



Sectoral Outlook

2007-2009

Estrie

CLICK servicecanada.ca

CALL 1 800 O-Canada / 1 800 622-6232
ATS 1 800 925-9105

VISIT Service Canada Centres

Sectoral Outlook

2007-2009

Estrie



Service
Canada

Canada

Author

Danielle Pineault, Economist
Service Canada
Estrie Region
Telephone: (819) 564-5864 • 1-877-564-5864
E-mail: danielle.pineault@servicecanada.gc.ca

Translation to English

Translation Bureau
Public Works and Government Services Canada
Québec Region

With the Collaboration of

Corporate Communications and Services Branch
Service Canada
Québec Region

Graphic Design

Josée Gaudreault, graphic artist

Pictures

Modified picture, Hélène S. Dubois, © Le Québec en images, CCDMD
Modified picture, Denis Chabot, © Le Québec en images, CCDMD
Modified picture, Joane Lamarche, © Le Québec en images, CCDMD

March 2007

This publication is also available at the following Internet address: www150.hrdc-drhc.gc.ca/asp/ww-mt/Accueil.asp

Cette publication est aussi disponible en français.

The contents of this document derive from analyses made by the author and do not necessarily reflect the views of the Government of Canada.

Cat. No.: SG2-1/7-2007E-PDF

ISBN: 978-0-662-45577-6

© Her Majesty the Queen in Right of Canada, 2007

Table of Contents

Summary	4
Introduction	6
Notes on Methodology	7
Part 1: Overview	9
Description of the Area	9
Economic Environment	9
Labour Market Indicators	9
Part 2: Sectoral Outlook	11
Overview	11
Primary Sector	12
Manufacturing Sector	13
Consumer-Related Manufacturing	15
Resource-Related Manufacturing	16
Investment-Related Manufacturing	17
Construction Industry	18
Service Sector	19
Consumer Services	19
Production Services	20
Public and Parapublic Services	21
List of Tables	
1 Main Labour Market Indicators - 2003-2005	10
2 Breakdown of Employment for Selected Industry Groups	11
3 Breakdown and Employment Outlook in the Primary Sector	13
4 Breakdown and Employment Outlook in the Manufacturing Sector	14
5 Breakdown and Employment Outlook in Consumer Services	19
6 Breakdown and Employment Outlook in Production Services	20
7 Breakdown and Employment Outlook in Public and Parapublic Services	21

Summary

Demographic outlook

The Estrie region has a significant urban core centering on Sherbrooke, while the rest of the region is more rural. Excluding Sherbrooke, the region contains just six localities with more than 5,000 inhabitants, the largest of which is the city of Magog.

According to the 2001 Census, the region's population was 285,600, 2.5% larger than in 1996 (the province of Quebec saw a 1.4% increase). The regional county municipality of Memphrémagog posted the highest population growth, with an increase of 7%, while the population of the Asbestos MRC fell 3%.

The Institut de la statistique du Québec (ISQ) projects that the Estrie population will continue to grow until 2026. Migration will contribute more to this growth than any natural increase in population. In its scenario for 2001–2011, the ISQ forecasts growth of 7% for Estrie and 5% for Quebec. Estrie should continue to account for about 4% of the province's total population.

Economic outlook

After several years of employment growth, job creation in Estrie over the past three years has shown signs of slowing. In 2006, employment barely kept pace with the 2003 level. The 2007–2009 forecast points to annual average growth of 0.8%, slightly below the 1.0% rate projected for all of Quebec.

Sectoral outlook

The Estrie region has a diverse economy, with the manufacturing sector accounting for a significant but declining share of employment. Overall, 2004 saw a loss of almost 3,000 jobs (-2.0%) and employment in 2006 barely managed to reach the 2003 level, with 146,000 jobs.

Primary sector

In the primary sector, agricultural enterprises, chiefly dairy, beef and pig farms, generate the most activity, followed by forest and mining enterprises. The primary sector accounts for less than 4% of employment in Estrie. The employment level is forecast to be stable in 2007–2009.

Secondary sector

After a record 43,100 jobs were posted in the manufacturing sector in 2003, employment declined steadily. In three years, Estrie has lost 11,000 manufacturing jobs, a decrease of almost 26%.

Consumer-related manufacturing remains fragile. This sector is labour intensive and directly affected by increasingly stiff competition from Asian countries. Business profitability has taken a direct hit from the drastic decline in orders and, in some cases, the viability of enterprises is at stake. Textiles, clothing and furniture are the most vulnerable sub-sectors in this category.

The resource-related sub-sectors, specifically, wood and paper product manufacturers, are concerned about the slowdown in the United States. The rising value of the Canadian dollar and foreign competition are also factors that have cast a pall over the prospects for growth in this sector in the short to medium term.

In investment-related manufacturing, rubber products, plastics and transportation equipment makers are drawing attention. After years of strong growth, these enterprises are working hard to raise their productivity levels and to penetrate new markets.

Growth throughout the manufacturing sector is forecast to be only 0.3% for 2007–2009. Estrie has a highly diversified manufacturing sector, which should enable it to avoid a more pessimistic scenario. Certain industries, namely metal products, machinery and medical equipment manufacturers, are still well positioned vis-à-vis the competition.

Construction should continue to be busy, although it is not set to repeat the performances of recent years. Institutional and government construction will account for most major capital projects.

Tertiary sector

The service sector accounts for 66% of employment in Estrie and for more than 97,000 of the region's jobs. Employment growth has made this the strongest sector, which comprises consumer, production, public and parapublic services. Of all the major sectors of activity, the tertiary sector is expected to post the strongest employment growth in Estrie for the 2007-2009 forecast period (1.1%). Slightly lower growth is forecast for the province as a whole (1.3%).

Introduction

Each year, Service Canada develops 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.

This document deals with sectoral outlooks. A second document, to be published at a later date, will provide occupational outlooks.

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. 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

Estimated employment levels

The employment estimates by industry are based on Statistics Canada's Labour Force Survey (LFS), as this tool is the only reliable source that follows employment developments in both Quebec and the regions. 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 (2004-2005-2006) 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 2007 to 2009. They were developed in winter 2006–2007 in co-operation with Service Canada economists working in Quebec's regions and with the help of the Canadian Occupational Projection System (COPS), without which we would not have had access to the many 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 sector

- 31-33 Manufacturing

When relevant, 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 territory

The Estrie economic region includes the regional county municipalities (MRCs) of Le Granit, Les Sources, Le Haut-Saint-François, Le Val Saint-François, Coaticook, Memphrémagog and the Sherbrooke region. The latest Statistics Canada Census placed the region's total population at 285,613 in 2001.

The Sherbrooke census metropolitan area (CMA) includes the municipalities of Ascot, Ascot Corner, Compton, Hatley, North Hatley, Saint-Denis-de-Brompton and Sherbrooke (including the former municipalities of Bromptonville, Deauville, Fleurimont, Lennoxville, Rock Forest, Saint-Élie-d'Orford, Stoke and Waterville). The CMA's total population stood at 153,811 in 2001.

Economic environment

The Estrie region has a diverse economy, in which the manufacturing sector has played an important role. It accounted for almost 30% of the region's labour force in 2003 and plants in Estrie have been riding the growth wave. Increasing competition and the rise of the Canadian dollar are the focus of all discussions related to the manufacturing sector. In recent years, the industry has been greatly affected by these trends. The shock wave has even affected the rate of employment growth. Despite industry initiatives such as reorganization plans, downsizing, reinvestment in technology and product adaptations, the manufacturing sector is not immune to further contraction. Strong measures will be required because the competition may make even greater inroads.

The economic slowdown in the United States could undermine growth prospects in Quebec. Since the United States constitutes the main export market for many manufacturers in Estrie, these concerns impinge on the region.

Accordingly, for the 2007–2009 forecast period, annual employment growth in Estrie is expected to be weak, at 0.8%, slightly lower than the 1.0% anticipated for Quebec.

Labour market indicators

Table 1 presents the main labour market indicators as well as an average for the last three years in the Estrie region. The working-age population has been growing by about one per cent a year, and the total working-age population was 246,200 in 2006.

Although the working-age population experienced less steady growth, it nonetheless hit an all-time high of 159,200. Estrie's labour force participation rate is lower than that of the province as a whole. Indeed, in 2006, the region's participation rate was 64.6%, compared with 65.5% for Quebec.

Table 1
Main Labour Market Indicators - 2004-2006
 Estrie Region

	2004	2005	2006	2004-2006
Population 15 +('000)	241.5	244.0	246.4	244.0
Labour force ('000)	155.3	155.8	159.2	156.8
Employed ('000)	143.3	145.5	146.1	145.0
Unemployed ('000)	12.0	10.3	13.1	11.8
Unemployment rate (%)	7.7%	6.6%	8.2%	7.5%
Participation rate (%)	64.3%	63.9%	64.6%	64.3%
Employment rate (%)	59.3%	59.6%	59.3%	59.4%

Source: Statistics Canada, Labour Force Survey
 Compilations by Service Canada

In terms of employment, it took the region three years to get back to the 2003 employment level of 146,200. Part-time employment rose significantly from 19% in 2003 to nearly 21% in 2006.

In 2006, the number of unemployed rose steeply, from 10,300 to 13,100, causing a jump in the unemployment rate. The regional unemployment rate was 8.2% in 2006 (8.0% in Quebec), compared to 6.6% a year earlier. The 2006 unemployment rate is the region's highest since 1999, when the rate stood at 8.8%.

In the Sherbrooke census metropolitan area, the labour market shows more promise. Employment growth as a whole in Estrie in the last year is attributable to the metropolitan area. Employment in Sherbrooke grew by 1,000 jobs between 2005 and 2006, while overall employment in Estrie grew by only 600 jobs.

Likewise, the adult population grew more rapidly and labour force participation maintained its upward trend over the entire period of the past three years. This has resulted in more favourable participation and employment rates than in Estrie and Quebec as a whole. The unemployment rate in the Sherbrooke metropolitan area was 7.8% as opposed to 8.2% in Estrie and 8.0% in Quebec.

Part 2: Sectoral outlook

Overview

For 2007-2009, employment growth in Estrie is expected to be weak. Essentially, the service sector is expected to save the day since its growth should outstrip by far that posted in other sectors.

In Estrie, the primary sector has some 5,200 jobs or 3.6% of total employment, compared with 2.6% in Quebec. As a whole, primary industries should not post any real employment gains in the 2007-2009 forecast period.

Table 2
Breakdown of Employment for Selected Industry Groups
Estrie Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
All Industries	145.0	100.0%	100.0%	0.8%	1.0%
Primary	5.2	3.6%	2.6%	0.0%	-0.3%
Manufacturing	35.9	24.7%	16.4%	0.3%	0.6%
Construction	6.6	4.5%	4.7%	-0.2%	-0.6%
Services	97.1	67.0%	76.3%	1.1%	1.3%
Consumer Services	35.9	24.8%	27.4%	1.0%	1.1%
Production Services	25.2	17.4%	24.5%	1.5%	1.9%
Public and Parapublic Services	36.0	24.8%	24.4%	0.9%	0.8%

Source: Service Canada Quebec region
Historical estimates based on Statistics Canada's Labour Force Survey

The construction sector, which has been very active in the past few years, has maintained an employment level above 6,000 since 2002. The next forecast period points to a high level of activity but also to the possibility of a slight contraction.

The service sector employs some 97,100 people, providing two out of every three jobs in the region. For the province as a whole, this sector accounts for 76% of total employment. Health care and social assistance, commerce and educational services employ the most workers in the Estrie service sector.

Finally, the manufacturing sector, traditionally dynamic and with a relative share of employment that sets it apart from many regions in Quebec, continues to sustain significant job losses. In 2004–2006, manufacturing industries accounted for an average of just under 36,000 jobs, or 24.7% of total employment. Although Quebec as a whole has posted manufacturing job losses, the results show a less marked contraction. From 2003 to 2005, there was a ten percentage-point gap between the relative shares of Estrie and Quebec; the gap now stands at eight points.

For the 2007–2009 forecast period, annual average employment growth in all industries in Estrie is expected to average 0.8%, a little below the 1.0% forecast for Quebec as a whole.

Primary sector

Agricultural enterprises generate the most activity, followed by forest and mining companies

The primary sector represents some 5,200 jobs in Estrie, or 3.6% of total employment. Agricultural enterprises generate the most activity, followed by forest and mining companies. The level of agricultural employment seems to have hit a low in 2004. Based on MAPAQ data, half of agricultural labour is associated with dairy and beef production. A major part of farm labour is supplied by families, 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. This sector has shown strong growth, which has, in part, buoyed employment levels in agriculture.

Chrysotile asbestos by far accounts for the primary mining activity in Estrie although there are only a few hundred jobs remaining in the field. In the fall of 2006, the international community established a list of hazardous materials but chrysotile was determined not to be a hazardous material within the meaning of the Rotterdam convention. This was good news for the small number of producers in Quebec, including Jeffrey mine in Estrie. The banning of asbestos by a number of countries and the collapse of market prices have been and remain impediments to growth in this industry. Accordingly, employment growth in the mining sector is not covered in our scenario.

Table 3
Breakdown and Employment Outlook in the Primary Sector
 Estrie Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Whole Primary Sector	5.2	3.6%	2.6%	0.0%	-0.3%
Agriculture	4.2	2.9%	1.6%	0.0%	-0.5%
Forestry and Logging	0.6	0.4%	0.5%	0.0%	-2.7%
Fishing, Hunting and Trapping	0.0	0.0%	0.1%	0.0%	0.4%
Mining	0.5	0.3%	0.4%	0.0%	2.1%

Source: Service Canada Quebec region
 Historical estimates based on Statistics Canada's Labour Force Survey

Primary sector employment is expected to be stable in 2007–2009

Primary sector employment is expected to be stable in 2007–2009, whereas for Quebec, the sector will likely post a slight decrease (-0,3%).

Manufacturing sector

In three years, the region lost 11,000 manufacturing jobs, a drop of almost 26%

Average manufacturing employment for the recent 2004–2006 period is 35,900, which is almost 25% of total employment, compared to 16% for Quebec.

Faced with numerous challenges such as increased competition, the rise in the value of the Canadian dollar and the slowdown south of the border, job losses have been in the thousands in the manufacturing sector. In three years, the region lost 11,000 manufacturing jobs, a drop of almost 26%.

Table 4

Breakdown and Employment Outlook in the Manufacturing Sector
 Estrie Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Whole Manufacturing Sector	35.9	24.7%	16.4%	0.3%	0.6%
Consumer-Related Manufacturing	10.9	7.5%	6.2%	0.0%	0.0%
Food, Beverages and Tobacco	1.5	1.0%	2.1%	1.6%	0.6%
Textile Mills and Textile Product Mills	1.8	1.2%	0.5%	-1.9%	-1.5%
Leather Clothing and Products	2.2	1.5%	1.0%	-2.1%	-2.0%
Printing and Related Activities	1.2	0.8%	0.9%	0.7%	0.6%
Furniture and Related Products	2.7	1.8%	1.0%	-0.6%	-0.4%
Miscellaneous Manufacturing	1.6	1.1%	0.7%	2.2%	1.6%
Resource-Related Manufacturing	9.5	6.6%	3.9%	-0.1%	-0.7%
Wood Product Manufacturing	4.7	3.3%	1.5%	-0.7%	-1.5%
Paper Manufacturing	2.9	2.0%	1.0%	-0.3%	-1.2%
Petroleum/Coal Products Manufacturing	0.0	0.0%	0.1%	0.0%	1.6%
Non-Metallic Mineral Product Manufacturing	1.4	1.0%	0.5%	1.6%	0.4%
Primary Metal Manufacturing	0.4	0.3%	0.9%	0.0%	0.5%
Investment-Related Manufacturing	15.5	10.7%	6.3%	0.8%	1.8%
Chemical Products	0.5	0.3%	0.9%	1.2%	0.8%
Plastics and Rubber Prod.	5.8	4.0%	1.0%	-0.7%	0.7%
Fabricated Metal Product Manufacturing	2.9	2.0%	1.1%	2.4%	2.1%
Machinery Manufacturing	1.5	1.1%	0.8%	2.2%	2.1%
Computer and Electronic Product Manufacturing	0.9	0.6%	0.6%	1.7%	2.7%
Electrical Equip., Appliance and Component Manufact.	0.1	0.1%	0.4%	1.6%	1.1%
Transportation Equipment Manufacturing	3.7	2.6%	1.4%	0.4%	2.7%

Source: Service Canada Quebec region
 Historical estimates based on Statistics Canada's Labour Force Survey

Consumer-related manufacturing

The high Canadian dollar and stiff competition are clearly having a negative impact on the financial results of furniture and related product manufacturers

Estrie has very few firms in the textile and textile products industry, less than 10, with 50 or more employees

Consumer-related manufacturing employs 10,900 workers, accounting for 7.5% of total employment, as compared to 6.2% for Quebec.

Furniture and related product manufacturers fall into this category. Made up primarily of manufacturers of household furniture and kitchen cabinets and counters, this sub-group experienced 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 US.

The year 2004 proved to be a tough one for this sector. The high Canadian dollar and stiff competition are clearly having a negative impact on the financial results of furniture and related product manufacturers.

Sluggishness in the construction sector in the United States and Canada is another factor that could adversely affect production and employment levels in the furniture industry. Seeking to distinguish themselves from the competition, these manufacturers have had to customize their production and offer unique benefits, such as rapid delivery and tailor-made products. All these changes entail reinvestment in product development, materials and equipment as well as skills upgrading for staff. Manufacturers making the shift are improving their chances of staying in the race.

Textiles and textile products represent another important sub-group of the consumer-related manufacturing sector. Since 1990, employment levels have been declining. From over 4,000 at the beginning of the decade, the number of jobs declined to an average of barely 1,500 in 2004–2006. In 2004, mill shutdowns, some temporary and others permanent, contributed to the sharp decline in the employment level. The rate of layoffs appears to have slowed and in 2006, there were no definitive mill closures. However, Estrie has very few firms in the textile and textile products industry, less than 10, with 50 or more employees. Makers of technical and specialty textiles are still weathering the storm better.

Employment has also declined substantially in clothing and leather products 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. Some manufacturers have already chosen to abandon less profitable lines. More specialized niches that set them apart from the competition could be the way of the future for these companies. Innotex of Richmond is an example. The company makes fireproof clothing for firefighters and riot gear.

Medical equipment manufacturers, in particular, are expected to do well. These companies are benefiting from the growing needs of an aging population and increased spending in the health and homecare sectors

Resource-related manufacturing

Strong employment growth recorded in the wood products sub-sector is behind us. The rally was strongly linked to a spurt of activity in construction-related companies

In 2006, Canadelle in Lac Mégantic, Confection Lapierre in Saint-Ludger and the Santana shoe and boot factory in Sherbrooke all closed permanently. The clothing and leather product sector remains vulnerable and further temporary or permanent layoffs would not be surprising given the situation.

Employment in the consumer-related manufacturing sector overall is forecast to remain stable between now and 2009. The highest job losses will occur be at textile and clothing mills. Employment in furniture and related products manufacturing may contract slightly. On the other hand, annual employment growth in companies in the miscellaneous manufacturing group should be higher than the average. Medical equipment manufacturers, in particular, are expected to do well. These companies are benefiting from the growing needs of an aging population and increased spending in the health and homecare sectors.

Resource-related manufacturing includes wood product, paper, non-metallic mineral product and primary metal manufacturing. No employment growth (-0.1%) is predicted for the 2007–2009 forecast period in this sector.

More specifically, the strong employment growth recorded in the wood products sub-sector is behind us. The rally was strongly linked to a spurt of activity in construction-related companies. Residential construction hit peak levels, which had a direct impact on companies that produce doors and windows, sheds and prefabricated houses.

A slight decrease in employment (-0.3%) is expected during the 2007–2009 forecast period in the region's pulp and paper sector, which is represented by large companies in Estrie.

Domtar, a major fine paper producer, implemented a restructuring plan in 2005. At its Windsor plant, in Estrie, Domtar has reduced its staff primarily through voluntary departure and pre-retirement programs. The product cost streamlining plan has had a significant impact on the plant's employment level: it went from 1,100 to slightly less than 900 employees. In early 2007, Domtar Inc. signed a contingent merger agreement with Weyerhaeuser's fine paper unit. The new enterprise will be known as Domtar and headquartered in Montreal, while operations will be run from the United States.

Investment-related manufacturing

The investment-related manufacturing sector, which accounts for a total of 15,500 jobs, has posted the highest employment growth in the manufacturing sector in recent years

Kruger, another paper company, will be constructing a cogeneration plant in the Brompton borough of Sherbrooke, at a cost of \$85 million and investing \$560,000 in training its staff. This will allow Kruger to reduce its production costs and its greenhouse gas emissions at the same time. The company also has a plant in the borough of Lennoxville, where it is stepping up its value-added development processes and attempting to reduce production costs as well.

Finally, Cascades markedly improved its financial situation in 2006 through recovery measures and refund of countervailing duties. In Estrie, Cascades' plants are based in East-Angus and Sherbrooke.

The investment-related manufacturing sector is made up primarily of plants producing plastics and rubber products, transportation equipment, metal products, machinery, and computer and electronic products. Investment-related manufacturing, which accounts for a total of 15,500 jobs, has posted the highest employment growth in the manufacturing sector in recent years.

Results in the plastics and rubber products industry are particularly impressive, reaching an employment level of almost 8,000 in 2004. More recently, the sector has had to grapple with growing competition and a slowdown in the automobile industry. The Estrie region has about 20 plants that produce seals for the auto industry. Restructuring and productivity enhancement plans and layoffs are the order of the day for this industry in the short and medium term in Estrie. This sector could experience a decline in the 2007-2009 forecast period. The sector's major players in the region, as well as their sub-contractors, already made several hundred layoffs in 2006.

Prospects appear to be more favourable for other types of production. Gurit (Canada) Inc. is a plant that produces structural foam for the wind-turbine industry. The company has invested nearly \$13M in Magog in order to meet the high demand for its products. Since its inception in 2001, Gurit (Canada) of Magog has experienced growth that has made it necessary to repeatedly hire additional workers. It has about 250 employees.

Transportation equipment manufacturing, the second-largest sub-group, has also experienced solid growth over the past few years. In Estrie, Bombardier Recreational Products (BRP) is by far the largest employer in this group. The strength of the dollar, competition and a rise in the price of raw materials have forced BRP to relocate some of its activities in an effort to reduce costs and increase profitability. BRP has announced that it will spend \$29 million to construct an ATV production facility in Mexico and transfer production of its CanAm models there. Happily, some good news followed this decision. The Université de Sherbrooke and BRP Inc. are joining forces to create a Centre de technologies avancé (CTA) in Sherbrooke's Innovation park. This will involve an investment of more than \$36 million. The mission of the CTA, or advanced technology centre, will be to develop new technologies in the field of motorized recreational vehicles. BRP Inc. has also confirmed an investment of \$226M at Valcourt for assembly of its new Spyder roadster, a three-wheeled motorcycle.

Construction industry

There has been remarkable growth in the Estrie's construction industry in the past few years

Construction activity will remain high, but should taper off slightly

In Estrie, the construction sector employs 6,600 people and accounts for 4.5% of total employment, a rate similar to that recorded for Quebec (4.7%). There has been remarkable growth in the Estrie's construction industry in the past few years—the average annual increase in the value of building permits over the past five years was 16%. This strong growth is primarily a result of institutional and governmental (21%), commercial (20%) and residential (17%) construction activities. The value of industrial building permits remained relatively stable over the same period. This type of construction generated the least investment in the Estrie region during the period concerned.

Construction activity will remain high, but should taper off slightly and the same will apply to employment. For the 2007–2009 forecast period, the average annual growth rate is expected to be -0.2%.

Although we will not see a repeat of the growth rates of recent years, employment in residential construction will remain high. There is still strong demand for housing, primarily in the Sherbrooke CMA. The population increase in Sherbrooke, and the subsequent rise in demand for housing, can be attributed, in part, to growing international migration and the fact that seniors in other Estrie MRCs want to be closer to available services. La Seigneurie du Carrefour (\$40M) complex and some seniors' residences are currently under construction in Sherbrooke and Magog.

A number of major institutional construction projects are either underway or planned in the short term, namely, the expansion and refitting of the Hôtel Dieu in Sherbrooke (\$112M); the expansion of the Argyll Pavilion at the Sherbrooke Geriatric University Institute (\$20M), the Centre de santé et des services sociaux Memphrémagog (\$29M) and the Centre de technologie avancée (\$26M).

Several tens of millions of dollars have also been earmarked for water and sewer facilities. Municipalities will be conducting this work to bring the systems into line with government requirements governing drinking water quality.

Service sector

Consumer services

Several big-box stores have appeared on the commercial landscape in Sherbrooke, thereby increasing the level of employment in this sector

This large sectoral group employs 35,900 people in the Estrie region and accounts for nearly one out of every four jobs (25%) in the region, a lower proportion than in Quebec (27%). Average annual growth of 1.0% is predicted for the 2007–2009 forecast period.

The retail trade by far accounts for most of the employment in consumer services. In fact, this sub-group provides a total of 17,100 jobs, or 12% of total employment. Several big-box stores have appeared on the commercial landscape in Sherbrooke, thereby increasing the level of employment in this sector. Average growth is anticipated to be less than 1% for the 2007–2009 forecast period.

Table 5

Breakdown and Employment Outlook in Consumer Services Estrie Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Consumer Services	35.9	24.8%	27.4%	1.0%	1.1%
Retail Trade	17.1	11.8%	12.8%	0.9%	1.2%
Information, Culture and Recreation	3.8	2.6%	4.4%	1.3%	1.1%
Accommodation and Food Services	7.9	5.5%	5.7%	1.3%	1.0%
Other Services	7.1	4.9%	4.4%	1.0%	1.0%

Source: Service Canada Quebec region

Historical estimates based on Statistics Canada's Labour Force Survey

Accommodation and food services came in second with 7,900 jobs, or 5.5% of total employment, compared to 5.7% for Quebec as a whole. This group is expected to post growth above the average for all sectors. Of all consumer services sectors, it is expected that this sub-group will post the highest level of growth for the period from 2007 to 2009, (1.3%).

Information, culture and recreational industries employ a total of 3,800 people in the Estrie region. This subgroup accounts for 2.6% of the region's total employment, compared with 4.4% in Quebec.

The other services category includes personal and domestic services for individuals and miscellaneous services (consumer activities not classified elsewhere). This sub-group accounts for 7,100 jobs, or 4.9% of total employment in the region, compared with 4.4% in Quebec. Job prospects for the 2007–2009 forecast period are expected to be lacklustre in Estrie, much as they will be elsewhere in the province in this sector.

Production services

Production services overall provide jobs for 25,200 people in the Estrie region, accounting for 17.4% of total employment, a much lower proportion than in Quebec as a whole (24.5%).

Production service activities in the Estrie region are, by order of importance, primarily in finance and insurance, real estate and rental and leasing, transportation and warehousing, professional, scientific and technical services, management of companies and enterprises and administrative and support services.

Table 6

Breakdown and Employment Outlook in Production Services

Estrie Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Production Services	25.2	17.4%	24.5%	1.5%	1.9%
Utilities	0.6	0.4%	0.8%	0.7%	1.3%
Wholesale Trade	3.4	2.3%	3.8%	1.3%	1.2%
Transportation and Warehousing	5.7	4.0%	4.6%	0.7%	0.8%
Finance, Insurance, Real Estate and Rental and Leasing	6.2	4.3%	5.6%	1.0%	0.5%
Prof., Scientific and Technical Services	5.3	3.7%	6.2%	2.6%	3.7%
Mgmt of Companies, Enterprises, Admin. and Support and Other	3.9	2.7%	3.5%	1.9%	3.3%

Source: Service Canada Quebec region

Historical estimates based on Statistics Canada's Labour Force Survey

In contrast to previous years, employment in transportation and warehousing services posted a sharp decline in 2006. The slowdown in the manufacturing sector is definitely a factor in this more restrained growth, particularly noticeable in trucking activities. On the other hand, employment growth in professional, scientific and technical services and administrative and support services is expected to continue.

Average annual growth of 1.5% is expected among production services overall for the 2007–2009 forecast period, which is appreciable relative to all other sectors of activity but below the growth forecast for Quebec (1.9%).

Public and parapublic services

A total of 36,000 people in Estrie work in the public and parapublic services sector, which accounts for almost 25% of all jobs in the region

A total of 36,000 people in Estrie work in the public and parapublic services sector, which accounts for almost 25% of all jobs in the region, a slightly higher share than in Quebec.

Table 7
Breakdown and Employment Outlook in Public and Parapublic Services
Estrie Region

	Average 2004-2006			2007-2009	
	Level ('000)	Share of employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Gov. and Parapublic Services	36.0	24.8%	24.4%	0.9%	0.8%
Educational Services	12.2	8.4%	6.6%	0.0%	-0.1%
Ambulatory Health Care and Hospitals	10.2	7.0%	6.4%	1.8%	1.3%
Other Health Care and Social Assistance	7.9	5.4%	5.6%	1.9%	2.0%
Federal Public Administration	1.4	1.0%	1.9%	-0.6%	0.0%
Prov. and Territorial Public Administration	1.8	1.3%	2.1%	-0.5%	-0.4%
Local, Municipal, Regional and Other Public Admin.	2.5	1.7%	1.8%	0.6%	0.4%

Source: Service Canada Quebec region
Historical estimates based on Statistics Canada's Labour Force Survey

For the period from 2007 to 2009, overall employment growth of 0.9% is forecast in the public and parapublic sector. However, employment growth will be unequally distributed among the various groups. The new jobs will be primarily in health and social services. As major construction projects draw to a close in Estrie, a need for additional personnel in health and social services will emerge. An influx of highly specialized employees will be required to work at the new Réseau universitaire intégré de santé (RUIS) in Sherbrooke, which will serve a million people living in part of the Montérégie and Mauricie regions as well as in the Centre-du-Québec and Estrie regions. The needs of an aging population will help to support this employment growth.

Lower enrolments at the primary and secondary school levels will dampen any prospects for employment growth in the education sector for the 2007–2009 horizon. Finally, we expect that the public administration sub-group will reap the fewest benefits from employment gains. For the 2007–2009 forecast period, there could even be a slight decrease in the number of jobs.