

Regulatory barriers key cause of Canada's productivity gap with the U.S.: study

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Law360 Canada (February 4, 2026, 4:57 PM EST) -- Restrictive regulations in key intermediate sectors — including energy, transportation, retail distribution and professional services — have contributed to a long-standing productivity gap between Canada and the United States, according to a study published in the *International Productivity Monitor*, a peer-reviewed economics journal.

According to the study, *The Potential Impact of Pro-competitive Regulatory Reforms on Productivity and Growth in Canada*, "[I]nsufficient reform in these areas could explain a large part of the over 20 per cent shortfall in Canadian productivity relative to the United States."

The study, conducted by international productivity experts, also estimated that an ambitious reform effort aimed at adopting best international practices in regulating these four sectors could lead to a 6.5 to 10 per cent increase in per capita income.

"This study shows just how much Canada could gain from a pro-competitive regulatory reform across all levels of government. Recent progress on eliminating internal trade barriers shows that this is possible," Acting Commissioner of Competition Jeanne Pratt said in a release issued on Feb. 4.

The study noted that the output of these four input-supplying sectors represents 30 per cent of Canadian GDP and 40 per cent of intermediate inputs used in other sectors of the economy.

"Hence, competitive conditions that affect market power in these upstream sectors quickly and extensively propagate their effects throughout the economy via input-output relationships," the study states.

The Competition Bureau noted that additional gains in productivity could be realized by reducing barriers to trade within Canada, making it easier for workers to move between provinces and attracting greater investment from abroad.

"The findings provide compelling evidence that implementing pro-competition regulations has the power to unlock significant economic growth for Canada," the release said.

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