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Canadian Forest Product Sector Emerges as Productivity Leader

The Centre for the Study of Living Standards today released a major report of the productivity performance of the Canadian forest products sector. The sector enjoyed strong productivity gains in the 2000-2012 period, driven in particular by the wood product manufacturing subsector. This report provides a detailed analysis of output, input and productivity trends in the sector and looks at the key drivers of productivity, investigating potential barriers to productivity growth and discussing policies that could enable faster growth. Given the increasing importance of low-cost countries in forest product markets, maintaining robust productivity growth is an imperative for the Canadian forest products sector to remain competitive internationally. To attain this objective, the report recommends a renewed focus on human and physical capital investment, as well as on R&D spending.

Key findings from the report are highlighted below.

- The Canadian forest products sector has had an excellent productivity performance in the last 50 years, outperforming the business sector by far. The sector's level of labour productivity quadrupled during the 1961-2012 period, while business sector productivity had a much more modest (albeit still significant) 2.5-fold increase.
- The Canadian forest products sector had the second highest growth rate for the 2000-2012 period for two-digit NAICS sectors, behind only agriculture, fishing and hunting.
- Driven by its large wood product manufacturing subsector, British Columbia's forest products sector experienced the fastest labour productivity growth among all the provinces for which data were available, at 4.7 per cent per year during the 2000-2012 period, almost double the productivity increase observed by the Canadian forest products sector as a whole. In contrast, Ontario's forest products sector had no labour productivity growth in the period.

- The Canadian forest products sector also fared well in international comparisons. In a sample of eight OECD countries, Canada had by far the fastest productivity growth in the wood product manufacturing subsector during the 2000-2007 period, both in terms of labour productivity and MFP. The productivity performance of Canada's paper manufacturing, however, was far from stellar.

The report is available at <http://www.csls.ca/reports/csls2014-01.pdf>.

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The Centre for the Study of Living Standards (CSLS) is a national, independent, Ottawa-based not-for-profit economic research organization. Its primary objective is to contribute to a better understanding of trends and determinants of productivity, living standards and economic well-being in Canada through research.