

KNITTING MILLS

In the first half of the 1970's, total unit costs for Canadian Knitting Mills were in the range of 4 to 14 per cent below those in the U.S. costs (pre-exchange-rate-adjustment). Canadian producers not only lost this advantage in 1976, but the cost difference between the two countries continued to increase after that time. By 1984, total unit costs for domestic manufacturers were 14 per cent above U.S. levels.

Canadian material and labour costs historically accounted for about 65 and 30 per cent of total expenditures respectively, as compared to 80 and 15 per cent in the U.S. Unit material costs were on average 23 per cent lower for domestic producers throughout the 1970's. Canadian unit material costs grew at an average annual rate of 5.3 per cent, however, compared to 2.9 per cent in the U.S., significantly eroding this advantage by the end of the interval.

Canadian unit labour costs remained more than 100 per cent above U.S. costs throughout the entire period. Canadian labour in this sector was not as efficient as U.S. labour; domestic labour productivity was less than 50 per cent of U.S. levels in 1984.

While overall growth in taxes and depreciation payments was relatively small in Canada compared to the U.S., interest payments in both countries increased substantially over the period. Interest payments accounted for less than 3 per cent of total costs in Canada in 1982, however, and only 1.3 per cent in the U.S.

On an exchange-rate-adjusted basis, Canadian producers maintained a cost advantage in all years except 1976, with total unit costs being 14 per cent below U.S. levels in 1984.