
Recent Performance

The past 15 years have been turbulent for the Canadian minerals and metals industry. This period has witnessed structural changes and sharp price swings in response to shifts in world supply and demand. In addition to the 1981-82 recession, which reduced the rate of growth in world demand for raw materials, there has been a significant decline over the last decade in the quantity of minerals and metals required to produce a given unit of output.

Two forces have been at work. On the product side, new technology has brought downsizing, substitution and lower metal content in the goods we buy. Downsizing was especially noticeable in automobiles, which in turn reduced the demand for steel. Second, the mix of goods and services that are bought has changed as consumers spent increasing proportions of their disposable income on services.

Important structural changes have also been evident on the supply side. Relatively high prices and worldwide concern about impending shortages during the 1960s and 1970s encouraged mineral development in many countries. A much larger share of world mineral output now comes from Australia, Brazil and developing countries. These new sources have reduced Canada's share of world output of several metals, prompted vigorous price competition, and reintroduced barter and countertrade to world mineral and metal trading.

The foregoing factors and changes affected the performance of Canada's minerals and metals industry. Its proportion of Canadian GDP slipped from four per cent in the 1960s and 1970s to 2.6 per cent in 1985. Industry profitability declined as the return on capital for metal mines fell from the five to 15 per cent range in the 1960s and 1970s, to negative in 1982, and remained below three per cent from 1984 to 1986. Employment in mining and mineral processing dropped from a 1980 high of 196,000 to 151,000 in 1986, while total real output was maintained or even increased. Productivity as measured by output per worker rose gradually from 1960 to 1973, declined significantly from 1973 to 1982, and then rose sharply from 1982 to 1986 when management took strong measures to restore health to this vital industry (see graph). In fact, productivity rose between 1982 and 1986 by 62 per cent in the mining sector and by 43 per cent in the processing sector.