

# Labour productivity, hourly compensation and unit labour cost, third quarter 2019

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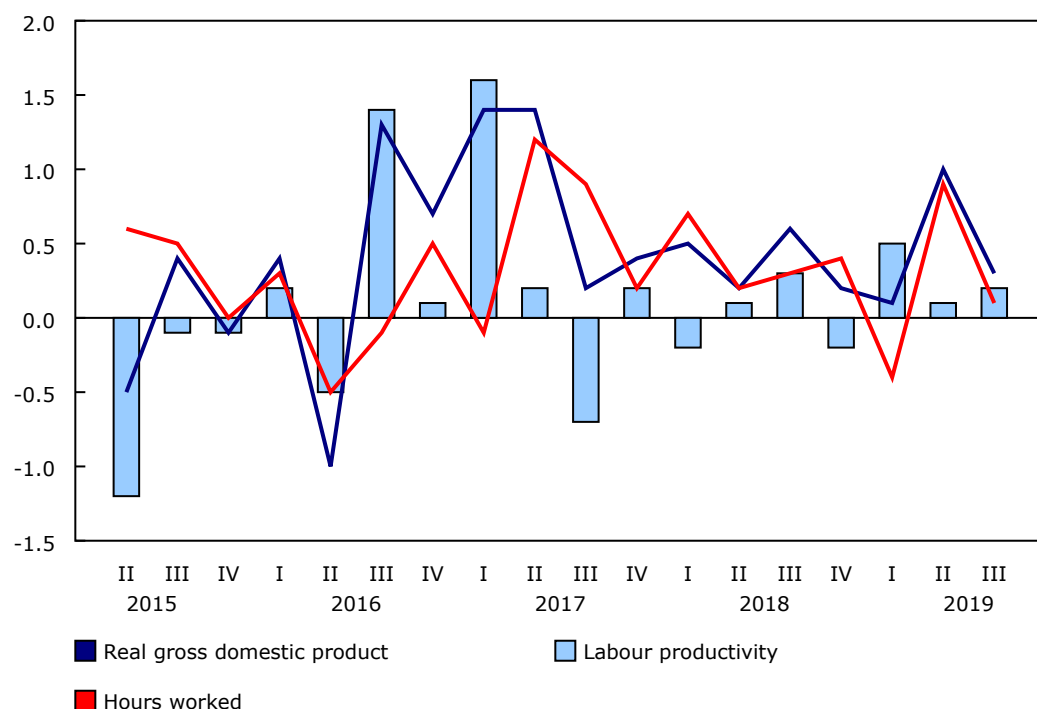
## Productivity up for the third consecutive quarter

Labour productivity of Canadian businesses grew 0.2% in the third quarter, after edging up 0.1% in the previous quarter. This was the third consecutive quarterly increase.

### Chart 1

#### Productivity of Canadian businesses posts another modest increase

quarterly % change



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

Hours worked slowed considerably in the third quarter, after a quarter of strong growth, while growth in business output also decelerated, but nonetheless still surpassed the growth in hours worked.

Growth in the real gross domestic product (GDP) of businesses was 0.3% in the third quarter, far from the gain observed in the second quarter (+1.0%). The growth in output in the third quarter was mainly moderated by the decrease in goods-producing businesses (-0.3%), due to declines in the mining, quarrying, and oil and gas extraction, and manufacturing sectors. However, output growth of service-producing businesses (+0.8%) continued at a similar pace as in the previous quarter.



Hours worked in the business sector edged up 0.1% in the third quarter, following a 0.9% increase in the second quarter. They also edged up in service-producing businesses (+0.1%) and edged down in goods-producing businesses (-0.1%). Hours worked were up in half of the 16 main industrial sectors. Professional services (+1.6%) and construction (+1.0%) had the largest increases, while agriculture and forestry (-3.0%) reported the largest decline.

In the third quarter, the increase in productivity was mainly driven by service-producing businesses, which posted a 0.7% increase. The largest contributors to this gain were real estate (+2.1%), retail trade (+1.5%) and wholesale trade (+1.0%).

After rising 0.4% in the previous quarter, productivity in goods-producing businesses decreased 0.2%, mainly due to a 4.2% decrease in the mining, quarrying, and oil and gas extraction sector. Utilities were also down (-0.9%). In contrast, productivity rose in agriculture and forestry (+3.8%) and construction (+0.8%) in the third quarter, while manufacturing edged up 0.1%.

In the United States, labour productivity of businesses (-0.1%) was down for the first time since the fourth quarter of 2015. Real GDP of American businesses continued to grow in the third quarter at the same pace as in the previous quarter (+0.5%), while hours worked increased 0.6%, after falling 0.2% in the second quarter.

### **Faster growth in unit labour costs than in the second quarter**

Labour costs per unit of output in Canadian businesses rose 1.0% in the third quarter, after increasing 0.6% in the second quarter.

This rapid increase in unit labour costs was led by faster growth in average compensation per hour worked (+1.3%), while productivity edged up 0.2%.

In the third quarter, average hourly compensation rose 1.4% in service-producing businesses and 1.0% in goods-producing businesses. The rise in hourly compensation was widespread across most main industrial sectors. Only mining, quarrying, and oil and gas extraction (-3.1%) and utilities (-1.3%) posted decreases in the third quarter, while agriculture and forestry was unchanged.

After five quarters of decline, the average value of the Canadian dollar relative to the US dollar rose 1.2% in the third quarter. With this appreciation, unit labour costs expressed in US dollars for Canadian businesses rose 2.3%, following zero growth in the second quarter.

In comparison, unit labour costs of American businesses were up 0.9%, following a 0.6% increase in the previous quarter.

### **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:*



## Note to readers

### Revisions

With this release on labour productivity and related measures, data were revised back to the first quarter of 2016 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 November 29, 2019.

### 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.

The approach to measuring the real output in the business sector differs from the one that is used in the estimates by industry. For the business sector, output is measured using the expenditure-based GDP approach at market prices. This approach is similar to that used for the quarterly measures of productivity in the United States. However, output by industry is based on the value added at basic prices.

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 fourth quarter of 2019 will be released on March 4, 2020.

Table 1

**Business sector: Labour productivity and related variables for Canada and the United States<sup>1</sup> – Seasonally adjusted**

	Third quarter 2017	Fourth quarter 2017	First quarter 2018	Second quarter 2018	Third quarter 2018	Fourth quarter 2018	First quarter 2019	Second quarter 2019	Third quarter 2019
% change from the previous quarter									
<b>Canada</b>									
Labour productivity	-0.7	0.2	-0.2	0.1	0.3	-0.2	0.5	0.1	0.2
Real gross domestic product (GDP)	0.2	0.4	0.5	0.2	0.6	0.2	0.1	1.0	0.3
Hours worked	0.9	0.2	0.7	0.2	0.3	0.4	-0.4	0.9	0.1
Hourly compensation	1.3	1.5	0.2	-0.1	0.2	0.8	1.5	0.7	1.3
Unit labour cost	2.0	1.3	0.5	-0.2	-0.1	1.0	1.0	0.6	1.0
Exchange rate <sup>2</sup>	7.3	-1.5	0.6	-2.1	-1.2	-1.0	-0.7	-0.5	1.2
Unit labour cost in US dollars	9.5	-0.2	1.0	-2.3	-1.3	-0.1	0.4	0.0	2.3
<b>United States<sup>3</sup></b>									
Labour productivity	0.8	0.0	0.3	0.6	0.2	-0.0	0.9	0.7	-0.1
Real GDP	1.0	1.0	0.7	1.0	0.8	0.3	1.0	0.5	0.5
Hours worked	0.1	1.0	0.4	0.4	0.6	0.3	0.1	-0.2	0.6
Hourly compensation	1.2	1.1	1.2	0.2	0.6	0.1	2.3	1.3	0.8
Unit labour cost	0.4	1.1	0.8	-0.4	0.4	0.1	1.4	0.6	0.9
	2014	2015	2016	2017	2018	Fourth quarter 2018	First quarter 2019	Second quarter 2019	Third quarter 2019
% change from the previous year									
<b>Canada</b>									
Labour productivity	3.2	-0.7	0.1	2.2	-0.2	-0.1	0.6	0.6	0.6
Real GDP	3.4	0.3	0.5	3.6	1.8	1.5	1.1	1.8	1.5
Hours worked	0.2	1.0	0.4	1.5	2.0	1.6	0.4	1.1	0.9
Hourly compensation	3.9	2.0	-1.3	2.7	2.2	1.1	2.4	3.3	4.4
Unit labour cost	0.7	2.7	-1.4	0.5	2.4	1.2	1.8	2.6	3.8
Exchange rate <sup>2</sup>	-6.7	-13.6	-3.6	2.1	0.1	-3.7	-4.9	-3.4	-1.0
Unit labour cost in US dollars	-6.1	-11.2	-4.9	2.7	2.4	-2.6	-3.2	-0.9	2.7
<b>United States<sup>3</sup></b>									
Labour productivity	0.7	1.2	0.3	1.3	1.3	1.1	1.7	1.8	1.5
Real GDP	3.1	3.5	1.8	2.8	3.4	2.9	3.1	2.7	2.3
Hours worked	2.4	2.3	1.5	1.5	2.0	1.7	1.4	0.9	0.8
Hourly compensation	2.6	2.9	1.1	3.5	3.2	2.1	3.3	4.4	4.6
Unit labour cost	1.9	1.6	0.8	2.1	1.9	1.0	1.5	2.6	3.0

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: Third Quarter 2019, Preliminary — published in news release, November 6. 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 [Economic Accounts Statistics](#) portal, accessible from the *Subject* module of our website, features an up-to-date portrait of national and provincial economies and their structure.

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)).