Manufacturing

The health of Canada's manufacturing sector declined by nearly every measure in 2008—from output and employment to the volume of sales and labour productivity. It was a year of contrast, featuring uneven growth over the course of the year and across industries.

Manufacturing's real gross domestic product fell for a third consecutive year, dropping 5.2% from 2007 to 2008. The motor vehicle and parts industries accounted for nearly half of the decline in output.

The value of manufacturing sales remained relatively stable in 2008, slipping 0.4% from 2007 to reach \$604.7 billion. However, the volume of goods sold fell 6.8% to \$546.0 billion—the third successive annual decline. Sharply reduced foreign and domestic demand during the second half of the year slowed activity in Canadian factories even further.

Industries driven by discretionary consumer spending, such as motor vehicles and wood products, saw declining sales throughout much of 2008. These were offset by exceptional price increases and strong demand for commodities during the first half of the year.

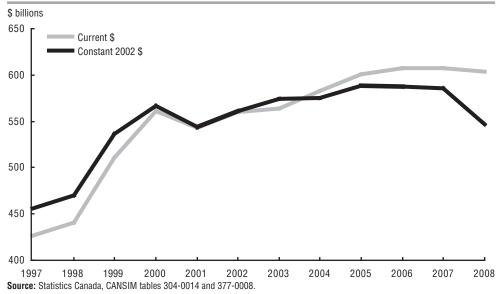
However, by the third quarter, that strong demand quickly disappeared as the global downturn spread. It continued into the early months of 2009.

Manufacturing sales drop

In 2008, 13 of 21 manufacturing industries posted sales decreases. Motor vehicle manufacturers' sales dropped 22.0% to a 14-year low. The wood products industry fared poorly for a fourth year in a row, as sales fell 13.1%.

Higher prices pushed manufacturers' sales of petroleum and coal products up 22.2% to a record high. The value of

Chart 23.1 Sales in manufacturing



petroleum product sales surpassed that of food and motor vehicles, Canada's previous biggest players.

The primary metals and chemical products industries also benefited from robust demand for most of the year, as both industries posted sales growth of just over 4.0%.

Newfoundland and Labrador, New Brunswick, Nova Scotia, Saskatchewan and Alberta all reported sharply higher manufacturing sales. This was partly the result of high prices, as well as busy refineries and strong demand, for most of the year, for chemical and primary metal products.

In Ontario, steep declines in sales of motor vehicles and auto parts contributed to a 4.6% drop in manufacturing sales to their lowest level since 1998. In Quebec, robust growth in the aerospace and petroleum products industries contributed to a 1.8% rise in total sales.

Labour productivity was down 1.9% in 2008, the first decrease since 2001.

Table 23.a Manufacturing sales, by region, 2008

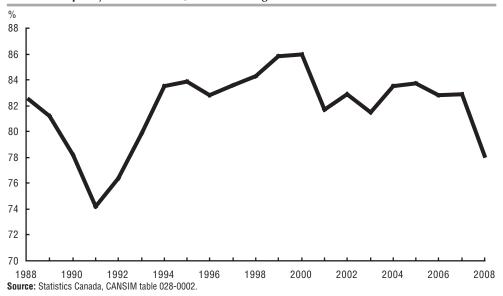
	\$ billions	% of total
Canada	604.6	100.0
Atlantic provinces	36.6	6.1
Quebec	150.9	25.0
Ontario	278.3	46.0
Prairie provinces	98.8	16.3
British Columbia	40.0	6.6

Note: Figures may not add to totals because of rounding. Source: Statistics Canada. CANSIM table 304-0015.

Manufacturing's industrial capacity utilization rate fell from 82% in 2007 to 78% in 2008, a level not seen since the 1990 recession.

Operating profits remained almost unchanged in 2008 at \$46.3 billion. Motor vehicle and parts producers lost \$3.3 billion in operating profits. Excluding motor vehicles and parts, manufacturers' operating profits increased 10.7% in 2008, compared with 5.4% for the economy as a whole.

Chart 23.2 Industrial capacity utilization rate, manufacturing



Trends in manufacturing employment

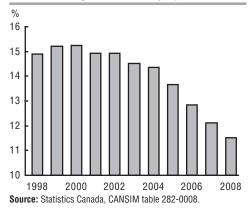
Canada lost 322,000 manufacturing jobs from 2004 to 2008, or more than one out of seven such jobs. In the rest of the economy, 1.5 million jobs were created, according to the Labour Force Survey. In 2004, manufacturing represented 14.4% of total employment; by 2008, that had shrunk to 11.5%.

Few manufacturing industries added employees from 2004 to 2008, notably transportation equipment (excluding motor vehicles and parts), petroleum and coal products, and computer and electronic products.

Some industries were hit harder. Textiles and clothing lost almost half its jobs, motor vehicle makers let go one in five employees, while motor vehicle parts manufacturers cut one in four positions.

Ontario lost the majority— 198,600 jobs, or nearly one in five

Chart 23.3 Manufacturing's share of employment



of the province's manufacturing jobs. Newfoundland and Labrador, New Brunswick, Quebec, British Columbia and Nova Scotia also lost more than 10% of their manufacturing jobs.

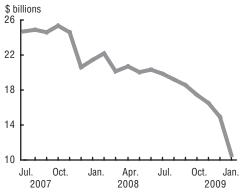
Auto sector hard hit

Canada's motor vehicle industry has seen periods of strong growth and those of sharp downturns. The year 2008 was no exception: the auto sector was hit hard by a sharp downturn in the U.S. economy.

The steep decline in the assembly of cars and light trucks, which began in December 2007, accelerated sharply in 2008. Retail motor vehicle sales in the United States fell steadily in 2008 to a 17-year low, at least partly attributable to record gasoline prices, reduced access to credit, and weakening consumer confidence. By December, retail auto sales were nearly 50% below their May 2007 peak.

Auto production at Canada's 11 assembly plants fell 20% to 2.0 million vehicles (equal to the annual output of two

Chart 23.4 Motor vehicle output



Note: 2002 constant prices.

Source: Statistics Canada, CANSIM table 379-0027.

plants). That affected subsidiary industries such as sales of motor vehicle parts, which dropped 21%.

Table 23.1 Gross domestic product at basic prices, by manufacturing subsector, 1997 to 2008

	1997	1998	1999	2000	2001
		\$	millions 2002 chaine	ed	
Manufacturing sector	151,330	158,819	171,923	188,925	181,084
Food	14,506	15,195	15,575	16,219	17,400
Beverage and tobacco products	6,180	6,515	5,941	6,150	5,892
Textile, clothing and leather products					
Wood products	9,047	9,510	10,219	11,334	10,835
Paper	10,709	10,434	11,469	11,893	11,295
Printing and related support activities	5,131	5,118	5,234	5,983	6,654
Petroleum and coal products	2,908	3,168	3,049	3,056	3,423
Chemicals	12,095	12,209	12,691	14,063	14,422
Plastics and rubber products	7,162	7,443	8,098	9,262	9,247
Non-metallic mineral products	3,964	4,313	4,346	4,779	4,994
Primary and fabricated metal products	19,120	20,408	21,535	25,088	24,401
Machinery	10,972	11,282	11,089	12,701	12,479
Computer and electronic products	5,828	6,754	9,460	11,430	6,764
Electrical equipment, appliance and components	3,359	3,658	3,838	4,615	4,560
Transportation equipment	28,109	29,395	35,225	35,638	32,139
Furniture and related products	3,910	4,628	5,062	5,913	6,161
Miscellaneous manufacturing	2,838	3,069	3,031	3,483	3,462

Note: North American Industry Classification System (NAICS), 2002. Source: Statistics Canada, CANSIM table 379-0027.

2008	2007	2006	2005	2004	2003	2002
		ed	nillions 2002 chaine	\$ r		
175,609	185,311	187,041	187,806	184,814	181,349	182,736
19,303	18,986	18,630	17,696	17,159	17,071	17,296
4,603	4,644	4,854	5,748	5,636	5,633	5,878
3,426	4,116	4,461	5,032	5,671	6,266	6,761
9,656	11,678	13,053	13,398	12,789	12,232	12,079
9,445	10,328	10,835	11,872	12,042	11,910	11,865
5,286	5,364	5,576	6,042	6,145	6,040	6,232
3,245	3,339	3,338	3,297	3,432	3,477	3,477
15,570	15,823	15,823	15,671	15,409	15,657	15,124
8,955	9,916	10,348	10,350	10,109	9,991	9,979
5,718	5,961	5,992	5,684	5,570	5,375	5,096
25,235	26,313	25,788	25,511	25,029	24,607	25,149
13,617	13,578	13,375	13,043	12,738	11,788	12,158
7,253	7,238	6,979	6,792	6,573	6,249	5,821
3,291	3,378	3,384	3,416	3,360	3,073	3,860
30,809	35,272	35,703	35,292	33,491	32,579	32,007
5,166	5,529	5,476	5,604	5,837	5,596	6,098
4,354	4,184	4,030	3,889	3,993	3,905	3,857

Table 23.2 Manufacturing sales, by manufacturing subsector, 1994 to 2008

	1994	1995	1996	1997	1998	1999
			\$ mi	llions		
Manufacturing sector	346,940.8	389,779.5	400,085.1	426,519.4	441,152.6	510,549.9
Food	43,075.3	45,170.0	48,246.0	50,513.4	51,468.6	55,104.9
Beverage and tobacco products	9,175.8	9,317.9	9,610.4	10,154.4	11,190.5	11,250.8
Textile mills and textile products mills	5,303.5	5,558.6	5,621.5	5,960.2	6,371.0	6,602.4
Clothing	6,229.0	6,568.4	6,677.7	6,947.0	6,967.6	7,429.3
Leather and allied products	1,005.0	985.9	942.8	1,001.3	944.2	967.1
Paper	25,226.4	36,013.7	30,663.2	29,761.6	29,790.5	33,236.4
Printing and related support activities	7,641.3	8,447.9	8,841.4	8,961.8	9,341.9	10,436.0
Petroleum and coal products	16,677.2	17,969.3	20,688.6	20,932.8	16,325.6	21,347.3
Chemicals	27,822.1	30,074.0	30,252.6	32,486.3	31,374.1	34,194.7
Plastics and rubber products	12,504.8	14,048.1	15,045.3	16,504.1	17,362.1	21,108.8
Wood products	22,274.8	22,621.5	24,000.3	25,960.2	25,994.4	31,214.5
Non-metallic mineral products	6,794.4	7,220.7	7,851.9	8,487.7	8,930.3	9,653.4
Primary metals	24,019.4	26,178.1	26,781.9	28,743.2	29,596.9	30,755.1
Fabricated metal products	15,391.5	17,505.8	19,174.5	21,082.6	22,850.8	27,625.0
Machinery	15,407.3	18,060.8	19,548.5	21,835.9	23,097.3	24,284.6
Computer and electronic products	18,122.7	22,845.0	22,072.9	23,154.3	25,356.4	27,295.3
Electrical equipment, appliances an components	d 6,889.0	7,587.9	7,834.5	8,085.3	8,486.9	10,488.1
Transportation equipment	73,392.3	82,992.4	84,548.0	92,822.9	101,064.1	130,037.5
Furniture and related products	5,664.9	6,140.3	6,839.8	7,892.6	9,013.0	10,995.4
Miscellaneous manufacturing	4,324.3	4,473.0	4,843.2	5,231.8	5,626.2	6,523.2

Note: North American Industry Classification System (NAICS), 2007. Source: Statistics Canada, CANSIM table 304-0014.

2008	2007	2006	2005	2004	2003	2002	2001	2000
				\$ millions				
604,743.8	607,343.9	607,380.3	600,349.6	583,081.9	563,634.0	559,902.7	543,272.0	561,300.9
78,108.9	73,853.6	71,721.2	67,594.8	67,860.5	67,064.9	64,089.5	61,609.3	57,278.7
10,671.5	10,859.1	11,318.7	12,646.2	12,555.1	12,191.5	12,074.4	11,699.1	11,625.5
4,163.2	4,697.3	5,012.7	5,898.1	6,212.9	6,672.8	7,211.0	6,848.8	6,966.1
3,288.0	4,325.4	4,981.0	5,289.6	6,241.1	7,893.8	8,024.4	7,685.0	7,936.6
422.4	510.4	464.0	516.2	649.0	849.6	933.6	967.2	956.4
29,351.3	30,249.7	31,097.8	32,499.4	33,710.1	33,359.4	34,284.4	35,852.9	38,213.2
10,544.0	10,612.6	10,989.3	11,866.5	11,538.1	12,435.5	12,155.3	11,633.8	11,079.3
81,473.8	66,692.5	61,487.2	57,029.9	45,730.1	37,585.3	33,690.1	33,407.5	33,918.0
51,141.6	49,124.4	50,119.8	49,614.8	47,143.9	43,088.5	40,469.2	38,391.4	37,205.8
23,524.4	25,937.3	27,620.6	26,825.4	25,608.0	26,464.1	25,286.6	22,986.9	21,858.0
21,721.0	25,001.2	30,497.8	34,092.3	35,793.1	32,360.1	32,801.6	30,074.1	31,669.8
14,190.6	14,473.3	14,113.2	12,727.3	12,240.4	12,029.5	11,630.8	10,324.3	9,926.8
55,218.7	52,987.9	50,829.2	43,029.4	42,511.5	36,916.4	36,074.9	34,115.3	36,352.2
36,871.4	36,647.6	34,754.9	34,276.4	32,802.4	33,356.4	32,210.5	30,189.5	29,685.8
33,433.9	32,288.5	31,056.0	30,167.9	27,748.6	28,070.2	27,448.5	26,422.0	26,283.4
19,193.1	18,968.1	19,541.2	19,762.4	20,680.1	20,826.3	22,656.3	27,040.1	37,273.3
10,381.8	10,679.3	10,475.6	9,899.8	9,452.6	9,482.2	10,135.9	11,637.6	11,595.5
97,263.5	116,051.5	118,776.4	124,785.8	123,166.9	120,565.8	126,451.6	122,560.4	132,252.5
13,145.7	13,762.7	13,397.9	13,342.9	13,254.6	13,719.4	13,916.5	13,054.9	12,608.2
10,634.9	9,621.7	9,125.7	8,484.6	8,182.8	8,702.3	8,357.6	6,771.9	6,615.9

Table 23.3 Payroll employment, by manufacturing industry, 1994 to 2008

	1994	1995	1996	1997	1998	1999
			num	nber		
Manufacturing sector	1,705,673	1,739,096	1,779,368	1,845,808	1,906,843	1,946,466
Food	207,152	206,340	213,999	216,006	222,195	224,202
Beverage and tobacco products	33,371	32,984	29,736	32,068	34,255	33,791
Textile mills	26,160	26,813	27,035	28,225	29,449	29,520
Textile product mills	17,864	16,512	17,890	19,845	20,500	20,417
Clothing	85,609	86,510	85,882	88,569	90,422	89,465
Leather and allied products	12,036	12,160	12,218	12,391	11,473	11,241
Paper	104,779	104,450	103,394	104,098	100,821	103,110
Printing and related support activities	75,309	80,375	76,787	76,948	79,810	82,459
Petroleum and coal products	14,488	13,414	13,990	13,747	13,753	15,454
Chemicals	89,019	88,054	86,874	88,774	89,227	91,385
Plastics and rubber products	94,063	96,902	104,354	111,754	115,525	117,688
Wood products	109,790	108,431	116,544	124,299	127,559	134,177
Non-metallic mineral products	43,880	47,077	45,687	48,554	52,166	53,286
Primary metals	102,587	102,127	101,727	98,828	100,957	100,529
Fabricated metal products	134,821	139,590	146,910	157,630	165,626	173,072
Machinery	108,551	116,450	124,562	131,871	134,419	132,486
Computer and electronic products	80,372	88,905	88,310	92,754	97,905	101,630
Electrical equipment, appliances and components	i 52,507	46,669	45,178	45,477	45,898	48,538
Transportation equipment	198,719	204,534	214,530	215,751	229,476	235,548
Furniture and related products	67,883	69,149	71,094	81,566	86,086	88,698
Miscellaneous manufacturing	46,713	51,648	52,668	56,652	59,319	59,772

Notes: North American Industry Classification System (NAICS), 2007.
Annual number of salaried and hourly employees on payroll.

Source: Statistics Canada, Survey of Employment, Payrolls and Hours and CANSIM table 281-0024.

Table 23.4 Manufacturing sector by establishments and production workers, by province and territory, 2005 to 2007

	Canada	Newfoundland and Labrador	Prince Edward Island	Nova Scotia	New Brunswick	Quebec		
	number							
Establishments								
2005	85,724	765	351	1,944	1,533	23,042		
2006	83,596	728	349	1,823	1,464	22,629		
2007	85,013	738	369	1,904	1,497	22,319		
Production workers								
2005	1,351,014	13,885	4,422	29,967	27,349	354,269		
2006	1,312,281	13,231	4,886	27,741	26,583	339,129		
2007	1,273,648	13,962	5,042	28,233	26,572	329,052		

Notes: The number of establishments represents a count of locations that perform manufacturing activities. It normally corresponds to a plant, factory, or mill. It excludes sales offices and warehouses that support manufacturing activities.

Data for reference years 2004 to 2006 are based on the North American Industry Classification System (NAICS) 2002. The 2007 data are based on NAICS 2007.

Source: Statistics Canada, CANSIM table 301-0006.

2008	2007	2006	2005	2004	2003	2002	2001	2000
				number				
1,673,904	1,758,769	1,820,736	1,838,560	1,870,096	1,907,736	1,929,514	1,978,406	2,036,697
226,252	229,102	233,388	232,170	235,405	233,754	233,158	231,613	232,653
26,695	26,854	28,114	28,097	31,991	33,186	34,860	35,138	35,424
10,363	12,950	14,610	17,412	20,866	22,970	23,829	26,122	30,133
12,818	15,164	16,477	17,685	18,073	18,414	19,022	19,707	20,928
32,825	40,001	46,009	51,765	62,456	71,186	76,261	82,770	93,347
3,816	4,472	5,030	5,779	6,575	7,539	8,508	9,480	12,219
73,515	79,380	83,810	87,689	93,718	96,994	95,981	103,703	110,144
70,522	72,019	73,148	72,829	73,783	78,593	79,678	83,347	85,537
17,904	16,657	16,336	15,758	15,301	15,674	15,401	15,305	15,879
88,546	88,960	90,823	93,030	92,761	92,797	92,246	93,412	95,493
107,517	118,260	124,827	125,795	127,426	125,790	126,097	125,248	123,469
110,322	122,940	130,222	135,306	137,153	133,829	134,227	135,758	141,872
52,707	52,807	53,701	51,304	51,403	51,329	51,423	53,719	56,440
69,107	78,802	80,681	78,731	79,703	85,402	90,322	91,185	104,253
171,126	175,091	179,728	176,068	176,439	180,561	181,096	184,269	183,246
138,132	139,714	144,467	140,411	136,049	137,162	137,332	134,897	136,397
83,824	83,202	85,086	85,689	87,272	89,084	95,272	105,761	106,289
41,610	42,754	42,268	42,157	43,095	45,428	45,545	48,723	53,780
199,464	215,597	222,798	229,337	229,246	231,268	233,603	242,725	244,196
79,830	85,843	90,677	94,157	93,121	98,637	98,648	98,601	94,350
57,007	58,198	58,534	57,391	58,258	58,138	57,006	56,922	60,648

Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	Yukon	Northwest Territories	Nunavut
			numl	oer			
34,184	2,307	1,804	7,750	11,942	59	28	15
32,723	2,266	1,775	7,740	12,014	52	21	12
33,642	2,353	1,846	8,091	12,179	48	16	11
627,182	46,185	20,699	103,828	122,776	185	183	84
602,714	45,429	21,309	108,015	122,781	204	173	86
574,094	44,512	21,682	107,968	122,093	219	175	44

Table 23.5 Industrial capacity utilization rates, 1994 to 2008

	1994	1995	1996	1997	1998	1999
			9/	6		
All industries	83.0	82.1	82.0	83.6	84.6	86.0
Manufacturing	83.5	83.9	82.8	83.6	84.3	85.8
Food	82.0	81.6	79.6	79.0	80.7	80.1
Beverage and tobacco products	79.6	82.6	81.4	81.8	83.2	81.7
Textile mills and textile product mills	82.1	81.1	77.3	80.2	82.7	84.4
Clothina	80.4	81.0	83.0	85.1	84.1	85.6
3	74.9	74.0	75.4	80.1	77.6	74.1
Leather and allied products						
Paper	91.1	86.7	86.4	84.5	86.5	83.9
Printing and related support activities	94.3	92.0	89.1	90.4	86.1	91.1
Petroleum and coal products	76.5	77.8	80.1	80.0	79.8	80.6
Chemicals	87.3	89.5	92.8	93.1	95.5	94.4
Plastics and rubber products	84.7	85.2	86.3	80.2	81.2	80.9
Wood products	85.0	81.0	81.6	83.2	84.4	86.8
Non-metallic mineral products	74.4	75.5	76.7	83.4	80.1	80.4
Primary metals	93.1	88.3	88.0	89.0	93.8	91.1
Fabricated metal products	80.0	78.2	79.6	80.0	80.8	85.7
Machinery	81.0	85.4	80.1	84.8	80.5	80.0
Computer and electronic products	77.3	84.9	76.2	79.3	85.0	90.8
Electrical equipment, appliances and components	82.4	79.4	83.6	85.2	91.0	93.7
Transportation equipment	81.9	86.2	84.8	86.4	86.4	89.5
Furniture and related products	79.2	80.9	81.1	82.5	83.1	84.5
Miscellaneous manufacturing	80.4	73.6	76.3	85.2	88.5	88.2

Note: North American Industry Classification System (NAICS), 1997. Source: Statistics Canada, CANSIM table 028-0002.

2000	2001	2002	2003	2004	2005	2006	2007	2008
				%				
87.0	84.3	85.4	84.2	84.8	84.1	82.8	82.1	78.0
86.0	81.7	82.9	81.5	83.5	83.7	82.8	82.9	78.1
80.9	81.6	81.8	78.9	79.1	80.6	80.1	80.1	81.0
79.5	80.7	77.2	72.3	75.6	75.8	74.1	71.5	69.8
82.6	78.1	79.4	77.4	78.4	77.5	74.3	75.4	72.2
85.0	82.0	82.8	80.1	79.5	74.4	76.0	76.0	68.9
78.5	74.5	73.8	71.6	72.0	67.6	76.4	77.8	73.8
85.1	82.0	87.0	88.2	92.1	90.6	85.6	79.0	71.6
92.1	88.6	90.6	91.1	91.1	89.4	88.3	87.4	84.8
79.8	76.8	74.0	75.3	74.4	75.2	74.8	73.5	73.0
92.7	94.9	96.5	95.4	93.9	88.3	83.2	82.5	80.8
80.1	80.4	80.8	80.9	81.5	80.2	79.8	82.0	81.0
84.3	84.0	88.7	88.4	90.0	82.8	79.6	76.6	74.1
79.8	80.1	82.1	83.8	84.2	84.4	81.9	85.0	81.4
90.9	86.2	87.8	88.4	91.8	91.5	91.9	92.1	91.5
84.1	79.7	80.1	75.9	79.8	80.6	81.4	86.0	81.2
83.6	78.5	78.9	78.1	8.08	83.0	82.9	83.5	84.6
96.6	72.1	66.8	69.6	80.8	85.3	87.0	88.1	87.5
92.5	76.3	74.0	73.6	77.3	76.3	79.7	83.6	83.0
89.0	86.0	88.1	83.3	85.0	87.3	86.2	86.8	69.3
84.8	80.8	81.1	79.8	79.3	81.3	80.4	81.2	77.1
83.5	80.3	82.5	82.7	81.2	81.1	79.6	77.3	78.2

Table 23.6 Industrial capacity utilization rates, 2008

	1st quarter	2nd quarter	3rd quarter	4th quarter
		(%	
All industries	79.6	78.8	78.1	74.7
Manufacturing	80.0	79.9	78.8	73.8
Food	81.3	82.0	81.4	79.3
Beverage and tobacco products	66.5	69.6	70.6	72.7
Textile mills and textile product mills	73.0	72.1	72.1	71.7
Clothing	70.4	66.3	68.9	70.0
Leather and allied products	74.8	72.1	70.2	78.1
Paper	85.3	85.8	86.8	81.2
Printing and related support activities	74.3	73.5	73.0	71.2
Petroleum and coal products	79.8	83.7	81.0	78.7
Chemicals	81.7	82.6	82.8	77.0
Plastics and rubber products	76.8	76.3	74.0	69.3
Wood products	72.5	72.4	72.2	69.3
Non-metallic mineral products	79.6	82.5	84.5	78.9
Primary metals	91.6	93.2	95.8	85.4
Fabricated metal products	84.3	82.1	80.6	77.8
Machinery	84.1	87.0	85.6	82.1
Computer and electronic products	87.9	88.4	87.7	85.9
Electrical equipment, appliances and components	80.6	82.0	83.9	85.5
Transportation equipment	77.3	73.4	68.4	58.1
Furniture and related products	77.8	77.9	77.8	74.9
Miscellaneous manufacturing	75.8	79.0	80.2	77.8

Note: North American Industry Classification System (NAICS), 1997. Source: Statistics Canada, CANSIM table 028-0002.