



Global Affairs  
Canada

Affaires mondiales  
Canada

Canada



OFFICE OF THE CHIEF ECONOMIST



# Canada's competitiveness for foreign direct investment

## Key facts

May 2023

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

## May 2023<sup>1</sup> - Highlights

- Canadian economy grew at an estimate rate of 3.4% in 2022, and is anticipated to have one of the strongest growth among the G7 economies in 2023 and 2024.
- In 2022, Canada had the highest employment and population growth rates in G7 and is expected to maintain this position in 2023 and 2024.
- Inflationary pressures remain present in 2023 at 4.4% in April, but staying below the U.S. rate of 4.9%.
- Canada has abundant and reliable clean energy as 68% of Canada's energy generation comes from renewable sources.
- Of the 25 countries included in the Kearney FDI Confidence Index, Canada ranks 2<sup>nd</sup> overall after the United States.
- 
- Canada is a gateway to North American and the world, with 15 free trade agreements covering 50 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 (2023-2027); it has consistently ranked among the top 2 countries in the last 5 years.  
Economist Intelligence Unit, April 2023
- 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 – 2022/2022 Global Report, 2023
- 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, June 2022
- Canada is ranked 2<sup>nd</sup> in the World Competitiveness Index among G20 countries. This index measures the capacity of a country to create and maintain a conducive environment for the competitiveness of companies.  
IMD World Competitiveness Yearbook, June 2022
- Foreign investors choose Canada: Canada had the second-largest foreign direct investment (FDI) stock to GDP ratio among G20 countries in 2021.  
United Nations Conference on Trade and Development, 2022

---

<sup>1</sup> This edition includes data as of May 16, 2023.

- Of the 25 countries included in the Kearney FDI Confidence Index, a measure of the likelihood of a market attracting investment in the next three years, Canada ranks 2nd overall after the United States.  
Kearney, April 2023

## Fiscal soundness and resilient economy

- The global economy is experiencing a rocky recovery. Despite early signs in 2023 for a soft landing, the world economy continues to be negatively influenced by a number of factors: sticky inflationary pressures, tight labour markets in a number of economies, high debt, recent financial sector turmoil and high geopolitical tensions. Despite that, the Canadian economy is expected to have one of the strongest growth in 2023 (1.5%) and 2024 (1.5%) among G7 countries.  
IMF, World Economic Outlook, April 2023
- Canada had the highest employment growth (4.0%) in G7 for 2022 and is expected to have the highest employment growth rate in 2023 (1.2%) and 2024 (1.0%).  
IMF, World Economic Outlook, April 2023
- In response to tight labour markets, the Canadian government has announced its intention to welcome 500,000 immigrants annually by 2025. The majority of these immigrants will be skilled workers in fields such as healthcare, manufacturing, and building trades.  
2023-25 Immigration Levels Plan, Immigration, Refugees and Citizenship Canada, November 2022
- Inflation remains high and broad-based in 2023, reaching 4.4% in April, but staying below the U.S. rate of 4.9%.  
Statistics Canada and U.S. Bureau of Labor Statistics, April 2023
- Given the recent decline in inflation rates, the Bank of Canada announced in April 2023 the maintenance of its overnight rate at 4.5%, along with its policy of quantitative tightening.  
Bank of Canada-Monetary Policy Report, April 2023
- Canada has enjoyed the lowest net debt to GDP ratio in the G7 for the last 17 years (ratio of about 14% in 2022) and is expected to have this position for the next six years.  
IMF, World Economic Outlook, April 2023

## Low cost, low tax environment

- At 26.2% in 2023, Canada's combined federal-provincial statutory corporate income tax rate is the 4<sup>th</sup> lowest in the G7.  
OECD Tax Database, April 2023
- At 13.0%, 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 (17.8%).  
Finance Canada, 2022

- Imports of inputs and machinery for manufacturing enter Canada tariff free. 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 committed to introduce legislation implementing the OECD Global Minimum Tax of 15% for multinational enterprises with annual revenues of €750 million or more. The tax will start to apply in January 2024.  
Finance Canada, Budget 2023

## Enabling environment for green businesses

- Canada has the lowest statutory corporate income tax rate (17.9%) for zero-emission technology manufacturing and processing in the G7. It ranks 2<sup>nd</sup> out of 18 countries, featuring 12 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, 2023 Edition
- 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](#)
- Budget 2023 announced the Government's intention to introduce legislation to facilitate private capital investment via the Canada Growth Fund (CGF). The CGF has a budget of \$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 2023
- Canada invests in green bonds and skills for a net-zero economy. The Green Bonds Program will finance and/or refinance expenditures that meet any of environmental eligibility criteria and will create strong demand for green innovative technologies. Canada is also investing \$250 million to ensure Canadians have the skills they need to succeed building a net-zero economy.  
Finance Canada, Finance Economic Statement 2022
- Canada has abundant and reliable clean energy as 68% of Canada's energy generation comes from renewable sources (2020).  
Natural Resources Canada, Energy Fact Book 2022-2023
- Canada is ranked 7<sup>th</sup> in the G20 under the Sustainable Development Goal Index, and 8<sup>th</sup> in the G20 under the Environmental Performance Index.  
Sustainable Development Report 2022 and Yale University, The 2022 Environmental Performance Index

## Highly educated and competitive workforce

- In 2022, Canada's population growth rate of 1.7% was the highest in G7, and it is expected that it will maintain this position in 2023-2028.  
IMF, World Economic Outlook, April 2023
- Canada has the most educated talent pool in the OECD: 62% of its population aged 25 to 64 has received tertiary level education.  
OECD, Education at a Glance, October 2022
- Canadians are linguistically diverse: Nearly 1 in 4 Canadians speaks one of over 200 languages in addition to English or French.  
Statistics Canada, Census 2021
- In Budget 2022, Canada committed to 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 93% of the applications received (over 100 000 work permits granted between June 2017 and October 2022).  
Immigration, Refugees and Citizenship Canada and Employment and Social Development Canada, November 2022

## Gateway to North America and the world

- Canada has 15 active free trade agreements covering 50 countries<sup>2</sup>.  
Global Affairs Canada and IMF World Economic Outlook, April 2023
- Businesses in Canada enjoy preferential access to a global market with a combined GDP of US\$59 trillion, representing 61% of the global economy and home to 1.5 billion consumers.  
IMF, World Economic Outlook, April 2023
- Cross-border Canada-U.S. trade is valued at over US\$2.8 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, September 2022
- As a Canada-United States-Mexico Agreement (CUSMA) member, Canada offers foreign investors preferential access to a combined market of over US\$30 trillion in real GDP with over 500 million consumers and virtually tariff-free access to the U.S. and Mexican markets.  
IMF, World Economic Outlook, April 2023

---

<sup>2</sup> Brunei-Darussalam has yet to ratify its membership in the Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTPP) and the U.K. is set to join in July 2023.

## Environment conducive to leading-edge innovation

- Canada's commitment to support innovation is strong. It has invested an additional \$750 million through to 2028 to further support the growth and development of Canada's Global Innovation Clusters. These clusters will continue to facilitate collaboration among industry leaders, small and medium-sized companies and post-secondary institutions on large-scale projects in the fields of digital technologies, plant proteins, advanced manufacturing, artificial intelligence use in supply chains, and ocean sciences.  
Finance Canada, Budget 2022
- Canada ranks 2<sup>nd</sup> in 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 2023
- 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 November 2022
- In Budget 2022, Canada committed to enhance its support to innovation through the Strategic Innovation Fund by adding up to \$1 billion over 6 years starting in 2024-25.  
Finance Canada, Budget 2022

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

- Canada's financial system is one of the soundest in the world: it ranks second in the G7, 4<sup>th</sup> in G20 and 10<sup>th</sup> out of 63 countries.  
IMD World Competitiveness Center, 2022
- Six of the world's 50 safest and most dependable banks are in Canada.  
Global Finance Magazine, 2022

## Great place to live and prosper

- Canadians enjoy one of the world's highest standards of living.  
IMF, World Economic Outlook, April 2023
- Canada is one of the G20 leaders in social progress. It ranks 8<sup>th</sup> in the world for wellbeing and 3<sup>rd</sup> for environmental quality. It also ranks 1<sup>st</sup> for security and 5<sup>th</sup> for justice and 3<sup>rd</sup> for equal opportunity among G20 countries.  
Social Progress Imperative, September 2022; IMD *World Competitiveness Yearbook*, 2022
- Canada is ranked 4<sup>th</sup> in the G20 countries for economic freedom.  
Heritage Foundation – Index of Economic Freedom, 2023