

Sectoral profile: Manufacturing



Footprint

The manufacturing industry contributes around 10% to the Canadian GDP. Small and mid-sized enterprises (SMEs, 1 to 499 employees) account for about 46% of the manufacturing GDP, make up the majority of businesses (99.7%) and employ 57% of the workforce in that sector.

Table 4 – The manufacturing sector in Canada

	GDP ^{1,2}	Businesses ^{3,4}	Workforce ⁵
Total	\$195B	93,000	1,739,600
Sector's share of the economy	10%	2.1%	9%
SMEs' share of the sector	46%	99.7%	57%

The manufacturing sector comprises businesses that engage in the chemical, mechanical or physical transformation of materials or substances into new products.⁶ These products may be finished (i.e., ready to be used or consumed), or semi-finished (becoming a raw material for an establishment to use in further manufacturing).

Assembly of the component parts of manufactured goods, the blending of materials, and the finishing of manufactured products by dyeing, heat-treating, plating and similar operations are also treated as manufacturing activities.

Some production characteristics can affect the classification of a unit, even if certain activities involve the transformation of goods.

Sources

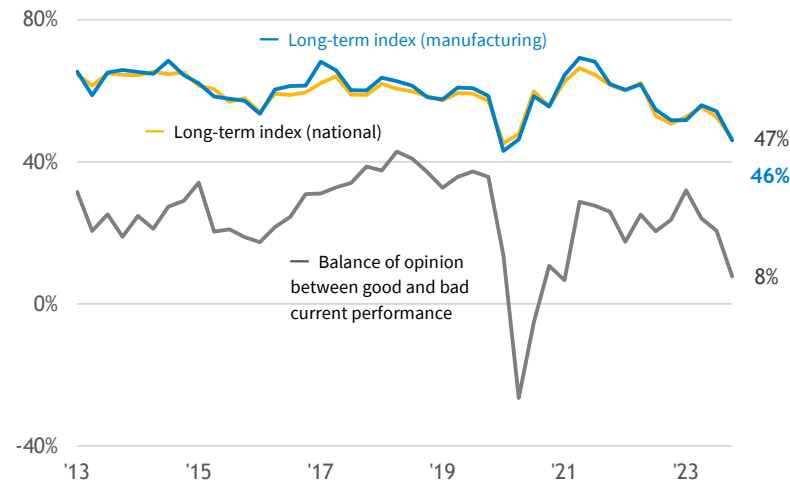
- (1) Statistics Canada. Table 36-10-0434-03
- (2) Innovation, Science and Econ. Dev. Canada, Key Small Business Statistics 2022
- (3) Statistics Canada. Table 33-10-0717-01
- (4) Statistics Canada. Table 33-10-0718-01
- (5) Statistics Canada, Labour Force Survey data, custom tabulations
- (6) Statistics Canada. North American Industry Classification System (NAICS) Canada 2022 Version 1.0
- (7) CFIB, Your Business Outlook Survey. January 2013 to December 2023
- (8) World Trade Organization, Good Trade Barometer, November 2023.

Fitness

The long-term confidence index for manufacturing SMEs is reaching its lowest level in the past 10 years, except during the pandemic (Figure 7). Furthermore, there is a diminishing share of SMEs considering they are in a favorable position compared to those in a disadvantageous one. In Q4 2023, the balance of manufacturers recording a good performance was only 8%.

Various cost escalations,⁷ along with growing challenges related to insufficient demand (Figure 8), are contributing to the decline in optimism.

Figure 7 – Manufacturers' optimism levels over the short and long terms have been decreasing for the past quarters, with a declining balance of businesses reporting good performance⁷



Challenges

Manufacturing SMEs are more likely to report higher insufficient demands (both domestic and foreign) and stronger foreign competition than the national average, based on the latest Monthly Business Barometer[®].⁷ For example, in Q4 2023, 53% and 21% reported, respectively, insufficient domestic and foreign demands (Figure 8), while national averages were 45% and 9%. Similarly, 21% of manufacturing businesses reported foreign competition as a limitation for sales or production growth, versus 8% nationally. Gaps are wide but can be explained as manufacturing businesses were involved in 51.5% of the export of goods by value of exports in Canada in 2021,² with SMEs accounting for 42.7% of the value of these exports. With trade growth slowing down in 2023,⁸ and uncertainty going forward, upcoming trends are up in the air for many manufacturing small businesses.

Figure 8 – Manufacturing businesses report increases in insufficient domestic and foreign demands, while foreign competition is similarly growing

