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Canada's competitiveness for foreign direct investment

Key facts

May 2021



Key facts about Canada's competitiveness for foreign direct investment

May 2021¹ - Highlights

- Over 83% of the 3 million jobs lost between February and April 2020 due to COVID-19 had been recovered by the end of April 2021, with nearly 67% in full-time positions.
- With the ratification of the Canada-U.K. Trade Continuity Agreement (CUKTCA), Canada now has 15 active free-trade agreements with 51 countries².
- Canada fosters innovation by supporting private-public collaboration through its Superclusters program and by providing with direct support for large projects valued over \$10 million through its Strategic Innovation Fund.

Canada is open for business and welcomes foreign investment

- Canada will continue to be the best country in the G20 for doing business throughout the next five years (2021-2025); it has consistently ranked among the top 3 countries in the last 5 years.
Economist Intelligence Unit, April 2021
- Canada is the easiest place to start a business in the G20.
World Bank, Doing Business 2020, November 2019
- Canada's ranks first among Organisation for Economic Co-operation and Development (OECD) countries for its attractiveness to entrepreneurs thanks to its welcoming and robust business environment.
OECD Indicators of Talent Attractiveness, May 2019
- Foreign investors choose Canada: Canada had the second-largest foreign direct investment (FDI) stock to GDP ratio among G20 countries over the 2015-2019 period.
United Nations Conference on Trade and Development, 2020

Fiscal soundness and resilient economy

- COVID-19 has radically changed the economic growth outlook around the world. Every G7 country experienced recession in 2020, with Canada's economy contracting by 5.4%. Growth outlook is positive for 2021 and the Canadian economy is expected to rebound to 5.0% growth in 2021.
Finance Canada, 2020 Economic and Fiscal Snapshot; IMF, World Economic Outlook, April 2021

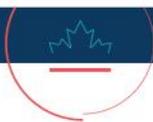
¹ This edition includes data as of May 7, 2021.

² Once the Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTPP) has come into force in all its country members.

- To ensure that its economy remained resilient and could weather the pandemic, Canada took significant and decisive action to support individuals and businesses (see [COVID-19 Economic Response Plan](#)). This was possible due to Canada's long-standing strong fiscal position.
Finance Canada, 2020 Economic and Fiscal Snapshot
- International Monetary Fund (IMF) estimates that, without direct support measures, Canada's real GDP would have declined by about 13.2 per cent in 2020.
International Monetary Fund, Canada: 2021 Article IV Consultation-Press Release and Staff Report
- 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%.
International Monetary Fund, Fiscal Monitor, April 2021
- Over 83% of the 3 million jobs lost between February and April 2020 due to COVID-19 had been recovered by April 30, 2021, with nearly 67% in full-time positions.
Statistics Canada, May 2021
- Canada, along with Germany and Australia, continues to lead the G20 for fiscal soundness. Despite the economic support it is providing to help its citizens cope with the pandemic, Canada retained its triple A credit rating.
S&P Global, April 2021; Moody's, November 2020

Low cost, low tax environment

- At 26.2% in 2020, Canada's combined federal-provincial statutory corporate income tax rate is one of the lowest in the G7.
OECD Tax Database, April 2021
- 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](#)
- Canada has reduced taxation on new business investment from 44.1% in 2000 to 13.8% in 2020. Canada's tax treatment for new business investment is the lowest in the G7, below the OECD average and significantly lower than in the United States (18.4%). It is even more advantageous in the sectors of manufacturing and processing (3.1% in Canada vs. 19.5% in the U.S.) and services (17.2% in Canada vs. 24.5% in the U.S.).
Finance Canada, [Marginal effective tax rates](#)



Highly educated and competitive workforce

- Canada has the most educated talent pool in the OECD: more than half of its population aged 25 to 64 has received tertiary level education.
OECD, Education at a Glance, September 2020
- Canadians are linguistically diverse: 1 in 5 Canadians speaks one of over 200 languages in addition to English or French.
Statistics Canada, Census 2016

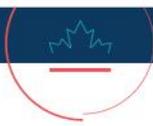
Gateway to North America and the world

- With the ratification of the Canada-UK Trade Continuity Agreement on April 1st, 2021, Canada now has 15 active free trade agreements covering 51 countries.³
Global Affairs Canada and IMF World Economic Outlook, April 2021
- Businesses in Canada now enjoy preferential access to a global market with a combined GDP of US\$52 trillion, representing over 60% of the world's output of goods and services and home to 1.5 billion consumers.
IMF, World Economic Outlook, April 2021
- Cross-border Canada-U.S. trade is valued at over US\$1.7 billion each day. Anchoring this trade are 16 of Canada's 20 largest cities that are within a 90-minute drive of the Canada-U.S. border.
Statistics Canada and U.S. Bureau of Economic Analysis, 2019
- As a Canada-United States-Mexico Agreement (CUSMA) member, Canada offers foreign investors preferential access to a combined market of over US\$24 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 2021

Environment conducive to leading-edge innovation

- Canada fosters innovation by supporting private-public collaboration through its Supercluster program in 5 industry-led sectors for a total of \$950 million by 2028.
Innovation, Science and Economic Development Canada, February 2021
- Canada supports large innovation projects valued over \$10 million through the Strategic Innovation Fund which includes \$3.4 billion in contributions and \$7.2 billion in new funding from 2021 to 2027.
Innovation, Science and Economic Development Canada, April 2021; Finance Canada, Budget 2021

³ See footnote 2.



- 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 2021
- Canada offers one of the most generous R&D tax incentives 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, June 2020, Invest in Canada
- Ottawa, Toronto, Montréal, Vancouver and Calgary have high tech talent with the lowest tech cost among 50 North American cities. Furthermore, Toronto ranked fourth as a tech talent market for its dynamism, talent quality and cost in 2019.
CBRE Group Inc., July 2020

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
- Six of the world's 50 safest and most dependable banks are in Canada.
Global Finance Magazine, 2020

Great place to live and prosper

- Canadians enjoy one of the world's highest standards of living.
IMF, World Economic Outlook, April 2021
- Canada ranks among the top five OECD countries for its living conditions and quality of life.
OECD, Better Life Index 2017
- Canada is the most democratic country in the G20.
Economist Intelligence Unit, Democracy Index 2020