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CANADIAN
MANUFACTURERS
& EXPORTERS

Manufacturing

MABE

January 26, 2023



Agenda

- CME
- World / Canada / Manitoba
- Manufacturing Scene
- Broad Influences
- Policy Principles
- Q&A





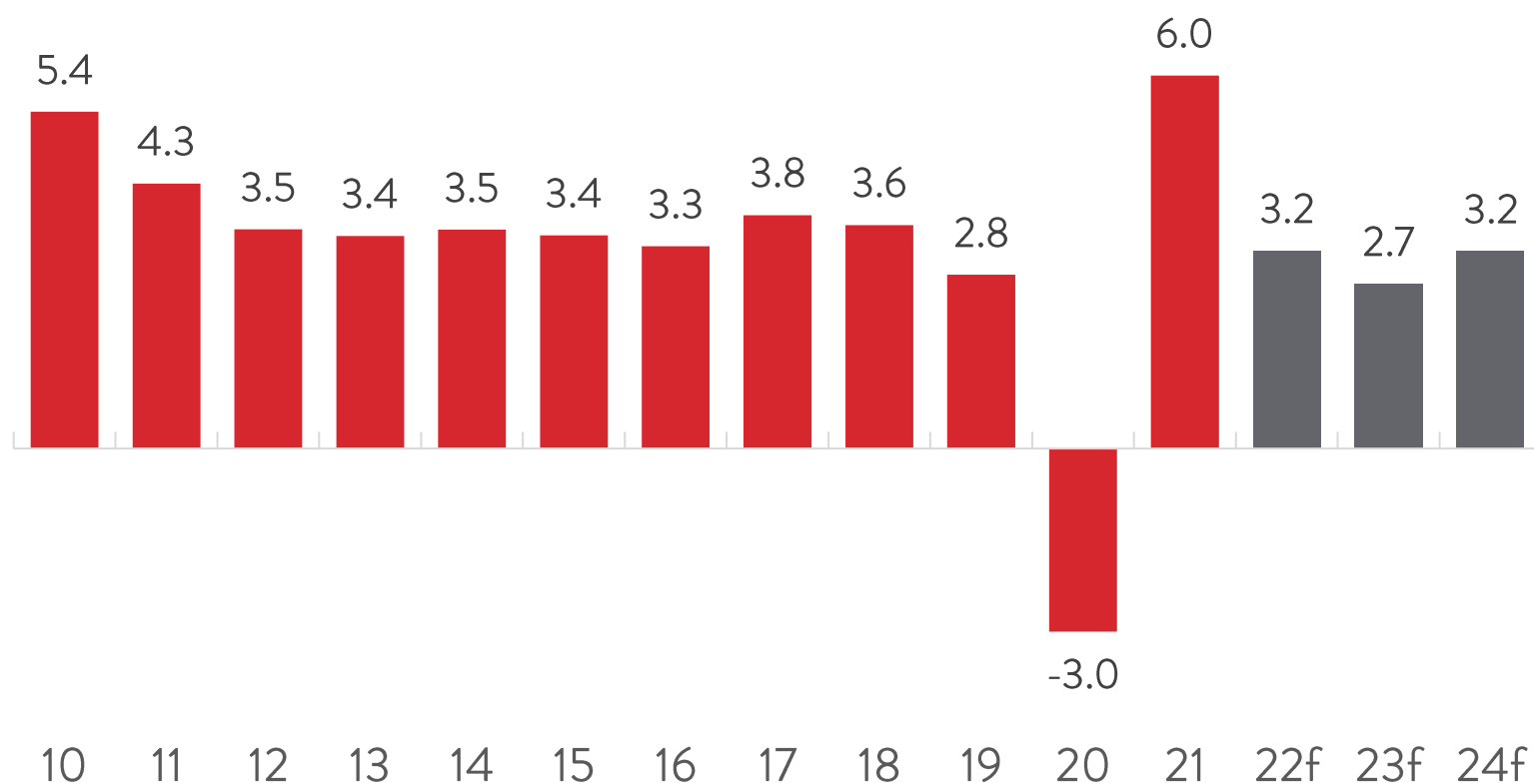
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WORLD ECONOMIC OUTLOOK

Real GDP (annual % change)



Source: IMF World Economic Outlook – October 2022.

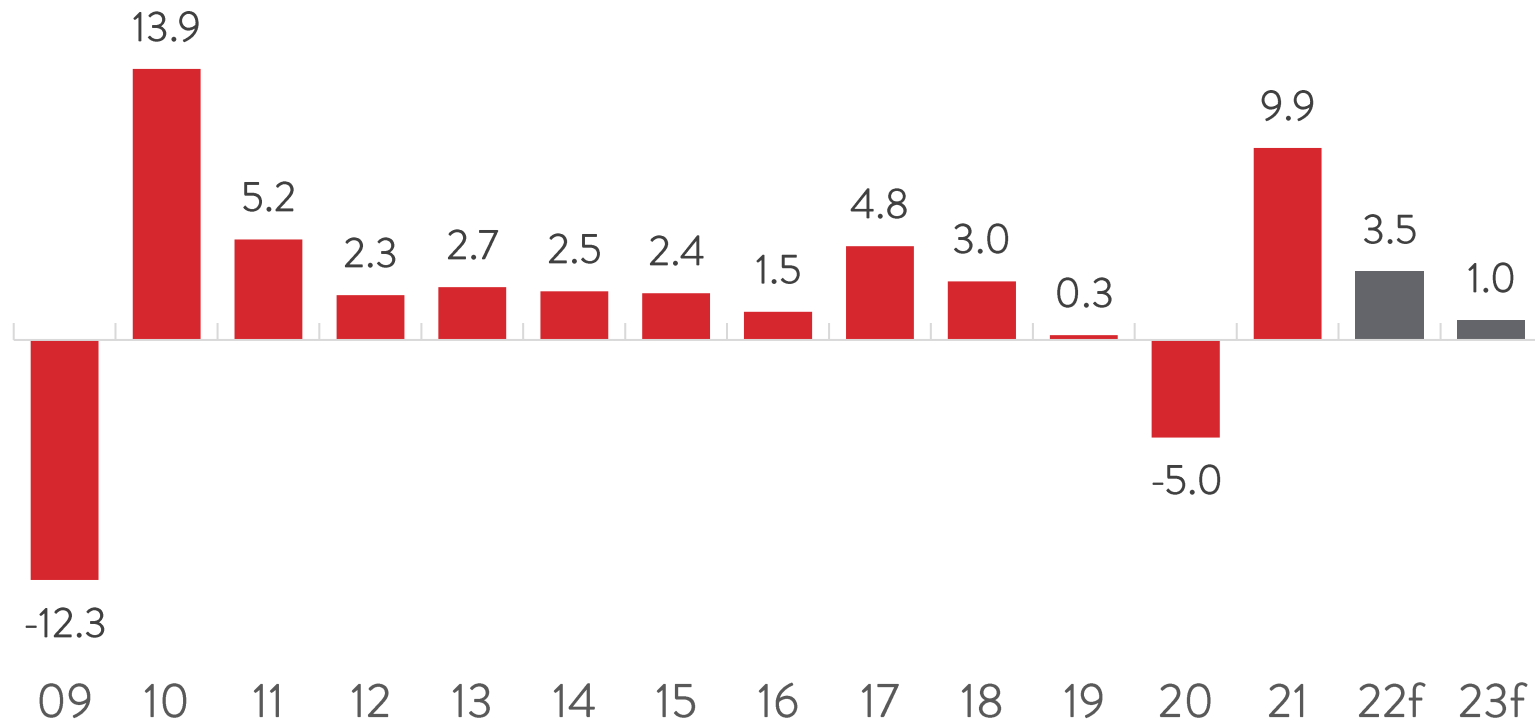


Amid Russia's unprovoked invasion of Ukraine, high inflation, rapidly rising interest rates, and strict lockdowns in China, the IMF has sharply downgraded its outlook for the world economy.

It expects global real GDP growth to come in at 3.2% this year and 2.7% next year.

TRADE GROWTH TO SLOW SHARPLY

World (merchandise trade volume, annual % change)



Sources: CME; World Trade Organization.

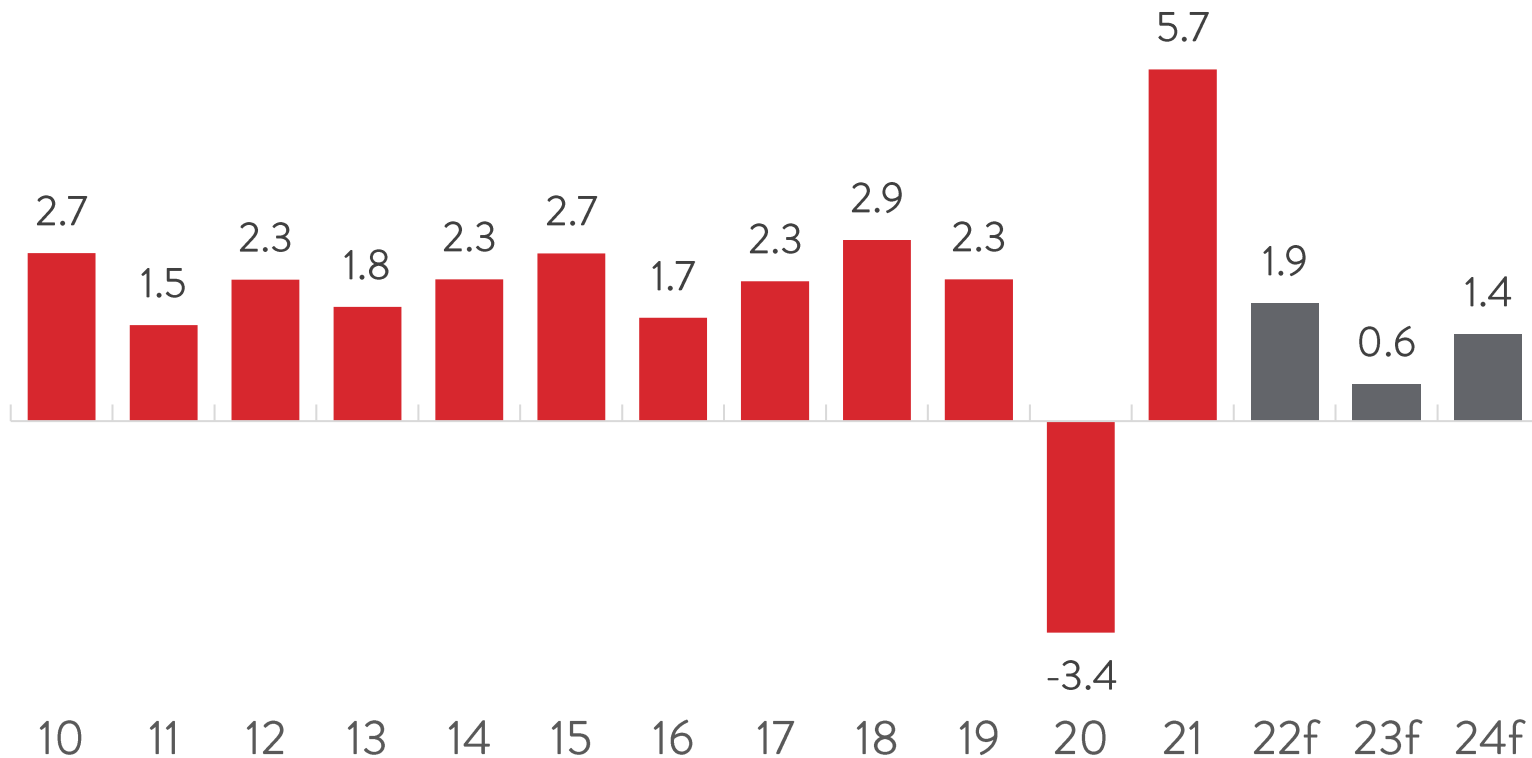


In their October 2022 outlook, WTO economists predict global merchandise trade volumes will grow by 3.5% in 2022 but foresee only a 1% gain in 2023.

There is a high degree of uncertainty associated with the forecast due to shifting monetary policy in advanced economies and the unpredictable nature of the Russia-Ukraine war.

US ECONOMIC OUTLOOK

United States (real GDP, annual % change)



Sources: Scotiabank Economics; Statistics Canada.

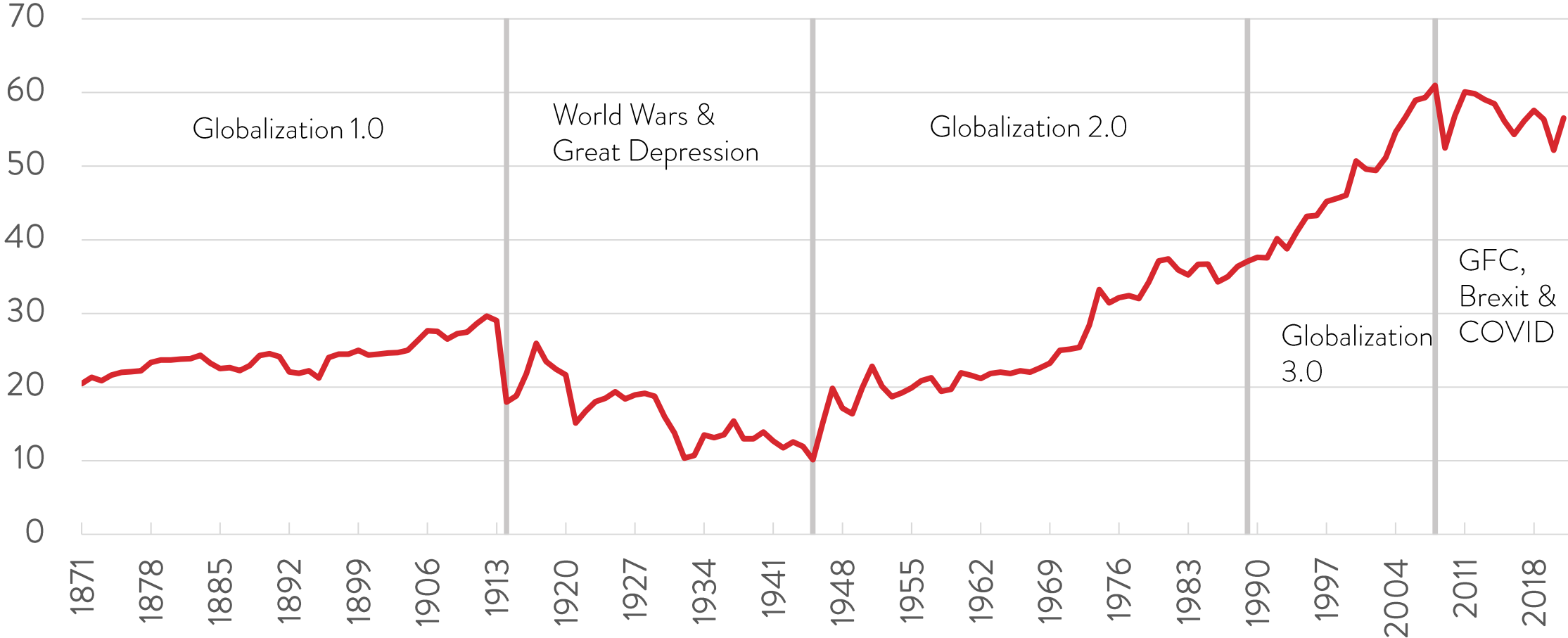


The US economy is on track to grow by 1.9% this year, down sharply from the 5.7% gain in 2021.

With the Fed raising interest rates at the fastest pace since the 1980s in order to tamp down high inflation, real GDP growth is expected to come in at just 0.6% in 2023.

WAVES OF GLOBALIZATION

World (trade as a % of GDP)



SOURCES: OUR WORLD IN DATA; WORLD BANK; CME.



MANUFACTURING MATTERS

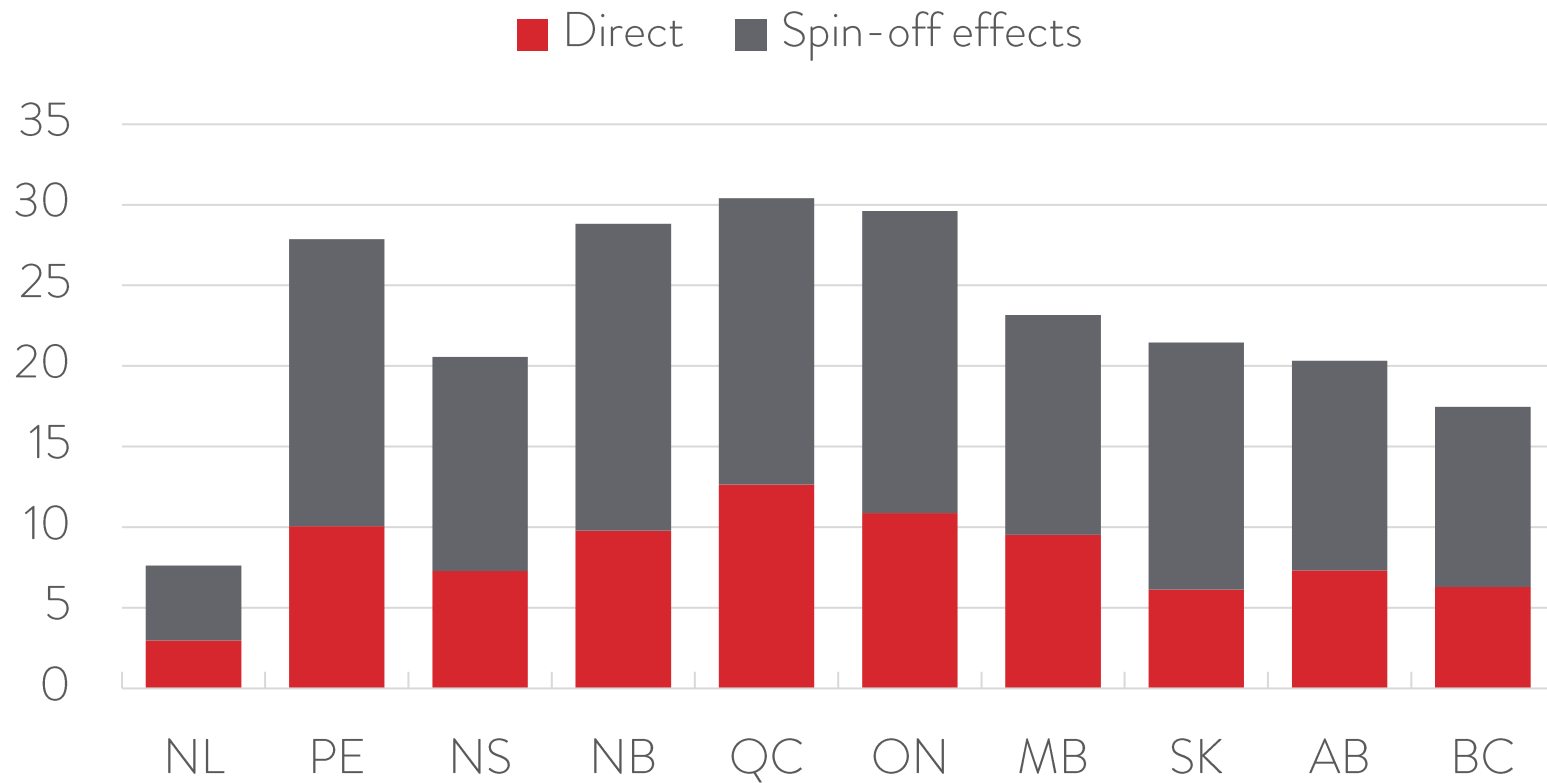
(2021, unless otherwise noted)

Impact of Manufacturing	Canada	Manitoba
Number of establishments	89,643	2,337
Total manufacturing sales	\$719.3 billion	\$20.8 billion
Share of total GDP	9.5%	9.5%
Direct employment (2022)	1.748 million	63,800
Average weekly earnings	\$1,189	\$1,120
Wage premium	105.2% of industrial aggregate	109.4% of industrial aggregate
Exports (% share of total)	\$387.4 billion (61.4%)	\$12.0 billion (68.0%)
Investment intentions (2022)	\$21.8 billion	\$579.3 million

Sources: CME; Statistics Canada.

MANUFACTURING'S CONTRIBUTION TO GDP

Total economic impact (per cent share of total GDP, 2021)

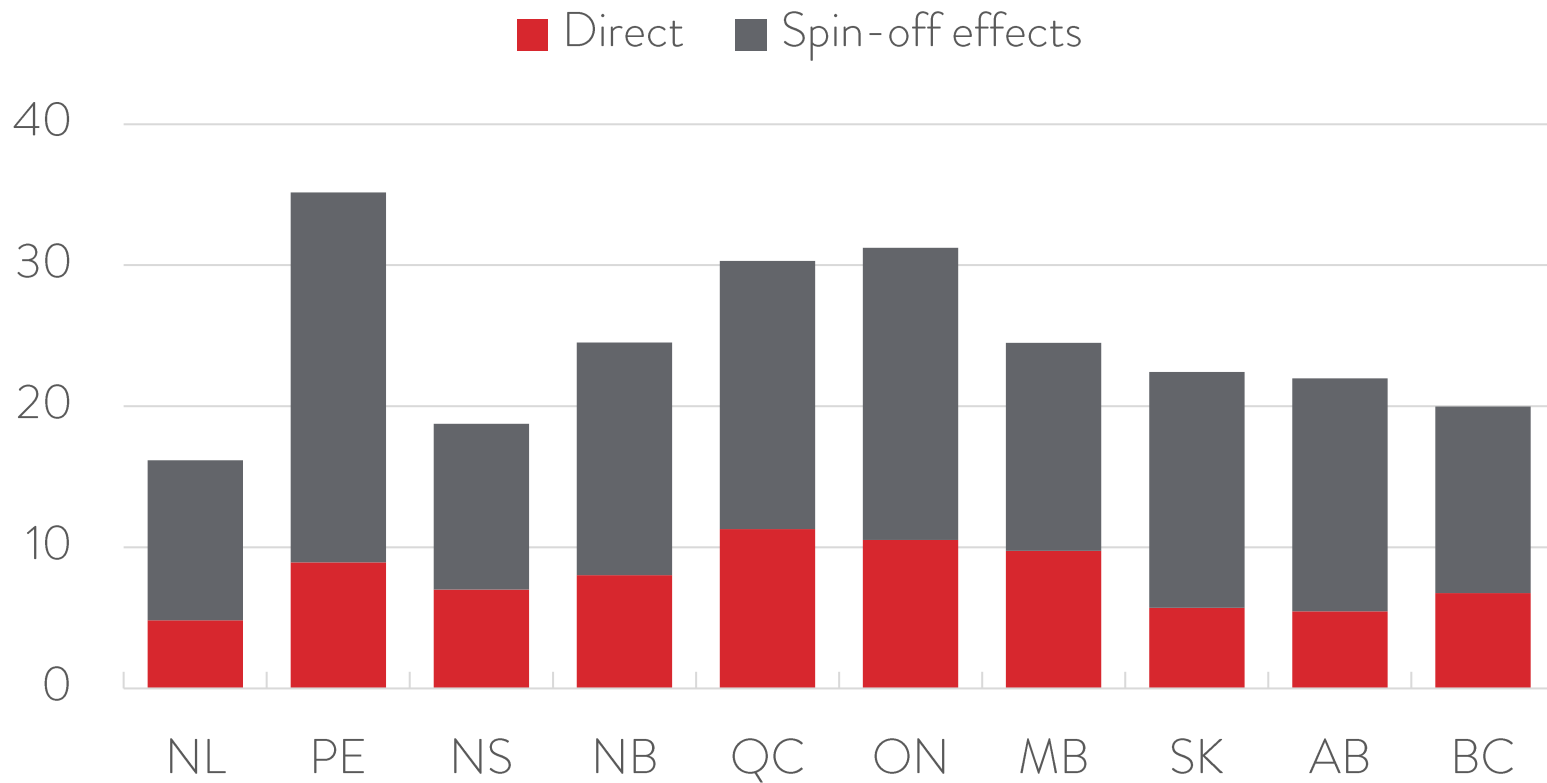


Sources: CME; Statistics Canada.



MANUFACTURING'S CONTRIBUTION TO EMPLOYMENT

Total economic impact (per cent share of total employment, 2021)

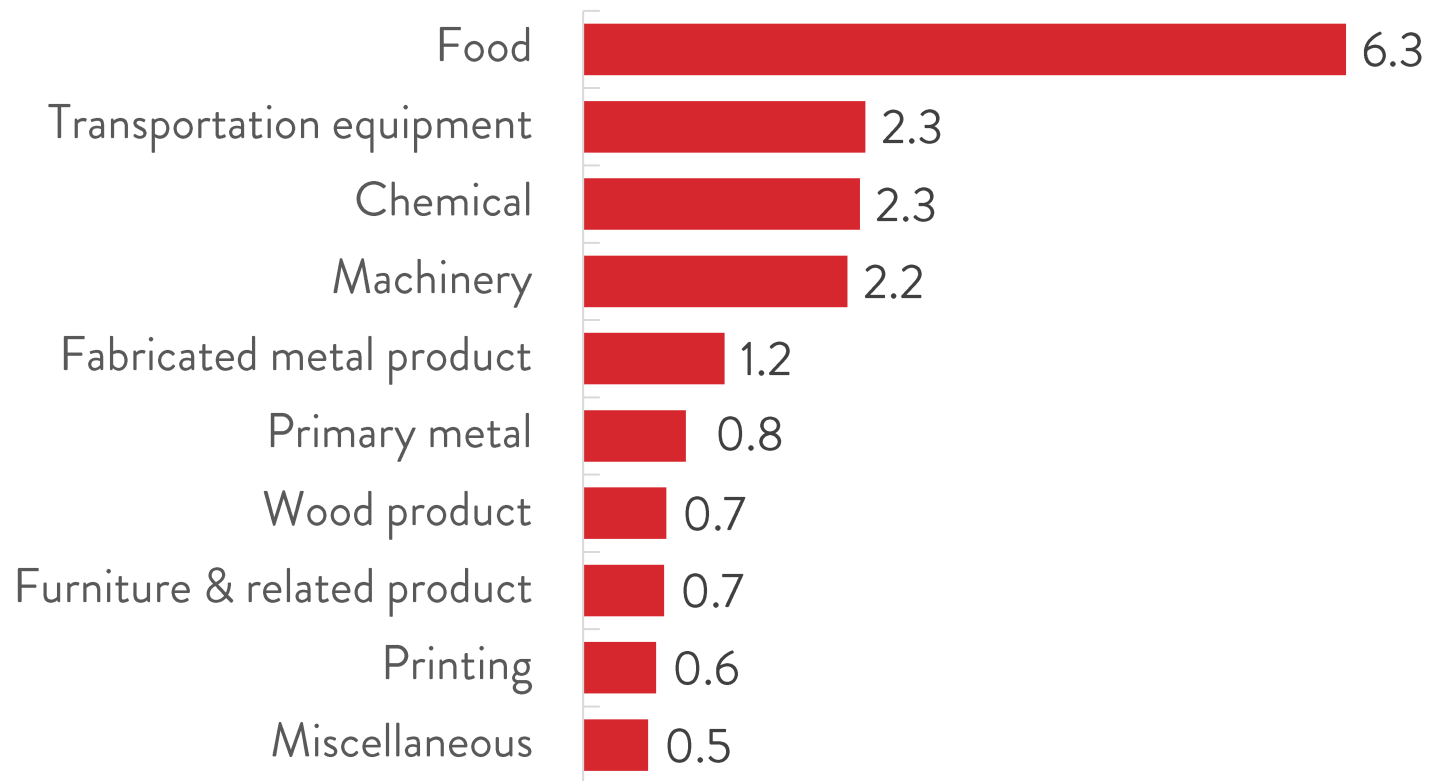


Sources: CME; Statistics Canada.



MANITOBA'S TOP MANUFACTURING INDUSTRIES

Sales by major industry in 2021 (billions \$)

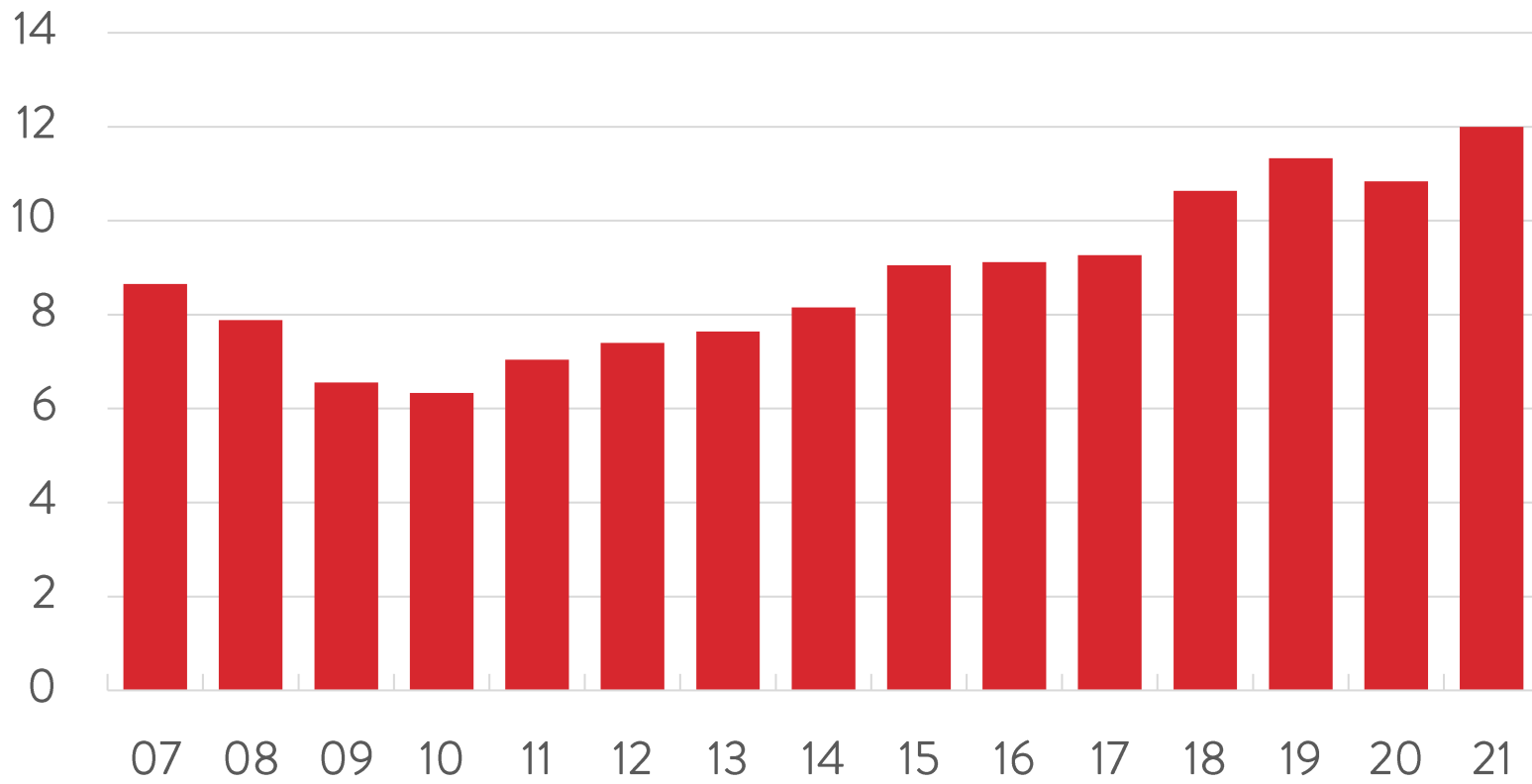


Sources: CME; Statistics Canada.



MANUFACTURED EXPORTS

Manitoba (billions \$)



Source: Statistics Canada.



MANITOBA'S MAJOR TRADING PARTNERS

Manufactured exports

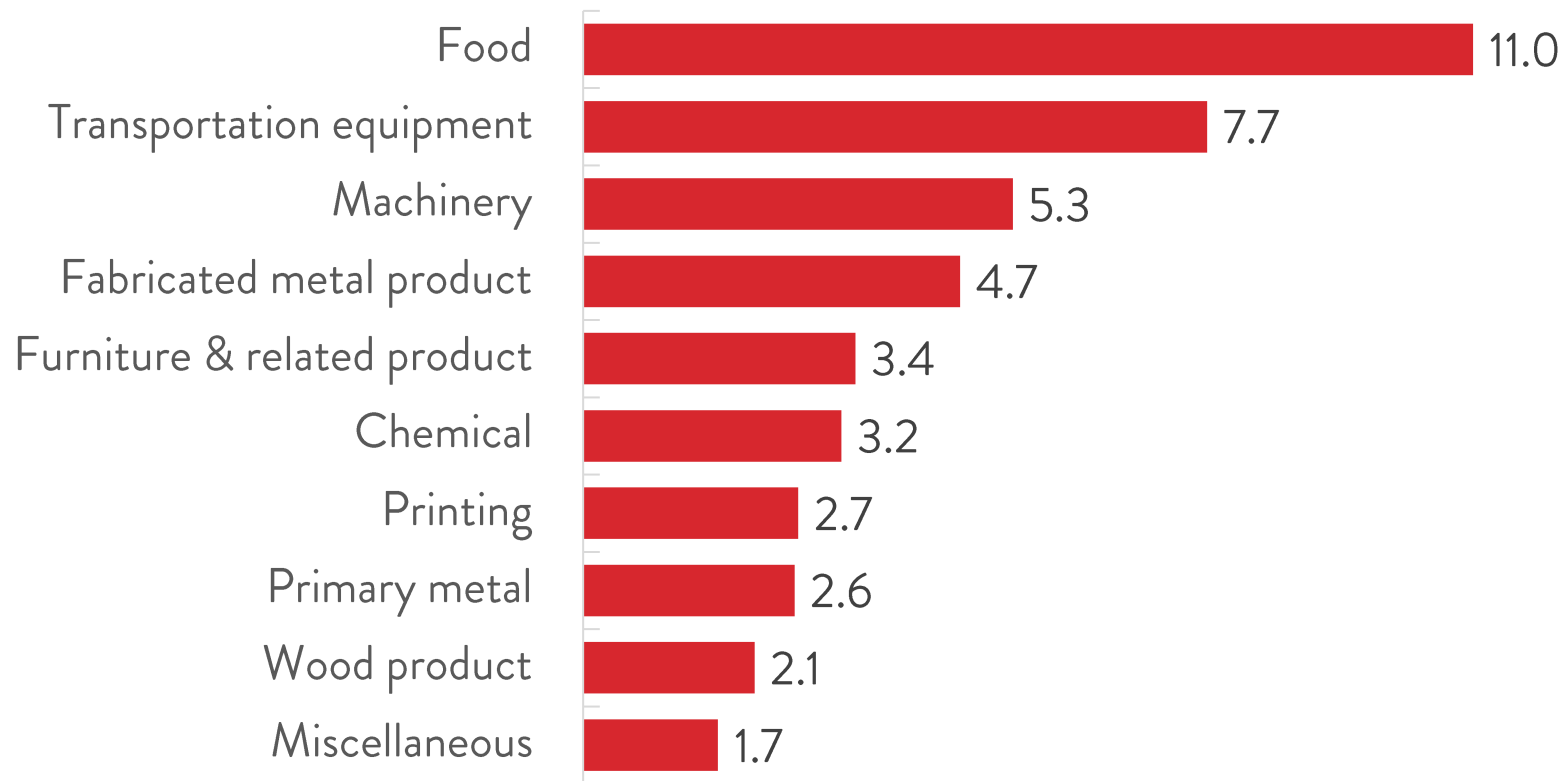
	Value (billions \$)		Share of total (%)	
	2016	2021	2016	2021
US	6.9	9.7	76.2	81.1
Japan	0.4	0.6	4.9	5.1
Mexico	0.2	0.4	2.1	3.4
China	0.4	0.3	4.6	2.8
Australia	0.1	0.1	1.1	1.1
South Korea	0.1	0.1	0.9	0.9
Philippines	0.0	0.1	0.3	0.6
Singapore	0.1	0.1	0.6	0.4
UK	0.0	0.0	0.4	0.4
Germany	0.1	0.0	0.7	0.3

Sources: CME; Statistics Canada.



TOP TEN MANUFACTURING EMPLOYERS IN MANITOBA

Total number of jobs in 2021 (000s)

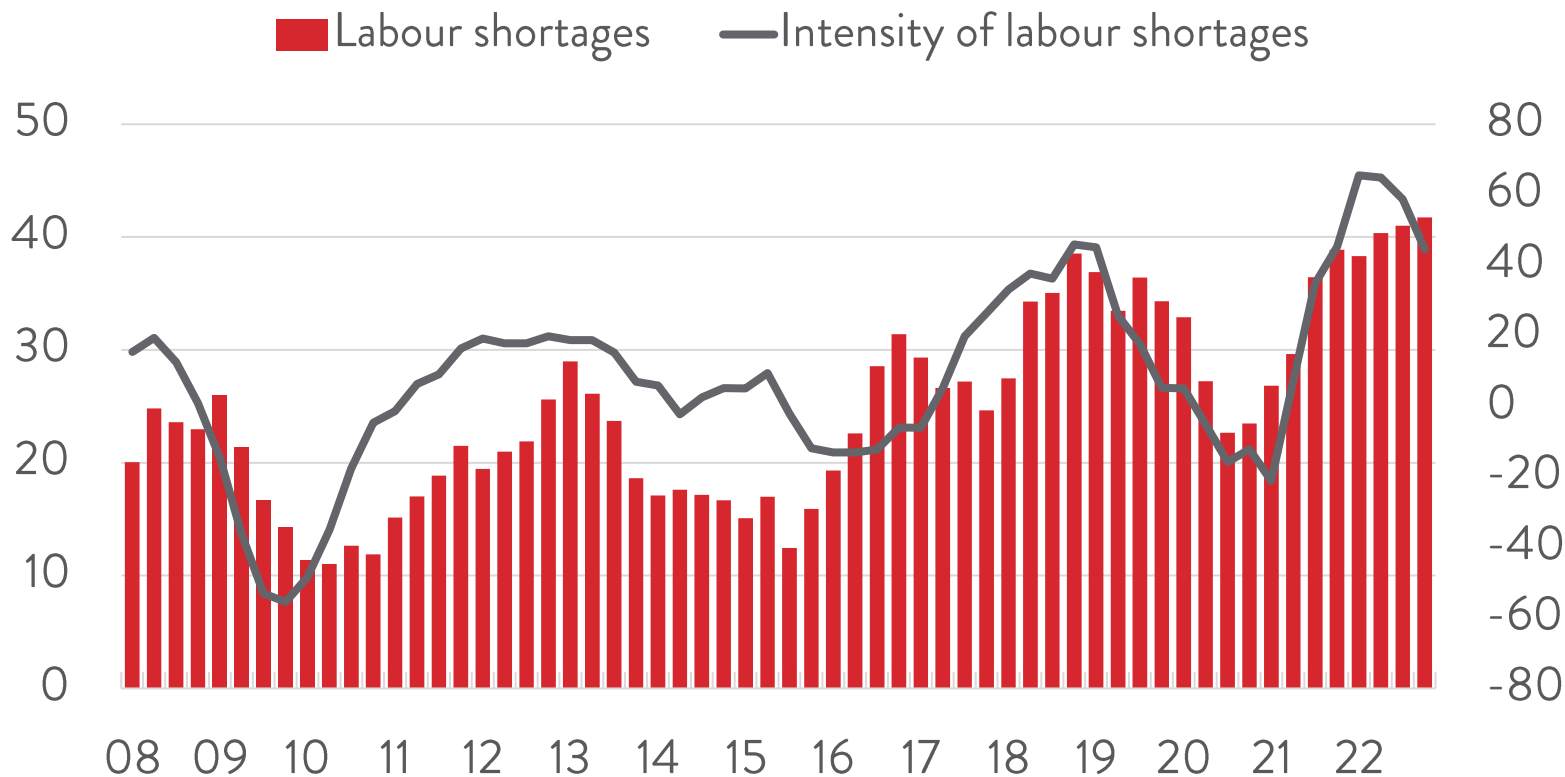


Sources: CME; Statistics Canada.



MANUFACTURERS STILL CHALLENGED BY LABOUR SHORTAGES

Canada (balance of opinion, % of firms, 4QMA, 2008Q1-2022Q4)



Source: Bank of Canada, Business Outlook Survey.



According to the latest Business Outlook Survey, 42% of manufacturers said they face shortages of labour that restrict their ability to meet demand—a new all-time high.

On a more positive note, a growing number of firms characterize labour shortages as less intense than last year, signalling an easing in labour market conditions.

Canada – Open for Business?

- Natural Resources
- Inter-provincial disunity
- Carbon Taxes
- Federal spending
- Regulatory certainty
- Tax reform / regulatory reform
 - Reward companies for growing, Support training / upskilling, Enable exports, Simplify – Complexity breeds unfairness and reduced economic growth



Prosperity Report

Prosperity Report	B.C	AB	SK	MB	ON
Highest Income Tax Bracket Starts	\$227,092	\$314,929	\$144,639	\$74,417	\$220,001
Lowest Income Tax Bracket Ends	\$43,070	\$131,220	\$46,773	\$34,431	\$46,226
Basic personal exemption	\$11,302	\$19,369	\$16,615	\$10,145	\$11,141
Average weekly earnings	\$1,126	\$1,225	\$1,108	\$1,024	\$1,167
Gov't Program expenses relative to GDP (%)	20.3%	18.7%	19.9%	26.6%	19.9%
Private capital investment per capita	\$12,519	\$13,962	\$11,613	\$7,594	\$9,870

MANUFACTURING

- COVID
- Supply Chain
- Labour
- Productivity
- Technology / Investment
- Consolidation
- Business environment
- Uncertainty



Energy / Environmental policies

- IPCC
- Fantasy hits reality
- ESG / Net Zero
- Renewable challenge
- Canada position



Broad Influences

- **COVID**
- **Government**
- **Supply Chain**
- **Financial**



Broad Influences - Self Destruction?

- Anti-capitalism / anti-globalization
- Nationalism
- Demographics
- Culture wars
- Families / Values
- The Cycle



Broad Influences - Institutions Failing

- Media
- Education
- Elite and managerial (expert) class
- Income disparity
- The rise and rule of NGOs



Policy Principles

- Wealth, is created by industry operating in a free market where choice is prevalent. The focus should be more on supporting creation of wealth than simply re-distributing it.
- Government has nothing to give anybody except what it first takes from citizens.
- Liberty (individual freedom) combined with property rights and personal responsibility is the foundation for a healthy growing economy and society.
- With respect to wealth, free people are not equal, and equal people are not free.
- Societies that use free markets extensively (versus central planning and coercion) develop a culture of cooperation, fairness, and respect for the individual. Genuine market prices are necessary for people to be able to make determinations of value

Policy Principles 2

- Choice for citizens (including open trade, health, education, etc) ensures better outcomes in providing desired goods and services.
- Help people help themselves whenever possible. People will feel like victims and dependant if given no choices for better outcomes
- The correlation between free trade and high living standards, including high welfare standards, is tight and causal. Protectionism ultimately harms citizens, especially lower income people.
- What belongs to you, you tend to take care of; what belongs to no one or everyone tends to fall into disrepair. *Nobody spends somebody else's money as carefully as they spend their own.* Leaving more money in the hands of individual citizens improves outcomes

Policy Principles 3

- Public services and solutions to public issues are enhanced by allowing private and not for profit involvement along with government wherever possible. Governments should seek not to compete with the private sector nor to influence market levels. Experience shows that when buying and selling are controlled by legislation, distortion in the market occurs and the first things to be bought and sold are legislators.
- The level of lobbying is directly related to the extent to which government intervenes in the economy
- Competition breeds competence and encourages innovation. Beware vested interests who shut down competition.
- Incentives matter and should be carefully considered when developing policy. People and organizations will adjust actions accordingly

Policy Principles 4

- Public policies, regulations, and programs where genuinely needed should be certain, smart, clear, simple, focussed on outcomes and efficiently delivered with regular reviews to ensure ongoing need and effectiveness
- Government services should be customer focussed and supported by competitive service standards and success measures. Outcomes, not inputs are the critical success measures
- Vested interests of any group should not be allowed to dictate public policy.
Serve citizens
- Sustainable environmental practices are good for business. Policies and regulation should be based on unbiased science and allow for creative solutions wherever possible rather than prescribed activities or ideological agendas

Thanks