

Economic and Productivity Growth in Canada and the United States: Recent Trends and Determinants

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This paper provides a comparison of economic and productivity growth in Canada and the United States over the period 1981 to 2016. U.S. labour productivity growth has exceeded Canadian growth over the 1980 to 2010, and the difference in labour productivity growth widened over that period. After 2010, labour productivity growth in Canada has exceeded that in the United States. To understand the sources of this difference, the paper decomposes the difference in relative labour productivity growth in the two countries into their differences in investment in physical capital, skills upgrading and multifactor productivity growth. It then traces the difference in aggregate labour productivity growth and its three main components into their differences at the industry level. The paper will make use of industry multifactor productivity statistics published in the two countries. While Statistics Canada has published multifactor productivity statistics at the industry level since the early 1990s. Those data have only become available recently in the United States.