

Manufacturing

Purity Factories, St. John's



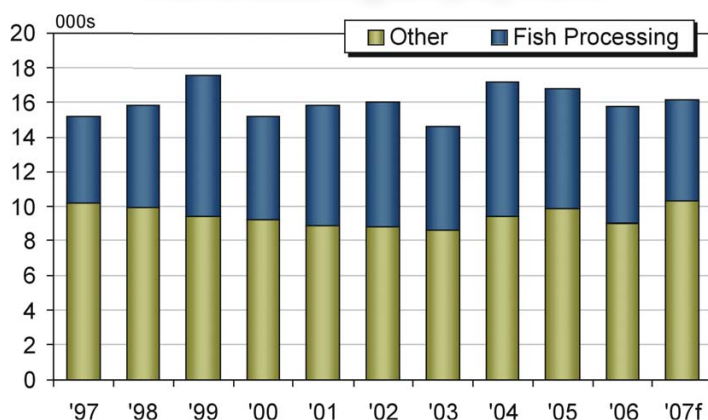
The manufacturing industry directly accounts for about 5% of GDP and 7% of total employment in the province. The industry is comprised of about 600 businesses, producing a wide array of products, and is an important contributor to the province's export sector. The largest manufacturing groups in the province—in terms of output and employment—are food processing (in particular fish), newsprint manufacturing, and petroleum refining. Other firms are engaged in the manufacture of beverages, boats, lumber, secondary wood products, non-metallic mineral products and a variety of other products.

The total value of manufacturing shipments for the first nine months of the year is estimated to be \$4.3 billion. Statistics Canada data revisions prevent comparisons with 2006, however, all indications point to a mixed performance for the manufacturing industry in 2007. Many firms in the industry that export their products have been challenged by the appreciation of the Canadian dollar. Companies that sell their products in U.S. dollars but pay costs, such as energy and labour, in Canadian dollars have seen their profit margins squeezed by the currency's appreciation. The newsprint sector has been especially hard hit due to lower U.S. newsprint prices coupled with

Company Profile: Purity Factories

Products: Cookies, crackers, candy, syrup, jams and spreads, salt fish
Location: St. John's
Established: 1924
Employment: 75
Export Markets: Rest of Canada, United States

Manufacturing Employment



f: forecast
 Statistics Canada; Economic Research and Analysis Division,
 Department of Finance

exchange rate losses. This difficulty was evidenced by Kruger's decision to shut down one of the paper machines at its Corner Brook facility and AbitibiBowater's operational review. While the fish processing sector has also been challenged, stronger demand for fish products and higher market prices have alleviated some of the pressures of the appreciating dollar. It is estimated that refined petroleum, the other large manufacturing group, has benefitted from high oil prices—this has offset much of the negative impacts of the rising dollar. According to export data for the first nine months, the value of refined petroleum products exported from the province increased by 5.6% in 2007 compared to the same period in 2006.

Employment in the manufacturing sector in the first eleven months of 2007 averaged 16,200, an increase of 2.3% compared to 2006. Fish processing employment declined by about 900, while manufacturing employment outside of fish processing rose by 1,200. According to the Statistics Canada investment intentions survey released earlier this year, firms indicated that capital investment spending in manufacturing would be about \$165 million in 2007. Most of these expenditures are typically spent on machinery and equipment.