



OFFICE OF THE CHIEF ECONOMIST



TRENDS IN CANADA’S BUSINESS CLIMATE

December 2016

Results from Four Widely Recognized Competitiveness Studies

OBJECTIVE

This report serves as a supplement to the main bi-annual report “Review of Competitiveness Studies”; the report provides analysis as to how Canada’s performance has changed whether our rankings are getting better or worse among the widely recognized business competitiveness/investment climate studies shown below. Canada’s performance is ranked with all countries assessed in a given study, as well with the G7 countries. Four widely recognized business competitiveness/investment climate studies have been reviewed.

Canada’s Most Recent Rank Among:

	All Countries	G7 Countries
Business Environment Ranking (EIU) – December 2016	5/82	2/7
FDI Confidence Index (A.T. Kearney) -2016	3/25	2/7
World Competitiveness Ranking (IMD) – 2016	10/61	2/7
Global Competitiveness Index (WEF) – 2016-2017	15/138	5/7

EIU = Economist Intelligence Unit
 IMD = International Institute of Management Development
 WEF = World Economic Forum

SUMMARY

Each of the four studies measures the competitiveness of a given country using study-specific methodologies. As a result, the rankings differ from study to study.

Despite the differences in methodologies, the studies each reveal that Canada’s overall competitive position is quite solid in comparison to all other countries reviewed and within the G7. Depending on the study, and what is measured and how, Canada always ranks well within the top 20% of all countries (from rank 3 to rank 15) and from 2nd to 5th among the G7 countries in all four studies. Canada is never positioned at the bottom of the range.

Canada’s current rankings within the G7 follow superior rankings in recent years. Canada has largely maintained top positions (1st or 2nd) over recent years in three of the four studies (EIU’s Business Environment ranking, A.T. Kearney’s FDI Confidence Index and IMD’s World Competitiveness ranking) and has maintained its 5th place standing for the sixth straight year in WEF’s Global Competitiveness Index.

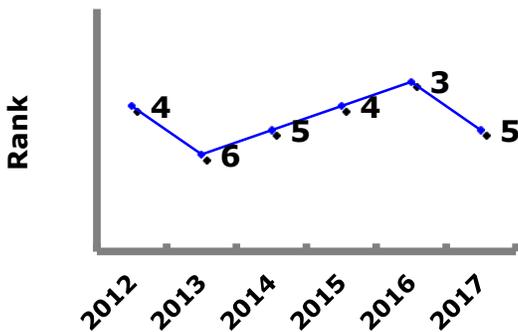
Caution must be exercised when interpreting the relative ranking results, as the relative gap between successive positions is often negligible in many of the global competitiveness and business environment rankings.

1. Business Environment Ranking 2017-2021 (Economist Intelligence Unit)

The Business Environment Ranking of the Economist Intelligence Unit (EIU) measures the present and future attractiveness of the business environment of 82 countries based on 5-year forecast and historical periods. It is the only major ranking study that provides a forecast of a country's future attractiveness for business. The rankings are based on a mix of survey of perceptions and hard statistical data. Factors that are considered in the report include the political environment, market opportunities, foreign exchange & trade controls and the labour market.

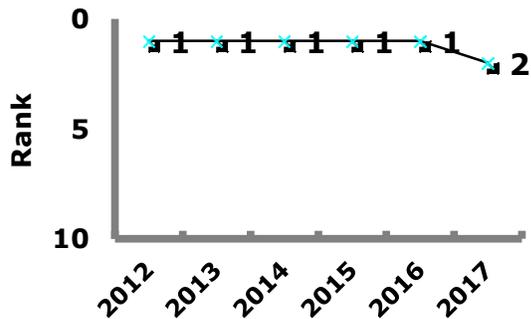
According to the EIU, Canada has maintained an exceptional business environment among all 82 countries analyzed. Canada has been among the top seven countries since 2005, fluctuating between 2nd and 7th place. Most recently, Canada ranked 5th, behind Singapore, Hong Kong, the U.S. and Sweden. Among G7 countries, Canada is ranked 2nd as of 2017 by the EIU, as the "best place to do business" in the G7 over the next five years; this follows a consistent 1st place ranking since 2005.

**Canada's Business Environment Ranking
(6 year - World Ranking)**



Source: Economist Intelligence Unit (EIU)

**Canada's Business Environment Ranking
(6 year - G7 Ranking)**

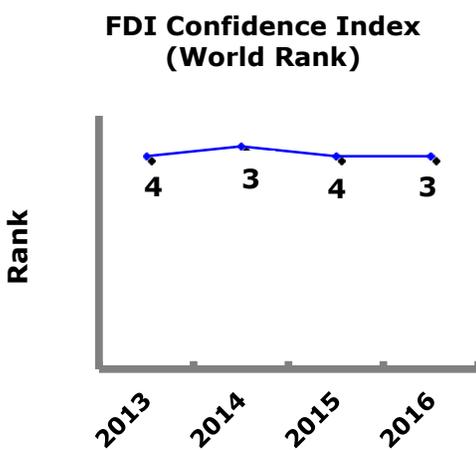


Source: Economist Intelligence Unit (EIU)

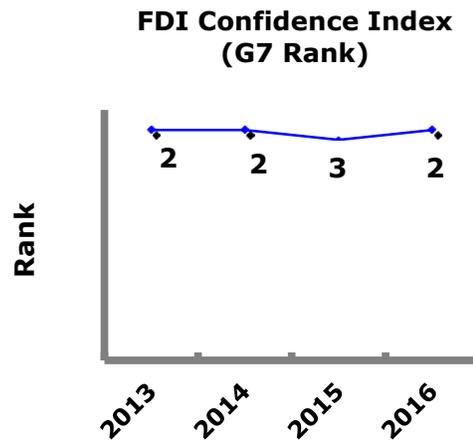
2. FDI Confidence Index 2016 (A.T. Kearney)

A.T. Kearney's FDI Confidence Index covers 25 countries and evaluates the likelihood of direct investment in specific markets over the next one-to-three year period. The Index is compiled from a survey of executives from the world's largest companies that are responsible for about 70% of global FDI flows. The Index is based exclusively on perceptions and opinions of executives and largely asks: "Where do you intend to invest?"

In 2016, Canada ranked 3rd out of the 25 countries assessed up slightly from 4th place in 2015. Among G7 countries, Canada's ranking rose to 2nd place behind the U.S., during the same time frame.



Source: A.T. Kearney



Source: A.T. Kearney

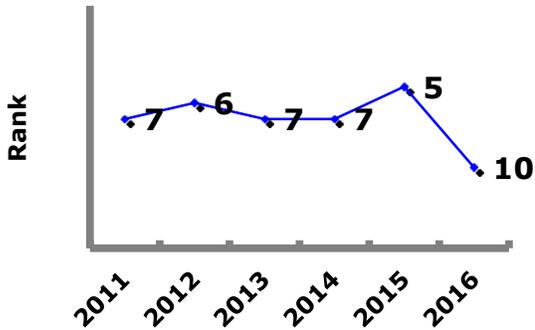
3. World Competitiveness Ranking 2016 (International Institute for Management Development)

The 61-country World Competitiveness Ranking by the International Institute for Management Development (IMD) is based on a combination of hard data and perceptions ranking the ability of nations to create and maintain an environment that sustains the competitiveness of enterprises. The ranking is derived from a combination of the following four categories: economic performance, government efficiency, business efficiency and infrastructure.

Among the 61 countries included in the report, Canada dropped to 10th place in 2016 from 5th place in 2015; 7th place in 2014 and 2013; 6th place in 2012 and 7th in 2011. Canada is currently ranked ahead of most other G7 economies, surpassing Germany (12th), the United Kingdom (18th), Japan (26th), France (32nd) and Italy (35th).

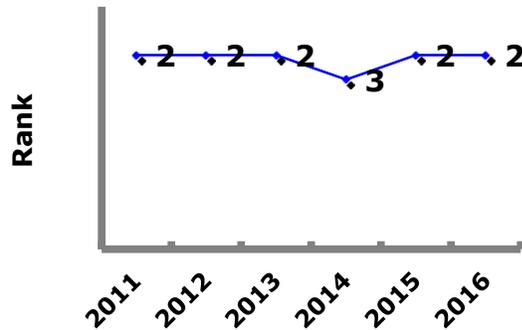
Among the G7, Canada outperformed all countries with the exception of the U.S., reaching 90% of Hong Kong (the highest ranking country in 2016) competitiveness levels. In contrast, Italy ranked last among the G7, reaching only 69% of Hong Kong competitiveness levels. At the sub-index level in 2016, Canada ranked 14th for economic performance, 10th for government efficiency, 12th for business efficiency and 9th for infrastructure.

Canada's Overall Performance Ranking (6 year -World Ranking)



Source: International Institute for Management Development (IMD)

Canada's Overall Performance Ranking (6 year - G7 Rank)

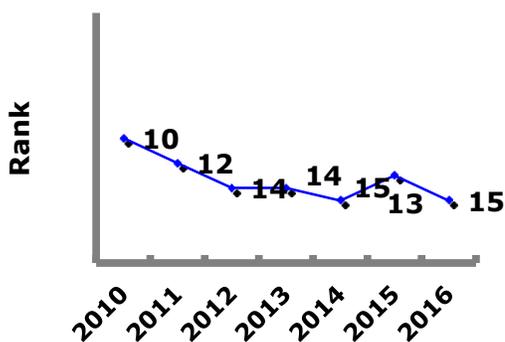


Source: International Institute for Management Development (IMD)

4. Global Competitiveness Index 2016-2017 (World Economic Forum)

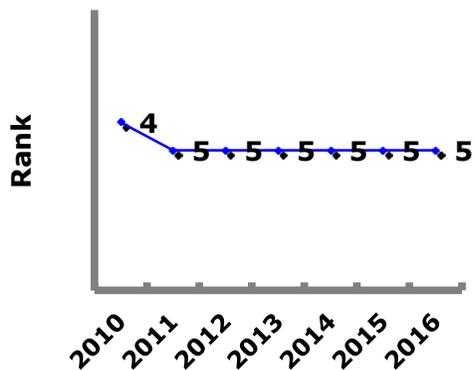
The World Economic Forum's Global Competitiveness Report is based approximately 70% on perceptions as opposed to hard data. Its Global Competitive Index is a holistic measure of the factors driving productivity and competitiveness. In 2016, Canada's overall ranking among 138 countries decreased to 15th place from 13th last year. Among the G7, Canada maintained its 5th place standing for the sixth straight year.

Canada's Global Competitive Index Ranking (World Rank)



Source: World Economic Forum (WEF)

Canada's Global Competitive Index Ranking (G7 Rank)



Source: World Economic Forum (WEF)

SUMMARY

To summarize, Canada performs well in the G7 on two major global benchmarking studies that are largely objective in nature: EIU's 5-year Business Environment ranking, in which Canada stood 2nd (after ranking 1st since 2007), and IMD's Overall Performance Ranking, in which Canada consistently ranked 2nd since 2006 except for 2014 when it ranked 3rd. With respect to the other studies, which are largely qualitative in nature, Canada's rankings have held steady (A.T. Kearney) or have fallen (IMD) globally but have held steady within a G7 context within the preceding five years.

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