

# New Brunswick Forest Industry

---

## Economic Impacts



**FOREST NB**  
**FORÊT NB**

# Introduction

---



# Introduction

---

## Purpose

*The aim is to inform policy-makers and the public about the contribution of the forest sector to the New Brunswick and Canadian economies.*

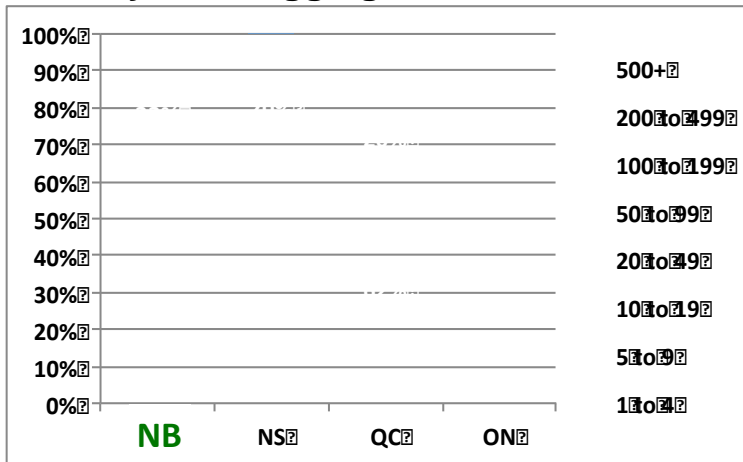
## Scope



# Sector Overview

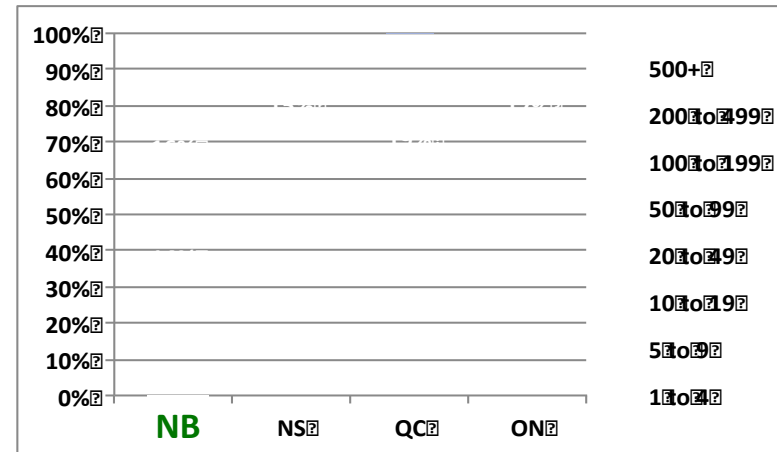
## NB firms are big (employee size)

### Forestry and Logging – 405 NB firms

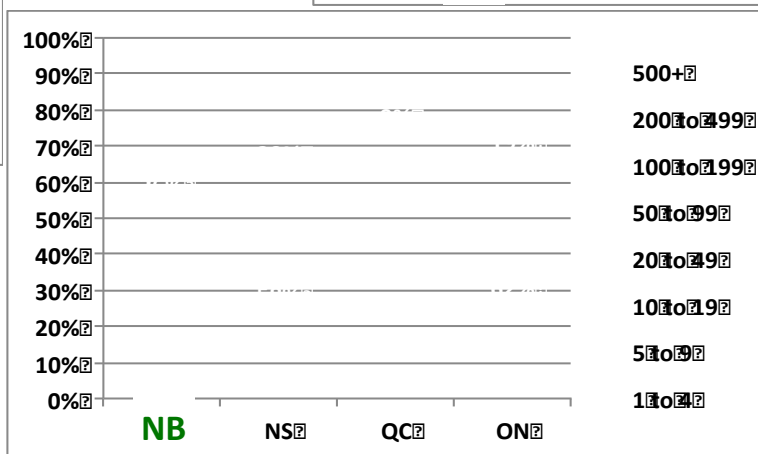


Note: Over 600 firms in the sector  
Including 63 Support Services firms

### Wood Products – 117 NB firms



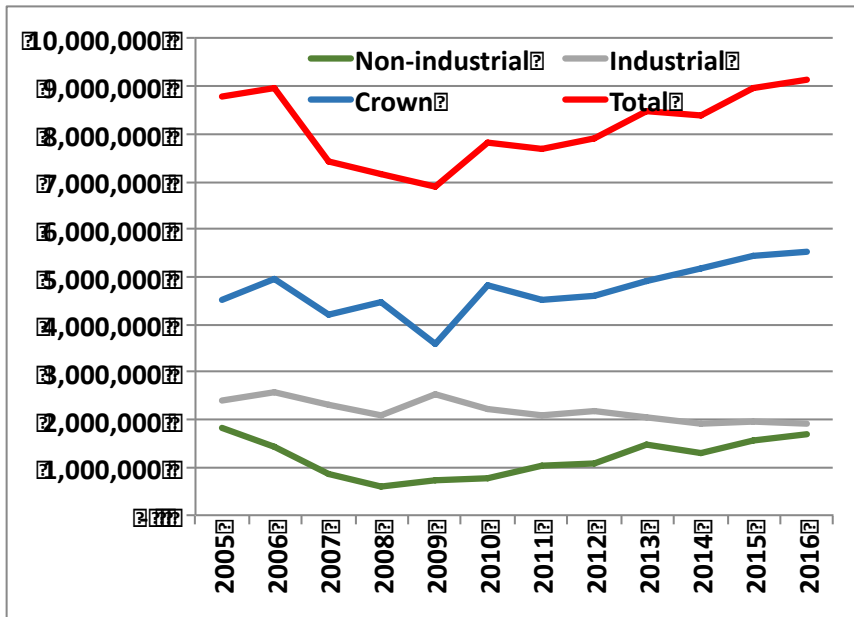
### Pulp & Paper – 20 NB firms



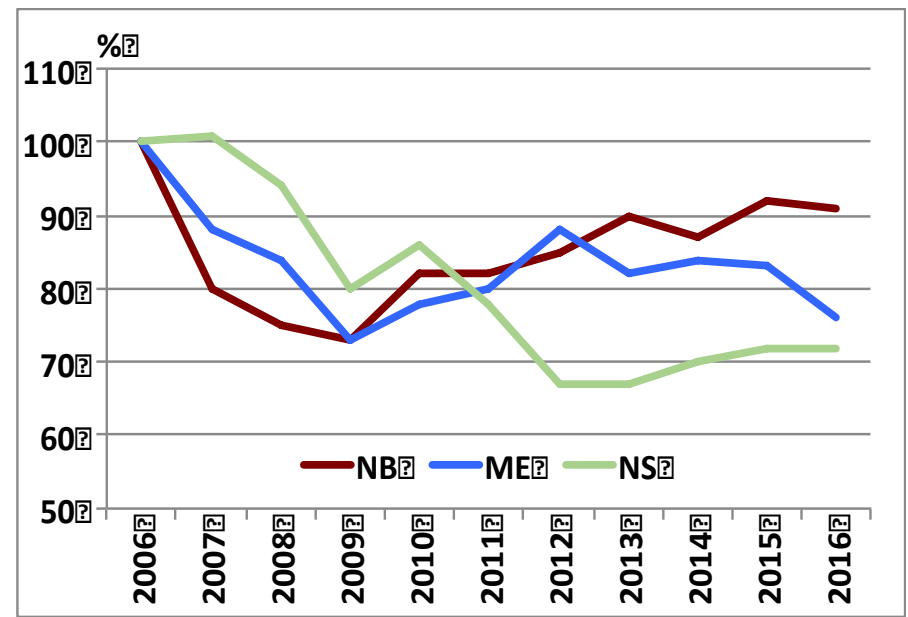
# Sector Overview

## Harvest volumes have made strong recovery

Annual volumes by land tenure



Harvest recovery since 2006 by jurisdiction



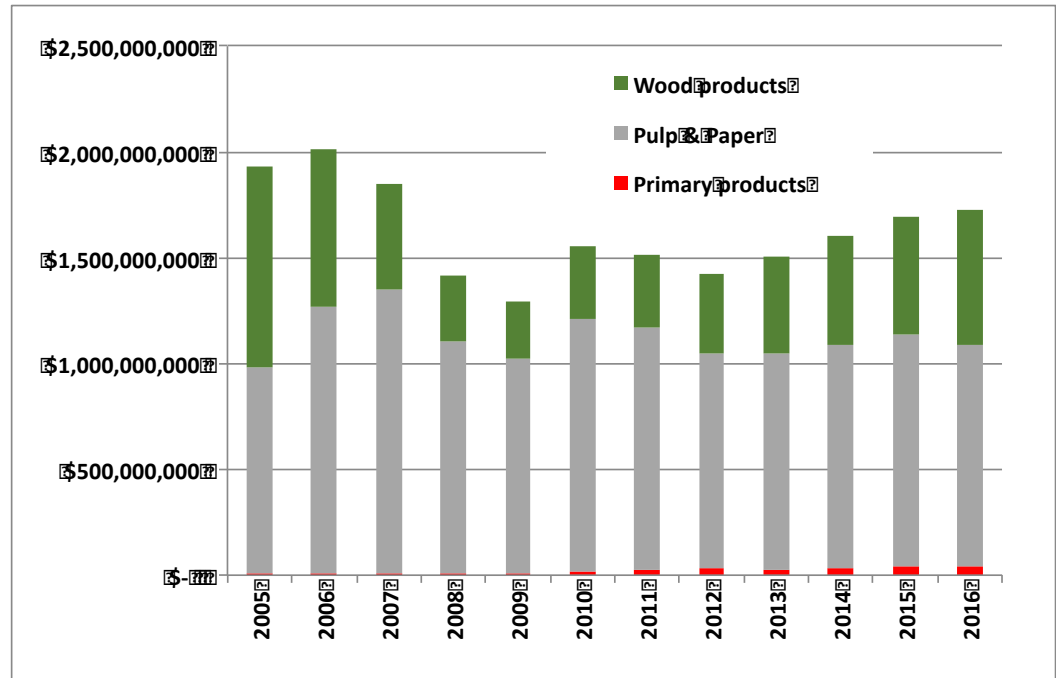
# Sector Overview

## Product Manufacturing

Recovery since 2009 has been strong, but not back to previous highs.

Total exports in 2016 were \$1.7 billion, with 61% in pulp and paper, 37% in wood products, and 2% in primary wood.

Since 2009, wood products **↑138%**, and pulp and paper **↑3%**.



# Sector Overview

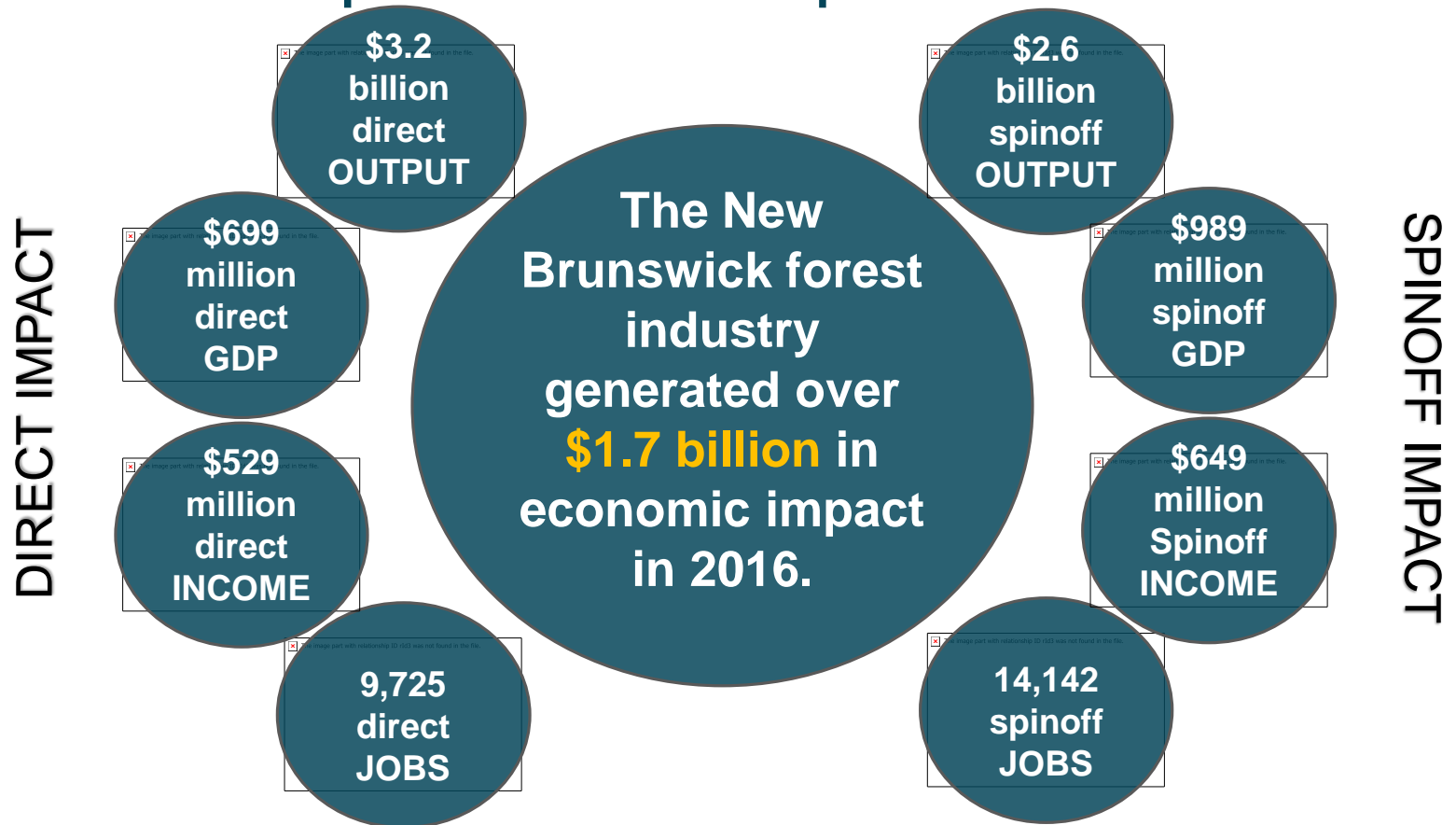
## Forest product exports by country (2005, 2016)

	2005	% share	2016	% share
U.S.A.	1,670	86%	1,337	78%
India	48	2%	121	7%
China	10	0%	39	2%
S. & C. America	24	1%	27	2%
E.U.	84	4%	26	2%
Other	96	7%	174	9%
Total	1,932	100%	1,724	100%

- NB exports to over 60 countries and represents 15% of provincial exports.

# Economic Impacts

## 2016 NB Economic Impacts – Direct and Spinoff





# Economic Impact Results

## Total 2016 Economic Impact – Direct and Total impacts

	Direct	NB	Canada
Output	\$3.2 billion	\$5.9 billion	\$8.7 billion
GDP	\$699 million	\$1.7 billion	\$3.1 billion
Jobs	9,725	23,867	35,435
Income	\$529 million	\$1.2 billion	\$1.9 billion

- Supply chain of 2,500+ firms in the province (8% of NB firms).
- One in 14 NB jobs are linked to forestry sector.
- NB contributes significant impacts to other parts of Canada.

# Economic Impact Results

---

## Total 2015 Economic Impact – Taxes

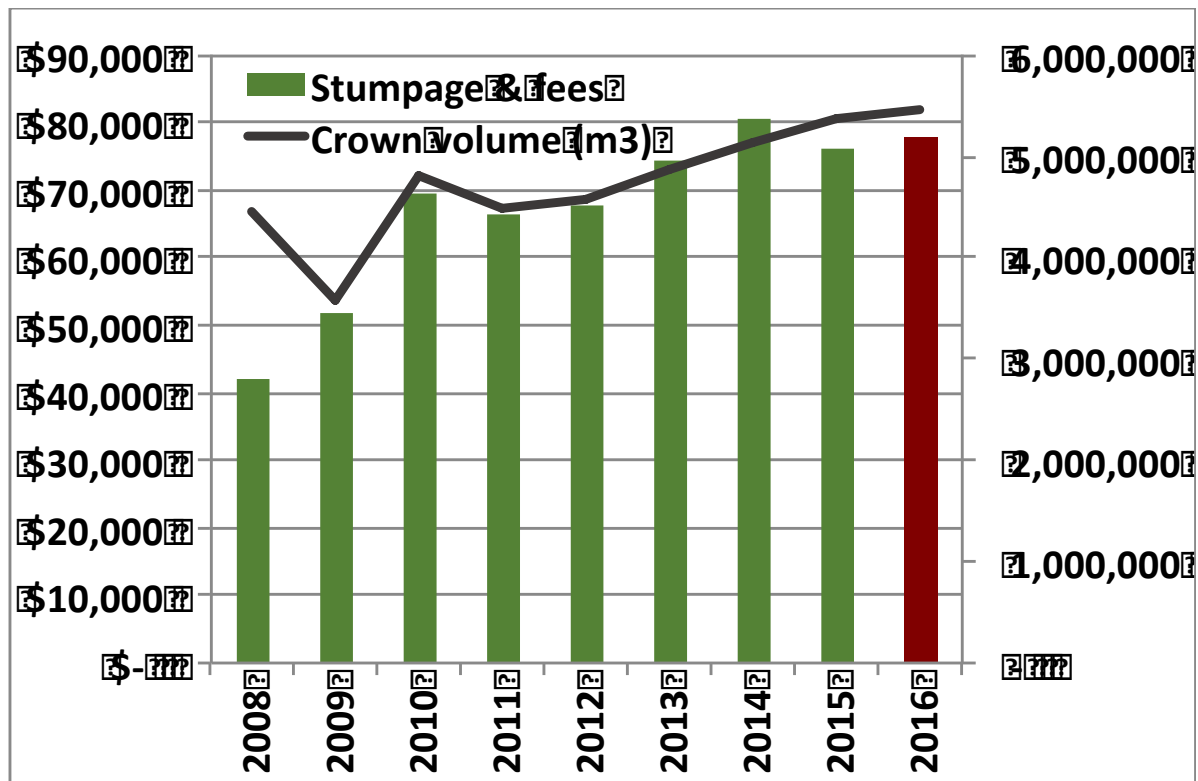
<b>Taxes on goods and services purchased</b>	<b>Total</b>
Provincial	\$109 million
Federal	\$39 million
<b>Income taxes</b>	
Provincial	\$90 million
Federal	\$117 million

---

- Forest sector tax revenues to the provincial government represent \$1 of every \$42 worth of expenditure in the 2016/17 budget.

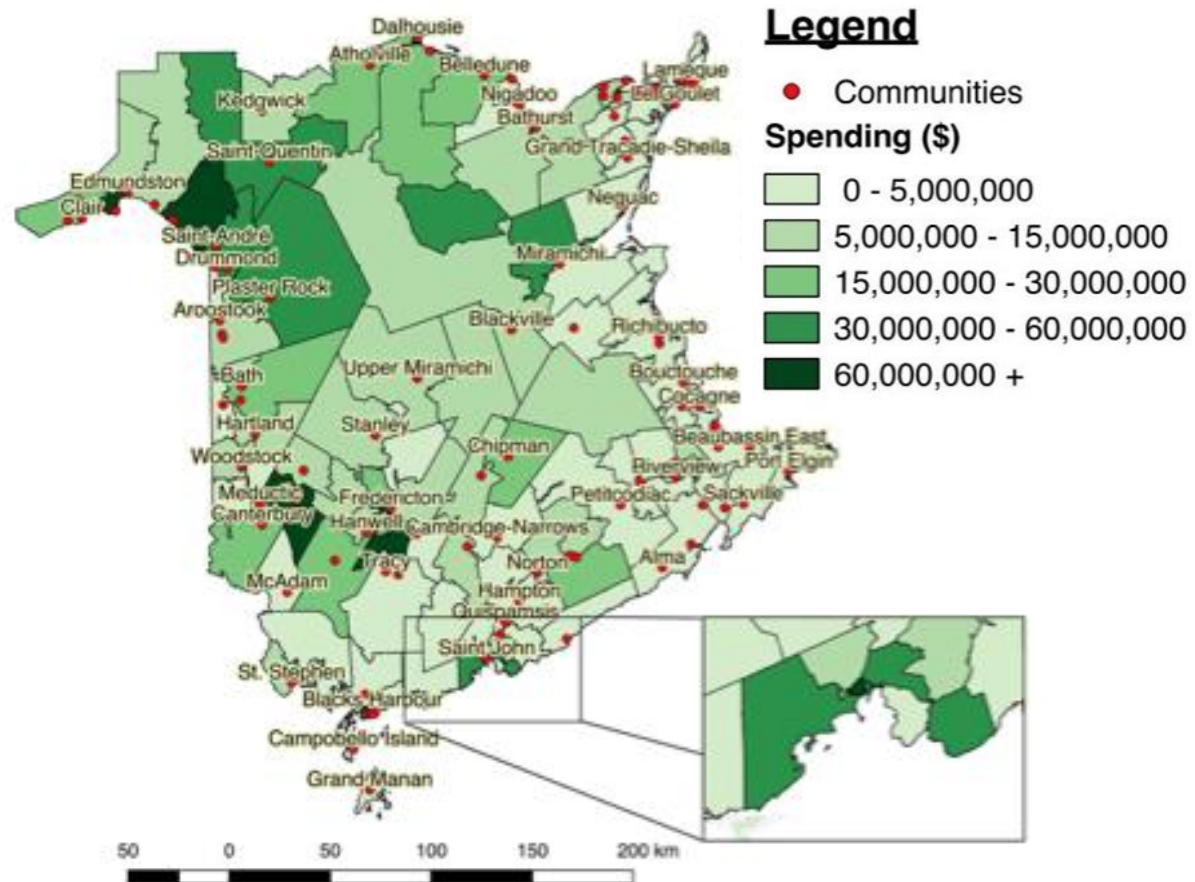
# Economic Impact Results

## Crown harvest – Stumpage & fee revenues



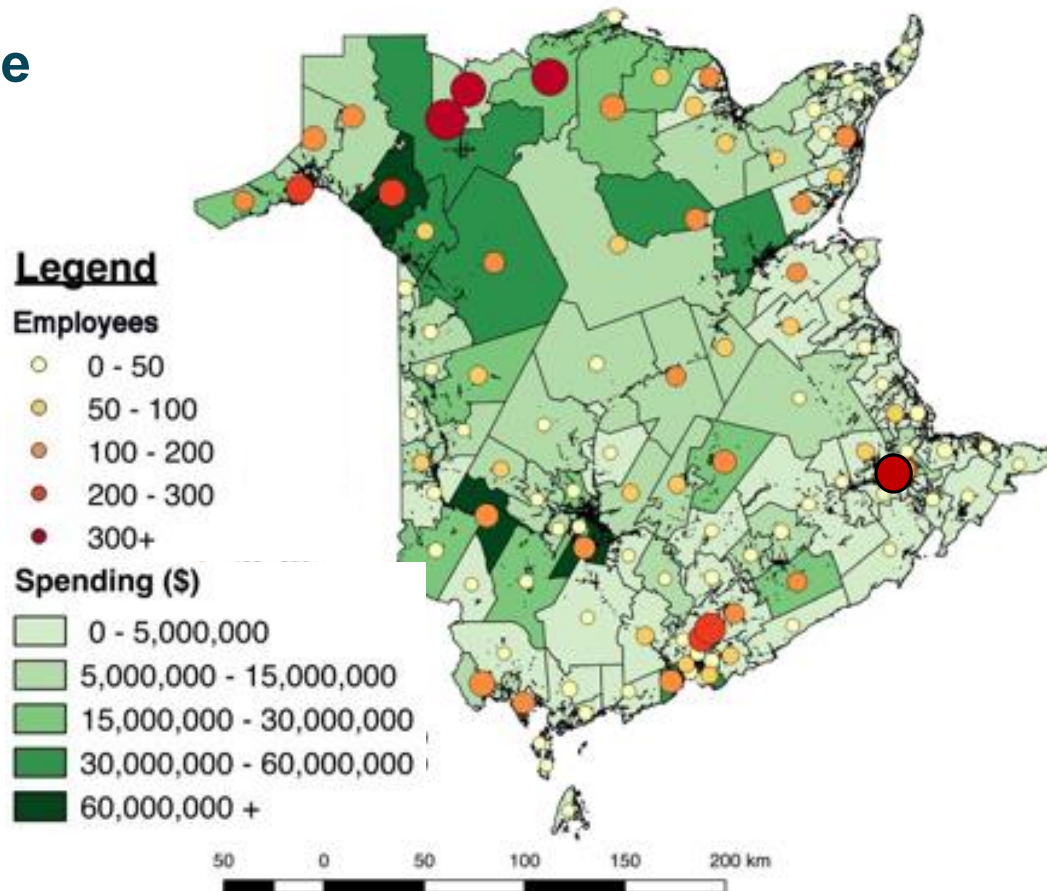
# Economic Impact Results

## 2016 Spending Map\*



# Economic Impact Results

## 2016 Employee Map



# Economic Impact Results

## County and Electoral District Dependence on Forestry\*

Rank	County (15)	Income (\$000s)	County%
1	Restigouche County	\$232,524	34.9%
2	Madawaska County	\$142,134	18.4%
3	Northumberland County	\$117,540	11.8%
4	Victoria County	\$44,077	11.4%

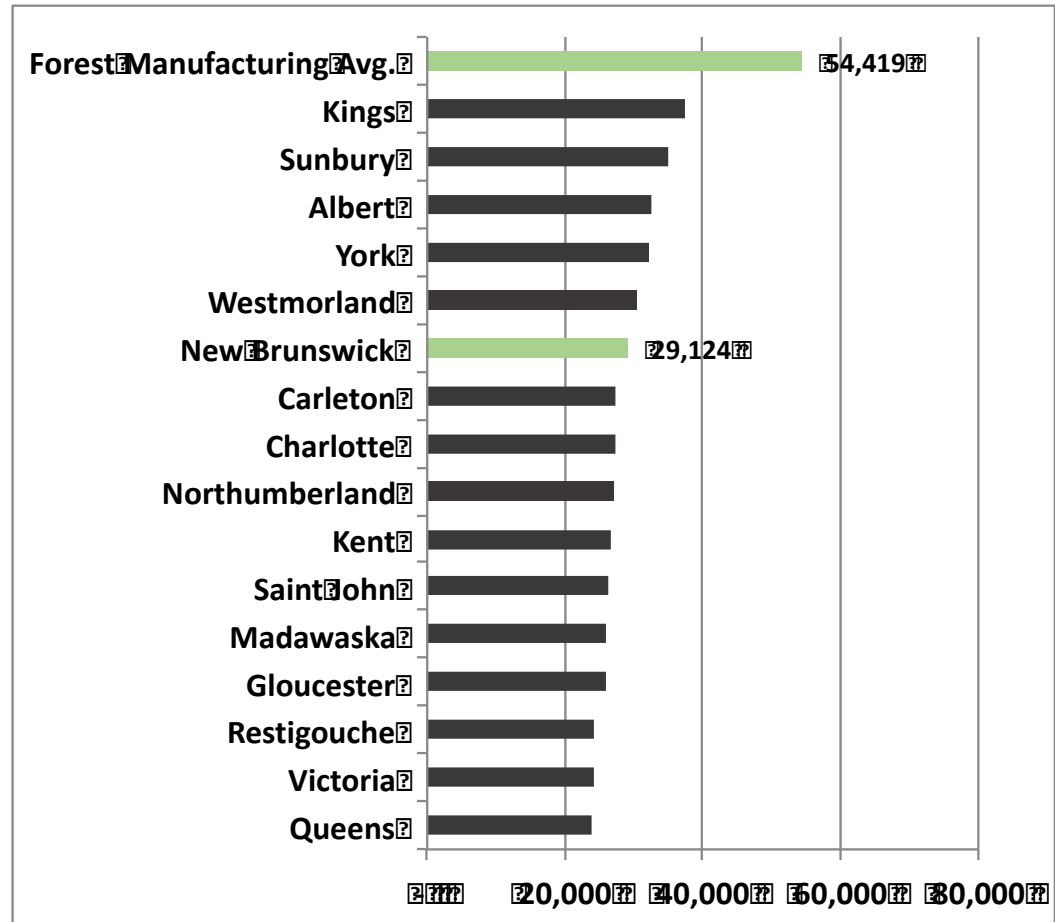
Rank	Provincial Electoral District (49)	Income (\$000s)	County%
1	Restigouche West	\$221,026	33.2%
2	Carleton - Victoria	\$41,842	8.4%
3	Edmundston - Madawaska Centre	\$61,165	7.9%
4	Madawaska Les Lacs Edmundston	\$53,180	6.9%

Rank	Federal Electoral District (10)	Income (\$000s)	County%
1	Madawaska - Restigouche	\$363,159	26.6%
2	New Brunswick Southwest	\$196,911	11.3%
3	Miramichi	\$129,038	10.7%
4	Fundy Royal	\$130,156	5.6%

\*Total income and job impacts distributed according to mill spending and jobs by postal code

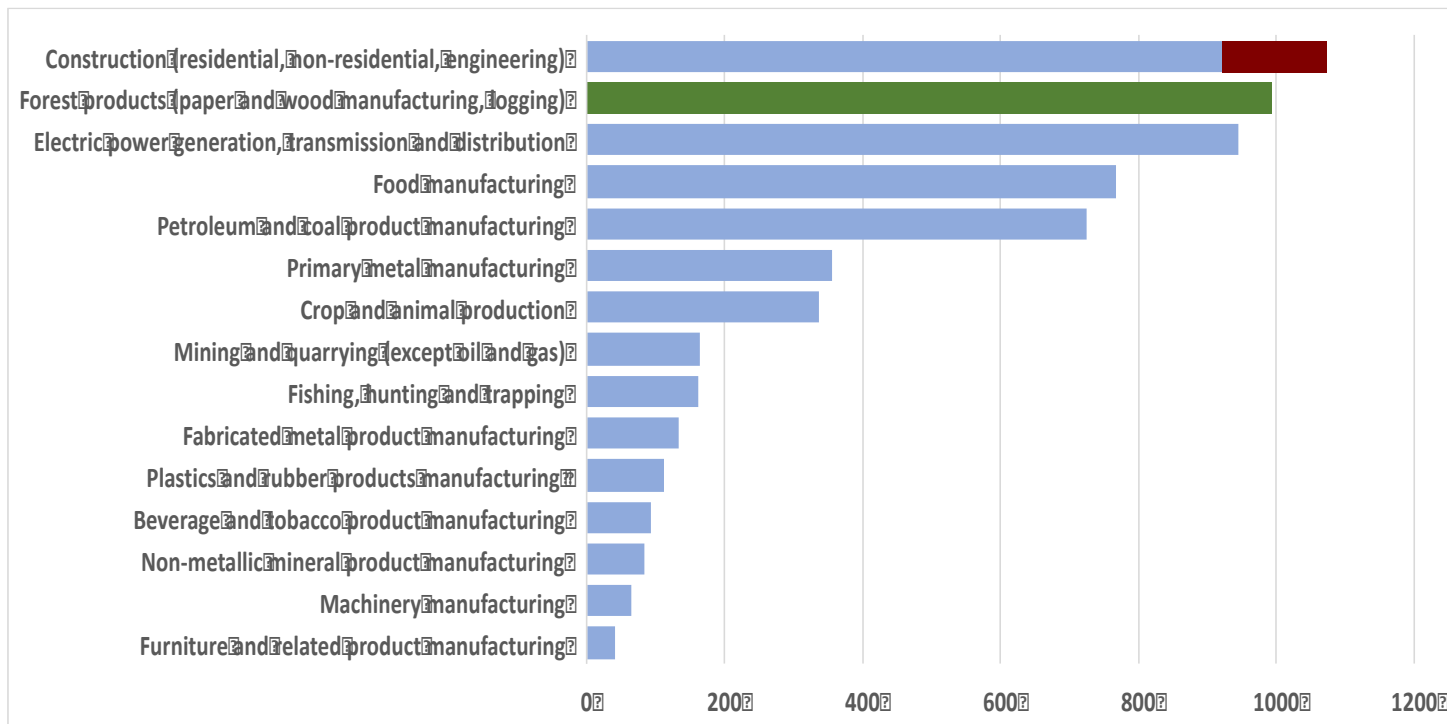
# Economic Impact Results

## Average income by county



# Economic Impact Results

## One of the top private GDP generators in NB



Note: NAICS level-1 sectors are larger, but this compares forest activities versus others at the same NAICS level-2.



# Sector Competitiveness

## Capital and repair investment % of revenues, 2016

		NB	NS	QC	ON	Canada
Forestry & log	Capital	8.0%	1.9%	2.3%	3.5%	4.1%
	Repair	4.0%	0.0%	0.5%	2.6%	2.8%
Pulp & paper	Capital	5.6%	7.3%	3.3%	1.5%	3.2%
	Repair	3.9%	3.2%	2.3%	1.8%	2.8%
Wood product	Capital	1.3%	2.0%	2.3%	2.5%	3.7%
	Repair	0.8%	1.2%	1.9%	1.8%	2.1%

# Sector Competitiveness

## Forestry financial performance of small firms, 2015

		NB	NS	QC	ON	Canada
Forestry & log (532 NB firms)	Revenue	\$463	\$389	\$426	\$363	\$448
	Net%	9.3%	10.3%	12.4%	14.6%	15.0%
Support activity (73 NB firms)	Revenue	\$711	\$600	\$579	\$743	\$584
	Net%	6.2%	12.3%	13.5%	13.5%	11.2%
Wood product (114 firms)	Revenue	\$753	\$529	\$741	\$669	\$683
	Net%	0.6%	1.7%	5.5%	4.9%	5.5%

Note: Pulp and Paper net profit 6.8% for Canada (not available by province).

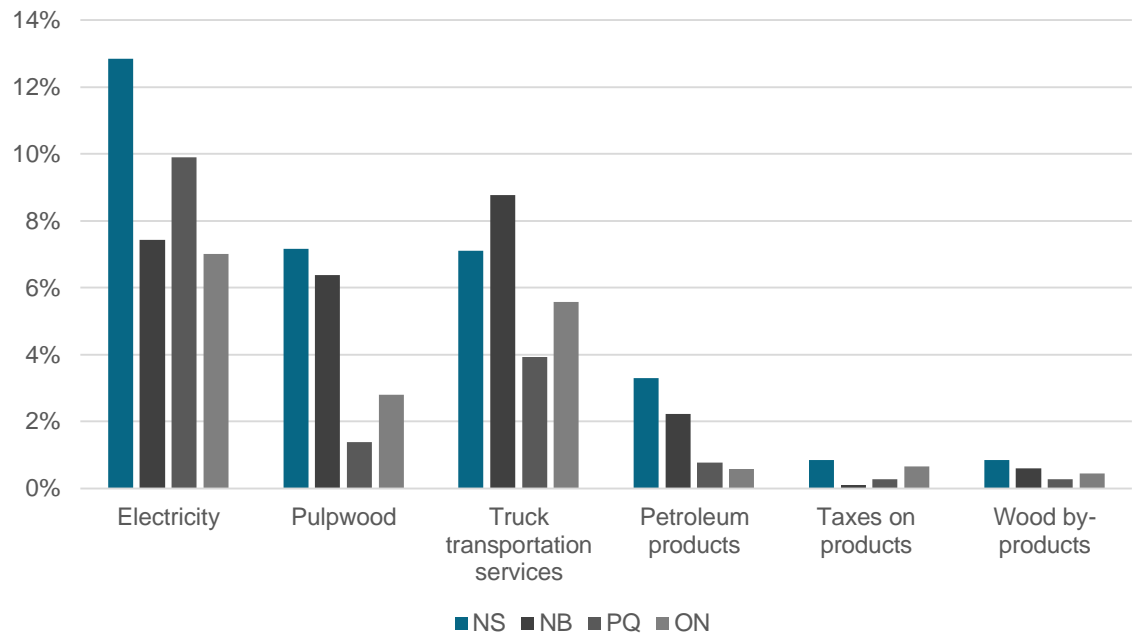
# Sector Competitiveness

## Operating Expenses – Pulp and Paper

Truck transportation as a percentage of operating expenses are highest in NB.

Pulpwood and petroleum products are second highest for NB.

Pulp and Paper Industry Operating Expenses as % of Total, 2015



# Industry Competitiveness

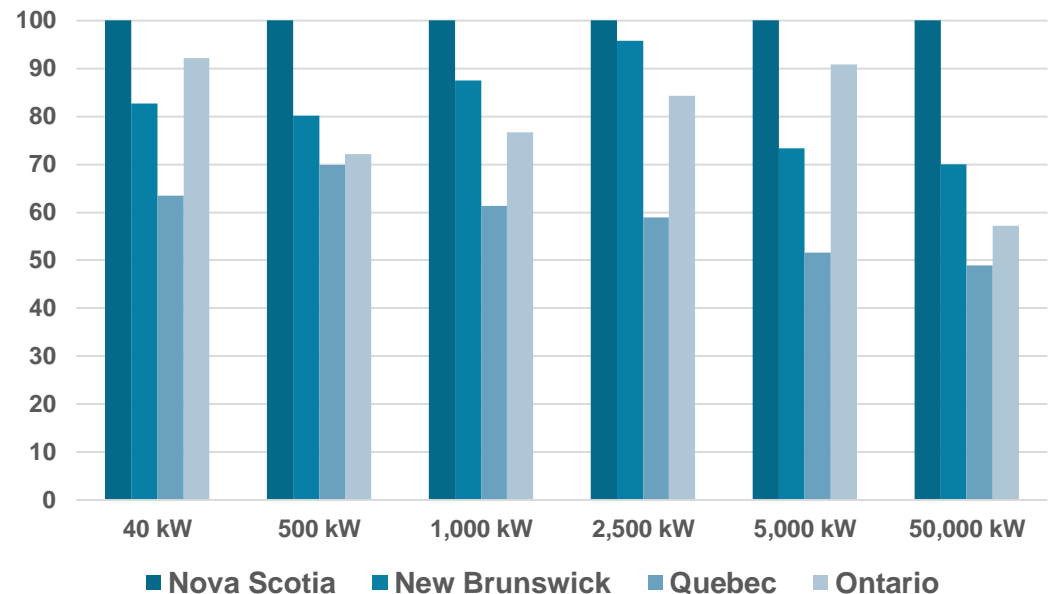
## Industrial Electricity Rates

Index numbers are a way of expressing the difference between two measurements by designating one number as the "base", giving it the value 100 and then expressing the second number as a percentage of the first.

In this case, the highest electricity rates in Nova Scotia are set to 100, and the other three provinces are examined in relative terms.

New Brunswick has the second highest rates across each power usage range, except 40kw and 5,000kw.

Indexed Industrial Electricity Rates by Monthly Power Demand and Province 2015



# Sector Competitiveness

---

## Growth strategies of NB mills, 2017

	Low*	High	Average
1. Operational efficiency	15%	60%	25%
2. Expand in new markets	10%	100%	20%
3. Seek lower cost inputs	5%	33%	12%
4. Process innovation	5%	25%	9%
5. Product innovation	5%	25%	8%
6. Invest in labour development	5%	20%	8%
7. Strategic partnerships	5%	20%	7%
8. Improve regulatory environment	5%	10%	5%
9. Invest in marketing	5%	5%	3%
10. Invest in research	5%	5%	3%

Note: Most firms invest in at least 5 strategies and have done so for many years.