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# Canada's competitiveness for foreign direct investment

## Key facts

January 2025

# Key facts about Canada's competitiveness for foreign direct investment

## January 2025<sup>1</sup> - Highlights

- The Canadian economy grew by an estimated 1.3% in 2024, and its economic growth is projected to remain stable among the G7 economies in 2025 and 2026.
- Canada's inflation has come down within its target range of 1-3% and remains below that of the U.S. (1.8% vs 2.9% in December). Globally, disinflation continues but there are signs that progress is stalling in some countries.
- In 2023, Canada had the highest employment and population growth rates among the G7 and is expected to maintain this position in 2025 and 2026.
- Canada has the lowest net debt in the G7 and is expected to maintain this position in 2025 and 2026.

## Canada is open for business and welcomes foreign investment

- Canada will be the 2<sup>nd</sup> best country in the G20 for doing business throughout the next five years (2025-2029); it has consistently ranked among the top 10 countries in the last 5 years. Economist Intelligence Unit, November 2024
- Among the G20 countries, Canada ranks 3<sup>rd</sup> with respect to the ease of starting a business. GEM Consortium, Global Entrepreneurship monitor – 2023/2024 Global Report, 2024
- Canada ranks 5<sup>th</sup> among G20 countries in terms of the least complex jurisdiction for conducting business. TMF Group's Global Business Complexity Index, June 2024
- Foreign investors choose Canada: Canada had the second-largest foreign direct investment (FDI) stock to GDP ratio among G20 countries in 2023. United Nations Conference on Trade and Development, November 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 2<sup>nd</sup> overall after the United States. Kearney, April 2024

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<sup>1</sup> This edition includes data as of January 29, 2025.

## Fiscal soundness and resilient economy

- Canada's economic growth is expected to remain stable among G7 countries in 2025 (2.0%) and 2025 (2.0%) amid elevated uncertainty.  
IMF, World Economic Outlook, January 2025
- Canada's has been able to rein in inflation back within its target range of 1-3%. It stood at 1.8% in December 2024, below the U.S. rate of 2.9%. Globally, disinflation continues but there are signs that progress is stalling in some countries.  
Statistics Canada and U.S. Bureau of Labor Statistics, January 2025, IMF, World Economic Outlook, January 2025
- As inflation is now within set targets, the Bank of Canada announced in January 2025 the reduction of its overnight rate to 3.0%.  
Bank of Canada, January 2025
- 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 (1.9%) and 2025 (1.4%).  
IMF, World Economic Outlook, October 2024
- Canada has enjoyed the lowest net debt to GDP ratio in the G7 for the last 20 years (13.1% in 2023) and is expected to maintain this position for the next six years.  
IMF, World Economic Outlook, October 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 25.0% to 29.9%).  
OECD Tax Database, April 2024
- At 13.0%, Canada's tax treatment for new business investment is the lowest in the G7, below the OECD average and significantly lower than that of the United States (19.7%).  
Finance Canada, Fall Economic Statement 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 2<sup>nd</sup> out of 23 countries, featuring 9 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, 2025 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.  
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 70% of Canada's energy generation comes from renewable sources (2022).  
Natural Resources Canada, Energy Fact Book 2024-2025

## 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, October 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 2024
- 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, October 2024
- Businesses in Canada enjoy preferential access to 51 markets with a combined GDP of over US\$64 trillion, representing 61% of the global economy and home to 1.5 billion consumers.  
IMF, World Economic Outlook, October 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, October 2024

## Environment conducive to leading-edge innovation

- Canada ranks 2<sup>nd</sup> 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, July 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 creation of over 680 formal industry partnerships. The 2024 Fall Economic Statement proposes to provide \$24 million over 2 years, starting in 2025-26, for the National AI Institutes to support the continuation of their AI commercialization activities.  
Invest in Canada, 2024, Fall Economic Statement 2024

## One of the world's most stable financial sectors

- Canada's financial system is one of the soundest in the world: it ranks 3<sup>rd</sup> in the G7, 4th in G20, and 15 out of 64 countries.  
IMD World Competitiveness Center, 2024
- Six of the world's 40 safest and most dependable banks are in Canada.  
Global Finance Magazine, 2024

## Great place to live and prosper

- Canadians enjoy one of the world's highest standards of living.  
IMF, World Economic Outlook, October 2024
- Canada ranks 3<sup>rd</sup> among G20 countries for social progress. It also ranks 2<sup>nd</sup> for equal opportunity and 3<sup>rd</sup> for justice among G7 countries.  
Social Progress Imperative, January 2024; IMD World Competitiveness Yearbook, 2024
- Canada is ranked 3<sup>rd</sup> in the G20 countries for economic freedom.  
Heritage Foundation – Index of Economic Freedom, 2024