

# Foreword

Manufacturing, a cornerstone of economic growth and development, has undergone profound changes in recent decades, reshaping employment patterns, trade dynamics and regional disparities. This report offers new insights into and analysis of the structure of manufacturing in rural regions across OECD countries, providing guidance and recommendations on how these regions and their manufacturing sectors need to continue to adapt to these and future changes.

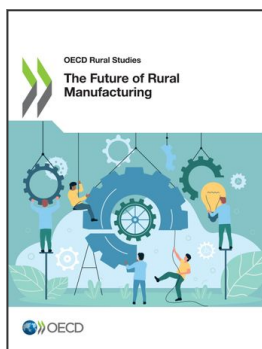
Over the past two decades, manufacturing employment has declined in OECD economies due to factors such as outsourcing, globalisation and automation. This shift has led to an increasing focus on services, making up around 70% of the gross value added in OECD countries.\* Metropolitan regions have been better placed to reap the benefits of this transformation, enjoying productivity gains resulting from agglomeration effects. In contrast, with their thinner and more fragmented internal markets, rural regions have more limited opportunities for services sector productivity growth.

However, rural regions have comparative advantages in manufacturing, often by virtue of the very factors that weigh down on their service productivity, such as low density and availability of land. With new shifting patterns emerging in international production networks and global value chains following the COVID-19 pandemic and Russia's war of aggression against Ukraine, many countries are now embarking on historically high investment programmes and new industrial policies, with increasing emphasis on leveraging the potential of rural manufacturing.

This report delves into the transformations that have occurred in manufacturing across OECD rural regions over the past two decades, shedding light on their role, performance, enablers and bottlenecks. Specifically, it provides valuable insights into the challenges and opportunities faced by rural manufacturing in the context of climate change, demographic shifts, digitalisation and evolving global trade patterns.

Through the Regional Development Policy Committee (RDPC) and its Working Party on Rural Policy (WPRUR), the OECD has committed to addressing regional disparities, fostering innovation in rural areas and supporting regions in transition. *The Future of Rural Manufacturing* combines quantitative analysis based on granular data of manufacturing trends across OECD rural regions with in-depth case studies conducted in 12 regions of France, Germany, Italy and Slovenia. It also benefits from foresight and futures workshops involving experts and policy makers from OECD countries. The WPRUR approved this report on 27 September 2023.

\*OECD (2023), "Value added by activity" (indicator), <https://doi.org/10.1787/a8b2bd2b-en> (accessed in October 2023).



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