

COUNTRY PROFILE:**CANADA****DATED:****SEPTEMBER 2011****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

<i>Export Department Comment/Opinion</i>	Ratings 1A. Open Cover. High value of exposure and commitments. This is not a claims free market. (Euler Hermes: AA ; Atradius:A1/A1 ; Cofas:2) Sanctions: None
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Recent Political Highlights

- Incumbent since 1st of October 2010, Canada's Governor General David Johnston appoints the upper house members of parliament (which consists of 105 members) with the advice of the Prime Minister Stephen Joseph Harper. The lower house parliament (or House of Commons) consists of 308 Members of Parliament. The public elects the prime minister and party to serve a four year term. The last elections were held on the 2nd of May this year; the Conservative Party won the elections with 39.6% and 143 seats.

Recent Economic Highlights

- Canada is the second largest country in the world totaling 9.9 million km² - second only to Russia.
- Canada's population is estimated to be 34 million with an annual growth rate of 0.79%. An average woman bares one to two children, adding pressure to a shrinking working age population. An aging population poses a fiscal challenge as the government will have to increase welfare spending.
- Bloomberg's June 2011 Market magazine ranked the World's strongest banks in which five out of the top 20 were Canadian. According to the list National Bank of Canada is ranked 3rd, fourth is Canadian Imperial Bank of Commerce, in 12th place is Toronto – Dominion Bank, at 17th position is the Royal Bank of Canada and in 19th place is Bank of Montreal. Moody's also rated Canadian banks the strongest in the world with Toronto – Dominion Bank topping its list with a B+. Canada's financial sector has a tradition of conservative lending and strong capitalization.
- The European Union (EU) stated that it may refuse to open its market to Canadian beef, pork and sweet corn unless Canada provides better access to its heavily protected dairy sector under which domestic framers receive production quotas while foreign products face steep tariff rates above an import quota. In 2010 the Prime Minister Stephen Harper promoted bilateral deals to boost economic growth and diversify shipments beyond the U.S which accounts for 75% of Canadian exports. Canadian beef framers face a stiff challenge to exporting beef to the EU due primarily to that region's ban on growth hormones which many Canadian farmers utilize. A Canadian Cattlemen's Association spokesman stated that the beef producers are willing to produce more beef without growth hormones only if the European market is clearly open to their products. On the other hand, European cheese making nations are hoping to sell more brie and parmigiano – reggiano into the \$13.9bn Canadian cheese market. Canadians consumed 370m kg of cheese in 2010 and has an import quota of just 20.5m kg; above that level importers face a 246% tariff.
- GDP at PPP (purchasing power parity) totaled \$1.33trillion in 2010, 15th largest in the world and grew by 3% due to increased global demand. Growth was -2.5% in 2009 due to the global financial crisis and declining demand for its exports by the USA. The IMF predicts that the economy will grow by 2.9% in 2011 and by 2.6% in 2012.
- According to the CIA World Factbook 18.52 million people work in the country that manufacturers and markets Research In Motion's (RIM) BlackBerry. In 2009 the recorded unemployment rate was 8.3% which fell to 8% in 2010; the Bank of Montreal predicates the unemployment rate to be 7.4% in 2011 following Q1 '11's rate of 7.7% and Q2'11's 7.3%.
- Canada's had low inflation of 1.8% on all items in 2010, followed by rates of 3.7%, 3.1% and 2.7% y – o – y in May through July 2011 respectively.
- Following final sales growth of goods and services of -2% in 2009 and 2.6% in 2010, Q1'11 recorded growth of 1.5% compared to 4.2% in Q1'10. Final Domestic Demand growth declined from 5.3% q – o – q in Q1' 10 to 2.3% Q1'11. The residential construction sector rebounded from negative growth of 8% in 2009 to grow by 10.2% in 2010 and further by 9% in Q1'11.
- Imports grew by 13.1% and exports by 6.4% in 2010. In the first quarter of 2011 exports grew by 6.4% compared with 8.8% growth a year earlier while imports grew 9.1% in Q1' 11 compared to 12.3% in Q1'10. GDP fell by 0.4% in Q2'11 y-o-y from 3.6% growth in Q1'11. Exports grew by 2.2% in July cutting the trade deficit to \$768m from \$1.38bn in June. The Bank of Canada expects net exports to remain a major source of weakness, reflecting more modest global demand and strength in the Canadian dollar.
- The business confidence index fell from 106.2 in March to 103.7 in June this year, adding concerns to the outlook of the Canadian economy. The survey indicated that 30.9% of respondents believe that economic conditions will improve in the next six months, down from 40.6% in the first quarter.

Latest Trade Developments

- Major exports: motor vehicles and parts, industrial machinery, aircraft, telecommunications equipment, chemicals, plastics, fertilizers, wood pulp, timber, crude petroleum, natural gas, electricity and aluminum.
- Major imports: machinery and equipment, motor vehicles and parts, crude oil, chemicals, electricity and durable consumer goods.
- Main trading partners: US, China and Mexico.
- SA's exports to Canada totaled R2.9bn in 2009; R3.2bn in 2010 and R1.3bn from January to June in 2011.
- SA's imports to Canada totaled R4.4bn in 2009; R4.7bn in 2010 and R2.6bn from January to June in 2011.