



# Effects of Declining Oil Prices on Canada's Information Communications Technology (ICT) Sector

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## ICT SECTOR OVERVIEW

- ✿ The ICT sector is an important part of the Canadian economy with revenues of CDN \$168 billion in 2014. This represents five percent of Canada's GDP.
- ✿ ICT is a trade dependent industry sector and its performance is heavily influenced by global trends, and major global firms, many of whom have offices in Canada.
- ✿ Canadian companies have solid strengths in communications technologies (wireless and wired equipment, fiber optics and communications software), multi-media and digital entertainment (e-gaming, animation and special effects software), software and biometrics and security technology.

## EFFECTS OF DECLINING OIL PRICES

- ✿ The effects of declining oil prices on Alberta, Newfoundland and Labrador and to a lesser degree, Saskatchewan, will be particularly severe resulting in the loss of revenue and subsequent government spending cutbacks.
- ✿ Many firms in the oil industry have already announced steep cuts to their capital budgets, and significant layoffs are expected both in the oil industry and businesses involved in their supply chains.
- ✿ Federal and other provincial government spending will also decline. Experts predict that the impact of low oil prices on the federal tax revenues will be very large.
- ✿ This decrease in revenues will cause the federal government to tighten their spending and have a trickledown effect to the purchasing power of the provincial governments.
- ✿ ICT funding in Alberta, the Maritimes and Saskatchewan will be difficult to obtain as declining oil prices will have a direct effect on bank lending.

## BEST PROSPECTS

- ✿ The combination of rapidly falling oil prices, the tumbling loonie and renewed U.S. demand may spur the Ontario, Quebec and British Columbia ICT sectors.
- ✿ While these factors will benefit Canadian firms and make their goods and services more attractive to foreign buyers, there may be an indirect benefit to U.S. companies as Canadian companies may need to purchase additional technologies, partner with companies or collaborate on R&D projects.
- ✿ Opportunities may exist in Ontario, Quebec and British Columbia for U.S. technology companies to find Canadian representation, establish a local presence or create partnerships/strategic alliances in Canada.
- ✿ U.S. companies will benefit from doing business in a mature ICT market, such as Ontario, Quebec or British Columbia. These provinces rely heavily on forms of investment other than bank lending, such as venture capital, acquisition and pre-established grant programs.

## CONTACT

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