



Canada's Cost Competitiveness: An Exchange Rate and Productivity Story

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Session on North American Productivity and Competitiveness
Sunday, October 11
1:15pm-2:15pm

Outline of Presentation

I. Cost Competitiveness Trends

- I. Business Sector
- II. Manufacturing

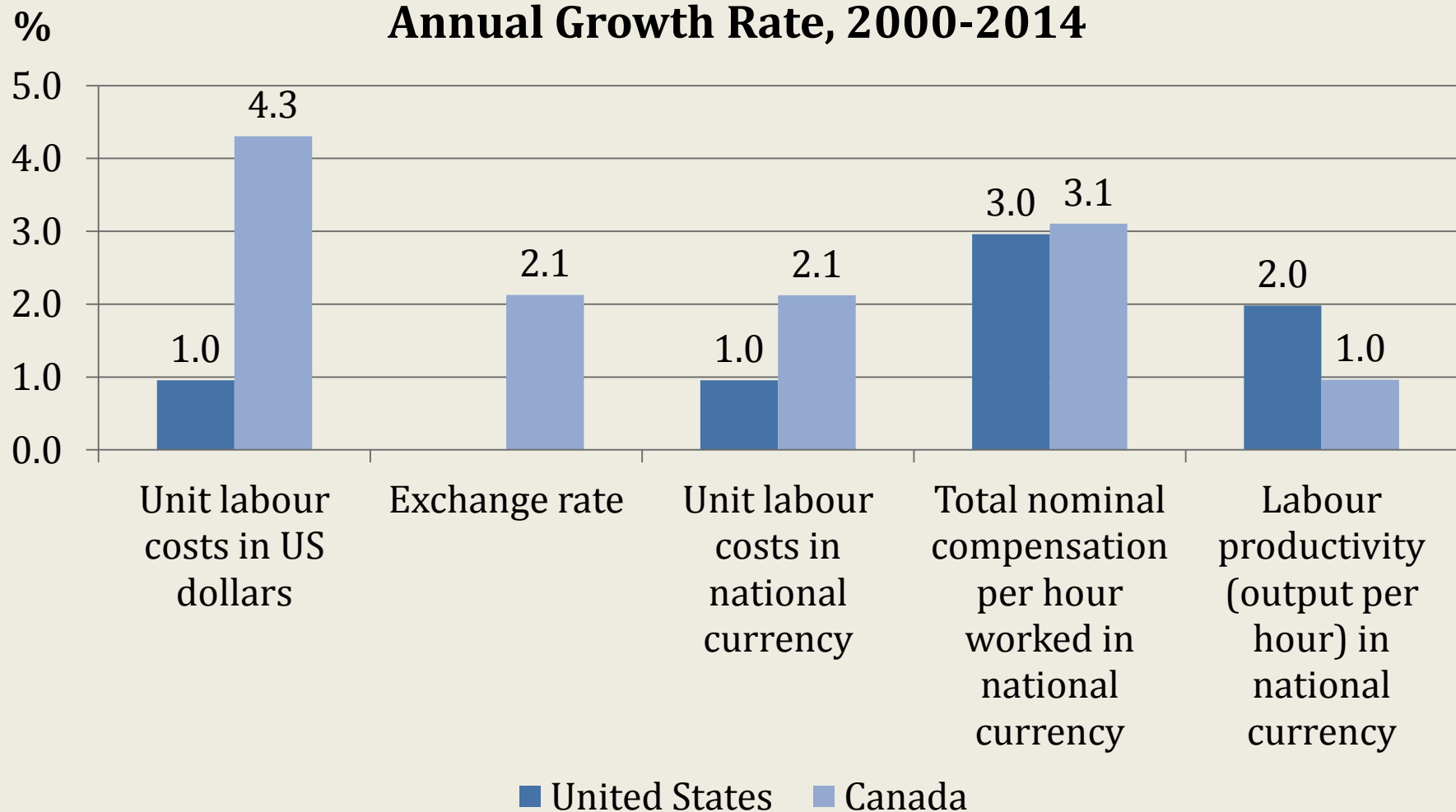
II. Exchange Rate Trends

III. Productivity Explanations

- I. Growth Accounting
- II. Demand Conditions
- III. Investment
- IV. Innovation

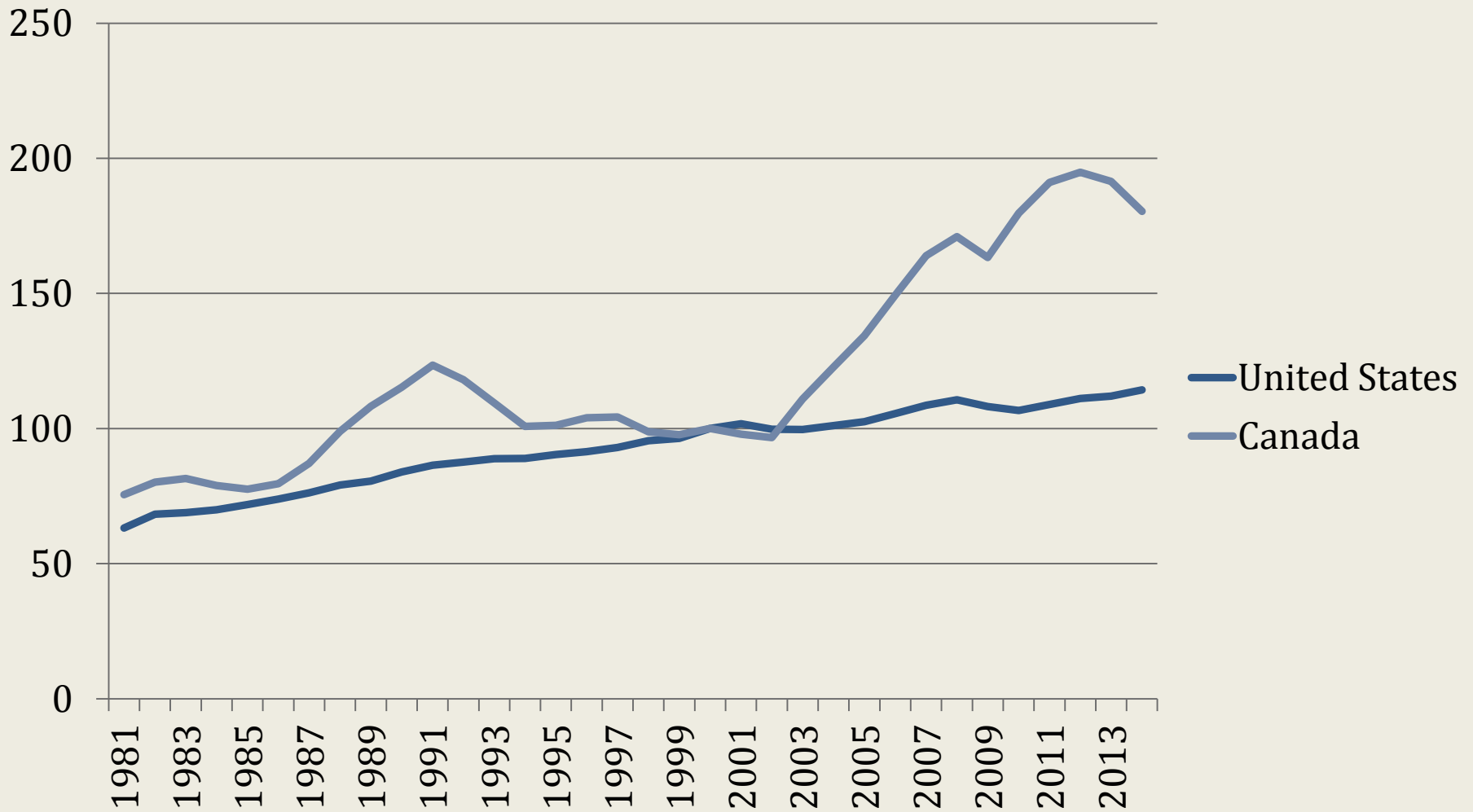
Cost Competitiveness Trends: Business Sector

Unit Labour Cost Growth, U.S. Dollars, Business Sector, Canada and the United States, Compound Average Annual Growth Rate, 2000-2014



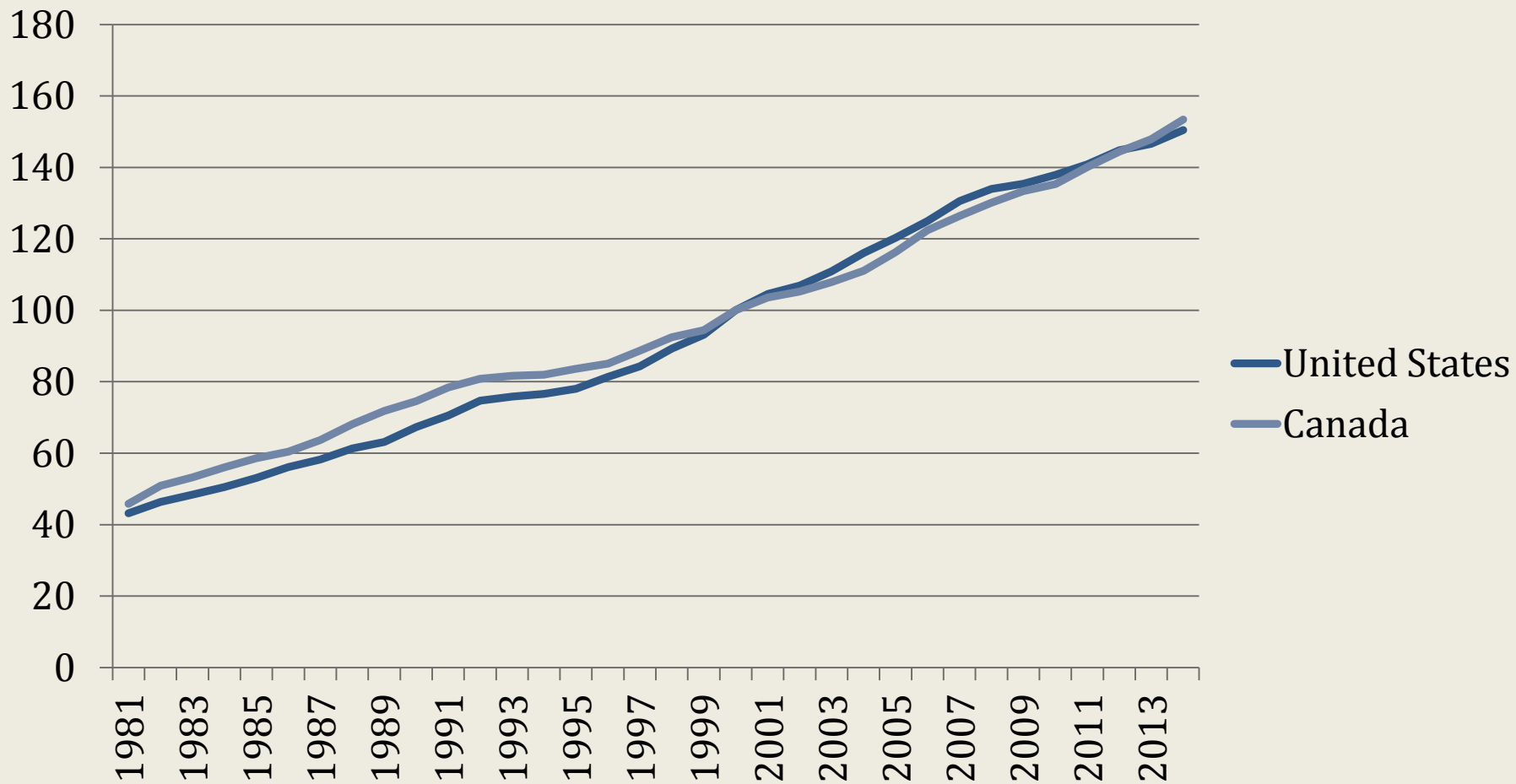
Source: CANSIM 383-0008 and BLS Labour Productivity and Costs Program.

Unit Labor Costs, Business Sector, United States and Canada, U.S. Dollars, 2000=100, 1981-2014



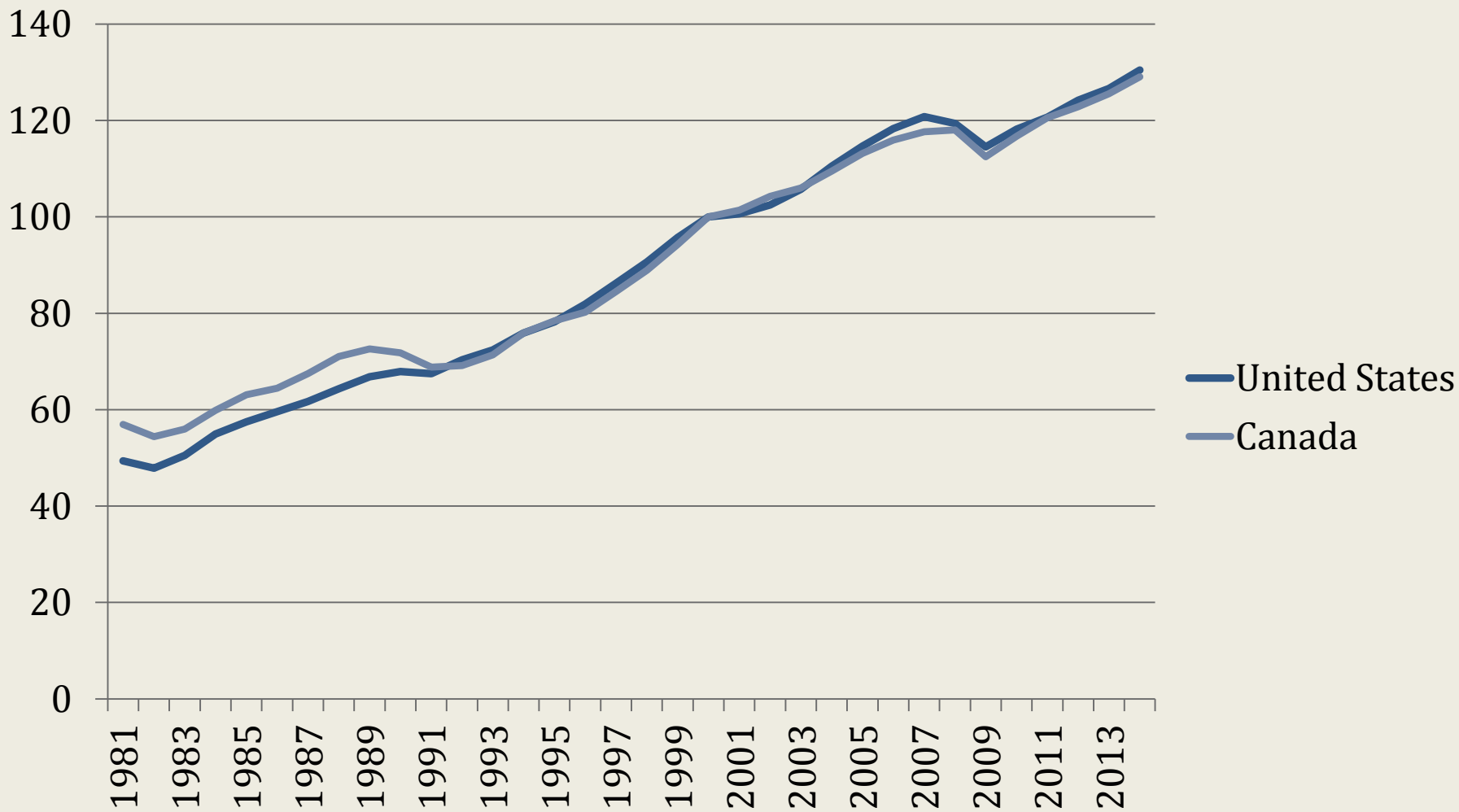
Source: CANSIM 383-0008 and BLS Labour Productivity and Costs Program.

Nominal Hourly Compensation, Business Sector, United States and Canada, National Currency, 2000=100, 1981-2014



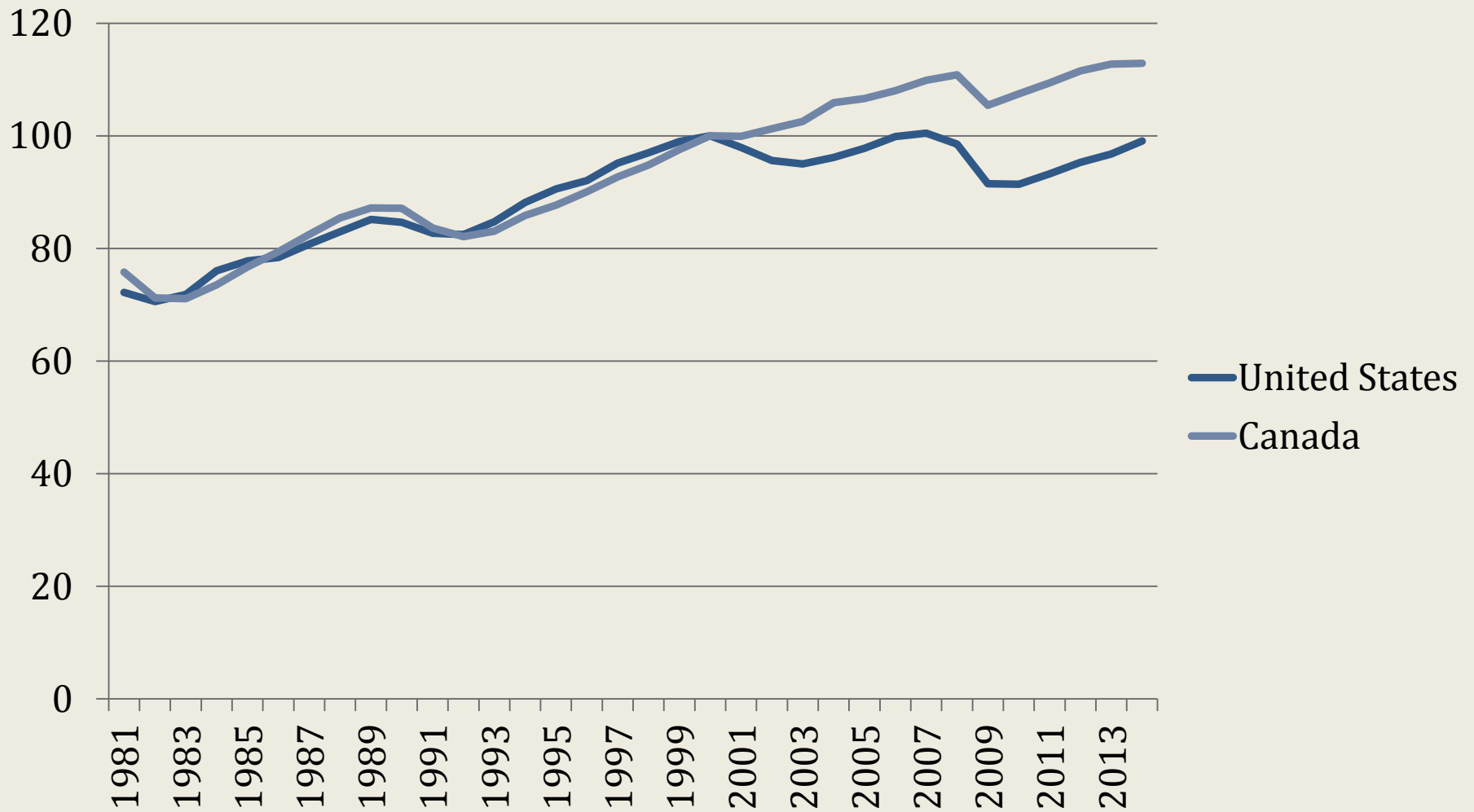
Source: CANSIM 383-0008 and BLS Labour Productivity and Costs Program.

Output, Business Sector, United States and Canada, National Currency, 2000=100, 1981-2014



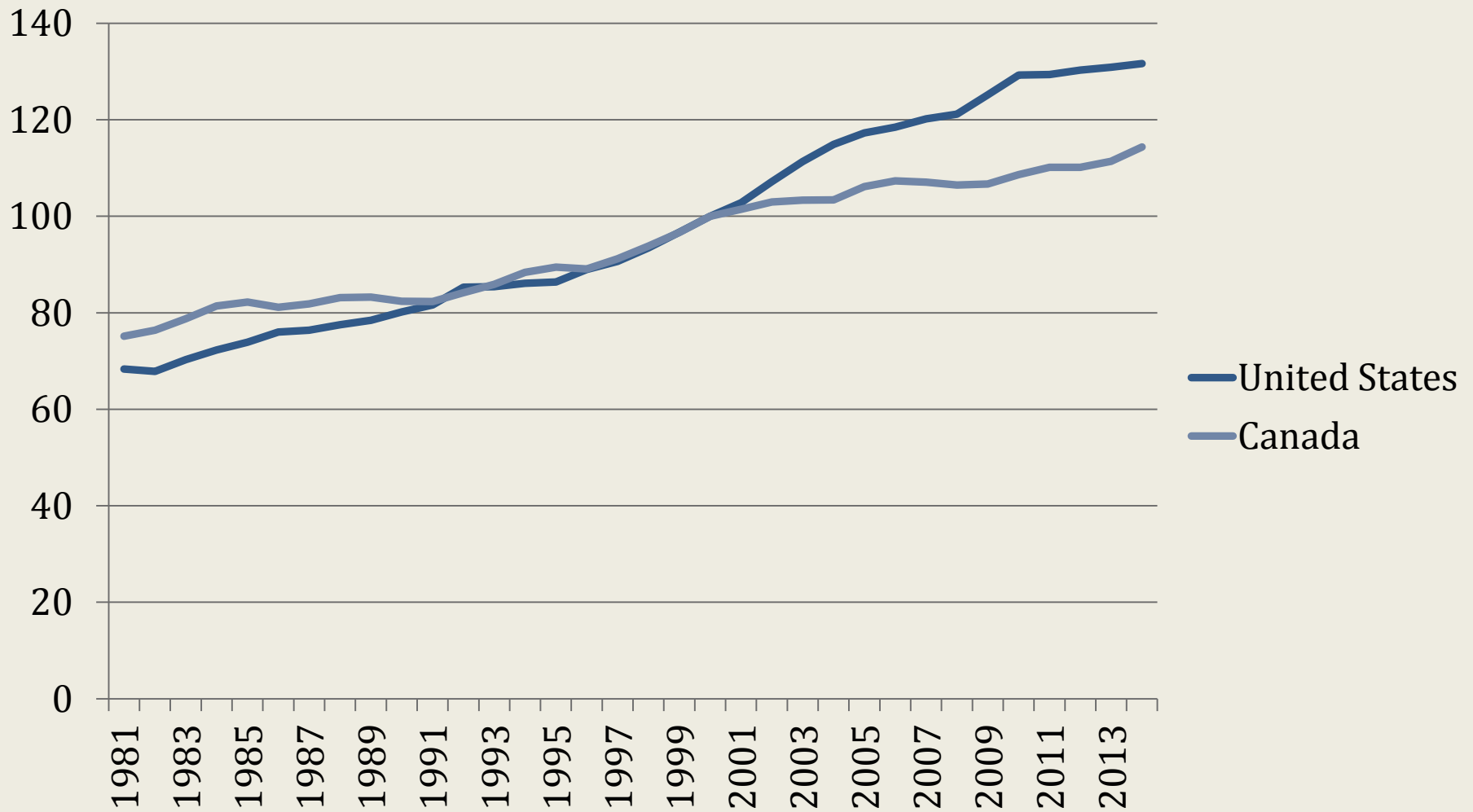
Source: CANSIM 383-0008 and BLS Labour Productivity and Costs Program.

Hours Worked, Business Sector, United States and Canada, 2000=100, 1981-2014



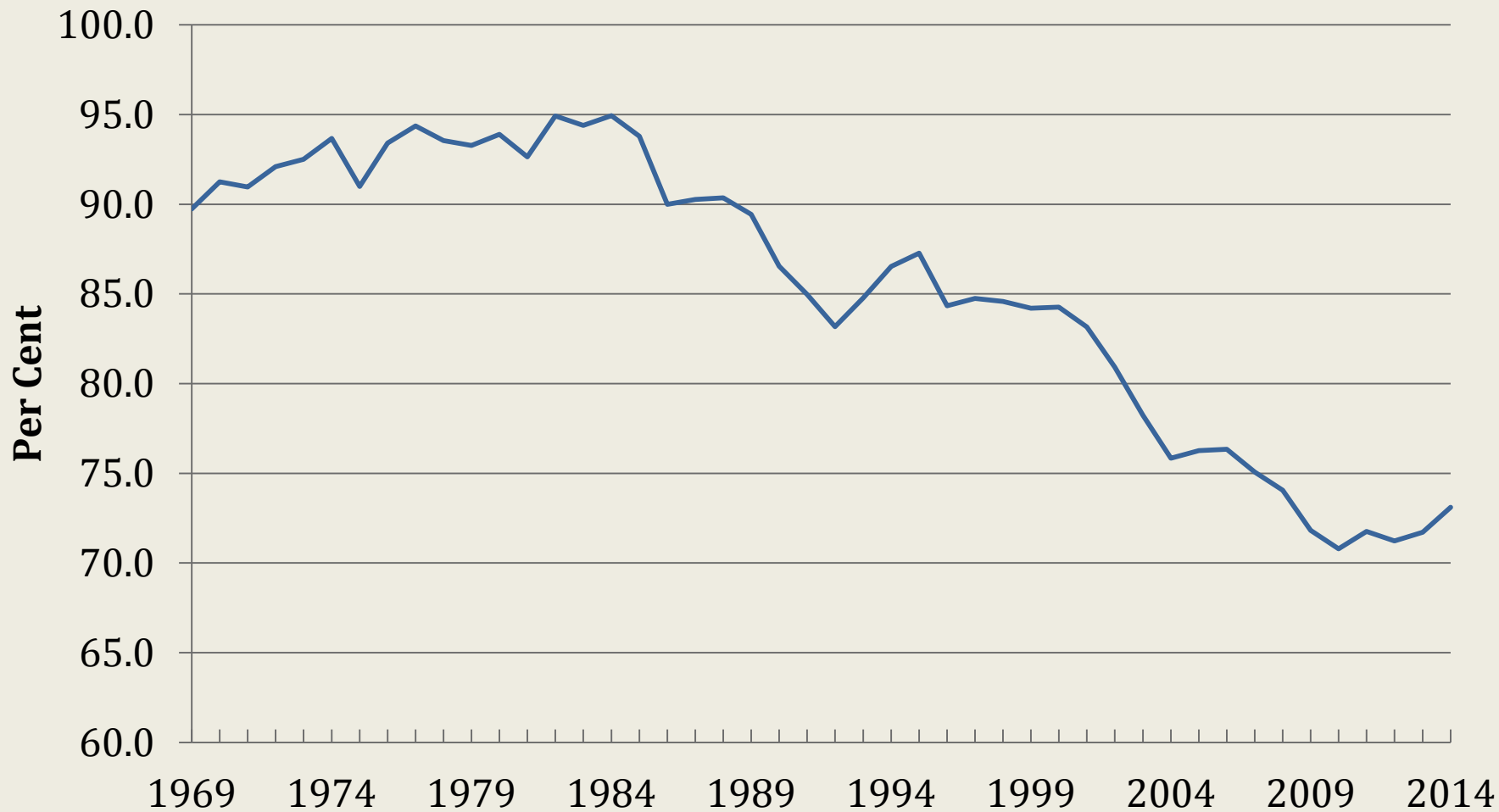
Source: CANSIM 383-0008 and BLS Labour Productivity and Costs Program.

Output Per Hour, Business Sector, United States and Canada, National Currency, 2000=100, 1981-2014



Source: CANSIM 383-0008 and BLS Labour Productivity and Costs Program.

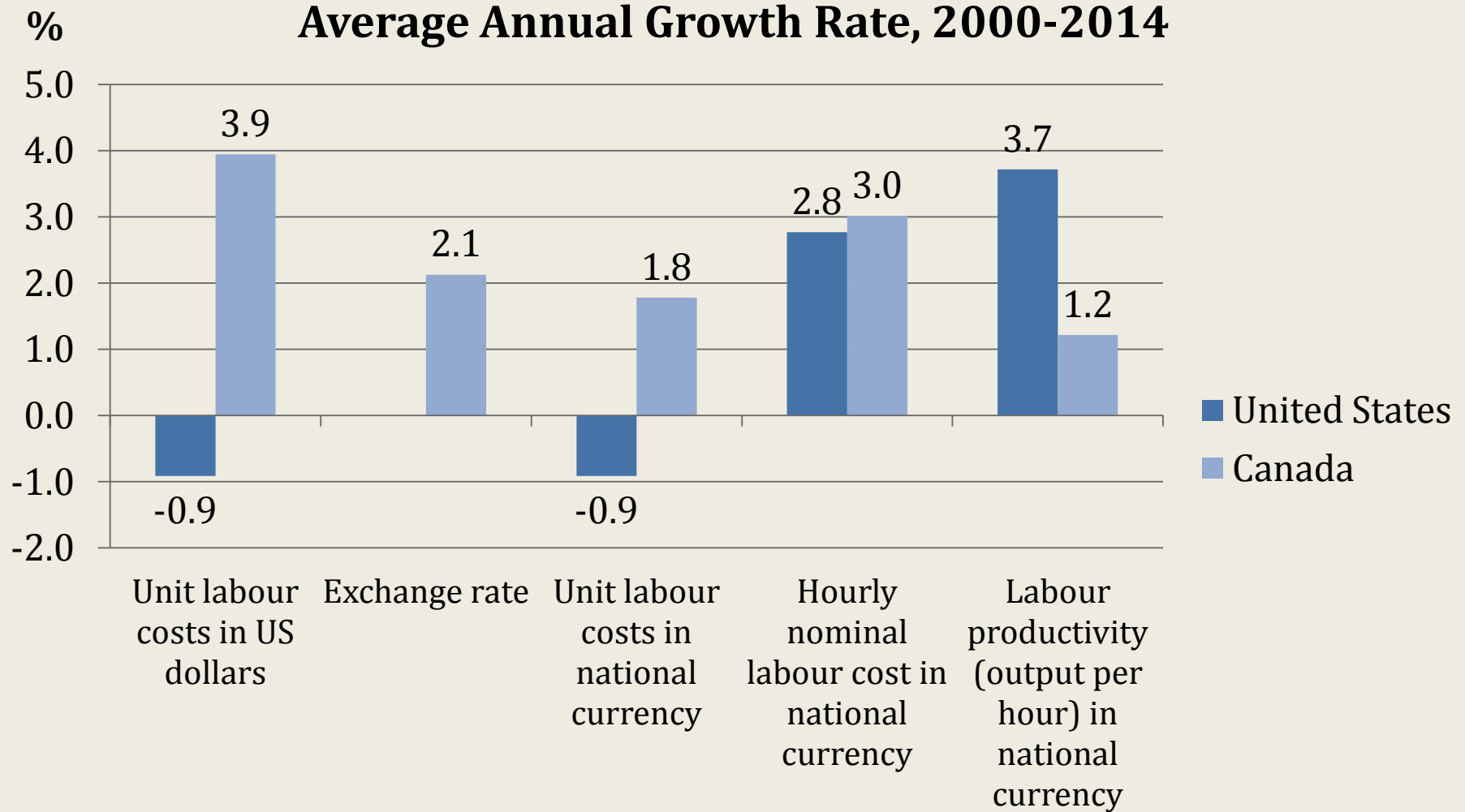
Relative Labour Productivity Levels (GDP per hour) in the Business Sector, 1969-2014 (Canada as % of the United States)



Source: CSLS estimates.

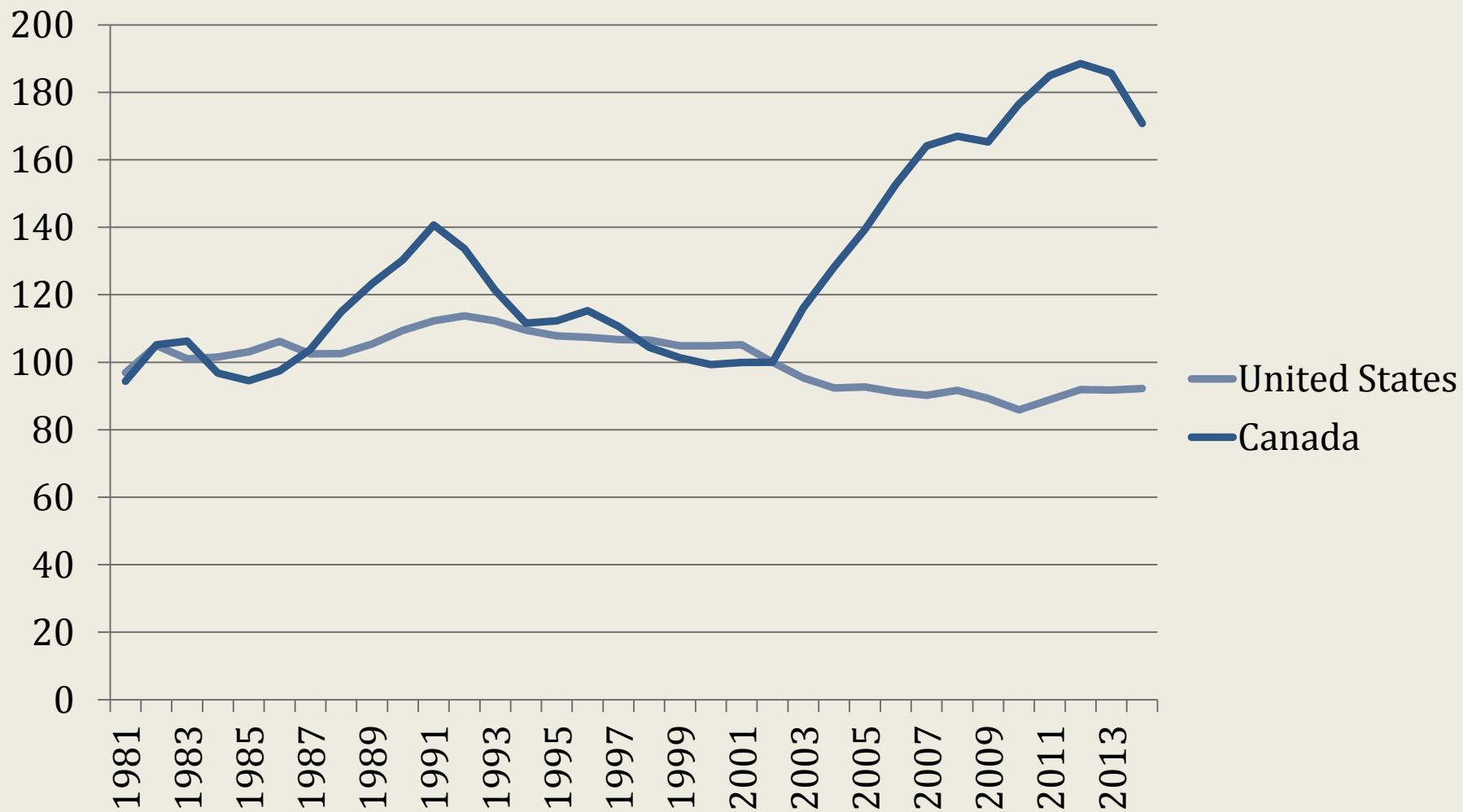
Cost Competitiveness Trends: Manufacturing

Unit Labour Cost Growth, U.S. Dollars, Manufacturing Sector, Canada and the United States, Compound, Average Annual Growth Rate, 2000-2014



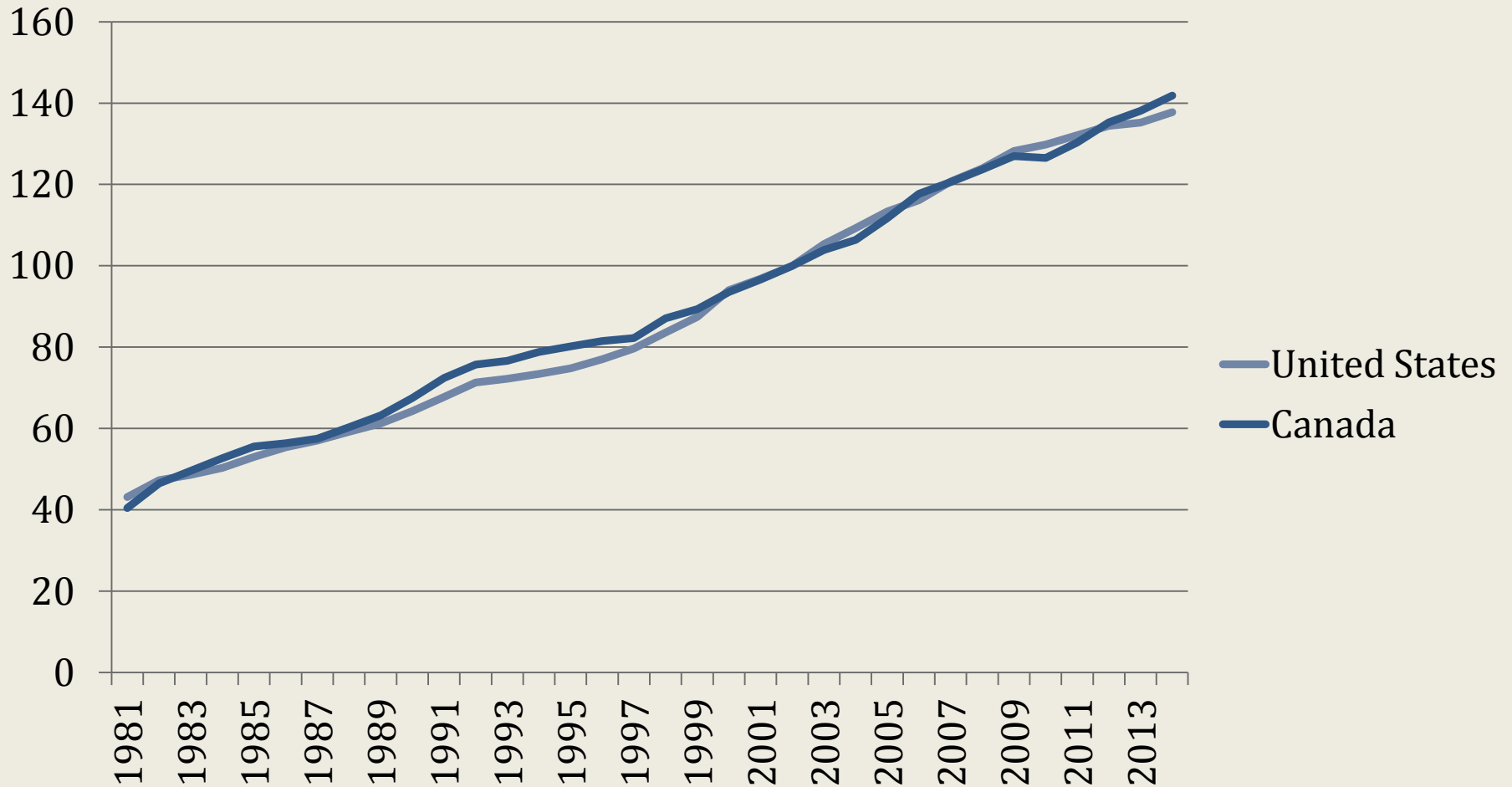
Source: Conference Board International Comparisons of Manufacturing and Unit Labor Costs Program.

Unit Labour Costs, Manufacturing, Canada and the United States, U.S. Dollars, 1950-2014, 2000=100



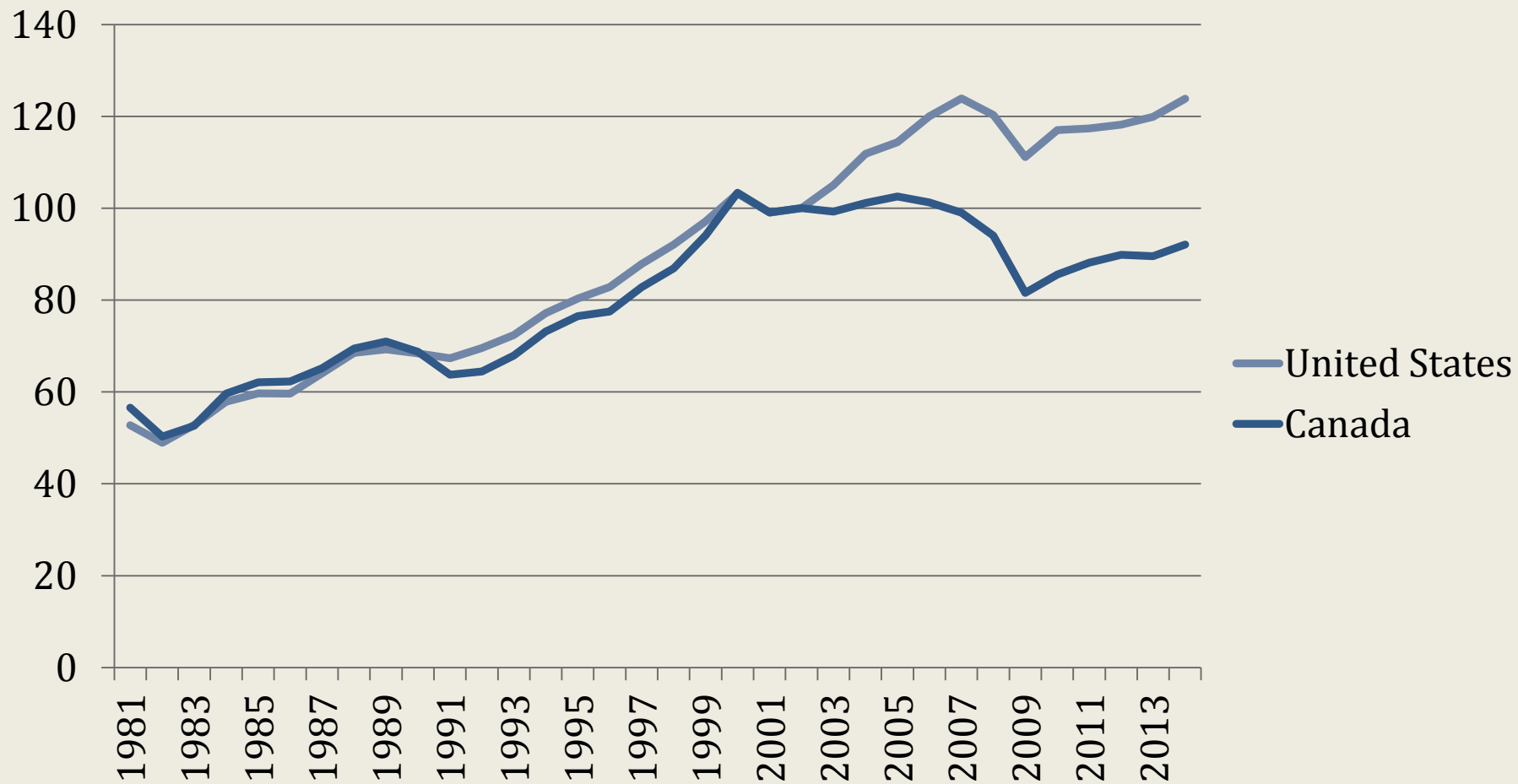
Source: Conference Board International Comparisons of Manufacturing and Unit Labor Costs Program.

Nominal Hourly Labor Costs, Manufacturing, Canada and the United States, National Currency, 1950-2014, 2000=100



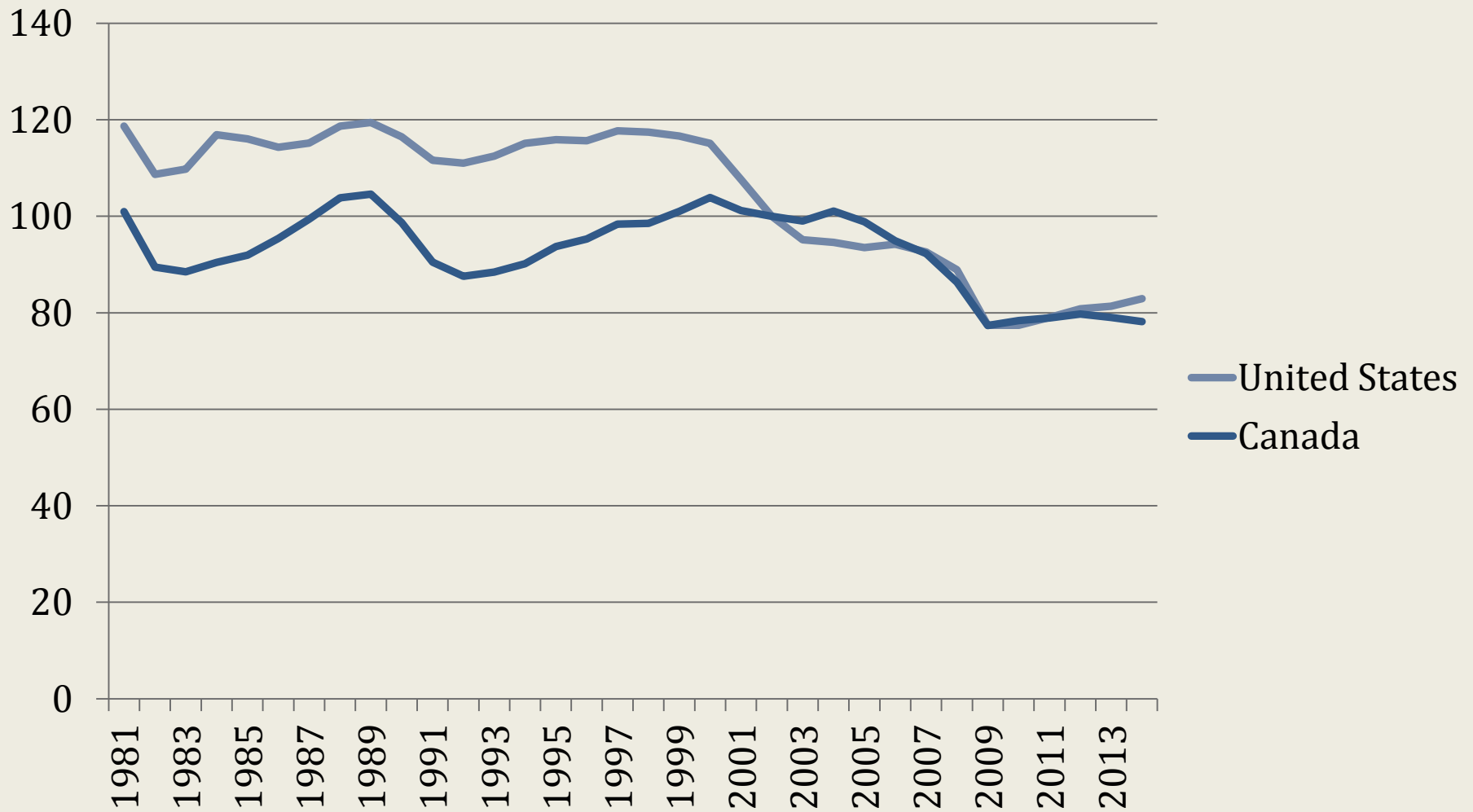
Source: Conference Board International Comparisons of Manufacturing and Unit Labor Costs Program.

Real Value Added Output, Manufacturing, Canada and the United States, National Currency, 1950-2014, 2000=100



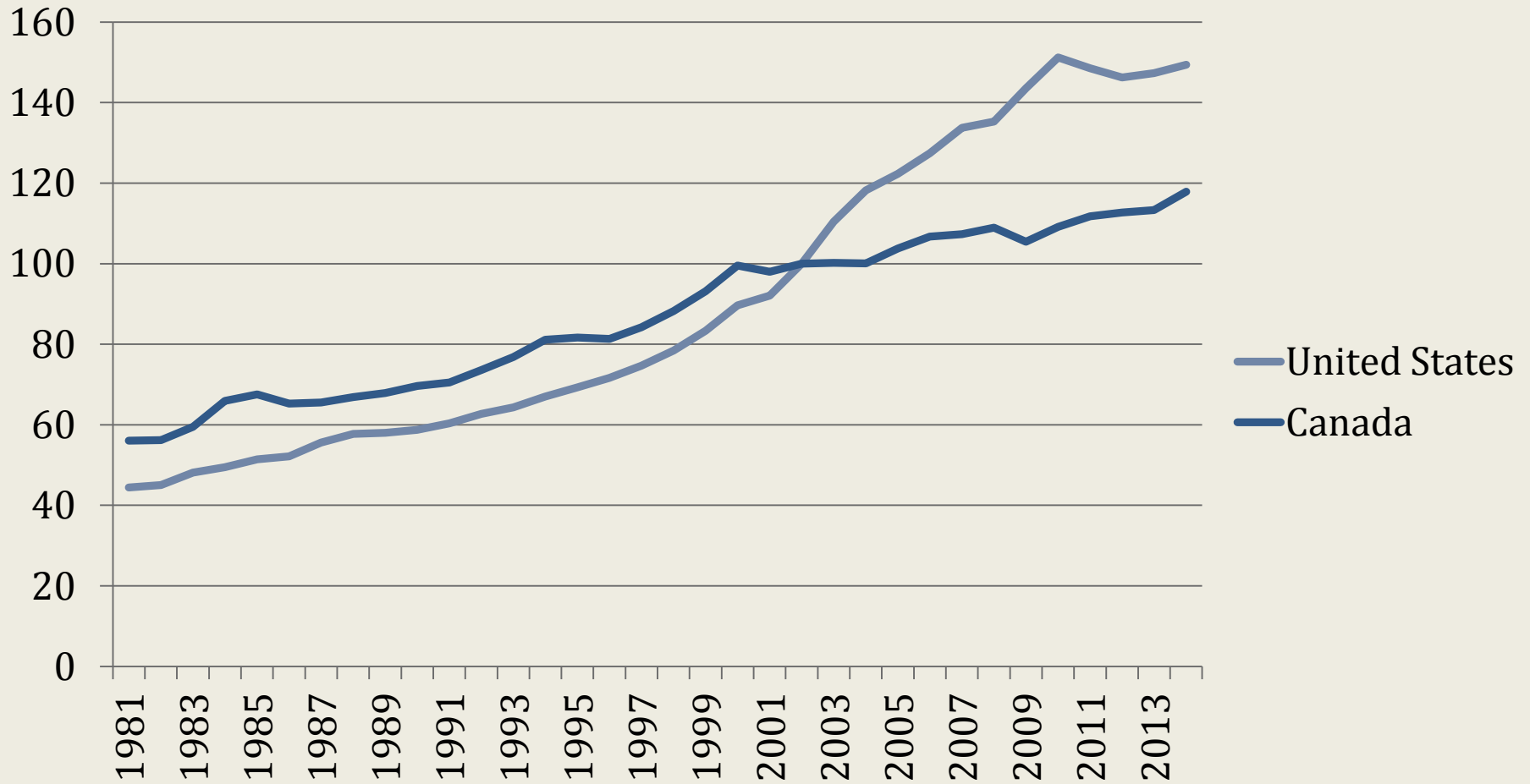
Source: Conference Board International Comparisons of Manufacturing and Unit Labor Costs Program.

Hours Worked, Manufacturing, Canada and the United States, 1950-2014, 2000=100



Source: Conference Board International Comparisons of Manufacturing and Unit Labor Costs Program.

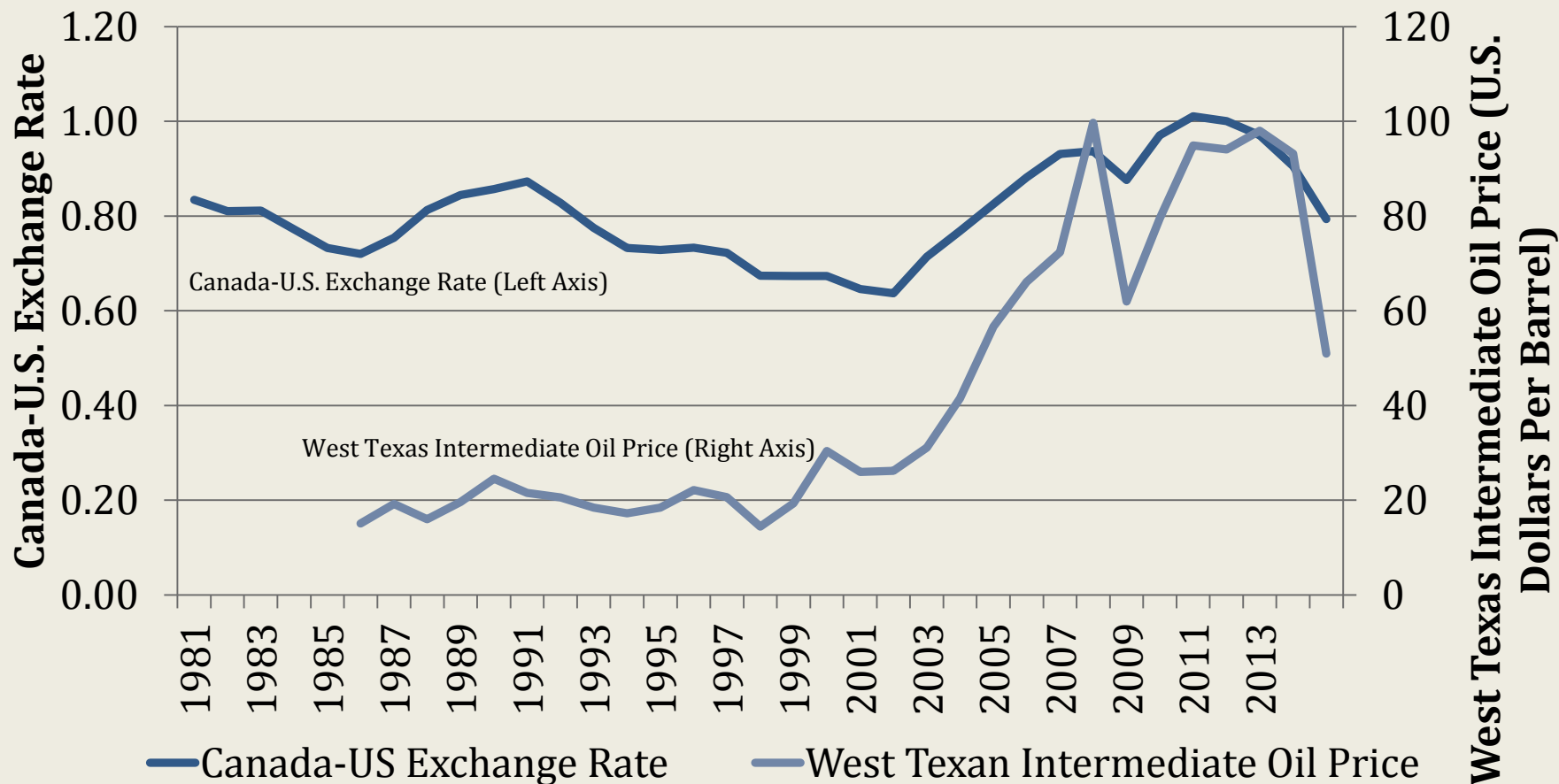
Output Per Hour, Manufacturing, Canada and the United States, National Currency, 1950-2014, 2000=100



Source: Conference Board International Comparisons of Manufacturing and Unit Labor Costs Program.

Exchange Rate Trends

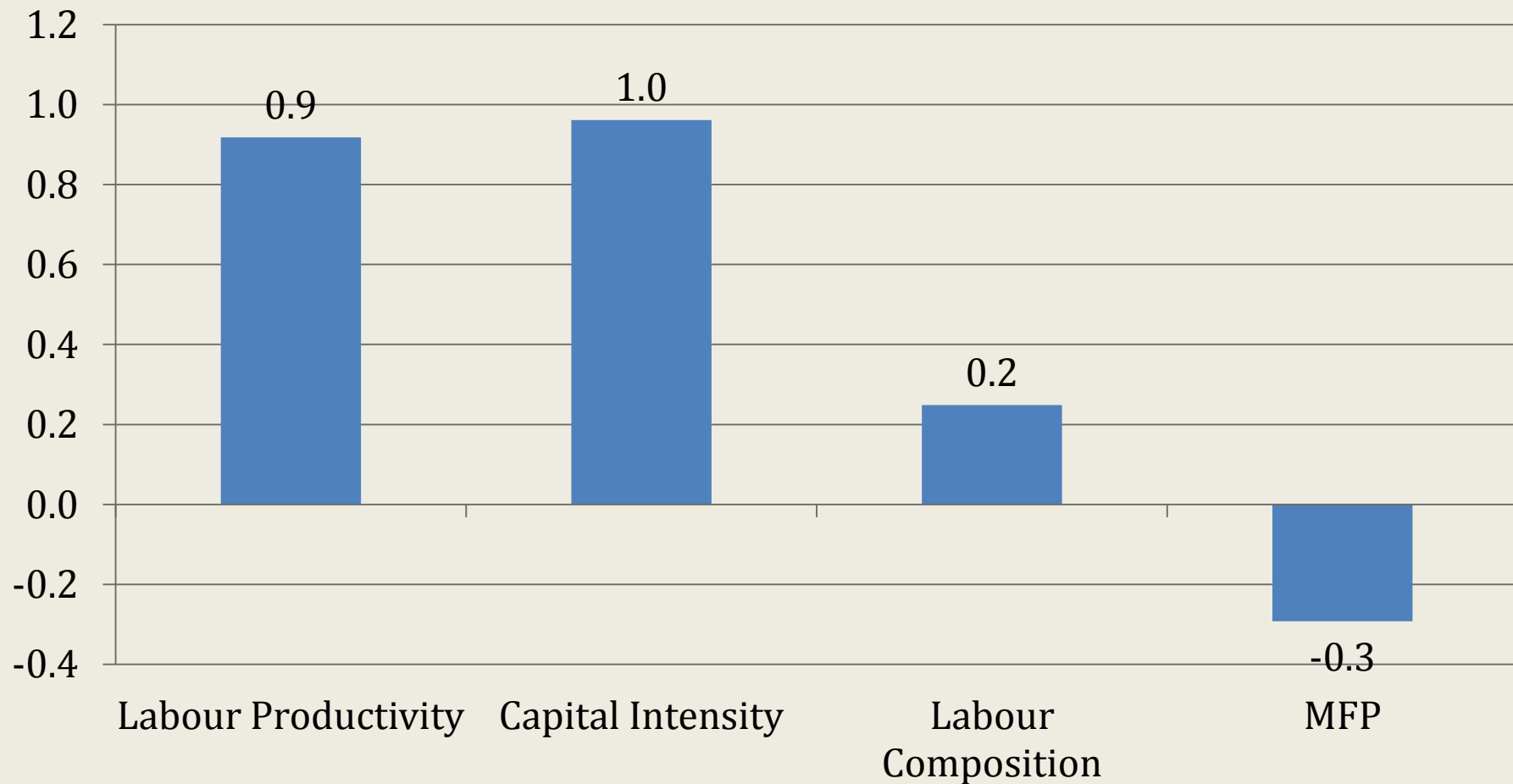
Canada-U.S. Exchange Rate (CAD per USD) and West Intermediate Oil Price (U.S. Dollars Per Barrel), 1981-2015



Source: CANSIM 176-0064 and FRED (St. Louis Fed) from U.S. Energy Information Administration. 2015 values are an average based on data up to September 2015.

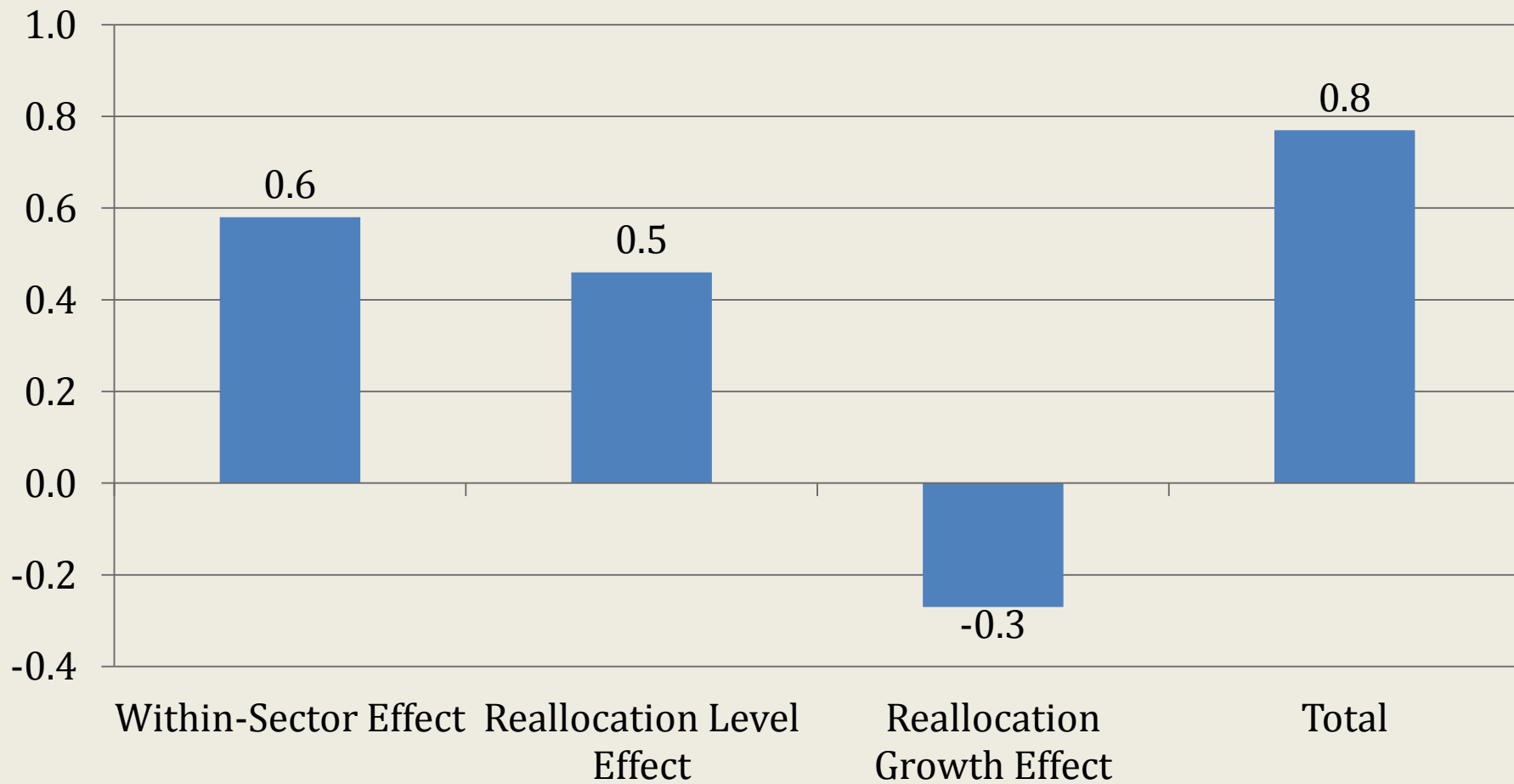
Productivity Explanations

Percentage Point Contributions of Capital Intensity, Labour Composition, and MFP to Labour Productivity Growth, Business Sector, Canada, 2000-2013



Source: CSLS estimates based on CANSIM 383-0021.

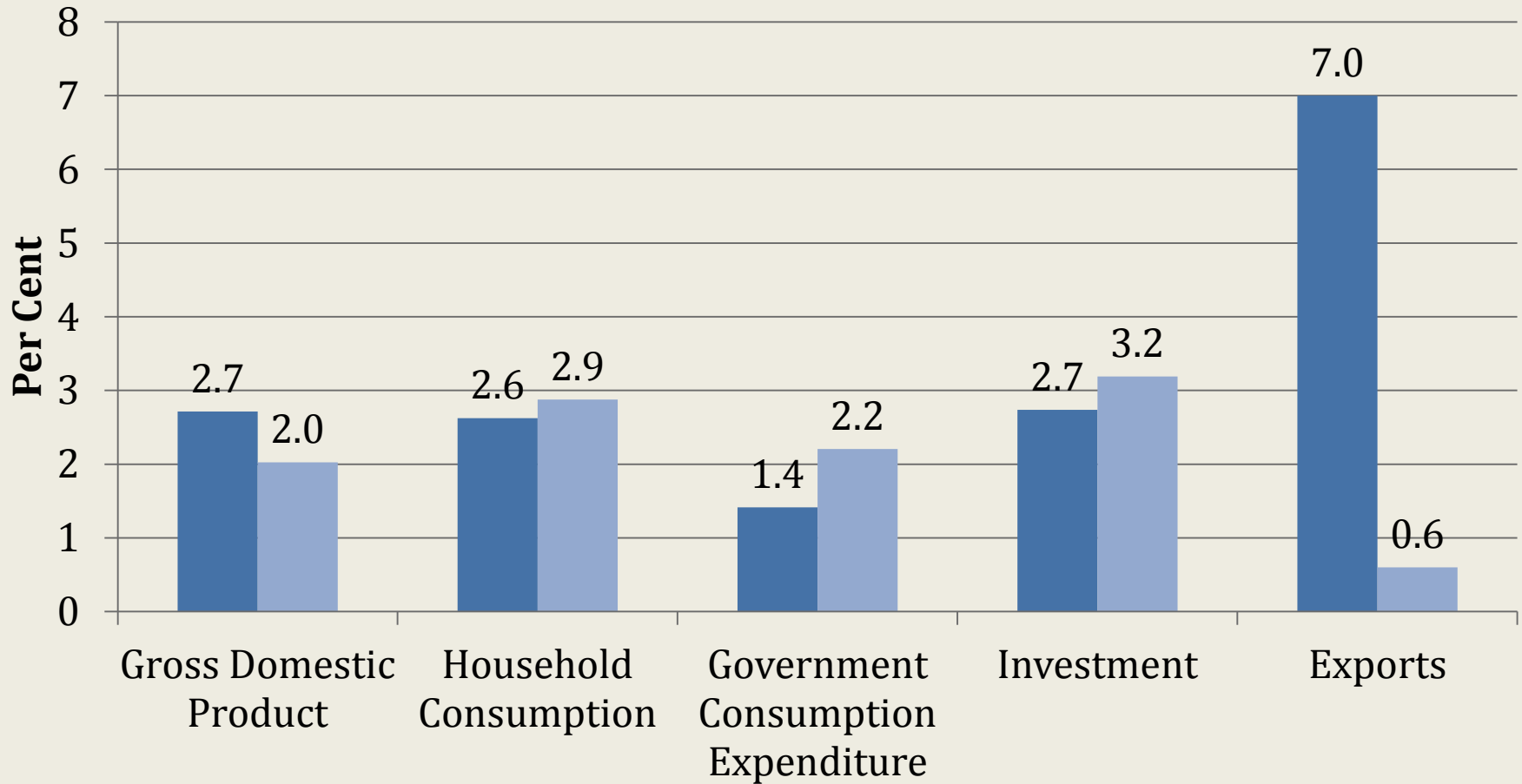
CSLS Labour Productivity Decomposition, Business Sector, Compound Average Annual Growth Rates, Per Cent, Canada, 2000-2012



Source: CSLS estimates based on Statistics Canada data.

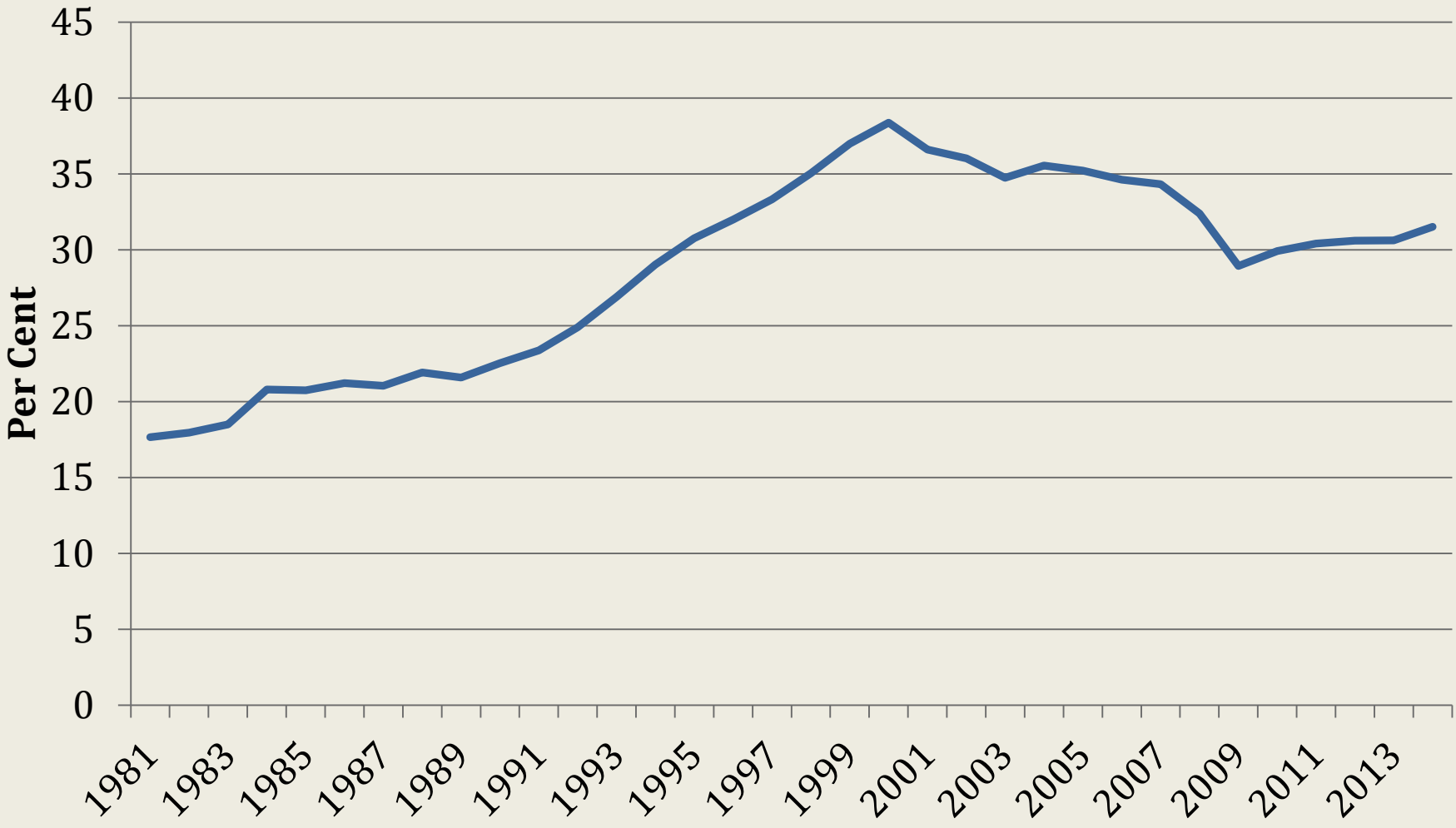
Annual Growth Rate of GDP and its Components, Canada, 1981-2000 and 2000-2014

■ 1981-2000 ■ 2000-2014



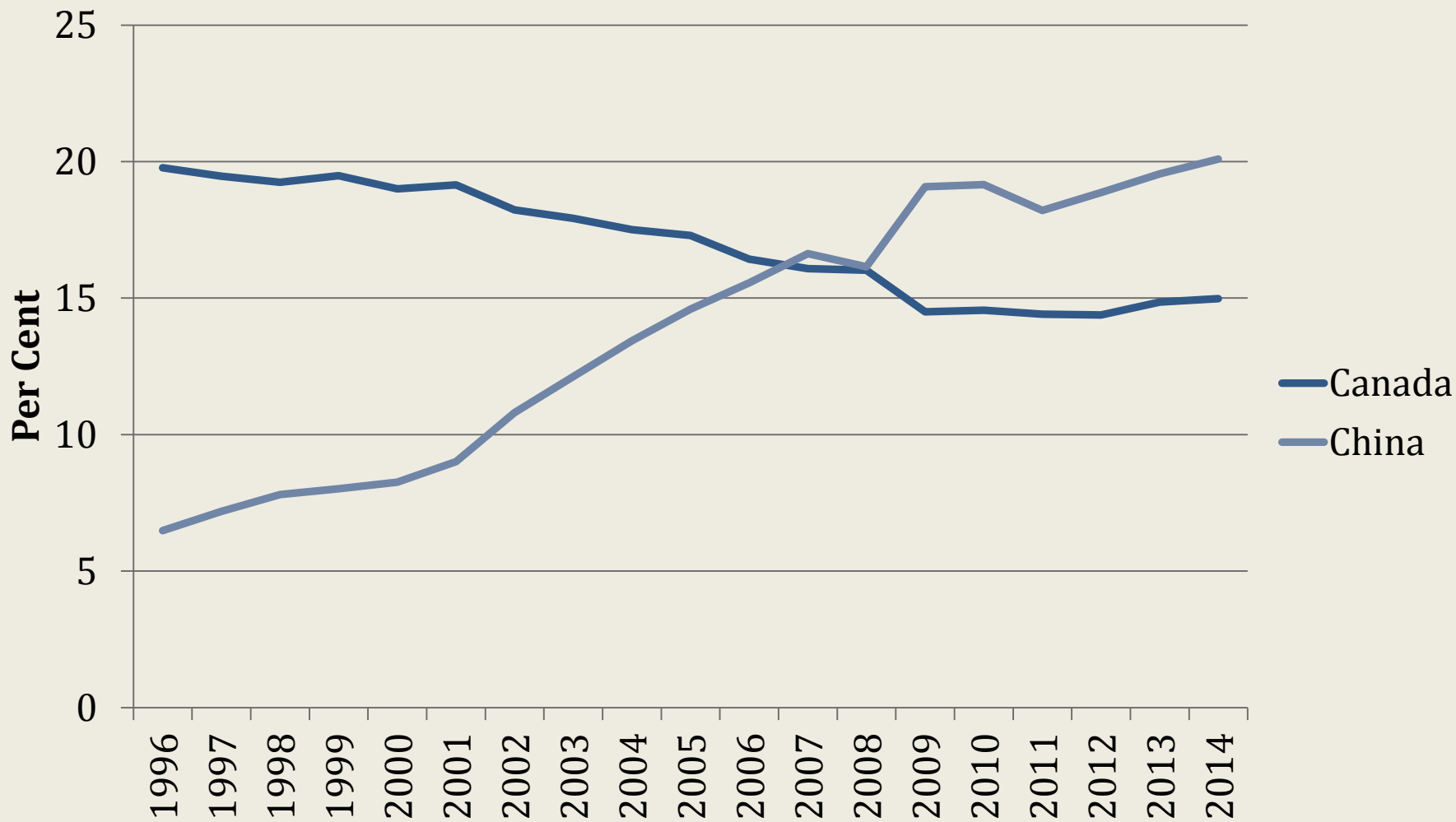
Source: CSLS estimates based on CANSIM 380-0064.

International Exports as a Share of GDP (Chained 2007 Dollars), Canada, 1981-2014



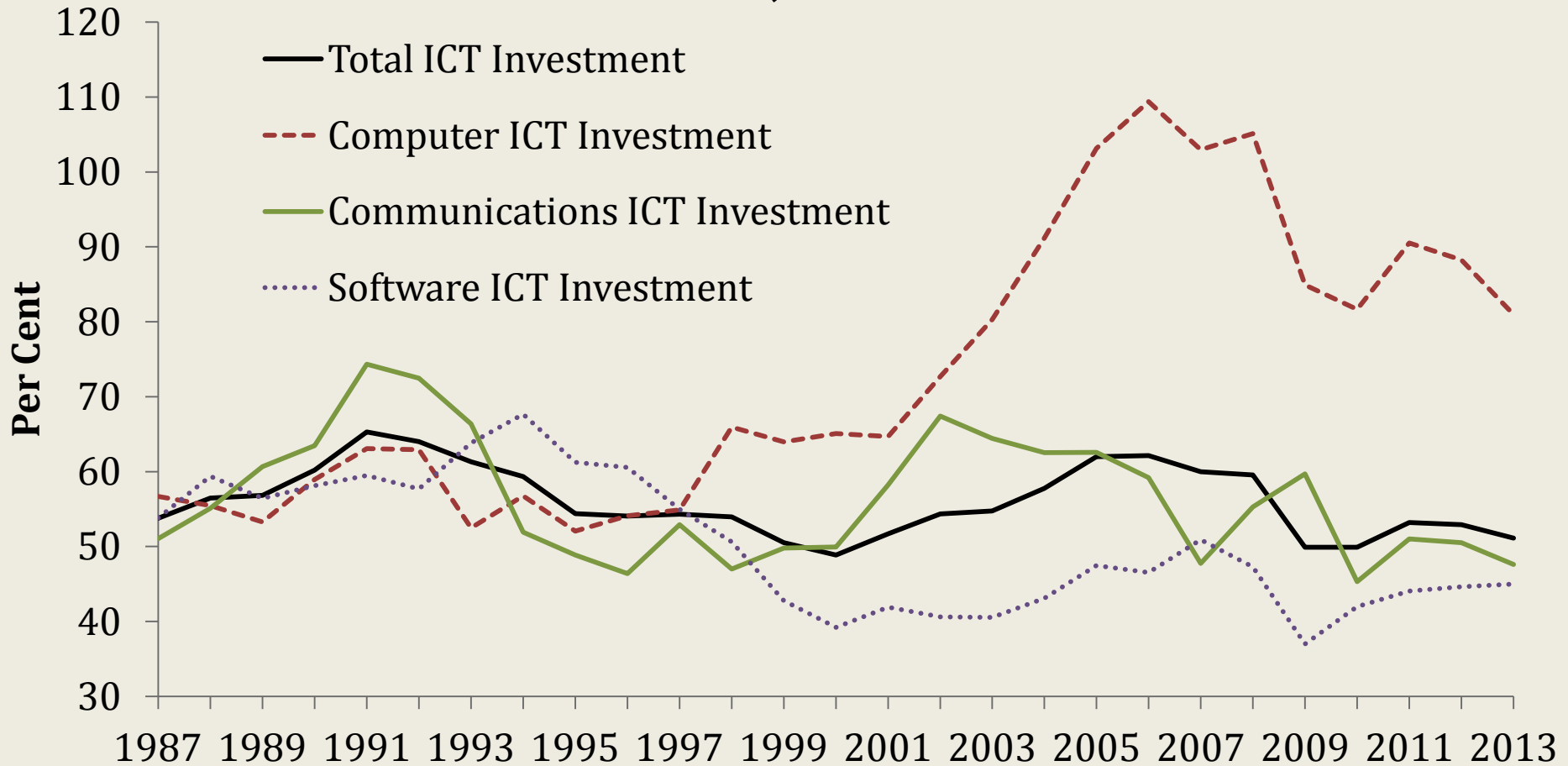
Source: CSLS estimates based on CANSIM 380-0064.

U.S. Imports for Consumption Market Share, China and Canada, 1997-2014



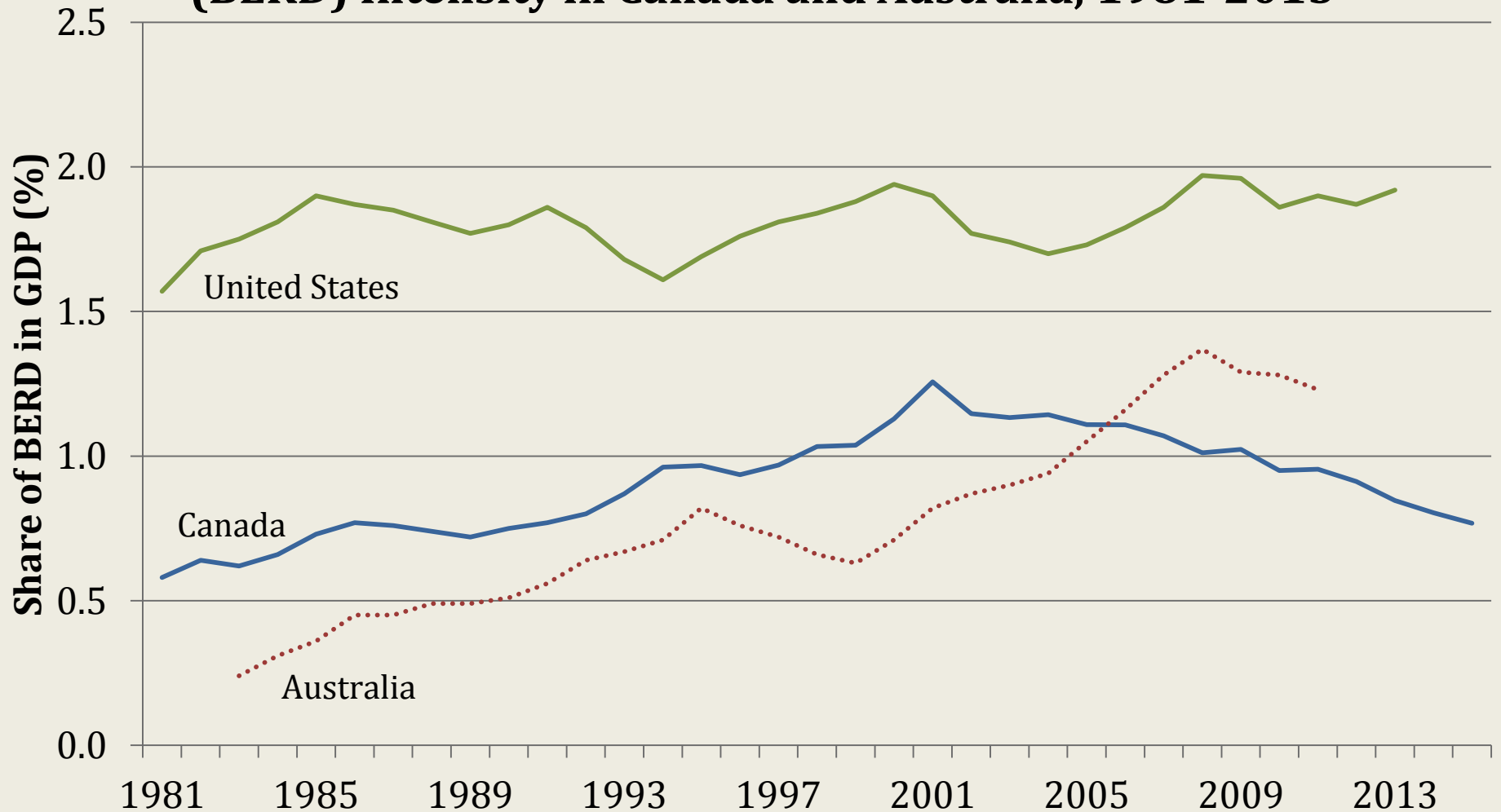
Source: CSLS estimates based on CANSIM 380-0064.

ICT Investment per Worker in the Business Sector in Canada as a Proportion of the United States, Current U.S. Dollars, 1987-2013



Source: CSLS estimates.

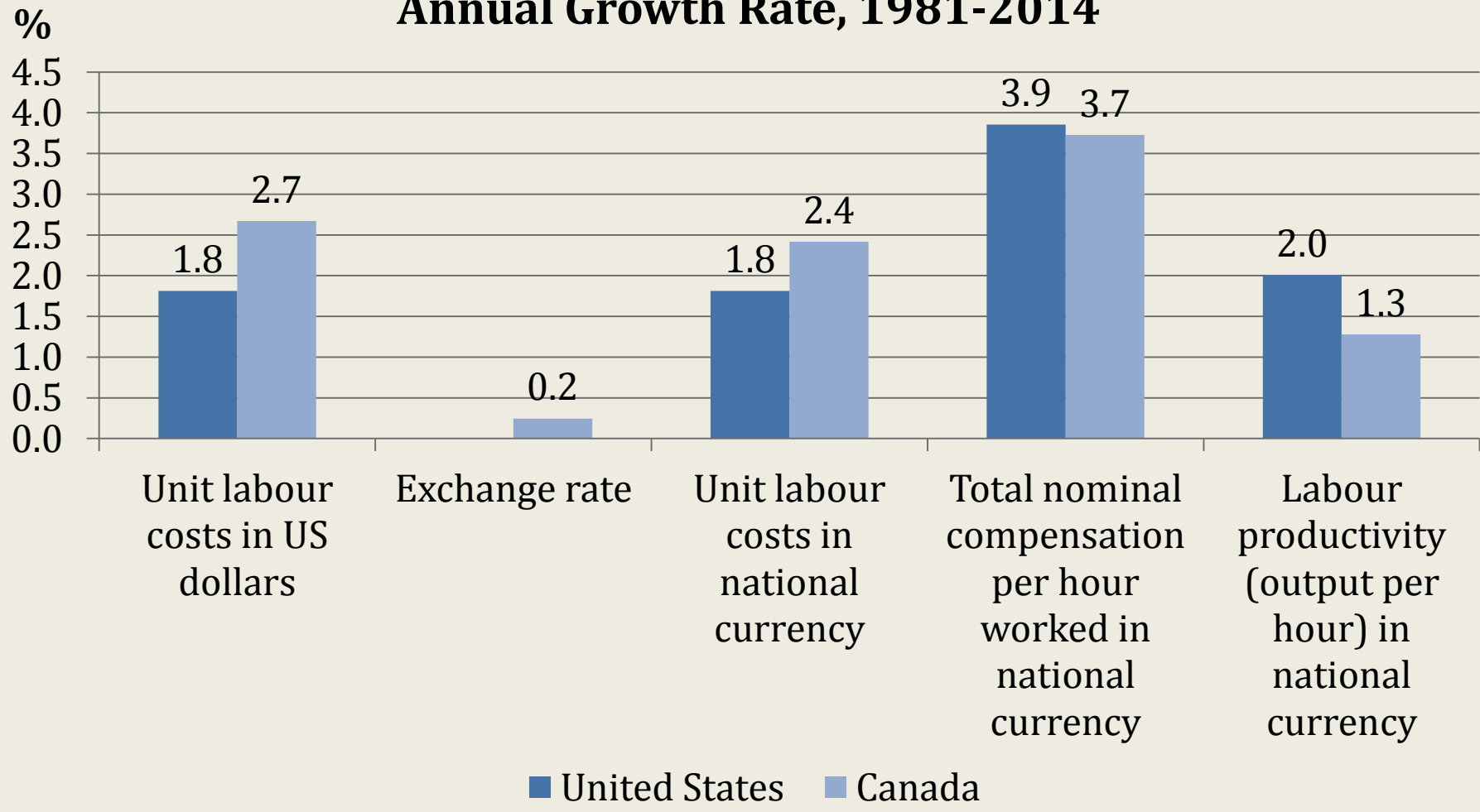
Business Expenditures on Research and Development (BERD) Intensity in Canada and Australia, 1981-2015



Source: OECD Main Science and Technology Indicators for United States and Australia. OECD Main Science and Technology Indicators for Canada from 1981-1993 and CANSIM 358-0024 and CANSIM 380-0064 for 1994-2014. 2015 is based on Statistics Canada data for BERD and an estimate of GDP which assumes 2.0 per cent growth.

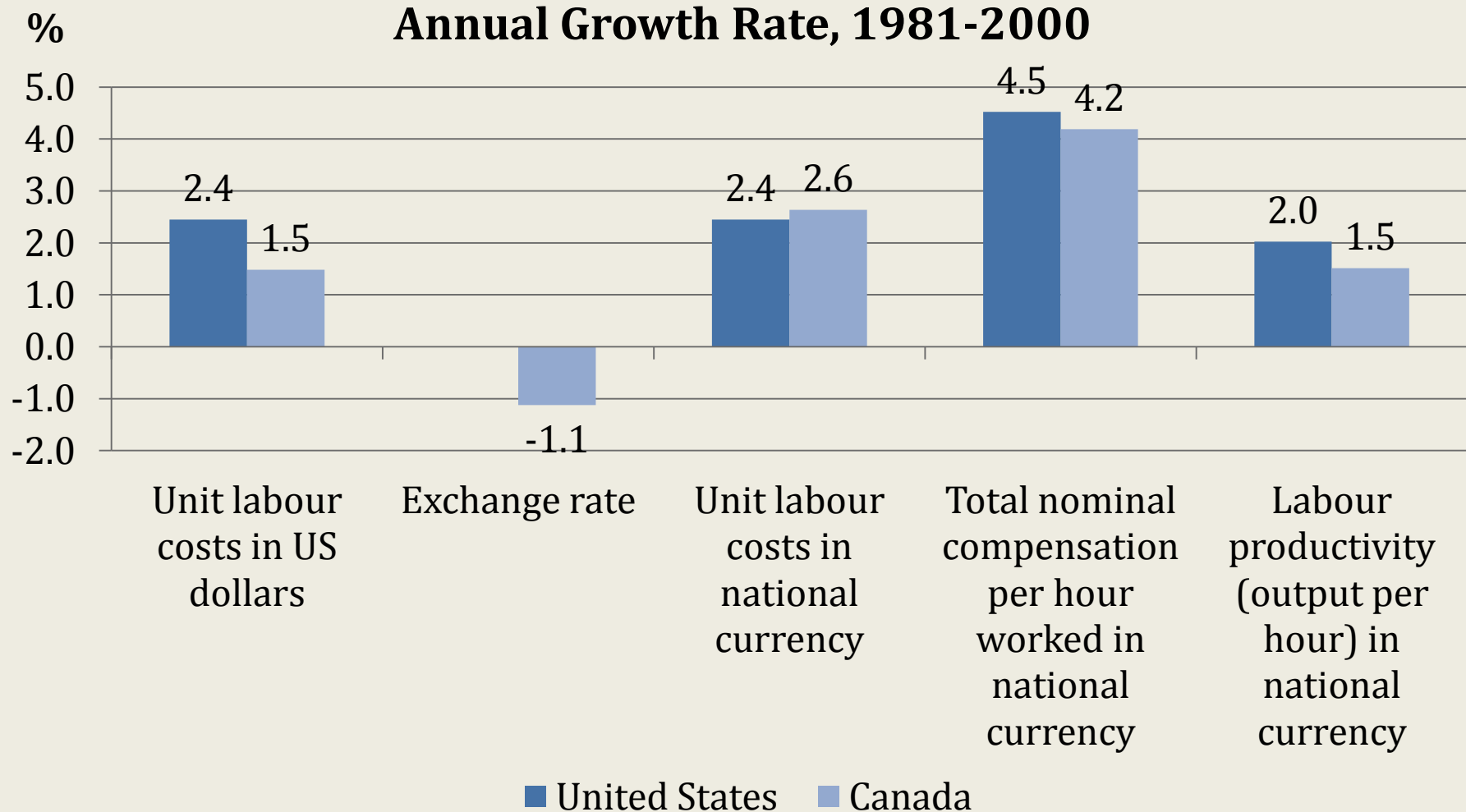
Appendix Charts

Unit Labour Cost Growth, U.S. Dollars, Business Sector, Canada and the United States, Compound Average Annual Growth Rate, 1981-2014



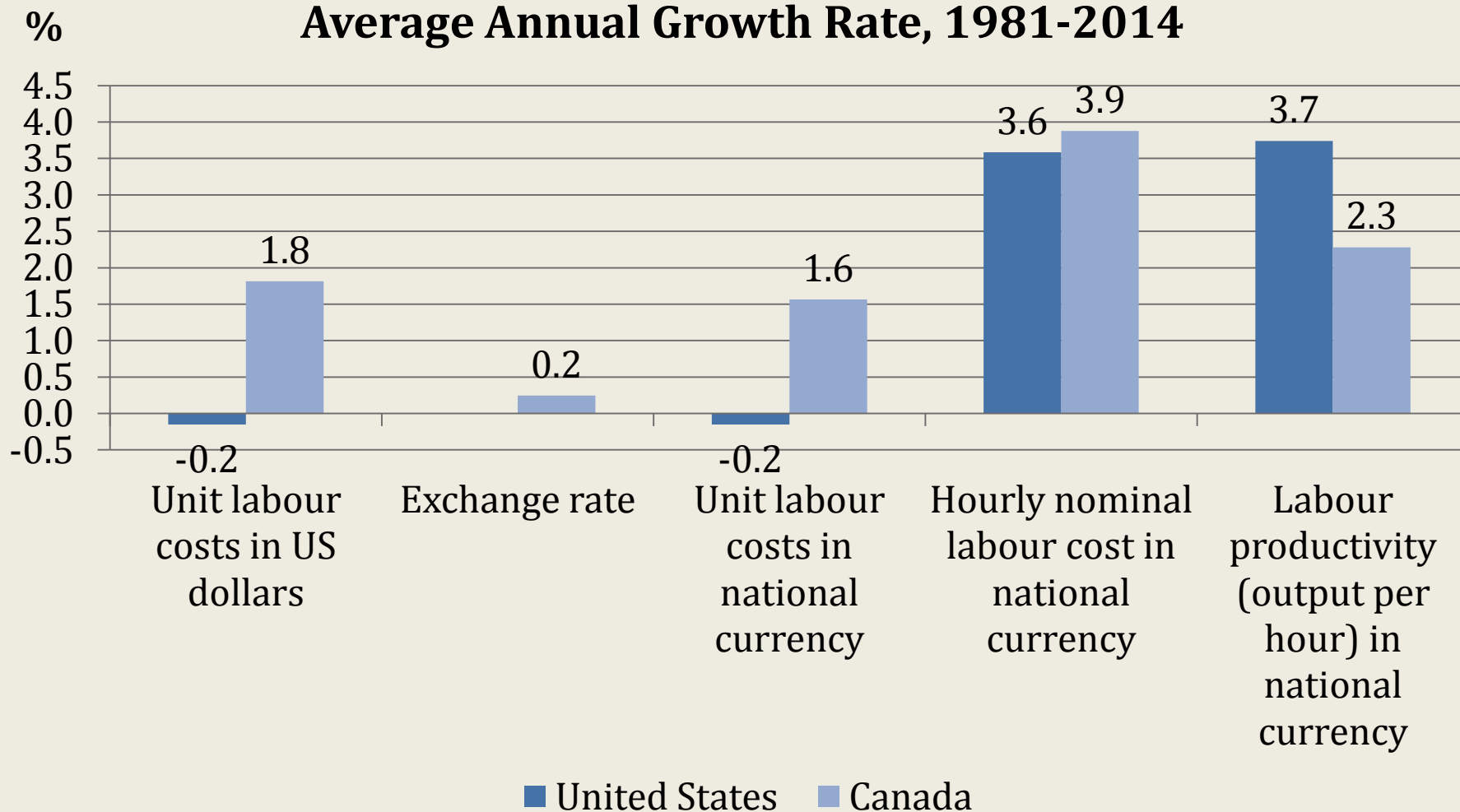
Source: CANSIM 383-0008 and BLS Labour Productivity and Costs Program.

Unit Labour Cost Growth, U.S. Dollars, Business Sector, Canada and the United States, Compound Average Annual Growth Rate, 1981-2000



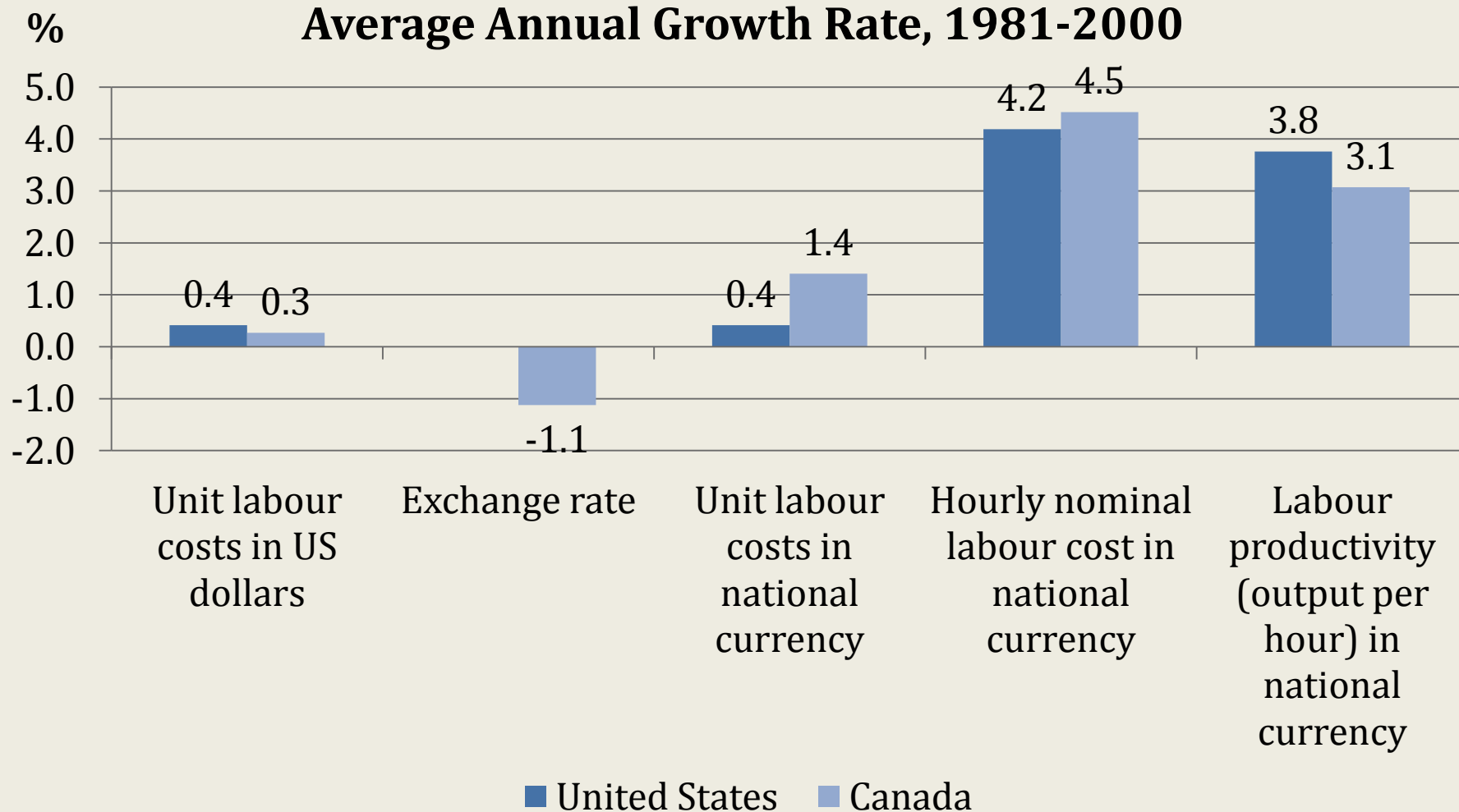
Source: CANSIM 383-0008 and BLS Labour Productivity and Costs Program.

Unit Labour Cost Growth, U.S. Dollars, Manufacturing Sector, Canada and the United States, Compound Average Annual Growth Rate, 1981-2014



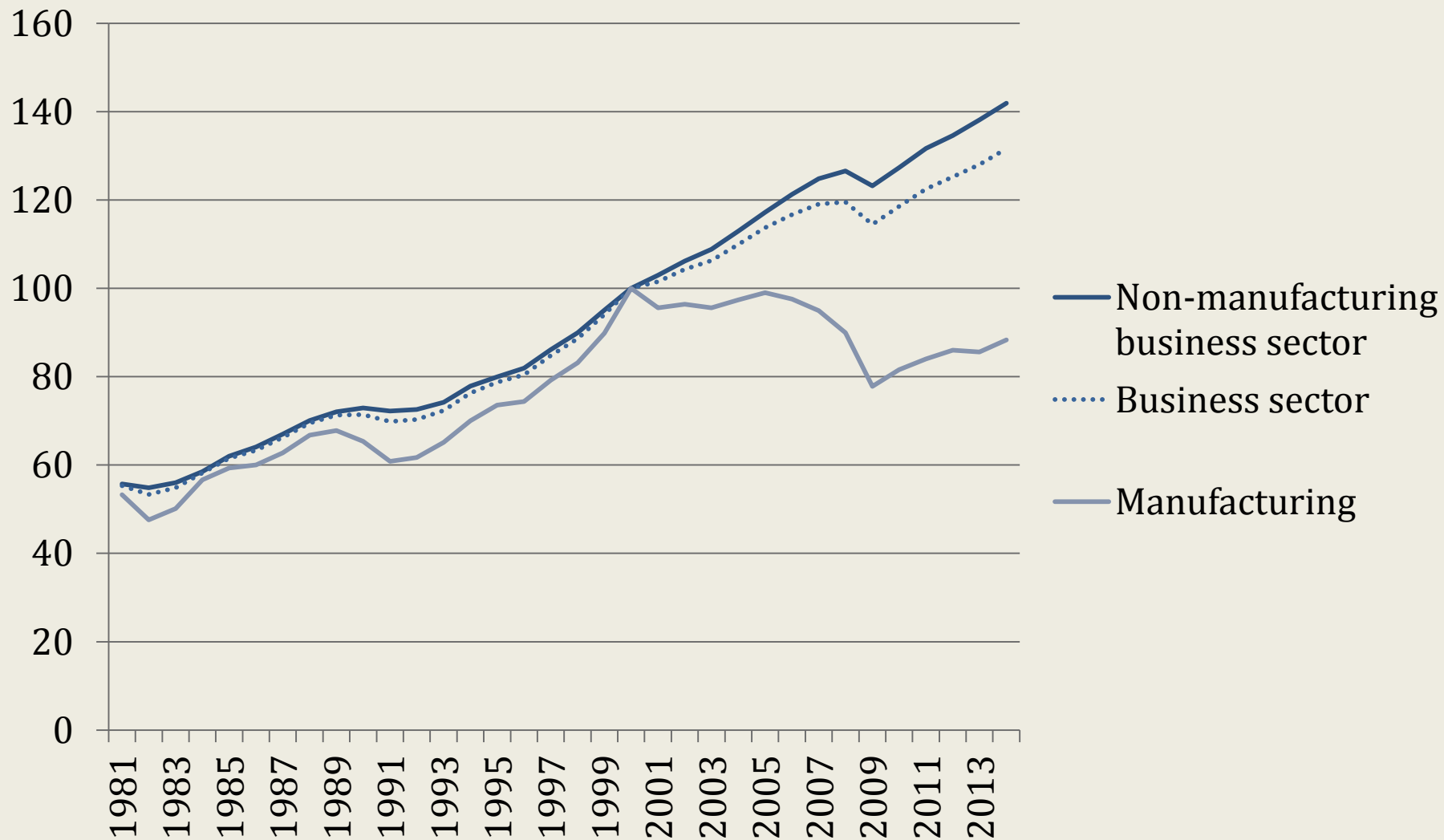
Source: Conference Board International Comparisons of Manufacturing and Unit Labor Costs Program.

Unit Labour Cost Growth, U.S. Dollars, Manufacturing Sector, Canada and the United States, Compound Average Annual Growth Rate, 1981-2000



Source: Conference Board International Comparisons of Manufacturing and Unit Labor Costs Program.

GDP, Constant Dollars, Canada, 2000=100, 1981-2014



Source: CANSIM 379-0031 extended backward using growth rates from 379-0020.