

Manufacturing



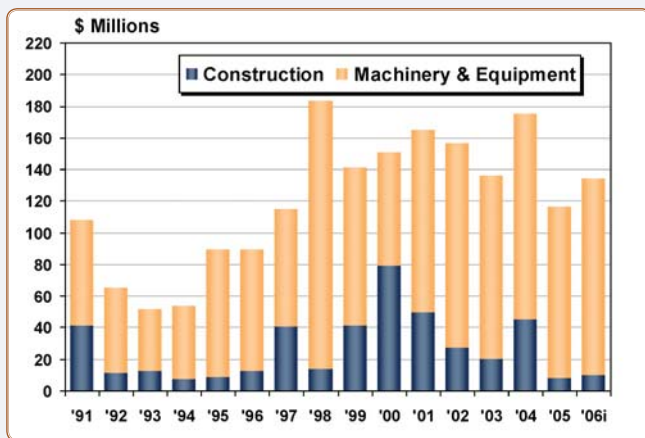
Steel fabrication

The manufacturing industry directly accounted for 6.6% of GDP and 7.8% of total employment in the province in 2005. Most of Newfoundland and Labrador's manufacturing sector stems from resource based industries, such as fishing and forestry. The fabrication of metal products and refining of crude oil also contribute significantly to the manufacturing sector.

In 2006, the fish processing industry was negatively impacted by lower fish landings, lower prices for processed products in the U.S. market, and a higher Canadian dollar. The newsprint industry recorded a significant drop in shipments, mainly due to the closure of Abitibi Consolidated's Stephenville mill in October 2005. The oil refining sector benefitted from higher oil prices while the fabrication of metal products experienced weakness mainly due to the completion of work on the White Rose project.

As a result of these factors, the value of manufacturing shipments decreased by 9.1% in the first eight months of 2006 to about \$1.4 billion compared to the same period in 2005. The value of non-durable goods (which includes both fish products and newsprint) decreased by 8.5% to \$1.07 billion and the value of durable goods shipments declined by 10.8% to \$324 million. A drop in the value of seafood products was the main factor behind the decline in the value of non-durable goods. The value of seafood products decreased by 15.2%. The value of fabricated metal shipments, which accounted for about 53% of durable shipments last year, declined by 37.5% in the first eight months of 2006, with metal fabrication for the White Rose project now complete. Manufacturing shipment data from Statistics Canada for both newsprint and oil refining is confidential. However, it is believed that the value of newsprint shipments fell significantly while the value of refined petroleum has risen.

Investment in Manufacturing



Statistics Canada; Department of Finance; i: Investment Intentions

Manufacturing employment declined by 6.3% or 1,100 person years in the first nine months of 2006, largely the result of declines in paper manufacturing and fabricated metal product employment. Excluding these two industries, manufacturing employment remained flat in the January to September 2006 period, compared to the same period in 2005.

Manufacturing investment is expected to exceed \$130 million in 2006, representing a 15.4% increase over 2005. Expenditures associated with machinery and equipment are expected to comprise the majority of spending in 2006 (about 92% of the total). This is consistent with spending in previous years, when spending on machinery and equipment comprised more than 60% of total spending in all but one year since 1990.