

# Tracking the strengths and weaknesses in Canada's goods export sectors

A revealed comparative advantage analysis

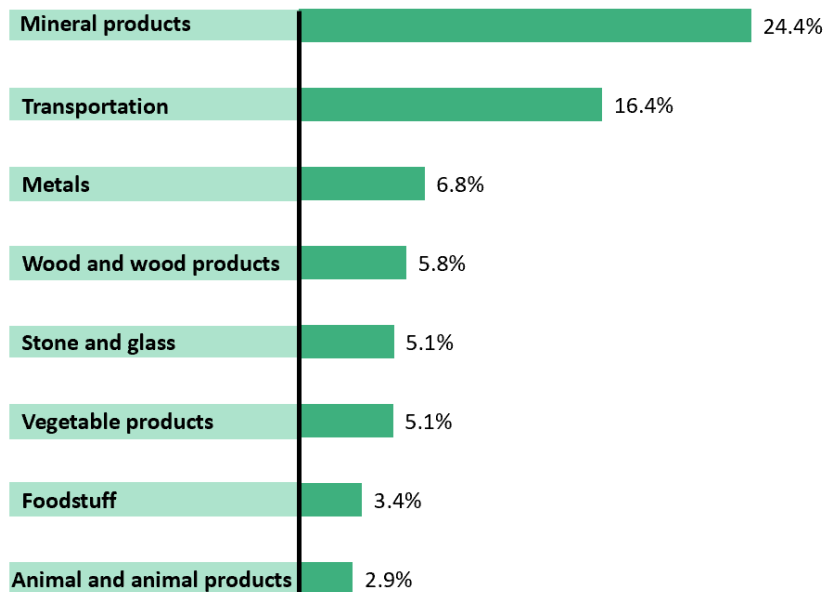
## What is Canada good at exporting?

Canada is at a comparative advantage if it can produce a good more efficiently than other markets. The theory of comparative advantage suggests that a country would benefit most from international trade by exporting goods where it has an advantage and importing the rest. A revealed comparative advantage analysis (RCA) helps identify and measure the export industries within Canada that are more specialized than those in the rest of the world. To better understand where Canada has more of an edge, EDC's Economic team analyzed 15 sectors and 96 sub-sectors. The following highlights Canada's strengths, weaknesses and key competitors.

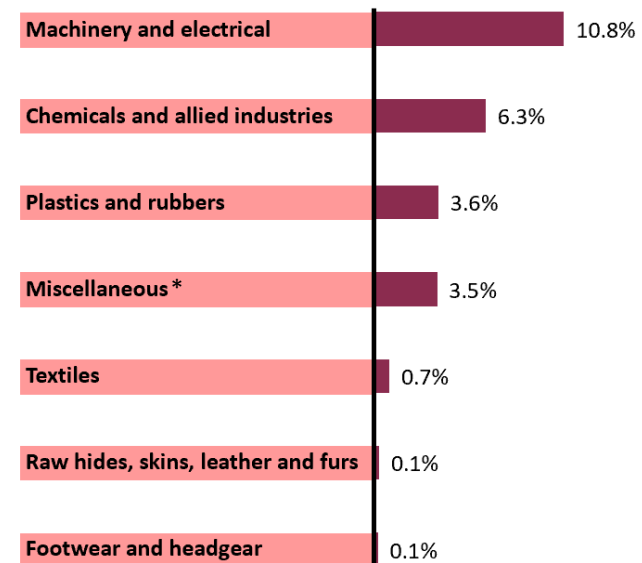
## Sectors as share of total goods exports

Based on 2019 goods export data, Canada's advantageous exports were in energy, transportation, mining and forestry resources.

### Advantageous



### Not advantageous



% of Canada's good exports value

## A look at the sub-sectors

Canada's advantageous sectors, shown in the above graph, indicate that we export more of the products within those sectors. For example, mineral products, an overall advantageous sector, accounted for 24.4% of 2019 goods exports. On the other hand, we don't hold an advantage in machinery and electrical, which accounted for 10.8% of goods exports. However, a look at the 96 sub-sectors reveals that some of Canada's most important exports weren't all advantageous.

Canada's Top 5 exported sub-sectors accounted for 51% of goods exports in 2019. They included: mineral oils and their distillation, vehicles, nuclear reactors, precious stones and metals and electrical machinery. We only held a comparative advantage for three of these five products. The non-advantageous sub-sectors are nuclear reactors and electrical machinery, which belong to the machinery and electrical sector.

\*The miscellaneous sector includes goods such as clocks, watches, musical instruments, arms and ammunition, furniture, toys, and works of art.

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## Canada's major export destinations demand products not aligned with our strengths

While the United States is the top destination for 21 of 25 of Canada's top exports, China, the United Kingdom, Japan and Mexico are also integral export destinations.

Yet, in all these markets, Canada doesn't hold a comparative advantage in most of their top imported products, which include electrical machinery, nuclear reactors, chemicals and pharmaceuticals. In the U.S., we don't hold an advantage for three of their five key imports, including nuclear reactors, electrical machinery and pharmaceutical products. In China, a major growth market we don't hold an advantage for four of their Top 5 imports. This trend is consistent for the remainder of Canada's top export destinations.

## Canada's key export destinations

(2019 import values)

### 1. Top U.S. imports

- ✗ Nuclear reactors and parts
- ✗ Electrical machinery
- ✓ Vehicles
- ✓ Mineral oils and their distillation
- ✗ Pharmaceutical products

### 2. Top China imports

- ✗ Electrical machinery
- ✗ Mineral oils and their distillation
- ✗ Nuclear reactors and parts
- ✓ Ores, slag and ash
- ✗ Optical, measure checking, medical instruments

### 3. Top U.K. imports

- ✓ Precious stones
- ✗ Nuclear reactors and parts
- ✓ Vehicles
- ✗ Electrical machinery
- ✗ Mineral oils and their distillation

### 4. Top Japan imports

- ✓ Mineral oils and their distillation
- ✗ Electrical machinery
- ✗ Nuclear reactors and parts
- ✗ Optical, measure checking, medical instruments
- ✗ Pharmaceutical products

### 5. Top Mexico imports

- ✗ Electrical machinery
- ✗ Nuclear reactors and parts
- ✓ Vehicles
- ✓ Mineral oils and their distillation
- ✗ Plastics and articles thereof

Canada's advantage

✓ Advantageous ✗ Not advantageous

# Tracking the strengths and weaknesses in Canada's goods export sectors

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## Canada faces stiff competition in export markets of the future

When considering our Top 25 exported products and our key export destinations, we face tough competition from the U.S., China, Germany, Japan, Korea and Mexico. We outperform these competitors in export value only when it comes to mining ores, and wood and wood articles.

## Canada's top competitors and the sub-sectors where they export more

2019 export value

	China	U.S.	Germany	Japan	Korea	Mexico
✓ Mineral oils and their distillation		✓			✓	
✓ Vehicles		✓	✓	✓		✓
✗ Nuclear reactors and parts	✓	✓	✓	✓	✓	
✓ Precious stones and metals		✓				
✗ Electrical machinery	✓	✓	✓	✓	✓	✓
✗ Plastics	✓	✓	✓	✓	✓	
✓ Wood and articles of wood						
✓ Aircraft and spacecraft		✓	✓			
✓ Ores, slag and ash						
✗ Pharmaceutical products		✓	✓			
✓ Aluminum	✓				✓	

Source: UNComtrade, EDC Economics

### Canada's advantage

✓ Advantageous

✗ Not advantageous

✓ Surpasses Canada in export value

Our list of competitors expands significantly when the U.S. is excluded as an export destination. When considering our Top 25 exported products and our top export destinations, without the U.S., Canada goes from seventh top global exporter to 26th (considering export value).

In every market other than North America, we're outperformed in export value by the U.S. and China, and several other regional competitors. This is particularly true in future growth markets of Asia and South America.

## About this report

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This report was written by Tania Chaar with support from Meena Aier and copy-edited by Karen Turner and Janet Wilson.

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