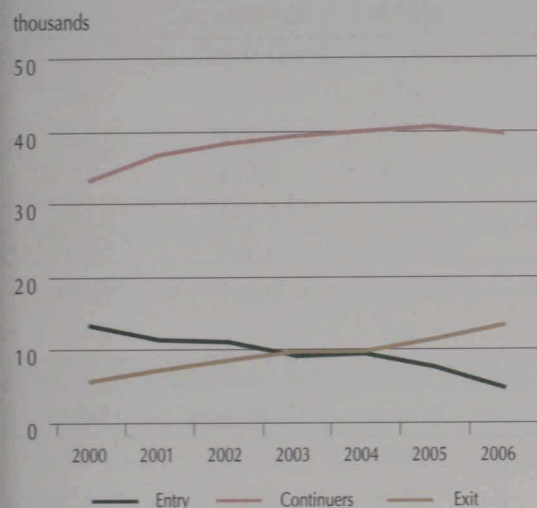


FIGURE 11

Number of Entries, Continuers and Exiters (,000), 2000-06



Source: Exporter and Business Register/Authors' calculations

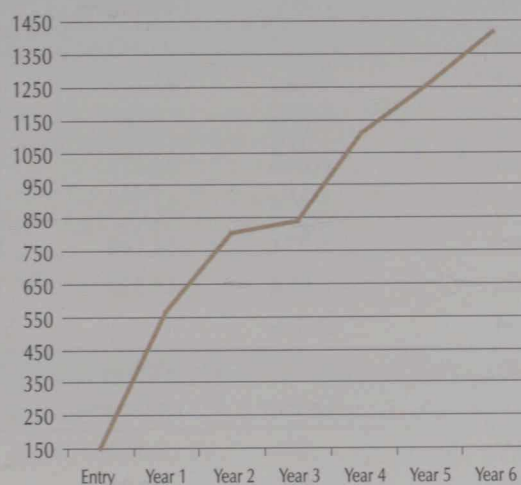
The impact of this exporter churn on the annual value of exports was modest since, on average, continuing exporters accounted for 99 percent of the total value of exports. Nevertheless, as shown below, new entrants have a considerable impact on the value of exports over the longer term.

New exporters often start out with one export destination and generate very small export sales initially. Over 90 percent of all new exporters in Canada started off exporting to one destination, in most cases (for 85 percent of these new exporters) the United States was their first destination. In 2000, the value of exports generated by all new entrants summed to \$1.98 billion, which is equivalent to 0.6 percent of total exports for the year. That share shrank to only 0.4 percent in 2006, reflecting the declining number of new entrants.

New trading relationships are much more fragile and prone to failure than those that are established. About 50 percent of exporters who started in 2000 were no

FIGURE 12

The Average Value of Exports per Firm after Initial Entry (\$000)



Source: Statistics Canada's Exporter and Business Register/Authors' calculations

longer exporting after two years, and after six years, only a quarter of new exporters were still exporting.

However, once the new entrants established themselves in the export market, their export revenues increased significantly (See Figure 12).

Market diversification of Canadian exporters was driven by the different entry and exit dynamics in the four regional markets. Between 2000 and 2006, there was a net exit from the U.S. market as the total number of new entrants (49,336) was less than the total number of exiters (51,091). By contrast, new entrants outnumbered exiters in each of the other major regional markets. The number of net entries was 792 for Asia, 821 for Europe, and 345 for Latin America.

While the number of continuing exporters to the U.S. market remained stable, this was not the case in the other three markets. Net increases in the number of continuing exporters were significant in Asia, Europe and Latin America. This indicates that new entrants in these latter three markets