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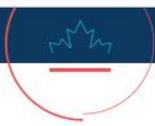
OFFICE OF THE CHIEF ECONOMIST



# Canada's competitiveness for foreign direct investment

## Key facts

May 2022



# Key facts about Canada's competitiveness for foreign direct investment

## May 2022<sup>1</sup> - Highlights

- Canadian economy grew at an estimate rate of 4.6% in 2021, and is anticipated to have the strongest growth among the G7 economies in 2022 and 2023.
- In 2021, Canada had the highest employment growth rate and the 2<sup>nd</sup> highest population growth rate of the G7 countries.
- Inflationary pressures remain present at the start of 2022, reaching 6.7% in March, but staying well below the U.S. rate of 8.5%.
- Canada offers the best environment to do business in the G20 for the next five years.
- In 2021, Canada ranked 1<sup>st</sup> for peace and 2<sup>nd</sup> for democracy among G20 countries.

## Canada is open for business and welcomes foreign investment

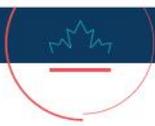
- Canada will be the best country in the G20 for doing business throughout the next five years (2022-2026); it has consistently ranked among the top 2 countries in the last 5 years.  
Economist Intelligence Unit, March 2022
- Among the G7 countries, Canada ranks 3<sup>rd</sup> with respect to the easiness to start a business, and the likelihood to attract the most investments in the next three years.  
GEM Consortium, Global Entrepreneurship monitor – 2021/2022 Global Report, 2022
- Canada ranked 4<sup>th</sup> among G20 countries in terms of the least complex jurisdiction for conducting business.  
TMF Group's Global Business Complexity Index, July 2021
- Foreign investors choose Canada: Canada had the second-largest foreign direct investment (FDI) stock to GDP ratio among G20 countries over the 2016-2020 period.  
United Nations Conference on Trade and Development, 2021

## Fiscal soundness and resilient economy

- It is anticipated that economic damage from the war in Ukraine will significantly dampen global growth in 2022. The conflict adds to the economic strains resulting from the pandemic. Despite that, the Canadian economy is expected to grow 3.9% in 2022 and 2.8% in 2023, after an estimated growth of 4.6% in 2021.  
IMF, World Economic Outlook, April 2022

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<sup>1</sup> This edition includes data as of April 22, 2022.



- Not only has Canada's labour participation rate almost fully recovered to its pre-pandemic level (about 65%), but it also had an employment growth rate of 4.8% in 2021, the highest in G7.  
Statistics Canada, March 2022; IMF, World Economic Outlook, April 2022
- Inflationary pressures remain present at the start of 2022, reaching 6.7% in March, but staying well below the U.S. rate of 8.5%.  
Statistics Canada and U.S. Bureau of Labor Statistics, March 2022
- In response to ongoing inflationary pressures, Bank of Canada raised its interest rate to moderate domestic demand growth and better align it with supply growth.  
Bank of Canada-Monetary Policy Report, April 2022
- After supporting businesses and individuals broadly in response to the COVID-19 pandemic, Canada is now pivoting towards targeted investments that will further Canada's economic capacity, prosperity, resilience, and security.  
Finance Canada, Budget 2022.
- Canada has enjoyed the lowest net debt to GDP ratio in the G7 for the last 15 years, with a current ratio of about 33%.  
IMF, World Economic Outlook, April 2022

## Low cost, low tax environment

- At 26.2% in 2021, Canada's combined federal-provincial statutory corporate income tax rate is one of the lowest in the G7.  
OECD Tax Database, July 2021
- Canada has the lowest statutory corporate income tax rate for zero-emission technology manufacturing and processing in the G7. It ranks 2<sup>nd</sup> out of 20 countries, featuring 13 of the world's top 100 cleantech companies most likely to have the best market impact for the next five to ten years.  
Finance Canada, Budget 2022 and Cleantech Group – Global Cleantech 100, 2022 Edition
- Imports of inputs and machinery for manufacturing enter Canada tariff free. Canada also offers a full tax deduction in the first year of investments for the entire cost of machinery and equipment used for the manufacturing of goods and certain clean energy equipment.  
Government of Canada, [Accelerated investment incentive](#)
- Canada's Accelerated Investment Incentive enables businesses to recover the initial cost of their capital investment quickly, thus reducing their risk when investing.  
Government of Canada, [Accelerated investment incentive](#)
- At 13.2%, Canada's tax treatment for new business investment is the lowest in the G7, below the OECD average and significantly lower than the United States one (17.7%). It is even more advantageous in the sectors of manufacturing and processing (3.0% in Canada vs. 20.1% in the United States) and services (16.0% in Canada vs. 23.8% in the United States).  
Finance Canada



## Highly educated and competitive workforce

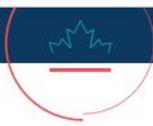
- In 2021, Canada's population grew by 0.6%. It is the 2nd highest growth rate among G7 countries, just behind the United Kingdom's (0.7%).  
IMF, World Economic Outlook, April 2022
- Canada has the most educated talent pool in the OECD: 60% of its population aged 25 to 64 has received tertiary level education.  
OECD, Education at a Glance, September 2021
- Canadians are linguistically diverse: 1 in 5 Canadians speaks one of over 200 languages in addition to English or French.  
Statistics Canada, Census 2016
- Canada will invest more than \$380 million over 5 years to facilitate the timely and efficient entry of workers and students, among others.  
Finance Canada, Budget 2022
- Canada has a Global Skills Strategy to ensure that businesses can bring in highly-skilled foreign workers. The strategy has a high approval rate of 95% of the applications received (over 73 000 work permits between June 2017 and October 2021).  
Immigration, Refugees and Citizenship Canada and Employment and Social Development Canada, November 2021

## Gateway to North America and the world

- Canada has 15 active free trade agreements covering 51 countries.<sup>2</sup>  
Global Affairs Canada and IMF World Economic Outlook, April 2022
- Businesses in Canada enjoy preferential access to a global market with a combined GDP of US\$57 trillion, representing 60% of the world's output of goods and services and home to 1.5 billion consumers.  
IMF, World Economic Outlook, April 2022
- Cross-border Canada-U.S. trade is valued at over US\$2.0 billion each day. Anchoring this trade are 16 of Canada's 20 largest cities located within a 90-minute drive of the Canada-U.S. border.  
Statistics Canada, 2022
- As a Canada-United States-Mexico Agreement (CUSMA) member, Canada offers foreign investors preferential access to a combined market of over US\$26 trillion in GDP with nearly 500 million consumers and virtually tariff-free access to the U.S. and Mexican markets.  
IMF, World Economic Outlook, April 2022

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<sup>2</sup> Once the Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTPP) has come into force in all its member countries.



## Environment conducive to leading-edge innovation

- Canada's commitment to support innovation is strong. Its latest budget proposes to provide \$750 million over six years, starting in 2022-23, to support the further growth and development of Canada's Global Innovation Clusters. Building on their success to date, these clusters will expand their national presence and to deepen their impact.  
Finance Canada, Budget 2022
- Canada leads the G7 in research and development (R&D) spending in post-secondary research as a share of GDP.  
OECD Main Science and Technology Indicators, March 2022
- Canada offers one of the most generous R&D tax incentives to businesses in the G7. Its [Scientific Research and Experimental Development \(SR&ED\) tax incentive](#) is Canada's largest R&D program, providing \$3 billion annually in tax incentives.  
OECD R&D Tax Incentive Database, April 2022; Invest in Canada consulted April 2022
- To push further innovation in strategic sectors, the Canadian government announced the Canada Growth Fund (CGF) with \$15 billion over the next 5 years to attract investment to achieve Canada's climate goals, diversify Canada's economy, grow low-carbon industries and new technologies, and support the restructuring of critical supply chains, including in natural resources sector.  
Finance Canada, Budget 2022

## One of the world's most stable financial sectors

- Canada's banking system is one of the soundest in the world: it ranks second in the G20 and sixth among 141 countries.  
World Economic Forum, Global Competitiveness Index 2019-2020
- Seven of the world's 50 safest and most dependable banks are in Canada.  
Global Finance Magazine, 2021

## Great place to live and prosper

- Canadians enjoy one of the world's highest standards of living.  
IMF, World Economic Outlook, April 2022
- Canada leads 78 countries in having the best quality of life.  
US News, BAV Group, Wharton School (University of Pennsylvania), 2021
- Canada is a G20 leader in social progress. It ranks 6<sup>th</sup> in the world for wellbeing and 3<sup>rd</sup> for environmental quality. It ranks 1<sup>st</sup> for peace and 2<sup>nd</sup> for democracy among G20 countries.  
Social Progress Imperative, November 2021; Economist Intelligence Unit, Democracy Index 2021 and Global Peace Index 2022
- Canada is one of the best countries in the G20 for economic freedom.  
Heritage Foundation – Index of Economic Freedom, 2022