



**Press Release – Ottawa, December 10, 2013**

### **Explaining Canada's Slow Productivity Growth: The Role of Weak Demand**

The Centre for the Study of Living Standards (CSLS), an Ottawa-based non-profit economic research organization, today released the Fall 2013 issue of the International Productivity Monitor. The lead article “Explaining Slower Productivity Growth: The Role of Weak Demand Growth?” by Someshwar Rao and Jiang Li is particularly timely given the national debate on Canada’s poor productivity performance. The key findings from this article are highlighted below.

- Rao and Li find that weaker output growth, reflecting weaker demand growth, was in fact largely responsible for slower productivity growth in Canada since 2000. Their econometric analysis shows that weaker demand reduces labour productivity growth through a number of channels, including fewer economies of scale and scope, weaker investment, and slower human capital formation.
- The results of this analysis are relevant for the current policy debate on productivity for two reasons. First, they highlight the importance of robust demand for productivity growth. Policies that restrict demand growth, such as cuts in government spending, can have negative implications for productivity. Second, in the long term the expected slower population growth in Canada and weaker growth in our trading partners bode poorly for demand growth and hence productivity.

A second article by Peter Spiro on Ontario’s productivity performance reaches similar conclusions. Using an instrumental variable approach, his econometric results show that the fall in productivity growth in manufacturing was due to a fall in output growth, reflecting falls in demand due to the appreciation of the Canadian dollar and the economic crisis in the United States.

These two articles, as well as the other articles in the issue, can be accessed through the links below.

# International Productivity Monitor

Number 26, Fall 2013

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**Someshwar Rao and Jiang Li**

[Explaining Slower Productivity Growth: The Role of Weak Demand Growth](#) 

**Peter S. Spiro**

[A Sectoral Analysis of Ontario's Weak Productivity Growth](#) 

**Jiang Li, Larry Shute, and Jianmin Tang**

[Multifactor Productivity Growth Estimation in Canada and the United States: Do Different Methodologies Matter?](#) 

**Vikram Rai and Andrew Sharpe**

[Can the Canada-U.S. ICT Investment Gap be a Measurement Issue?](#) 

**Don Drummond, Annette Ryan, and Michael R. Veall**

[Improving Canada's Productivity Performance: The Potential Contribution of Firm-level Productivity Research](#) 

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[Mastering Leviathan: A Review Article on \*Growing the Productivity of Government Services\*](#) 

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