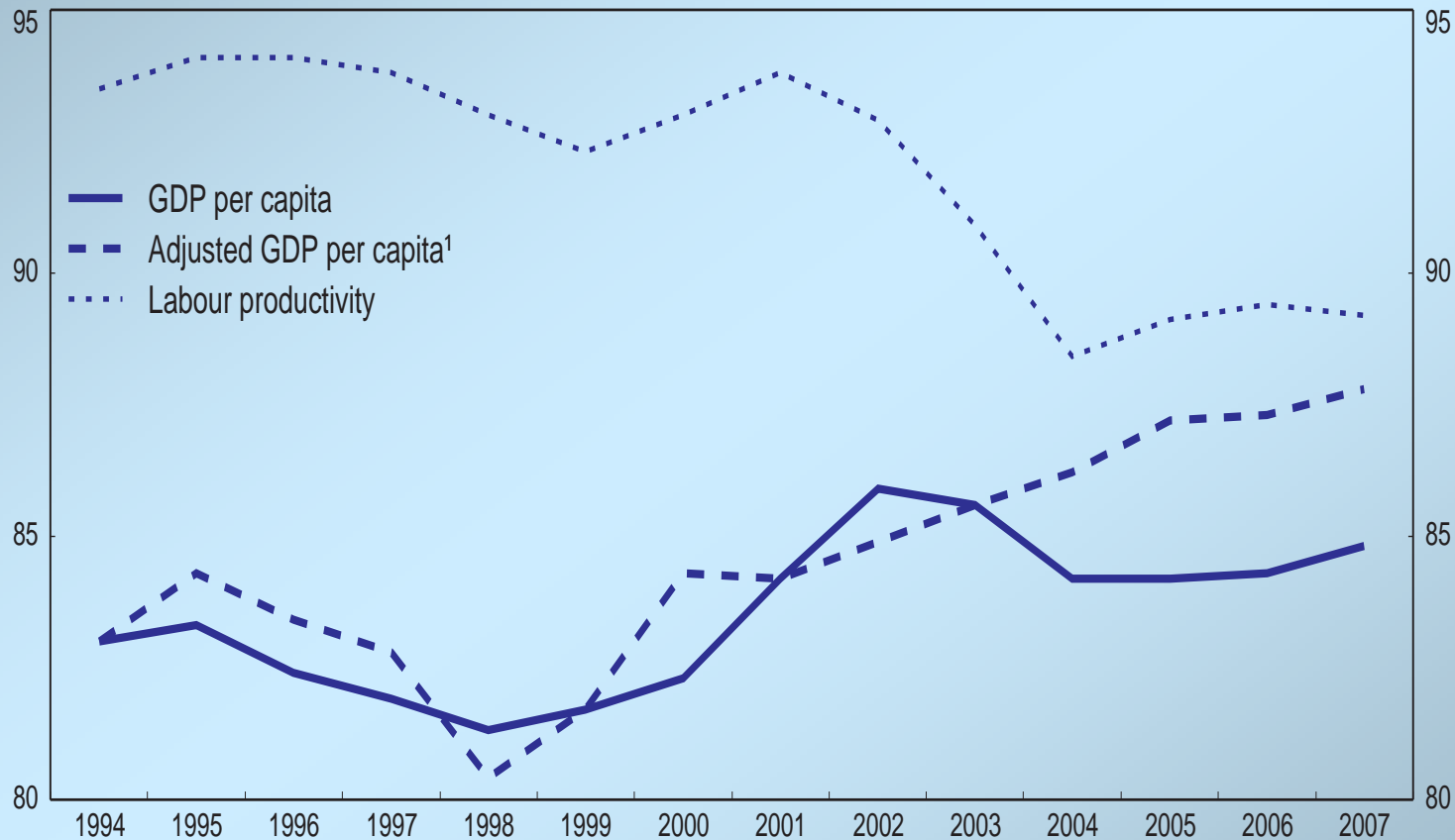
A financial shock has also hit

Corporate spreads



Canada-US productivity gap has widened

USA = 100



Rising female participation has supported growth

		1990			2006		
		Canada	United States	OECD	Canada	United States	OECD
Men	25 to 54	93.1	93.4	94.2	91.1	90.6	92.1
	55 to 64	64.0	67.8	65.2	66.3	69.6	66.3
Women	25 to 54	75.5	74.0	65.6	81.3	75.5	69.8
	55 to 64	34.9	45.2	35.9	51.4	58.2	45.0
Men and Women	25 to 54	84.3	83.5	79.8	86.2	82.9	80.9
	55 to 64	49.2	55.9	50.0	58.7	63.7	55.4
Hours worked per person of working age		1 249	1 352	1 171	1 269	1 308	1 176
Hours worked per worker		1 788	1 836	1 818	1 738	1 804	1 715

Labour force set to stagnate

Annual average growth rates

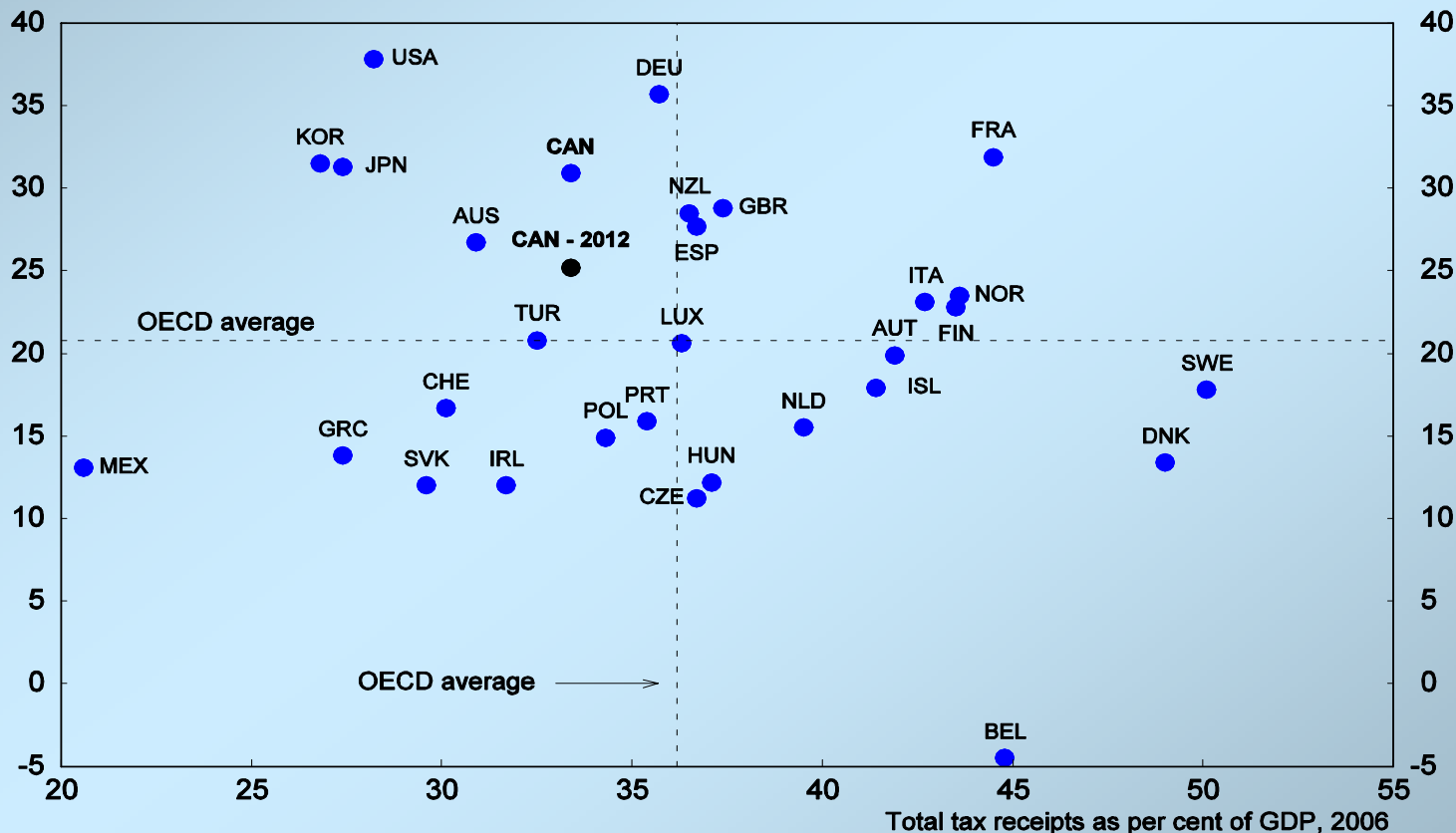
	Potential employment	Potential labour productivity	Potential GDP	GDP per capita	<i>Memo:</i> working age population	<i>Memo:</i> total population
2008-09¹	1.2	1.4	2.8	1.9	1.1	0.8
2010-14¹	0.4	1.5	1.8	1.0	0.5	0.8
2015-30²	-0.1	1.5	1.4	0.7	0.1	0.7
2031-55²	-0.1	1.5	1.4	1.0	0.2	0.4

¹ OECD medium-term baseline.

² OECD estimates.

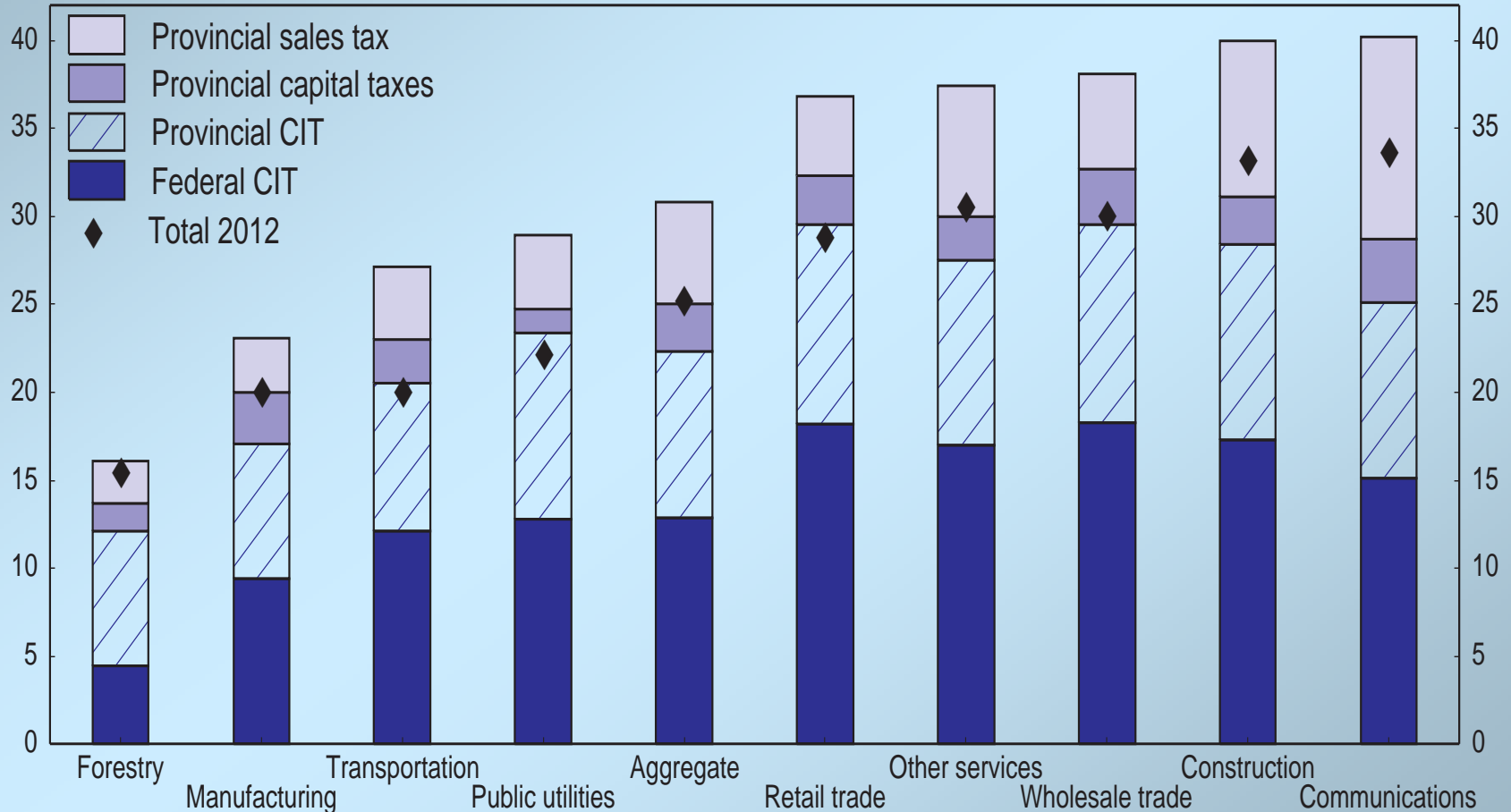
Business tax cuts help to address structural challenges

Marginal effective tax rate on business investment

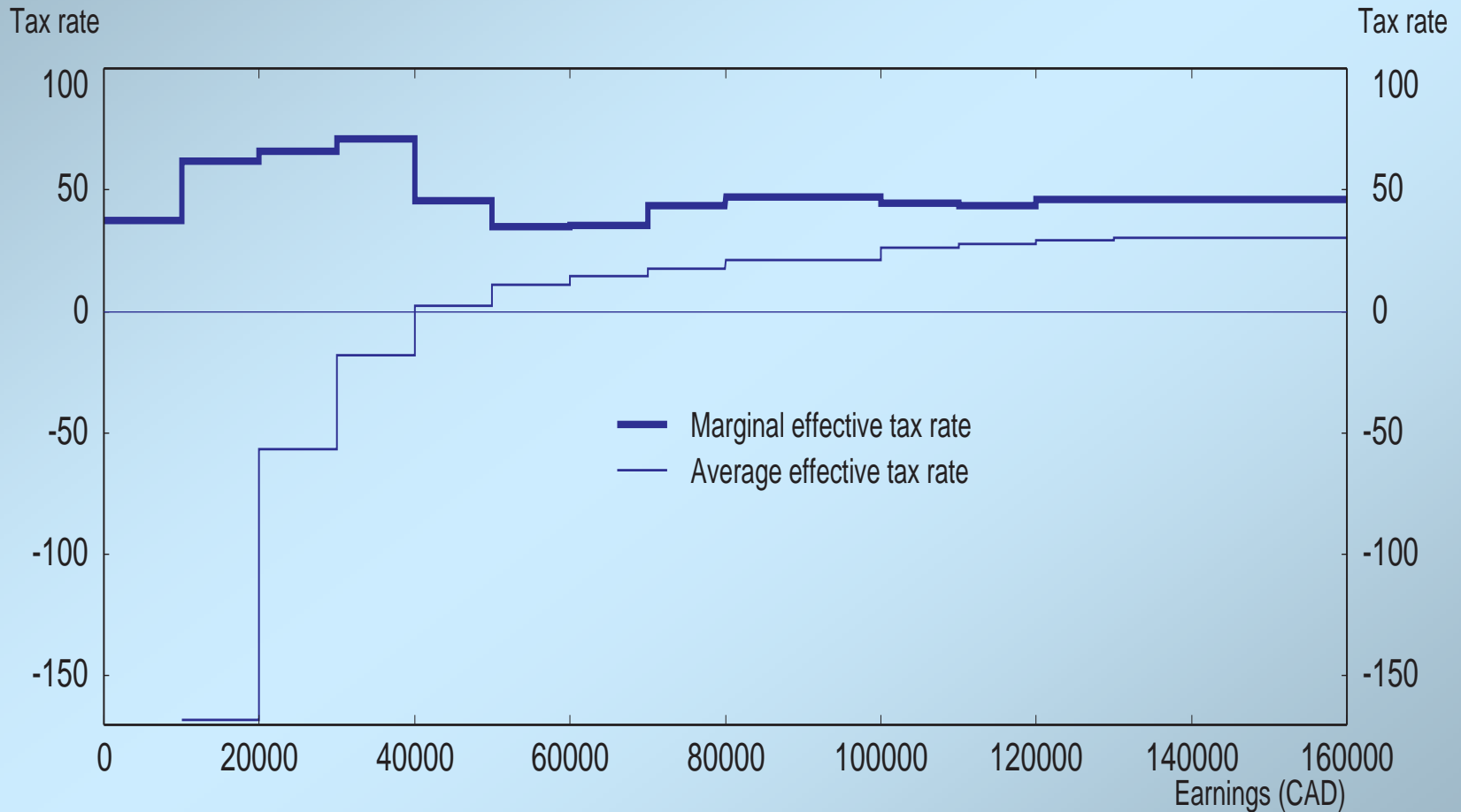


Services still tax-disadvantaged

METRs on capital investment, 2007

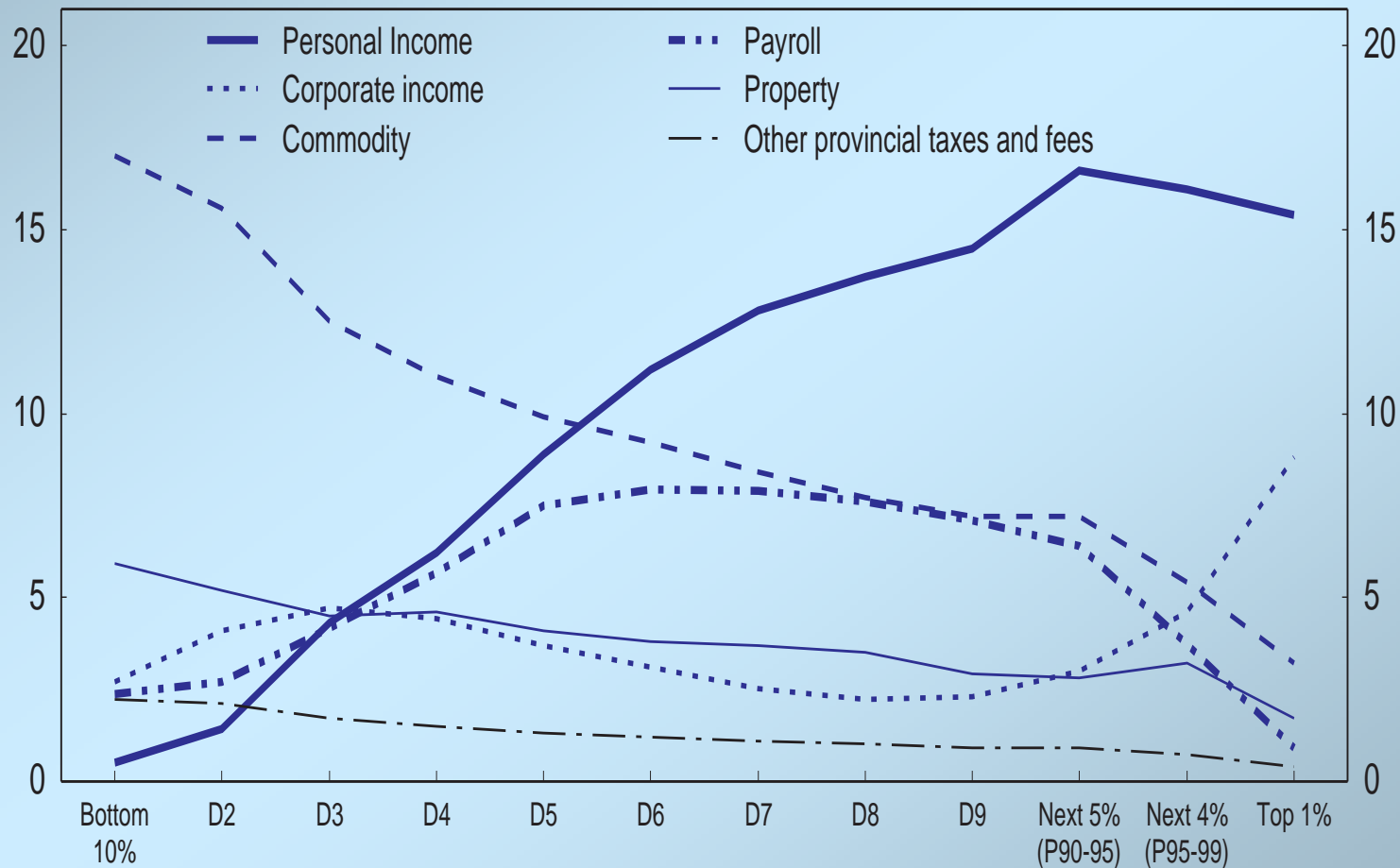


High marginal tax rates on personal income



Shift to consumption taxes is efficient, but is it fair?

Combined federal and provincial tax rates by type, 2005

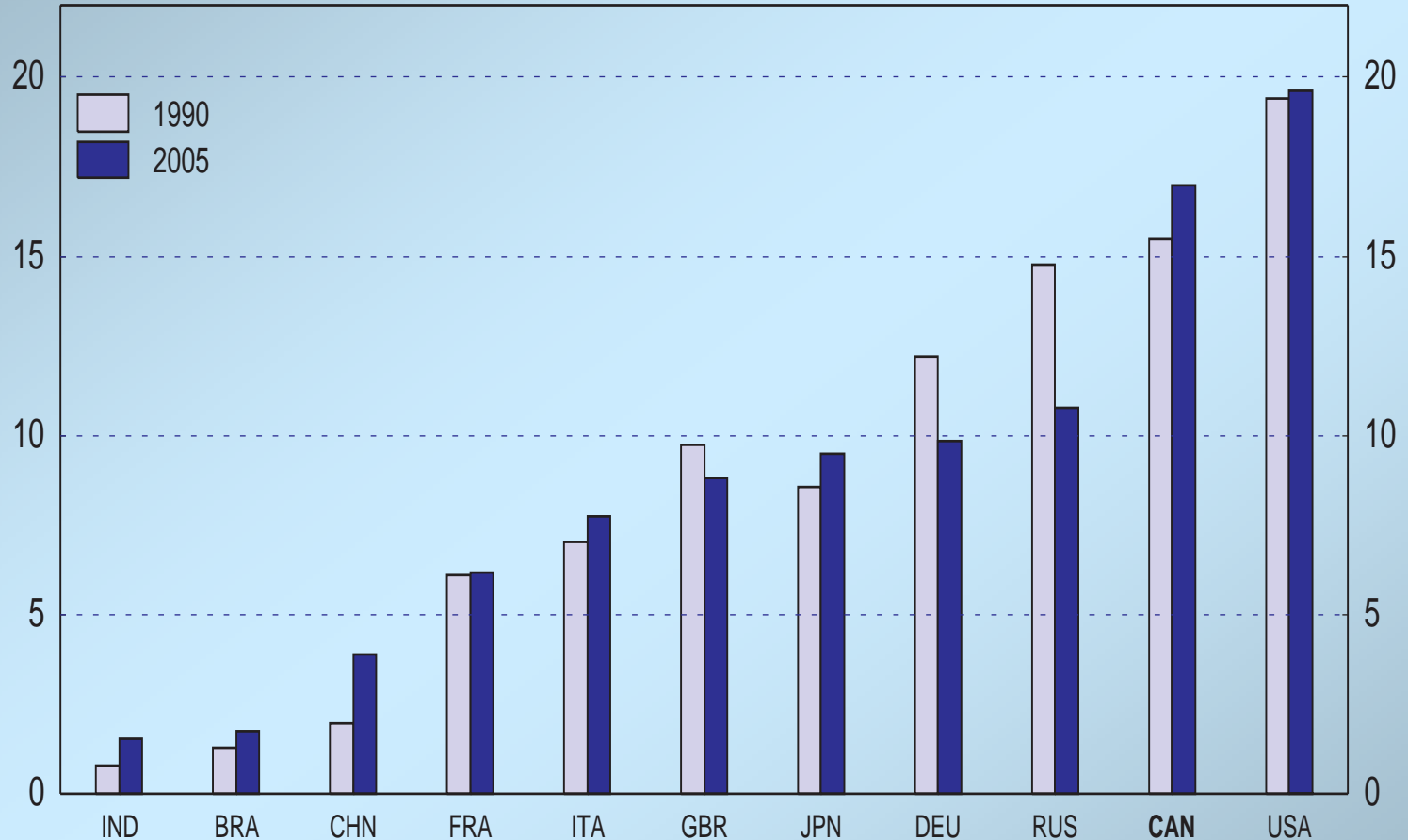


Projected GHG emissions from energy

Sector	Projected emissions			
	2006	2020	2020 relative to 2006	
	Megatonne		Megatonne	%
Residential and commercial	86	109	23	27
Mining and manufacturing-regulated	77	90	13	17
Mining and manufacturing-non regulated	28	38	11	39
Conventional oil and gas production and distribution and refining	132	114	-18	-14
Oil sands	29	108	79	271
Electricity and heat generation	123	122	-2	-1
Transportation	177	232	55	31
Others	104	124	20	20
Total	756	937	181	24

Canada's emissions per capita are very high

Tonnes of CO₂ per capita

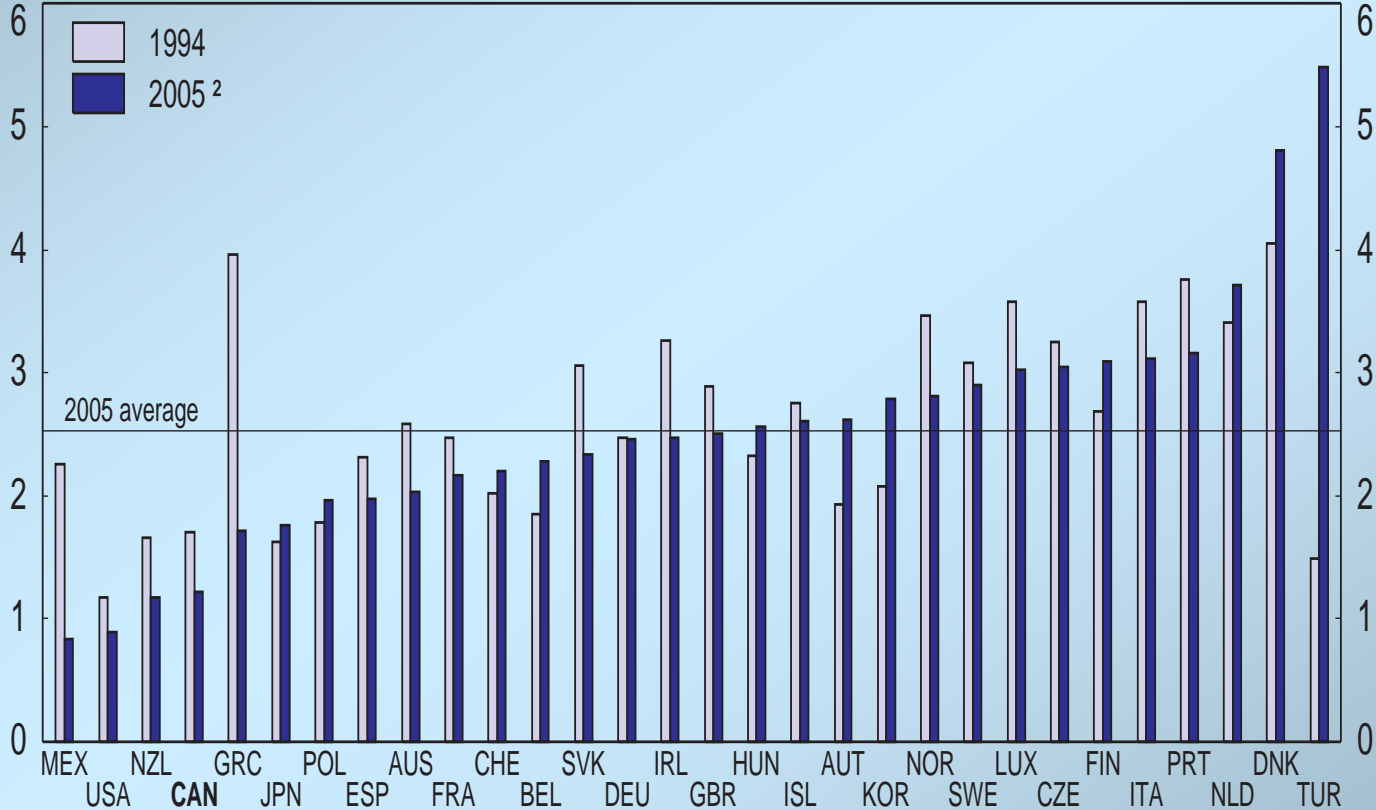


Oil sands effects spill over to the rest of Canada and abroad

	2006	2011	2020	2006
	CAD billion			% of 2006 national GDP
GDP				
Total	44	69	104	3.0
Alberta	32	49	77	2.2
Rest of Canada	7	11	14	0.5
Rest of the world	5	9	13	0.3

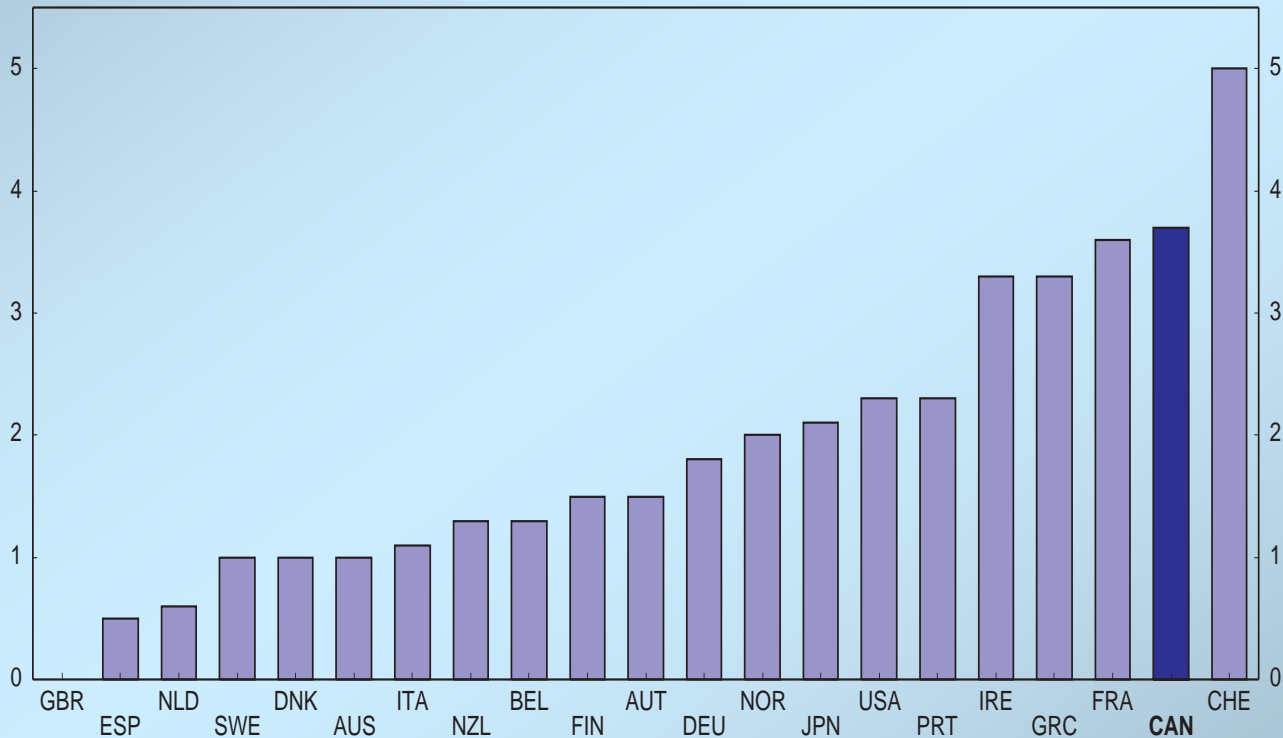
Revenues from environmental taxes are low

Per cent of GDP



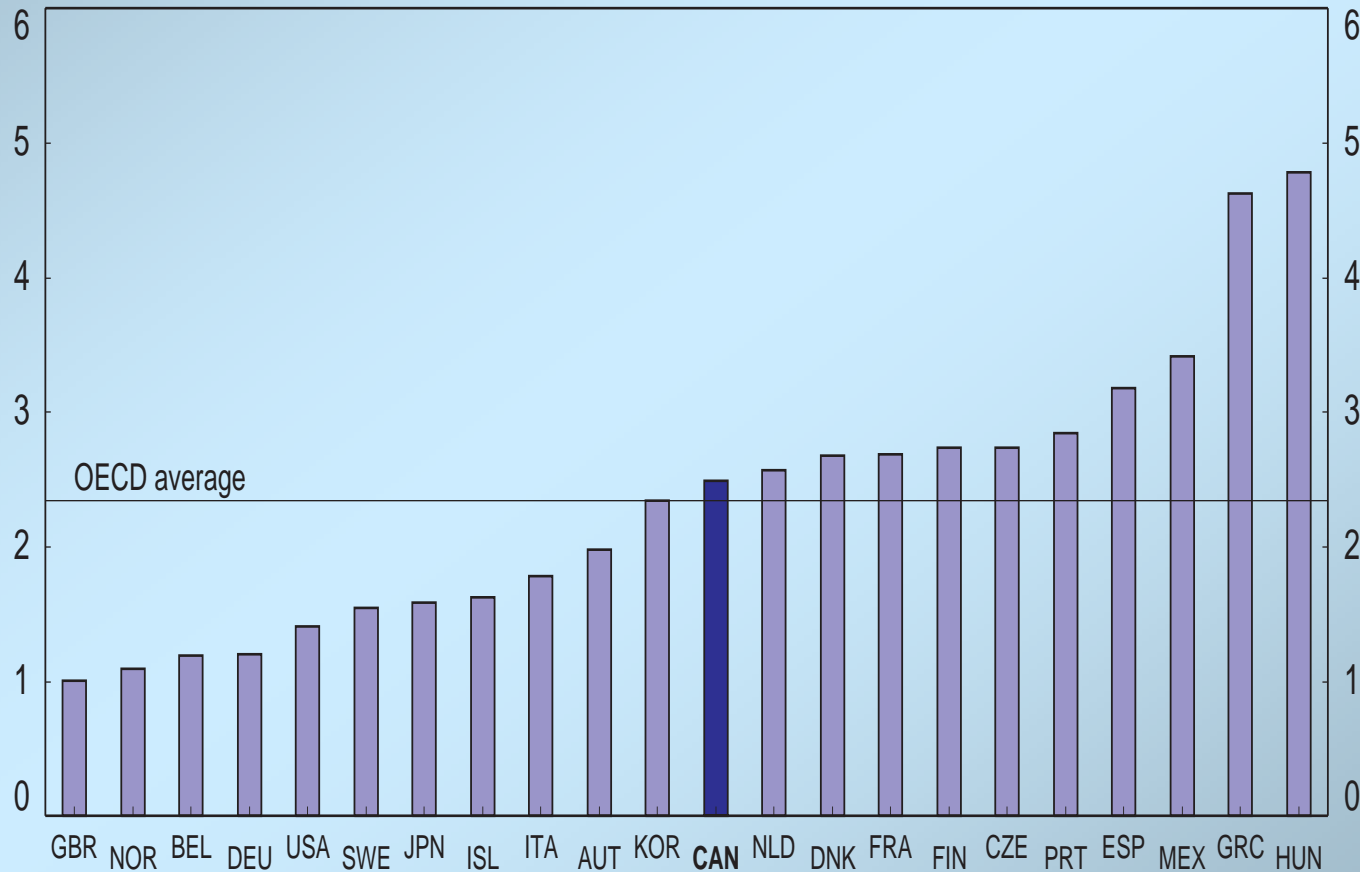
Electricity regulation was restrictive in 2003

The indicator ranges from 0 (least restrictive) to 6 (most restrictive)



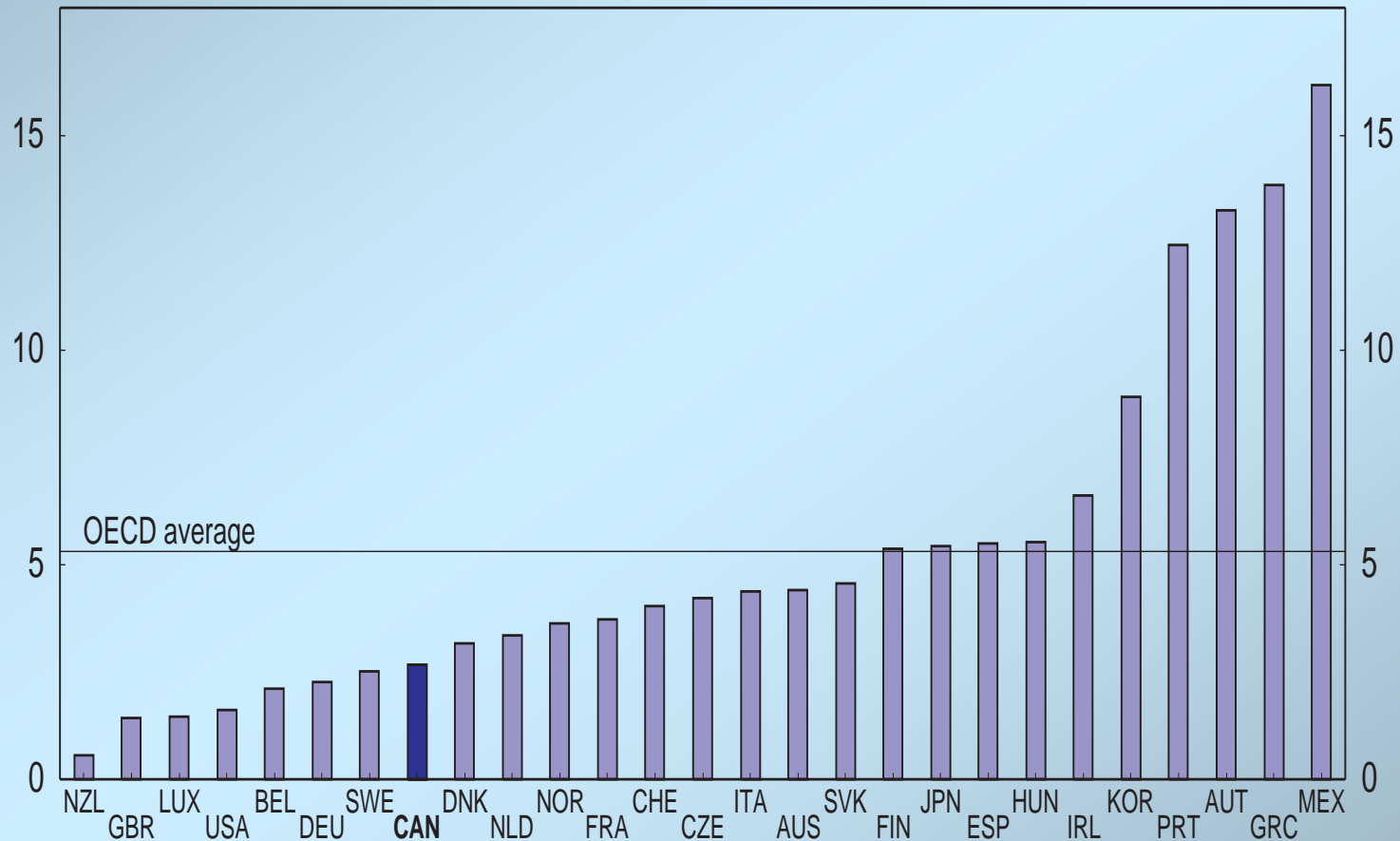
Share of agriculture in total output is average

Average 2000-05 or latest available year



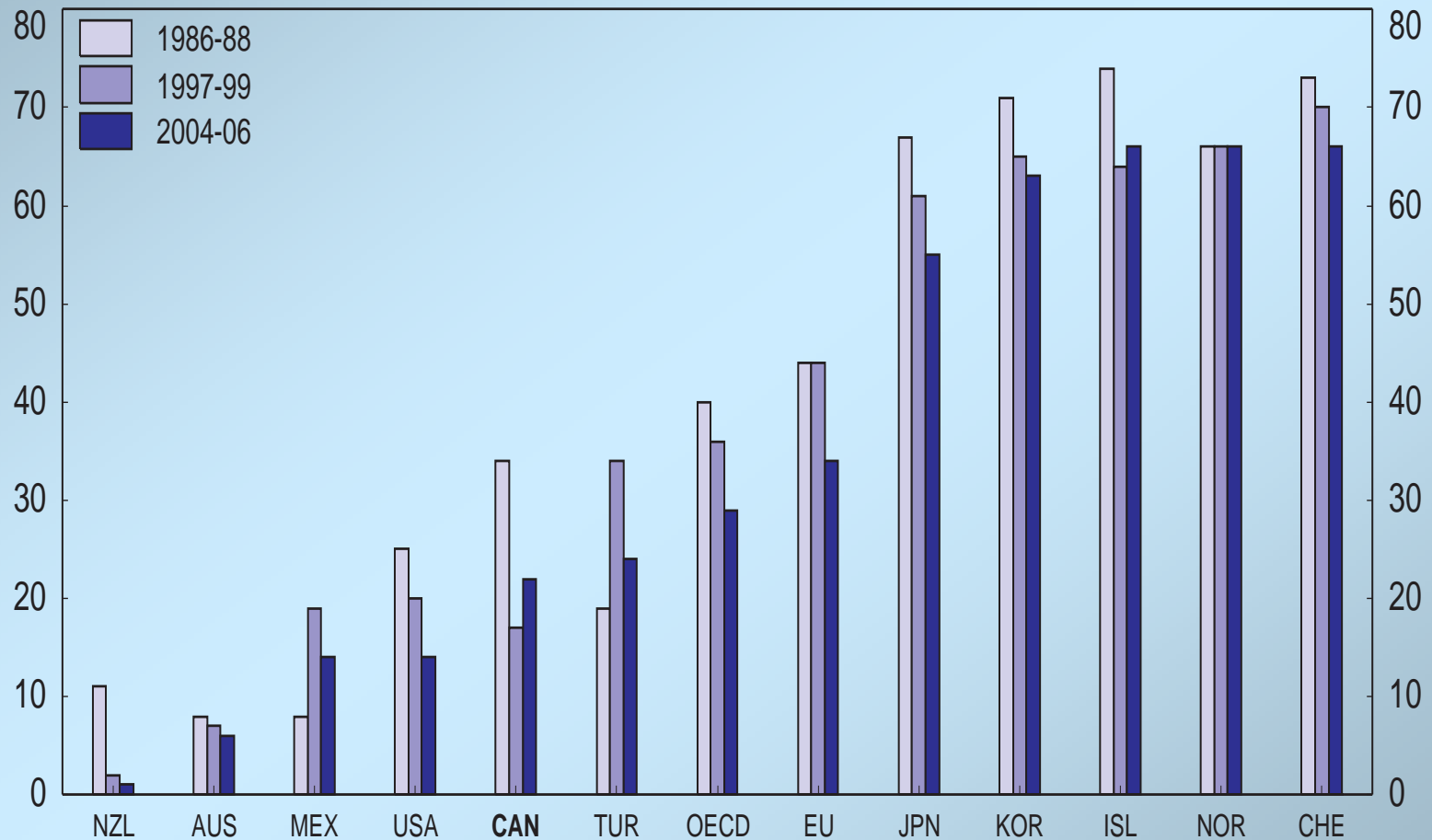
Share of employment in agriculture in total employment is very low

Average 2000-06 or latest available year



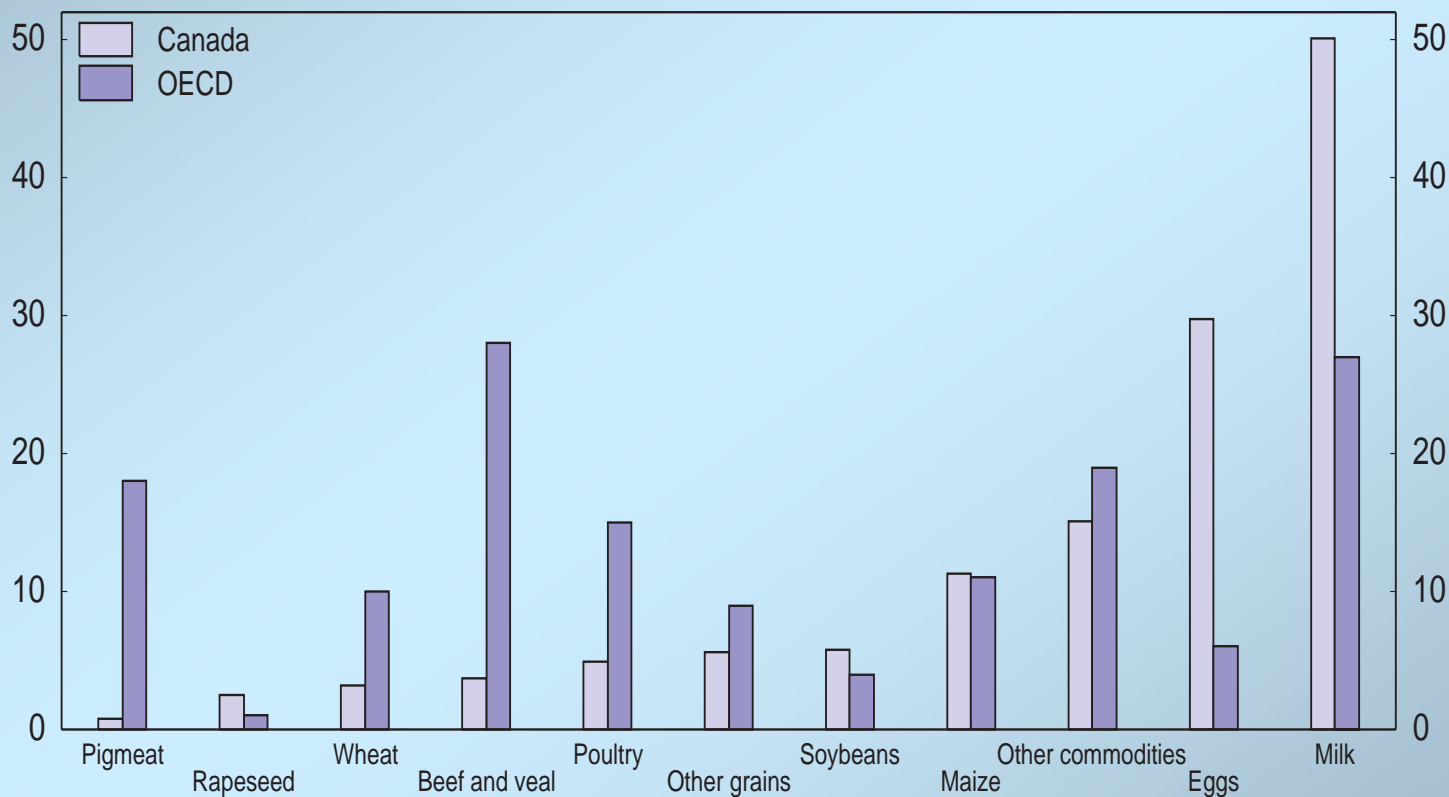
Producer support estimate is low but rising

Percentage PSE



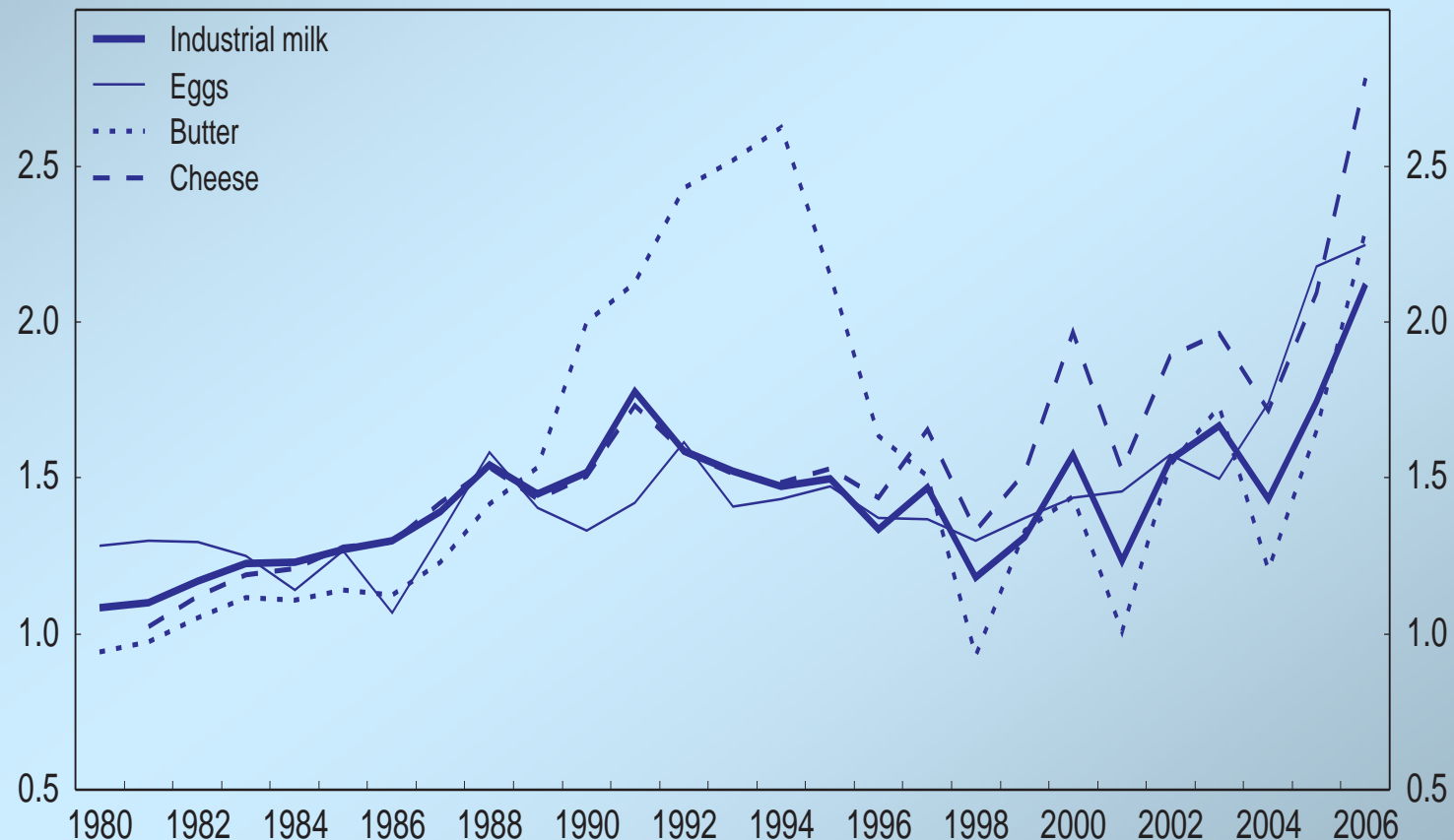
Single commodity transfers are mainly in milk and eggs

Per cent of gross farm receipts, 2004-06

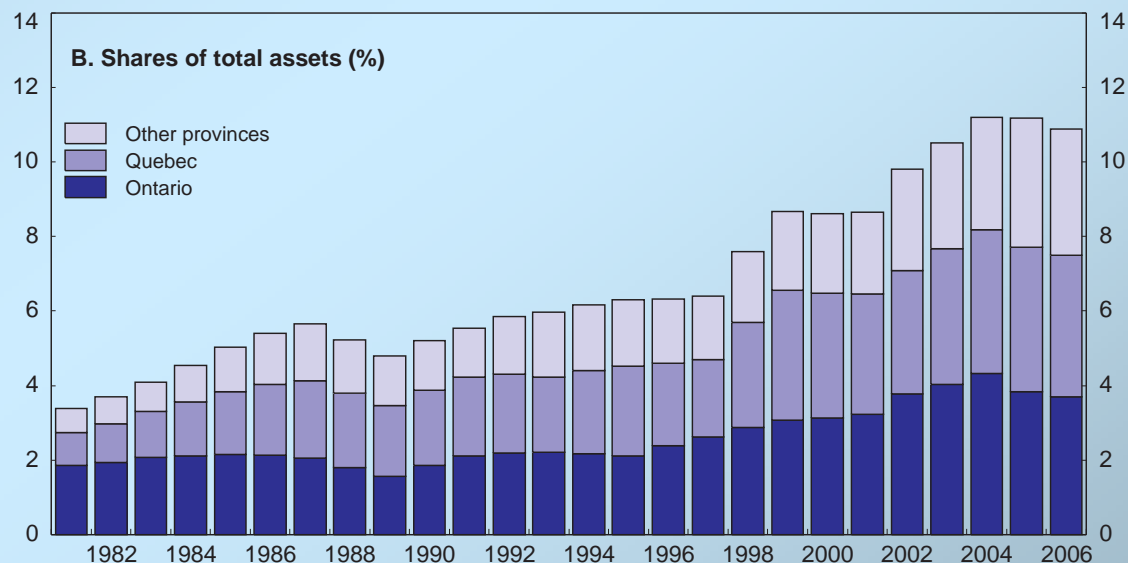
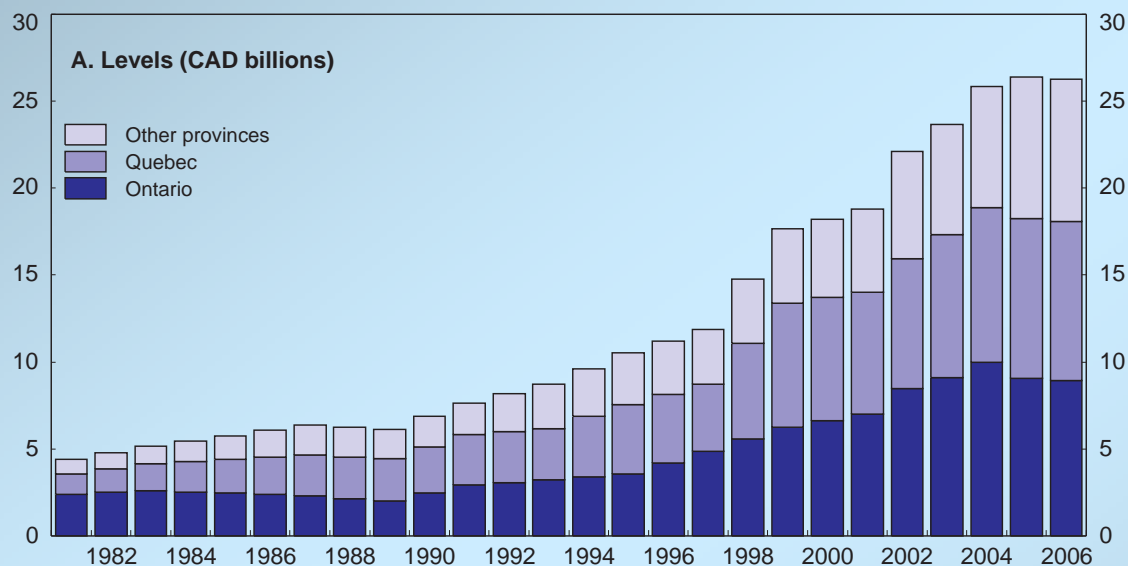


Canadian consumers are paying a high price for supply management

Ratio between Canadian price and the US price

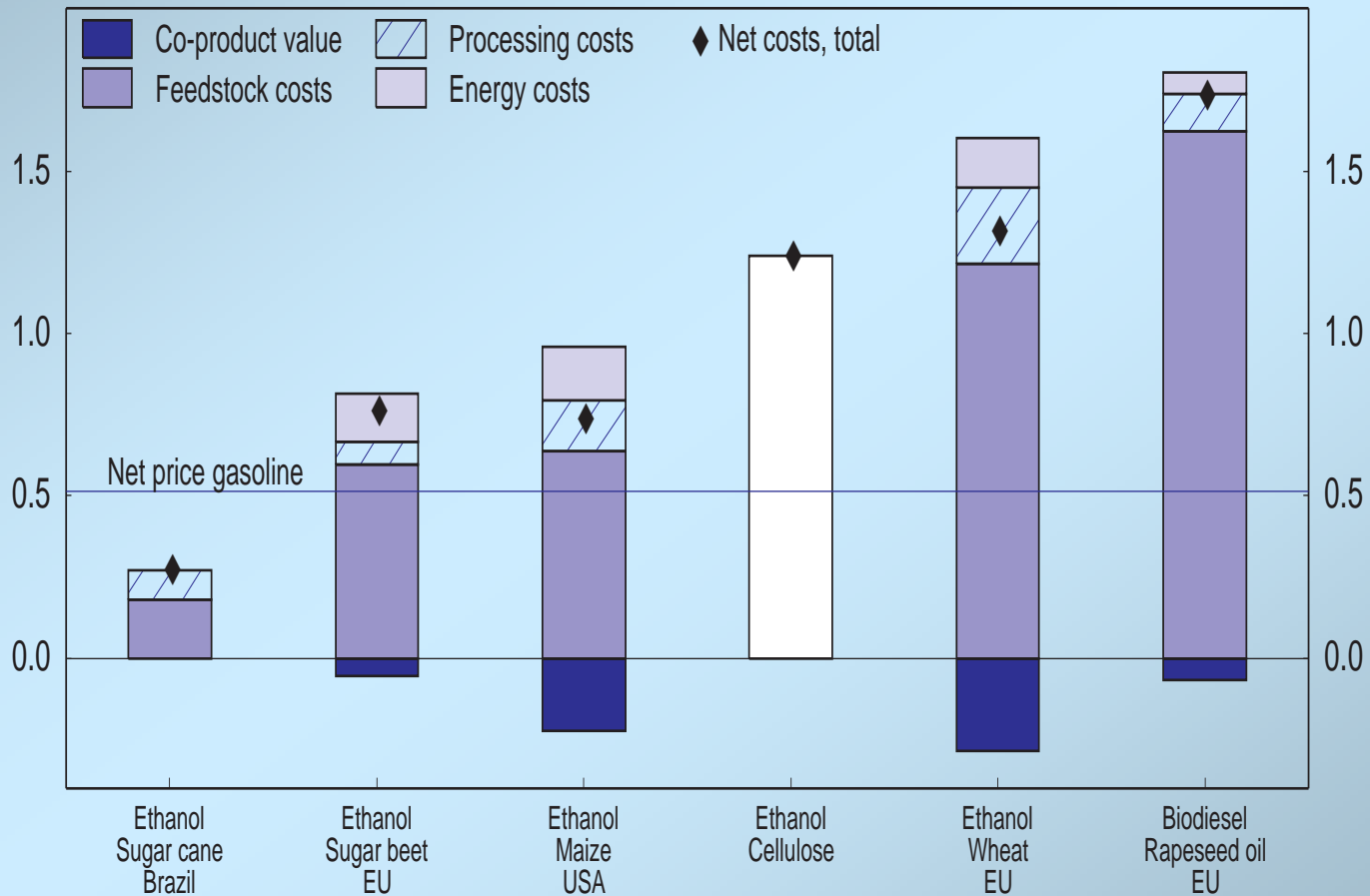


Marketing dairy quota values have surged



World bio-energy production costs vary substantially

2007, US\$ per litre gasoline equivalent



Main policy recommendations

- Save more of commodity-based tax revenue windfall
- Make tax system more neutral and fair, while shifting further to a consumption base
- Put a single national (international ?) price on carbon and end tax preferences to the energy sector
- Stop coddling Canadian farmers : shrink budgetary support and phase out supply management

For an electronic copy of the
Canada Survey go to

www.SourceOECD.org