

Low levels of inflation and unbeatable credit

As prices for energy and natural resources rise, inflationary expectations are being revised upward around the world. Canada has a reputation for maintaining low and stable inflation levels that help keep input prices predictable.

With Canada's inflation-control target between 1 percent and 3 percent, the Economist Intelligence Unit (EIU) projects Canada's rate of consumer price inflation (CPI) to be relatively stable at 2.1 percent over the next five years. This builds on Canada's strong reputation for offering investors a stable pricing environment. Over the past five years, Canada's consumer price inflation (CPI) rate averaged 2.2 percent, while that of the United States averaged 2.9 percent. With its formal, targeted, low-inflation policy, Canada is among the countries with the lowest inflation. In fact, over the last seven years, price inflation experienced by producers of products manufactured in Canada was the second lowest among G7 countries.

Canada's low levels of inflation and excellent fiscal balances have led to low interest rates. For foreign investors, this means that borrowing costs in Canada will be highly competitive compared to much larger markets such as the United States and European Union countries. Further, Canada has maintained its AAA international credit rating since 2002 and the outlook remains stable for the foreseeable future.

The sustained AAA sovereign credit rating enjoyed by Canada has reduced the debt service costs of governments in Canada and allows for investments in other government priorities such as infrastructure development and R&D.

From commercial banks to insurance companies, Canada's high sovereign credit rating and strong financial sector oversight has also positively impacted the credit ratings of all of Canada's major financial institutions. In fact, Canadian banks rank first in the G7 in terms of their intrinsic credit worthiness. Given the uncertainty in financial markets related to the sub-prime mortgage crisis in the United States, Canada's AAA credit rating will be an important strategic consideration for foreign investors.

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