

Labour productivity, hourly compensation and unit labour cost, fourth quarter 2017

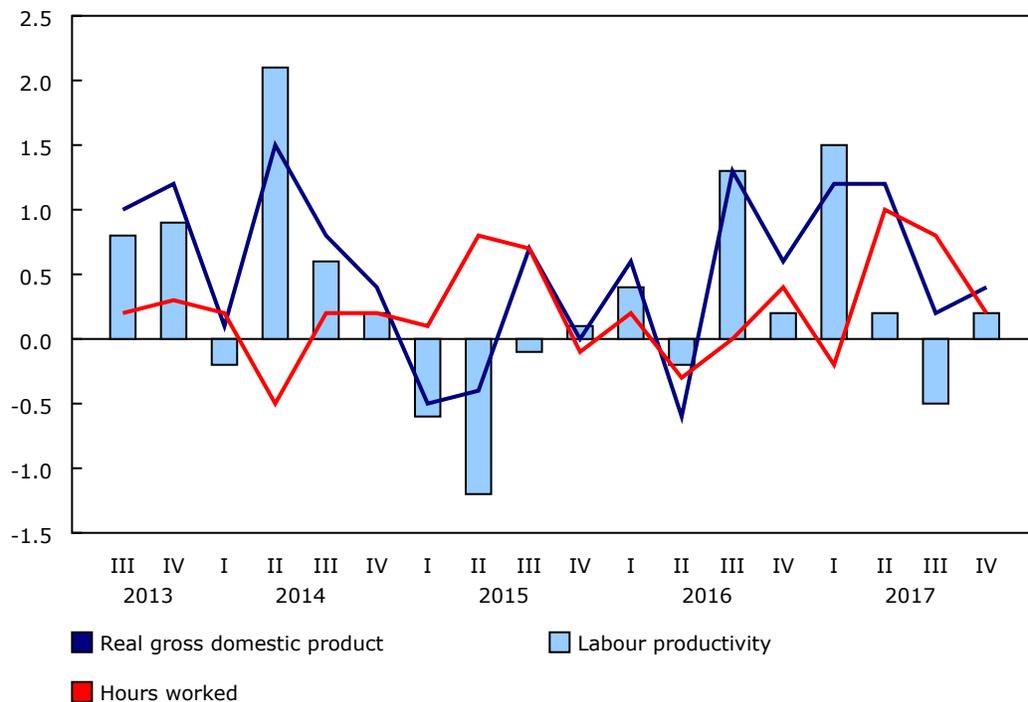
Released at 8:30 a.m. Eastern time in *The Daily*, Wednesday, March 7, 2018

Labour productivity increases after declining in the third quarter

Labour productivity of Canadian businesses increased 0.2% in the fourth quarter, following a 0.5% decline in the third quarter.

Chart 1
Labour productivity of Canadian businesses increases in the fourth quarter

quarterly % change



Source(s): CANSIM table [383-0008](#).

The productivity growth in the fourth quarter reflected a slowdown in hours worked following two quarters of strong increases, while business output rose at a slightly faster pace than in the third quarter, which outpaced the growth in hours worked.

Real gross domestic product (GDP) of businesses rose 0.4%, following a 0.2% increase in the previous quarter. Production growth was widespread in all goods-producing and service-producing business industries. Only utilities, administrative services, and agriculture and forestry declined in the fourth quarter, while mining and oil and gas extraction and information and cultural industries were essentially unchanged.



Meanwhile, hours worked in the business sector increased 0.2%, following larger increases in the two previous quarters. Hours worked in goods-producing businesses rose 0.5%, while hours worked in service-producing businesses increased 0.1%. Although growth slowed in most major industry sectors, hours worked increased in 9 of 16 sectors in the fourth quarter. The largest increases were in the construction (+1.4%), other commercial services (+1.1%), and arts, entertainment and recreation (+1.0%) sectors.

In the fourth quarter, productivity growth was mostly attributable to service-producing businesses (+0.5%), following a 0.6% decrease in the previous quarter. Productivity in goods-producing businesses declined 0.1%, following five consecutive quarters of growth.

Finance and insurance (+1.1%) and retail trade (+1.0%) were the main sources of productivity growth in the fourth quarter. Real estate (+0.9%), wholesale trade (+0.7%), administrative services (+0.5%), and manufacturing (+0.3%) also contributed to the gain.

In the United States, the labour productivity of businesses fell 0.2% in the fourth quarter following a 0.8% increase in the third quarter. Real GDP of American businesses rose 0.8% in the fourth quarter, following a 1.0% increase in the previous quarter. Meanwhile, hours worked rose 1.0%, the highest gain since the fourth quarter of 2014 (+1.1%). In the third quarter, growth in hours worked slowed to 0.1%, mainly due to temporary disruptions from Hurricanes Harvey and Irma, which prevented some American workers from getting to work.

Unit labour costs post another strong increase

Labour costs per unit of production for Canadian businesses rose 1.5% for the second consecutive quarter. This was the largest quarterly growth rate since the first quarter of 2015 (+1.6%).

The increase in unit labour costs primarily reflected a gain in the average compensation per hour worked (+1.7%), while productivity increased 0.2%. This was the highest quarterly rate of growth in hourly compensation since the second quarter of 2014 (+1.8%).

Hourly compensation rose 2.2% in service-producing businesses and 0.8% in goods-producing businesses in the fourth quarter. Hourly compensation was up in every major industry sector except transportation and warehousing services (-0.2%).

After increasing sharply in the third quarter, the average value of the Canadian dollar relative to the US dollar fell 1.5% in the fourth quarter. Given this depreciation, unit labour costs in US dollars for Canadian businesses were flat, following a 9.0% increase in the third quarter.

In comparison, American businesses saw their unit labour costs rise 0.5% in the fourth quarter, after little change in the previous quarter.

Year 2017

For the year 2017, labour productivity of Canadian businesses rose 2.1% following a 0.6% increase in 2016. This annual increase was the result of the real GDP of businesses (+3.4%) growing at a faster pace than hours worked (+1.3%).

Productivity rose in both goods-producing (+2.9%) and service-producing businesses (+2.2%) in 2017. Productivity was up in 13 of 16 sectors, led by wholesale trade, retail trade, finance and insurance, manufacturing, and construction.

In the United States, business productivity rose 1.2% in 2017, after increasing 0.1% in 2016. This was the highest annual increase in US productivity in seven years. Real GDP of American businesses (+2.7%) grew at a faster pace in 2017 than the previous year (+1.6%), while hours worked (+1.5%) increased at a similar pace.

For the second consecutive year, the productivity of businesses in Canada rose at a faster pace than in the United States. This was the fifth time that annual productivity growth in Canada has outpaced the United States since 2010.

In Canadian businesses, unit labour costs rose 0.3% in 2017 after declining 0.1% in 2016, while hourly compensation grew 2.4%.

The average value of the Canadian dollar relative to the US dollar (+2.1%) increased for the first time since 2011. This appreciation resulted in Canadian unit labour costs rising 2.5% in US dollars, following four consecutive years of decline.

By comparison, unit labour costs for American businesses rose 0.3%, the smallest increase in seven years.

Note to readers

Revisions

With this release on labour productivity and related measures, data were revised back to the first quarter of 2017 at the aggregate and industry levels. These revisions are consistent with those incorporated in the quarterly gross domestic product (GDP) by income and expenditure and monthly GDP by industry, published on March 2.

Productivity measure

*The term **productivity** in this release refers to labour productivity. For the purposes of this analysis, labour productivity and related variables cover the business sector only.*

***Labour productivity** is a measure of real GDP per hour worked.*

***Unit labour cost** is defined as the cost of workers' wages and benefits per unit of real GDP.*

All the growth rates reported in this release are rounded to one decimal place. They are calculated with index numbers rounded to three decimal places, which are now available on CANSIM.

All necessary basic variables for productivity analyses (such as hours worked, employment, output and compensation) are seasonally adjusted. For information on seasonal adjustment, see [Seasonally adjusted data – Frequently asked questions](#).

Next release

Labour productivity, hourly compensation and unit labour cost data for the first quarter will be released on June 5.

Sustainable Development Goals

On January 1, 2016, the world officially began implementation of the [2030 Agenda for Sustainable Development](#)—the United Nations' transformative plan of action that addresses urgent global challenges over the next 15 years. The plan is based on 17 specific sustainable development goals.

The release "Labour productivity, hourly compensation and unit labour cost" is an example of how Statistics Canada supports the reporting on the Global Goals for Sustainable Development. This release will be used in helping to measure the following goal:



Table 1
Business sector: Labour productivity and related variables for Canada and the United States¹ –
Seasonally adjusted

| | Fourth quarter 2015 | First quarter 2016 | Second quarter 2016 | Third quarter 2016 | Fourth quarter 2016 | First quarter 2017 | Second quarter 2017 | Third quarter 2017 | Fourth quarter 2017 |
|-----------------------------------|------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|---|---------------------------|--------------------------|---------------------------|
| | % change from the previous quarter | | | | | | | | |
| Canada | | | | | | | | | |
| Labour productivity | 0.1 | 0.4 | -0.2 | 1.3 | 0.2 | 1.5 | 0.2 | -0.5 | 0.2 |
| Real gross domestic product (GDP) | -0.0 | 0.6 | -0.6 | 1.3 | 0.6 | 1.2 | 1.2 | 0.2 | 0.4 |
| Hours worked | -0.1 | 0.2 | -0.3 | -0.0 | 0.4 | -0.2 | 1.0 | 0.8 | 0.2 |
| Hourly compensation | 0.7 | -0.3 | 0.3 | 0.4 | 0.6 | 1.2 | -0.6 | 0.9 | 1.7 |
| Unit labour cost | 0.6 | -0.6 | 0.6 | -0.9 | 0.4 | -0.3 | -0.7 | 1.5 | 1.5 |
| Exchange rate ² | -2.0 | -2.9 | 6.7 | -1.3 | -2.1 | 0.8 | -1.6 | 7.3 | -1.5 |
| Unit labour cost in US dollars | -1.3 | -3.5 | 7.3 | -2.2 | -1.8 | 0.6 | -2.4 | 9.0 | 0.0 |
| United States³ | | | | | | | | | |
| Labour productivity | -0.7 | -0.3 | 0.2 | 0.7 | 0.5 | -0.2 | 0.3 | 0.8 | -0.2 |
| Real GDP | 0.1 | 0.1 | 0.6 | 0.8 | 0.5 | 0.3 | 0.9 | 1.0 | 0.8 |
| Hours worked | 0.8 | 0.4 | 0.5 | 0.1 | 0.1 | 0.5 | 0.6 | 0.1 | 1.0 |
| Hourly compensation | 1.0 | -1.0 | 1.1 | 0.7 | -0.9 | 1.0 | 0.1 | 0.8 | 0.3 |
| Unit labour cost | 1.7 | -0.7 | 0.9 | 0.0 | -1.4 | 1.2 | -0.3 | -0.0 | 0.5 |
| | 2013 | 2014 | 2015 | 2016 | 2017 | First quarter 2017 | Second quarter 2017 | Third quarter 2017 | Fourth quarter 2017 |
| | % change from the previous year | | | | | % change from the same quarter of the previous year | | | |
| Canada | | | | | | | | | |
| Labour productivity | 1.6 | 3.0 | -0.5 | 0.6 | 2.1 | 2.7 | 3.1 | 1.3 | 1.3 |
| Real GDP | 2.8 | 3.4 | 0.7 | 1.2 | 3.4 | 2.6 | 4.4 | 3.3 | 3.1 |
| Hours worked | 1.2 | 0.3 | 1.2 | 0.5 | 1.3 | -0.1 | 1.3 | 2.1 | 1.8 |
| Hourly compensation | 2.8 | 3.6 | 1.8 | 0.5 | 2.4 | 2.5 | 1.6 | 2.1 | 3.3 |
| Unit labour cost | 1.1 | 0.6 | 2.3 | -0.1 | 0.3 | -0.2 | -1.5 | 0.9 | 2.0 |
| Exchange rate ² | -3.0 | -6.7 | -13.6 | -3.6 | 2.1 | 4.0 | -4.1 | 4.2 | 4.8 |
| Unit labour cost in US dollars | -1.9 | -6.2 | -11.5 | -3.7 | 2.5 | 3.7 | -5.6 | 5.1 | 7.0 |
| United States³ | | | | | | | | | |
| Labour productivity | 0.7 | 0.8 | 1.1 | 0.1 | 1.2 | 1.1 | 1.3 | 1.5 | 0.8 |
| Real GDP | 2.2 | 3.2 | 3.5 | 1.6 | 2.7 | 2.4 | 2.6 | 2.8 | 3.0 |
| Hours worked | 1.5 | 2.4 | 2.3 | 1.5 | 1.5 | 1.2 | 1.3 | 1.3 | 2.3 |
| Hourly compensation | 1.3 | 2.7 | 2.9 | 1.1 | 1.5 | 1.9 | 0.9 | 1.0 | 2.2 |
| Unit labour cost | 0.6 | 1.9 | 1.7 | 1.0 | 0.3 | 0.8 | -0.4 | -0.5 | 1.5 |

1. Calculations of growth rates are based on index numbers rounded to three decimal places.

2. The exchange rate corresponds to the Canadian dollar value expressed in US dollars.

3. US data are from Bureau of Labor Statistics (BLS), Productivity and Costs: Fourth quarter 2017, Preliminary—published in news release, February 1. Due to rounding, the annual growth rates presented in this table can sometimes differ slightly from the annual rates published by the BLS.

Source(s): CANSIM table [383-0008](#).

Available in CANSIM: tables [383-0008](#) and [383-0012](#).

Definitions, data sources and methods: survey number [5042](#).

The *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)) is available.

The *User Guide: Canadian System of Macroeconomic Accounts* ([13-606-G](#)) is available.

The *Methodological Guide: Canadian System of Macroeconomic Accounts* ([13-607-X](#)) is available.

The [System of Macroeconomic Accounts](#) module features an up-to-date portrait of national and provincial economies and their structure.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca) or Media Relations (613-951-4636; STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca).