

METAL FABRICATING INDUSTRIES

Canadian producers were competitive in this industry until 1976 (pre-exchange-rate-adjustment), when costs moved close to par with U.S. levels for a period of several years. In 1979, total unit costs in Canada jumped by 17 per cent, becoming 8 per cent higher than those in the U.S. This cost-gap continued to widen until 1983, when total Canadian unit costs were 15 per cent higher than in the U.S. Improvements in domestic material and labour costs eventually helped to reduce this upward climb, and by 1984 Canadian costs were only 9 per cent above U.S. levels.

Although both industries experienced high increases in unit material costs in 1974 (22 per cent in Canada and 33 per cent in the U.S.), Canadian costs continued to grow at double-digit rates in 1975, 1979 and 1980. As a result, by 1984 total unit material costs for domestic manufacturers were 38.5 per cent higher than in the U.S.

Canadian unit labour costs were below U.S. levels over the entire period, but Canada's cost advantage diminished significantly in 1982 when domestic unit labour costs increased 18 per cent over the previous year compared with a 5 per cent rate of increase in the U.S. Canadian costs showed moderate growth in 1983, but declined by 14 per cent in 1984, leaving Canadian unit labour costs 26 per cent below U.S. levels. Canadian labour productivity increased from approximately 65 per cent of the U.S. value in 1971 to over 85 per cent in 1981. Canada's position then deteriorated for several years, but Canadian productivity levels were back to 85 per cent of the U.S. value in 1984.

Canadian unit interest payments more than tripled from 1979 to 1982, while in comparison U.S. payments increased by 63 per cent. Interest payments only accounted for 4 per cent of total expenditures in Canada in 1982, however, and as such did not dramatically affect the industry's competitive position.

On an exchange-rate-adjusted basis, Canadian producers were cost-competitive in all years except 1976. In 1984, Canadian total unit costs were 20 per cent lower than those in the U.S.