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Canadian Megatrends

Resources: Long-term shifts in commodities

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. not available for any reference period
.. not available for a specific reference period
... not applicable
0 true zero or a value rounded to zero
0^s value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
^{p} preliminary
^{r} revised
x suppressed to meet the confidentiality requirements of the *Statistics Act*
^{E} use with caution
F too unreliable to be published
* significantly different from reference category ($p < 0.05$)

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Resources: Long-term shifts in commodities

CANADIAN MEGATRENDS

A long list of Canadian towns and cities owe their growth to the resources that could be mined, drilled, chopped, farmed or fished from the surrounding area. Across the nation, commodities have often been synonymous with the towns and cities built around them: coal in Glace Bay, Nova Scotia; wheat in Swift Current, Saskatchewan; nickel in Sudbury, Ontario; oil in Fort McMurray, Alberta; lobster in Shediac, New Brunswick; timber in Prince George, British Columbia; gold in Dawson City, Yukon; or, aluminum in Saguenay-Lac-Saint-Jean, Quebec.

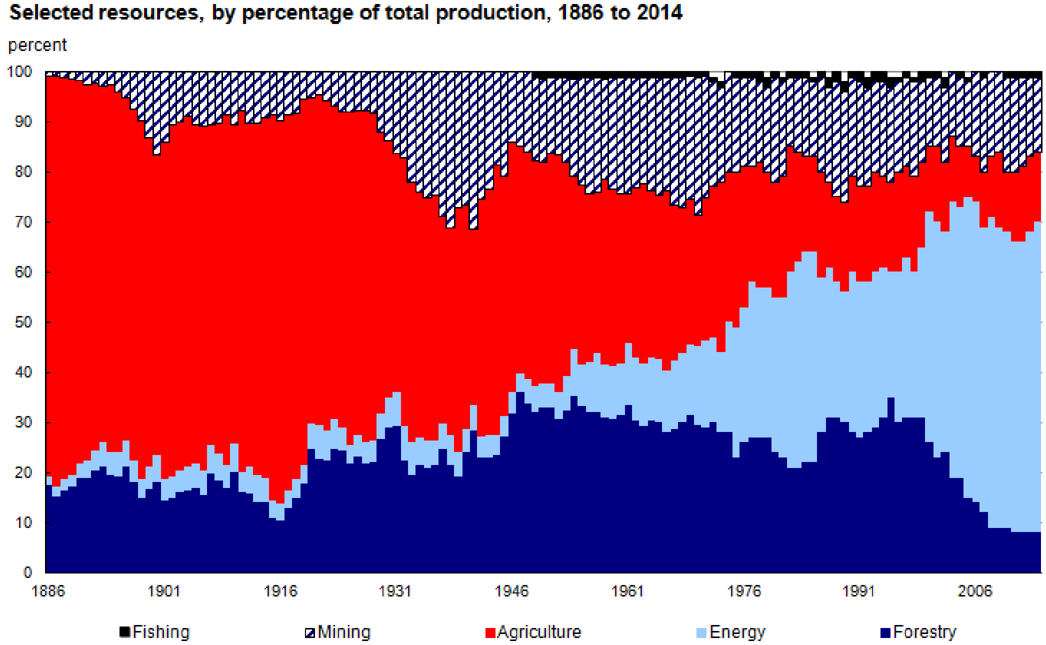
These natural resources funded Canada's development for generations. By providing food and shelter for Canadians, material inputs for Canadian industry, and raw and semi-processed commodities for sale on international markets, they supported Canadians' living standards, and helped to finance international borrowing and the purchase of foreign goods and services, particularly consumer goods and productivity enhancing machinery and equipment.

Today, natural resources continue to play this important role. They account for one-fifth to one-third of Canada's exports and often influence movements in the Canadian dollar [1]. In 2014, as the price per barrel of crude oil ranged from a high of about US$114 to less than US$55, the Canada-US exchange rate fluctuated from over 91 cents to about 86 cents.

Although the overall effects of natural resources on the economy have remained fairly constant over long periods of time, the composition of the natural resource production has changed.

A changing mix of commodities

Chart 1
Selected resources, by percentage of total production, 1886 to 2014



Source: Statistics Canada, Economic Analysis Division.

Early in Canada's history, agriculture and forestry products dominated. But from the farm and the forest, the focus has moved down to what lies beneath the country in the bedrock below. This progression can be tracked using the 24 commodities that constitute the Bank of Canada commodity price index.

Through time, metals and minerals rose in importance with technological change arising from the introduction of hydro electricity generation, improved rail, road and pipeline networks. Improved mining equipment and drilling techniques increased the knowledge of mineral deposits, improved access to minerals and lowered transportation costs. At the same time, demand changed as new products came to market. For instance, the increased importance of daily newspapers in the United States led to an increasing demand for Canadian newsprint and new electrical distribution networks increased the need for copper.

Rise of oil

Over the 1886 to 1947 period, agriculture was joined by forestry, then mining and, eventually, energy. With the exception of an early advent of the oil industry in Oil Springs, Ontario, oil did not constitute a major component of energy production for Canada until 1947 with oil discoveries in Leduc, Alberta. After the 1973 oil price shock, production of conventional energy sources increased and technological innovation led to development of the oil sands in Canada. The shift towards non-conventional extraction, including the introduction of offshore production in the 1990s, is the latest in a long history of innovation-led changes in the composition of Canada's resource industries. The result is an oil and gas industry concentrated in Alberta and Saskatchewan, but offshore production also makes an important contribution to the economy of Newfoundland and Labrador.

Today, Canada is one of the few developed nations that is a net exporter of energy. In 2010, these exports totalled about 9,700 petajoules, up 3% from 2009. In 2010, Canada exported 63% of its crude oil, 61% of its marketable natural gas, 55% of its coal, and 20% of its refined petroleum products [2].

While energy commodities have increased in importance in the last 40 years, the economic history of Canada has been influenced by our overall resource wealth. Energy is the latest manifestation of the deep Canadian reliance on natural resources as a driver of innovation and economic growth.

Definitions

Bank of Canada commodity price index: The Bank of Canada commodity price index (BCPI) is a chain Fisher price index of the spot or transaction prices in U.S. dollars of 24 commodities produced in Canada and sold in world markets.

24 key commodities found under four industry groupings:

- Agriculture and fisheries products: cattle, hogs, wheat, barley, potatoes, canola, corn, finfish and shellfish
- Forestry: lumber, pulp, newsprint
- Metals and minerals: gold, silver, lead, iron, nickel, copper, aluminium, zinc, potash
- Energy: coal, oil, natural gas

References

1 Amano, Robert A., and Simon van Norden. 1993. "A forecasting equation for the Canada-U.S. dollar exchange rate," in *The Exchange Rate and the Economy*, 207–265, Ottawa, Bank of Canada.

2 Statistics Canada. 2013. “Energy supply and demand (www.statcan.gc.ca/daily-quotidien/131210/dq131210a-eng.htm) .” *The Daily*, December 10.