

JDI ROUNDTABLE

ON MANUFACTURING COMPETITIVENESS IN NEW BRUNSWICK

September 26th, 2019

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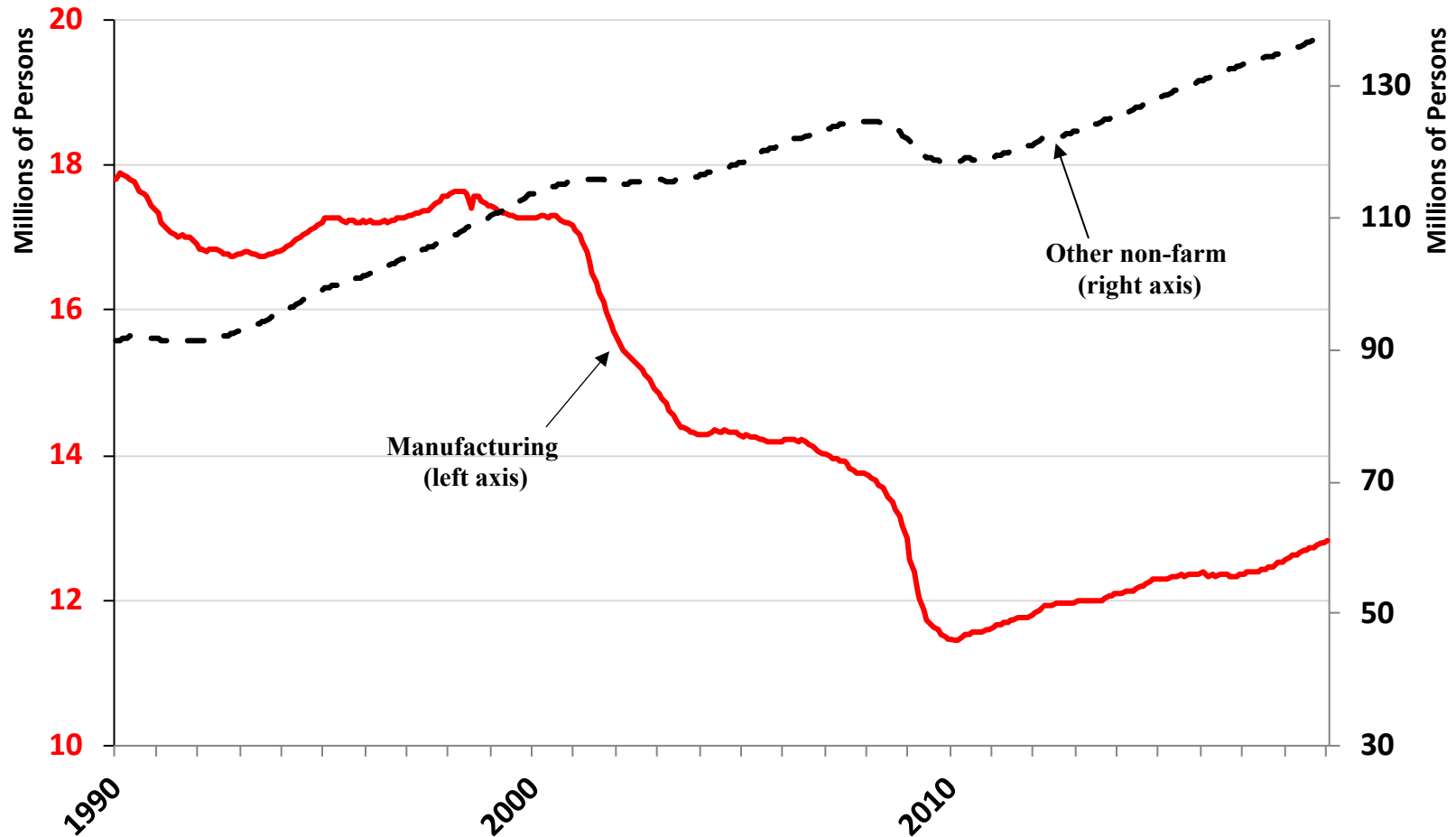
The persistent myth about the sunset of manufacturing

“The decline in manufacturing employment as a share of the economy-wide total is a long-standing feature of the US data and also a trend shared by all high-income economies”.

Martin Baily and Barry Bosworth, “US manufacturing: Understanding Its Past and Its Potential Future” *Journal of Economic Perspectives* 28(1): 2-26

Over 30 years, US employment in manufacturing has fallen sharply while US employment in other sectors has risen steadily.

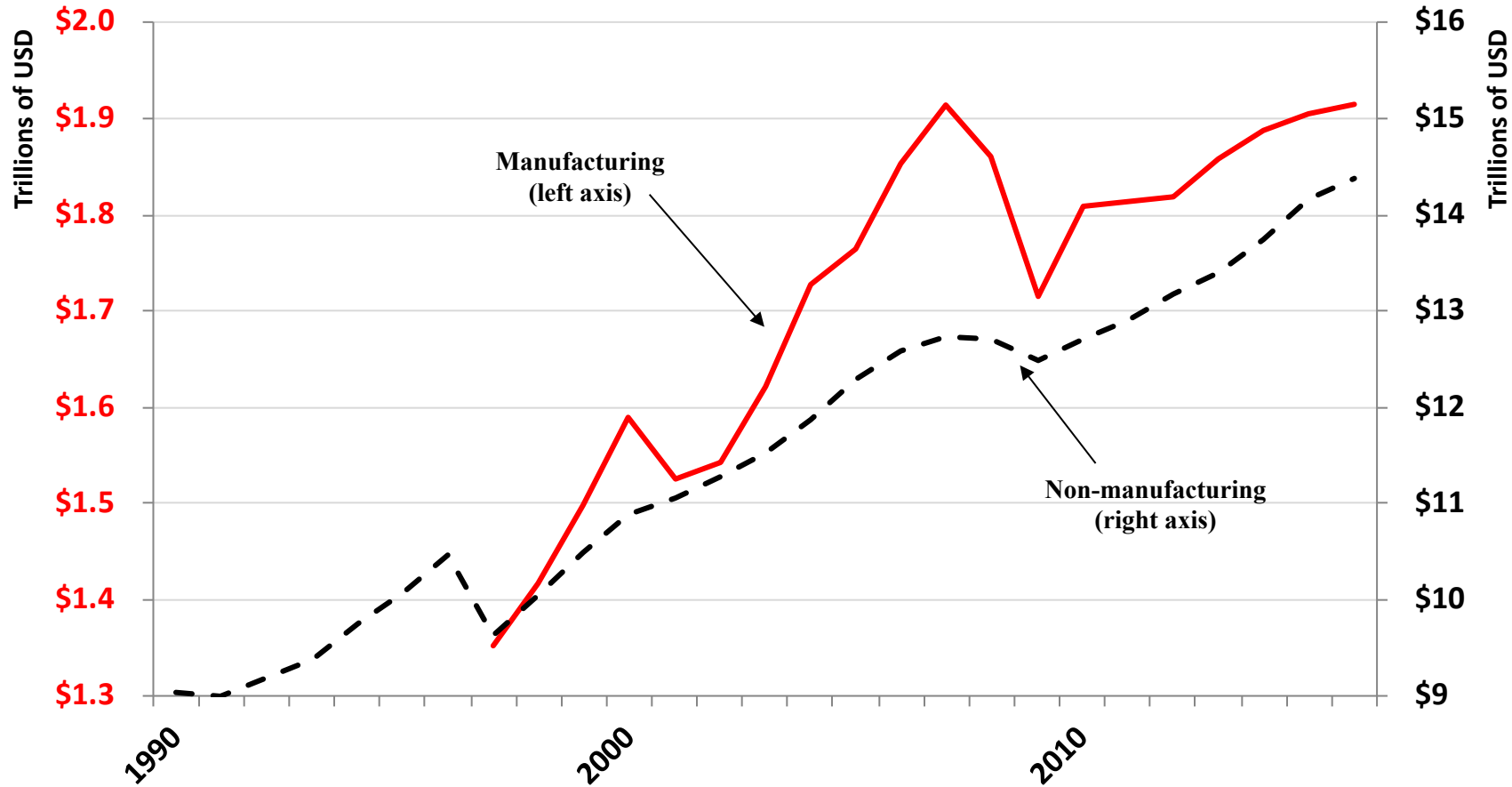
Measurement: Millions of Persons
Source: US Bureau of Labor Statistics



The story of US manufacturing

Falling employment and rising productivity

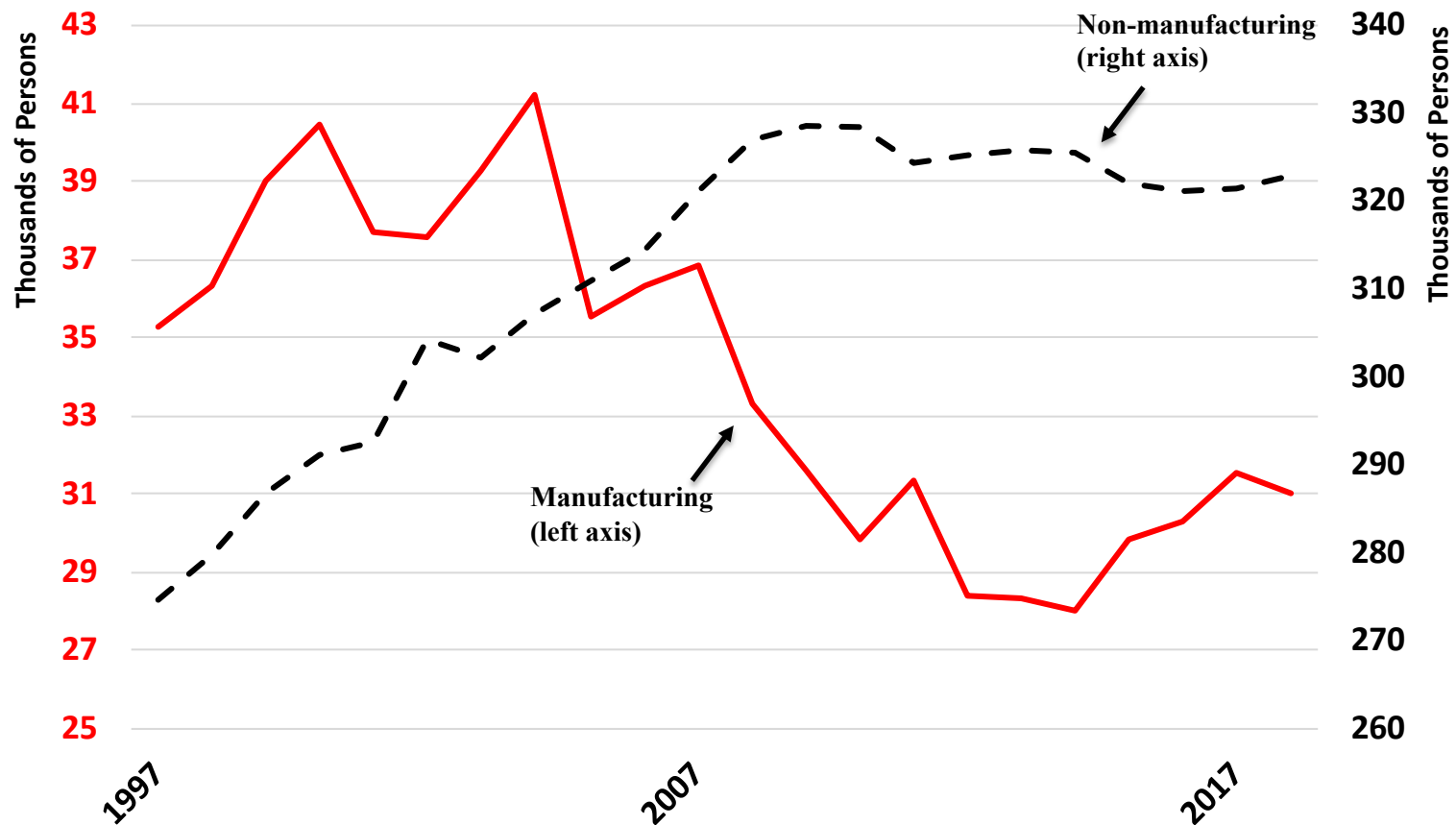
Measurement: Trillions of US Dollars
Source: US Bureau of Economic Analysis



New Brunswick manufacturing summarized

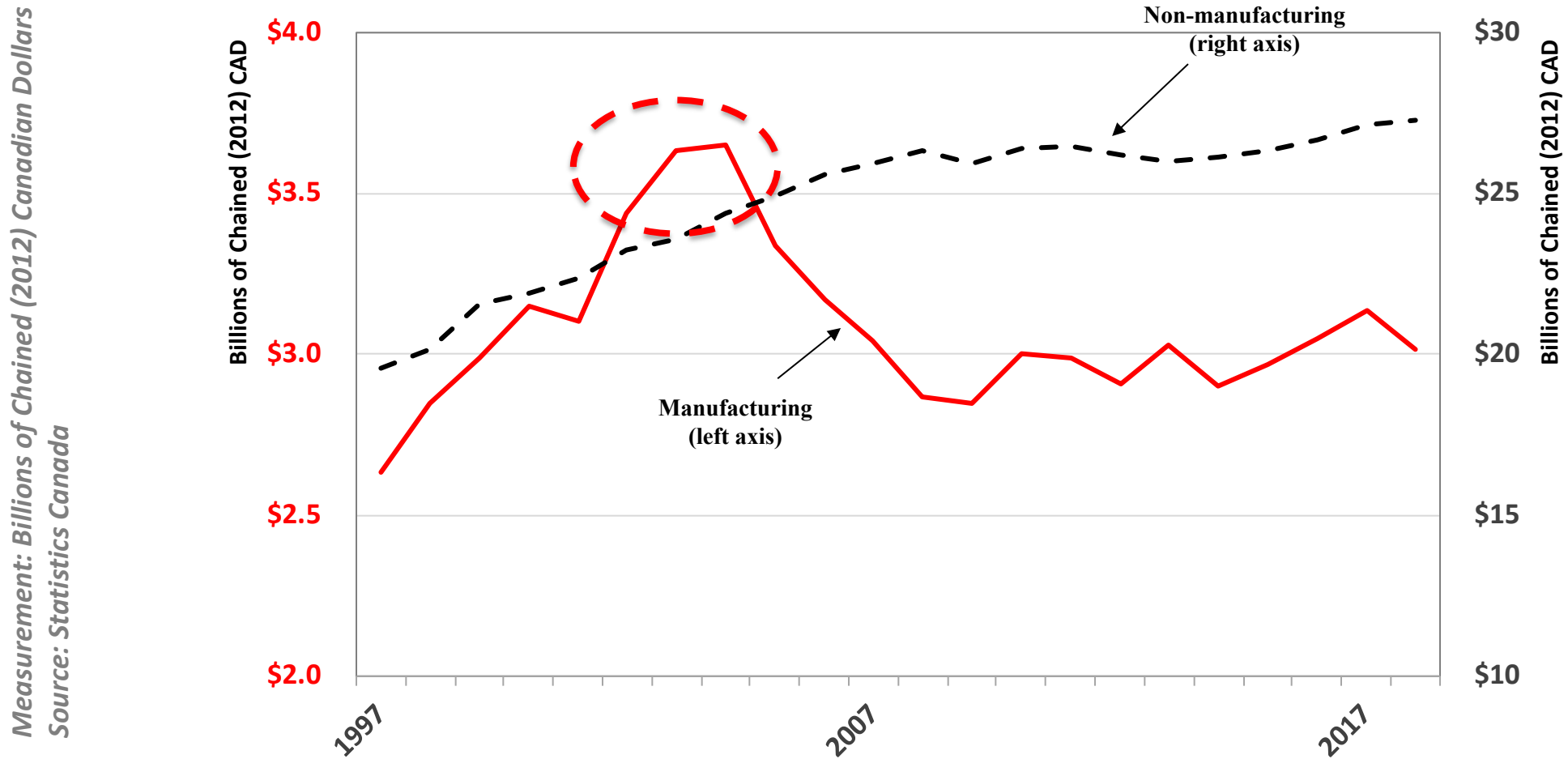
- Large sector relative to GDP: largest in Atlantic Canada and 4th largest in Canada
- Share of GDP has been stable because growth of non-manufacturing has been flat
- Majority of NB exports from manufacturing sector
- Most trade-exposed manufacturing sector in Canada, with 90% of goods produced exported
- Concentrated in four sectors, with large share of value added and capital, but not employment, in petroleum refining

NB employment 1997-2018 - Fell 11% from 1997 but 24% from peak in 2004

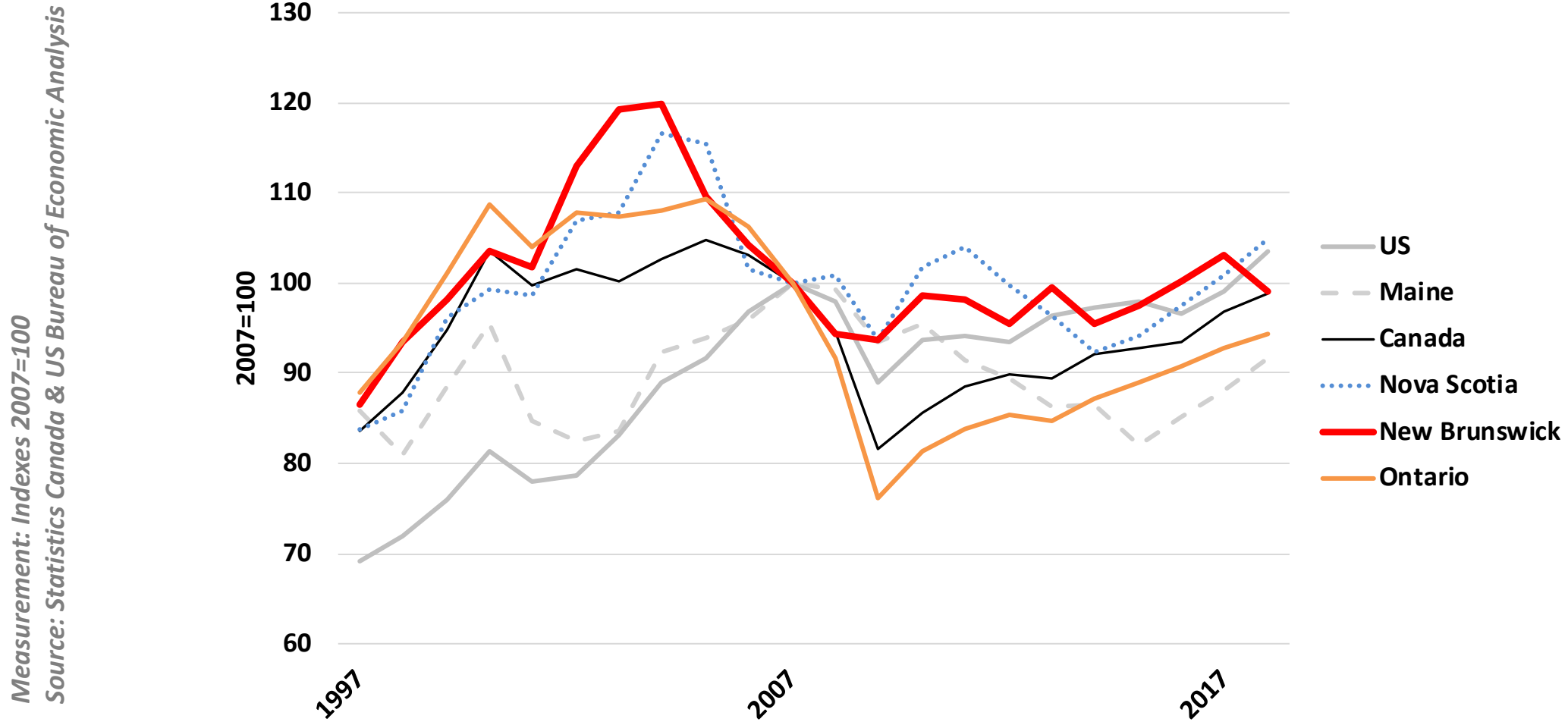


Measurement: Thousands of Persons
Source: Statistics Canada

Real value-added in NB manufacturing hasn't increased since 1997

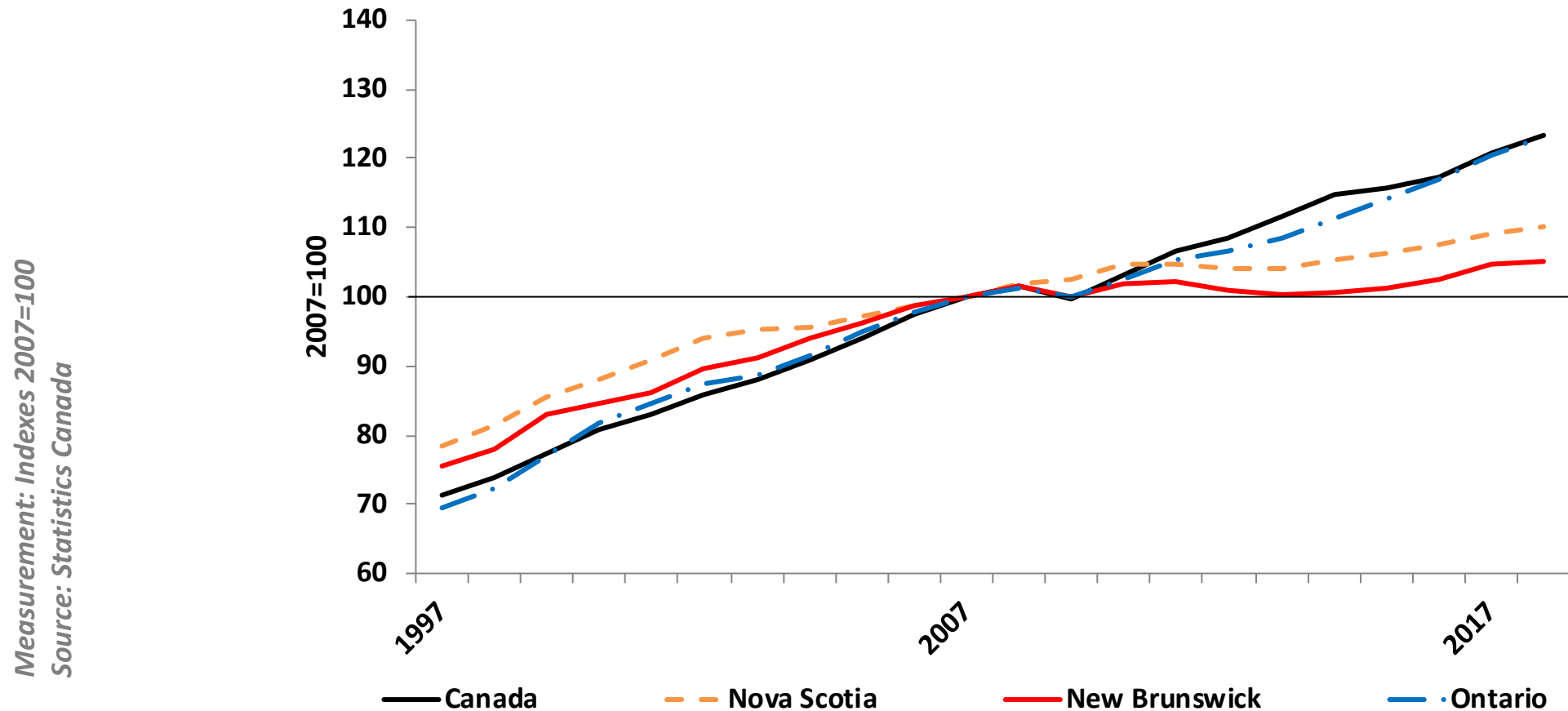


Manufacturing Value Added Relative to Value in 2007, US, Canada, ME, NB, NS and ON



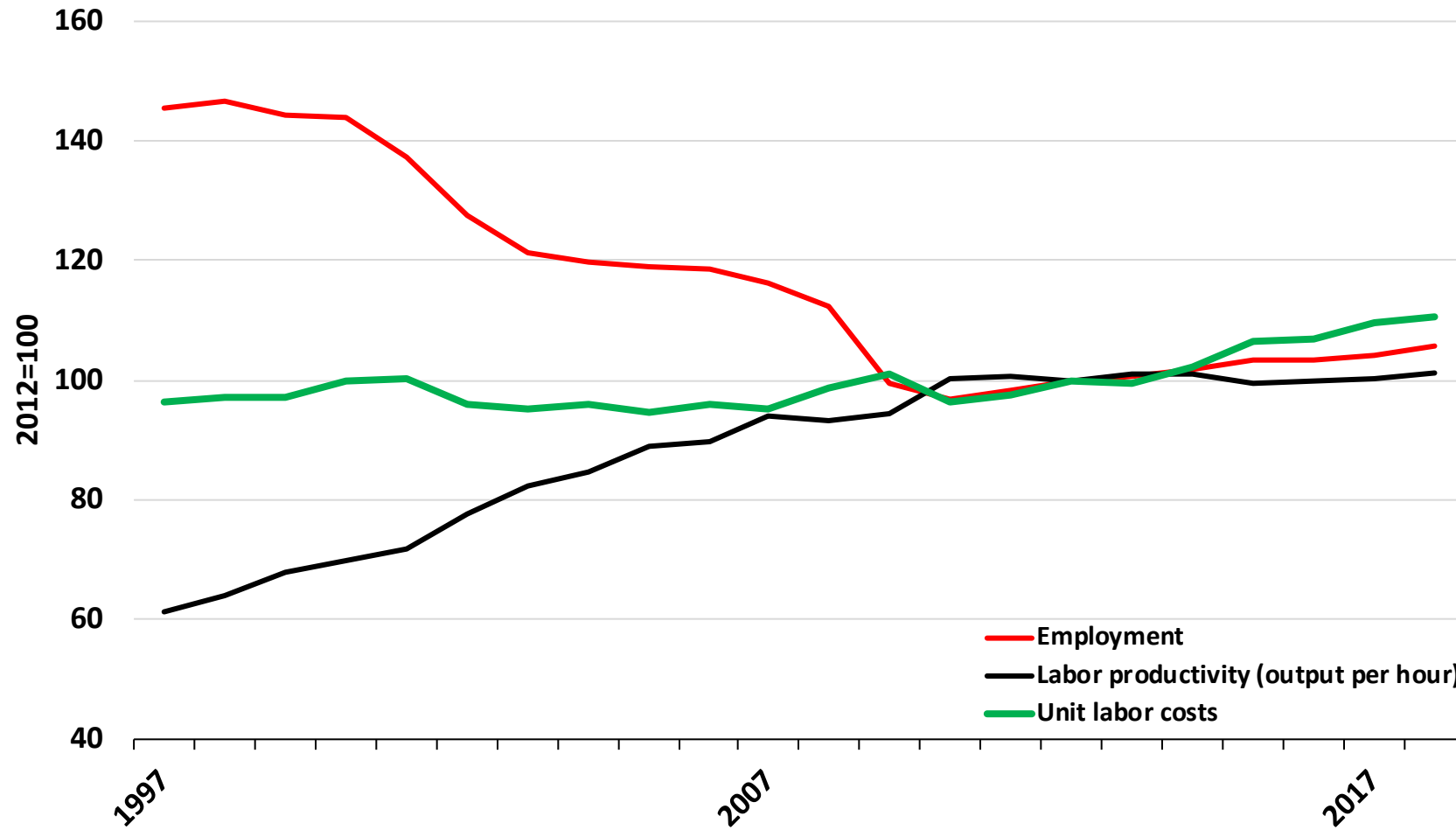
NB follows the rest of Canada in manufacturing in real value-added but lags in non-manufacturing real value-added.

New Brunswick lags the rest of Canada in growth of non-manufacturing real value added.

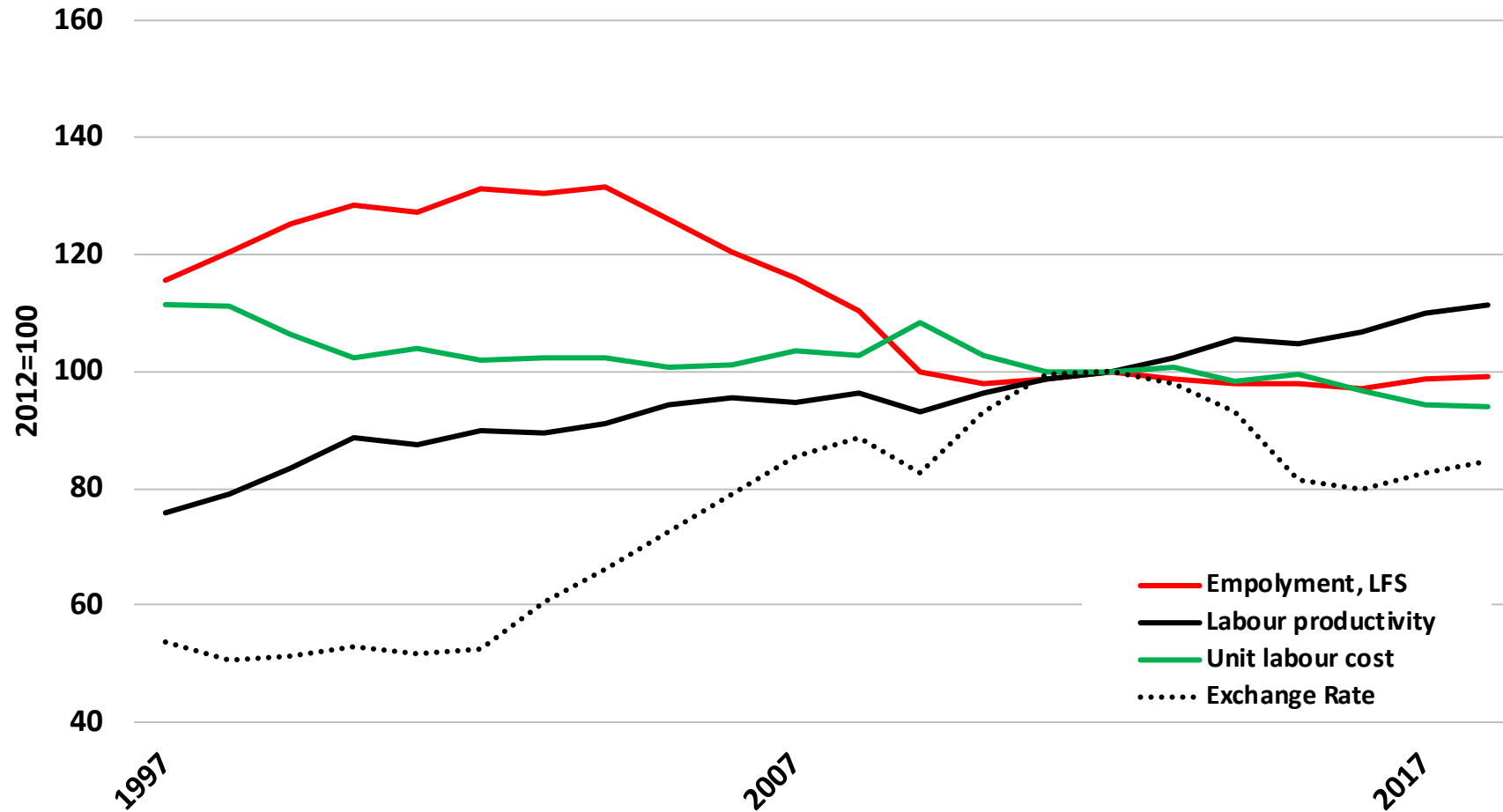


What's happened in US manufacturing over 20 years with 3 important measures

Measurement: Indexes 2012=100
Source: US Bureau of Labor Statistics & US Bureau of Economic Analysis

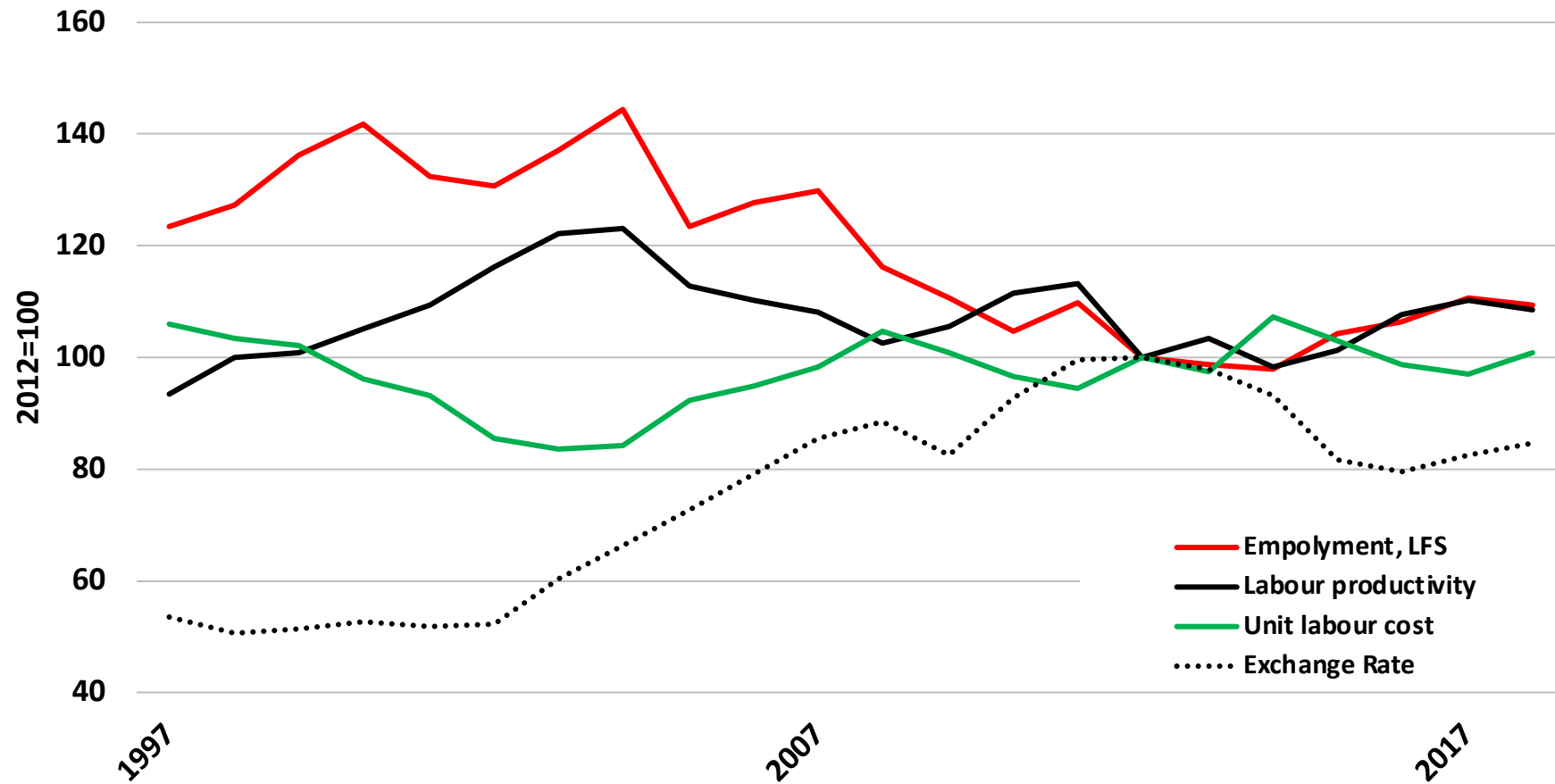


What's happened in Canadian manufacturing over 20 years?



Measurement: Indexes 2012=100
Source: Statistics Canada

What's happened in New Brunswick manufacturing over 20 years ?



Measurement: Indexes 2012=100
Source: Statistics Canada

What you need to know about New Brunswick Manufacturing

- Manufacturing is an important sector for NB's economy
- Competitiveness has been largely driven by external factors like the exchange rate, not by any concentrated policy effort
- High degree of trade exposure makes it vulnerable to policy conditions in NB
- The sector requires investment-driven modernization to grow
 - With labour shortages, labour intensive production based on abundant, low productivity labour no longer a source of competitive advantage