

Canada's new growth agenda: Seven structural drivers of the next decade

Macquarie · 2026-09-06 · English original

While Canada has faced a challenging decade in which its economy has lagged behind its peers, it retains several sources of advantage and there are growing signs that the country's outlook is improving.

Although ongoing trade tensions with the US are creating near-term uncertainty, Canada continues to demonstrate economic resilience while benefitting from a strong fiscal position, significant natural resources and a highly educated workforce.

Structural developments from diversifying trade relationships to growing investment in energy, critical minerals, AI infrastructure and defence have the potential to support Canada's growth in the near-term and over the long run.

David Doyle, Macquarie's Head of Economics, explores these opportunities and how they represent a broad-based growth agenda that could help enhance Canada's competitiveness over the next decade.

As goods trading with Canada's largest partner has come under sustained pressure, there have been encouraging signs of diversification away from the US.

Since late 2024, goods exports to the United States have declined by approximately 6 per cent, while exports to the rest of the world have increased by roughly 34 per cent. This has reduced the share of Canadian exports destined for the US from approximately 75 per cent in 2024 to 69 per cent in the last 12 months ending May 2026.

Expanding Canada's trade relationships has become a key priority under Prime Minister Carney, whose policy agenda includes doubling exports to non-US markets by 2035 through investment in trade infrastructure,¹ negotiating free trade agreements,² and increasing energy export capacity.

Furthermore, the growth in services exports represents a particularly compelling economic opportunity. Services now account for approximately 24 per cent of Canada's exports. Commercial services, including engineering, consulting, software and AI-related services, have experienced an 8 per cent compound annual growth rate since 2017. Less concentrated in the US market than goods exports, this creates a more diversified and resilient trade profile. Canada's large immigrant population may further support diversification by strengthening commercial ties with global markets and increasing export participation among businesses.

Since late 2024, goods exports to the US have declined by 6 per cent, while exports to the rest of the world have risen by ~34 per cent with strong export growth to most major trade partners.

Reducing interprovincial trade barriers represents one of the highest-impact structural reforms available to Canada. According to IMF estimates, fully eliminating internal barriers could increase real GDP per worker by nearly 7 per cent over the long term.³ Interprovincial exports have fallen from approximately 25 per cent of GDP in the early 1980s to just 17 per cent today.

Momentum for reform has accelerated significantly. The federal government's One Canadian Economy

Act4 and Mutual Recognition Agreement,⁵ together with improvements in labour mobility⁶ and labour agreements covering trucking standards and financial services all aim to reduce friction across provincial economies.⁷

While the economic impact has been limited so far, these initiatives may unlock productivity gains, increase competition, and support greater domestic market integration. Together with the opportunity for greater international trade diversification, increasing trade across Canada's borders could become an increasingly important source of economic resilience.

Gains from fully eliminating non-distance internal trade costs

Elimination of internal trade barriers could raise real GDP per worker by an estimated 7 per cent in Canada.

Canada's economic underperformance over the past decade has been closely linked to weak business investment. Since 2010, business investment per worker has stagnated, compared to the US where it has nearly doubled. Machinery and equipment investment has particularly lagged, resulting in weaker productivity growth and lower gains in GDP per capita.

Several catalysts are now positioned to reverse this trend. The federal government has introduced tax incentives⁸ such as accelerated depreciation and immediate expensing provisions covering manufacturing equipment, data infrastructure, clean energy projects, technology and research and development.

At the same time, the Major Projects Office,⁹ established by the federal government in 2025, is designed to streamline approvals and provide businesses with greater certainty regarding project timelines. Working with federal departments, provinces, industry and Indigenous Peoples, the office helps identify and advance projects that can deliver the greatest benefits for Canada. Major initiatives spanning transportation, critical minerals, nuclear energy, LNG and infrastructure have already been prioritized. Together, these measures could support a rebound in capital expenditures, productivity and business confidence.

Fixed business investment in Canada has struggled for more than a decade

Energy remains one of Canada's most significant economic strengths. The country is the world's fourth-largest oil producer and possesses abundant natural gas resources. According to the Energy Institute, oil production reached approximately 6.2 million barrels per day in 2025, while net oil production has nearly doubled over the past decade. Energy exports have significantly outperformed non-energy exports since 2010.

The next growth phase may be driven by export infrastructure. Proposed west coast pipeline projects could add more than one million barrels per day of export capacity. At the same time, LNG Canada Phase 1 became operational in 2025, marking the country's first major LNG export terminal. Additional facilities, including Ksi Lisims LNG, Cedar LNG and LNG Canada Phase 2, could dramatically expand Canada's ability to export natural gas to Asian markets. These projects would strengthen trade diversification, support investment and improve Canada's position as a global energy supplier.

Canada's energy export volumes have risen sharply over the past 15 years even as non-energy exports have moved sideways

Canada's LNG exports have lagged behind that of the US, but are set to rise sharply in coming years

Critical minerals present a substantial long-term growth opportunity as global demand rises for batteries, electrification, defence technologies, and advanced manufacturing. Canada is already a global leader in production of potash, uranium, aluminium and several strategically important minerals, and the sector contributed approximately \$C30 billion, or roughly 1 per cent of GDP, in 2023.

The federal government is actively supporting expansion through investment funds, tax incentives, international partnerships and strategic development projects. Canada's role within allied supply chains has become increasingly important as governments seek alternatives to production concentrated in countries such as China and Russia.

With significant untapped reserves and multiple projects advancing through the Major Projects Office, the critical minerals sector is well positioned to become a meaningful contributor to future export growth, investment, and industrial development.

Critical mineral production constitutes ~1 per cent of GDP

Potash is the most significant critical mineral growth contributor in Canada

The demand of AI infrastructure represents one of Canada's newest and potentially most transformative growth opportunities. Canada currently has approximately 1.6 GW of active data centre capacity, but more than 22 GW of planned projects are under development. Alberta accounts for over 90 per cent of this planned capacity, supported by favourable energy policies and abundant electricity resources.

Major investments by leading technology companies suggest momentum is building rapidly. The federal government's Canadian Sovereign AI Compute Strategy and AI for All initiative provide additional support through funding, infrastructure investment and adoption incentives.

AI adoption across Canadian businesses has already tripled since 2024, while imports of computing equipment have reached record levels. These developments will likely support the role of AI and digital infrastructure as a potentially significant driver of productivity, innovation and high-value job creation.

Planned data centre capacity in Canada significantly exceeds the current active facilities

Defence spending is emerging as a new source of economic activity following Canada's commitment to NATO's 5 per cent spending target by 2035. Defence expenditures exceeded 2 per cent of GDP in 2025 for the first time in nearly four decades, with plans for continued increases over the coming decade.

Recent announcements include submarine procurement, aircraft acquisition programs, Arctic communications infrastructure, shipbuilding contracts and modernization of North American Aerospace Defense Command (NORAD) capabilities.

Beyond strengthening national security, the federal government's defence industrial strategy seeks to grow Canada's domestic defence manufacturing sector, increase exports, and create up to 125,000 new jobs. Canada's strong fiscal position and broad public support provide the runway necessary to sustain higher defence investment levels, making defence a potentially meaningful contributor to future economic growth.

In 2025, defence spending as a share of GDP rose above 2 per cent for the first time in over four decades

Canada has seen a more significant increase in defence spending relative to other NATO allies

A combination of structural reforms and strategic investments has the potential to change Canada's

growth trajectory. Trade diversification, interprovincial integration, stronger business investment, energy development, critical minerals, AI infrastructure and defence spending each offer meaningful opportunities on their own. Together, they form a compelling framework for stronger productivity, increased competitiveness and sustained long-term growth, positioning Canada to capitalize on emerging opportunities at home and abroad.

Scaling AI-ready data center infrastructure in Canada

Helping to shape Canada's mining and critical minerals industry

Investing in capacity and connectivity for Greater Montreal's aviation network

Source: <https://www.macquarie.com/us/en/insights/canadas-new-growth-agenda-seven-structural-drivers-of-the-next-decade.html>