**Trade**

**Overview**

**Importance**

The New Brunswick economy is built around exports and the further opportunities they create. By bringing in outside wealth through positive trade balances and increasing the exporting done in the province, opportunities will occur for non-exporting industries and stimulate a sustainable New Brunswick economy. To track this, BoostNB has set goals relating to [Value of Exports](http://www.boostnb.com/goal-5-value-of-exports.html) and for the [Number of Exporting Firms](http://www.boostnb.com/goal-6-firms-participating-in-foreign-export-trade.html) in the province.

**Problem**

Over the past 50 years, New Brunswick has consistently had a negative trade balance. In the last ten years, New Brunswick’s trade deficit has hovered around $6 billion (Current Prices). This means that more money is leaving the New Brunswick economy through trade than entering, which can cause the province’s economy to faulter.

**Cause**

The persistence of the New Brunswick trade deficit can be attributed to multiple factors. Part of this may be due to the reduced demand for the industries the New Brunswick economy was originally built around, including lumber. The fading demand for lumber left New Brunswick with fewer industries to rely on for trade purposes. The persistent trade deficit may also be attributed to New Brunswickers’ complacency with relying on federal equalization payments. This lead to New Brunswick passing up certain growth opportunities in the knowledge that the federal program would top them up. Alternatively, one could point to the historical failure of the central government to develop the port region of Saint John, once one of the continents great harbours. It is also possible that the persistence is in part due to a failure to capture “linkages” of New Brunswick’s major exporting industries, causing the province to import some of their major inputs from elsewhere rather than through a well-integrated New Brunswick economy.

**In the Numbers**

Figure 1 shows the growth of New Brunswick’s annual trade deficits over time. It also illustrates the shifting sources of the deficit. Through 2007, negative interprovincial trade balances made up the bulk of the total deficit, but since 2007 interprovincial deficits have shrunk while international deficits have increased dramatically. In order to attain balanced trade, New Brunswick will need to make larger strides in international markets.

**Figure 1: New Brunswick Balance of Trade (X1000000)**

Figure 2 shows imports and exports for the province which have increased and decreased simultaneously tending to always move in the same direction. However, despite following a similar pattern year over year, the gap between them has grown.

**Figure 2: New Brunswick Imports and Exports**

This situation can be linked to the lack of progress in the number of [Firms Participating in Foreign Trade](http://www.boostnb.com/goal-6-firms-participating-in-foreign-export-trade.html) which has not increased significantly in recent years as shown in Figure 3. New Brunswick will need to grow this number in order to reach balanced trade.

**Figure 3: Number of Exporting Firms**

Chart, line chart

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To understand the strain that increased trade deficits might have on the economy it is useful to look at the trade deficits as a percentage of GDP. This is shown in Figure 3. In 2001 this hit a low of 6% but has now hovered around 17% for the last several years. Trade deficits like this are not likely sustainable for the New Brunswick economy.

**Figure 3: Trade Deficit as a Percentage of GDP**

**Summary**

The New Brunswick economy is finding itself financing an increasingly burdensome trade deficit. This has come about through a massively increased international trade deficit and exporting industries that cannot keep up. Until now this has been financed through federal transfers, but to sustain strong growth New Brunswick will have to shrink this deficit to nearly zero. The settling of the trade deficit at around 17% of GDP since 2008 is an important area to improve in the New Brunswick economy.

**Appendix A: Balance of Trade**



Source: Statistics Canada. [Table 36-10-0222-01. Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000)](https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610022201).

**Appendix 2: Trade Deficit as a Percent of GDP**



Source: Statistics Canada. [Table 36-10-0222-01. Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000)](https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610022201).