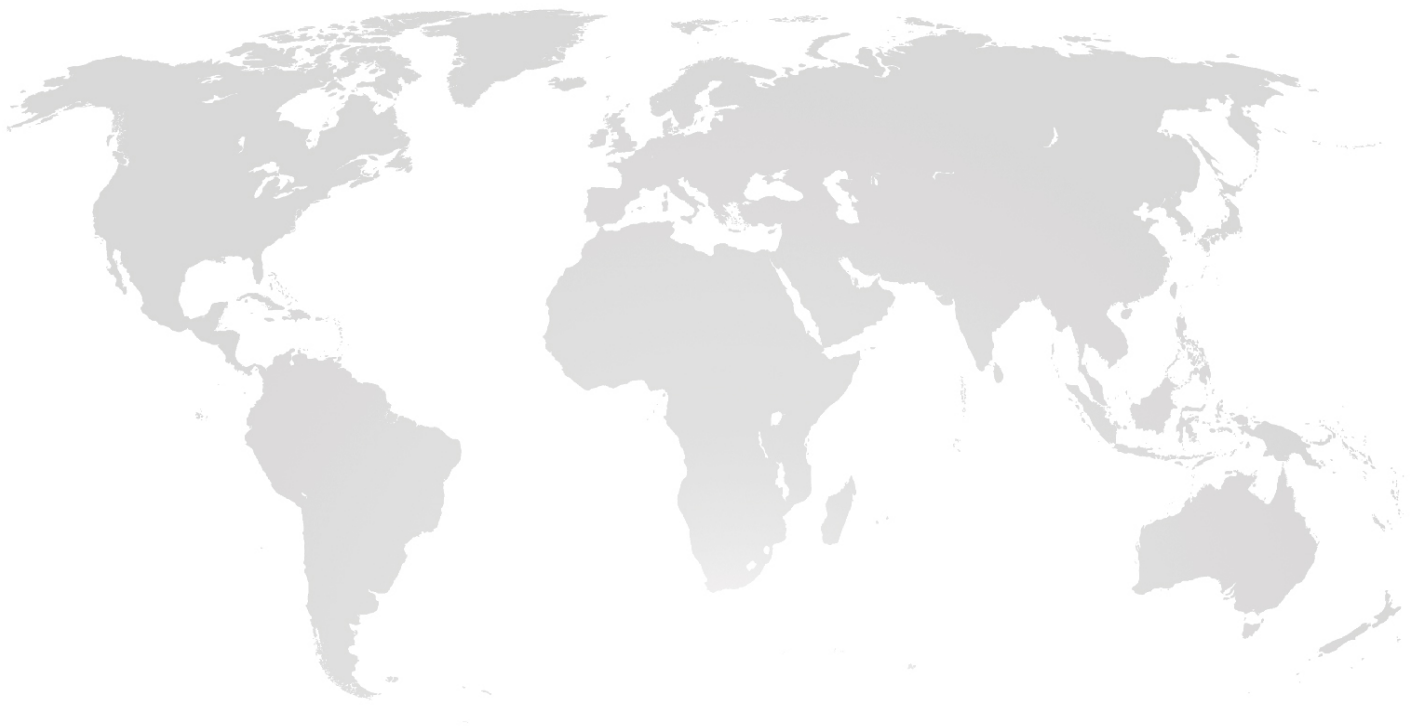


Country Insight Snapshot Canada

August 2016





OVERVIEW

OVERALL COUNTRY RISK RATING: DB2c

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 build on its international trade and investment agreements with the US, Europe, Asia and Latin America.
- + Canada enjoys extensive logistics and market integration with the US, as well as preferential terms under the North American Free-Trade Agreement.
- The fiscal and regulatory regimes involve separate federal and provincial layers, which can complicate trade and investment projects.
- The internal market is fragmented by provincial trade barriers, although there is an expectation that these will be eased over time.

KEY DEVELOPMENT

Canada continues to experience an energy sector-induced terms of trade shock and deteriorating goods trade balance, which reached a new record low in Q2.

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

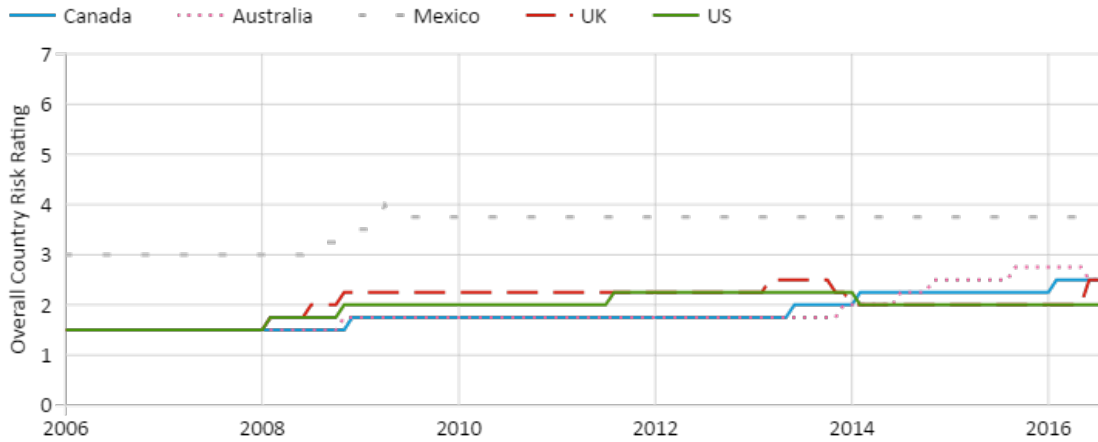


Key Development has had a neutral impact on the outlook.



KEY INDICATORS

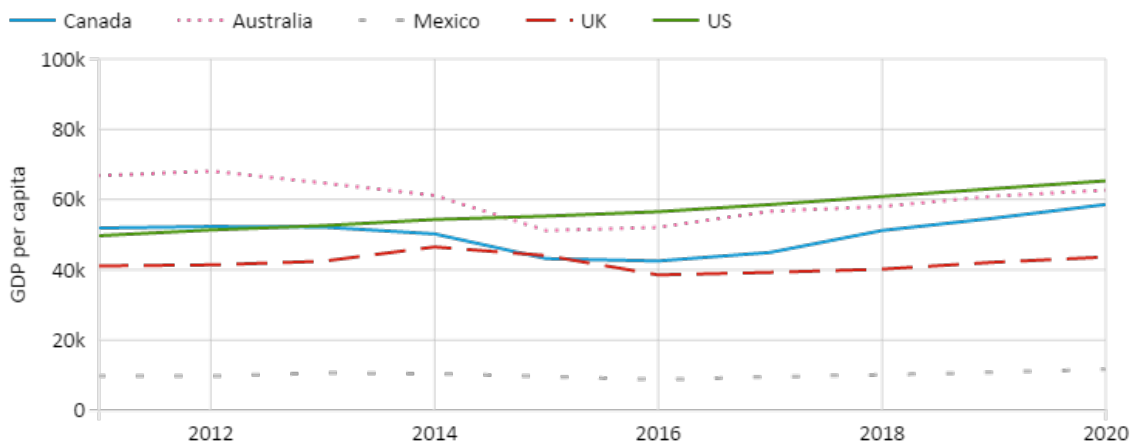
Rating History and Comparison



Source : Dun & Bradstreet

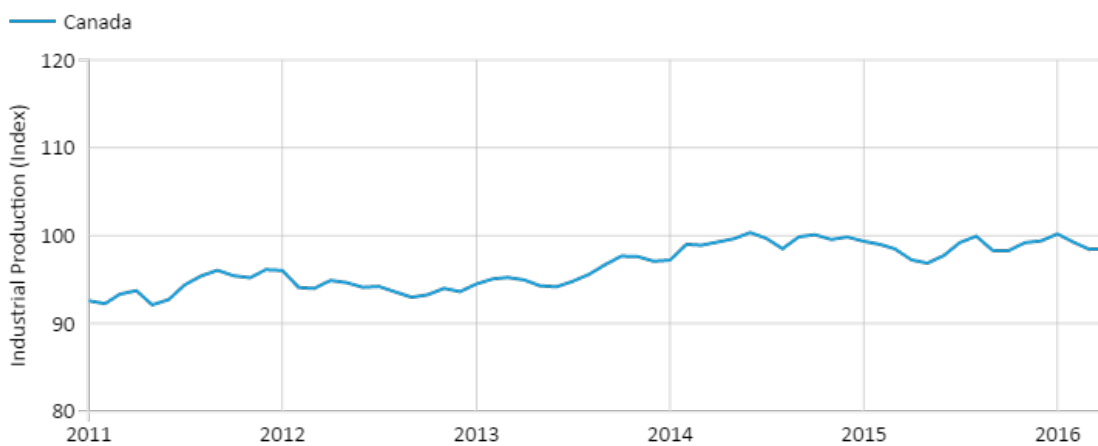
Note: 1 = Low Risk, 7 = High Risk

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	-3.2	-2.3	-3.2	-3.1	-2.4	-1.7	-1.2	-1.0
Govt balance, % GDP	-0.9	0.0	0.4	-0.3	-1.4	-1.2	-0.8	-0.6
Inflation, annual avge %	0.9	1.9	1.1	1.6	2.0	2.2	2.2	2.0
Real GDP Growth, %	2.2	2.5	1.1	1.3	2.2	2.1	2.0	2.1
Unemployment, %	7.1	6.9	6.9	7.1	6.9	6.8	6.6	6.5

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 and production losses in Q2 caused by the impact of wildfires in western provinces. The Bank of Canada expects the economy to rebound in H2 2016 but is keeping interest rates low to support growth, while the Liberal government is shaping fiscal policy to stimulate the economy. There are some concerns about the build-up of household debt and pockets of highly overpriced real estate, particularly in Toronto and Vancouver. The Canadian dollar gained some value against the USD in the early stages of 2016 but remains weak, benefiting exporters but making life difficult for importers. We continue to 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

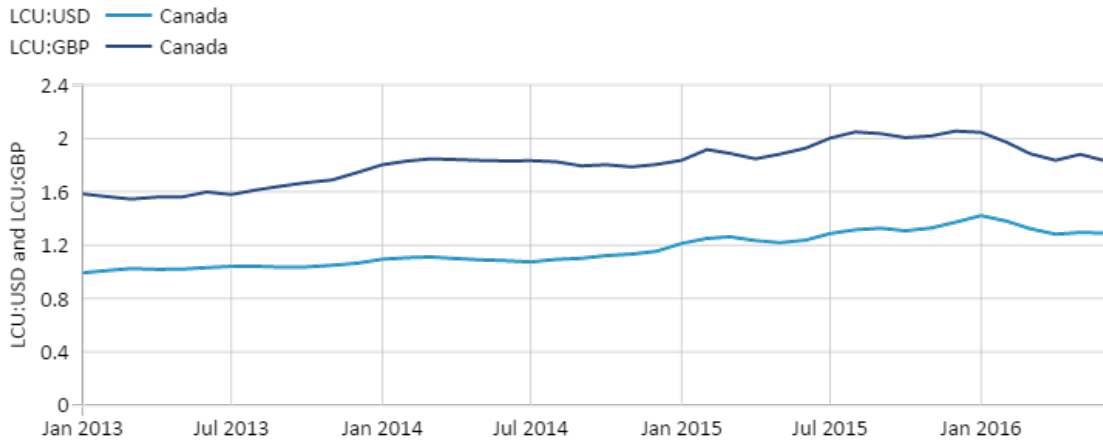
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



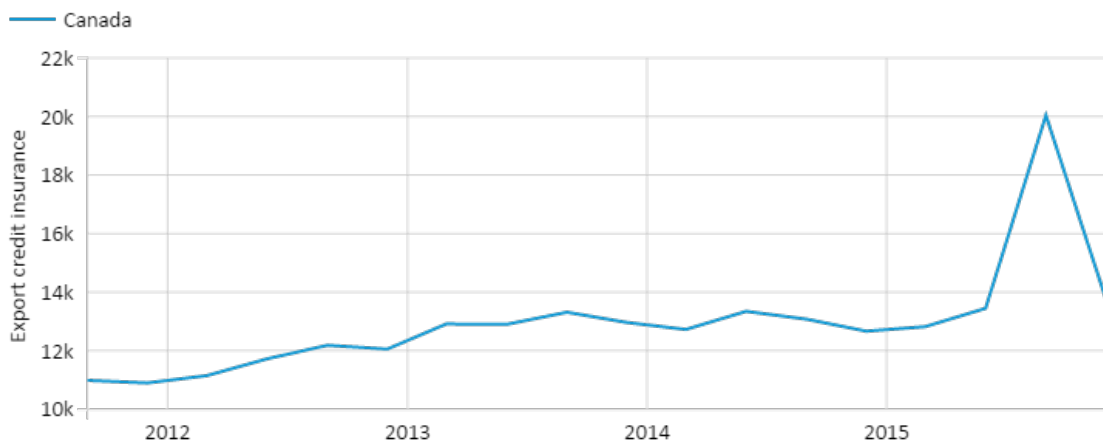
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Canadian dollar

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Trade deficit reaches new low

Canada continues to experience an energy sector-induced terms of trade shock and deteriorating goods trade balance. Canada's merchandise trade balance reached a new low in Q2 2016 as the trade deficit slipped to CAD10.7bn (from CAD6.4bn in Q1). At the centre of this deterioration in trade performance is the combination of low global energy prices and disruption to domestic oil production caused by wildfires in Alberta. Meanwhile, imports to Canada have proved reasonably strong in volume and value terms, and particularly for motor vehicles and parts, energy products, and electronic and electrical equipment and parts. However, conditions could improve in H2 2016 and 2017 as energy sector export volumes pick up and prices improve slightly, while manufactured goods exports benefit from improved international competitiveness created by the weakness of the Canadian dollar and stronger demand from US consumers and supply chains.

Market Potential

Tourism sector prospects improve

The tourism sector is still gaining momentum, as shown by rising arrival numbers and revenues. International tourist arrivals were up by 11.7% y/y in the first five months of 2016, while average revenue per available room and average daily rates were up 1.7% y/y and 1.3% y/y respectively over the same period. Tourist arrivals from the US have been the main driver behind these improved numbers, but significant gains have been made in other markets in Europe (the UK and France), Asia (China and South Korea) and Latin America (Mexico). The Canadian government has been on a marketing drive in 2016 that focuses on highlighting cuisine, culture and adventure-tourism in addition to more traditional selling points, while the weakness of the Canadian dollar is making trips to Canada much more attractive (especially for American visitors). The buoyant tourism market is having spill-over effects on local jobs markets, supply chains and support services.

Political/Insecurity Risk

Liberals push ahead with reforms

The Liberal Party, led by Prime Minister Justin Trudeau, is reshaping Canadian politics following its election victory in late 2015 (which granted the party a strong parliamentary majority and considerable political leverage). A top priority is on-going reform of the Senate (the upper house of parliament), which involves a new independent board to propose potential non-partisan candidates, who are then selected by the prime minister and finally approved by the governor-general. The ultimate aim is to make the Senate a truly independent chamber that reflects on proposed government legislation. Separately, the government is changing the process for appointments to the Supreme Court by inviting suitably qualified Canadians to make applications, which are then considered by an independent advisory panel. These moves aim to increase public confidence in state institutions in Canada, which has hit a low point in recent years.



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.

Canada is an affluent, high-tech, industrial society with a market-oriented economic system. A diversified economy, abundant natural resources (including hydrocarbons), a skilled workforce and modern capital endowments provide Canada with strong economic potential. The central and eastern provinces of Ontario and Quebec account for more than half of gross domestic product and are home to large manufacturing and service industries. Extensive upstream and downstream oil and gas sector activity is concentrated in the Western provinces, particularly Alberta. Canada has a closely integrated trade and logistics environment with the US market, as well as a focus on reaching out to other foreign markets through free-trade deals.

Key Facts

Key Fact	Detail
Head of government	Prime Minister Justin Trudeau
Capital	Ottawa
Timezone	GMT -05-00
Official languages	English, French
Population (millions)	35.9
GDP (USD billions)	1,550.9
GDP per capita (USD)	43,152
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 (%)	3.1	1.7	2.2	2.5	1.1
Nominal GDP in USDbn	1,790	1,824	1,837	1,786	1,551
Nominal GDP in local currency (bn)	1,770	1,823	1,892	1,973	1,983
GDP per Capita in USD	51,871	52,308	52,144	50,187	43,152
Population (year-end, m)	34.5	34.9	35.2	35.6	35.9
Exchange rate (yr avge, USD-LCU)	0.99	1.0	1.03	1.1	1.28
Current Account in USDbn	-49.8	-65.7	-58.0	-40.6	-49.2
Current Account (% of GDP)	-2.8	-3.6	-3.2	-2.3	-3.2
FX reserves (year-end, USDbn)	65.7	68.4	71.8	74.6	79.7
Import Cover (months)	1.4	1.4	1.5	1.5	1.8
Inflation (annual avge, %)	2.9	1.5	0.9	1.9	1.1
Govt Balance (% GDP)	-1.3	-1.1	-0.9	0.0	0.4

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2016	2017	2018	2019	2020
Real GDP growth (%)	1.3	2.2	2.1	2.0	2.1
Nominal GDP in USDbn	1,542	1,645	1,891	2,038	2,202
Nominal GDP in local currency (bn)	2,035	2,106	2,175	2,242	2,313
GDP per Capita in USD	42,492	44,924	51,163	54,666	58,575
Population (year-end, m)	36.3	36.6	37.0	37.3	37.6
Exchange rate (yr avge, USD-LCU)	1.32	1.28	1.15	1.1	1.05
Current Account in USDbn	-47.8	-39.5	-32.1	-24.5	-22.0
Current Account (% of GDP)	-3.1	-2.4	-1.7	-1.2	-1.0
FX reserves (year-end, USDbn)	83.0	83.9	83.2	81.5	79.3
Import Cover (months)	1.9	1.8	1.7	1.6	1.6
Inflation (annual avge, %)	1.6	2.0	2.2	2.2	2.0
Govt Balance (% GDP)	-0.3	-1.4	-1.2	-0.8	-0.6

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Canada	Australia	Mexico	UK	US
Income per Capita (USD)	43,152	51,130	9,579	44,019	55,262
Country Population (m)	35.9	24	121	64.7	321.8
Internet users (% of population)	87.1	84.6	44.4	91.6	87.4
Real GDP Growth (% p.a., 2016 - 2025)	1.25 - 2.25	0.9 - 3.3	2.5 - 5	1.8 - 3.5	1.8 - 2.5

Source : Various sources/Dun & Bradstreet



LINKS

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Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com

Telephone

UK: +44 (0)1628 492700

US: +1 800 234 3867

Rest of World

contact your local office
or call +44 1628 492700

Publisher

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: countryinsight@dnb.com

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