



The strong Canadian dollar

The strong Canadian dollar allows export-oriented foreign investors the opportunity to source inputs and invest in plants and machinery at discounted prices, making their exports even more cost competitive.

For investors looking to establish operations in Canada, fluctuations in the value of the Canadian dollar matter. Although influenced by such factors as the price of oil, Canada's endowment of natural resources, and the slowing of the U.S. economy, the strength of the Canadian dollar in 2007 is a testament to Canada's strong and robust economy. In 2007, the value of the Canadian dollar increased by almost 18 percent relative to the U.S. dollar, and has remained close to parity in 2008.²

Against other major global currencies such as the euro or yen, however, the Canadian dollar has maintained its value and is now close to its early 2007 levels.³ This at a time when both the euro and the yen have appreciated significantly against the U.S. dollar.⁴

Investors can take advantage of today's higher currency spread between the Canadian dollar and the U.S. dollar to reduce the cost of imported machinery, equipment and other inputs, paving the way for productivity growth in their Canadian operations. In fact, up to 80 percent of machinery and equipment used in the production process in Canada is imported.

Further, imported inputs account for approximately 40 percent of the value of Canadian exports, meaning that for foreign direct investors focused on exporting product, the high Canadian dollar actually makes their exported product more cost competitive.⁵ Combine this with the second lowest producer price inflation levels in the G7 and the high value of the Canadian dollar relative to the greenback actually reduces costs for foreign investors.

² For the period January 2, 2007, to December 31, 2007.

³ The C\$/euro and the C\$/yen exchange rates have each increased by only 4.8 percent between January 2, 2007, and February 1, 2008.

⁴ The US\$/euro and US\$/yen exchange rates have each declined 10.5 percent between January 2, 2007, and February 1, 2008.

⁵ Foreign Affairs and International Trade Canada. "Canadian dollar on the rise and what it means to your business". December 2007.