

## COMPETITIVENESS PROFILE

Name of Sector: TEXTILES

### I. STRUCTURE AND PERFORMANCE

#### Structure:

- The Canadian textile industry includes a number of diverse sub-sectors producing a range of products for the apparel (40% by weight), home furnishings (35%) and industrial (25%) markets. Major products are cotton and man-made yarns and fabrics, man-made fibres and filament yarns, carpets, and automotive fabrics. The extent of vertical integration is more pronounced in Canada than in other countries and is predominant in the cotton and wool fabric sub-sectors and in man-made fabrics made of spun yarns.
- The industry comprises 1,110 establishments of which 8% employ more than 200 workers (accounting for 60% of all employment). It employed 75,100 workers and made shipments of \$6.4 billion in 1984. While for the industry as a whole the average size of establishment and the size distribution are generally comparable to those in the U.S. (e.g. both industries tend to be fragmented with establishments of less than 50 employees accounting for 75% of the total in Canada and 74% in the U.S.), there are important differences. The structure of the U.S. industry is characterized by more diversity (i.e. there are relatively more very small firms as well as more very large firms), and less vertical integration.
- In a number of sub-sectors, the average size of establishment is significantly larger in Canada than in the U.S. (carpets, wool yarns and fabrics), while in others, the reverse is true (cotton and man-made yarns and fabrics and man-made fibres).
- In Canada, concentration is highest in spinning and weaving and in man-made fibres where only one or two firms dominate production. This is in contrast to the U.S. industry where smaller specialized manufacturers service the need for yarns, grays and finished fabrics.
- It is estimated that roughly 50% of textile shipments (excluding knitting mills) are made by foreign-controlled (mostly U.S.) firms. Foreign-owned establishments account for over 60% of shipments in 3 sub-sectors: man-made fibres (98%), linoleum and coated fabrics and auto fabrics and accessories.
- Some 82% of the establishments are about equally distributed between Quebec and Ontario, with most located in smaller communities. Firms at the initial stages of textile production (e.g. fibres, fabrics) are larger and more capital intensive with higher economies of scale than those at the later stages (e.g. hosiery, draperies).
- Over the period 1973-84, shipments grew from \$2.6 to \$6.4 billion (Average Annual Growth Rate (AAGR) of 9.3%), with the GDP (in constant 1971 dollars) increasing at an AAGR of only 1%, while employment dropped by 16,641 reflecting substantial productivity growth of 2.5% per year (vs. 1.3% for all manufacturing).
- After-tax profits on capital employed during the 1970s were generally below the average for all manufacturing. Over the 1979-1981 period, however, they surpassed or approximated the levels for all manufacturing. Like all manufacturing, the textile sector suffered substantial decreases in profits during the 1982 recession.