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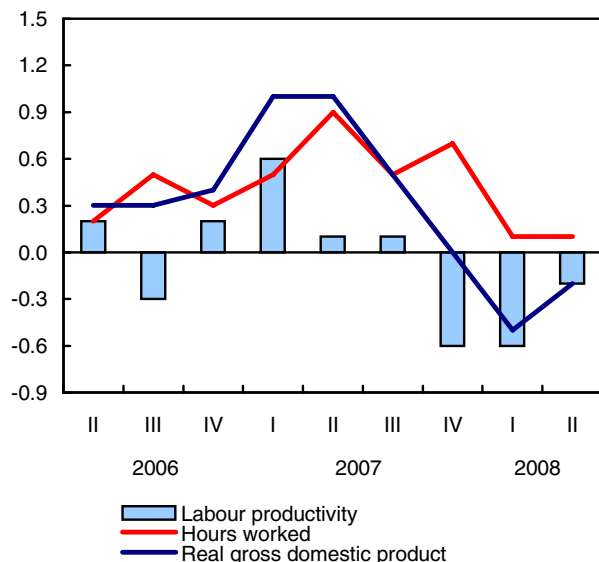
Labour productivity, hourly compensation and unit labour cost

Second quarter 2008

Canadian business labour productivity declined 0.2% in the second quarter of 2008, after declines of 0.6% in each of the previous two quarters. This is the longest series of consecutive quarterly declines since 1990.

Productivity in Canadian businesses declines

quarterly % change



In the second quarter, declining exports contributed to the second consecutive quarterly drop in real gross domestic product (GDP) of Canadian businesses. The number of hours worked in the Canadian business sector edged up 0.1% for the second consecutive quarter. This is a slowdown from 2007, when hours worked grew by 0.5% per quarter on average.

Labour productivity in the goods producing industries fell for a fifth consecutive quarter. Mining, oil and gas extraction industries, as well as construction, were the major contributors to the overall decline. In contrast, labour productivity in manufacturing grew 0.8%, its first gain since the third quarter of 2007.

Note to readers

This release contains a brief analysis of detailed data on labour productivity growth and other related variables. A more thorough analysis, including additional charts and tables, is available in the Canadian Economic Accounts Quarterly Review.

The term "productivity" herein refers to labour productivity. For the purposes of this analysis, labour productivity, gross domestic product (GDP), and unit labour cost cover the business sector only.

Calculations of the productivity growth rate and its related variables in the text and tables of this release are based on index numbers rounded to three decimal places. On CANSIM, these calculations would be based on index numbers that are rounded to one decimal place.

Labour productivity is a measure of real GDP per hour worked. Productivity gains occur when the production of goods and services grows faster than the volume of work dedicated to their production.

Unit labour cost is defined as the cost of workers' wages and benefits per unit of real GDP, and is, therefore, a measure of upward or downward pressure on prices from wages.

Revisions

With this release, the estimates for Canada were revised back to the first quarter of 2008 at the aggregate level and to the first quarter of 2007 at the industry level. In the United States, the Bureau of Labor Statistics recently revised its estimates of labour productivity in the business sector. The data released today incorporates revisions to the US data that affected GDP and hours worked from 2005 to 2007. The latest revisions for the last four years of Canada's productivity and related variables were released in The Daily on June 13, 2008.

In the United States, business labour productivity grew 1.1% in the second quarter, after increasing 0.6% in the previous quarter.

Growth of unit labour cost moderates

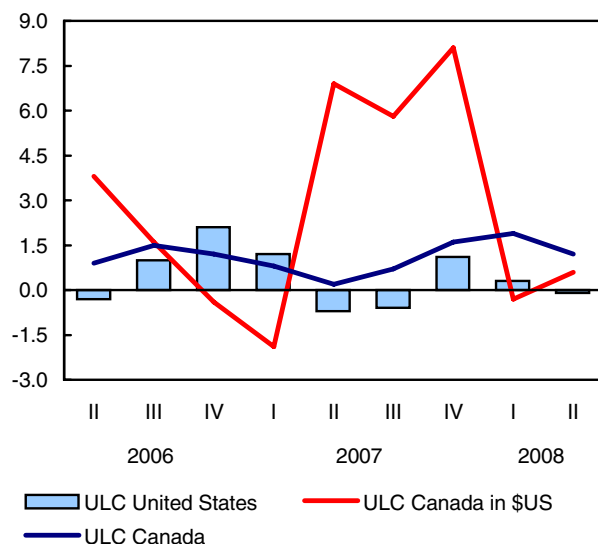
The growth rate of labour costs per unit of production, a barometer of inflationary pressure, decelerated to 1.2% for Canadian businesses in the second quarter, after increases of 1.6% and 1.9% in the previous two quarters. This reflects the deceleration in the growth of hourly compensation (+0.9%) compared with the first quarter (+1.4%), as well as the smaller decline in productivity.

On average, the Canadian dollar depreciated against its US counterpart in the second quarter, but at a much slower pace than in the first quarter.

Consequently, after declining by 0.3% in the first quarter, unit labour costs of Canadian businesses expressed in US dollars grew by 0.6% in the second quarter. For US businesses, unit labour costs declined by 0.1% in the second quarter, following two quarters of increases.

Canadian unit labour costs (ULC) in US dollars increases

quarterly % change



Annual Canadian productivity growth similar to the United States since 2004

In 2007, productivity in US businesses was 4.4% higher (revised down from 5.0%) than it was in 2004. Productivity in Canadian businesses grew 4.3% over the same period.

Comparison of annual labour productivity growth in the business sector before and after revision

	Canada	United States ¹	
		Before revision	After revision
	annual % change		
1981 to 2007	1.4	2.1	2.1
1981 to 2000	1.6	1.9	1.9
2000 to 2007	1.0	2.6	2.5
2004 to 2007	1.4	1.6	1.4
2004	0.2	2.9	2.9
2005	2.0	2.0	1.8
2006	1.6	1.0	0.9
2007	0.6	1.9	1.5

1. US data are from the Bureau of Labor Statistics, *Productivity and Costs*: Second quarter 2008, published in *NEWS*, September 4.

Available on CANSIM: tables 383-0008 and 383-0012.

Definitions, data sources and methods: survey number 5042.

A more comprehensive analysis, including additional charts and tables, can be found in the second quarter 2008 issue of *Canadian Economic Accounts Quarterly Review*, Vol. 7, no. 2 (13-010-XWE, free), which is now available from the *Publications* module of our website.

Third quarter 2008 data for labour productivity, hourly compensation and unit labour cost will be released on December 10.

To order data, contact Client Services (productivity.measures@statcan.gc.ca). For more information, or to enquire about the concepts, methods or data quality of this release, contact Jean-Pierre Maynard (613-951-3654; fax: 613-951-3618; maynard@statcan.gc.ca), Income and Expenditure Accounts Division.

□

Business sector: Labour productivity and related variables for Canada and the United States

	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007	Second quarter 2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008
% change from previous quarter, seasonally adjusted									
Canada									
Labour productivity	0.1	-0.2	0.2	0.6	0.1	0.1	-0.6	-0.6	-0.2
Real gross domestic product	0.3	0.2	0.4	1.0	1.0	0.5	0.0	-0.5	-0.2
Hours worked	0.2	0.5	0.3	0.5	0.9	0.5	0.7	0.1	0.1
Hourly compensation	1.1	1.2	1.3	1.4	0.3	0.7	0.9	1.4	0.9
Unit labour cost	1.0	1.5	1.2	0.8	0.2	0.7	1.6	1.9	1.2
Exchange rate ¹	-2.8	-0.1	1.6	2.8	-6.3	-4.9	-6.0	2.3	0.6
Unit labour cost in US dollars	3.8	1.6	-0.4	-1.9	6.9	5.8	8.1	-0.3	0.6
United States²									
Labour productivity	0.3	-0.5	0.0	0.0	1.2	1.5	0.0	0.6	1.1
Real gross domestic product	0.7	0.1	0.4	-0.2	1.4	1.3	-0.2	0.2	0.8
Hours worked	0.4	0.6	0.4	-0.2	0.2	-0.2	-0.2	-0.4	-0.3
Hourly compensation	0.1	0.5	2.2	1.2	0.5	0.9	1.1	0.9	1.0
Unit labour cost	-0.3	1.0	2.1	1.2	-0.7	-0.6	1.1	0.3	-0.1
	2003	2004	2005	2006	2007	Third quarter 2007	Fourth quarter 2007	First quarter 2008	Second quarter 2008
% change from the previous year									
Canada									
Labour productivity	0.2	0.2	2.0	1.6	0.6	0.9	0.1	-1.1	-1.4
Real gross domestic product	1.5	3.3	2.9	3.2	2.6	3.0	2.6	1.0	-0.1
Hours worked	1.3	3.1	0.9	1.5	2.0	2.1	2.5	2.1	1.3
Hourly compensation	2.6	3.3	4.5	5.1	4.2	3.8	3.4	3.3	4.0
Unit labour cost	2.4	3.1	2.4	3.5	3.6	2.9	3.3	4.4	5.5
Exchange rate ¹	-10.8	-7.1	-6.9	-6.4	-5.3	-6.8	-13.8	-14.3	-8.0
Unit labour cost in US dollars	15.1	10.9	9.8	10.6	9.9	10.4	19.9	21.9	14.7
United States²									
Labour productivity	3.8	2.9	1.8	0.9	1.5	2.8	2.8	3.4	3.2
Real gross domestic product	3.1	4.2	3.5	3.0	2.0	3.0	2.4	2.8	2.2
Hours worked	-0.7	1.3	1.6	2.1	0.5	0.2	-0.3	-0.6	-1.0
Hourly compensation	4.1	3.8	4.0	3.8	4.2	4.8	3.7	3.4	3.9
Unit labour cost	0.2	0.8	2.1	2.9	2.6	1.9	0.9	0.0	0.7

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

2. US data are from the Bureau of Labor Statistics, Productivity and costs: Second quarter 2008, published in NEWS, September 4.

Stocks of grain

As of July 31, 2008

At the end of the crop year on July 31, total stocks of durum wheat (used for pasta) and wheat excluding durum (used in breads and pastry) had declined to amounts not seen since the late 1980s. Total stocks of durum fell to 842 000 metric tonnes, down 31.7% from the same date in 2007, and total stocks of wheat excluding durum fell 28.6% to 4.0 million tonnes.

Decreases in both types of wheat were observed in all of the western provinces and in national commercial positions.

Lower production in 2006 and 2007, coupled with a steady demand in the export market, has drawn down durum stock levels. Durum wheat stocks held on farms were down 83.3% from 300 000 tonnes in July 2007 to a very low level of 50 000 tonnes, and commercial stocks were down 15.1% to 792 000 tonnes.

The declines in stocks of wheat excluding durum were primarily the result of a drop in production in 2007, following the lowest spring wheat seeded area in over 30 years. Wheat excluding durum stocks held on farms were down 60.9% compared with July 2007 to 656 000 tonnes, a value not seen since 1995. Stocks held in commercial positions were down just 14.7% to 3.3 million tonnes. The previous five-year average (2003 to 2007) was 3.5 million tonnes.

Note to readers

The annual July farm survey of 15,100 Canadian farmers is a survey of Canadian field crop stocks conducted from July 25 to August 4, 2008. July stocks are a measure of agriculture year end stocks in Canada.

Data on commercial stocks of western major crops originate from the Canadian Grain Commission. Commercial stocks of corn and soybeans are estimated by a Statistics Canada sample of grain elevators in Eastern Canada and will be published in the September Estimate of Production of Principal Field Crops on October 2.

Data on commercial stocks of special crops originate from a survey of handlers and agents of special crops.

Available on CANSIM: tables 001-0040 to 001-0043.

Definitions, data sources and methods: survey numbers, including related surveys, 3401, 3403, 3443, 3464 and 3476.

The publication *Field Crop Reporting Series: Stocks of Canadian Grain at July 31, 2008*, Vol. 87, no. 6 (22-002-XWE, free), is now available from the Publications module of our website.

For further information, or to enquire about the concepts, methods or data quality of this release, contact David Burroughs (613-951-5138; dave.burroughs@statcan.gc.ca), Agriculture Division.

Total stocks of major and special crops at July 31

Crop	2007	2008	Five-year average (2003 to 2007)	2007 to 2008 % change
	thousands of tonnes			
Total wheat	6 803	4 817	7 045	-29.2
Wheat excluding durum	5 571	3 975	5 123	-28.6
Durum wheat	1 233	842	1 922	-31.7
Barley	1 492	1 573	2 378	5.4
Canola	1 820	1 541	1 513	-15.3
Oats	556	975	833	75.4
Dry field peas	205	255	340	24.4
Flaxseed	371	172	199	-53.6
Chick peas	10	92	48	820.0
Canary seed	120	67	122	-44.2
Lentils	139	51	190	-63.3
Mustard seed	91	27	118	-70.3
Sunflower seed	18	12	19	-33.3

Social Policy Simulation Database and Model

The Social Policy Simulation Database and Model (SPSD/M), Version 16.0 based on 2004 microdata, is now available. The most recent SPSP/M can be used to study the impacts of changes to federal and provincial tax and benefit programs on families and governments from 1991 through 2012.

The SPSP/M is a tool designed to analyze the financial interactions of governments and individuals/families in Canada. It allows estimation of the income redistributive effects or cost implications of changes in the personal taxation (including the goods and services tax and other commodity taxes) and cash transfer systems. The SPSP/M assists analysts examining the potential impacts of changes in taxes, earnings, demographic trends, and a wide range of other factors.

The SPSP/M allows analysts to answer "what-if" types of questions. What if there were changes to the taxes Canadians paid or transfers they received, who would gain and who would lose? Would single parent households in a particular province be better off? By how much? How much extra money would federal or provincial governments collect or pay out?

As its name implies, the SPSP/M is comprised of both a database (SPSD) and a model (SPSM).

The SPSP is a statistically-representative database of individuals in their family context, with enough information on each individual to compute taxes paid to and cash transfers received from federal and provincial governments. It is created by statistically combining data from survey and administrative sources. The SPSM is a static accounting model, which processes each individual and family on the SPSP, calculates transfers and taxes (including income, payroll, and commodity taxes) using legislated or proposed programs and algorithms, and reports on the results. This microsimulation model can be run using a visual interface. Extensive documentation on both SPSP and SPSM is included.

Definitions, data sources and methods: survey number 3889.

The *Social Policy Simulation Database and Model*, Version 16.0, is now available on CD-ROM (89F0002XCB, \$5,000/\$12,500). See *How to order products*.

For more information, to order a copy, or to enquire about the concepts, methods or data quality of this release, contact Chantal Hicks (613-951-5311; spsdm@statcan.gc.ca), Socio-economic Analysis and Modeling Division. ■

New products

Canadian Economic Accounts Quarterly Review,
Second quarter 2008, Vol. 7, no. 2
Catalogue number 13-010-XWE
(free).

Field Crop Reporting Series: Stocks of Canadian Grain at July 31, 2008, Vol. 87, no. 6
Catalogue number 22-002-XWE
(free).

Social Policy Simulation Database and Model, 1991 to 2012 (Version 16.0, database year 2004)
Catalogue number 89F0002XCB
(various prices).

All prices are in Canadian dollars and exclude sales tax. Additional shipping charges apply for delivery outside Canada.

Catalogue numbers with an -XWE, -XIB or an -XIE extension are Internet versions; those with -XMB or -XME are microfiche; -XPB or -XPE are paper versions; -XDB or -XDE are electronic versions on diskette; -XCB or -XCE are electronic versions on compact disc; -XVB or -XVE are electronic versions on DVD and -XBB or -XBE a database.

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