

- The supply of coldwater shrimp has been declining globally in recent years. This, combined with the increased Autonomous Tariff Rate Quota for cooked and peeled shrimp to the EU, could positively impact the value of the Newfoundland and Labrador shrimp industry in 2013 and beyond.
- The global supply of lobster and cod may be higher, which could pose challenges for local producers.
- Aquaculture production is expected to rise again, due to expansion in the salmonid sector.
 - Salmon prices are expected to recover and increase relative to 2012.
 - Higher prices are expected to stimulate salmonid production, contributing to increased production value.
 - Mussel production and market value are expected to remain steady.

Manufacturing

Manufacturing accounts for roughly 3% of GDP and 5% of total employment in Newfoundland and Labrador. 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. There were 454 manufacturing firms registered in Newfoundland and Labrador in 2011, representing 2.7% of all registered businesses in the province.

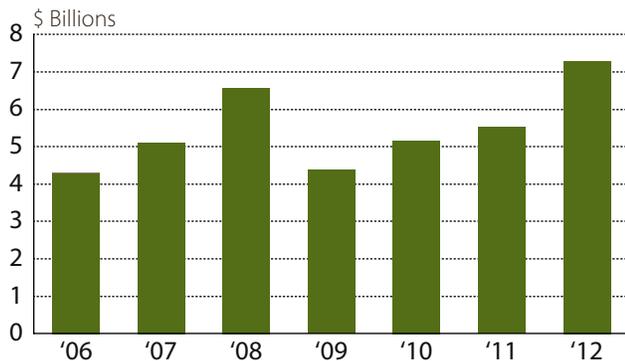
The value of provincial manufacturing shipments increased in 2012 mainly due to higher production of refined petroleum. Shipments rose to about \$7.3 billion, representing an increase of 32.0% compared to 2011 (see chart). Nationally, the value of manufacturing shipments rose 3.4% over the same time frame.

According to Industry Canada, the value of refined petroleum product exports from Newfoundland and Labrador rose significantly in 2012 compared to 2011. This increase was due to higher production at the province’s only refinery located in Come By Chance. Harvest Operations Corp., owners of the North Atlantic refinery, performed a three-month maintenance turnaround which shut down production from May until mid-August in 2011. As a result, the volume of production at the refinery was up about 52% in 2012, and the value of sales



Terra Nova FPSO at Marystown

Manufacturing Shipments



Source: Statistics Canada

Manufacturing

increased about 44%. Capital expenditures at the refinery in 2012 totalled \$54.2 million, of which a portion was spent to complete a \$300 million debottlenecking project aimed at increasing product yield and improving the energy efficiency of the refinery. The project began in November 2010 and was completed at the end of 2012.

The value of manufactured fish products decreased in 2012 compared to the previous year, due to lower market prices for many species and a decline in the value of aquaculture production (see *Fishery* for details).

The estimated value of paper product shipments from Corner Brook Pulp and Paper Limited was up over 5.0% in 2012. This increase reflects, in part, less downtime due to maintenance (see *Forestry and Agrifoods* for details).

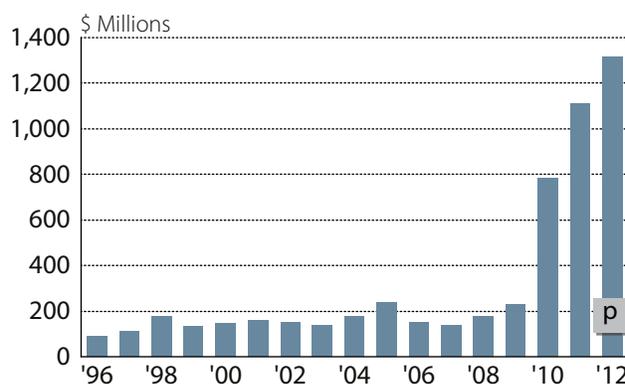
Manufacturing employment averaged 11,300 in 2012, an increase of 6.6% over 2011. Fish processing employment decreased by about 200, while employment in other manufacturing sectors increased by about 900. Some of this increase in employment was due to higher employment levels at the Marystown shipyard related to maintenance work on the *Terra Nova FPSO*.

Labour income in the manufacturing industry also increased last year—up 9.0% in 2012 compared to 2011. Wage gains, higher employment and changes in the composition of jobs in the industry (i.e. increased portion of manufacturing jobs that have a higher salary) all contributed to this growth.

Investment in manufacturing remained robust in 2012. Capital expenditures in manufacturing totalled about \$1.3 billion, up 18.8% from 2011 (see chart) of which the bulk was used to advance the development of Vale's US\$4.25 billion nickel processing plant in Long Harbour. Vale's capital expenditures on the project totalled US\$1.2 billion in 2012. The nickel facility is expected to boost the province's manufacturing shipments substantially when operational.

While the bulk of manufacturing activity is concentrated in large-scale commodity processing, advancements continue to be made in other segments of the manufacturing industry (those that produce smaller, more specialized products). Five research and development projects in the province's ocean technology, information technology and medical research sectors received nearly \$14 million in funds from the federal government in May 2012. These projects include firms such as Verafin (fraud detection software) and Bluedrop (e-learning).

Manufacturing Investment



p: preliminary
Source: Statistics Canada

Manufacturing Outlook 2013

- The value of manufactured products is expected to increase mainly as a result of the commencement of production from the Long Harbour nickel plant.
- Vale is expected to begin operations at the Long Harbour nickel plant in the second half of 2013 using imported nickel matte.
- The manufacture of fish products is expected to benefit from an improvement in prices.
- Newsprint production and prices are expected to decrease compared to 2012.
- Manufacturing investment will remain high as construction activity related to the Long Harbour nickel processing plant continues. Expenditures of over \$1.2 billion are anticipated on the project this year.
- Harvest Operations Corp. anticipates spending approximately \$118 million on capital projects at the North Atlantic refinery.