



# 2017 State of Trade

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CONNECTING SASKATCHEWAN BUSINESS WITH THE WORLD



## CONNECTING **SASKATCHEWAN** BUSINESS WITH THE WORLD

Saskatchewan Trade and Export Partnership (STEP) was officially launched on August 21, 1996 with a mandate to increase Saskatchewan's exports to existing markets and to tap into new markets by initiating sales, contracts, and projects for Saskatchewan exporters.

Operating as a government/industry partnership, STEP champions the province's export industry and assists provincial businesses in realizing global marketing opportunities while finding custom solutions for Saskatchewan exporters.

As a non-profit, membership-based organization, STEP brings these resources together to provide world-class specially tailored services and programs that are of primary value to companies who are exporting outside the borders of Saskatchewan. These services include Trade Development, Market Intelligence, International Finance and Logistics, and International Development Projects.

For over 20 years, STEP has been providing Saskatchewan exporters with market research on-demand. Each year STEP provides its members with over 300 customized Market Intelligence reports. Recently STEP has expanded its set of offerings to include prepared Market Intelligence reports related to some of the most commonly requested exporting information. These reports are available to our members in addition to the general public.

STEP's reports are primarily based on secondary research accessed from our various licensed database subscriptions, Internet sources and STEP's wide network of worldwide contacts.

For more information on our organization, please check out our web site at [www.sasktrade.sk.ca](http://www.sasktrade.sk.ca).

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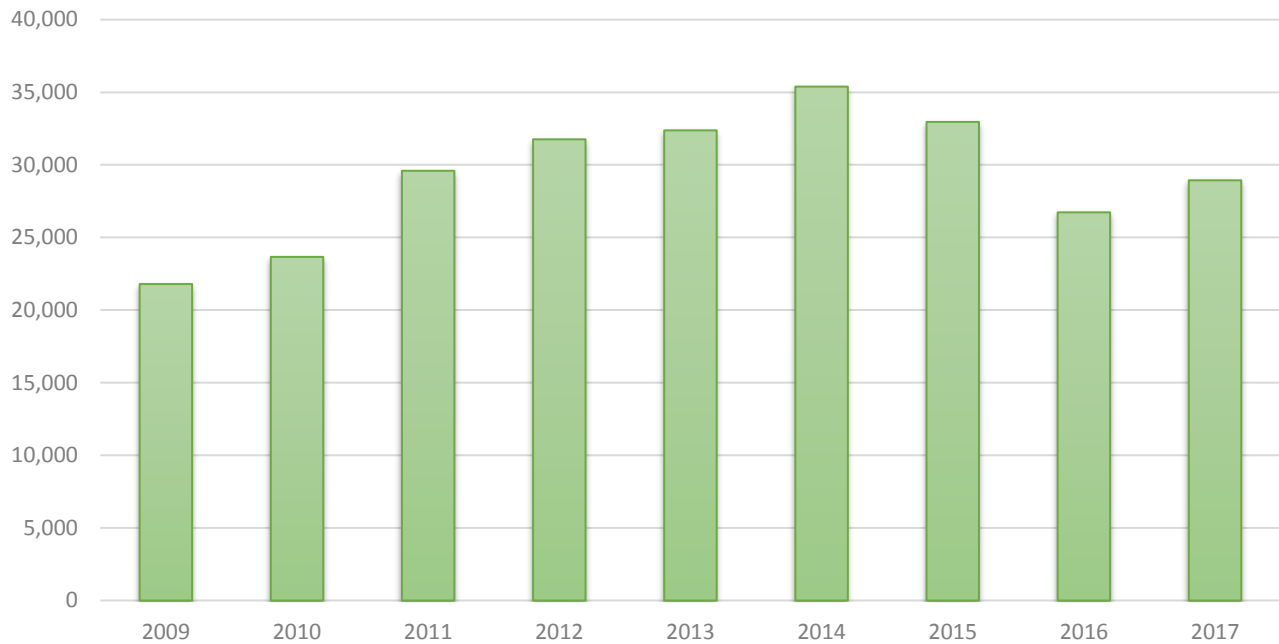
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# Historical Export Performance

One of the key pillars of Saskatchewan’s economic performance is the strength and resiliency of the province’s export focused sectors. Following a difficult year in 2016 for the provincial economy and the value of the Saskatchewan’s exports, 2017 represented a year of recovery. Overall, the value of Saskatchewan’s exports rose 8.2 percent to approximately \$28.9 billion, an increase of approximately \$2.2 billion from 2016. This placed 2017 just below the 10-year average of approximately \$29.3 billion.

**Value of Total Exports from Saskatchewan, 2009 – 2017 (CAD, millions)\***



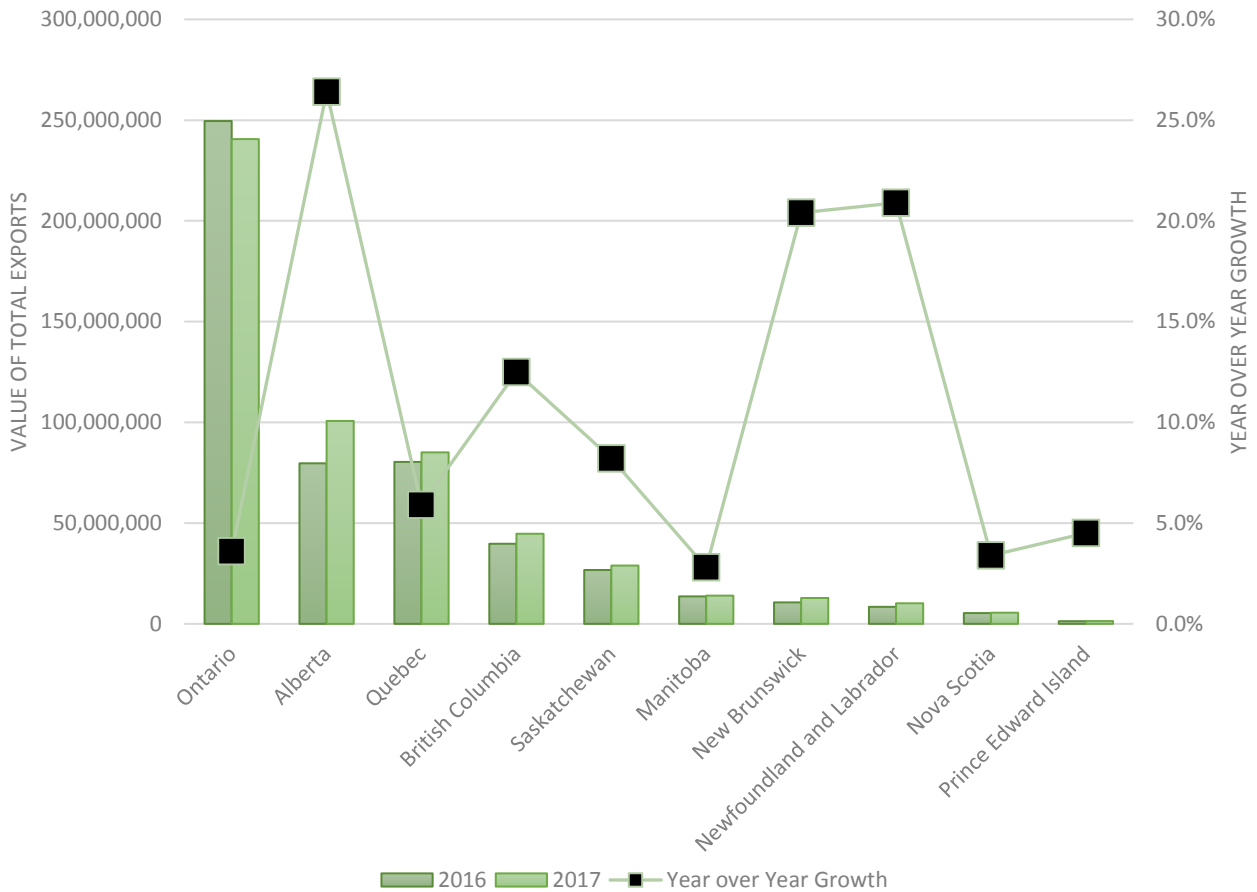
Source: Trade Data Online

\*The trade data contained within this report was sourced from the Government of Canada’s Trade Data Online database. This data consists of merchandise exports only. The released trade data for 2017 contained within this report is to be considered as preliminary data and is subject to adjustment over the upcoming months as further information is acquired.



On a national level, exports rose approximately 5.6 percent. Provincially, most provinces and territories recorded an increase in export levels for 2017. Ontario was the lone exception where exports decreased by 3.6 percent year-over-year. The decline in exports can be partially attributed to the reduction in exports originating from Ontario’s manufacturing sector.

**Provincial Total Export Comparison, 2016 – 2017 (CAD Thousands)**



Province	2016 Total Exports	2017 Total Exports	Year over Year Growth (%)
<b>Ontario</b>	\$249,543,884	\$240,595,301	<b>↓3.6%</b>
<b>Alberta</b>	\$79,676,544	\$100,708,217	<b>↑26.4%</b>
<b>Quebec</b>	\$80,370,740	\$85,109,817	<b>↑5.9%</b>
<b>British Columbia</b>	\$39,742,055	\$44,716,183	<b>↑12.5%</b>
<b>Saskatchewan</b>	\$26,731,001	\$28,935,752	<b>↑8.2%</b>
<b>Manitoba</b>	\$13,627,279	\$14,013,831	<b>↑2.8%</b>
<b>New Brunswick</b>	\$10,655,835	\$12,834,230	<b>↑20.4%</b>
<b>Newfoundland and Labrador</b>	\$8,439,718	\$10,200,491	<b>↑20.9%</b>
<b>Nova Scotia</b>	\$5,344,059	\$5,527,322	<b>↑3.4%</b>
<b>Prince Edward Island</b>	\$1,322,521	\$1,382,687	<b>↑4.5%</b>

Source: Trade Data Online



## Top Export Markets

The province's top five export markets remained the same (United States, China, India, Japan and Mexico) while Algeria and Bangladesh moved into the top 10, and Pakistan and Turkey moved out. Export shipments to Saskatchewan's top 10 export markets accounted for approximately 86.5 percent of the province's export sales.

### Top 10 Saskatchewan Export Destinations (CAD Thousands)

Country	2016	2017	% of Total Exports (2017)	Year over Year Growth (%)
<b>United States</b>	\$12,760,640	\$16,057,768	55.5%	<b>↑25.8%</b>
<b>China</b>	\$3,386,010	\$3,527,762	12.2%	<b>↑4.2%</b>
<b>India</b>	\$1,454,262	\$1,145,893	4.0%	<b>↓21.2%</b>
<b>Japan</b>	\$978,896	\$1,124,728	3.9%	<b>↑14.9%</b>
<b>Mexico</b>	\$695,754	\$779,824	2.7%	<b>↑12.1%</b>
<b>Indonesia</b>	\$547,805	\$584,858	2.0%	<b>↑6.8%</b>
<b>Brazil</b>	\$686,368	\$551,694	1.9%	<b>↓19.6%</b>
<b>United Arab Emirates</b>	\$466,343	\$482,829	1.7%	<b>↑3.5%</b>
<b>Algeria</b>	\$355,762	\$423,984	1.5%	<b>↑19.2%</b>
<b>Bangladesh</b>	\$441,436	\$325,467	1.1%	<b>↓26.3%</b>
<b>Others</b>	\$4,957,724	\$3,930,944	13.6%	<b>↓20.7%</b>
<b>Total</b>	\$26,731,001	\$28,935,752	100%	<b>↑8.2%</b>

Source: Trade Data Online

\*Totals may not add due to rounding

The United States proved once again to be Saskatchewan's largest trading partner by accounting for 55.5 percent of the province's total exports in 2017. This is notable, as the United States accounted for less than half of Saskatchewan's exports in 2016. Export shipments valued at \$16.1 billion were sent to the United States which is an increase of 25.8 percent from 2016. This was largely due to the increased value of Saskatchewan's significant oil exports into the U.S. market.

In 2017, China continued to be an important export destination for the province accounting for 12.2 percent of the province's exports. The value of exports to the Chinese market increased from 2016 due to greater shipments of canola and potash. India accounted for approximately four percent of Saskatchewan's exports in 2017, however overall exports to this market were down from the previous year. Exports of several key products to India such as pulse crops, potash and uranium were below 2016 levels. Canola shipments to Japan increased by \$100 million which helped grow overall exports by 14.9 percent. Algeria emerged as a top ten export market for Saskatchewan in 2017. Increased shipments of durum and lentils helped grow exports to Algeria by 19.2 percent.

## Top Export Products

The province's overall export mix in 2017 continues to be driven by Saskatchewan's main economic sectors, diversified between the oil & gas, agriculture & food, mining & minerals, manufacturing and technology sectors. The province's top exports in terms of value are listed in the figure below. Oil, potash, uranium, agricultural products and forestry products were among Saskatchewan's top 10 exported products in 2017.

### Top 10 Saskatchewan Exports by Product (CAD Thousands)

Product	2016	2017	% Change
Oil (Crude Petroleum and Bitumen)	\$4,716,016	\$7,213,120	↑52.9%
Canola (Seed, Oil and Meal)	\$5,612,348	\$5,934,461	↑5.7%
Potassium Chloride	\$4,666,300	\$5,047,049	↑8.2%
Wheat: Other	\$1,711,331	\$1,877,973	↑9.7%
Lentils	\$2,075,706	\$1,239,611	↓40.3%
Durum Wheat: Other	\$1,254,130	\$1,186,052	↓5.4%
Dried Peas	\$1,345,890	\$1,023,373	↓24.0%
Natural Uranium & Its Compounds	\$964,213	\$823,822	↓14.6%
Semi-Chemical Wood Pulp	\$233,917	\$281,807	↑20.5%
Oats: Other	\$282,924	\$262,078	↓7.4%
Others	\$3,868,226	\$4,046,406	↑4.6%
Total	\$26,731,001	28,935,752	↑8.2%

Source: Trade Data Online

The value of oil shipments (including crude petroleum and bitumen) increased by 52.9 percent in 2017 following the stabilization of oil prices. Other notable increases included potash (increased by 8.2 percent), wheat (increased by 9.7 percent) and semi-chemical wood pulp (increased by 20.5 percent). There were notable decreases in the dollar value of shipments of lentils (40.3 percent), dried peas (24 percent), and uranium (14.6 percent). The reduction in overall exports for lentils and other pulses is not surprising given Saskatchewan exports faced increased trade barriers to India.

## Key Trade Events & Issues

There were some significant developments in 2017 and early 2018 which should bolster the province's exports going forward. On September 21, 2017, the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) entered into force. The agreement ensured that 98 percent of the European Union's tariff lines were eliminated. Goods originating from Canada now have duty-free access for the EU market. An additional one percent of the EU's tariff lines will be gradually eliminated.<sup>i</sup>

In early 2018, the federal government reached an agreement for a Trans-Pacific trade agreement with the remaining members of the Trans-Pacific Partnership (excluding the United States). These markets include Australia, Brunei, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. The new trade agreement will provide preferential market access to several countries in the Asia-Pacific region including Japan, the world's third largest economy. Japan will eliminate tariffs on approximately 32 percent of its tariff lines on agriculture and agri-food products once the agreement enters into force. Additional reductions will follow in the form of permanent quotas and country-specific quotas for Canada along with additional tariff reductions and eliminations. It is anticipated that the agreement will result in new opportunities for exporters of agricultural commodities and processed food and beverage products.<sup>ii</sup>

Some significant challenges remain for the province's exporting sectors. The federal government is involved in ongoing negotiations with the United States and Mexico regarding the North American Free Trade Agreement (NAFTA). Given the importance of these two markets to Saskatchewan exporters, it is hoped that an updated version of the agreement will stabilize trade relations between Canada, the United States and Mexico going forward. Regardless of the outcome of these negotiations, STEP is actively working with Saskatchewan exporters to understand the potential impacts on their products in these markets across a variety of scenarios.

Saskatchewan pulse producers are also facing trade barriers for their products from one of their key markets. India introduced a 50 percent tariff on yellow peas in November 2017 followed by a 30 percent tariff on chickpea and lentil imports in late December 2017, followed by an additional ten percent increase on chickpea tariffs in early February 2018.<sup>iii</sup> Additionally, pulse export shipments destined for the Indian market are also subject to higher inspection fees. Given Saskatchewan's position as a major pulse crop producer and the importance of the Indian market as an export destination, these trade barriers will be a headwind for pulse exports in 2018.



# Provincial Economic & Export Forecast

Looking ahead to 2018 and 2019, economists from Canada’s major financial institutions are predicting Saskatchewan’s real gross domestic product (GDP) will grow by an average of 2.1 percent in 2018 followed by an average growth rate of 1.9 percent in 2019.

## Saskatchewan Economic Growth Forecast, 2017 – 2018 (Annual Real GDP % change)

Institution	2018 (%)	2019 (%)
CIBC	2.1	1.8
Bank of Montreal	2.0	1.7
Scotiabank	2.1	1.7
RBC	2.7	2.7
TD	1.9	1.8
National Bank of Canada	2.0	1.9
<b>Average</b>	<b>2.1</b>	<b>1.9</b>

Private sector economists are predicting an increase in activity in the oil & gas and mining sectors coupled with an improvement in growing conditions for the agricultural sector. It is expected that the stabilization in these key industries will help boost exports going forward for 2018 and 2019.

Looking to 2018, Export Development Canada (EDC) forecasts that Saskatchewan exports will grow by 4.0 percent. STEP supports this forecast and believes that stabilized commodity prices and continued economic growth will elevate exports in 2018. While growth is forecasted, the international landscape for Saskatchewan exports is not entirely clear and uncertainty will be a significant theme in 2018.<sup>iv</sup>

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<sup>i</sup> Global Affairs Canada, “CETA: A progressive trade agreement for a strong middle class”, <http://www.international.gc.ca/gac-amc/campaign-campagne/ceta-aecg/index.aspx?lang=eng>, accessed February 2018.

<sup>ii</sup> Global Affairs Canada, “CPTPP and Canada’s Agriculture and Agri – Food Sector”, <http://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/tpp-tp/agri.aspx?lang=eng>, accessed February 2018.

<sup>iii</sup> Western Producer, “India imposes duties on chickpeas and lentils”, <https://www.producer.com/2017/12/india-imposes-duties-chickpeas-lentils/>, accessed February 2018.

<sup>iv</sup> Export Development Canada, “Global Export Forecast, Fall 2017”, <https://edc.trade/global-export-forecast/>, accessed February 14, 2018.