Abstract for “Real GDI, Productivity and the Terms of Trade in Canada”

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In this paper, a quarterly growth accounting data set is built for the Canadian business sector, and the Diewert and Yu (2012) estimates of annual productivity growth are revised and updated to reflect changes in the new national economic accounts and national balance sheets.

These data enable one to study the contribution of productivity and the terms of trade to growth of real income and real output. Since the early 2000s, the contribution of the terms of trade became significant in real income growth whereas that of total factor productivity (TFP) growth was stagnant. Improvement in the terms of trade arises from a faster decline in the real import price relative to the real export price, in particular in manufacturing.

The quarterly growth accounting data are also compared with existing quarterly and annual estimates produced by Statistics Canada. In addition, we find that quarterly data present a somewhat different picture from the annual data regarding the effects of changes in TFP and in the terms of trade.

Keywords

Growth accounting, productivity, terms of trade