

Forest products: New Brunswick's most important industry

An economic impact assessment

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TABLE OF CONTENTS

	<u>Page</u>
Executive Summary	2
1. Introduction.....	5
2. forest products: Cornerstone industry.....	6
2.1 Top economic engine for New Brunswick	6
2.2 Compared to other provinces	9
2.3 The forest products cluster is a top export sector	10
2.4 The forest products industry is a top private sector employer	12
2.5 Workers earn a significant wage premium	13
2.6 The forest products cluster is a top source of industrial investment.....	14
2.7 The forest products cluster is a major driver of household spending	16
2.8 The forest products cluster induces substantial tax revenue for governments	17
2.9 The economic benefits of the cluster are distributed around the province	20
3. The forest products Industry economic footprint	22
3.1 The economic impact model.....	22
3.2 Forest products industry economic footprint: OPEX	23
3.3 Forest products industry economic footprint: CAPEX	24
3.4 Forest products industry economic footprint: Combined OPEX & CAPEX.....	25
3.5 Economic contribution per m3 of harvested wood	26
3.6 Deeper dive into the industry supply chain	27
3.7 Supply chain spending elsewhere in Canada.....	29
3.8 Supply chain spending elsewhere in the world	31
4. Conclusion: Considerations on the future of the forest products industry.....	32
Appendix A: The economic impact model and sources.....	33
Appendix C: About Jupia Consultants Inc.	37

EXECUTIVE SUMMARY

This report was commissioned to provide an economic impact assessment of the forest products industry in New Brunswick. Using a variety of economic measures from gross domestic product (GDP), employment, income and taxes to the distributed benefits across the province, the report concludes no other export-focused industry is more important to the New Brunswick economy.

Key finding:	Highlights:
No other industry contributes more to provincial GDP	The forest products industry contributes considerably more than farming/food production, fish/seafood, IT, administrative services or refined oil products (Section 2.1). In 2024, the industry boosted provincial GDP by \$3.84B (Section 2.8).
The industry has been a stable and reliable source of economic activity	While industries such as mining, admin. services and oil refining have all seen a decline in GDP impact, the contribution from forest products has been stable for more than a decade (Section 2.1).
Forest products in NB outperforms every other province	As a share of the economy, the industry in NB is 2.4 times larger than its nearest competitor, Quebec (Section 2.2).
The forest products industry is the most important for net exports	In 2021, the industry exported \$3.7B. Over the previous 10 years, the industry exported over \$31 billion. Deducting forest products-related imports, NB had net exports of \$2.8B (Section 2.3) dwarfing its nearest competitor in the province (fish and seafood at \$1.4B).
The forest products industry is a top private sector employer	Nearly 13,600 direct jobs and over 26,000 total jobs supported in 2024. (Section 2.4). One out of every 17 workers across the economy (public and private sectors).
Workers earn a significant wage premium	Across the entire forest products industry, the wage premium in 2024 was 30 percent (compared to the average for all business sectors). The average wage in the paper manufacturing sector was double (Section 2.5).
The forest products cluster is a top source of industrial investment	The industry invested \$1.35B in 2023-2025, excluding maintenance and repairs expenses (Section 2.6). This was the highest level of CAPEX among the 10 provinces by a wide margin and represented 40% of all investment in New Brunswick's manufacturing sector.

EXECUTIVE SUMMARY (CONT.)

Key finding:	Highlights:
The forest products cluster is a major driver of household spending	Extrapolating based on average household spending data, the industry induced an estimated \$1.42B worth of current consumption in 2024 (Section 2.7).
The forest products cluster induced nearly a billion dollars in tax revenue	In 2024, the industry generated \$984 million in tax and royalty revenue of which \$545 million went to GNB and \$112 million to municipalities. Forest products contributed more than 7% of GNB own-source revenues and 9% of municipal government revenues (Section 2.8).
The taxes induced by the forest products sector are much higher than other important industries	The forest products sector, excluding royalty payments, induces 2.8 times more provincial tax revenue than agriculture, agri-food and beverage production combined and 3.3 times more than the information technology (IT) industry in New Brunswick. (Section 2.8).
The economic impacts are per m3 harvested are impressive	Based on an estimated 9 million m3 harvested, the per m3 impacts are (Section 3.5): ✓ \$472 GDP ✓ \$209 employment income ✓ \$109 taxes and royalties (\$61 to GNB) ✓ \$158 household spending ✓ 2,912 jobs (per 1 million m3 harvested)
All regions of the province benefit	The industry directly employs one out of every 11 workers in Madawaska and Restigouche. York has the most companies with 157. Over 70% of communities have forest products firms. All 15 Census sub-divisions (counties) benefit (Section 2.9).
The industry spent \$1.33 billion on its NB supply chain¹	Big winners in the supply chain included truck transportation, energy, finance/insurance and professional services (Section 3.5).

¹ Excluding wood and paper products.

EXECUTIVE SUMMARY (CONT.)

Key finding:	Highlights:
• The industry spent \$1.26 billion elsewhere in Canada¹	Big winners included wholesale trade, energy, chemicals, finance, transportation and ICT (Section 3.6).
• The industry spent \$810 million elsewhere in the world	While the breakdown is not available it is likely the imports included natural gas, machinery, technology and possibly specialized services (Section 3.7).
• The industry is well positioned to continue its role as the top export industry	But the trade turmoil is concerning (Section 4). It will be important for the province to continue providing a stable and predictable operating environment that attracts industry investment.

1. INTRODUCTION

The purpose of this report is to provide an economic impact assessment of the forest products industry in New Brunswick. Section 2 looks at a variety of economic metrics including the industry's contribution to the province's gross domestic product (GDP) and its role as a top export sector. Other metrics reviewed include employment, capital investment and taxes generated by the industry. Finally, Section 2 makes the case that no other private sector industry has as distributed an economic footprint around the province.

Section 3 contains the formal economic impact model. It includes an assessment of the direct, indirect (supply chain) and induced economic impacts associated with the forest products industry. In the economic impact section, the forest products industry includes five specific activities:

- Forestry and logging
- Support activities for forestry
- Sawmills and wood preservation
- Pulp, paper and paperboard mills
- Converted paper product manufacturing
- Furniture manufacturing

There are many interlinkages between these industries. For example, the supply chain for converted paper product manufacturing includes both sawmill and forestry activity. In order to remove any potential double counting of economic effects, Jupia Consultants worked with Statistics Canada to modify the economic impact model. Section 3.1 describes the model in more detail and Appendix A contains more detailed sources.

In the end, the analysis clearly shows the forest products industry has been and continues to be a cornerstone industry for the provincial economy. With the right policy and support environment, the forest products industry will continue to attract investment and maintain its position as New Brunswick's most important industry.

2. FOREST PRODUCTS: CORNERSTONE INDUSTRY

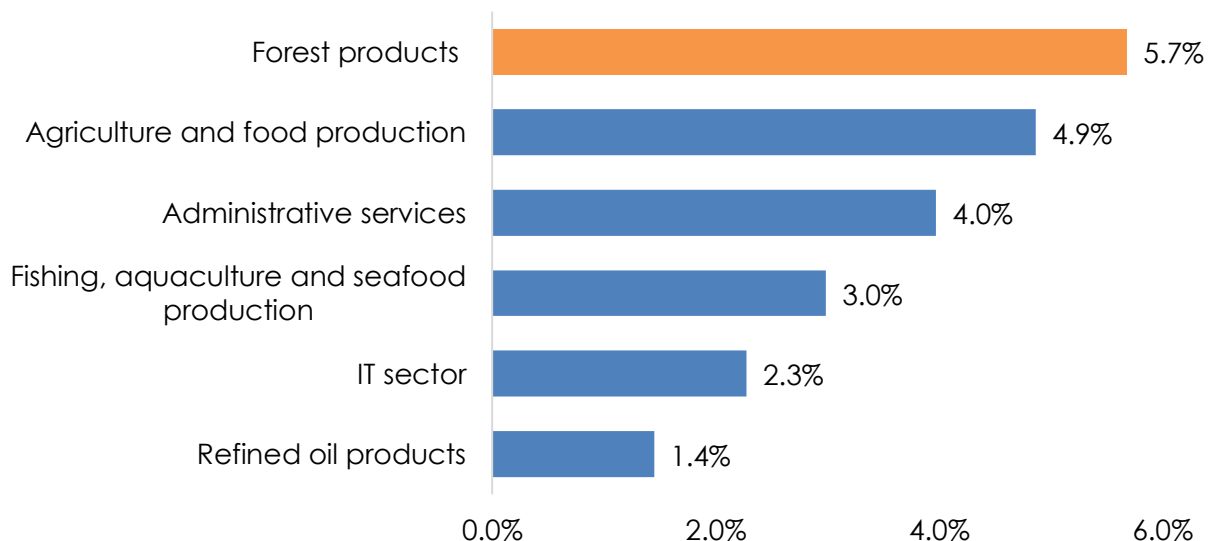
2.1 Top economic engine for New Brunswick

New Brunswick's forests have been a top source economic activity for the province from the pre-colonial time up to the present day. The forest products cluster generates more economic activity than any other industrial cluster in the province as measured by cross domestic product (GDP), the best measure of overall economic activity².

The forest products cluster includes firms involved in forestry and logging as well as wood, pulp, and paper manufacturing. As shown in Figure 1, the forest products cluster (excluding indirect and induced effects) accounted for nearly six percent of total private sector real GDP in 2024³. This was a larger economic contribution than farming and related food production, or fishing, aquaculture and seafood production as well as the refined oil sector.

The forest products cluster contributed 2.5 times more GDP compared to the information technology (IT) sector in 2024 and nearly twice as much as the fishing, aquaculture and seafood production sector.

Figure 1: Direct GDP contribution as a share of total private sector GDP, New Brunswick (2024)



*excludes the public sector. Excludes indirect and induced effects. Expressed in chained (2017) dollars.

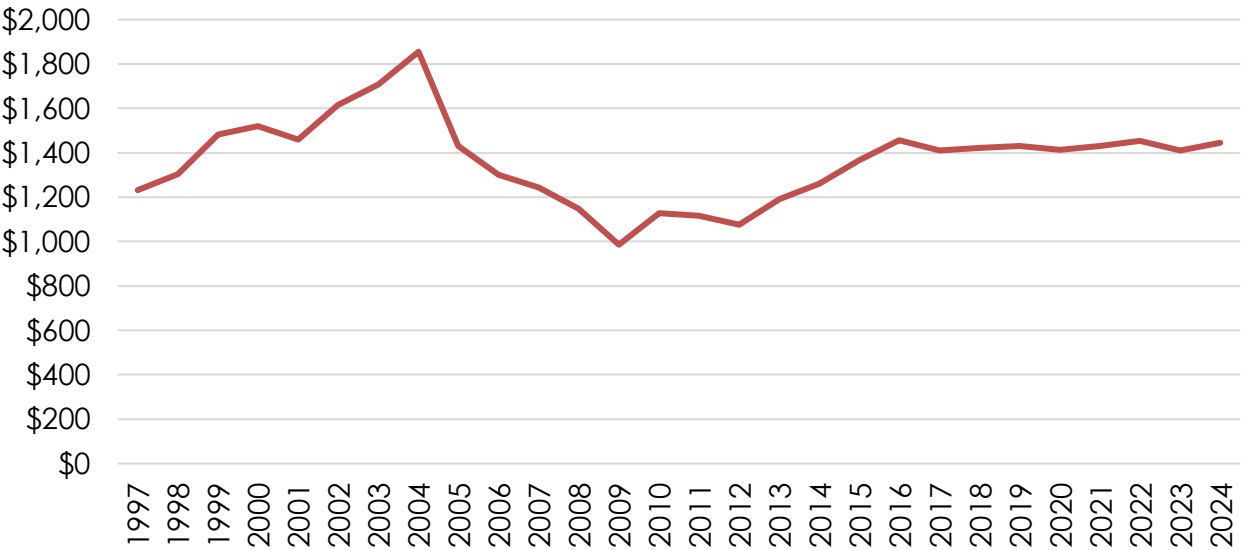
Source: Statistics Canada Table: 36-10-0402-01.

² In this report, forest products industry and 'cluster' are used interchangeably.

³ Inflation adjusted.

Because the forest products industry is based on a renewable resource and most of the value chain is located in the province, it has been a reliable driver of economic activity for generations. In the first decade of the 2000s, there was a major shakeup in the forests products sector that had a negative impact on GDP. Several firms left the province and others consolidated operations. However, the industry's economic contribution started to rise again in the early 2010s and has been a consistent and high value part of the New Brunswick economy since. In 2024, the inflation-adjusted GDP contribution from forest products was 50 percent higher than its low point in 2009. In the past decade, the forest products industry has contributed almost the same to provincial GDP year in and year out.

Figure 2: Old faithful – New Brunswick’s forest products industry GDP contribution by year, inflation adjusted dollars (\$M)

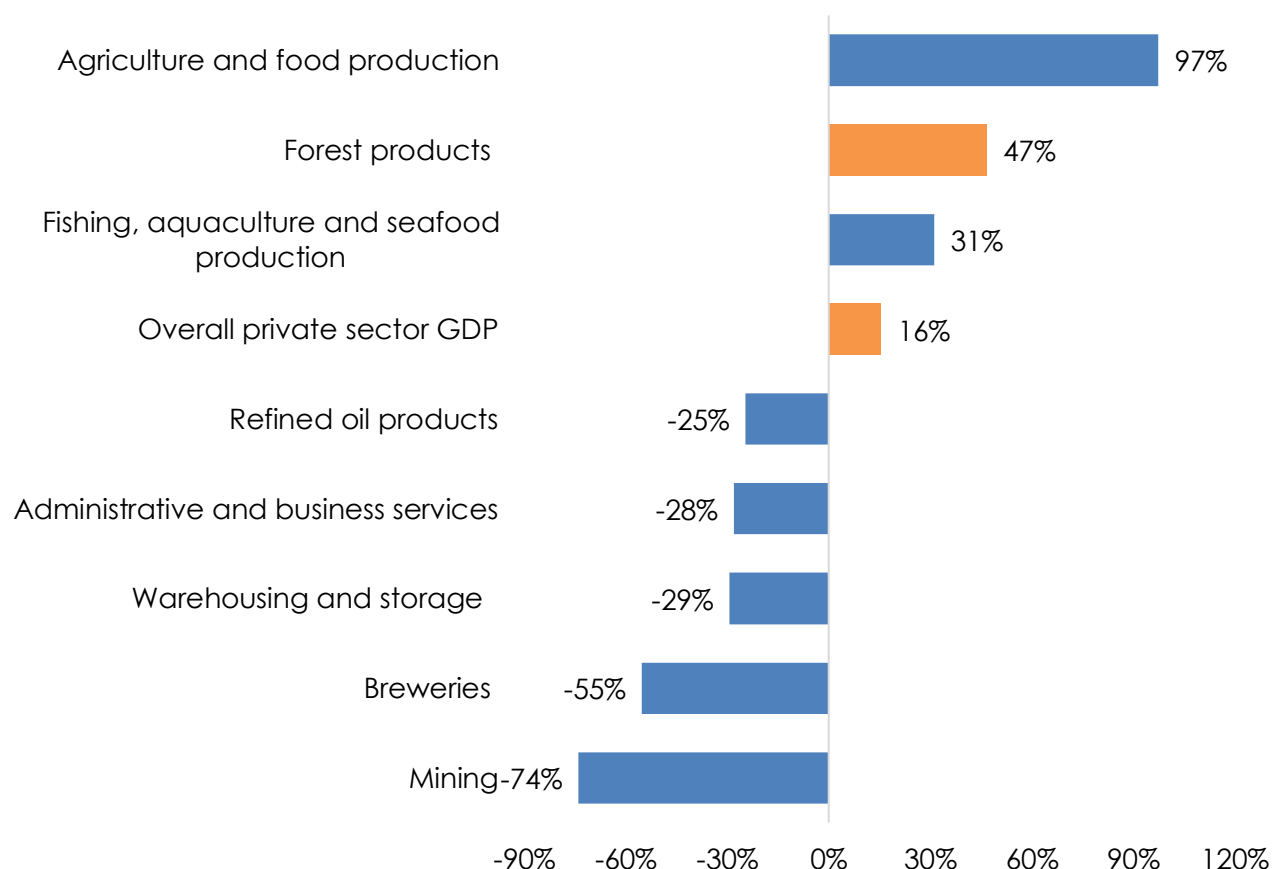


Excludes indirect and induced effects. Expressed in chained (2017) dollars.
Source: Statistics Canada Table: 36-10-0402-01.

This is not the case with many other industries. The administrative services industry (a.k.a. call centres, customer contact centres, back offices, etc.) GDP contribution peaked in 2009 and has dropped 28 percent since. The provincial GDP contribution from the refined oil industry also peaked back in 2009 and has declined by 25 percent since. The mining sector provides an even better example. In 1997, mining and quarrying in New Brunswick contributed almost as much GDP as the forest products industry (only 8% less). Since then, the provincial GDP contribution from mining has decreased by nearly 90 percent. Just between 2009 and 2024, the real GDP from mining in New Brunswick is down 74 percent.

Figure 3 shows the change in real GDP for a number of industries that historically were growth industries in New Brunswick (i.e. the 1980s through the early 2000s). Over the last 15 years, agriculture, forest products and fishing/seafood have expanded their GDP contribution, but many others have been in decline.

Figure 3: Real GDP growth rate by sector, New Brunswick, 2009 to 2024



Excludes indirect and induced effects. Expressed in chained (2017) dollars.

Source: Statistics Canada Table: 36-10-0402-01.

The role of forest products as a cornerstone industry that can be relied on year in and year out as a baseload of economic activity is under threat as a result of the United States-initiated trade war with Canada.

Did you know?

Gross domestic product (GDP) can be defined simply as the economic value that accrues in the province as a result of industrial activity. As one example, in a given year the oil refinery in Saint John imports \$9 billion worth of crude oil and exports \$11 billion worth of refined oil products. In addition, the refinery imports a variety of other components of its supply chain (e.g. natural gas) and is capital intensive resulting in an annual GDP impact that is just a fraction of the top line revenue for the industry.

According to Statistics Canada, the refined oil products industry generates just 5.7 cents worth of provincial GDP for every \$1.00 of industry output. By contrast, New Brunswick's sawmill sector generates 83.7 cents worth of provincial GDP for every \$1.00 worth of industry output⁴. This is not to downplay the importance of the oil refining sector, but the forest products industry shows the impact of having almost the entire value chain located in the province.

2.2 Compared to other provinces

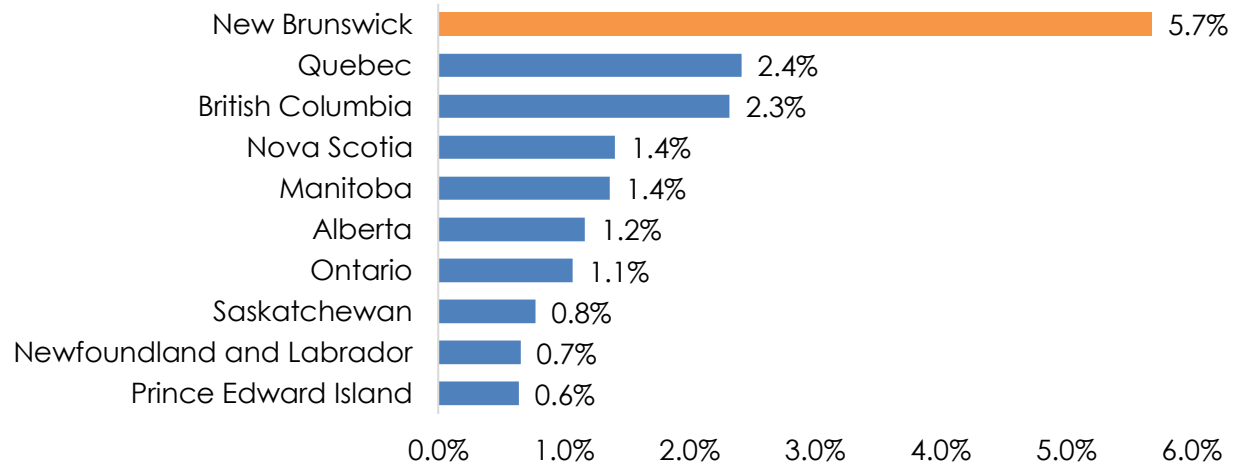
Another way to express the importance of the forest products cluster is to compare the economic contribution to other provinces. Figure 4 shows the real GDP contribution in 2024 from forest products as a share of total private sector GDP for each province across the country.

As a share of total private sector GDP, the sector in New Brunswick was 2.4 times more impactful than its nearest competitor, Quebec. The forest products sector in British Columbia was 59 percent smaller than in New Brunswick, as a share of the private sector GDP. Just a few years ago, British Columbia had a much larger forest products sector, but a number of government policy decisions and other factors has significantly curtailed its economic contribution to that province.

New Brunswick has a rigorous forest management plan in place that will sustain the forests for generations and still be able to generate a relatively high and stable level of economic activity.

⁴ Source: Statistics Canada Table: 36-10-0595-01.

Figure 4: Forest products GDP contribution, share of total private sector GDP (2024)



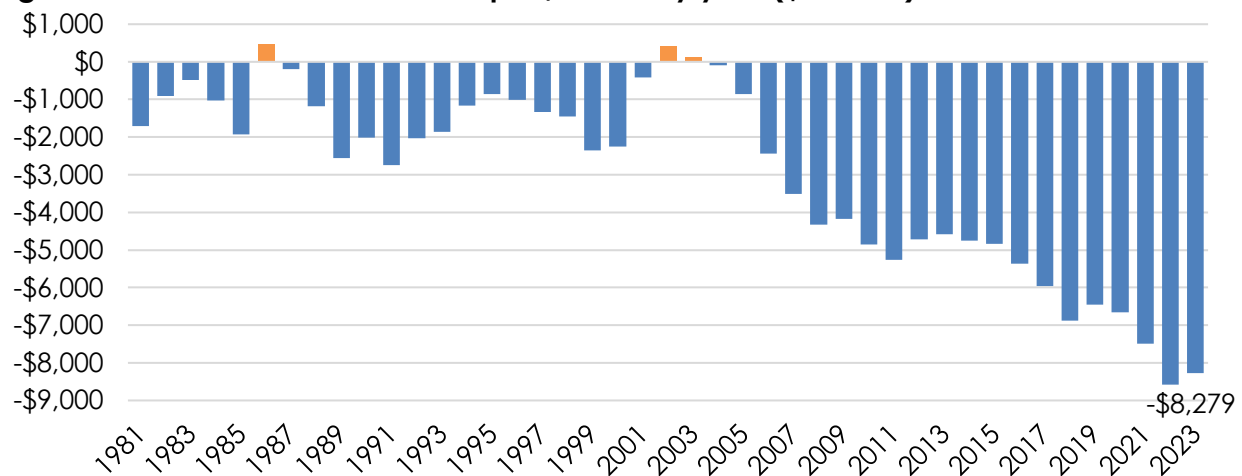
Excludes indirect and induced effects. Expressed in chained (2017) dollars.

Source: Statistics Canada Table: 36-10-0402-01.

2.3 The forest products cluster is a top export sector

One of the challenges facing the New Brunswick economy has been a growing trade deficit. As of 2023, the provincial trade deficit reached \$8.3 billion (the value of imports less the value of exports). This included interprovincial and international trade as well as the trade of both goods and services. The inability of export revenue to keep up with the increase in the value of imports is one of the main reasons why overall economic growth (real GDP) has declined from an average of 2.6 percent per year from 1983 to 2006 to only 0.5 percent year since 2007.

Figure 5: New Brunswick's trade surplus/deficit by year (\$Millions)



Chained (2017) dollars.

Source: Statistics Canada Table: 36-10-0222-01.

The forest products industry is doing its part to support the province's export economy. In fact, it is the largest net exports sector by a wide margin.

Exported products include wood pulp, paper, softwood lumber, sanitary paper products, paperboard containers, disposable diapers and prefabricated wood and manufactured buildings and components. According to Statistics Canada, in 2021, New Brunswick firms exported \$3.7 billion worth of products to elsewhere in Canada, the United States and beyond⁵. In the ten years between 2012 and 2021, New Brunswick firms exported \$31 billion worth of forest products or an amount equivalent to over \$75,000 per household across the province.

New Brunswick imported \$899 million worth of related products in 2021 including \$144 million worth of softwood lumber, \$120 million worth of household furniture, \$77 million in paperboard containers and \$69 million in logs and bolts. Net of these imports, New Brunswick's trade position (net exports) was \$2.8 billion.

Table 1 shows how this compares to other top export industries in the province. In 2021, New Brunswick exported \$2.33 billion worth of agricultural and value-added food products, but the province imported \$2.76 billion resulting in a food-related trade deficit of \$424 million. The province exported \$1.4 billion more fish and seafood than it imported but that was still less than half the net exports contribution from forest products.

Also in 201, New Brunswick had a trade deficit of \$470 million in the information technology (IT) sector and a \$1.35 billion trade deficit related to oil, gas and refined petroleum products. The administrative services sector has become the largest services-based export for the province. The sector generated \$1.36 billion worth of interprovincial and international exports in 2021. After imports, the sector still featured a trade surplus of \$956 million.

The bottom line is simple. The forest products industry is the largest contributor to GDP and the largest driver of export revenue in the province.

⁵ The detailed interprovincial export data is only available through 2021.

Table 1: Trade balance, New Brunswick's top export sectors, 2021 (\$Million)*

	<u>Exports</u>	<u>Imports</u>	<u>Net exports</u>
Forest products	\$3,738.6	\$899.0	+\$2,839.6
Food and beverages	\$2,334.7	\$2,759.1	-\$424.4
Fish, aquaculture and seafood	\$2,356.9	\$953.6	\$1,403.3
Administrative services	\$1,262.0	\$306.3	+\$955.7
IT sector	\$1,025.9	\$1,495.7	-\$469.8
Oil, gas and petroleum products	\$9,031.5	\$10,367.2	-\$1,335.8

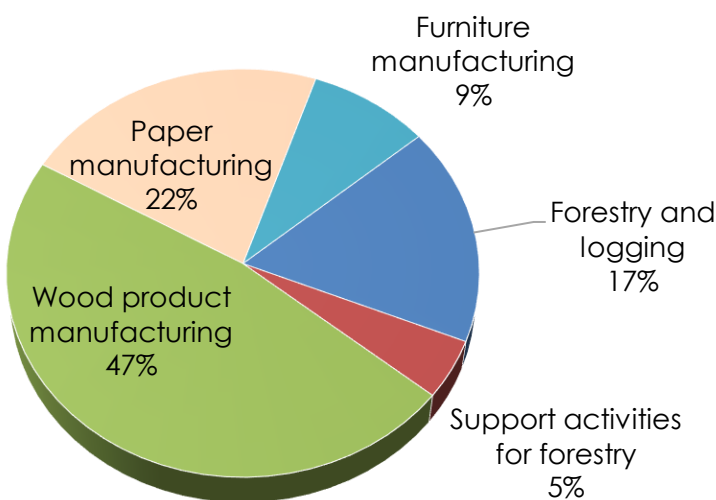
*includes interprovincial and international exports.

*includes fresh, packaged and frozen food (excluding fish and processed seafood).

Source: Statistics Canada Table 12-10-0101-01.

2.4 The forest products industry is a top private sector employer

In 2024, firms in the forest products industry directly employed 13,595 in the operations. As developed further in Section 3, with indirect and induced employment, the sector supported 26,000 full time equivalent jobs in 2024 or an amount equivalent to one out of every 17 persons in the New Brunswick workforce (See Section 2.7)⁶. Figure 6 shows the breakdown of direct industry employment by sub-sector.

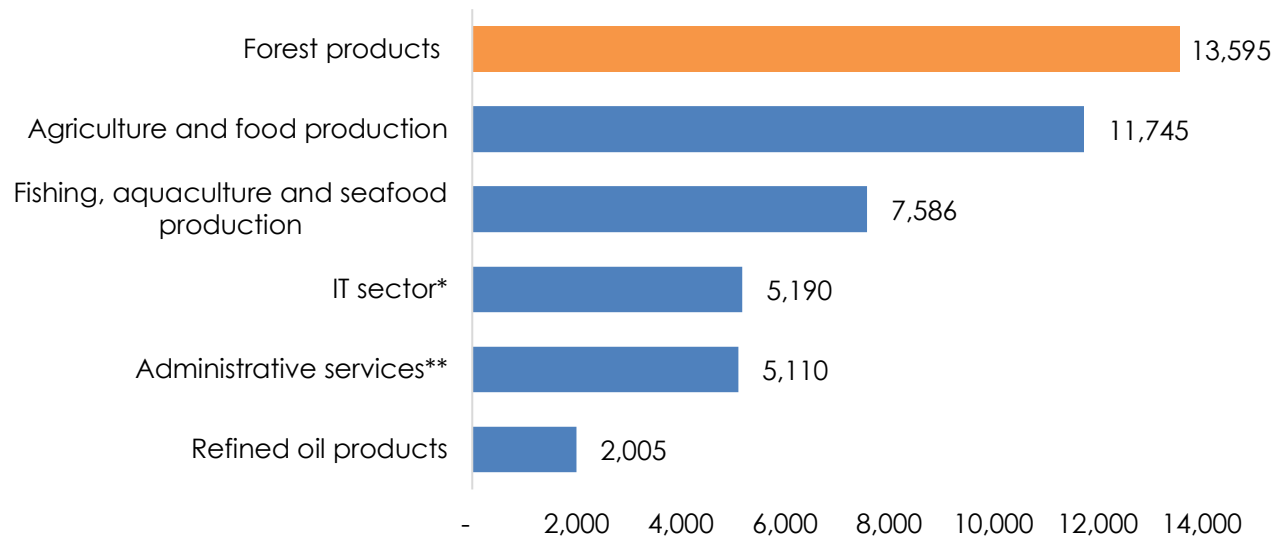
Figure 6: Direct employment by sub-sector, percentage breakdown, New Brunswick forest products cluster (2024)

Source: Statistics Canada Table: 36-10-0480-01.

⁶ This includes employment from operations (OPEX) and capital spending (CAPEX).

Among export-focused industries, the forest products industry employs the most direct workers. In 2024, forestry and logging, support activities for forestry, wood product manufacturing, paper manufacturing and furniture and related product manufacturing combined to employ nearly 13,600 workers, 2.6 times more than the IT sector and 2.7 times more than the administrative services sector.

Figure 7: Employment by industrial cluster in New Brunswick (2024)



Direct employment only.

*includes software development, data hosting and IT services.

**Includes office administrative services and business support services.

Source: Statistics Canada Table: 36-10-0480-01.

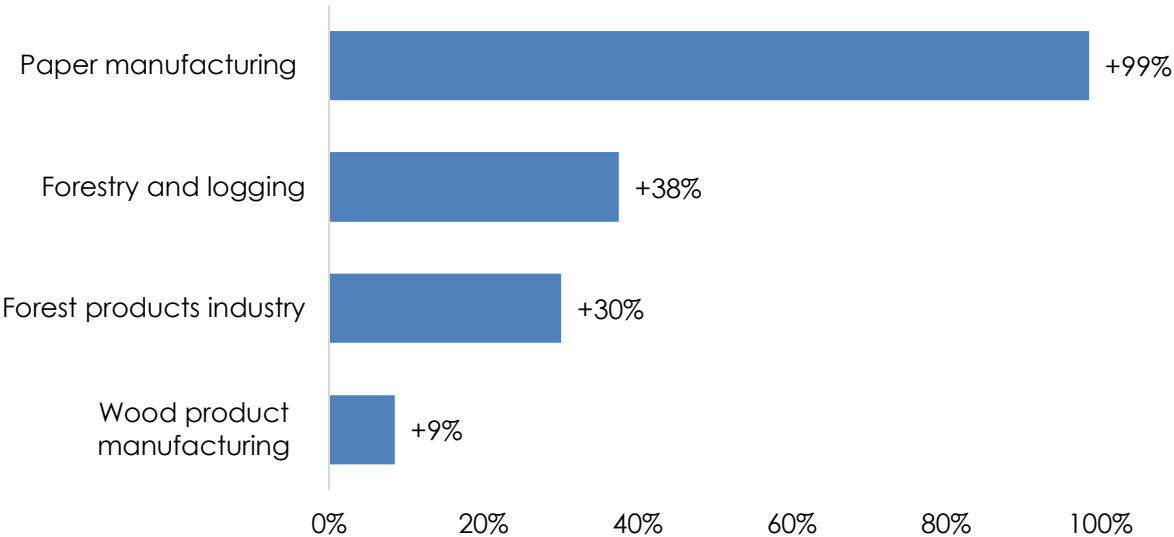
2.5 Workers earn a significant wage premium

For the most part, workers in the forest products industry earn a significant premium over the average worker in the business sector across New Brunswick. Across the entire forest products industry, the wage premium in 2024 was 30 percent⁷.

The average total compensation in the paper manufacturing industry in 2024 was \$121,600, nearly double the average total compensation for all workers in the business sector (99% higher). Workers in forestry and logging earned an average of \$84,300 which was 38 percent higher, and workers in wood product manufacturing earned \$66,500, or nine percent higher than the average total compensation for all workers in the business sector.

⁷ Based on total compensation per worker.

Figure 8: Average total compensation premium by sub-sector, New Brunswick forest products cluster (2024)



Source: Statistics Canada Table: 36-10-0480-01.

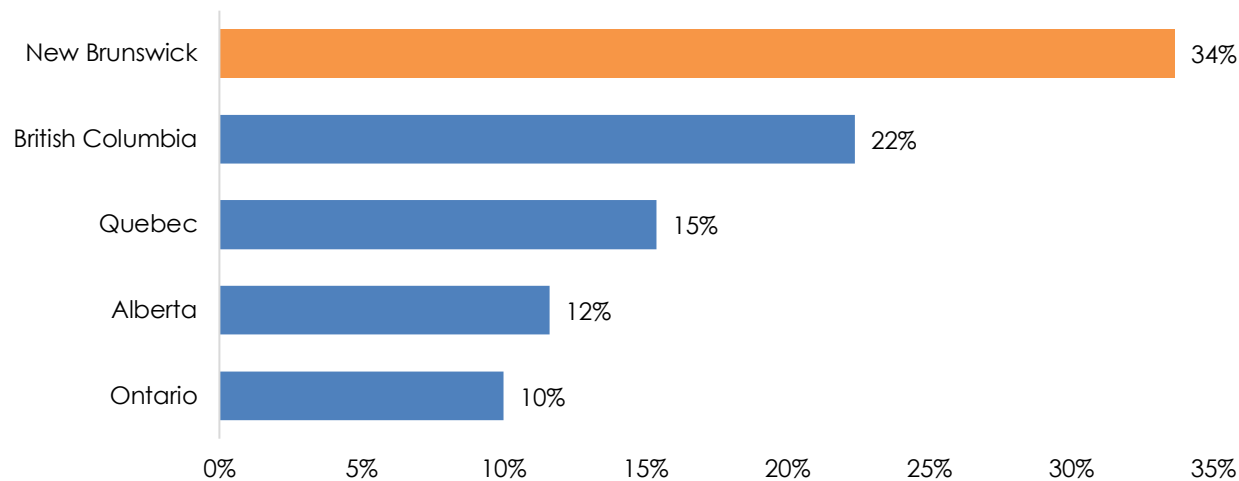
2.6 The forest products cluster is a top source of industrial investment

In the early 2000s, the forest products sector saw considerable disinvestment as firms left the province. In recent years, the industry has been deploying significant new capital investment in equipment, technology and processes. Between 2023 and 2025, the firms in the forest products cluster, including wood and paper manufacturing as well as forestry and logging activities, made an estimated \$1.35 billion worth of capital expenditures. This does not include investments in equipment repair and related expenditures which averages another \$200+ million per year⁸.

New Brunswick ranks first among the provinces for investment in paper manufacturing relative to GDP and second for wood products investment relative to GDP. Combining the forestry and logging, wood product manufacturing and paper manufacturing sectors, New Brunswick companies have made investments equivalent to 34 percent of GDP in each of the past three years (2023-2025). That is a more significant level of investment in forest products than all other provinces and 55 percent more compared to in British Columbia.

⁸ It also does not include the furniture manufacturing sector which has been a relatively small source of capital investment in recent years.

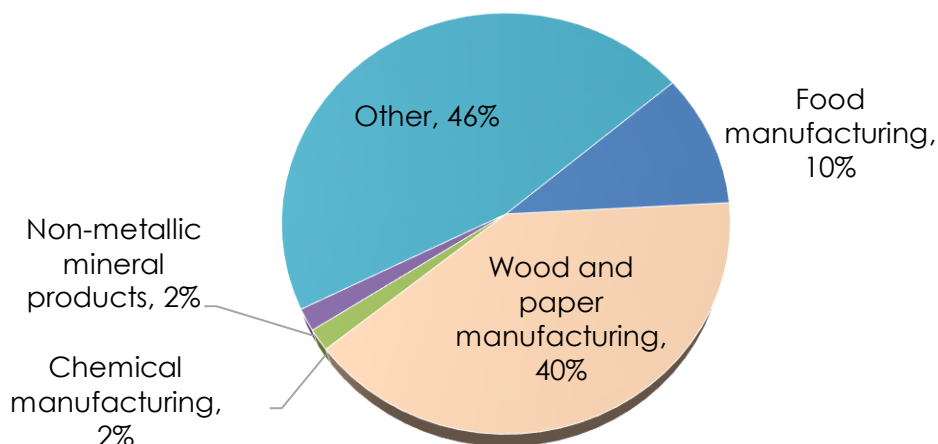
Figure 9: Capital expenditures relative to GDP, forest products sector (based on the average annual investment between 2023-2025)*



*This data is not available for all provinces. The figure includes forestry and logging [NAICS 113], wood product manufacturing [NAICS 321] and paper manufacturing [NAICS 322].
Source: Statistics Canada Table 34-10-0035-01.

The forest products sector accounted for 40 percent of all capital investment in the province's manufacturing sector between 2023 and 2025 (Figure 10). No other sector came close, although the investment level for refined oil products is suppressed because there is only one participant in that sector.

Figure 10: Breakdown of manufacturing sector capital expenditures by sub-sector, percentage of total, New Brunswick (2023-2025 combined)



*Refined oil products capital expenditures is suppressed by Statistics Canada.
Source: Statistics Canada Table 34-10-0035-01.

2.7 The forest products cluster is a major driver of household spending

Based on the economic impact model developed in Section 3, the forest products industry contributed \$1.88 billion worth of employment income in 2024 (direct, indirect and induced). Extrapolating based on average household spending data for the province, this resulted in an estimated \$1.42 billion worth of current consumption in 2024, including \$187 million on groceries, \$155 million on rent and mortgage payments, \$77.8 million on household furnishings and equipment and \$18.8 million on pet expenses.

This spending benefits thousands of small, medium-sized and large businesses around the province. Table 2 provides a more detailed list of spending by category.

Table 2: Induced household spending, New Brunswick-wide (\$000s) (2024)

Current consumption	\$1,419,100
Grocery stores	\$187,300
Restaurants	\$58,800
Rent and mortgage payments	\$155,000
Telephone and internet services	\$72,600
Household furnishings and equipment	\$77,800
Homeowners' insurance premiums	\$23,300
Premiums on life insurance and related	\$9,600
Health insurance plan premiums	\$28,500
Purchase of vehicles	\$91,700
Maintenance / repairs of vehicles	\$18,300
Vehicle insurance premiums	\$27,700
Gas and other fuels	\$85,400
Clothing and accessories	\$47,000
Entertainment (movies, arts, etc.)	\$19,300
Pet expenses	\$18,800
RV purchases and services	\$23,200
Dental and eye care goods and services	\$13,200
Personal care services (hairdressers, barbers, spas, etc.)	\$33,800

Source: Jupia Consultants Inc.

2.8 The forest products cluster induces substantial tax revenue for governments

In 2024, the nominal GDP contribution of the forest products cluster in New Brunswick was an estimated \$3.84 billion (from operations and capital spending). Using multipliers for personal income tax, sales tax, property tax and indirect taxes, the forest products sector induced an estimated \$903.7 million in tax revenue in 2024 or an amount equivalent to 23.5 percent of the sector's GDP contribution.

Municipal governments received an estimated \$111.8 million of that tax revenue or an amount equivalent to nine percent of total municipal government revenue across the province in 2024⁹. The federal government took in \$323.7 million in 2024 in the form of personal income tax, sales tax and other indirect taxes.

The provincial government was the largest beneficiary earning \$468.2 million in tax revenue as a result of the forest products industry. Adding in forestry royalties of \$76.3 million, the sector induced tax and royalty revenue of \$544.5 million, equivalent to more than seven percent of total own-source revenue generated by the provincial government in fiscal 2024.

Table 3: New Brunswick's forest products industry tax and royalty contribution to governments (2024), \$Millions

2024 nominal GDP contribution (OPEX and CAPEX)	\$3,841.0
Estimated taxes induced by the NB forest products cluster	\$903.7
<i>Relative to the provincial GDP contribution</i>	23.5%
Municipal government	\$111.8
Federal government	\$323.7
Provincial government	\$468.2
Forestry royalty payments*	<u>\$76.3</u>
Total provincial government taxes and royalties	\$544.5
Total taxes and royalties – all government	\$980.0

*Timber royalties paid in 2023-2024 as published in GNB Main Estimates.

Source: Jupia Consultants Inc.

⁹ Based on revenue data from the 2024 New Brunswick Annual Report on Municipal Statistics.

What does \$544.5 million in tax and royalty revenue fund each year? For example, the amount would be more than enough to cover the entire annual operating budget of the New Brunswick Department of Transportation and Infrastructure. Other examples:

- The taxes and royalties induced by the forest products cluster would cover all the provincial government funding for post-secondary education (universities and colleges) with a lot left over*.
- The taxes and royalties would cover over 80 percent of the total salaries of all secondary, elementary and kindergarten schoolteachers across the province**.
- The taxes and royalties would cover 90 percent of the total salaries of the nursing workforce in New Brunswick**.
- The taxes and royalties are 47 percent more than the entire justice and public safety budget each year (\$374 million in 2024-2025)*.
- The taxes would more than cover the total salaries of all physicians and veterinarians in the province (including those on salary and those who provide contracted services)**.

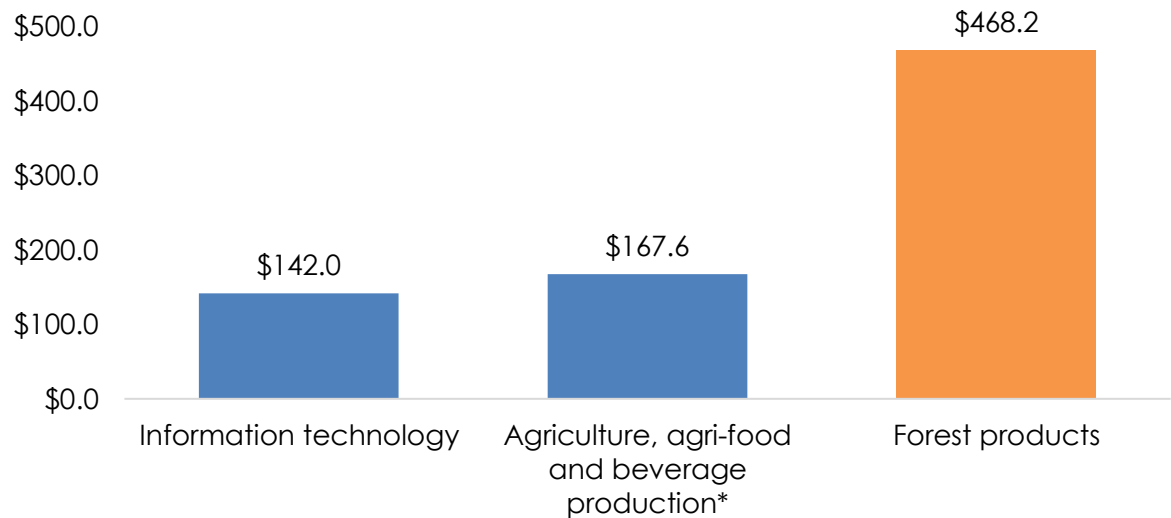
*based on 2024-2025 GNB main estimates.

**extrapolated for 2024 using Census and Labour Force Survey data.

How does the provincial government tax contribution from the forest products sector compare to other important industries in New Brunswick? A full tax analysis (direct, indirect and induced) is beyond the scope of this report but the author recently completed a similar review for the information technology (IT) industry and the agriculture and food product sector in the province.

As shown in Figure 11, the forest products industry, excluding royalty payments, generates substantially more provincial government tax revenue compared to the other two industries – 2.8 times more than agriculture, agri-food and beverage production and 3.3 times more than the information technology (IT) industry. In fact, the forest products industry generated 51 percent more provincial government tax revenue than the agri-food and beverage production and IT sectors combined.

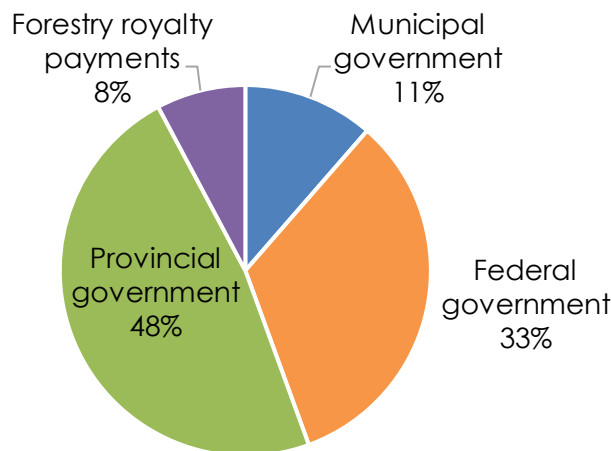
Figure 11: Comparing the provincial tax contribution by industry in New Brunswick (2024)



*the economic impact analysis for this sector was completed in 2022. Since then, the industry's real GDP contribution has increased by eight percent. The tax amount shown here is eight percent higher than the amount calculated in 2022.
Source: Jupia Consultants Inc.

Taxes and royalties induced by the forest products industry amounted to \$980.0 million in 2024. The federal government received \$324 million (33%), municipal governments received \$112 million (11%) and the provincial government received 56 percent of the total of which \$468 million (48%) came from taxes and \$76.3 million (8%) came from timber royalties.

Figure 12: New Brunswick's forest products industry tax and royalty contribution to governments, breakdown of total (2024)



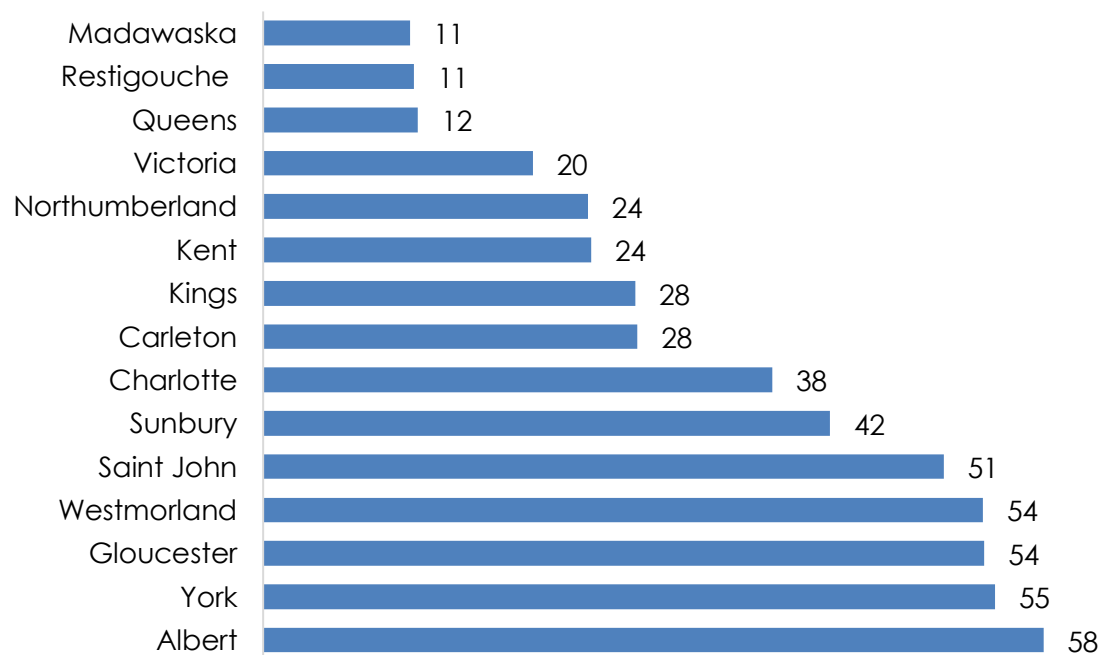
Source: Jupia Consultants Inc.

2.9 The economic benefits of the cluster are distributed around the province

As of December 2024, there were 742 employer firms operating in the forest products cluster and another 543 non-employers for a total of 1,285 firms¹⁰. This does not include indirect firms supporting the sector (e.g. lawyers, accountants, technical consultants, etc.). Arguably no other industry has as distributed an economic footprint around the province. The 2021 Census reported employment by industry and Census Division (county) across the province.

Figure 13 shows just how important the forest products industry is as an employer across New Brunswick. In Madawaska and Restigouche counties, one out of every 11 workers is employed directly in a forest products firm. In eight counties, forest products firms account for at least one out of every 30 jobs (private and public sector combined). Every county in the province has at least 300 jobs from forest products firms.

Figure 13: Forest products industry employment, one out of every xx jobs (2021)



Direct jobs only. Source: Statistics Canada 2021 Census.

Of the 250 Census sub-divisions in New Brunswick, over 70 percent have at least one forest products-related firm. Table 4 shows the distribution of forest products firms by county across the province.

¹⁰ Non employers must report at least \$30,000 in annual revenue but they do not submit payroll information to the Canada Revenue Agency.

Restigouche again has the highest concentration of firms with one out of every 15 accounted for by forest products-related firms. Madawaska and Queens are also very reliant on the forest products sector, relative to the total economy. In absolute terms, York County (Fredericton) has the largest number of forest products-related firms (157) followed by Madawaska (141) and Restigouche (139).

Table 4: Distribution of forest products-related firms around the province (2024)

	Employer <u>firms</u>	Firms without <u>employees</u>	Total <u>firms</u>	Forestry-related <u>businesses account for:</u>
Restigouche	103	36	139	1 out of every 15 firms
Gloucester	43	33	76	1 out of every 80 firms
Madawaska	81	60	141	1 out of every 17 firms
Victoria	42	41	83	1 out of every 20 firms
Northumberland	89	50	139	1 out of every 20 firms
Carleton	42	35	77	1 out of every 30 firms
York	73	84	157	1 out of every 61 firms
Sunbury	15	15	30	1 out of every 39 firms
Queens	29	17	46	1 out of every 15 firms
Kings	72	44	116	1 out of every 47 firms
Albert	7	14	21	1 out of every 93 firms
Westmorland	79	46	125	1 out of every 128 firms
Saint John	20	15	35	1 out of every 182 firms
Charlotte	12	19	31	1 out of every 75 firms
Kent	35	33	68	1 out of every 38 firms
New Brunswick	742	543	1,285	1 out of every 49 firms

Includes firms in the following industries (North American Industrial Classification System, NAICS):

NAICS: Description:

113	Forestry and logging
321	Wood product manufacturing
322	Paper manufacturing
1153	Support activities for forestry
4163	Lumber, millwork, hardware and other building supplies merchant wholesalers
4182	Paper, paper product and disposable plastic product merchant wholesalers
337110	Wood kitchen cabinet and countertop manufacturing
337121	Upholstered household furniture manufacturing
337123	Other wood household furniture manufacturing
337213	Wood office furniture, including custom architectural woodwork, manufacturing
484223	Forest products trucking, local
484233	Forest products trucking, long distance

Source: Statistics Canada business counts, December 2024.

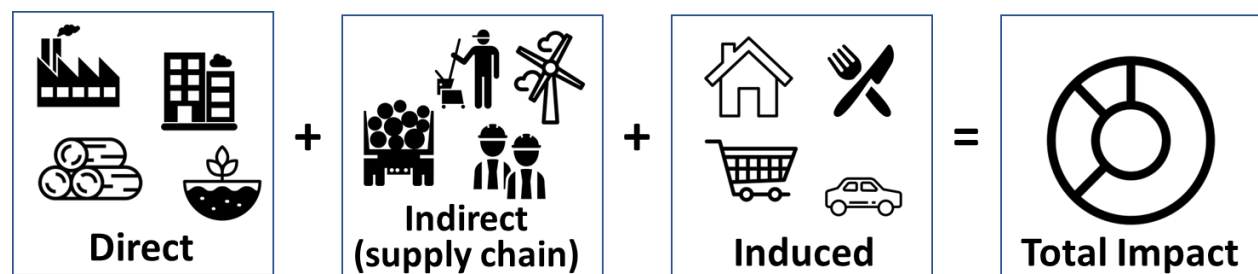
3. THE FOREST PRODUCTS INDUSTRY ECONOMIC FOOTPRINT

3.1 The economic impact model

The economic impact model used to estimate how the province's forest products industry impacts the economy is based on Statistics Canada's Input-Output (I-O) tables which provide a detailed profile of how expenditures in specific sectors flow through the provincial and national economy as well as through international trade. The economic impact model evaluates the direct, indirect and induced economic impact, using the following parameters:

- *Direct impact* measures the value-added to the economy attributed directly from the operations of the firms around the province through the wages earned, and the revenues generated from the workforce spending in New Brunswick.
- *Indirect impact* measures the value-added generated within the regional economy through firm and organizational demand for intermediate inputs or other support services (e.g. the supply chain).
- *Induced impacts* are derived when industry employees and other workers in the aforementioned industries spend their earnings. These purchases lead to more employment, higher wages and increased income and tax revenues, and can be felt across a wide range of industries.

Figure 14: Economic multipliers associated with the forest products industry



The I-O tables trace the impact of economic activity (output shock) on the provincial and national economies (including imports and exports). In addition to the GDP and employment impacts, the economic impact model estimates the amount of tax revenue supported by the industry as well as consumer spending impacts.

The direct inputs to the economic impact model were taken from Statistics Canada for 2024. The economic multipliers included in the analysis are developed by Statistics Canada. Appendix A includes a detailed description of the economic impact model and sources. The industries used in the model included (industry classification in brackets):

- Forestry and logging
- Support activities for forestry
- Sawmills and wood preservation
- Pulp, paper and paperboard mills
- Converted paper product manufacturing
- Furniture manufacturing

3.2 Forest products industry economic footprint: OPEX

Using Statistics Canada data on output, exports, GDP, employment and payroll, the total economic footprint of the industry can be developed. Based on 2024 data, Table 5 summarizes the economic contribution of the forest products industry in New Brunswick.

Including direct, indirect and induced impacts, the operations of the forest products industry boosted provincial GDP by \$3.62 billion in 2024¹¹. Just under \$2.4 billion came from direct impacts and the rest from indirect and induced impacts. The firms in the industry spent \$1.08 billion on payroll and supported another \$653 million in employment income from indirect and induced effects. Combined, the industry supported \$1.74 billion in employment income during 2024 or an amount equivalent to nearly eight percent of all employment income earned (private and public sectors combined).

The industry employed 13,595 directly in operations and supported another 10,223 jobs (full time equivalent) in the supply chain and from induced effects. In total, the industry supported 23,819 FTE jobs or an amount equivalent to one out of every 17 jobs around the province.

The forest products industry operations combined to boost government tax revenue by \$839 million in 2024 of which \$436 million went to the provincial government, \$298 to the federal government and \$106 million to municipal governments. Section 2.8 provides a more detailed analysis of the tax impacts.

Finally, the operations of the industry led to \$1.31 billion worth of household spending across New Brunswick in 2024. Section 2.9 provides a more detailed analysis how this money was spent by expenditure category.

¹¹ These figures are in nominal terms unlike the previous section which discussed GDP in inflation-adjusted terms (chained 2017 dollars).

Table 5: New Brunswick forest products industry economic footprint, OPEX (2024)**Employment (FTE)**

Direct jobs	13,595
Indirect and induced employment	<u>10,224</u>
Total employment	23,819

Employment income (\$000s)

Total direct payroll	\$1,083,255.0
Indirect and induced employment income	<u>\$653,089.4</u>
Total employment income	\$1,736,344.4

Gross domestic product (GDP) (\$000s)

Direct	\$2,357,569.7
Indirect and induced	<u>\$1,266,395.7</u>
Total	\$3,623,965.4

Taxes and royalties (\$000s)

Municipal	\$105,516.1
Federal	<u>\$297,869.4</u>
Provincial	\$435,637.8
Total taxes	\$839,023.3
GNB royalties	<u>\$76,300.0</u>
Provincial taxes and royalties	\$511,937.8

Household spending (\$000s)	\$1,308,063
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Source: Jupia Consultants Inc. See Appendix A.

3.3 Forest products industry economic footprint: CAPEX

The same analysis can be done for the capital investment made by the industry in 2024. According to Statistics Canada, the industry invested \$459 million during the year – not including maintenance and repair spending. Of this \$459 million, an estimated \$298 million went towards construction and related spending.

Table 6 summarizes the economic contribution of the forest products industry's capital spending in 2024. Including direct, indirect and induced impacts, the CAPEX of the forest products industry boosted provincial GDP by \$218 million in 2024. The capital spending induced another \$147 million in employment income and supported 2,389 FTE jobs. Finally, the CAPEX induced \$64.7 million in tax revenue of which \$32.6 million went to the provincial government, \$25.9 to the federal government and \$6.3 million to municipal governments.

Table 6: New Brunswick forest products industry economic footprint, CAPEX (2024)

Capital expenditures (2024)	\$459,000,000
Est. spending on in-province goods and services in New Brunswick	\$298,350,000
Total employment	2,389
Total employment income	\$147,384,900
Gross domestic product (GDP)	\$217,497,150
Taxes	
Municipal	\$6,279,300
Federal	\$25,845,600
Provincial	<u>\$32,589,600</u>
Total taxes	\$64,714,500
Household spending	\$111,031,400

Source: Jupia Consultants Inc. See Appendix A.

3.4 Forest products industry economic footprint: Combined OPEX & CAPEX

Combining the CAPEX and OPEX impacts, the New Brunswick forest products industry supported over 26,200 FTE jobs, boosted payroll across New Brunswick by \$1.88 billion and contributed \$3.84 billion to provincial GDP (Table 7).

The industry generated a combined \$984 million in tax and royalty revenue of which \$545 million went to the provincial government, \$323 to the federal government and \$112 million to municipal governments.

The CAPEX and OPEX impacts boosted household spending across the province by \$1.42 billion in 2024 supporting thousands of businesses large and small.

Table 7: New Brunswick forest products industry economic footprint, combined OPEX and CAPEX (\$000s) (2024)

	<u>OPEX</u>	<u>CAPEX</u>	<u>Total</u>
Total employment (FTE)	23,819	2,389	26,208
Total employment income	\$1,736,344	\$147,385	1,883,729
Gross domestic product (GDP)	\$3,623,965	\$217,497	3,841,463
Taxes			
Federal	\$297,869	\$25,846	\$323,715
Provincial	\$435,638	\$32,590	\$468,227
Municipal	\$105,516	\$6,279	\$111,795
Total taxes	\$839,023	\$64,714	\$903,738
GNB royalties	\$76,300		\$76,300
Total GNB taxes and royalties	\$511,938	\$32,590	\$544,527
Household spending	\$1,308,063	\$111,031	\$1,419,094

Source: Jupia Consultants Inc. See Appendix A.

3.5 Economic contribution per m3 of harvested wood

In 2024, the forest products industry harvested an estimated nine million m3 of wood from New Brunswick forests. Table 8 shows the economic impact of the forest products industry per m3 of harvested wood. The impacts include both operational spending (OPEX) and capital investment (CAPEX).

For every one million m3 one harvested wood, the forest products industry supported over 2,900 full time equivalent jobs. For every m3 of harvested wood, the industry generated \$427 worth of provincial GDP, \$209 employment income and \$100 worth of tax revenue. The New Brunswick government received an estimated \$61 in tax and royalty revenue for every m3 harvested in 2024.

Table 8: New Brunswick forest products industry economic footprint per m3 harvested*

	<u>Total</u>	<u>Per m3 harvested</u>
Total employment (FTE)	26,208	2,912**
Total employment income	\$1,883,729	\$209
Gross domestic product (GDP)	\$3,841,463	\$427
Taxes		
Federal	\$323,715	\$36
Provincial	\$468,227	\$52
Municipal	\$111,795	\$12
Total taxes	\$903,738	\$100
GNB royalties	\$76,300	\$9
Total GNB taxes and royalties	\$544,527	\$61
Household spending	\$1,419,094	\$158

*Assumes 9 million m3 harvested. Includes combined OPEX and CAPEX (2024).

**per 1 million m3 harvested.

Source: Jupia Consultants Inc. See Appendix A.

3.6 Deeper dive into the industry supply chain

Statistics Canada provides detailed spending data for the industry based on both industry and commodity output. This is the spending in various industries/commodities that occurs when output increases in the three primary forest products industries: forestry and logging, wood product manufacturing and paper product manufacturing.

In 2024, the supply chain spending in New Brunswick was estimated to be \$1.33 billion. That represents money that goes to suppliers of the industry that are producing the goods and services in the province. Table 8 shows a breakdown of some of the top commodities that benefit from forest products industry. New Brunswick trucking firms are a top beneficiary with an estimated \$262 million worth of business in 2024. This does not include companies that are in the forest products industries and do their own trucking unless the trucking firm is a separately constituted company.

The industry spends a lot on energy with \$192 million spent on gasoline, diesel and other refined oil products and another \$146 million on electricity. The industry also purchased another \$52.5 million in electricity from other provinces (discussed below)¹². Natural gas does not show up as a significant purchase either in the New Brunswick supply chain (\$6 million for the pipeline transportation of gas) or elsewhere in Canada (\$10 million for the purchase of natural gas). This likely means that most of the natural gas used by the industry is supplied by United States firms.

The industry also purchased other transportation services (freight forwarding, water and rail transportation, etc.) from New Brunswick suppliers but considerably less than expenditures with suppliers in other provinces (discussed below). The finance and insurance sectors generated \$60.1 million and \$39.9 million respectively.

The industry also purchases a lot of goods that may have been produced elsewhere but the wholesale and retail margins go to firms in New Brunswick.

The industry spent \$35.5 million on professional services such as legal, accounting and engineering but that was considerably lower than the amount spent on these services from providers in other provinces. For example, New Brunswick-based architectural, engineering and related services generated \$14.8 million from the forest products industry while firms elsewhere in Canada generated \$20.4 million¹³. Accounting, tax preparation, bookkeeping and payroll services firms in New Brunswick generated \$6.0 million slightly lower than the \$6.3 million from firms elsewhere in Canada.

Management consulting firms in other provinces received \$15 million in business while New Brunswick-based firms generated \$3.1 million. Overall, across all professional services, suppliers outside New Brunswick received \$81.4 million worth of business from New Brunswick's forest products industry in 2024.

¹² It is unclear how the power purchase agreements between the forest products industry and the electricity utility are revealed in this data.

¹³ Note this spending is related to operations. Engineering and related services procured as part of capital spending would be classified elsewhere.

Table 9: New Brunswick forest products industry in-province supply chain spending (\$Million)

Total supply chain spending in New Brunswick	\$1,328.0
Truck transportation	\$262.0
Gasoline, diesel and other refined oil products	\$192.0
Electricity	\$146.1
Other transportation	\$141.2
Retail margins	\$66.4
Banking and related services	\$60.1
Insurance	\$39.9
Wholesale margins	\$36.5
Professional services	\$35.5
Administrative services	\$34.7
Telecommunications	\$9.2

Estimated for 2024. Source: Jupia Consultants Inc. See Appendix A.

3.7 Supply chain spending elsewhere in Canada

Statistics Canada estimates the industry spent \$1.26 billion on goods and services produced elsewhere in Canada in 2024, excluding wood and paper products (intermediate). Table 10 shows the highlights. Gasoline, diesel and other refined oil product purchases were worth over \$100 million, chemical product purchases were just under \$75 million.

As discussed above, professional services were a top import from elsewhere in Canada including \$7 million worth of legal services and \$6 million worth of advertising, public relations and related services.

The ICT sector (information and communications technology) imported \$41.7 million worth of services from elsewhere in Canada including \$17.6 million worth of IT services, \$7.9 million worth of data hosting and related services and \$7.5 million worth of telecommunications services.

The industry also procured a considerable amount of transportation related services in 2024 from suppliers elsewhere in Canada including \$64.6 million worth of truck transportation services, \$61.5 million in freight transportation arrangement and customs brokering, \$34.2 million in rail freight transportation services, \$25.4 million in water transportation support, maintenance and repair services and \$22.7 million worth of water freight transportation services.

Table 10: New Brunswick forest products industry supply chain spending elsewhere in Canada (\$Millions)

Total supply chain spending elsewhere in Canada	\$1,256.1
Wholesale margins	\$148.2
Gasoline, diesel and other refined oil products	\$100.7
Chemical products	\$74.7
Financial services	\$72.4
Professional services (excluding IT services)*	\$67.2
Truck transportation services	\$64.6
Freight transportation arrangement and customs brokering	\$61.5
Plastic products	\$55.7
Electricity	\$52.5
ICT services	\$41.7
Custom work and support services for forestry	\$41.6
Office administrative services	\$37.2
Rail freight transportation services	\$34.2
Fabricated steel products	\$32.1
Various repair and maintenance services	\$28.1
Machinery and equipment	\$28.0
Insurance services	\$25.5
Water transportation support, maintenance and repair services	\$25.4
Water freight transportation services	\$22.7
Repair construction services	\$18.3
Retail margins	\$10.4
Natural gas	\$10.1

Estimated for 2024. Source: Jupia Consultants Inc. See Appendix A.

3.8 Supply chain spending elsewhere in the world

Statistics Canada does not provide a detailed breakdown of international imports to New Brunswick for a specific industry such as forestry and logging, wood products or paper products. However, the agency does provide an estimate of the total value of international imports as intermediate inputs (supply chain).

In 2024, it is estimated these international imports were worth \$810 million. While the breakdown is not available it is likely the imports included natural gas, machinery, technology and possibly specialized services.

4. CONCLUSION: CONSIDERATIONS ON THE FUTURE OF THE FOREST PRODUCTS INDUSTRY

This report has provided an assessment of the economic contribution of the forest products industry in New Brunswick. By most measures, the industry is the most important driver of economic activity in the province. It boosts provincial GDP more than any other export-focused industry. It supports more jobs and employment income, and it contributes nearly a billion dollars' worth of tax revenue for governments.

The importance of ensuring an environment where the industry can make a competitive return on invested capital

It is important to have a positive regulatory and operating framework that supports a competitive industry. This includes support for R&D and productivity, workforce development and incentives to deploy capital. Energy costs are another important factor as much of the sector is energy-intensive.

This industry should continue to be a cornerstone industry for the New Brunswick economy for decades to come. It is home to a good mix of small, medium-sized and large firms. The wood supply environment should support a sustainable level of GDP, employment and taxes assuming the overall operating environment remains competitive with other jurisdictions.

The importance of exports

Only about 5-7 percent of the industry's end products serve New Brunswick's domestic market. The vast majority of the \$3.74 billion worth of wood and paper products are exported. About 45 percent of the value of exports from the industry goes to other provinces in Canada (\$1.68 billion in 2021) and the rest, 55 percent, goes to international markets (\$2.06 billion). Of the international exports, typically 80-90 percent of the value of these exports are shipped to the United States. The ongoing trade turmoil is already having an impact on New Brunswick's forest products industry.

The importance of the value chain

The forest products industry in Nova Scotia provides an example of the difficulties of not having a long value chain in the province. A successful forest products industry produces the wood fibre needed to supply the sawmills. The residual from the harvesting process is used to create biomass energy or other uses. The sawdust from the sawmills is used to feed pulp and paper manufacturing. When one or more links in the chain is not working it can negatively impact the business case for the entire industry.

APPENDIX A: THE ECONOMIC IMPACT MODEL AND SOURCES

The data sources used in the preparation of this report include:

<u>Statistic:</u>	<u>Source/Description:</u>
Forest products direct inputs	Employment, income, supply chain spending, capital investment, etc. taken from appropriate Statistics Canada tables for 2024.
Indirect and induced GDP, employment and income estimates	Uses Statistics Canada Input-Output multiplier and impact estimates at the M industry level. Provincial Input-Output Multipliers, 2021. Catalogue no. 15F0046XDB. Industry Accounts Division. Statistics Canada. Includes multipliers for: output, gross domestic product (GDP) at market prices, taxes on products, labour income, wages and salaries, employers' social contributions, labour income of unincorporated sector, taxes on production and employment. The specific NAICS industries used are described in Section 3.1 above.
Tax multipliers	Using a model developed by Jupia Consultants Inc. based on a variety of sources including: • Induced HST revenue: Based on the ratio of HST collected to total provincial personal income in 2024 (Source: provincial budget documents and Statistic Canada). • Induced personal income taxes paid: Derived using several sources including Statistics Canada personal tax-related tables and its Survey of household spending (SHS) for 2023. • Property taxes paid (from employment income): Derived using Statistics Canada's Survey of Household Spending (SHS) for 2023. • Indirect taxes: Derived using Statistics Canada multipliers for the various sectors used in the model as described in Section 3.1. These indirect taxes are levied on the business activity and include such tax areas as: business property taxes, fuel taxes, vehicle license fees, land transfer taxes, and any sales taxes arising out of the corporate activity.
Household spending impacts	Derived using Statistics Canada's Survey of Household Spending (SHS) for 2023.

<u>Statistic:</u>	<u>Source/Description:</u>
Industry GDP statistics	Gross domestic product (GDP) at basic prices, by industry. Source: Statistics Canada Table: 36-10-0402-01.
Various labour market characteristics	Statistics Canada 2021 Census and annual wage report.
Municipal and provincial total own-source revenue as well as spending by category	GNB Main Estimates and the Annual Report on Municipal Statistics published by the Department of Environment and Local Government.
Business counts	Source: Statistics Canada business counts, December 2024.
Labour productivity and related measures	Source: Statistics Canada Table: 36-10-0480-01.
Occupational wage data	Statistics Canada 2021 Census.
Average household spending	Source: Statistics Canada Table: 11-10-0222-01.
Capital investment by sector	Capital and repair expenditures, non-residential tangible assets, by industry and geography. Source: Statistics Canada Table: 34-10-0035-01.
Employment by sector	Source: Statistics Canada Table: 36-10-0480-01
Forest products exports (and comparative sectors)	Interprovincial and international trade flows, basic prices, detail level. Source: Statistics Canada Table: 12-10-0101-01.

Ensuring no double counting in the economic impact model:

Statistics Canada aggregated input shocks for the IOIC industries that compose that industry with the mapping below:

Forestry and Logging (NAICS 113)

1. BS113000- Forestry and logging

Wood product manufacturing (NAICS 321)

1. BS321100 - Sawmills and wood preservation
2. BS321200 - Veneer, plywood and engineered wood product manufacturing
3. BS321900 - Other wood product manufacturing

Paper manufacturing (NAICS 322)

1. BS322100 - Pulp, paper and paperboard mills
2. BS322200 - Converted paper product manufacturing

The input shocks was based on basic price input function from the 2021 SUT for New Brunswick. To control for double counting the values for the following commodities were excluded from the initial shock:

MPG113001	Logs and bolts
MPG113002	Pulpwood
ENE113003	Fuel wood
MPG113004	Rough untreated poles, posts and piling
MPS11X000	Custom work services for forestry
MPG321101	Hardwood lumber
MPG321102	Softwood lumber
MPG321103	Wood chips
MPG321104	Other sawmill products and treated wood products
MPG321201	Veneer and plywood
MPG321202	Wood trusses and engineered wood members
MPG321203	Reconstituted wood products
MPG321901	Wood windows and doors
MPG321903	Wood containers and pallets
MPG321904	Prefabricated wood and manufactured buildings and components
MPG321908	Wood products, n.e.c.
MPG321X00	Waste and scrap of wood and wood by-products
MPG322101	Wood pulp
MPG322102	Paper (except newsprint)
MPG322103	Newsprint
MPG322104	Paperboard

MPG322201	Paperboard containers
MPG322202	Paper office supplies
MPG322203	Disposable diapers and feminine hygiene products
MPG322204	Sanitary paper products
MPG322209	Other converted paper products

For the above commodities, the commodity output value from the SUT were split into an interprovincial share(1), an international share(2), and a domestic share(3).

1. To calculate the effect of out of province purchases of the commodities above, a commodity output shock was done in other provinces to model the imports. The import value from other provinces was calculated:

Interprovincial imports: Amount purchased in industry from SUT in basic price *(province specific interprovincial imports)/ (Total supply at basic prices – international exports – interprovincial exports - International re-exports)

The impact of this shock was added to the input shocks above.

2. The import value from other countries was calculated and added to the international imports:

International Imports: Amount purchased in industry from SUT in basic price *(international imports - International re-exports)/ (Total supply at basic prices – international exports – interprovincial exports - International re-exports)

This value was added to the output and international imports after the shock was ran.

3. The domestic share will be calculated as:

Amount purchased in industry from SUT in basic price – Total Interprovincial Import – international imports. This value was added to the output and commodity output after the shock was ran.

APPENDIX C: ABOUT JUPIA CONSULTANTS INC.

New Brunswick, Canada-based Jupia Consultants Inc. is a full-service research and planning support consultancy specializing in the area of economic development. The firm has more than 25 years' experience working with companies, communities, industry associations, economic development agencies and government departments.

This report was prepared by David Campbell. David is the President of Jupia Consultants Inc. and has more than three decades' experience as a consultant working with industry, not-for-profit organizations and governments across Canada. His focus areas include economic development strategy, economic impact analysis, population growth, cluster development and investment attraction. David was formerly Chief Economist with the Government of New Brunswick. In that role, he led the development of economic policy and economic development strategy for the provincial government.

David is a columnist, published author, and writes weekly for the It's the Economy, Stupid blog as well as co-presenting the weekly podcast Insights with Don Mills and David Campbell. In recent years, he has had the opportunity to collaborate with multiple think tanks and policy research organizations including the Conference Board of Canada, Public Policy Forum and the Donald J. Savoie Institute at the Université de Moncton.

For more information visit www.jupia.ca.