

# **Back to Basics? A sustainable growth agenda for New Brunswick requires a boost in exports**

Centre for the Study of Living Standards

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# Setting the table: Why does economic growth matter?



- To support thriving communities around the province.
- To provide New Brunswickers with job/career and entrepreneurial opportunities (give them the choice to stay or not).
- To provide a sustainable level of taxation to fund public services without excessive taxation or debt.
- To be a good partner in Confederation.



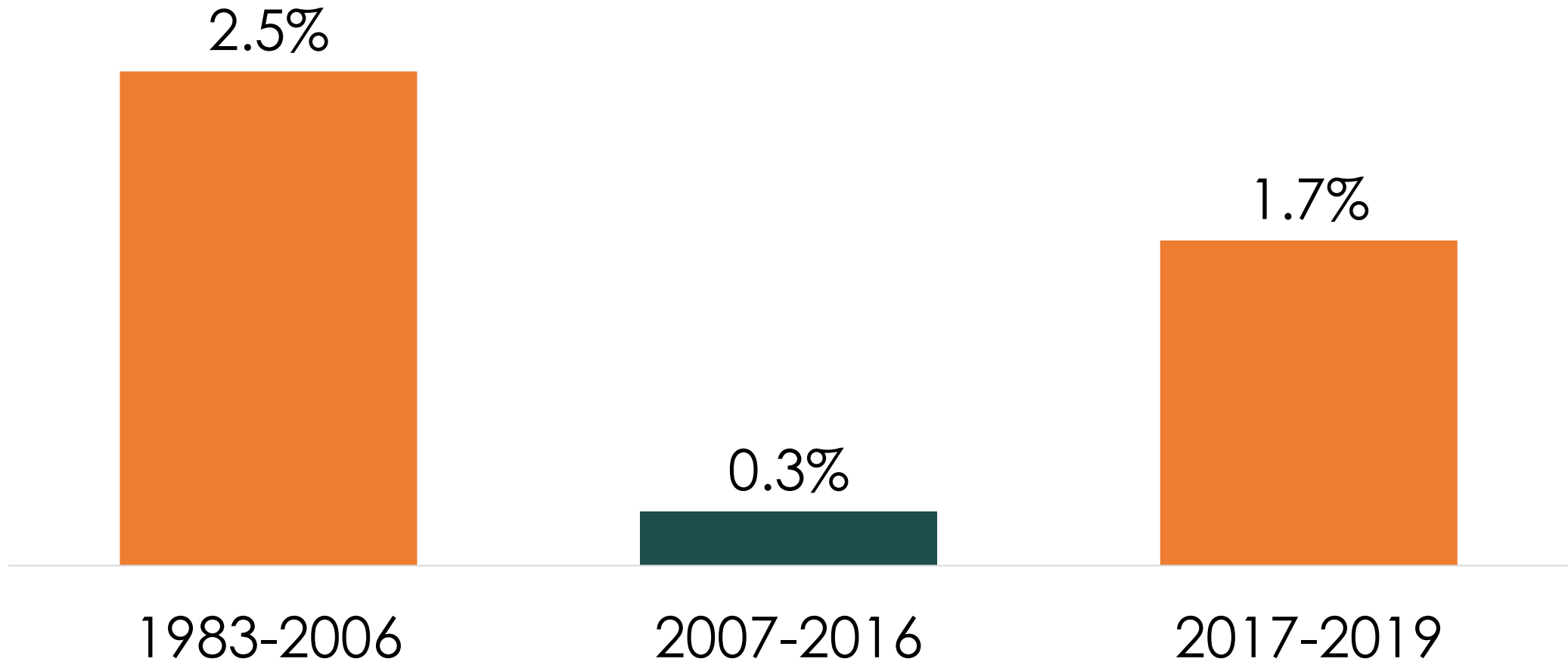
# New Brunswick's 'lost' decade

# Economic growth in New Brunswick: 1983 onward



- From 1983 to 2006, New Brunswick averaged **2.5%** real GDP growth per year.
- From 2007 to 2016 = **+0.3%**
- 2017-2019 = **+1.7%**
- What happened in the 'lost decade'?
- What do we need to do to get back to a sustained level of economic growth (2-3% per year)?
- **A focus on exports will be key.**

# AVERAGE ANNUAL REAL GDP GROWTH



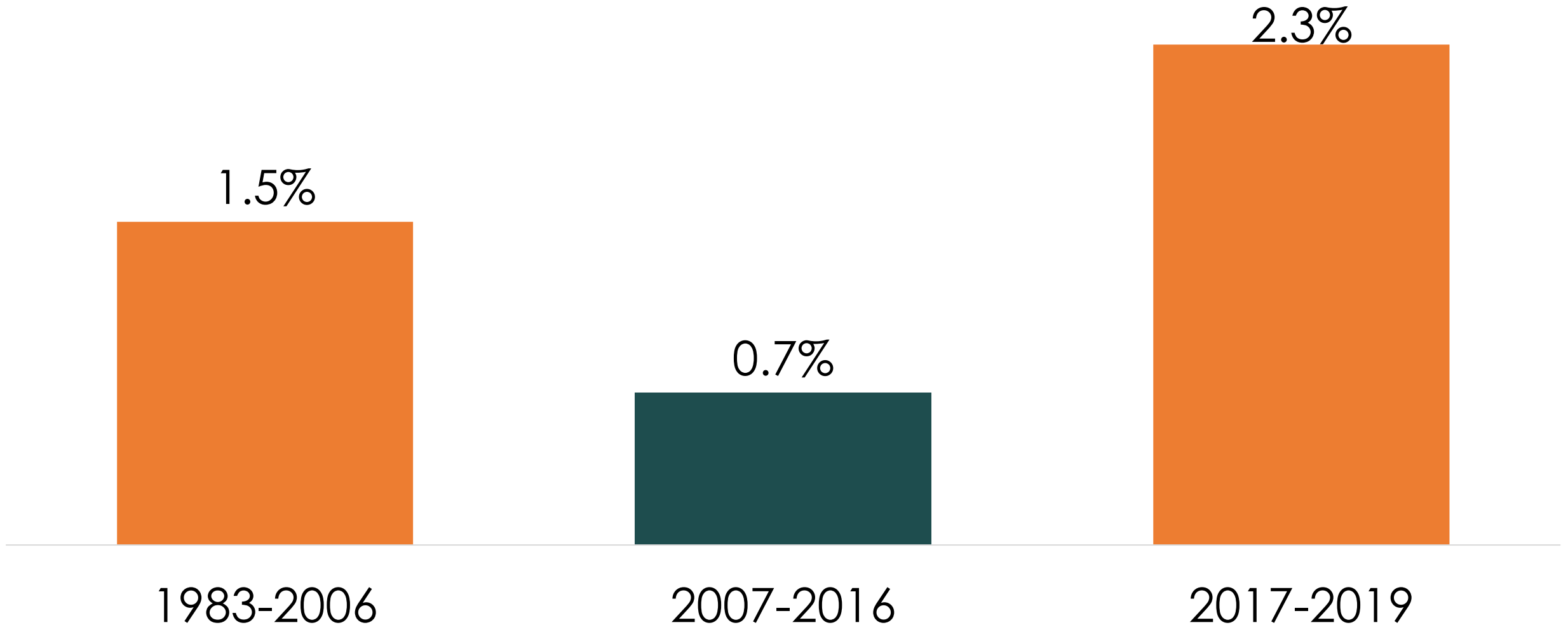
# AVERAGE ANNUAL GROWTH IN GROSS FIXED CAPITAL FORMATION



# AVERAGE ANNUAL GROWTH IN BUSINESS GROSS FIXED CAPITAL FORMATION

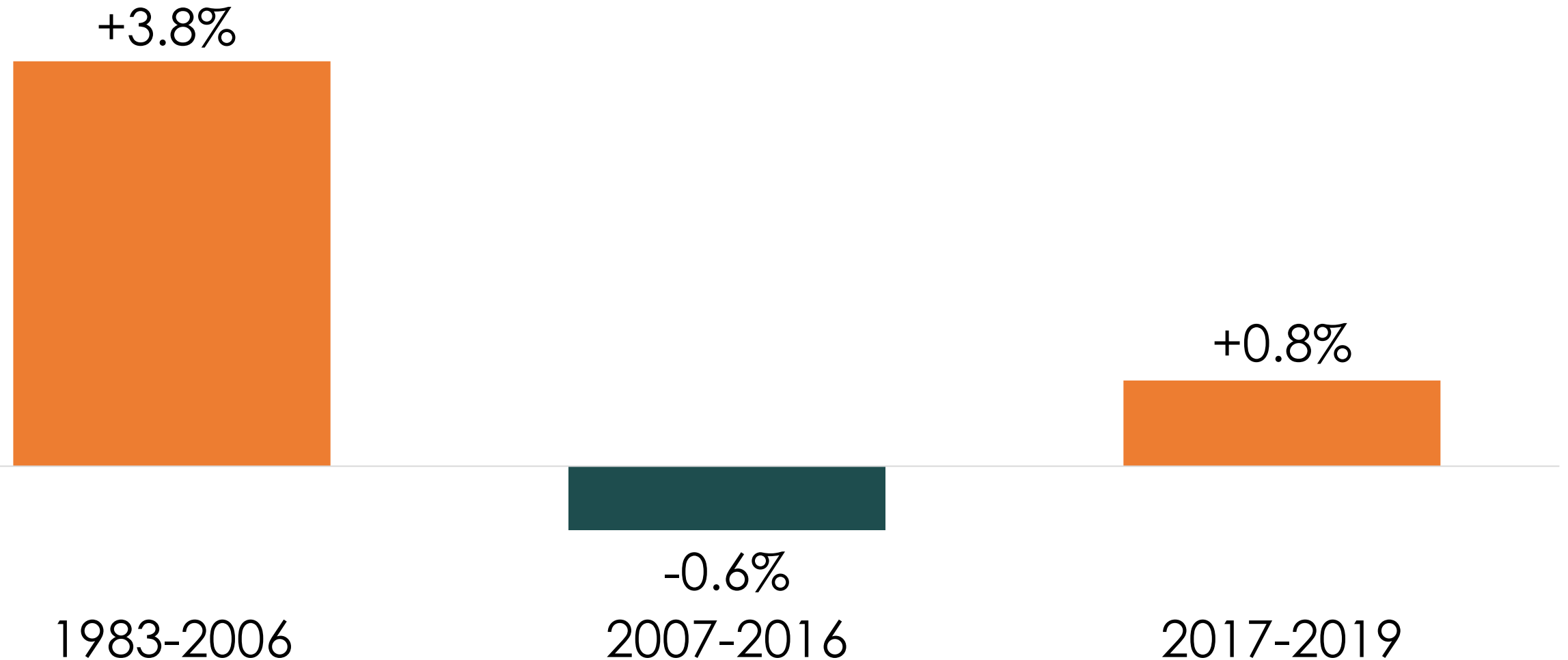


# AVERAGE ANNUAL GROWTH IN GENERAL GOVERNMENTS FINAL CONSUMPTION EXPENDITURE





# AVERAGE ANNUAL GROWTH IN THE VALUE OF EXPORTS (GOODS AND SERVICES)



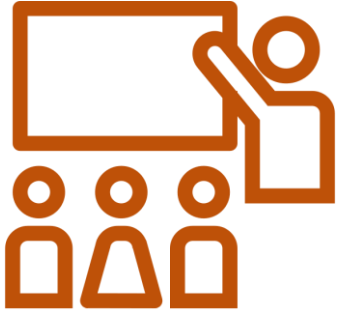
# AVERAGE ANNUAL GROWTH IN THE VALUE OF EXPORTS

	<u>1983-2006</u>	<u>2007-2016</u>	<u>2017-2019</u>
<b>Exports of goods and services</b>	<b>+3.8%</b>	<b>-0.6%</b>	<b>+0.8%</b>
Exports to other countries	+4.9%	-1.1%	+0.3%
Exports to other provinces	+2.5%	+0.1%	+1.4%
Exports of services to other countries	+5.0%	+0.2%	+2.2%
Exports of services to other provinces	+4.3%	-0.3%	+0.3%

# Other economic and demographic trends

- There were nearly 7,000 fewer people working in 2016 than back in 2008.
  - By comparison there were 1.2 million more people working across Canada over the same timeframe.
  - Between 2016 and 2019, total employment rose by nearly 9,000.
- According to RBC Economics, the amount of provincial government debt per person in New Brunswick doubled from \$9,000 in 2007 to \$18,100 by 2016.

# What are the lessons of the lost decade?



1. Don't ignore the state of the provincial economy.
2. Don't be a nihilist.
3. Focus on the fundamentals of growth (people, business investment, exports, etc.).
4. We need more than just urban growth.
5. Don't score own goals.

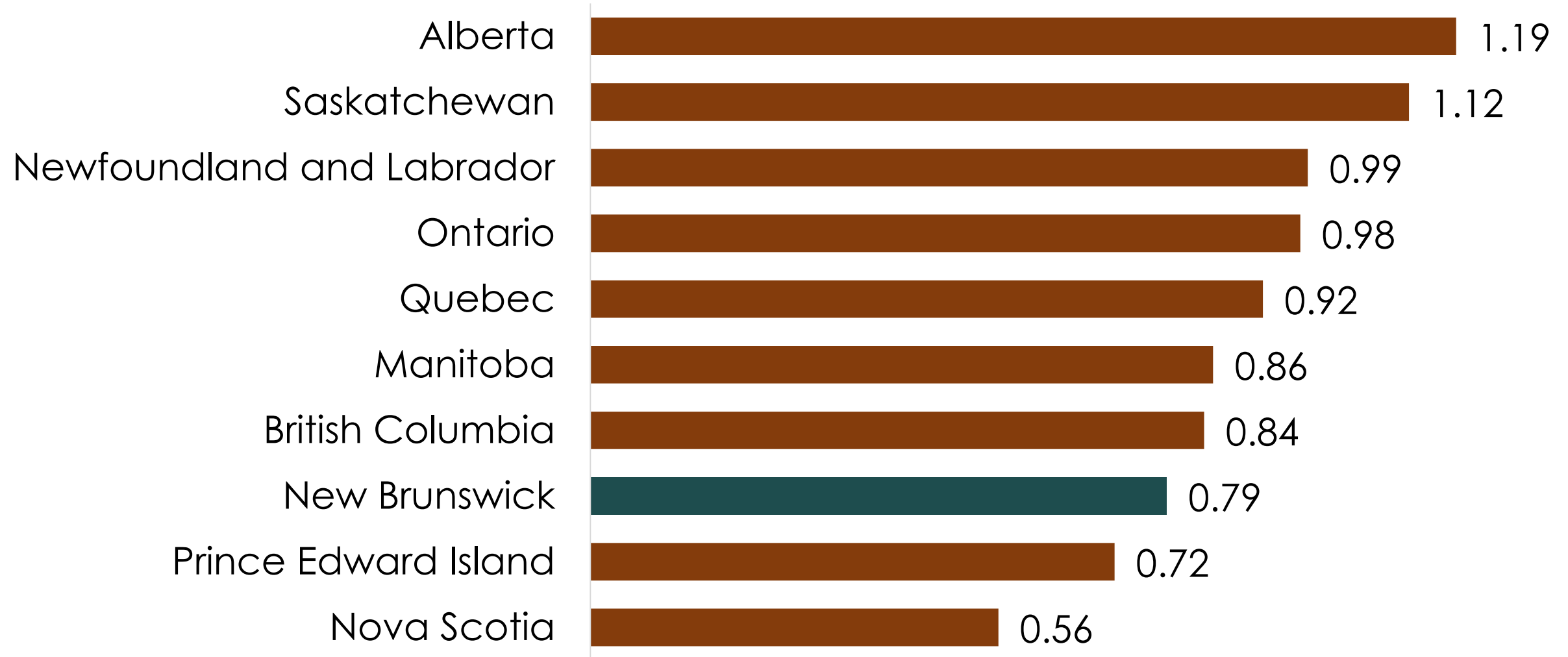


**Why do we care  
about exports?**

# The case for an export-focused economy

- Most of the products and a large share of the services consumed in New Brunswick are imported.
- In 2018, the value of total imports was \$31.8 billion.
  - \$22.5 billion in goods
  - \$9.3 billion in services
  - Major imports include: vehicles, food, electronics, machinery, construction materials, clothing, insurance services, engineering services, software (\$107M), etc.

# Value of exports relative to imports (imports = 1.00)



# The case for an export-focused economy

- The money flowing out to purchase those goods and services is generating relatively little GDP, income and taxes in New Brunswick.
- To bring New Brunswick into trade 'balance', it would require another \$6.6 billion in export revenue.
  - An amount equivalent to the value of:
    - 6 times more seafood exports.
    - More than triple all the current forest products exports.
    - 17 times the current ICT exports.



# The case for an export-focused economy

- However, it would be highly inefficient to try and produce all our own products and services.
- This is why we need an exports focus.
- We need to focus on offsetting imports with exports where we have a competitive advantage.

# Food-related trade balance (\$Million)

	<u>\$millions</u>	<u>Per capita</u>
Saskatchewan	+\$10,969.2	+\$9,442
Manitoba	+\$3,659.9	+\$2,705
Alberta	+\$3,109.9	+\$724
Prince Edward Island	+\$779.9	+\$5,084
<b>New Brunswick</b>	<b>+\$690.6</b>	<b>+\$896</b>
Nova Scotia	+\$590.5	+\$616
Newfoundland and Labrador	+\$311.3	+\$592
Quebec	-\$698.7	-\$83
British Columbia	-\$4,683.2	-\$935
Ontario	-\$8,116.7	-\$567

# Food-related trade balance (\$Million)

## \$50 million+ trade surplus

Prepared and packaged seafood products	\$1,192.7
Preserved fruit and vegetables and frozen foods	\$274.7
Fresh and frozen poultry of all types	\$141.0
Fresh potatoes	\$125.0
Fish, crustaceans, shellfish and related	\$79.5
Beer	\$77.1

## \$50 million+ trade deficit

Fresh vegetables (except potatoes)	-\$106.9
Fresh and frozen beef and veal	-\$98.5
Poultry	-\$93.2
Margarine and cooking oils	-\$93.0
Grain and oilseed products, n.e.c.	-\$77.6
Processed meat products	-\$77.1
Fresh and frozen pork	-\$68.9
Flavouring syrups/seasonings/dressings	-\$66.6
Fresh fruit and nuts	-\$65.3
Wine and brandy	-\$56.8
Confectionery products	-\$53.5
Processed fluid milk and milk products	-\$52.0

# Top commodities by negative trade balance

Deficit in \$Millions

Conventional crude oil	-\$8,062.5
<b>Light-duty trucks, vans and SUVs</b>	<b>-\$796.6</b>
Pharmaceutical and medicinal products	-\$433.9
<b>Other industry-specific machinery</b>	<b>-\$394.5</b>
Synthetic crude oil	-\$298.5
<b>Men's, women's, boys' and girls' clothing</b>	<b>-\$276.2</b>
Passenger cars	-\$250.5
<b>Freight transportation arrangement and customs brokering</b>	<b>-\$207.3</b>
Management, scientific and technical consulting services	-\$206.0
<b>Natural gas</b>	<b>-\$205.7</b>
Computers, computer peripherals and parts	-\$202.2
<b>Architectural, engineering and related services</b>	<b>-\$200.7</b>

# Top commodities by positive trade balance

Surplus in \$Millions

Motor gasoline	\$2,991.1
<b>Diesel and biodiesel fuels</b>	<b>\$2,140.6</b>
Prepared and packaged seafood products	\$1,192.7
<b>Road transportation services for specialized freight</b>	<b>\$806.3</b>
Wood pulp	\$711.4
<b>Office administrative services</b>	<b>\$704.6</b>
Aviation fuel	\$610.9
<b>Light fuel oils</b>	<b>\$606.4</b>
Softwood lumber	\$585.3
<b>Heavy fuel oils</b>	<b>\$582.0</b>

# Destination of New Brunswick exports by value, 2018

<u>Destination:</u>			Less refined oil	
	<u>\$Million</u>	<u>Per capita</u>	<u>\$Million</u>	<u>Per capita</u>
To western Canada	\$1,701	\$578	\$1,604	\$535
To Newfoundland and Labrador	\$801	\$1,524	\$642	\$1,221
To Nova Scotia	\$2,134	\$2,226	\$1,538	\$1,605
To Ontario	\$2,507	\$175	\$2,495	\$174
To Prince Edward Island	\$696	\$4,535	\$437	\$2,848
To Quebec	<u>\$4,231</u>	<u>\$504</u>	<u>\$3,489</u>	<u>\$415</u>
<b>Interprovincial exports</b>	<b>\$12,069</b>	<b>\$9,541</b>	<b>\$10,204</b>	<b>\$6,798</b>
International exports	\$13,050	n/a	\$7,105	n/a



**How do we boost exports?**

# The types of exports

- 1. Commodities:** Agriculture, minerals, logs, fish.
  - 2. Value-added products:** French Fries, seafood products, sawmills, converted paper products, etc.
  - 3. Services:** Business support services, ICT, engineering, legal, tourism, post-secondary education (PSE \$110M tuition 'export' revenue in 2018).
- Don't forget about interprovincial exports (\$12 billion in 2018)
  - Don't forget about services exports (\$7.3 billion in 2018)



# Where is the opportunity in 2022 and beyond?

- There is global competition for most export markets (within Canada and beyond).
- There must be a clear value proposition.
  - Why would a company invest in manganese mining here?
  - Why would a company manufacture machinery here?
  - Why would an IT firm develop software here?
  - How can an NB-based engineering firm export services around the world?

# The value proposition for export opportunities

## Opportunity:

**Commodities –  
relatively unique**

**Commodities –  
relatively ubiquitous**

**Value-added  
products**

**Services**

## Value-proposition (breakdown by importance):

Commodity (80%)/Everything else(20%)

Commodity (50%)/Workforce (30%)/Everything  
else (20%)

Commodity/main inputs (40%)/Workforce  
(40%)/Everything else (20%)

Workforce (90%)/Everything else(10%)

# What about lower wage export-focused industries?

- **Food sector CEO:** New Brunswick could be value-added food products powerhouse - for all of Atlantic Canada and New England – if we had the labour.
- **Farming group:** New Brunswick could produce far more food than it does today – if we had the labour.
- **Business support services manager:** I could add 200 positions tomorrow – if I had the workers.
- **Tourism industry rep:** The lack of labour is holding back investment in tourism.

# Change in total employment (%), 2009-2021

	<u>Ontario</u>	<u>New Brunswick</u>
All industries	+13.5%	-0.1%
<b>Crop production</b>	<b>+15.5%</b>	<b>-27.1%</b>
Truck transportation	+20.9%	-21.6%
<b>Administrative and support services</b>	<b>+16.4%</b>	<b>-24.0%</b>
Accommodation and food services	+7.6%	-4.5%
<b>Food manufacturing</b>	<b>+5.0%</b>	<b>-0.4%</b>
IT sector	+110.1%	+61%
<b>Architectural, engineering and related</b>	<b>+50.7%</b>	<b>+7.1%</b>

# Immigrants as a share of the workforce

	<u>Ontario</u>	<u>New Brunswick</u>
Crop production	16.0%	7.0%
Truck transportation	43.0%	6.0%
Administrative and support services	36.0%	5.0%
Accommodation and food services	31.0%	9.0%
<b>Food manufacturing*</b>	<b>46.0%</b>	<b>6.0%</b>

\*To reach 46% of the workforce, NB would need to add 7,000 immigrants to its food manufacturing workforce.

Using standard multipliers for the food manufacturing sector, that would mean \$1.3B more provincial GDP, \$750M more labour income and an estimated \$230M in provincial and local tax revenue\*\*.

# Change in the number of persons under 35 reporting \$35,000 or less in total income (2009 to 2019)

	<u># change</u>	<u>% change</u>
<b>New Brunswick</b>	<b>-24,920</b>	<b>-21%</b>
Moncton	-2,500	-11%
Saint John	-3,910	-20%
Fredericton	-950	-6%
Bathurst	-970	-22%
Miramichi	-520	-14%
Campbellton	-620	-29%
Edmundston	-780	-24%
Non CMA-CA NB	-14,680	-32%
<b>Toronto, Ontario</b>	<b>78,640</b>	<b>+9%</b>

# Other considerations

- Need to attract global firms to invest in export-focused operations here..
- We need to **also** foster entrepreneurs with export-focused ideas.
- Competitiveness and productivity go hand-in-hand with an exports strategy.
- We need a stable and predictable environment (regulation, talent pipeline, infrastructure, etc.)
  - Business investment is a **bet on the future.**

# Questions?