



Sectoral Profile

Manufacturing

Region of Western Canada and the Territories

2017-2019



EXECUTIVE SUMMARY

Western Canada's manufacturing industry employed just under 375,000 people in 2016. This is relatively small compared to manufacturing employment in Ontario and Quebec, which together make up nearly three-quarters of industry employment nationwide. Still, Western Canada is home to a diverse range of manufacturers, covering sub-industries such as wood, food, petroleum, machinery and metal products manufacturing. Over the next two years, western manufacturers should benefit from continued economic growth in the U.S., the region's largest export market. Manufacturers in the western provinces and territories will also have opportunities to diversify trade through free trade agreements with Asian and European nations. Once in effect, these agreements will help promote Western Canada's manufactured products overseas, and enhance growth prospects.

KEY DRIVERS

- Firmer crude oil prices have helped boost business confidence and spending. Manufacturing exporters are benefiting from a weaker Canadian dollar, which has helped to compensate for recent decline in economic activity tied to natural resources.
- On-going economic growth in the United States (U.S.) is generating demand for western Canadian manufactured products and increasing opportunities for manufacturers. The U.S. is Western Canada's top export destination; however, new protectionist policies present a downside risk in the near-term.
- To diversify trade, international free trade agreements will help reduce trade tariffs, and provide new opportunities around the world for manufacturers and exporters to sell their products.
- Low-interest rates are making it more affordable for Canadian manufacturers to receive financing for capital investment. New machinery and technology are essential to help improve productivity while keeping costs in check.

BACKGROUND

The four western provinces and three territories make up 22% of Canada's manufacturing employment¹ and generate 18% of the country's total manufacturing exports.² Of the western provinces, British Columbia (BC) has the largest share of manufacturing employment, followed by Alberta, Manitoba and Saskatchewan. In terms of contributions to gross domestic product (GDP), manufacturing contributes significantly more in Manitoba (10%) than it does in the other western provinces (on average, 7%).

In BC, the largest proportion of manufacturing employment (32,000) is concentrated in wood product manufacturing, which makes up 22% of total provincial exports.³ The U.S. is the prime destination for nearly 70% of BC's wood products⁴. This raises significant concerns among provincial manufacturers regarding the recent protectionist bend in the U.S. BC is also home to many food manufacturing companies, mostly situated in the Lower Mainland area.

Meanwhile in Alberta, fabricated metal, machinery, and primary metal manufacturing employ a combined 32,000 workers, or 28% of the province's manufacturing employment.⁵ A significant volume of pre-fabricated metal work is custom made for the oil sands development, and therefore, heavily impacted by activity in oil and gas. Food manufacturing is another key sub-industry in Alberta, accounting for 18% of total manufacturing employment in 2016⁶. Not surprising, given that Alberta produces over 40% of all Canadian beef⁷.

Saskatchewan has the fewest number of people employed in manufacturing among the western provinces - 25,700 in 2016⁸. Metal processing and machinery manufacturing comprises the bulk of that employment. There are also roughly 4,100 people employed in food manufacturing.⁹

In contrast, Manitoba's manufacturing industry is primarily comprised of food production. The province also specializes in the making of machinery, and transportation equipment. Manitoba is home to one of the largest aerospace manufacturing facilities in North America. Owned by Boeing Canada, the facility employs over 1,400 people in Winnipeg alone.¹⁰

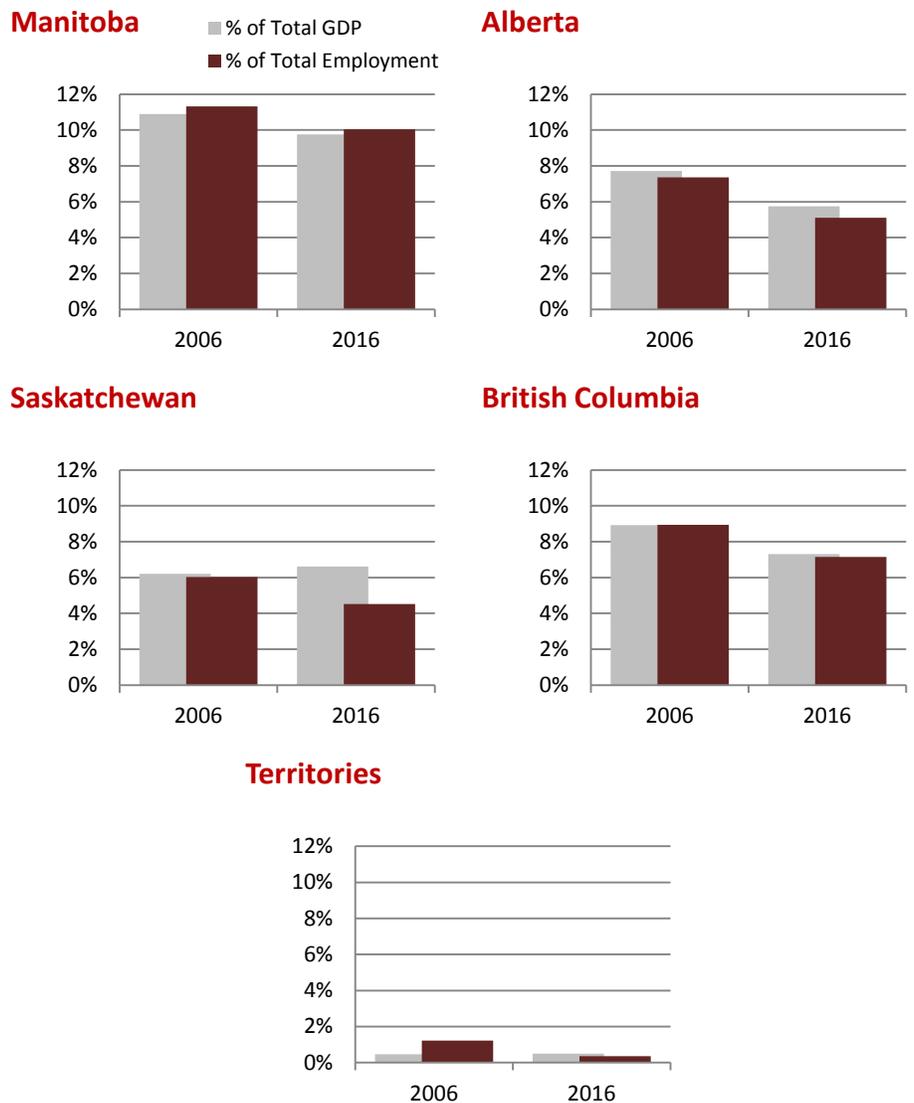
Although manufacturing in the territories plays a minor role in terms of employment, export-wise, over half of Nunavut's exports come from manufacturing-based businesses. Within that, pharmaceuticals and seafood products made up 17% of Nunavut's total exports in 2016.¹¹ That same year, just 4% of Yukon's total exports included manufacturing.¹² In Northwest Territories, manufacturing contributed a mere 0.1% of total exports,¹³ due in large part to the high concentration of mining, which generates most of the territory's export value.

INDUSTRY TRENDS

Manufacturing employment in Western Canada fell 7% between 2015 and 2016; Alberta shouldered most of the decline (-17%), compared to 1% to 2% declines in each of the other provinces. This is not surprising, given the economic impact of low oil prices and the high manufacturing dependence on Alberta oil sand activity. Although the tide has been turning, the province is still a long way from replacing all the jobs lost over the past two years. More positively, year to date sales for nearly all of Alberta's manufacturing sub-industries are above

where they were a-year-ago. And as Alberta’s energy sector slowly recovers, manufacturing employment is expected to pick up.

Manufacturing’s Provincial % Share of Employment and GDP, 2006 vs. 2016



Sources : 1. Statistics Canada CANSIM Table 379-0030 - Gross domestic product (GDP) at basic prices, by North American Industry Classification System (NAICS), provinces and territories, annual (dollars) 2. Statistics Canada Labour force estimates by detailed industry, age, sex, class of worker

A weak loonie has helped to buoy exports and partly compensated some manufacturers for the decline in economic activity tied to natural resources. This is particularly beneficial for Alberta and Manitoba, both of which send more than 75% of all manufactured products to the U.S.¹⁴ In fact, as long as favourable exchange rates continue, Manitoba should benefit, as its heavy vehicle manufacturing industry supplies over one-third of buses to the North American bus market.¹⁵

Going forward, the firming of crude oil prices from their volatile levels in 2016 is one of the main drivers of manufacturing growth this year. More definitive prices are helping to boost business confidence and spending. Solid U.S. economic growth and improvements in the labour market will drive demand for new home construction in 2017, which should increase demand for wood products from BC and Alberta. A downside risk to this growth involves the potential fall-out from the NAFTA renegotiation talks. Overall, manufacturing employment is forecasted to grow by 1.5% nationally this year, the strongest pace since 2007.¹⁶

Looking beyond trade with the U.S., western Canadian manufacturers have strong potential to grow new markets through free trade agreements (FTAs). For instance, in the Canada-South Korea FTA, the removal of tariffs on seafood products will be particularly helpful to the large fishing and aquaculture industries in Nunavut and BC. Meanwhile, the final ratification of the Canada-European Union Trade Agreement (CETA) will be a boon for manufacturers, as the EU potentially represents an even larger market than the U.S. To increase manufacturers' competitiveness internationally, low interest rates are making it more affordable to receive financing for capital investment. This will allow manufacturers to purchase new machinery and technology that can help improve productivity while keeping costs in check.

EMPLOYMENT OUTLOOK

Projected employment change for the manufacturing sector during the 2017-2019 forecast period

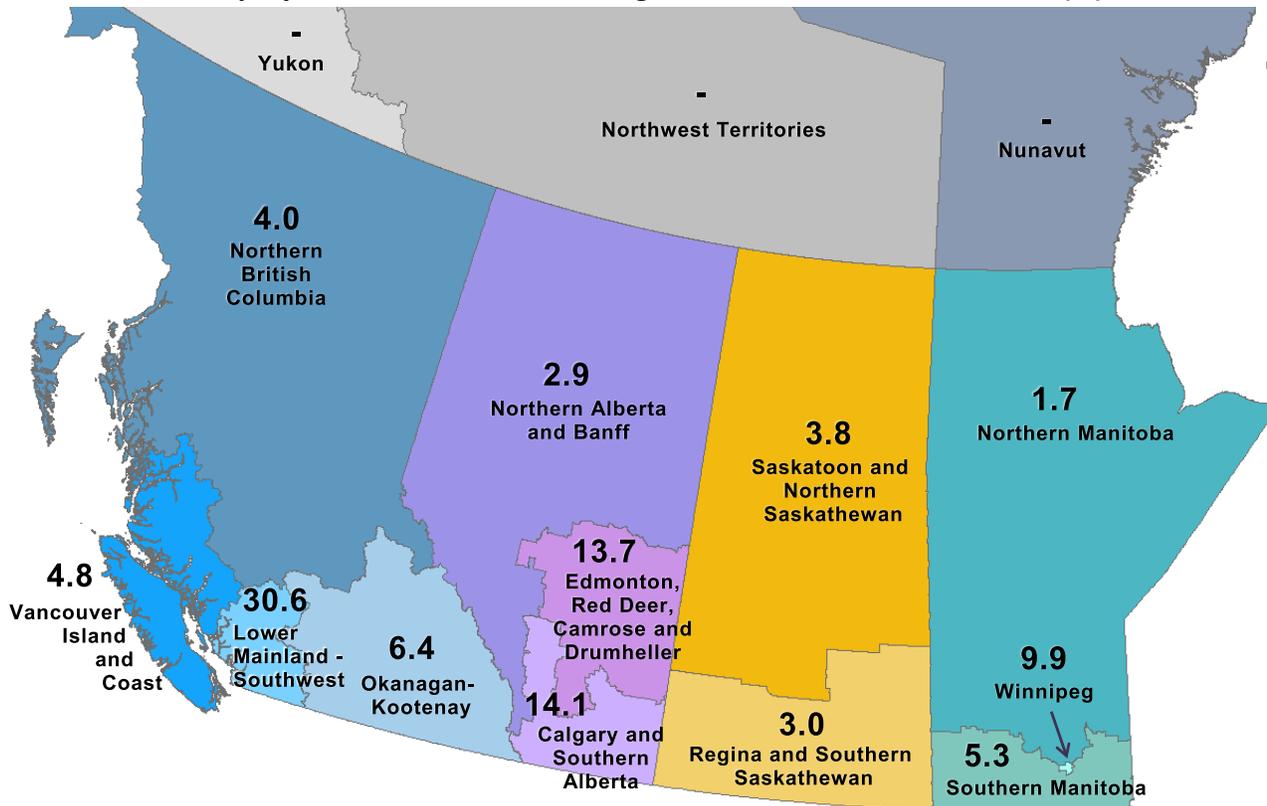
Economic Region	Projected Change in Employment	Projected Annual Growth
Manitoba	-400	-0.2%
Southern Manitoba		0.1%
Winnipeg		-0.1%
Northern Manitoba		-2.2%
Saskatchewan	400	0.6%
Regina & Southern Saskatchewan		0.7%
Saskatoon & Northern Saskatchewan		0.4%
Alberta	1,400	0.4%
Calgary & Southern Alberta		0.5%
Edmonton, Red Deer, Camrose, & Drumheller		0.3%
Northern Alberta and Banff		0.3%
British Columbia	4,200	0.8%
Vancouver Island & Coast		0.1%
Lower Mainland - Southwest		1.3%
Okanagan - Kootenay		0.1%
Northern BC		-0.6%
Yukon	-	-
Northwest Territories	-	-
Nunavut	-	-

Source: Service Canada Regional Occupational Outlooks in Canada, 2017-2019

REGIONAL OVERVIEW

- Lower Mainland - Southwest has the largest number of manufacturing jobs of any region in Western Canada; making it the heart of BC's manufacturing industry. Manufacturing employment in that region is projected to rise 1.3% annually over the forecast period.
- Recovering oil sands activity will spur overall growth potential for the manufacturing industry in Alberta and Saskatchewan. This should be particularly so after FTAs come into effect.
- While manufacturing employment is quite small in the territories, it is nevertheless an important part of the northern economy. Combined, the three territories exported a total of \$16.2 million in manufacturing products in 2016.¹⁷

Distribution of employment in the manufacturing sector across Western Canada (%)



Source: Service Canada Regional Occupational Outlooks in Canada, 2017-2019

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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¹ Statistics Canada. 2017. Labour Force Survey Estimates (LFS), employment by North American Industry Classification System (NAICS). CANSIM 282-0008. Ottawa.

² Industry Canada. 2017. Industry Exports Statistics. Ottawa. <https://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home> (accessed November 14, 2017)

³ Ibid

⁴ Government of British Columbia. 2017. Trade Data. <https://www2.gov.bc.ca/gov/content/data/statistics/business-industry-trade/trade/trade-data> (accessed November 9, 2017)

⁵ Statistics Canada. 2017. Labour Force Survey (LFS), Service Canada custom employment table by detailed industry. Ottawa.

⁶ Ibid

⁷ Statistics Canada. 2017. Cattle statistics, supply and disposition of cattle. CANSIM 003-0083. Ottawa.

⁸ Statistics Canada. 2017. Labour Force Survey (LFS), Service Canada custom employment table by detailed industry. Ottawa.

⁹ Ibid

¹⁰ Boeing Canada. 2017. Boeing Winnipeg. <http://www.boeing.ca/boeing-in-canada/boeing-winnipeg.page> (accessed November 14, 2017).

¹¹ Industry Canada. 2017. Industry Exports Statistics. Ottawa. <https://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home> (accessed November 15, 2017)

¹² Ibid

¹³ Ibid

¹⁴ Industry Canada. 2017. Industry Exports Statistics. Ottawa. <https://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home> (accessed October 31, 2017)

¹⁵ Government of Manitoba. Industry Sectors. <http://gov.mb.ca/jec/profiles/trans2/index.html#content> (accessed November 7, 2017)

¹⁶ Conference Board of Canada. 2017. Economic Recovery Broadens but Slower Growth in Store. Ottawa. (accessed November 7, 2017).

¹⁷ Ibid