



## CANADA

### What's happening in this economy

Canada is a large open economy. Its prosperity is underpinned by trade and investment, particularly through integration with the US economy. While resources and manufacturing remain economic mainstays, the government is fostering a diversified and innovative economy. This includes leveraging its highly educated workforce and research strengths to pursue commercial opportunities in advanced technologies. Canada's government has established five business-led innovation superclusters to incentivise large-scale industry partnerships and build focused, regional innovation ecosystems.

A slow start to the year meant economic growth remained soft throughout 2019. The Bank of Canada projects 1.5% growth for 2019, increasing to 1.7% in 2020 and 2021. Consumer spending has been a key driver of Canada's economic growth in recent years. The Bank of Canada expects a moderate rebound in both investment and exports to also contribute to growth.

Canada has ratified the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which presents a range of opportunities for increased trade and investment with Australia.

Canada has a strong interest in attracting investment, though there are some government imposed restrictions, particularly in telecommunications, airlines and some transport infrastructure.

The government has committed to significant infrastructure spending (for example, the Canada Infrastructure Bank) to improve trade related transport links, but spending has been slow.

The energy and resources sectors continue to be major economic contributors despite an ongoing downturn in the oil industry. LNG Canada is progressing a CAD 40 billion energy project in British Columbia, believed to be the single largest private investment in Canadian history. Cabinet approved the Trans Mountain Pipeline expansion project in June 2019. Once completed, this project will significantly boost pipeline takeaway capacity, but it still faces legal challenges and no date has been set for construction to begin.

Expanded air routes are increasing connections between each country and improving the flow of human capital and tourism. Air Canada initiated year-round, non-stop services from Vancouver to Melbourne in December 2017 adding to existing services to Brisbane and Sydney.

With the legalisation of cannabis for recreational use, the cannabis industry is expanding. Canadian companies are increasingly assessing Australia as a production, processing and distribution base. A number have already taken stakes in Australian medical cannabis companies, have established subsidiaries, and are building new facilities.

Canada's tech sector—concentrated in Toronto, Vancouver and Montreal—is growing rapidly. The country has the third largest concentration of researchers in the field of artificial intelligence (AI). Foreign direct investment is increasingly skewed to high-tech activity, including ICT, video gaming, fintech and artificial intelligence. Canadian firms operating in fintech, blockchain and AI have shown keen interest in the Australian market.

#### Key facts and figures

- Population: 37.1 million
- GDP growth: 1.9%
- GDP per capita: USD 46,210
- Political system: parliamentary democracy
- Two-way trade: AUD 7.4 billion
- Two-way foreign direct investment: AUD 70.7 billion



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## Demographic trends

Canada's population is ageing. Statistics Canada predicts that by 2031 nearly one in four Canadians will be over 65. Population growth is increasingly tied to immigration and—if current levels continue—nearly half of the population will likely be immigrants or children of immigrants by 2036. These will be concentrated in Canada's largest cities: Toronto, Montreal and Vancouver. The average age is lower and fertility rates are highest among Canada's Indigenous populations.

Canada's unemployment rate remains at a near historic low (5.7 per cent in July 2018), with labour and skills shortages common, particularly in the eastern provinces. The government's Global Talent Stream initiative is designed to attract highly skilled workers, particularly for the growing tech sector.

## Trade, investment, and commercial opportunities and activities

- There are more than 100 Australian companies with a significant presence in Canada, employing more than 20,000 people, and with annual sales in excess of AUD 6.6 billion:
  - much of Australia's presence is focused on the energy and resources sectors which is dominated by large companies including BHP, Rio Tinto, Orica and WorleyParsons
  - Canada's energy and resources sectors present opportunities for Australia's mining, equipment, technology and services. Canadian companies' appetites for investment opportunities in Australia—particularly in infrastructure and agribusiness—is also likely to remain strong, and
  - in the retail sector, Bakers Delight (operating as COBS Bakery in Canada) and Flight Centre also have extensive retail operations in Canada.
- Over the past 12 months Australian companies are increasingly accessing the Canadian market across a range of diverse sectors. This may reflect greater flight access between the two countries and better promotion of the market's business opportunities, including through the CPTPP:
  - in the retail sector, Bakers Delight (operating as COBS Bakery in Canada) and Flight Centre also have extensive retail operations in Canada, and
  - there are emerging commercial opportunities in premium food and agribusiness, fintech, smart cities solutions, and intelligent transport system (ITS) technologies.
- Investment is a significant feature of the bilateral commercial relationship with two-way investment stocks currently at around AUD 94 billion:
  - a significant portion of Canadian investments are made by major institutional investors, particularly pension funds. The Australian portfolios of these pension funds include investments in infrastructure, real estate and agribusiness
  - the technology and renewable energy sectors are also becoming an increasing focus for these pension funds as they look to broaden their investment mix in Australia.
- Major initiatives and opportunities to capitalise on include:
  - Australia Canada Economic Leadership Forum (AUSCAN)
  - Canada Australia Chamber of Commerce (CACC)



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- Prospectors and Developers Association of Canada (PDAC) annual convention
- Canadian Association of Defence and Security Companies (CANSEC)
- Vancouver International Wine Festival, and
- Toronto International Film Festival (TIFF).

## Trade policy and negotiations

Canada reached a tentative agreement with the US and Mexico to replace NAFTA – the US, Mexico, Canada Agreement (USMCA) – but the US and Canada have yet to ratify the agreement.

The Canadian Government continues work to diversify the country’s trade networks and reduce reliance on the US. FTA coverage has expanded significantly with the EU–Canada Comprehensive Economic and Trade Agreement’s (CETA) provisional entry into force, and received a further boost with the Comprehensive and Progressive Trans Pacific Partnership’s (CPTPP) entry into force. Canada’s government is looking for further gains through FTA negotiations with Mercosur and the Pacific Alliance. It is also interested in pursuing negotiations with ASEAN.

The Trudeau Government’s trade diversification agenda seeks not only to diversify markets but also the types of companies engaged in trade, such as SMEs and women-led and Indigenous businesses. This inclusive approach to trade is aimed at sharing the benefits and opportunities that flow from trade more widely.

Australia collaborates closely with Canada on shared interests in the WTO, APEC, G20, OECD and Cairns Group. We share a strong interest in protecting the rules based international trading system and pursue this interest together through formats such as the Ottawa Group on WTO reform.

Non-discriminatory market access for Australian wine in Canada has been a long-running priority for Australia, which initiated a WTO dispute in August 2018—this is ongoing. Canada’s supply-managed dairy sector continues to cause concern, particularly price distorting impacts on global markets.

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