



# The Daily

Statistics Canada

**Monday, March 12, 2007**

Released at 8:30 a.m. Eastern time

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## Releases

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<b>Labour productivity, hourly compensation and unit labour cost, fourth quarter 2006 and annual 2006</b>	<b>2</b>
<p>Productivity in Canadian businesses increased 0.3% in the last quarter of the year, bringing annual productivity growth to 1.2% for 2006 as a whole. In 2006, the tightening of the labour market, particularly in the western part of the country, led to an increase in the growth of hourly compensation for the second consecutive year.</p>	
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## Releases

### Labour productivity, hourly compensation and unit labour cost

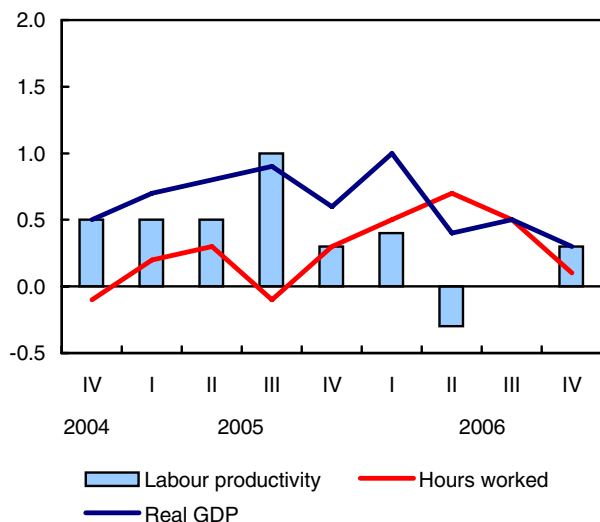
Fourth quarter 2006 and annual 2006

Productivity in Canadian businesses increased 0.3% between October and December, after a weak performance over the two preceding quarters. This reflected a slight slowdown in growth in gross domestic product (GDP) and a more noticeable slowdown in the growth in hours worked. Productivity improves when the GDP increases more than hours worked.

With the depreciation in the Canadian dollar, unit labour costs expressed in US dollars were down in the fourth quarter for the first time in six quarters. This allowed Canadian businesses to recover some of the competitiveness they had lost in relation to their US counterparts starting in the third quarter of 2005.

#### Productivity growth in Canada's business sector rebounds slightly

Quarterly % change



Annual productivity growth reached 1.2% for 2006 as a whole, lower than the 2.1% recorded in 2005. This moderate gain in productivity can largely be attributed to the slowdown in productivity growth in the goods sector, while the services sector (mainly wholesale and retail trade) made a more positive contribution.

#### 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 analysis by industry will be published in The Daily on March 16.

The term "productivity" herein refers to labour productivity. Calculations of the productivity growth rate and its related variables are based on index numbers rounded to one decimal place.

For more information about the productivity program, see the new National economic accounts module accessible from the home page of our website. You can also order a copy of a technical note about the quarterly estimates of productivity by sending an email to (productivity.measures@statcan.ca).

#### Revisions

With this release, Canadian revisions have been made back to the first quarter of 2006. In the United States, the Bureau of Labor Statistics has revised its data back to 2002.

In particular, shortages of skilled labour in the West contributed to the productivity slowdown; and developments associated with activity in Alberta's tar sands, which resulted in strong growth in the volume of hours worked without yet generating commensurate increases in production (see The Daily, February 23, 2007).

#### Fourth quarter 2006

##### Canada and US productivity advances at the same pace

Productivity advanced a modest 0.3% in both Canada and the United States during the last quarter of 2006.

Canadian business sector real GDP grew 0.3% in the fourth quarter, a slightly slower pace of growth than in the previous two quarters. GDP had posted a strong increase of 1.0% in the first quarter and then slowed to 0.4% in the second quarter and 0.5% in the third quarter of 2006.

On the labour market front, hours worked in Canadian companies edged up 0.1% in the fourth quarter, while employment rose by 0.8%. Hours worked grew less than employment because of a decline in hours worked per job. A large part of this decline came from a relatively higher growth in the number of part-time jobs, a decline in overtime hours and the unusual storms in British Columbia.

Growth in US business sector real GDP accelerated slightly to 0.6% in the fourth quarter, reflecting the strong rise in consumer spending and the downturn in imports. Stronger exports also contributed to the growth in the US GDP in the last quarter of 2006. GDP growth in the fourth quarter followed gains of 0.5% in the third quarter and 0.7% in the second.

Hours worked in American businesses increased 0.3% in the fourth quarter, down from 0.6% in the previous quarter.

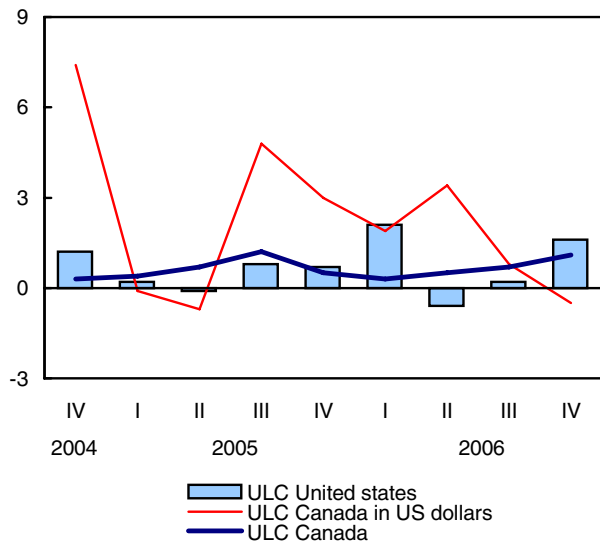
### Unit labour cost continue to increase

Unit labour cost, salary costs and benefits of workers per unit of economic production, rose more quickly in the United States than in Canada in the fourth quarter, when measured in their respective national currencies.

Without taking the exchange rate into account, unit labour costs in Canadian businesses accelerated in the latter half of 2006, by 0.7% in the third and 1.1% in the fourth quarter. US businesses saw their unit labour costs jump to 1.6% in the fourth quarter, a large increase compared to the two previous quarters.

### Canadian unit labour costs (ULC) in US dollars declines

Quarterly % change



The competitive position was even more favourable for Canadian businesses in the fourth quarter when the unit cost of labour is adjusted for the exchange rate. In the fourth quarter, the Canadian dollar depreciated by 1.6% against the US dollar. This depreciation resulted in a 0.5% decline in Canadian unit labour costs, expressed in American dollars.

## Year 2006 in review

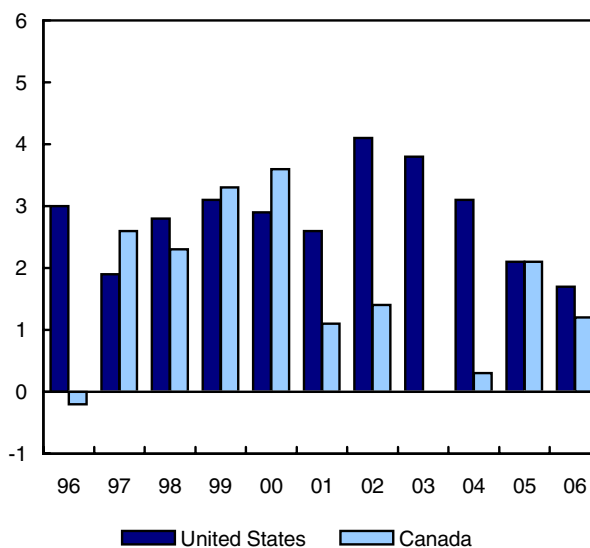
### Productivity slows on both sides of the border

Productivity in Canada was up 1.2% in 2006. This growth was considerably above the levels in 2003 (+0.0%) and 2004 (+0.3%), but below the level in 2005 (+2.1%). Canadian productivity growth rates over the last four years have fluctuated considerably.

In comparison, annual productivity growth in the United States was 1.7% in 2006, continuing the slowdown since the 4.1% peak recorded in 2002.

### Productivity growth slows in both countries in 2006

% change from the previous year



In 2005, Canada had closed the gap in productivity growth with the United States, bringing its annual growth to 2.1%. The gap re-emerged in 2006 because of differences in GDP growth. The growth in business sector real GDP decelerated to 2.7% in 2006 from 3.0% in 2005. Meanwhile, south of the border, business sector production climbed 3.8% in 2006 from 3.7% in 2005.

In contrast, growth in hours worked accelerated in both countries by the same amount. In Canada, hours worked growth increased to 1.5% from 1.0% in 2005 while, in the United States, hours worked growth increased to 2.1% from 1.6%.

From an employment standpoint, the growth in employment in Canada in 2006 was highly concentrated in full-time work. The volume of hours worked and the number of jobs in Canadian businesses rose at the same pace (+1.5%). In contrast, the volume of hours

worked increased by 1.0% in 2005, much less than the 1.8% growth in the number of jobs.

In 2006, the volume of hours worked in American businesses increased by 2.1% from 1.6% in 2005. This is the second year in a row that hours worked in the United States grew more than in Canada. Prior to 2005, the growth in Canadian hours worked had been larger than in the United States every year since 1997.

In 2006, the tightening of the labour market in Canada, particularly in the western part of the country, led to an increase in the escalation of hourly compensation growth for a second consecutive year. The latter was up by 3.8% in 2006 compared with 4.4% in 2005, more than the 2.6% average observed between 2001 and 2004.

This stronger growth in hourly compensation, combined with productivity gains of 1.2%, led to a 2.6% increase in the unit labour costs of Canadian businesses in 2006. The increase in 2006 was the largest since 2001, when this indicator posted 3.0% growth. Unit labour cost has been increasing steadily since 2004.

In the United States, unit labour cost has also been increasing steadily since 2004. Prior to 2006, unit labour cost increases in the US were less than in Canada. From 2006, they exceeded the increases experienced in the Canadian economy, when each are measured in

their respective currencies. However, when measured in US dollars, the annual growth of unit labour costs in Canada have been close to 10% since 2004, far exceeding the US experience.

**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 fourth quarter 2006 issue of *Canadian Economic Accounts Quarterly Review* (13-010-XWE, free), which is now available from the *Publications* module of our website.

First quarter 2007 data for labour productivity, hourly compensation and unit labour cost will be released on June 12.

To order data, contact Client Services ([productivity.measures@statcan.ca](mailto:productivity.measures@statcan.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.ca](mailto:maynard@statcan.ca)), Income and Expenditure Accounts Division.

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

	Fourth quarter 2004	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006
	% change from previous quarter, seasonally adjusted								
<b>Canada</b>									
Labour productivity	0.5	0.5	0.5	1.0	0.3	0.4	-0.3	0.0	0.3
Real GDP	0.5	0.7	0.8	0.9	0.6	1.0	0.4	0.5	0.3
Hours worked	-0.1	0.2	0.3	-0.1	0.3	0.5	0.7	0.5	0.1
Hourly compensation	0.8	0.9	1.2	2.2	0.9	0.8	0.2	0.7	1.4
Unit labour cost	0.3	0.4	0.7	1.2	0.5	0.3	0.5	0.7	1.1
Exchange rate <sup>1</sup>	-6.6	0.5	1.4	-3.3	-2.4	-1.5	-2.8	-0.1	1.6
Unit labour cost in US\$	7.4	-0.1	-0.7	4.8	3.0	1.9	3.4	0.8	-0.5
<b>United States<sup>2</sup></b>									
Labour productivity	0.4	0.8	0.1	1.0	-0.1	1.0	0.2	-0.1	0.3
Real GDP	0.6	1.0	1.0	1.2	0.5	1.6	0.7	0.5	0.6
Hours worked	0.3	0.2	0.9	0.2	0.5	0.7	0.4	0.6	0.3
Hourly compensation	1.6	1.1	0.1	1.8	0.6	3.1	-0.4	0.2	1.9
Unit labour cost	1.2	0.2	-0.1	0.8	0.7	2.1	-0.6	0.2	1.6
	2002	2003	2004	2005	2006	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006
	% change from the previous year					% change from same quarter of previous year, seasonally adjusted			
<b>Canada</b>									
Labour productivity	1.4	0.0	0.3	2.1	1.2	2.3	1.5	0.5	0.4
Real GDP	3.1	1.4	3.3	3.0	2.7	3.2	2.9	2.5	2.2
Hours worked	1.6	1.4	2.9	1.0	1.5	0.9	1.4	2.0	1.8
Hourly compensation	1.5	2.5	2.2	4.4	3.8	5.2	4.2	2.6	3.2
Unit labour cost	0.1	2.4	1.9	2.3	2.6	2.9	2.7	2.1	2.7
Exchange rate	1.3	-10.8	-7.1	-6.9	-6.4	-5.9	-9.7	-6.7	-2.8
Unit labour cost in US dollars	-1.4	15.1	9.6	9.6	9.6	9.2	13.8	9.5	5.8
<b>United States<sup>2</sup></b>									
Labour productivity	4.1	3.8	3.1	2.1	1.7	2.1	2.2	1.1	1.4
Real GDP	1.5	3.1	4.4	3.7	3.8	4.4	4.0	3.3	3.4
Hours worked	-2.5	-0.7	1.3	1.6	2.1	2.3	1.8	2.2	2.1
Hourly compensation	3.5	4.1	3.8	4.2	4.8	5.7	5.2	3.6	4.8
Unit labour cost	-0.5	0.2	0.7	2.0	3.1	3.5	2.9	2.5	3.4

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

2. US data are from Bureau of Labor Statistics, Productivity and costs: Fourth quarter 2006 published in NEWS, March 6.



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## Commercial Software Price Index

January 2007

The Commercial Software Price Index (CSPI) is a monthly series measuring the change in the purchase price of pre-packaged software typically bought by businesses and governments.

The CSPI increased 0.9% from a month earlier to 68.8 (2001=100) in January.

This index is available at the Canada level only.

**Available on CANSIM: table 331-0003.**

**Definitions, data sources and methods: survey number 5068.**

For more information on these indexes, contact Client Services (toll-free 1-866-230-2248; 613-951-9606; [prices-prix@statcan.ca](mailto:prices-prix@statcan.ca)). To enquire about the concepts, methods or data quality of this release, contact Neil Killips (613-951-5722; [neil.killips@statcan.ca](mailto:neil.killips@statcan.ca)), Prices Division. ■

## For-hire motor carriers of freight, top carriers

Fourth quarter 2006

The top 91 for-hire motor carriers of freight (Canadian-based trucking companies earning \$25 million or more annually) generated operating revenue of \$2.4 billion and operating expenses of \$2.3 billion in the fourth quarter, both up less than 1% from the previous quarter.

Average per-carrier revenue increased 2.3% from the fourth quarter of 2005 to \$26.5 million, while average per carrier expenses increased 2.9% to \$24.9 million.

The top for-hire carriers' operating ratio (operating expenses divided by operating revenue) stood at 0.94 in the fourth quarter compare to 0.93 in the same quarter of 2005. A ratio greater than 1.00 represents an operating loss.

The fourth quarter of 2006 data on the top for-hire carriers, taken from the Quarterly Motor Carriers of Freight Survey, provide results from 64 general freight carriers (compared with 66 carriers in 2005) and 27 specialized freight carriers (compared with 25 carriers in 2005).

**Note:** Readers should note that, with few exceptions, additions and deletions to the top carriers are done

only for the first quarter of each calendar year, while the composition of a top carrier may change at any time due to acquisitions or divestitures. Year-over-year variations in revenue and expenses may arise from changes to the mix of companies included in the top carriers and/or changes in the financial results reported by individual carriers. The revenue and expenses attributed to top carriers may also include that of some companies with less than \$25 million in annual revenue, particularly when these companies exist in complex corporate structures where their individual activities may be difficult to accurately measure.

**Definitions, data sources and methods: survey number 2748.**

For general information or to order data, contact the Dissemination Unit (toll-free 1-866-500-8400; fax: 613-951-0009; [transportationstatistics@statcan.ca](mailto:transportationstatistics@statcan.ca)), Transportation Division.

For more information about the concepts, methods or data quality of this release, contact Vincent Dubé (613-951-7031; fax: 613-951-0579; [vincent.dube@statcan.ca](mailto:vincent.dube@statcan.ca)), Transportation Division. ■

## Natural gas transportation and distribution

November 2006

Data on natural gas transportation and distribution are now available for November.

**Available on CANSIM: tables 129-0001 to 129-0004.**

**Definitions, data sources and methods: survey number 2149.**

For more information, or to order data, or to enquire about the concepts, methods or data quality of this release, contact the dissemination officer (toll-free 1-866-873-8789; 613-951-9497; [energ@statcan.ca](mailto:energ@statcan.ca)), Manufacturing, Construction and Energy Division. ■

## Cement

January 2007

Data on cement are now available for January.

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**Available on CANSIM: tables 303-0060 and 303-0061.**

**Definitions, data sources and methods: survey number 2140.**

the dissemination officer (toll-free 1-866-873-8789; 613-951-9497; *manufact@statcan.ca*), Manufacturing, Construction and Energy Division. ■

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## New products

**Imports by Commodity**, January 2007, Vol. 64, no. 1  
Catalogue number 65-007-XCB (\$40/\$387).

**Imports by Commodity**, January 2007, Vol. 64, no. 1  
Catalogue number 65-007-XPB (\$84/\$828).

**Canada's Balance of International Payments**, Fourth quarter 2006, Vol. 54, no. 4  
Catalogue number 67-001-XWE (free).

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

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