

The background of the page features a series of overlapping, wavy, semi-transparent red shapes that create a sense of movement and depth. These shapes are set against a white background, with the red tones ranging from deep maroon to light pinkish-red. The overall effect is modern and dynamic.

# **THE PATH TO PROSPERITY— RESETTING CANADA'S GROWTH TRAJECTORY**

EXECUTIVE SUMMARY

ADVISORY COUNCIL ON ECONOMIC GROWTH  
October 20, 2016

In early 2016, the Minister of Finance convened the Advisory Council on Economic Growth to examine the future of the Canadian economy. Our mission is to examine long-term prospects for the economy, to make bold recommendations to drive inclusive growth, and to help the government put ideas into action.

### **What the Council learned**

Despite Canada's many strengths—a vibrant democracy, abundant natural resources, and a highly educated workforce—the Canadian economy, against the backdrop of persistently weakened global economic conditions, faces the prospect of materially slower growth and stagnation. Our initial diagnostic pointed to two powerful structural forces working against domestic growth: the aging of our population and our underperformance on productivity.

As a small open economy, Canada's future and opportunities will be shaped by a rapidly changing world around us, characterized by slowing global growth rates, unprecedented technology disruption, and increasing connectivity in trade, capital, people and information.

The impact of these headwinds should not be underestimated. Based on current trends, annual GDP growth in Canada could slow significantly, perhaps as slow as half the rate of the past 50 years. Bold and immediate action is required to reset this trajectory.

The Council organized into four working groups to examine the largest opportunities for greater growth. On *capital investment & infrastructure*, we looked at ways to improve capital formation and R&D, and provide stimulus through smart, strategic infrastructure that is partly funded by private capital. On *talent & labour markets*, the Council examined levers to offset our “demographic deficit” and build a more resilient workforce prepared for the rapidly changing jobs of the future. On the *competitive market environment*, we looked at opportunities to become the most globally connected country in the world, and to build more Canadian global champions. On *innovation*, we looked at ways to turn inventions into commercial innovation and help more of our firms scale up.

In addition to relying on research from the working groups, the Council sought input from experts and stakeholders across Canada. This included more than 100 interviews with Canadian and global experts from the public and private sectors, eight roundtables to gather topic-specific and regional input, two workshops with First Nations communities, and targeted outreach to Canadian youth in all ten provinces. This listening tour reinforced that our growth agenda must be inclusive and that markets alone will not solve the growth problem.

### **The goal: \$15,000 more per household**

The Council's objective is to generate and catalyze ideas that will more than double Canada's current projected growth trajectory. To put this growth goal in more meaningful terms, and to challenge ourselves to focus on a few high-impact recommendations, the Council has set a goal to raise real, pre-tax median annual household income by \$15,000 above forecasted baseline by 2030. This would mean a boost in total income for the median Canadian household from about \$79,000 in 2014 to roughly \$105,000 in 2030—considerably above the \$90,000 otherwise expected. The initiatives we describe are intended to provide both a near-term boost in incomes for all Canadians and a foundation for sustained inclusive growth over the next fifteen years.

## The path forward

Resetting the course of the Canadian economy needs a series of bold actions, requiring both private sector and government participation. Our Council's aim is to raise our collective aspirations, to encourage the government to make deliberate choices, and to act with conviction. We recognize that some of our initiatives will be controversial, and will require leadership and willpower to execute.

The Council has come up with several ideas that could begin to achieve our \$15,000 objective. The first wave to be released today includes three recommendations:

### 1. Unleashing productivity through infrastructure

Canada needs to tackle its significant infrastructure gap with smart, strategic infrastructure investment. We make three specific recommendations, which revolve around a focused federal infrastructure strategy in line with the government's economic growth agenda, and the creation of a Canadian Infrastructure Development Bank. The Bank would aim to leverage institutional capital and deliver over \$200 billion worth of projects over ten years.

### 2. Bringing foreign investment to Canada

Canada needs a roadmap for attracting more foreign direct investment (FDI) to turbo-charge Canadian businesses and help fund infrastructure and innovation. We make two recommendations, starting with the creation of an FDI agency to increase inward FDI and improve Canada's stature as a destination for foreign capital, skills and companies. We also recommend developing a proactive FDI strategy focused on investment that drives innovation and expands our trading capacity.

### 3. Attracting the talent Canada needs through immigration

Canada needs a plan to offset its aging demographic and attract the top talent needed to help our companies scale. We make four specific recommendations intended to increase the flow of top talent to Canada and help immigrants contribute to the economy soon after they arrive. Our strategy involves an increase in our annual immigration target from 300,000 to 450,000 over 5 years. To facilitate entry and productivity, we recommend changes to the Express Entry points system and national accreditation standards.

The Council will release additional ideas in late 2016. Our intent is that the benefits of these initiatives will create a better future for all Canadians, unleashing even more talent and energy to fuel economic growth. ■