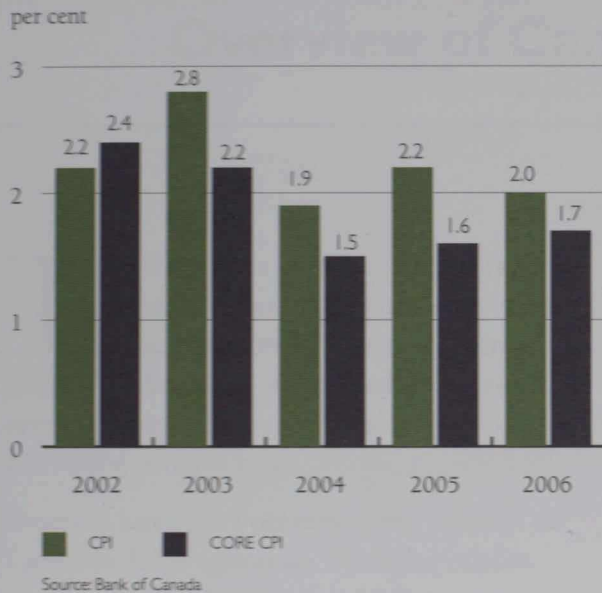


FIGURE 3-8
CPI and Core CPI Annual Increases



computer equipment and supplies (-17.6 per cent), video equipment (-10.4 per cent), men's clothing (-2.8 per cent) and women's clothing (-2.4 per cent).

The Core CPI, which excludes volatile items such as energy and food, rose much less, at 1.7 per cent

in 2006 and was only slightly higher than the 1.6 per cent increase witnessed in 2005.

Productivity gap

Canada's productivity performance continues to lag our main competitors. Figure 3-9 displays Canada's labour productivity levels in the total economy relative to those of the U.S. In 2006, Canadian labour productivity for the whole economy was only 82.5 per cent of U.S. levels, down considerably from 89.3 per cent as recently as 2000. This translates into an annual income gap with the United States of US\$14,279 per person (on a purchasing power parity basis).

Comparisons to the U.S. are natural as it is Canada's largest market and biggest competitor, as well as being the most dynamic economy in the world. But there are an increasing number of other countries which are also outperforming Canada in terms of productivity performance. Not only are Germany, Ireland, Italy, the UK, Sweden, Netherlands, Denmark, Belgium, and Austria outperforming Canada, but France, Luxembourg and Norway outperform both Canada and the US.⁴

FIGURE 3-9
Relative Labour Productivity Levels in the Total Economy in Canada, (Canada as % of the United States)



⁴ Groningen Growth and Development Centre Database, February 2006.