



Decide with Confidence

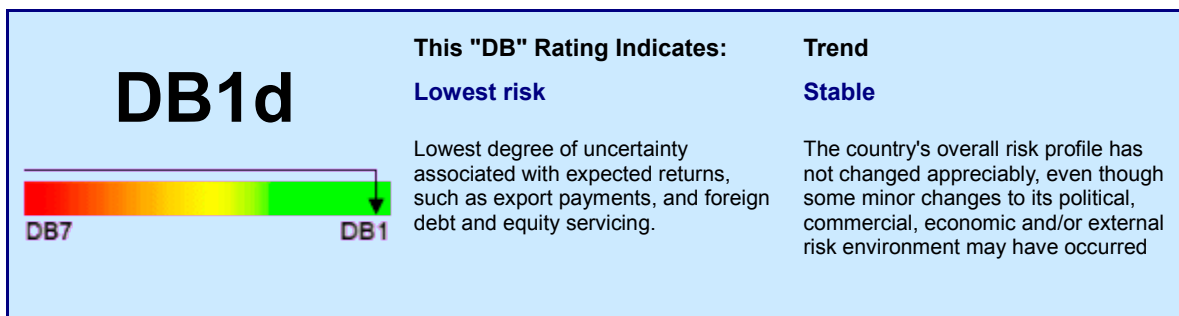
D&B Country RiskLine Report

CANADA

Region : The Americas

Edition : July 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 having improved since the recession in 2009, bankruptcies and failures continued to fall in early 2011. In Q1, consumer bankruptcies shrank by 6.6% year on year (y/y). 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 Q1, declining by 12.4% y/y. While we recommend OA terms for the majority of transactions with Canadian customers, counterparties in sectors still recording relatively 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

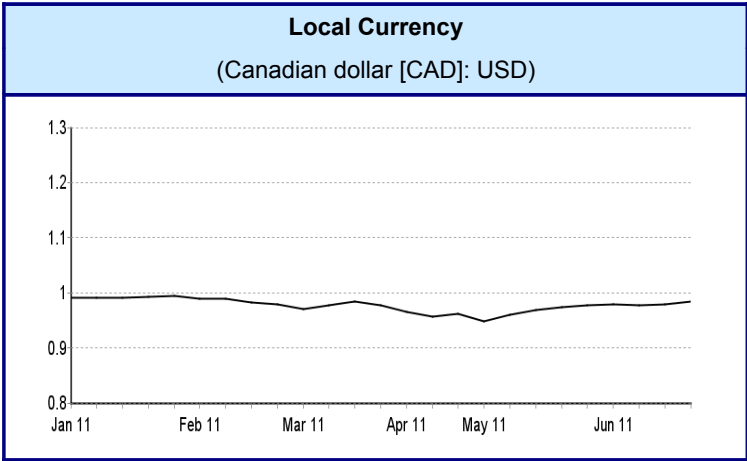
Economic Indicators

	2008	2009	2010e	2011f	2012f
Real GDP growth, %	0.7	-2.8	3.2	2.4	2.3
Inflation, annual ave, %	2.4	0.3	1.8	3.2	2.0
Govt balance, % GDP	0.2	-2.7	-2.2	-2.0	-1.5
Unemployment, %	6.2	8.3	8.0	7.6	7.5
C/A balance, % GDP	0.4	-3.0	-3.1	-2.8	-2.5

All economic indicators except inflation follow OECD definitions.

Currency Information

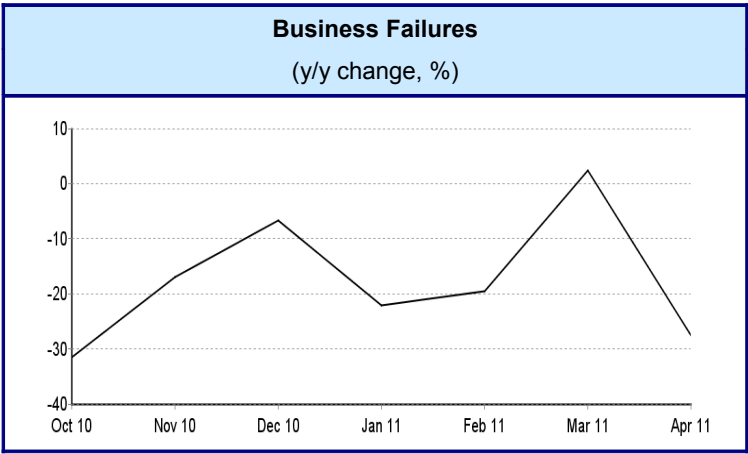
Exchange Rates	
(London, 13 Jun 11)	
EUR	1.4034
GBP	1.586
JPY*	1.2188
USD	0.9774
*(x 100)	



Local Currency
(Canadian dollar [CAD]: USD)

	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11
Week 1	0.990	0.990	0.971	0.964	0.949	0.980
Week 2	0.991	0.989	0.977	0.956	0.961	0.977
Week 3	0.991	0.983	0.985	0.962	0.968	0.980
Week 4	0.993	0.980	0.978		0.974	0.984
Week 5	0.994				0.977	

Business Failures



Data Table

Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11
-31.5	-17.0	-6.7	-22.1	-19.5	2.3	-27.5

Risk Factor

Like those of most other OECD countries, the Canadian economy is now facing a period of slower and less certain growth. Although the economy grew by an annualised 3.9% in Q1 (its fastest expansion since Q1 2010), a number of indicators suggest that growth will be less robust throughout the rest of the year. Even Q1's favourable expansion, driven by manufacturing and by the oil and gas industries, showed areas of weakness. Business inventory restocking was the largest contributor to Q1's expansion; as stocking subsides, so too will overall growth. Meanwhile, private consumption slowed to a near halt; with consumers still facing near record-level debt burdens and real wages falling, any sharp acceleration in consumer spending is unlikely. Housing starts (a barometer for domestic consumption given the purchases of household goods that accompany the investment in a newly built house) remain on a slowing trend. External demand is set to remain under pressure from the strong currency. With the Canadian dollar near parity with the US dollar, exporters face a challenging time ahead particularly with the US economy (which takes about 75% of Canadian exports) also again slowing.

The manufacturing sector is already showing signs of losing the momentum it had built up in Q1. A number of manufacturers have been hit by supply-chain disruptions from the March earthquake in Japan; a shortage of Japanese inputs has forced production slowdowns at several automobile and parts manufacturers. May's Markit-RBC manufacturing *Purchasing Managers' Index* indicated that production and new orders, while still growing, slowed for the second straight month, suggesting further plant slow-downs throughout the summer. While generally optimistic, firms are concerned that high commodity prices will continue to raise costs and hurt margins.

In the coming months, the policy front should provide few surprises. Re-elected in May with a majority, the Conservative Party government is set to pass a new budget; key items will include elimination of the government deficit by 2015 and hiring incentives for small businesses. The Conservatives' majority position (they headed the previous two successive minority governments) means they will be able to move ahead relatively unhindered with their pro-business and law-and-order agendas. Corporations can look forward to the federal corporate tax rate falling from 16.5% to 15.0% in 2012. As for monetary policy, the Bank of Canada left its policy rate unchanged at 1.0% in June. Given the slowing economic conditions and still relatively benign core inflation, the bank is unlikely to further tighten its still accommodative policy stance before September. The bank wants to avoid putting further upward pressure on the currency by increasing interest rate differentials with the US.

Glossary & Definitions

DEFINITIONS

Minimum Terms:

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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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