Canada's Natural Wealth

Highlighting Canada's strong natural resources sector, assessing the economic challenges, and identifying growth opportunities.

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Canadian Chamber of Commerce
Chambre de Commerce du Canada

Business Data Lab
Laboratoire de données sur les entreprises

Contents

Key findings

- Canada is facing significant economic challenges, including declining living standards, regulatory uncertainty, and weak business investment. Simply put, the Canadian economy is struggling and we're not keeping pace with our peer countries.
- The natural resources sector is a powerhouse and should not be overlooked: Canada is blessed with an abundance of resources that support millions of jobs and billions in economic activity.
- The sector can further economic reconciliation efforts by continuing to support Indigenous-owned businesses, equity partnerships, and employment.
- There is an urgent need for balanced regulatory reforms that protect the environment, while enabling economic growth to keep Canada competitive globally.

Executive summary

- **Economic powerhouse:** Canada's natural resources sector contributed $464 billion to real GDP and supported 3 million jobs in 2023, representing 21% of the national GDP and 15% of employment.
- **Exports & trade balance:** The sector generated $377 billion in exports, accounting for nearly 50% of Canada's merchandise exports, and a $228 billion trade surplus—critical for offsetting trade deficits in other sectors.
- **Job creation & productivity:** The natural resources sector accounts for nearly one in seven jobs in the economy, offering annual wages $25K above the national average in 2023. Its productivity is 2.5 times greater than that of the overall economy.
- **Regulatory challenges:** Regulatory uncertainty and underinvestment are impeding growth, with a growing share of firms citing taxes and regulations as a top concern for their business.
- **Opportunities for growth:** Increasing investment in high-productivity sectors, particularly within natural resources, is crucial for boosting Canada's economic well-being and advancing economic reconciliation with Indigenous communities.

Canada’s natural resources: strength in numbers.

$464B 2023
Gross domestic product (GDP)

$158 2023
GDP per hour

$2B 2021
Research and Development (R&D) spending

$45B 2022
Taxes and royalties from oil and gas*

$377B 2023
Exports

Supported
3 million 2023
Jobs

Note: GDP is an estimate of direct, indirect, and induced 2023 GDP in 2017 chained dollars. Jobs are the total estimates of direct, indirect, and induced impacts.
*Taxes and royalties from oil and gas extraction derived from Statistics Canada Table 25-10-0065-01.

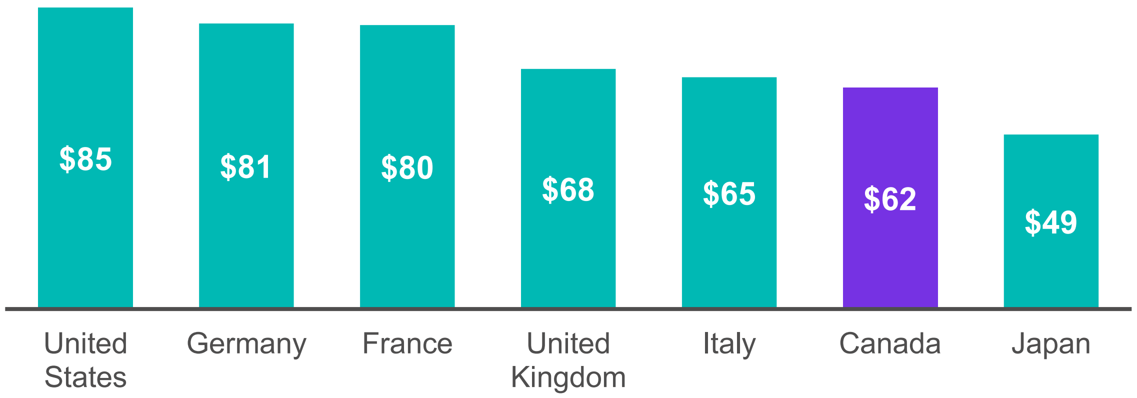
Challenging Context

Canada is in a productivity emergency with declining living standards.

- Canada is the second least productive nation in the G7, well behind the United States. The Bank of Canada recently characterized this situation as an "emergency", with Canada's productivity barely increasing over the past 10 years.
- Labour productivity is the amount of gross domestic product (GDP) created per hour worked. Productivity is closely linked to a country's prosperity and long-term standard of living (GDP per capita). Rising productivity improves wages, lowers prices, and increases tax revenue to support public services.
- The International Monetary Fund recently noted **"boosting Canada's lagging productivity and raising living standards remains the key priority"** in its Article IV economic assessment published on July 16, 2024.
- Recent GDP data reiterated that stagnating productivity has contributed to **the fifth consecutive quarterly decline in GDP per capita.**

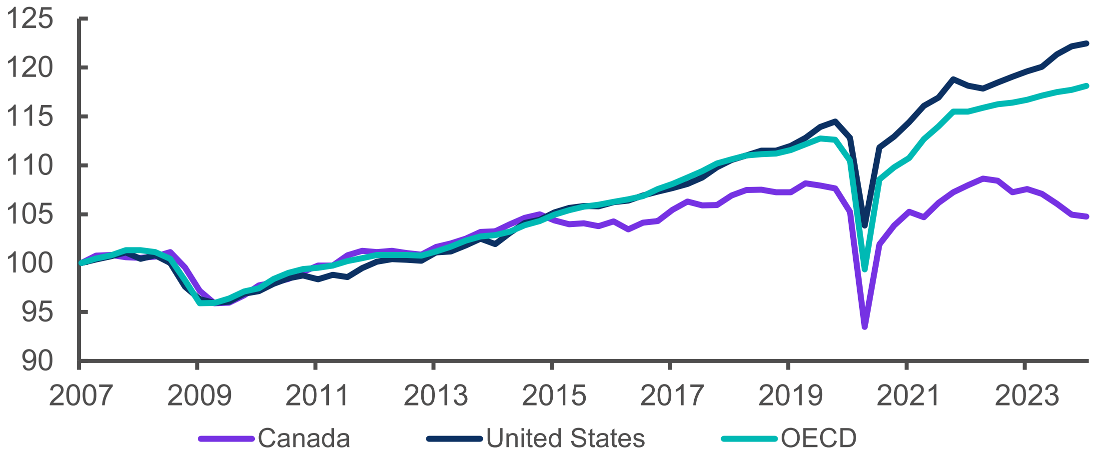
Second lowest productivity in the G7

GDP per hour worked (US 2015 PPP), with international counterparts, 2021



Standard of living not keeping up with international counterparts

GDP per capita, with international counterparts, Index (2007Q1 = 100)



Source: BDL analysis based on OECD data.
Note: PPP is purchasing power parity.

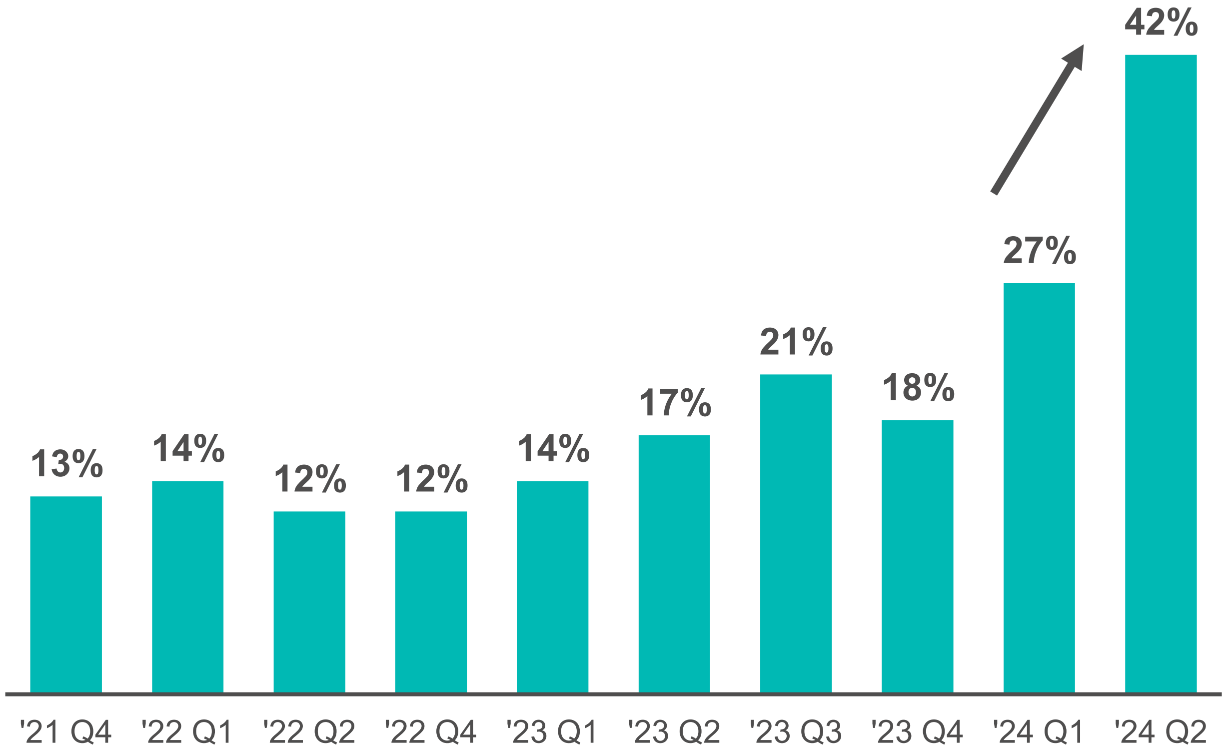
Tax and regulation concerns increasingly a hinderance to investment.

Regulatory challenges hang over Canada's natural resources sector

- The share of firms citing "taxes and regulations" as a top three concern has tripled from 13% in Q4 2021 to 42% in Q2 2024 based on the Bank of Canada's *Leaders' Pulse Survey*.
- Burdensome regulations are causing delays, increasing costs, and creating uncertainty, hindering investment and growth in the natural resources sector. For example, the *Clean Electricity Regulations* have prompted many provincial electricity operators to warn that 2035 compliance is not achievable without risking the reliability of the electricity system, electrification of the broader economy, and economic growth.
- Canadian economist Jack Mintz warns that excessive regulation and high taxes are eroding Canada's competitive advantage and deterring investment at a critical time for the natural resources sector. Some global business activity rankings for Canada:
    - 36th in registering property.
    - 64th in obtaining construction permits.
    - 100th in contract enforcement.
    - 124th in getting electricity hooked up.
- Businesses also cited economic uncertainty and the cost of capital/financing as impediments to growth. Investment is reportedly being concentrated on repairs rather than expansion. There is an urgent need for balanced regulatory reforms that protect the environment, while enabling economic growth to keep Canada competitive globally.

Businesses are indicating heightened levels of concern

Share of firms indicating "taxes and regulations" as a top 3 concern



Sources: *Business Leaders' Pulse Survey* (Q2 2024), Cross and Mintz (2024).
Note: Businesses were asked to identify the most pressing issues in the current quarter.

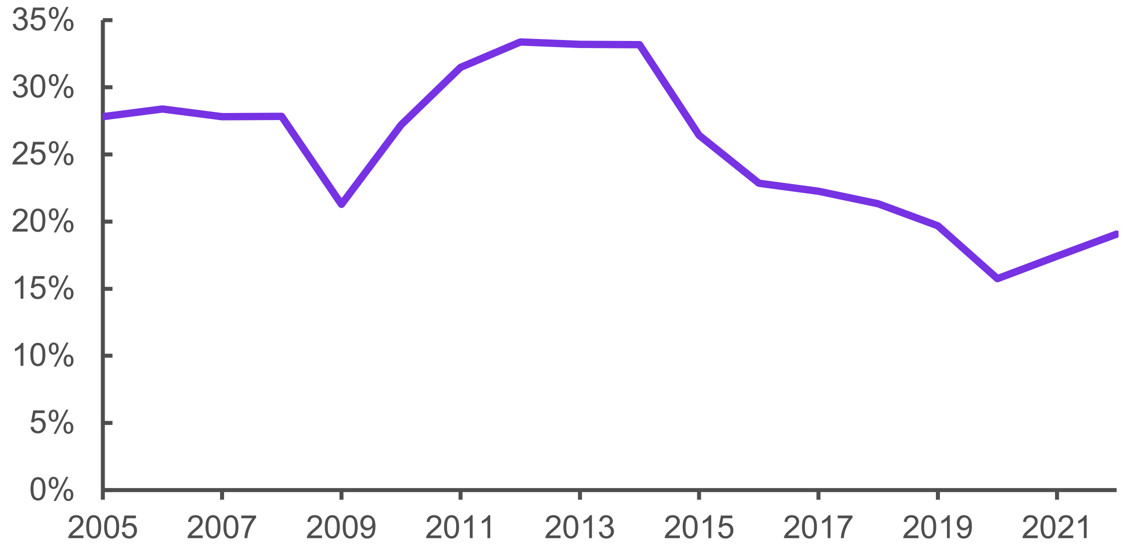
Barriers to investment are holding back growth.

Natural resources investment accounted for over one-third of all investment in 2014, but now accounts for less than one-fifth, as investors shift away from the sector amid regulatory uncertainty.

Investment in key sectors like machinery and equipment is vital to economic growth, equipping workers with new facilities, tools, and innovative technologies. Real business investment per available worker in non-residential structures and machinery and equipment recently declined to 2004 levels. This underinvestment could have serious consequences for economic growth.

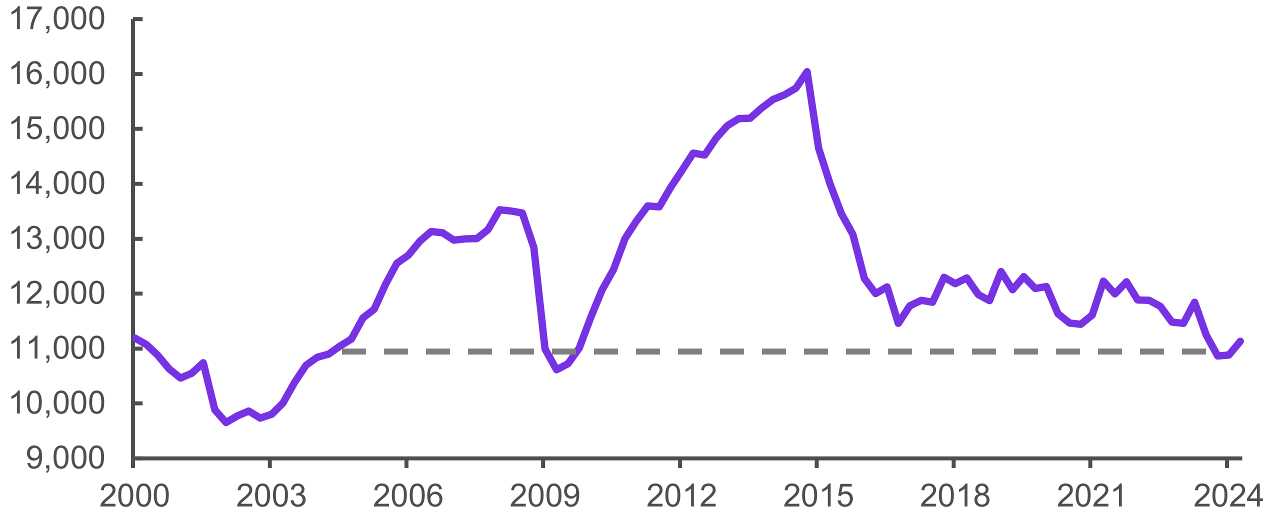
Natural resources investment share declines

Natural resources share of nominal non-residential investment, %



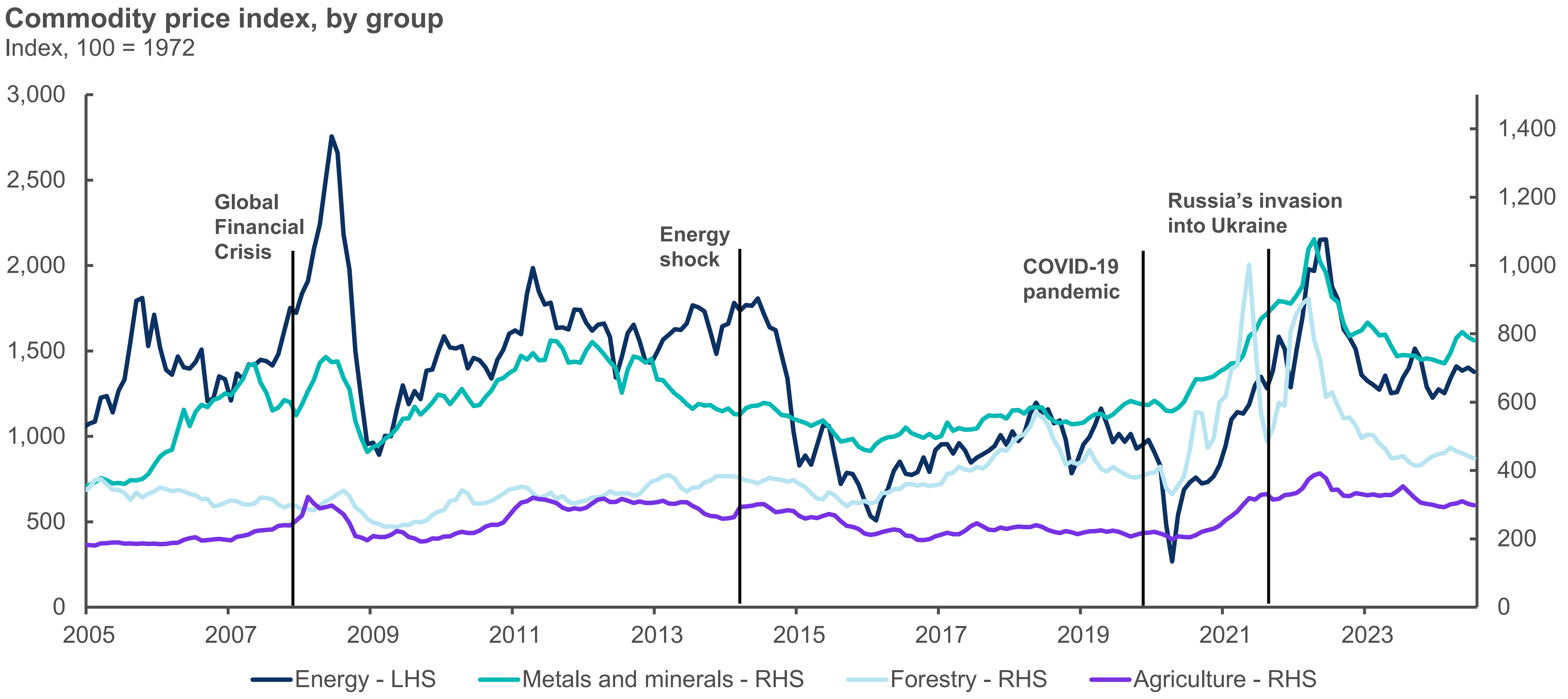
Canada’s workforce not equipped for growth

Real business investment in non-residential structures, machinery and equipment, per available worker



Sources: BDL analysis based on Statistics Canada Tables 36-10-0096-01, 14-10-0223, and 36-10-0108.
Note: Real business investment in 2017 Canadian dollars.

The natural resources sector faces global commodity price volatility. Investment hasn't increased despite a recent rise in energy prices.



Source: Bank of Canada *Commodity Price Index.*
Note: LHS – left hand side, RHS – right hand side.

Canada’s Economic Strengths

Natural resources economic impact.

Direct

$213B
969K jobs

Indirect

$171B
1.3M jobs

Induced

$79B
730K jobs

Total

$464B
3M jobs

Direct economic impact: This is the immediate effect of activities within the natural resources sector, such as jobs created, wages paid, and revenue generated by companies involved in extracting or processing natural resources.

An oil company drills a new well, creating jobs for engineers, drill operators, and other staff. The wages paid to these workers and the revenue from selling the oil are the direct economic impact.

Indirect economic impact: The secondary effects on the economy due to the increased demand for goods and services from suppliers that support the natural resources sector.

A farm growing wheat needs seeds, fertilizers, and irrigation systems. The suppliers of these agricultural inputs generate revenue and pay their employees.

Induced economic impact: This is the ripple effect created when workers in the natural resources sector and related industries spend their earnings in the broader economy.

Loggers and employees of supporting businesses spend their income in local shops, restaurants, and on housing. This spending stimulates further economic activity.

Note: 2023 Canadian GDP estimates in 2017 chained dollars.

Natural resources overall economic impact.

The Canadian Chamber of Commerce estimates that the natural resources sector supported $464 billion in real Canadian GDP and 3 million jobs in 2023.

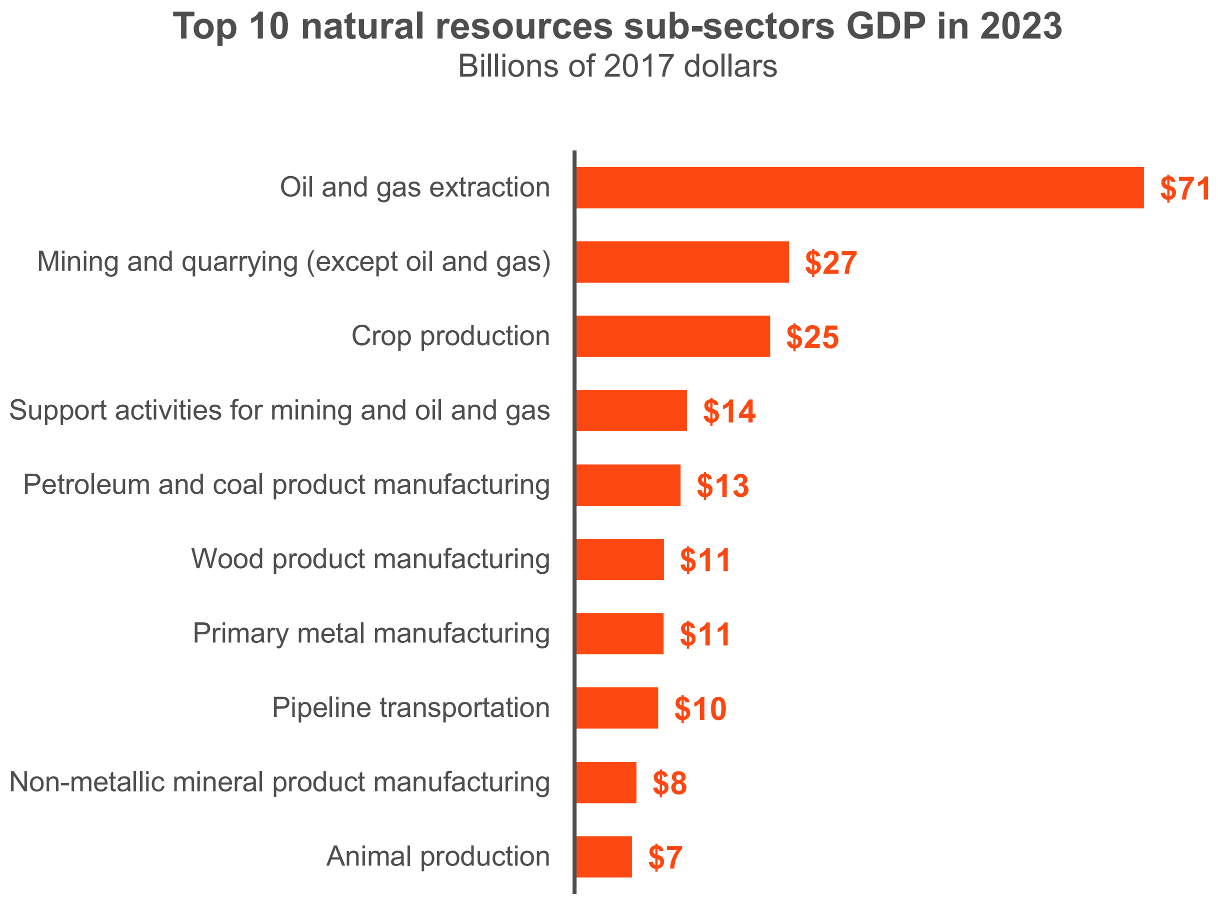
- This represents nearly 21% of national GDP and 15% of employment.
- Within the natural resources sector, mining, oil and gas, and pipeline transmission represents 45% of all GDP impact coming from the sector.
- Every $1 million in economic output supports nearly 6 jobs (direct, indirect and induced), slightly higher than the overall economy which contributes nearly 5 jobs per $1 million spent.
- Of the total employment impact, direct economic impact accounts for 32% of jobs, indirect impact represents 44% of jobs, and induced impact represents 24% of jobs, highlighting how natural resources support other industries in the supply chain.

The resource sector heavily relies on inputs from the services sector, creating a vital, but often overlooked connection between services, primarily based in urban areas, and resources, primarily extracted in rural regions.

Simulations in Cross and Mintz (2024) show the resource sector increases its demand for financial services by $6.8 billion, encompassing activities like raising capital for expansion and managing more complex financial transactions. This interdependence highlights the crucial role that urban-based service industries play in supporting resource development in remote areas.

Sources: BDL analysis based on Statistics Canada I-O tables, Cross and Mintz (2024).
Note: 2023 GDP in 2017 Canadian dollars.

Natural resources are Canada's largest sector after real estate...



Source: BDL analysis from Statistics Canada Table 36-10-0434-03.

...paying $25K more in wages than the average and supporting 3M jobs.

Natural resources supported 3 million jobs in 2023.

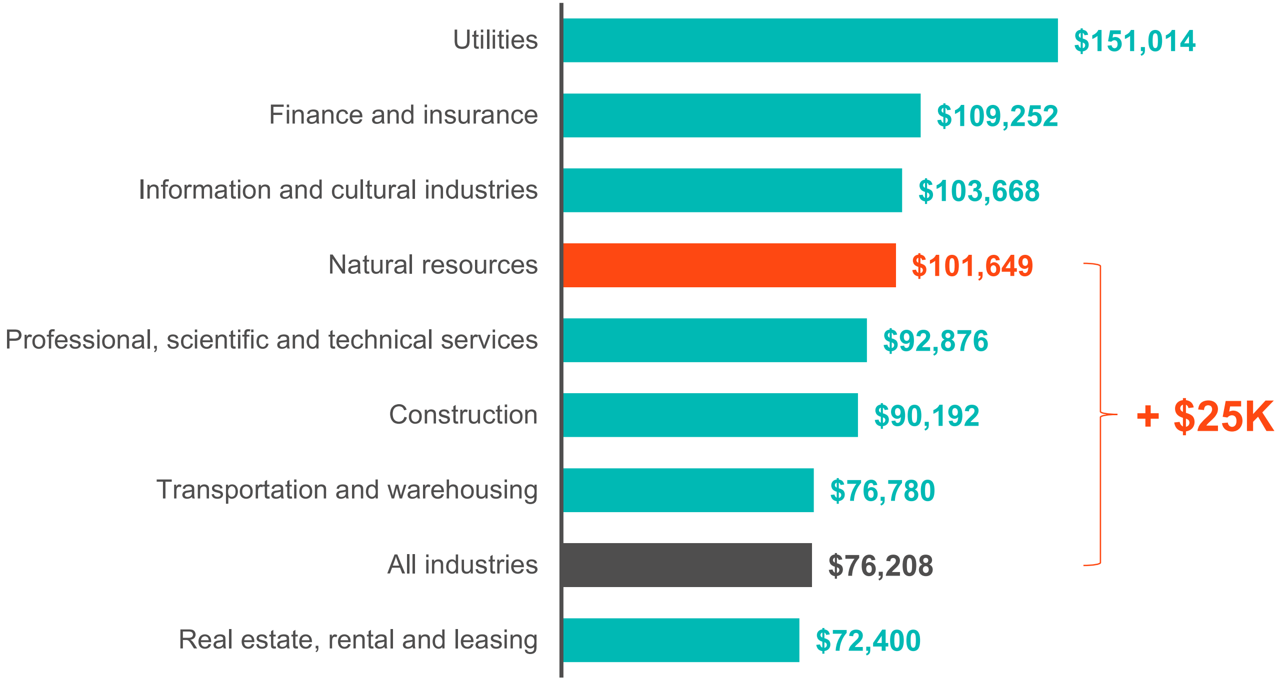
Representing 15% of Canada's total employment.

2x

The average share of Indigenous workers.

Natural resources among the highest compensation

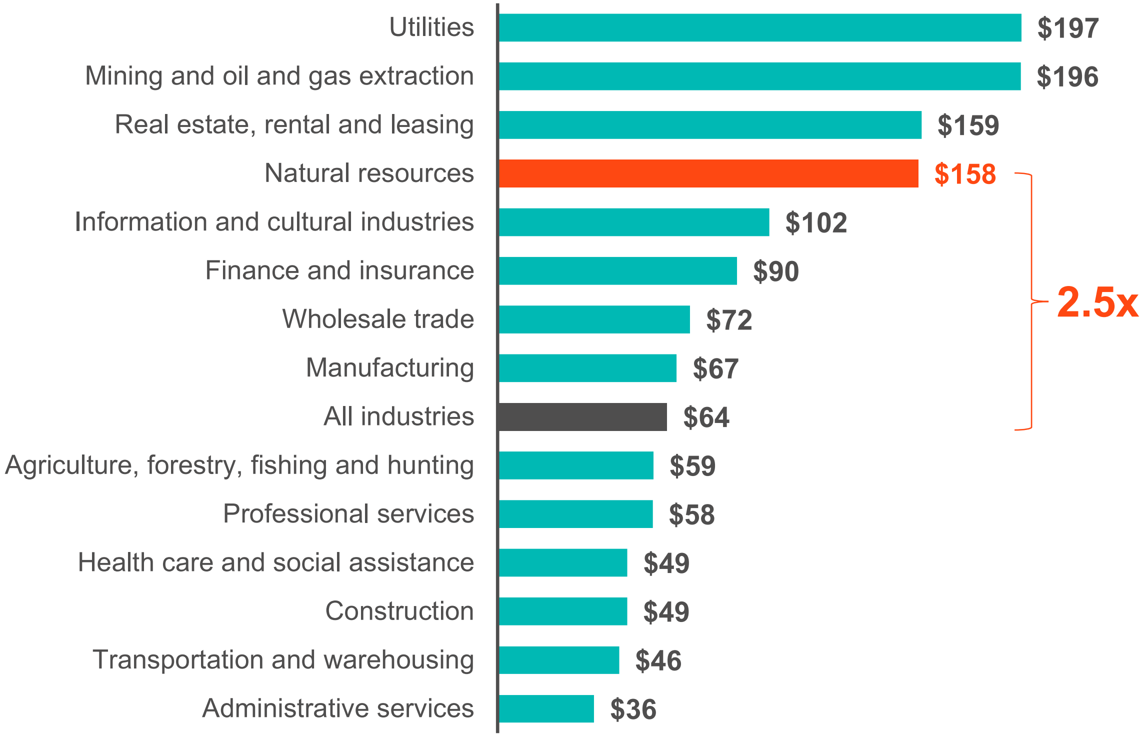
Select industries, average annual compensation per job



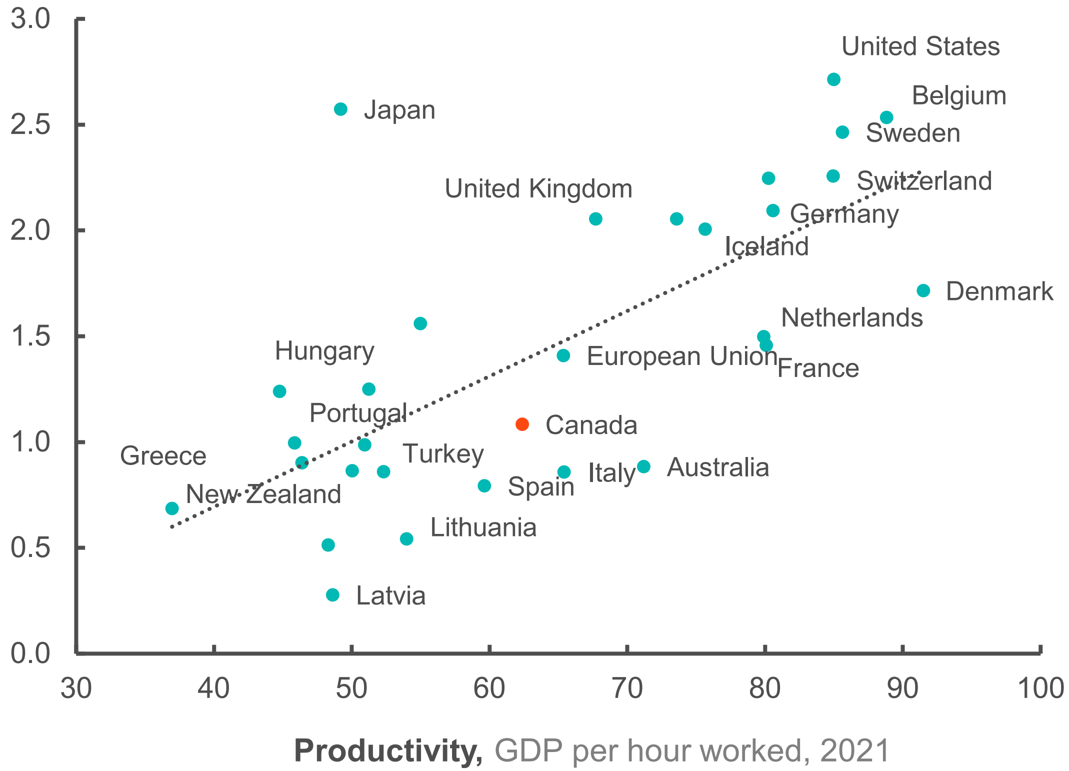
Source: BDL analysis based on Statistics Canada Table 36-10-0480-01 and I-O tables.
Note: Job estimates include direct, indirect, and induced impact.

Natural resources workers are 2.5 times more productive than the national average.

Productivity by industry in 2023
Real GDP per hour worked (2017 dollars)



Business Spending on Research and Development (R&D)
Percent of GDP (%), 2021



Sources: BDL analysis from Statistics Canada Tables 36-10-0480-01 and 27-10-0341-01, OECD.

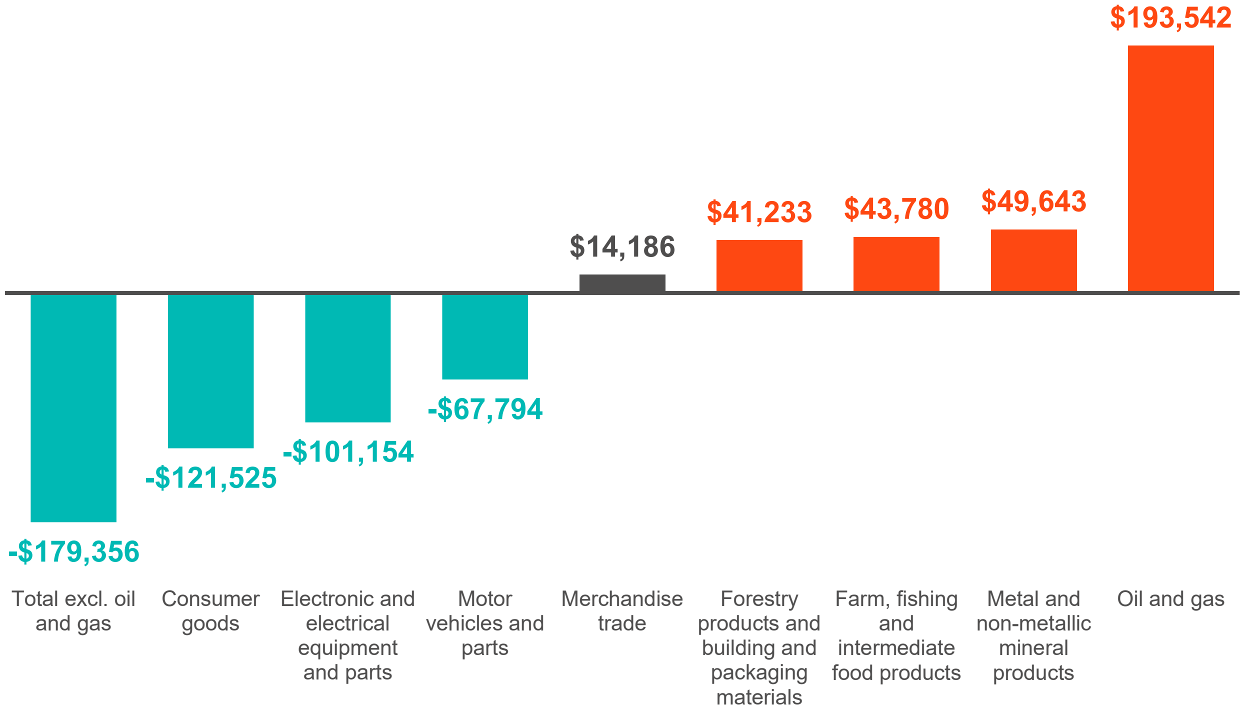
Canada is a trading nation with natural resources representing nearly 50% of Canada's goods exports.

Natural resource exports: A key strength for Canada

- Canada is a trading nation. Without the natural resources sector, Canada's trade balance would be **in a $214 billion deficit position.** Demand for the Canadian dollar would be much weaker relative to the U.S. dollar, deteriorating Canada's purchasing power and increasing the cost of imports. Given our trade deficits in other major products, that would take a hit to a major economic engine for the country.
- More than two-thirds of Canadian GDP is attributed to international trade. Natural resources exports totaled $377 billion in 2023, representing nearly 50% of merchandise exports and are the only major sector in Canada with a trade surplus, primarily driven by energy. The sector's $228 billion surplus is essential for offsetting trade deficits in other merchandise, making natural resources a cornerstone of Canada's export earnings and economic stability.
- Unlike other sectors, natural resources in Canada use fewer imported inputs, meaning the value added from natural resource exports often surpasses the overall trade value.

Canada's trade balances

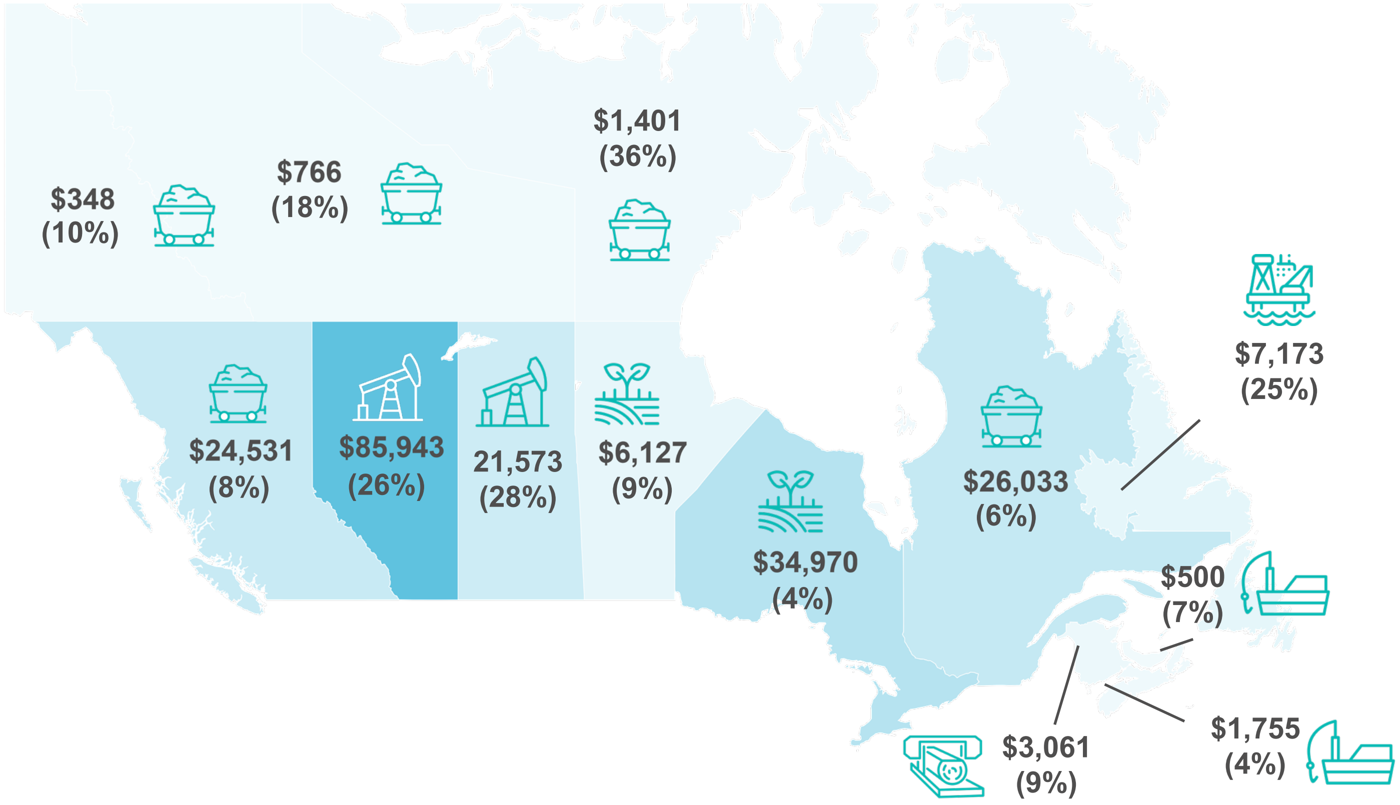
2015-2023 cumulative net trade position for select NAPCS products, millions of Canadian dollars



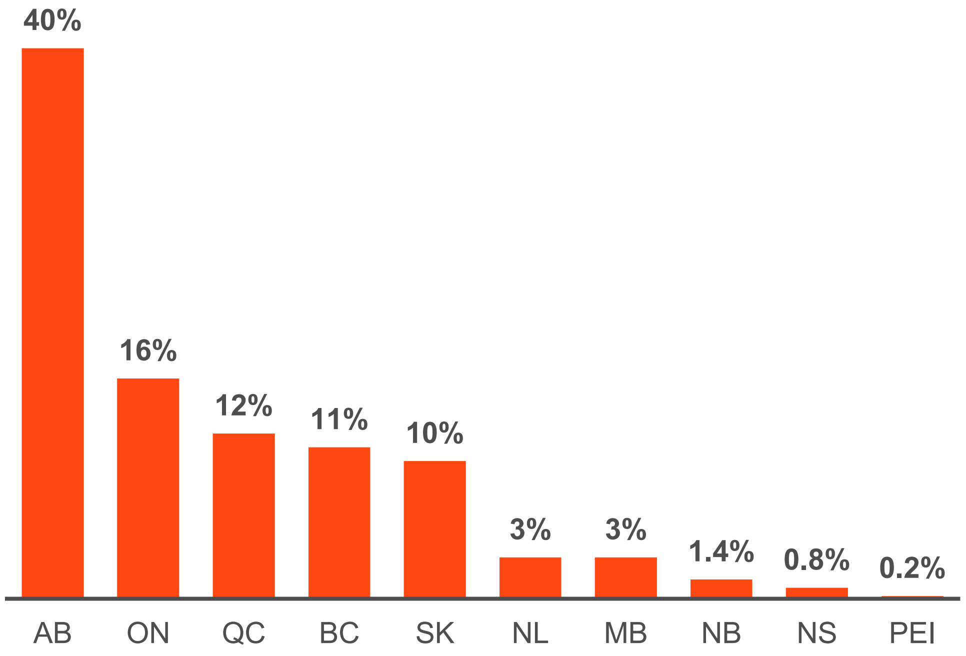
Sources: BDL analysis based on Statistics Canada Table 12-10-0164-01 and Trade Data Online, Cross and Mintz (2024).
Note: North American Product Classifications (NAPCS).

Many diverse natural strengths across the country.

Natural resources GDP in 2023, by province and territory
Millions of 2017 dollars (share of provincial GDP)



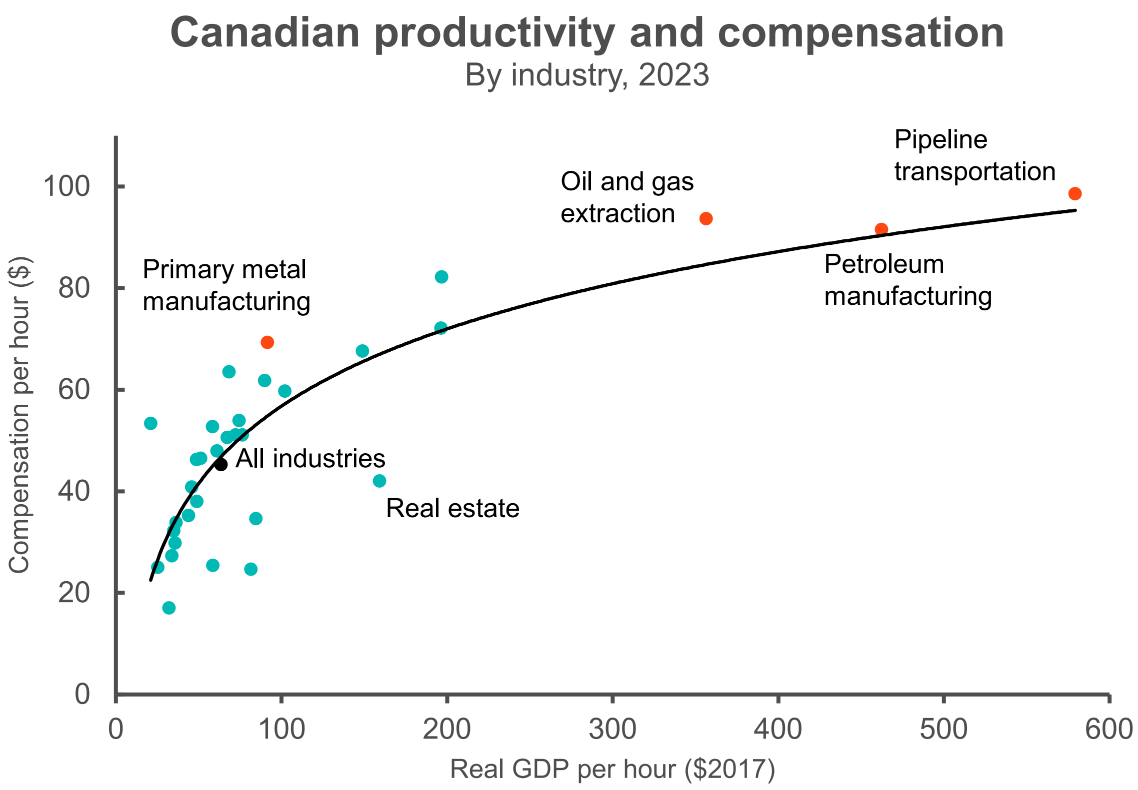
Ontario and Quebec make up over a quarter of natural resources GDP
Contributions to Canada's natural resources GDP in 2023 (percent of total)



Sources: BDL analysis based on Statistics Canada tables 36-10-0402-01 and 36-10-0434-03.

Opportunities for Canada

Productivity raises incomes and increases national wealth.



- Increasing labour productivity is linked to higher wages and economic growth. The natural resources sector, especially oil and gas extraction is a productivity powerhouse (averaging $356 GDP/hour) with high compensation for its workforce (averaging $94/hour).
- Recent research by Canadian economist Trevor Tombe shows that excluding the oil and gas sector, Canada's productivity would be lower by 5% ($56 GDP/hour vs. $59 GDP/hour). This would result in the economy being $150 billion smaller annually, with the average Canadian worse off by $3,700.
- To sustain and enhance productivity, there is a critical need for increased investment in high-productivity sectors, particularly those within natural resources to improve Canada's economic well-being.
- Given the natural resources sector enjoys higher-than-average Indigenous workforce participation, adding further opportunities for Indigenous peoples can advance economic participation.

Sources: BDL analysis using Statistics Canada Table 36-10-0480-01, (Tombe 2024).
Note: Labour productivity and compensation per hour chart uses North American Industry Classification System (NAICS) at the two-digit level and includes industries in the natural resources definition at the three-digit level.

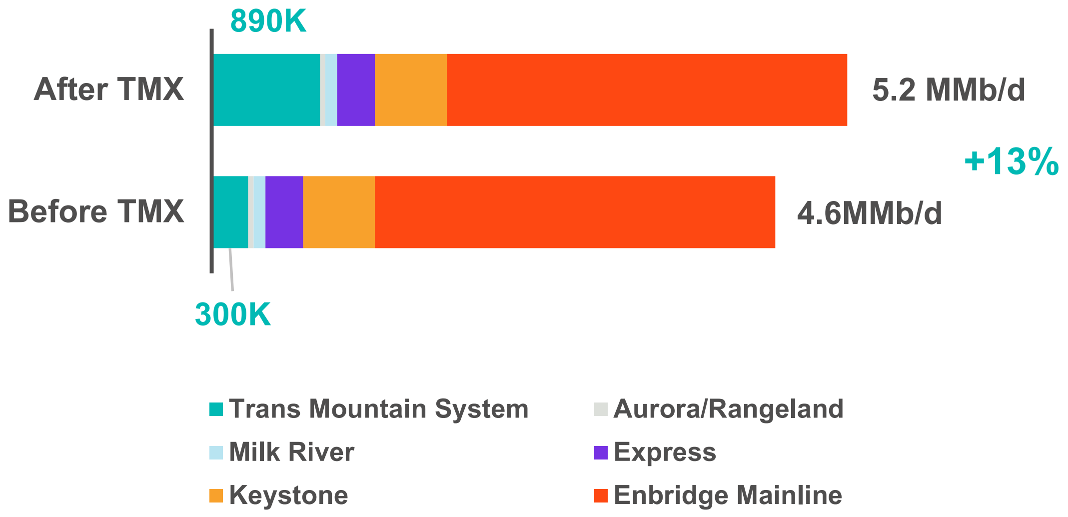
Trans Mountain pipeline opens diversification opportunities.

The Trans Mountain Expansion project (TMX), which spans from Edmonton to Burnaby, will add 590,000 barrels per day in crude oil export capacity to the Canadian pipeline system.

- Over 85% of Canadian crude oil is exported by pipeline, presenting further opportunity for Canadian energy to expand access to overseas markets and improve the current WCS price discount to other benchmark prices.
- This expansion also provides an opportunity for Canadian suppliers to meet the increasingly robust demand from the U.S. Canada's energy system can now meet the opportunity to displace oil from geopolitically unstable countries with poor human rights records.
- Desjardins Economics noted in a recent report that TMX has already boosted net exports and will provide further support to GDP. Although more time is needed to assess the ultimate impacts, this project can help attract further business investment opportunities in 2025 and beyond.

60% of 2023 crude oil imports to the U.S. were from Canada.

Canada's pipeline capacity
Millions of barrels per day (MMb/d)



Sources: BDL, EIA, Desjardins Economic Studies, Globe and Mail, CER (Pipeline capacity), CER (Rail shipments)

Indigenous opportunities through economic reconciliation.

The importance of Indigenous economic participation.

Economic empowerment: Indigenous economic participation in natural resource projects represents a critical avenue for economic self-determination, allowing communities to generate long-term revenue, create jobs, and invest in social infrastructure. This can include procurement of goods and services from Indigenous-owned companies, and Indigenous equity ownership in natural resource projects.

Strengthening business-to-business relationships: Economic participation fosters collaboration, respect and mutual benefit, and supports nations in self sustainability. The natural resource sector in Canada purchases billions of dollars from Indigenous businesses to service the supply chain. The Canadian Association of Petroleum Producers (CAPP) estimates that the oil and gas sector procures over $2 billion per year from Indigenous businesses, reaching $2.6 billion in 2019.

Equity partnerships: By involving Indigenous peoples as partners rather than stakeholders, equity arrangements contribute to the broader goals of reconciliation, recognizing the rights and title of Indigenous communities over their traditional lands. TC Energy announced on July 30, 2024, the largest Indigenous equity ownership agreement allowing 72 Indigenous communities to acquire a 5.3% equity interest in NGTL System and Foothills Pipeline assets for $1 billion.

Equity ownership

The Federal Budget 2024 introduced the Indigenous Loan Guarantee Program (ILGP) as a strategic initiative to enhance Indigenous participation in major resource and infrastructure projects across Canada. The ILGP offers up to $5 billion in loan guarantees, providing eligible Indigenous groups with improved access to financing on more favourable terms. By lowering financial barriers, the program seeks to increase Indigenous equity ownership in natural resource and energy ventures, thereby fostering economic reconciliation and empowering Indigenous communities to secure a greater share of Canada's resource wealth.

The program is designed to be inclusive, recognizing Indigenous governments and their wholly owned and controlled entities as eligible applicants. It is sector-agnostic, supporting a wide range of natural resource and energy projects to prioritize economic reconciliation and self-determination. By backing projects nationwide, the ILGP ensures that Indigenous communities across Canada can benefit from economic opportunities aligned with their development priorities, contributing to long-term community development and prosperity in the natural resources sector.

Sources: Canada Development Investment Corporation, TC Energy, CAPP.

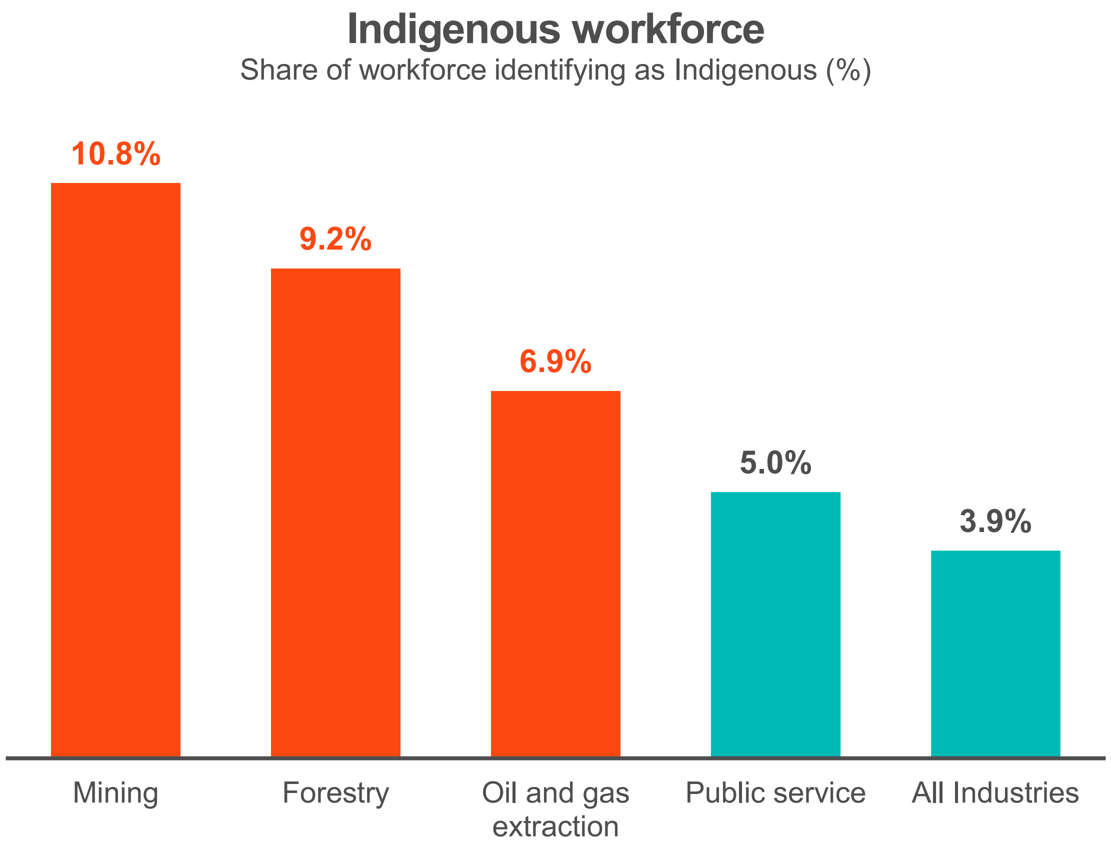
Indigenous employment can be a step forward in reconciliation.

- The 2021 Census shows that only half (49%) of the Indigenous adult population attained a post-secondary education (i.e. college, CEGEP, non-university diploma). The natural resources sector employs nearly twice the national average share of Indigenous workers, providing well-paying jobs that contribute to reconciliation with Indigenous communities. The sector can play a role in closing the skills gap and improve the Indigenous employment rate, which is 61%, compared with the national average of 74%.

- The Indigenous community in Canada earns almost three times more in wages working in the oil and gas extraction sector than the average Indigenous worker ($140,400 vs $51,120), almost twice as much working in mining ($93,600), and above-average in forestry ($56,100).

- Surveys conducted by the Indigenous Resource Network in 2021 and 2022 show that 65% of Indigenous respondents support natural resources development. Rural communities have higher levels of support as the sector provides remote communities with economic opportunities.

- **Deloitte estimates increased labour participation from underrepresented talent, such as Indigenous peoples, would increase average real GDP growth by 0.8%.**



Sources: Indigenous Resource Network, Statistics Canada Research, Deloitte, MacDonald-Laurier Institute.

Charting a Path Forward

Unlocking the sector's potential by advancing policy reforms.

Policy recommendations to support economic growth and advance opportunities in the natural resources sector:

1. **Adopt a comprehensive Canadian natural resources strategy:** Develop a national strategy that prioritizes and promotes the sustainable development and export of Canada's natural resources, ensuring alignment with environmental goals while maximizing economic benefits.

2. **Accelerate economic reconciliation with Indigenous communities:** Continue to encourage partnerships with Indigenous communities to advance key energy and critical mineral projects in support of economic reconciliation. This approach should include financial incentives (for both corporations and Indigenous groups) to encourage equity participation, access to financing, streamlined regulatory processes, co-administration agreements, and capacity-building to ensure long-term success, stewardship, and shared prosperity.

3. **Prioritize efficient, timely, and predictable regulatory approval processes:** Canada must enhance its regulatory framework by streamlining approval processes to be more efficient, timely, and predictable. For the *Impact Assessment Act* specifically, this includes minimizing approval processes and timelines, deferring to provincial regulators where appropriate, eliminating political interference in regulatory decision-making, and ensuring the scope of jurisdiction of the Act is clear and constitutionally sound.

Unlocking the sector's potential by advancing policy reforms.

Policy recommendations continued:

4. **Promoting Policy Stability:** An unstable and rapidly evolving policy environment gives rise to uncertainty and incremental cost pressures that discourage industry investment. The sheer number of environmental/economic policy reforms with potentially negative impacts being considered and advanced by the federal government has made investing in Canada a riskier and more costly proposition. Key examples include increases to federal industrial carbon pricing and stringency, the Clean Fuel Regulations, extended timelines for developing investment tax credits (ITCs), proposed Clean Electricity Regulations, and the proposed federal emissions cap and methane regulations.

5. **Expedite delivery and practicality of investment tax credits:** Accelerate the delivery of the full suite of ITCs, to support major decarbonization, clean technology, mining, and manufacturing projects, while extending eligibility timelines. Canada must make these incentives clear, accessible, and swiftly actionable to remain competitive with the U.S. and other leading economies. Any delay or complexity in accessing these credits could jeopardize Canada's position in the global clean energy race. Moreover, the timelines for accessing the full value of the ITCs should be extended, with further flexibility built in to accommodate unanticipated and uncontrolled delays that may arise due to labour shortages or supply chain constraints.

6. **Prioritize the economic competitiveness of Canada's natural resources industry.** Our natural resource industries compete on a global scale, and Canada's tax and fiscal policies need to be competitive with those of our major trading partners. In particular, the federal government should ensure its clean technology incentives, taxation policies, and carbon pricing framework are comparable with those of the U.S., and do not unnecessarily expose industry to trade barriers or create disincentives for investment. The cost of doing business in Canada should not be significantly higher than the U.S. because of policy or regulatory costs.

Unlocking the sector's potential by advancing policy reforms.

Policy recommendations continued:

7. **Commit to long-term investment through a Canada trade infrastructure plan:** Develop a Canada trade infrastructure plan to ensure long-term investment in infrastructure required for the efficient and reliable import and export of goods, vital to the growth of the Canadian economy. Canada must build and maintain trade infrastructure that reliably and efficiently transports goods to and from markets, including roads, ports, and energy transmission lines that are essential for accessing remote resource-rich areas. Strengthening domestic and international trade corridors will solidify supply chains and establish Canada as a reliable business partner.

8. **Strengthen global trade relationships:** Diversify Canada's resource export markets by negotiating new trade agreements and reinforcing existing ones, particularly with emerging economies, to reduce dependency on a few markets and increase economic resilience.

9. **Promote public awareness and support for resource development:** Launch a national campaign to educate the public on the importance of the natural resources sector, highlighting its role in Canada's economy, energy security, and technological innovation while countering misinformation.

Appendix

Defining the natural resources sector.

Canada's natural resources sector is a major contributor to the Canadian economy, driving job creation, growth and regional development. The significant resource endowments of arable land, forests, and non-renewable resources generates significant revenues through exports, contributes to Canada's GDP, and play a pivotal role in supporting the livelihoods of Canadians, particularly in rural and Indigenous communities.

This analysis is based on Statistics Canada's Natural Resources Satellite Account definitions using three-digit NAICS levels (excluding utilities) and covers the following sectors:

1. **Minerals and Metals:** Canada is one of the world's leading producers of minerals and metals, including uranium, potash, gold, nickel, copper, and zinc. These resources are essential for various industries, including construction, manufacturing, technology, and agriculture.
2. **Energy Resources:** Canada is rich in energy resources, including oil and natural gas. The country is one of the largest energy exporters, particularly from the Western Canadian Sedimentary Basin.
3. **Forestry:** Canada's vast forests, which cover nearly 40% of our land area, are a critical component of the natural resources sector. These forests provide timber, pulp, and paper products and play a crucial role in in the sector.
4. **Agriculture and Aquaculture:** Canada's fertile land and long coastlines support a robust sector, producing a wide range of crops, livestock, and seafood products. The country is a leading exporter of wheat, canola, and other grains, contributing to global food security.

Sources: Natural Resources Canada, Statistics Canada Natural Resources Satellite Account, (Cross 2015).

Natural resources impact tables

Economic impact of the natural resources sector

Impact	Direct	Indirect	Induced	Total
GDP Impact, 2023 GDP in chained 2017 dollars, billions				
Natural Resources *(4) = (1)+(2)+(3)*	**213.4**	**171.3**	**79.2**	**463.9**
Agriculture, Forestry, Fishing *(1)*	40.6	37.5	14.5	92.6
Mining, Oil and Gas, Pipeline Transportation *(2)*	122.8	55.0	32.8	210.7
Manufacturing *(3)*	50.0	78.8	31.9	160.7
Employment Impact, number of jobs				
Natural Resources *(7) = (4)+(5)+(6)*	**969,253**	**1,319,702**	**730,473**	**3,019,429**
Agriculture, Forestry, Fishing *(4)*	360,478	323,546	133,565	817,589
Mining, Oil and Gas, Pipeline Transportation *(5)*	270,186	451,763	302,766	1,024,715
Manufacturing *(6)*	338,588	544,394	294,143	1,177,125

Source: BDL analysis based on the Statistics Canada Input-Output data using four-digit NAICs averages where applicable.

Natural resources definitions

NAICS 2022		Category
111	Crop production	**Agriculture, Forestry, Fishing**
112	Animal production and aquaculture	
113	Forestry and logging	
114	Fishing, hunting and trapping	
115	Support activities for agriculture and forestry	
211	Oil and gas extraction	**Mining, Oil and Gas, Pipeline Transportation**
212	Mining and quarrying (except oil and gas)	
213	Support activities for mining, and oil and gas extraction	
486	Pipeline transportation	
321	Wood product manufacturing	**Manufacturing**
322	Paper manufacturing	
324	Petroleum and coal product manufacturing	
327	Non-metallic mineral product manufacturing	
331	Primary metal manufacturing	

Note: The report definition uses three-digit NAICS classification based on StatsCan Natural Resources Satellite Accounts.

Methodology

- The research and analysis in this report was conducted by the Canadian Chamber of Commerce Business Data Lab.
- The natural resources definition is based on Statistics Canada's Natural Resources Satellite Accounts.
- We adopted a more inclusive definition to include aspects of the production supply chain. Utilities were excluded from this analysis, however research points to utilities companies both producing natural resources (i.e. electricity) and using natural resources as inputs (i.e. hydroelectricity). Resource-based manufacturing sectors are included as they process resource inputs (i.e. lumber, oil, etc) into final outputs.
- Wherever possible, the definitions outlined in the appendix were followed. Efforts were made to find close proxies to quantify the relevant sector when exact definition codes were unavailable.
- The impact analysis uses Statistics Canada Input-Output tables to derive direct, indirect, and induced impact. 2019 output and employment multipliers are used to derive 2023 GDP figures in chained 2017 dollars. Three-digit NAICS were mapped to Input-Output Industry Classification (IOIC) codes and averages at the four-digit sub-sectors were used when three-digit definitions for the relevant sector were unavailable.