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.