



Decide with Confidence

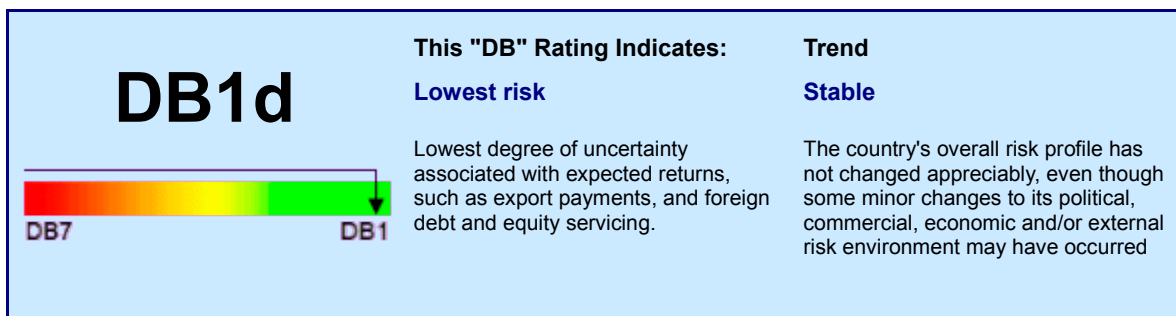
D&B Country RiskLine Report

CANADA

Region : The Americas

Edition : October 2011

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:	34.0m
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):	1.6trn
GDP per capita (USD):	46,362
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

With economic conditions deteriorating, insolvencies have stopped falling at the rapid rates seen in early 2011. In June, business insolvencies fell by just 3.6% in year-on-year (y/y) terms (having risen by 6.0% y/y in May). While we recommend OA terms for the majority of transactions with Canadian customers, counterparties in sectors recording an upturn in insolvencies (construction, finance, and accommodation and food services) require extra vigilance. Caution is advised when dealing with firms that are exposed to the consumer sector. Although consumer insolvencies dropped by 10.7% y/y in June, households retain near-record level debt loads. Worryingly, both business and consumer debt-settlement proposals to creditors are on the rise.

Export Credit Agencies

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

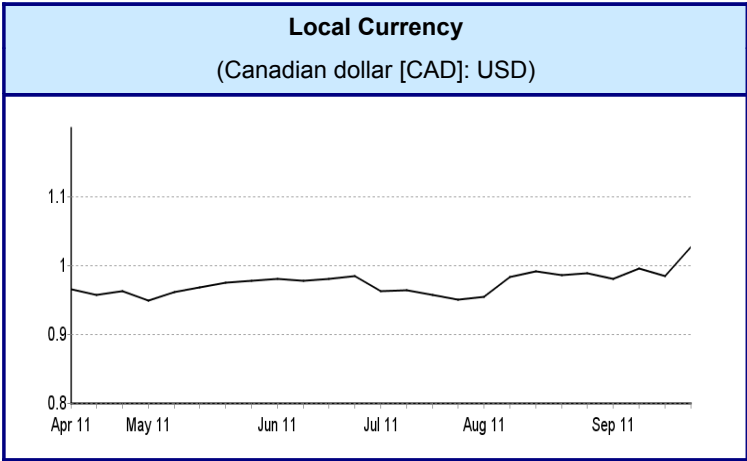
Economic Indicators

	2008	2009	2010e	2011f	2012f
Real GDP growth, %	0.7	-2.8	3.2	1.7	1.6
Inflation, annual ave, %	2.4	0.3	1.8	3.2	2.0
Govt balance, % GDP	0.2	-2.7	-2.2	-1.9	-1.1
Unemployment, %	6.2	8.3	8.0	7.2	7.4
C/A balance, % GDP	0.4	-3.0	-3.1	-1.7	-1.8

All economic indicators except inflation follow OECD definitions.

Currency Information

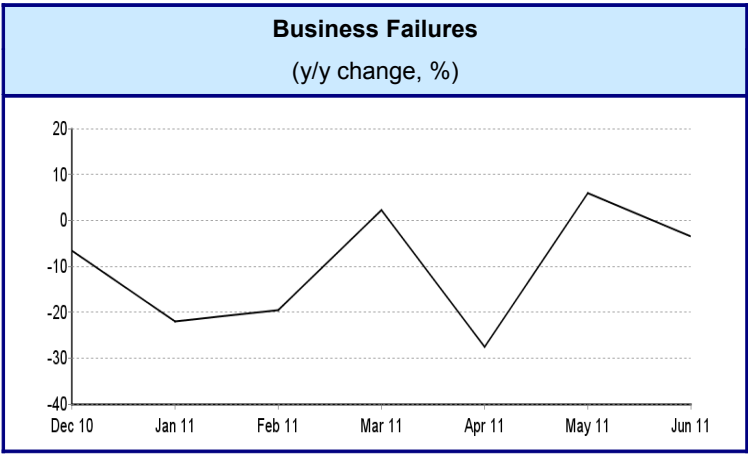
Exchange Rates	
(London, 19 Sep 11)	
EUR	1.3558
GBP	1.5535
JPY*	1.2794
USD	0.9836
*(x 100)	



Local Currency
(Canadian dollar [CAD]: USD)

	Apr 11	May 11	Jun 11	Jul 11	Aug 11	Sep 11
Week 1	0.964	0.949	0.980	0.962	0.954	0.980
Week 2	0.956	0.961	0.977	0.964	0.982	0.996
Week 3	0.962	0.968	0.980	0.957	0.991	0.984
Week 4		0.974	0.984	0.950	0.985	1.026
Week 5		0.977			0.989	

Business Failures



Data Table

Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11
-6.7	-22.1	-19.5	2.3	-27.5	6.0	-3.6

Risk Factor

The outlook for the Canadian economy remains fragile. In Q2, GDP shrank by 0.1% in seasonally-adjusted quarter-on-quarter (q/q) terms after growing 0.9% in Q1; this was the economy's first contraction since the 2008-09 recession. Output, particularly in the manufacturing sector, suffered significantly from supply-chain disruptions stemming from Japan's earthquake and tsunami in March. Indeed, exports fell sharply (by 2.1% q/q), driving the contraction, while personal consumption and fixed investment all continued to grow. Supply-chains have largely been restored and some indicators suggest that the economy gained traction in early Q3. August's Markit-RBC manufacturing *Purchasing Managers' Index* noted modest growth in the struggling manufacturing sector, with an upturn in new orders suggesting increased activity into Q4. Meanwhile, upward pressure on the currency has eased, and exporters are benefiting from a slight depreciation of the Canadian dollar. Nevertheless, serious concerns remain over the threats posed by the weakening US economy (which takes 70% of Canadian exports) and ongoing financial market volatility.

Given the weight of these downside risks, Canada faces the possibility of a second consecutive quarterly contraction and thus a return to recession in Q3. The worry is that external weakness and financial sector volatility will transmit rapidly to domestic demand, as it did in late 2008. The outlook for private consumption, typically the core driver of Canadian GDP growth, is not rosy. With the housing market having cooled, workers' real incomes having been eroded by inflation and many consumers' wealth falling with the stock market, any sharp upturn in consumer spending is unlikely. In August, the Conference Board's consumer confidence index fell for the fourth consecutive month. Meanwhile, the unemployment rate rose to 7.3% in August from 7.2% in July, with the economy shedding 5,000 jobs. Given that labour productivity declined sharply in Q2, many private sector employers may delay hiring until their labour cost-to-output ratio again begins to improve. Job creation is likely to stagnate, if not reverse, into 2012.

In early September, the Bank of Canada, the central bank, released a statement noting that the slowing global economy and high degree of financial market uncertainty had diminished the need for it to tighten its still loose monetary stance. The Bank is now unlikely to raise interest rates before well into 2012. Meanwhile, if the economy shows further signs of weakness, the federal government will come under increased pressure from the opposition to relax its deficit-cutting plans. Fortunately, public finances are in relatively good health, and the government retains considerable fiscal space to implement fresh fiscal stimulus measures to support the economy if necessary.

Glossary & Definitions

DEFINITIONS

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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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