



Decide with Confidence

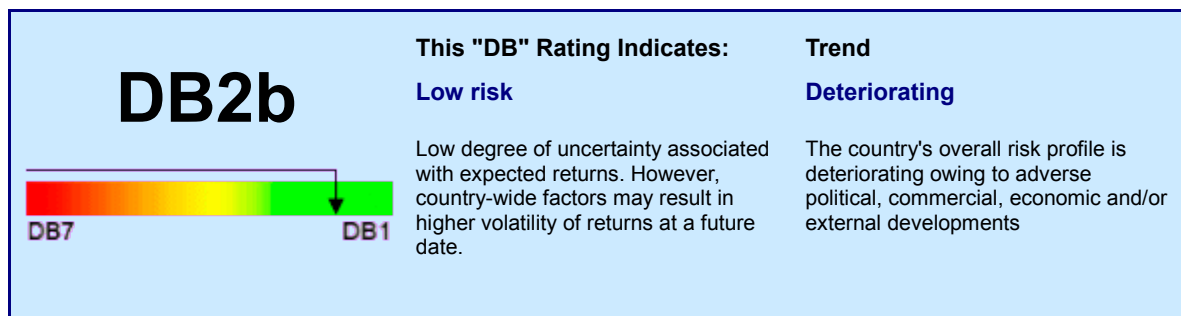
D&B Country RiskLine Report

CANADA

Region : The Americas

Edition : August 2014

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	34.7m
Surface area (sq km):	9,984,670
Capital:	Ottawa
Timezone:	GMT -05:00
Official languages:	English; French
Head of government:	Prime Minister Stephen HARPER
GDP (USD):	1.8trn
GDP per capita (USD):	52,331
Life expectancy (years):	81
Literacy (% of adult pop.):	99.9

Country 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. Since the Second World War, the growth of the manufacturing, mining and service sectors has transformed the nation from a much more rural economy into a primarily industrial and urban economy. With abundant natural resources (including hydrocarbons), a skilled workforce and modern capital endowments, Canada has solid economic prospects.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	OA
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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
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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
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-1 month
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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
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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.

Trade & Commercial Environment

The short-term economic outlook remains positive on balance, with a modest acceleration in the economic growth forecast for 2014 and 2015 as a result of strengthening demand from the US and fairly resilient household spending. However, monthly economic growth rates have been erratic, the unemployment rate remains high, households are heavily indebted and inflation is on the rise. These conflicting factors are complicating the monetary policy decision making of the Bank of Canada (BoC). We continue to believe that the next interest rate change will be upwards and occur during H1 2015, with the BoC preparing markets for tighter monetary policy towards the end of 2014. D&B recommends OA terms for the majority of transactions with Canadian customers.

Export Credit Agencies

US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

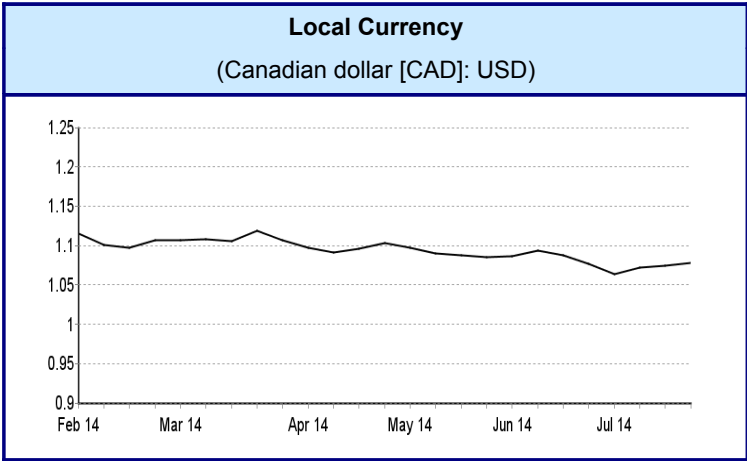
Economic Indicators

	2011	2012	2013	2014f	2015f
Real GDP growth, %	2.5	1.7	2.0	2.2	2.4
Inflation, annual ave, %	2.9	1.5	1.0	1.8	2.2
Govt balance, % GDP	-1.3	-1.1	-0.9	-0.4	0.1
Unemployment, %	7.4	7.3	7.1	7.0	6.7
C/A balance, % GDP	-2.8	-3.4	-3.2	-2.5	-2.3

All economic indicators except inflation follow OECD definitions.

Currency Information

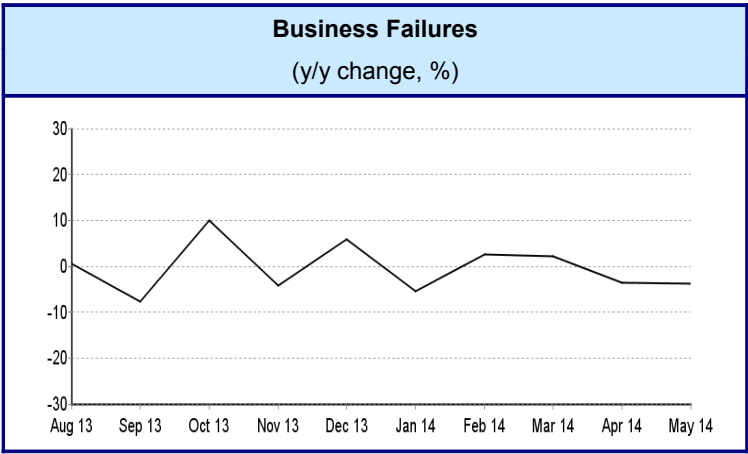
Exchange Rates	
(London, 28 Jul 14)	
EUR	1.4488
GBP	1.8307
JPY*	1.0592
USD	1.0785
*(x 100)	



Local Currency
(Canadian dollar [CAD]: USD)

	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14
Week 1	1.115	1.107	1.097	1.097	1.086	1.063
Week 2	1.101	1.107	1.091	1.090	1.093	1.072
Week 3	1.098	1.105	1.096	1.088	1.087	1.074
Week 4	1.107	1.119	1.103	1.086	1.077	1.078
Week 5		1.107				

Business Failures



Data Table

Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14
-4.2	5.8	-5.4	2.6	2.1	-3.5

Risk Factor

Canadian real GDP growth is expected to pick up marginally to 2.2% in 2014 and slightly further to 2.4% in 2015, largely as a result of resilient household spending and recovering demand for Canadian exports in H2 2014 and into 2015. Improving external demand and fairly robust consumer spending will begin to prompt greater levels of business investment and help the economy remain one of the fastest growing amongst the G7 countries in 2014/15. However, the economy is not without its growing pains, as highlighted by the high rate of unemployment (which rose to 7.1% in June), heavily-indebted households (the household debt-to-income ratio remains around 160%) and rising consumer price inflation (which reached 2.4% year on year in June). These conflicting factors are complicating the monetary policy decision making of the Bank of Canada, which decided to keep its main policy rate at its current low level of 1% in July (where it has been for almost four years). The Bank describes its current policy stance as neutral and has recently reduced its annual real GDP growth forecast for 2014 and 2015, largely as a result of sluggish demand from the US in Q1 2014. Nevertheless, we continue to believe that the next interest rate rise will be upwards and occur during H1 2015, with the Bank preparing markets for tighter monetary policy towards the end of 2014.

The federal government is on track to achieve its objective of eliminating the federal budget deficit before the next general election in October 2015. The ruling Conservative Party has pursued this policy since the global financial crisis in 2008/09 by targeting expenditure cuts rather than higher taxation. The government's austerity program has come under criticism from opposition parties and some right-wing supporters in recent quarters as economic growth remains well below potential and the unemployment rate is high. However, the government's resolve appears intact and the finance minister, Joe Oliver, is confident that the federal budget will return to surplus in time for the 2015 general election campaign.

Canada and the European Union (EU) announced agreement (in principle) on an historic trade and investment deal in October 2013 that both parties hope will significantly boost bilateral trade flows and create thousands of new jobs. However, Germany appears to be raising issue with provisions in the proposed deal that would allow investors to seek arbitration in disputes with states over changes to laws and regulations that have a negative impact on their investments. The agreement of all EU states is required before the deal can come into force and this may push Canada and the EU to find a compromise to avoid a Germany-induced deal breaker. Further negotiations are anticipated over the course of the next six to twelve months.

Glossary & Definitions

DEFINITIONS

Minimum Terms:

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Recommended Terms:

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:

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

Local Delays:

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

F/X Bank Delays:

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.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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