



HOW DO SMEs CONTRIBUTE TO CANADA'S EXPORTS?

Exporting is vital to Canada's economy. It is a driver of economic growth and is strongly correlated with real gross domestic product growth. Furthermore, exporting can provide a strategically important means of growing a firm by expanding its market beyond the confines of Canada's relatively small domestic market. Canada's continued commitment to establishing trade agreements reflects this importance.

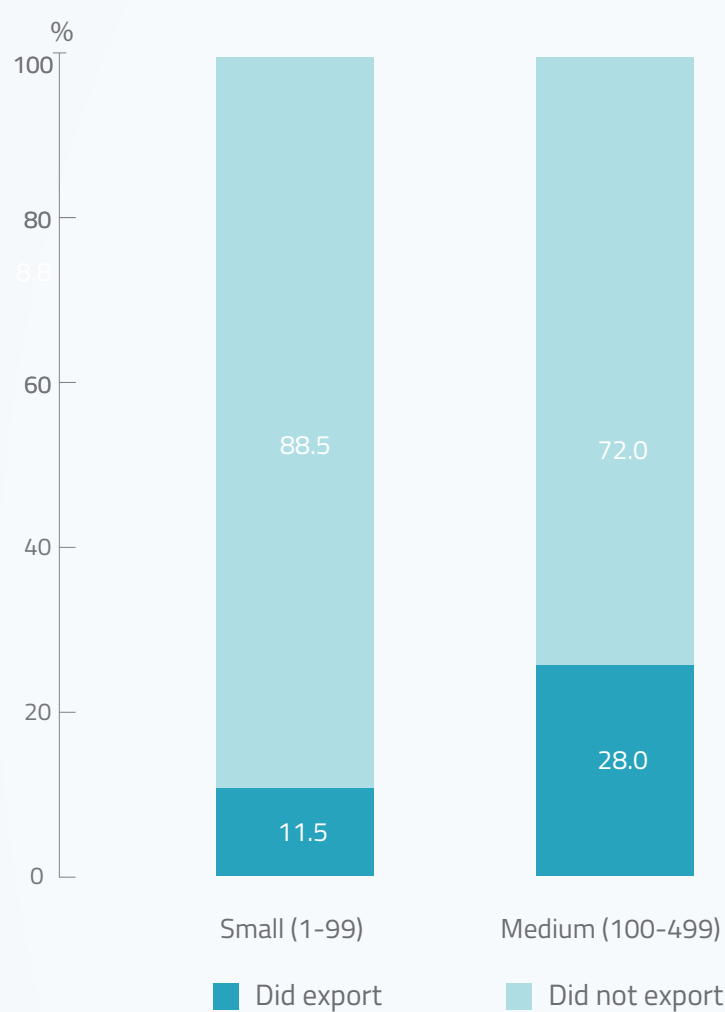
In 2013, Canada exported goods totalling \$420 billion, of which \$106 billion was exported by SMEs. More than 37,000 Canadian SMEs were active exporters of goods to a broad array of international destinations. While the majority (over 26,000) of these SMEs exported to only one country, a significant number exported to two and three to five countries (4,200 and 3,700 respectively).

Data from the Survey on Financing and Growth of Small and Medium Enterprises, 2014, which captures exports of both goods and services, show that 11.8% (73,000) of SMEs exported in 2014. The percentage of small businesses that export is less than half the percentage of medium-sized enterprises that export, revealing the important role that size plays in determining the propensity of firms to export (Figure 1K).

As illustrated in Figure 1L, innovative SMEs tend to outperform non-innovators in terms of exports. This suggests that innovation and exports may be positively correlated, but further research is required to determine the role of product, process, organizational and marketing innovations in exporting.

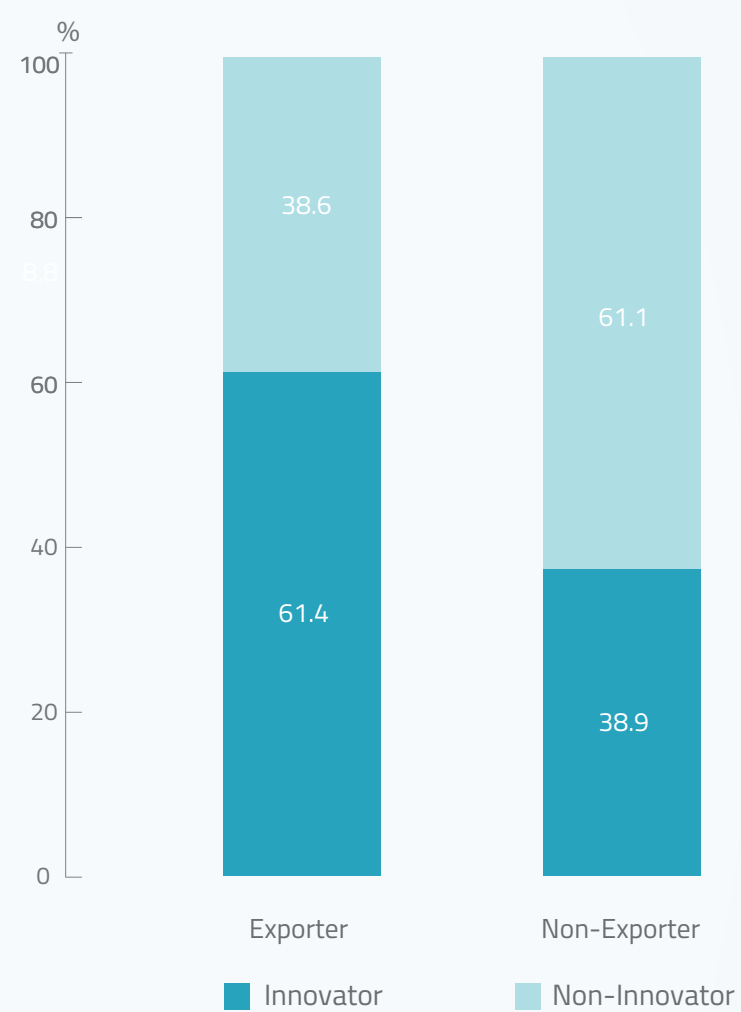
Proportion of SMEs that Exported Goods and Services in 2014

Figure | 1K



Proportion of Innovating and Non-Innovating SMEs that Exported in 2014

Figure | 1L



SOURCE: Statistics Canada, Survey on Financing and Growth of Small and Medium Enterprises, 2014; and Innovation, Science and Economic Development Canada calculations.

WHAT DO SMALL BUSINESSES CONTRIBUTE TO CANADA'S TOTAL EXPORTS?

In terms of destinations in 2014, Figure 1M indicates that the main destination for Canadian SME exports continues to be the United States, which accounted for 88.1% of total exports of small businesses and 96.2% of exports of medium-sized businesses. In 2014, national SMEs also actively exported to China and other Asian countries, which cumulatively accounted for over 25% of exports of small businesses and more than 40 percent of exports of medium-sized enterprises. Compared with medium-sized businesses, the percentage of small enterprises that export is lower in all destination categories except Europe, where the percentage of small and medium-sized exporters is almost identical (31.6% for small businesses versus 31.2% for medium-sized enterprises).

Figure | 1M

Export Destinations of SMEs by Business Size, 2014

Business Size (# of employees)	Percentage of Exporters					
	United States	Latin America	Europe	China	Other Asia	Other
All SMEs	89.2	16.7	31.3	13.1	15.5	20.6
1-4	84.4	13.8	32.7	11.5	15.6	18.0
5-19	92.6	16.4	30.2	15.5	13.8	23.9
20-99	91.7	21.4	30.4	11.0	17.0	18.7
Small (1-99)	88.1	15.6	31.6	12.8	15.1	20.1
Medium (100-499)	96.2	26.5	31.2	17.7	24.1	27.7

SOURCE: Statistics Canada, Survey on Financing and Growth of Small and Medium Enterprises, 2014; and Innovation, Science and Economic Development Canada calculations.
Note: Multiple responses were possible, so estimates add up to more than 100 percent.