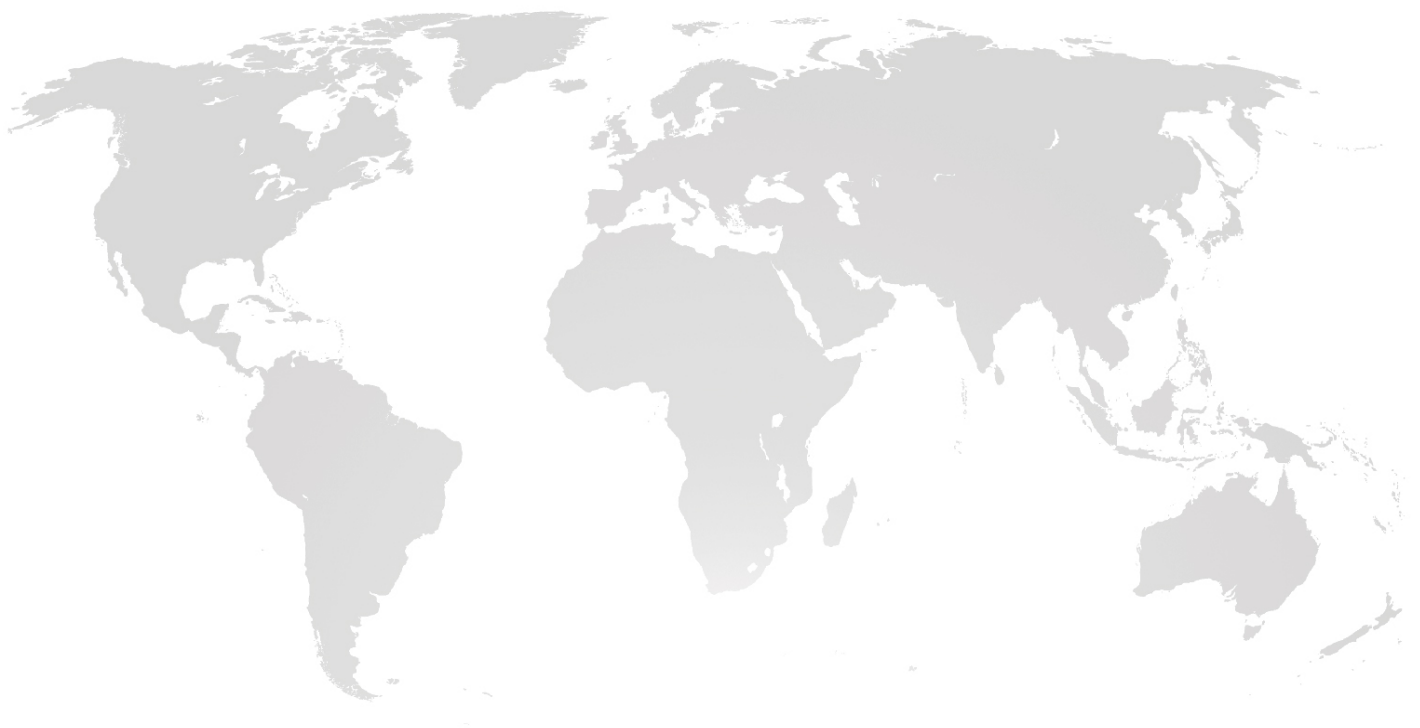


Country Insight Snapshot

Canada

November 2015





OVERVIEW

OVERALL COUNTRY RISK RATING: DB2B

Low risk: Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns in future.



Rating Outlook:

Stable



CORE OUTLOOK

+ Canada is an open economy and is actively seeking to diversify its trade and investment ties, particularly with Europe and Asia.

+ Canada enjoys logistics and market integration with the US, as well as preferential terms under the North American Free-Trade Agreement.

- Exposure to the oil sector can be a destabilising factor and cause large swings in fiscal budgets, inflation and the exchange rate.

- The fiscal and regulatory regimes involve separate federal and provincial layers, which can complicate projects and cause delay.

KEY DEVELOPMENT

The Bank of Canada and Parliamentary Budget Office anticipate slower growth and larger deficits than previously anticipated over the next few years.

CREDIT ENVIRONMENT OUTLOOK



Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

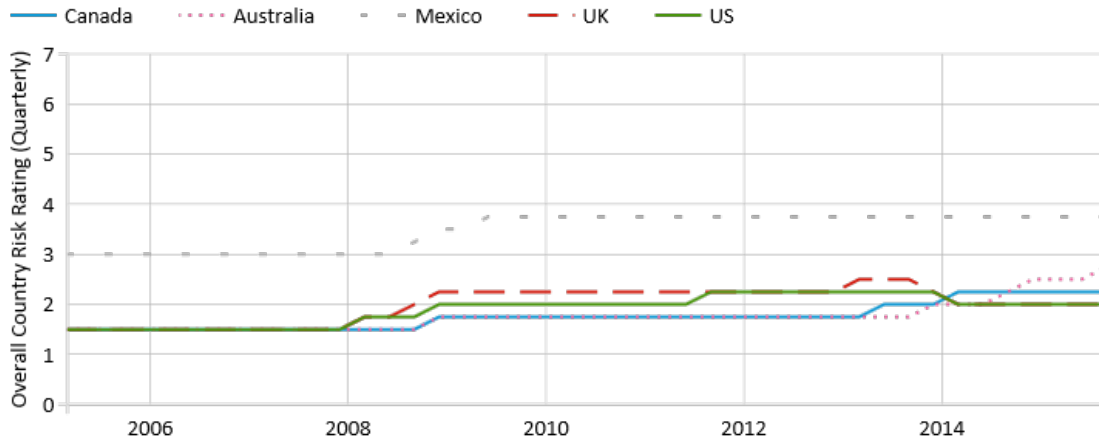


Key Development has had a neutral impact on the outlook.



KEY INDICATORS

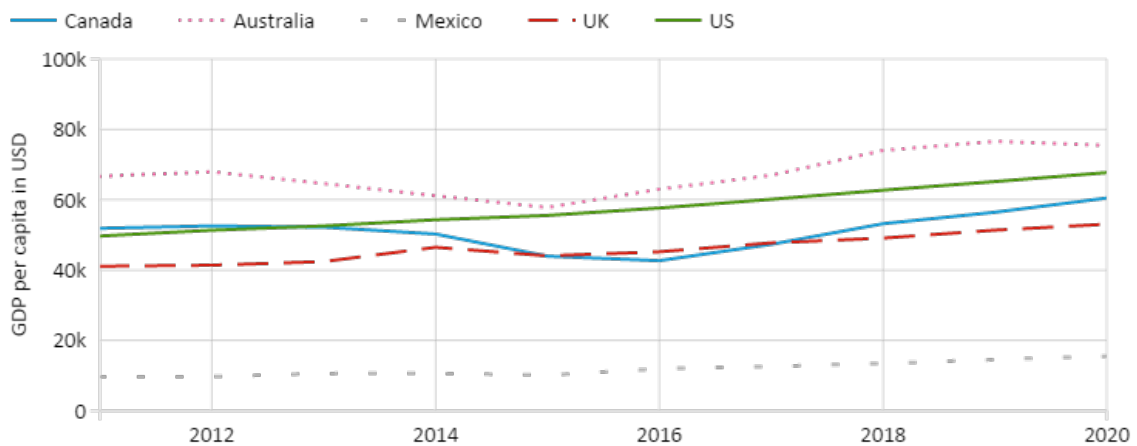
Rating History and Comparison



Source : Dun & Bradstreet

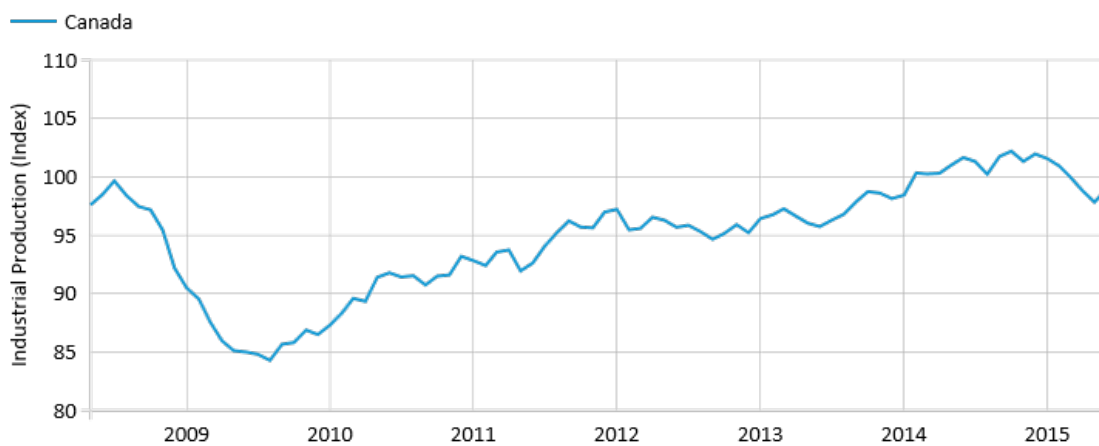
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Industrial Production (Index)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	-3.0	-2.1	-3.0	-2.8	-2.0	-1.5	-1.0	-0.8
Govt balance, % GDP	-0.9	0.0	0.1	0.1	-0.1	-0.2	-0.2	-0.2
Inflation, annual avge %	1.0	1.9	1.1	1.8	2.2	2.3	2.1	2.0
Real GDP Growth, %	2.0	2.4	1.1	2.0	2.4	2.3	2.2	2.1
Unemployment, %	7.1	6.9	6.8	6.8	6.7	6.6	6.5	6.6

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Canada's oil and gas sector, related industries and oil-dependent provinces continue to feel the financial strain caused by low global oil prices, which have triggered job losses and scaled back investment spending. The Bank of Canada has a fairly subdued short-term economic outlook for the Canadian economy and is maintaining a relatively loose monetary policy stance, despite some concerns about the build-up of household debt and pockets of highly over-priced real estate. The new Liberal government intends to invest in infrastructure, while balancing the fiscal budget by 2020. The Canadian dollar is passing through a period of weakness against the US dollar, although this is helping encourage an increase in export volumes. We recommend OA terms for the majority of transactions with Canadian customers, with usual payment terms up to 30 days.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: OA

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: OA

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

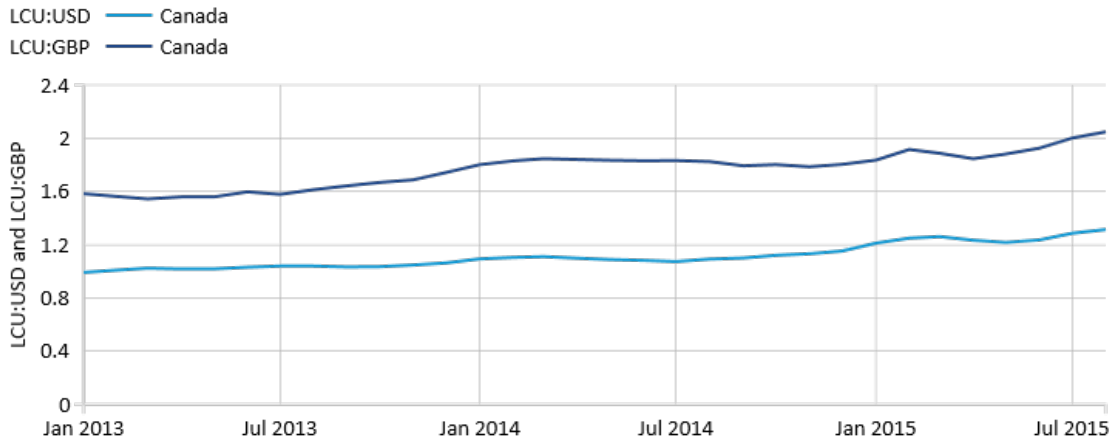
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



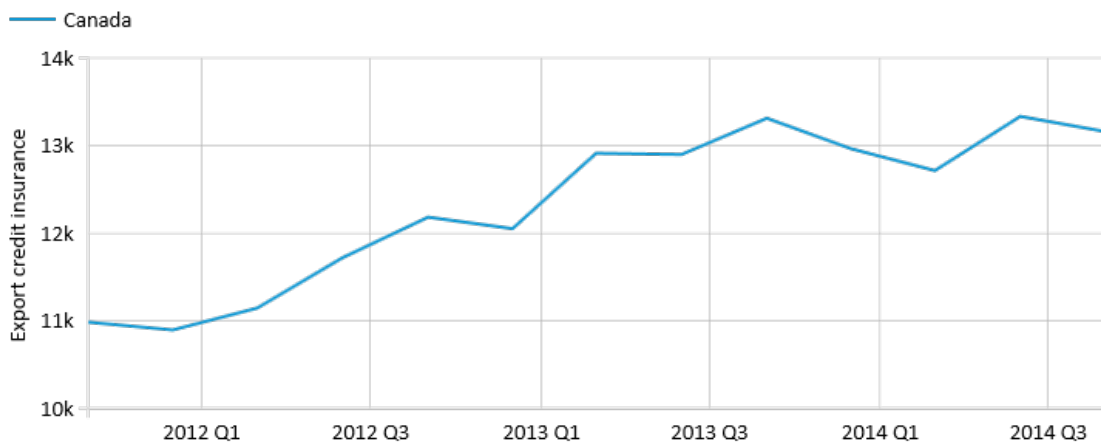
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU = Local Currency Unit

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Slower growth and fiscal deficits

The Bank of Canada expects the country to record annual real GDP growth of just 1.1% in 2015 and 2.0% in 2016, before picking up to 2.5% in 2017, as published in its latest Monetary Policy Report released in October 2015. Previously, it had forecast growth of 2.3% and 2.6% in 2016 and 2017 respectively. Separately, Canada's independent budget watchdog (the Parliamentary Budget Office, PBO) has predicted a sluggish recovery for the Canadian economy in the years ahead in its November 2015 Economic and Fiscal Outlook. The PBO also sets out an expectation of larger federal fiscal deficits than previously anticipated. The new Liberal government had pledged to balance the fiscal budget by 2019-20 but may struggle to achieve this based on current projections.

Long-Term Economic Potential

Major oil pipeline hits buffers

The proposed Keystone XL crude oil pipeline between Canada and the US was rejected by the US president, Barack Obama, in November on environmental grounds. The pipeline had the potential to almost double current levels of crude oil exports from Canada to the US over the coming decade, but was not the only option available to increase oil trade between the North American neighbours. Attention may instead focus on expanding the capacity of existing pipelines and storage facilities, as well as making greater use of oil train arrangements which act as rolling pipelines, to ensure new supplies meets rising demand in the US. Currently, the Canadian Association of Petroleum Producers expects Canada's crude oil production to rise from around 3.8m barrels per day (b/d) in 2015 to 5.3m b/d by 2030.

Insecurity / Civil Disorder Risk

New policies from new government

The Liberal Party won a majority in the legislative election held on 19 October and the new prime minister, Justin Trudeau, took office in November when he also presented his new cabinet. A key appointment has been Bill Morneau as finance minister, who will face the tough task of achieving the Liberals' election promises of spending heavily on infrastructure development and balancing the public finances within four years. Separately, the new administration announced its intention to stand by its election pledges of accepting 25,000 Syrian refugees by end-2015 and withdrawing Canadian combat troops from the US-led mission in Syria and Iraq against the Islamic militants IS. Currently, the Liberals are in a strong position to avoid lengthy parliamentary negotiations over policy and can push ahead with implementation plans.



COUNTRY PROFILE AND STATISTICS

Overview

Canada comprises ten provinces and three territories, and has the second-largest surface area of any country in the world. The low-lying region of southeastern Canada has more than half of the nation's population. Canada borders the continental US in the south and Alaska in the west. The climate varies from temperate in the south to sub-arctic and arctic in the north; the terrain is mostly plains, with mountains in the west and lowlands in the southeast.

As an affluent, high-tech, industrial society, Canada closely resembles the US in its market-oriented economic system, pattern of production and high living standards. Abundant natural resources (including hydrocarbons), a skilled workforce and modern capital endowments provide Canada with a solid economic base. However, volatile global energy prices are a destabilising factor and complicate monetary and fiscal policy decision-making.

Key Facts

Key Fact	Detail
Head of government	Prime Minister Justin TRUDEAU
Capital	Ottawa
Timezone	GMT -05-00
Official languages	English, French
Population (millions)	35.6
GDP (USD billions)	1,787.7
GDP per capita (USD)	50,233
Life expectancy (years)	82
Literacy (% of adult pop.)	99.9
Surface area (sq km)	9,984,670

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2011	2012	2013	2014	2015
Real GDP growth (%)	2.96	1.92	2	2.44	1.2
Nominal GDP in USDbn	1,789.7	1,832.3	1,838.6	1,787.7	1,581.1
Nominal GDP in local currency (bn)	1,770	1,831	1,894	1,975	2,024
GDP per Capita in USD	51,874	52,550	52,187	50,233	43,993
Population (year-end, m)	34.5	34.87	35.23	35.59	35.94
Exchange rate (yr avge, USD-LCU)	0.99	1	1.03	1.1	1.28
Current Account in USDbn	-47.84	-59.93	-54.66	-37.51	-47.43
Current Account (% of GDP)	-2.67	-3.27	-2.97	-2.1	-3
FX reserves (year-end, USDbn)	65.65	68.37	71.82	74.58	77.95
Import Cover (months)	1.39	1.4	1.47	1.54	1.74
Inflation (annual avge, %)	2.9	1.5	1	1.9	1.2
Govt Balance (% GDP)	-1.3	-1.1	-0.9	0	0.1

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2016	2017	2018	2019	2020
Real GDP growth (%)	2	2.4	2.3	2.2	2.1
Nominal GDP in USDbn	1,547.8	1,732.7	1,965.2	2,103.9	2,273.5
Nominal GDP in local currency (bn)	2,089.6	2,165.8	2,240.3	2,314.3	2,387.2
GDP per Capita in USD	42,656	47,307	53,174	56,430	60,465
Population (year-end, m)	36.3	36.6	37	37.3	37.6
Exchange rate (yr avge, USD-LCU)	1.4	1.3	1.1	1.1	1.1
Current Account in USDbn	-43.3	-34.7	-29.5	-21	-18.2
Current Account (% of GDP)	-2.8	-2	-1.5	-1	-0.8
FX reserves (year-end, USDbn)	78.9	79.7	78.6	77.8	78.4
Import Cover (months)	1.68	1.65	1.59	1.54	1.56
Inflation (annual avge, %)	1.8	2.2	2.3	2.1	2
Govt Balance (% GDP)	0.1	-0.1	-0.2	-0.2	-0.2

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Canada	Australia	Mexico	UK	US
Income per Capita (USD)	50,233	61,123	10,662	46,461	54,295
Country Population (m)	35.6	23.6	123.8	64.3	319.4
Internet users (% of population)	87.1	84.6	44.4	91.6	87.4
Real GDP Growth (% p.a., 2015 - 2024)	1.5 - 2.5	2 - 3	3.5 - 5	1.5 - 3.5	1.5 - 3

Source : Various sources/Dun & Bradstreet



LINKS

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