

**THE JDI ROUNDTABLE ON MANUFACTURING**

**COMPETITIVENESS IN NEW BRUNSWICK**

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The JDI Roundtable on Manufacturing Competitiveness in New Brunswick will establish a forum through which New Brunswick-based manufacturers, industry stakeholders, decision makers and academics can come together for a frank, evidence-based discussion about economic trends, growth opportunities and the role of policy in reducing economic headwinds and perhaps even generating a tailwind for the sector. The Roundtable will be informed by original research and public engagement in meeting its primary objective of supporting growth of the New Brunswick economy by building on its traditional manufacturing strength.

**What is the New Brunswick manufacturing reality?**

*The manufacturing sector in New Brunswick has shown remarkable resilience over the last 20 years in contrast to the experience of other advanced industrial economies. Conventional wisdom holds that the decline in manufacturing employment as a share of total employment is a long-standing feature of the U.S. and all other high-income economies.*

*New Brunswick has not shared this decline which is even more remarkable given the collapse in manufacturing in the northeastern United States with which New Brunswick would seem to be comparable in terms of economies and market forces.*

*Understanding New Brunswick’s manufacturing resilience since the 2008 financial crisis creates an opportunity to grow the province’s economy, if we can use research and analysis to illuminate policy options for moving from sustaining the sector to growing manufacturing in the province.*

*Manufacturing as an economic engine for New Brunswick has considerable horse power that — with the right policies and business conditions to improve competitiveness of provincial producers — can be put into a higher gear.*

Adapted from research and a presentation by Dr. Herb Emery, Roundtable Program Chair,

to the Canadian Manufacturers and Exporters’ New Brunswick Manufacturing Day,

March 29, 2019, Fredericton, N.B.

**Key Facts**

* Manufacturing’s share of total business sector employment in New Brunswick has held steady at around 11% since 1997 and the value of manufacturing output has increased over this same period. In the United States, and the northeast states in particular, manufacturing employment has fallen 25% over the same period.
* Manufacturing’s share of business sector GDP has only fallen 1% — from 18% in 1997 to 17% in 2017 — despite major sector plant and firm closures, trade uncertainty and a strong Canadian dollar over the last decade.
* New Brunswick employment in manufacturing has fallen in the northeast of the province due to mill shutdowns, where in the south, employment has remained stable.
* Manufacturing in New Brunswick has more potential to drive growth with investment which raises labour productivity. Since 2008, New Brunswick’s manufacturing sector has seen little investment, low productivity growth and over-reliance on labour to produce.
  + Many manufacturers have been reliant on old machines and labour intensive production relying on the Canada/U.S. dollar exchange rate to determine producer competitiveness.
* The Canada/U.S. dollar exchange rate has become the driver of manufacturing GDP growth. This is the reason for the lack of sustained economic growth and contributes to the labour shortage problem in New Brunswick.
  + Cyclical labour shortages tied between manufacturing employment and the Canada/U.S. dollar exchange rate/unit labour costs are strong.
  + Unemployment rates in New Brunswick are historically low and employment is growing.
* New Brunswick manufacturers have been making decisions based on market forces as opposed to changes that make the market more competitive.
* In a small, open economy like New Brunswick, private sector investment drives productivity growth, income growth and population growth.