



CANADIAN
MANUFACTURERS
& EXPORTERS

MANUFACTURING
BUSINESS CONDITIONS
SURVEY

May 25, 2020

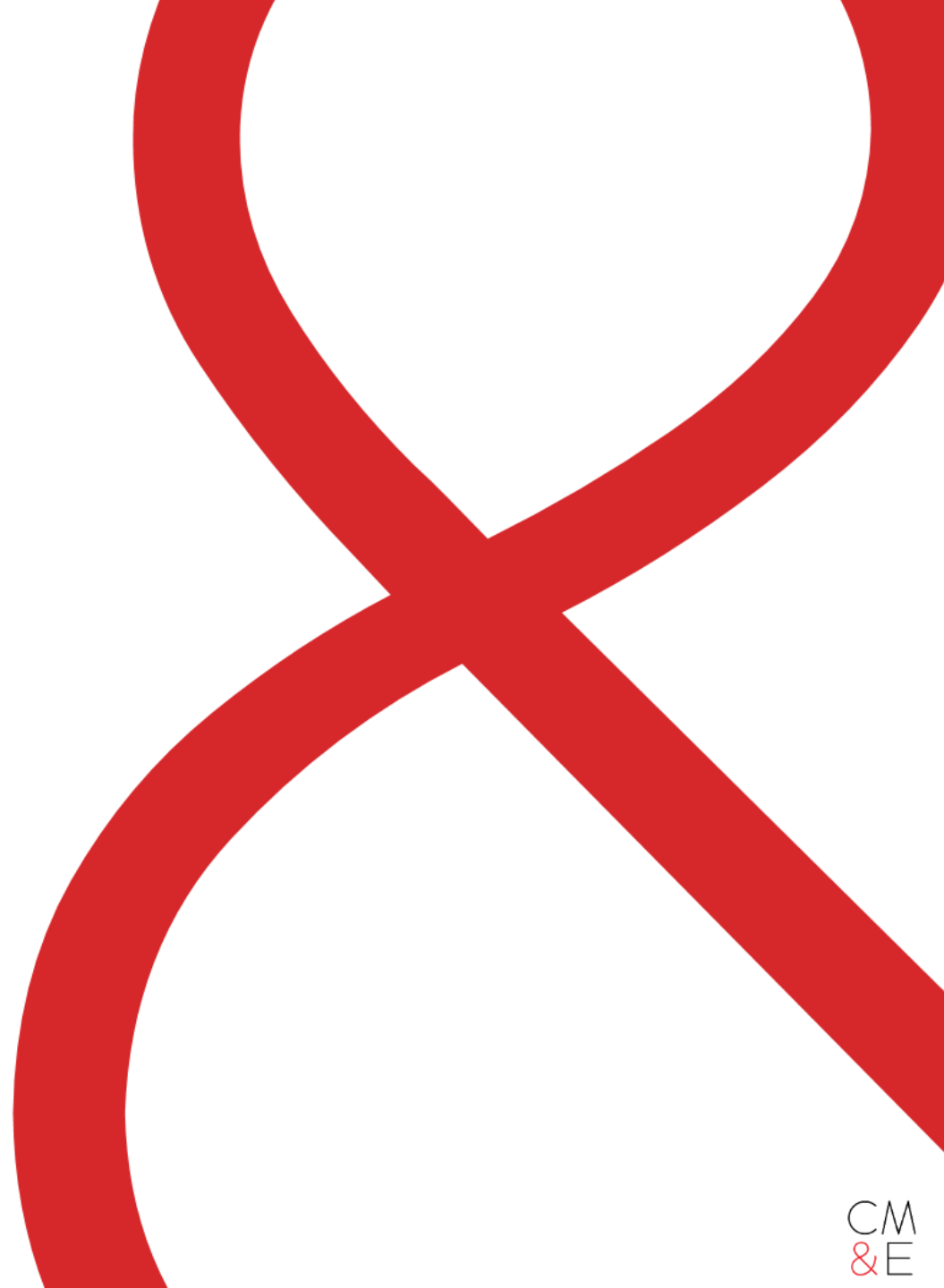


MANUFACTURING BUSINESS CONDITIONS SURVEY

The COVID-19 pandemic and the associated containment measures have had a devastating impact on Canada's economy. We are experiencing the biggest economic crisis since the Great Depression. How is the current crisis affecting Canada's manufacturing industry? What shape will the recovery take?

To help answer these questions, CME conducted an online survey of Canadian manufacturers from May 7 to May 22, 2020. We received 320 responses from companies that represent all regions, company sizes, and sub-sectors.

This is what we found.

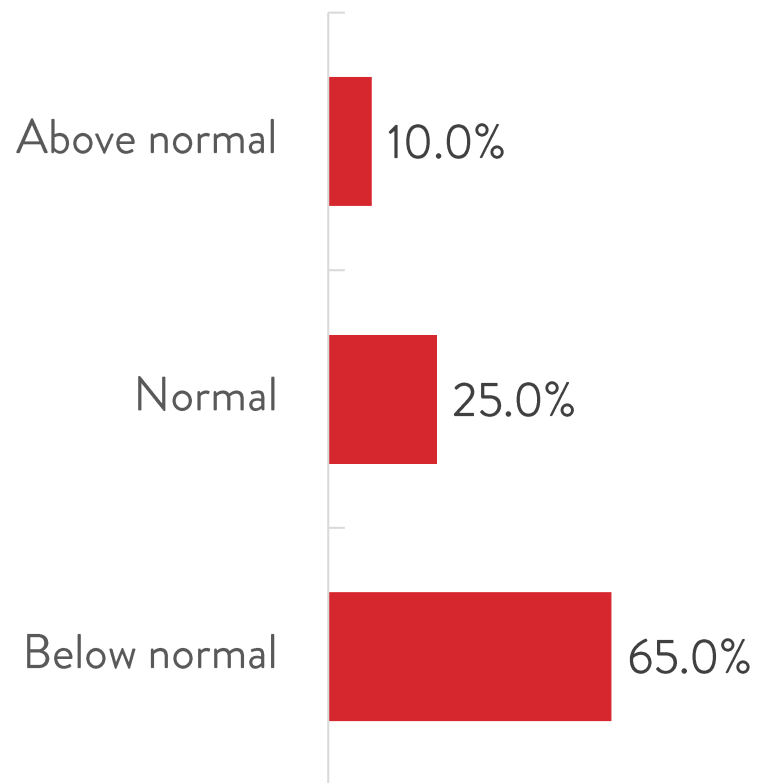


SURVEY HIGHLIGHTS

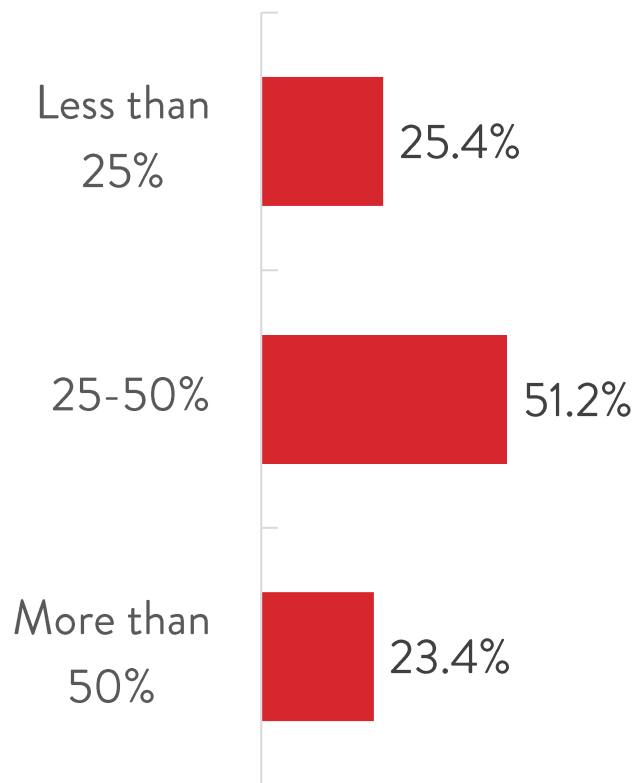
- About 2/3 of manufacturers report that their rate of output has fallen below normal since the onset of the COVID-19 crisis.
- A similar proportion expect output to remain below normal for at least the next 3-6 months.
- Nearly 1 of 4 manufacturers have scaled up or retooled their operations to build products and components necessary to help in the fight against COVID-19.
- Some 80% of firms rate the federal and provincial government responses to the crisis as excellent or good.

MANY MANUFACTURERS HAVE BEEN HIT HARD BY THE CRISIS

How would you rate your level of output since the crisis started?



If below normal, by how much?



Source: CME Business Conditions Survey.



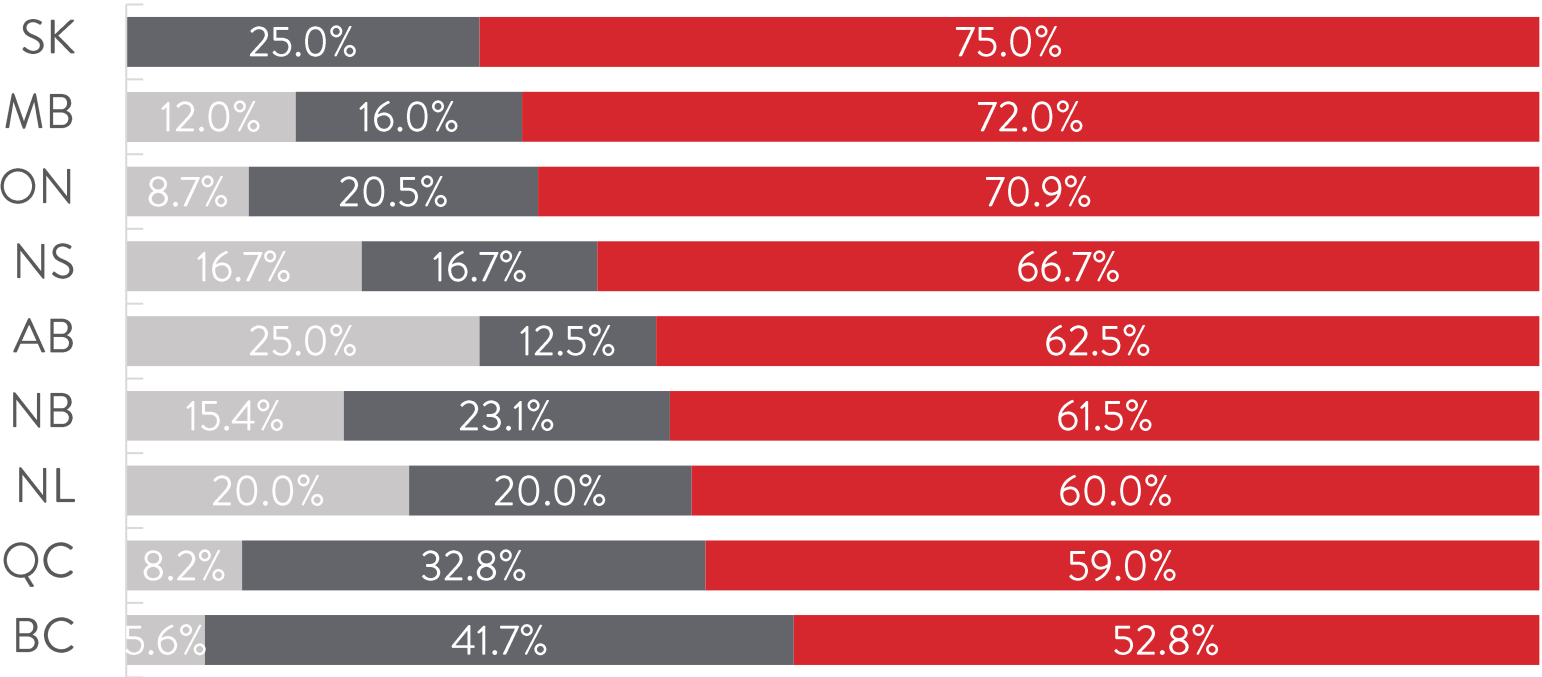
About 2/3 of manufacturers report that their output is below normal

Of those, nearly 1/4 say their output is down more than 50% and over half its down between 25-50%

CONDITIONS WEAKEST ON THE PRAIRIES AND IN ONTARIO

How would you rate your level of output since the crisis started?

■ Above normal ■ Normal ■ Below normal



Source: CME Business Conditions Survey.



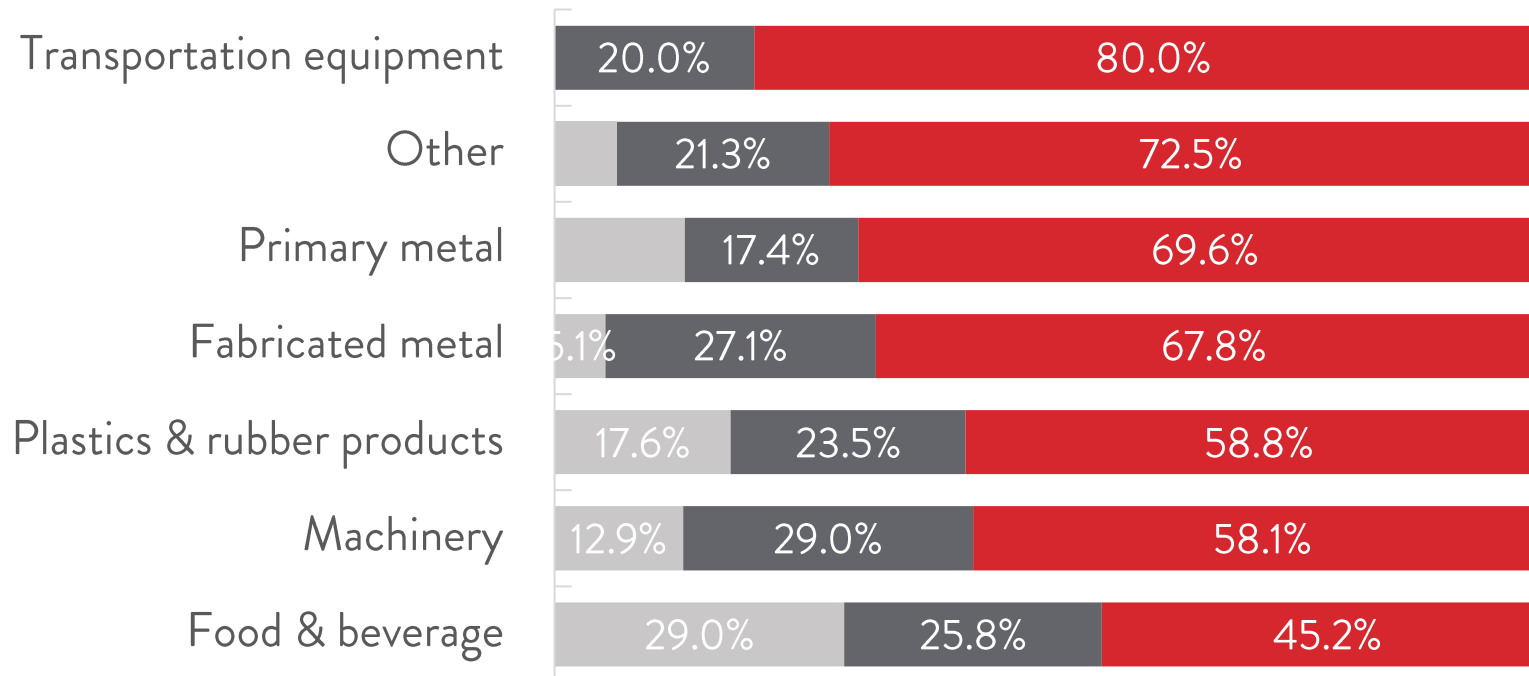
More than 70% of manufacturers reported below normal output in SK, MB, and ON

At the other end of the spectrum, a little over half of respondents in BC stated the same

FOOD & BEVERAGE MANUFACTURERS DOING BEST

How would you rate your level of output since the crisis started?

■ Above normal ■ Normal ■ Below normal



Source: CME Business Conditions Survey.

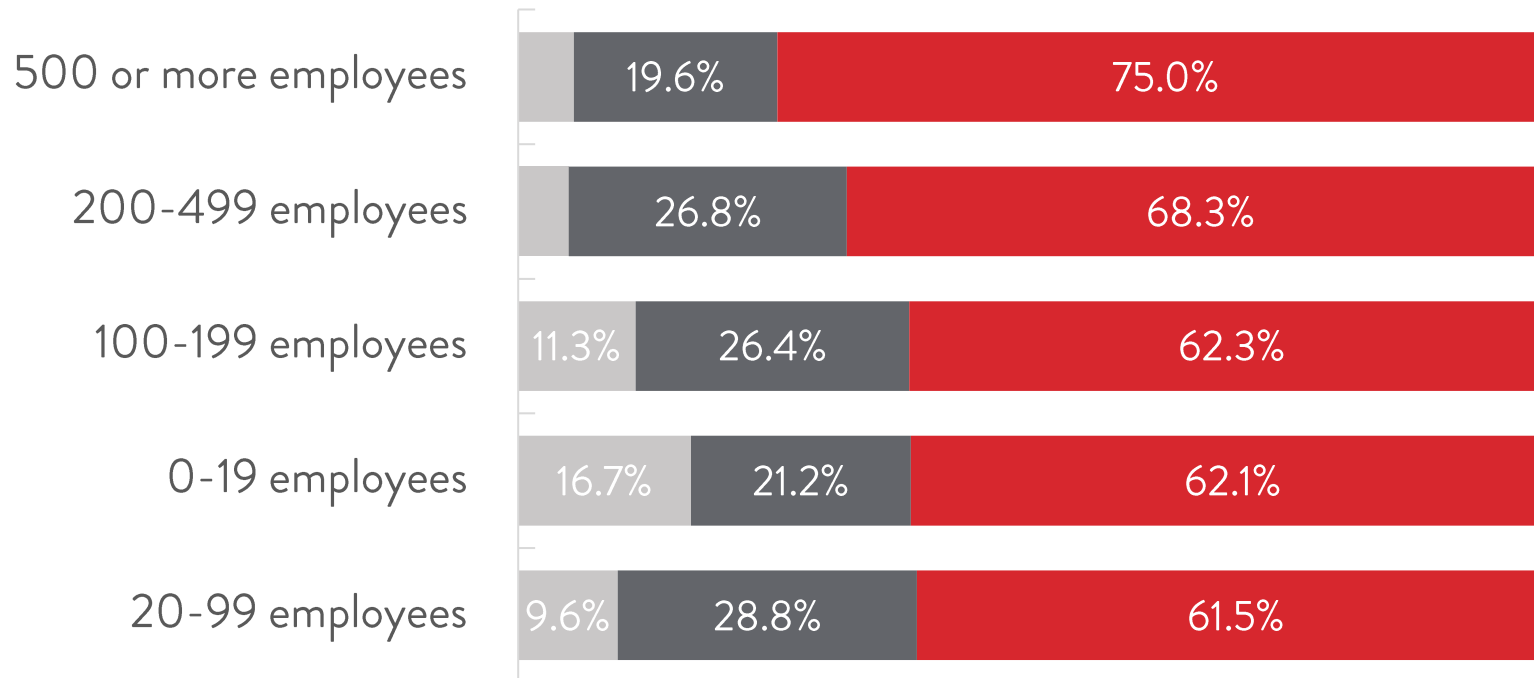


Not surprisingly, food & beverage manufacturers had the lowest number of respondents reporting below normal production, while transportation equipment had the highest

LARGE FIRMS HIT ESPECIALLY HARD

How would you rate your level of output since the crisis started?

■ Above normal ■ Normal ■ Below normal



Source: CME Business Conditions Survey.

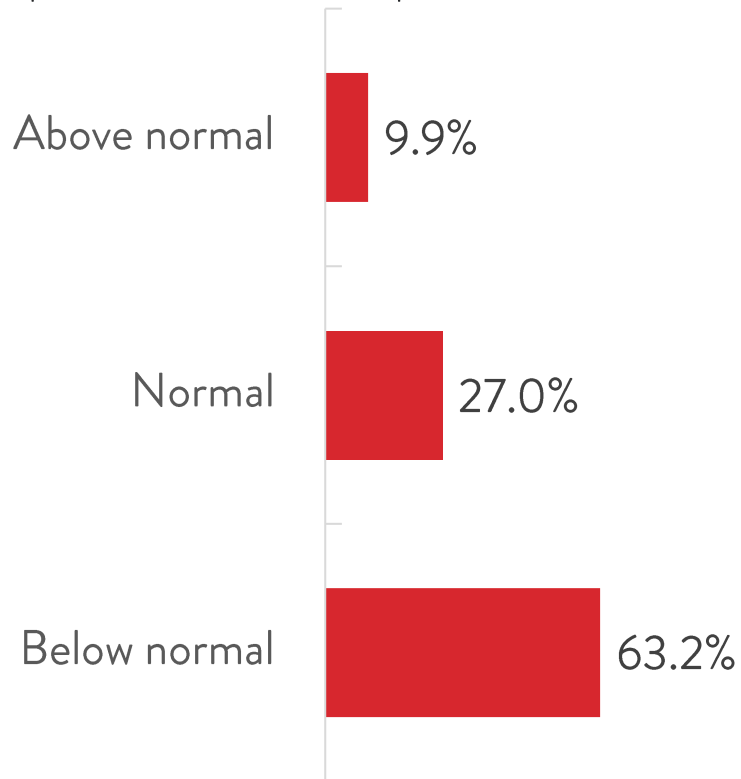


75% of firms with 500 or more employees said their output was below normal

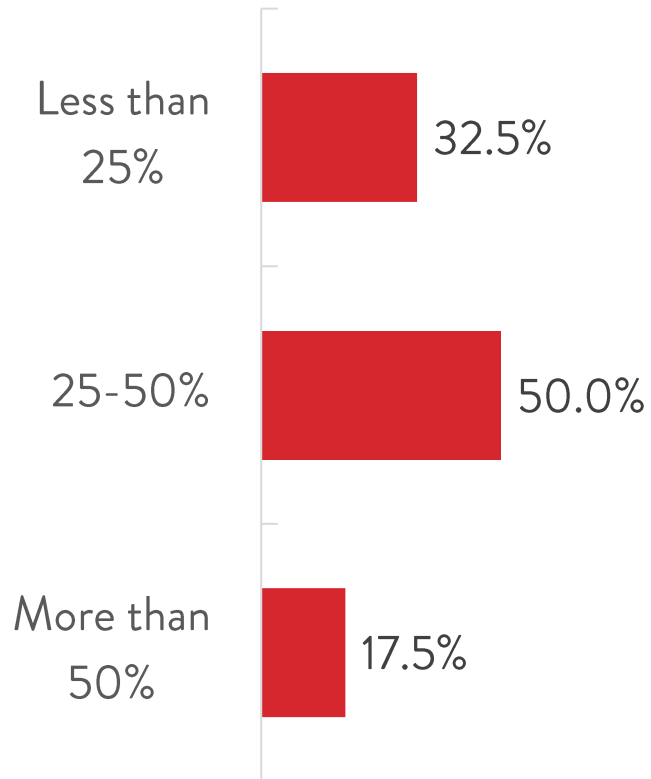
A little over 60% of firms with 20-99 employees stated the same

MANUFACTURERS ARE PESSIMISTIC ABOUT THE NEAR-TERM OUTLOOK

What is your outlook for sales, production, and output in 3-6 months?



If below normal, by how much?



Source: CME Business Conditions Survey.



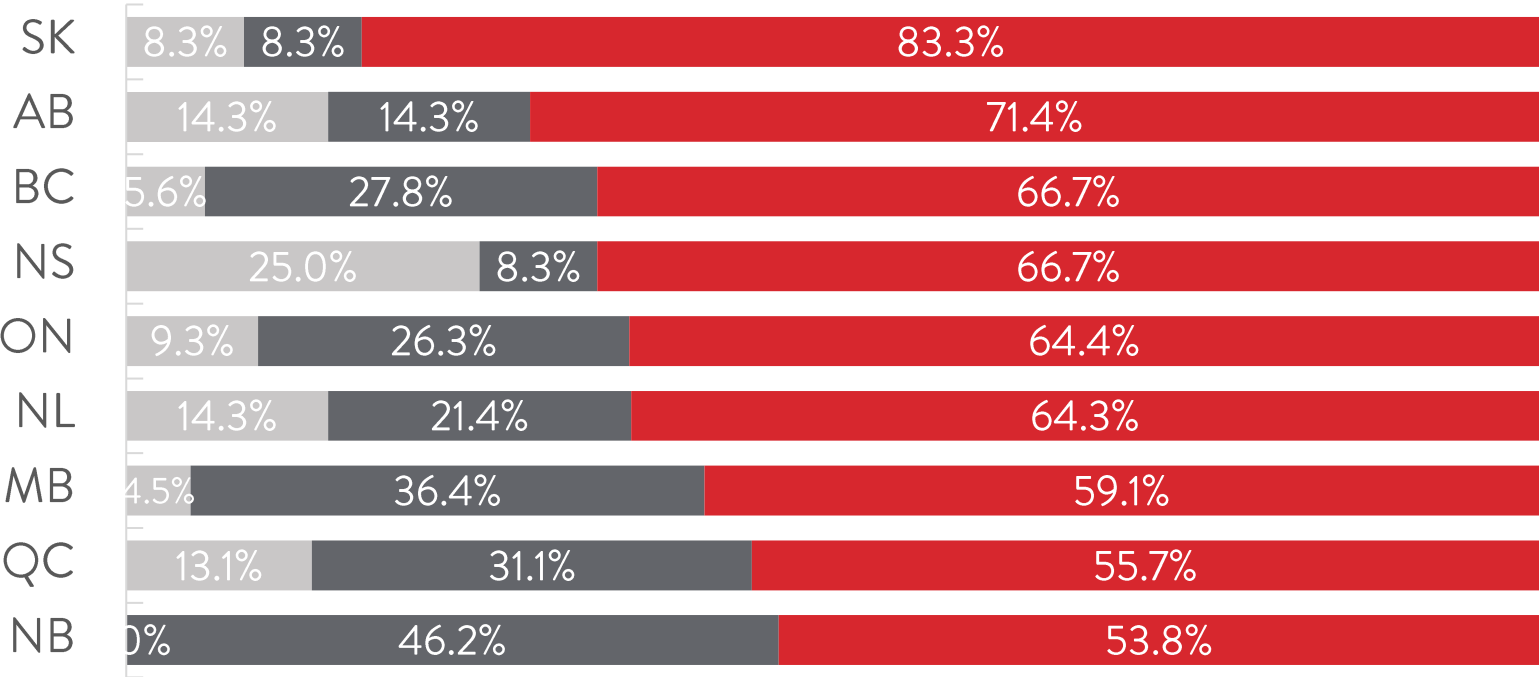
A similar proportion expect output to remain below normal for at least the next 3-6 months

Of those, close to 1/5 think output will be more than 50% below normal

MANUFACTURERS IN SASKATCHEWAN MOST PESSIMISTIC

What is your outlook for sales, production, and output in 3-6 months?

■ Above normal ■ Normal ■ Below normal



Source: CME Business Conditions Survey.



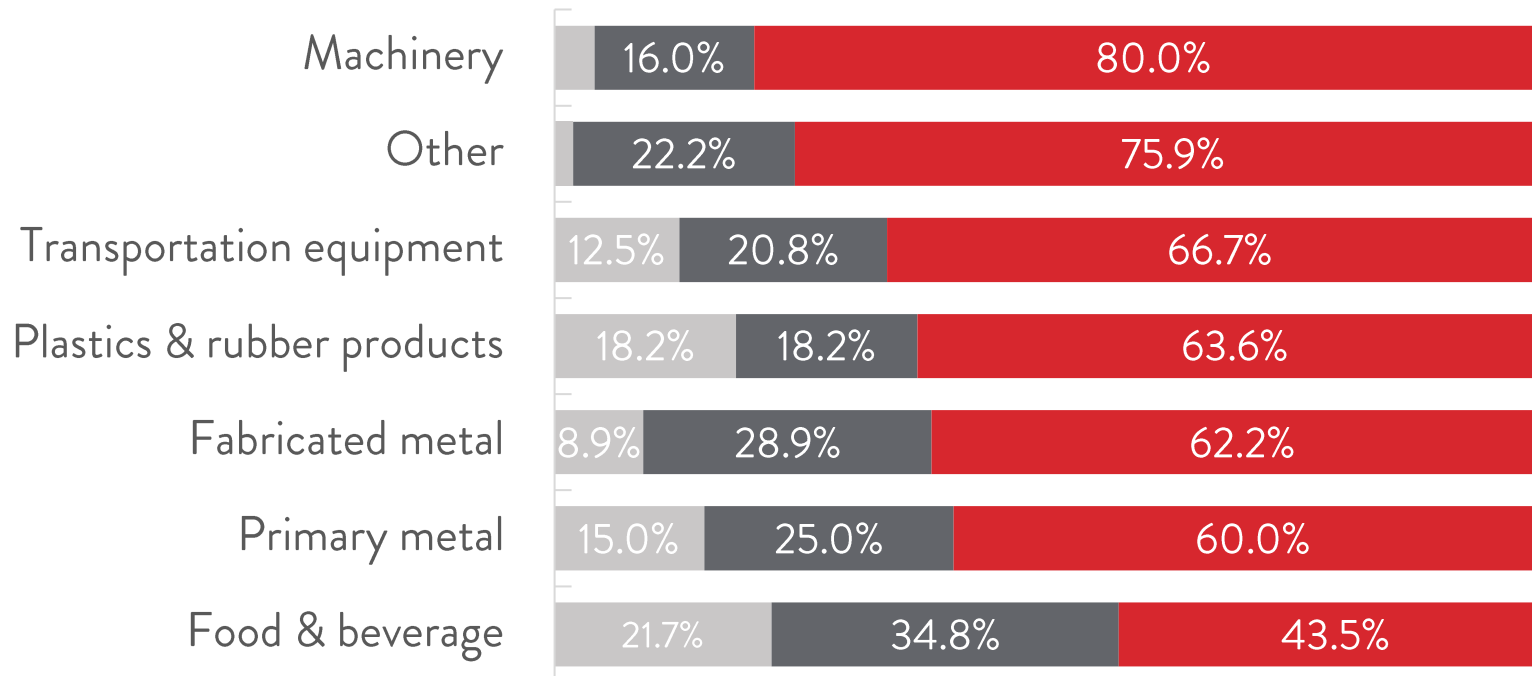
Over 80% of manufacturers in SK expect lower than normal output over the next 3-6 months

Respondents in QC and NB appear to be the most optimistic about the near future

FOOD & BEVERAGE MANUFACTURERS MOST OPTIMISTIC ABOUT FUTURE

What is your outlook for sales, production, and output in 3-6 months?

■ Above normal ■ Normal ■ Below normal



Source: CME Business Conditions Survey.

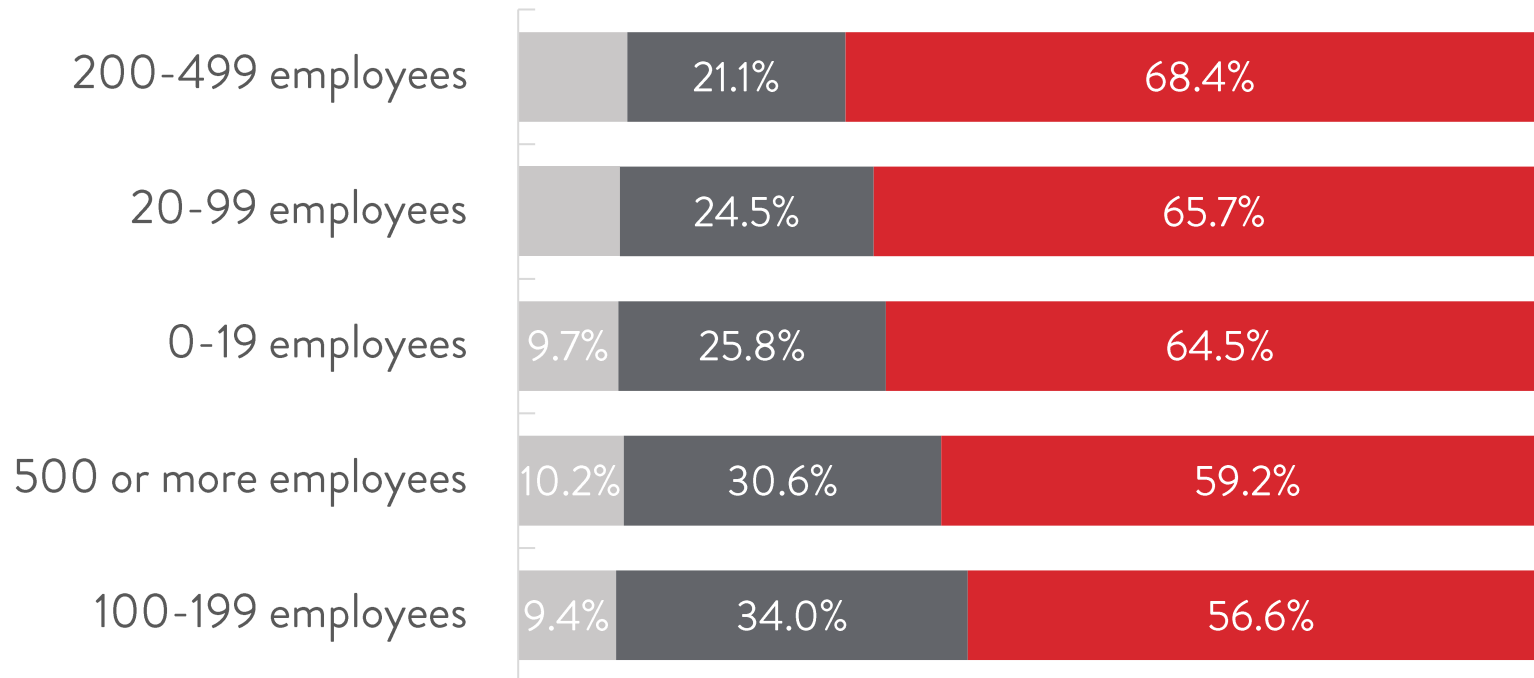


Food & beverage manufacturers are the most optimistic about the near future, while those in machinery and transportation equipment are the most pessimistic

FIRMS WITH 200-499 EMPLOYEES MOST GLOOMY ABOUT NEAR TERM

What is your outlook for sales, production, and output in 3-6 months?

■ Above normal ■ Normal ■ Below normal



Source: CME Business Conditions Survey.



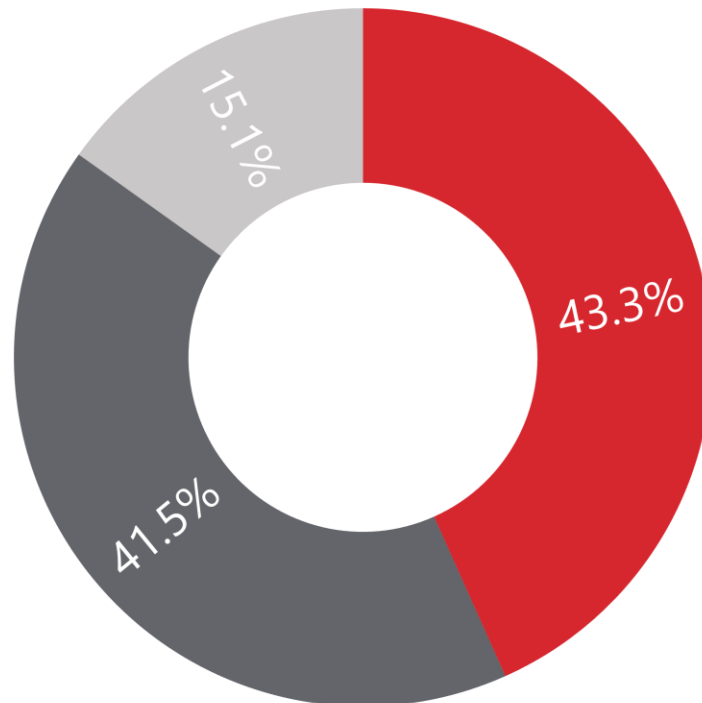
Nearly 70% of manufacturers with 200-499 employees expect their output to remain below normal

About 55% of firms with 100-199 employees reported the same

PROSPECTS FOR JOB CREATION ARE LIMITED

How do you expect your full-time employment levels to change
in the next 3-4 months?

■ Increase ■ Stable ■ Decrease



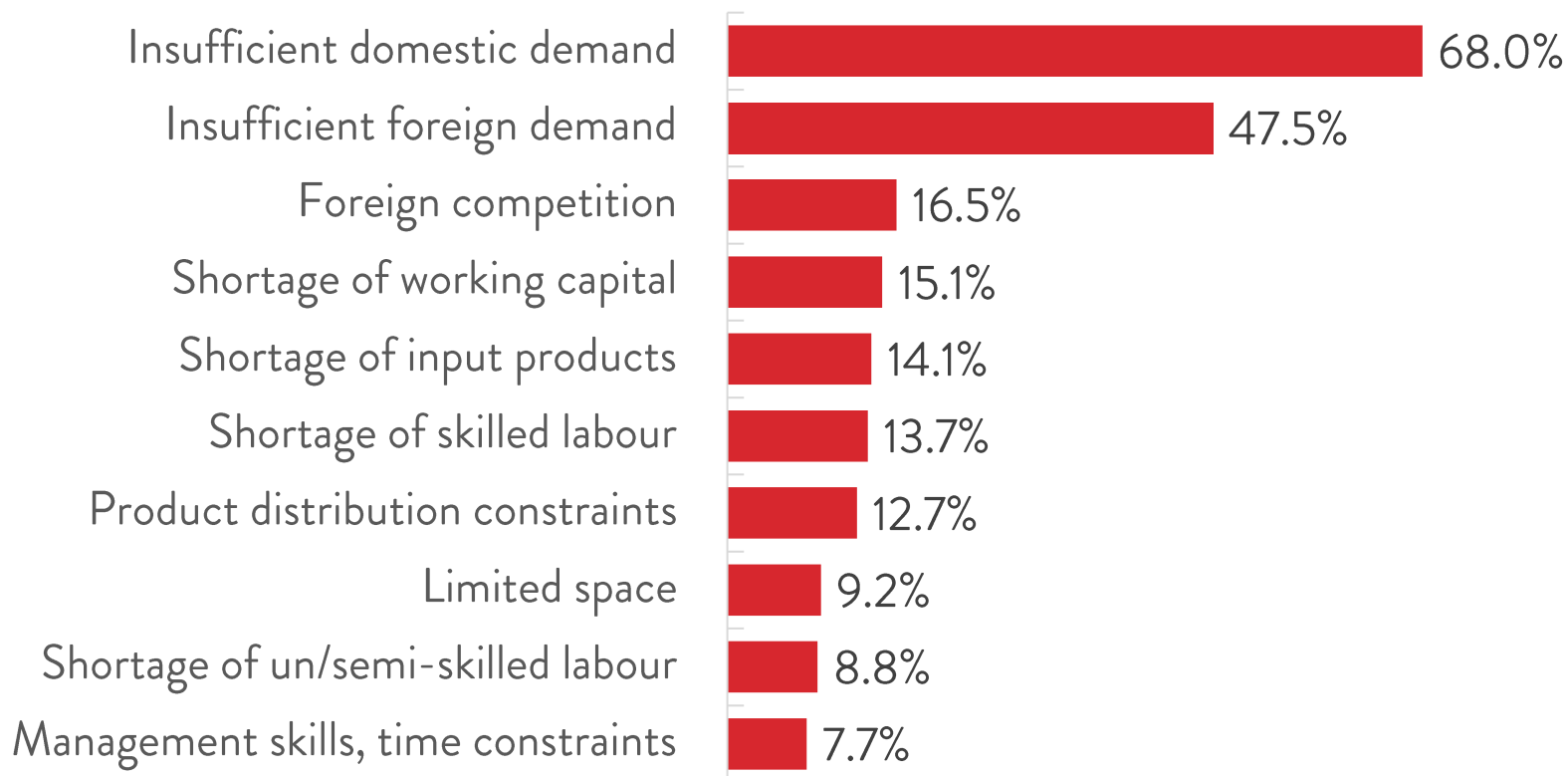
Source: CME Business Conditions Survey.



The COVID-19 pandemic is affecting the hiring outlook: 85% of manufacturers expect employment levels to remain stable or decrease over the next 3 months

DEMAND FOR MANUFACTURED GOODS IS WEAK

What are the most important factors limiting your ability to increase production?



Source: CME Business Conditions Survey.



Insufficient demand is by far the biggest factor affecting manufacturing business conditions

Shortage of inputs ranks fifth, hinting that supply chain issues are another challenge

MANUFACTURERS HAVE STEPPED UP IN THE FIGHT AGAINST COVID-19

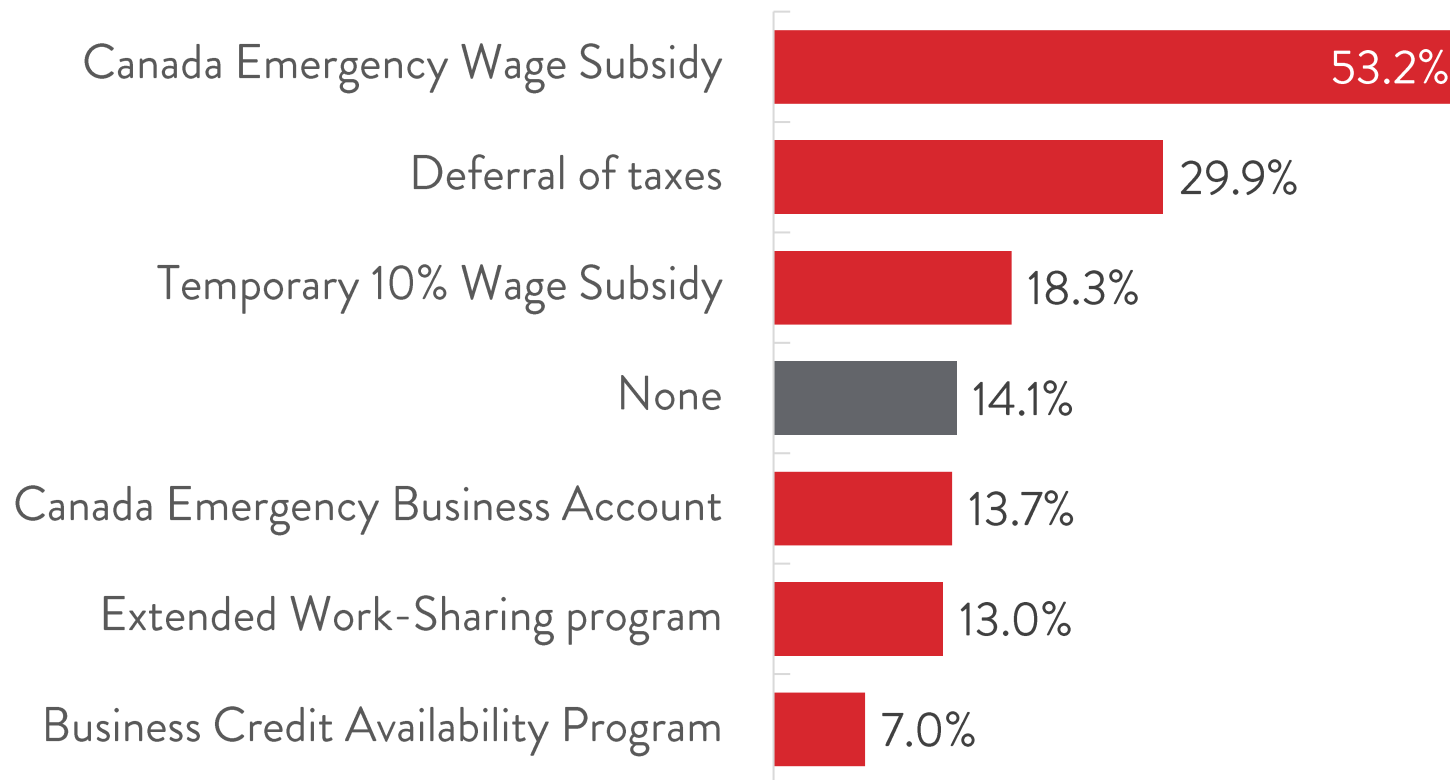
Close to **1 in 4** manufacturers have retooled or scaled up their operations to make components or final products that are helping in the fight against COVID-19

Some of the products being produced in Canada include:

- Hand sanitizer
- N95 masks
- Surgical masks
- Face shields
- Gowns and coveralls
- Nitrile and vinyl gloves
- Testing kits
- Vital signs monitors
- Partitions
- Components for ventilators and other PPE

CEWS IS A VITAL LIFELINE FOR MANUFACTURERS

What federal government emergency support programs has your company applied for or received?



Source: CME Business Conditions Survey.

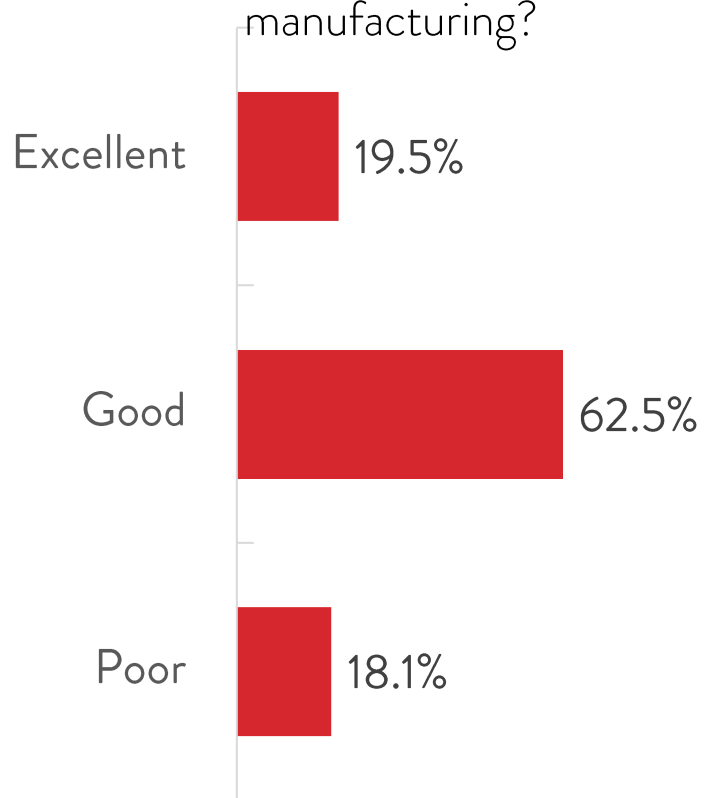


Over half of manufacturers have applied for and/or are receiving the CEWS

When prompted for comments, several respondents expressed frustration that they don't qualify for programs they need

INDUSTRY GIVES HIGH MARKS TO GOVERNMENTS FOR THEIR RESPONSE TO COVID-19

How would you rate the provincial government's response in supporting manufacturing?



How would you rate the federal government's response in supporting manufacturing?



Source: CME Business Conditions Survey.



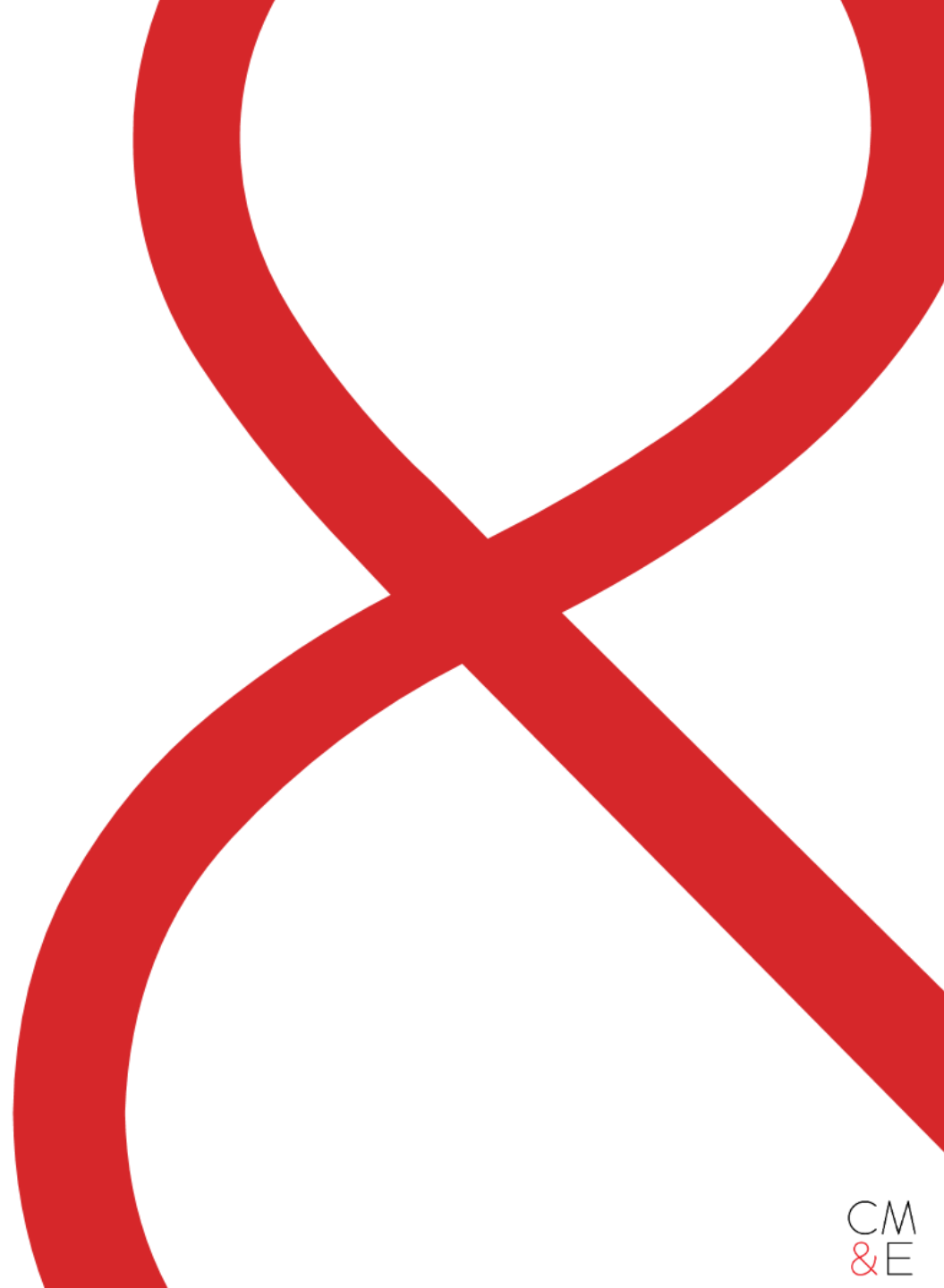
About 80% of manufacturers rate the provincial and federal government responses to the crisis as excellent or good

SHORT-TERM IMPLICATIONS

- Governments should be applauded for their actions to-date. They are helping to stave off an even deeper downturn.
- Still, the survey findings suggest that current government programs will need to be broadened and extended to ensure that the recovery will take hold.
- This is especially true of the Canada Emergency Wage Subsidy, which is proving to be a vital lifeline for Canadian manufacturers.
- Given that domestic demand is very weak, governments should also consider rolling out measures to spur consumer spending, especially of Canadian-made products.

MEDIUM AND LONG-TERM IMPLICATIONS

- This crisis has also underscored the critical role that the manufacturing sector and its supply chain plays within the Canadian economy.
- Even though the sector was already on shaky ground heading into the crisis, held back by Canada's deteriorating international competitiveness, many manufacturers have quickly shifted their operations to make products and components necessary in the fight against COVID-19.
- To help achieve long-term prosperity in Canada, and to be better prepared for the next crisis, governments will need to implement economic reforms to drive investment, innovation, and exports in the manufacturing industry.





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