



Decide with Confidence

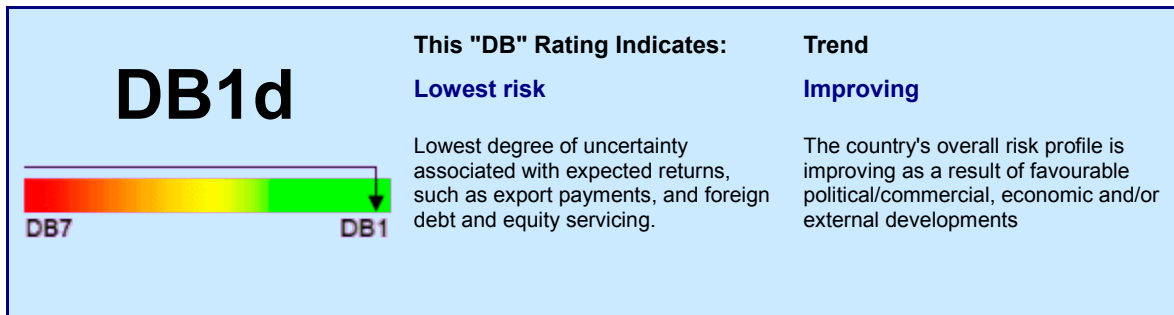
D&B Country RiskLine Report

CANADA

Region : The Americas

Edition : July 2010

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:	33.7m
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):	1.3trn
GDP per capita (USD):	39,726
Life expectancy (years):	80
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

According to D&B's latest proprietary cross-border payments performance data, Canadian importers made 25.3% of payments 30 or more days over terms in the 12 months ending March 2010. Meanwhile, 71.1% of payments were prompt, and some 7.6% were 90 or more days over terms. This represents a continued improvement in Canadian firms' payments performance. Even so, D&B recommends careful monitoring of counterparties in sectors prone to bankruptcy. The construction, retail trade, manufacturing and transportation sectors recorded the largest number of insolvencies in the 12 months to end-March, while the utilities, natural resource extraction, finance and real estate sectors registered the largest percentage increases in business failures.

Export Credit Agencies

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

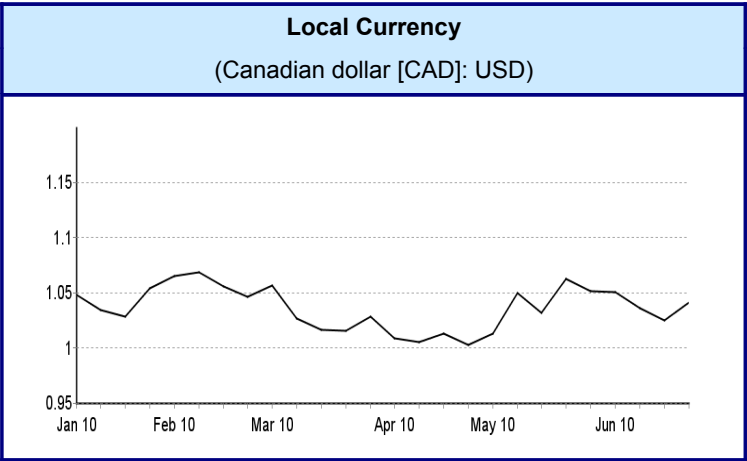
Economic Indicators

	2007	2008	2009e	2010f	2011f
Real GDP growth, %	2.5	0.4	-2.6	1.9	2.4
Inflation, annual ave, %	2.1	2.4	0.3	1.8	1.5
Govt balance, % GDP	0.9	0.2	-2.8	-2.5	-2.0
Unemployment, %	6.0	6.2	8.3	7.9	7.5
C/A balance, % GDP	1.0	0.5	-2.7	-2.8	-3.0

All economic indicators except inflation follow OECD definitions; the "Long-Term Interest Rate" chart tracks long-term federal government bond yields.

Currency Information

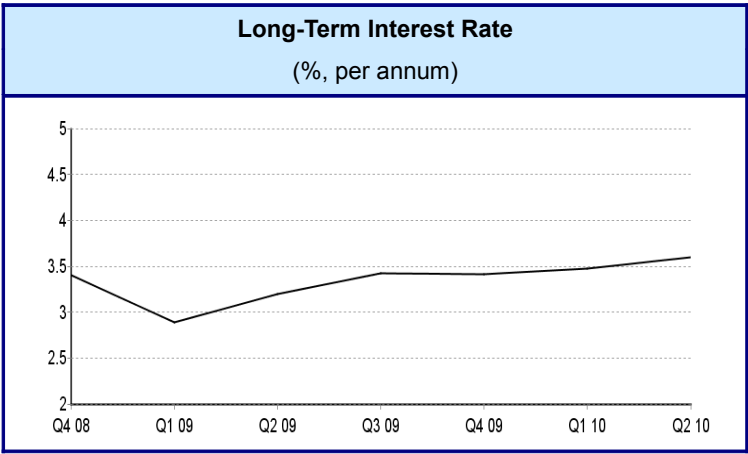
Exchange Rates	
(London, 14 Jun 10)	
EUR	1.2528
GBP	1.5075
JPY*	1.13
USD	1.0359
*(x 100)	



Local Currency
(Canadian dollar [CAD]: USD)

	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10
Week 1	1.048	1.066	1.057	1.009	1.013	1.050
Week 2	1.034	1.068	1.027	1.005	1.050	1.036
Week 3	1.028	1.055	1.016	1.013	1.032	1.025
Week 4	1.054	1.046	1.016	1.003	1.062	1.041
Week 5			1.028		1.052	

Long-Term Interest Rate



Data Table

Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
3.4	2.89	3.2	3.42	3.41	3.47	3.6

Risk Factor

The Canadian economy continues to be amongst the fastest-growing in the G7. In Q1, the economy grew by an annualised 6.1%, its fastest pace in over a decade. Private consumption and private sector investment grew particularly rapidly, expanding by 4.4% and 9.5% respectively. On 1 June, a day after the official GDP figures were released, the Bank of Canada announced that the Canadian recovery was 'unfolding largely as expected' and became the first G7 central bank to raise interest rates since the start of the global financial crisis. The bank raised the target for the overnight rate (its policy rate) by 25 basis points (bp) to 0.5% and widened the operating band for the overnight rate to the normal 50bp. With inflation still suppressed by excess supply, and global uncertainty elevated in the wake of the euro-zone debt crisis, the timing was slightly peculiar. While improved growth and job creation was reason enough for the bank to begin to normalise monetary policy, any further reduction of its monetary stimulus will be tempered by domestic and global economic developments. D&B expects the next rate hike to come no earlier than late Q3.

Most commercial banks will now start to raise their prime lending rates, pushing up loan and mortgage payments. This will begin to curb consumer spending and the buoyant housing market. Fortunately, rate rises are unlikely to impair household balance sheets. This risk has been mitigated by strong job and income growth. In May, the job market continued to mark impressive gains, with the creation of 24,700 jobs. The improved employment outlook continued to bring laid-off workers back to the labour market, such that unemployment remained stable at 8.1%. Since the labour market began its recovery in July 2009, it has clawed back nearly three-quarters of the jobs lost during the recession (310,000 jobs have been created, against 417,000 lost). Labour market improvements included wage rises: in April, average wages increased by 2.3% year on year, above consumer price inflation, which stood at 1.9%.

Despite the positive outlook, there remain a number of downside risks to the Canadian economy's growth trajectory. The most prominent of these is the uncertainty resulting from the euro-zone crisis. After the US, the EU is Canada's second-largest trading partner, leaving Canadian exporters with considerable exposure to euro-zone demand. Since the June rate rise the Canadian dollar has again begun to appreciate against the US dollar (and continued to appreciate against the euro), which poses an ongoing challenge to exporters. Even if Canadian exports are not severely affected, Canadian equity and credit markets experienced considerable volatility as a result of increased risk aversion in May and June. Ongoing volatility and uncertainty could delay new investments plans in the short term.

Glossary & Definitions

DEFINITIONS

Minimum Terms:

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:

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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