

Study: Manufacturing: The year 2012 in review

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Canadian manufacturing sales increased at a slower rate in 2012 compared with previous years. In 2012, sales rose 3.5% to \$593.8 billion, a smaller advance than in 2010 and 2011. Constant dollar sales rose 3.0% in 2012, indicating an increase in volumes.

Motor vehicles and parts account for most of the gain

Higher sales of motor vehicles accounted for two-fifths of the total sales gain in 2012. Sales in the industry rose 17.6% to \$53.9 billion. Greater consumer demand in the United States, as indicated by higher retail sales, was one important factor behind the gain. The American market is particularly important for Canadian motor vehicle manufacturers as the vast majority of production in the industry is exported to the United States.

Sales of motor vehicles parts rose 23.5% to \$25.0 billion in 2012. Despite the gain, sales remained well below the \$31.6 billion pre-downturn peak posted in 2004. Sales in 2011 were affected by supply disruptions in the months following the tsunami in Japan in March of that year. Some manufacturers reported difficulty filling orders.

In the petroleum and coal products industry, sales rose 7.5% to \$85.3 billion in 2012. The advance was primarily driven by higher volumes of product sold, as prices rose 1.6%. This contrasts with 2011, when the 16.6% increase in sales was driven entirely by higher prices.

In the primary metals industry, sales were down 4.8% to \$46.3 billion, largely as a result of lower prices. In the paper industry, sales fell 6.7% to \$24.2 billion, the eighth decline in 10 years. The decrease reflected lower volumes of product sold. Computer and electronic product sales were down 10.9% in 2012, continuing a decline that began in 2001.

Ontario leads the sales gains

Over two-thirds of the national sales gain was concentrated in Ontario. Sales were up 5.3% to \$272.2 billion in the province, largely as a result of higher sales of motor vehicles and motor vehicle parts. As a result of this increase, Ontario's share of total Canadian manufacturing rose from 45.0% to 45.8%.

Manufacturing sales rose 3.4% in Alberta as a result of gains in the fabricated metal product, petroleum and coal products as well as the wood product industries. Saskatchewan and Newfoundland and Labrador also saw substantial gains, with sales rising 14.0% and 30.5% respectively.

Inventories and unfilled orders advance

Manufacturing inventories and unfilled orders both increased over the course of 2012. In December 2012, total inventories stood at \$66.2 billion, up 1.2% from a year earlier. Total inventories are composed of raw materials, goods-in-process and finished products. The gain in total inventories was caused by higher goods-in-process and finished products. Raw materials on hand decreased in 2012, offsetting the gains in the other two stages of fabrication.

Unfilled orders rose 7.1% to \$68.9 billion in 2012, following a 23.0% gain in 2011. In both years the aerospace product and parts industry was mainly responsible for the advance in total manufacturing unfilled orders. Aerospace unfilled orders rose 68.9% between December 2010 and December 2012 to \$35.0 billion. As a result, the share of aerospace unfilled orders rose to slightly more than half of total manufacturing unfilled orders by the end of 2012.



Foreign direct investment, capital expenditures and employment rise

Foreign direct investment rose 6.1% to \$181.6 billion in 2012, led by gains in the petroleum and coal products industry. Capital expenditures in the manufacturing sector were also up in 2012, with 16 of 20 industries reporting gains. Total capital expenditures in 2012 were \$20.4 billion, while employment rose 0.4% to 1.5 million workers. Despite this increase, the share of manufacturing employment out of total employment in the Canadian economy declined from 9.9% to 9.8% as other economic sectors posted larger gains compared with manufacturing.

Profits and the trade balance decline

Operating profits for the manufacturing sector declined 14.6% to \$49.5 billion in 2012, a result that contrasts with the gain in overall manufacturing sales. This was the first drop since the 2009 recession. The trade deficit for manufactured goods also continued to widen in 2012. Although manufacturing exports rose 3.0%, imports advanced 4.4%, causing the deficit to rise to \$100.4 billion from \$92.5 billion in 2011.

Overview

Most indicators describing the manufacturing sector showed positive growth in 2012. Sales, in particular, continued to advance, though at a slower rate than in 2010 and 2011. However, profits decreased while the trade deficit for manufactured goods rose. Overall, manufacturing presented a mixed picture in 2012.

For more information, please use the link below to access the full report on the manufacturing sector in 2012.

The analytical article "*Manufacturing: The Year 2012 in Review*" is now available as part of the *Analysis in Brief*, no. 91 (11-621-M), series. From the *Browse by key resource* module of our website choose *Publications*.

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