

10. Canada

Key statistics	Canada	Peer average
Manufacturing GDP CAGR (2010-13)	2.2%	2.3%
Manufacturing GDP percentage of total GDP (2013)	10.6%	16.7%
Labor costs (US dollars per hour) (2015)	\$30.6	\$18.7
Manufacturing exports percentage of total exports (2014)	44.5%	60.2%
Highest corporate tax rate (2015)	31.0%	25.3%
Researchers per million population (UNESCO 2013)	4,490	2,852
Per capita personal disposable income (US dollars, 2015)	\$25,977	\$14,910
Per capita personal disposable income (US dollars) CAGR (2005-2015)	2.7%	3.8%

Supplemental analysis Canada – Competitiveness at a glance

Manufacturing highlights

- Canada has an established manufacturing industry and mainly exports motor vehicles and parts, industrial machinery, aircraft, telecommunications equipment, and electronics.
- Canada's total manufacturing sales rose 5.3 percent to US\$619.1 billion in 2014, from US\$587.9 billion in 2013, with 18 of 21 manufacturing sector industry groups posting higher year-over-year sales.
- A key pillar of the economy, Canada's manufacturing industry contributed nearly 10.6 percent to the country's GDP in 2013, and directly employed 1.7 million people.
- Canadian manufacturing industry relies heavily on resource-based manufacturing.
- Canada is one of the few advanced net energy exporting countries. Net energy exports were US\$85 billion in 2014, reaching levels last seen in 2008.

Advantages to manufacturers

Efficient regulatory environment: The regulatory environment in Canada is very supportive of businesses, with:

- No minimum capital required for starting a company.
- Low cost of obtaining necessary licenses.
- Flexible labor regulations.

High economic freedom: Canada has the freest economy in the North American region. Canada's open markets are based on low trade barriers and its distinction as the first tariff-free zone for the manufacturing sector in the entire G-7.

Strong support for exports:

- Canadian economy has a significant dependence on exports. North American Free-Trade Agreement (NAFTA) dominates Canadian trade and provides it special access to the largest economy in the world, the United States.
- Canada's most important trading partner is the United States, which accounted for 76.8 percent of its total exports, and 98.2 percent of Canada's auto and light duty motor vehicle exports, respectively, in 2014.

Reliable support for industry: Government has established a number of funds, programs, and initiatives that directly invest in, or foster investments in specific manufacturing sectors, including: Advanced Manufacturing and Automotive Innovation Funds, the Strategic Aerospace and Defense Initiative, and the National Shipbuilding Program, which at US\$35 billion dollars constitutes one of the largest ever direct federal investments in the Canadian manufacturing industry.

Abundant natural resources: Canada has significant energy, forest, and mineral resources. Canada is also a leading exporter of natural resources and resource-based technology and knowledge.

Supplemental analysis Canada – Competitiveness at a glance

Challenges

Shortage of skilled labor: Attracting and retaining skilled labor is the most pressing concern for manufacturing companies according to Canadian Manufacturers & Exporters 2014 Management Issues Survey. According to the survey, 56 percent of companies indicated they were already facing labor shortages. An aging workforce is expected to complicate the issue.

Declining oil prices and capital investments: Oil price, and subsequent sharp reductions in oil and gas capital expenditures for extraction, could affect the overall economy as oil and gas investment makes up roughly a third of total business investment in Canada.

Things to watch out

Free Trade Agreements:

- Canada is in ongoing negotiations to create trade agreements with several countries – India, Japan, Morocco, Singapore, Dominican Republic.
- Recently concluded Canada and European Union (EU) Comprehensive Economic and Trade Agreement (CETA) is broader and deeper than NAFTA and could open new export markets and result in significant economic benefits for Canada.

Elimination of tariffs and duties under Comprehensive Economic and Trade Agreement (CETA): Recently enacted, and effective in 2016, it could reduce non-tariff barriers, liberalize services trade, and potentially result in US\$1.4 billion additional annual Canadian merchandise exports to the EU over the next decade, according to The Conference Board of Canada.

Government actions to remedy skilled labor

issues: The 2015 Federal Budget set dollars aside to address, including: US\$65 million to post-secondary institutions to align their curricula with manufacturing industry needs, US\$4 million to develop a labor market information portal, and US\$7 million to support the relocation of youths and immigrants to high need areas. The EIU posits, a new immigration system to target and attract qualified talent.

Source: Deloitte Touche Tohmatsu Limited analysis (xxxx)