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## Analytical Paper

### Analysis in Brief

# Manufacturing in 2004: Year-end Review by Province

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# Manufacturing in 2004: Year-end Review by Province

**Russell Kowaluk, Erik Magnusson and Daniela Ravindra**  
**Manufacturing, Construction and Energy Division**

## Summary

Canadian manufacturers rebounded in 2004 from a dismal performance the year before, despite widespread concerns over the rising value of the Canadian dollar and soaring prices for crude oil that hit record highs late in the year.

Total shipments last year rose at their fastest pace since the boom years at the turn of the millennium. All provinces reported record high shipments.

In total, Canadian manufacturers shipped goods worth \$592.2 billion, up 8.5% from 2003. This was the largest annual gain since 1999, when shipments rose 16%, and 2000, when they were up 10%. This was also a marked resurgence following the 0.8% decline in 2003.

Record high industrial prices, a dollar valued at levels not seen in over a decade and soaring foreign demand were among the key factors influencing manufacturing last year.

Strong international and domestic demand fuelled high industrial prices for various commodities including steel and wood products, while crude oil briefly grazed the US \$55-a-barrel mark in late October, a record high at the time.

The Canadian dollar also hit a 12-year high in the final quarter of 2004 at the expense of the American greenback. This prompted widespread concern as Canada's manufacturing sector is critically dependent on external trade.

Although Canada's factories came out of the starting blocks with a bang, the year ended on a less than stellar note. By the final quarter, shipment activity was beginning to wane as new orders slowed. Gains in most provinces occurred in the first eight months of the year.

Shipments hit record levels in all provinces in 2004. In Ontario, the nation's industrial heartland, shipments were up 7.0% thanks to robust activity in the motor vehicles and parts industries, food and chemical products manufacturing. Ontario accounted for 52% of the nation's manufacturing shipments last year. Soaring industrial prices also contributed to strong manufacturing gains of several provinces.

This report examines the performance of key industries in the manufacturing sector in each province in 2004, and the major factors influencing each.

## Newfoundland and Labrador: Shipments surpass the \$3 billion mark

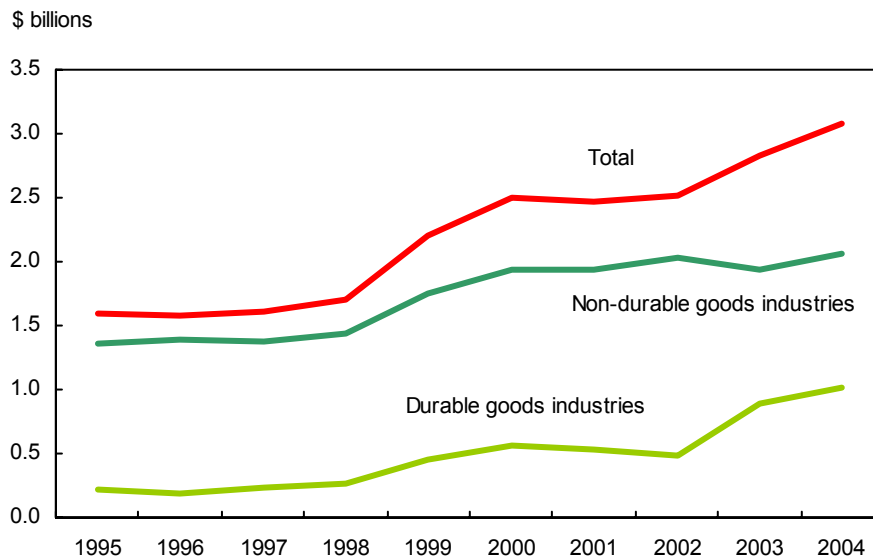
Newfoundland and Labrador, Canada's second smallest province in terms of manufacturing activity, put in a solid performance in 2004. Shipments exceeded the three-billion mark for the first time ever, rising 8.7% from the previous year to \$3.1 billion. High output volumes as well as increases in commodity prices were contributors.

Although growth was registered by both the durable and non-durable goods categories, it was the durable goods sector that once again increased its share of total manufacturing. In the last 10 years, the share of durable goods manufacturing more than doubled from only 13.9% to 32.8%.

The manufacturing sector growth in Newfoundland and Labrador was dominated by a small number of industries mostly related to fisheries. These include seafood product preparation (+12.9%), ship and boat-building (+39.5%) and fabricated metal products (+76.9%).

Wood industries also showed a sustained recovery (+20.2%) in 2004 from a low level at the end of 2003. These industries depend heavily on export markets and the manufacturers have little control over the price of their final product which is greatly affected by fluctuations of the Canadian dollar and demand abroad.

## Durable goods industries have sustained manufacturing growth



Source: Monthly Survey of Manufacturing, CANSIM Table 304-0015.

The aggressive development of the Voisey's Bay nickel mine, as well as the ongoing drilling of wells for the offshore White Rose project<sup>1</sup> have been major contributors to the sustained manufacturing activity in the province. This resulted in a significant increase in 2004 shipments of equipment required for offshore drilling and petroleum storage (fabricated metal industries). The significant increases in oil prices during 2004 have benefited the province through increased tax revenue and also higher royalties from the oil producing fields.

Capital expenditure in the manufacturing sector is estimated to reach \$195 million in 2004, a gain of 44% from 2003, with significant increases in both construction and machinery and equipment expenditure.<sup>2</sup>

Employment in the manufacturing sector reached 17,200, up 2,500 from 2003.<sup>3</sup> Almost three-quarters (74%) were employed in non-durable goods industries, dominated by the seafood product preparation and packaging industry.

### Note to readers

**Non-durable goods industries** include food, beverage and tobacco products, textile mills, textile product mills, clothing, leather and allied products, paper, printing and related support activities, petroleum and coal products, chemicals and plastic and rubber products.

**Durable goods industries** include wood products, non-metallic mineral products, primary metals, fabricated metal products, machinery, computer and electronic products, electrical equipment, appliances and components, transportation equipment, furniture and related products and miscellaneous manufacturing.

**Available on CANSIM:** tables 304-0014, 304-0015 and 377-0008.

**Definitions, data sources and methods:** survey number 2101.

For general information or to order data, contact the dissemination officer (1-866-873-8789; 613-951-9497; fax: 613-951-9499; [manufact@statcan.ca](mailto:manufact@statcan.ca)). To enquire about the concepts, methods or data quality in this paper, contact Russell Kowaluk (613-951-0600, [kowarus@statcan.ca](mailto:kowarus@statcan.ca)), Manufacturing, Construction and Energy Division.

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1. Government of Newfoundland and Labrador, *The Economic Review*, November 2004, [www.economics.gov.nl.ca/review2004/Overview.asp](http://www.economics.gov.nl.ca/review2004/Overview.asp) (accessed April 12, 2005).

2. Statistics Canada, Investment and Capital Stock Division, CANSIM Table 029-0005.

3. Statistics Canada, Labour Statistics Division, CANSIM Table 282-0007.

## Prince Edward Island: Shipments up despite slump in food industries

The food industry normally drives the manufacturing sector in Prince Edward Island, Canada's smallest province in terms of manufacturing shipments. However, 2004 was an exception. Total manufacturing shipments rose 4.2% to \$1.4 billion despite a 1.8% decrease in the shipments of food industries.

Seafood and the famous island potatoes are the basis for the food industries. Mostly comprised of establishments engaged in seafood product preparation and fruit and vegetable preserving, the food industries claimed the lion's share (63%) of manufacturing shipments in 2004. However, the government and business community of Prince Edward Island have been encouraging the diversification of the island's manufacturing base beyond its staples.

For the first year since 1992, durable goods industries accounted for more than 25% of total manufacturing in 2004. This was mostly due to the strong performance of the transportation equipment industries which shipped \$42.4 million more in goods compared to 2003, a 28.3% increase.

The aerospace product and parts industry, which is the main component of the transportation group of industries on the island, has been steadily reaching new heights ever since its inception over 10 years ago. Well-established companies set up shop in Prince Edward Island, manufacturing engines and other aircraft components.<sup>4</sup>

Slemon Park, located just outside Summerside, provides state-of-the-art facilities for aerospace product manufacturers. It is Canada's only aerospace business park with on-site training tailored to meet the industry's needs. Tax rebate incentive programs offered by the government of Prince Edward Island have also provided an added financial incentive for the aviation related companies to locate and expand in the province.<sup>5</sup>

Chemical manufacturing, which is comprised of establishments that produce pharmaceutical products, fertilizer and pesticides, is also an increasingly important component of the island's manufacturing base. The modest 2.4% increase in the value of shipments in 2004 followed two tremendously strong years: 26.6% increase in 2002 and 19.0% increase in 2003.

Buoyed by the continued demand from the housing sector at home and in the United States, the wood product industries maintained a strong pace shipping \$57.4 million worth of output in 2004, a 13.5% annual increase.

Close to 40% of Prince Edward Island's manufacturing output was destined for the export markets in 2004.<sup>6,7</sup> The steady rise of the Canadian dollar may pose major challenges for many players of the manufacturing sector. So far though, the challenge has been met as manufacturers have been able to maintain a positive level of activity throughout 2004.

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4. Government of Prince Edward Island, *Business Development: Aerospace*, [www.peibusinessdevelopment.com/index.php3?number=63293](http://www.peibusinessdevelopment.com/index.php3?number=63293) (accessed February 12, 2005).

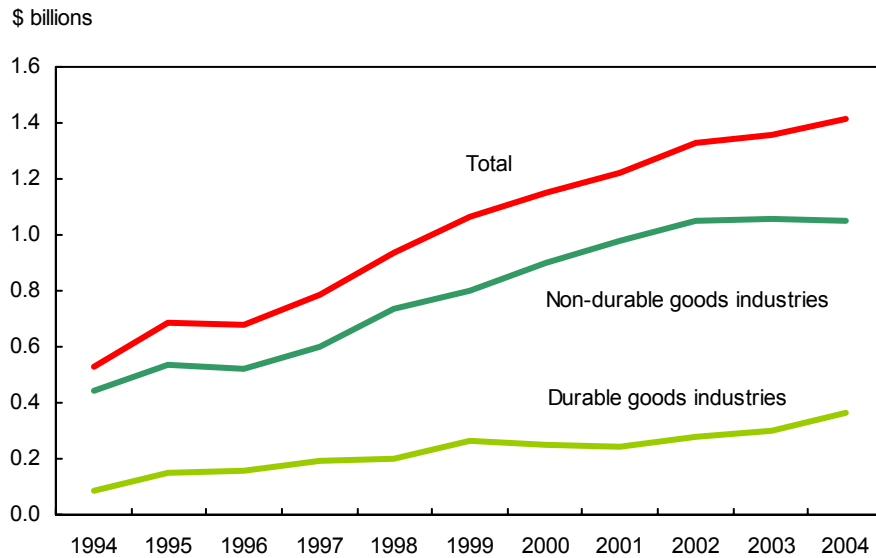
5. Ibid.

6. Statistics Canada, International Trade Division, CANSIM Table 228-0034.

7. Exported manufacturing output includes agricultural and fishing products, forestry products, industrial goods and materials, machinery and equipment, automotive products, and other consumer goods.

In 2004, 6,200 workers on average were employed in the island's manufacturing sector, unchanged from 2003.<sup>8</sup>

### Durable goods industries propelled manufacturing



**Source:** *Monthly Survey of Manufacturing, CANSIM Table 304-0015.*

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8. Statistics Canada, Labour Statistics Division, CANSIM Table 282-0007.

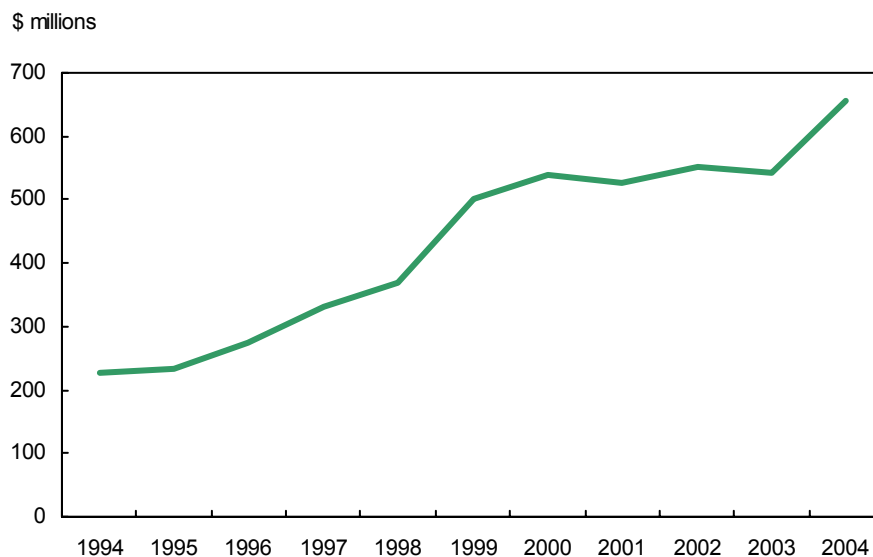
## Nova Scotia: Record year for manufacturing

Nova Scotia's manufacturing sector revolves around processing the bounty from the land and the sea. Seafood product preparation, dairy, fruit and vegetable preserving and sawmill output account for the lion's share of the province's manufacturing output.

Nova Scotia's manufacturers had a solid year, their shipments surpassing \$9 billion for the first time ever. They rose 7.4% from 2003 to \$9.16 billion. Strong forces behind this solid performance came from the food sector (+2.4%), paper manufacturers (+6.2%) and transportation equipment (+9.8%). However, it was wood manufacturers who posted the largest gain, a 20.6% increase from 2003.

Fuelled by an unprecedented demand for housing construction both domestically and in the United States, output from sawmills increased by 23.3% recovering from a weak 2003. Exports of forest products jumped by over \$111 million (+12.4%).<sup>9</sup> As most of the output of sawmills is destined for US markets, the significant gains in the value of the Canadian currency over the last six months of 2004 could result in some vulnerability among Nova Scotia's sawmills, as the cost of Canadian lumber abroad increases.

### Wood manufacturers posted the largest gain for 2004



Source: Monthly Survey of Manufacturing, CANSIM Table 304-0015.

Food shipments hit \$2.0 billion in 2004, representing more than one-fifth (22%) of total manufacturing in Nova Scotia. This is a diversified group of industries, ranging from establishments that are using the Individually Quick Frozen method to preserve blueberries, carrots and cranberries, to seafood product preparation establishments, dairy producers and meat product manufacturers.

9. Statistics Canada, International Trade Division, CANSIM Table 228-0034.



Seafood product preparation, which represents roughly one-third of all the food shipments in Nova Scotia, was down 6.3%. However, the meat products and dairy industries had a strong year, with shipments rising 19.6% and 5.4% respectively, mostly due to strong demand from the U.S.

Transportation industries, primarily driven by an increase in aerospace product and parts manufacturing, experienced a 9.8% rebound in shipments from a low in 2003.

Slightly less than 10% of the total number of people employed (441,600) in Nova Scotia work in the manufacturing sector, with the majority employed in the non-durable goods industries, virtually unchanged from 2003.<sup>10</sup>

Capital investment for manufacturing, which is a measure of the amount of money spent on construction and machinery and equipment is estimated to drop by 9% in Nova Scotia in 2004.<sup>11</sup> About 90% of the total capital expenditure is made up by investment in machinery and equipment.

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10. Statistics Canada, Labour Statistics Division, CANSIM Table 282-0007.

11. Statistics Canada, Investment and Capital Stock Division, CANSIM Table 029-0005.

## New Brunswick: Rising industrial prices boost value of shipments

After a couple of years of lukewarm activity, the value of manufacturing goods shipped by New Brunswick jumped by 11.1% in 2004. Soaring commodity prices for petroleum and wood products accounted for much of the boost. Both the durable (+12.3%) and non-durable (+10.8%) goods industries generated higher shipments. However, the bulk of the increase comes from manufacturers shipping non-durable goods, the biggest sector.

As detailed below, foreign demand and trade scuffles, with their resultant impact on commodity prices and volumes of goods shipped, have been the principal forces behind the manufacturing production in New Brunswick. Some of the affected industries were food, paper, wood and the residual manufacturing sectors.<sup>12</sup>

After a rough 2003, pulp and paper manufacturers in New Brunswick experienced a slight recovery as shipments increased by 4.1% in 2004. Depressed paper prices continue to plague the industry with the only bright light being the voracious demand for pulp from China.<sup>13</sup> The birthplace of paper is now the site of the world's fastest and biggest paper machines. These machines focus on the paper side, not the pulp side which provides a good opportunity for Canadian pulp producers. Shipments of pulp went up 3.7% in New Brunswick, while those of paper dropped 2.5%.

Food shipments hit \$2.3 billion in 2004, up 13.7% over 2003. By far the largest component and contributor to this increase was the seafood product preparation industry where shipments rose 5.0%. This industry represents 50% of total shipments of the food industries in New Brunswick. Animal food manufacturing (+1.4%), dairy product manufacturing (+15.4%) and bakeries (+18.9%) also had a good year.

Amid complaints of frozen pizza dumping from one of New Brunswick's key food producers, McCain, Canada slapped temporary duties averaging 39.4% on imported self-rising pizzas from the United States.<sup>14</sup> Protecting the manufacturing activity of New Brunswick is of great importance to the province as the sector employs about 12% of the total workers in the province.<sup>15</sup>

In 2004, the total number of persons employed in the manufacturing sector was 4.5% higher than in the previous year.<sup>16</sup> This was despite the September 2004 closure of the Nackawic pulp mill which put 400 people out of work.<sup>17</sup>

After a successful turnaround in 2001, the wood industries continued their upward trend with an increase of 15.3% in the value of shipments in 2004. Despite the anti-dumping duties imposed under the softwood lumber dispute with the United States, demand for lumber continued to soar in 2004 as residential construction activity remained red hot throughout North America.

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12. The residual component comprises diverse small plants as well as large producers such as the Irving Oil refinery.

13. See Jennifer M. Ellison, "China's fast growing paper industry needs pulp: Canada's shipments hit \$500 million in '02," *Montréal Gazette*, January 24, 2004, page B14.

14. See Steven Chase, "Canada slaps interim duties on some US frozen pizzas," *The Globe and Mail*, May 18, 2004, page B1.

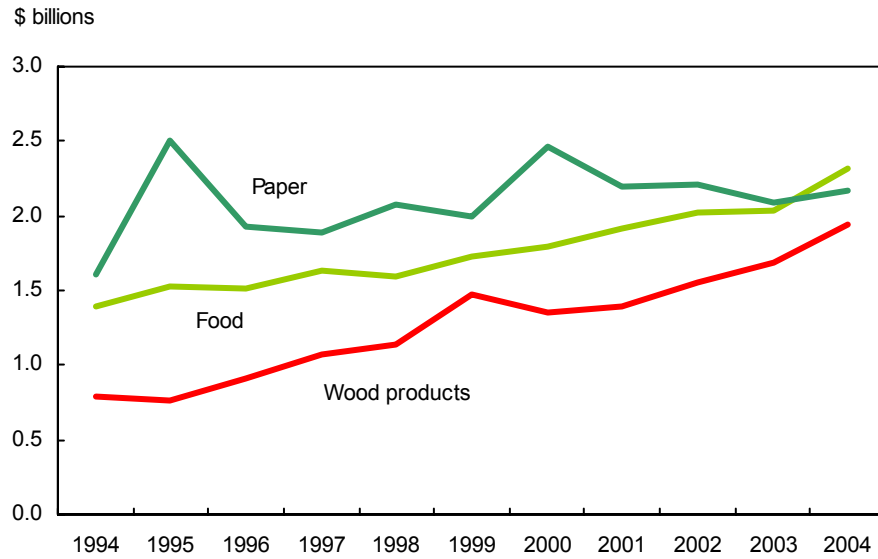
15. Statistics Canada, Labour Statistics Division, CANSIM Table 282-0007.

16. Ibid.

17. See Kevin Cox, "400 jobs lost as Mackawic mill closes," *The Globe and Mail*, September 15, 2004, page B10.

The machinery industries (+4.8%) and the transportation industries (+23.2%) rounded off the positive contributors to the excellent performance of the manufacturing industries in New Brunswick in 2004.

### The key manufacturing industries grew in 2004

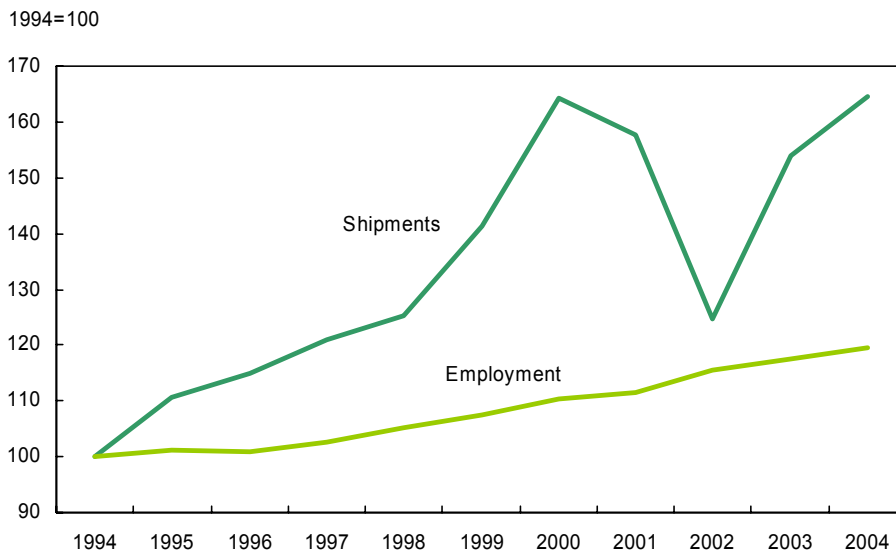


**Source:** *Monthly Survey of Manufacturing, CANSIM Table 304-0015.*

## Quebec: Rebound just above 2000 peak level

Following dismal years in 2001 and 2002, Quebec's manufacturers carved out record high shipments in 2004. Manufacturing shipments rose 6.7% to \$137 billion in 2004, just surpassing the previous peak year of 2000 by \$100 million.

### Manufacturing shipments bounced back above 2000 peak level



**Source:** *Monthly Survey of Manufacturing, CANSIM Table 304-0015 and Labour Force Survey, CANSIM Table 282-0008.*

The composition of Quebec's manufacturing sector was quite different in 2004 compared to 2000. Computers, primary metals and aerospace products and parts were among the top five industries in 2000.

In recent years, the province has seen some high profile changes. General Motors closed a motor vehicle assembly plant in Ste. Thérèse; the fallout and slow recovery of the telecommunications sector has sliced that industry by more than half since 2000, and the aerospace industry is only now showing signs of a gradual recovery.

By 2004, Quebec's rich natural resources appeared to be the driving force behind the key manufacturing performers. Currently, the top five industries are primary metals, food, paper, wood products and petroleum.

The year 2000 also marked the apex of the global, high tech boom. The Quebec computer and electronic products industry reported shipments in excess of \$15 billion in 2000. With the crash of the telecom sector and its ensuing slow recovery, this industry's shipments now languish almost 60% below the level attained in 2000.

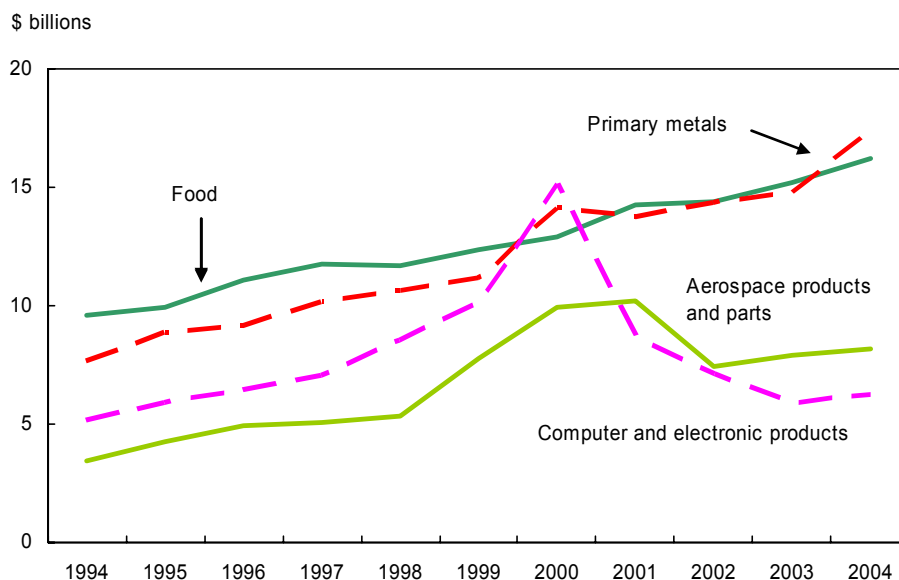
Another vital component of Quebec manufacturing is the aerospace industry. The province is home to some of the world's leaders in the manufacturing of aircraft and parts. The fallout of the September 11, 2001 terrorist attacks in the United States saw international demand for aircraft and

parts dry up. Following a major international restructuring of the industry and a gradual return of demand, Quebec's aerospace products and parts industry has shown some positive signs in the second half of 2004.

Despite the downfall of some industries, manufacturing activity remains well diversified in Quebec. The province's strong base for aluminium and other non-ferrous metals has propelled the primary metals industry to the top of the manufacturing sector. Shipments jumped 18.1% to \$17.4 billion in 2004, prospering due to strong global demand and soaring industrial prices for primary metal products. The primary metals industry accounted for 13% of total manufacturing shipments in 2004.

Food manufacturing was Quebec's second largest manufacturing industry in 2004. Shipments were \$16.2 billion, up 7.0% from 2003. Dairy and meat products are among the principal food industries.

### Top industries changed ranking since 2000



Source: Monthly Survey of Manufacturing, CANSIM Table 304-0015.

The paper (\$10.5 billion), wood products (\$10.0 billion) and petroleum and coal products (\$9.9 billion) industries round out the top five in Quebec manufacturing in 2004. High prices for softwood lumber and crude oil have boosted the value of shipments for these industries.

Montréal has long been the Canadian centre of clothing manufacturing, but the industry faces new threats. In January 2005, quotas on imported textile and clothing products disappeared as new rules from the World Trade Organization took effect.

There are fears that cheaper Asian imports will flood the Canadian and American markets. Clothing shipments in Quebec were \$3.9 billion in 2004, a 7.8% decline from 2003. Shipments are down over 17% in just the last three years. Quebec's factories accounted for 61% of the total value of Canadian clothing shipments in 2004.

The downward slide of the clothing industry has also threatened the textile mills and textile product mills industries of Quebec, which have been in a steady decline in recent years. Manufacturers in

Quebec and elsewhere in Canada have already moved many factory jobs to numerous lowest-cost labour markets to minimize production expenses.<sup>18</sup>

As a percentage of the total employment level in 2004, manufacturing's share has been in a gradual decline since 1999. Factories employed 623,600 at the close of 2004, representing 17.0% of the provincial total of 3.67 million, compared with 19.1% in 1999.<sup>19</sup>

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18. See Dana Flavelle, "Duty hobbles clothing makers; Manufacture too costly in Canada, Roots, others take production abroad," *The Toronto Star*, January 22, 2004, page CO1, and Jason Kirby, "Gildan to close two Canadian spinning plants: earnings beat guidance," *The National Post*, February 2, 2005, page FP1.

19. Statistics Canada, Labour Statistics Division, CANSIM Table 282-0007.

## Ontario: Factories picked up the pace in industrial heartland

Ontario, the hub of Canadian manufacturing, comprised just over one-half (52%) of the total value of Canada's manufacturing shipments in 2004. The province's diverse economic base, close proximity to the country's largest trading partner, the United States, and an abundance of skilled labour are among the key reasons for Ontario's concentration of manufacturing activity.

Strong domestic and global demand fuelled a healthy recovery for Ontario's manufacturers in 2004. Shipments rebounded to \$309.3 billion for the year, a 7.0% annual increase following a weak 2003 (-1.7%). In 2003, several industries contributed to the slowdown in manufacturing including motor vehicles, machinery and computers. This was in addition to the electrical blackout of August 14, 2003, followed by a week-long threat of power shortages, which also curtailed production significantly.

The international market is a major contributor to the state of Ontario's manufacturing sector and the economy as a whole. Almost 58% of the total value of goods manufactured in Ontario was exported in 2004,<sup>20</sup> due in large part to the concentration of motor vehicle and parts manufacturing in southern Ontario.

Manufacturers picked up the pace in 2004. In terms of shipments, the motor vehicle and parts industries, along with food, chemical products and primary metals were the top five industries in 2004.

Shipments of motor vehicles rebounded 4.6% to \$71.1 billion, following a lacklustre 2003 (-4.3%). Ontario is home to motor vehicle assembly plants for each of the big-five automobile companies. Several popular models particularly favoured by US consumers are manufactured in Ontario. This includes various models of sport utility vehicles, a popular segment of the consumer market.

Recent media reports placed Ontario number one in North America in terms of automobile production in 2004, surpassing Michigan for the first time.<sup>21</sup> Motor vehicle manufacturing comprised 23% of the total value of shipments for the province. Despite the gain, motor vehicle assembly remained 4% below the peak of 1999 (\$74.1 billion).

Ontario is also home to numerous manufacturers of motor vehicle parts. The highly integrated industry benefits from Ontario's proximity to numerous automobile and truck assembly plants in the mid-western United States, and has generated significant investment in motor vehicle parts manufacturing in Ontario. In 2004, shipments of parts jumped 5.0% to \$31.6 billion, a record high. Shipments have almost doubled over the last 10 years; in 1994, shipments stood at \$16.5 billion.

Other industries reporting strong activity in Ontario included food, chemicals and primary metals. Food shipments were the third largest manufacturing industry in Ontario in 2004 with shipments of \$26.7 billion, notably meat and dairy product manufacturing. Another fast growing industry in Ontario was chemical products manufacturing. Shipments jumped 11.3% to \$23.8 billion in 2004, boosted by strong demand and soaring prices. Pharmaceutical manufacturing has more than doubled in the last five years, to \$5.4 billion in 2004, as Ontario is home to several major pharmaceutical manufacturers.

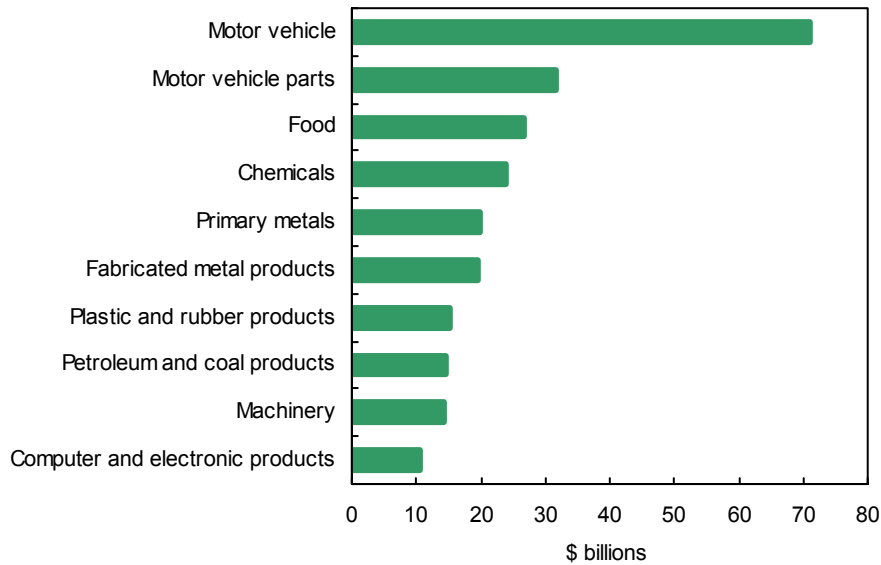
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20. Statistics Canada, International Trade Division, CANSIM Table 228-0034.

21. See Greg Keenon, "Ontario passes Michigan in auto production; Province's plants increase output by 7% to crank more than 2.6 million vehicles," *The Globe and Mail*, January 10, 2005, page B6.

Just over 1.1 million Ontarians were employed in manufacturing industries in 2004.<sup>22</sup> Employment has remained largely unchanged in recent years with efficiency gains in production having contributed to a gradual decline in labour intensive industries. Over the last 10 years, manufacturing employment as a share of the total employment in Ontario has hovered around the 18% mark.

### Top ten manufacturing industries in Ontario, 2004



**Source:** *Monthly Survey of Manufacturing, CANSIM Tables 304-0015.*

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22. Statistics Canada, Labour Statistics Division, CANSIM Table 282-0007.



## Manitoba: Diversification is key

Diversification best describes Manitoba's manufacturing sector. Factories produced a wide array of goods in 2004, from airplane parts and frozen food products to buses and machinery. These are some of the key industries which comprise Manitoba's diversified and export-driven manufacturing sector.

In 2004, manufacturers posted record high shipments of \$12.6 billion, up 10.1% compared to 2003, the second consecutive annual increase. Shipments rose 1.3% in 2003, following declines of 1.0% in 2002 and 0.6% in 2001.

At the close of 2004, factory payrolls stood at 66,100 employees, about 11% of the total employment for the province.<sup>23</sup>

Manitoba's manufacturing sector is quite diversified, which provides a degree of insulation from large swings in economic activity. This is apparent when comparing Manitoba's more stable economic history to the booms and busts of other more specialized or concentrated provincial economies. That said, the well-being of the Manitoba economy is highly dependent on external trade, particularly with the United States. Total domestic exports hit \$9.8 billion in 2004, up 7.5% from last year.<sup>24</sup> The high Canadian dollar may eventually have an adverse impact on demand for Manitoba-made products, should it remain at such levels.

Durable goods manufacturing picked up in 2004. The sector had been in a slow decline since the late 1990s in terms of the share of total manufacturing in Manitoba. Big-ticket, durable goods shipments rose to just over 53% of total shipments. There is still room to grow as durable goods manufacturing accounted for almost 60% of total shipments in 1998.

The five largest manufacturing industries in Manitoba accounted for 57% of the total value of shipments in 2004. The food industry led the pack, providing a crucial link to the province's agricultural base, as well as supporting a wide range of industry niches. Manitoba is home to major animal slaughtering facilities, grain and oilseed processors, dairy products and frozen food manufacturing. Recent plant expansions also contributed to a 17.9% jump in food shipments to \$2.9 billion in 2004, Manitoba's largest manufacturing industry.

Manufacturing of transportation equipment is another principal industry in Manitoba, employing thousands of people. Major companies operate large manufacturing facilities in Winnipeg, and provide many more opportunities for secondary manufacturers of products and parts. In 2004, manufacturers of transportation equipment reported shipments of \$1.8 billion, up 5.2% from last year. Making a strong comeback from several weak years, the aerospace products and parts industry is the largest segment of the transportation equipment sector. Shipments jumped 13.1% in 2004 to \$757 million, the highest since 2001. This industry has been struggling to recover since the downturn of the global aviation sector in 2001.

Other key industries in Manitoba include machinery (\$913.1 million), wood products (\$834.4 million) and fabricated metal products (\$737.7 million) manufacturing.

A couple of industries adversely affected in recent years by changing trade patterns include Manitoba's clothing and furniture industries. Clothing shipments dropped 0.7% to \$262 million at the close of the year, marking the fifth successive decline. Manitoba's clothing industry has gradually

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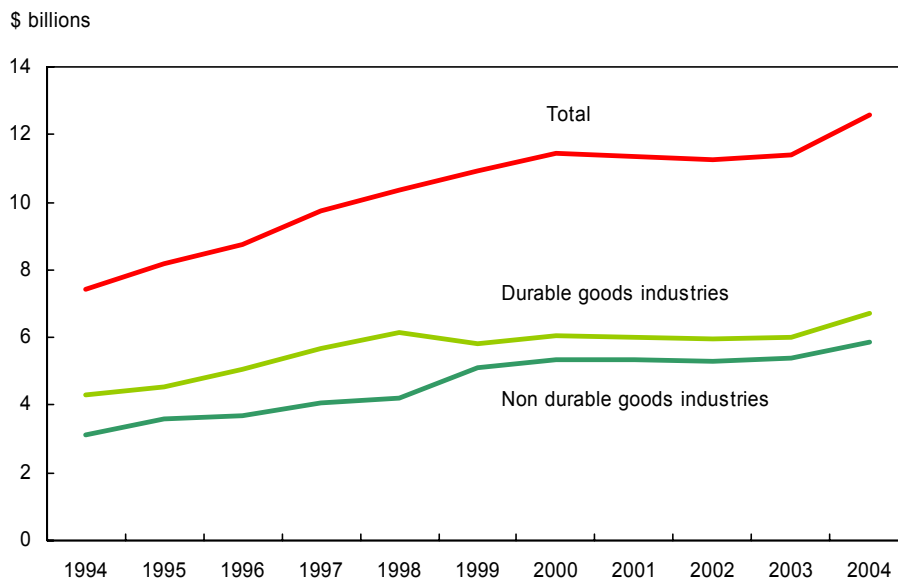
23. Statistics Canada, Labour Statistics Division, CANSIM Table 282-0007.

24. Statistics Canada, International Trade Division, CANSIM Table 228-0034.

become a shadow of its former self, and the transition will likely continue as Canadian manufacturers of clothing brace for the onslaught of cheaper foreign-made goods. As discussed in the section on Quebec, most countries around the world will drop quotas on imports of apparel and textiles under World Trade Organization rules as of January 2005.

The furniture industry has become highly competitive in recent years, again the result of increased competition from factories in Asia, where much cheaper labour is now producing a significantly improved product in terms of quality. This industry has seen many operations close in the United States. Manitoba's furniture industry, with shipments of \$544 million, has been holding its own in 2004, although the industry is certainly under the strain from offshore competition and cost efficiencies. Shipments were almost unchanged in 2004, following a 1.0% drop in 2003.

### Widespread increases in manufacturing shipments in 2004



Source: Monthly Survey of Manufacturing, CANSIM Table 304-0015.

## **Saskatchewan: Record shipments due to widespread growth**

Saskatchewan's manufacturing sector enjoyed a record breaking 2004, as shipments soared 21.9% to \$9.6 billion. The growth of Saskatchewan's manufacturing activity was widespread; the traditional, resource-based industries led the way with high industrial prices contributing to the successful year. In particular, wood and chemical products manufacturing had exceptionally strong gains in 2004. Saskatchewan's non-durable goods industries posted an 18.2% jump to \$5.8 billion, while shipments of durable goods soared over 28% to \$3.9 billion.

In terms of employment, the manufacturing sector is a small segment of the total number of employees in Saskatchewan. On average in 2004, Saskatchewan's employment base was 480,000, of which fewer than 29,000 workers were employed in factory jobs.<sup>25</sup>

Saskatchewan's prominence as an agricultural heartland was reflected in the province's manufacturing sector. The food industry accounts for almost 22% of Saskatchewan's total manufacturing activity, with shipments of \$2.1 billion in 2004. Food manufacturers, some recovering from the impact of drought conditions in 2003, reported solid gains (+7.4%) throughout the year. Food manufacturing topped all industries by a substantial margin; shipments of food products were more than twice as large as any other manufacturing industry.

In 2004, chemical products manufacturing increased an impressive 23.3% to \$985 million. Saskatchewan's rich deposits of potash, coupled with the production of pesticides, fertilizers and other agricultural chemical products are large contributors to the chemical industry. International demand for fertilizer products, driven by farmers attempting to increase production to capitalize on high commodity prices in 2004, has grown substantially. Shipments for the pesticide, fertilizer and other agricultural chemical products industry increased 26.7% in 2004.

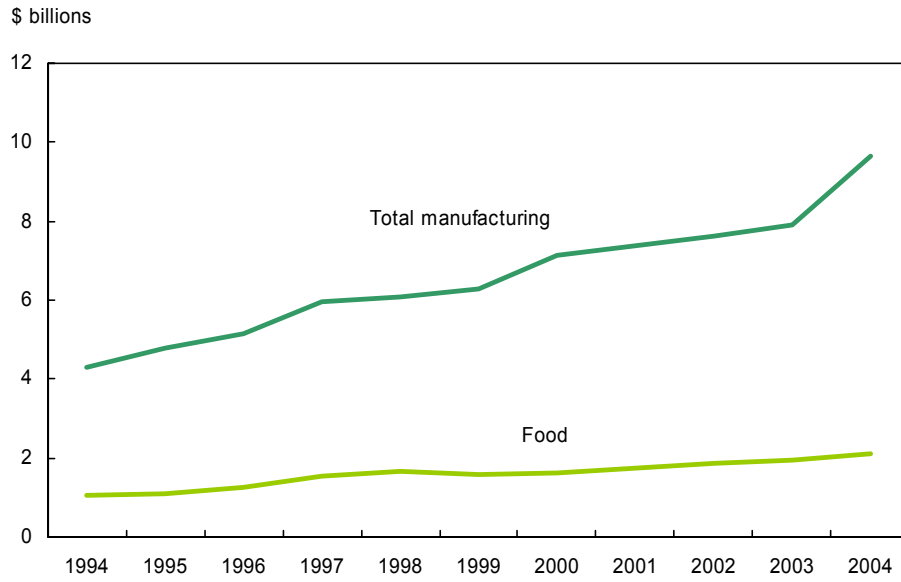
The wood products industry reported phenomenal growth in 2004. Shipments increased by an unprecedented 48.3% to \$694 million. Fuelled by housing booms in Canada and the United States, as well as rising demand from China for building materials, the market for wood products was extremely hot in 2004. Strong demand contributed to substantial price increases for many wood products, resulting in an impressive year for wood products manufacturing.

Also posting strong gains were machinery manufacturing (+9.6% to \$670 million) and manufacturing of fabricated metal products (+20.8% to \$470 million).

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25. Statistics Canada, Labour Statistics Division, CANSIM Table 282-0007.

### Food, an important industry



Source: Monthly Survey of Manufacturing, CANSIM Table 304-0015.

## Alberta: Booming economy led to big gains in manufacturing

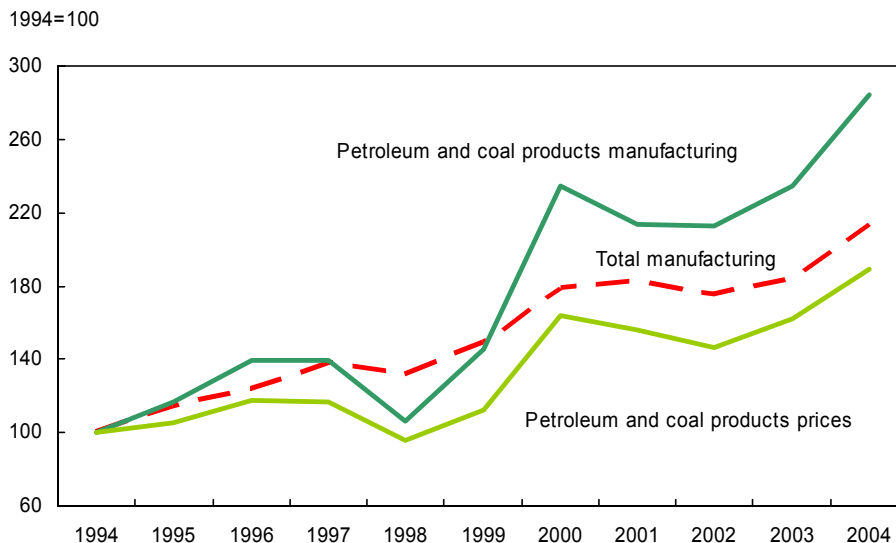
Alberta's manufacturing sector also had an impressive year in 2004 as the province's booming economy contributed to substantial gains in manufacturing activity.

With its rich natural resource base, Alberta shipments increased a substantial 16.0% to \$53.2 billion for the year. Much of the increase was concentrated among Alberta's traditional heavy weights in manufacturing. Shipments of non-durable goods soared 15.0% to \$33 billion and represented 62.2% of all manufacturing shipments in Alberta in 2004.

Record prices for crude oil, related to instability in global oil supplies and increased world energy demand, lifted petroleum and coal products manufacturing to new highs in 2004. Petroleum shipments exceeded \$9.9 billion, up more than 21% from 2003.

While the petroleum industry is a cornerstone of Alberta's economy, the gains in the manufacturing sector were not solely tied to petroleum, but were well diversified. Excluding petroleum and coal products, manufacturing shipments increased 14.8% in 2004.

### Petroleum leveraged the manufacturing sector



Source: Monthly Survey of Manufacturing, CANSIM Table 304-0015 and Industrial Product Price Index, CANSIM Table 329-0046.

Chemical products manufacturing was a close second to the petroleum industry, reporting just over \$9.6 billion in shipments for 2004. Industrial prices for chemical products were up during the year, contributing to the strong shipment gains.

Food manufacturing rounds out the top three industries in Alberta. Following a down year in 2003, where the industry faced challenges posed by the mad cow crisis and was recovering from two years of drought, the food manufacturing industry rebounded strongly in 2004. Shipments of food products increased 14.0% in 2004 to \$9.1 billion.

Other industries posting strong gains in 2004 include the machinery (+22.8% to \$4.0 billion), fabricated metal products (+29.7% to \$4.4 billion) and the wood products (+28.2% to \$3.8 billion).

On average in 2004, Alberta's manufacturers employed 144,100 people who represented 8.2% of the province's total average employment of 1.76 million.<sup>26</sup>

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26. Statistics Canada, Labour Statistics Division, CANSIM Table 282-0007.

## British Columbia: Tide turns for wood products industry

When construction goes well, so does the economy. This saying fits perfectly to British Columbia. The wood industry is by far the largest manufacturing-based industry in British Columbia, accounting for 31% of total shipments, and driving up-and-downs in the manufacturing sector.

Since the spring of 2003, Canada's forestry sector has laboured under the crippling blow of duties on exports of softwood lumber products to the United States. In particular, manufacturing in British Columbia languished throughout 2003, due to the dominance of the forest products industry.

But the tide turned in 2004. Despite the ongoing burden of the duties, soaring demand coupled with sky-high industrial prices for wood, contributed to record shipments levels for both British Columbia's wood products industry, and the province's manufacturing sector as a whole.

In 2004, British Columbia's manufacturers posted a 13.5% gain in shipments to \$42.3 billion, handily surpassing the record in 2000 of \$40.7 billion.

New home construction in both Canada and the United States was in high gear through much of 2004, fuelling demand and subsequently pushing up prices for lumber products to record highs in the spring.

Canada's housing sector put in the best year in the last 17 years,<sup>27</sup> while starts in the United States were very strong due to low interest rates and improved employment rolls. Shipments of wood products closed just over the \$13-billion mark after posting an exceptional 31% year-over-year increase in 2004.

British Columbia's manufacturing sector is dominated by resource-based industries. In 2004, 50% of the province's total shipments were concentrated in the wood products, paper and primary metals industries.

Paper shipments, which include major industries such as pulp, paper and paperboard mills, increased 4.0% to \$5.9 billion for the year. This industry also experienced strong demand and rising prices during the year. In addition, foreign demand contributed to a 22% jump in shipments of primary metals to \$2.4 billion. At the close of 2004, industrial prices of primary metals were up 17% compared to December 2003.<sup>28</sup>

Other industries reporting strong gains during the year include the food industry (+3.1% to \$5.0 billion) and machinery manufacturing (+15.9% to \$2.1 billion).

At the end of the year, manufacturers in British Columbia employed 204,000 employees, a significant 12% gain following a recent low of 181,900 in 2001.<sup>29</sup>

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27. Canadian Mortgage and Housing Corporation, *2004 Housing Starts Post 17 Year High*, January 11, 2005, [www.cmhc-schl.gc.ca/en/News/nere/2005/2005-01-11-0815.cfm](http://www.cmhc-schl.gc.ca/en/News/nere/2005/2005-01-11-0815.cfm) (accessed April 12, 2005).

28. Statistics Canada, Prices Division, CANSIM Table 329-0044.

29. Statistics Canada, Labour Statistics Division, CANSIM Table 282-0007.

### Wood products manufacturing closely tied to prices



**Source:** Monthly Survey of Manufacturing, CANSIM Table 304-0015 and Industrial Product Price Index, CANSIM Table 329-0046.

### Manufacturing shipments, by province, 2003 and 2004

Province	2003	2004	Change	Share
	\$'000		%	
Newfoundland and Labrador	2,826,521	3,072,533	8.7	0.52
Prince Edward Island	1,356,149	1,412,865	4.2	0.24
Nova Scotia	8,523,601	9,158,412	7.4	1.55
New Brunswick	12,864,240	14,297,710	11.1	2.41
Quebec	128,513,539	137,161,419	6.7	23.16
Ontario	289,215,951	309,343,261	7.0	52.24
Manitoba	11,412,611	12,566,154	10.1	2.12
Saskatchewan	7,913,354	9,648,705	21.9	1.63
Alberta	45,837,687	53,172,764	16.0	8.98
British Columbia	37,222,910	42,250,548	13.5	7.13
<b>Canada</b>	<b>545,765,172</b>	<b>592,170,882</b>	<b>8.5</b>	<b>100.00</b>

**Source:** Monthly Survey of Manufacturing, CANSIM Table 304-0015.