

CANADA

Competitiveness improves again even though labour productivity only edged up

HIGHLIGHTS

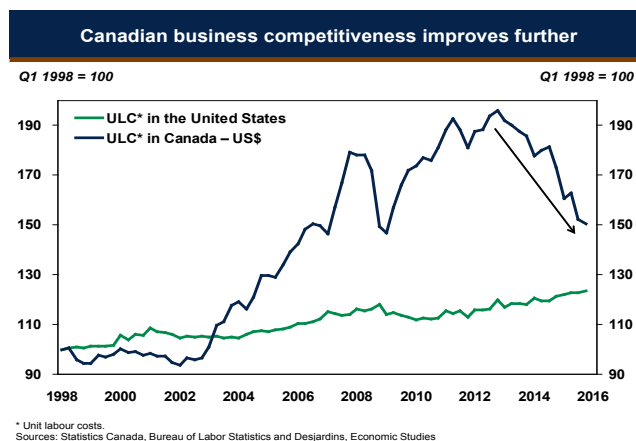
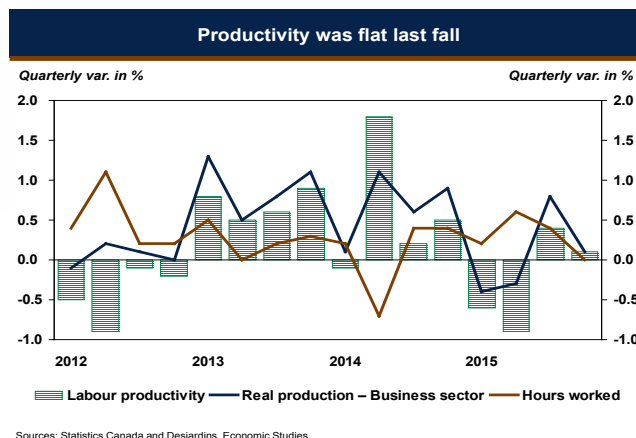
- Labour productivity only rose 0.1% in Q4 2015.
- This performance stems from a combination of weak growth by business sector output (+0.1%) and zero growth in the number of hours worked.
- Hourly wages increased 0.9% over the quarter, resulting in a 0.8% rise by unit labour costs.
- If we factor in the loonie's depreciation, Canadian businesses' unit labour costs expressed in U.S. dollars fell 1.2%.

COMMENTS

In keeping with the trend of the last few years, growth by Canadian labour productivity was very weak in Q4 2015. Average hours worked did fall during the period, but the retreat was offset by a rise in the number of jobs. This means that, like production, the total number of hours worked did not really fluctuate last fall.

Although the productivity gains are slight, Canadian business competitiveness has improved substantially in recent quarters. The loonie's sharp drop has reduced Canadian businesses' unit labour costs expressed in U.S. dollars; they have tumbled 23% since the end of 2012. In comparison, U.S. businesses' unit labour costs are up 3%.

Implications: The improvement to Canadian businesses' competitiveness clearly creates conditions that are favourable to export growth, especially south of the border. The results released by Statistics Canada this morning also confirm that international trade is trending up, with the volume of merchandise exports showing a 2.5% increase in January. Even though some components of domestic demand are weak, this will reassure monetary authorities, who should maintain the status quo for key interest rates for several more quarters.



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