



# 2016 Top Markets Report **Manufacturing Technology** Country Case Study

## Canada

Canada ranks second overall in this year's Manufacturing Technology Top Markets Report. As one of the first markets to enter into a Free Trade Agreement with the United States, Canada has consistently received the highest or second-highest volume of U.S. manufacturing technology exports. With its close proximity and shared language with the United States, Canada will continue to be a major destination for U.S. equipment exporters.

Overall Rank

2

U.S. Exports:  
2nd

Export Growth:  
17th

UNIDO Industrial  
Competitiveness  
Ranking:  
15th

UNIDO Industrial  
Competitiveness  
Growth Ranking:  
22nd

### Subsector Rankings

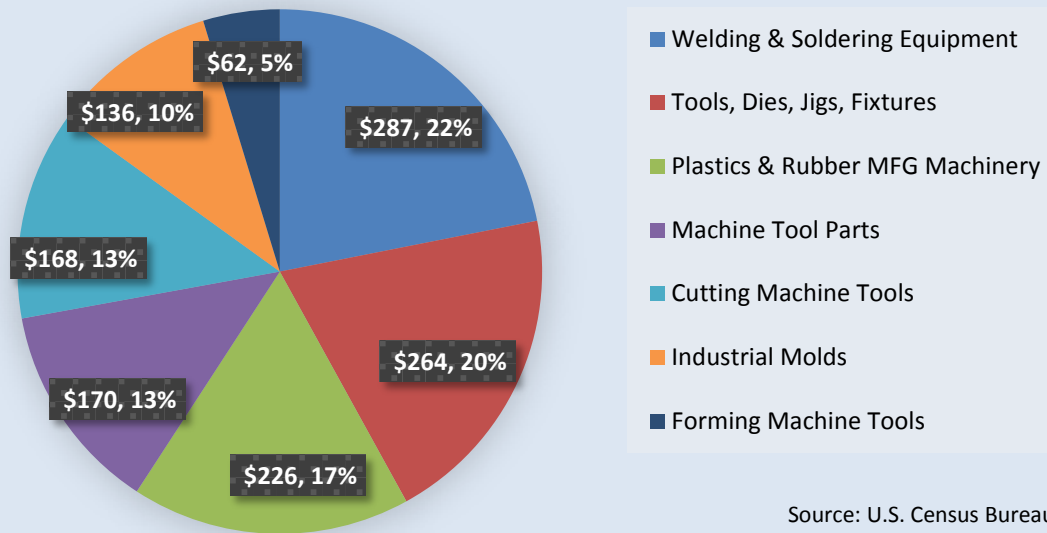
Machine Tools (Cutting): 3rd	Machine Tools (Forming): 3rd	Welding & Soldering Equipment: 1st	Plastics & Rubber Equipment: 1st	Tools, Dies, Jigs, and Fixtures: 2nd	Machine Tool Parts: 2nd	Industrial Molds: 2nd	Additive Manufacturing Equipment: 8th*
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ITA expects that U.S. manufacturing technology exports to Canada will decrease slightly through 2017. In 2014, U.S. exports to Canada exceeded \$1.3 billion. Exports to Canada decreased by 6.4 percent between 2014 and 2015, largely tied to the appreciating value of the U.S. dollar against the Canadian dollar. From 2009 through 2015, exports to Canada grew by 5.0 percent annually (CAGR). ITA projects that U.S. sales to Canada will continue to face headwinds due to currency exchange rates through 2017.

### Country Overview

Canada is a strategic market for U.S. manufacturing machinery exporters. The country is a member of the Group of Seven 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's proximity to the

**Figure 1: U.S. Manufacturing Technology Exports to Canada, 2015  
(in USD Millions)**



Source: U.S. Census Bureau  
Foreign Trade Division

United States and status as a North American Free Trade Agreement (NAFTA) trading partner are reflected in the level of already existing trade. Canada is a net importer of industrial machinery and equipment, and in 2014, according to latest available United Nations trade data, U.S. machinery and equipment accounted for 43.6 percent of the Canadian import market, the largest percentage of all of Canada’s trade partners. The U.S. was followed by Japan with 11.4 percent and Germany with 10.5

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, accounting for roughly two-thirds of all manufacturing sales in the country, followed by Alberta and British Columbia.<sup>i</sup>

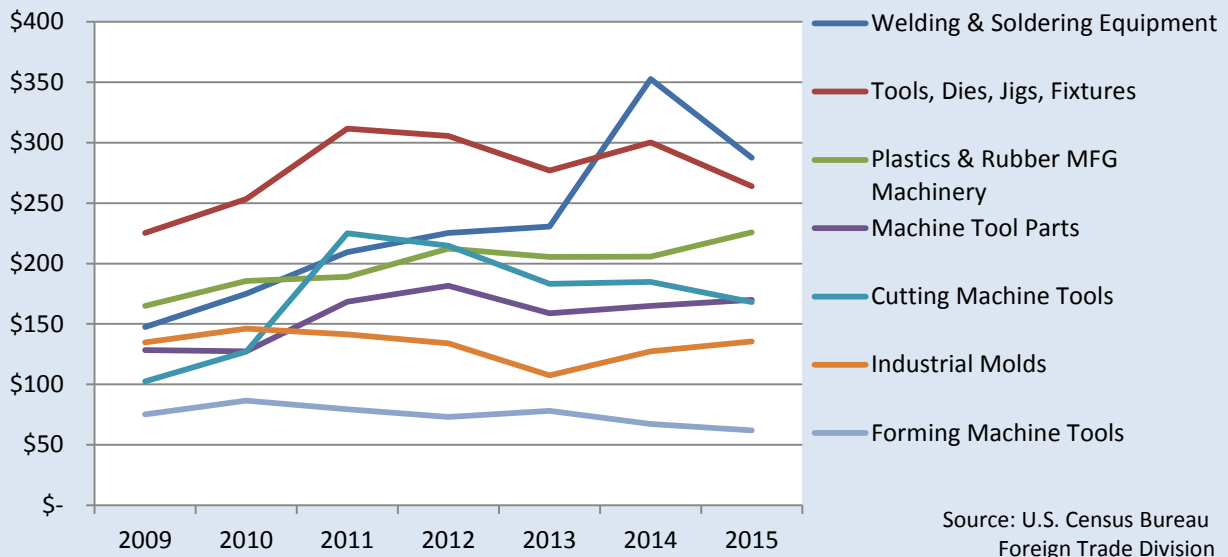
### Export Overview

Canada is an important destination for U.S. exporters. In 2015, sales to Canada accounted for over 16 percent of all U.S. manufacturing technology exports. Between 2014 and 2015, exporters were challenged by the appreciating value of the U.S. Dollar against the Canadian Dollar, which grew from 1USD:1.06CAD at the beginning of 2014 to a high of 1USD:1.38CAD at the end of 2015. As with other markets, the strong U.S. Dollar has the effect of increasing prices on U.S. made products in the purchasing country. In order to remain competitive,

U.S. producers must either lower prices and diminish profitability, or maintain steady prices at the risk of losing out to lower-cost competitors. Such has been the case in Canada, and will likely continue in the short-term. In November of 2015, General Motors reduced capacity of their Oshawa assembly lines, which has also been a factor in diminished manufacturing technology exports.<sup>ii</sup>

In 2015, Canada was the largest export market for two manufacturing technology product categories, which were welding and soldering equipment, and plastics and rubber manufacturing equipment. In 2015, these two categories accounted for 39.1 percent of all U.S. manufacturing technology exports to Canada. From 2009 to 2015, exports of welding and soldering equipment grew by 11.8 percent annually (CAGR), more than double the rate of total manufacturing technology sales to Canada. Much of this growth has been driven by increased sales of fully or partially automated electric resistance welders, which are used regularly in the automotive and consumer appliance industries. U.S. companies exported \$226 million of plastics and rubber making equipment to Canada in 2015. Sales in this sector have grown modestly at 5.4 percent (CAGR) between 2009 and 2015. Parts for injection molding machines and other plastics machinery accounted for more than half of the exports in this subsector. Between 2009 and 2015, the sales volume of parts accounted for well over half of exports in this subsector.

**Figure 2: Annual U.S. Industrial Automation Exports to Canada, by Subsector (in USD millions)**



In 2015, Canada dropped to the second largest U.S. export market for tools, dies, jigs, and fixtures. The largest changes came in composites products. From 2009 to 2015, sales of tools and plates made from sintered carbides grew by 66.5 percent, and were the largest product category in 2015. Meanwhile, sales of tools and plates made of cemented cermet, which were the top export in this category in 2009, dropped over 75 percent and were one of the lowest selling products to Canada in 2015.

Canada was the second largest U.S. export market for two other manufacturing technology product categories. Industrial mold builders sold \$135 million of products to Canada in 2015, and while this was up from 2014, exports in the subsector have increased by less than one tenth of a percent annually (CAGR) between 2009 and 2015. As highlighted in the Sector Snapshot, Canada accounts for almost 22 percent of all U.S. mold exports. Mold sales are expected to decrease in the next two years as mold production continues to shift to lower cost competitors like China and South Korea. Canada was also the second largest export destination for U.S. machine tool parts. After five years of modest sector growth of 4.8 percent annually (CAGR), in 2015, U.S. companies sold \$170 million of parts. After-market parts will continue to be a source of growth, particularly as sales of forming machine tools is expected to decline due to relative market saturation of original equipment.

Forming machine tool exports to Canada have experienced a 3.2 percent annual decline (CAGR) between 2009 and 2015. As Chinese and South

Korean companies have increased their presence in Canada, U.S. market share in this sector has declined from nearly 45 percent in 2009 to less than 30 percent in 2014. This decline is likely to continue in the next two years.

Cutting machine tool exports, meanwhile, have grown at a relatively robust annual rate of 8.6 percent (CAGR) between 2009 and 2015. Sales have been bolstered by growth in high-value machining centers, laser-cutting, and spark-machining tools. U.S. market share has remained steady at roughly 27 percent over the same time frame, indicating a growing opportunity for tool makers.

According to Wohlers Associates, in 2014, Canada accounted for a small percentage (1.9 percent) of the world's installations of additive manufacturing equipment.<sup>iii</sup> Sales of additive manufacturing equipment have gained some momentum in the country, though most activity remains in government and university settings.

### Challenges and Barriers

As a long-time free trade partner, Canada has zero tariffs on U.S. manufacturing technology products. U.S. companies should provide a Certificate of Origin to claim preferential tariff treatment for exports under the NAFTA.

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. 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. Machinery 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. U.S. exporters are also encouraged to look into the Non-Resident Importer Program, which allows U.S. companies to register and import in Canada without necessitating a physical presence in country.<sup>iv</sup>

Information about government procurement practices is available from Public Works and Government Services Canada.<sup>v</sup> Companies wishing to compete for government tenders can create an account in the Supplier Registration Information (SRI) system.<sup>vi</sup>

### National and Regional Trade Shows

Fabtech Canada  
March 22-24, 2016 – Toronto, Canada  
<http://fabtechcanada.com/>

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

Metalworking Manufacturing and Production Expo  
May 3, 2016 – Coquitlam, British Columbia  
June 7, 2016 – Halifax, Nova Scotia  
<http://www.mmpshow.com/>

Plast-Ex

May 16-18, 2017 – Toronto, Canada  
[www.plastex.plasticstoday.com](http://www.plastex.plasticstoday.com)

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

Rapid 2016 (Additive Manufacturing)  
May 16-20, 2016 – Orlando, FL  
<http://www.rapid3devent.com/>

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

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

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<sup>i</sup> Statistics Canada "Manufacturing Sales, by province and territory" *CANSIM*, tables 304-0014 and 304-0015. Last modified: 20 January, 2016.

<sup>ii</sup> <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/manuf28-eng.htm>  
<sup>iii</sup> <http://www.theglobeandmail.com/report-on-business/international-business/us-business/gm-to-end-oshawa-camaro-production-nov-20/article24186829/>

<sup>iv</sup> Tim Caffrey, Terry Wohlers "Wohlers Report 2015: 3D Printing and Additive Manufacturing State of the Industry" *Wohlers Associates, Inc.*, 2015. p. 30, 180.

<sup>v</sup> Tracey Ford "Canada: the Non-Resident Importer Program" *U.S. International Trade Administration*, July 2015

[http://files.export.gov/x\\_2425843.pdf](http://files.export.gov/x_2425843.pdf)

<sup>vi</sup> <http://www.tpsgc-pwgsc.gc.ca/app-acq/index-eng.html>

<https://srisupplier.contractscanada.gc.ca/index-eng.cfm?af=ZnVzZWJidGlVbj1yZWdpc3Rlci5pbmRybyZpZD03>