

# Labour productivity, hourly compensation and unit labour cost, first quarter 2018

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## Productivity down for the second time in three quarters

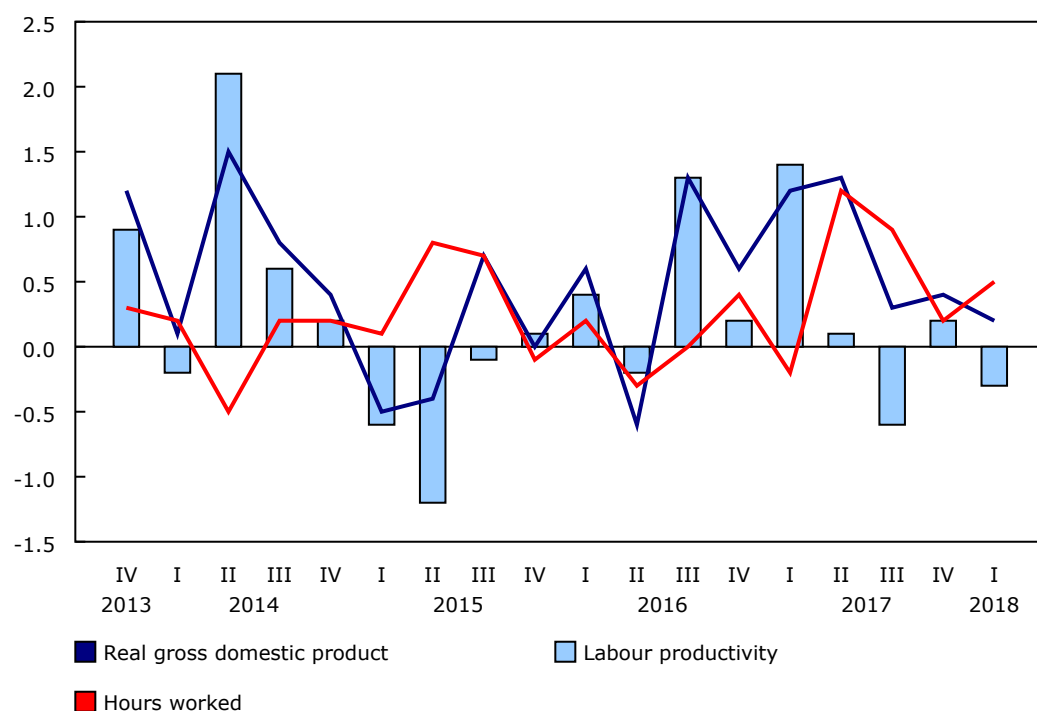
Labour productivity of Canadian businesses fell 0.3% in the first quarter, following a 0.2% increase in the fourth quarter of 2017.

In the first quarter, business output decelerated from the previous quarter, while the pace of growth in hours worked accelerated and surpassed output growth.

### Chart 1

#### Labour productivity of Canadian businesses decreases in the first quarter

quarterly % change



Source(s): Table 36-10-0206-01.

Growth in the real gross domestic product (GDP) of businesses slowed to 0.2%, after increasing 0.4% in the previous quarter. The growth in output in the first quarter was mainly moderated by the slowdown in service-producing businesses (+0.2%) due to decreases in real estate and retail trade. However, production growth of goods-producing businesses (+0.6%) continued at a similar pace as in the previous quarter.

Real GDP growth in the first quarter was accompanied by a 0.5% increase in hours worked, following a 0.2% gain the previous quarter. Hours worked rose in both goods-producing (+1.1%) and service-producing (+0.3%) businesses, as 11 of 16 major industry sectors increased. The largest gains were in administrative services (+1.7%) and construction (+1.5%), while the biggest decline was in real estate (-2.0%). Hours worked in utilities and arts and entertainment were essentially unchanged.



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Both goods-producing and service-producing businesses contributed to the overall decrease in productivity in the first quarter.

Productivity in goods-producing businesses fell 0.5%, after edging up 0.1% in the previous quarter. Productivity declines in agriculture and forestry (-1.3%), manufacturing (-0.7%) and construction (-0.1%) more than offset increases in the mining, quarrying, and oil and gas extraction sector (+1.6%) and utilities (+0.4%).

Productivity in service-producing businesses edged down 0.1%, following a 0.6% increase the previous quarter. Arts and entertainment (+1.3%) and accommodation and food services (+1.1%) increased, while other service industries declined, led by administrative services (-1.3%).

In the United States, labour productivity grew 0.3% in the first quarter, after edging down 0.1% the previous quarter. This productivity growth primarily reflected a slowdown in hours worked, following a quarter of strong growth, while real GDP of American businesses (+0.7%) grew at a slightly slower pace than in the previous quarter (+0.9%) and surpassed the growth in hours worked (+0.4%).

### **Slower growth in unit labour costs in the first quarter**

Growth in labour costs per unit of output for Canadian businesses slowed to 0.7% in the first quarter, following an increase of 1.3% in each of the previous two quarters.

The slower growth in unit labour costs reflects the slowdown in the average compensation per hour worked (+0.4%), combined with lower productivity (-0.3%). In the previous quarter, hourly compensation rose sharply (+1.6%).

In the first quarter, hourly compensation in service-producing businesses rose 0.5%, while it was unchanged in goods-producing businesses. Hourly compensation was up in 9 of 16 industry sectors. Real estate (+2.9%), accommodation and food services (+2.7%) and retail trade (+2.1%) posted particularly strong gains.

Following a quarter of depreciation, the average value of the Canadian dollar relative to the US dollar was up 0.6% in the first quarter. Given this appreciation, unit labour costs in US dollars for Canadian businesses rose 1.2%, after edging down 0.2% in the fourth quarter.

In comparison, unit labour costs of American businesses rose 0.7%, a rate similar to that reported by Canadian businesses when costs are not adjusted for the exchange rate.

## 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 May 31, 2018.

This release also incorporates the new 2017 benchmark data on provincial and territorial labour productivity and related measures, published on May 23, 2018.

### Productivity measures

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 in data tables.

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 second quarter will be released on September 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 States<sup>1</sup> – Seasonally adjusted**

	First quarter 2016	Second quarter 2016	Third quarter 2016	Fourth quarter 2016	First quarter 2017	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	First quarter 2018
% change from the previous quarter									
<b>Canada</b>									
Labour productivity	0.4	-0.2	1.3	0.2	1.4	0.1	-0.6	0.2	-0.3
Real gross domestic product (GDP)	0.6	-0.6	1.3	0.6	1.2	1.3	0.3	0.4	0.2
Hours worked	0.2	-0.3	-0.0	0.4	-0.2	1.2	0.9	0.2	0.5
Hourly compensation	-0.3	0.3	0.4	0.6	1.3	-0.8	0.7	1.6	0.4
Unit labour cost	-0.6	0.6	-0.9	0.4	-0.1	-0.9	1.3	1.3	0.7
Exchange rate <sup>2</sup>	-2.9	6.7	-1.3	-2.1	0.8	-1.6	7.3	-1.5	0.6
Unit labour cost in US dollars	-3.5	7.3	-2.2	-1.8	0.7	-2.6	8.8	-0.2	1.2
<b>United States<sup>3</sup></b>									
Labour productivity	-0.2	0.2	0.7	0.5	-0.2	0.4	0.8	-0.1	0.3
Real GDP	0.1	0.6	0.8	0.5	0.3	0.9	1.0	0.9	0.7
Hours worked	0.3	0.5	0.2	0.1	0.5	0.5	0.2	1.0	0.4
Hourly compensation	-0.9	1.1	0.7	-0.9	1.1	0.1	1.0	0.4	1.0
Unit labour cost	-0.7	0.9	0.0	-1.4	1.2	-0.3	0.2	0.5	0.7
	2013	2014	2015	2016	2017	Second quarter 2017	Third quarter 2017	Fourth quarter 2017	First quarter 2018
% change from the previous year									
<b>Canada</b>									
Labour productivity	1.6	3.0	-0.5	0.6	1.9	3.0	1.0	1.1	-0.6
Real GDP	2.8	3.4	0.7	1.2	3.5	4.5	3.5	3.2	2.3
Hours worked	1.2	0.3	1.2	0.5	1.5	1.5	2.4	2.1	2.8
Hourly compensation	2.8	3.6	1.8	0.5	2.1	1.4	1.7	2.7	1.8
Unit labour cost	1.1	0.6	2.3	-0.1	0.2	-1.6	0.7	1.6	2.4
Exchange rate <sup>2</sup>	-3.0	-6.7	-13.6	-3.6	2.1	-4.1	4.2	4.8	4.6
Unit labour cost in US dollars	-1.9	-6.2	-11.5	-3.7	2.3	-5.7	4.9	6.6	7.1
<b>United States<sup>3</sup></b>									
Labour productivity	0.7	0.8	1.1	0.1	1.2	1.4	1.5	0.9	1.4
Real GDP	2.2	3.2	3.5	1.6	2.7	2.6	2.8	3.2	3.5
Hours worked	1.5	2.4	2.3	1.5	1.5	1.3	1.3	2.2	2.1
Hourly compensation	1.3	2.7	2.9	1.1	1.7	0.9	1.3	2.7	2.6
Unit labour cost	0.6	1.9	1.7	1.0	0.5	-0.4	-0.2	1.7	1.2

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: First quarter 2018, Preliminary—published in news release, May 3. 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): Table 36-10-0206-01.

**Available tables:** [36-10-0206-01](#) and [36-10-0207-01](#).

**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.

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](mailto:STATCAN.infostats-infostats.STATCAN@canada.ca)) or Media Relations (613-951-4636; [STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca](mailto:STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca)).