

## PRIMARY METAL INDUSTRIES

Total unit costs for Canadian producers (pre-exchange-rate-adjustment) were higher than U.S. expenditures from 1975 onwards. This cost disadvantage began to increase in 1980 and by 1984 Canadian total unit costs were 22.6 per cent higher than U.S. levels.

Growth in unit material costs was fairly erratic in both countries over the entire period, although Canadian costs remained higher than U.S. levels after 1977. In 1974, material costs increased by 27 per cent in Canada and 38 per cent in the U.S. Similar increases were posted in 1979, but growth slowed substantially in both countries from 1981 onwards. The average annual rate of growth over the period was 10.2 per cent in Canada compared to 9.4 per cent in the U.S., bringing domestic costs in this area 22.6 per cent above U.S. expenditures in 1984.

Changes in unit labour costs were also fairly erratic over the period with large, double-digit growth rates being posted in a number of years in both countries. Canadian unit costs remained above U.S. levels throughout the entire period, however, and became significantly higher (50.5 per cent) in 1982 when costs jumped by 25 per cent over the previous year compared to an 8 per cent increase in the U.S. Canadian labour costs declined in 1983 and 1984, however, and were only 26 per cent above U.S. levels by the end of the period. Canadian labour productivity fluctuated at levels between 60 and 75 per cent of U.S. values over the entire period.

U.S. unit depreciation payments increased significantly from 1979 onwards, growing by 42 per cent from 1981 to 1982. Canadian depreciation rates also increased rapidly, although not quite as dramatically as in the U.S. Unit interest payments in both countries grew rapidly from 1979 to 1982, increasing by 93 per cent in Canada and 97 per cent in the U.S. Unit interest plus depreciation payments in Canada were 13.6 per cent below U.S. levels in 1982 accounting for 6.3 per cent of total domestic expenditures.

On an exchange-rate-adjusted basis, Canadian producers were competitive from 1977 onwards with costs 6 per cent lower than in the U.S. in 1984.