

# Ontario's Two Lost Economic Decades: 2002-2022

*by Ben Eisen and Joel Emes*

## Summary

- This bulletin takes a big-picture look at several indicators of Ontario's broad economic health from 2002-2022 in order to assess the overall performance of the provincial economy during this period.
- Ontario ranked ninth out of 10 provinces in inflation-adjusted GDP growth per person. At 0.7 percent annual growth, Ontario was 0.2 percentage points per year behind the average for the rest of the country at 0.9 percent,
- Ontario's median income-growth performance during this time span was even worse. Ontario finished in last place, with real median income growth of just 7.2 percent over a 20-year period. This was far less than the second-worst performing province, Alberta, which saw total growth of 17.4 percent.
- Ontario also performed poorly with respect to business investment per worker. On average, the rest of the country received 65 percent more business investment per worker than Ontario.
- We find that taken together, these indicators paint a picture of minimal economic progress for Ontario and lost ground relative to much of the country, such that the period from 2002-2022 can be considered two "lost decades" of economic progress and growth.

# Ontario's Two Lost Economic Decades: 2002–2022

## Introduction

Historically, Ontario has been one of the most prosperous provinces in Canada and an engine of national economic growth, boasting gross domestic product (GDP) per person that has in the past been above the national average. Further, for decades following the Second World War, household incomes in Ontario were consistently 10–20 percent above the national average (Cross, 2015).

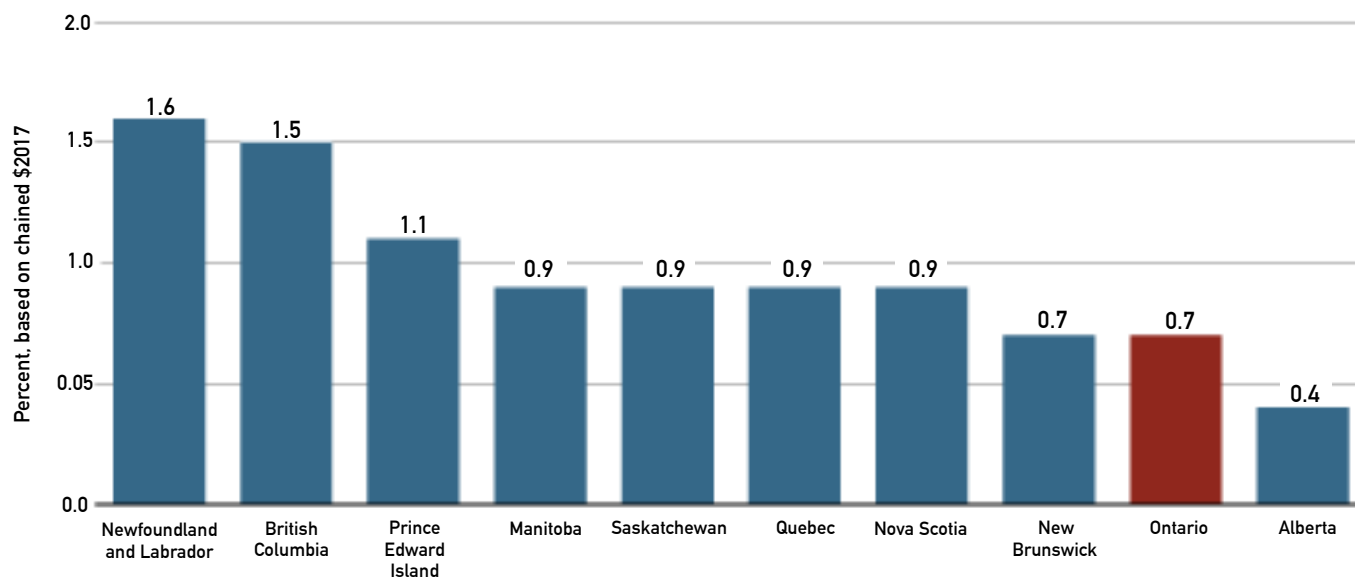
Over the course of the 21st century, however, Ontario's economic fortunes have taken a substantial turn for the worse. The start of that slide is often associated with the 2008–09 recession. However, the province's manufacturing sector was already in decline throughout the middle years of the 2000s, falling by 12 percent between 2003 and 2008 (Moffatt, 2021). Subsequent to that came the Great Recession itself, followed by a tepid recovery.

This bulletin takes a big-picture look at some of the indicators of Ontario's broad economic health in order to assess the overall performance of the provincial economy during this period. We argue that these indicators, when taken together, paint a picture of minimal economic progress for Ontario and lost ground relative to much of the country, such that the period from 2002–2022 can be considered two “lost decades”<sup>1</sup> for the province.

## Inflation-adjusted economic growth per capita

There are several different ways to measure economic progress. However, the most comprehensive is GDP — defined as the value of all goods and services produced in the economy in a given year. To compare jurisdictions of different sizes, economists measure the prosperity of different jurisdictions by comparing inflation-adjusted GDP per person.

Figure 1: Average annual real per-capita GDP growth rates of Canadian provinces, 2002–2022

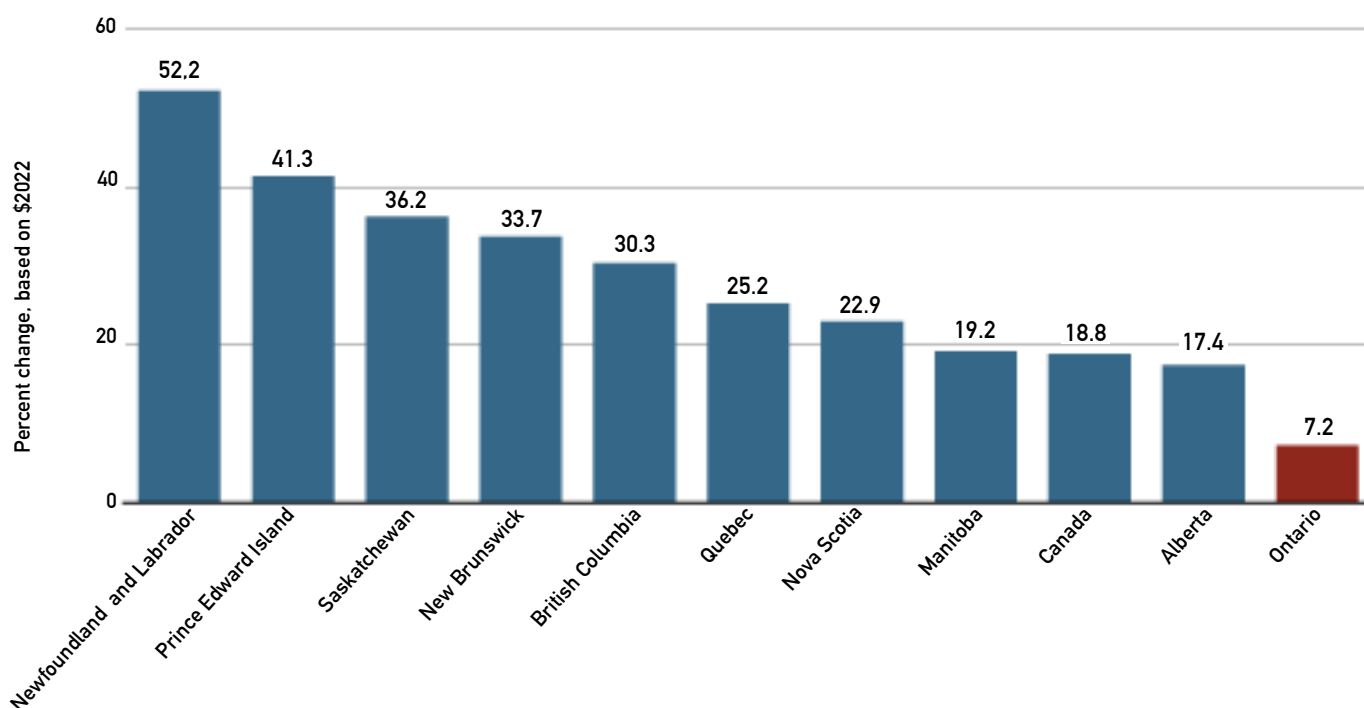


Sources: Statistics Canada, 2023a, 2024a

1 The term “lost decade” came into popular usage to describe the period of economic stagnation in Japan during the 1990s. Clemens and Emes (2001) also used the term to describe the weak economic and fiscal performance of British Columbia during the 1990s. A previous analysis for the Fraser Institute upon which the methodology for this study was based, analyzed Ontario's economy from 2007–16 and characterized that period as a lost decade for Ontario's economy (Eisen and Palacios, 2017)

# Ontario's Two Lost Economic Decades: 2002-2022

Figure 2: Median employment income growth from 2002 to 2021, percent change, based on \$2022



Sources: Statistics Canada, 2023b, 2024b

Canada's overall performance on this metric has not been particularly strong over the past 20 years. However, Ontario's performance has been weak even relative to the national standard. As Figure 1 shows, Ontario ranked ninth out of 10 provinces in inflation-adjusted GDP growth per person. At 0.7 percent annual growth, Ontario was 0.2 percentage points per year behind the average of 0.9 percent for the rest of the country.

The only province that performed worse on this indicator was Alberta, which suffered a steep recession in 2014, and was slow to recover due to several years of depressed oil prices (Eisen, 2020).

## Median employment income growth

A related measure to GDP per capita is employment income.<sup>2</sup> By focusing on the median,<sup>3</sup> we learn about the experience of a typical individual or household, as medians are not skewed by outliers in the same way as simple averages.

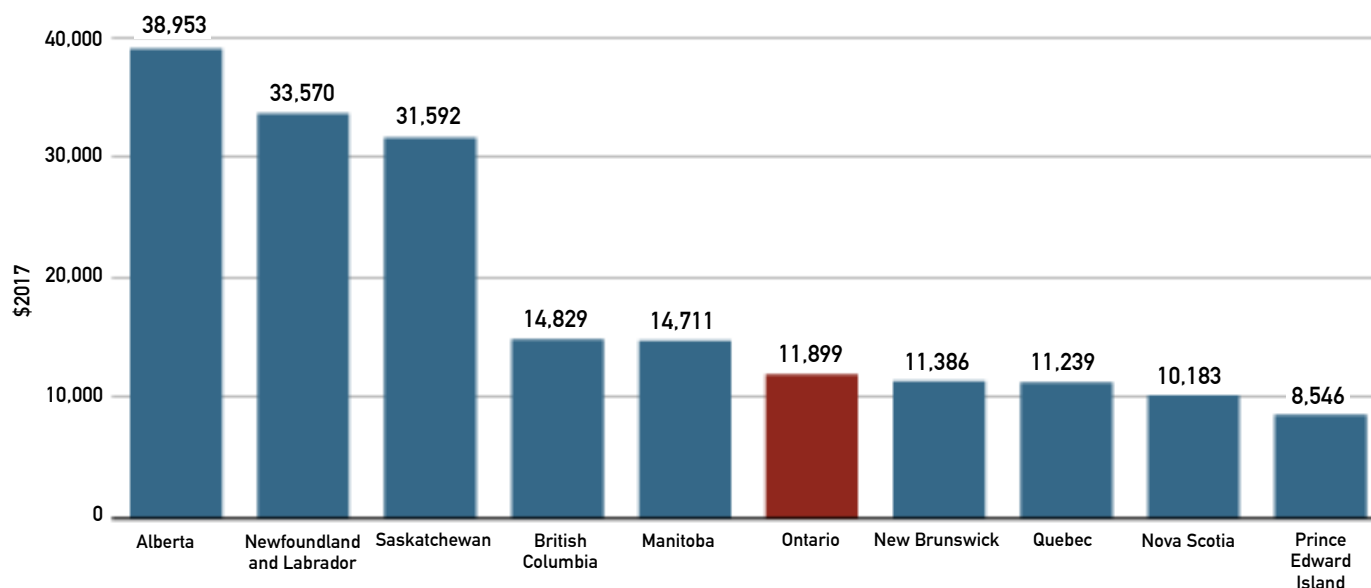
Employment income differs from other measures in that it excludes various forms of income such as government transfers and investment and pension income. We use it to focus on what people currently earn in the labour market after stripping away the effects of bequests or previous behaviour (inheritances or savings that generate investment and pension income) and government policy attempts

2 Employment income is defined as "all income received as wages, salaries, and commissions from paid employment and net self-employment income from farm or non-farm unincorporated business and/or professional practice."

3 The median is the value in the middle of a dataset, meaning that 50 percent of data points have a value smaller than or equal to the median and 50 percent of data points have a value higher than or equal to the median

# Ontario's Two Lost Economic Decades: 2002-2022

Figure 3: Average business-sector investment per worker, 2002-2022



Sources: Statistics Canada, 2023a, 2024c.

at smoothing income distribution. For economy of words, we sometimes use the word “income” as a short form of “median employment income” throughout the rest of this paper.

Figure 2 shows that Ontario’s median income growth during this time span was dismal. In fact, it was far worse than the province’s performance with respect to GDP per capita.

Ontario finished in last place, with real median income growth of just 7.2 percent over a 20-year period, well below the second-worst-performing province, Alberta, at 17.4 percent.

The weak growth in median employment income during this 20-year period highlights the extent to which Ontario has lost ground relative to the rest of the country.

## Average business investment per worker

Average business investment per worker<sup>4</sup> is an important long-term indicator of an economy’s well-being. Private-sector investment in business is the lifeblood of long-term growth, and a major contributor to any jurisdiction’s prospects for productivity. In fact, business investment is essential to higher incomes, more prosperity and rising living standards over time (Hill and Emes, 2023).

Ontario’s performance here is concerning.

Ontario ranks sixth on this indicator, averaging \$11,899 (\$2017) per worker over the course of this period. However, Ontario comes in only marginally ahead of the three Maritime provinces and Quebec—regions that have been historically plagued by weak business investment (Whalen, Li and Ryan, 2024).

<sup>4</sup> Business gross fixed capital formation less residential structures divided by private employed (in chained 2017 dollars)

# Ontario's Two Lost Economic Decades: 2002-2022

Meanwhile, the gap between Ontario and the five provinces that outperformed it for business sector investment is substantial. Saskatchewan, Alberta, and Newfoundland and Labrador all saw two-and-a-half times as much average business investment per worker during this timeframe. It should be noted that these oil-intensive provinces experienced multiple investment booms. However, Ontario also ranked behind Manitoba and British Columbia on this indicator, neither of which have comparably rich oil reserves.

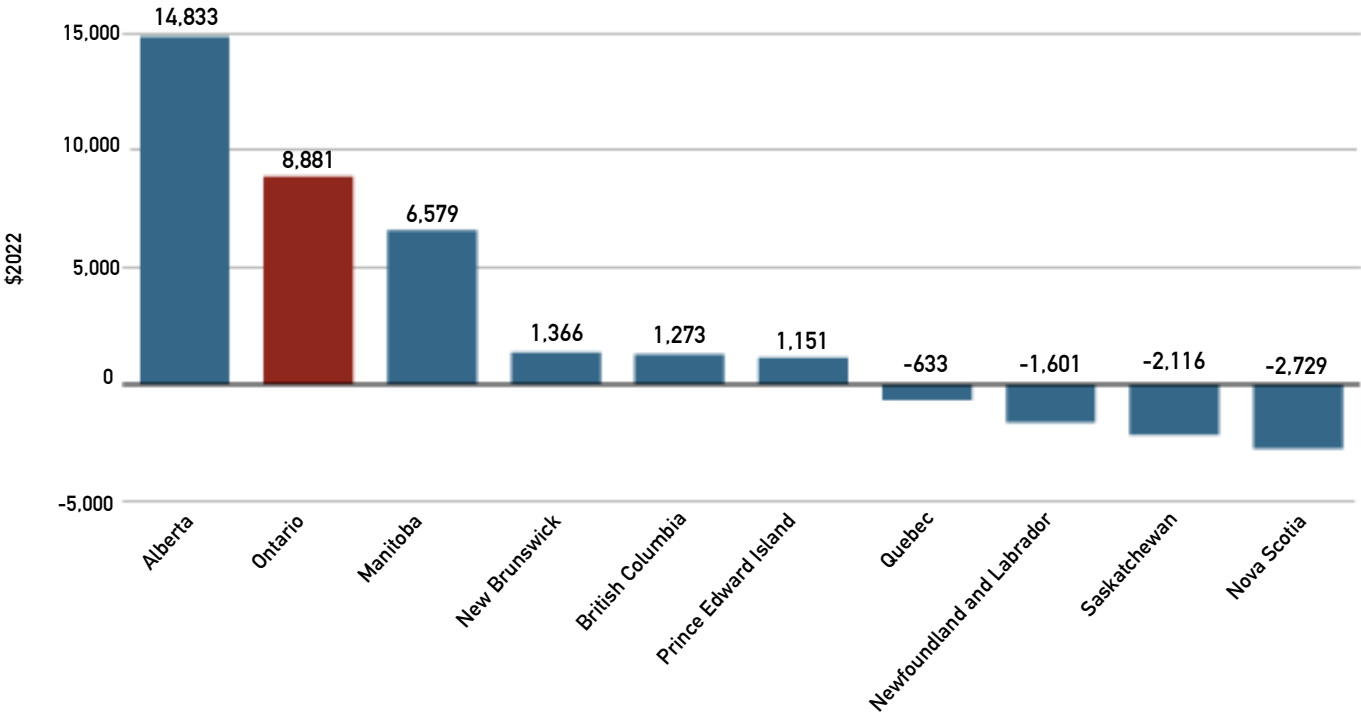
In total, the rest of Canada excluding Ontario averaged \$19,662 per person per year during this 20-year period. This is 65 percent more than

Ontario's level of \$11,899, and helps explain the province's low growth rates for other indicators discussed in previous subsections of this report.

### Public debt accumulation

Ontario's weak performance also stands out in the accumulation of public debt. Net debt is simply all of the debt held by a government minus the financial assets it holds. During the period under analysis, six provinces experienced an increase in their inflation-adjusted net-debt burden. Of these, Ontario's was the second largest, as net debt grew by \$8,881 per person (\$2022).<sup>5</sup> This was behind only Alberta, where an explosion of debt during the mid-2010s

Figure 4: Change in inflation-adjusted net debt per person, 2002/03-2022/23



Notes:  
Where applicable, we adjust for accounting changes. See footnote 5 for details.  
Sources: Canada, Department of Finance, 2023, Statistics Canada, 2024a, Statistics Canada, 2024b.

5 Where applicable, we adjust for accounting changes. For example, Ontario's value of \$8,881 is the sum of increases for 2002/03 to 2004/05 (\$84) and 2005/06 onwards (\$8,797). This yields a conservative estimate for provinces with accounting breaks because, in Ontario's case, we treat the entire 2004/05-2005/06 increase (\$847) as due to accounting changes when it's possible that some portion of this change is due to a genuine increase in debt per person

# Ontario's Two Lost Economic Decades: 2002–2022

**Table 1: Summary of economic indicators**

	Average annual real per-capita GDP growth	Average business sector investment per worker, \$2017	Median employment income growth	Change in net debt per person, \$2022
ONTARIO	0.7%	11,899	7.2%	8,881
REST OF CANADA	0.9%	*19,662	**26.0%	**3,085
ONTARIO RANK (OF 10)	9	6	10	9

\* Approximate value calculated using Canada less Ontario

\*\* Population-weighted average of the rates or values in other provinces

Sources: Figures 1 through 4

led to a total increase of \$14,833 per person. The only other comparable jurisdiction was Manitoba. Its net-debt increased \$6,579 per person. The other provinces had comparatively small increases or net-debt decreases.

These data show that while four provinces' net-debt burden shrank in real per-capita terms, six recorded increases. Of these, Ontario's increase was the second largest, by a significant margin. Net-debt accumulation is therefore another economic and public policy metric where Ontario has performed poorly during this two-decade period.

## Summary

Ontario underperforms the national standard and, indeed, is among the worst performers for all four of the economic indicators considered in this short bulletin. This reality is summarized in Table 1, which shows Ontario's performance for each indicator, the performance of the rest of the country without Ontario, and finally, Ontario's rank out of the 10 provinces.

As the summary table shows, Ontario ranks below the national average and near the bottom of the pack on all four indicators. Ontario finishes between 6th and 10th in each case. While Canada's overall economic performance during this period was not strong by historical standards, Ontario has underperformed even the weak standard set by most other provinces during this time.

## Discussion

Throughout this 20-year period, there have been many developments that have symbolized Ontario's slide away from being a dominant economic engine of Canada. For example, in 2009 Ontario became eligible to receive equalization payments for the first time in its history.

Equalization works by using federal dollars to boost the "fiscal capacity" or the ability to provide public services of economically weak provinces. Throughout its history, Ontario has been a "have province," and so its status as an equalization recipient in many years since 2009 is an important sign of the province's weakness.

# Ontario's Two Lost Economic Decades: 2002–2022

Provincial net migration offers a further sign of Ontario's economic decline. This metric simply compares the number of people who leave Ontario for other provinces to the number who come from elsewhere in Canada. In the two decades under analysis, Ontario experienced negative net migration within Canada in 15 out of 20 years. In other words, people consistently voted with their feet and expressed greater economic confidence in other parts of the country.

Further, it is important to recognize that although the data in this study suggest that Ontario's economy as a whole has not performed well throughout the past 20 years, the economic pain has not been spread evenly. Some major cities in Ontario have experienced lengthy periods of job loss and declining wages.

The experience of the populous southwestern region of the province, which was once one of the most prosperous parts of the country, is indicative. One recent study compared median employment income levels in Canada's 36 largest urban areas. It found that while in 2005, Windsor had the 11th highest median employment income level in Canada, this had fallen to 33rd by 2019. Over the same period, London fell from 13th to 28th place. For these major cities, the characterization of most of the century to date as having been "economically lost" is particularly apt (Eisen, Li and Lafleur, 2023).

A subsequent analysis compared employment income levels in these same metro areas to nearby US manufacturing hubs, and found that the two large southwestern Ontario cities had fallen far behind. For example, the median employment income in Cleveland was 24.6 percent higher than in London in 2019 (Eisen, Emes and Li, 2023).

## Conclusion

The data presented in this report all point to the fact that Ontario's overall economic performance from 2002–2022 was generally weak, even compared to the lacklustre performance of the country taken as a whole. Ontario underperformed the rest of the country in all four of the key indicators examined here, became an equalization recipient for the first time, and suffered net-negative provincial migration in most years. Meanwhile, provincial debt grew quickly, increasing the burden on this and coming generations of taxpayers while creating risks for the province's future prosperity.

We conclude Ontario's economy has lost ground relative to the rest of the country in what has essentially amounted to two "lost decades" for the province. It remains to be seen if and when Ontario can return to sustained, robust growth and retake its historical place as a leader and driver of the national economy.

## References

- Canada, Department of Finance (2023). Fiscal Reference Tables (October 2023). <<https://www.canada.ca/en/departement-finance/services/publications/fiscal-reference-tables/2023.html>>
- Clemens, Jason and Joel Emes (2001). *Returning British Columbia to Prosperity*. Fraser Institute. <<https://www.fraserinstitute.org/sites/default/files/ReturningBCtoProsperity.pdf>>, as of January 28, 2024.
- Cross, Philip (2015). *Ontario: No Longer a Place to Prosper*. Fraser Institute. <<https://www.fraserinstitute.org/sites/default/files/ontario-no-longer-a-place-to-prosper.pdf>>, as of January 28, 2024.
- Eisen, Ben and Milagros Palacios (2017). *Ontario's Lost Decade: 2007-2016*. Fraser Institute <<https://www.fraserinstitute.org/sites/default/files/ontarios-lost-decade-2007-2016.pdf>>, as of January 28, 2024.

# Ontario's Two Lost Economic Decades: 2002–2022

- Eisen, Ben, Joel Emes and Nathaniel Li (2023). *Measuring Ontario's Prosperity Gap at the Metropolitan Area Level*. Fraser Institute. <<https://www.fraserinstitute.org/studies/measuring-ontarios-prosperity-gap-at-the-metropolitan-area-level>>, as of January 28, 2024.
- Eisen, Ben, Nathaniel Li and Steve Lafleur (2023). *Economic Performance in Southwestern Ontario CMAs: A National Perspective, 2023 Update*. <<https://www.fraserinstitute.org/studies/economic-performance-in-southwestern-ontario-cmas-a-national-perspective-2023>>
- Hill, Tegan and Joel Emes (2023). *Comparing Business Investment per worker in Canada and the United States, 2002-2021*. Fraser Institute. <<https://www.fraserinstitute.org/studies/comparing-business-investment-per-worker-in-canada-and-the-united-states-2002-2021>>
- Moffatt, Michael (2021). *The Big Shift: Changes in Canadian Manufacturing Employment 2003-2018*. Toronto Metropolitan University. <[https://www.torontomu.ca/diversity/reports/The\\_Big\\_Shift\\_Executive\\_Summary.pdf](https://www.torontomu.ca/diversity/reports/The_Big_Shift_Executive_Summary.pdf)>, as of January 28, 2024.
- Statistics Canada (2021). Census of Population, 2021. Employment Income. <<https://www12.statcan.gc.ca/census-recensement/2021/ref/dict/az/Definition-eng.cfm?ID=pop027>>, as of January 28, 2024.
- Statistics Canada (2023b). Table 11-10-0004-01, Selected characteristics of tax filers and dependants, income and demographics (final T1 Family File), <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110000401>>
- Statistics Canada (2023a). Table 36-10-0222-01, Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000), <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610022201>>
- Statistics Canada (2024a). Table 17-10-0005-01, Population estimates on July 1st, by age and sex, <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000501>>
- Statistics Canada (2024b). Table 18-10-0005-01, Consumer Price Index, annual average, not seasonally adjusted, <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501>>
- Statistics Canada (2024c). Table 14-10-0027-01, Employment by class of worker, annual (x 1,000), <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410002701>>
- Whalen, Alex, Nathaniel Li and Evin Ryan (2024). *Stagnation in Atlantic Canada's Private Sector: Measuring Progress 2007-2019*. Fraser Institute. <<https://www.fraserinstitute.org/studies/stagnation-in-atlantic-canadas-private-sector#:~:text=Despite%20some%20exceptions%2C%20the%20region,below%2Daverage%20business%20entry%20rates>>, as of January 28, 2024.



# Ontario's Two Lost Economic Decades: 2002-2022



**Ben Eisen** is a senior fellow in Fiscal and Provincial Prosperity Studies at the Fraser Institute. He holds a Bachelor of Arts from the University of Toronto and an M.A. in public policy from the University of Toronto's School of Public Policy and Governance.



**Joel Emes** is a senior economist attached to the Addington Centre for Measurement at the Fraser Institute. Joel started his career with the Fraser Institute and rejoined after a stint as a senior analyst, acting executive director and then senior advisor to British Columbia's provincial government. He supports many projects at the Institute in areas such as investment, equalization, school performance and fiscal policy. Joel holds a Bachelor of Arts and an M.A. in economics from Simon Fraser University.

## Acknowledgments

The authors would like to express appreciation to the anonymous reviewers of this paper. Any remaining errors or omissions are the sole responsibility of the authors. As the researchers have worked independently, the views and conclusions expressed in this paper do not necessarily reflect those of the Board of Directors of the Fraser Institute, the staff, or supporters.

Copyright © 2024 Fraser Institute. All rights reserved. Without written permission, only brief passages may be quoted in critical articles and reviews.

**ISSN 2291-8620**

**Media queries:** For media enquiries, please contact our communications department via e-mail: [communications@fraserinstitute.org](mailto:communications@fraserinstitute.org); telephone: 604.714.4582.

**Support the Institute:** call 1.800.665.3558, ext. 574 or e-mail: [development@fraserinstitute.org](mailto:development@fraserinstitute.org). Visit our **website:** [www.fraserinstitute.org](http://www.fraserinstitute.org)