



Global Affairs
Canada

Affaires mondiales
Canada

Canada



OFFICE OF THE CHIEF ECONOMIST

Canada's competitiveness for foreign direct investment

Key facts

May 2024



Key facts about Canada's competitiveness for foreign direct investment

May 2024¹ - Highlights

- The Canadian economy grew by an estimated 1.1% in 2023 and is projected to have one of the strongest growth rates among the G7 economies in 2024 and 2025.
- In 2023, Canada had the highest employment and population growth rates among the G7 and is expected to maintain this position in 2024 and 2025.
- Canada's inflation has come down within its target range of 1-3% and is well below that of the U.S. (2.7% vs 3.4%).
- Canada has been a world-class AI hub since 2017 and the first country in the world to introduce a national AI strategy.
- Canada is a gateway to North American and the world, with 15 free trade agreements covering 51 countries.

Canada is open for business and welcomes foreign investment

- Canada will be the 3rd best country in the G20 for doing business throughout the next five years (2024-2028); it has consistently ranked among the top 10 countries in the last 5 years. Economist Intelligence Unit, April 2024
- Among the G20 countries, Canada ranks 3rd with respect to the ease of starting a business. GEM Consortium, Global Entrepreneurship monitor – 2023/2024 Global Report, 2024
- Canada ranks 5th among G20 countries in terms of the least complex jurisdiction for conducting business. TMF Group's Global Business Complexity Index, June 2023
- Canada ranks 2nd on 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 2023
- Foreign investors choose Canada: Canada had the second-largest foreign direct investment (FDI) stock to GDP ratio among G20 countries in 2022. United Nations Conference on Trade and Development, April 2024

¹ This edition includes data as of May 23, 2024.



- 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 2024

Fiscal soundness and resilient economy

- The Canadian economy is expected to have one of the strongest growth rates in 2024 (1.2%) and 2025 (2.3%) among G7 countries.
IMF, World Economic Outlook, April 2024
- Canada had the highest employment growth (2.4%) in the G7 for 2023 and is expected to have the highest employment growth rate in 2024 (0.9%) and 2025 (1.4%).
IMF, World Economic Outlook, April 2024
- In response to the tight labour market, the Canadian government has announced its intention to welcome 500,000 immigrants annually by 2026. Most of these immigrants will be skilled workers in fields such as healthcare, manufacturing, and building trades.
2024-26 Immigration Levels Plan, Immigration, Refugees and Citizenship Canada, November 2023
- Canada's has been able to rein in inflation back within its target range of 1-3%. It stood at 2.7% in April 2024, well below the U.S. rate of 3.4%.
Statistics Canada and U.S. Bureau of Labor Statistics, May 2024
- Given evidence that excess demand is easing, the Bank of Canada announced in April 2024 the maintenance of its overnight rate at 5.0%.
Bank of Canada, April 2024
- Canada has enjoyed the lowest net debt to GDP ratio in the G7 for the last 20 years (13% in 2023) and is expected to maintain this position for the next six years.
IMF, World Economic Outlook, April 2024

Low cost, low tax environment

- At 26.1%, Canada has a competitive statutory corporate income tax rate comparable to its G7 peers (ranging from 25% to 29.9%).
OECD Tax Database, April 2024
- At 14.5%, 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 (19.7%).
Finance Canada, 2024
- 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](#)



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.
Finance Canada, 2024
- 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 ranks 2nd out of 21 countries, featuring 13 of the world's top 100 cleantech companies most likely to have the best market impact for the next five to ten years.
Cleantech Group – Global Cleantech 100, 2024 Edition
- Budget 2024 announced the Government's intention to make the Canada Growth Fund (CGF) Canada's principal issuer of carbon contracts for difference (CCFDs) for up to \$7 billion. Budget 2024 also extends the Clean Fuels Fund until 2029-30, with a total of \$776 million in capital investment to support clean fuel projects (renewable diesel, sustainable aviation fuel, and renewable natural gas).
Finance Canada, Budget 2024
- Canada's Green Bonds Program issuance of \$4 billion in February 2024 saw robust demand from environmentally and socially responsible investors (66%), as well as international investors (33%).
Finance Canada, Budget 2024
- Canada has abundant and reliable clean energy as 68% of Canada's energy generation comes from renewable sources (2021).
Natural Resources Canada, Energy Fact Book 2023-2024
- Canada is ranked 6th in the G20 on the Sustainable Development Goal Index, and 8th in the G20 on the Environmental Performance Index.
Sustainable Development Report 2023 and Yale University, The 2022 Environmental Performance Index

Highly educated and competitive workforce

- In 2023, Canada's population growth rate of 2.8% was the highest among the G7, and it is expected that it will maintain this position in the coming years.
IMF, World Economic Outlook, April 2024
- Canada has the most educated talent pool in the OECD: 63% of its population aged 25 to 64 has completed tertiary level education.
OECD, Education at a Glance, September 2023
- 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



- 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 91% of the applications received (over 140 000 work permits granted between June 2017 and February 2024).
Immigration, Refugees and Citizenship Canada and Employment and Social Development Canada, February 2024

Gateway to North America and the world

- Canada has 15 active free trade agreements covering 51 countries.
Global Affairs Canada and IMF World Economic Outlook, April 2024
- Businesses in Canada enjoy preferential access to 51 markets with a combined GDP of over US\$63 trillion, representing 61% of the global economy and home to 1.5 billion consumers.
IMF, World Economic Outlook, April 2024
- Cross-border Canada-U.S. trade is valued at over US\$3.6 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, February 2024
- 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 2024

Environment conducive to leading-edge innovation

- Canada ranks 2nd 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 2024
- Canada offers one of the most generous R&D tax incentives to businesses in the G7. Budget 2024 announced a review of Canada's Scientific Research and Experimental Development (SR&ED) tax incentive, including a proposal for \$600 million over 4 years starting in 2025-26 to boost research and innovation.
OECD R&D Tax Incentive Database, April 2022; Finance Canada, Budget 2024
- Canada's is the first country in the world to introduce a national AI strategy. Since 2017, Canada's world-class AI hub trained over 1200 graduates and postdoctoral fellows and facilitated the graduation of over 200 students annually through its 3 AI national institutes (AMII, MILA, and Vector Institute). In addition, the AI hub facilitated the creation of over 680 formal industry partnerships, and over 50 new AI R&D labs in collaboration with companies (e.g. Microsoft and Google).
Invest in Canada, 2024



One of the world's most stable financial sectors

- Canada's financial system is one of the soundest in the world: it ranks 2nd in the G7, 2nd in G20, and 9th out of 64 countries.
IMD World Competitiveness Center, 2023
- Six of the world's 35 safest and most dependable banks are in Canada.
Global Finance Magazine, 2023

Great place to live and prosper

- Canadians enjoy one of the world's highest standards of living.
IMF, World Economic Outlook, April 2024
- Canada is a world leader in social progress. It ranks 16th in the world for wellbeing and 13th for opportunity. It also ranks 1st for security and 5th for justice and 2nd for equal opportunity among G20 countries.
Social Progress Imperative, January 2024; IMD *World Competitiveness Yearbook*, 2023
- Canada is ranked 3rd in the G20 countries for economic freedom.
Heritage Foundation – Index of Economic Freedom, 2024