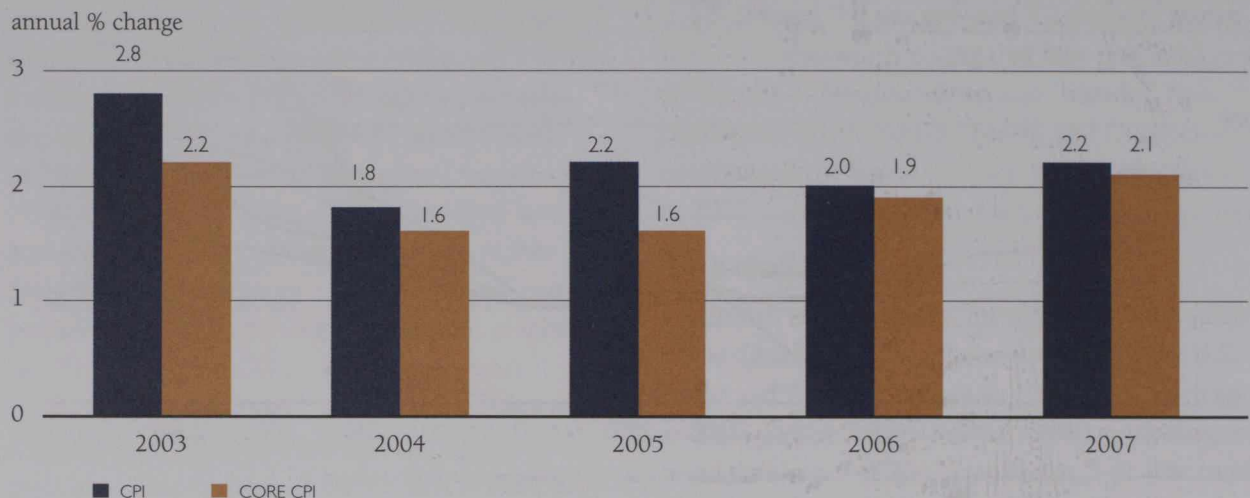


FIGURE 3-9
CPI and Core CPI

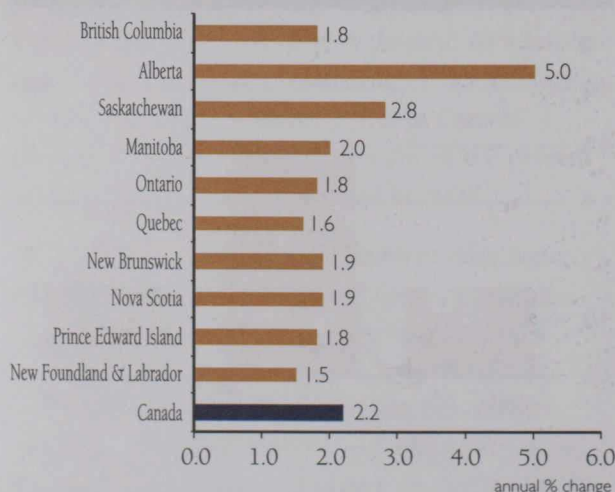


Source: Statistics Canada

CPI, at 2.1 percent in 2007, a 0.2 percentage point increase over the 1.9 percent increase witnessed in 2006 (Figure 3-9).

The rate of inflation eased or remained steady in most provinces, with the exception of New Brunswick and the three provinces west of Manitoba (Figure 3-10). Alberta and Saskatchewan experienced the fastest increase in CPI, reflecting the buoyancy of their economies.

FIGURE 3-10
Provincial CPI



Productivity gap

Productivity growth is key to raising living standards as it is the main source for *per capita* income growth, and closely linked to wage growth. Canada's productivity performance continues to lag our main competitors. Figure 3-11 displays Canada's labour productivity levels relative to those of the United States². In 2007, Canadian labour productivity in the Canadian business sector was only 73.8 percent of U.S. levels, down considerably from its 83.5 percent level in 1994. Similarly, Canadian labour productivity in the manufacturing sector was about 62 percent of U.S. levels, significantly lower than the 90.1 percent achieved in 1994.

There are an increasing number of OECD countries which are also outperforming Canada in terms of productivity growth. Not only are 16 countries of the 20 selected OECD countries outperforming Canada, but thirteen of them outperformed both Canada and the U.S.³ (Figure 3-12).

2 Labour productivity is defined as GDP per hour worked, PPP-based. The series are extrapolated based on 1999 benchmarking estimates of the Canada-U.S. labour productivity gap, using labour productivity indexes from Statistics Canada and U.S. Bureau of Labor Statistics.

3 Labour Productivity is measured as real GDP per hour worked.