

February 9, 2024

Hon. Chrystia Freeland, P.C., M.P.  
Deputy Prime Minister and Minister of Finance  
90 Elgin, Ottawa, Ontario,  
K1A 0G5

Via e-mail: [Budget2024@fin.gc.ca](mailto:Budget2024@fin.gc.ca)

**Re: 2024 Federal Pre-Budget Submission**

Dear Minister Freeland,

On behalf of Canadian Manufacturers & Exporters (CME), I am pleased to share our 2024 pre-budget recommendations, which can be found in our latest flagship report, [Manufacturing Canada's Future](#), which we have attached to this letter. The report, released in November 2023, was developed through comprehensive consultations with our member companies, leveraging their expertise and industry experience to provide a cross-country perspective of the manufacturing sector's opportunities and challenges. The report renews CME's call for all levels of government to work together with industry to develop and implement a comprehensive advanced manufacturing strategy.

As one of backbones of our economy, the manufacturing sector plays a crucial role in creating jobs, fostering innovation, and driving economic growth. In fact, the country's 90,000 manufacturers directly generate almost 10 cent of Canada's GDP and nearly 60 per cent of our merchandise exports. Including indirect and induced impacts, the sector's footprint amounts to one-quarter of Canada's total economic activity. As well, the sector directly employs about 1.8 million Canadians and supports 3.6 million more workers through supply chain activity and employee spending.

Although its presence is large, Canada's manufacturing sector has struggled for most of this century, with output and merchandise exports growing at a much slower pace than in other advanced economies, a consequence of very sluggish investment. Several factors explain the reluctance of manufacturing firms to invest in Canada: labour and skills shortages, a relatively high tax burden, a sub-optimal regulatory environment, and the absence of an advanced manufacturing strategy.

We are strongly supportive of measures that your government has provided the manufacturing sector in recent years, including the signed agreements containing Inflation Reduction Act-equivalent benefits with several battery and automakers as well as the announcement of five investment tax credits to support the clean energy transition. But our work is not over. For Canada to experience a broad-based and sustainable

manufacturing recovery, the government must continue to enact policies that foster business investment in Canada.

To that end, along with providing supports for the clean technology sector, a more broad-based industrial policy is also urgently needed, given Canada's long-standing problem of weak business investment and lacklustre productivity growth. If these trends are not reversed, Canada's GDP per capita will continue to stagnate, threatening the standard of living and future prosperity of Canadian workers and their communities. Accordingly, *Budget 2024* is the right time to build on the strong initiatives in *Budget 2023* and launch a comprehensive advanced manufacturing strategy underpinned by the four recommendations outlined in *Manufacturing Canada's Future*:

1. Expanding and upskilling Canada's manufacturing workforce.
2. Stimulating innovation, investment, and the adoption of advanced manufacturing technologies.
3. Encouraging domestic manufacturing production and value-added exports.
4. Speeding up and expanding clean technology incentives to help manufacturers adapt to and advance Canada's climate change plan.

In CME's view, implementing this strategy and its recommendations would result in a more competitive business environment, lead to higher levels of investment, innovation, and productivity, boost the sector's production and exports, and contribute to emissions reductions. Given manufacturing's far-reaching impact, its revival will help secure Canada's prosperity for generations to come.

We look forward to the opportunity to further engage in meaningful discussions and contribute our industry expertise to help shape Canada's economic policies. Please do not hesitate to contact us if we can be of further assistance on this or any other issue.

Sincerely,



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