



Canada: Pumps, Compressors, Valves – Industry Overview

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September 09

Summary

The Canadian market for Pumps, Valves and Compressors (PVC) was valued at US\$ 6.2 billion in 2008 and almost half of it was concentrated in the province of Ontario. Both imports and exports have generally been trending upwards for the past several years. Imports peaked at US\$ 5.5 billion in 2008 following a slight decrease from the previous year. The objective of this report is to analyze the current status and trends in the Canadian PVC market. This report examines the PVC market segments and evaluates opportunities and best prospects for U.S. manufacturers in Canada.

Market Demand

The Canadian PVC market is highly interconnected with global markets. Most of the needs of the Canadian market are covered by imports while local manufacturing supplies mainly export markets. The Canadian demand for pumps, valves and compressors is driven by industrial processes in a variety of sectors of the Canadian economy, such as oil and natural gas, power generation, mining, steel production, chemicals, construction, water and waste-water management, food processing, among others.

Canadian industrial sectors are facing a challenging period due to the global recession. Exports are exposed to increasing competition from the countries with lower labor and materials costs. The strong Canadian dollar coming to parity with the U.S. dollar in 2007, as well as higher material and energy costs, took a toll on overall industrial growth. Although the Canadian dollar lost ground to the U.S. dollar in 2008, the global economic slowdown had a heavy impact on the Canadian economy towards the end of 2008 and early 2009. The manufacturing sector recorded the biggest decline among all economic sectors due to weakened export demand. The first half of 2009 continued the same trend with Canadian GDP decreasing, while in June the GDP registered the first monthly increase since July 2008, according to Statistics Canada. The Bank of Canada is expecting the rebound of the economy to start before the end of 2009.

One of the important drivers for the PVC market is the resources sector with oil, gas and mining as main components. Due to the economic slowdown, as well as depressed oil prices, 2008 was characterized by a number of dropped or frozen projects. Many projects in the Alberta oil sands deposits are currently on hold, while mining operations in Sudbury, Ontario, as well as locations in other provinces are closed or operating at reduced capacity. The tempo of total operating facilities continues, however, to generate solid demand for ongoing maintenance and replacement needs. Projects involving oil and gas pipelines also continue to generate demand. Another important driver is the construction sector which has been slower for the past year but less affected when compared to the U.S. market. Demand continues especially for the sub-segments of the market, including hydronics, taps, valves and other appliances. The demand for industrial processes is generally slower but maintained by MRO (Maintenance, Repair, Operations) activities.

The PVC market in Canada is expected to decrease in 2009 compared to 2008 but will still exceed the size it was in 2007.

Market Data for Pumps, Valves and Compressors

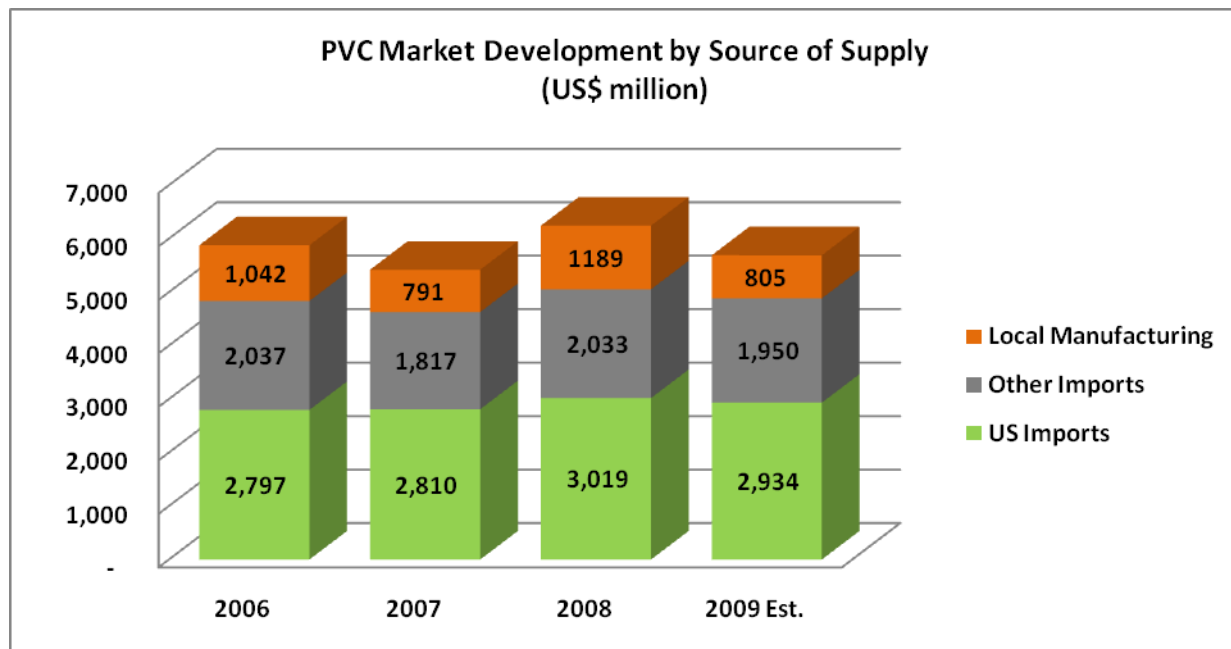
	2006	2007	2008	2009 (est.)
Total Market Size	5,876	5,419	6,241	5,688
Total Local Production	3,112	3,322	3,699	3,144
Total Exports	2,437	2,935	2,949	2,728
Total Imports	5,201	5,031	5,491	5,272
Imports from the US	3,047	3,065	3,293	3,175

(Source: Statistics Canada; million current US\$)

The estimates for 2009 are based on the trends of the past 12 months “rolling market size,” in the most recent 24 months of statistical records for various product groups in Pumps, Valves and Compressors.

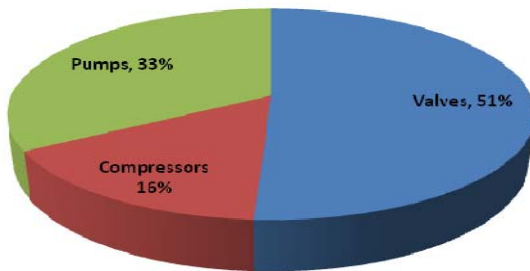
Overall, the Canadian PVC market recorded an increase of 15% in 2008 compared to 2007. Total imports increased by 9% but they have been trending downwards since a peak of US\$ 495 million in July 2008. The monthly imports from the United States peaked almost at the same time, in August 2008 at US\$ 280 million; but have been trending downwards since then. Total exports flattened in 2008 following continuous growth since 2004. Domestic manufacturing recorded an 11% increase in 2008 and reached US\$ 3.7 billion. Most of the production is oriented for export and, in general, less than 30% goes to the domestic market.

Market trends indicate a further decrease in 2009 from all sources of supply, including imports from the United States. Eliminating re-exports and counting only shipments for domestic use, market development by the main sources of supply is illustrated in the following chart:



(Source: Statistics Canada; million current US\$)

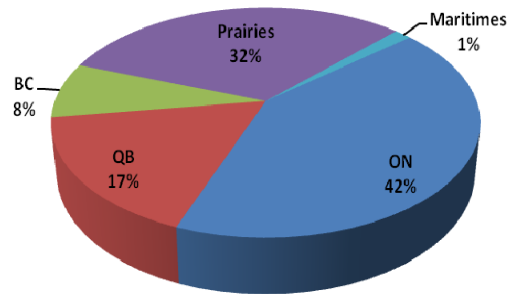
2008 PVC market: Segment distribution



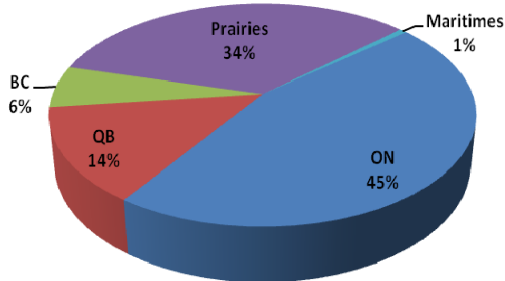
The product segments of the PVC market show an unbalanced distribution. Valves represent over half of the market and are widely used in all goods and services of producing sectors. Pumps are largely used in the mining, oil and gas industries, water and waste water, as well as, in all industrial processes. They make up one third of the market. Compressors hold the smallest stake of the market with a 16% share. The segment distribution has been stable over the past few years.

The regional distribution of the PVC market in Canada is dominated by the Province of Ontario with 42% of the market. The Prairies (which includes Alberta, Saskatchewan and Manitoba) represent 32% of the market largely due to the high concentration of the oil and gas industry. During the past several years the Ontario market continued to grow in volume but decreased from almost half of the whole Canadian market to its current 42%. The Prairies gained market share due to the boom of oil and gas industry development.

2008 PVC market: Regional distribution



2008 PVC manufacturing: Regional distribution



Domestic manufacturing shows a similar regional distribution, the largest share (45%) belongs to Ontario, which is followed by the Prairies (34%). A similar trend was present in past years with the Prairies growing in manufacturing and gaining a larger share of total Canadian manufacturing. Ontario has lost some ground as a share of total Canadian manufacturing, although it continues to be the dominant province.

Best Prospects

Pumps: In 2008, total imports were valued at US\$ 2 billion (a 7% increase compared to 2007), out of which US\$ 1.2 billion were imported from the United States. Total imports of Centrifugal Pumps (HS 841370) were valued at US\$ 359 million, recording a 22% increase over the previous year. The U.S. share was valued at US\$ 227 million recording a 25% increase over 2007. Product subgroups showing a trend of further significant growth rates in 2009 are:

- HS 8413709011 - Centrifugal pumps s/st, s/su, cl/cpld with discharge outlet <5.08 cm;
- HS 8413709012 - Centrifugal pumps s/st, s/su, cl/cpld with discharge outlet >=5.08 cm;
- HS 8413709013 - Centrifugal pumps s/st, s/su, frame mounted with discharge outlet <7.6 cm.

Valves: total imports for 2008 were valued at US\$ 3 billion, recording a 7% increase over the previous year. Imports from the United States reached US\$ 1.7 billion with a 2% increase compared to 2007. Imports of Pressure Reducing Valves (HS 848110) reached US\$ 116 million of which imports from the United States represented US\$ 73 million, recording a 19% increase over 2007. Imports of Taps, Cocks, Valves and Other Similar Appliances (HS 848180) were valued at US\$ 1.7 billion out of which almost two thirds (US\$ 1 billion worth) came from the United States (a 2% increase over the previous year). A product subgroup which shows a trend of further significant growth in 2009 is:

- HS 8481100033 – Pressure-reducing valves, pneumatic-fluid power type, pneumatically controlled

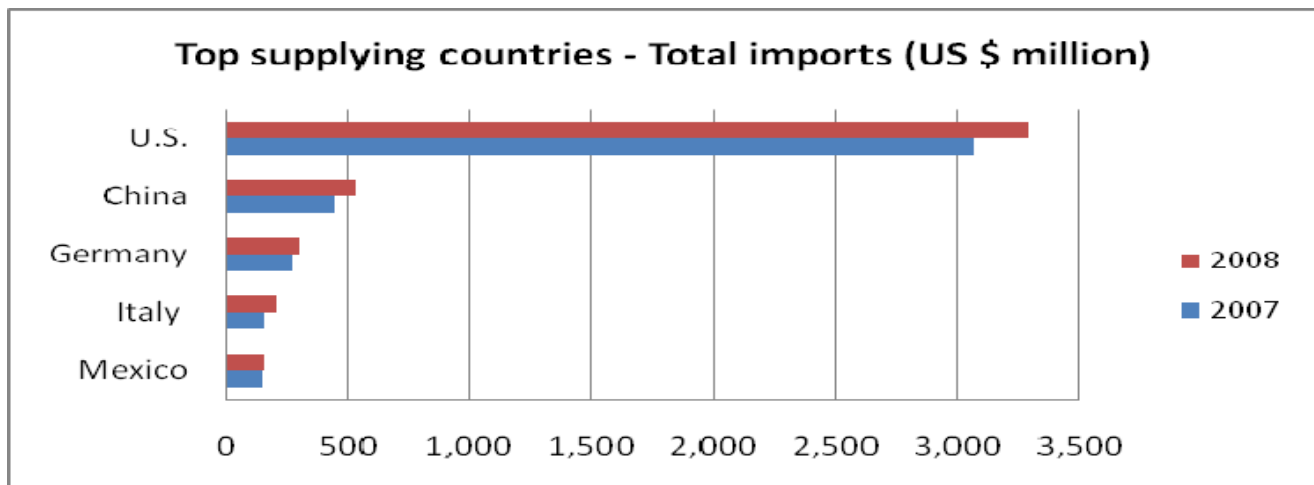
Compressors: total imports in 2008 reached US\$ 1 billion (a 15% increase over 2007) of which imports from the United States totaled US\$ 651 million. Product subgroups which show a trend of further significant growth in 2009 are:

- HS 8414809021 – Air Compressors, reciprocating, air-cooled, stationary <=7 kW;
- HS 8414809032 - Air Compressors, rotary, stationary, vane or screw type >7 kW but <=74.6 kW;
- HS 8414809053 – Gas Compressors, reciprocating, >746 kW;
- HS 8414809061 – Gas Compressors, centrifugal type.

Despite the current overall decline of the total Canadian PVC market, opportunities can be identified by product subgroups and specific equipment or components in each of the product segments. The U.S. Commercial Service can help to identify such opportunities for interested U.S. manufacturers.

Key Suppliers

Most of the major global manufacturers of such equipment have a presence in the Canadian market. Traditionally, Canadian imports of PVC were dominated by U.S. manufacturers. During the last five years the United States remains by far the largest supplier among other countries in terms of both absolute volume and growth rate. In 2008 imports from the United States reached US\$ 3.3 billion, accounting for 60% of total Canadian imports. Among other world suppliers, China has 10% of total Canadian imports (in 2004 its share was 5%). China is followed with similar shares by Germany (5%), Italy (5%) and Mexico (3%).



(Source: Statistics Canada; million current US\$)

Prospective Buyers

There are many companies present on the Canadian PVC market. Most of the relevant global manufacturers are present with local subsidiaries. There are also other companies with a significant presence in the purchasing of such equipment including, the companies presented below:

Pumps:

- Metalfab Ltd
- Moyer Diebel Ltd
- Wicor Canada Co
- Canadian Dewatering L.P.
- Gorman-Rupp of Canada Ltd
- National Process Equipment Inc
- Power & Mine Supply Co., Ltd
- R.M.S. Enviro Solv Inc

Valves:

- Bendix CVS Canada Inc
- Les Produits Hydrauliques R.G. Ltee

Compressors:

- Air Unlimited Inc
- ATS Automation Tooling Systems Inc.
- Atlantic Compressed Air Ltd
- Pro-Line Petroleum Distribution Inc
- Enterprises Larry Inc

The U.S. Commercial Service offers specific programs that assist U.S. companies in identifying and facilitating contacts with potential Canadian buyers and business partners.

Market Entry

The United States and Canada enjoy a long tradition of co-operative and lucrative trade. The North American Free Trade Agreement (NAFTA) provides a very favorable framework with no significant trade barriers such as tariffs or import quotas impeding imports of industrial equipment into Canada.

Standards used in Canada are the same or similar to the ones used in U.S. certification. However, Canada's requirements are mainly managed by the Canadian Standards Association (CSA) and the Underwriter Laboratories of Canada (ULC). The process of obtaining the certifications does not represent a significant difficulty. For example, in many cases the certification from ULC may be a very simple process, provided the product already has the certification in the United States. Additional information on standardization and labeling regulations including web addresses for Canadian standard and certification organizations are available in the Country Commercial Guide - Doing Business in Canada - CCG 2009, Chapter 6: Trade Regulations and Standards.

Further information on market access can be found also on Industry Canada's website at <http://www.ic.gc.ca>.

Entering the Canadian market requires the manufacturer to meet the needs of the end-user, as well as all the regulatory specifications. Provided the product obtained the required certifications, a manufacturer's representative is generally the best vehicle to penetrate the market and develop business in Canada.

Due to the need to have the equipment designed for the project/end-user technical specifications, a strong presence has to be built with the engineering companies in order to secure the specification of the equipment for the pending projects. Such an engineering company may be appointed as a manufacturer's representative. Many specialized, small engineering companies are active in Canada. Their number has increased recently, fueled by the availability of engineering personnel due to the decline in manufacturing activities.

Distributors with strong relationships in the MRO and in process industries are also well situated to facilitate product entry, or to improve a product's presence in a market. They are a very good vehicle for entry into the large volume sub-segments of the market such as valves and small capacity pumps.

Trade Events

The trade shows listed below are significant events for the PVC industry in Canada.

Exhibit name CANADIAN WASTE & RECYCLING EXPO
Date 28.10 - 29.10 2009
Location Vancouver, BC
Organizer(s) Messe Frankfurt USA, Inc.
Website <http://www.usa.messefrankfurt.com/>

Exhibit name CALGARY BUILDDEX in conjunction with CONSTRUCT CALGARY
Date 03.11 - 04.11 2009
Location Calgary, AB
Organizer(s) Media Edge Communications Inc.
Website <http://www.buildexcalgary.com/>

Exhibit name GLOBE
Date 24.03 - 26.03 2010
Location Vancouver, BC
Organizer(s) Globe Foundation of Canada
Website <http://www.globe2010.ca/>

Exhibit name CIM (Mining Industry Conference and Exhibition)
Date May 2010
Location Canada
Organizer(s) CIM (Canadian Institute of Mining, Metallurgy and Petroleum)
Website <http://www.cim.org/splash/index.html>

Exhibit name INTERNATIONAL PIPELINE EXPOS
Date 28.09 - 30.09 2010
Location Calgary, AB
Organizer(s) Dmg World Media Canada
Website <http://www.petroleumshow.com/PDM/Events/Event.aspx?evesid=10&pgid=52>

Exhibit name CANECT 2010 (Canadian Environmental Conference and Tradeshow)
Date May 3 & 4, 2010
Location Toronto, ON
Organizer(s) Envirogate Event Management Inc.
Website <http://www.canect.net/compliance.html>

Resources & Contacts

Statistics Canada - <http://www.statcan.gc.ca/>
Industry Canada - <http://www.ic.gc.ca/eic/site/ic1.nsf/eng/home>
Canadian Petroleum Institute - <http://www.cpican.com>
CIM – Canada Institute of Mining - www.cim.org
SME – Society of Manufacturing Engineers - www.sme.org
Canadian Institute of Plumbing and Heating - <http://www.ciph.com>
Canadian Construction Association - <http://www.cca-acc.com>

For More Information

The U.S. Commercial Service in Toronto, Canada can be contacted via e-mail at: Stefan.Popescu@mail.doc.gov;
Phone: 1 (416) 595-5412 Ext. 223; Fax: 1 (416) 595-5419; or visit our website: <http://www.buyusa.gov/canada>

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