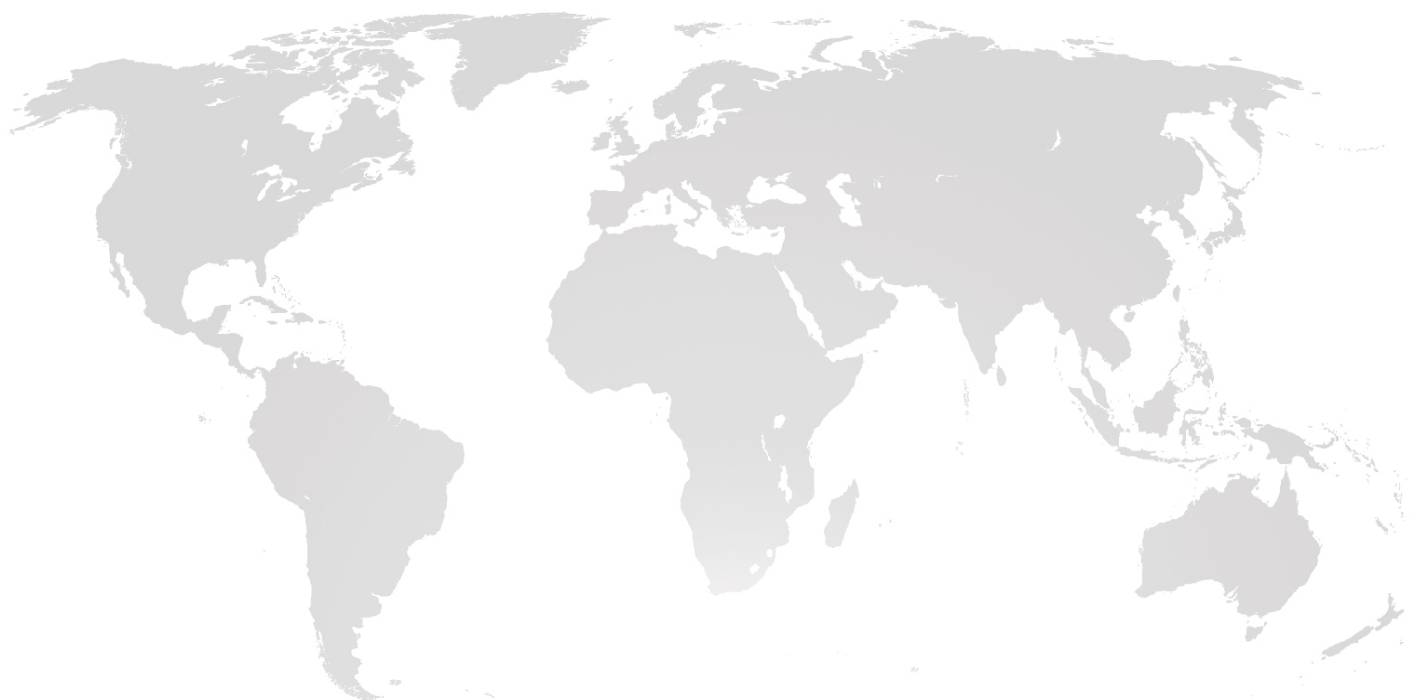




# D&B Country Insight Snapshot: Canada

*March 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:** Deteriorating

## Core Outlook

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

+ Canada's abundance of sought-after natural resources will be an important driver of investment opportunities and economic growth in the long term.

- Volatility in the global oil market and high levels of household indebtedness pose risks to sustainable economic growth.

- Several sectors are more regulated than in peer economies, limiting opportunities.

## Key Development

Real economic growth is expected to slow in the year ahead as the global oil price slump hits investment in the oil industry, although consumers will benefit from the low price.

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 negative impact on the outlook.

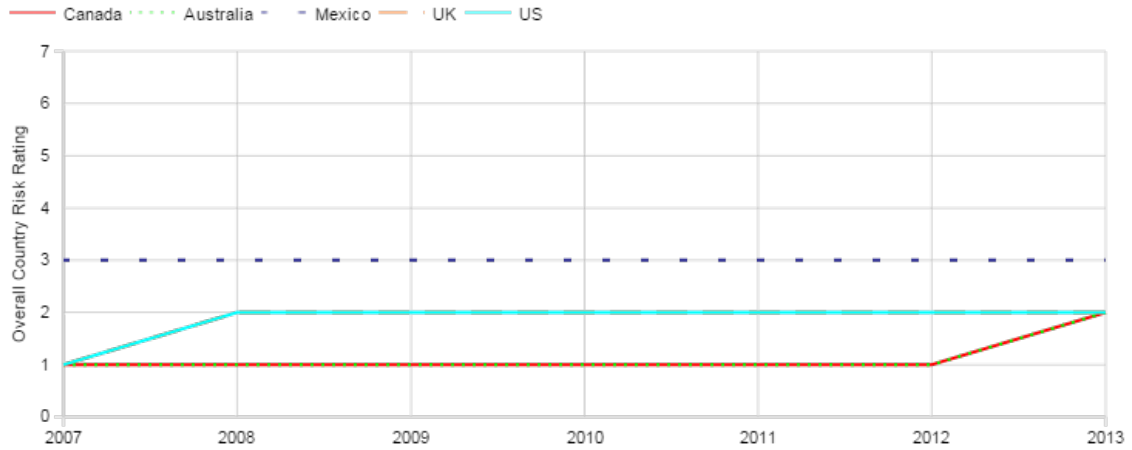
Political Environment Outlook

Key Development has had a negative impact on the outlook.



## Key Indicators

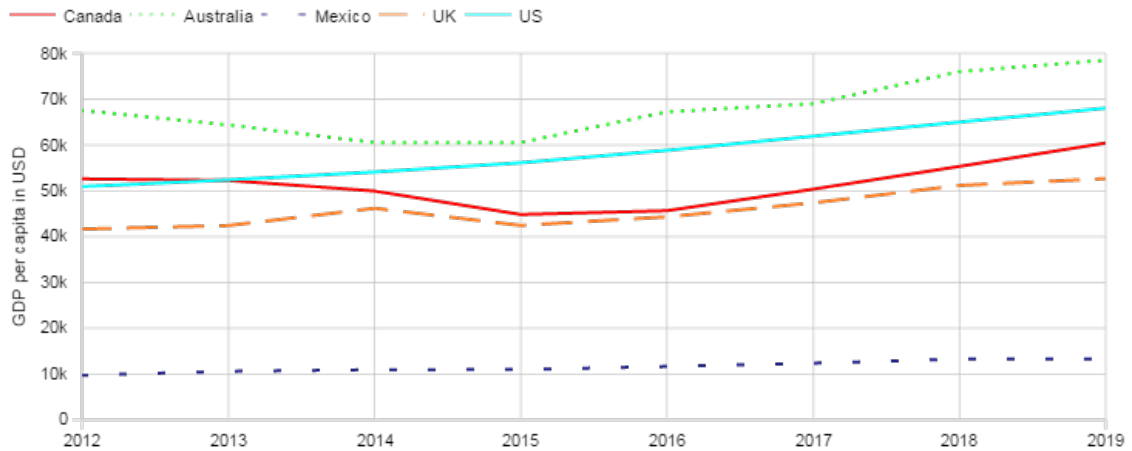
### Rating History and Comparison



Source : D&B

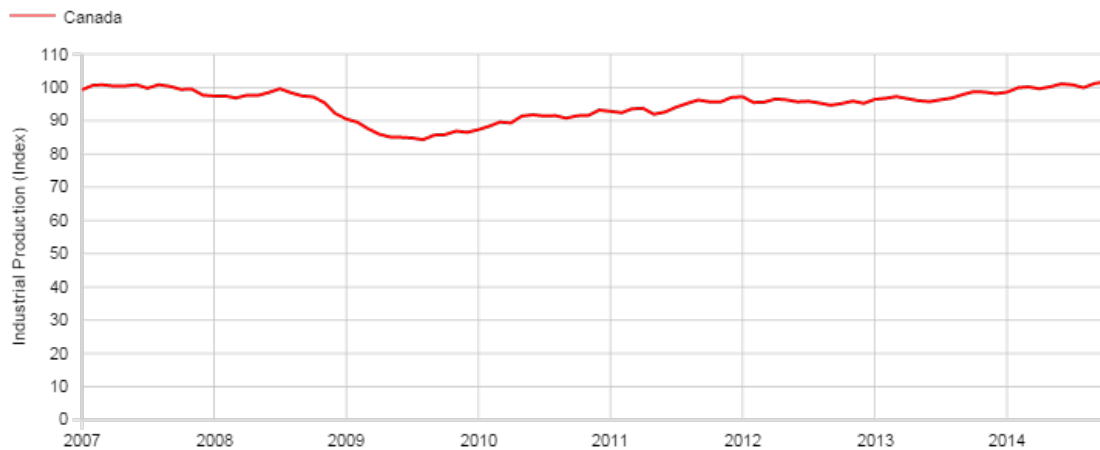
Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source : D&B

### Chart of the Month



Source : National Statistical Offices

## Economic Indicators

Indicator	2011	2012	2013	2014f	2015f	2016f	2017f	2018f
C/A balance % GDP	-2.7	-3.3	-3.0	-1.9	-2.5	-1.9	-1.0	0.1
Govt balance, % GDP	-1.3	-1.1	-0.9	-0.1	-0.1	0.2	0.3	0.4
Inflation, annual avge %	2.9	1.5	1.0	1.9	1.0	1.9	2.1	2.2
Real GDP Growth, %	3.0	1.9	2.0	2.4	2.1	2.4	2.3	2.3
Unemployment, %	7.4	7.3	7.1	6.9	6.7	6.5	6.4	6.2

Source : Haver Analytics/D&B

## Trade and Commercial Environment

Canada's oil sector, related industries and oil-dependent provincial budgets (and to a lesser extent the federal budget) are suffering from the recent fall in global oil prices. On the other hand, the fall in oil prices is providing a financial boost to consumers and businesses through lower fuel costs, as well as supporting the export of manufactures through currency weakness and stronger consumer demand in the US. The Bank of Canada (BoC) made a preemptive cut to its benchmark interest rate in January to help safeguard against falling inflation and financial instability. An over-valued housing market and household indebtedness remain major concerns. D&B continues to recommends OA terms for the majority of transactions with Canadian customers.

## Trade Terms and Transfer Situation

### Minimum Terms: OA

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

### Recommended Terms: OA

*D&B'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

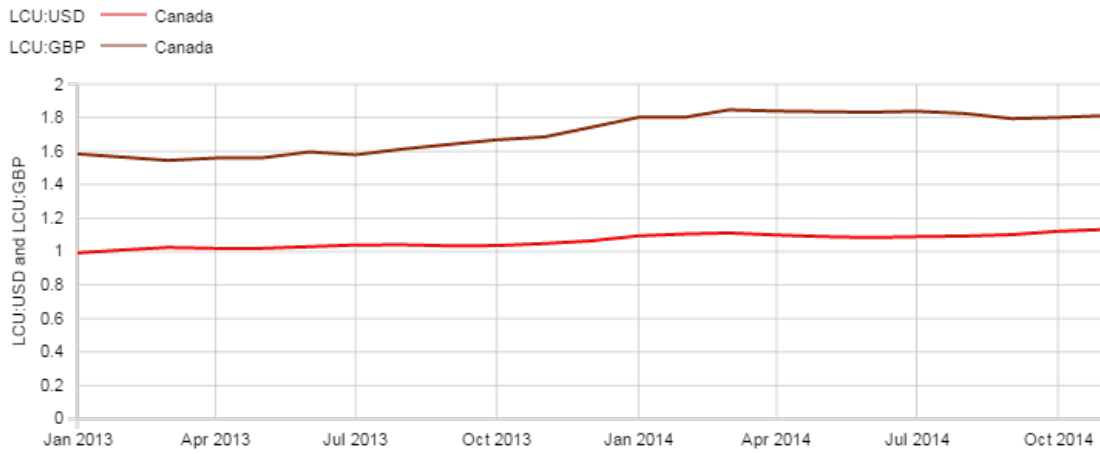
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### 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.*



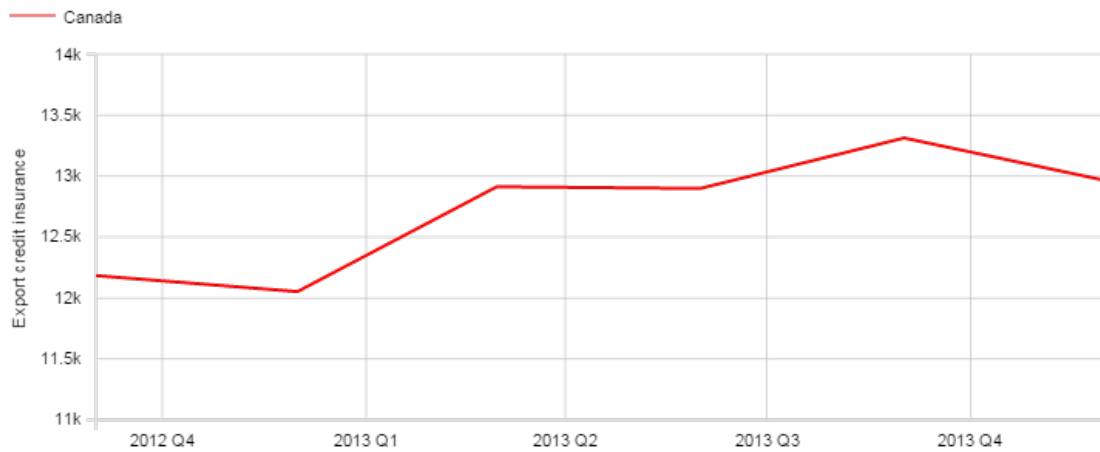
## Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

*LCU = Local Currency Unit*

## Credit Conditions



Source : Haver

*Insured export credit exposures, USDm*

## Risks and Opportunities

### Short-Term Economic Outlook

#### *Oil price fall hits investment growth*

Canadian real GDP growth is expected to slow to 2.2% in 2015 (from 2.4% in 2014) as the fall in global oil prices since mid-2014 takes its toll on business investment and employment in the oil sector and supporting industries, as well as oil-dependent provincial budgets. Firms in the oil and gas sector will scale back projects planned for 2015. On the other hand, Canadian consumers and non-oil businesses should benefit from lower fuel prices, while the export sector should receive a boost from currency weakness and stronger consumer demand in the US. On balance, the economy is expected to slow slightly. High household indebtedness, low inflation and weak job creation are major concerns for the Bank of Canada (BoC).

### FX Risk

#### *Bank of Canada cuts overnight interest rate*

The BoC cut its overnight interest rate by 0.25 basis points in January, which took the benchmark rate to 0.75%. This move was an attempt to support consumer spending and business investment in 2015 and help offset the fall in global oil prices. An additional interest rate cut could materialise at the next rate setting meeting in March, although this change in policy direction could add fuel to an overheated housing market and exacerbate the problem of high household indebtedness. The Canadian dollar was trading at an average of CAD1.26:USD1 in February, its lowest level since April 2009, and could slip further in the quarters ahead given the diverging economic growth and policy paths between Canada and the US.

### Insecurity/Civil Disorder Risk

#### *Worrying signs for the Conservatives ahead of 2015 election*

Canada faces legislative elections in 2015 and the subdued economic outlook, weak job creation and growing likelihood that the government will miss its target of posting a federal budget surplus for 2014/15 are worrying signs for the incumbent Conservative party and the prime minister Stephen Harper. These developments increase the chances of a change in government, with political power swinging back to the Liberals, who have not been in government since their defeat in 2006. Another possible outcome, should the economic outlook become more gloomy, could be an early election (possibly in springtime) if the Conservative Party's claims to be the best steward of the economy and best manager of the public finances begin to lose credibility among the electorate.

## 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, economic imbalances and the importance of the oil sector are currently potential destabilising factors.

### Key Facts

Key Fact	Detail
head of government	Prime Minister Stephen HARPER
Capital	Ottawa
Timezone	GMT -05-00
Official languages	English, French
Population (millions)	35.5
GDP (USD billions)	1,774.4
GDP per capita (USD)	49,947
Life expectancy (years)	81
Literacy (% of adult pop.)	99.9
Surface area (sq km)	9,984,670

Source : UN / Haver Analytics / D&B

### Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	3.37	2.53	1.71	2.02	2.3
Nominal GDP in USDbn	1,614.13	1,779.54	1,821.04	1,826.42	1,768.33
Nominal GDP in local currency (bn)	1,663	1,760	1,820	1,881	1,945
GDP per Capita in USD	47,299	51,600	52,272	51,914	49,777
Population (year-end, m)	34.13	34.49	34.84	35.18	35.53
Exchange rate (yr avge, USD-LCU)	1.03	0.99	1	1.03	1.1
Current Account in USDbn	-56.63	-49.11	-62.24	-58.57	-44.21
Current Account (% of GDP)	-3.51	-2.76	-3.42	-3.21	-2.5
FX reserves (year-end, USDbn)	57	65.65	68.37	71.82	74.98
Import Cover (months)	1.37	1.39	1.41	1.49	1.54
Inflation (annual avge, %)	1.8	2.9	1.5	1	1.9
Govt Balance (% GDP)	-2.1	-1.3	-1.1	-0.9	-0.1

Source : D&B

## Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	2.1	2.4	2.3	2.3	2.2
Nominal GDP in USDbn	1,607.9	1,653.8	1,841.9	2,043	2,252.4
Nominal GDP in local currency (bn)	2,025.99	2,100.34	2,173.44	2,247.33	2,319.92
GDP per Capita in USD	44,825	45,658	50,359	55,326	60,427
Population (year-end, m)	35.9	36.2	36.6	36.9	37.3
Exchange rate (yr avge, USD-LCU)	1.3	1.3	1.2	1.1	1
Current Account in USDbn	-40.2	-31.4	-18.4	2	6.8
Current Account (% of GDP)	-2.5	-1.9	-1	0.1	0.3
FX reserves (year-end, USDbn)	67.5	68.6	72.8	74.6	78.8
Import Cover (months)	1.37	1.38	1.46	1.48	1.56
Inflation (annual avge, %)	1	1.9	2.1	2.2	2.2
Govt Balance (% GDP)	-0.1	0.2	0.3	0.4	0.4

Source : D&amp;B

## Comparative Market Indicators

Indicator	Canada	Australia	Mexico	UK	US
Income per Capita (USD)	49,777	61,671	10,917	43,596	53,975
Country Population (m)	35.5	23.3	123.8	63.5	322.6
Internet users (% of population)	85.8	83	43.5	89.8	84.2
Real GDP Growth (% p.a., 2014 - 2023)	1.5 - 2.5	2 - 3	3.5 - 5	1.5 - 3.5	1.5 - 3

Source : D&amp;B



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