Sectoral Profile

Fabricated Metal Product Manufacturing

Ontario

2017-2019

Sectoral Profiles provide an overview of recent labour market developments and outlooks for some of the key industries in various regions of the country

FABRICATED METAL PRODUCT MANUFACTURING FORGES AHEAD IN ONTARIO

- Improved economic growth will support the production of fabricated metal goods
- Steady construction and stronger manufacturing output will boost demand in the industry
- Labour market conditions should be rather stable for the fabricated metal product manufacturing industry over the 2017 to 2019 period

Ontario is the top producer of fabricated metal goods in Canada.[i] It is home to more than 40.0% of all fabricated metal manufacturers in the country, which includes most of the large industry players. The province employs close to 43.0% of Canada's labour force in fabricated metal product (FMP) manufacturing.[ii] This industry is broken down into nine groups based on the type of goods made. Architectural and structural metals manufacturing, and machine shops, turned product, and screw, nut and bolt fabrication employ over one-half of the industry's workforce in Ontario.[iii] Meanwhile, spring and wire product manufacturing, and cutlery and hand tool production have the fewest number of employees.

FMP manufacturing is a core part of Ontario's industrial base. It is the third biggest employer across the manufacturing industry after motor vehicle and parts, and food processing. Fabricated metal producers supply a wide range of industries as well as households. The vast majority of companies in the FMP manufacturing industry have fewer than 100 employees in the province. Except for the larger producers, most businesses focus on a limited range of goods. This allows smaller manufacturers to compete in the landscape to serve specialized needs. Some of the key end users for the FMP manufacturing industry include construction, automotive, machinery and metal manufacturing, and oil and gas extraction.

Outlook: Employment will likely remain positive in fabricated metal product manufacturing

The FMP manufacturing industry should see steady labour market conditions in Ontario over the 2017 to 2019 period. Although total employment has fallen in this industry over the past decade, it has been rather stable since 2009. Job growth took place in all of the larger sub-industries such as architectural and structural metals, and machine shops, turned product, and screw, nut and bolt fabrication during this time. This helped balance

declines in some of the smaller areas such as boiler, tank and shipping container manufacturing, hardware production, and forging and stamping.

While exports are important, most of the demand for fabricated metal products comes from the domestic market. Domestic demand for these goods from major end users will continue to support employment prospects in the forecast period, especially in the bigger sub-industries. Total revenue in the FMP manufacturing industry rose by 5.3% in 2016 and should stay healthy in the near term.[iv]
Some of the main factors influencing future employment growth in the industry include:

- Economic growth and demand from local industries
- Success in the global trade environment and foreign competition
- Labour supply and the shift towards a higher-skilled workforce
- Future opportunities in new fields as well as material substitution

Increased economic activity in Ontario will keep the demand for fabricated metal products steady

Improved economic activity and industrial output in Ontario will spur demand in FMP manufacturing. Even though industry sales dipped in 2016, conditions should remain positive in the next few years. [v] The need for fabricated metal goods mainly stems from the construction and manufacturing industries. The construction industry is one of the largest buyers of these products. Some of the staple items include structural and sheet metal, framed windows and doors, fasteners, hand tools, and industrial valves and pipes. Non-residential and engineering construction is the main driver of demand as opposed to the residential side. Healthy levels of non-residential construction in the province will encourage production in the FMP manufacturing industry over the forecast period. Significant investments in public infrastructure will increase the construction of roads and bridges, transit lines, water and sewer systems, and healthcare and educational institutions. The start of large-scale nuclear refurbishment projects will also raise orders for items such as boilers, valves and structural metal parts. While residential construction may grow at a slightly slower pace, the ongoing development of high-rise buildings in urban centres like the Greater Toronto Area will further provide work in FMP manufacturing.

Greater activity in the provincial manufacturing base will lift fabricated metal production

An uptick in the provincial manufacturing base will increase the need for fabricated metal goods to maintain production across multiple industries. The greatest demand for these items across the manufacturing industry is from motor vehicle and parts production. Elevated levels of automotive sales have led to greater output and investments in the motor vehicle industry in Ontario. This trend will maintain work for companies such as machine shops, stamping plants, and makers of automotive fasteners. Machinery and equipment manufacturing is another large user of fabricated metal goods. The FMP manufacturing industry should benefit from higher orders for machinery as businesses add production capacity and upgrade equipment. Manufacturers intend to raise capital expenditures by 27.5% in Ontario in 2017, with most of the investment towards machinery and equipment.[vi] FMP manufacturers also heavily supply the primary metal, aerospace, and electronic and electrical components industries. The backlog of orders in aerospace along with growth for specialized electrical devices may help sustain work for FMP manufacturers. Meanwhile, though the price of steel may be on an upswing lower oil prices will continue to affect overall demand in primary metal manufacturing.

The slowdown in resource-based industries will affect some metal fabricators

Several FMP manufacturers in Ontario make goods for resource-based industries such as oil and gas extraction and mining. Lower oil prices may reduce the need for fabricated metal goods related to drilling and pipeline work in the oil sector. Weaker prices for certain base metals may hinder exploration activities and mining operations

particularly in northern Ontario as well. This could affect those that produce mining-related parts and those that supply manufacturers of mining equipment.

Fabricated metal producers see higher global demand

Though the FMP manufacturing industry mainly supplies the domestic market, the industry will benefit from global conditions. In 2016, the provincial FMP manufacturing industry exported about 32.0% of all goods made.[vii] This figure has risen steadily since 2011, which may indicate that exports are slowly becoming a bigger part of growth. The bulk of shipments went to the United States. Fabricated metal producers will likely benefit from a stronger economic climate south of the border along with the lower Canadian dollar. This should increase the demand for these metal goods and possibly open new doors for some companies in the near term. One area that has seen a large rise in the value of exports over the past few years is architectural and structural metals manufacturing. This could be because of greater activity in the United States construction industry. Ontario's FMP manufacturers are also expanding into other emerging regions such as Mexico and the Asia Pacific. The value of shipments to Mexico has more than doubled between 2014 and 2016. This growth may continue as Mexico expands its manufacturing base and relies more on components from the FMP manufacturing industry.

Similar to many other areas of manufacturing, foreign competition is a growing challenge for companies. The value of FMP imports to Ontario has trended upwards since 2009. Part of this may be because of an overall shift in lower-valued manufacturing away from Canada to lower cost regions such as China. To help offset an increase in imports local producers will have to focus on high-valued goods and niche fields.

Key occupations in the FMP manufacturing industry

The FMP manufacturing industry supports thousands of jobs across Ontario. Some of the larger manufacturing-related trades in the industry are:

- Machinist and machining and tooling inspectors (NOC 7231)
- Welders and related machine operators (NOC 7237)
- Tool and die makers (NOC 7232)
- Construction millwrights and industrial mechanics (NOC 7311)
- Sheet metal workers (NOC 7233)
- Structural metal and platework fabricators and fitters (NOC 7235)

Outside of the trades, some of the main occupations in the industry include:

- Metalworking and forging machine operators (NOC 9416)
- Labourers in metal fabrication (NOC 9612)
- Machining tool operators (NOC 9417)

New areas of growth and potential hurdles for fabricated metal producers

Fabricated metal producers will find opportunities for high performance goods with the move to more advanced manufacturing in Ontario. Increased regulations and cost saving measures have also led manufacturers, particularly in the automotive and aerospace industries, to seek out new lightweight materials. The industry may further find avenues in developing industries such as optomechanics, biomedicine, and fields of information technology.

Although the FMP manufacturing industry should see steady customer demand over the next few years, some trends could affect the industry in the longer term. The move to plastics, ceramics, and carbon fibre components could reduce the need for metal parts. Growth in 3D printing may compete with traditional metal fabrication in

certain instances as well. One factor that will help manufacturers deal with these changes and industry-specific slowdowns is to diversify its client base. Many fabricators have grown from serving one core industry to several with unique products to be able to withstand market pressures and turns with greater ease.

A snapshot of Ontario's fabricated metal product manufacturing centres

The FMP manufacturing industry plays a major role in the manufacturing heartland in southern Ontario. Many plants are in close distance to transportation, machinery, and primary metal manufacturing hubs. Labour market activity created by FMP manufacturers helps drive local economies through direct and indirect linkages across the supply chain.

Muskoka-Kawarthas Economic Region

This industry is a significant employer in the regional manufacturing base, with several small and medium-sized producers of fabricated metal. Many of the companies are in large urban centres such as Peterborough and Cobourg.
Recent Labour Market Highlights:

- Kawartha Metals Corp. will move into a larger facility in Peterborough in the spring of 2018. The expansion will lead to about 10 jobs.
- .Construction of Havelock Metal's new industrial facility begun in late 2017 in Peterborough. The new location is expected to employ approximately 40 workers.

Toronto Economic Region

Toronto is home to several of the biggest fabricated metal producers in Ontario, and employs just under 40% of the FMP manufacturing workforce in the province. Many of the companies in the smaller sub-industries in FMP manufacturing are in Toronto. For instance, more than one-half of all hardware, metal can, stamping, and cutlery and hand tool producers are in the region. This may be because of Toronto's diverse industrial base.
Recent Labour Market Highlights:

- Shimifrez Inc., a micro metal component manufacturer, expanded in early 2017 to a new facility in Vaughan, creating 8 new jobs

Kitchener-Waterloo-Barrie Economic Region

Kitchener-Waterloo-Barrie is a hub for FMP manufacturing and has many of the biggest producers in Ontario. The region employs about 17.9% of the fabricated metal manufacturing workforce in the province. The region has a higher share of machine shops, which is likely tied to its automotive base. A fair number of the big producers are in Cambridge, Guelph, Penetanguishene, and Kitchener.
Recent Labour Market Highlights:

- Central Wire Industries Ltd. ceased manufacturing operations in Erin in late 2017 resulting in the loss of 20 jobs
- Kuntz Electroplating Inc. (KEI), a manufacturer of electroplated products based in Kitchener, will invest $10.8M into a new production line which will create at least 25 jobs
- The provincial government is investing approximately $790,000 into Weber Manufacturing Technologies in Midland to support an upgrade of their facilities, creating 17 new jobs and retaining 220 existing positions
- MiTek Canada Inc. will build an expanded production facility in Bradford creating 40 to 50 jobs by 2019

Hamilton-Niagara Peninsula Economic Region

Hamilton-Niagara Peninsula has several major fabricators given its deep steelmaking industry and employs almost 15% of the FMP manufacturing workforce in the province. The region has a higher share of companies in metal valve manufacturing.

London Economic Region

London employs about 6.7% of the FMP manufacturing workforce in Ontario. The region has a higher share of machine shops most likely due to the local automotive manufacturing industry.
Recent Labour Market Highlights:

- Marwood Metal Fabrication Limited will receive an investment of up to $4.27M from the Government of Canada towards hot stamping and press technologies at its Tillsonburg plant. This will lead to 70 jobs.

Windsor-Sarnia Economic Region

Windsor-Sarnia is home to a few of the province's biggest fabricated metal producers, and employs just under 6.0% of the FMP manufacturing workforce in Ontario. More than 40.0% of all local FMP manufacturers are machine shops, likely due to the region's strong footing in motor vehicle and machinery manufacturing. Many of the companies are in the larger urban centres such as Windsor, Sarnia, St. Thomas and Chatham.
Recent Labour Market Highlights:

- IATGlobal is building a new $6M facility in Chatham which is expected to be completed by summer 2018

Stratford-Bruce Peninsula Economic Region

Stratford-Bruce Peninsula employs 4.5% of the FMP manufacturing workforce in Ontario. The region has a higher share of producers involved in miscellaneous fabricated metal product manufacturing. Most of the companies are in the Stratford Census Metropolitan Area.

Other Economic Regions in Ontario

The FMP manufacturing industry is smaller in other parts of the province such as eastern and northern Ontario. Many of the larger companies in eastern Ontario are in Ottawa, Trenton or Belleville, while most of the companies in the North were in the northeast region.

Prospects in the fabricated metal product manufacturing industry remain positive in Ontario

The FMP manufacturing industry has a vital role in our economy. The industry produces goods that feed into several markets such as construction, manufacturing, and natural resources. Higher demand from the construction industry and increased manufacturing output will boost the need for fabricated metal products in the near term. Opportunities may exist for companies to expand into the global environment, build expertise in advanced manufacturing, and create innovative products for emerging industries. The industry will also have to contend with greater foreign competition, and shifts to other materials and concepts such as 3D printing. As FMP manufacturing moves forward, the industry will continue to be a key building block of the province's overall success.

Note: *In preparing this document, the authors have taken care to provide clients with labour market information that is timely and accurate at the time of publication. Since labour market conditions are dynamic, some of the information presented here may have changed since this document was published. Users are encouraged to also refer to other sources for additional information on the local economy and labour market. Information contained in this document does not necessarily reflect official policies of Employment and Social Development Canada.*

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[i] Statistics Canada. Table 301-0008 - *Principal statistics for manufacturing industries, by North American Industry Classification System (NAICS), annual*, CANSIM (database).
[ii] Statistics Canada. *Table 281-0024 - Survey of Employment, Payrolls and Hours (SEPH), employment by type of employee and detailed North American Industry Classification System (NAICS), annual (persons),* CANSIM (database).
[iii] Ibid.
[iv] Statistics Canada. *Table 301-0008 - Principal statistics for manufacturing industries, by North American Industry Classification System (NAICS), Canada, provinces and territories, annual (dollars),* CANSIM (database).
[v] Statistics Canada. *Table 304-0015 - Manufacturing sales, by North American Industry Classification System (NAICS) and province, monthly (dollars),* CANSIM (database).
[vi] Statistics Canada. *Table 029-0045 - Capital and repair expenditures, non-residential tangible assets, by North American Industry Classification System (NAICS), Canada, provinces and territories, annual (dollars),* CANSIM (database).
[vii] Innovation, Science and Economic Development Canada. Trade Data Online.