

# KEEP IT IN CANADA

## TOP ~~10~~ 11 REASONS

Why globalization is on its way out and reshoring is in.

Canadian manufacturers are seeing the domestic and U.S. markets as their main source of growth over the next few years. Therefore, it's not surprising that they are focusing their operations closer to home and reshoring their manufacturing. Doing so enables them to avoid having to find new overseas suppliers, reduce costs of getting goods to market and better positions them to meet customers' shorter lead times.



# THE REASONS FOR RESHORING ARE NUMEROUS.

HERE ARE THE TOP 11, IN NO PARTICULAR ORDER:

- 1 The disparity between Canadian and Chinese wages is shrinking. The average wage of a worker in manufacturing in China has increased by more than 200% in the last 10 years,<sup>1</sup> whereas the same Canadian worker is earning 3.2%<sup>2</sup> less during the same time period.
- 2 Quality control is another massive factor. Canada and Mexico rank as having the least number of product recalls under the Consumer Product Safety Commission, followed by the U.S. and the rest of the world – China is in last place.<sup>3</sup>
- 3 “Extra Slow Steaming” is the latest cost cutting method used by shipping companies to get product across the seas. And although this could save you 20% on your shipping costs, you must also factor in an additional ten to twelve days<sup>4</sup> to your already long delivery schedule.
- 4 Labour disputes, unexpected shutdowns and massive layoffs can seriously disrupt your business operation. Known as the “labor market risk” factor, Canada got a score of 0-25 (Lowest Risk), whereas Mexico and most Asian Countries scored between 51-75 (High Risk).<sup>5</sup>
- 5 When it comes to services and facilities, such as roads, rail links, communications, power plants and other systems and resources, Canada has been ranked 5th in the world, according to statistics from the World Economic Forum.<sup>6</sup>
- 6 The Canadian Dollar has maintained an average rate of \$1.11 to the US green back over the past 5 years,<sup>7</sup> but the Central Bank is planning further rate cuts, pushing the Loonie on a downward trend.<sup>8</sup> That’s good news for the export market and strengthening the argument for reshoring.
- 7 Imported products might have a lower initial capital investment, but carry higher production costs due to equipment failure and product damage. Long lead times can often add 20-30% to product inventory costs.<sup>9</sup> These additional costs often outweigh the benefits of offshoring.
- 8 Keeping your production local yields green benefits. Canada has lower carbon emissions than most other countries and shortening the shipping distance will also have a positive environmental impact.
- 9 In 2015, Canada imported \$28.7 Billion in mechanical/electrical products from China, whereas Canadian exports to China only amounted to \$1 Billion. This represents a trade imbalance of 96%.<sup>10</sup> Perhaps it’s time to bring that business home.
- 10 With the view to creating a balanced economy in Canada, the government has policies and incentives in place that support local manufacturing. Combined with education and apprenticeship training programs, they are taking a broader perspective on reshoring in the manufacturing sector.
- 11 Reshoring helps support the Canadian economy. “The impacts of reshoring extend beyond individual companies and provide benefits for entire regions as the effects multiply through local economies.”<sup>11</sup> By reshoring manufactured goods, companies support the communities in which they operate, creating jobs and investment opportunities.

Globalization is on a downward spiral, yet Canada remains on top<sup>12</sup> in terms of location costs – all the more reason to reshore. At York Metal Products we understand all of the pitfalls of outsourcing, and present you with a local solution to your production problems.

Working with us also brings two important elements in the manufacturing process together—design and production—reducing unnecessary costs, helping to solve unique problems and driving innovation. We specialize in new product and process development, simplifying even the most complex metal fabrication assemblies through our unique combination of high-tech equipment, an expert team and a start-to-finish value-based approach. We will collaborate with you on any custom designs you have in mind.

Source<sup>1</sup>: Trading Economics – National Bureau of Statistics of China – 2016 <http://www.tradingeconomics.com/china/wages-in-manufacturing>

Source<sup>2</sup>: Government of Canada – Statistics Canada – Monthly Earnings by Industry (Canada) – July 2016 <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/labor93a-eng.htm>

Source<sup>3</sup>: US Department of Commerce - Economics and Statistics Administration analysis from the Economist Intelligence Unit. – 2016 <http://acetoool.commerce.gov/labor-costs>

Source<sup>4</sup>: US Department of Commerce - Economics and Statistics Administration analysis from the World Economic Forum – 2016 <http://acetoool.commerce.gov/labor-costs>

Source<sup>5</sup>: US Department of Commerce - Economics and Statistics Administration analysis from the Economist Intelligence Unit. – 2016 <http://acetoool.commerce.gov/labor-costs>

Source<sup>6</sup>: US Department of Commerce - Economics and Statistics Administration analysis from the World Economic Forum – 2016 <http://acetoool.commerce.gov/labor-costs>

Source<sup>7</sup>: Bank of Canada - Monthly Average Exchange Rates – July 2016 <http://www.bankofcanada.ca/rates/exchange/monthly-average-lookup/>

Source<sup>8</sup>: Bloomberg Brief - Currency Moves – March 2015 <http://www.bloombergbriefs.com/content/uploads/sites/2/2015/03/currency-moves-final-digital-2.pdf>

Source<sup>9</sup>: US Department of Commerce – Asses Costs Everywhere – 2016 <http://acetoool.commerce.gov/inventory>

Source<sup>10</sup>: Government of Canada – Canada International – China,gc.ca – July 2016 [http://www.canadainternational.gc.ca/china-chine/bilateral\\_relations\\_bilaterales/China-FS-Chine-FD.aspx?lang=eng](http://www.canadainternational.gc.ca/china-chine/bilateral_relations_bilaterales/China-FS-Chine-FD.aspx?lang=eng)

Source<sup>11</sup>: Reshoring has Become an Economic Development Strategy – Industry Week – May 2016 <http://www.industryweek.com/trade/reshoring-has-become-economic-development-strategy>

Source<sup>12</sup>: KPMG’s Competitive Alternatives – A guide to international business locations costs - Focus on Canada – 2016 <https://assets.kpmg.com/content/dam/kpmg/pdf/2016/03/ca-competitive-alternatives-2016-canada.pdf>

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