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Canada's competitiveness for foreign direct investment

Key facts

January 2022



Key facts about Canada's competitiveness for foreign direct investment

January 2022¹ - Highlights

- As of 2021, Canada's labour participation rate and employment have recovered to their pre-pandemic levels of 2019.
- Inflation rose in later part of 2021, reaching 4.7% in November, but stayed well below the rate in the U.S. of 6.8%.
- Canada offers the best environment to do business in the G20 for the next five years.
- Canada's banks continue to be among the world's safest and most dependable ones.
- Canada is a G20 leader in social progress.

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 (2022-2026); it has consistently ranked among the top 3 countries in the last 5 years.
Economist Intelligence Unit, December 2021
- Canada is the easiest place to start a business in the G20.
World Bank, Doing Business 2020, November 2019
- 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

- COVID-19 has radically changed the economic conditions around the world and continues to create challenges. The Canadian economy is expected to grow 4.9% in 2022 – the Omicron variant may alter this forecast as well as the outlook for the world's economy.
IMF, World Economic Outlook, October 2021
- Canada continues to support business to weather the pandemic with targeted [wage and rent subsidies](#). Some local authorities are doing the same (e.g. Ontario and Quebec).
Finance Canada, Economic and Fiscal Update 2021

¹ This edition includes data as of December 15, 2021.



- Canada has enjoyed the lowest net debt to GDP ratio in the G7 for the last 15 years, with a current ratio of about 35%.
International Monetary Fund, Fiscal Monitor, October 2021
- As of November 2021, Canada's labour participation rate (65.1%) has recovered to 99% of the levels in 2019 (65.5%) and 61% of the Canadian working age population is employed – a 99% recovery from 2019 (62%).
Statistics Canada, December 2021
- Since April 2020, average annual hours worked by Canadian workers have recovered to 98% of peak levels.
OECD Stat, December 2021
- Inflation rose in later part of 2021, reaching 4.7% in November, still well below the rate in the U.S. of 6.8%.
Statistics Canada and Bank of Canada, December 2021
- Along with two other countries, Canada 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 2021, Canada's combined federal-provincial statutory corporate income tax rate is one of the lowest in the G7.
OECD Tax Database, September 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 13.2% in 2021. 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 (3.0% in Canada vs. 20.1% in the U.S.) and services (16.0% in Canada vs. 23.8% in the U.S.).
Finance Canada



Highly educated and competitive workforce

- 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

Gateway to North America and the world

- Canada has 15 active free trade agreements covering 51 countries.²
Global Affairs Canada and IMF World Economic Outlook, October 2021
- Businesses in Canada enjoy preferential access to a global market with a combined GDP of US\$52 trillion, representing 61% of the world's output of goods and services and home to 1.5 billion consumers.
IMF, World Economic Outlook, October 2021
- 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, 2021
- 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, October 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

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



- 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, September 2021
- 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, June 2020, Invest in Canada
- Eight Canadian markets (Waterloo Region, Montreal, Quebec City, Vancouver, Toronto, Edmonton, Ottawa 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 2020.
CBRE Group Inc., July 2021

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 2021
- Canada leads 73 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 also ranks 6th in the world for wellbeing and 3rd for environmental quality.
Social Progress Imperative, November 2021
- Canada is the most democratic and peaceful country in the G20.
Economist Intelligence Unit, Democracy Index 2020 and Global Peace Index 2021