



Decide with Confidence

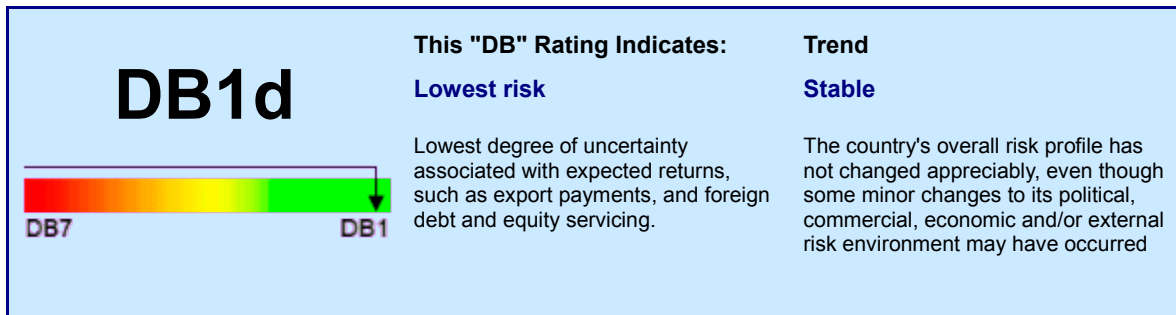
D&B Country RiskLine Report

CANADA

Region : The Americas

Edition : April 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:	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):	1.5trn
GDP per capita (USD):	35,587
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

With economic conditions having improved since the recession in 2009, bankruptcies and failures have also fallen. In November 2010 consumer bankruptcies shrank by 0.9% year on year (y/y) to 12,003. Even so, caution is still advised when dealing with firms that are exposed to the consumer sector. Households remain heavily indebted, and consumer bankruptcies are still elevated compared with the mid-2000s. Business bankruptcies fell even faster in November, contracting by 17.8% y/y to 424. While we recommend OA terms for the majority of transactions with Canadian customers, counterparties in sectors still recording large numbers of failures (construction, retail trade, accommodation and food services, and manufacturing) require extra vigilance.

Export Credit Agencies

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

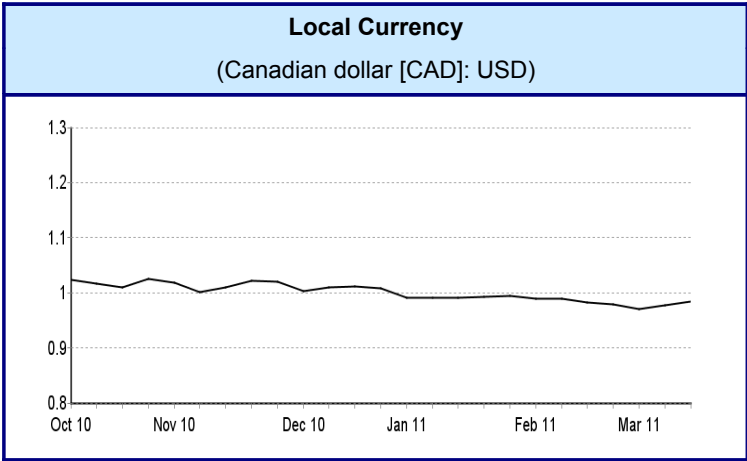
Economic Indicators

	2008	2009	2010e	2011f	2012f
Real GDP growth, %	0.4	-2.6	3.1	2.4	2.3
Inflation, annual ave, %	2.4	0.3	1.6	1.5	2.0
Govt balance, % GDP	0.2	-2.8	-2.5	-2.0	-1.5
Unemployment, %	6.2	8.3	8.0	7.6	7.5
C/A balance, % GDP	0.5	-3.3	-3.0	-2.8	-2.5

All economic indicators except inflation follow OECD definitions.

Currency Information

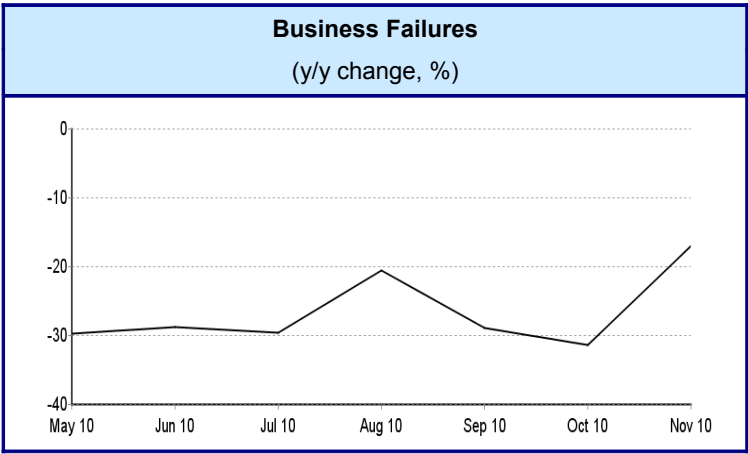
Exchange Rates	
(London, 14 Mar 11)	
EUR	1.3517
GBP	1.5642
JPY*	1.1938
USD	0.9767
*(x 100)	



Local Currency
(Canadian dollar [CAD]: USD)

	Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11
Week 1	1.024	1.018	1.003	0.990	0.990	0.971
Week 2	1.017	1.001	1.010	0.991	0.989	0.977
Week 3	1.010	1.010	1.011	0.991	0.983	0.985
Week 4	1.026	1.021	1.008	0.993	0.980	
Week 5		1.020		0.994		

Business Failures



Data Table

May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10
-29.8	-28.9	-29.7	-20.6	-29.0	-31.5	-17.0

Risk Factor

Having accelerated in late 2010, the Canadian economy has continued to benefit from improved US demand and elevated commodity prices throughout early 2011. In January, the country's trade account remained in surplus for the second straight month. Despite the Canadian dollar continuing to strengthen against the US dollar, exports to the US grew (by 3.3% in seasonally-adjusted month-on-month terms) more quickly than to the rest of the world (by 0.8%). Boosted by the currency's strength, imports did grow more rapidly than exports in January (by 5.3%); however, purchases of machinery and equipment from abroad signal continued investment productive capacity. Building on 2010's productivity gains will be critical for Canadian producers to remain competitive globally, with the currency set to remain near its highest level in decades throughout the rest of 2011. Indeed, with oil prices above USD100 per barrel, and the currency stronger than CAD1.0:USD, US buyers' demand for Canadian products could wane.

The upturn in external demand has supported solid job growth and an upturn in business activity. Over the December-February period, the economy added 150,000 jobs, more than in the previous six months combined. Meanwhile, February's purchasing managers' index (PMI) suggested a sharp increase in private sector activity rising to a seasonally-adjusted multi-year high of 70.8 (a reading above 50 indicates that firms' purchasing expanded over the previous month). The PMI sub-indices indicated that inventories continued to expand and delivery times slowed, while input prices rose sharply.

For now, the Bank of Canada is comfortable with its still relatively stimulative monetary policy, given that any incipient price pressures are counter-balanced by ample spare capacity. In March it left its target for the overnight rate at 1.0% (unchanged since Q3 2010). While noting that the economic recovery was now 'proceeding slightly faster than expected', it acknowledged the challenges exporters were facing from the strength of the currency. Given that rate rises would put further upward pressure on the currency, fresh hikes are unlikely without further evidence that the export sector is gaining traction and a moderation of the core downside risks facing the global economy. The bank is particularly concerned by the ongoing euro-zone debt crisis and unrest in the Middle East and North Africa (with its effect on oil prices). While no serious political risks are evident domestically, the Conservative Party minority government's upcoming budget, which is unlikely to garner much opposition support, could trigger an election. While an election would provide some short-term policy uncertainty, the Conservatives (ahead in the polls) are likely to be re-elected with another minority.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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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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