Catalogue no. 11-621-M, no. 87
ISSN 1707-0503
ISBN 978-1-100-16212-6

Analytical Paper

Analysis in Brief

Manufacturing: The Year 2009 in Review

by Gwen Harding and Russell Kowaluk

Manufacturing and Energy Division
11th Floor, Jean Talon Building, 170 Tunney's Pasture Driveway, Ottawa,
On K1A 0T6

Telephone: 1-800-263-1136

Statistics Canada Statistique Canada

Canada

How to obtain more information

For information about this product or the wide range of services and data available from Statistics Canada, visit our website at *www.statcan.gc.ca*, e-mail us at *infostats@statcan.gc.ca,* or telephone us, Monday to Friday from 8:30 a.m. to 4:30 p.m., at the following numbers:

Statistics Canada's National Contact Centre

Toll-free telephone (Canada and the United States):

Inquiries line	1-800-263-1136
National telecommunications device for the hearing impaired	1-800-363-7629
Fax line	1-877-287-4369

Local or international calls:

Inquiries line	1-613-951-8116
Fax line	1-613-951-0581

Depository Services Program

Inquiries line	1-800-635-7943
Fax line	1-800-565-7757

To access this product

This product, Catalogue no. 11-621-M, is available free in electronic format. To obtain a single issue, visit our website at *www.statcan.gc.ca* and browse by "Key resource" > "Publications."

Standards of service to the public

Statistics Canada is committed to serving its clients in a prompt, reliable and courteous manner. To this end, Statistics Canada has developed *standards of service* that its employees observe. To obtain a copy of these service standards, please contact Statistics Canada toll-free at 1-800-263-1136. The service standards are also published on *www.statcan.gc.ca* under "About us" > "Providing services to Canadians."

Statistics Canada

Manufacturing and Energy Division

Manufacturing: The Year 2009 in Review

Published by authority of the Minister responsible for Statistics Canada

© Minister of Industry, 2010

All rights reserved. The content of this electronic publication may be reproduced, in whole or in part, and by any means, without further permission from Statistics Canada, subject to the following conditions: that it be done solely for the purposes of private study, research, criticism, review or newspaper summary, and/or for non-commercial purposes; and that Statistics Canada be fully acknowledged as follows: Source (or "Adapted from", if appropriate): Statistics Canada, year of publication, name of product, catalogue number, volume and issue numbers, reference period and page(s). Otherwise, no part of this publication may be reproduced, stored in a retrieval system or transmitted in any form, by any means—electronic, mechanical or photocopy—or for any purposes without prior written permission of Licensing Services, Client Services Division, Statistics Canada, Ottawa, Ontario, Canada K1A 0T6.

June 2010

Catalogue no. 11-621-M, no. 87

ISSN 1707-0503
ISBN 978-1-100-16212-6

Frequency: Occasional

Ottawa

Cette publication est également disponible en français.

Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.

User information

Symbols

The following standard symbols are used in Statistics Canada publications:

.	not available for any reference period
..	not available for a specific reference period
...	not applicable
0	true zero or a value rounded to zero
0s	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
p	preliminary
r	revised
x	suppressed to meet the confidentiality requirements of the *Statistics Act*
E	use with caution
F	too unreliable to be published

Table of contents

Manufacturing: The Year 2009 in Review

by Gwen Harding and Russell Kowaluk

1 Summary

The global economic downturn that started in 2008 continued to affect economic activity in Canada, the United States and other countries to which Canada exports goods and services. It also weakened domestic and foreign demand for manufacturing products. As a result, most indicators of activity in the Canadian manufacturing sector declined in 2009 for a second consecutive year.

Manufacturing sales fell 17.4% to $494.2 billion, the largest annual decrease since the manufacturing data series started in 1992. The bulk of the decline occurred in the first quarter, after which sales gradually improved. At the end of the year, sales were 18% below their peak of $605.5 billion in 2006.

Declines last year were widespread. Eighteen of 21 industries posted decreases, as did every province and territory. Only the food manufacturing industry, the beverage and tobacco products industry and the miscellaneous manufacturing industry recorded steady increases.

Commodity prices fell sharply in 2009, the result of reduced demand and a slowing economy, both at home and in Canada's traditional export markets. This affected sales in several commodity-driven industries. The big-ticket durable goods sector, which includes motor vehicles and parts as well as primary metals manufacturing, reported a sharp 21.4% drop in factory sales to $242.9 billion.

The non-durable goods sector posted a 13.1% decline to $251.3 billion. Sizeable drops in petroleum and coal products and chemical manufacturing were offset somewhat by strong gains in food manufacturing, the top-performing industry. The decrease in the petroleum and coal products industries was predominantly price-based.

Factory sales declined in the top four manufacturing provinces: Ontario, Quebec, Alberta and British Columbia. This reflected low commodity prices, slowdowns at refineries, and weak demand for primary metal products, petroleum and coal products, and wood products.

Other indicators of the health of Canadian manufacturing were also weaker or remained flat, including employment, productivity, capacity utilization, profits and capital investment.

Manufacturers saw their rate of capacity utilization fall by more than nine percentage points to 67.7%, the lowest level since the start of the current data series in 1987. Factory employment fell by 188,000 (-11.2%) in 2009, compared with a 0.6% loss in other sectors of the economy. Manufacturing's share of total employment dropped to 10% in 2009 from the most recent high of 16% in 2000.

Labour productivity in manufacturing remained unchanged from 2008. Manufacturers' operating profits fell by 31.7% to $29,9 billion in 2009, the second successive decrease. Manufacturers backed away from investment in plants and equipment for a second consecutive year. Total capital expenditures incurred their largest annual decline since the economic slowdown of 2001.

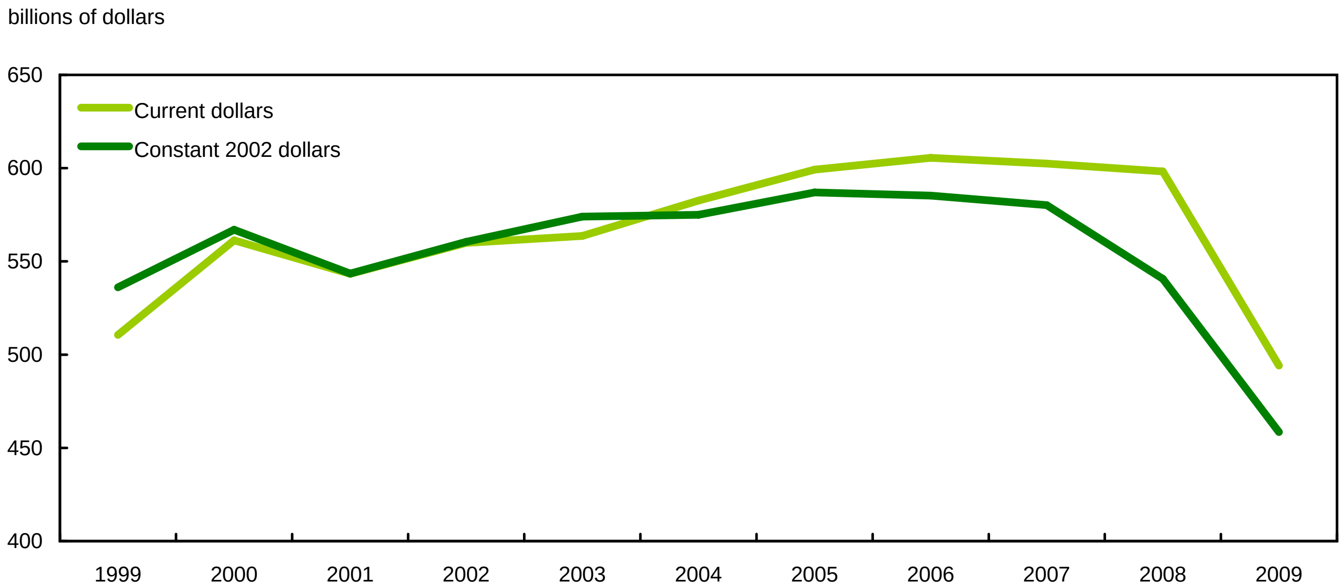
This article examines the performance of Canada 's manufacturing sector in 2009 using data mainly from the Monthly Survey of Manufacturing.

2 Sharp decline in Canadian manufacturing sales

The global economic downturn that began in 2008 had a strong impact on the Canadian manufacturing sector in 2009. Manufacturing sales declined 17.4% to $494.2 billion in 2009, the largest annual decrease since 1992, when this data series was first collected. However, the bulk of the decline occurred in the first quarter of the year, after which, sales showed signs of gradual improvement.

In constant-dollar sales, the volume of goods manufactured in 2009 dropped 15.2% to $458.5 billion,[1] the lowest level since 1997 and the fourth successive annual decline. A sharp reduction in foreign and domestic demand at the beginning of the year contributed to a slowdown in Canadian factories. On a quarterly basis, constant-dollar sales began to improve in the third quarter of 2009.

Chart 1
Manufacturing sales declined sharply in 2009



Source(s): Statistics Canada, Manufacturing industries, CANSIM tables 304-0014 and 377-0008.

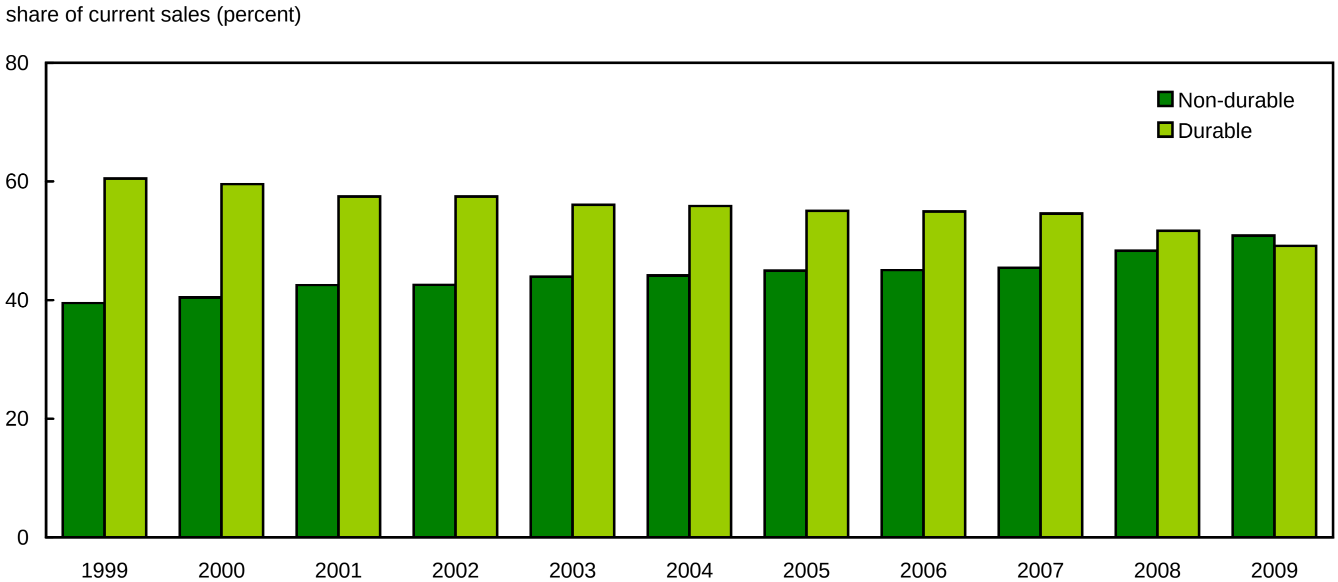
In current dollars, manufacturing sales declined in each of the last three years. At the end of 2009, sales were 18% below their peak of $605.5 billion in 2006.

Declines were widespread in 2009. Eighteen of 21 industries reported lower manufacturing sales, and sales fell in every province and territory. The food, beverage and tobacco products, and miscellaneous manufacturing[2] industries were the only industries to record higher sales.

Both the durable and non-durable goods sectors posted declines. However, the non-durable industries outperformed durable industries for the first time since the start of the current series in 1992. The shift in the distribution of sales activity was apparent in the continued increase of the share of the food industry when compared with declines in notable durable goods industries, such as motor vehicles and parts.

1. Source: Statistics Canada, Manufacturing industries, CANSIM, table 377-0008.
2. The miscellaneous manufacturing sub-sector comprises establishments not classified to any other sub-sector, primarily engaged in manufacturing activities. These establishments manufacture a diverse range of products, such as medical equipment and supplies, jewellery, sporting goods, toys and office supplies.

Chart 2
Sales in the nondurable goods manufacturing sector exceeded the durable sector



Source(s): Statistics Canada, Manufacturing industries, CANSIM table 304-0014.

The big-ticket, durable goods sector, which includes motor vehicles and parts and primary metals manufacturing, reported a sharp 21.4% drop in factory sales, to $242.9 billion. The non-durable goods sector posted a smaller decline of 13.1% to $251.3 billion. Sizeable drops in petroleum and coal products and chemical manufacturing were offset somewhat by strong gains in food manufacturing.

As a result, the non-durable goods sector increased its share of manufacturing sales to 51%, compared with 40% ten years earlier. The share of durable goods industries fell to 49% in 2009 from just over 60% in 1999.

Manufacturers' inventories were also down markedly in 2009, while the inventory-to-sales ratio spiked to levels not seen in 17 years. In addition, prices fell significantly for petroleum and coal products, primary metal products and chemical products, contributing to the decline in sales values for the year.

3 Unprecedented challenges for manufacturers

Unprecedented economic challenges confronted Canada's manufacturers in 2009.

The Canadian dollar, which had remained strong in value compared with the US greenback, depreciated somewhat in 2009[3] after reaching and exceeding parity in the previous year. Regardless, the relatively high value of the Canadian dollar continued to erode the price advantage of domestically manufactured goods compared with their US counterparts.

The global financial crisis that started in 2008 continued to have an impact on manufacturing as the banking sector tightened access to credit in light of the earlier bank failures in the United States. Indeed, this move directly affected economic activity in Canada, the United States and other countries to which Canada exports goods and services, and ultimately weakened foreign and domestic demand for manufactured products.

The automotive industry crisis in particular led to financial bailouts by the Canadian and American governments. The restructuring of the industry triggered temporary plant shutdowns and permanent closures in the first half of 2009.

3. The Canadian dollar depreciated 6.5% from 2008.

The year 2009 saw a sharp 38.8% reduction in US housing starts, to an estimated 554,000 units, which had a broad impact on the Canadian economy, notably on the wood products industry.[4]

Commodity prices fell sharply in 2009, attributable to reduced demand and a slowing economy. This hurt sales in several commodity-driven industries. However, it might also have benefited other industries by reducing their input costs.

As a result of these challenges, Canadian manufacturers had to shed jobs as they faced cancelled orders and eroding consumer demand.

4 Growth in just three industries

Although 2009 closed with lower manufacturing activity in most industries, a few bright spots were visible. Three of the 21 manufacturing industries expanded in 2009. Food manufacturing rose 4.7%; beverages and tobacco products, 2.5% and miscellaneous manufacturing, 2.5%.

In terms of the value of manufacturing sales, the three largest industries in 2009 were food manufacturing, transportation equipment and petroleum and coal products.

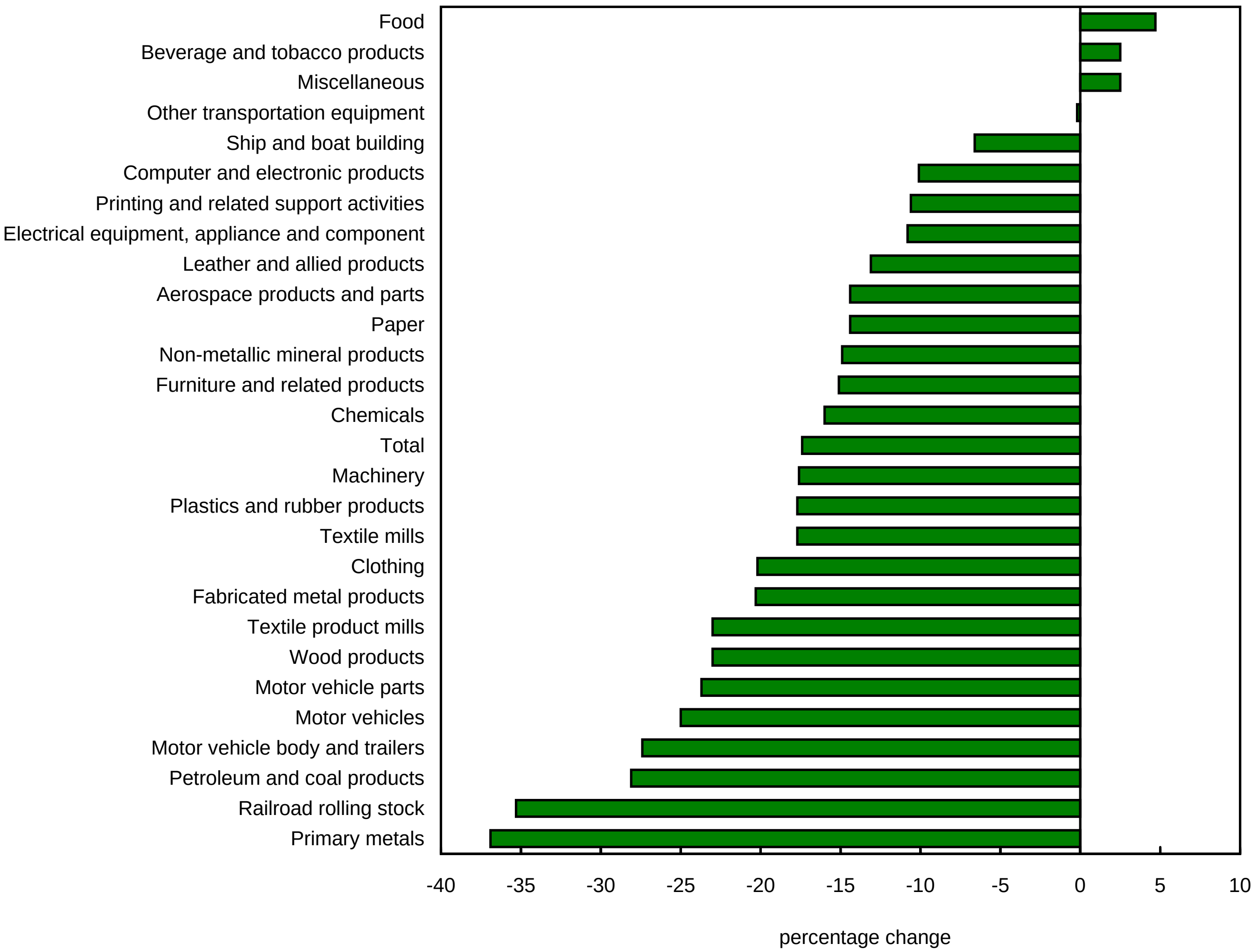
Food manufacturing, the largest industry in 2009, posted sales of $81.4 billion, accounting for 16.5% of total manufacturing sales, up from its 13.0% share in 2008. Although consumers restrained their spending throughout the year, food purchases remained strong. An estimated 1.2% population increase in 2009[5] contributed to the rise in sales in the food products industry.

The biggest manufacturing sales declines in 2009 were in primary metals (-36.9%) and petroleum and coal products (-28.1%). Chemical products also dropped 16.0% over the year.[6]

A significant downturn in global demand for iron and steel products, as well as an 11.6% decrease in prices,[7] pulled down production volumes and sales of primary metal products in 2009.

4. Source: US Census Bureau, New Privately Owned Housing Units Started, 2009.
5. Source: Statistics Canada, Estimates of population, CANSIM, table 051-0005.
6. Source: Statistics Canada, Manufacturing industries, CANSIM table 304-0014.
7. Source: Statistics Canada, Industry price indexes, CANSIM table 329-0038.

Chart 3
The majority of manufacturing industries declined in 2009



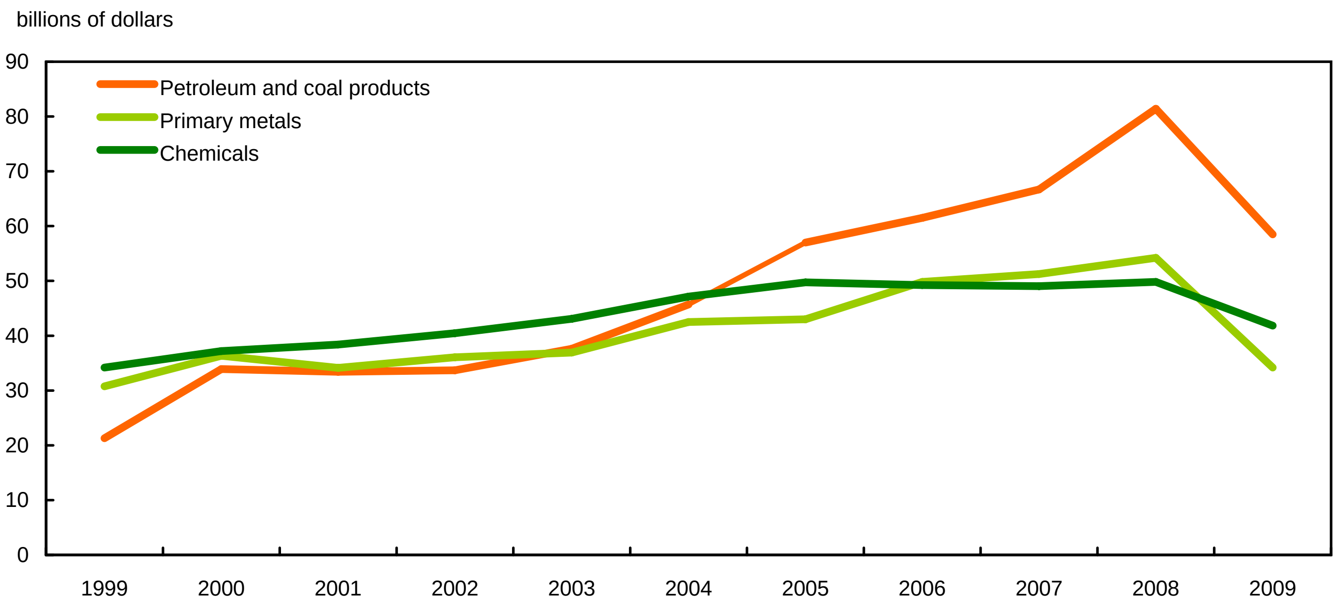
Source(s): Statistics Canada, Manufacturing industries, CANSIM table 304-0014.

Canada's petroleum and coal products industry lost its spot as the second largest manufacturing industry in 2008, falling to third place in 2009. The decrease was predominantly price-based—industrial prices for petroleum products dropped almost 28%.[8] The weakened state of the global economy was a primary factor in the sharp price decline. The share of total manufacturing sales held by the petroleum products industry was 11.8% in 2009, down from a high of 13.6% in 2008.

The chemical products industry was the country's fourth biggest manufacturing industry in 2009, with sales of $41.8 billion, down 16.0% from 2008. Sagging demand and weak prices for fertilizer and potash were some of the factors that accounted for the 6.1% drop in chemical products prices[9] in 2009.

8. Source: Statistics Canada, Industry price indexes, CANSIM table 329-0038.
9. Source: Statistics Canada, Industry price indexes, CANSIM table 329-0038.

Chart 4
Manufacturing sales fall sharply in three price-driven industries in 2009



Source(s): Statistics Canada, Manufacturing industries, CANSIM table 304-0014.

The export-oriented wood products industry suffered for the fifth year in a row, as sales fell an additional 23.0% to $16.8 billion in 2009, down 53% since the most recent high of $35.8 billion in 2004. The downturn was largely attributable to the severe slump in the US housing market.

Machinery manufacturing declined 17.6%, with the majority of the decline occurring in the first half of 2009, reflecting lower demand for iron and steel products.

5 Transportation equipment sector saw further declines

As 2009 drew to a close, the motor vehicle industry continued to extensively restructure. Job losses, plant closures and production slowdowns were widespread, notably in the second half of 2008 and early in 2009. Motor vehicle sales began to show signs of improvement after the first quarter of 2009, and motor vehicle parts sales followed suit after the second quarter.

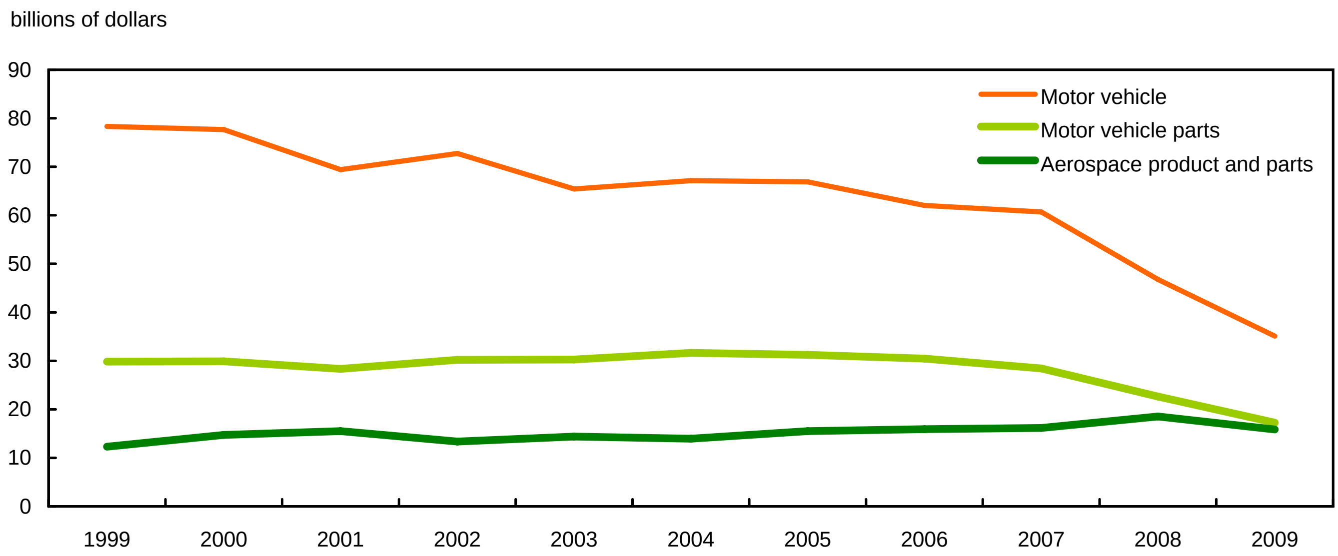
Manufacturing sales of transportation equipment were down 21.9% in 2009: all seven industries that make up the sector posted losses. The sector held a 15.4% share of total manufacturing sales in 2009, down 10 percentage points from 1999.

Within the transportation equipment industry, sales of motor vehicles posted the largest decline, down 25.0% to $35.1 billion, a 17-year low. Sales were down 55.2% compared with the 1999 peak of $78.3 billion. The industry's share of total factory sales in 2009 fell to 7.1%, less than half the share of 10 years ago. Assembly line shutdowns, closures and slowdowns contributed to significantly reduced capacity.

Sales of motor vehicle parts were down 23.7% to $17.3 billion in 2009. Motor vehicle parts manufacturing posted the second biggest decline among the transportation equipment industries.

Canadian manufacturers of aerospace products saw global demand for both commercial and defence aircraft and parts decline in 2009: production fell 14.4%, to $15.9 billion. The industry had been climbing steadily since 2004, reaching $18.5 billion in 2008. Production in the aerospace products industry decreased in the first three quarters of 2009.

Chart 5
Motor vehicle and motor vehicle parts manufacturing sales weakened in 2009



Source(s): Statistics Canada, Manufacturing industries, CANSIM table 304-0014.

6 American factories faced similar challenges

In 2009, the US manufacturing sector reported sales losses similar to Canada's. Sales were down 15.6%, to US$4.4 trillion.[10] Measured by sales, the US manufacturing sector remained about nine times larger than the Canadian sector.

As in Canada, the four largest US manufacturing industries were chemical products, food, transportation equipment, and petroleum and coal products.

All 21 manufacturing industries in the US posted sales losses: petroleum and coal products and primary metals led, with declines in the 35% range. Sales of automobiles and light trucks also recorded sharp drops of more than 30% in 2009.[11]

7 Sales down in every province

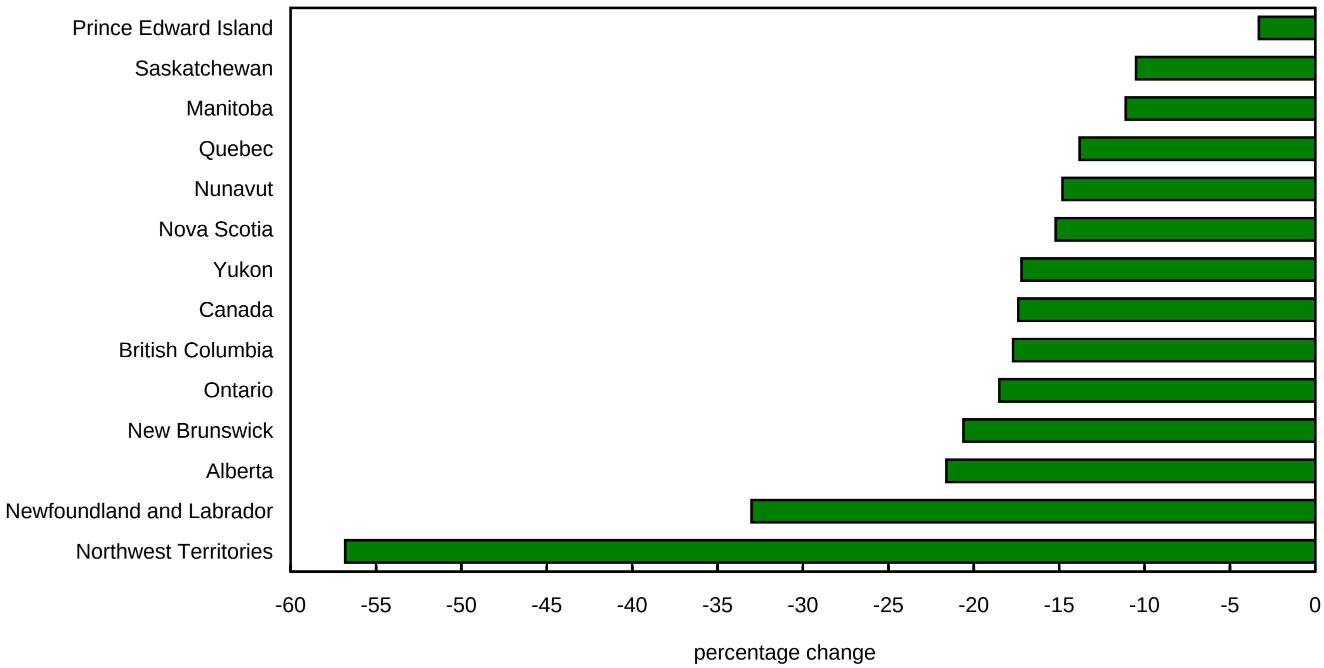
Every province and territory posted lower sales in 2009.[12] The top four provinces, measured by sales, were Ontario, Quebec, Alberta and British Columbia, unchanged from 2008.

Ontario remained the largest province in factory output. Its manufacturing sales decreased 18.5% to $223.4 billion, the lowest level since 1996. Ontario held a 45.2% share of total manufacturing sales in Canada in 2009, down from more than 55% in 1999.

10. Source: US Census Bureau, US Department of Commerce, February 4, 2010
11. Source: US Census Bureau, US Department of Commerce, February 4, 2010
12. Source: Statistics Canada, Manufacturing industries, CANSIM tables 304-0015 and 304-0002.

In Ontario's motor vehicle industry, numerous factors, including significantly lower demand, both domestic and foreign, contributed to a 25.4% decline in sales to $33.9 billion in 2009. This followed a 23.1% decrease the year before. Similarly, sales in the motor vehicle parts industry were down 23.9% to $16.2 billion, a fifth consecutive drop. Also sharply lower were primary metals (-44.7%) and petroleum and coal products (-34.9%), both affected by reduced demand and plummeting prices. On a positive note, Ontario's food manufacturers posted a healthy 5.5% increase in sales.

Chart 6
All provinces and territories posted lower sales in 2009



Source(s): Statistics Canada, Manufacturing industries, CANSIM table 304-0015.

In Quebec, the second largest manufacturing province, sales fell 13.8% from 2008 to $128.4 billion. Quebec's share of total sales in Canada rose 1.1 percentage points to 26.0%. By the close of the year, 18 of 21 manufacturing industries were down in Quebec, led by primary metals (-31.3%); petroleum and coal products (-20.9%); and aerospace industries (-17.1%).

In 2009, manufacturing sales in Alberta, the third-ranked province, dropped 21.6% to $55.2 billion. This was largely a result of an almost 28% decrease in petroleum and coal product prices and a drop of 6.1% in chemical manufacturing prices[13] combined with a drop of 33.0% in chemical product sales. Food was a key growth industry in Alberta in 2009, recording a 9.3% rise in sales.

British Columbia was the fourth largest province in terms of manufacturing activity, posting sales of $32.7 billion, down 17.7% from 2008. This was the third consecutive annual decline and the lowest level since 1998. The province's important wood products industry continued to weaken, owing in large part to the US housing downturn.

Manitoba, with its diversified manufacturing economy, posted an 11.1% drop in manufacturing sales to $14.6 billion. The transportation equipment sector (-9.8%) and a drop in chemical prices contributed to Manitoba's decline. In Saskatchewan, sales fell 10.5% to $11 billion in 2009, with the chemical industry (-7.0%) as a major contributor.

13. Source: Statistics Canada, Industry price indexes, CANSIM table 329-0038.

In Newfoundland and Labrador, sales dropped 33.0% to $4.4 billion, the largest decline among all provinces. Non-durable goods such as food and petroleum and coal products fell 35.6% compared with 2008. The seafood industry struggled with plant closures and reduced consumer demand. Petroleum and coal products sales suffered from a combination of price declines, reduced demand and a temporary refinery shutdown.

Prince Edward Island posted the smallest decline among the provinces, a 3.3% drop to $1.3 billion. A 14.2 % decline in food manufacturing was largely offset by 14.4% growth in the transportation equipment industry.

In Nova Scotia, manufacturing sales fell 15.2% to $9 billion. The plastic and rubber products industry dropped 13.6%; transportation equipment slowed 13.5%. In New Brunswick, sales declined 20.6% to $14.1 billion in 2009: plastics and rubber products and wood products contributed to the slowdown.

The three territories together posted a 36.5% decline in manufacturing activity in 2009, the fourth successive drop.

8 Inventories shrink

As the economic downturn, which started in 2008, intensified in the early months of 2009, Canadian manufacturers tried to keep their inventories in check. In comparison, during the 2001 slowdown, manufacturers had maintained high inventory levels which took time to clear.

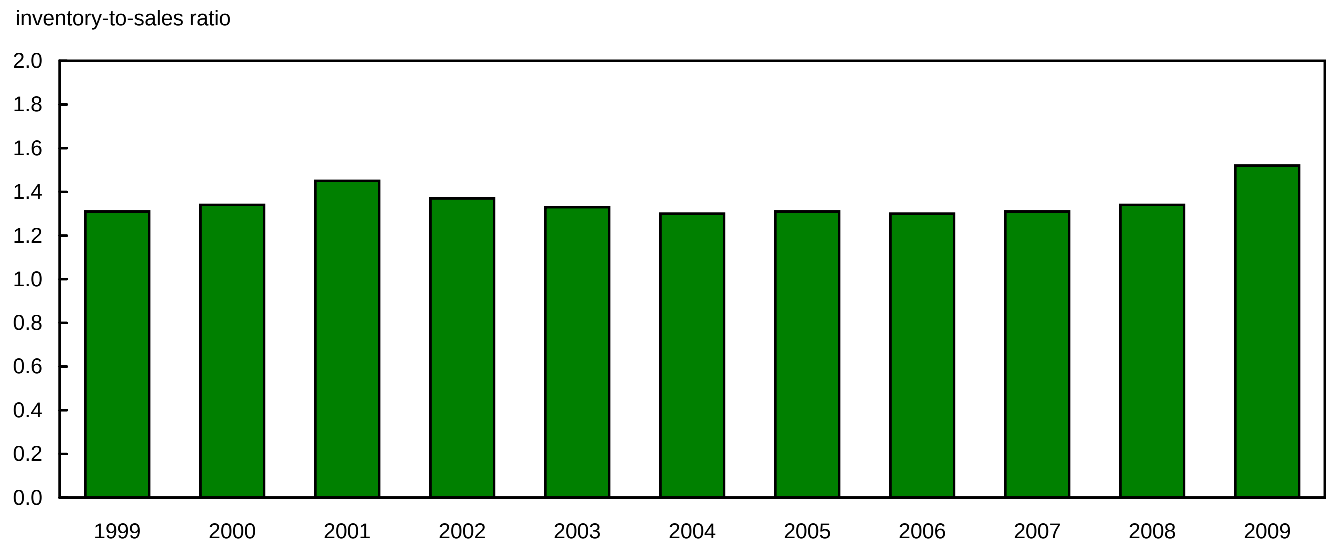
Over the years, Canadian manufacturers have improved their inventory-control practises using enhanced technology, and making greater use of just-in-time manufacturing, where manufacturers purchase and receive components just before they are required in production. This method has been widely used by various industries, including the motor vehicle sector.

In current dollars, the average annual level of manufacturing inventories fell 6.5% to $62.3 billion in 2009, a reflection of lower commodity prices, last seen at this level in 2000.

The inventory-to-sales ratio annual average was high in 2009 at 1.52, up from 1.34 in 2008, and the highest level since 1992. The ratio had previously spiked at 1.45 in 2001, following the high-tech crash and a slowdown in the US economy. Manufacturers struggled to clear inventories at that time.

The inventory-to-sales ratio is a measure of the time, in months, that would be required to exhaust inventories if sales were to remain at their current level.

Chart 7
Declining sales caused the inventory-to-sales ratio to increase in 2009



Source(s): Statistics Canada, Manufacturing industries, CANSIM table 304-0014.

Other indicators of the health of Canadian manufacturing were also weaker or remained flat, including employment, productivity, capacity utilization, profits and capital investment.

9 Employment reductions continued

The global downturn of 2008–2009 took a toll on the goods-producing sector, as manufacturers faced weaker demand and cuts to capacity, resulting in sharply reduced employment payrolls.

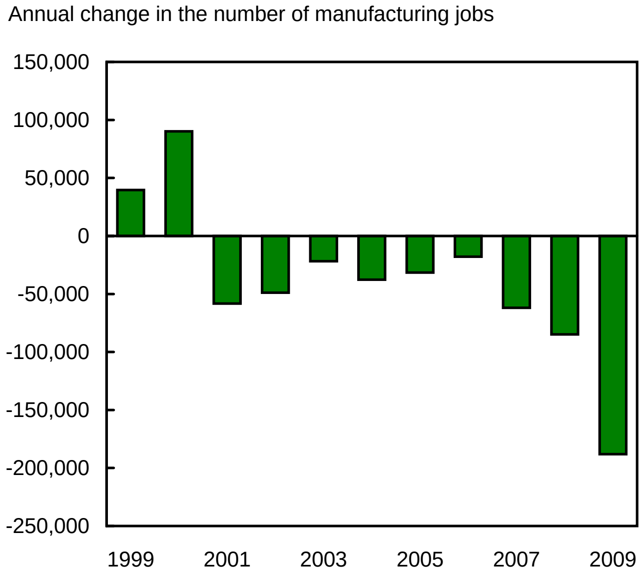
Manufacturing employment totalled an annual average 1.486 million in 2009, the lowest level since the start of the current series in 1991. Employment has declined in each successive year after reaching 2.037 million jobs in 2000.

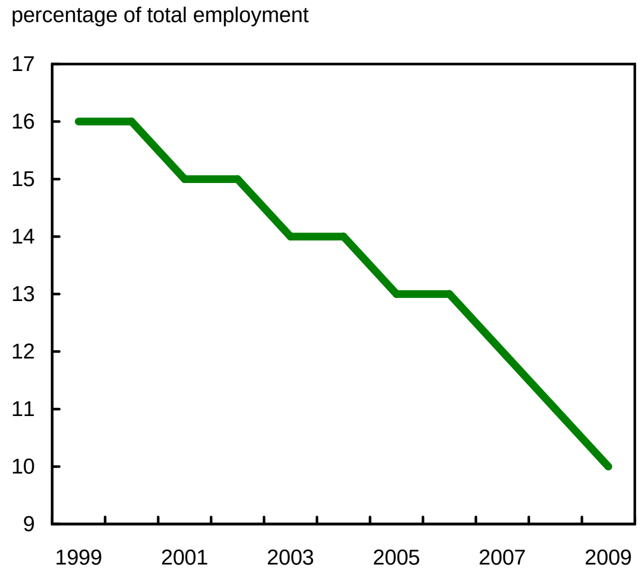
Manufacturers faced greater losses compared with the rest of the economy in terms of payroll reductions. The manufacturing sector cut 188,000 jobs (-11.2%) between 2008 and 2009. All other sectors of the economy (excluding manufacturing) reduced employment by 0.6% over the same period , marking the first decline since 1992. Accordingly, manufacturing's share of total employment continued to erode, falling to 10% in 2009 from a recent high of 16% in 2000.

The recent economic downturn saw manufacturers consistently cut jobs from the third quarter of 2008 through to the fourth quarter of 2009. That said, much of the decline in employment occurred over a six-month period, during the final quarter of 2008 and the first quarter of 2009, and paralleled trends for related indicators.

Following a first quarter drop of 7.4% in factory employment, more modest decreases were reported over the rest of 2009 as the sector stabilized.

Chart 8
Job losses accelerate and the overall share of manufacturing employment continues to erode





Source(s): Statistics Canada, Employment (SEPH), CANSIM table 281-0023.

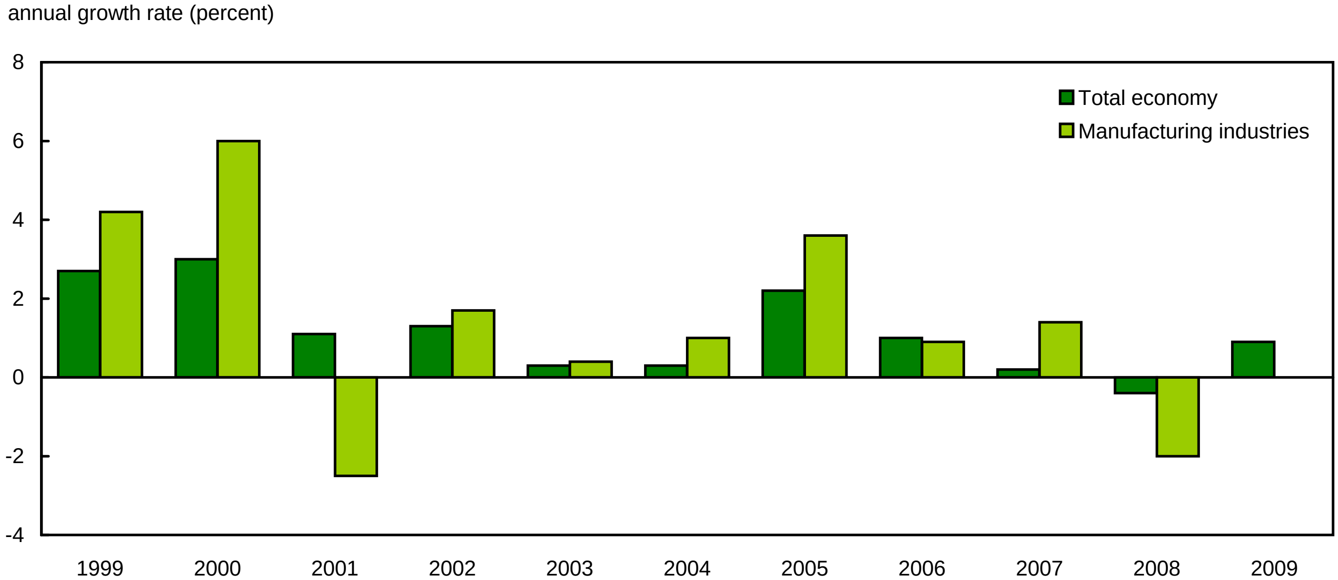
In 2009, the big-ticket, durable goods industries, including motor vehicles and parts, machinery, and wood products, cut employment at a faster pace than the non-durable goods industries. The share of employment among durable goods manufacturing fell 1.6 percentage points to 58.3%, after a 15-year period of improving share.

10 No change in manufacturers' labour productivity

Labour productivity, as measured by real gross domestic product relative to the number of hours worked, is a major quantifier of economic growth and standard of living.

Labour productivity among manufacturers remained unchanged in 2009, after declining 2.0% in 2008.

Chart 9
No change in manufacturers' labour productivity in 2009



Source(s): Statistics Canada, Labour productivity measures, CANSIM table 383-0012.

The decrease in manufacturing output in 2009 (-12.2%) almost equalled that in the number of hours worked (-12.1%) leaving productivity unchanged from 2008. The decrease in hours worked reflected the substantial job losses in manufacturing last year, coupled with temporary plant closures and shift reductions.

Meanwhile, labour productivity for the total economy rose 0.9%, reflecting a disconnect between the manufacturing sector and other sectors in the economy. In the economy as a whole, the number of hours worked declined 3.3% in 2009, but real output declined 2.4%, pushing up labour productivity. Labour productivity in the whole economy had dropped 0.4% in 2008.

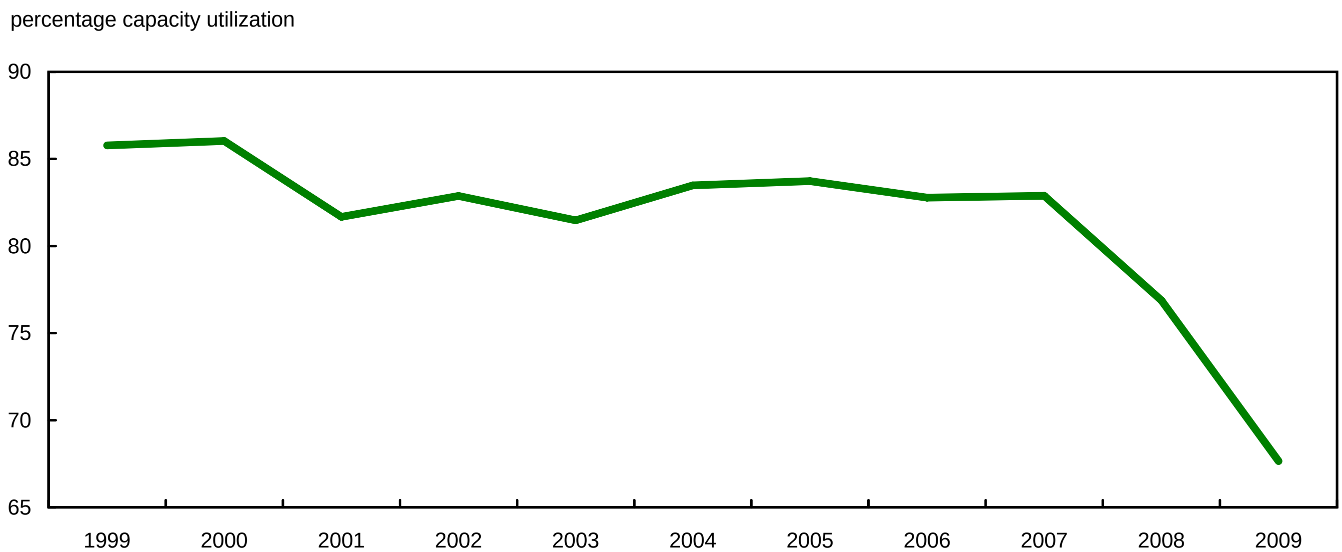
11 New lows in capacity use

Factory output slowed significantly in 2009 as manufacturers scaled back activity in response to a weaker demand for goods owing to the economic slowdown.

During the year, manufacturers saw their rate of capacity utilization fall by more than nine percentage points to 67.7%, the lowest level since the start of the current series in 1987. This followed a six-percentage-point decrease in 2008. In comparison, during the major economic slowdown of the early 1990s, the rate of capacity use bottomed out at 74.2% in 1991.

On an annual basis, capacity use among manufacturers peaked at 86% in 2000.

Chart 10
Manufacturers post second successive deep decline in capacity utilization



Source(s): Statistics Canada, Industrial capacity utilization rates, CANSIM table 028-0002.

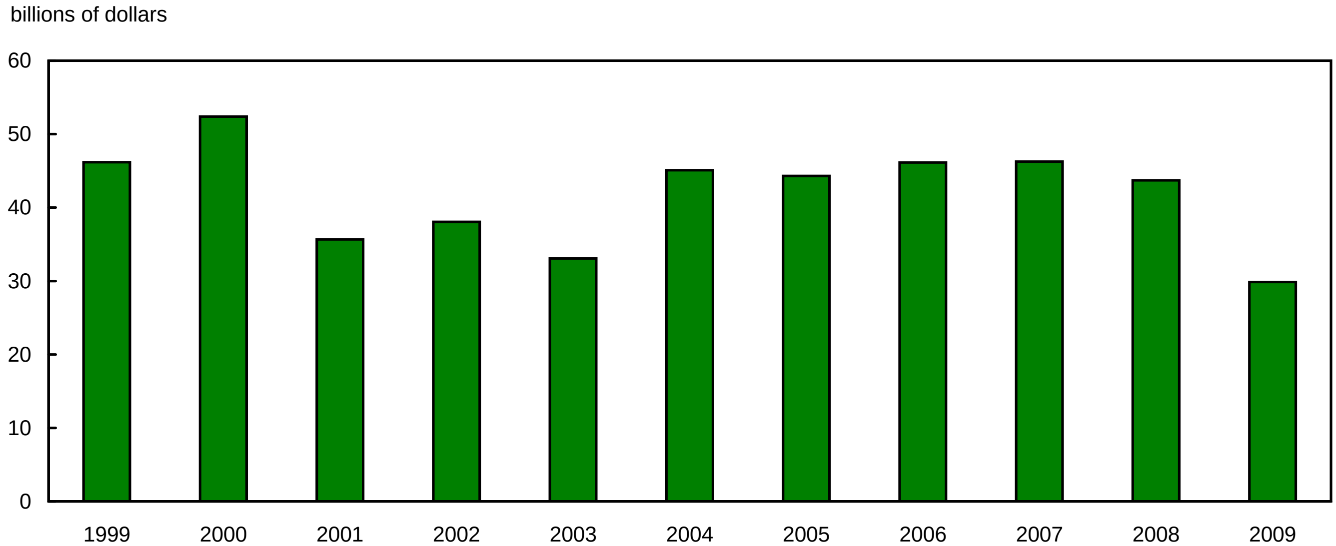
Eighteen of 21 manufacturing industries posted lower capacity use in 2009: many industries sustained rates in the 60%-to-70% range. Only three industries reported rates above 80%: computer and electronic products, 84.0%; miscellaneous, 83.5%; and food, 80.8%. Two years earlier, 13 manufacturing industries sustained rates of capacity use above 80%.

In 2009, one of the biggest declines among manufacturing industries was in transportation equipment, where the industry's rate of capacity use fell to 53.1%. The reduced rate was attributable to much lower demand for motor vehicles and light trucks, as well as auto parts and aircraft. Temporary, though widespread, shutdowns of automobile assembly plants in early 2009 played a big role in the low rate.

12 Manufacturing profits eroded

The operating profits of manufacturers fell a substantial 31.7% to $29.9 billion in 2009, marking the second consecutive decrease and the lowest level for annual profits since 1994. The economic slowdown, coupled with sharp price reductions for some natural resources and the stronger-valued Canadian dollar all attributed to the double-digit decrease in 2009.

Chart 11
Manufacturers' operating profits fall sharply in 2009



Source(s): Statistics Canada, Financial statements and performance, CANSIM table 187-0001.

The decline in profits, like those for other economic indicators, was concentrated in the final quarter of 2008 and the first quarter of 2009. First quarter 2009 profits dropped to $4.6 billion, the lowest level of profits for a single quarter since the economic downturn of the early 1990s. Profits started to recover in the second and third quarters of 2009 as the economy showed signs of turning around. By the fourth quarter, profits stood almost 14% above levels for the same period in 2008.

The petroleum and coal products industry took a big hit in 2009: profits dropped 58% to $6.2 billion, well below 2008's recent high of $14.8 billion. Significantly lower petroleum prices were a key factor, as both domestic and export sales fell precipitously during the year.

Motor vehicle and parts, primary metals, and machinery manufacturers also posted sharply lower operating profits in 2009, each waning from the effects of the downturn on demand.

Profit increases were posted for the food and soft drink industry, as well as alcoholic beverages and tobacco manufacturing.

The source of operating profits has greatly changed over the last decade. In 1999, the motor vehicles and parts industry, as well as wood products and paper manufacturing, were among the most lucrative industries, accounting for a combined 33% share of total manufacturing profits. The petroleum products industry held a 7% share.

Over the second half of the 2000s, the share of profits by the petroleum products industry strengthened, reaching a high of 34% in 2008. This was fuelled by rapid growth and escalating prices over the period. In 2009, the share of profits fell back to 21%.

In contrast, the hard-hit motor vehicles and parts and wood products industries posted operating losses over the last two years, significantly reducing their share of sales for the total manufacturing sector.

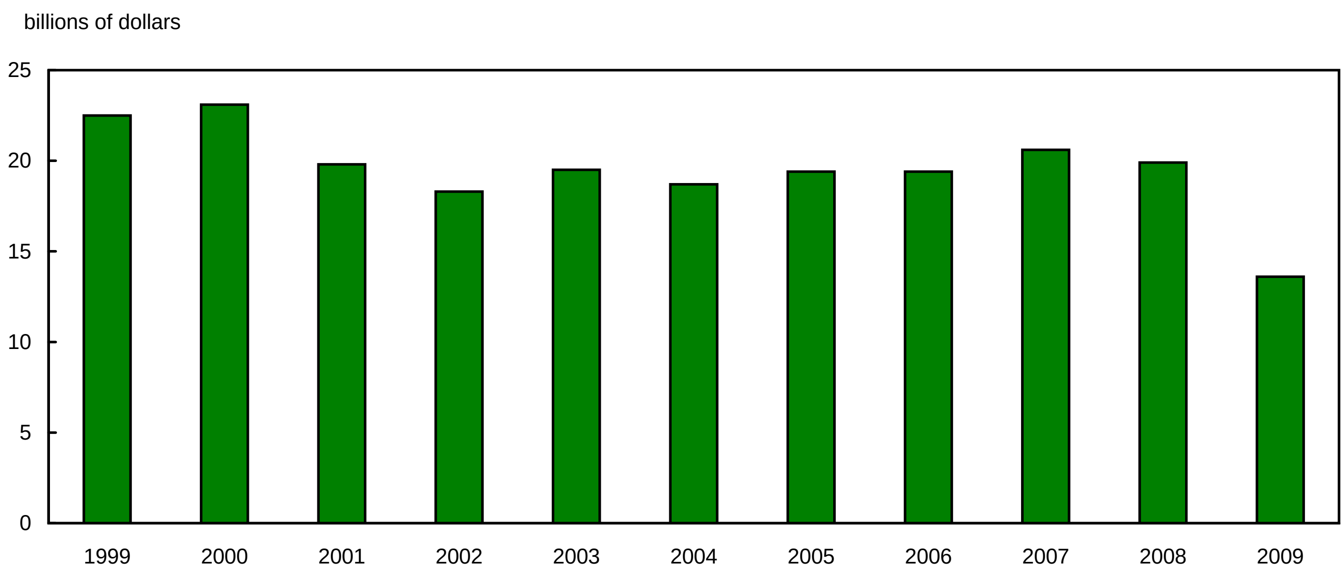
A gradual increase in demand for food products pushed the share of total profits of food and soft drink manufacturing consistently higher over the last three years, reaching 19.6% by 2009.

13 Capital investment weakens

Businesses typically invest in capital to stay competitive or to increase their productivity and profitability. But in times of market downturns with reduced profits and liquidity, investment in plants and equipment may be one of the first expenditures deferred, as firms attempt to keep expenditures under control, waiting for signs of recovery.

For the second successive year, manufacturers reduced their investment in plants and equipment. Total capital expenditures dropped 31.5% to $13.6 billion in 2009, the largest annual decrease since the start of the current series in 1991. In 2008, they fell 3.4%. At the time of the last major economic slowdown in 2001, expenditures fell 14.5%.

Chart 12
Capital Expenditures weaken in 2009



Source(s): Statistics Canada, Capital and repair expenditures, CANSIM table 029-0009.

Total capital expenditures comprised two types of expenditures: machinery and equipment, and construction. Expenditures on machinery and equipment made up 86% of total expenditures in 2008 and 2009.

The transportation equipment and petroleum and coal products industries were the largest contributors to the decline in spending on machinery and equipment, reflecting some of the biggest movers in terms of manufacturing sales in 2009.

Manufacturers of transportation equipment reduced spending by almost 56% to $1.7 billion in 2009 following an 18.6% drop in 2008. In 2007, capital investment had reached $4.6 billion in this industry. The petroleum and coal products industry cut investment by 38.9%, reversing a 21.4% increase in 2008. The primary metals industry was also down sharply (-23.7%), rounding out the three biggest downward movers in 2009.

Investment in construction showed continued weakness, declining 30.9% in 2009 after dropping 13.9% in 2008. The $1.9 billion worth of investment posted in 2009 was the lowest level in at least 18 years. Transportation equipment was again the main contributor to reduced construction expenditures during the year.

14 Tables

Table 1
Manufacturing sales by industry, 2008 and 2009

	2008	2009	Change, 2008 to 2009	Share, 2009
	billions of dollars		percent	
Total, manufacturing industries	**598.2**	**494.2**	**-17.4**	**100.0**
Non-durable goods industries	**289.0**	**251.3**	**-13.1**	**50.9**
Food	77.8	81.4	4.7	16.5
Beverage and tobacco products	10.3	10.6	2.5	2.1
Textiles	1.9	1.5	-17.7	0.3
Textile products	2.2	1.7	-23.0	0.3
Clothing	3.1	2.4	-20.2	0.5
Leather and allied products	0.4	0.4	-13.1	0.1
Paper	29.0	24.8	-14.4	5.0
Printing and related support activities	10.2	9.2	-10.6	1.9
Petroleum and coal products	81.4	58.5	-28.1	11.8
Chemical	49.8	41.8	-16.0	8.5
Plastics and rubber products	23.0	18.9	-17.7	3.8
Durable goods industries	**309.2**	**242.9**	**-21.4**	**49.1**
Wood products	21.8	16.8	-23.0	3.4
Non-metallic mineral products	14.3	12.2	-14.9	2.5
Primary metal	54.2	34.2	-36.9	6.9
Fabricated metal products	36.5	29.1	-20.3	5.9
Machinery	32.5	26.8	-17.6	5.4
Computer and electronic products	19.1	17.2	-10.1	3.5
Electrical equipment, appliance and components	10.5	9.4	-10.8	1.9
Transportation equipment	97.4	76.1	-21.9	15.4
Motor vehicle	46.8	35.1	-25.0	7.1
Motor vehicle body and trailers	3.6	2.6	-27.4	0.5
Motor vehicle parts	22.6	17.3	-23.7	3.5
Aerospace product and parts	18.5	15.9	-14.4	3.2
Railroad rolling stock	1.6	1.1	-35.3	0.2
Ship and boat building	1.4	1.3	-6.6	0.3
Other transportation equipment	2.9	2.9	-0.2	0.6
Furniture and related products	12.4	10.5	-15.1	2.1
Miscellaneous	10.4	10.6	2.5	2.2

Note(s): Figures may not add to totals due to rounding.
Source(s): Statistics Canada, Manufacturing industries, CANSIM table 304-0014.

Table 2
Manufacturing sales by province, 2008 and 2009

	2008	2009	Change, 2008 to 2009	Share 2009
	billions of dollars		**percent**	
Newfoundland and Labrador	6.6	4.4	-33.0	0.9
Prince Edward Island	1.4	1.3	-3.3	0.3
Nova Scotia	10.6	9.0	-15.2	1.8
New Brunswick	17.8	14.1	-20.6	2.9
Quebec	148.9	128.4	-13.8	26.0
Ontario	274.1	223.4	-18.5	45.2
Manitoba	16.4	14.6	-11.1	2.9
Saskatchewan	12.2	11.0	-10.5	2.2
Alberta	70.4	55.2	-21.6	11.2
British Columbia	39.8	32.7	-17.7	6.6
Yukon	0.0	0.0	-17.2	0.0
Northwest Territories	0.0	0.0	-56.8	0.0
Nunavut	0.0	0.0	-14.8	0.0
Canada	**598.2**	**494.2**	**-17.4**	**100.0**

Note(s): Figures may not add to totals due to rounding.
Source(s): Statistics Canada, Manufacturing industries, CANSIM table 304-0015

About this article

Acknowledgement

This study couldn't have been produced without the perseverance and professional contribution of several people.

This study was prepared by Gwen Harding and Russell Kowaluk under the responsibility of the Director of the Manufacturing and Energy Division, Andy Kohut.

The authors and the Analysis in Brief team would like to thank the reviewers and special contributors for their help and constructive suggestions.

Review Committee:	Isme Alam, Marie Brodeur, Elton Cryderman, John Flanders, Craig Kavanagh, Andy Kohut, Laura Landry, Jean-Pierre Maynard, Louise Noel, David Ogden, Luc Provençal, Wayne Smith, Xiang Zhou and Dores Zuccarini of Statistics Canada
Special Contribution:	Tanya Barber, John Burton and Gary Gallimore of Statistics Canada

The **Analysis in Brief team** for this article included:

Advisor:	François Gendron
Editor-in-chief:	François Gendron

In addition, the invaluable and professional contributions of Dissemination Division and Communications and Library Services Division are gratefully acknowledged.

Citation

This article should be cited as follows in reference sections:

HARDING, Gwen and Russell KOWALUK. 2010. "Manufacturing: The Year 2009 in Review" *Analysis in Brief*. no. 87. Statistics Canada catalogue no. 11-621-M. *http://www.statcan.gc.ca/pub/11-621-m/11-621-m2010087-eng.htm*, Ottawa.

When cited in footnotes, it should be as follows:

Gwen Harding and Russell Kowaluk, "Manufacturing: The Year 2009 in Review " *Analysis in Brief*, no. 87, June 2010, Statistics Canada catalogue no. 11-621-M, *http://www.statcan.gc.ca/pub/11-621-m/11-621-m2010087-eng.htm*, Ottawa.

About Analysis in Brief

Designed for a broad audience, which includes professionals, researchers, policy makers and policy analysts, educators and students, the studies in the *Analysis in Brief* analytical series aim to shed light on current economic issues.

The series cover a wide range of topics. Among others, *Analysis in Brief* previously published papers include:

- Analysis on specific economic issues such as: energy consumption, age of public infrastructure, inflation for specific types of consumers;
- Annual reviews of prices, retail and wholesale sales and manufacturing;
- Industrial analysis on sectors such as the lumber industry, wineries, diamond, textile and clothing in Canada;
- Socio-economic issues such as employment and retirement in the federal public service, the dynamics of overqualification in Canada or the consequence of widowhood on income for senior women.

Analysis in Brief gives insight into key issues in the Canadian economy and is an impartial source of analysis.

All studies published in *Analysis in Brief* are peer reviewed.

Analysis in Brief analytic content is illustrated with clearly labelled tables and charts showing the most up-to-date statistics. Description of data sources and statistical methods are also included.

Contact the Editor-in-chief

Correspondence, in either Canada's official language, should be addressed to:

Editor-in-chief, *Analysis in Brief*
Statistics Canada
170 Tunney's Pasture Driveway
3-A2 Jean Talon
Ottawa, Ontario K1A 0T6
e-mail: *analysisinbrief-analyseenbref@statcan.gc.ca*.
Fax: 613-951-0569

Distribution list: Free subscription

Analysis in Brief

Subscribe to our free email notification service. Receive automatic notification when new issues of *Analysis in Brief* become available through “My Account”.

To subscribe:

For a free registration to our distribution list, please follow the instructions below. You will be redirected to our central registration service for all Statistics Canada’s publications when clicking on the link at the end of this page. This service is called “My account”.

If you have not yet completed your registration for another publication through “My account”, you must create a new account by clicking on “Create an account now”.

Once your account is created, you will be directed back to the initial page of “My account”. You need to enter the username and password that you’ve just created.

In the section “Manage my notifications”, click on the link “publications” under the section “1. Publications” on the line “Choose your publications”.

Next, scroll down where you will find a list of topics. Click on “9. Economic accounts” the first publication on the list will be “Analysis in Brief”. Mark the square beside it, scroll down the page completely and click on the “save” button at the bottom of the page.

You can click on “log out” to close your session (in the upper right corner of the screen). You will then be registered.

Thank you for showing interest to *Analysis in brief*.

To be removed from the list:

If you want to cancel your registration, just go to the “My account” page, enter in your account using your password and username and click on “2. Unsubscribe”.
https://www3.statcan.gc.ca/access-acces/authorization-autorisation/login-ouvrir-eng.aspx

Previous annual reviews

2009

Housing Market Prices in Canada: The Year 2009 in Review, *Analysis in Brief*, no.86

http://www.statcan.gc.ca/pub/11-621-m/11-621-m2010086-eng.htm

Producer Prices: The Year 2009 in Review, *Analysis in Brief,* no 85
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2010085-eng.htm

Year-end review of 2009, *Canadian Economic Observer*, April 2010
http://www.statcan.gc.ca/pub/11-010-x/2010004/part-partie3-eng.htm

International Merchandise Trade Annual Review, 2009, Catalogue nº 65-208X
http://www.statcan.gc.ca/pub/65-208-x/65-208-x2009000-eng.htm

2008

Canadian Agriculture in 2008: An Overview of Key Events, Vista on the Agri-Food Industry and the Farm Community, November 2009
http://www.statcan.gc.ca/pub/21-004-x/21-004-x2009002-eng.htm

Retailers Competing for Market Share: 2008 Retail Sales, *Analysis in Brief*, no 80
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2009080-eng.htm

Wholesale Trade: The Year 2008 in Review, *Analysis in Brief*, no.79
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2009079-eng.htm

Retail Trade: How the Provinces Fared in 2008, *Analysis in Brief*, no. 78
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2009078-eng.htm

Manufacturing: The Year 2008 in Review, *Analysis in Brief*, no. 77
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2009077-eng.htm

2008 in Review, *Canadian Economic Observer*, April 2009
http://www.statcan.gc.ca/pub/11-010-x/2009004/part-partie3-eng.htm

International Merchandise Trade Annual Review, Catalogue nº 65-208X
http://www.statcan.gc.ca/pub/65-208-x/65-208-x2008000-eng.htm

Consumer Prices: The Year 2008 in Review, *Analysis in Brief*, no. 76
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2009076-eng.htm

2007

Canadian Agriculture in 2007: Better Farm Prices and Incomes as World Demand for Food Increases, *VISTA on the Agri-food Industry and the Farm Community,* October 2008
http://www.statcan.gc.ca/pub/21-004-x/21-004-x2008002-eng.htm

Retailers Competing for Market Share: 2007 Retail Sales in Review, *Analysis in Brief*, no. 75
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2008075-eng.htm

Consumer Prices: The Year 2007 in Review, *Analysis in Brief*, no. 74
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2008074-eng.htm

Wholesale Trade: The Year 2007 in Review, *Analysis in Brief*, no. 72
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2008072-eng.htm

Retail Trade: How the Provinces Fared in 2007, *Analysis in Brief*, no. 71
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2008071-eng.htm

Manufacturing: The Year 2007 in Review, *Analysis in Brief*, no. 70
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2008070-eng.htm

New Motor Vehicle Sales: 2007 in Review, *Analysis in Brief*, no. 69
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2008069-eng.htm

Turbulent stability: Canada’s economy in 2007, *Canadian Economic Observer*, April 2008
http://www.statcan.gc.ca/pub/11-010-x/00408/10559-eng.htm

International Merchandise Trade Annual Review, nº 65-208X2007000
http://www.statcan.gc.ca/pub/65-208-x/65-208-x2007000-eng.htm

2006

Retailers Competing for Market Share: 2006 Retail Sales in Review, *Analysis in Brief,* no. 60
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2007060-eng.htm

Retail Trade: How the Provinces Fared in 2006, *Analysis in Brief*, no. 57
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2007057-eng.htm

Wholesale Trade: The Year 2006 in Review, *Analysis in Brief*, no. 56
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2007056-eng.htm

New Motor Vehicle Sales: 2006 in Review, *Analysis in Brief,* no. 54
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2007054-eng.htm

Year end review: westward ho!, 2006, *Canadian Economic Observer*, April 2007
http://www.statcan.gc.ca/pub/11-010-x/00407/9615-eng.htm

International Merchandise Trade Annual Review, no. 65-208X2006000
http://www.statcan.gc.ca/pub/65-208-x/65-208-x2006000-eng.htm

2005

Canadian agriculture in 2005: a tough year in review, *VISTA on the Agri-food Industry and the Farm Community*, June 2006
http://www.statcan.gc.ca/pub/21-004-x/21-004-x2006002-eng.pdf

Manufacturing: The Year 2005 in Review, *Analysis in Brief*, no. 45
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2006045-eng.htm

An Analysis of the Transportation Industry in 2005, *Analysis in Brief*, no. 44
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2006044-eng.htm

Review of Non-residential Construction in 2005, *Analysis in Brief*, no. 43
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2006043-eng.htm.

An Analysis of Consumer Prices in 2005, *Analysis in Brief*, no. 42
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2006042-eng.htm

Between the Producer and Retailer: A Review of Wholesale Trade for 2005, *Analysis in Brief,* no. 40
http://www.statcan.gc.ca/pub/11-621-m/11-621-m2006040-eng.htm

The Year in Review: The Revenge of the Old Economy, 2005, *Canadian Economic Observer*, April 2006
http://www.statcan.gc.ca/pub/11-010-x/00406/9178-eng.htm

International Merchandise Trade Annual Review, no.65-208X2005000
http://www.statcan.gc.ca/pub/65-208-x/65-208-x2005000-fra.htm