

Accounting for Slower Productivity Growth in the Canadian Business Sector after 2000

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Abstract

After 2000, labour productivity growth and multifactor productivity growth slowed in Canada and other advanced economies. A number of measurement challenges have also been put forward as potential explanations for this trend and they include the measurement of intangible capital in a digital economy, the measurement of natural resource capital in the resource extraction sectors and cyclical fluctuations in the utilization of capital in industries that are adversely affected by the world demand. This paper focuses on the role of those measurement issues for the slower productivity growth in Canada. It finds that about half of the decline in labour and multifactor productivity growth in the Canadian business sector in the period 2000 to 2014 compared with the period 1980 to 2000 is due to an increase in the use of produced capital and intermediate inputs required to extract natural resources with declining ore grade and a decline in the utilization of capital in the manufacturing sector. The decline in labour and multifactor productivity growth is not due to changes in intangible capital and infrastructure capital after 2000.

Key words: productivity; natural capital, intangible capital, capacity utilization