

# Trade & Export

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## What you need to know

- Exports in Alberta are high relative to other provinces but are not especially diverse: the US accounts for over 80% of the total value of exports and about 80% of this value is driven by oil and gas.
- As oil and gas exports to the US have declined, canola, wheat and other agricultural products, especially to China, have shown the biggest growth.
- Even so, growth in new markets and products have not been enough to offset the decline in oil and gas exports to the US.
- Alberta—and Canada—will increasingly need to shift to higher complexity exports of goods or services in order to drive lasting growth.

## Reason for optimism

Some agricultural products have shown strong growth over the last few years. Additionally, China is likely to be a growing customer of Alberta agriculture.

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## Cause for concern

Canada—and Alberta—rank low in trade complexity. Growth is expected to slow unless we increasingly produce goods and services that are more complex, requiring a higher level of expertise.



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## Biggest export destinations in 2019

United States	\$103.55bn	----- US <b>\$103.6B   88%</b>
China	\$4.26bn	
Japan	\$1.71bn	
Mexico	\$1.09bn	
S Korea	\$0.63bn	----- Next Top 10 <b>\$9.5B   8%</b>
Australia	\$0.37bn	
Bangladesh	\$0.33bn	
Indonesia	\$0.32bn	
Netherlands	\$0.27bn	
United Arab Emirates	\$0.27bn	
France	\$0.26bn	----- All others <b>\$4.6B   4%</b>

Source: Government of Canada, Trade Data Online

- The US is Alberta's biggest trade partner by a wide margin, accounting for 86% to 88% of total exports over the last few years.
- This reliance on the US is little changed since the early 2000s.
- The product mix is not especially diverse either. The oil and gas industry accounts for over 80% of Alberta's exports to the US.
- Compared with the 2014 peak, the total value of exports to the US is down about 6% while exports to all other countries are up 14%.
- Because exports to other countries are such a small share, this increase has not been enough to fill the gap: in total, exports were down 3.6% in 2019 vs 2014.

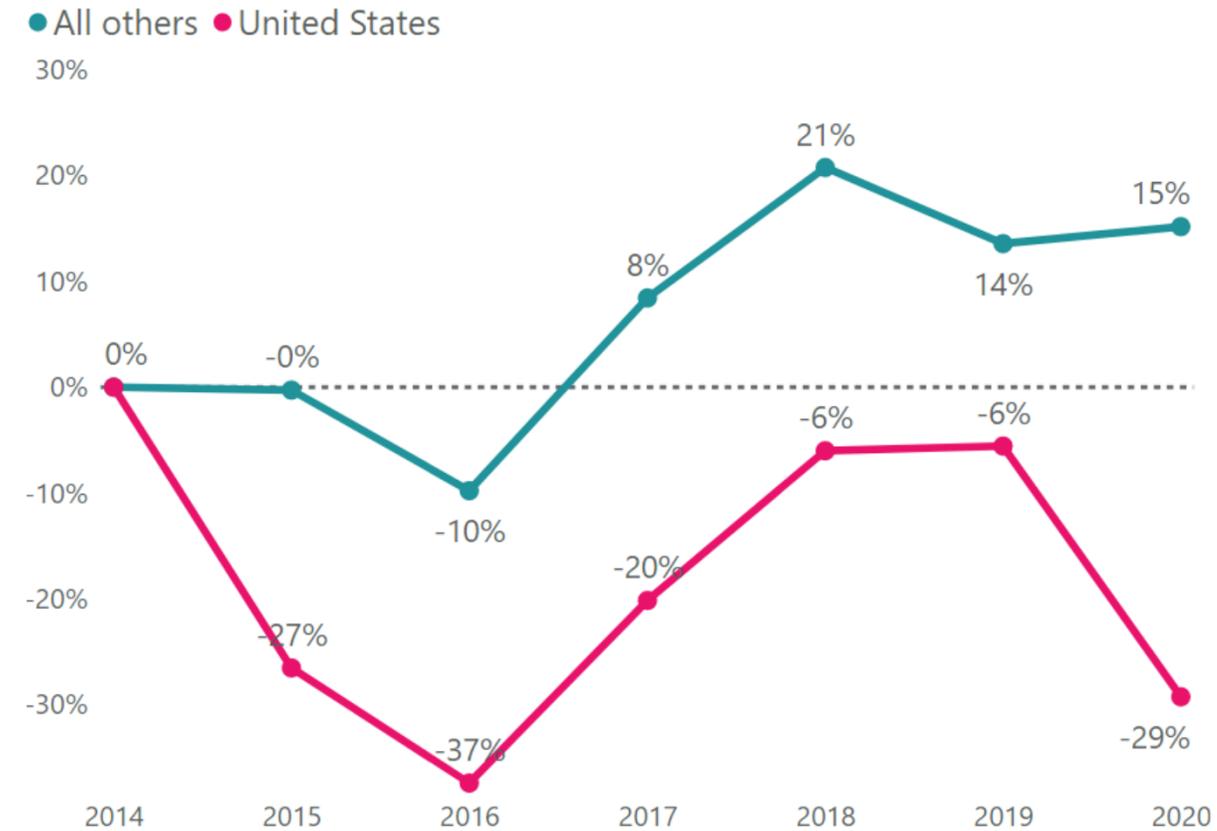


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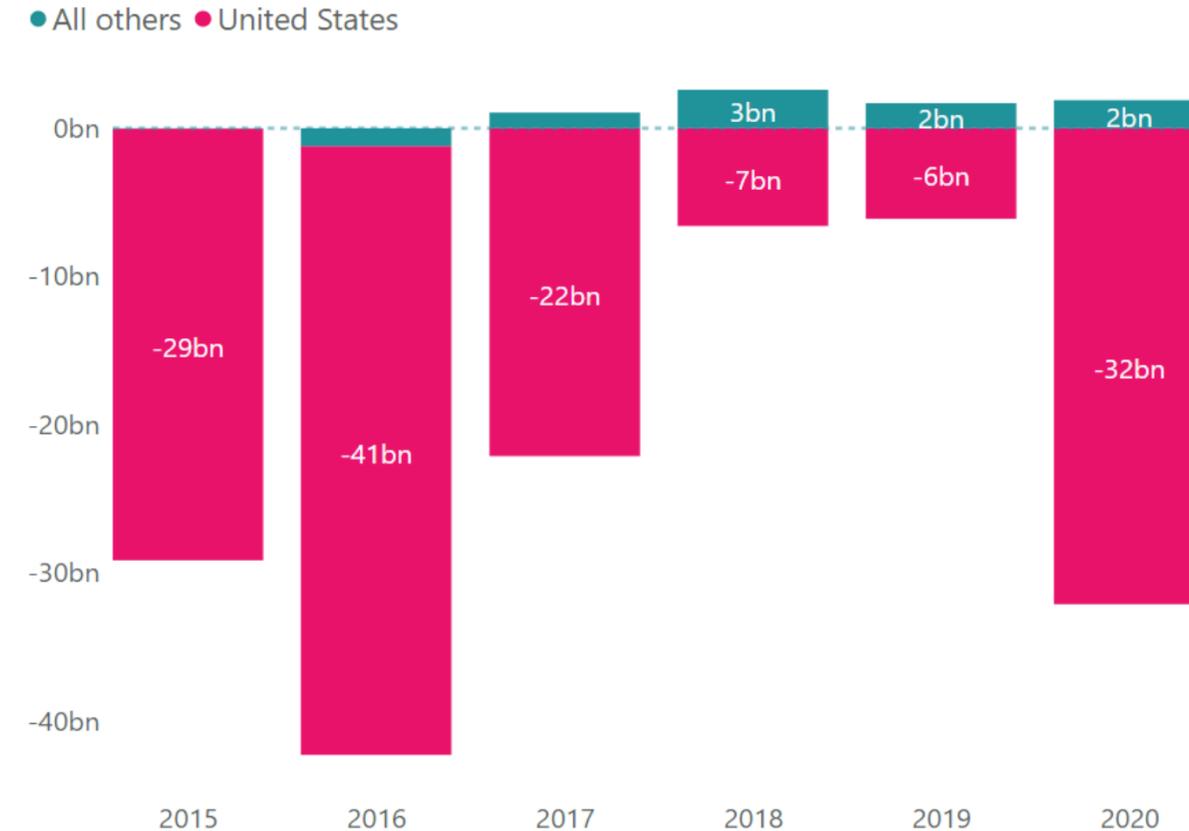


## Value of exports by destination compared with 2014 levels, 2014 - 2020

In percentage



In dollars

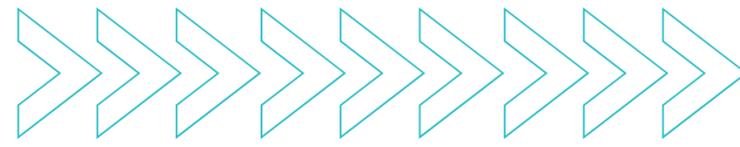


Source: Government of Canada, Trade Data Online

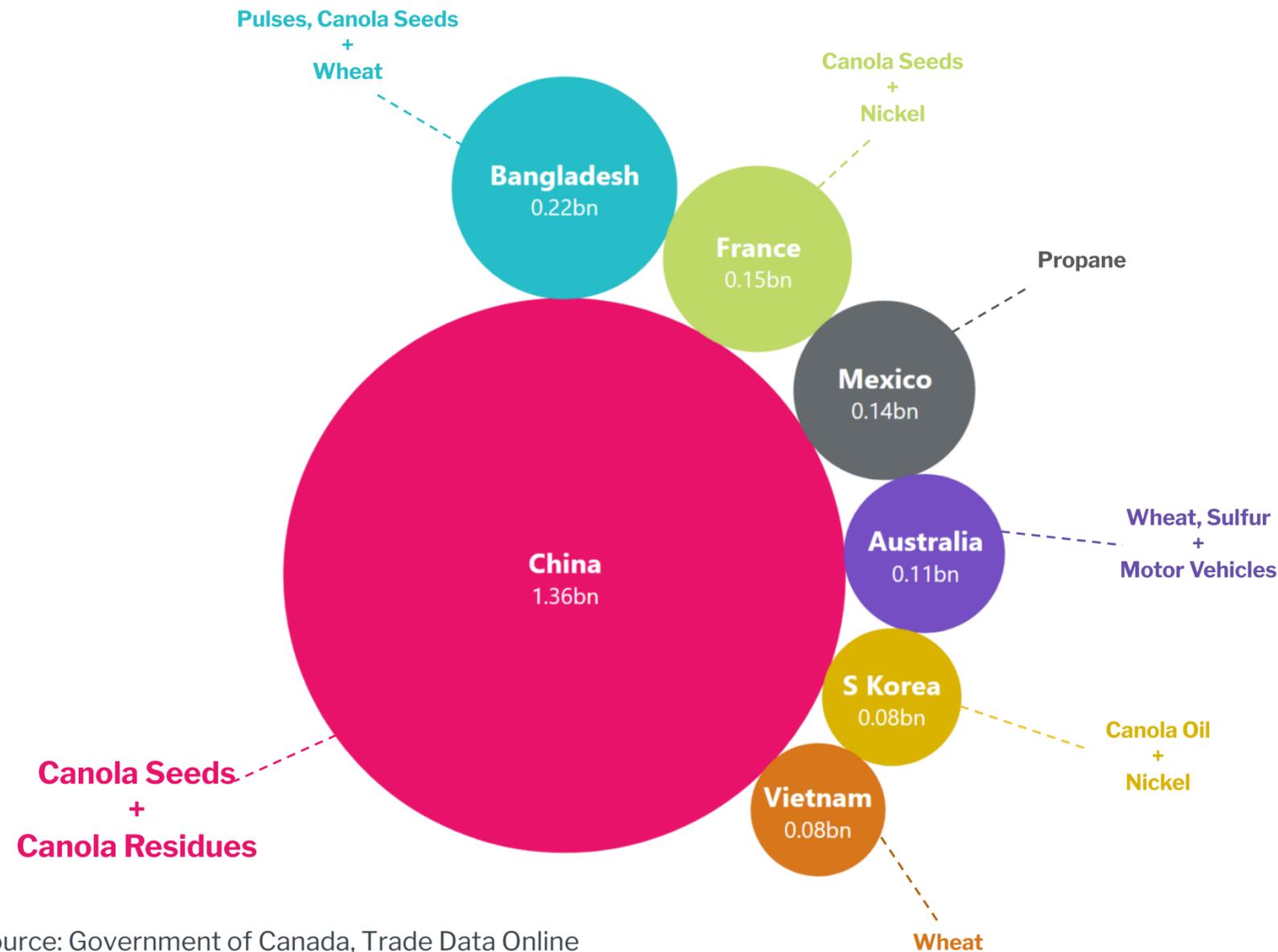
- 2020 was especially challenging for Alberta's export-driven economy because of the depressed oil demand due to COVID. Exports were down nearly 30% versus 2014 levels and over 20% below 2019 levels. Meanwhile, exports to all other countries remained fairly flat in 2020.
- In total, exports to the US were \$32 billion below 2014 levels while exports to other countries were just \$2 billion higher.



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## Leaders of growth by destination and products: sales change 2014 to 2019



Source: Government of Canada, Trade Data Online

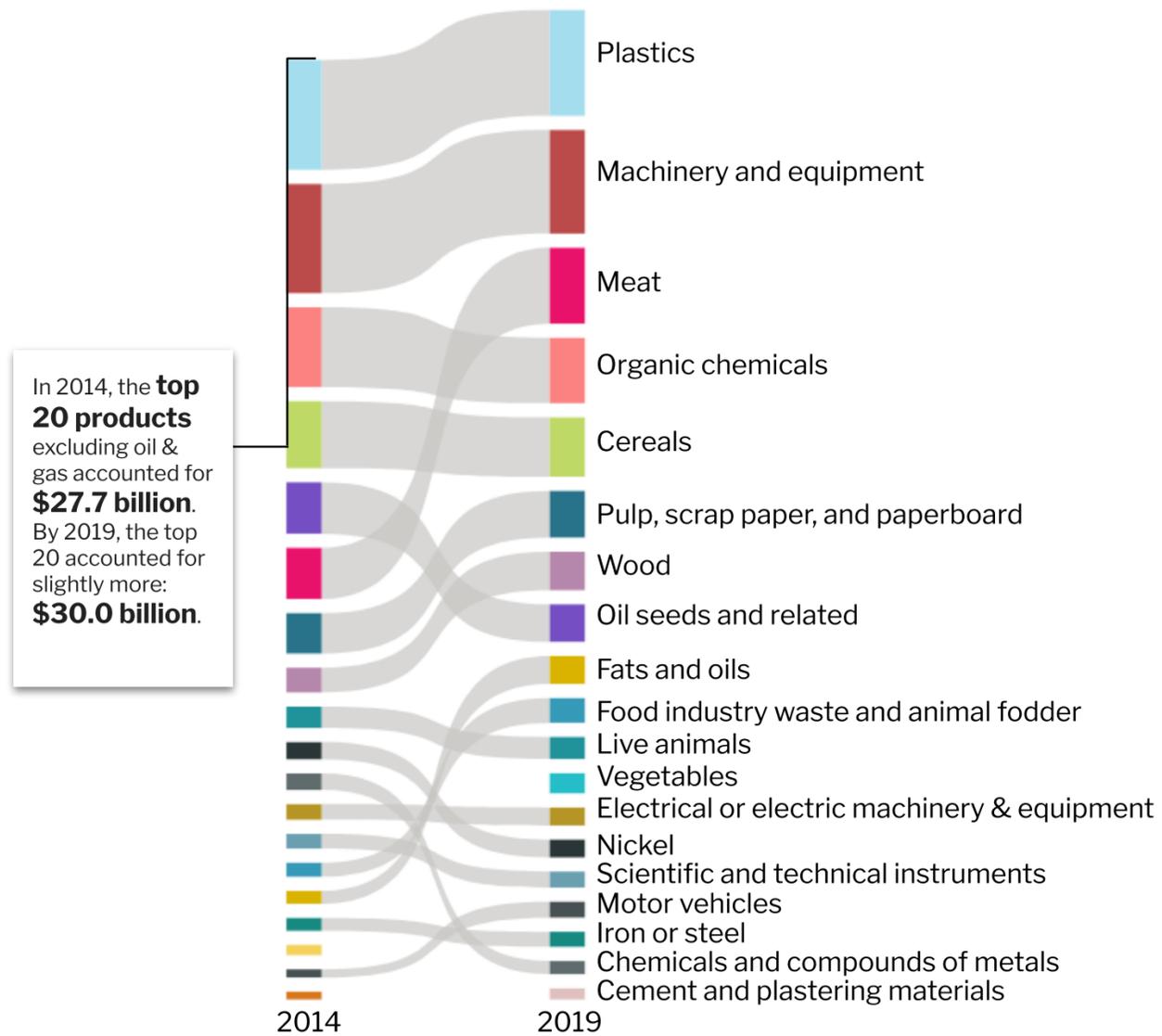
- Alberta's fastest-growing major export destination over the last five years is China, with an increase of \$1.36 billion (47%).
- Bangladesh showed the next most growth followed by France and Mexico. All together, the next 10 countries driving export growth amount to just over \$1 billion. In other words, not enough to move the needle.
- Products driving growth within each of these countries vary but are largely centred around agricultural products, notably canola seeds, oil and related by-products.



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## Top 20 product exports (excluding oil and gas), 2014 - 2019



- In total, oil and gas tends to represent 65 to 70% of Alberta's exports in a given year.
- The remaining 30 - 35% encompass a broad range of products: from food and animal feed to plastics and chemicals to commodities like lumber and nickel.
- Most of these saw modest growth from 2014 to 2019. The biggest gains were: meat, canola seeds, oil and related products, and pulp and scrap paper.
- That said, no product or product category has seen the extraordinary growth needed to make up for the decline in energy exports which still sit \$6 billion below their 2014 levels.

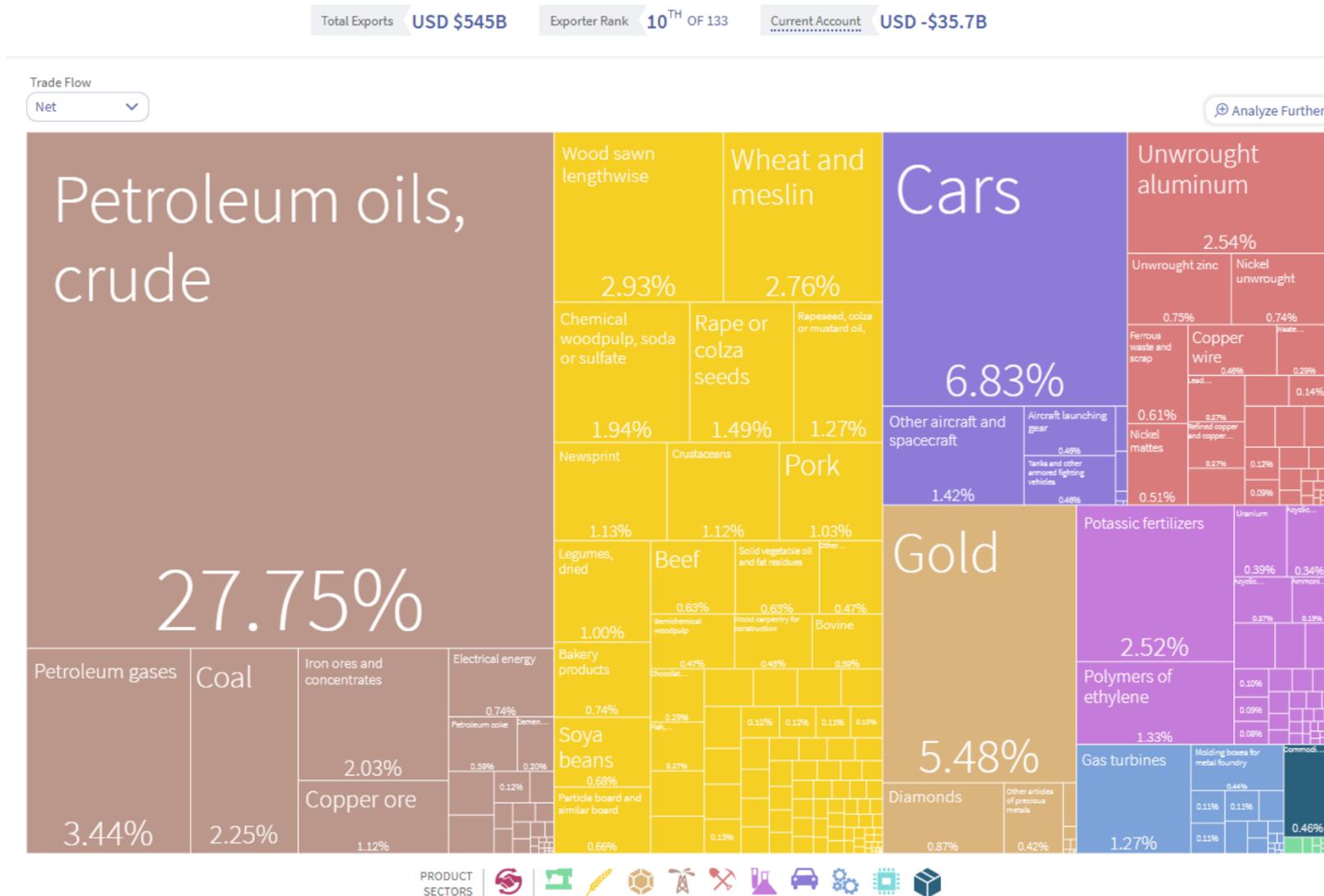
Source: Government of Canada, Trade Data Online



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## Canada's net exports pre-pandemic (2019)



- In total, Canada exported \$545B (USD) in 2019. As oil exports have declined, non-oil exports have grown by just 0.7% annually over the past five years, behind the global average.
- Harvard's Growth Lab finds that a nation's growth is driven by diversification into new products that are incrementally more complex, requiring a high degree of skill. A higher complexity economy means higher growth.
- Canada ranks 15th in income but 36th in the Economic Complexity Index ranking, which means growth is expected to slow.
- With Canada's largest goods exports—oil\*, minerals & agriculture—considered lower complexity products, Canada will need to shift to increasingly higher complexity exports.

\*The model classifies all oil production as the same and therefore does not recognize the additional complexity of the oil sands.

Source: <https://atlas.cid.harvard.edu/countries/39/export-basket>



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## New export products, 2004 - 2019

Country	New products	USD per capita	USD (total value)
Mexico	21	\$46	\$5.86B
<b>Canada</b>	<b>8</b>	<b>\$48</b>	<b>\$1.82B</b>
USA	5	\$263	\$86.3B
UK	5	\$6	\$395M

Source: <https://atlas.cid.harvard.edu/countries/39/new-products>

- Since 2004, Canada has added just 8 products, none of which accounted for a substantial growth in Canadian incomes.
- Countries are most successful in diversifying when they shift to production that requires similar capabilities. Luckily, Harvard's Growth Lab finds that there are ways that Canada can position itself to use its existing knowhow in new, and increasingly valuable, ways.
- Given current exports, high potential sectors for new diversification include: Industrial Machinery & Apparatuses (optical, medical, etc.), both high-complexity products, and Travel & Tourism, a moderate-complexity service.

