Canada: On the Way to the Fourth Industrial Revolution

Like that of other countries around the world, Canada’s economy is undergoing a radical change due to the disruptions brought by the new digital technology. As Stephen Poloz, Governor of the Bank of Canada, said last August: “We are in the early stages of what many are calling the fourth industrial revolution.” After the steam engine, the internal combustion engine and the microprocessor, digital technology will significantly change the way things are done in our economy. It is everywhere. Household consumers use it for Netflix, Uber, Airbnb, Amazon, eBay, etc., and some businesses are using it to automate their production.

This disruptive technology (which is changing some industries and creating new ones) is spreading rapidly through the Canadian economy. Analyzing it is a complex undertaking, because most of the time it operates outside the confines of the traditional economy. That makes it hard to know exactly how it is affecting the Canadian economy.

However, Statistics Canada has some revealing data in this regard. The computers system design and related services sector has expanded three times more rapidly than the Canadian economy as a whole since 2013 (graph 1). So has online shopping, which is progressing much faster than total retail sales (graph 2). And those results are just the tip of the iceberg.

IMPLICATIONS

It will take some years before this new technology is completely integrated into the Canadian economy and fully factored into the different Statistics Canada measurements. Meanwhile, real GDP growth may be somewhat higher than currently estimated. There may also be greater business investments in intangible assets, and thus the Canadian economy’s growth potential is likely higher than we think. That has an impact on inflation, which for the past few years has apparently been experiencing downward pressure and less volatility arising from this new technology.

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NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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