

Manufacturing

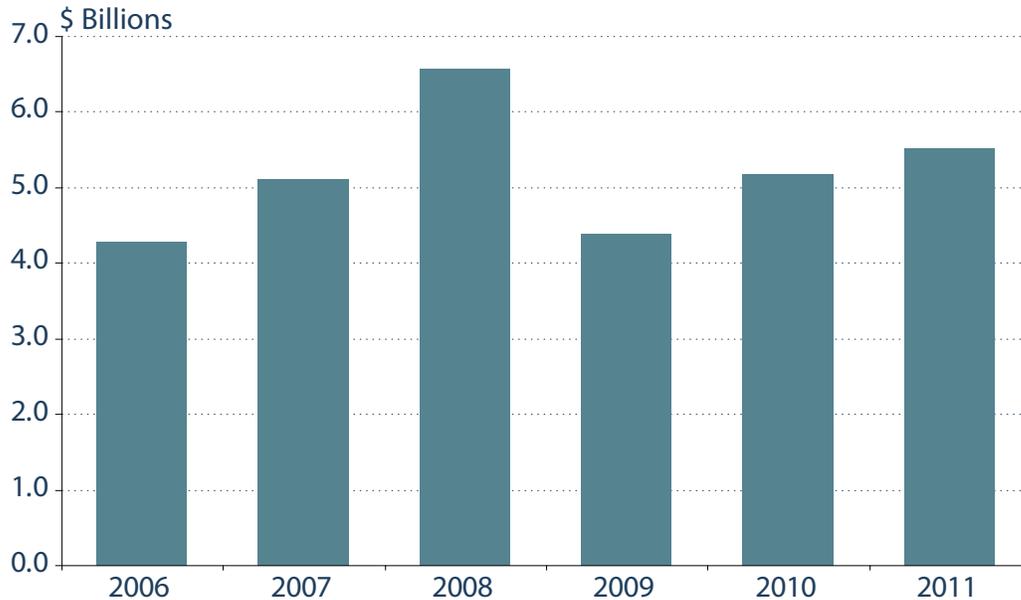
Manufacturing accounts for 4.1% of GDP and 4.7% of total employment in the province. There are many manufacturers in the province producing a wide variety of products, however most activity is concentrated in three major groups—food processing (mainly fish), newsprint and refined petroleum.

In 2011, the value of shipments rose to more than \$5.5 billion (see chart), representing an increase of 6.9% compared to 2010. This increase was mainly due to higher market prices for refined petroleum and fish products. Nationally, the value of manufacturing shipments rose 7.8% over the same time frame.

According to Industry Canada, the value of refined petroleum product exports from Newfoundland and Labrador increased during the first 11 months of 2011 versus the same period of 2010. This increase was due to higher market prices as provincial production declined. Harvest Operations Corp., owners of the North Atlantic refinery, performed a three-month maintenance turnaround which shut down production from May until mid-August. As a result, the volume of production at the refinery was down about 20%, however the value of sales increased about 3% due to higher prices. Capital expenditures at the refinery in 2011 totalled \$284.2 million. Of this, \$62.6 million was spent to advance a \$300 million debottlenecking project, which is expected to increase product yield value and improve the energy efficiency of the refinery. The project began in November 2010 and is scheduled to be completed in 2013.



Manufacturing Shipments



Source: Statistics Canada

The value of seafood production increased by 7.3% in 2011 compared to the previous year. This reflected higher prices for some species and increased aquaculture production (see *Fishery* for details).

Paper product shipments from Corner Brook Pulp and Paper Limited declined in 2011. The volume of paper product shipments decreased by 8.8%, reflecting some lost production due to mechanical and electrical repairs, as well as a shift in product line (see *Forestry and Agrifoods* for details).

Manufacturing employment averaged 10,600 in 2011, representing an increase of 8.2% over 2010. Fish processing employment increased by about 500, while manufacturing employment outside of fish processing increased by about 300.

Investment in manufacturing remained robust, supported by expenditures at the refinery and the continued development of Vale's US\$3.6 billion nickel processing plant in Long Harbour. Vale's budgeted capital expenditures on the project were approximately \$817 million in 2011.

While the bulk of investment is concentrated in large-scale commodity processing, other manufacturers (those that focus on smaller, more specialized markets) advanced

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their operations last year. Eastern Star Group Canada Inc. received a loan from the provincial government to establish a 5,000 square foot shrimp shell processing plant in Twillingate and Marport Deep Sea Technologies was awarded a multi-million dollar contract to develop sonar modules for a military electronics contractor.

The value of manufactured products is expected to increase in 2012 as a result of higher prices for refined petroleum.
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Newsprint production is expected to increase slightly compared to 2011.
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Manufacturing investment will remain high in 2012 as construction activity related to the Long Harbour nickel processing plant continues. Expenditures of \$1.2 billion are anticipated on the project this year.
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Harvest Operations Corp. anticipates spending approximately \$120 million on capital projects at the North Atlantic refinery in 2012.
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Production at the North Atlantic refinery is expected to increase about 50% due to a return to full-year production following a major planned outage in 2011 that reduced crude throughput.
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