

Unbalanced Industry Demand and Supply Shifts: Implications for Economic Growth in Canada and the United States

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Abstract

This paper estimates industry contributions to aggregate output and labour productivity growth, using a framework consistent with real GDP in the chained-Fisher index. It distinguishes between the contribution resulting from changes in an industry's real output level and the contribution resulting from changes in its real output price. This paper shows that the service sector was the major contributor to both real GDP growth and aggregate labour productivity growth in Canada and the United States over the past two decades, driven by high demand for some services in the two countries. This contribution is significantly higher than the previous estimates obtained using traditional methods that focus only on the quantity effect. By ignoring the price effect, traditional methods ignore an industry's contribution from the rising price of its output to the increase in the aggregate measures.

Keywords: industry contribution, real GDP growth, aggregate labour productivity growth
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