

Sectoral Outlook

2010-2012



Etrie



Service
Canada

2010–2012 Sectoral Outlook – Estrie

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Summary

Economic outlook

According to the main economic indicators for Quebec, recession has given way to recovery in both the economy and employment. In fact, the Conference Board is forecasting a rate of growth in the gross domestic product of 2.6% in 2010 and 2.3% in 2011.

These forecasts must be placed in the context of a still fragile and uncertain economic environment, however.

Job numbers began to rebound in the first months of 2010, prompting consumer spending and giving a continued boost to the housing market. The government is now intent on getting its financial house in order and taxpayers will bear a heavier burden for the next few years. To balance the budget, the government has already announced various tax hikes and the major spending initiatives will soon come to an end.

Furthermore, the sluggish recovery in the United States and the financial crisis in Europe are continuing to put the brakes on export growth. With the added impetus of Canada's strong dollar, Quebec manufacturers increasingly are regarding productivity gains as a must.

In the Estrie region, the signs of recovery are still difficult to detect, particularly outside the Sherbrooke metropolitan area. The construction and service sectors are driving the recovery, while manufacturing is struggling to gain back the jobs lost. The steps taken to adjust to decreasing demand and an increasingly competitive environment will not foster rapid job creation.

Sectoral outlook

For 2010–2012, our forecasts indicate an employment growth rate of 1.1% in Estrie, primarily occurring in 2011 and 2012. Further, job creation will be uneven, as some sectors will shed jobs, while others will post solid growth.

Primary sector

The primary sector accounts for 4% all jobs in Estrie, compared with 2.4% in Quebec. Over the past decade, job numbers have declined, particularly in forestry and mining. Job growth will be very weak for the 2010–2012 forecast period and will be limited to logging and agriculture.

Secondary sector

Overall, the construction industry will remain buoyant, despite a downturn in residential construction in 2011 and 2012. Numerous highway and public infrastructure projects will continue throughout the period, while industrial building construction will pick up as a result of the more positive economic situation.

The Estrie region features a large manufacturing sector and significant diversity in the industries comprising it. In recent years, however, the sector has been heavily affected by job losses. The profile of manufacturing is now considerably changed. From the peak manufacturing job numbers posted in 2003 to 2009, Estrie lost over 12,000 jobs. Nonetheless, manufacturing companies employ 20% of the region's workers, compared with 14% in Quebec.

Compared with the province as a whole, Estrie was affected by the wave of manufacturing layoffs earlier and more heavily. For 2010–2012, the annual average growth rate is expected to be 0.6% in Estrie and 0.4% in Quebec. The investment-related manufacturing sub-sector will interrupt the downward trend with a growth rate of 1.3%. Job numbers in consumer-related and resource-related manufacturing are stabilizing and will increase only modestly at the end of the forecast period.

Tertiary sector

The tertiary sector accounts for some 105,900 jobs, slightly over 70% of total Estrie employment. In Quebec, the percentage of total employment is even greater, at 78%, or nearly eight of every 10 jobs.

The sector has maintained the highest annual average rate of growth over the past decade. It also drove overall job growth, whereas the manufacturing sector was in sharp decline over that period.

For 2010–2012, tertiary sector employment will continue to grow, at a rate of 1.2%. Jobs will be created in the various service categories, but particularly in health care services, owing to the growing needs and pressures of an aging population. Consumer and production services will also post higher-than-average growth.



Introduction

Each year, Service Canada issues medium-term employment forecasts both by industry and by occupation for Quebec as a whole and for each of its economic regions. The results of these analyses are published in the form of a series of studies intended to provide a comprehensive overview of recent labour market developments and outlooks in Quebec and its various regions.

We hope this series of documents will interest people who are seeking labour market guidance and those who help them, including parents, educational staff and employment assistance services workers. It should also interest businesses and employer associations that want to identify human resources management issues in their industries.

This document is made up of two sections. The first part provides a synopsis of the labour market in the region, including an overview of economic developments and key labour market indicators. The second part presents sectoral outlooks by industrial groups catalogued according to the North American Industry Classification System (NAICS).



Notes on methodology

Employment estimates

The employment estimates by industry are based on data from Statistics Canada's Labour Force Survey (LFS). This is because the LFS is the only source of information about employment trends in Quebec and the regions that is both reliable and consistent. Since the employment level in some industries is very low in a number of economic regions, other sources of data—mainly of an administrative nature—have sometimes been used because LFS figures in these industries are unreliable. In addition, three-year (2007-2008-2009) averages are included in the statistical tables to provide a more reliable indication of employment levels.

The employment outlooks have been established for a three-year period, from 2010 to 2012. They were developed in winter 2009-2010 in co-operation with Service Canada economists working in Quebec's regions. We also wish to thank the Canadian Occupational Projection System (COPS) team, without whom we would not have had access to many of the analysis and forecasting tools that were used to carry out this study.

Industrial groups

The industrial analysis presented in this study is based on an aggregation using the North American Industry Classification System (NAICS). Here, we provide a brief overview of the composition of each of these groups. Precise definitions of the industries are available in the NAICS published by Statistics Canada.

Primary sector

- 11 Agriculture, Forestry, Fishing and Hunting
- 21 Mining and Oil and Gas Extraction

Manufacturing

- 31-33 Manufacturing

When relevant, the following groups are also presented:

Consumer-related manufacturing

- 311 Food Manufacturing
- 312 Beverage and Tobacco Product Manufacturing
- 313 Textile Mills
- 314 Textile Product Mills
- 315 Clothing Manufacturing
- 316 Leather and Allied Product Manufacturing
- 323 Printing and Related Support Activities
- 337 Furniture and Related Product Manufacturing
- 339 Miscellaneous Manufacturing

Resource-related manufacturing

- 321 Wood Product Manufacturing
- 322 Paper Manufacturing
- 324 Petroleum and Coal Products Manufacturing
- 327 Non-Metallic Mineral Product Manufacturing
- 331 Primary Metal Manufacturing

Investment-related manufacturing

- 325 Chemical Manufacturing
- 326 Plastics and Rubber Products Manufacturing
- 332 Fabricated Metal Product Manufacturing
- 333 Machinery Manufacturing
- 334 Computer and Electronic Product Manufacturing
- 335 Electrical Equipment, Appliance and Component Manufacturing
- 336 Transportation Equipment Manufacturing

Construction

- 23 Construction

Consumer services

- 44-45 Retail Trade



51 Information and Cultural Industries
71 Arts, Entertainment and Recreation
72 Accommodation and Food Services
81 Other Services (except Public Administration)
Production services
22 Utilities
41 Wholesale Trade
48-49 Transportation and Warehousing
52 Finance and Insurance
53 Real Estate and Rental and Leasing
54 Professional, Scientific and Technical Services
55 Management of Companies and Enterprises
56 Administrative and Support, Waste Management and Remediation Services
Public and parapublic services
61 Educational Services
62 Health Care and Social Assistance
91 Public Administration



Part 1 - Overview

Description of the area

The Estrie region is located in southern Quebec and is bordered to the south and east by the United States, to the west by the Montérégie region and to the north by the Centre-du-Québec and Chaudière-Appalaches regions. It comprises the following regional county municipalities: Le Granit, Les Sources, Le Haut-Saint-François, Le Val-Saint-François, Coaticook and Memphrémagog, as well as the city of Sherbrooke. There are some 89 municipalities in the region, of which Sherbrooke is the most urban in nature. Nearly 50% of the region's population, a total of 144,595 people, live in Sherbrooke.

According to the 2006 census, the population of Estrie stood at 298,779, up 4.6% from the previous census. The population of Quebec as a whole grew by 4.3% over the same period. The regional county municipality of Memphrémagog posted the highest population growth in the region (7.2%), followed by the Sherbrooke area (6.2%). In contrast, the population of the regional county municipality of Les Sources fell slightly (-0.5%), although the decrease was much less pronounced than in previous censuses.

The strong growth recorded in the 45+ age groups is a sign that the population of the Estrie region is aging. Growth was particularly strong in the 65+ age group, which increased its ranks by almost 12%. This age group now accounts for 15% of the total population of Estrie, compared with 14% in Quebec as a whole. The population aging trend is most prominent in the regional county municipality of Les Sources, where 20% of the population is 65 and over. According to the most recent Institut de la Statistique du Québec (ISQ) forecasts, the population of the Estrie region is not expected to decline before 2031. However, the proportion of the population aged 65 and over could reach 29%.

Economic environment

For a long time, the manufacturing sector has played a key role in the Estrie region's economy. Employment in plants posted sustained growth from the late 1990s until 2003, and the sector shone in terms of the diversity of its manufactured products. Almost all of the manufacturing sub-sectors were represented. In 2003 and 2004, the manufacturing industry provided over 40,000 jobs and accounted for almost 30% of overall employment in the Estrie region.

The following years were marked by growing competition and the rise in the Canadian dollar. More recently, the U.S. recession had a major impact on Estrie, because the country is the main export market for many of the region's manufacturers. In addition to the recession in the U.S., the global economy slowed down. Despite preliminary signs of economic recovery, the manufacturing sector continues to struggle.

The region is turning to innovation to boost its manufacturing industry. Economic partners, teaching institutions and businesses are joining forces. The strategy in place involves investing in research and development and ensuring greater co-operation among businesses and their partners, namely research centres, teaching institutions and economic development organizations.

The Centre de technologies avancées, located in Sherbrooke's Parc Innovation, is a concrete example of this shift. The public-private research centre is a first in Canada. The result of a partnership between the University of Sherbrooke and Bombardier Recreational Products, the CTA is now extending its cooperative efforts to include other large companies and there are plans for expansion.

The region's vision of innovation also is apparent in its niches of excellence. An agreement has been signed for the following niches: imitation wood and composites, transportation materials and rubber products, environmental bio-industries and micro/nanotechnologies for leading-edge electronics.



In addition, starting in fall 2010, innovative companies can receive additional marketing support through a \$7 million fund set up by partners Sherbrooke Innopole and Desjardins Venture Capital to provide marketing assistance for innovative start-up companies.

Labour market indicators

In the past three years, employment numbers in Estrie have fluctuated, sometimes rising and sometimes falling. Difficulties in the manufacturing sector largely accounted for the direct and indirect job losses. Fortunately, the construction sector remained buoyant throughout the period and some service sector categories posted significant growth.

For the 2007–2009 period, the number of jobs in the region was 150,400. The unemployment rate was 6.8%, which was below the Quebec average (7.6%). The participation and employment rates were less positive in Estrie, however, than in Quebec overall.

In 2009, the participation rate jumped 2.3% to equal Quebec's participation rate of 65.3%. The region's participation rate is now at its second highest point since the start of the decade. It reached its peak of 66.3% in 2003. The rate began to decline in the first few months of 2010, however.

Likewise, the employment rate increased 1.1% between 2008 and 2009, but fell significantly in early 2010.

As the various indicators show, the recovery appears uncertain and replacement of manufacturing jobs will occur slowly. Our employment forecast for 2010–2012 indicates growth of 1.1%, with significant differences depending on the sector.

Table 1

Main Labour Market Indicators - 2007–2009				
Estrie Region				
	2007	2008	2009	2007–2009
Population 15+ ('000)	248.7	251.1	253.5	251.1
Labour force ('000)	160.7	158.1	165.6	161.5
Employed ('000)	149.3	148.8	153.2	150.4
Unemployed ('000)	11.3	9.4	12.4	11.0
Unemployment rate (%)	7.0	5.9	7.5	6.8
Participation rate (%)	64.6	63.0	65.3	64.3
Employment rate (%)	60.0	59.3	60.4	59.9

Source: Statistics Canada, Labour Force Survey
Data compiled by Service Canada



Part 2 - Sectoral outlook

Overview

In 2010–2012, the employment situation in the Estrie region is expected to improve. Average annual growth of 1.1% is expected over the forecast period, compared with 1% in Quebec. The construction and service sectors have the best employment outlook at 1.5% and 1.2% growth respectively. Weak employment growth is anticipated for the manufacturing sector, but this is nonetheless good news, as the region had shed manufacturing jobs over the past five years.

Table 2

Employment Breakdown and Outlook for Selected Industry Groups					
Estrie Region					
	Average for 2007–2009			2010–2012	
	Level ('000)	Share of Employment		Average Annual Growth	
	Region	Region	Quebec	Region	Quebec
All industries	150.4	100.0%	100.0%	1.1%	1.0%
Primary	6.0	4.0%	2.4%	0.3%	0.3%
Manufacturing	30.4	20.2%	14.0%	0.6%	0.4%
Construction	8.2	5.4%	5.4%	1.5%	1.3%
Services	105.9	70.4%	78.2%	1.2%	1.1%
Consumer services	40.0	26.6%	27.6%	1.3%	1.0%
Production services	27.4	18.2%	26.0%	1.4%	1.6%
Public and parapublic services	38.6	25.6%	24.7%	0.9%	0.8%

Source: Service Canada, Quebec Region
Historical estimates based on Statistics Canada's Labour Force Survey (see Notes on Methodology)

The breakdown of employment by major industry group reveals some notable differences between the Estrie region and Quebec overall.

The breakdown of employment by major industry group reveals some differences between the Estrie region and Quebec overall. The primary sector figures more prominently in the region than in Quebec (4% vs. 2.4%), in large part because of the region's agricultural activities.

Despite heavy job losses in the past few years, the manufacturing sector is crucial to the regional economy. In 2007–2009, this sector employed an average of 30,400 people in the region and accounted for 20.2% of total employment. In Quebec, manufacturing accounts for 14% of all jobs.

For several years, the construction industry has been surprisingly dynamic. The value of building permits in Estrie has increased every year since the start of the decade. For 2010–2012, the construction sector is expected to remain at its high level of activity and continue to add jobs. However, residential housing starts are not expected to grow at the same pace as the past few years.

Lastly, the service sector alone accounts for over 70% of all employment in Estrie. The provincial percentage is 78%. Health care and social assistance, retail trade and educational services employ the most workers in the Estrie service sector. Further, the service sector held its course on the job front, propping up overall employment levels, while manufacturing sector companies posted significant declines. The outlook for 2010–2012 calls for employment growth of 1.2%.

Primary sector

Agricultural enterprises generate the most activity, followed by forest and mining companies. Agriculture accounts for 87% of employment in the primary sector.

The primary sector employs approximately 6,000 people and accounts for 4% of total employment in the region, which is higher than the percentage for Quebec as a whole (2.4%). Agricultural enterprises generate the most activity, followed by forest and mining companies. After bottoming out in 2004, employment in the agriculture industry rose over the past three years, averaging 5,200 jobs annually. Agriculture accounts for 87% of employment in the primary sector. Data from the most recent Census of Agriculture published by Statistics Canada indicate that the number of farms in Estrie is down, as is the case elsewhere in the province. Regional data confirm that the regional county municipalities of Coaticook and Le Granit still have the most farms.

Table 3

Employment Breakdown and Outlook in the Primary Sector					
Estrie Region					
	Average for 2007–2009			2010–2012	
	Level ('000)	Share of Employment		Average Annual Growth	
	Region	Region	Quebec	Region	Quebec
Primary sector	6.0	4.0%	2.4%	0.3%	0.3%
Agriculture	5.2	3.4%	1.6%	0.2%	-0.3%
Forestry and logging	–	–	–	–	0.0%
Fishing, hunting and trapping	–	–	–	–	1.9%
Mining	–	–	–	–	2.5%

Source: Service Canada, Quebec Region
Historical estimates based on Statistics Canada's Labour Force Survey (see Notes on Methodology)

According to regional data published by the Quebec Department of Agriculture, Fisheries and Food (MAPAQ), half of all agricultural jobs are linked to dairy and beef production. Families supply a large percentage of farm labour, and the so-called hired hands are often seasonal workers and tend to focus more on horticulture and Christmas tree production. The Estrie region has distinguished itself as a Quebec pioneer in the production of certified organic crops and livestock. These enterprises have been surging and supporting jobs in agriculture. In 2010–2012, we anticipate relative employment stability, with annual growth of 0.2%. The forecast for Quebec as a whole is an annual decline of 0.3%.

Chrysotile asbestos represents, by far, the primary mining activity in Estrie, even though it only accounts for a few hundred jobs, at best. In fall 2008, the international community determined that chrysotile was not a hazardous substance and would not be covered under the Rotterdam Convention, which is good news for the few producers in Quebec, including the Jeffrey Mine in Estrie.

The workers at the Jeffrey Mine recently signed a five-year agreement, which was a critical condition for continuing negotiations with the Quebec government to obtain a \$58 million loan guarantee to enable the company to resume underground mining operations. However, the banning of asbestos by a number of countries and the collapse of market prices remain impediments to growth in this industry. Since the Jeffrey Mine operations have frequently been interrupted since 2003, the employment outlook in this segment remains uncertain. As a result, we are forecasting zero employment growth in mining for the 2010–2012 period.

During the forecast period, job levels in the primary sector overall are expected to grow by a meagre 0.3% in both Estrie and in Quebec as a whole.

Manufacturing sector

The average number of manufacturing jobs during the 2007–2009 period was 30,400, accounting for 20% of regional employment, compared with nearly 14% province-wide.

The average number of manufacturing jobs during the 2007–2009 period was 30,400, accounting for 20% of regional employment, compared with 14% province-wide.

Plagued by numerous problems, including increased competition, the high Canadian dollar, the worldwide economic slowdown and, specifically, the downturn south of the border, the manufacturing sector has been shedding jobs left and right. In Estrie, manufacturing jobs declined sharply from 2004 to 2007, followed by a very brief return to growth in 2008 and yet more job losses as a result of the significant economic pressures in 2009. Compared with the peak in manufacturing jobs recorded in 2003, the shortfall remains significant (close to 12,000 jobs).

Aided by the economic recovery, manufacturing employment may at last start growing again. For 2010–2012, we anticipate growth on the order of 0.6%, slightly higher than the rate expected for Quebec (0.4%). This growth will not affect all sub-sectors equally, however.

Consumer-related manufacturing

Consumer-related manufacturing accounts for 7,300 jobs, or 4.8% of total employment, a lower level than in Quebec as a whole (5.2%). This sub-sector includes food and beverage product manufacturers, textile and textile product mills, clothing and leather product mills, furniture manufacturers, printers and various manufacturing industries. Since 2003, the number of jobs in consumer-related manufacturing has fallen sharply. In fact, employment in this sub-sector has been reduced by one half.

The growth outlook for the 2010–2012 period in the industries comprising this sub-sector is positive for some and negative for others. Overall, the consumer-related manufacturing sub-sector is expected to grow slightly (0.3%).

Among the industries in this sub-sector, the largest is furniture and related product manufacturing, which accounts for 26% of consumer-related manufacturing jobs. In 2007–2009, the industry employed an average of 1,900 people in Estrie.

Made up primarily of household furniture and kitchen cabinet and counter manufacturers, this industry posted exceptional growth from 1996 to 2004, fuelled by the rise in personal disposable income, consumer spending and residential construction, as well as increased foreign market penetration, particularly in the United States. However, a number of limiting factors have disrupted growth, particularly the strong Canadian dollar, the intensification of competition from emerging countries and the economic downturn in the United States. The fact that residential construction is running out of steam is currently adding to the difficulties in the furniture manufacturing industry. Over the past four years, the Estrie furniture industry has posted major job losses. Fewer than 10 companies with over 100 workers are still active in the region. Seeking to distinguish itself from the competition, Quebec furniture manufacturers have turned to specialty products that can be made to order for rapid delivery. All of these changes dictate that companies must reinvest in product development, materials and equipment and skills training for workers. For the 2010–2012 forecast period, the economic recovery is expected to stimulate demand for such products, however job growth will be limited by the need to increase productivity to remain competitive. For the Estrie region, we anticipate an annual average growth rate of 0.5%, while employment in this sub-sector province-wide will remain stagnant with growth of barely 0.1%.

The food and beverage manufacturing industry now ranks second among all consumer-related manufacturing segments. The industry employs about 1,300 people and accounts for 18% of consumer-related manufacturing jobs. Not only was this segment spared by the economic downturn, it actually posted considerable growth. In Estrie, the industry boasts a



diverse range of products (milk, cheese, meats, bakery goods, coffee roasting, beer, wine and other beverage production).

In 2010, a long-awaited project finally came to fruition. A new facility to slaughter, process and distribute fine meats from the Townships was built at a cost of over \$11 million. The new facilities will solidify existing employment and create about 30 new jobs over the next two years.

For the 2010–2012 forecast period, we anticipate average annual growth of 1.1% for the food and beverage manufacturing industry, slightly higher than the expected rate for Quebec as a whole (0.9%).

The number of businesses in the industry has been reduced, and fewer than 10 of these businesses have 50 or more employees.

Textile and textile product mills comprise another important industry in the consumer-related manufacturing sub-sector. Since 1990, employment in the region's mills has been trending downward, with average employment levels falling sharply from over 4,000 jobs at the beginning of the decade. The number of businesses in the industry has been reduced, and fewer than 10 of these businesses have 50 or more employees. Technical textile and specialty textile product manufacturers are faring the best. Long associated with the clothing industry, manufacturers are now turning to other industrial sectors.

In Sherbrooke, the company FilSpec Inc. responded to competition from emerging countries in textiles by investing in developing more specific products. The company can now produce high-tech yarns for very specific applications. These highly specialized products demand significant research and development spending and skilled workers such as engineers, chemists and laboratory technicians, but also investment in machinery and staff training.

Other examples of specialty textile companies are Garlock of Canada Ltd., a Sherbrooke company that specializes in manufacturing textile-based sealing products for valves and pumps; Niedner, a company that has been in Coaticook for over 100 years and is a recognized designer and manufacturer of fire hoses for municipal, industrial and forestry uses; and PGI-Difco Performance Fabrics Inc., a Magog company that manufactures woven and knitted industrial fabrics for work clothing and protective (flame-retardant) garments.

Employment has also decreased substantially in clothing and leather product manufacturing. In 1995, as the first trade barriers to clothing imports from emerging countries fell, activity in these industries began to contract. Since all quotas were removed worldwide in January 2005, these companies now face fierce competition. The strong Canadian dollar is an additional problem for them. Traditional and less profitable lines have all been abandoned, and only those niches that are more specialized, such as the manufacture of flame-resistant clothing for firefighters, riot gear and super resistant work clothing, still seem to be viable. Competitiveness can also be enhanced through the development of innovative products and the purchase of more efficient equipment.

Clothing and leather products continue to be vulnerable and further temporary or permanent layoffs are likely over the short and medium terms, particularly in the case of standard lines.

The number of companies and jobs in this segment in the Estrie region is falling steadily. Clothing and leather products continue to be vulnerable and further temporary or permanent layoffs are likely over the short and medium terms, particularly in the case of standard lines. We anticipate a decline in employment of 1.5% for the 2010–2012 period, compared with a decline of 2.5% for Quebec.

Lastly, the miscellaneous manufacturing category is expected to post solid growth of 1.4%. Included in this group are medical equipment manufacturers, which are benefiting from strong demand because of the aging population and increased spending in the health and home care sectors.



Table 4

Employment Breakdown and Outlook in the Manufacturing Sector					
Estrie Region					
	Average for 2007–2009			2010–2012	
	Level (’000)	Share of Employment		Average Annual Growth	
	Region	Region	Quebec	Region	Quebec
Manufacturing sector	30.4	20.2%	14.0%	0.6%	0.4%
Consumer-related manufacturing	7.3	4.8%	5.2%	0.3%	-0.1%
Food, beverages and tobacco products	1.3	0.9%	2.0%	1.1%	0.9%
Textile mills and textile product mills	0.9	0.6%	0.3%	1.2%	-1.0%
Clothing and leather products	1.0	0.7%	0.7%	-1.5%	-2.5%
Printing and related activities	0.9	0.6%	0.7%	-1.2%	-1.6%
Furniture and related products	1.9	1.3%	0.9%	0.5%	0.1%
Miscellaneous	1.2	0.8%	0.6%	1.4%	0.6%
Resource-related manufacturing	8.1	5.4%	3.0%	-0.1%	0.1%
Wood products	2.4	1.6%	1.0%	0.3%	0.4%
Paper	4.1	2.7%	0.7%	-0.8%	-1.3%
Petroleum and coal products	0.1	0.0%	0.1%	0.0%	-3.0%
Non-metallic mineral products	1.0	0.6%	0.4%	1.4%	1.5%
Primary metal	0.6	0.4%	0.7%	1.5%	0.8%
Investment-related manufacturing	15.0	10.0%	5.8%	1.3%	1.0%
Chemical	0.8	0.5%	0.8%	0.8%	0.3%
Plastic and rubber products	3.8	2.5%	0.9%	1.1%	0.4%
Fabricated metal products	3.0	2.0%	1.1%	1.8%	1.7%
Machinery	2.0	1.4%	0.6%	1.0%	1.0%
Computer and electronic products	0.9	0.6%	0.6%	1.1%	0.7%
Electrical equipment, appliances and components	0.3	0.2%	0.4%	0.0%	1.1%
Transportation equipment	4.2	2.8%	1.4%	1.6%	1.1%

Source: Service Canada, Quebec Region
Historical estimates based on Statistics Canada’s Labour Force Survey (see Notes on Methodology)



Overall, the consumer-related manufacturing sub-sector is expected to post weak employment growth of 0.3% over the 2010–2012 period. However, the clothing and leather products and printing segments will continue to contract. In Quebec, the number of jobs will hold steady (-0.1%).

Resource-related manufacturing

The well-entrenched decline in wood products manufacturing is being amplified by the US housing slowdown.

Resource-related manufacturing employs 8,100 people in the Estrie region and accounts for 5.4% of overall employment, compared with 3% in Quebec. This category mainly includes wood product manufacturing, paper manufacturing and non-metallic mineral product manufacturing companies, as well as primary metal manufacturing companies. Our 2010–2012 forecast calls for zero job growth for this sub-sector (-0.1%). Paper manufacturing and to a lesser extent wood product manufacturing are dampening the outlook.

The pulp and paper manufacturing segment remains the biggest employer in the region, accounting for some 4,100 jobs. This is also the industry in which the outlook is the most pessimistic. The past few years have been particularly difficult for the pulp and paper industry. Excess production capacity and fierce competition on international markets are the reason for the downsizing plans.

Large Estrie pulp and paper makers are actually faring relatively well, as there have been no permanent closures in Estrie, unlike other regions.

Large Estrie pulp and paper makers are actually faring relatively well. There have been no permanent closures in Estrie, unlike other regions. However, the region has had temporary layoffs since 2007, the frequency and duration of which increased in 2009. Weak demand points to further job losses for the 2010–2012 period.

Domtar, a major fine paper producer, launched a restructuring plan in 2005. At its Windsor plant in Estrie, Domtar cut staff primarily through voluntary departure and pre-retirement programs. The production cost cutting plan has had a significant impact on jobs at the plant: the number of employees has dropped from 1,100 to about 900. In 2007, Domtar signed a deal with Weyerhaeuser to merge their fine paper operations. Although the new company will keep the Domtar name and the head office will still be in Montreal, operations will be run from the United States. Although 2009 was a better year than 2008, the sluggish recovery and competition continue to dictate tight control over production costs.

The Kruger paper company operates two plants in Sherbrooke: one manufactures newsprint and the other sanitary paper products. At its plant in the borough of Brompton, Kruger invested \$85 million to build a cogeneration plant, and over half a million dollars to train its employees. In the next phase, Kruger plans to start up a municipal-sludge-to-energy operation. This will allow Kruger to reduce both its production costs and its greenhouse gas emissions. The company also has a plant in the borough of Lennoxville, where it is also improving its value-added processes and attempting to reduce production costs. In late 2007, as a result of excess inventory, the Bromptonville plant decided to stop work for a period of two weeks, an unusual occurrence for the plant. Since then, other production shutdowns have been needed to reduce inventory. In 2009, although their collective agreement was still in effect, employees agreed to additional concessions on wages and work schedules. Cutting production costs remains a major concern and every effort is being made to avoid temporary shutdowns.

The Cascades company manufactures boxboard for folding boxes and kraft paper at its two East Angus plants. The company significantly improved its financial situation in 2006, after recovery measures were introduced and countervailing duties were refunded. Lower demand for its boxboard products recently placed its workers in an unaccustomed situation: in late 2007 and early 2008, plant workers were laid off temporarily for a few weeks. The same situation occurred again in 2009, heightening concerns among workers in this industry. However, the closure of a boxboard plant in Toronto resulted in orders being rerouted to East Angus and more recently, in May 2010, Cascades announced that it would invest \$10.5 million to step up recycled pulp-based paper production. The pulp mill is 100 years old and will be demolished and replaced by a new facility. President and CEO Alain Lemaire felt that greening his business was a must. No layoffs are anticipated in the short term and staff cuts will be achieved through attrition.



Market conditions in the pulp and paper industry remain difficult. Fierce competition and weak demand are driving down prices and highlight the need for additional productivity enhancement measures. For the 2010–2012 forecast period, a further decline in employment is expected (-0.8%), although the proportion of job losses will be lower than that projected for the industry province-wide (-1.3%).

The wood product manufacturing industry is the second largest in the resource-related manufacturing sub-sector. It employs 2,400 people and accounts for 1.6% of total employment, compared with 1% in Quebec. Door and window manufacturing, millwork and factory-built housing account for 50% of the jobs in this category, while sawmills account for 33% and veneer, plywood and other wood product manufacturing represent slightly over 20%. In addition, Estrie is home to the largest particleboard production plant in North America (Tafisa) and a hardwood cutting and veneering plant (Masonite International Corporation, Industries Manufacturières Mégantic division).

Despite the difficulties in the industry and the significant contraction in employment in recent years, wood product manufacturing remains an important segment for Estrie, particularly since the strength of Estrie's wood products for the paper, furniture and logging sectors led to the identification of a niche of excellence in the area of imitation wood processing and composites. Productivity gains, innovation and development of new markets are major challenges to further development in the industry. In 2010–2012, we anticipate weak employment growth of barely 0.3%.

Non-metallic mineral product manufacturing accounts for just 1,000 jobs in Estrie, a significant decline since the start of the decade. Granite, cement, concrete and lime are the main products manufactured in the region and this category is expected to benefit from public infrastructure spending. Graymont Inc., the third largest lime producer in North America, invested \$7 million to upgrade its plant in Dudswell. The investment will solidify the 80 current jobs and may create others.

Investment-related manufacturing

The investment-related manufacturing sub-sector is primarily made up of transportation equipment, plastic and rubber product, metal product and machinery manufacturing plants. This sub-sector employs 15,000 people and accounts for nearly half of all manufacturing jobs and 10% of overall employment in the region. In Quebec, the investment-related manufacturing sub-sector accounts for 5.8% of total employment.

For the 2010–2012 forecast period, average annual employment growth of 1.3% is projected for the Estrie region, compared with 1% for Quebec as a whole.

Transportation equipment manufacturing is the main employment segment and Bombardier Recreational Products (BRP) is by far the largest employer in this group.

Focusing on innovation and productivity gains, BRP joined forces with the University of Sherbrooke to set up the Centre de technologies avancées (CTA) in Sherbrooke's Parc Innovation, involving a total investment of more than \$36 million. The CTA's mission is to develop new technologies in the field of motorized recreational vehicles. BRP Inc. also invested \$226 million in Valcourt for the assembly of its new Spyder roadster, a three-wheeled motorcycle, and \$15 million for the construction of a design and innovation centre adjacent to its head office.

Although a downturn in demand made the end of 2008 and early 2009 difficult, BRP believes that there are now positive signs of recovery.

The industry that for many years generated the most jobs in investment-related manufacturing—rubber and plastic product manufacturing—has now dropped to second place. Although the segment still employs a large number of people—3,800 in 2007–2009—those levels are down significantly from the heydays of 2000 to 2005, when the average number of jobs was 5,600. A number of plants have permanently shut down in the past few years. The trials and tribulations of the automotive industry and the overall

downturn in the manufacturing sector are behind the drastic decline in employment. In 2007, Estrie still had approximately 20 plants that manufacture sealing products; now there are only about 10. Fortunately, the worst of the crisis appears to be over and there are signs of recovery in the automotive industry. Developments in wind energy provide another application for the rubber and plastics industry.

Fabricated metal product manufacturing employs 3,000 people and accounts for 2% of regional employment, compared with 1.1% in Quebec. With the exception of 2009, the number of jobs in the industry held steady, contrary to a number of other manufacturing industries. The segment is benefiting from the infrastructure spending. For 2010–2012, we anticipate above-average growth in fabricated metal product manufacturing, on the order of 1.8%.

Magog-based Fontaine Industries Ltd. recently invested over \$1 million to purchase high-precision steel cutting equipment. The company is relying on productivity gains and production cost-cutting to diversify its markets. Fontaine Industries Ltd. designs, manufactures and distributes sluice gates and water control equipment for municipal and industrial clients.

In spring 2010, Nad Klima of Sherbrooke invested \$1.8 million to expand and purchase new equipment, resulting in the creation of 30 to 50 new jobs. Initially specializing in distribution of energy-efficient ventilation technology, the company moved into manufacturing in 2008. It now plans to expand its sales area. Nad Klima recently obtained licences for the North American market.

The fourth-largest investment-related manufacturing segment is machinery manufacturing, employing some 2,000 people and accounting for 1.4% of regional employment, compared with 0.6% in Quebec as a whole. In today's context of fierce competition, companies are investing in improving their production processes and this should benefit machinery manufacturers. Employment growth for 2010–2012 is expected to be 1% for both Estrie and Quebec as a whole.

The Sherbrooke company AFT Aikawa Group, a manufacturer of stainless steel pulp screening components, is beginning to grow again after a significant downturn in 2009.

New company Novanergy has opened a plant in the industrial park in Magog. Novanergy manufactures batteries that store thermal energy for the industrial, commercial and institutional sectors. It is a partnership between Groupe Énerstat and Systemex Énergies. A few dozen jobs will be created, including positions for engineers, technicians and skilled assembly and manufacturing workers. Medium-term projections indicate that 50 to 75 jobs will be created.

The other investment-related manufacturing segments are present in Estrie, but they employ a relatively small number of workers. These segments are chemical manufacturing, computer and electronic product manufacturing and electrical equipment, appliance and component manufacturing. The companies in this segment are nonetheless growing. For instance, Tekna Plasma Systems Inc., which specializes in inductive plasma technology, has invested \$5 million to build a new building and purchase the latest in high-tech equipment. The investment will enable the company to diversify production. The new plant will manufacture materials for the microelectronics and biotechnology fields and wear-resistant parts for the mining and oil drilling sectors.

Construction industry

The construction industry in Estrie employs 8,200 people and accounts for 5.4% of overall employment. This percentage is similar to that found province-wide. There has been remarkable growth in the region's construction industry in the past 10 years. According to Statistics Canada, the value of building permits has increased by an average of 8% per year since the start of the decade. A record level of \$524 million in permits was registered in 2006. In 2009, permit value was at its second-highest level, \$508.1 million.



Residential construction peaked in 2009 at nearly \$364 million, or 72% of overall building permit value in Estrie.

Residential construction in particular peaked in 2009 at nearly \$364 million, or 72% of overall building permit value in Estrie. According to the Canada Mortgage and Housing Corporation, the vacancy rate in seniors' residences in the metropolitan area of Sherbrooke is nearly 10%. As a result, there will almost certainly be a slowdown in construction of these types of dwellings. Although the vacancy rate for other types of residential buildings is not as high, an upward trend has been observed. In addition, the end of the stimulus measures in the renovation sector and the expected rise in mortgage rates will check the strong growth of the past few years.

The institutional and government building segment will remain buoyant owing to the construction starts stemming from the economic stimulus measures. In addition, the economic recovery is expected to foster industrial construction investment. However, this type of construction is much less important in terms of investment and job creation.

In the commercial sector, permit values and the number of known projects point to a downturn in this type of construction. On the other hand, engineering and highway construction will continue to be very strong. In 2010–2011, planned spending amounts to nearly \$127 million, compared with \$85 million the previous year. The money will go towards water supply and sewer construction, bridge repairs and improvements to the Estrie road network. A total of \$221 million, to be paid out over several years, has been earmarked for the extension of Highway 410 alone.

The most significant construction projects under way and planned for the short term are as follows: the residential and commercial project, les Sommets de la santé (\$500 million); work at Charles River Laboratories (\$140 million) and the Centre hospitalier universitaire de Sherbrooke (CHUS) (\$110 million); expansion of the Centre de recherche clinique Étienne-Lebel (\$32 million); Sherbrooke condo construction projects (\$30 million) and the Bishop's University Sports Complex (\$29.5 million); reconstruction of the Centre Mgr-Bonin in Lac Mégantic (\$29 million); construction of Sherbrooke's Centre d'excellence en génie de l'information (\$25 million) and the Sherbrooke police headquarters (\$22 million); improvements to the Commission scolaire régionale de Sherbrooke building inventory (\$20 million); expansion of the Centre sportif de l'école secondaire La Ruche in Magog (\$19 million); planned development for the 2012 Canada Games (\$19 million); the Centre de foires in Sherbrooke (\$18 million); and lastly, construction of a sports complex at Le Triolet high school in Sherbrooke (\$15 million).

Our forecasts indicate that the number of construction jobs will remain at a high level for the 2010–2012 period. The annual average rate of growth will be 1.5%, compared with 1.3% province-wide.

Service sector

The service sector employs some 106,000 people in Estrie, or 70% of the regional workforce, compared with 78% in Quebec. In recent years, the service sector has been a huge factor in maintaining regional employment levels.

Consumer services

This large sub-sector employs 40,000 people and accounts for 27% of total employment in Estrie, compared with nearly 28% province-wide.

The retail trade industry employs by far the most people in the consumer services sub-sector.

The retail trade industry employs by far the most people in the consumer services sub-sector. For the 2007–2009 period, retail trade employed an average of 18,500 people and accounted for almost 50% of all consumer service jobs and 12% of total employment. Several big-box stores have appeared on the commercial landscape in Sherbrooke, increasing the level of employment in this industry. Investment in the trade industry continues, stimulated by the growing population and rising disposable personal income. In Sherbrooke, development of the Plateau St-Joseph is ongoing. In 2009 and 2010, two new stores were added to the commercial site located at the intersection of Highway 410, Highway 10 and Highway 55. The future Centre de foires regional trade show centre will open its doors on this site in December 2010, which will bring in more traffic to all the



stores. Average growth for 2010–2012 is expected to be 1.1%, slightly higher than the rate expected for Quebec overall (0.9%).

Ranking second overall, the accommodation and food services industry accounts for 8,900 jobs in Estrie, or 5.9% of total employment, compared with 6.2% in Quebec. The economic recovery and additional regional tourist attractions will generate positive spin-off for the consumer services sub-sector. Aiming to broaden its range of business tourism offerings, Sherbrooke will add a four-star hotel and a conference centre in 2010. In addition, the newly renovated Hôtel des Gouverneurs will reopen in 2011 with a four-star rating. The development of the Magog River Gorge, the growing number of tourist packages (biking, golfing, tourist train, entertainment) and the confirmed investment in sports tourism development will help increase the tourist dollars flowing into accommodation and food services as well as information, culture and recreation. For the 2010–2012 period, job growth will accelerate. The anticipated rate of growth for the two consumer services segments in the Estrie region is 1.5% and 1.2% respectively.

Table 5

Employment Breakdown and Outlook in Consumer Services					
Estrie Region					
	Average for 2007–2009			2010–2012	
	Level (’000)	Share of Employment		Average Annual Growth	
	Region	Region	Quebec	Region	Quebec
Consumer services	40.0	26.6%	27.6%	1.3%	1.0%
Retail trade	18.5	12.3%	12.4%	1.1%	0.9%
Information, culture and recreation	4.8	3.2%	4.5%	1.2%	1.0%
Accommodation and food services	8.9	5.9%	6.2%	1.5%	1.0%
Other services	7.8	5.2%	4.6%	1.4%	1.3%

Source: Service Canada, Quebec Region
Historical estimates based on Statistics Canada's Labour Force Survey (see Notes on Methodology)

Production services

Overall, production services provides jobs for 27,400 people and accounts for 18.2% of total employment in Estrie, a significantly lower percentage than in Quebec as a whole (26%).

The three largest segments of production services in terms of jobs in Estrie are, in order of size, professional, scientific and technical services, finance, insurance, real estate, rental and leasing, and transportation and warehousing. All of these segments employ lower percentages of workers than they do in Quebec.

Expected annual growth for all production services is 1.4% as compared with 1.6% in the province as a whole.

Professional, scientific and technical services are booming in the region. In the past few years, this category has posted very strong job growth and now ranks first in production services, ahead of finance, insurance, real estate and rental and leasing. In 2007–2009, the average number of jobs was 7,000 and the expected rate of growth for 2010–2012 will be twice the average for all industries combined.

Engineering services, research and development services, computer systems design services and accounting services employ the majority of people in this category. Aside from



a few engineering and accounting firms, computer service companies and scientific research and development service companies, the vast majority of companies have fewer than 50 employees. A significant percentage of these jobs require specialized training and skills.

Table 6

Employment Breakdown and Outlook in Production Services					
Estrie Region					
	Average for 2007–2009			2010–2012	
	Level (‘000)	Share of Employment		Average Annual Growth	
	Region	Region	Quebec	Region	Quebec
Production services	27.4	18.2%	26.0%	1.4%	1.6%
Utilities	0.5	0.3%	0.9%	0.0%	1.2%
Wholesale trade	4.2	2.8%	4.0%	1.4%	1.5%
Transportation and warehousing	5.3	3.5%	4.6%	1.2%	1.5%
Finance, insurance, real estate and rental and leasing	6.4	4.2%	5.9%	1.0%	1.4%
Professional, scientific and technical services	7.0	4.7%	6.9%	2.0%	2.0%
Mgmt of companies, enterprises, admin. and support and other	4.1	2.7%	3.7%	1.1%	1.2%

Source: Service Canada, Quebec Region
Historical estimates based on Statistics Canada's Labour Force Survey (see
Notes on Methodology)

The Centre des technologies avancées BRP-University of Sherbrooke is already considering expanding. Construction on a new facility is planned for the Parc Innovation site near the University of Sherbrooke. The CTA will maintain its five technology niches, which are motors; transmissions and drive trains; suspensions, shock absorbers and chassis; manufacturing materials and processes; and other environmental technologies, but new partners will be added. Launched in December 2006, research was focused exclusively on innovative products for Bombardier Recreational Products. The CTA now has partners and customers all over Canada, the United States and Europe, among other locations. The private-public research centre is hiring engineers, laboratory technicians, designers and mechanics.

The Magog-based company Boréal – Information Strategies, which specializes in strategic system development and geographic data integration, has invested over \$2 million to develop and market a solution to measure customers' environmental performance. The company has clients in the mining and oil sectors, among others, and works in Africa and the Americas. Founded in 2004, the company has 30 staff and plans to hire 20 more in specialized areas of activity.

For its part, Tranzyme Pharma of Sherbrooke plans to double its staff in the short term. Researchers, chemists and other scientists are working to develop new drugs after the company landed a large contract with the American pharmaceutical group Bristol-Myers-Squibb.



Public and parapublic services

A total of 38,600 people in Estrie work in the public and parapublic services sector, accounting for 25.6% of all jobs in the region, a slightly higher percentage than in Quebec (24.7%).

Table 7

Employment Breakdown and Outlook in Public and Parapublic Services					
Estrie Region					
	Average for 2007–2009			2010–2012	
	Level ('000)	Share of Employment		Average Annual Growth	
	Region	Region	Quebec	Region	Quebec
Public and parapublic services	38.6	25.6%	24.7%	0.9%	0.8%
Educational services	12.8	8.5%	6.7%	0.3%	0.3%
Ambulatory health care and hospitals	10.8	7.2%	6.5%	1.3%	1.4%
Other health care and social assistance	8.4	5.6%	5.6%	1.7%	1.8%
Federal public administration	1.5	1.0%	2.1%	-0.4%	-0.4%
Provincial and territorial public administration	2.4	1.6%	1.9%	0.0%	-0.4%
Local, municipal, regional and other public administration	2.7	1.8%	1.8%	1.2%	0.5%

Source: Service Canada, Quebec Region
Historical estimates based on Statistics Canada's Labour Force Survey (see Notes on Methodology)

Health and social services are the main segments that will post job growth.

Overall, we are forecasting employment growth in public and parapublic services of 0.9% for the 2010–2012 period. Job growth will be uneven across all segments, however, occurring mainly in health and social services. Expansion projects at a number of Estrie institutions will generate jobs in the health and social assistance fields. The development of the Réseau universitaire intégré de santé de Sherbrooke also creates a need for more skilled workers. The network, which extends from part of Montérégie and Mauricie to Centre-du-Québec and Estrie, has a clientele of one million people. The needs of an aging population and the associated rise in the health budget over the past five years are expected to support this employment growth. In addition, an increase in the birth rate and the government's commitment to daycare services will result in job creation in this field.

The agreement between the government and unions to reduce class sizes at primary, elementary and secondary levels will partially offset the effects of the declining populations.

The forecast in the second largest segment in this sub-sector, educational services, which employs 12,800 people, calls for more modest employment growth of 0.3%. Student population estimates for the next three years vary according to the level of education. The primary- and university-level populations are expected to rise slightly, while the population of secondary and college students will decrease. However, the agreement between the government and unions to reduce class sizes at primary, elementary and secondary levels will partially offset the effects of the declining populations. The smaller class sizes will be applied gradually over three years, starting with the 2010–2011 intake year.

Lastly, public administration workers account for 6,600 jobs and 4.4% of overall Estrie employment, lower than the percentage in Quebec (5.8%). The decision to cut spending and the size of the public service points to zero job growth for the federal and provincial administrations. Municipal administrations, on the other hand, are hiring staff to cope with



their broadened responsibilities. Nonetheless, balancing the budget continues to be a pressing concern at this level as well.