

ECONOMIC NEWS

Canada: Business competitiveness improved again in Q4

HIGHLIGHTS

- ▶ Canadian labour productivity increased 0.4% in Q4 2016.
- ▶ This increase is due to business sector output growth (+0.7%), which was faster than total hours worked for the period (+0.4%).
- ▶ Total earnings for hours worked went up by a substantial 1.0%. As the increase was stronger than productivity growth, unit labour costs increased 0.7%.

COMMENTS

The increase in unit labour costs is largely explained by the strong employment growth seen in the fourth quarter of 2016, when 90,600 jobs were created. This inflated the total hours worked for the period, even though the average number of hours worked per week by each worker dropped a little (from 30.5 to 30.1 hours).

That said, to get a complete picture of Canadian businesses' international competitiveness, we also have to factor in the movement by the exchange rate. As the loonie dropped in the fourth quarter, Canadian businesses' unit labour costs expressed in U.S. dollars fell 1.5%. In comparison, U.S. businesses' unit labour costs increased 0.5% in Q4 2016. This attests to further improvement in Canadian businesses' competitiveness in comparison with their U.S. competition.

IMPLICATIONS

The improvement in Canadian businesses' competitiveness should help exporters in U.S. markets. This is good news in the context of the many uncertainties looming over international trade, particularly as a result of lively competition from other U.S. trade partners.

GRAPH 1

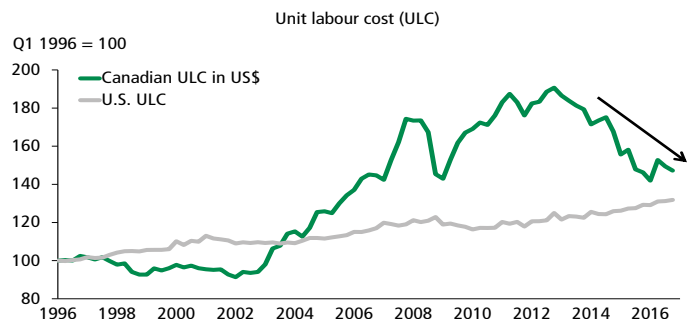
Productivity growth accelerated in the second half of 2016



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 2

Once again, the loonie's depreciation fostered an improvement in Canadian business competitiveness



Sources: Statistics Canada, Bureau of Labor Statistics and Desjardins, Economic Studies

Benoit P. Durocher, Senior Economist

François Dupuis, Vice-President and Chief Economist

Hélène Bégin, Senior Economist • Benoit P. Durocher, Senior Economist • Francis Généreux, Senior Economist

Desjardins, Economic Studies: 514-281-2336 or 1 866-866-7000, ext. 5552336 • desjardins.economics@desjardins.com • desjardins.com/economics

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2017, Desjardins Group. All rights reserved.