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DIVERSITY

COMPÉTITIVITÉ

STABILITY

DURABILITÉ

COMPETITIVENESS

STABILITÉ

PERFORMANCE

SUSTAINABILITY

CRÉATIVITÉ

CREATIVITY

THINK CANADA

DECEMBER 2018

PREPARED BY

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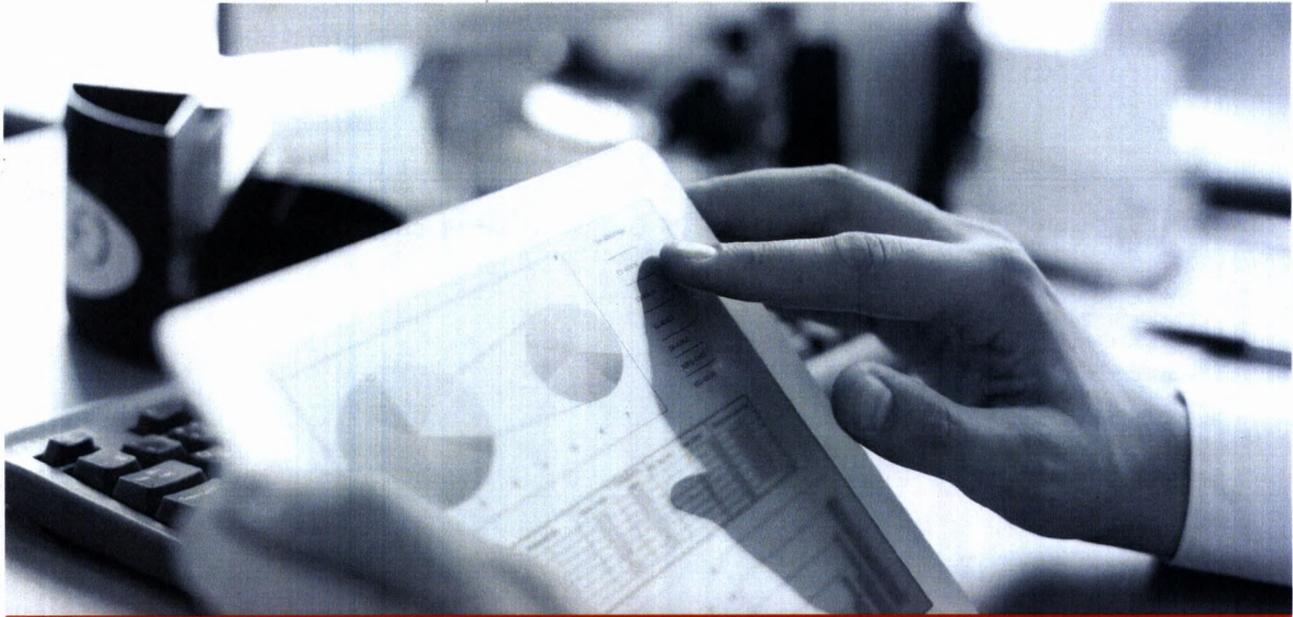
Global Affairs
Canada

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Canada

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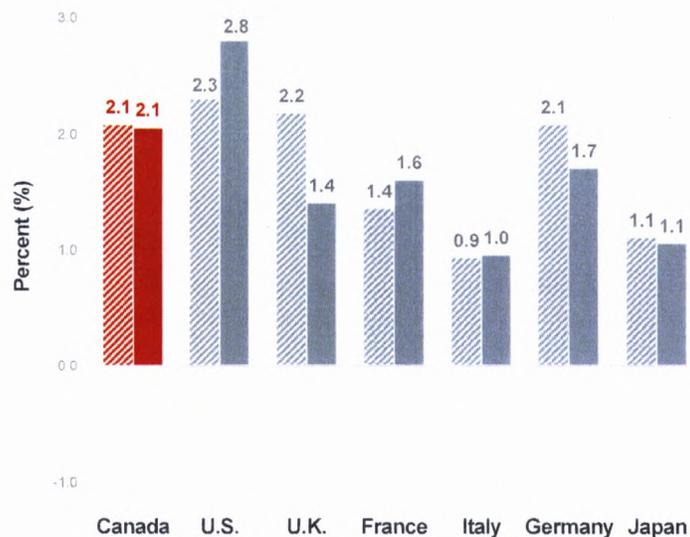
EXCELLENT ECONOMIC FUNDAMENTALS

Despite the global slowdown, Canada's economic prospects are strong, based on a consensus of forecasts.

- According to Consensus Economics, Canada has been a strong performer among G7 countries in GDP growth during the 2014-17 period and is expected to continue this trend through 2018-19.

Real GDP Growth and Projections (%)

▨ 2014-2017 ■ 2018-2019



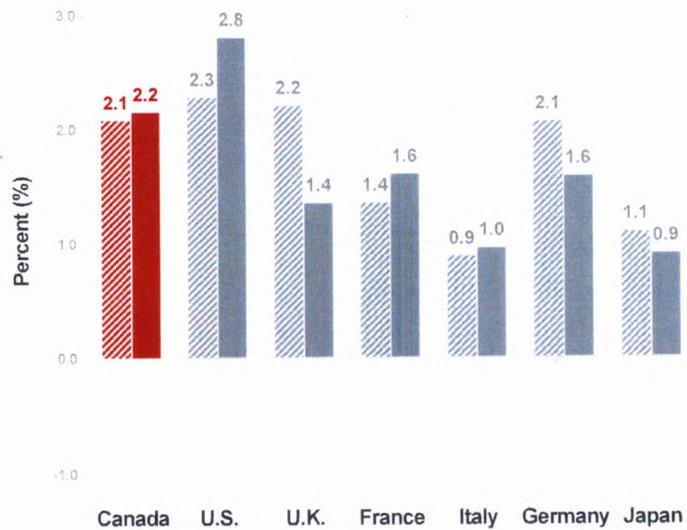
Other forecasts also highlight Canada's strong economy...

- Similarly, according to the OECD, Canada's real GDP growth from 2014-2017 ranked high among G7 countries and is forecast to be the second highest in the G7 in 2018-2019.



Real GDP Growth and Projections (%)

▨ 2014-2017 ■ 2018-2019



Source: OECD Economic Outlook No. 104, November 2018

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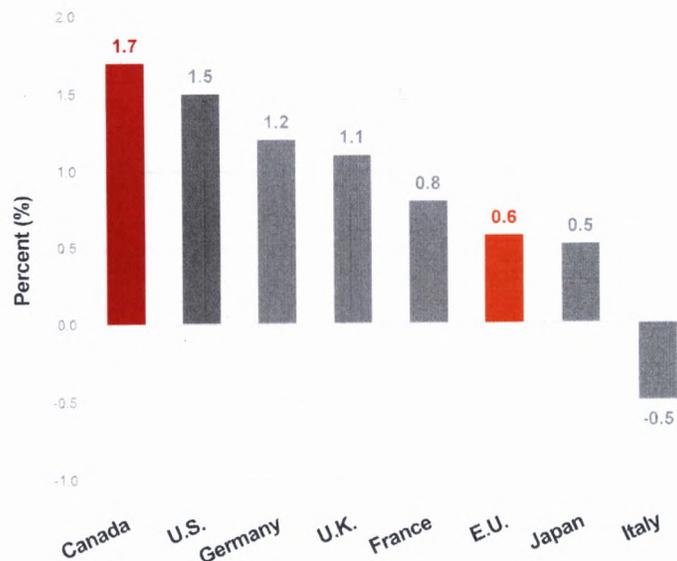
...and Canada leads G7 countries in long-term GDP growth.

- Long-term real GDP growth statistics from the OECD place Canada at the top of the G7 over the last decade.
- Canada's real GDP growth is also well above the EU average.



Real GDP Growth in G7 Countries (%)

2008-2017



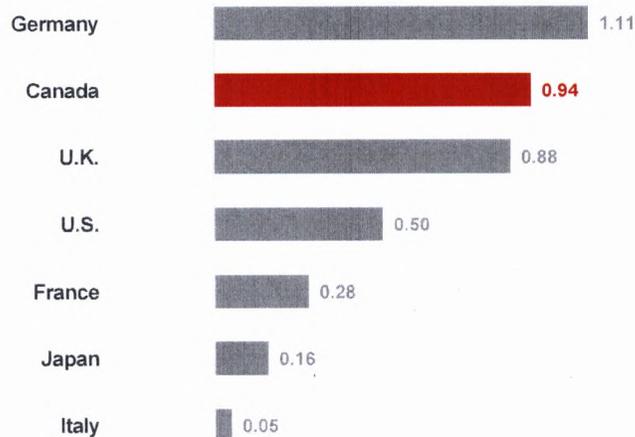
Source: OECD Economic Outlook No. 104, November 2018

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Canada also has strong employment growth...

- Canada's employment performance since 2007 has been a strong second in the G7.
- Canada has recovered more than all of the jobs lost during the 2008-2009 recession.
- Almost 2,030,900 more Canadians are working today than when the recession ended in June 2009 and employment is about 1,604,400 above the pre-recession peak recorded in October 2008. Over 80% of the positions created since June 2009 have been full-time with over 80% in the private sector.

Average Annual Employment Growth (%) 2008-2017



Sources: OECD Economic Outlook, No.104, November 2018 and Statistics Canada, CANSIM tables 14-10-0287-01 (formerly 282-0087) and 14-10-0288-01 (formerly 262-0089), November 2, 2018

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...strong fiscal performance...

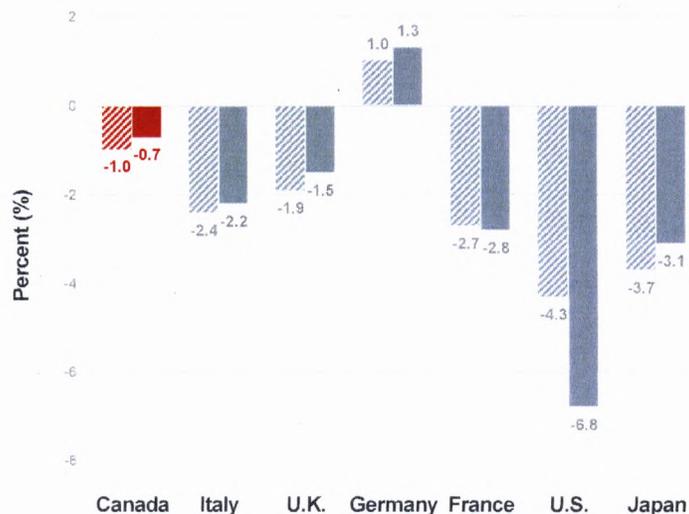
- Despite posting a deficit of 1.0% of its GDP in 2017, Canada's fiscal position is still forecast to be better than most G7 countries during 2018-2019, with an overall deficit of 0.7% of GDP.



Total Government Budget Balance* 2017-19

% of GDP | National Accounts Basis

▨ 2017 ■ 2018+2019



*Total government budget includes federal, provincial/state and municipal budgets
Sources: OECD Economic Outlook, No.104, November 2018

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...the lowest net debt in the G7...

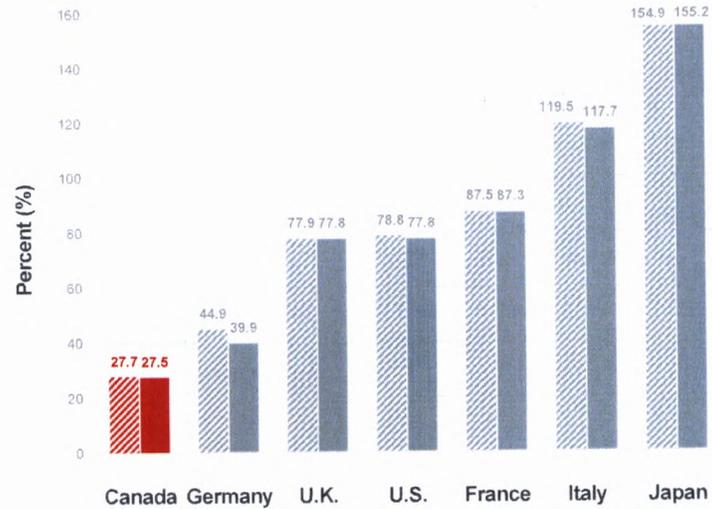
- In 2017, Canada had the lowest net debt-to-GDP ratio in the G7. It will continue to hold this standing during the 2018-2019 forecast period.



General Government Net Debt 2017-19

% of GDP

▨ 2017 ■ 2018-2019



Source: IMF World Economic Outlook, October 2018

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...a low inflation-rate regime...

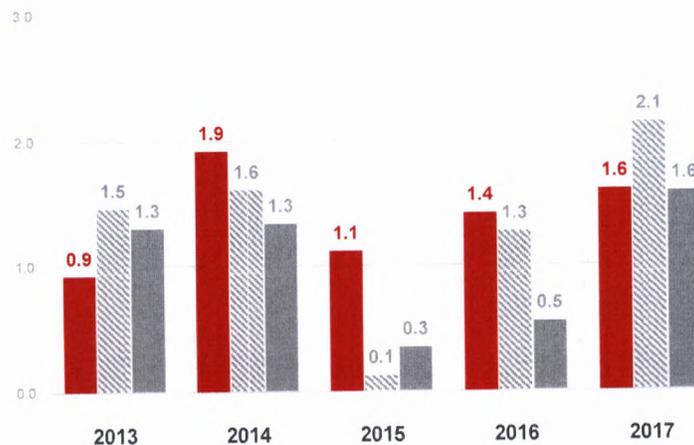
- A low-inflation environment provides business certainty to investors. The Bank of Canada will continue to target inflation at 2% for another five-year period.
- During the past five years, Canada has enjoyed relatively low inflation—averaging 1.4% compared to 1.3% for the U.S. and 1.0% for the G7 as a whole.



Inflation

Year-Over-Year % Change

■ Canada ▨ U.S. ■ G7



Sources: OECD Economic Outlook, No 104, November 2018 and <http://www.bankofcanada.ca/2016/10/renewal-of-the-inflation-control-target-2016/>

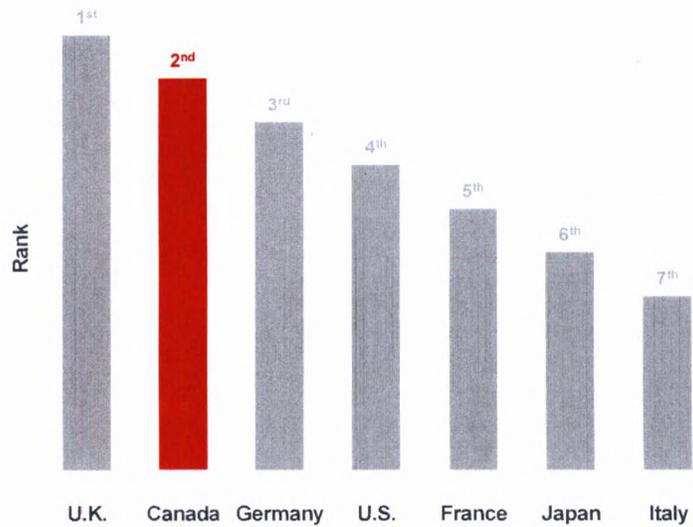
10

...and an overall environment of prosperity.

- According to the *Legatum Prosperity Index**, Canada ranks second in the G7, second in the G20 and eighth among 149 countries in terms of overall prosperity, based on material wealth and personal wellbeing.



Legatum Prosperity Index* 2018 G7 Ranking



* The *Legatum Prosperity Index* ranks countries based on 104 variables grouped into 5 sub-indices which are averaged using equal weights. The sub-indices are: economic quality, business environment, governance, education, health, safety & security, personal freedom, social capital and natural environment. Source: Legatum Institute, London, November 2018.



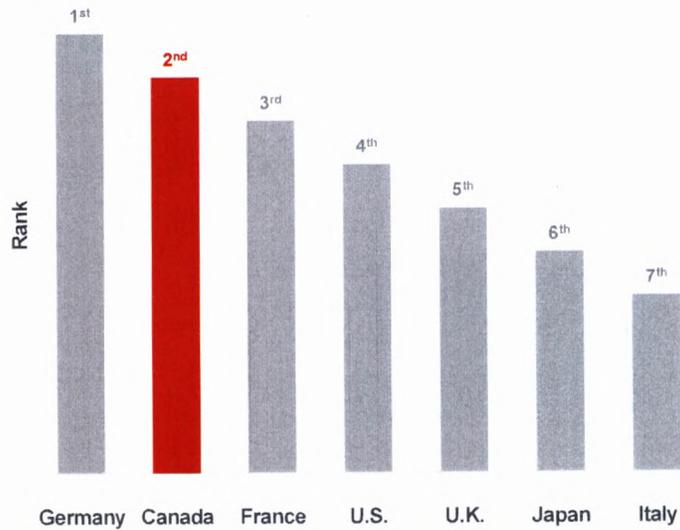
II

A HIGHLY COMPETITIVE BUSINESS ENVIRONMENT

Canada is acclaimed by the EIU for its superior business climate...

- Canada understands the importance of its business community and has created an environment to encourage its success.
- Canada is the 2nd best country in both the G7 and the G20 for doing business over the next five years, according to the Economist Intelligence Unit (EIU).
- Canada ranks tenth among 82 countries in the Economist Intelligence Unit's global business rankings for the forecast period (2019-2023).
- The country ranks well for its infrastructure, market opportunities, foreign trade and exchange and low tax rates.

Business Environment of the G7 Countries
Rank for Forecast Period 2019-2023



Source: The Economist Intelligence Unit, November 2018

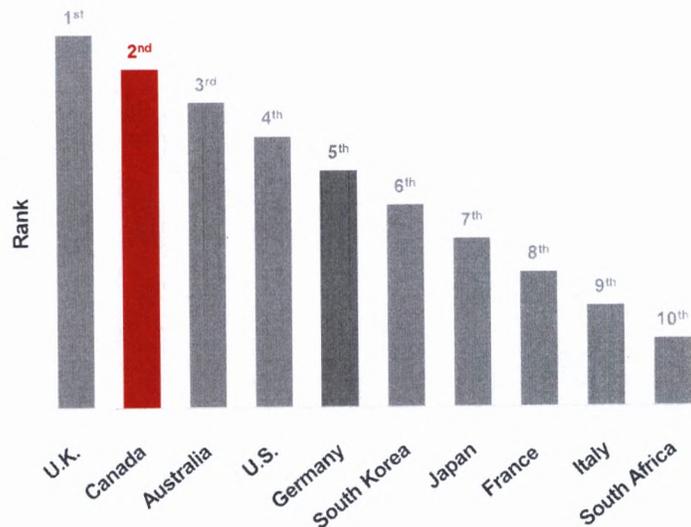
13

...and by Forbes.

- Canada ranked second in the G20 and stood fifth overall in Forbes' latest 153-country annual study, *The Best Countries for Business*.
- Canada ranks particularly well on several study elements, including degree of personal freedom (first overall) and red tape involved in starting a business (second overall).



Top 10 Countries in the G20 for Business 2018*



*Chart based on analysis of country rankings. Country rankings are based on the following eleven categories of quantitative and qualitative indicators: trade freedom, monetary freedom, property rights, innovation, technology, red tape, investor protection, corruption, personal freedom, tax burden and market performance.
Source: Forbes Publishing, December 2017

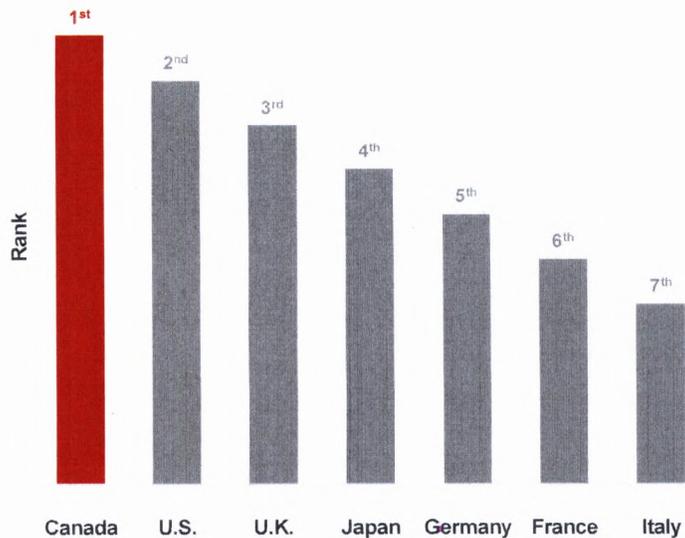
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Canada has high potential for investment and growth in infrastructure.

- Canada ranks first in the G7 and fourth overall in a recent study measuring a country's potential for investment and growth in its economic infrastructure.*



**Global Infrastructure Investment Index
G7 Ranking**



Source: *Global Infrastructure Investment Index*, ARCADIS NV Consulting, May 2016

* Standing among 41 countries. Economic infrastructure is the core internal facility of a country that makes business activity possible, such as communication, transportation, distribution, finance and energy supply. These assets are fundamental to society and economic growth.

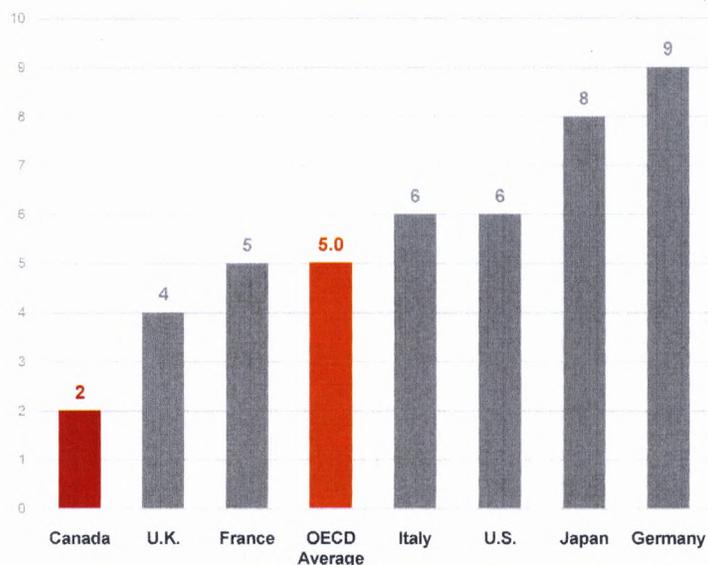
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Establishing a business in Canada involves relatively few steps...

- Regulations pertaining to the creation of new businesses are considerably more flexible in Canada than in other G7 countries.
- Canada ranks first among the G7 and OECD countries for the lowest number of procedures required to establish a new business.



Number of Procedures*



Source: *Doing Business in 2019* - The World Bank Group, November 2018. *A "procedure" is defined as any interaction of the company founder with external parties (government agencies, lawyers, auditors, notaries, etc.). Interactions between company founders or company officers and employees are not considered as separate procedures. For example, an inauguration meeting where shareholders elect the directors and secretary of the company is not considered a procedure, as there are no outside parties involved.

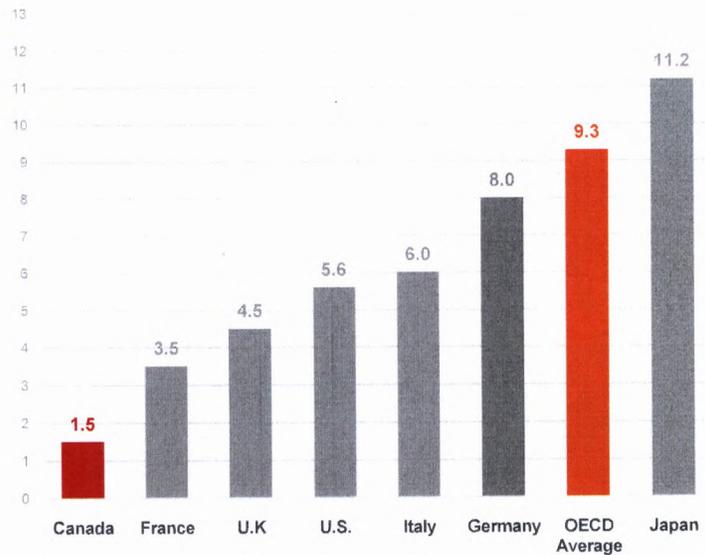
16

...and takes relatively less time.

- In Canada, it takes fewer days to establish a new business than it does in any other G7 country.



Time Required to Start a Business Days



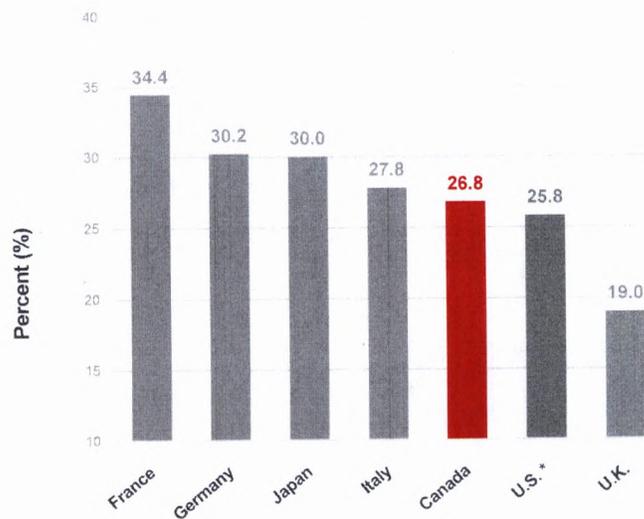
Source: *Doing Business in 2019* - The World Bank Group, November 2018

17

Despite the recent U.S. tax reforms, Canada still has a relatively low corporate income tax rate....

- Canada has the third-lowest statutory corporate income tax rate in the G7 in 2018.

Statutory General Corporate Income Tax Rates in the G7, 2018



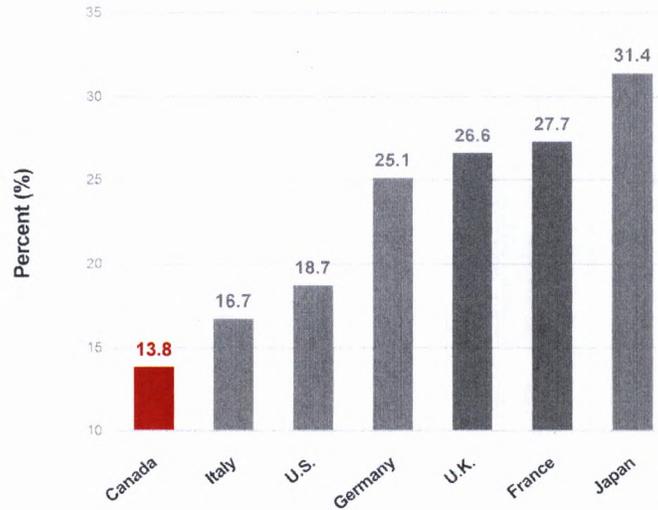
Source: Finance Canada, January 2018 *The result of U.S. tax reform, January 2018

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...and the lowest marginal effective tax rate on new business investments in the G7

- Despite recent U.S. tax reforms, Canada has the lowest marginal effective tax rate on new business investments in the G7.

Marginal Effective Tax Rates on New Business Investments in the G7, 2018



*The effective marginal corporate tax rate is the percentage increase in the cost of capital of a marginal investment - that is, an investment that pays just enough to make the investment worthwhile - as a result of the corporate income tax rate and tax base. This measure does not include sales taxes

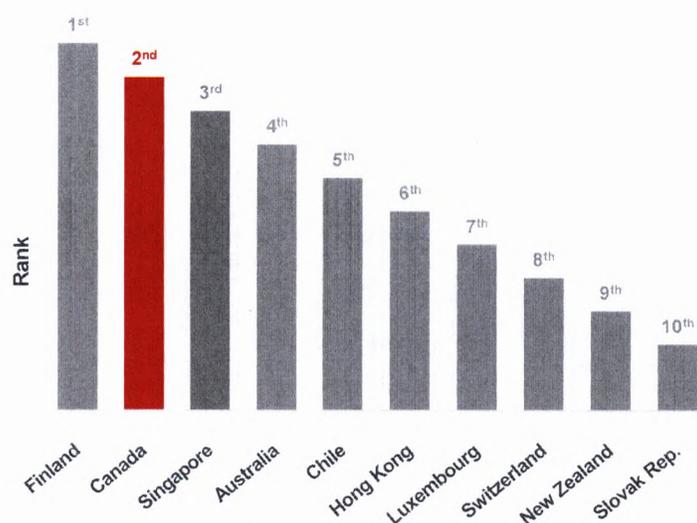
Source: Finance Canada, Fall Economic Statement, November 21, 2018

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Canada also has sound financial institutions.

- Investors can take comfort in the fact that Canada's banking system is ranked 2nd in the world and is soundest in the G7.
- Five of the world's 50 safest banks are in Canada, according to a recent study**:
- Toronto Dominion Bank (19th)
- Royal Bank of Canada (23rd)
- Caisse Centrale Desjardins (34th)
- Scotiabank (48th)
- Bank of Montreal (50th)

Soundness of Banks*
World Rank



*Standing among 140 countries. Ranking based on the degree of soundness of financial institutions. Source: Global Competitiveness Report, 2018-2019
** Standing among 500 world banks based on total assets and long-term credit ratings. Source: Global Finance Magazine, September 2017

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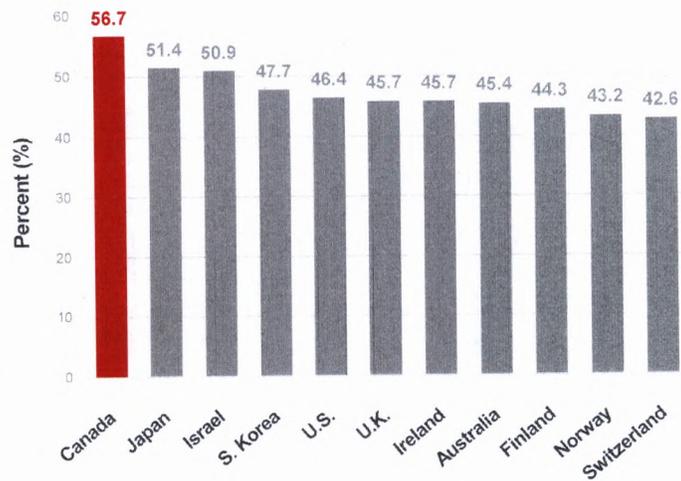
III

A DYNAMIC WORKFORCE

Canada has one of the world's best-educated talent pools and some of the best universities...

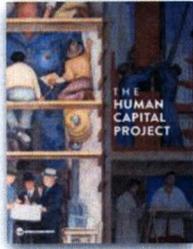
- Canada's talent pool is the most highly educated among OECD member countries, with over half of its population aged 25-64 having attained tertiary-level education.
- The 2018-2019 edition of the U.K.-based *Quacquarelli Symonds* (QS) rankings places three Canadian universities among the top 50 in the world:
 - University of Toronto 28th
 - McGill University 33rd
 - University of British Columbia 47th

Percentage of Individuals Aged 25-64 Having Attained Tertiary Level Education
Top OECD Countries, 2017

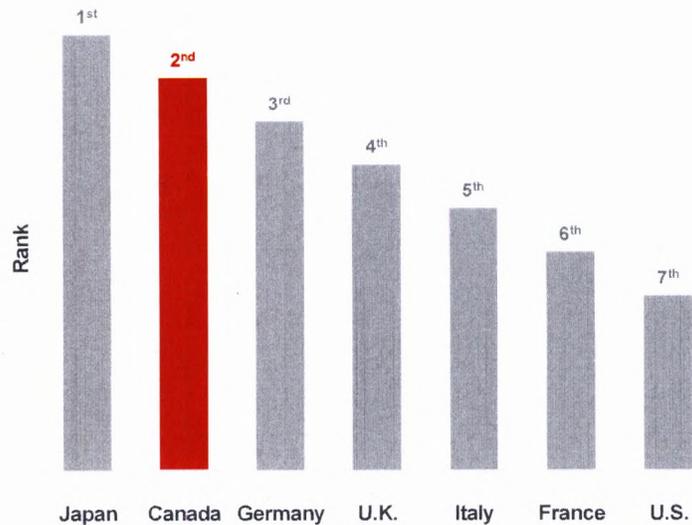


...with high prospects for a productive workforce...

- According to the *Human Capital Index*^{*}, Canada ranks second in the G7 and tenth among 157 countries in terms of the degree to which their health and education systems lead to a productive workforce.



Human Capital Index^{*} 2018 G7 Ranking



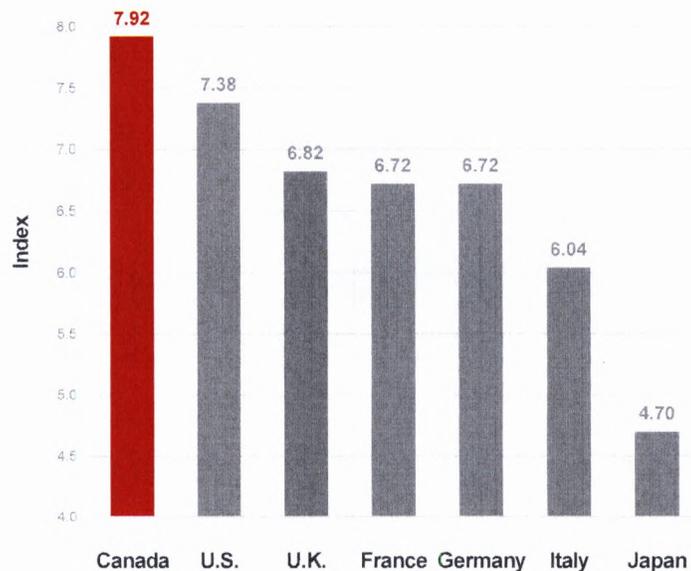
* The Human Capital Index ranks countries based on five indicators: child survival, school enrolment, quality of learning, healthy growth and adult survival.
Source: World Bank Group, October 2018.

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...backed by superior management training...

- Canada stands first in the G7 in a study measuring the extent to which management education meets the needs of the business community (see chart).
- In addition, three Canadian schools of management rank among the top 100 in the world according to the Financial Times (UK) Global MBA rankings for 2018:
 - McGill University (Desautels) 78th
 - University of Toronto (Rotman) 86th
 - Western University (Ivey) 90th

Management Education Quality Index^{*}



Source: IMD. * Rank among 63 economies considered in the World Competitiveness Yearbook 2018.

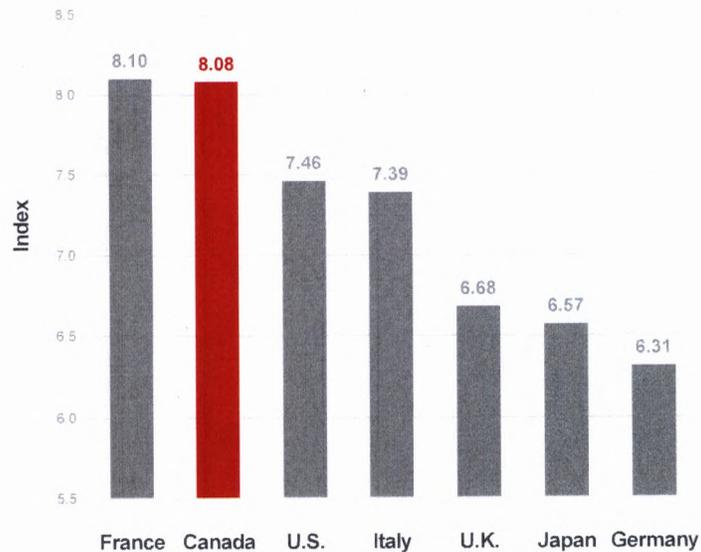
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...and a readily available army of qualified engineers.

- The availability of qualified engineers in the labour force in Canada is greater than in any other G7 country except France, according to a Institute for Management Development (IMD) survey.



Qualified Engineers Availability Index*



Source: IMD. * Rank among 63 economies considered in the World Competitiveness Yearbook 2015

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Canada is also a world leader in academic performance among youth...

- Among the three subject areas (reading, science and mathematics) surveyed in the OECD Program for International Student Assessment (PISA), Canadian schoolchildren rank first in the G7 in reading and second in each of science and mathematics.
- Among the 72 countries and economies that participated in PISA 2015, Canadian schoolchildren ranked 3rd in reading, 9th in science and 10th in mathematics. The rankings compare to 9th, 10th and 13th, respectively, in 2012.
- The annual PISA survey involves a total of over 540,000 pupils in 72 countries and evaluates the capacity of 15-year olds to understand and solve academic problems.

PISA Score (Points – Standing Among G7 Countries)

Country	Reading
Canada	527
Japan	516
Germany	509
France	499
United Kingdom	498
United States	497
Italy	485

Country	Science
Japan	538
Canada	528
United Kingdom	509
Germany	509
United States	496
France	495
Italy	481

Country	Mathematics
Japan	532
Canada	516
Germany	506
France	493
United Kingdom	492
Italy	490
United States	470

Source: OECD Program for International Student Assessment (PISA) 2015 – Released December 6, 2016

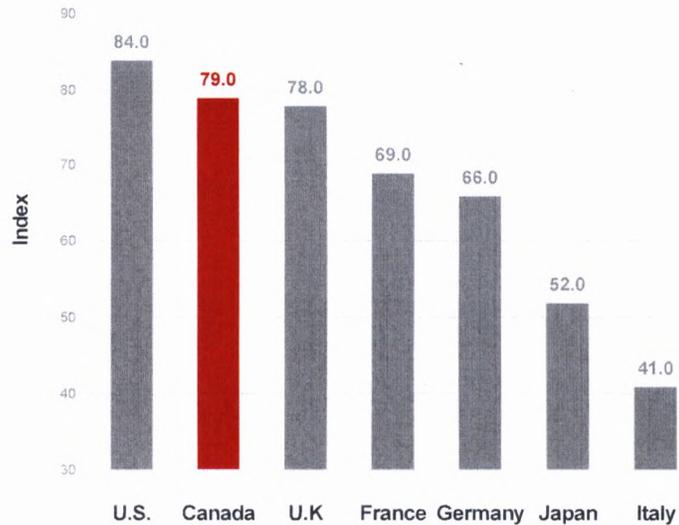
26

...and has one of the world's best business climates for entrepreneurs.

- According to the *Global Entrepreneurship Index**—a measure of the health of a country's entrepreneurship ecosystem—Canada ranks second in the G7 and third among 137 countries.
- Canadian policymakers are better equipped than those in most economies to implement policies that support entrepreneurship innovation, productivity and job creation.



Global Entrepreneurship Index* G7 Ranking



*The *Global Entrepreneurship Index* ranks countries based on 3 sub-indices: entrepreneurial attitudes, entrepreneurial abilities and entrepreneurial aspirations standing on 14 pillars: opportunity perception, start-up skills, risk acceptance, networking, cultural support, opportunity start-up, technology absorption, human capital, competition, product innovation, process innovation, high growth, internationalization and risk capital.
Source: *Global Entrepreneurship Index 2018* – The Global Entrepreneurship and Development Institute, November 29, 2017

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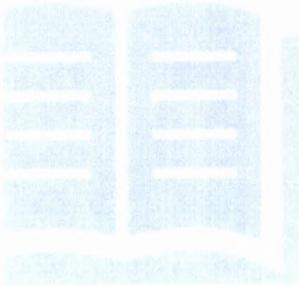


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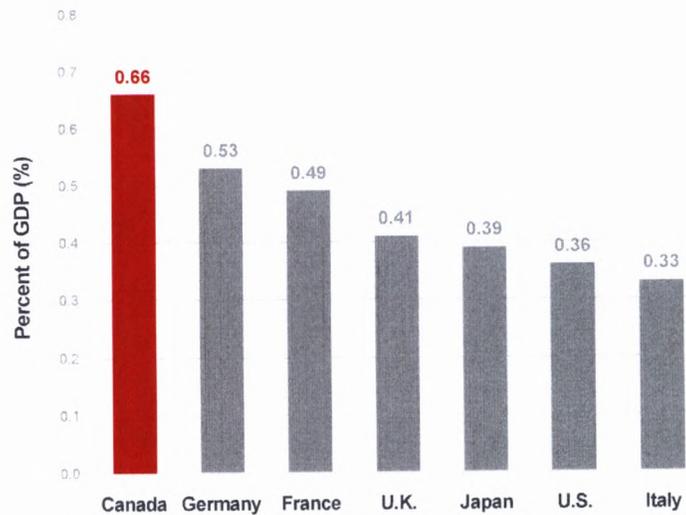
A PROMISING VENUE FOR INNOVATION & INVESTMENT

Canada has a high level of R&D investment in higher education...

- Canada is a world leader in post-secondary research, outpacing other G7 countries on higher education investment.



R&D Investment in the Higher Education Sector 2016



Source: OECD Main Science and Technology Indicators, 2018, Volume 1, July 2018

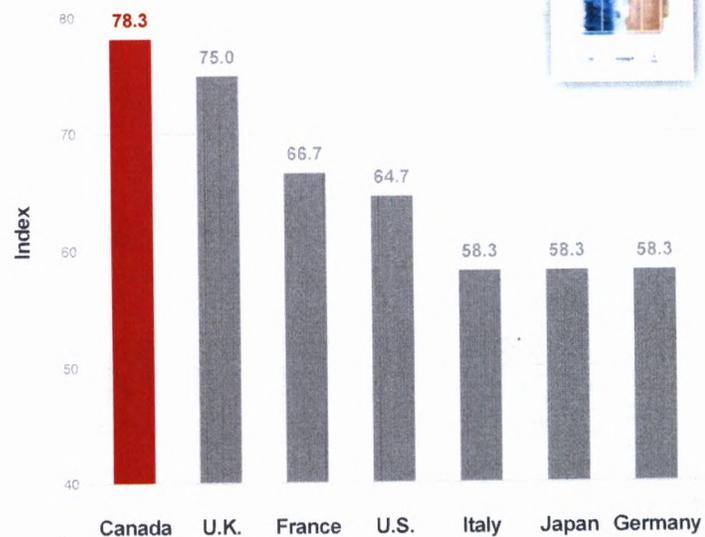
29

...with solid investor protection...

- Canada is ranked first in the G7 and eighth out of 126 countries, by the Global Innovation Index for the ease of investor protection.



Ease of Investor Protection* G7 Ranking



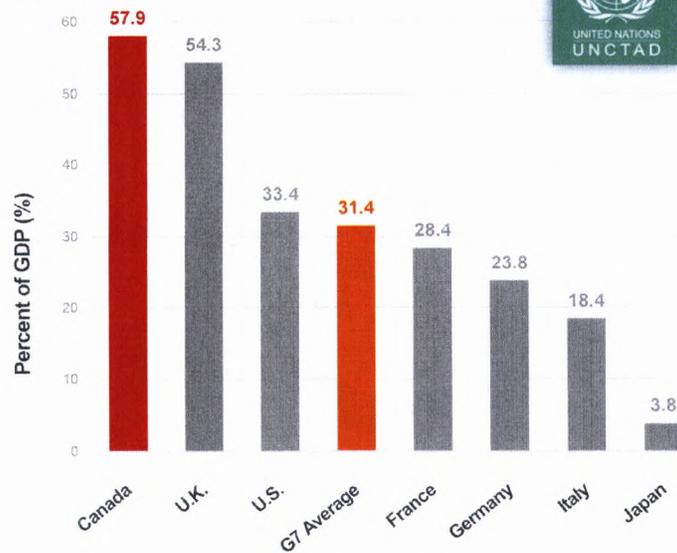
* Standing based on three dimensions of investor protection: transparency of related party transactions, liability for self-dealing, and shareholders' ability to sue officers and directors for misconduct.
Source: Global Innovation Index 2018, Cornell University, INSEAD Business School, and World Intellectual Property Organization (WIPO)

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...creating a business recognized investment environment.

- Canada demonstrates strong FDI attraction performance as measured by FDI stock as a share of GDP.

**FDI-GDP Ratio
2013-2017**



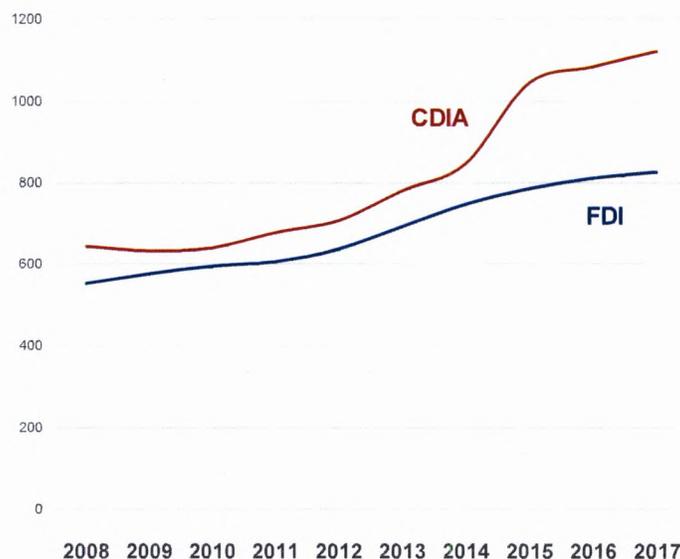
Source: UNCTAD Stat, August 2018
Note: UNCTAD FDI stock data at market value, measured in US\$

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Canada's globalized economy is driven by a dynamic two-way investment process...

- Over the past decade, Canada has witnessed substantial growth in both inward and outward FDI, reflecting its strong connection to global supply chains.
- Canada's inward FDI stock increased from C\$551 billion in 2008 to C\$824 billion in 2017.
- Canadian direct investment abroad (CDIA) increased from C\$642 billion in 2008 to C\$1,121 billion in 2017.

**Canada's Inward and Outward FDI Stock*
\$ Billion**

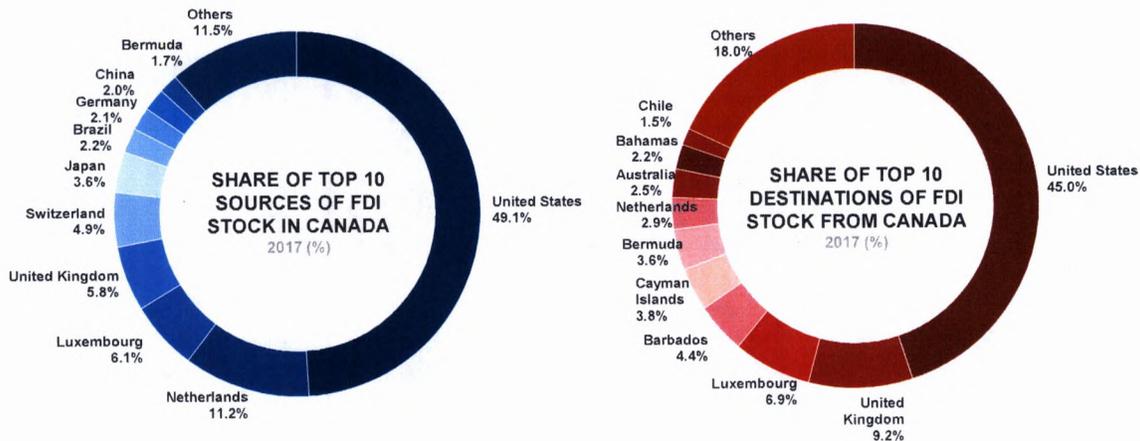


* At book value, SCAD
Source: Statistics Canada, CANSIM table 36-10-0008-01 (formerly 376-0051) April 25, 2018

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...led by investment between Canada and the United States...

- In 2017, the United States' share of foreign direct investment (FDI) in Canada stood at 49.1%, while the United States accounted for 45.0% of Canadian direct investment abroad (CDIA).
- This demonstrates strong business confidence in cross border investment between Canada and the United States.

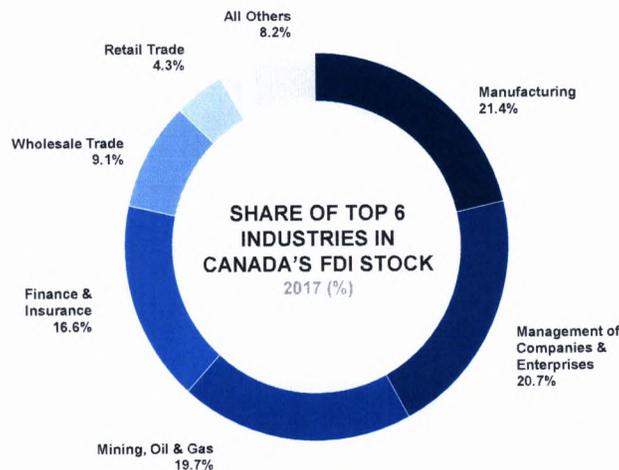


Source: Statistics Canada, CANSIM table 36-10-0008-01 (formerly 376-0051), April 25, 2018

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...and overall FDI geared toward industries with strong competitive advantages...

- Almost 80% of foreign investment in Canada is in four main industries: manufacturing, mining and oil and gas extraction, management of companies and enterprises, and finance and insurance.



Source: Statistics Canada, CANSIM table 36-10-0009-01 (formerly 376-0052), April 25, 2018 * North American Industry Classification System (NAICS)

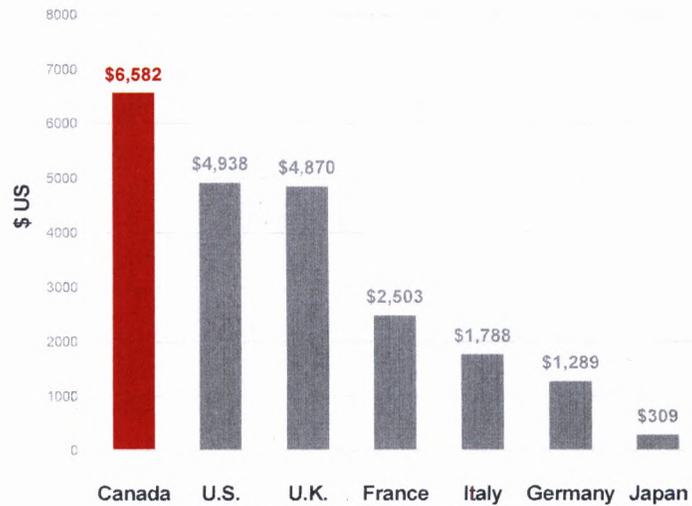
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...making Canada a leader in FDI attraction.

- Since the financial crisis and ensuing global downturn, Canada has outperformed major global economies in attracting FDI: From 2013-2017, Canada was the largest recipient of per capita inflows among G7 countries and the second largest in the G20 following Australia.



Cumulative FDI Inflows per Capita in the G7 2013-2017 | US\$



Source: UNCTAD Stat, August 2018.

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V

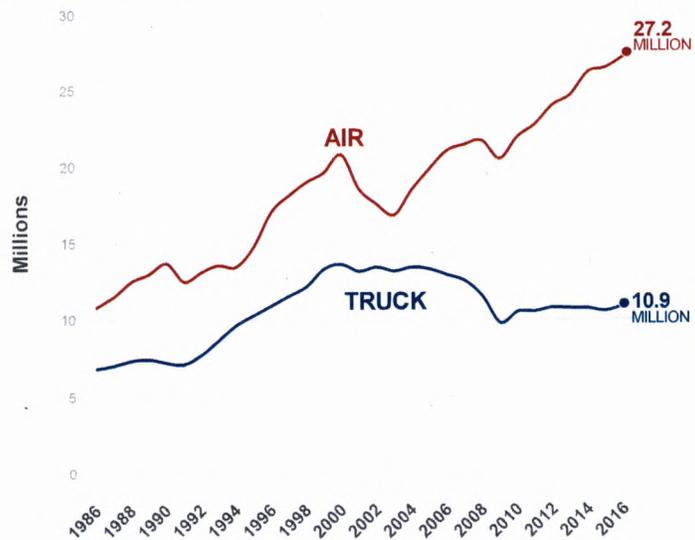
EASY ACCESS TO MARKETS

Canada has a streamlined trans-border transportation system...

- The North American market is served by a well-integrated transportation system, which is among the world's best.
- Automated permit ports, transponder-identification systems and joint processing centres are being tested and deployed for easy movement of goods.
- Bottom line: the border system is one of the world's most efficient.

Annual Trans-Border Crossings

Total Number of Trucks and Canada-U.S. Air Passengers (Two-Way Movements)

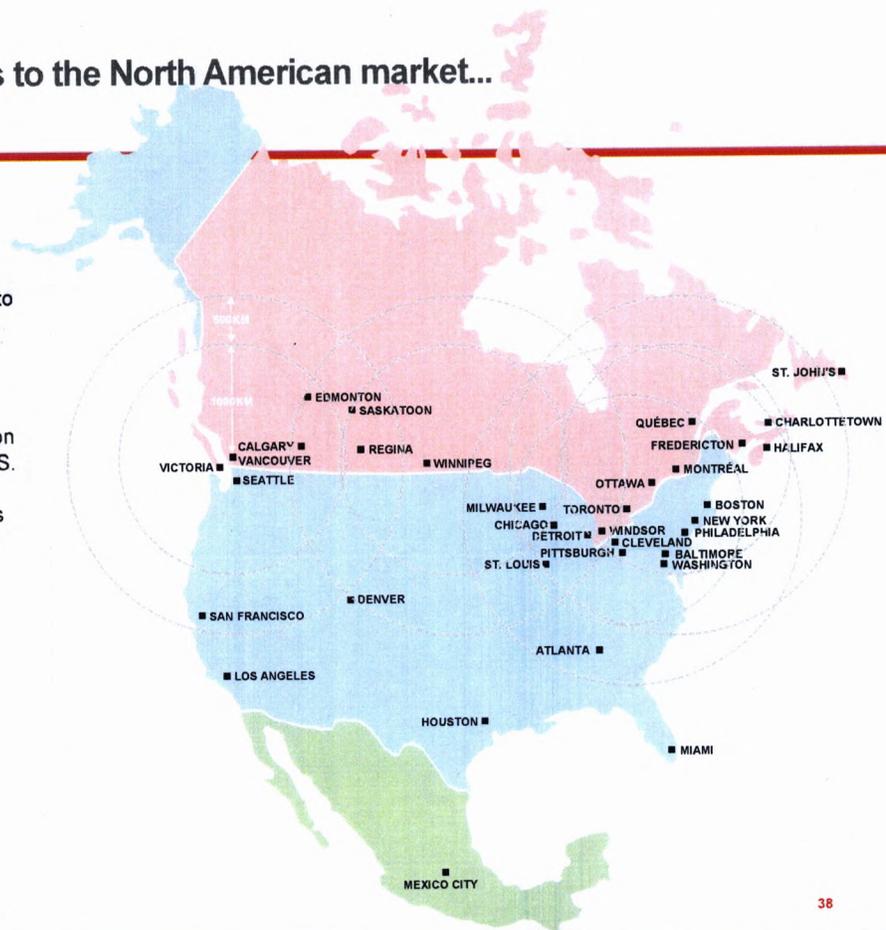


Source: Statistics Canada and Transport Canada, 2017

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...with direct access to the North American market...

- Canadian-based businesses have access to one market of over 486 million consumers with a combined GDP of over US\$22 trillion.*
- Many Canadian production hubs are very close to U.S. markets with 16 of Canada's 20 largest cities within a 1.5-hour drive of the U.S. border.



* Source: IMF World Economic Outlook, October 2018

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...excellent global market access for businesses...

- With the Canadian-European Union Comprehensive Economic and Trade Agreement (CETA) provisionally in force, firms operating in Canada have preferred market access to 44 foreign countries.
- Canada's preferred market access represents over 1.2 billion consumers and over US\$43.7 trillion or 54.6% of global GDP.
- Ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will expand Canada's preferred market to over 1.5 billion consumers and over US\$51.0 trillion or almost two-thirds of global GDP.
- Canada's market access is supported by a reliable and efficient transportation system, providing for effective Canadian business participation in global supply chains.

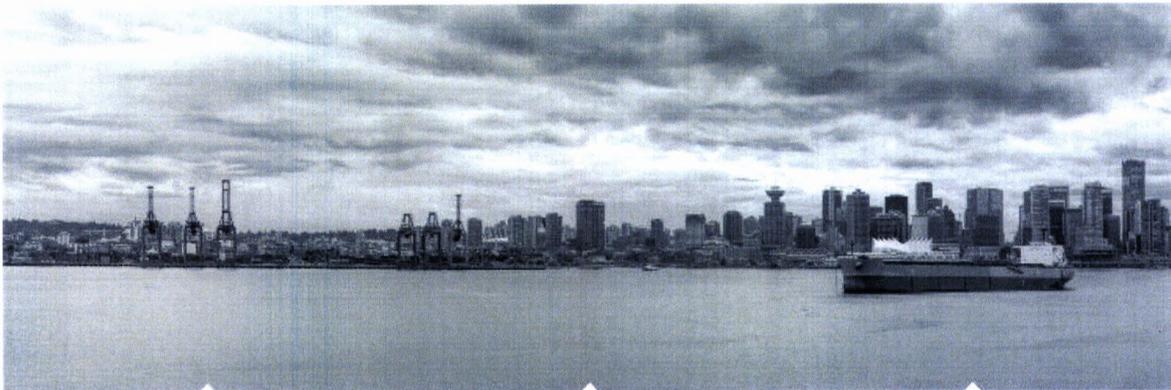
Countries and Economic Zones with Free Trade Agreements with Canada, 2017
Gross Domestic Product (GDP) (US\$)



Source: IMF World Economic Outlook, October 2018

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...facilitated by efficient transport linkages tying North America to Asia and Europe.



Canada's Gateways offer an integrated and efficient transport network that spans from coast to coast, reaching deep into North America's economic heartland. The Gateways' strategic locations offer the most direct routes to and from Asia and Europe.

Sailing times from Canada's Atlantic and Pacific deep-water ports are up to two days shorter than from other North American ports.

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VI

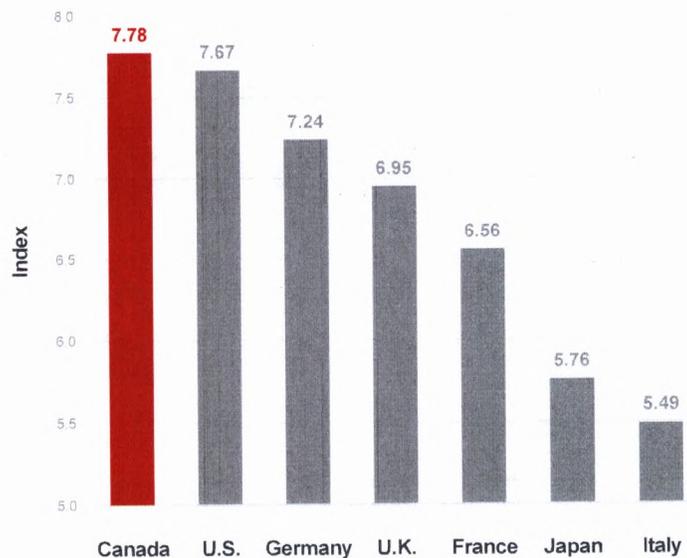
AN EXCELLENT PLACE TO LIVE

Canada's overall quality of life is one of the world's best.

- Canada ranks first in the G7 and fifth among the 35 OECD countries in terms of overall living conditions and quality of life.



Better Life Index*
G7 Ranking



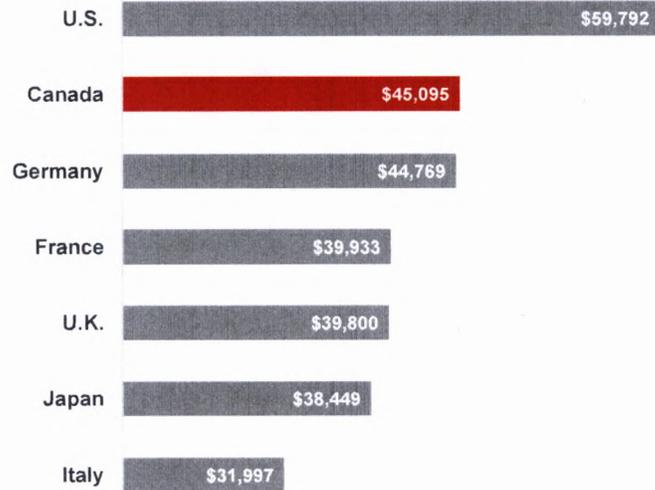
Source: OECD December 2017. * Index based on weighted average of 11 topics (housing, income, jobs, community, education, environment, civic engagement, health, life satisfaction, safety and work-life balance) identified as essential by the OECD in the areas of material living conditions and quality of life.

Canada has one of the highest standards of living among G7 countries...

- Canada has one of the world's highest standards of living, ranking second in the G7 and third in the G20, as measured by Gross Domestic Product (GDP) per capita.



Gross Domestic Product per Capita of G7 Countries 2017 | US\$



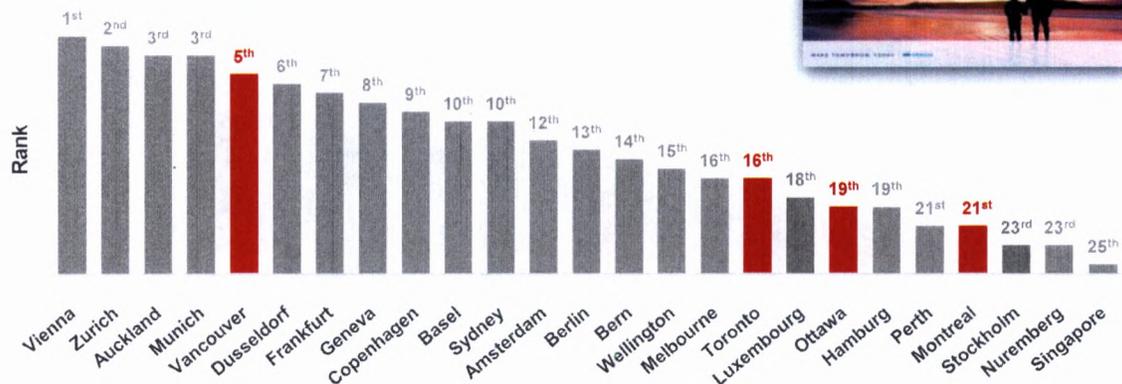
Source: IMF World Economic Outlook, October 2018

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...an exceptional quality of life in its cities...

- In a recent annual ranking of the quality-of-life in 231 cities, four Canadian cities are among the top 25.

Overall Quality of Life Ranking Top 25 Cities



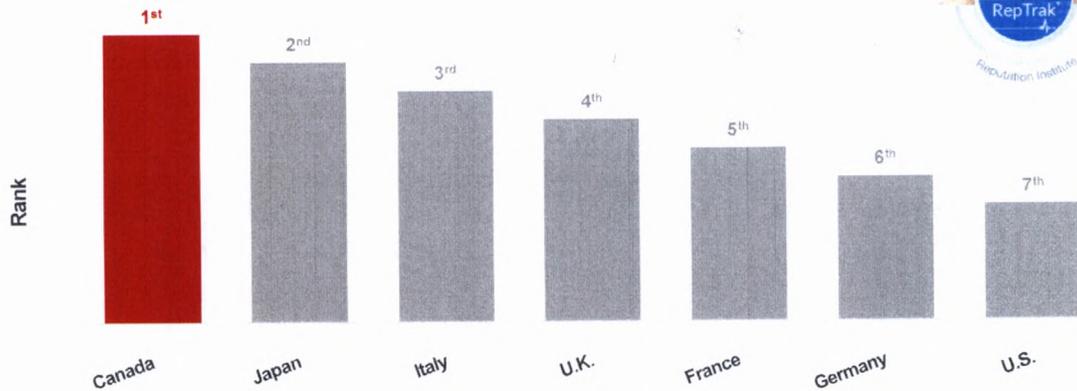
Source: Mercer Human Resources Consulting, March 2018

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...and an impressive overall reputation on the global stage.

- The Reputation Institute ranked Canada first in the G7 and seventh among 55 countries, based on its good quality of life, a safe place to live, an advanced economy, an effective government and an appealing environment.

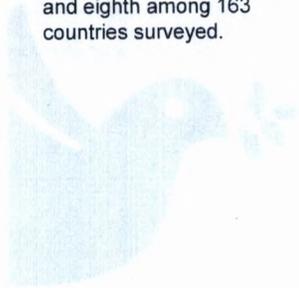
Global Reputation*
G-7 Ranking



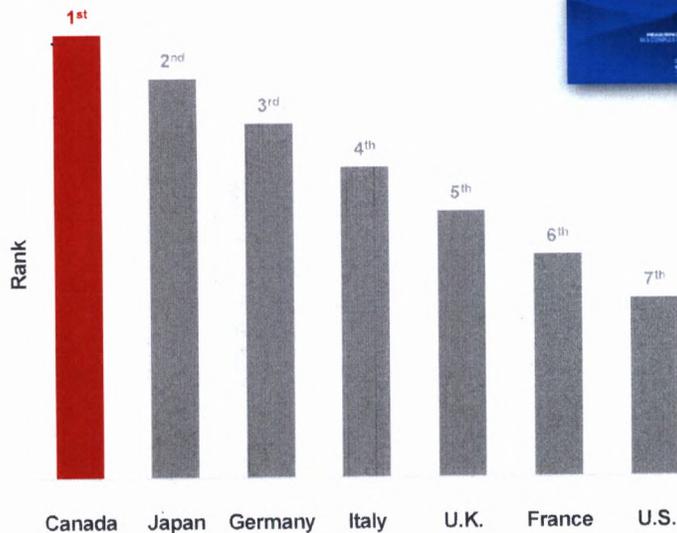
Ranking based on the Reputation Institute's 2018 Country RepTrak(TM) - an annual study measuring the public perceptions of 55 countries around the world. The study measures the overall Trust, Esteem, Admiration and Good Feelings the public holds towards these countries, as well as their perceptions across 17 different attributes, including a good quality of life, a safe place to live and a strong attention to their environment.
Source: Reputation Institute, New York, June 2018

Canada ranks high among model nations of peace...

- According to the *Global Peace Index*, a recently released measure by the Economist Intelligence Unit, Canada stands first in both the G7 and the G20 and eighth among 163 countries surveyed.



Global Peace Index*
G7 Ranking



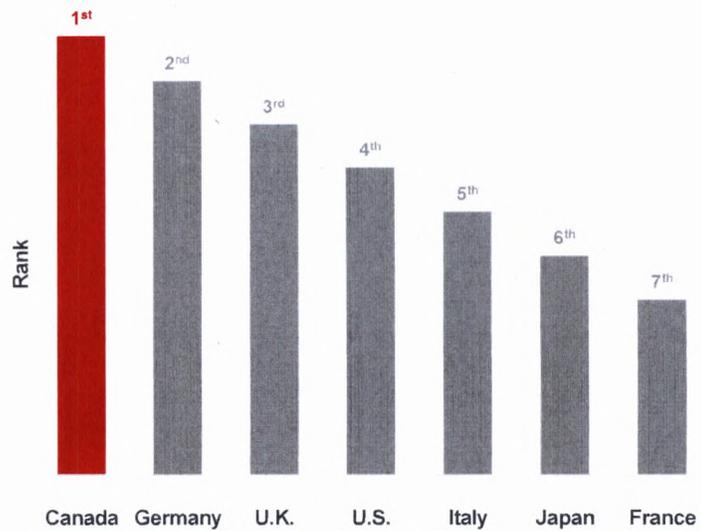
*Standing among 163 countries. Index ranking countries based on peacefulness, both domestically and abroad using 22 indicators, including the number of soldiers killed overseas, the level of violent domestic crimes and relations with neighbouring countries.
Source: Economist Intelligence Unit, June 2018

...and vibrant democracies.

- According to the Economist Intelligence Unit's *Democracy Index*, Canada stands first in both the G7 and G20, and sixth among 167 countries surveyed.



Democracy Index* 2017 G7 Ranking

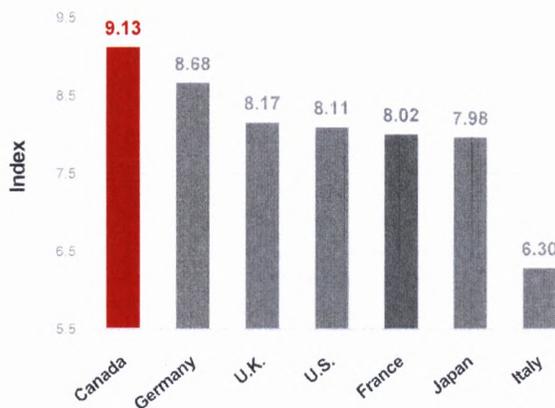


*Standing among 167 countries. Index ranking countries based 60 indicators grouped in five different categories: electoral process and pluralism, civil liberties, functioning of government, political participation and political culture.
Source: Economist Intelligence Unit, January 2018

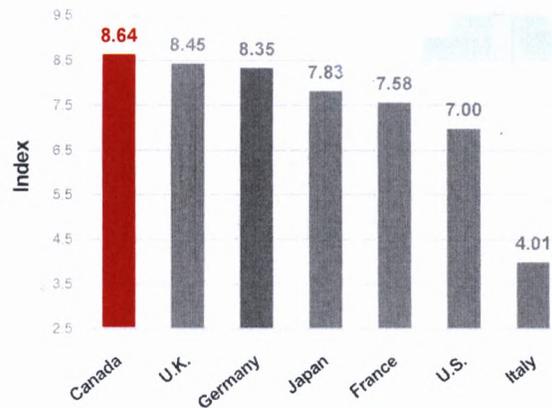
Canada is also a safe and just society...

- Canada is a G7 leader in terms of safe places to live and to conduct business under a fairly administered judicial system.

Security* World Rank



Justice** World Rank

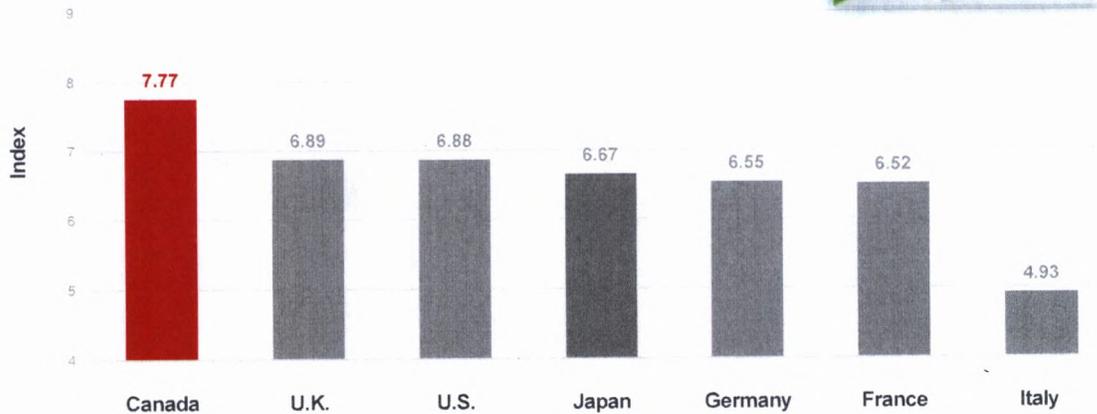


Source: IMD. *Confidence that person and property is protected. Rank among 63 economies considered in the 2018 World Competitiveness Yearbook.
**Degree of fairness of the judicial system in Society. Rank among 63 economies considered in the 2018 World Competitiveness Yearbook

...a land of equal opportunity...

- Canada ranks first among G7 countries in providing equal opportunities to individuals.

Equal Opportunity* World Rank



Source: IMD. *Race, gender, family background does not pose a handicap for competitiveness. Rank among 63 economies considered in the 2016 World Competitiveness Yearbook.

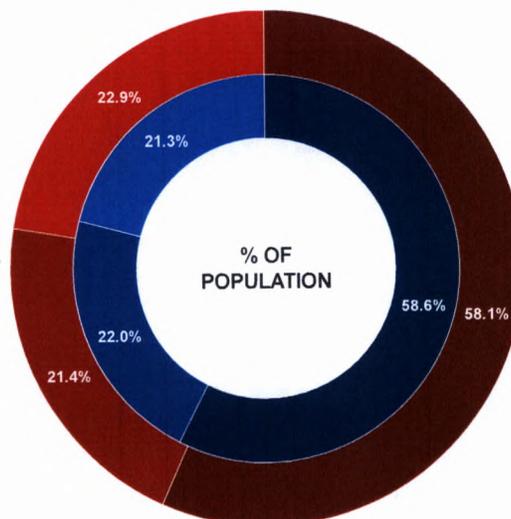
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...and a society rich in multiculturalism.

- Canada has one of the world's most multilingual societies with over 200 languages identified as the mother tongue.
- There has been an overall increase in the proportion of Canadians whose mother tongue is neither English nor French from 21.3% in 2011 to 22.9% in 2016.

Language Distribution in Canada*

English French Other 2016 Census 2011 Census



*Based on mother tongue. Source: Statistics Canada, 2011 and 2016 Census. Released August 2, 2017.

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Canada: Solid Reasons to Invest

Canada's economic fundamentals and relative cost advantages provide a first-rate business environment.

Canada offers:

Excellent Economic Fundamentals

- Low inflation
- One of the strongest economies in the G7

A Dynamic Workforce

- One of the world's best-educated internationally-oriented workforces
- Quality management training

Easy Access to Markets

- Geography provides easy access to the world's most prosperous markets.
- Highly efficient transportation linkages with Asia and Europe

A Highly Competitive Business Environment

- Ease in establishing and operating a new business
- Competitive tax system
- Strong financial environment

A Promising Venue for Innovation and Investment

- World leader in post-secondary research

An Excellent Place to Live

- Superb overall quality of life
- A society rich in multiculturalism

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Through Canadian diplomatic missions around the world, and with direct access to investment contacts at national, provincial and municipal levels within Canada, the Investment and Innovation Bureau of Global Affairs Canada is well positioned to assist you with your investment in Canada.

We invite you to start exploring all that Canada has to offer at: www.tradecommissioner.gc.ca



For further information, please contact our investment specialists at your local Canadian Embassy, High commission or consulate: www.tradecommissioner.gc.ca



Or write to us at: investincanada@international.gc.ca

