

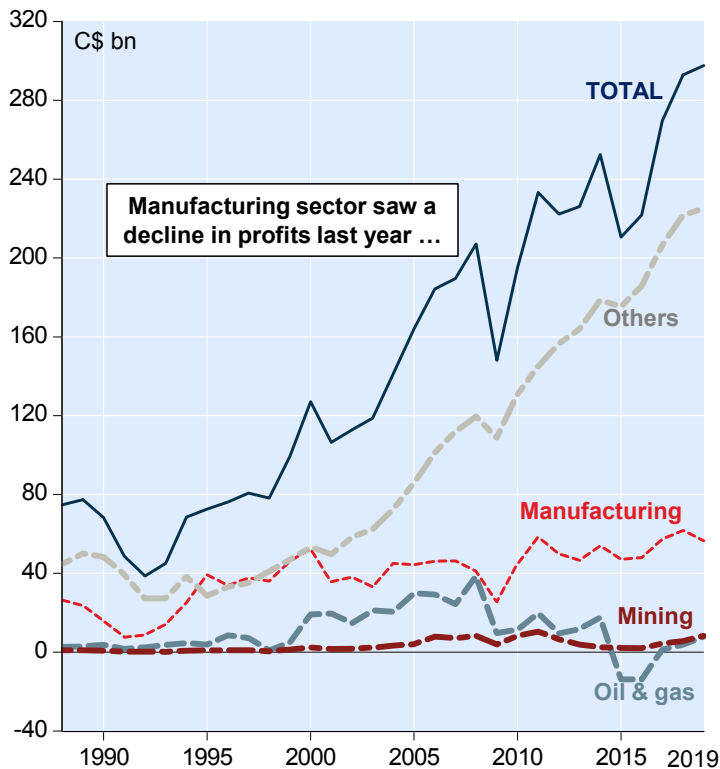
Canada Watch

By Krishen Rangasamy

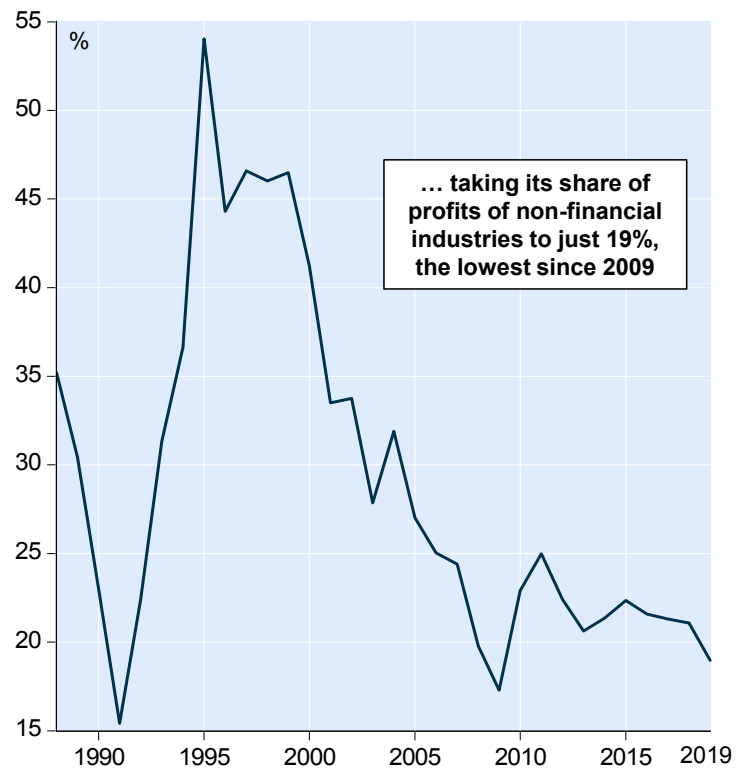
Newspaper headlines these days don't exactly portray Canada as a good place to do business, e.g. rail blockades, regulatory burden and cancelled energy projects. But despite those real challenges, business can still be profitable. Latest data from Statistics Canada indeed show operating profits of non-financial Canadian corporations hitting an all-time high of C\$297.6 bn last year. The C\$4.7 bn (or +1.6%) advance from the prior year came courtesy of higher commodity prices which boosted mining (highest profits in 8 years) and oil & gas (highest profits in 5 years). There were also decent profit gains in services-producing industries such as transportation/warehousing, real estate/leasing, education/health care and arts/entertainment. However, the moderation of economic growth last year took a bite out of profits in cyclical sectors such as construction and manufacturing, the latter being hit by a double whammy courtesy of the trade war. So much so that the manufacturing sector's share of profits of non-financial industries fell to just 19% last year. As today's *Hot Charts* show, that's the lowest in a decade.

Canada: Corporate profits climb to all-time high, but factories struggle

Annual operating profits of non-financial industries



Manufacturing share of annual operating profits of non-financial industries



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