



D&B Country Insight Snapshot: Canada

April 2015

Overview

Overall Country Risk Rating: DB2b



Low risk: Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns in future.

Rating Outlook: Stable



Core Outlook

- + Canada is an open economy and is actively seeking to diversify its trade and investment ties, particularly with Europe and Asia.
- + The abundance of sought-after natural resources will be an important driver of investment opportunities and economic growth in the long term.
- High levels of household indebtedness and an over-valued real estate market are major risks to economic policy and sustainable economic growth.
- Exposure to the oil sector can cause large swings in fiscal budgets, inflation and the exchange rate.

Key Development

Credit conditions for businesses and households ease in Q1 2015, and should help support economic growth once the immediate adverse effects of the low oil price are weathered.

Credit Environment Outlook



Key Development has had a positive impact on the outlook.

Supply Environment Outlook



Key Development has had a neutral impact on the outlook.

Market Environment Outlook



Key Development has had a neutral impact on the outlook.

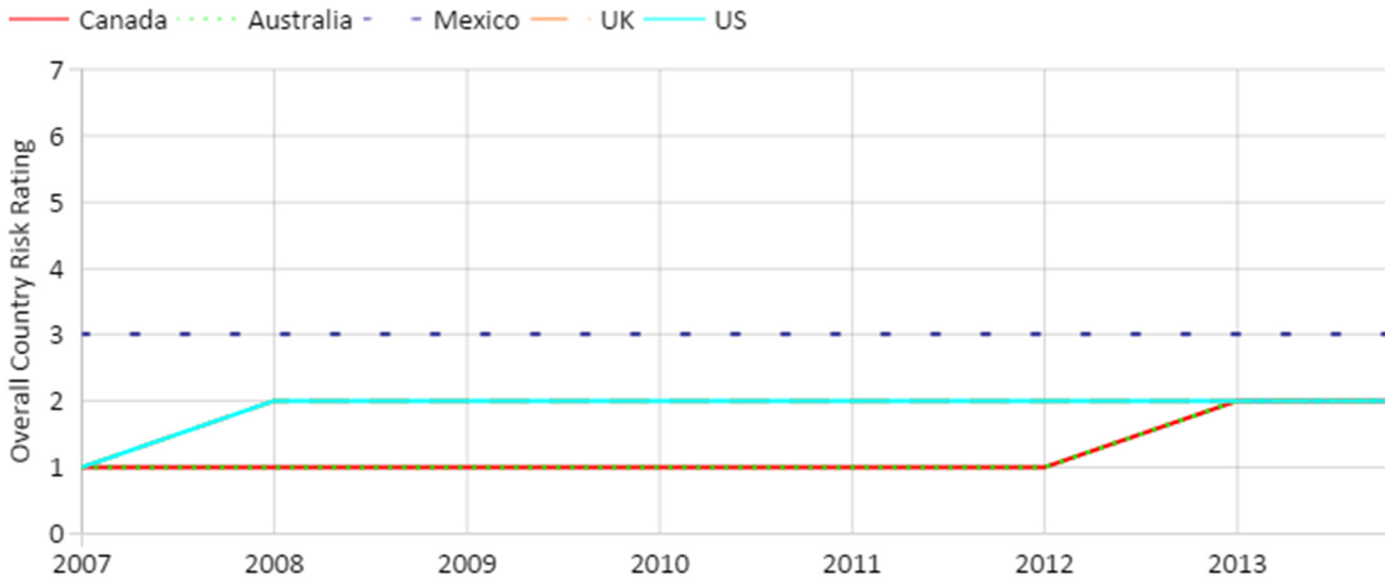
Political Environment Outlook



Key Development has had a neutral impact on the outlook.

Key Indicators

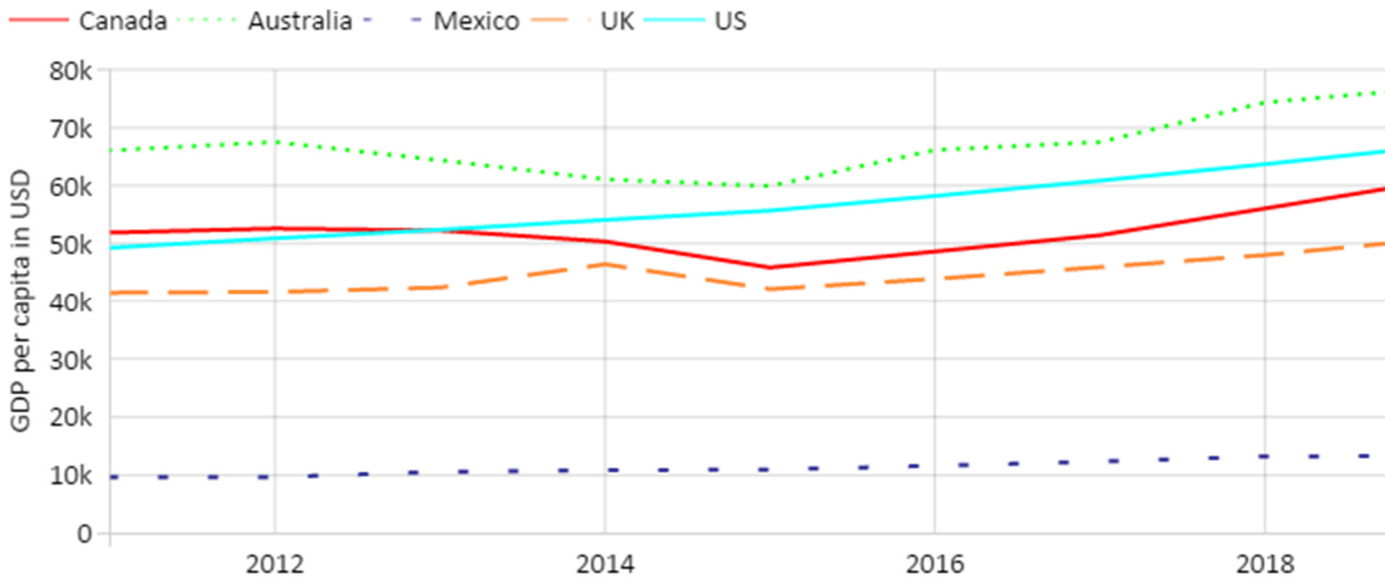
Rating History and Comparison



Source: D&B

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: D&B

Chart of the Month



Source: National Statistical Offices

Economic Indicators

Indicator	2012	2013	2014e	2015f	2016f	2017f	2018f	2019f
C/A balance % GDP	-3.3	-3.0	-2.2	-2.5	-2.1	-1.2	0.3	0.5
Govt balance, % GDP	-1.1	-0.9	0.0	0.0	0.2	0.3	0.4	0.4
Inflation, annual ave %	1.5	1.0	1.9	1.3	2.3	2.3	2.2	2.2
Real GDP Growth, %	1.9	2.0	2.5	2.1	2.4	2.3	2.3	2.2
Unemployment, %	7.3	7.1	6.9	6.7	6.5	6.4	6.2	6.2

Source: Haver Analytics/D&B

Trade and Commercial Environment

Canada's oil sector, related industries and oil-dependent provincial budgets are suffering from the sharp drop in global oil prices since mid-2014. The economy will suffer an oil price induced slowdown in 2015, but is expected to recover in 2016. Credit conditions have eased in Q1 2015, and together with lower oil prices, should help support consumer spending and business investment. In addition, the Canadian dollar is passing through a period of weakness, which is underpinning international competitiveness and supporting trade with the faster-growing US market. We recommend OA terms for the majority of transactions with Canadian customers, with usual payment terms up to 30 days.

Trade Terms and Transfer Situation

Minimum Terms: OA

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

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

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

Local Delays: 0-1 month

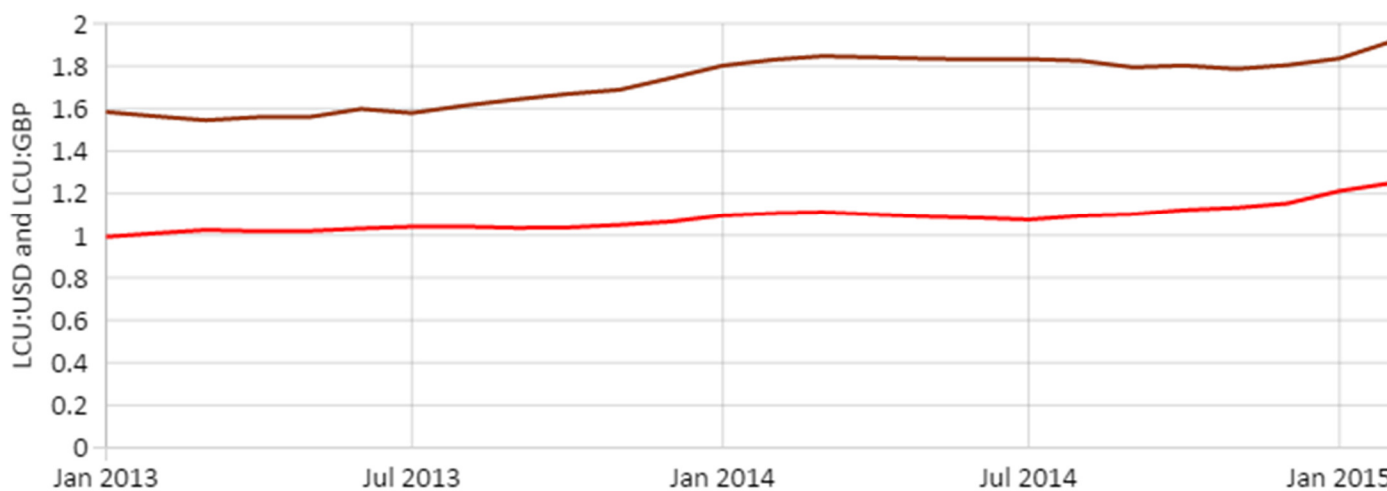
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

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.

Exchange Rate

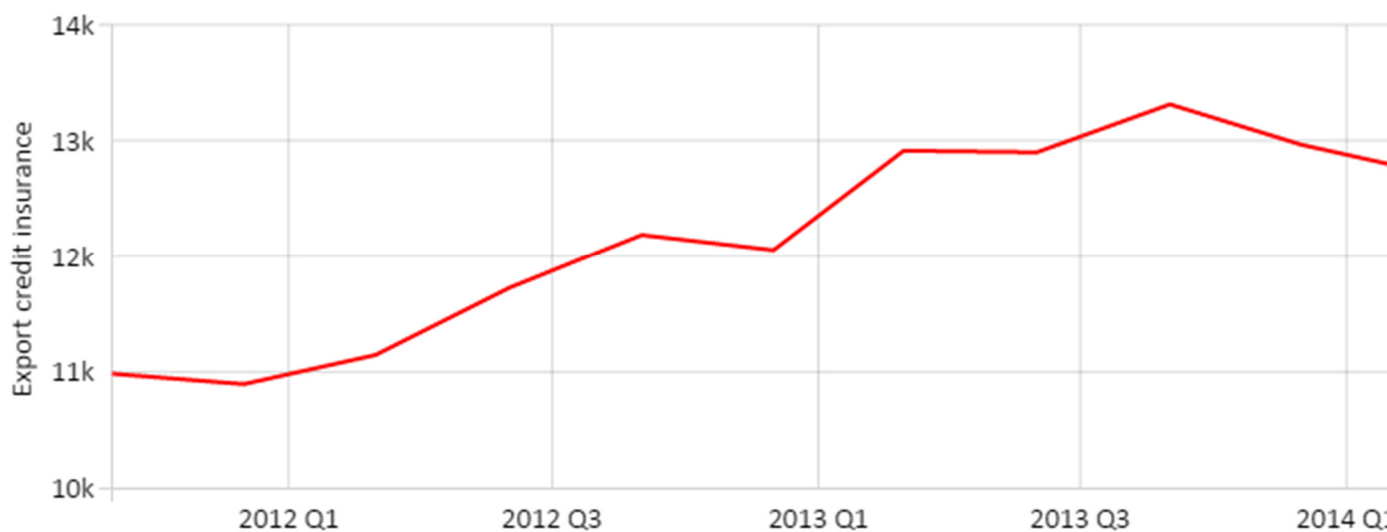
LCU:USD — Canada
LCU:GBP — Canada



Source: IMF International Financial Statistics, National Statistical Offices
LCU = Local Currency Unit

Credit Conditions

— Canada



Source: Haver
Insured export credit exposures, USDm

Risks and Opportunities

Short-Term Economic Outlook

Credit conditions ease in Q1

The Bank of Canada (BoC) cut its benchmark interest rate target by 25 basis points (to 0.75%) in January, over concerns about the adverse impact of falling global oil prices on the economy. As a result of the rate cut and strong investor demand, the whole yield curve on Canadian government bonds shifted downwards during Q1 2015 and fed through to historically low household and business borrowing rates. The BoC's *Business Outlook Survey*, released in April, confirmed that most firms currently regard credit as easy or reasonably easy to obtain, in terms of accessibility and affordability. The BoC expects the economy to suffer an oil price-induced slowdown in 2015, but is confident that a loosening of credit conditions will help support a rebound in 2016.

Business Environment Quality

Border agreement signed with US

Canada and the US signed a new border agreement in March that aims to streamline border crossing procedures between the two countries. The agreement involves extending the pre-clearance procedures already in place at various airports to cover road, rail and seaport connections and, in doing so, speed up the movement of goods and people from Canada to the US, and vice versa. However, both countries will need to pass new legislation, allocate public funds to the project and establish the role of the private sector before the initiative can be implemented. Not much progress is likely to be made on these fronts until 2017, once the Canadian and the US elections are well out of the way.

Insecurity/Civil Disorder Risk

Liberals ahead in the polls

Canada faces an election in 2015, which must be held by October at the latest. The Conservatives, led by Prime Minister Stephen Harper, and the Liberals by Justin Trudeau, are currently running on roughly equal standing in the public opinion polls, with the New Democratic Party (NDP), led by Thomas Mulcair, trailing in third place. This standing was confirmed by the polling aggregator threehundredeight.com in its latest analysis in March, although the direction of travel of polling averages has favoured the Conservatives since mid-2014. Currently, there is a distinct possibility of no outright winner emerging from the election and a new coalition government. However, this position could quickly change as more detailed policies emerge.

Country Profile and Statistics

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. Abundant natural resources (including hydrocarbons), a skilled workforce and modern capital endowments provide Canada with a solid economic base. However, high household debt levels and an overvalued real estate market are potential destabilising factors.

Key Facts

Key Fact	Detail
head of government	Prime Minister Stephen HARPER
Capital	Ottawa
Timezone	GMT -05-00
Official languages	English, French
Population (millions)	35.5

GDP (USD billions) 1,789
 GDP per capita (USD) 50,358
 Life expectancy (years) 81
 Literacy (% of adult pop.) 99.9
 Surface area (sq km) 9,984,670

Source: UN / Haver Analytics / D&B

Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	3.37	2.96	1.92	2	2.53
Nominal GDP in USDbn	1,614.1	1,789.7	1,832.3	1,838.6	1,789
Nominal GDP in local currency (bn)	1,663	1,770	1,831	1,894	1,976
GDP per Capita in USD	47,299	51,894	52,595	52,260	50,358
Population (year-end, m)	34.13	34.49	34.84	35.18	35.53
Exchange rate (yr avge, USD-LCU)	1.03	0.99	1	1.03	1.1
Current Account in USDbn	-56.63	-47.84	-59.93	-54.66	-39.36
Current Account (% of GDP)	-3.51	-2.67	-3.27	-2.97	-2.2
FX reserves (year-end, USDbn)	57	65.65	68.37	71.82	74.58
Import Cover (months)	1.37	1.39	1.4	1.47	1.54
Inflation (annual avge, %)	1.8	2.9	1.5	1	1.9
Govt Balance (% GDP)	-2.1	-1.3	-1.1	-0.9	0

Source: D&B

Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	2	2.4	2.1	2.3	2.2
Nominal GDP in USDbn	1,645.4	1,761.4	1,881.6	2,070.3	2,261.6
Nominal GDP in local currency (bn)	2,040.3	2,113.7	2,182.6	2,256.6	2,329.5
GDP per Capita in USD	45,869	48,629	51,444	56,064	60,676
Population (year-end, m)	35.9	36.2	36.6	36.9	37.3
Exchange rate (yr avge, USD-LCU)	1.2	1.2	1.2	1.1	1
Current Account in USDbn	-41.1	-40.5	-37.6	-37.3	-33.9
Current Account (% of GDP)	-2.5	-2.3	-2	-1.8	-1.5
FX reserves (year-end, USDbn)	74.4	75.2	76.2	77.6	77.8
Import Cover (months)	1.54	1.53	1.52	1.54	1.54
Inflation (annual avge, %)	1.3	2.3	2.1	2	2
Govt Balance (% GDP)	0	0.2	0.2	0.3	0.4

Source: D&B

Comparative Market Indicators

Indicator	Canada	Australia	Mexico	UK	US
Income per Capita (USD)	50,358	61,098	10,917	46,431	54,085
Country Population (m)	35.5	23.6	123.8	63.5	322.6
Internet users (% of population)	85.8	83	43.5	89.8	84.2
Real GDP Growth (% p.a., 2015 - 2024)	1.5 - 2.5	2 - 3	3.5 - 5	1.5 - 3.5	1.5 - 3

Source: D&B