

Country Insight Snapshot

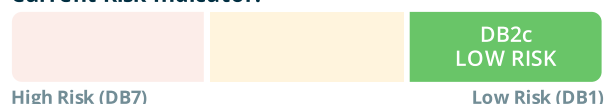
Canada

December 2022



OVERALL COUNTRY/REGION RISK INDICATOR

Current Risk Indicator:



- Last change: June 2021 (DB2d → DB2c)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **STABLE**

LOW RISK Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.

WorldWatch Headline

Tensions with China - the latest being the existence of Chinese 'police stations' on Canadian soil - remain elevated and may have economic consequences, especially for exporters of primary products.

Recent Changes

- Elevated tensions with China likely to impact exporters of primary products.
- An inflated real-estate market and high consumer debt puts Canada at higher risk of recession than the US.
- GDP edged up 0.1% in September, led by manufacturing, while preliminary estimates indicate an unchanged GDP in October; Q3 annualised GDP increased 2.9%, beating expectations.
- The Bank of Canada raised interest rates by 50 basis points in December to 4.25%, as expected.
- The Canadian government has announced tougher policies on investment in the minerals sector by state-owned entities, particularly those from China.
- In order to address labour shortages in a number of sectors, Canada will integrate Internationally Educated Healthcare Professionals (IEHPs) in the healthcare sector; spouses of work-permit holders will also be allowed to work from 2023.

Events to Watch

- The Fall Economic Statement proposes new measures to encourage renewable-energy investment and assist Canadians who are struggling to keep up with the rising cost of living, while curtailing spending.
- The BoC mentioned in the accompanying monetary policy statement that it "will be considering whether the policy interest rate needs to rise further", signalling a potential slowdown in the pace of rate hikes.
- Facebook has warned that it may block sharing of news content on its platform in Canada over concerns about legislation that would compel digital platforms to pay news publishers.

Call to Action

- Plan for higher financing costs as the jobless rate nears full employment this year and resilient inflation prompts further monetary tightening.
- Note that elevated uncertainty arising from the Russia-Ukraine war continues to hit global supply chains and the availability of critical raw materials.

COUNTRY INSIGHT HEADLINES

CREDIT ENVIRONMENT

Current Risk Indicator:



- Last change: April 2022 (DB2d → DB3a)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **DETERIORATING**

SLIGHT RISK Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

Risks and Opportunities

- GDP edged up 0.1% in September, led by manufacturing, while preliminary estimates indicate an unchanged GDP in October; Q3 annualised GDP increased 2.9%, beating expectations.
- The Bank of Canada raised interest rates by 50 basis points in December to 4.25% and signalled a potential slowdown in the pace of rate hikes.
- Consumers will receive a boost to their earnings as the bill doubling GST credit for low-and modest-income households has been extended for another six months.
- The Fall Economic Statement proposes new measures to encourage renewable-energy investment and assist Canadians who are struggling to keep up with the rising cost of living, while curtailing spending.
- The federal government plans to add 1.45m new permanent residents in Canada over the next three years, including 500,000 people in 2025.
- A Credit Industry Insights Report for Q3 shows that credit participation is at a record high, with an increase of 7.9% y/y.
- However, delinquency levels for installment loans and credit cards are up by 12 bps and 13 bps, though still below pre-pandemic levels.

Trade Terms

Description	Terms
Minimum Terms	OA
Recommended Terms	SD
Usual Terms	30 days

Note: OA: Open Account; SD: Sight Draft (Documentary Collection); LC: Letter of Credit; CLC: Confirmed Letter of Credit; CIA: Cash in Advance. **Source:** Dun & Bradstreet

Export Credit Cover

Agency	Cover
Eksport Kredit Fonden (EKF)	Full cover available, conditions apply
US Eximbank	Full cover available
ECGD	Medium- or long- term cover only
Euler Hermes AG	Medium- or long- term cover available, limited short-term cover

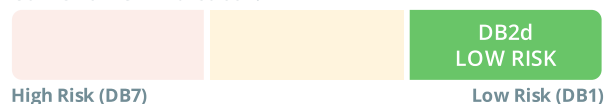
Source: Export Credit Agencies

Call to Action

- Be aware that business failure remains a medium-term risk, with increases anticipated and tighter financial conditions ahead.
- Prepare for a potential housing market slowdown amid higher mortgage rates; also consider the effect of higher interest rates on highly indebted households.
- Factor in higher borrowing costs; the BoC is expected to initiate further hikes in the policy interest rate, as the unemployment rate returned to pre-pandemic levels in February.
- Expect global oil prices to keep the currency path relatively volatile in the coming months.

SUPPLY ENVIRONMENT

Current Risk Indicator:



- Last change: August 2022 (DB3b → DB2d)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **STABLE**

LOW RISK Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.

Risks and Opportunities

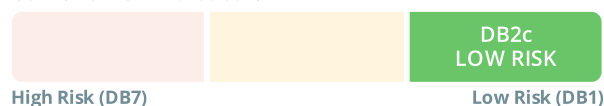
- The country is facing a critical labour shortage - over one million vacancies - and a historical visa processing backlog with about 2.6 million applications stuck in the pipeline.
- A triple threat of Covid, influenza and respiratory syncytial virus (RSV) is overwhelming the healthcare system amid an acute shortage of health-care workers.
- Canada is to drop all remaining Covid border restrictions, including vaccine requirements for travellers.
- Inflation, which sits at a near 31-year high, will drive further monetary tightening and a rise in financing rates, making capital expenditure more difficult to fund; wage growth, added to increases in other input costs, threatens company margins.
- Expansion of the Trans Mountain Pipeline is progressing; this will help alleviate supply and export constraints for Western Canada Select crude oil.
- The government aims to lower credit-card transaction fees for small businesses by negotiating with payment-card networks, financial institutions, payment processors and businesses.

Call to Action

- Expect supply-chain bottlenecks to persist for the rest of 2022, posing significant challenges for businesses.
- Take into account the impact of China's ongoing zero-Covid policy on the availability of critical inputs.
- Note that the government is unwinding pandemic relief to businesses as infection rates and hospitalisations caused by the coronavirus decline.
- Note that fiscal spending in Canada is being geared towards the reduction of greenhouse gases; adjust your business scope to move towards compliance.
- Be aware that Canada's rail capacity will improve considerably once the Kansas City South and Canadian National Railway merger is completed.
- Note that increased rail capacity will mean that Canadian exporters will have access to an additional 20,000 rail miles.

MARKET ENVIRONMENT

Current Risk Indicator:



- Last change: November 2022 (DB2b → DB2c)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **STABLE**

LOW RISK Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.

Risks and Opportunities

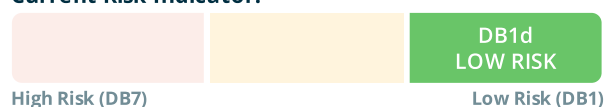
- The Canadian government has announced tougher policies on investment in the minerals sector by state-owned entities, particularly those from China.
- New Zealand has appealed to the CPTPP body as exporters of dairy products have found it difficult to gain access to Canadian markets under the treaty.
- The proposal to tax corporate stock buybacks is unlikely to spur investments and may put Canadian companies at a competitive disadvantage.
- The federal government is restricting the involvement of foreign state-owned companies in Canada's critical minerals sector.
- Canada has committed to USD257 million over the next five years to ensure strong regional engagement with ASEAN, and advance important trade negotiations.
- In order to address labour shortages in a number of sectors, Canada will integrate Internationally Educated Healthcare Professionals (IEHPs) in the healthcare sector; spouses of work-permit holders will also be allowed to work from 2023.
- Canada is looking to revive talks on the bilateral trade negotiation with India, which has been stalled for nearly a decade.
- According to a report featuring the government's first official harvest estimates, Canada is expected to harvest more wheat than anticipated and the biggest canola crop in three years.

Call to Action

- Factor in rising inflation and solid wage growth into business planning in 2022.
- Expect the service sector to continue to register strong activity in the warmer months.
- Note that the reimposition of strict containment measures is unlikely even if there are new surges of the coronavirus in the warmer months.
- To help mitigate risks, make supply chains more resilient by identifying alternative sources and reconsidering strategies to minimise vulnerability to sudden disruption.
- Be cognisant of Canada's immigration-friendly policies to recruit skilled labour.

POLITICAL ENVIRONMENT

Current Risk Indicator:



- Last change: January 2022 (DB2a → DB1d)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **STABLE**

LOW RISK Lowest degree of uncertainty associated with expected returns, such as export payments, and foreign debt and equity servicing.

Risks and Opportunities

- The Conservative Party has chosen a populist career politician, Pierre Poilievre, to lead them against Prime Minister Justin Trudeau's Liberals after a series of electoral defeats.
- The discovery of 'police stations' established by China in Canada has caused a major diplomatic row with China.
- Three members of Haiti's economic elite have been subjected to fresh sanctions by Canadian authorities for "protecting and facilitating" criminal gang activity in the nation.
- Canada will provide over USD11.04 million in aid to assist Ukraine in the clearing of landmines.
- The FY2022 budget features record investment in social programmes, including childcare, healthcare and affordable housing, in a bid to tackle voters' highest priorities.
- Proposed budgetary incentives also present an opportunity for firms involved in renewable energy and the green transition.
- The government will mandate payment from internet companies for content created by local news agencies and stronger environmental protections.
- Justin Trudeau's Liberal government is likely to seek support for its legislative agenda from the New Democratic Party and the Bloc Quebecois.

Call to Action

- Note that tension between China and Canada, which remains elevated, can have economic consequences, especially for exporters of primary products.
- Although plans to nationalise private sector companies do not fit with the government's long-term plans, be aware that takeovers may occur in lieu of giving fiscal support.
- Keep up to date with information regarding entities and individuals that threaten national security or that bypass lawful trade and commerce.

STATISTICAL REFERENCE

KEY INDICATORS AND FORECASTS

Historical Data/Forecasts

Metric	2018	2019	2020	2021	2022f	2023f	2024f	2025f	2026f	2027f
Real GDP growth (%)	2.8	1.9	-5.1	5	3.4	0.8	2	2.3	2.1	2.9
Nominal GDP in USDbn	1,725	1,744	1,647	2,002	2,188	2,228	2,316	2,444	2,556	2,680
Nominal GDP in local currency	2.2tn	2.3tn	2.2tn	2.5tn	2.8tn	2.9tn	3.0tn	3.2tn	3.3tn	3.5tn
GDP per Capita in USD	46,577	46,470	43,479	52,469	56,887	57,460	59,214	61,992	64,286	66,890
Population (year-end, m)	37	37.5	37.9	38.2	38.5	38.8	39.1	39.4	39.8	40.1
Exchange rate (yr avge, USD-LCU)	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Current Account in USDbn	-41.1	-34	-35.4	-5.5	3.3	-5.3	-21.1	-25.5	-31.1	-29.2
Current Account (% of GDP)	-2.4	-2	-2.1	-0.3	0.2	-0.2	-0.9	-1	-1.2	-1.1
FX reserves (year-end, USDbn)	83.9	85.3	90.4	106.6	110.9	109.8	110.9	111.9	113	111.9
Import Cover (months)	1.7	1.7	2.1	2.1	2	1.9	1.8	1.6	1.5	1.4
Inflation (annual avge, %)	2.2	2	0.7	3.4	6.4	4.3	2.7	2.5	2.4	2
Govt Balance (% GDP)	-0.3	-1	-11.7	-5.4	-4.5	-3.5	-3.8	-3.5	-3.5	-3.5

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Canada	Australia	Mexico	UK	US
Income per Capita (USD)	56,887	59,611	11,159	46,402	75,552
Country Population (m)	38.5	26.2	127.5	67.5	338.3
Internet users (% of population)	92.3	89.6	72	94.8	90.9

Source: Various sources/Dun & Bradstreet

Transfer Situation

Type	Delay
FX/Bank Delays	No delays reported
Local Delays	0-3 month

Note: Length of delay for completion of local and foreign transfers Source: Dun & Bradstreet

Trade Payment Restrictions

Trade Payment Restriction	Canada	North America	OECD Average
Restrictions on non-Residents' Accounts	0	0	0.06
Restrictions on Payments for Imports	0	0	0.06
Restrictions on Payments for Invisible and other Current Transfers	0	0	0.35

Note: for a definition of the Trade Payment Restrictions please see the online [user guide](#) Source: International Monetary Fund



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User Guide

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