



CANADA



COUNTRY REPORT

Les Payne, Executive Director
Canadian Tooling & Machining Association

Figueira da Foz, Portugal

June 2006



Pulse of the Economy

<u>Population</u>	
1st quarter 2006	32,422,919
<u>Unemployment rate</u>	
April 2006	6.4 %
<u>Inflation rate</u>	
April 2006	2.4 %
<u>Real GDP</u>	
March 2006, % change	0.1 %
<u>Exports</u>	
1st quarter 2006, % change	-0.2 %
<u>Imports</u>	
1st quarter 2006, % change	-0.4 %
<u>Exchange rate</u>	
April 2006 - \$CAN buys US\$	0.8743
<u>Prime interest rate</u>	
April 2006	5.75 %
<u>S&P/TSX Composite Index</u>	
April 2006 (1975=1000)	12,204.17
<u>Federal debt</u>	
2005 - \$ millions	499,863.0
<u>Retail sales</u>	
March 2006, % change	1.5 %
<u>Housing starts</u>	
April 2006, thousands	217.9
<u>Composite leading indicator</u>	
April 2006, % change	0.5 %



Last modified: 2006-05-31
Source: Statistics Canada

CANADA'S GENERAL ECONOMY



- In the fourth quarter of 2005 real gross domestic product (GDP) grew 2.5%, following a 3.5% gain in the third quarter. For 2005 as a whole, GDP increased 2.9%, the same rate as in 2004.
- Final domestic demand climbed 4.3% in the fourth quarter, reflecting healthy employment, income and profit growth. Non-residential investment in plant and equipment led the way.
- Net trade retarded growth. Real imports climbed 11.4%, satisfying increased domestic demand, notably the need for machinery and equipment. Real exports rose a solid but more modest 9.6%.

CANADA'S GENERAL ECONOMY



- With its 26th consecutive quarterly surplus, the current account balance jumped \$22.1 billion to a record level of \$53.1 billion, or 3.8% of nominal GDP. For 2005 as a whole, the current account surplus stood at a record level of \$30.2 billion, or 2.2% of nominal GDP, the same share as in 2004.
- Since the end of 2004 the Canadian economy has created 305,700 net new jobs, close to 90 per cent of which are full-time. The 6.4% unemployment rate in February matched the lowest level in over 30 years.

The general economy in Canada has been excellent for a number of years with construction, aerospace, natural resources, oil & gas being the leading sectors.

Currency exchange rates continue to erode profits for manufacturers and as a result of this we see job losses and closures due to a higher Canadian dollar. We believe this trend will continue over the short-term.

CANADA'S TOOLING INDUSTRY



OVERVIEW:

- Almost 80% of the Canadian tooling industry is located in Southern Ontario – mainly in Toronto and Windsor areas.
- The largest source of work in the past for the Canadian tooling industry has been from the automotive sector.

PRESENT

- The strong Canadian dollar and globalization have created very unsettled conditions within the manufacturing and tooling sectors.
- North American automotive companies are in decline with reduced market share.
- Many companies are being forced to source off-shore just to stay “in the game”.
- The robust general economy is masking problems within the manufacturing sector.
- For the first time in many years we see a weakening of consumer confidence primarily in the Windsor area of Ontario and we expect this weakness to increase, certainly within Ontario.
- The Canadian tooling industry had hoped to escape the fate of the many American tooling companies that suffered recent closures ... maybe Yes ... maybe No?

CANADA'S TOOLING INDUSTRY



HUMAN RESOURCES

- In spite of a general slow-down in the tooling sector, there still exists a shortage of high skilled people.
- We are pleased to report that the new Federal government has announced further incentives to encourage apprenticeship training, added to Provincial programs.

SUMMARY & CONCLUSIONS



- The Canadian Tooling & Machining Association (CTMA) continues to believe that world prices for tooling is falling while at the same time our domestic costs to manufacture are rising. This is a problem.
- On a positive note, the still largest market in the world, that is just south of Canada, reports a very busy tooling sector.