THE GREAT HESITATION

Global Export Forecast
Fall 2016

Canada

EDC
Realize a World of Opportunity

Table of Contents

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TABLE OF CONTENTS

Table of Contents

Table of Contents

Table of Contents

1.1 The Great Hesitation

Growth remains elusive. Hopes for the world economy still rise and fall with the latest piece of data, but the sad fact is that more than seven years beyond the Great Recession – almost a standard growth cycle – we still haven't "arrived". Through this protracted spell, experts have argued over both the cause and continuity of stagnation. Optimists have been repeatedly wrong, and the "new normal" camp seems vindicated by serially disappointing numbers.

The facts seem to speak for themselves. While there have been some high points along the way, it stands that since an abortive attempt at rebooting the economy in 2009, there has been little in the way of growth. Today, the standard policy responses appear tapped out, and our attempts to leverage them have compromised public sector balance sheets. The global financial system is still under repair. Unsure of what this means or where things are really headed, consumers and businesses the world over are reticent. It seems no-one wants to take the first step.

Frustration has now hit the mainstream. Popular discontent with economic sluggishness is nothing new, but it has now made major headway into developed economies. The world was thunderstruck in June when Britain voted to exit the EU, in spite of the fact that the campaign was a close race throughout. It's still not entirely clear what the majority were truly voting for, but the referendum exposed an exasperation with existing conditions, concluding that the current structure must in some way be at fault.

Britain is not alone. The electorate in that other bastion of free markets, the US, is equally unhappy. There, the discourse has set new standards for acrimony, and it has played to an audience that was primed for it. In spite of America's relative success, it seems that the army of those left behind by the recession, and those close to them, are unimpressed. The unfortunate lightning rods? Leadership, institutions, corporations and even globalization itself. Discontent has thrust the world into an existential debate that has added great risk to the very economic structure that gave rise to the great success of the last cycle.

The debate is already proving costly. Uncertainty is leading to a significant write-down of European growth, effective immediately. Although we are a long way from knowing what the new deal between Britain and the Continent will look like, the interim no-man's land has dented both the pound sterling and the euro, and will lead to near-term delays, deferrals and outright cancellations of investment projects. Euro Area growth for 2017, forecast last spring to reach 1.8 per cent, is now expected to ring in at just 1.2 per cent, with risk tilting to the downside.

US economic fallout is less clear. Experts are divided on whether the rancorous "fortress America" pronouncements are largely rhetoric, or a looming reality. Border walls, whether notional or actual, protectionist policies, scuttled trade talks, abrogation of existing free trade agreements, and similarly shocking electoral pronouncements, would all have to pass through an electoral process that may well be as acrimonious and gridlocked as the election itself. However, it is crystal clear that the disaffected are debating the merits of the current economic system.

It could hardly come at a more inopportune moment. The world's protracted sluggishness has created a groundswell of pent-up demand in both the US and the EU. In the US, it is most evident in the housing market, where construction of new dwellings still falls well below basic demographic demand. The longer this persists, the more pent-up demand grows. Couple that with a consumer whose average income is growing smartly thanks to robust job growth, real wage increases and sharply lower gasoline prices, and the spending potential is clearly there. The US business sector has lots of cash, but has been hard-pressed to part with it. However, strip out the resource sector and there is evidence that capacity constraints are leading to a ramp-up of investment activity. And there is potential for a lot more investment activity.

Europe seems too focused on its problems to see its potential. But pent-up demand is also evident there. Construction activity in both the residential and non-residential markets has been excessively weak through the entire post-recession period. The need for new space is rising, and in recent months, building permits have been on the upswing. If this is indeed sustained, there's no question that the aggressive growth will spill into other areas of the economy. Unfortunately, non-residential investment is particularly affected by the kind of uncertainty the Brexit vote engenders, so the nascent rebound is likely to fall victim to the vote's consequent uncertainty.

Pent-up demand is a – probably the – essential ingredient in the economic growth recipe. Trouble is, it remains inactive if you don't know it's there. Our interminable stagnation has created the perception that low growth is a new and permanent feature of the economy, and collectively we have adjusted our behaviour to suit. What's vexing is that we have seen this all before. It's a Great Depression redux: John Maynard Keynes himself agonized years into that stagnation that the economy had long since worked off the excesses of the Roaring 20s, but was failing to reboot itself. Then, as now, it was a "psycho cycle" – when together we believe that what we see is really all we can expect to get, we all adjust our behaviour to a new, low cadence, and effectively psyche ourselves out of growth.

Table of Contents

Back then, it birthed a novel solution: the government could borrow money, spend it to reboot the economy, then tax it back when things improved. Prominent economists still see this as today's solution. Unfortunately, our capacity to do that today is seriously depleted. Absent a comparable out-of-box solution, it seems for now we are faced with stagnation, and ever-rising public frustration – which itself is hobbling growth. The outcome? We are moving into a dangerous phase we might well label the Great Hesitation, with developed markets at the forefront of the movement.

The Hesitation is hitting emerging markets. Dependent on OECD markets to drive global commerce, emerging markets have for years being filling growth gaps with aggressive stimulus. It's a modern marvel that thus far, China and India have succeeded. However, for China, multi-year stimulus has not only hit its limits, but it has also come up against the daunting demographic wall caused by the one-child policy. Even so, growth at the 6% level is still pumping out as much incremental GDP as China saw at 18% growth just a few years ago. Also, if China succeeds in shifting to a more consumer-based economy, sustainable growth closer to 8% is still achievable.

Others are having a rougher ride. Hobbled by sanctions, Russia is experiencing a serious decline in its GDP. The commodity price plunge isn't helping, and could hardly have come at a more delicate time. Brazil's internal infrastructure logjam, exacerbated by the corruption scandal plaguing the construction sector, is a key cause of its serious economic tumble. In both cases, decline is largely self-inflicted. But current woes run counter to both countries' true potential. Clear up the main problems – arguably easier for Russia than Brazil – and both countries face impressive economic rebounds.

India is the anomaly; growth there is actually increasing, and has now eclipsed China's rate. With a vast and growing population, near- and longer-term prospects remain very strong.

Global hesitation suggests that commodity prices are not in for an imminent revival. Ample supplies of oil, gas and base metals suggest that we are years away from large price gains. However, with the overreaction to the plunge now behind us, it is safe to say that the worst is over for commodity producers. We expect to see a modest turnaround in most prices in the coming two years in energy and base metals prices.

Moderate conditions will put the brakes on the actions of most central banks over the near term. They have arguably been in hesitation mode for years. In fact, the European Central Bank, the Bank of England and the Bank of Japan will likely continue with their particular versions of quantitative easing through this interim period of uncertainty. In contrast, with demand putting pressure on economic capacity, the Fed is expected to resume tightening in December, and will raise rates more consistently through 2017 and beyond, the surest sign yet that US economic growth is entrenched.

Weak consumer and housing market fundamentals together with price-induced suppression of the resource sector will put paid to near-term interest rate moves by the Bank of Canada this year and next. As such, widening spreads with the US, coupled with weak commodity prices and a steady stream of shelter-seeking capital going to US-dollar assets, add up to a persistently weak Canadian dollar outlook for the near term. Our dollar is forecast to average USD 0.76 this year and USD 0.77 in 2017.

The generally softer currency outlook together with ongoing progress in the US economy will spur Canada's near-term export performance. Bottom-line growth suffered this year as weakness in the energy and mining sectors offset very positive stories in the automotive and consumer goods industries. Growth in 2017 will be fed by a sharp rebound in energy shipments following this year's production shutdowns during the Alberta wildfires. The aerospace industry will see a similar ramp-up toward the end of 2016, which will carry forward into next year. Performance in the automotive, forestry, agri-food and consumer products industries is expected to continue contributing to overall strength. The outlook pegs no growth this year, rising to 3% in 2017. Fallout from the uncertainty created by anti-trade sentiment in the US and the UK poses the biggest threat to Canada's near-term export outlook.

The story could stop here, with the main message being one of caution during a global inflection point. That would be true if the world economy was at the peak of the economic cycle with manifold evidence of pre-recession excesses. But that is definitely not where we find ourselves. Today's Great Hesitation is occurring amid ample evidence of pent-up demand, especially among Canada's key export customers. While others are running for cover, the message for Canadian exporters is that the competition may well be abandoning some of this growth cycle's best opportunities – and that a good, hard second look is absolutely warranted. As risks rise, there will be a need to look to EDC and others for risk mitigation solutions, but for those with an appetite for growth, there are plenty of opportunities.

The bottom line? Public frustration with economic sluggishness has hit the mainstream, and is lashing out at politicians, institutions, large corporations and even globalization itself in a way that poses key risks to near-term international trade. But it's happening at a time where there is a notable groundswell of demand, where opportunities are great. Prudent investigation of the opportunities others are waiving could pay off handsomely. Amid the world's hesitation, it's a great moment of opportunity.

Table of Contents

Table 1: Key Economic Estimates (KEEs)

EXPORT FORECAST OVERVIEW	2013	2014	2015	2016 (f)	2017 (f)
GDP (% y/y)					
Canada	2.2	2.5	1.1	1.3	2.0
United States	1.5	2.4	2.4	1.5	2.4
Euro Area	-0.3	0.9	1.7	1.5	1.2
Japan	1.4	0.0	0.5	0.5	0.8
Developed Markets	**1.2**	**1.9**	**1.9**	**1.5**	**1.8**
Emerging Asia	6.9	6.8	6.6	6.4	6.4
Latin America and the Caribbean	3.0	1.3	0.0	-0.5	1.7
Emerging Europe	4.1	3.4	2.0	1.0	1.9
Africa and Middle East	3.1	3.4	2.6	2.8	3.3
Emerging Markets	**4.9**	**4.6**	**4.0**	**4.0**	**4.6**
World Total	**3.3**	**3.4**	**3.1**	**3.0**	**3.4**
Currencies					
USD/CAD	0.97	0.91	0.78	0.76	0.77
Commodity Prices					
WTI (US$ per barrel)	$98	$93	$49	$42	$45
Lumber (WSPF, US$ per thbf)	$355	$349	$278	$313	$335
Copper (USD/MT, LME)	$7,322	$6,862	$5,494	$4,739	$5,127
Other					
US Housing Starts ('000s)	925	1003	1112	1190	1350

Sources: Statistics Canada, EDC Economics

Table 2: Canadian Merchandise Export Forecast by Region

EXPORT FORECAST OVERVIEW	CAD bn 2015	% Share of Total 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Developed Markets					
United States	366.5	76.1	-2.6	0	2
Western Europe	37.2	7.7	-5.2	-2	3
Japan, Oceania and Developed Asia	22.0	4.6	-6.2	-4	2
Emerging Markets					
Latin America and the Caribbean	13.9	2.9	4.2	1	3
Emerging Europe and Central Asia	3.0	0.6	-14.6	2	2
Africa and the Middle East	8.3	1.7	-1.7	-3	4
Emerging Asia	30.8	6.4	10.1	-3	4
Total Goods Exports	**481.7**	**100.0**	**-2.1**	**0**	**3**
Total Emerging Markets	**56.0**	**11.6**	**5.1**	**-2**	**4**
Total Developed Markets	**425.7**	**88.4**	**-3.0**	**0**	**3**

Sources: Statistics Canada, EDC Economics

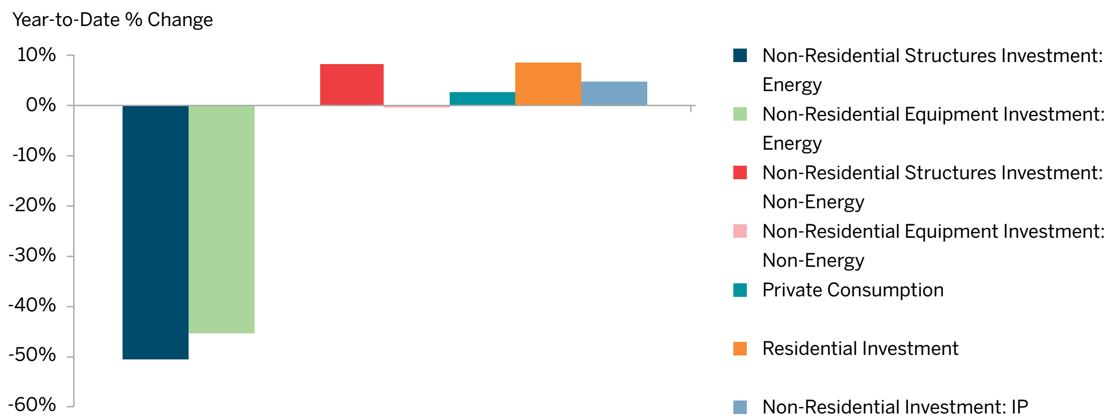
Table of Contents

Table of Contents

2.1 US GDP

The US economy will grow by 1.5% in 2016 before accelerating to 2.4% in 2017. Modest year-to-date growth has been driven by declines in business investment, whereas the US consumer continued to do most of the heavy lifting. That said, the stage is set for firmer growth momentum over the remainder of 2016 and into 2017. The fundamental drivers supporting robust private consumption remain largely intact, while the prior headwinds impacting business investment, namely lower energy investment, currency drag on manufacturing and exports, and inventory drawdown, are expected to fade. There remains considerable broad-based pent-up demand in the US economy.

Figure 1: Energy's Investment Decline Hiding Robust Performance from Consumer and Non-Energy Sectors



Sources: Haver Analytics, EDC Economics

2.2 US Housing Starts

US housing starts are expected to grow by 7% in 2016, matching the current year-to-date pace to July. Following a slower-than-expected growth trend in the first half of this year, builders are projected to see increased activity with a pick-up in momentum by end-2016, carrying forward into 2017. US housing starts are expected to grow by a robust 13% in 2017 propelled by solid labour and wage dynamics, repaired household balance sheets, low borrowing costs, and recovering household formation rates. Potential supply constraints are a forecast risk. Housing is a leading indicator for the broader economy with spillover effects into housing goods and wealth effects for the consumer.

2.3 US Federal Funds

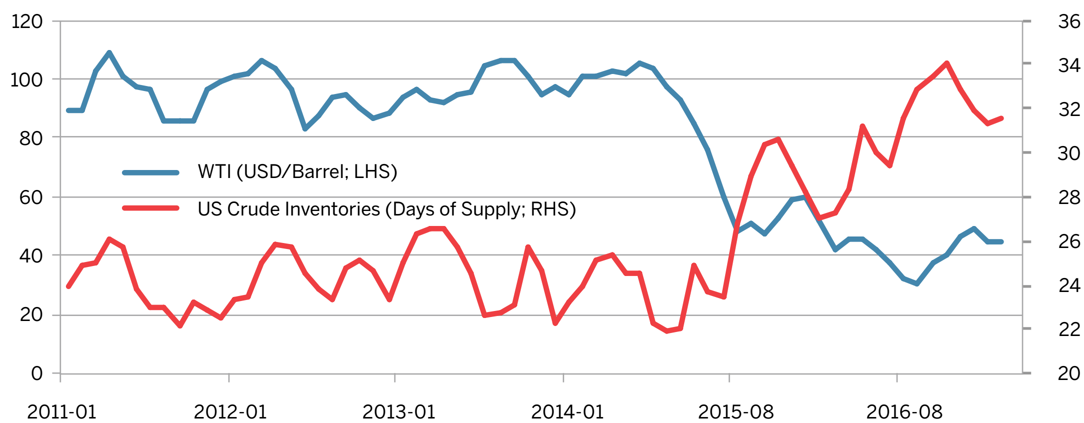
EDC Economics expects the Federal Reserve to raise its Fed funds rate once by year-end, followed by three hikes in 2017. Successive bouts of high global economic, financial and political uncertainty have led the Fed to remain on the sidelines for an unusually long period of time following its December 2015 initial rate hike. While we expect the Fed to remain cautious in its conduct of monetary policy, our forecast takes into account significant mounting pressures related to tightening in labour market conditions and the emerging signs of accelerating inflation.

Table of Contents

2.4 WTI (price drivers)

EDC Economics expects the price of WTI crude to average USD42/bbl in 2016 before rising to USD45/bbl in 2017. Global supply is characterized by existing high levels of inventories, OPEC's inability to adhere to production cuts and high shale productivity rates. While this forecast implies a continuation of the low-for-long scenario, current developments are sowing the seeds of eventual recovery. On the supply side, low capital expenditures by major producers will hit production and reserve replacement. On the demand front, recovering global GDP and lower prices will provide a lift. All said, the International Energy Agency doesn't see global crude markets coming back into balance until 2018. As fiscal pressures countinue on OPEC and other key producers (e.g. Russia), cooperation on meaningful supply cuts is a key signpost to trigger a more bullish outlook for crude.

Figure 2: US Oil Inventories Holding Prices Down

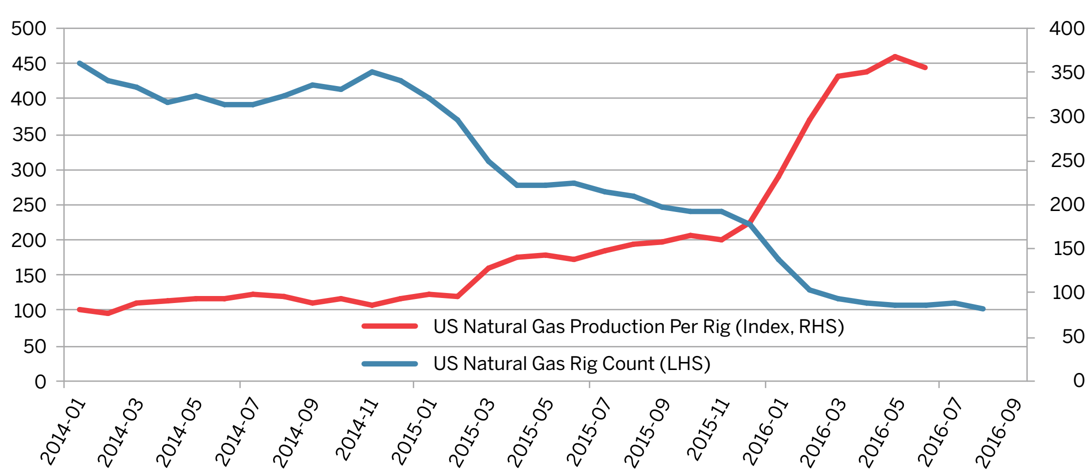


Sources: Haver Analytics, EDC Economics

2.5 Natural Gas, Henry Hub

EDC Economics anticipates the price of natural gas will average USD2.35/mmbtu in 2016 and USD2.50/mmbtu in 2017. Given oversupply conditions, this year will show the lowest price since 1999 (not adjusted for inflation). Despite abnormally hot weather this summer, inventories remain high. Assuming a more normal pattern in weather (a cooler winter and summer), inventories are expected to fall back slightly, supporting our call for a modest rise in prices next year. Technology gains related to fracking have resulted in a near doubling of US natural gas production since 2005 and turned the US into a net exporter of natural gas (through the conversion of liquified natural gas terminals into export facilities).

Figure 3: Natural Gas Rig Productivity Leaps Countering Effect of Lower Rig Count



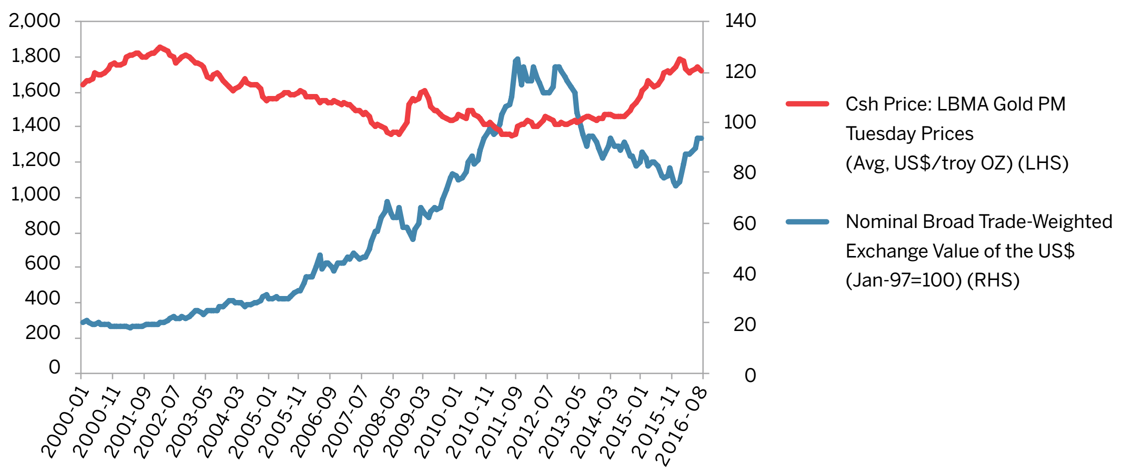
Sources: Haver Analytics, EDC Economics, Baker Hughes

Table of Contents

2.6 Gold

EDC Economics is forecasting an average USD 1,274 oz in 2016 before a slight moderation to USD 1,244 oz in 2017. Double-digit demand growth this year is due to investor demand as traditional sources like jewellery, technology and central banks remain soft. Global geopolitical concerns and delays in the Fed's tightening cycle have served as key motives for investors' flurry into the precious metal. More continuity in Fed tightening next year is expected to push prices down slightly, but some geopolitical risk premium should persist. The unfolding of global events like Brexit, US elections and banking strains in Europe are key upside risks to our forecast.

Figure 4: A Search for Yields: Trade-Weighted USD vs. Gold Price



Sources: Haver Analytics, EDC Economics, Wall Street Journal, Federal Reserve Board

2.7 Copper

EDC Economics expects the price of copper to average USD4,739/mt in 2016 and USD5,127/mt in 2017. Further, weaker-than-expected global growth, and industrial investment in China (about 50% of demand), will weigh on prices. Stocks continue to stand well above levels typically associated with balanced markets (65 days of consumption). EDC Economics expects global copper conditions to come into balance around the end of our forecast, but tightening could begin as early as next year. Larger investments in copper production are slated to come into play in the next two to three years capping upside risk.

Figure 5: As China's Demand Slows, Copper Stocks Rise and Prices Drop

Sources: Haver Analytics, EDC Economics, London Metal Exchange (LME)

Table of Contents

2.8 USD/CAD

EDC Economics expects the Canadian dollar (CAD) to average USD0.76 in 2016 and to tick up mildly to US0.77 in 2017. Support for the CAD comes from a modest lift in the price of oil and improved performance in Canadian exports.That said, the CAD is forecast to experience some volatility through to end-2017, with a period of weakness around late-2016 and early-2017, mainly as the US Fed resumes its tightening cycle. Inflows of foreign capital into US assets as investors seek safe haven from events like Brexit also offsets gains from commodity prices and a key source of downside risk for the CAD.

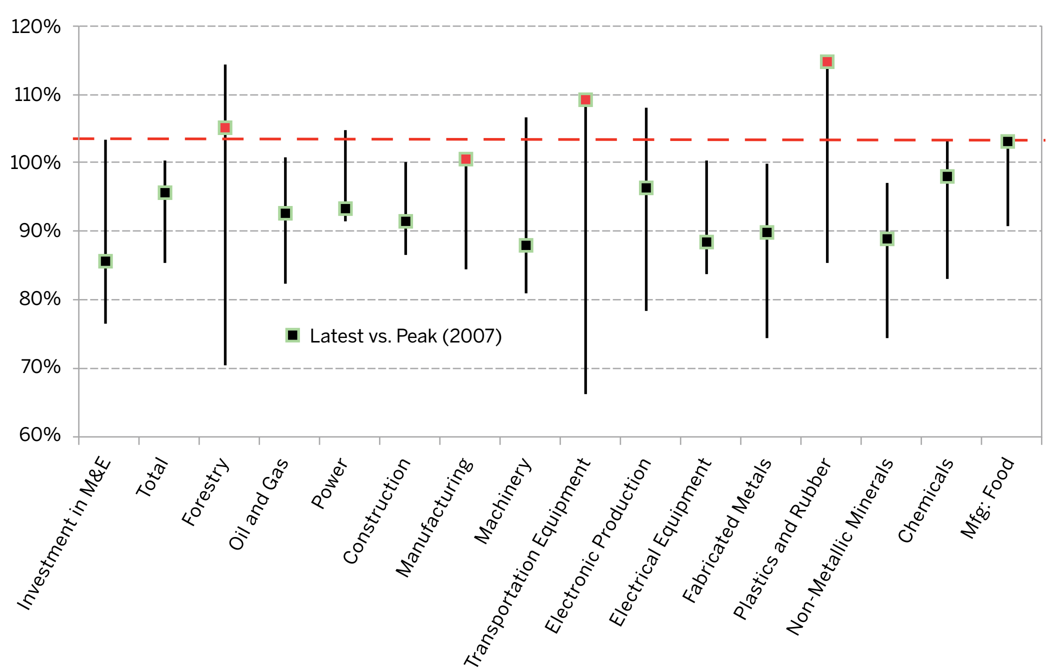
2.9 USD/EUR

EDC Economics expects the euro to average out 1.11 USD/EUR in 2016 and 1.09 USD/EUR in 2017. Even with Brexit, the euro has proved fairly resilient to shocks supported by substantial current account surplus flows, easing policies implemented by most developed market central banks and protracted delays from the Fed's attempt to resume the normalization of monetary policy. That said, the euro is expected to weaken over coming quarters thanks to Brexit-induced uncertainty, growing concerns about certain European banks and an accentuation of divergences in monetary policy and inflation dynamics vis-à-vis the US.

2.10 Canada GDP

Canada's economy is expected to grow by a modest 1.3% in 2016 before recovering to 2.0% in 2017. Year-to-date performance has been disapointing, with modest growth in Q1 followed by an outright decline in Q2 (due to a large drop in exports, continued drag from businesss investment and Alberta wildfires). The one-off nature of this natural disaster, combined with the start of reconstruction efforts, will provide a quick bounceback to growth. The remainder of the forecast sees export activity picking up, tailwinds from fiscal stimulus measures, and continued albeit modest growth from private consumption.

Figure 6: Time to Invest for Some Redlining Sectors (Capacity Utilization Rates)



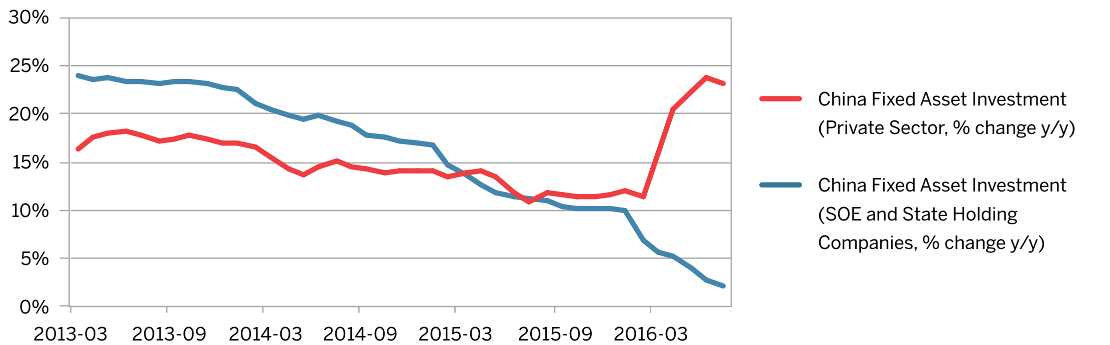
Sources: Haver Analytics, Statistics Canada, EDC Economics

Table of Contents

2.11 China

Government policy and fiscal support will increasingly be a critical force as the economy deleverages and undergoes a multi-year complex transformation. GDP growth for 2016 will be 6.5% and 6.3% for 2017, supported by public investment in urban infrastructure development and upgrades. Private investment is likely to remain weak due to investor sentiment given lackluster heavy industry activity and high real interest rates. The aggressive pace of real estate sector activity in 2016H1 especially in tier 1 cities, is unlikely to last. While authorities appear to have the capacity to avoid a crisis, risks are rising, especially throughout the financial system.

Figure 7: Filling the Void



Sources: Haver Analytics, EDC Economics

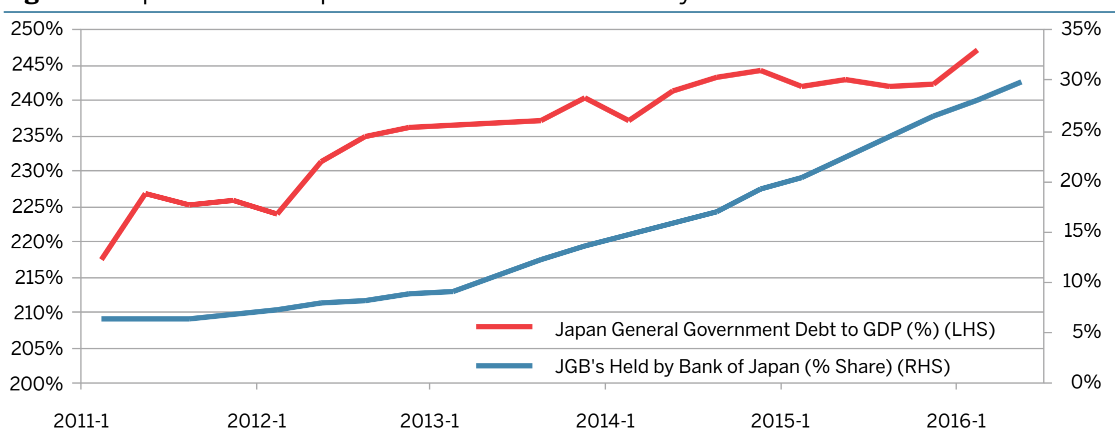
2.12 Eurozone GDP

The Eurozone is expected to grow by 1.5% in 2016 before slowing to 1.2% in 2017. To date, the ongoing recovery has proven resilient, driven primarily by fiscal and monetary policy, as well as low oil prices. That said, the nature of the economic upswing remains largely cyclical rather than structural given the modest path of reform. Downside risks are dominated by crisis legacy challenges, such as high debt levels, elevated unemployment, challenging banking sector dynamics alongside a challenging political environment. Brexit has added a significant layer of uncertainty over the forecast horizon and is expected to hit both confidence and investment intentions.

2.13 Japan

Lacklustre Q1 and Q2 GDP growth as a result of poor domestic and external demand (exports and consumer demand) will lead to 0.5% GDP growth for 2016. The recently announced stimulus package as well US as demand for Japanese goods should help 2017 GDP to notch up to 0.8%. Yen strength, despite US demand growth, remains a downside risk. While near-term growth can be somewhat resuscitated with stimulus, the aging population and very high public debt remain structural challenges that undermine fundamental demand dynamics. Unorthodox monetary policies, including central bank purchases of government bonds, risk increasing medium- to longer-term financial distortion and instability. Possible moves by key rating agencies will be something to keep an eye on in 2017.

Figure 8: Rapid Growth in Japanese Government Debt Held by the Central Bank



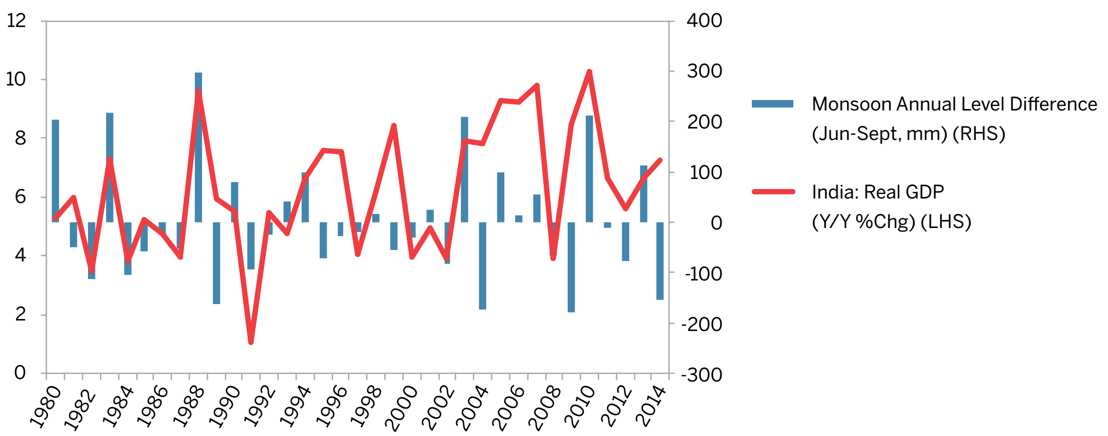
Sources: Haver Analytics, EDC Economics, OECD, Government of Japan

Table of Contents

2.14 India

India is forecasted to grow by 7.5% in 2016 and 7.4% in 2017. The significant pay hike for government employees and above-average monsoon activity support the relatively strong growth outlook this year. These factors increase consumption both in urban centres and, more importantly, in the rural economy which employs about 60% of India's population. Growth in 2017 is expected to drop slightly as the country prepares to deploy its first countrywide GST. The forecast could face headwinds from the current global geopolitical situation and general slack in the economy, as evidenced by a restrained capacity utilization rate. Despite these risks, India will continue to be the most resilient among the BRIC countries in 2017.

Figure 9: A Good Monsoon Spells Good News

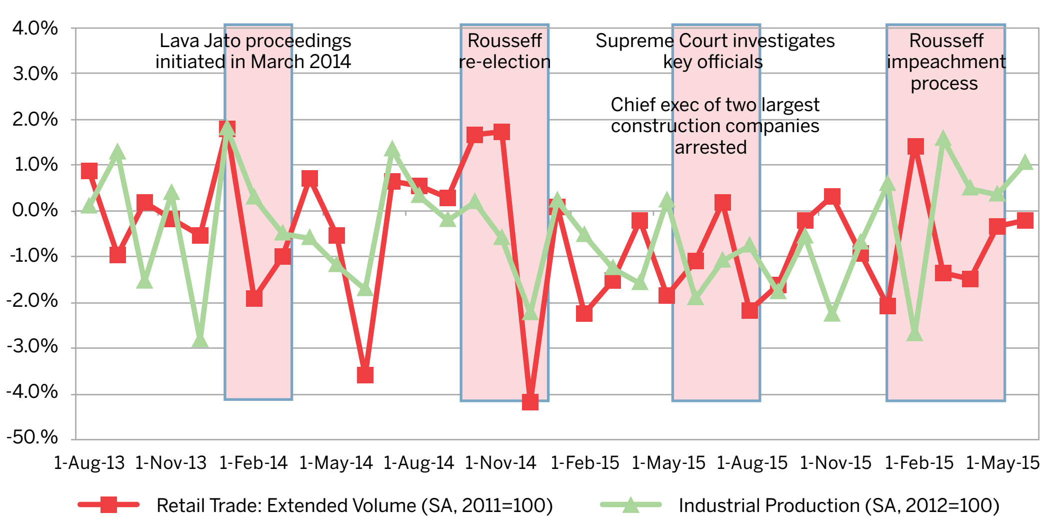


Sources: Haver Analytics, EDC Economics, International Monetary Fund, India Ministry of Earth Sciences

2.15 Brazil

Brazil GDP is expected to drop 3.2% in 2016 before seeing mild growth of 1% in 2017. The economy has been on a rollercoaster with a number of false starts as it moved in tandem with the ongoing corruption scandals and Rousseff's impeachment. Private consumption, Brazil's largest contributor to GDP, was hit hard and will continue to be held back by high unemployment and interest rates. Although a small share of the economy, exports have been one of the bright spots due to high soya prices and a weakened real boosting agri-food exports. Many indicators are suggesting Brazil growth – down 7% since 2014 – is at a turning point, but the bounceback will depend largely on the government's ability to refocus on the economy, restore confidence and implement trade- and business-friendly reforms.

Figure 10: Brazil's Political and Economic Rollercoaster



Sources: Haver Analytics, EDC Economics

Table of Contents

2.16 Mexico

Mexico's GDP is forecast to grow by a disappointing 1.9% this year before accelerating to 2.5% in 2017. This year's growth has been revised downward, held back by modest US import growth, low oil prices and greater uncertainty in the external environment (e.g. Brexit). While low oil prices are expected to persist, EDC Economics expects continued strong retail spending and rebounding US import demand to drive growth in the Mexican economy next year. The main downside risk to the forecast is the threat that future US protectionism would have on foreign direct investment.

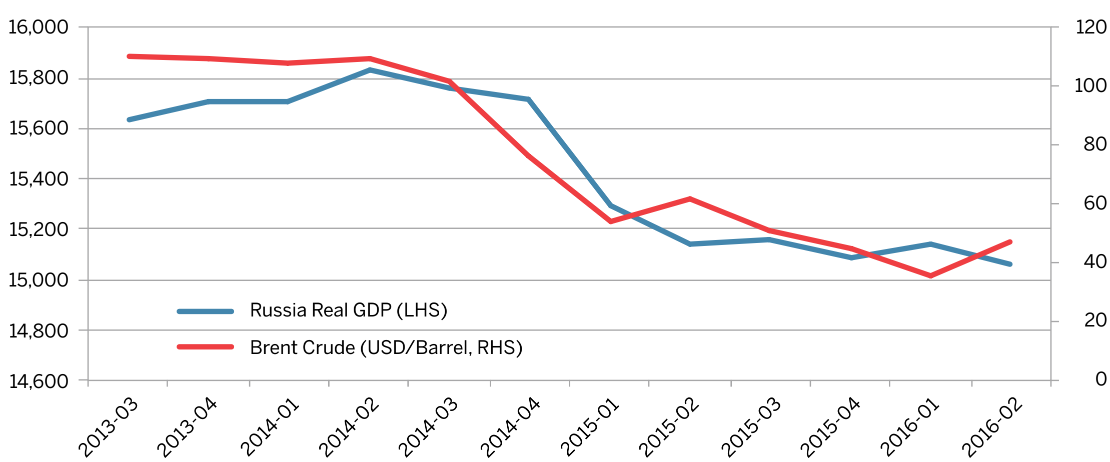
Figure 11: US Import Growth Set to Drive Mexico's Exports

Sources: Haver Analytics, EDC Economics

2.17 Russia

EDC Economics expects real GDP to fall 1.1% this year before rising 0.7% in 2017, ending two consecutive and steep annual declines. Consumption (50% of GDP) continues to languish due to low confidence and is only expected to see a modest recovery next year. With the price of crude recording only a modest uptick in 2017, there is limited upside for net trade to add to overall growth. Low oil prices will also constrain investment spending and prompt further cutbacks in government expenditures. Program spending has been trimmed and in some cases so too has current spending (transfers). Growth in 2017 is mainly a result of economic activity finding a natural bottom after steep declines and import compression due in part to sanctions.

Figure 12: Russia's Economy Needs More Fuel



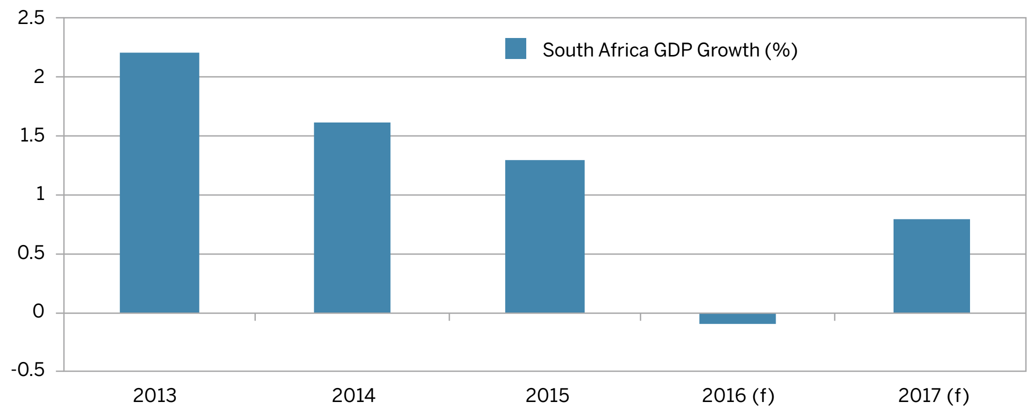
Sources: Haver Analytics, EDC Economics, Financial Times

Table of Contents

2.18 South Africa

EDC Economics forecasts a slight economic contraction of 0.1% in 2016 followed by growth of 0.8% in 2017. Weakness this year has been broad-based, driven by soft private consumption (with unemployment at a 20-year high), high interest rates, as well as low government spending, investment, and exports (driven by the mining sector and an agricultural drought). The slight uptick in 2017 growth is based on strengthening commodity prices (gold will fall but from a high base) and the start of a recovery in agricultural output. This said, ongoing policy and political uncertainty, along with tighter finances, will keep much-needed investment subdued, restraining overall growth.

Figure 13: Weak Growth to Continue in South Africa



Sources: Haver Analytics, EDC Economics

Table of Contents

Table of Contents

Canadian exports of goods and services are projected to see zero growth in 2016, followed by a 3% rise in 2017. It is services exports that will provide lift, while goods exports are forecast to remain flat due to significant contractions registered in three sectors: energy, fertilizers, and metals and ores.

While price declines have in most cases chipped away at goods exports in 2016, growing US demand and the weaker Canadian dollar are moderating the decline to some degree. This year, the contraction in energy and fertilizers, for example, will be partially offset by strong growth in motor vehicles and parts (16%) and consumer goods (11%).

The 3% recovery in goods exports growth next year will be supported by a 3% gain in sales to developed markets and 4% gain to emerging markets. Energy export growth will rebound strongly in 2017 due to ongoing price recovery coupled with a bounce-back in volumes compared with 2016, when production was negatively affected by the Alberta wildfires.

Aerospace, fertilizers and consumer goods will all post solid growth next year as well, owing to the recovery in US demand. Notwithstanding the US consumer appetite for new cars, motor vehicles and parts are in for a decline in export volumes due to the expected shutdown of some GM model lines in Oshawa. The forestry sector will also see a decline, due in part to the likely imposition of new duties on Canadian softwood lumber and the ongoing global decline in demand for paper.

Table 3: Canadian Merchandise Export Forecast by Sector

EXPORT FORECAST OVERVIEW	CAD bn 2015	% Share of Total Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Agri-Food	61.4	10.6	9	3	3
Energy	98.9	17.0	-30	-15	12
Forestry	34.7	6.0	7	7	-1
Chemical and Plastics	45.1	7.8	8	3	4
Fertilizers	8.8	1.5	29	-28	6
Metals, Ores and Other Industrial Products	73.0	12.5	0	-7	3
Industrial Machinery and Equipment	33.3	5.7	9	0	4
Aircraft and Parts	16.5	2.8	14	6	7
Advanced Technology	16.1	2.8	11	2	1
Motor Vehicles and Parts	78.2	13.4	15	16	-7
Consumer Goods	10.0	1.7	30	11	6
Special Transactions*	5.6	1.0	34	9	3
Total Goods Sector	**481.7**	**82.8**	**-2**	**0**	**3**
Total Services Sector	**100.1**	**17.2**	**5**	**4**	**5**
Total Exports	**581.8**	**100.0**	**-1**	**0**	**3**
Memorandum					
Total Volumes			**5**	**2**	**3**
Total Goods Nominal (excl. Energy)	**382.8**	**65.8**	**9**	**3**	**1**
Total Goods Nominal (excl. Autos and Energy)	**304.5**	**52.3**	**8**	**0**	**3**

Sources: Statistics Canada, EDC Economics, 2015 is actual data while 2016 and 2017 are forecast.

Special transactions* mainly low-valued transactions, value of repairs to equipment and goods returned to country of origin.

Table of Contents

3.1 Energy

Energy exports will plunge 15% in 2016 due to ongoing weakness in crude and natural gas prices. Adding insult to injury, the volume of crude oil and natural gas shipped will also fall. In 2017, energy exports will regain some lost ground, rising 12% as prices recover and crude volumes advance.

Crude exports will drop by 15% in 2016 before bouncing back with 12% growth in 2017 due to a combination of price movements and volume gains. Contributing to weak prices this year, US inventories stand at historic highs that are roughly 50% above their long-term average. Fortunately, these low prices have already forced significant cost reduction efforts and investment delays among producers, which in turn should deliver higher prices next year once inventories are worked off and an improved supply–demand balance emerges. Canadian producers are seeing a narrower price discount for Western Canada Select Crude (WCS) compared with WTI; we expect the discount to remain in the USD15/bbl range over the forecast, due to the lowering of transportation and refining bottlenecks. Meanwhile the weaker loonie will also take some of the sting out for producers. According to Alberta's provincial government, the Alberta wild fires this past summer resulted in an estimated 110,000 b/d annually of production that was deferred over a two-month period. In 2017, we expect crude exports to rebound as the price of WTI climbs back and volume shipments also rise, led by gains in non-conventional oil, while conventional crude output tumbles.

The abundance of relatively low-cost US shale natural gas continues to constrain Henry Hub prices, which will dip 7% lower this year, followed by a 3% recovery in 2017. This year's decline will happen despite the exceptionally warm summer that lifted demand for electricity and subsequently demand for natural gas used for power generation. This price weakness is due to well-stocked US inventories. Furthermore, although US rig count has been severely pared back, production can meet demand as wells have become much more efficient, suggesting there is limited scope for Canadian producers. Exports of natural gas will decline 7% this year followed by a 3% rise in 2017 due to price gains.

SECTOR STATS

International Exports (2015):
CAD 98.9 bn

Share of Sector Exports to Emerging Markets
2011: 3.1%
2015: 1.7%

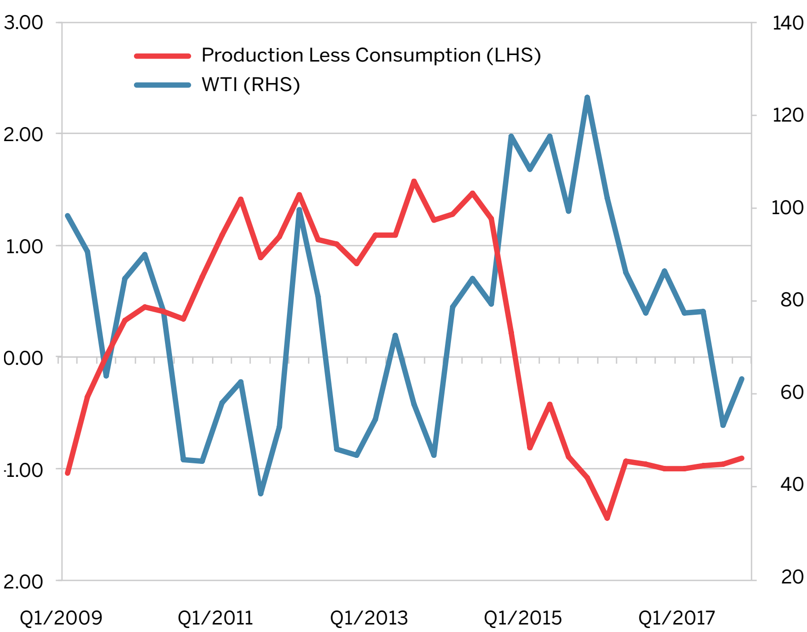
Share of Total Canadian Merchandise Exports (2015):
20.5%

Sector Distribution Across Provinces

NL	6.2%
NB	7.3%
NS	0.2%
PE	0.0%
QC	3.8%
ON	3.3%
MN	1.1%
SK	7.9%
AB	64.2%
BC	6.0%

Sources:
Statistics Canada, EDC Economics

Figure 14: Global Production Still Leads Consumption (millions barrels/day)



Sources: Haver Analytics, EDC Economics

Table 4: Energy Export Outlook by Region

TOP MARKETS	CAD bn 2015	% Share of Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Developed Markets					
United States	94.0	95.0	-29.5	-15	12
Western Europe	1.4	1.4	-63.5	-9	9
Japan, Oceania and Developed Asia	1.9	1.9	-18.4	-19	6
Emerging Markets					
Latin America and the Caribbean	0.4	0.4	-66.4	16	9
Emerging Europe and Central Asia	0.3	0.3	41.9	-46	6
Africa and the Middle East	0.0	0.0	-69.1	-45	8
Emerging Asia	0.9	1.0	-30.8	5	8
Total Developed Markets	**97.3**	**98.3**	**-30.3**	**-15**	**12**
Total Emerging Markets	**1.7**	**1.7**	**-40.4**	**-4**	**8**
Total World	**98.8**	**100.0**	**-30.5**	**-15**	**12**

Sources: Statistics Canada, EDC Economics

Table of Contents

3.2 Metals and Ores

Metal and ore exports will drop 7% in 2016 due to slack demand in advanced economies and low metal prices. Exports will rise 3% in 2017 tied to an uptick in US and EU demand and solid production growth.

Gold sales will rise on the back of higher output and rising demand as geopolitical volatility persists. The Brucejack and Hope Bay projects in British Columbia and Nunavut, respectively, will be the largest contributors to new gold production growth in 2017. On the downside, falling prices have affected Canada's copper exports resulting in a number of mines reducing production. Overall, copper production is expected to fall over the next couple of years as mines continue to adjust to the oversupplied market. Indeed, Canada's largest copper mine, Highland Valley, is looking to drop its production considerably. Nonetheless, while some higher-cost mines pull back production, others including Red Chris and Copper Mountain in British Columbia, which combined make up over 30% of Canada's output, are expected to expand production on the back of lower costs in 2016 and 2017, respectively.

On the aluminum front, exports are expected to rise as the Kitimat project ramps up closer to full capacity in 2017. While there is some pick-up in the US automotive sector, the US steel industry's spare capacity is likely to pose a challenge. Other competition comes from China's steel exports which will likely continue growing, following last year's record pace, as it attempts to push out excess domestic capacity. Mounting anti-dumping duties against China though may somewhat temper its output.

Iron ore production although stronger this year, supported by high-quality production at the Mary River project in Nunavut and Carol Lake in Newfoundland, will be put on hold going forward in light of lower prices. Also, iron ore prices are not expected to rise given mounting supply and the slowdown in Chinese demand growth – production increases over the medium term from low-cost producers like Australia and Brazil will create challenges. As such, Canadian production growth will remain on hold.

SECTOR STATS

International Exports (2015):
CAD 73 bn

Share of Sector Exports to Emerging Markets
2011: 12.2%
2015: 10.9%

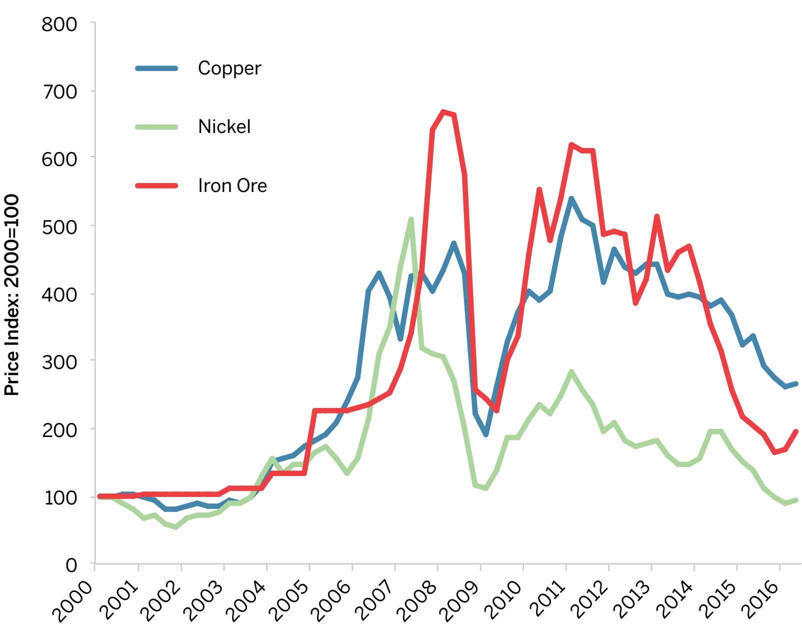
Share of Total Canadian Merchandise Exports (2015):
15.2%

Sector Distribution Across Provinces

NL	2.3%
NB	0.6%
NS	0.4%
PE	0.0%
QC	27.4%
ON	52.1%
MN	2.1%
SK	1.0%
AB	2.9%
BC	8.4%

Sources:
Statistics Canada, EDC Economics

Figure 15: Low Metal Prices Push Canadian Production Down (quarterly data)



Sources: Haver Analytics, Financial Times, World Bank, EDC Economics

Table 5: Metals and Ores Export Outlook by Region

TOP MARKETS	CAD bn 2015	% Share of Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Developed Markets					
United States	40.0	54.8	3.4	-2	4
Western Europe	19.0	26.0	-1.2	-10	1
Japan, Oceania and Developed Asia	6.0	8.3	-15.9	-24	1
Emerging Markets					
Latin America and the Caribbean	1.6	2.2	3.9	-4	3
Emerging Europe and Central Asia	0.4	0.6	-2.5	12	2
Africa and the Middle East	1.3	1.8	0.9	-45	3
Emerging Asia	4.6	6.4	-7.3	-10	1
Total Developed Markets	**65.0**	**89.1**	**-0.1**	**-7**	**3**
Total Emerging Markets	**8.0**	**10.9**	**-1.4**	**-13**	**1**
Total World	**73.0**	**100.0**	**-0.2**	**-7**	**3**

Sources: Statistics Canada, EDC Economics

Table of Contents

3.3 Agri-Food

The value of Canada's agricultural and food exports will rise by 3% in 2016, driven by a boost from the lower Canadian dollar and by steady export volume growth amid sustained world food demand. In 2017, exports will rise 3%. A return to more normal yields and lower prices will mean reduced plantings and production volumes for most major crops. Livestock prices are heading lower as US herd rebuilding continues.

Agricultural prices are expected to remain low through 2017, compared with recent highs as world markets are generally well supplied. Of note, wheat sales will slip as large global inventories see a projected 2.3 million ton addition to stockpiles thanks to increased production by Canada, Russia, Ukraine and others, and despite the decline in France's crops. We expect continued stable to strong demand for dry peas, chickpeas, soybeans, canola, lentils, flaxseed, mustard seed and high-quality barley. Fortunately, China will hold off on changes to regulations that would have seen the allowable foreign matter and debris in canola drop from 2.5% to 1%. Demand for feed will rise now that US herds have been largely rebuilt, though this means exports of cattle will also slide. China is rapidly developing its own domestic hog industry, which could benefit hog sales to that market. Driving overall demand growth from the emerging markets is the swelling of the middle classes, which is raising demand for grains and meats. Free trade agreements will expand export opportunities looking further ahead.

The highly competitive processed food and beverages sector will see a boost due to solid gains in shipments to the US market that will lift exports by 8% this year and by 7% in 2017. In the seafood subsector, exports will post an 11% gain this year as the fisheries benefit from tight global supplies, all of which are supporting high price growth for salmon, shrimp, lobster and crab. In 2017, more plentiful supplies are expected to lead lobster prices to decline slightly from historic highs, holding overall seafood export growth to 1%.

SECTOR STATS

International Exports (2015):
CAD 61.4 bn

Share of Sector Exports to Emerging Markets
2011: 29.2%
2015: 31.4%

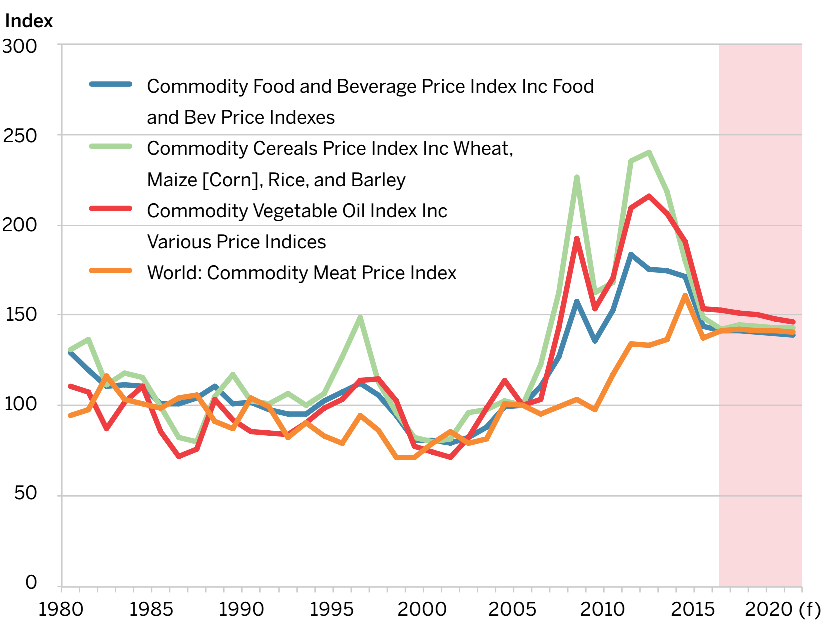
Share of Total Canadian Merchandise Exports (2015):
12.7%

Sector Distribution Across Provinces

NL	1.7%
NB	3.2%
NS	3.3%
PE	1.1%
QC	12.2%
ON	22.6%
MN	8.3%
SK	24.9%
AB	16.4%
BC	6.3%

Sources:
Statistics Canada, EDC Economics

Figure 16: World Supply and Demand Rebalancing After Price Super-Cycle High (2005=100)



Sources: International Monetary Fund/World Economic Outlook Database

Table 6: Agri-Food Export Outlook by Region

TOP MARKETS	CAD bn 2015	% Share of Exports 2015	2015	Export Outlook (% growth) 2016 (f)	2017 (f)
Developed Markets					
United States	32.6	53.2	11.2	5	3
Western Europe	3.5	5.7	-7.3	10	2
Japan, Oceania and Developed Asia	6.0	9.7	-4.5	6	1
Emerging Markets					
Latin America and the Caribbean	4.3	6.9	-0.7	-13	2
Emerging Europe and Central Asia	0.8	1.3	-24.8	16	-1
Africa and the Middle East	3.0	4.9	0.6	0	3
Emerging Asia	11.2	18.3	31.8	1	5
Total Developed Markets	**42.1**	**68.6**	**6.9**	**5**	**3**
Total Emerging Markets	**19.3**	**31.4**	**14.4**	**-2**	**4**
Total World	**61.4**	**100.0**	**9.2**	**3**	**3**

Sources: Statistics Canada, EDC Economics

Table of Contents

3.4 Fertilizers

Fertilizer exports will plummet 28% in 2016, due to oversupply, low farm incomes, weak competitor and buyer currencies and double-digit price declines. However, pent-up demand will drive a 6% export recovery in 2017.

Following a hugely uncertain first half of the year, potash prices are projected to stabilize into 2017. Producers in fact report being sold out of potash for 2016Q3, which suggests some upside especially in US spot markets. The Food and Agriculture Organization in 2016 forecasts annual potash demand to be 2.5% between 2015 and 2019, while new capacity additions of approximately 5 to 6 mn mt suggests a 5% supply increase over the next three years. This oversupply will continue to bid down prices.

Low natural gas and coal prices – feedstock for nitrogen fertilizers – as well as significant capacity additions globally should keep prices in check for urea and ammonia. Chinese urea export policies as well as plans to overhaul its industry over the medium term add an additional layer of uncertainty.

Globally, we expect farmers and dealers, who had delayed purchasing until Chinese contracts settled, to aggressively purchase potash as low prices make the nutrient more affordable. Country-specific inventory levels though can delay the purchasing behaviour. Plentiful monsoons and strong GDP growth should boost Indian demand, especially in 2017. Canada continues to lose ground to Russian and Belarus potash producers in China and parts of Asia. Exports into China in particular will be weak in 2016 and risk being lower in 2017 as well. Demand for the rest of emerging Asia should remain robust.

US demand for potash should pick up in preparation for the fall planting season. Higher corn and soy acreage and favourable planting conditions will somewhat counter lower farm incomes to keep demand for potash and nitrogen up next year. The challenging credit environment and an uptick in domestic transportation costs add to subdued demand in Brazil. El Niño conditions though can pose downside risks for both Brazil and the US.

This prolonged period of lower prices suggests consolidation in the fertilizer industry is likely to continue, as highlighted by the recently announced PotashCorp and Agrium merger.

SECTOR STATS

International Exports (2015):
CAD 8.8 bn

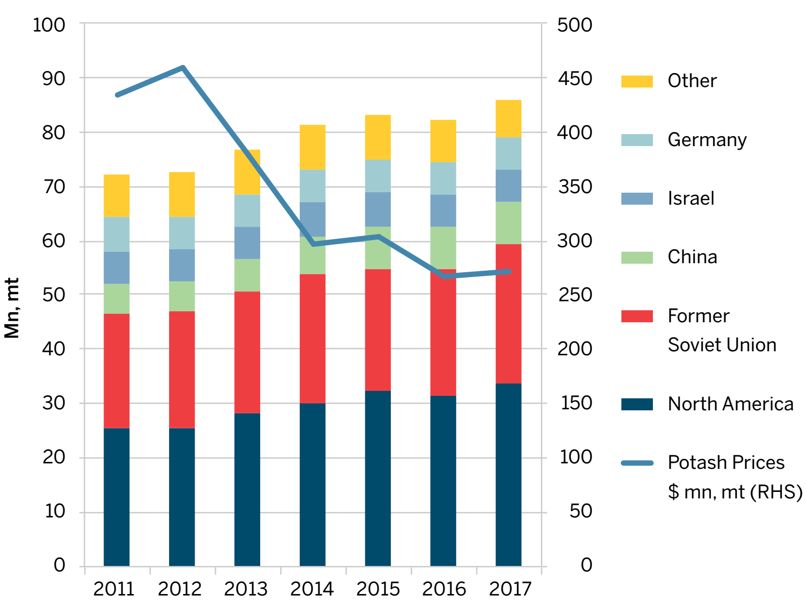
Share of Sector Exports to Emerging Markets
2011: 34.5%
2015: 35.9%

Share of Total Canadian Merchandise Exports (2015):
1.8%

Sector Distribution Across Provinces
NL 0.0%
NB 2.7%
NS 0.1%
PE 0.0%
QC 0.4%
ON 4.0%
MN 1.6%
SK 76.5%
AB 14.1%
BC 0.7%

Sources:
Statistics Canada, EDC Economics

Figure 17: Capacity by Country



Sources: Bloomberg Green Markets, Haver Analytics , EDC Economics. Capacity for 2013-2016 are Bloomberg estimates and potash prices for 2016 and 2017 are EDC Economics forecast.

Table 7: Fertilizers Export Outlook by Region

TOP MARKETS	CAD bn 2015	% Share of Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Developed Markets					
United States	5.5	62.8	25.3	-32	6
Western Europe	0.0	0.3	-39.0	58	5
Japan, Oceania and Developed Asia	0.1	1.0	59.2	168	3
Emerging Markets					
Latin America and the Caribbean	1.1	12.6	54.6	-15	1
Emerging Europe and Central Asia	0.0	0.0	20.4	99	2
Africa and the Middle East	0.0	0.2	-34.4	52	4
Emerging Asia	2.0	23.2	28.5	-34	12
Total Developed Markets	**5.7**	**64.1**	**25.1**	**-28**	**6**
Total Emerging Markets	**3.2**	**35.9**	**36.0**	**-27**	**7**
Total World	**8.8**	**100.0**	**28.8**	**-28**	**6**

Sources: Statistics Canada, EDC Economics

Table of Contents

3.5 Forestry Products

EDC Economics believes that Canada's forestry exports will grow by 7% in 2016 before a slight decline of 1% in 2017. The most important event driving the outlook for the forestry sector over this period is the policy uncertainty surrounding the softwood lumber agreement, which expired in October. With duties expected to be introduced by the US government in early 2017, Canadian lumber exporters are looking to ramp up shipments over the coming months.

The negative impact of this protectionist measure on overall growth will be somewhat offset by higher prices, driven by double-digit US housing start growth in 2017. This will sustain the strong demand for lumber and wood paneling for construction and consumer use in the US. Canadian supply constraints, such as the BC mountain pine beetle and spruce budworm, will further boost prices. One expected outcome of this event is further consolidation by the Canadian lumber industry.

Although the industry has benefited from market diversification since the last trade war in 2006, sluggish growth in China's construction sector, combined with more export competition from Russia, mean that Canadian exporters can no longer count on emerging Asia as a ready safety valve.

Whereas the lumber industry can expect strong prices over the coming years, pulp and paper exporters are looking at a negative price environment. More and more suppliers are entering the tissue and household paper products marketplace, thereby boosting competition and pushing prices down. Growing competition from Brazil's eucalyptus grade of pulp will constrain Canadian pulp exports. In newsprint, the structural decline will continue as US demand for printed newspapers and magazines wanes and is replaced by electronic media.

The forestry sector is facing a number of both structural and cyclical challenges, from labour force constraints to regulatory challenges. However, it is worth noting that the industry continues to adapt to market conditions and remains a positive contributor to Canada's trade balance.

SECTOR STATS

International Exports (2015):
CAD 34.7 bn

Share of Sector Exports to Emerging Markets
2011: 24.1%
2015: 20.9%

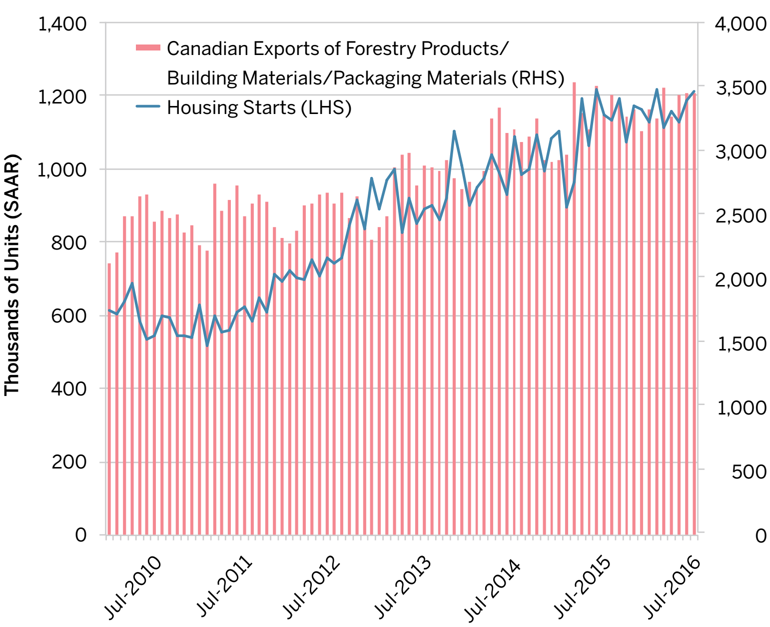
Share of Total Canadian Merchandise Exports (2015):
7.2%

Sector Distribution Across Provinces

NL	0.4%
NB	5.0%
NS	2.0%
PE	0.1%
QC	28.0%
ON	16.4%
MN	1.4%
SK	1.2%
AB	8.7%
BC	36.8%

Sources:
Statistics Canada, EDC Economics

Figure 18: Canadian Forestry Exports Continue to Track US Housing Demand for Now



Sources: Haver Analytics, EDC Economics

Table 8: Forestry Export Outlook by Region

TOP MARKETS	CAD bn 2015	% Share of Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Developed Markets					
United States	23.8	68.5	10.2	11	-3
Western Europe	1.1	3.3	0.0	19	4
Japan, Oceania and Developed Asia	2.5	7.3	-0.1	-1	5
Emerging Markets					
Latin America and the Caribbean	0.7	2.0	-6.9	-1	-1
Emerging Europe and Central Asia	0.2	0.5	-16.2	-6	2
Africa and the Middle East	0.2	0.6	-22.1	-6	3
Emerging Asia	6.2	17.8	2.6	-7	4
Total Developed Markets	**27.4**	**79**	**8.7**	**10**	**-2**
Total Emerging Markets	**7.3**	**21**	**0.1**	**-6**	**4**
Total World	**34.7**	**100**	**6.8**	**7**	**-1**

Sources: Statistics Canada, EDC Economics

Table of Contents

3.6 Automotive

Automotive product exports will be the star performer of 2016 with blockbuster growth of 16% supported by record US demand, rebounding shipment volumes and the low Canadian dollar. Exports in 2017 are seen declining by 7% driven by lower production volumes amid stable export prices, given expectations of only modest currency movement. New vehicle demand in the US will remain underpinned by rising employment and income growth, healthy balance sheets, rock-bottom gas prices and borrowing costs, and by substantial pent-up demand and vehicle replacement needs.

The resumption of production following temporary halts in 2015 for modernization and retooling, combined with a ramp-up in capacity utilization, is boosting 2016 volumes. That said, GM's move of the Camaro line to Michigan will cut production by about 72,000 units this year, and following unsuccessful labour union negotiations, GM's model shutdowns in Oshawa are expected to shed another 167,000 units as of next year. The recent wave of investment in North America was driven by tight capacity constraints amid record demand. The lion's share of capacity expansions has taken place in Mexico and the southern US, whereas recent brownfield investments in Canada, while significant, will not result in material volume growth. With new vehicle demand in the US approaching a plateau, and as recent investments boost future North American supply, carmakers are at or nearing an investment cycle peak.

Medium/heavy-duty truck exports skyrocketed in recent years driven by replacement needs and new emissions regulations. But given recent headwinds impacting the energy and manufacturing sectors, international trade, and inventory movement, the market is now oversupplied. Exports are forecast to stabilize in 2016 and decline next year on lower volumes. Following two years of double-digit growth, vehicle parts exports will post modest growth. Amid tight capacity constraints, recent investment announcements are positive for the sector's outlook. As parts manufacturers tend to co-locate near top automaker hubs to meet just-in-time deliveries, they will remain active in line with production trends in the US and Mexico. This trend will dampen export volumes over the medium term, but provide opportunities for Canadian Direct Investment Abroad.

SECTOR STATS

International Exports (2015):
CAD 78.2 bn

Share of Sector Exports to Emerging Markets
2011: 2.3%
2015: 3.4%

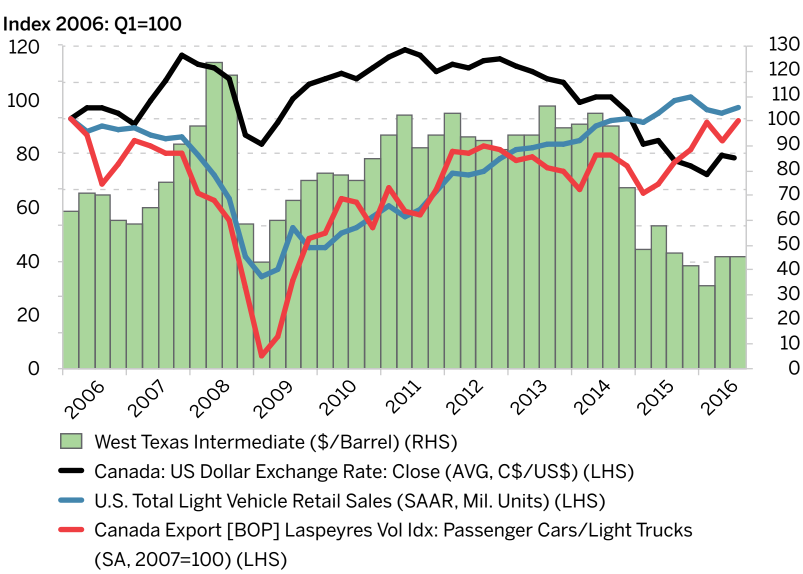
Share of Total Canadian Merchandise Exports (2015):
16.2%

Sector Distribution Across Provinces

NL	0.0%
NB	0.0%
NS	1.6%
PE	0.0%
QC	4.7%
ON	91.3%
MN	1.1%
SK	0.1%
AB	0.4%
BC	0.7%

Sources:
Statistics Canada, EDC Economics

Figure 19: Strong Demand Fundamentals, Rebounding Volumes



Sources: Bank of Canada, Energy Information Administration/CME, Autodata, Haver Analytics
Data for 2016Q3 is quarter-to-date: Data to mid-September for the USD/CAD and WTI price, data to August for US vehicle sales and data to July for vehicle export volumes

Table 9: Automotive Export Outlook by Region

TOP MARKETS	CAD bn 2015	% Share of Exports 2015	2015	Export Outlook (% growth) 2016 (f)	2017 (f)
Developed Markets					
United States	75.1	96.0	14.5	15	-8
Western Europe	0.3	0.4	19.6	5	4
Japan, Oceania and Developed Asia	0.1	0.2	8.8	12	-1
Emerging Markets					
Latin America and the Caribbean	1.5	1.9	54.6	43	4
Emerging Europe and Central Asia	0.1	0.1	-1.3	-9	1
Africa and the Middle East	0.6	0.8	12.9	19	4
Emerging Asia	0.5	0.7	50.0	107	3
Total Developed Markets	**75.5**	**96.6**	**14.5**	**15**	**-8**
Total Emerging Markets	**2.7**	**3.4**	**39.9**	**49**	**4**
Total World	**78.2**	**100.0**	**15.3**	**16**	**-7**

Sources: Statistics Canada, EDC Economics

Table of Contents

3.7 Industrial Machinery and Equipment

Industrial machinery and equipment (M&E) exports will be flat this year as the expected rebound missed its cue. Export growth of 4% is projected in 2017, led by sales to emerging markets. While a recovery for exports of M&E to developed markets is forecast for 2017, varying demand conditions in the different subsectors make for a mixed bag of results.

Agricultural M&E exports, for example, will slide 2% in 2016, followed by a 0.4% slide in 2017. Shipments to the US have faltered as farm incomes and farm values have slumped. Weak crop and livestock prices offer little incentive to invest, while the weak loonie has limited impact. In contrast, the metal and woodworking M&E sector is expected to benefit from the strong demand and production levels of motor vehicles in North America and the steady growth in the US housing sector. In 2016, the sector is forecast to grow by more than 13% before growth decelerates slightly to 8% in 2017. Mining and oil and gas M&E exports will plunge 26% in 2016, followed by a 2% drop in 2017. US energy and mining sector investments are down amid cost-cutting efforts and investment delays. This subsector is constrained by over-capacity and weak prices, which is hurting exports to the US and overseas as a significant number of US coal mines and other mining projects around the globe remain offline.

Other M&E exports are projected to fall 1% this year, but next year's 5% increase is due to a projected recovery in US investment activity. This diverse group accounts for 75% of the total M&E category and includes items like heating and ventilation, boilers, engines, turbine equipment and office furniture, to name a few. The rubbers and plastics machinery sector has benefited from a jump in global demand, and will grow by 29% in 2016 before slowing to 2% in 2017. As the rubbers and plastics sector regains some steam and global competition in the sector increases, shipments of machinery will experience a boost on the tail of strong growth last year.

SECTOR STATS

International Exports (2015):
CAD 33.3 bn

Share of Sector Exports to Emerging Markets
2011: 17.6%
2015: 14.1%

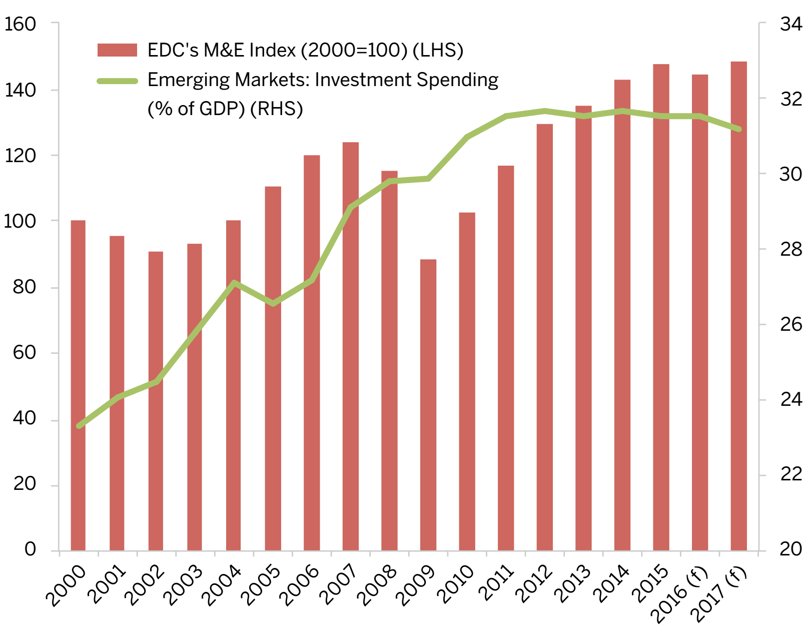
Share of Total Canadian Merchandise Exports (2015):
6.9%

Sector Distribution Across Provinces

NL	0.0%
NB	0.9%
NS	0.4%
PE	0.3%
QC	23.6%
ON	54.5%
MN	3.6%
SK	1.3%
AB	8.9%
BC	6.5%

Sources:
Statistics Canada, EDC Economics

Figure 20: Demand Indicators for M&E



Sources: Haver Analytics, EDC Economics

Table 10: Industrial Machinery and Equipment Export Outlook by Region

	CAD bn	% Share of Exports		Export Outlook (% growth)	
TOP MARKETS	2015	2015	2015	2016 (f)	2017 (f)
Developed Markets					
United States	24.6	73.9	12.3	-1	4
Western Europe	2.5	7.7	4.3	-6	5
Japan, Oceania and Developed Asia	1.5	4.4	5.9	-3	1
Emerging Markets					
Latin America and the Caribbean	1.6	4.7	9.2	7	4
Emerging Europe and Central Asia	0.6	1.7	-28.7	-6	2
Africa and the Middle East	1.2	3.5	-13.2	32	4
Emerging Asia	1.4	4.1	1.9	-7	7
Total Developed Markets	**29**	**86**	**11.2**	**-1**	**4**
Total Emerging Markets	**4.7**	**14**	**-5.0**	**7**	**5**
Total World	**33**	**100**	**8.6**	**0**	**4**

Sources: Statistics Canada, EDC Economics

Table of Contents

3.8 Advanced Technology

Advanced technology exports are forecast to grow by 2% this year before decelerating to 1% growth next year. Exports to developed markets will remain strong throughout 2016 on the back of a weak Canadian dollar and reviving US economy. However, fierce competition in the sector and a continued trend of shifting manufacturing to lower-cost economies will bring nominal growth back to more moderate levels over the medium term. That said, increasing opportunities to develop high-value-added technologies for the US and European markets in niche segments will partially compensate for the drop in traditional subsectors.

Rising consumer spending and increased construction activity will contribute to a slight uptick in exports to the US; however, most of the gains will be dollar- and price-related this year. A decline in exports is expected next year as competition in the market heats up. Sales to Europe, Canada's number two market, will experience ongoing solid export sales growth as the regional economic rebound enters its third year. Additionally, shipments to Asia, in key sector subcomponents, are well positioned for continued rapid growth, partially driven by exponential growth rates in wireless subscribers.

Overall, the advanced technology sector is shifting its focus away from the ailing wireless communications sector toward non-traditional segments such as navigational and measurement instruments, and specifically surveying and radar equipment. Export shares are growing in several subsectors, such as electrical components and measuring and testing devices, presenting significant opportunities for Canadian companies on the back of recovering US housing starts. A growing number of small and medium-sized Canadian enterprises developing products in niche subsectors will significantly benefit from the US recovery. Navigational and measuring instruments have experienced the highest levels of growth in the advanced technology sector, with most exports heading to the US. However, market saturation in the US and growing diversification opportunities will drive exponential growth to Western Europe and Latin America.

SECTOR STATS

International Exports (2015):
CAD 16.1 bn

Share of Sector Exports to Emerging Markets
2011: 15.5%
2015: 14.6%

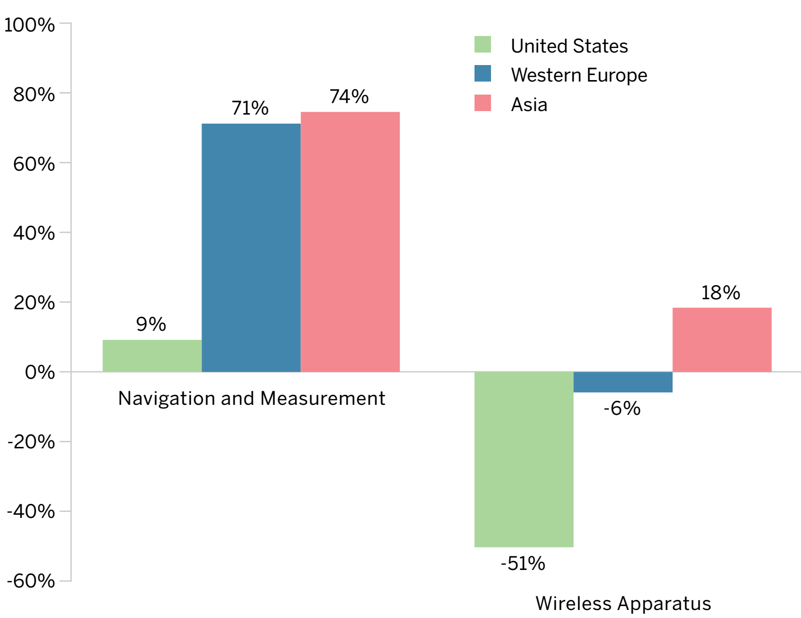
Share of Total Canadian Merchandise Exports (2015):
3.4%

Sector Distribution Across Provinces

NL	0.1%
NB	0.4%
NS	1.1%
PE	0.4%
QC	24.8%
ON	56.4%
MN	2.1%
SK	0.9%
AB	5.2%
BC	8.6%

Sources:
Statistics Canada, EDC Economics

Figure 21: Niche Sector Development and Market Diversification Paying Off for Competitive Sector (y/y)



Source: Statistics Canada

Table 11: Advanced Technology Export Outlook by Region

TOP MARKETS	CAD bn 2015	% Share of Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Developed Markets					
United States	11.0	67.9	11.1	2	-2
Western Europe	1.7	10.8	13.1	4	7
Japan, Oceania and Developed Asia	1.1	6.7	9.9	5	6
Emerging Markets					
Latin America and the Caribbean	0.6	4.0	-2.4	4	7
Emerging Europe and Central Asia	0.2	1.4	-7.1	2	4
Africa and the Middle East	0.6	3.5	20.1	-17	7
Emerging Asia	0.9	5.7	10.0	5	7
Total Developed Markets	**13.8**	**85.4**	**11.3**	**3**	**0**
Total Emerging Markets	**2.4**	**14.6**	**6.6**	**-1**	**6**
Total World	**16.1**	**100.0**	**10.6**	**2**	**1**

Sources: Statistics Canada, EDC Economics

Table of Contents

3.9 Aerospace

Despite the ongoing turbulence in emerging markets and supplier constraints affecting production at Canada's largest aircraft manufacturer, aerospace exports are expected to grow by a solid 6% in 2016. In 2017, as Bombardier ramps up production of the CSeries and emerging market growth recovers, exports are forecast to grow by 7%.

The production capacity of global aircraft manufacturers has remained stretched throughout 2016 as major manufacturers' order backlog of units has remained high by historical standards and manufacturing delays have hit the production of newer aircraft models. However, the prolonged period of low global oil prices has translated into lower jet fuel prices for airlines and expansion of routes and fleet renewal programs.

Bombardier Aerospace has benefited from this trend as it has reached more than 300 firm, and up to 800 total orders for its CSeries aircraft. Long delayed, the first CSeries entered commercial service in July with Swiss International Airlines and production will ramp up, with Bombardier planning to reach a production goal of 90 to 120 aircraft per year by 2020. While this will boost aerospace exports in 2017, exports for 2016 have been revised down since EDC Economics' spring forecast as production issues with the engine supplier for the aircraft forced Bombardier to cut its production plans for the year to seven aircraft, eight fewer than planned.

The market for business jets has remained cool in 2016 with lower global commodity prices and that has dampened demand from Russia, the Middle East and China. The segment is forecast to see a 10 per cent drop in total industry deliveries this year compared with 2015. With emerging market growth forecast to see an uptick in 2017, demand for business aircraft is expected to see a measured recovery.

The reinvestment and expansion of global airlines, coupled with the demographic pressures as the baby boom pilots retire in North America, has been accelerating the demand for training and air crew education. Montreal-based CAE has benefited from this growing demand, signing a five-year new pilot training agreement with Korea Airports Corporation among other deals announced in 2016.

SECTOR STATS

International Exports (2015):
CAD 16.5 bn

Share of Sector Exports to Emerging Markets
2011: 16.9%
2015: 12.5%

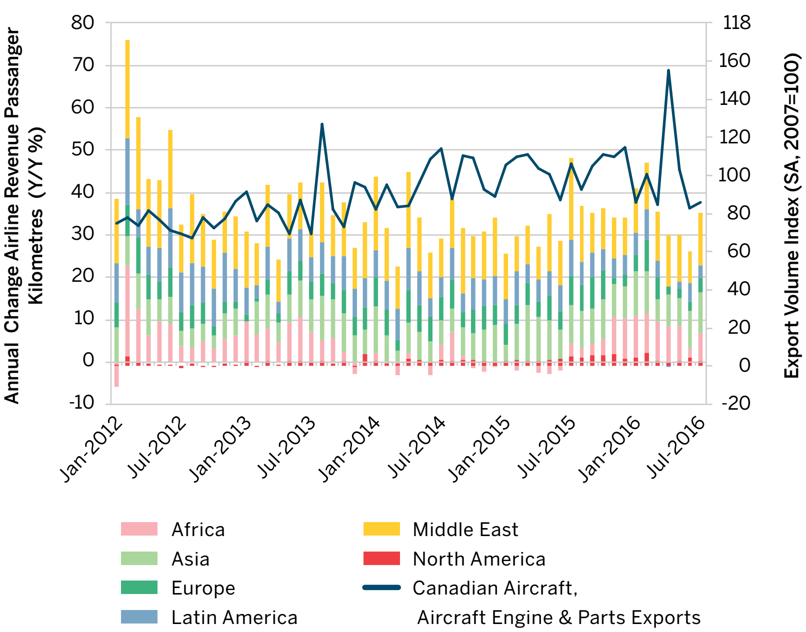
Share of Total Canadian Merchandise Exports (2015):
3.4%

Sector Distribution Across Provinces

NL	0.1%
NB	0.0%
NS	0.4%
PE	0.5%
QC	69.7%
ON	20.8%
MN	4.1%
SK	0.0%
AB	1.7%
BC	2.7%

Sources:
Statistics Canada, EDC Economics

Figure 22: Global Passenger Growth Propels Canadian Aerospace Exports



Sources: Statistics Canada, IATA, EDC Economics

Table 12: Aerospace Export Outlook by Region

TOP MARKETS	CAD bn 2015	% Share of Exports 2015	2015	Export Outlook (% growth) 2016 (f)	2017 (f)
Developed Markets					
United States	10.7	64.7	18.4	6	6
Western Europe	3.0	18.1	13.1	21	5
Japan, Oceania and Developed Asia	0.8	4.6	59.1	-1	4
Emerging Markets					
Latin America and the Caribbean	0.3	1.5	-26.9	-32	5
Emerging Europe and Central Asia	0.3	1.5	-10.9	10	5
Africa and the Middle East	0.7	4.1	-4.4	-15	17
Emerging Asia	0.9	5.4	-10.2	10	-10
Total Developed Markets	**14.5**	**87.5**	**18.8**	**8**	**6**
Total Emerging Markets	**2.1**	**12.5**	**-11.1**	**-12**	**11**
Total World	**16.5**	**100.0**	**14.0**	**6**	**7**

Sources: Statistics Canada, EDC Economics

Table of Contents

3.10 Chemicals and Plastics

Chemicals and plastics exports are expected to experience a mild growth of 3% and 4% in 2016 and 2017, respectively. This forecast is primarily guided by a weak loonie, low commodity prices and the global demand outlook. The US, which receives 80% of total Canadian shipments, is still in recovery mode and will positively impact downstream sectors such as construction and consumer goods. Export volumes will remain relatively stagnant over the short term as companies focus on reducing input costs and increasing efficiency and environmental sustainability.

Petrochemical exports have remained in negative territory as crude oil and natural gas prices remain depressed, and the persistent weakness in the Canadian dollar suppresses the positive upswing in volumes. Electricity costs, capacity utilization and labour constraints will restrain growth potential. The subsector is experiencing production capacity constraints and is partially benefiting from higher demand from the US as manufacturing ramps up.

Pharmaceuticals is benefiting significantly from increased health spending in the US, as well as further expansion into the generic drug subsector. As a considerable amount of patents expire, Canadian manufacturers are increasing their presence in the generic space, whereas brand name producers are entering into specialized drug production segments such as oncology. Overall, Canada's chemical exports are forecast to rise by 2% this year followed by a 3.4% gain next year.

Exports of plastics will expand 6.5% this year followed by a 6% rise next year. Volumes remain in line with our outlook for the US economy and consumer demand, which is partially driven by a double-digit jump in housing starts this year and next. The packaging industry is also expected to continue benefiting from rising exports to the US as healthy consumer demand is boosting retail sales. Investing in R&D to develop environmentally friendly production methods in line with shifting consumer preferences will be a potential growth opportunity for the sector.

SECTOR STATS

International Exports (2015):
CAD 45.1 bn

Share of Sector Exports to Emerging Markets
2011: 8.9%
2015: 9.3%

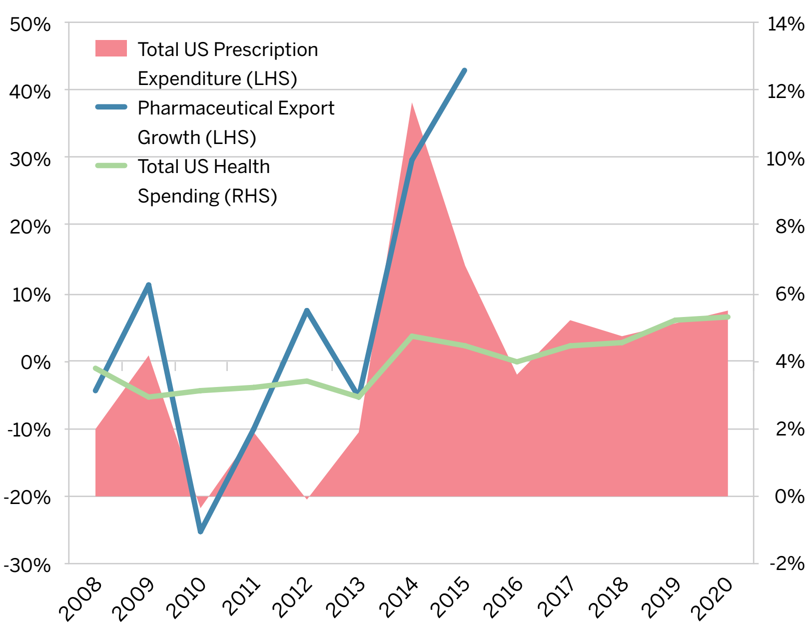
Share of Total Canadian Merchandise Exports (2015):
9.4%

Sector Distribution Across Provinces

NL	0.0%
NB	0.3%
NS	0.8%
PE	0.2%
QC	17.7%
ON	55.9%
MN	3.5%
SK	1.9%
AB	16.6%
BC	3.2%

Sources:
Statistics Canada, EDC Economics

Figure 23: Canadian Pharmaceuticals Getting Big Boost from US Health Spending



Source: IMS Institute for Healthcare Informatics

Table 13: Chemicals and Plastics Export Outlook by Region

TOP MARKETS	CAD bn 2015	% Share of Exports 2015	2015	Export Outlook (% growth) 2016 (f)	2017 (f)
Developed Markets					
United States	36.3	80.5	10.6	1	5
Western Europe	3.2	7.0	2.1	7	3
Japan, Oceania and Developed Asia	1.4	3.1	-13.3	26	1
Emerging Markets					
Latin America and the Caribbean	1.7	3.9	20.1	11	3
Emerging Europe and Central Asia	0.2	0.4	-16.0	19	1
Africa and the Middle East	0.4	0.9	5.8	15	3
Emerging Asia	1.9	4.1	-5.5	6	2
Total Developed Markets	**40.9**	**90.7**	**8.9**	**3**	**4**
Total Emerging Markets	**4.2**	**9.3**	**4.3**	**10**	**2**
Total World	**45.1**	**100.0**	**8.4**	**3**	**4**

Sources: Statistics Canada, EDC Economics

Table of Contents

3.11 Consumer Goods

Consumer goods exports are forecast to close out 2016 with a robust 11% increase, followed by more moderate growth of 6% for 2017. The sector encompasses a diverse array of goods but is dominated by housing-related, jewellery and silverware manufacturing and apparel exports, with the majority of exports destined for the US. As outlined in our Spring forecast, a weaker Canadian dollar and continued solid US consumer spending growth remain key drivers for our positive outlook for this sector going forward.

Manufacturers of housing-related exports include various goods such as lighting fixtures, major and small appliances, household and institutional furniture, and wood and kitchen cabinets and counter-tops. This subset of goods continues to benefit from the uptick in US housing starts growth, which EDC Economics expects to grow by 7% this year and 13% in 2017. Exports are also reaping a net benefit from a weaker loonie and a growing US economy.

Apparel exports continue along a path of moderate recovery, with Canadian clothing exports increasingly defined by a focus on active wear and lifestyle apparel and/or niche markets as evidenced by companies such as Canada Goose, considered a leader in luxury Arctic apparel exports. Clothing exports are expected to see modest but stable growth of 5% for both 2016 and 2017.

In the jewellery and silver manufacturing subsector, we expect growth to continue to moderate with exports expected to grow by only 5% in 2017. However, coin exports stand out for potential growth. While sales are primarily to the US, the Royal Canadian Mint's latest quarterly report notes that its circulation coin solutions are leading to greater international business in markets such as the Caribbean, Africa and Asia, noting a 14% increase in revenues in the second quarter of 2016 compared with the same period in 2015.

In the "other" category of consumer goods and consistent with our Spring forecast, medical equipment and supplies remains a good news story for this year and going forward, with 17% year-to-date growth and the US remaining our key trading partner.

SECTOR STATS

International Exports (2015):
CAD 10.0 bn

Share of Sector Exports to Emerging Markets
2011: 4.1%
2015: 4.2%

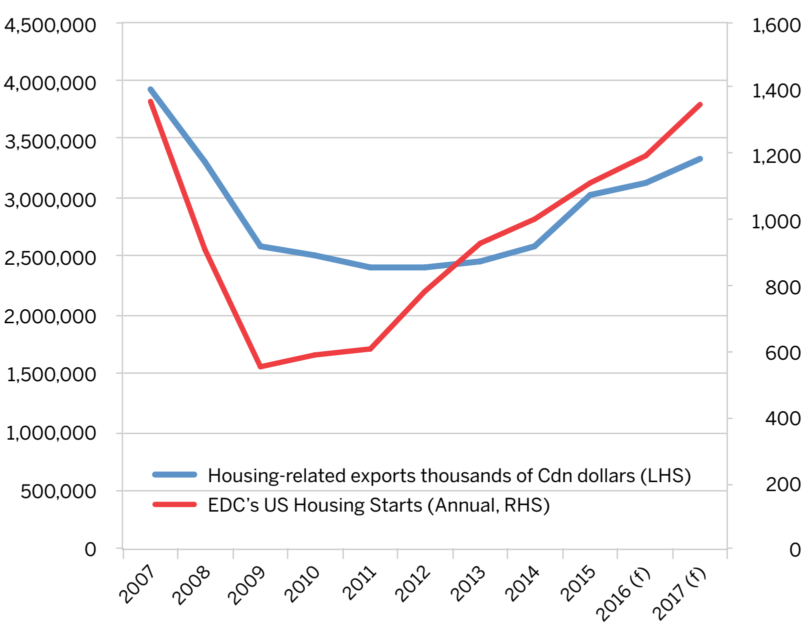
Share of Total Canadian Merchandise Exports (2015):
2.1%

Sector Distribution Across Provinces

NL	0.1%
NB	0.2%
NS	0.9%
PE	0.1%
QC	27.9%
ON	58.7%
MN	2.5%
SK	0.1%
AB	1.4%
BC	8.2%

Sources:
Statistics Canada, EDC Economics

Figure 24: Housing-Related Exports Continue Upward



Sources: Industry Canada, Haver Analytics, EDC Economics

Table 14: Consumer Goods Export Outlook by Region

TOP MARKETS	CAD bn 2015	% Share of Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Developed Markets					
United States	7.9	79.8	35.1	13	6
Western Europe	1.1	11.3	8.4	-2	10
Japan, Oceania and Developed Asia	0.5	4.6	17.9	10	5
Emerging Markets					
Latin America and the Caribbean	0.1	1.2	36.1	14	6
Emerging Europe and Central Asia	0.0	0.4	-9.8	58	3
Africa and the Middle East	0.1	1.2	16.5	-24	6
Emerging Asia	0.1	1.3	21.9	8	6
Total Developed Markets	**9.5**	**95.8**	**30.4**	**11**	**6**
Total Emerging Markets	**0.4**	**4.2**	**20.1**	**5**	**5**
Total World	**10.0**	**100.0**	**29.9**	**11**	**6**

Sources: Statistics Canada, EDC Economics

Table of Contents

3.12 Services

Services exports will grow by 4% this year and by 5% in 2017, boosted largely by the weak Canadian dollar and the positive outlook for demand in the US, Canada's key trade partner. The services sector accounts for the highest share of Canadian exports and will remain among the most solid and stable contributors to overall export growth. With more than 80% of costs to produce services exports sourced domestically, the weak loonie provides competitive gains to support exports and suppliers' margins. Although the lower currency partly reflects recent headwinds to Canadian economic activity and trade due partly to the plunge in energy prices, EDC Economics expects these to recover gradually going forward.

Personal travel is by far the largest contributor to services exports growth and is forecast to remain the main engine of growth as the depreciated currency will continue to attract foreign consumers. The tourism industry has taken off over the past 18 months following a deep decade-long rout, and with ample room to grow the number of new arrivals, particularly from the US, will continue climbing briskly. Business travel has surged this year, while growth in transportation services has slowed, and both sectors should benefit from the expected recovery in trade.

Commercial services account for the bulk of total receipts, accounting for almost two-thirds of the total. While some of these are delivered on a stand-alone basis, others are either embodied in or integrated with goods exports, making the latter two types more sensitive to trends in merchandise trade. Partly a reflection of the world-renowned soundness of Canada's financial institutions, surging financial services exports will remain a high-growth, high-value-added bellwether subsector driven by seemingly insatiable foreign appetite for Canadian expertise. Exports of technical and trade-related services as well as professional and management consulting services are set to underperform this year but should benefit from improving trade, commodity prices and the broader economic backdrop in 2017. Exports of telecom and technology services have turned positive following three years of weakness, marking a promising change for a sector that is deemed to hold positive long-term growth potential.

SECTOR STATS

International Exports (2015):
CAD 100.1 bn

Share of Sector Exports to Emerging Markets
2011: N/A
2015: N/A

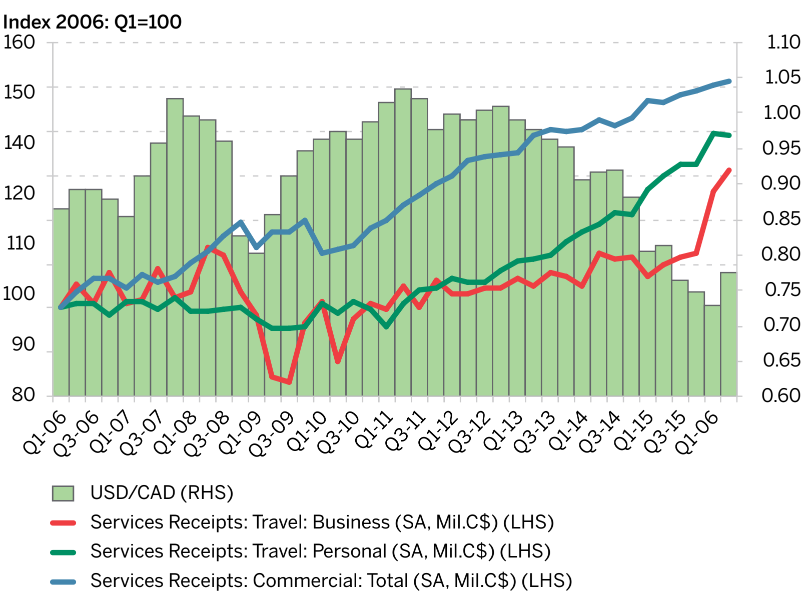
Share of Total Canadian Merchandise Exports (2015):
21%

Sector Distribution Across Provinces

NL	N/A
NB	N/A
NS	N/A
PE	N/A
QC	N/A
ON	N/A
MN	N/A
SK	N/A
AB	N/A
BC	N/A

Sources:
Statistics Canada, EDC Economics

Figure 25: Low Canadian Dollar Boosting Travel Receipts, Commercial Services to Remain Solid



Sources: Statistics Canada, Haver Analytics

Table 15: Canadian Export Services Outlook

	2013	2014	2015	2016 (f)	2017 (f)
Total Service Exports ($ mn)	**92,802**	**95,745**	**100,126**	**103,983**	**109,043**
annual % change	**4.0**	**3.2**	**4.6**	**3.9**	**4.9**
Commercial Services ($ mn)	58,658	59,983	62,437	64,080	67,315
annual % change	4.2	2.3	4.1	2.6	5.0
Transportation Services ($ mn)	14,507	14,941	15,371	15,555	16,143
annual % change	3.4	3.0	2.9	1.2	3.8
Travel Services ($ mn)	18,201	19,295	20,758	22,715	23,908
annual % change	4.7	6.0	7.6	9.4	5.3
Government Services ($ mn)	1,437	1,525	1,562	1,633	1,677
annual % change	-6.1	6.1	2.4	4.5	2.7

Sources: Statistics Canada, EDC Economics

Table of Contents

4.0 PROVINCIAL OVERVIEWS

Table of Contents

Canadian merchandise export growth is forecast to remain flat in 2016, with contractions in energy, fertilizer and metals-exporting provinces overshadowing positive momentum from provinces with larger manufacturing sectors. In 2017, the baton will again pass to the energy and metal and ore exporters. Gradually recovering prices for these commodities will nudge Canadian exports to a modest 3% gain.

Exports in almost every one of Canada's energy-rich provinces will shrink in 2016. **Saskatchewan** and **Alberta**'s exports will be hardest hit, losing 15% and 10%, respectively, with Saskatchewan doubly penalized by collapsing fertilizer prices. Low oil prices will also drive export contractions for **Newfoundland and Labrador** and **New Brunswick**. Only **British Columbia**'s more diversified exports will escape the same fate and grow 3%.

The outlook for manufacturing provinces and Atlantic Canada's non-energy exporters is more positive for 2016. **Ontario** will lead with 7% growth driven by rising volumes in auto and other manufacturing. For **Quebec** and **Manitoba**, growth will be a more modest 1%. Both provinces will be held back by low metals prices that mask strong results in manufacturing, chemicals and plastics. **Nova Scotia** and **Prince Edward Island** are benefiting from high lobster prices and will record export growth of 3% and 2%, respectively, in 2016.

In 2017, exports from the energy-rich provinces will recover in tandem with oil prices. Newfoundland and Labrador will lead the charge with a 12% export gain, boosted further by increased mining output. Following closely, Alberta exports will expand 10% due to oil and gas price increases and higher output following last year's wildfires. In Saskatchewan, energy and fertilizers will power a 5% export expansion. New Brunswick and British Columbia, which have sizable forestry sectors, are forecast to lag with export growth reaching only 3% and 2%, respectively, as the US will likely impose softwood lumber duties.

Ontario is set to trail all the other provinces with 0% export growth in 2017; the auto sector lacks capacity to increase exports further. In Quebec, aerospace manufacturing will lift the province to another 3% expansion. Meanwhile, exports from highly diversified Manitoba will increase by 3%, benefiting from increased demand for pharmaceuticals and buses. PEI exports, too, will rise by 6% thanks to pharmaceuticals sales and aerospace. Finally, Nova Scotia exports will remain nearly flat as neither agri-food nor motor vehicles will register growth in 2017.

Table 16: Canadian Merchandise Export Forecast by Province

	CAD bn	% Share of Province's Total Exports		Export Outlook (% growth)	
PROVINCES	2015	2015	2015	2016 (f)	2017 (f)
Newfoundland and Labrador*	9.1	1.9	-30	-4	12
Prince Edward Island	1.2	0.3	17	2	6
Nova Scotia	5.4	1.1	2	3	1
New Brunswick	12.2	2.5	-6	-8	3
Quebec	80.1	16.6	8	1	3
Ontario	197.0	40.9	11	7	0
Manitoba	13.7	2.8	2	1	3
Saskatchewan	32.6	6.8	-7	-15	5
Alberta	92.4	19.2	-24	-10	10
British Columbia	36.0	7.5	1	3	2
Territories	2.0	0.4	-11	-30	18
Total Goods Exports	**481.7**	**100.0**	**-2**	**0**	**3**

Sources: Statistics Canada, EDC Economics

*Includes EDC estimate for crude oil exports (*not included in national total from Statistics Canada)

Table of Contents

4.1 Newfoundland and Labrador

Newfoundland and Labrador's exports are expected to decline further in 2016, falling by 4% before a strong recovery of 12% in 2017. Weak commodity prices continue to eat away at the bottom line despite volume growth in the mining sector. A large proportion of the drop will be recovered in 2017 as prices rebound and new capacity comes online after prolonged delays.

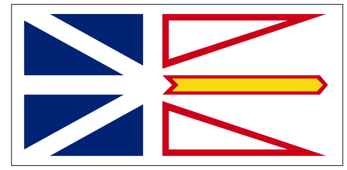
In the energy sector, low oil prices coupled with falling production in mature wells will result in oil exports declining 9% in 2016. Shipments will rebound in 2017, growing by 15%, as production returns to normal levels. In the long term, new exploration and development efforts that began in 2012 are likely to compensate for production declines caused by the maturing wells. The Hebron field, one of the biggest capital injections in the province this year, remains committed to pump first oil by 2017 despite low oil prices and will start to contribute to production volumes in 2018.

The outlook for metals, ores and other industrial goods exports will experience an uptick, growing by 17% this year and 16% in 2017. The sharp increase is due to higher-than-expected iron prices compared with the first half of 2016. Halted production at Labrador Iron Mines and the closure of Wabush will be offset by Tata Steel's investments in metal ore prospects boosting production this year and beyond. The new capacity will compensate for declining output at maturing mines, contributing to an additional 16% growth in 2017.

Newfoundland and Labrador's agri-food sector, dominated by seafood, will benefit from the persistently strong price of shrimp and somewhat higher prices for crab, as well as the weak Canadian dollar. However, recent quota cuts will significantly hurt exports, causing a decline in overall agri-food of 10% in 2016 followed by a further drop of 7% in 2017.

The balance of the province's exports includes a broad basket of goods, including machinery, motor vehicle parts and aerospace. Although the grouping of these sectors is expected to see very minimal growth in 2016, there are subsectors that show greater opportunities outside of the commodity space such as motor vehicles and parts, as well as textiles and clothing producers diversifying outside of the US.

PROVINCIAL STATS



GDP
CAD 33.5 bn

International Exports/GDP
40.7%

Canada's Total Exporters
38,855

Trade Balance
CAD 5.9 bn

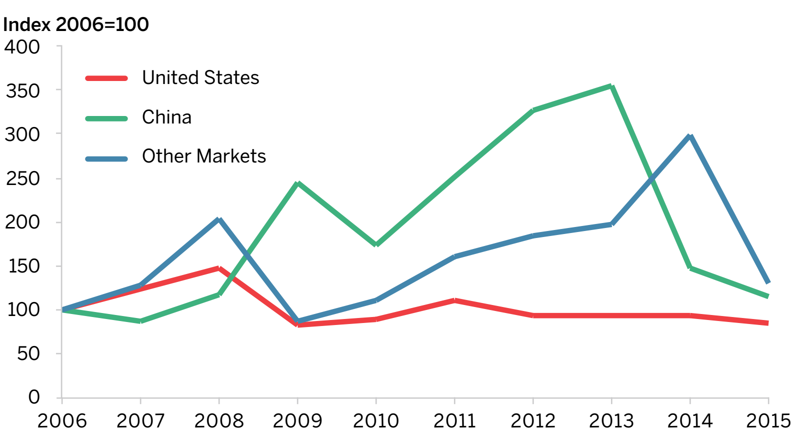
Largest Export Destinations
United States 68.0%
United Kingdom 6.5%
Netherlands 5.7%
China 5.2%
Japan 2.1%

Share of Exports to Emerging Markets
2015: 9.1%
2010: 12.8%

Trade Diversification Index (100=total concentration in a single sector/region and 0=completely diversified)
Sector Diversification: 48.7%
Regional Diversification: 47.9%

Sources: Statistics Canada, Haver Analytics, EDC Economics

Figure 26: Low Commodity Prices Eat Away at Exports to Non-Traditional Markets



Source: Statistics Canada

Table 17: Newfoundland and Labrador Merchandise Outlook

TOP SECTORS	CAD mn 2015	% Share of Province's Total Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Energy	6,141	67.5	-37.3	-9	15
Metals, Ores and Other Industrial Products	1,687	18.6	-20.2	17	16
Agri-Food	1,034	11.4	15.8	-10	-7
Forestry	132	1.5	13.2	-6	0
All Others	102	1.1	9.1	1	3
Total	**9,096**	**100.0**	**-30.1**	**-4**	**12**
Total excl. energy	**2,955**	**32.5**	**-8.1**	**6**	**8**

Sources: Statistics Canada, EDC Economics

* Includes EDC estimate for crude oil exports (*not included in national total from Statistics Canada)

Table of Contents

4.2 Prince Edward Island

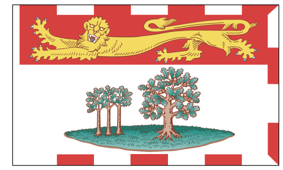
Despite a stellar performance for seafood and potatoes, declining aerospace-related sales abroad will hold Prince Edward Island exports to a 2% expansion in 2016. In 2017, steady demand for agri-food products from the US and newer Asian markets as well as increased business for chemicals and aerospace will allow Island exports to increase by 6%.

Agri-food exports, which will expand 12% in 2016, are the main source of momentum for Island exports this year. In 2017, exports from the sector will slow to a still respectable 6%. A supersized 14% increase in the volume of French fries exported to the US in 2016 is a major part of the agri-food story. Island fryers have been benefiting from a spike in US shipments to Asia and the Middle East by replenishing the US market. In 2017, accelerating US growth and strengthening demand for Island French fries from Asia, especially free trade partner South Korea, will support higher prices, driving further export growth.

Seafood exports are providing additional energy to the agri-food sector in 2016. Exports of processed lobster will surge to over 12% growth this year due to high prices linked to bad weather at the start of the spring season. The federal government's mid-February decision to ease restrictions on the hiring of temporary foreign workers in seasonal industries, which will be in effect throughout 2016, likely also allowed increased output and a focus on more labour-intensive, higher-value products. In 2017, we expect lobster prices to decline somewhat from this year's highs as normal weather patterns resume and supply becomes more plentiful. This decline will, however, be moderate as US and Asian demand is forecast to continue strengthening.

In the aircraft and industrial machinery sectors, exports will contract by 8% and 18%, respectively, this year. Exports suffered this year due to the timing of certain delivery contracts. In 2017, we expect a recovery as one industry player is acquiring new certifications to expand its scope of business and because of the opening of a new turboprop engine test facility by another. In the chemicals sector, industry investments and ongoing animal vaccine trials will also provide scope for 10% growth in 2017.

PROVINCIAL STATS



GDP
CAD 6.0 bn

International Exports/GDP
18.6%

Canada's Total Exporters
38,855

Trade Balance
CAD 1.3 bn

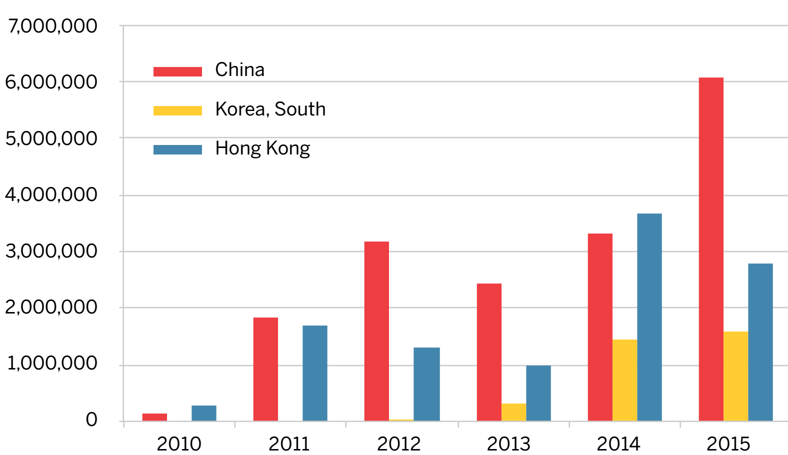
Largest Export Destinations
United States 64.3%
Korea, South 5.6%
France 3.0%
Japan 2.5%
Australia 2.2%

Share of Exports to Emerging Markets
2015: 11.7%
2010: 12.2%

Trade Diversification Index (100=total concentration in a single sector/region and 0=completely diversified)
Sector Diversification: 26.6%
Regional Diversification: 44.3%

Sources: Statistics Canada, Haver Analytics, EDC Economics

Figure 27: PEI Lobster Exports to Asia: Growing Rapidly (CAD, annual totals)



Source: Statistics Canada

Table 18: Prince Edward Island Merchandise Outlook

TOP SECTORS	CAD mn 2015	% Share of Province's Total Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Agri-Food	665.0	53.5	13.8	12	6
Chemical and Plastics	111.0	8.9	9.3	3	10
Industrial Machinery and Equip.	106.6	8.6	11.4	-18	12
Aircraft and Parts	82.0	6.6	13.1	-8	9
All Others	203.7	16.4	38.3	-34	6
Total	**1,243.1**	**100.0**	**17.1**	**2**	**6**
Total excl. energy	**1,243.0**	**100.0**	**17.1**	**2**	**6**

Sources: Statistics Canada, EDC Economics

Table of Contents

4.3 Nova Scotia

EDC Economics sees exports from Nova Scotia rising by 3% in 2016 and 1% in 2017, due in large measure to a weaker Canadian dollar and strong demand from the US. Strong growth for seafood exports will offset more subdued outlooks for other key export-oriented sectors such as forestry and motor vehicles in 2016, while all major sectors will essentially remain flat in 2017.

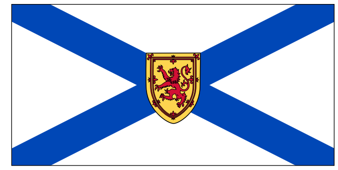
In the agri-food sector, exports will rise 14% this year before plateauing next year, driven by robust prices across the board of species and continued strong demand for live lobster. Even with a slight deceleration in China, its population's rising disposable incomes and appetite for seafood will drive continued growth in sales to the second most important destination country for Nova Scotia live lobster. While the free trade agreement with South Korea has been a boost to seafood exports, a key downside risk for the forecast period is delayed ratification of the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union.

The motor vehicles and parts sector, which makes up close to a quarter of the province's exports, is running on two different tracks. Growing demand in the US for heavy trucks and SUVs has pushed Michelin to expand its Waterville facility to meet requests while orders for car tires are declining. The net impact is negligible growth over the coming years.

Forestry exports will contract by 6% in 2016 and 1% next year due to the heavy tariffs imposed by the US government on newsprint exports. In 2017, Canadian lumber exports are likely to be negatively affected by US duties linked to the softwood lumber issue.

One sector that is no longer driving the outlook is natural gas, due to steep declines in production from the Deep Panuke and Sable projects as the former has been made seasonal. However, there is greater optimism for this sector in the medium to long term as offshore exploration moves toward production and a proposed liquefied natural gas facility is building momentum. The development of Atlantic Gold's Touquoy gold mine is another bright spot for the mining sector in the medium term.

PROVINCIAL STATS



GDP
CAD 39.1 bn

International Exports/GDP
20.7%

Canada's Total Exporters
38,855

Trade Balance
CAD (2.8) bn

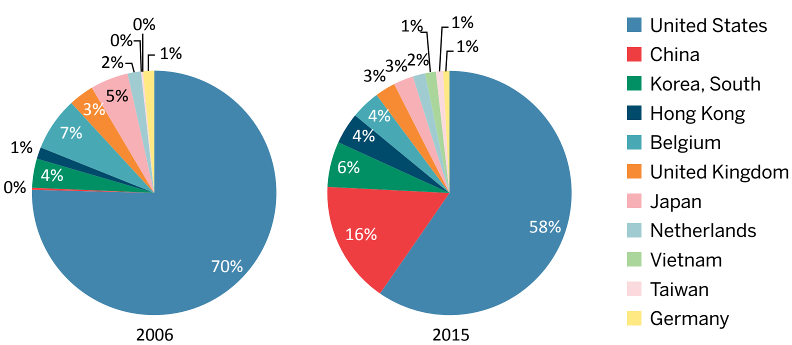
Largest Export Destinations
United States 70.1%
China 7.8%
United Kingdom 1.9%
France 1.6%
Netherlands 1.5%

Share of Exports to Emerging Markets
2015: 14.7%
2010: 7.3%

Trade Diversification Index (100=total concentration in a single sector/region and 0=completely diversified)
Sector Diversification: 16.5%
Regional Diversification: 51.1%

Sources: Statistics Canada, Haver Analytics, EDC Economics

Figure 28: Lobster Diversification - Nova Scotia Looks East



Source: Industry Canada (Trade Data Online)

Table 19: Nova Scotia Merchandise Outlook

TOP SECTORS	CAD mn 2015	% Share of Province's Total Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Agri-Food	2,034	37.7	28.9	14	0
Motor Vehicles and Parts	1,237	23.0	10.1	0	0
Forestry	683	12.7	1.6	-6	-1
Chemical and Plastics	350	6.5	-7.8	-4	5
All Others	1,085	20.1	-29.3	-5	4
Total	**5,389**	**100.0**	**1.9**	**3**	**1**
Total excl. energy	**5,162**	**95.8**	**13.4**	**5**	**1**

Sources: Statistics Canada, EDC Economics

Table of Contents

4.4 New Brunswick

New Brunswick's exports are forecast to decline by 8% this year, before recovering by 3% in 2017. Falling energy prices are the primary constraint, given that refined petroleum product exports account for over half of the province's exports. The shuttering of the Picadilly potash mine will also depress export receipts in the mining sector. But better days are ahead as the outlook for forestry and agri-food exports remains bright and will drive a return to positive export growth for 2017.

In the broader energy sector, electricity, natural gas and refined petroleum exports are witnessing weaker year-to-date growth compared with the previous year, contributing to our forecast of an overall 15% export decline for this sector in 2016. Also, plans to convert the Canaport LNG terminal into a liquefied natural gas export facility have reportedly been put on hold indefinitely owing to market conditions. However, 2017 should see a recovery of 4% growth in energy exports owing to a mild recovery of prices.

The mining sector will benefit from increased exports receipts this year and next, as Trevali's Caribou zinc mine reached commercial production in July. Nevertheless, this will not offset the losses from the suspension of the Picadilly potash mine, leaving the overall sector with a forecasted steep net decline of 9% this year and a mild return to growth of 4% in 2017.

The forestry industry, benefiting from investments in the modernization of pulp mills, a weaker Canadian dollar and increasing US demand, is expected to see stellar growth of 7% this year. Dampening the outlook for 2017, which is for 2% growth only, is the uncertainty surrounding the October expiry of the Softwood Lumber Agreement. It remains to be seen whether the province will continue to benefit from an exclusion from export taxes and quotas for Maritime-produced lumber granted under the previous agreement.

The agri-food sector is poised to grow 15% this year. Strong year-to-date growth in aquaculture (primarily for farmed salmon) and seafood product and preparations, in tandem with record-high lobster prices this year, underpin our forecast of solid export gains for this sector in 2016. Next year, lobster prices are forecast to come down from record highs, and overall agri-food exports are forecast to remain flat.

PROVINCIAL STATS

GDP
CAD 32.1 bn

International Exports/GDP
45.7%

Canada's Total Exporters
38,855

Trade Balance
CAD 1.6 bn

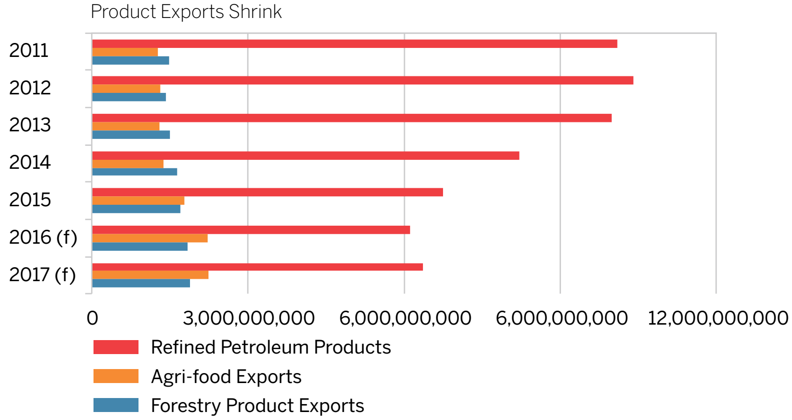
Largest Export Destinations
United States 90.5%
India 0.9%
China 0.7%
Brazil 0.6%
Indonesia 0.6%

Share of Exports to Emerging Markets
2015: 6.8%
2010: 7.2%

Trade Diversification Index (100=total concentration in a single sector/region and 0=completely diversified)
Sector Diversification: 22.1%
Regional Diversification: 82.1%

Sources: Statistics Canada, Haver Analytics, EDC Economics

Figure 29: Agri-food and Forestry Exports Grow While Refined Petroleum Product Exports Shrink



Source: Industry Canada (Trade Data Online)

Table 20: New Brunswick Merchandise Outlook

TOP SECTORS	CAD mn 2015	% Share of Province's Total Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Energy	7,265	59.5	-15.8	-15	4
Agri-Food	1,967	16.1	29.6	15	0
Forestry	1,729	14.2	3.9	7	2
Metals, Ores and Other Industrial Products	425	3.5	-11.3	-9	4
All Others	824	6.7	15.5	-29	-2
Total	**12,210**	**100.0**	**-6.1**	**-8**	**3**
Total excl. energy	**4,945**	**40.5**	**13.0**	**3**	**1**

Sources: Statistics Canada, EDC Economics

Table of Contents

4.5 Quebec

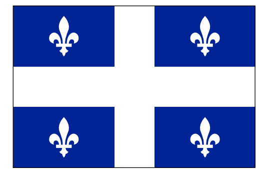
Quebec's exports will be nearly flat in 2016 before recovering somewhat in 2017 with over 3% export growth. The US remains the main recipient of Quebec's exports, representing over 70% of the total. While Quebec exports to China have leveled off since 2012, it remains the province's second-largest trading partner due to a decade of spectacular trade growth.

The aircraft and parts sector has finally benefited from Bombardier's CSeries aircraft, which came into commercial service in July 2016 and is forecast to drive 8% growth in aerospace exports in 2016 and a further 6% export growth in 2017. Offsetting this CSeries bump are production issues with the aircraft's engine supplier, which have slowed production in 2016. Continued lessening demand for business jets, particularly in emerging markets, is another factor holding back the sector from even higher export growth.

Metals, ores and other industrial products together represent just 25% of all Quebec exports, the largest group. Exports will contract by 9% in 2016 before rebounding with 1% growth in 2017. A key element of this export weakness in 2016 is the continued low price environment. Aluminum remains the main sub-component of this sector and will see slight growth this year and next with some production gains at Alouette, which will continue into the medium to long term with the firming up of Phase 3 expansion plans. There remains continued demand for Quebec aluminum from the US automotive sector, but spare capacity among US suppliers and China's steel exports compete with Quebec exporters. In the ore space, Tata Steel Minerals Canada has now put its Direct Shipping Ore project's mill in care and maintenance mode until 2018.

After several years of relatively strong growth, exports from Quebec's forestry sector will experience 5% growth in 2016 before shrinking 1% in 2017. Lumber exports remain strong, experiencing double-digit growth in 2016, owing to US housing demand, coupled with suppliers' interest in shipping product before new softwood duties are enacted in the US in early 2017. The expectation of these duties weighs on exports in this sector in 2017. Newsprint and pulp exports remain on a downward trend, with export growth flat or negative this year and next.

PROVINCIAL STATS



GDP
CAD 370.1 bn

International Exports/GDP
27.7%

Canada's Total Exporters
38,855

Trade Balance
CAD 3.5 bn

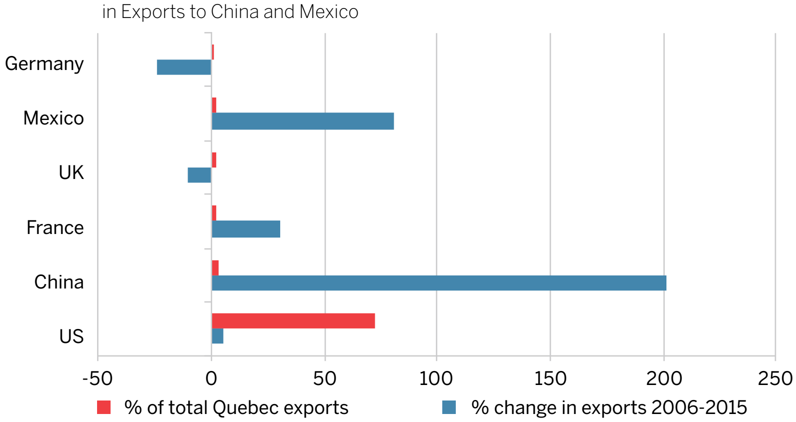
Largest Export Destinations
United States 74.2%
China 3.2%
France 1.8%
Mexico 1.5%
United Kingdom 1.4%

Share of Exports to Emerging Markets
2015: 11.2%
2010: 13.5%

Trade Diversification Index (100=total concentration in a single sector/region and 0=completely diversified)
Sector Diversification: 12.5%
Regional Diversification: 56.7%

Sources: Statistics Canada, Haver Analytics, EDC Economics

Figure 30: US Remains #1 Export Destination but Spectacular Growth in Exports to China and Mexico



Source: Industry Canada (Trade Data Online)

Table 21: Quebec Merchandise Outlook

TOP SECTORS	CAD mn 2015	% Share of Province's Total Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Metals, Ores and Other Industrial Products	20,024	25.0	3.0	-9	1
Aircraft and Parts	11,517	14.4	14.0	8	6
Forestry	9,734	12.2	7.3	5	-1
Chemical and Plastics	7,968	9.9	9.4	7	4
All Others	30,864	38.5	8.5	2	3
Total	**80,108**	**100.0**	**7.8**	**1**	**3**
Total excl. energy	**76,307**	**95.3**	**8.7**	**2**	**3**

Sources: Statistics Canada, EDC Economics

Table of Contents

4.6 Ontario

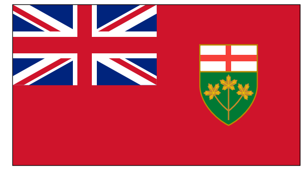
The value of Ontario's merchandise exports is forecast to grow by 7% in 2016, the highest annual increase among Canada's provinces, supported by the depreciated Canadian dollar and rising shipment volumes amid solid US demand. The forecast for this year is supported by Ontario's bucking of the comparatively weaker year-to-date national trend in exports destined to the US, fuelled by continued robust demand for automotive products and non-auto manufacturing products generally. Ontario exports in 2017 will remain virtually unchanged at this year's expected all-time high level driven by continued robust US demand, but weighed down by capacity constraints limiting export volume growth and by competitiveness challenges from the Mexican peso's more pronounced depreciation.

Exports of motor vehicles and parts, Ontario's single-largest exporting sector, will grow by 17% in 2016 fuelled by record US light vehicle demand lifting shipment volumes. The resumption of production at the Oakville and Windsor plants following last year's halts for modernization and retooling, combined with a material ramp-up in sector capacity utilization rates, is boosting 2016 volumes. The expected closure of GM's Consolidated plant in Oshawa will impact 2017 volumes, but following the tentative deal reached with the Unifor labour union, GM's continued operation of its Flex plant in Oshawa and the future investment commitment are promising news for the sector.

The outlook for Ontario's non-auto manufacturing exports, such as chemicals and plastics, industrial machinery and equipment, consumer goods, aerospace and advanced technology products, will remain solid both this year and next, driven by supportive US demand fundamentals, the competitive currency and the expected uptick in imports from US buyers.

Ontario exports of metals and other industrial goods are expected to decline by 7% this year followed by a modest 2% uptick in 2017. In the metals complex, exports are being challenged by lower demand for physical gold despite continued growth in gold production and safe haven demand amid persistent economic and geopolitical volatility. In 2017, base effects and upticks in US and EU demand will support a modest recovery.

PROVINCIAL STATS



GDP
CAD 722.0 bn

International Exports/GDP
33.6%

Canada's Total Exporters
38,855

Trade Balance
CAN (89.7) bn

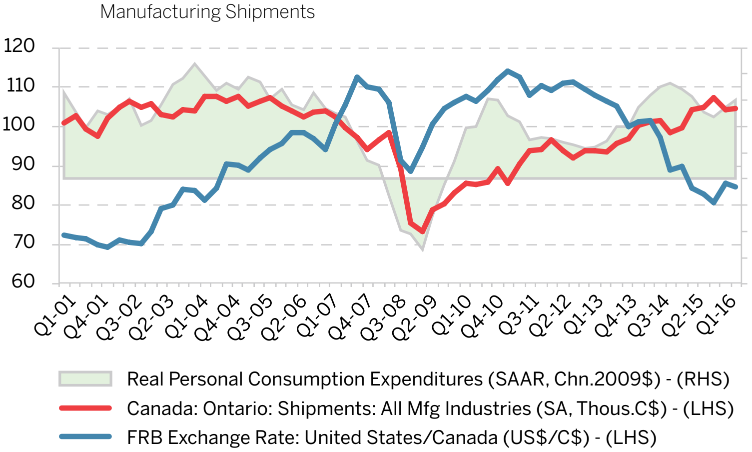
Largest Export Destinations
United States 80.1%
United Kingdom 6.4%
Mexico 1.4%
Hong Kong 1.3%
China 1.2%

Share of Exports to Emerging Markets
2015: 5.9%
2010: 5.6%

Trade Diversification Index (100=total concentration in a single sector/region and 0=completely diversified)
Sector Diversification: 20.8%
Regional Diversification: 65.0%

Sources: Statistics Canada, Haver Analytics, EDC Economics

Figure 31: Depreciated Canadian Dollar Amid Solid US Demand Boost Ontario Manufacturing Shipments



Sources: Haver Analytics, Statistics Canada

Table 22: Ontario Merchandise Outlook

TOP SECTORS	CAD mn 2015	% Share of Province's Total Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Motor Vehicles and Parts	71,442	36.3	14.5	17	-4
Metals, Ores and Other Industrial Products	38,031	19.3	-0.3	-7	2
Chemical and Plastics	25,220	12.8	10.6	3	3
Industrial Machinery and Equip.	18,129	9.2	17.4	6	4
All Others	44,137	22.4	14.7	4	4
Total	**196,961**	**100.0**	**11.1**	**7**	**0**
Total excl. energy	**193,737**	**98.4**	**11.6**	**7**	**0**

Sources: Statistics Canada, EDC Economics

4.7 Manitoba

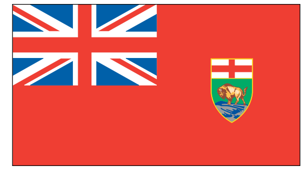
Manitoba's export growth will be modest in 2016 at 1%. Although metal, wheat and oil exports will weigh down the forecast, sales of pork, canola, and pharmaceuticals will buoy the final number. In 2017, growing global demand for high-quality agri-food, a metal price rebound and heightened US demand for pharmaceuticals and buses will support stronger growth of 3%.

Agri-food exports, which will grow 4% in 2016, are partly benefiting from strong pork performance. Canada's relatively new free trade agreement with Korea continues to have a supporting effect. The agreement is likely to help Manitoban exporters recover market share lost when the US's FTA with Korea came into effect in 2011 and displaced Canadian suppliers, for whom Korea was the second-largest importer of hogs. Exports to the US should also strengthen into 2017 as US production falls back to normal levels from the record highs of the past couple of years.

Oilseed exports are expected to perform well in 2016 and 2017. China will continue to be a significant destination for oilseeds, supported by the extension of the current regulatory regime agreed upon at the recent G20 meeting in China. On the other hand, exports of wheat are set to decline both this and next year due to ongoing challenges with abundant rain this year. Additionally, looking forward, global demand is expected to be weaker for wheat due to high inventories and strong US, Chinese and Indian production. On the whole though, most grain-related exports are expected to be back in positive growth territory in 2017 albeit somewhat softer, holding exports from the agri-food sector to a modest 2% gain.

On the manufacturing front, the greatest positive contribution to Manitoba's exports this year will come from shipments of pharmaceutical products. Pharmaceutical exports have been growing at a strong pace ever since Valeant's new investment in a line of natural products at its Steinbach plant. Indeed, a further investment into this plant was recently announced, which will support higher production of pharmaceuticals in 2017 as well. In heavier manufacturing, bus producer New Flyer Industries is expected to continue its strong performance of the past few years, although the recent suspension of a deal with New Jersey Transit is a downside risk.

PROVINCIAL STATS



GDP
CAD 64.1 bn

International Exports/GDP
27.0%

Canada's Total Exporters
38,855

Trade Balance
CAD (7.0) bn

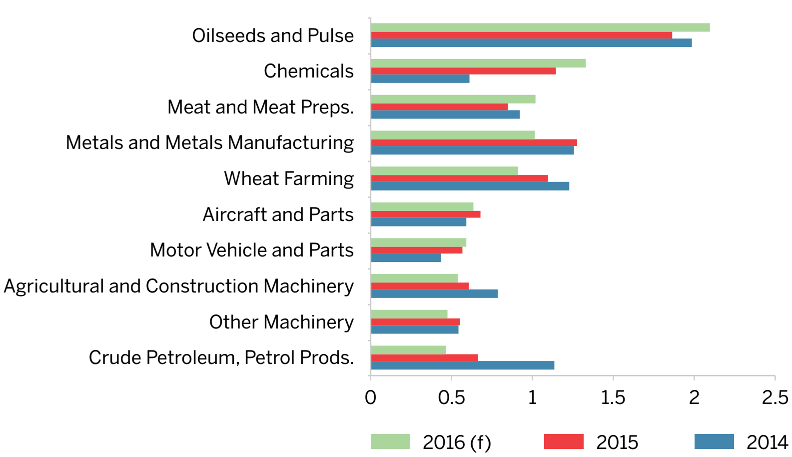
Largest Export Destinations
United States 69.1%
China 7.1%
Japan 4.6%
Mexico 2.5%
Hong Kong 1.5%

Share of Exports to Emerging Markets
2015: 18.0%
2010: 21.3%

Trade Diversification Index (100=total concentration in a single sector/region and 0=completely diversified)
Sector Diversification: 14.5%
Regional Diversification: 49.7%

Sources: Statistics Canada, Haver Analytics, EDC Economics

Figure 32: Diversity Does Its Thing: Top Exports Adjust



Sources: Statistics Canada, EDC Economics

Table 23: Manitoba Merchandise Outlook

TOP SECTORS	CAD mn 2015	% Share of Province's Total Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Agri-Food	5,121	37.3	-8.0	4	2
Chemical and Plastics	1,563	11.4	67.9	13	7
Metals, Ores and Other Industrial Products	1,563	11.4	6.5	-21	3
Industrial Machinery and Equip.	1,206	8.8	-12.4	-11	2
All others	4,262	31.1	3.3	5	3
Total	**13,715**	**100.0**	**1.9**	**1**	**3**
Total excl. energy	**12,668**	**92.4**	**5.6**	**3**	**3**

Sources: Statistics Canada, EDC Economics

Table of Contents

4.8 Saskatchewan

Saskatchewan exports will decline by 15% in 2016 as a result of continued weakness in the energy sector, collapsing potash fertilizer prices and lower crop prices. EDC Economics forecasts a 5% recovery next year supported by stabilization in energy and potash prices and continued demand for crops.

This year, crude oil exports will decline by 31% as a result of low prices and production. In 2017, higher forecast oil prices will allow Saskatchewan crude oil exports to expand by 13%.

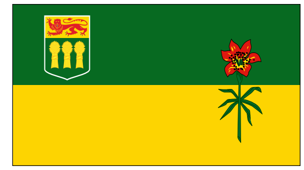
Like energy exports, fertilizer sales abroad are also forecast to shrink by 31% in 2016. Global oversupply and delays in the finalization of Chinese contracts have driven double-digit price declines this year. The stabilization of prices and rebound in demand is expected to raise exports by 8% in 2017.

In the agri-food sector, the overall direction in 2016 will also be negative, with exports shrinking by 3%, only to bounce back by 3% in 2017. Exports of wheat are the main drag, dropping 16% in 2016 due to strong global supply, including high US inventories. We expect a rebound of 4% in 2017 due to a 23% increase in Canadian production and declines elsewhere. While increased barley and oats production is expected to boost export volumes, increased global supplies and lacklustre demand for barley has hurt prices this year. As such, coarse grain exports will decline by 13% in 2016 and rebound strongly by 26% in 2017.

There are nevertheless several bright spots. Record canola production and the recent agreement between Canada and China to allow canola to be imported into China without any additional "docking" requirement until 2020 will help export volumes through 2017 and beyond. Chickpea exports will continue to set new records in 2016 on the back of record acreage, yields and continued strong demand, especially from India. Lentil and pea exports will remain healthy given increased lentil production (up nearly 40%) and emerging market demand.

Finally, while a nearly 20% drop in uranium prices clouds the export outlook in the near term, with 60 new nuclear plants under construction globally, the long-term export outlook remains extremely robust.

PROVINCIAL STATS



GDP
CAD 82.8 bn

International Exports/GDP
45.9%

Canada's Total Exporters
38,855

Trade Balance
CAD 22.4 bn

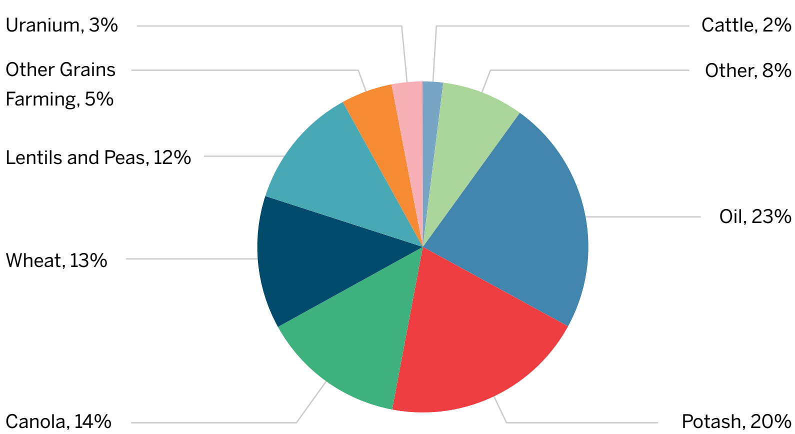
Largest Export Destinations
United States 54.3%
China 10.3%
India 5.8%
Japan 2.7%
Brazil 2.6%

Share of Exports to Emerging Markets
2015: 38.6%
2010: 28.9%

Trade Diversification Index (100=total concentration in a single sector/region and 0=completely diversified)
Sector Diversification: 24.1%
Regional Diversification: 33.6%

Sources: Statistics Canada, Haver Analytics, EDC Economics

Figure 33: A Diverse Export Base (2015)



Sources: Statistics Canada, Province of Saskatchewan, EDC Economics

Table 24: Saskatchewan Merchandise Outlook

TOP SECTORS	CAD mn 2015	% Share of Province's Total Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Agri-Food	15,286	46.9	9.8	-3	3
Energy	7,822	24.0	-43.2	-31	13
Fertilizers	6,750	20.7	31.9	-31	8
Chemical and Plastics	837	2.6	18.4	39	4
All Others	1,910	5.9	11.0	-15	1
Total	**32,605**	**100.0**	**-7.5**	**-15**	**5**
Total excl. energy	**24,783**	**76.0**	**15.5**	**-10**	**4**

Sources: Statistics Canada, EDC Economics

Table of Contents

4.9 Alberta

Alberta's export earnings will plunge 10% this year and spring back 10% in 2017. This year's broad-based downturn will see declines being registered in all major sectors. Next year, every sector except forestry products will witness an export growth recovery.

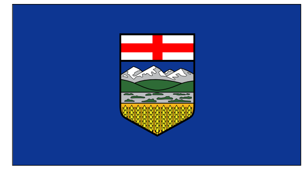
Petroleum exports will decline 12% in 2016 due to the depressed price of crude and drop-off in volume. Alberta's wildfires resulted in the loss of an estimated 40 million barrels of crude production deferred over a two-month period. In 2017, a partial price recovery will be supported by a return to stronger volumes, lifting exports 13%. Pipeline and refining bottlenecks are not expected, which should allow the price discount for Western Canada Select crude to remain in the USD15/bbl range. The challenge facing the industry is that despite the decline in US shale output, US crude inventories remain near historic levels.

Due to weaker prices, natural gas exports will slide 1% in 2016. The 3% bounce-back in 2017 will be driven by a price rebound. This year's price decline is caused by the US abundant shale gas capacity that is more economical to produce compared with Canadian production. The price of natural gas in North America will gradually recover as inventories decline and as the US further expands its liquefied natural gas capacity.

Agricultural exports will rise 3% next year. Wheat prices and volumes will post a soft recovery, while lentils will outperform. Upbeat global harvests will generally keep a lid on crop prices. The US removal of Country of Origin labels earlier this year has boosted Alberta cattle and beef exports in 2016. Next year, cattle export volumes will slide as US herds are recovering. However, increased interest from Asian buyers may still provide some support to volumes.

Chemicals and plastics exports will rebound 9% next year as the US recovery continues. Alberta's forestry sector will see a modest decline in exports in both years. Wildfires are to blame for this year's decline, while the likely introduction of lumber duties by the US is behind the 2017 contraction. Machinery and equipment sales are projected to drop sharply as investment delays in the oil and gas and mining sectors persist.

PROVINCIAL STATS



GDP
CAD 375.8 bn

International Exports/GDP
34.9%

Canada's Total Exporters
38,855

Trade Balance
CAD 63.6 bn

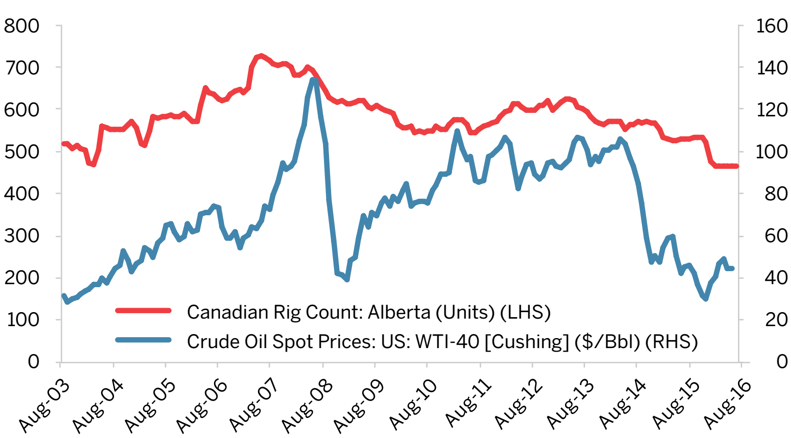
Largest Export Destinations
United States 87.1%
China 3.6%
Japan 1.7%
Mexico 1.1%
Korea, South 0.5%

Share of Exports to Emerging Markets
2015: 8.3%
2010: 8.0%

Trade Diversification Index (100=total concentration in a single sector/region and 0=completely diversified)
Sector Diversification: 47.6%
Regional Diversification: 76.3%

Sources: Statistics Canada, Haver Analytics, EDC Economics

Figure 34: Alberta Rig Count vs. WTI Prices



Source: Haver Analytics

Table 25: Alberta Merchandise Outlook

TOP SECTORS	CAD mn 2015	% Share of Province's Total Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Energy	63,491	68.7	-31.2	-12	13
Agri-Food	10,043	10.9	4.6	0	3
Chemical and Plastics	7,495	8.1	-6.6	-4	9
Forestry	3,021	3.3	11.1	-2	-1
All Others	8,390	9.1	-5.3	-14	3
Total	**92,441**	**100.0**	**-23.9**	**-10**	**10**
Total excl. energy	**28,950**	**31.3**	**-0.9**	**-5**	**4**

Sources: Statistics Canada, EDC Economics

Table of Contents

4.10 British Columbia

Weakness in global commodity prices, coupled with the impending threat of US duties to Canadian lumber products, will significantly restrain BC's export growth in 2017. In 2016, exports will grow only 3% followed by a 2% expansion in 2017.

After years of strong growth aided by the recovery of US housing from the Great Recession, the forestry sector in BC is facing headwinds. The Softwood Lumber Agreement between Canada and the US expired in fall 2015 and a one-year "cooling off" period expires in October 2016. US producers are expected to petition the US Commerce Department to impose duties on Canadian lumber products for what they assert are unfair subsidies to Canadian producers. To get ahead of this uncertainty and potential duties, BC forestry exports have ramped up in 2016 with growth forecast to be 10%. However, with duties likely to be imposed in 2017Q1, BC's forestry product exports are expected to decline by 1% next year as volumes decrease. Only continued US housing growth, which will boost prices, is providing limited support to exports.

Despite the ongoing weakness in metals prices, BC's exports of metals, ores and other industrial products will benefit from projects coming online and reaching full capacity. Production at Rio Tinto Alcan's Kitimat aluminum smelter is expected to more than triple this year to 287 Kt, while the Bruce Jack Gold Mine is expected to open in 2017, almost doubling BC's gold production. At the same time, the decline in production of copper at Highland Valley by nearly 25% will temper some of this growth. As a result, after 4% growth in 2016, metals and ores exports are expected to slow to 1% in 2017.

Agri-food exports are forecast to grow by 7% in 2016 and 6% in 2017 due to strong, early harvests and the continued expansion of aquaculture. The BC government has announced a five-year plan to increase aquaculture production by 14%. In the BC Interior, the 2016 apple harvest is forecast to be substantially larger than in 2015. Apple production and exports will likely increase over the next five years as newer apple varieties planted by orchards come to harvest.

PROVINCIAL STATS

GDP
CAD 237.2 bn

International Exports/GDP
22.4%

Canada's Total Exporters
38,855

Trade Balance
CAD (12.1) bn

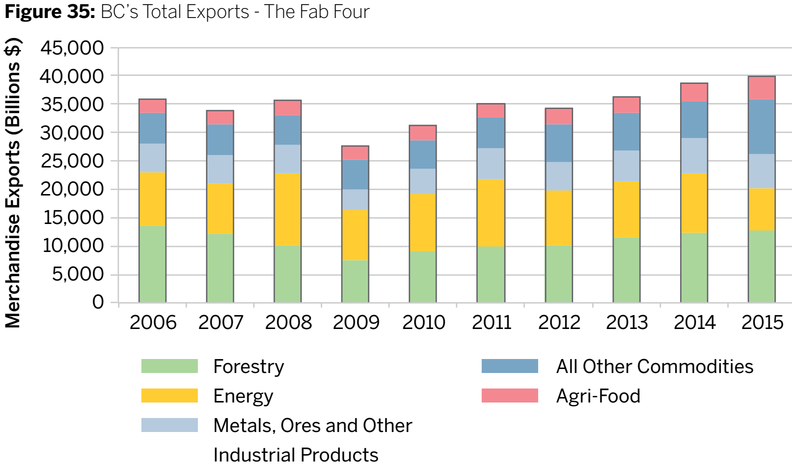
Largest Export Destinations
United States 51.8%
China 16.9%
Japan 10.1%
Korea, South 5.2%
India 1.7%

Share of Exports to Emerging Markets
2015: 24.9%
2010: 21.4%

Trade Diversification Index (100=total concentration in a single sector/region and 0=completely diversified)
Sector Diversification: 19.0%
Regional Diversification: 31.9%

Sources: Statistics Canada, Haver Analytics, EDC Economics

Figure 35: BC's Total Exports - The Fab Four



Sources: Statistics Canada, EDC Economics

Table 26: British Columbia Merchandise Outlook

TOP SECTORS	CAD mn 2015	% Share of Province's Total Exports 2015	Export Outlook (% growth) 2015	2016 (f)	2017 (f)
Forestry	12,780	35.5	3.7	10	-1
Metals, Ores and Other Industrial Products	6,111	17.0	-1.2	4	1
Energy	5,901	16.4	-25.1	-13	8
Agri-Food	3,852	10.7	17.7	7	6
All Others	7,326	20.4	19.4	3	3
Total	**35,970**	**100.0**	**0.5**	**3**	**2**
Total excl. energy	**30,069**	**83.6**	**7.7**	**7**	**1**

Sources: Statistics Canada, EDC Economics

Table of Contents

Export Performance Monitor

The Export Performance Monitor is a monthly publication which tracks recent movements in Canadian exports by industry and geographic market. The monitor also assesses EDC's main export forecast, which is produced twice yearly.

Commodity Tracker

The Commodity Tracker is a weekly table of commodity prices and economic indicators related to activity in the commodity markets that are most relevant to Canadian exporters.

Weekly Commentary by Peter G. Hall

Short, intuitive insights into this week's hot economic issues.

Country Risk Quarterly

The Country Risk Quarterly is an electronic publication aimed at Canadian companies looking to explore high potential markets. It provides valuable information on over 100 countries, helping to inform trade and investment decisions. A mix of text and visual graphics present the reader with the risks and opportunities of doing business in Europe, Asia, Africa, the Middle East and the Americas, including key insights on payment experience and risk-rating drivers.

Global Financial Markets

The Global Financial Markets (GFM) is a weekly publication that reports key financial and macroeconomic information for both developed and emerging markets. Currency exchange rates, stock markets and government bond spreads are included for over 50 countries in Latin America, Asia, Africa Middle East and Emerging Europe as well as other key external vulnerability indicators. For the US, Europe and Japan graphics and tables present information on the health of credit and financial markets.

This assessment is valid at date of issue but always subject to review.
Please contact the **EDC Economics Division** for current position.