



Sectoral Profile

Manufacturing

Region of Western Canada and the Territories

2015-2017



EXECUTIVE SUMMARY

Western Canada's manufacturing industry employed just over 400,000 people in 2015. Relatively small compared to 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 continue to look to other markets to diversify trade. Recent free trade agreements with Asian and European nations, and further promotion of Western Canadian manufactured products overseas, will undoubtedly enhance opportunities for growth. Sustained business investments in innovation and research and development will be needed to ensure that manufacturers and exporters remain globally competitive.

KEY DRIVERS

- Economic growth in the United States continues to pick up steam, generating demand for western Canadian manufactured products and increasing opportunities for manufacturers.
- Innovation and investment in research and development will enable Canadian manufacturers to remain internationally competitive.
- International free trade agreements (FTA) will reduce trade tariffs, allowing manufacturers and exporters to competitively sell their products in foreign markets. Negotiations on the Comprehensive Economic and Trade Agreement between Canada and the European Union concluded in August 2014, while the Canada-South Korea FTA came into effect at the beginning of 2015.

- Overall, low oil prices are having a negative impact on economies in the West (particularly in Alberta and Saskatchewan). In some cases, however, manufacturers and exporters will benefit from cheaper oil prices, which will help through reduced production costs.

BACKGROUND

The four western provinces and three territories make up 22% of Canada's manufacturing employment¹ and generate 19% of the country's total manufacturing exports.² Of the western provinces, British Columbia has the largest share of manufacturing employment, with Alberta, Manitoba and Saskatchewan following in order of size. Comparatively, manufacturing contributes significantly more to gross domestic product (GDP) in Manitoba compared to other provinces. In fact, in Manitoba, 11% of all GDP is generated by manufacturing, while in Saskatchewan, Alberta and BC manufacturing contributes on average 7% of GDP.

Manufacturing activities in each of the provinces are quite diverse. In BC, a considerable amount of employment is concentrated in wood product manufacturing, which includes preparation of lumber for home construction and the manufacture of higher-value engineered wood products for special applications. Wood product manufacturing exports make up 21% of BC's total exports.³ BC is also home to many food manufacturing companies, mostly situated in the Lower Mainland area. Of the top five biggest manufacturers in Metro Vancouver – based on employee size – two are food processing operations that involve poultry processing and freshly baked goods.⁴

The makeup of Alberta's manufacturing industry is quite different from the industry in BC. Fabricated metal, machinery, and primary metal manufacturing employ a combined 43,300 workers or 31% of Alberta's manufacturing employment.⁵ While many of these manufacturing industries make products for export to the U.S., a lot of pre-fabricated metal work is also custom made for the oil sands development in Northern Alberta, and therefore, heavily impacted by the recent downturn in oil prices. In fact, between 2014 and 2015, employment in these three sub-industries declined 6,000.

Food manufacturing is another key sub-industry in Alberta. In fact, food manufacturing accounted for about 18% of Alberta's total manufacturing employment in 2015⁶, while nearly 60% of all Canadian beef is produced in Alberta.⁷ Cargill Meat Solutions, JBS Food Canada, and Harmony Beef Company Ltd each operate large beef production facilities in the province.

Saskatchewan's employment distribution in the various manufacturing sub-industries is similar to that of Alberta, albeit on a much smaller scale. In fact, Saskatchewan has the fewest number of people employed in manufacturing among the Western provinces, totalling 24,900 in 2015.⁸ The metal processing and machinery manufacturing sub-industries comprise the bulk of manufacturing employment in the province (10,000). There are also roughly 4,100 people employed in food manufacturing, while the remaining jobs are scattered across plastics, wood, transportation equipment and other manufacturing sub-industries.⁹

Manitoba's manufacturing industry is primarily involved in the production of food, transportation equipment, and machinery products. In terms of transportation equipment manufacturing, the province has specialized production of vehicles and agricultural equipment.¹⁰ In addition, Manitoba is home to one of the largest

aerospace manufacturing facilities in North America, operated by Boeing Canada. Boeing's operation in Winnipeg alone employs 1,400 people.¹¹

In the Territories, manufacturing doesn't play a significant role in terms of employment. However, measuring the industry by exports illustrates the varying significance of manufacturing among territorial economies. For instance, most of Nunavut's exports (81%) come from manufacturing-based businesses, and within that, seafood products represented 13% of Nunavut's total exports in 2014.¹² That same year, just five per cent of Yukon's total exports¹³ included manufacturing. In Northwest Territories, manufacturing industries contributed a mere 0.1% of total exports in 2015.¹⁴ This is due to the large concentration of mining in the Northwest Territories, which generate most of the territory's export value.

INDUSTRY TRENDS

Manufacturing employment in the western Canadian provinces fell 16% between 2007 and 2009, down to levels not seen since 1995. The industry's recovery has been slow, but employment has steadily increased since that period; just over half of the jobs lost during that time frame have been recovered. However, not all provinces have experienced equal levels of recovery. Saskatchewan's manufacturing employment actually declined by 13% percent between 2009 and 2015, while Manitoba saw modest gains of 6%, and employment in BC's manufacturing industry recovered by 12%. Not surprisingly, Alberta's booming economy between 2009 and 2014 boosted manufacturing employment growth by over 17%. However, manufacturing employment has since dropped 3.2% following the downturn in oil prices.¹⁵

Further employment growth is forecasted this year and in 2017. Strong U.S. economic growth in 2017 – with real GDP forecasted to grow 2.5% – is expected help Canadian exports.¹⁶ Improvements in the U.S. labour market will drive demand for new home construction, which should increase demand for wood products from BC and Alberta. Already there are signs of improvement, as Western Canada's wood product exports to the U.S. increased by 31% between 2013 and 2015.¹⁷

Declining oil prices have negatively impacted economies in the West, particularly those in Alberta and Saskatchewan. In some cases, however, manufacturers and exporters will benefit from cheaper oil prices, which will help through reduced production costs.

The declining value of the Canadian dollar will also help many manufacturers, especially since most goods produced are exported to the U.S. This is especially the case for Alberta and Manitoba, which both send more than 75% of all manufactured products to the U.S.¹⁸ In fact, as long as favourable exchange rates continue, Manitoba should benefit as its heavy vehicle manufacturing industry supplies over one-third of busses to the North American bus market.¹⁹

Following the signing of the Trans Pacific Partnership Agreement (TPPA), many of the regulations governing trade between Canada and the U.S., which were previously held under North American Free Trade Agreement (NAFTA), will be superseded by the TPPA. Canada signed the TPPA in February 2016, however, the agreement could take up to two years to ratify.

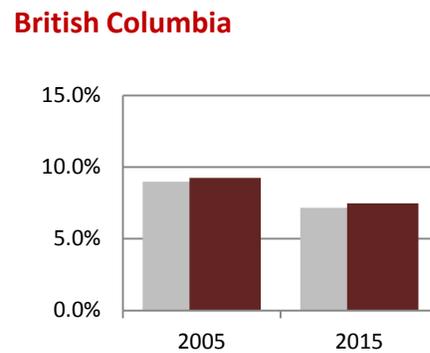
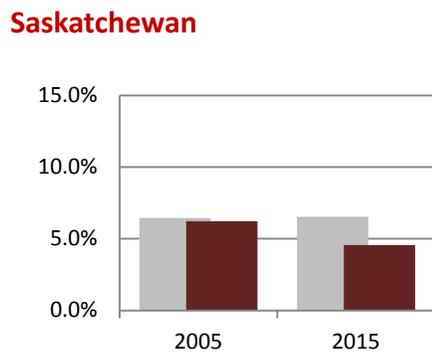
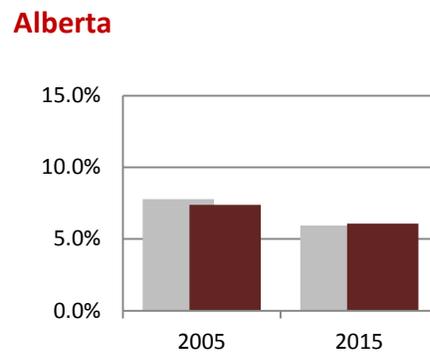
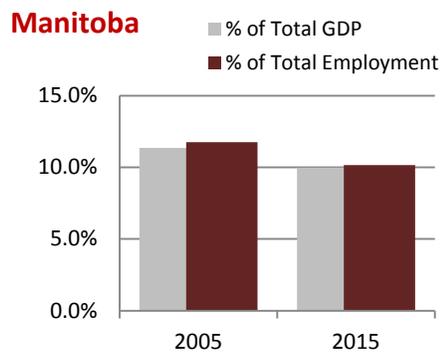
Looking beyond trade with the U.S., Canadian manufacturers' have tremendous potential to grow new markets through Canada's free trade agreements (FTA) with South Korea and the European Union. In the Canada-South Korea FTA, the vast majority of tariffs will be removed, improving access for western Canadian manufacturers. For instance, all tariffs on fish and seafood products will be removed, which is particularly advantageous for the large fishing and aquaculture industries²⁰ in Nunavut and BC.

A number of companies across the West currently export manufactured products for the European market. However, existing tariffs limit full market penetration. For example, Canadian manufacturers of machinery, medical devices, and scientific instruments face tariffs of up to 14%.²¹ Once the Canada-European Union Trade Agreement (CETA) is underway, Western Canadian producers will benefit from the easing of such tariffs. This could be a major boon for manufacturers, as the EU potentially represents an even larger market than the U.S.

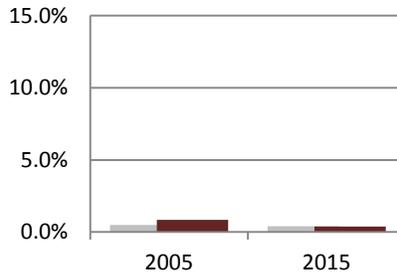
Recognizing the growing importance of overseas markets, all four western provincial premiers have been on trade missions to Asia in recent years. Over the last decade, China has become the second largest trading partner for each western province due to strong demand for forestry products, agricultural resources, and oil and gas. The U.S. will remain Canada's largest trade partner over the medium-term, but manufacturers in western Canada and the territories will benefit from increased focus on international markets.

In addition to establishing FTAs with other countries, both the federal and provincial governments have also been investing in technology and innovation in order to maintain and enhance global competitiveness. Sourcing funds to access advanced technology remains a major obstacle, especially for small- and medium-sized businesses. To help address this issue, the Government of Canada launched the Western Innovation Initiative (WINN) in 2014. This new program, which is managed by Western Economic Diversification Canada, will make \$100 million available in loans to facilitate the commercialization of products, and allow businesses access to new technologies.

Manufacturing’s Provincial % Share of Employment and GDP, 2005 vs. 2015



Territories



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.

EMPLOYMENT OUTLOOK

- Employment growth for manufacturing through to 2017 in the western provinces and territories will be concentrated in BC, Alberta and Manitoba. British Columbia has projected manufacturing employment growth of 11,900 between 2015 and 2017, led by wood, food, and metal products. Over the same timeframe, Alberta’s manufacturing employment outlook is strong, with a projected gain of over 3,000 workers. However, the steep decline in oil prices in 2014 and 2015 has brought uncertainty to manufacturers who support this industry. Meanwhile, manufacturing employment in Manitoba is forecast

to grow by 1,700 over the forecast period. Despite this small projected increase, the manufacturing industry in Manitoba remains significant in terms of sales and exports.

- In Saskatchewan and the territories, employment growth is expected to be tepid between 2015 and 2017. Manufacturing employment in Saskatchewan is projected to fall by 600 positions through 2017, while employment in the small territorial manufacturing industry is not expected to fluctuate much by 2017.

Projected employment change for the manufacturing sector during the 2015-2017 forecast period

Economic Region	Projected Change in Employment	Projected Annual Growth
Manitoba	1,700	0.5%
Southern Manitoba		0.5%
Winnipeg		0.5%
Northern Manitoba		0.6%
Saskatchewan	-600	-0.7%
Regina & Southern Saskatchewan		-0.4%
Saskatoon & Northern Saskatchewan		-0.9%
Alberta	3,000	0.7%
Calgary & Southern Alberta		1.1%
Edmonton, Red Deer, Camrose, & Drumheller		0.3%
Northern Alberta and Banff		0.7%
British Columbia	11,900	2.4%
Vancouver Island & Coast		0.6%
Lower Mainland - Southwest		2.8%
Okanagan - Kootenay		2.4%
Northern BC		1.8%
Yukon	30	-
Northwest Territories	140	-
Nunavut	0	-

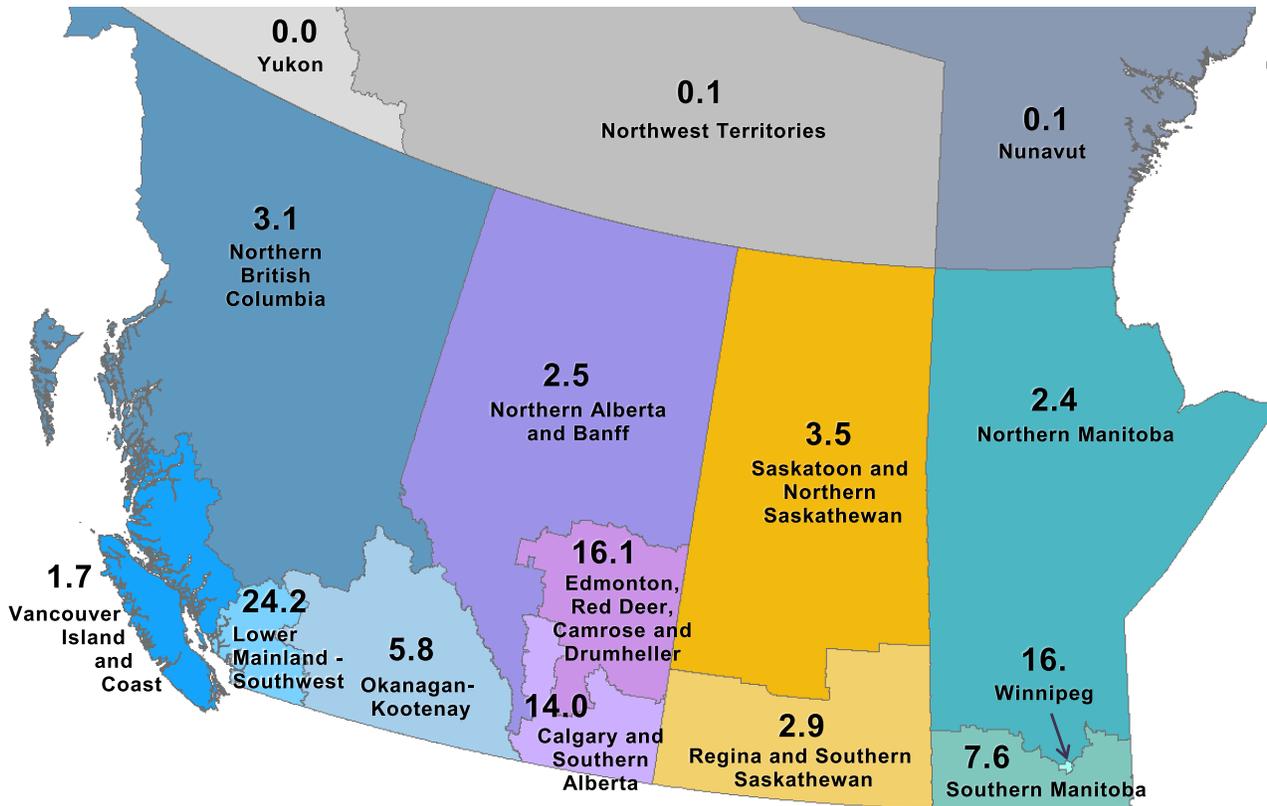
Source: Service Canada Regional Occupational Outlooks in Canada, 2015-2017

REGIONAL OVERVIEW

- **Lower Mainland - Southwest:** This economic region has the largest number of manufacturing jobs of any region in western Canada; making it the heart of BC's manufacturing industry. Manufacturing employment is projected to rise 2.8% over the forecast period. Some of this growth will come from the Seaspan shipyards due to an \$8 billion federal ship building contract.

- **Edmonton, Red Deer, Camrose & Drumheller:** Employment growth in this economic region has pulled back to an estimated 0.3%, as the reduction in oil sands activity in Northern Alberta will limit the growth potential for the manufacturing industry. This region is home to machinery and pre-fabricated metal processing, which supplies parts for oil extraction activities.
- **Calgary, Banff & Southern AB:** This economic region’s manufacturing employment is expected to advance 1.1% over the forecast period. Once Canada’s free trade agreements with the European Union and South Korea come into effect, additional opportunities in the food industry will be available, considering 60% of the country’s cattle are processed in Alberta.
- **Winnipeg:** A large proportion of the city’s labour force works in the manufacturing industry, which is expected to grow 0.5% by 2017. The city has a number of industrial manufacturing facilities specializing in the production of vehicles and aerospace. A low Canadian dollar and a strengthening U.S. economy is expected to help Winnipeg’s export-oriented manufacturing industry flourish.²²
- **Saskatoon & Northern Saskatchewan:** Manufacturing employment is expected to contract 0.9% by 2017. Suppliers of manufactured equipment for the oil industry will feel most of the pinch, while other manufacturing sub-industries will not be as heavily impacted. Much of the negative outlook can also be attributed to exceptionally strong growth from 2000-2014, when provincial manufacturing output grew nearly 50%.²³
- **Territories:** While manufacturing employment is quite small, it is nevertheless an important part of the northern economy. Manufacturing exports for the three combined territories totalled \$16.2 million in 2015. Once Canada’s FTAs are approved, opportunities for expanding manufacturing operations will be available.

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



Source: Service Canada Regional Occupational Outlooks in Canada, 2015-2017

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. 2014. Labour Force Survey Estimates (LFS), employment by North American Industry Classification System (NAICS). CANSIM 282-0088. Ottawa.

² Industry Canada. 2015. Industry Exports Statistics. Ottawa. <https://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home> (accessed September 27, 2016)

³ *Ibid*

⁴ Business in Vancouver. Vancouver <https://www.biv.com/datatables/top-100-biggest-manufacturers-in-metro-vancouver-4/> (accessed October 4, 2016)

⁵ Statistics Canada. 2015. Labour Force Survey (LFS), Service Canada custom employment table by detailed industry. Ottawa.

⁶ *Ibid*

⁷ Statistics Canada. 2016. Cattle statistics, supply and disposition of cattle. CANSIM 003-0083. Ottawa.

⁸ Statistics Canada. 2016. Labour Force Survey (LFS), Service Canada custom employment table by detailed industry. Ottawa.

⁹ *Ibid*

¹⁰ Government of Manitoba. 2016. Industry Sectors. <http://gov.mb.ca/jec/profiles/trans2/index.html> (accessed September 27, 2016)

¹¹ Boeing Canada. 2016. Boeing Winnipeg. <http://www.boeing.ca/boeing-in-canada/boeing-winnipeg.page> (accessed September 27, 2016).

¹² Industry Canada. 2016. Industry Exports Statistics. Ottawa. <https://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home> (accessed September 27, 2016)

¹³ *Ibid*

¹⁴ *Ibid*

¹⁵ Statistics Canada. 2016. Labour Force Survey (LFS), Service Canada custom employment table by detailed industry. Ottawa.

¹⁶ Conference Board of Canada. 2016. U.S. Outlook, Summer 2016. Ottawa. (accessed September 27, 2016)

¹⁷ Industry Canada. 2016. Industry Exports Statistics. Ottawa. <https://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home> (accessed September 27, 2016)

¹⁸ Industry Canada. 2016. Industry Exports Statistics. Ottawa. <https://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home> (accessed September 27, 2016)

¹⁹ Government of Manitoba. Industry Sectors. <http://gov.mb.ca/jec/profiles/trans2/index.html#content> (accessed September 27, 2016)

²⁰ Global Affairs Canada. Canada-European Union: Comprehensive Economic and Trade Agreement (CETA) http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/benefits-avantages/seafood-produits_mer.aspx?lang=eng (accessed October 6, 2016)

²¹ Global Affairs Canada. Canada-European Union: Comprehensive Economic and Trade Agreement (CETA) <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/benefits-avantages/manufactured-manufactures.aspx?lang=eng> (accessed October 6, 2016)

²² Conference Board of Canada. Metropolitan Outlook 1: Spring 2016 (accessed October 6, 2016)

²³ Conference Board of Canada. Metropolitan Outlook 1: Spring 2016 (accessed October 6, 2016)