



2016 Top Markets Report **Industrial Automation** Country Case Study

Canada

Canada ranks second overall in this year's Industrial Automation Top Markets Report. Despite headwinds due to currency exchange rates and falling oil prices, Canada has consistently received the highest or second-highest volume of U.S. automation exports. With its close proximity and shared language with the United States, Canada will continue to be a major destination for U.S. equipment exports.

Overall Rank

2

U.S. Exports:

2nd

Export Growth:

27th

UNIDO Industrial
Competitiveness
Ranking:

14th

UNIDO Industrial
Competitiveness
Growth Ranking:

23rd

Subsector Rankings

Sensors and
Instruments:

2nd

Electric Motors and
Actuators:

1st

Electrical Relays and
Industrial Controls:

2nd

Material Handling:

2nd

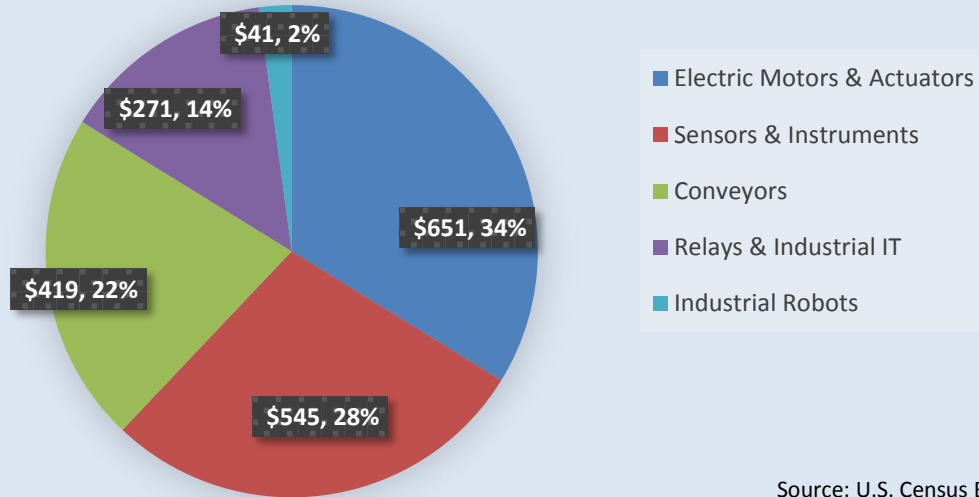
Industrial Robots:

2nd

ITA expects that U.S. industrial automation exports to Canada will decline through 2017. In 2015, U.S. automation exports to Canada were over \$1.9 billion. Exports to Canada decreased by 13.3 percent between 2014 and 2015, and since 2012, they have declined by roughly 7.1 percent annually (CAGR). ITA attributes this primarily to the strengthening U.S. Dollar against the Canadian Dollar. In 2012, both currencies traded at near parity. By the end of 2015, 1USD traded for 1.38CAD, presenting significant headwinds for U.S. exporters.

ITA also notes increased output from Mexico, with whom Canada partners in NAFTA. Since 2009, Mexico's share of the Canadian import market has increased by almost three percentage points. Increased output from Mexico is largely a result of deepening vertical supply chains through the NAFTA corridor and the relative stability of exchange rate between Canadian Dollars and Mexican Pesos. Coupled with the U.S. currency appreciation, ITA projects that U.S. exports to Canada will continue to face headwinds through 2017.

**Figure 1: U.S. Industrial Automation Exports to Canada by Subsector, 2015
(in USD Millions)**



Source: U.S. Census Bureau
Foreign Trade Division

Country Overview

Canada is a strategic market for U.S. automation exporters. The country is a member of the Group of Seven (G7) and has one of the largest and most highly advanced manufacturing economies in the world, which houses robust automobile, metal fabrication, consumer goods and plastics manufacturing industries. Canada is also one of the five largest energy producers in the world and is the principal source of U.S. energy imports.ⁱ Canada's proximity to the United States and status as a NAFTA trading partner are reflected in the level of trade already existing between the two countries. Canada is a net importer of industrial machinery and equipment.ⁱⁱ According to latest available U.N. data, in 2014, U.S. automation equipment accounted for 50.5 percent of the Canadian import market, the largest percentage of all of Canada's trade partners. This was followed by China with 12.7 percent and Mexico with 10 percent, both of which remain two principal competitors.

Canada shares over 5,500 miles of border with the United States (including Alaska). Approximately 90 percent of the country's 35 million residents live within 100 miles of the U.S. border. Manufacturing is concentrated in Ontario and Quebec, which account for roughly two-thirds of all manufacturing sales in

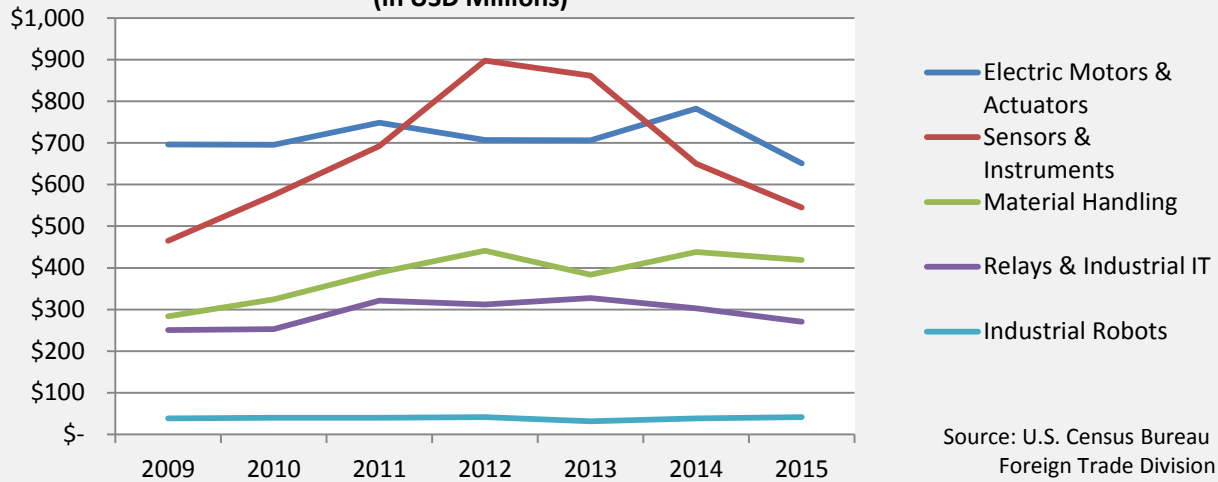
the country, followed by Alberta and British Columbia.ⁱⁱⁱ

Export Overview

Canada remains an important destination for U.S. exports. In 2015, sales to Canada accounted for nearly 18 percent of all industrial automation exports. Since 2012, however, U.S. exports to the country have declined by over 20 percent. In 2015, Mexico surpassed Canada for the first time to become the largest U.S. export market for automation products. Currency exchange rates are largely the cause of this trend, which have made it more expensive for Canadian consumers to import U.S. products. The record-low price of oil has also created significant challenges for the Canadian economy, with direct implications for automation equipment exporters. Other factors include the move of several automotive assembly lines and engine manufacturing units out of Canada, most notably General Motors.^{iv}

Canada is the largest export market for U.S.-made electric motors and actuators. In 2015, this category accounted for 34.5 percent of all industrial automation exports to Canada. However, from 2014 to 2015, exports in this product category, including parts, declined by 16.7 percent, which was the greatest decline among all of the product categories.

Figure 2: Annual Performance, U.S. Industrial Automation Exports to Canada (in USD Millions)



Canada remains the second largest U.S. export market for sensors and instruments, totaling \$545 million in 2015. Sales in this category experienced a similar drop between 2014 and 2015, falling over 16 percent. Recent developments that have contributed to the decrease in Canadian demand include the practical-completion of the national Smart Grid program, which has dropped demand for metering equipment to mainly maintenance and replacement parts. Sales of sensors and instruments also have been hard hit by Canada’s sagging oil and gas industry. Downstream oil refinement relies heavily upon process control apparatuses, and the low cost of oil has shrunk demand significantly in this area.

Conveyors and assorted material handling equipment sales were \$419 million in 2015, accounting for approximately 22.2 percent of U.S. automation exports to Canada. From 2009 to 2015, sales in this product category increased at an average annual rate (CAGR) of 6.7 percent, the largest growth rate in all of the product categories. Conveyors also experienced the smallest decline in sales between 2014 and 2015, dropping 4.5 percent. Unlike the previous categories described, material handling products have been affected far less by dropping oil prices.

In 2015, electric relays and industrial IT equipment exports equaled \$270 million, down 10.5 percent from 2014. Controllers and other control-room products have been affected by low oil prices, particularly due to their wide use in Supervisory Control and Data Acquisition (SCADA) systems across midstream and downstream operations.

Canada was the second largest export destination for U.S.-made industrial robots, including parts and end-of-arm tooling. In 2015, Canada received \$41 million of U.S. exports, up 6.4 percent from 2014. Robots are primarily concentrated in the Canadian automotive industry, which declined slightly from 2013 to 2014.^v Globally, Canada is still a relatively small market for industrial robots, adding only 2,300 units in 2014.^{vi} It still remains an important market for U.S. suppliers.

Challenges and Barriers

As a long-time free trade partner, Canada has zero tariffs on U.S. products. Under NAFTA, U.S. goods exports can claim preferential treatment through a Certificate of Origin.

Technical barriers to trade are few, and Canadian standards development is closely aligned with that of the United States. Given their close integration, there has been emphasis by Canadian and U.S. standards-developing organizations to collaborate even further to promote shared interests in international fora.

Exporters who also provide after-market services are advised to be well-versed in the relevant Work Permit regulations. After-market service represents an important revenue stream for automation companies, and many companies are unaware of regulations that specifically provide exceptions for after-sales working activities. For more information, exporters are encouraged to visit their local USEAC

or contact relevant U.S. Foreign Commercial Service offices located in Canada.

Know Your Buyer

Sales channels in Canada vary based on the subsector. Heavier or specialized equipment typically go through short marketing channels, and direct producer-to-user distribution is common. Equipment of considerable size and value is typically purchased directly by the user, though also through distributors and manufacturers' agents. The Canadian Government licenses customs brokers for importers, and it is typically the importer's responsibility to arrange customs clearance. Many U.S. exporters are unaware of the Non-Resident Importer Program, which allows U.S. companies to register to export in Canada without necessitating a physical presence.^{vii}

Information about government procurement practices is available from Public Works and Government Services Canada.^{viii} Companies wishing to compete for government tenders can create an account in the Supplier Registration Information (SRI) system.^{ix}

National and Regional Trade Shows

Process & Automation Shows, Canada
<http://www.cpecn.com/index.cfm?id=2>

Automation Expo & Conference
April 20-21, 2016 – Edmonton, Canada
<http://aecalberta.ca/>

[MC]² Conference
April 19-21, 2016 – Dallas, TX, USA
<http://mc2conference.com/>

Montreal Manufacturing Technology Show
May 16-18, 2016 – Montreal, Canada
<http://mmts.ca/>

ATX- Automation Technology Canada
May 16-18, 2016 – Toronto, Canada
<http://www.imts.com/>

IMTS 2016
September 12-17, 2016 – Chicago, IL
<http://www.imts.com/>

The Assembly Show 2016
October 25-27, 2016 – Rosemont, IL, USA
<http://www.theassemblyshow.com/index.php>

Pack Expo International
November 6-9, 2016- Chicago, IL, USA
<http://www.packexpointernational.com/>

Fabtech 2016
November 16-18, 2016 – Las Vegas, NV
<http://www.fabtechexpo.com/fabtech-2016/>

Promat 2017
April 3-6, 2017 – Chicago, IL, USA
<http://www.promatshow.com/>

ⁱ <https://www.eia.gov/beta/international/analysis.cfm?iso=CAN>

ⁱⁱ Economist Intelligence Unit Canada Country Report

ⁱⁱⁱ <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/manuf28-eng.htm>

^{iv} <http://www.theglobeandmail.com/report-on-business/international-business/us-business/gm-to-end-oshawa-camaro-production-nov-20/article24186829/>

^v Alan K. Binder, ed. "Ward's Automotive Yearbook 2014" *Ward's Automotive Group* (Southfield, MI). p. 97

^{vi} <http://www.ifr.org/industrial-robots/statistics/>

^{vii} Tracey Ford "Canada: the Non-Resident Importer Program" *U.S. International Trade Administration*, July 2015

http://files.export.gov/x_2425843.pdf

^{viii} <http://www.tpsgc-pwgsc.gc.ca/app-acq/index-eng.html>

^{ix} <https://srisupplier.contractsCanada.gc.ca/index-eng.cfm?af=ZnVzZWJdGlVbj1yZWdpc3Rlci5pbnRybyZpZD03>