

**RURAL CANADA: GROSS DOMESTIC PRODUCT  
AND EMPLOYMENT, 1986-2001**

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## SUMMARY

This paper summarizes the economic evolution of rural Canada by looking at two main indicators: rural Gross Domestic Product (GDP) and employment, from 1986 to 2001.

Rural Canada makes up 95% of Canadian territory. Census data indicate that in 2001, 20.3% of Canadians lived in rural Canada. Since the previous census, the population of rural regions decreased in all provinces except Alberta, Ontario and Manitoba.

Rural Canada's contribution to the national economy has fallen steadily since 1985, and rural primary-sector industries' share of rural GDP also declined from 1986 to 2001. Primary industries experienced difficulties across Canada in the 1990s; the importance of such industries in rural Canada meant that those difficulties had a significantly greater impact on the rural economy.

This pressure is felt in the labour market. Rural-dominated labour force sectors, such as the primary sector, were in constant decline during 1987-2001. At the same time, typically urban labour force sectors, such as the services sector, have been growing.

Declining and volatile prices in the primary sector have impeded growth, while increasing labour productivity has forced workers out of primary industries and towards the services and manufacturing sectors.



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## **RURAL CANADA: GROSS DOMESTIC PRODUCT AND EMPLOYMENT, 1986-2001**

### **INTRODUCTION**

This paper summarizes the economic evolution of rural Canada by looking at two main indicators: rural Gross Domestic Product (GDP) and employment from 1986 to 2001. Rural Canada's contribution to the national economy has fallen steadily since 1985, and has been particularly affected by a declining primary sector.<sup>(1)</sup> Correspondingly, employment in that sector also fell steadily, while more jobs were created in the service sector.

### **RURAL CANADA: DEFINITION AND POPULATION TREND**

#### **A. Definition**

Various definitions of "rural" can be used in analyzing the socio-economic situation of rural Canada. This paper uses Statistics Canada's "rural and small town" definition (10,000 people or fewer).

#### **B. Population Trend**

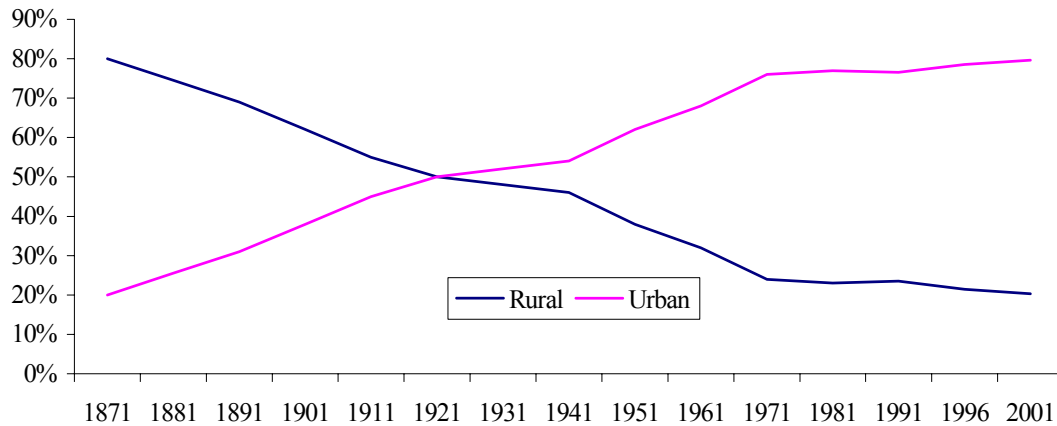
Rural Canada occupies 9.5 million square kilometres, or 95% of Canadian territory. The 2001 Census reports that 20.3% of Canadians were living in rural Canada, down from 21.5% in 1996 and 24% in 1994.<sup>(2)</sup> The rural population decreased since the previous census in all provinces except Alberta, Ontario and Manitoba. Figure 1 shows that this downward trend is not new. In fact, the rural population has been declining almost since Confederation. During the 1970s and 1980s, the rural population level remained stable; the last decade, however, has seen a further decline.

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(1) Primary industries include agriculture and related services, fishing and trapping, forestry (logging and wood), and mining (iron, other metals, coal, crude petroleum and natural gas, and related services).

(2) Census 2001, [http://geodepot.statcan.ca/Diss/Highlights/Page11/Page11\\_f.cfm](http://geodepot.statcan.ca/Diss/Highlights/Page11/Page11_f.cfm).

**Figure 1 – Proportions of Rural and Urban Population in Canada**



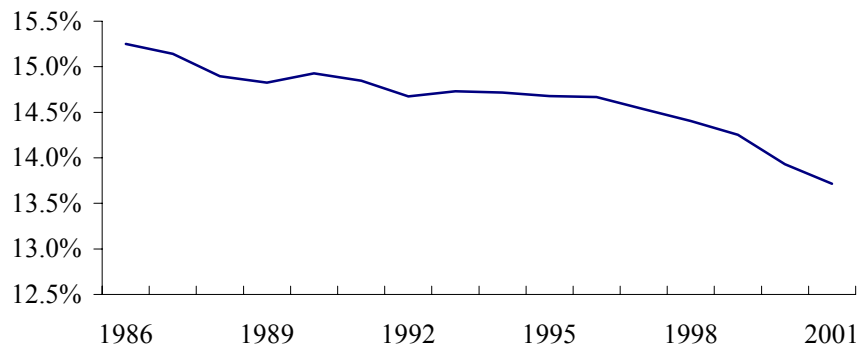
Source: Statistics Canada.

## **GROSS DOMESTIC PRODUCT IN CANADA AND IN RURAL CANADA**

### **A. Total Gross Domestic Product**

Rural Canada's contribution to the national economy has fallen steadily since 1985 (see Figure 2), and the rate of decline accelerated between 1997 and 2001. The 2001 statistics put rural GDP at 13.72%.

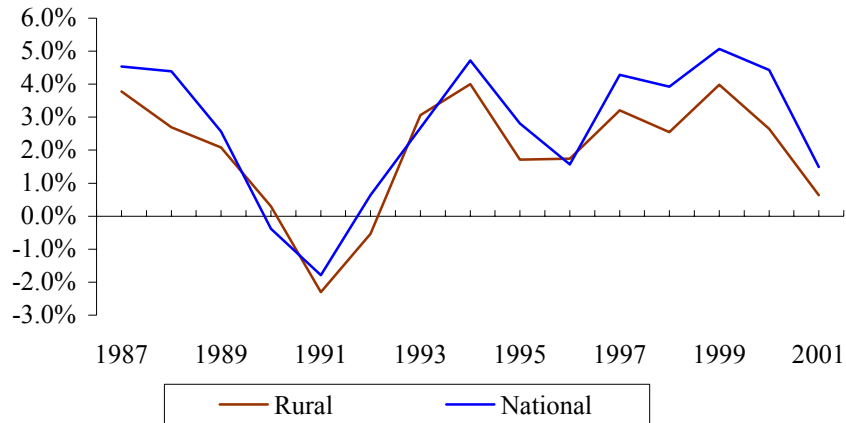
**Figure 2 – Rural GDP's Contribution to Canada's  
National GDP**



Source: Statistics Canada.

As shown in Figure 3, economic growth in rural Canada follows a similar pattern to that of national economic growth. However, the economy is growing more rapidly at the national level than in rural Canada.

**Figure 3 – Rural and National GDP Growth in Canada**

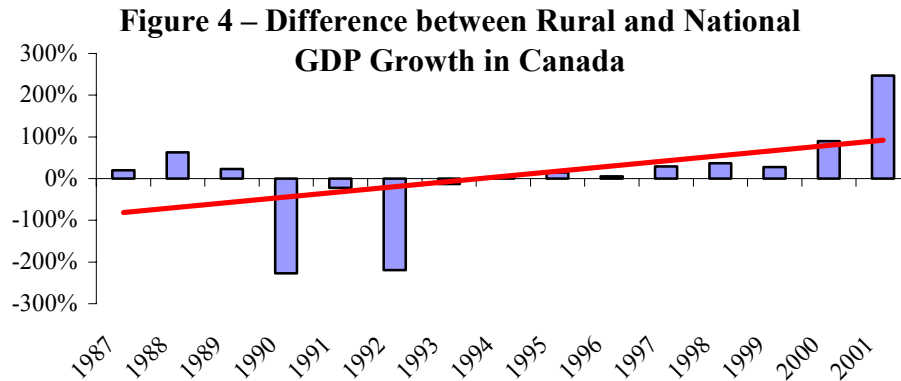


Source: Statistics Canada.

Figure 4 shows that the gap between the two measures has been widening since 1993. In 2000-2001, rural GDP grew by about 0.6%,<sup>(3)</sup> whereas national GDP grew at about 2.5%.<sup>(4)</sup> Figure 4 also suggests that rural economies were not as affected by the 1990s recession as the rest of Canada. On the other hand, it indicates that the economic prosperity of the second half of the 1990s was not felt as much in rural Canada as in the rest of the country.

(3) Agriculture and Agri-food Canada, Rural Secretariat.

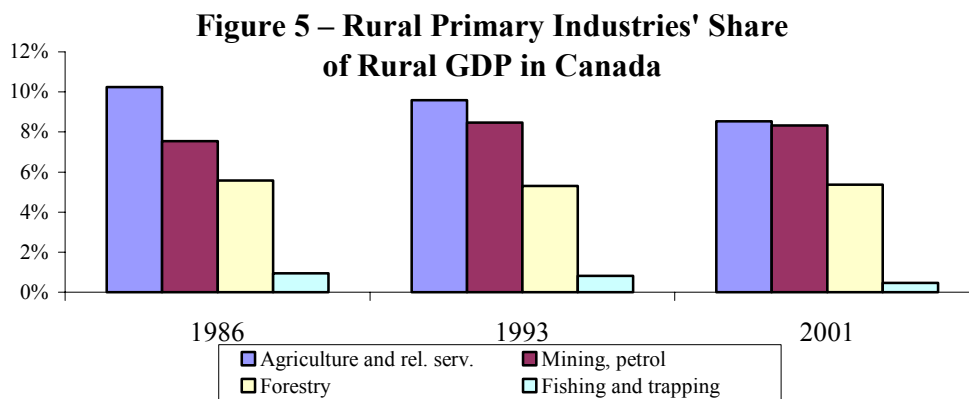
(4) Statistics Canada, <http://www.statcan.ca/english/Pgdb/econ04.htm>.



Source: Statistics Canada.

### B. Primary Sector Gross Domestic Product

The 1990s were difficult times for most rural primary industries. As shown in Figure 5, except for the mining sector, all rural primary industries' share of rural GDP declined from 1986 to 2001. The agriculture sector's share fell 16.7%, the forestry sector's by 3.8%, and the fishing and trapping sector's by 51.9%. Overall, the rural primary sector saw its share of the national GDP fall about 1.6 percentage points over that period.



Source: Statistics Canada.

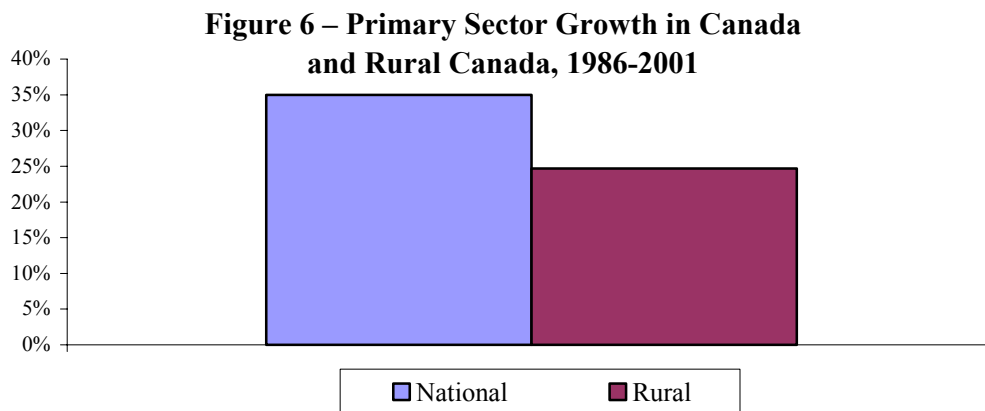
This trend, however, is not particular to rural Canada. The national primary sector's share of the national GDP dropped by almost 1 percentage point over the same period. At the national level, the agriculture sector's share fell by 17.1%, the forestry sector's by 9.7%, and the fisheries' share by 56.2%.



The importance of the primary sector as a share of both national and rural GDP is thus falling. However, primary industries are almost three times more important for rural Canada in term of their percentage share of GDP. In 2001, the rural primary industries accounted for 22.7% of rural GDP, while primary industries at the national level accounted for 8.7% of national GDP. Agriculture, for example, makes up about 8% of GDP at the rural level, but only about 2% at the national level.

Furthermore, Figure 6 indicates that growth in the primary sector during 1986-2001 was higher at the national level (35%) than at the rural level (24.7%).

Given the importance of the primary sector in rural economies, this decline in primary sector production as share of rural GDP, combined with slower growth rates, has contributed to widening the gap between rural Canada and the rest of the country.

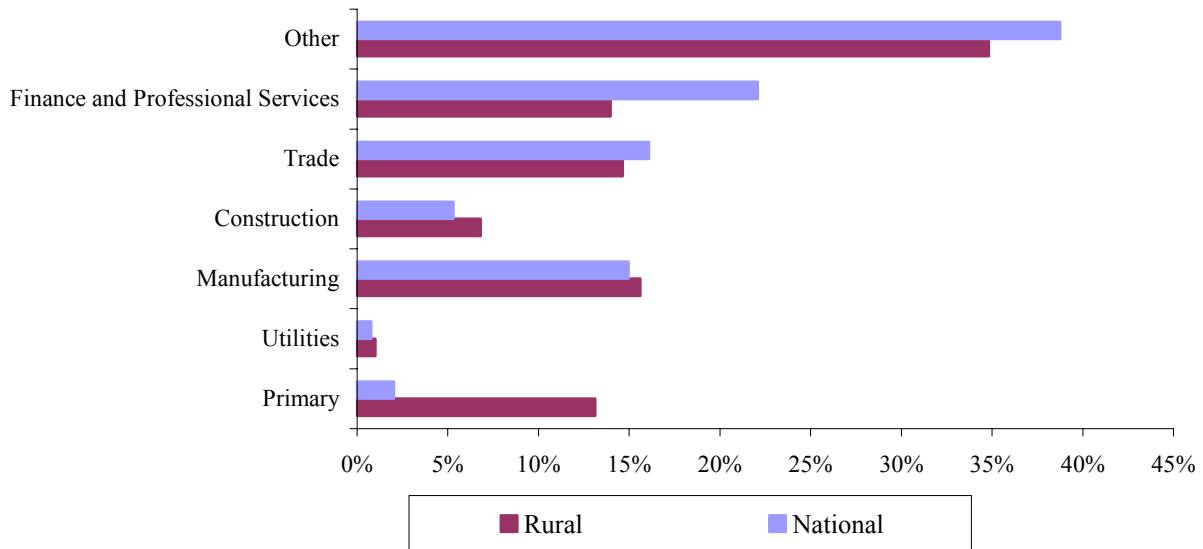


Source: Statistics Canada.

## **EMPLOYMENT IN CANADA AND IN RURAL CANADA**

The primary sector is a major employer in the rural sector. As shown in Figure 7, the primary sector's share of total employment in rural Canada was 13% in 2001, whereas it was 2% at the national level. Five years previously, primary-sector employment in rural Canada had been even higher; between 1996 and 2001, it fell by 16%. It fell also at the national level, but only by 8%.

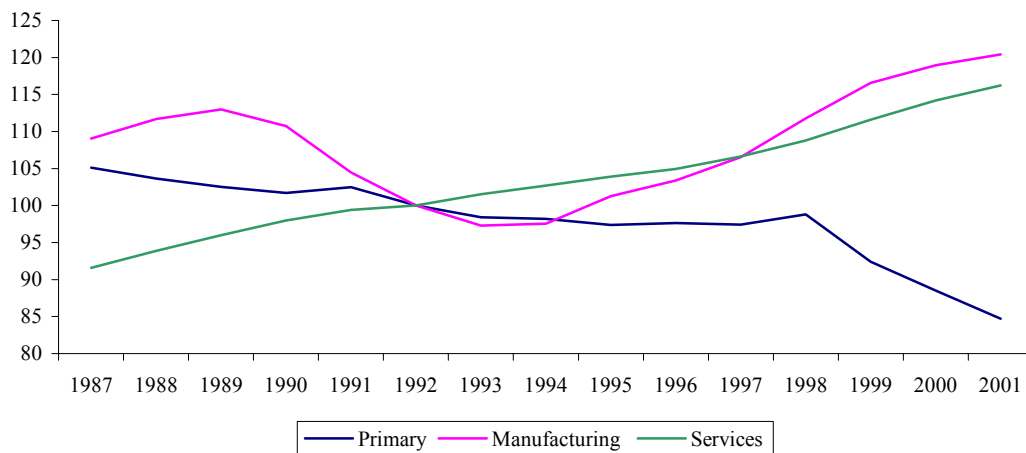
**Figure 7 – Share of Total Employment by Industry in Canada and Rural Canada, 2001**



Source: Statistics Canada.

Figure 8 shows a significant shift in employment patterns over the past 15 years. Rural-dominated labour force sectors, such as the primary sector, were in constant decline during 1987-2001 while typically urban labour force sectors, such as the services sector, have been rising.

**Figure 8 – Size of the Labour Force per Sector (1992=100)**

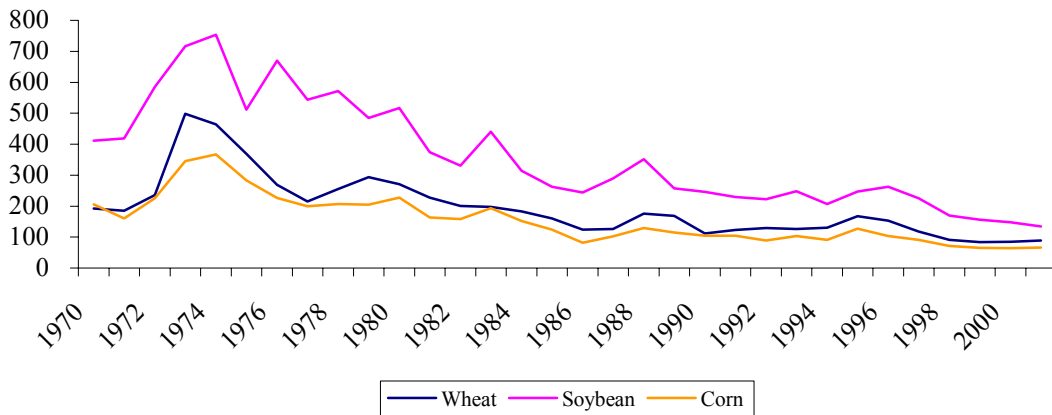


Source: Statistics Canada.

**FACTORS AFFECTING GROWTH AND EMPLOYMENT**

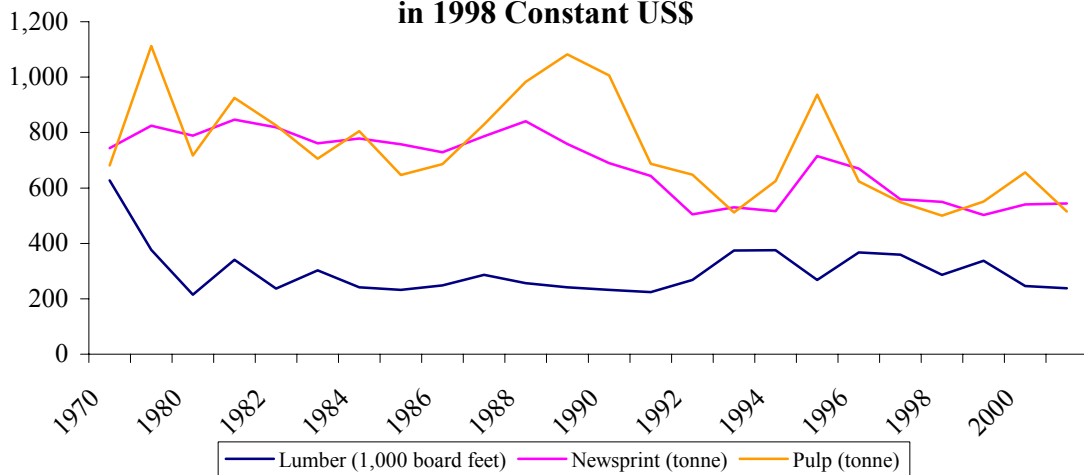
It has been argued that the declining and volatile prices in the primary sector have impaired growth and consequently affected employment in that sector over the last 30 years. Figure 9 illustrates the decline in grain prices over that period. Figure 10 shows the decline in lumber and newsprint prices and the volatility in pulp prices.

**Figure 9 – Price of Grain in 1998 Constant US\$ per Tonne**



Source: Statistics Canada.

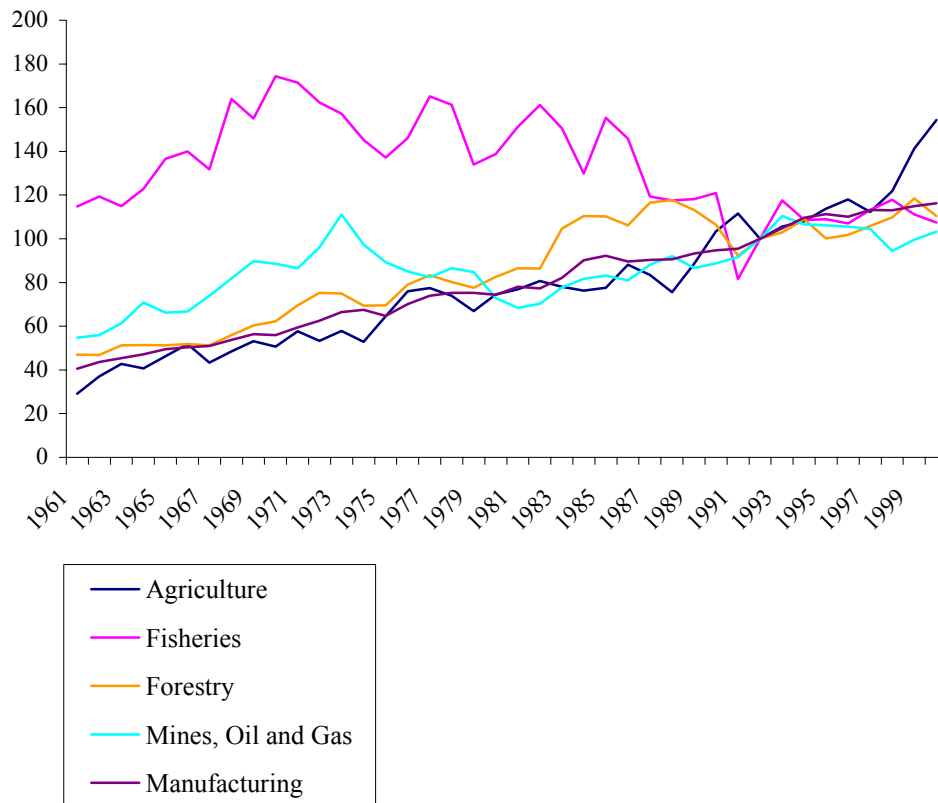
**Figure 10 – Prices of Lumber, Newsprint and Pulp in 1998 Constant US\$**



Source: Statistics Canada.

As demonstrated by Figure 11, labour productivity increased in most of the primary sector between 1960 and 2000, with the exception of fisheries. The increased levels of productivity have forced many workers out of primary industries and towards the services and manufacturing sectors.

**Figure 11 – Labour Productivity Index of the Primary Sector  
(1992=100)**



Source: Statistics Canada.