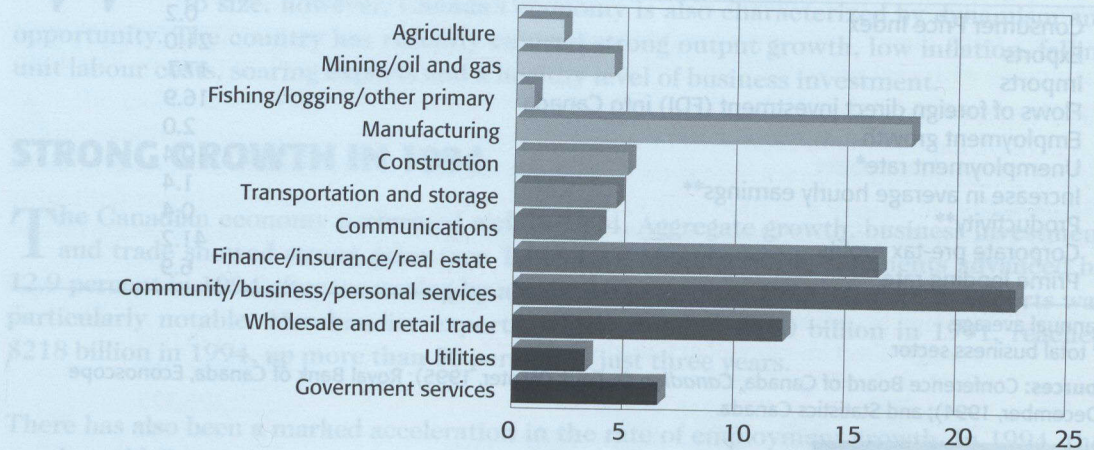


ECONOMIC STRUCTURE CONTINUES TO SHIFT

Canada, in common with other advanced countries, has developed an economy in which service industries play an increasingly prominent role. Today, Canada is second only to the U.S. among the G7 countries in the relative size of its service sector. Services now make up 67 percent of Canadian economic output and account for approximately 70 percent of all jobs.

Figure 1.5: Canadian Output by Industry, 1993*
(Industry sector percentage of output)



* 1993 GDP at 1986 prices.

Source: Statistics Canada, *Canadian Economic Observer*, Catalogue 11-010 (January, 1995), Table 4.

For many years, natural resources have been critical to Canada's economic development. They remain important, but their share of overall output continues to fall. Agriculture, mining, logging and other primary extractive industries represent less than 8 percent of economic output, down from approximately 11 percent in the early 1970s.

Secondary and high-technology manufacturing are becoming more important sources of wealth creation, jobs and exports. Notable examples of knowledge-intensive manufacturing industries in which Canada is increasingly world-competitive include automobile assembly and parts, aerospace, mass-transit equipment, telecommunications products, machinery, computer software, medical instruments and pharmaceuticals. As one example of Canada's growing strengths in these industries, the value of Canada's machinery and equipment exports skyrocketed by almost 60 percent between 1991 and 1994.

Within the service subsectors, growth has been particularly robust in industries that trade their outputs internationally, for example, management consulting, engineering services, professional services, information technology and banking.