

Box D: Canada's Services Trade – Is There Room to Grow?

Production in Canada's services sector is almost twice that in Canada's goods sector. However, the value of Canada's exports of services is substantially smaller than that of merchandise exports. This section reports on a number of factors that help explain the lower export orientation of Canada's services sector. It also suggests that there is plenty of scope for Canada's services exports to expand rapidly, especially in the event of significant liberalization in services trade.¹¹

Table D.1 presents industry data on exports as shares of the particular industry's GDP, using IO data for 1997 as an illustration. These "artificial" indicators of export orientation show that manufacturing, agriculture and mining are among the most trade-dependent sectors in the Canadian economy.¹² This export-orientation measure is most prominently high in the case of manufacturing, a sector in which the import content of exports is particularly large.

Table D.1: GDP and Domestic Exports as a Share of Current Dollar GDP by Industry in 1997

	GDP (\$ millions)	Share of GDP (%)	Domestic Exports (\$ millions)	Exports/GDP (%)
Agriculture	11,676	1.5	9,730	83.3
Fishing & logging	7,311	1.0	782	10.7
Mining	34,179	4.5	26,394	77.2
Manufacturing	144,293	18.9	223,773	155.1
Construction	40,785	5.4	61	0.1
Utilities	26,025	3.4	1,537	5.9
Transportation & storage	34,661	4.6	20,368	58.8
Communications	22,755	3.0	2,169	9.5
Wholesale trade	43,150	5.7	10,560	24.5
Retail trade	41,781	5.5	680	1.6
Finance, insurance & real estate	124,051	16.3	6,710	5.4
Finance & real estate	58,590	7.7	3,653	6.2
Owner occupied dwellings	54,138	7.1	0	0.0
Insurance	11,323	1.5	3,057	27.0
Business services	41,576	5.5	9,737	23.4
Professional services	18,565	2.4	7,123	38.4
Advertising	2,078	0.3	252	12.1
Other business services	20,932	2.8	2,362	11.3
Education	41,798	5.5	592	1.4
Health and social services	51,187	6.7	188	0.4
Accommodation & food	19,494	2.6	5,536	28.4
Other services	31,333	4.1	4,467	14.3
Amusement & recreation services	8,286	1.1	2,918	35.2
Personal and household services	6,105	0.8	344	5.6
Membership organization	14,509	1.9	74	0.5
Other services	16,942	2.2	1,131	6.7
Government services	45,798	6.0	905	2.0
Total services	497,584	65.3	61,912	12.4
Non-tradable services	192,921	25.3	1,876	1.0
Tradable services	304,663	40.0	60,036	19.7
Total merchandise	264,269	34.7	262,277	99.2
All industries	761,853	100.0	324,189	42.6

Sources: Statistics Canada's CANSIM database and 1997 input-output statistics.

¹¹ For more detail, see Trade Policy Research 2002, Department of Foreign Affairs and International Trade, 2002.

¹² Note that the value of exports could exceed that of the industry's GDP, because GDP measures value added in Canada while an important percentage of exports consists of imports from abroad. For this reason, these artificial constructs overstate industrial export-orientation, especially for merchandise because import contents are substantially higher for exports of merchandise than for exports of services. See Cameron, G. and P. Cross. "The Importance of Exports to GDP and Jobs," *Canadian Economic Observer*, November 1999, p. 3.3, figure 3.