

## Strong fiscal policies that support foreign investors

Bank of Canada, Ottawa

*The secret of Canada's economic success is a prudent fiscal policy framework at all levels of government. These strong fiscal policies mean that foreign investors can expect a stable policy environment regardless of where they invest in Canada.*

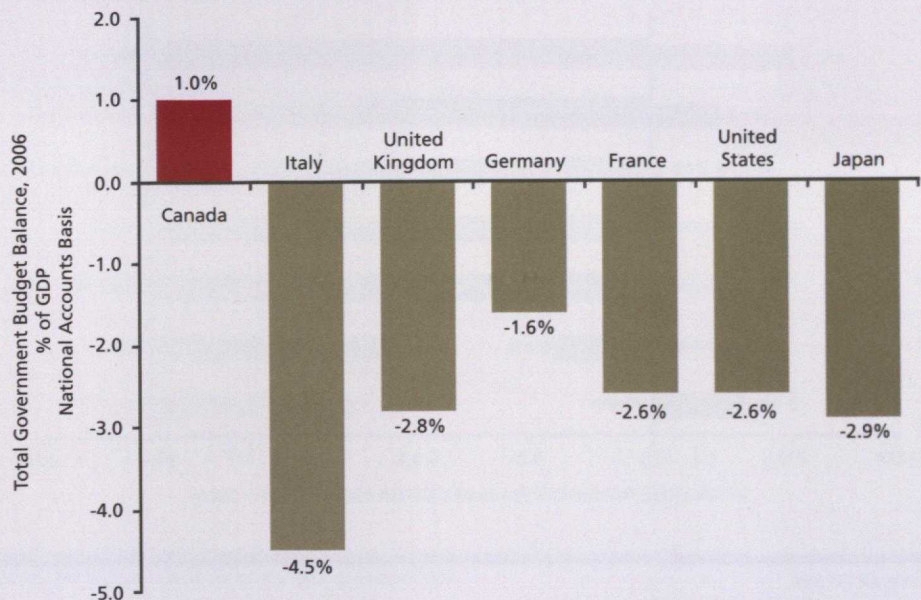
While most industrialized countries are operating their governments at a deficit, Canada is expected to record its 11th consecutive federal budget surplus in 2008, and is expecting surpluses over the next two years.

This decade-long string of budget surpluses underlines the prudent fiscal policies of not just the federal government in Canada, but governments at all levels. Canada's total government net-debt to GDP ratio has decreased from the second highest in the G7 in the mid-1990s to the lowest today. In fact, a long-term policy target of the Canadian government is to eliminate Canada's total government net debt in less than a generation, creating a strong foundation on which to build sustainable prosperity.

This strong fiscal record gives Canada a strategic edge over its competitors:

- Canada is substantially reducing the tax burden on corporations. Recent announcements will result in Canada having the lowest statutory corporate income tax rates on business investments in the G7 by 2012.
- Canadian governments have also used some of their budget surpluses to stimulate key and innovative sectors of the Canadian economy. Canada's public-sector funding of multi-billion dollar research and development programs across the country is having a real impact on Canadian productivity and innovation.

**CANADA WAS THE ONLY G7 COUNTRY TO RECORD A GOVERNMENT-WIDE BUDGET SURPLUS IN 2006**



Source: OECD Economic Outlook No. 82, December 2007.