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## NEWS RELEASE

### *Canadian manufacturing sector in crisis*

#### *Problems will persist without adequate policies to shore up competitiveness*

**Montreal** – Having endured nearly three years of declining output growth, the Canadian manufacturing sector is in the midst of an unprecedented economic crisis, with more hard times to come. While the recent weakness can be attributed to the deep US recession, Canadian manufacturers suffer from a longer-term competitiveness problem that, if not addressed, will continue long after the recession is over, according to a new study from the Institute for Research on Public Policy.

The study, “Shoring Up the Competitive Posture of Canadian Manufacturers: What Are the Policy Levers?,” by James Brox and Jeremy Leonard, examines the many interrelated factors affecting labour productivity in manufacturing, and concludes that the principal explanation for Canada’s poor productivity performance is insufficient investment of all types.

“Our economy is investment poor, and investment is precisely the vehicle through which most productivity improvements flow – whether in the form of computer and networking equipment that allows for reorganization of production processes, or public infrastructure that provides the very foundations on which firms can build their competitiveness,” says Leonard, an economist and a senior fellow at the IRPP. “Canada suffers from significant weakness in all these areas; addressing them is critical to improving productivity growth.”

Other factors that contribute to this country’s competitiveness problem include a lack of demand for investment, innovation and skills – particularly on the part of Canadian businesses.

“If manufacturers are to live up to their productivity potential, policy-makers will need a broader understanding of the barriers to a competitive market environment,” says Brox, an economist and a professor at the University of Waterloo.

“Shoring Up the Competitive Posture of Canadian Manufacturers: What Are the Policy Levers?” by James A. Brox and Jeremy Leonard, can be downloaded free of charge from the Institute's Web site ([www.irpp.org](http://www.irpp.org)).

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