

We use cookies to make your connection secure and make statistics about the number of visits. In order to get more information about cookies and find out how to refuse them, [visit our cookie policy page](#).

[Cookies settings](#)

REQUIRED ONLY

ACCEPT
ALL

ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

Following the unprecedented global crisis prompted by the spread of the COVID-19 pandemic - which led to the largest economic contraction since 1945 - the Canadian economy rebounded in 2021 (+4.5%) and continued growing in 2022 (+3.4% - IMF). Nevertheless, economic activity slowed in 2023: after a robust performance in the first quarter (with real GDP expanding by 0.6%), output growth came to a standstill in the second quarter, showing virtually no growth. For the year as a whole, the IMF estimated growth at 1.3%. Despite rising crude oil prices, Canadian commodity export prices were still below the mid-2022 peaks. The terms-of-trade decline created a negative income shock, contributing to subdued demand. Furthermore, dry weather conditions lead to a reduction in yields for key farm outputs, particularly wheat. Real GDP growth is expected to increase marginally to 1.6% in 2024, reflecting a deceleration in domestic demand amid elevated borrowing costs and declining exports, before picking up to 1.9% in 2025 benefiting from improved global conditions that bolster export performance.

The fiscal policy continues to be restrictive, reducing the burden of gross general government public debt, currently hovering around 106.4% of GDP (IMF). Anticipated decreases in nominal GDP and business profits are expected to contribute to a continued decline in revenue growth. Measures at the federal and provincial levels to alleviate household living cost pressures have appropriately scaled back: the overall government budget deficit decreased to 0.8% in 2023, from 1.4% one year earlier (IMF), and is anticipated to hover around 0.5% over the forecast horizon. The debt-to-GDP ratio should also follow a downward trend in 2024 (103.3%) and 2025 (100.6%). The federal government is actively implementing structural reforms outlined in its annual budget. These reforms encompass backing the green transition, expanding affordable childcare, addressing the rising costs related to an ageing population, and implementing measures to reduce housing expenses. The current monetary policy remains contractionary, curbing demand and aiding in re-establishing inflation expectations. The policy rate is expected to stay elevated at 5% until mid-2024 to ensure a return of price growth within the Bank of Canada's target range of 1% to 3%. However, adjustments to the rate may be necessary in response to evolving macroeconomic conditions to mitigate inflationary pressures. The overall inflation rate was estimated at 3.6% in 2023 by the IMF, with an expected decrease to 2.4% and 1.9% this year and the next, respectively.

Continued labour market slack is expected to result in further upticks in the unemployment rate (5.5% in 2023) until mid-2024 (with a 6.4% rate expected for the year as a whole - IMF). Wage growth will moderate, staying approximately in sync with consumer-price inflation, which is anticipated to reach the target by the third quarter of the following year. Although Canadians enjoy a high per capita GDP (estimated at USD 59,813 in 2023 - IMF), 8.1% of the population lives in poverty (data 2021 Census of Population).

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	2,137.94	2,117.81	2,238.57	2,364.55	2,474.33
GDP <i>(Constant Prices, Annual % Change)</i>	3.4	1.3	1.6	2.4	1.8
GDP per Capita <i>(USD)</i>	55,037	53,247	55,528	57,899	59,838

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
General Government Balance <i>(in % of GDP)</i>	-1.4	-0.8	-0.4	-0.5	-0.5
General Government Gross Debt <i>(in % of GDP)</i>	107.4	106.4	103.3	100.6	98.6
Inflation Rate <i>(%)</i>	n/a	3.6	2.4	1.9	1.9
Unemployment Rate <i>(% of the Labour Force)</i>	5.3	5.5	6.3	6.0	6.0
Current Account <i>(billions USD)</i>	-7.00	-20.94	-21.39	-28.72	-35.02
Current Account <i>(in % of GDP)</i>	-0.3	-1.0	-1.0	-1.2	-1.4

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

The agricultural sector represents 1.7% of Canada's GDP and employs only 1% of the active population (World Bank, latest data available). However, the agricultural system and the food processing industry provide 1 in 8 jobs and account for over CAD 100 billion of the country's GDP and more than CAD 60 billion in exports. Canada is one of the largest exporters of agricultural products in the world - particularly of wheat - and produces around 10% of the world's GMO harvests. Fishing is another important sector. Canada is also one of the leading producers of minerals, especially nickel, zinc and uranium. Moreover, the country is rich in gas and has the 4th largest reserves of oil in the world (being the 4th oil producer in 2023), whose production is concentrated in the western provinces, especially Alberta. According to the latest figures from Agriculture Canada, for the 2023-24 crop year, the production of Canada's main field crops is projected to experience a 13% year-over-year decline, dropping 8.3% below the average of the previous five years. This decrease is primarily attributed to extensive drought conditions across the Prairies. The forecast for exports anticipates a 15.1% year-over-year reduction, reflecting the lower production. However, despite this decline, exports are expected to maintain a relatively robust performance, supported by strong global demand.

The industrial sector contributes 24.1% of the GDP and employs 19% of the labour force. Canada has six strong primary industry sectors: renewable energies (mainly wind, the country is a net exporter of energy); the forestry sector, hydrogen and fuel cells, mines, metals and minerals, fishing, oil and gas. According to data from the World Bank, manufacturing accounts for around 9% of the country's GDP. The latest data from Statistics Canada show that in 2022 the revenue of goods manufactured increased by 17.1% from 2021. Total revenue was estimated at CAD 923.7 billion, while revenue from goods manufactured reached CAD 866.3 billion and total expenses grew to CAD 827.4 billion.

The service sector dominates the Canadian economy: it represents 67.7% of the country's GDP and employs over 79% of the active population (the largest employer being the retail sector - which employs about 12% of the country's workforce alone - and the business-related services sector). The education and health sectors are also pivotal for the country's economy. The most dynamic sectors in recent years have been telecommunications, tourism, internet and aerospace engineering. Tourism is the fifth-largest sector in the country's economy, it provides 1 in 10 jobs and is responsible for 225,000 small and medium-sized businesses across Canada.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	1.3	19.3	79.4
Value Added <i>(in % of GDP)</i>	1.7	24.1	67.7
Value Added <i>(Annual % Change)</i>	11.7	2.7	3.7

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Canadian dollar (CAD) - Average Annual Exchange Rate For 1 USD	1.33	1.30	1.30	1.30	1.34

Source: World Bank - Latest available data.

FOREIGN TRADE

Canada is a country open to foreign trade, which represents 67% of its GDP (World Bank, latest data available). Product-wise, Canada's main exports are energy products (27.2%), consumer goods (11.4%), metal and non-metallic mineral products (11%), motor vehicles and parts (10.4%), forestry products and building and packaging materials (7.5%). The country imports mainly consumer goods (20.6%), motor vehicles and parts (15.2%), electronic and electrical equipment and parts (11.2%), industrial machinery, equipment and parts (11.2%), basic and industrial chemical, plastic and rubber products (8.9% - data Statistics Canada 2022).

The main destinations for Canada's exports in 2022 were the U.S. (by far the leading partner, accounting for 76.9% of total exports), China (3.7%), the United Kingdom (2.4%), and Japan (2.3%). Similarly, almost half of Canada's imports had a U.S. origin (49.2%), followed by China (13.5%), Mexico (5.5%), Germany (3%) and Japan (2.3%). In 2022, shipments to the United States reached a record-breaking CAD 595 billion, marking a substantial 24.8% increase. This surge was primarily driven by the upswing in energy exports, which experienced a notable boost in 2022 owing to robust prices. Given the geographical closeness and the comprehensive interconnection of transportation systems (pipelines and railways) handling these products between Canada and the United States, close to 90% of Canadian energy exports were directed towards the U.S. (Statistics Canada). Imports from the United States were up 20% to CAD 471 billion in 2022.

During 2022, the worth of Canada's yearly merchandise exports grew by 22.5%, reaching CAD 779.2 billion, and annual imports saw a 19.9% increase, totalling CAD 757.4 billion. Consequently, Canada's merchandise trade surplus with the world expanded from CAD 4.6 billion in 2021 to 21.8 billion in 2022. More than half of the export increase was driven by the surge in exports of energy products. Trade with the U.S. and Mexico improved consistently, also due to the USMCA (Canada-United States-Mexico Agreement, an updated version of NAFTA). In 2022, both the export and import of services in Canada witnessed growth, propelled by the recovery in international travel. Service exports amounted to CAD 173 billion, reflecting a 16.1% increase from 2021, whereas services imported into Canada reached CAD 189 billion, marking a 25% rise. After being in deficit since 2009, the World Bank estimated the country's trade surplus at 0.1% of GDP in 2022. Lastly, it has to be noted that in recent years Canada benefited from the effects of the Comprehensive Economic and Trade Agreement (CETA) with the European Union, which entered into force provisionally (it will take full effect once all EU Member States have formally ratified it) eliminating 98% of the tariffs.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods <i>(million USD)</i>	469,106	462,993	420,578	503,985	581,937
Exports of Goods <i>(million USD)</i>	452,313	448,817	390,763	507,615	599,056
Imports of Services <i>(million USD)</i>	122,158	126,638	106,403	115,769	136,547
Exports of Services <i>(million USD)</i>	105,359	115,242	99,510	111,194	123,317

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade <i>(in % of GDP)</i>	66.6	66.2	61.6	61.9	67.3
Trade Balance <i>(million USD)</i>	-16,838	-14,168	-29,980	3,711	17,183
Trade Balance (Including Service) <i>(million USD)</i>	-33,733	-25,538	-36,830	-878	3,492
Imports of Goods and Services <i>(Annual % Change)</i>	3.3	0.4	-9.3	7.8	7.2
Exports of Goods and Services <i>(Annual % Change)</i>	3.8	2.7	-8.9	1.4	2.6
Imports of Goods and Services <i>(in % of GDP)</i>	34.3	33.8	31.9	31.0	33.5
Exports of Goods and Services <i>(in % of GDP)</i>	32.3	32.4	29.7	30.9	33.7

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	5.1	1.5	2.5	3.4	3.4
Volume of imports of goods and services (Annual % change)	-0.7	2.3	3.8	3.8	4.3

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Canada is a member of the following international economic organisations: North American Competitiveness Council (NACC), OECD, Organization of American States (OAS), Asia-Pacific Economic Cooperation (APEC), Commonwealth, G-7, G-8, G-10, G-20, among others. For the full list of economic and other international organisations in which participates Canada click [here](#). International organisation membership of Canada is also outlined [here](#).

Free Trade Agreements

The complete and up-to-date list of Free Trade Agreements signed by Canada can be consulted [here](#).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
United States	76.9%
China	3.7%
United Kingdom	2.4%
Japan	2.3%
Mexico	1.2%

Main Customers <i>(% of Exports)</i>	2022
See More Countries	13.5%

Main Suppliers <i>(% of Imports)</i>	2022
United States	49.2%
China	13.5%
Mexico	5.5%
Germany	3.0%
Japan	2.3%
See More Countries	26.5%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

Governor General: Mary Simon (since 26 July 2021)

Prime Minister: Justin Trudeau (since 4 November 2015) – Liberal Party

King Charles III is officially the Chief of State of Canada (since 8 September 2022).

Next Election Dates

House of Commons: October 2025

Current Political Context

Federal elections were held in 2021, the second in two years. The Liberal Party of incumbent Prime Ministry Justin Trudeau maintained their status as the largest party in the House of Commons obtaining 32.6% of the votes and 160 seats, followed by the Conservative Party (119 seats), the Bloc Québécois (32 seats) and the New Democratic Party (25 seats). Justin Trudeau was able to develop a minority government and went on to form the first gender-balanced cabinet in Canadian history. Meanwhile, relations with the United States improved under the Biden administration, although concerns remain on energy and trade policies.

A "confidence and support agreement" was established with the New Democratic Party (NDP), potentially extending the tenure of Justin Trudeau's government until October 2025. According to the terms, the NDP, led by Jagmeet Singh, will back crucial government initiatives, and in reciprocation, the government will promote NDP priorities. Nevertheless, the agreement is non-binding, rendering it somewhat fragile. Tensions persist between the federal and provincial levels of government. Notably, disagreements have arisen between the federal government and the Conservative administrations in Alberta and Saskatchewan as these provinces contend that federal climate policies adversely affect the oil and gas industry.

Main Political Parties

Historically, the Canadian two-party plus system has been dominated by the centre-left Liberal Party and the centre-right Conservative Party. Since the 1980s or so Canada's dominant third-place party has been the further-left NDP. There is also a consistently fourth-place party known as the Bloc Quebecois which is devoted to Quebec separatism.

- [Liberal Party of Canada \(LPC\)](#): centrist party, the oldest active federal political party in Canada
- [Conservative Party of Canada \(CPC\)](#): centre-right to right-wing; colloquially known as the 'Tories'
- [New Democratic Party \(NDP\)](#): centre-left, socialist
- [Bloc Québécois](#): centre-left, social-democratic
- [Green Party of Canada \(GPC\)](#): centre-left, ecologist party

Executive Power

King Charles III is the Head of State, whose role is largely ceremonial. He appoints Canada's [Governor General](#) for a five year term. The Governor General - who was a largely ceremonial role - appoints the [Prime Minister](#) as well as the [Cabinet](#) (however, cabinet members are chosen by the Prime Minister). The Prime Minister is the head of the government and holds the executive power. The leader of the majority party or coalition in the House of Commons is automatically chosen to be Prime Minister. The Prime Minister and his Cabinet stay in power as long as they have the support of the majority in the House of Commons.

Legislative Power

The legislative power in Canada is bicameral. The federal parliament made up of: the [Senate](#) (upper house), whose 105 members are appointed by the Governor General on the advice of the Prime Minister; and the [House of Commons](#) (lower house), whose 338 members are elected by universal suffrage, with each member representing a single electoral district (also known as a "riding"). The Governor General calls a general election when the Prime Minister advises him to do so. Most legislative practices are derived from the British Parliament.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

For information on the economic recovery scheme put in place by the Canadian government to address the impact of the COVID-19 pandemic on the Canadian economy, please visit the Canadian government's webpage [Canada's COVID-19 Economic Response Plan](#).

For a general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) undertaken by the Canadian government, please consult the section dedicated to Canada in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).

