

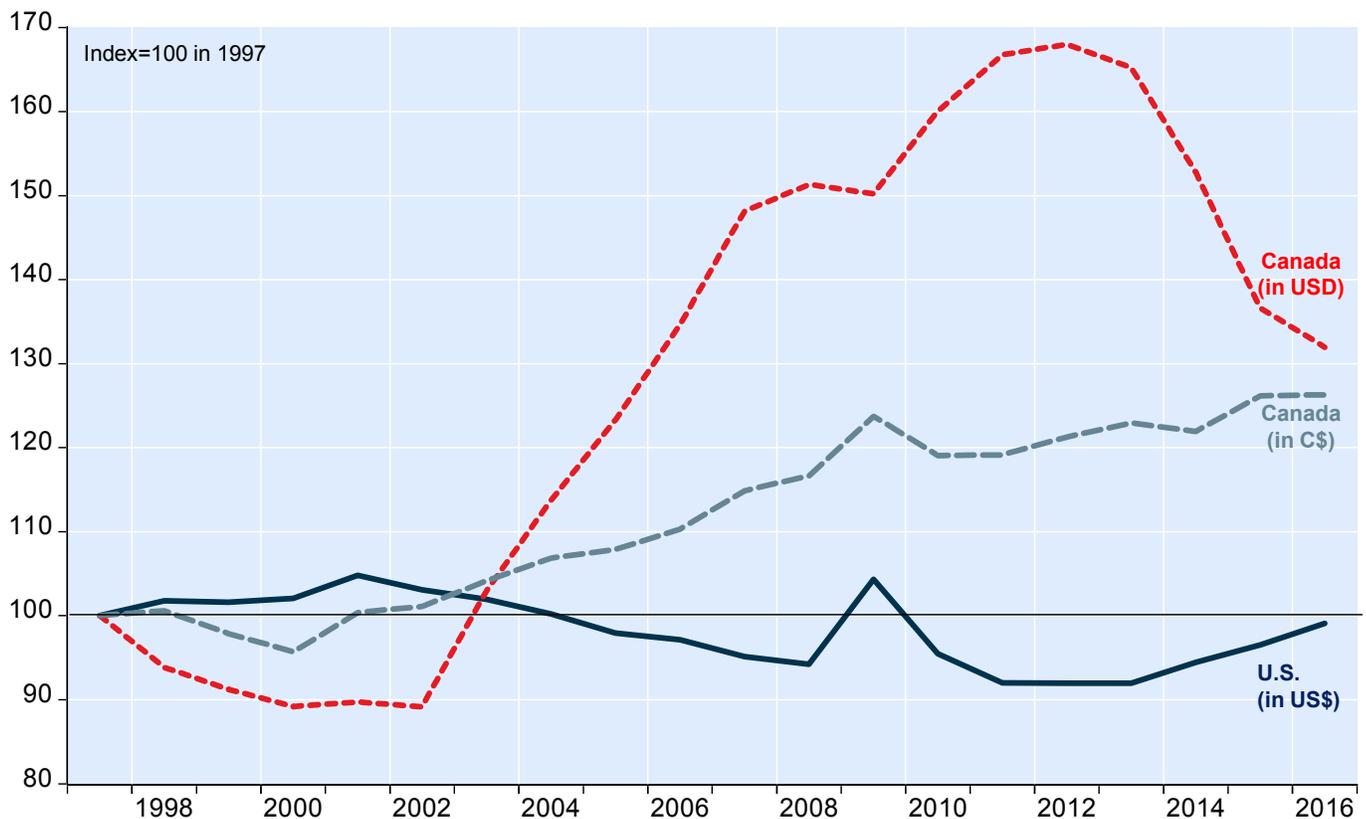
Canada Watch

Canada's business sector labour productivity grew 0.7% in 2016, faster than in the U.S., and that for the fourth time in the last six years. But don't get smug. Recent improvements hardly make up for the earlier divergence in productivity between the two countries. Take the manufacturing sector. Despite recent struggles, U.S. factory productivity is still up 85% since 1997, compared to a 43% gain over the same period in Canada. By producing more per hour than Canada American factories have managed to keep unit labour costs down. As today's Hot Chart shows, U.S. unit labour costs in the manufacturing sector last year were lower than they were back in 1997, contrasting sharply with a 32% increase in Canada over the last two decades. And the massive difference between the two countries is not just due to the stronger Canadian dollar because C\$ costs have also risen sharply over the last two decades. That suggests Canadian factories will require more than just a weaker loonie to regain competitiveness relative to their U.S. counterparts.

Krishen Rangasamy

Canada: Manufacturing sector needs more than just a weaker loonie

Unit labour cost in the manufacturing sector



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