

ELECTRICAL PRODUCTS

Although Canadian producers enjoyed lower costs from 1971 to 1974 in this industry, expenditures grew at a much faster pace than in the U.S. after that time. By 1977, domestic costs were 5.5 per cent above those in the U.S., and by 1984 they were 23 per cent higher (pre-exchange-rate-adjustment).

Unit material costs rose sharply in both countries in 1974 (21 per cent in Canada and 20 per cent in the U.S.) and again in 1979 (14 per cent in Canada and 12 per cent in the U.S.). On average, however, Canadian unit material cost increases were 2 per cent higher per year than in the U.S., and by 1984 domestic costs were 29 per cent above U.S. expenditures.

On the labour front, Canadian unit costs were below U.S. costs until 1977. They then began to fluctuate slightly above U.S. levels (5 per cent range) until 1982, when they increased by a rate of 13.7 per cent more than in the U.S. This raised domestic costs 19 per cent above U.S. levels in that year. Canadian unit labour costs declined in 1983, however, and increased by only 4 per cent in 1984, leaving unit costs only 16.5 per cent above those in the U.S. by the end of the period. While domestic labour productivity was close to the U.S. level in 1980, relative efficiency rates dropped dramatically over the next few years leaving Canadian productivity about 85 per cent of the U.S. value in 1984.

In 1982, U.S. depreciation costs were 41 per cent higher than in Canada, and they continued to grow at a very fast pace until 1983. They accounted for 6 per cent of total U.S. costs in 1982, and 3 per cent of total Canadian costs. Unit interest payments were substantially higher in Canada than in the U.S. from 1976 onwards and by 1982 were 337 per cent above U.S. levels. However, they only accounted for 3 per cent of total Canadian costs in 1982.

On an exchange-rate basis, domestic producers were cost-competitive in every year except 1976 and 1983. In 1984, Canadian total unit costs were 5 per cent lower than in the U.S.