Canada’s economic competitiveness has been sustained by the solid institutional foundations of an open-market system. The independent judiciary provides strong protection of property rights and upholds the rule of law. The economy is open to global commerce and supported by a high degree of regulatory efficiency.

Management of public finance has been comparatively prudent, but the size and scope of government have been expanding over the past year. The government’s policy focus has tilted toward income redistribution through adjustments in taxation and increased spending. The top individual income tax rate has been raised to 33 percent, and the planned reduction of the tax rate for small businesses has been canceled.

**ECONOMIC FREEDOM SCORE**

<table>
<thead>
<tr>
<th>NOTABLE SUCCESSES:</th>
<th>CONCERNS:</th>
<th>OVERALL SCORE CHANGE SINCE 2013:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rule of Law, Open Markets, and Regulatory Efficiency</td>
<td>Government Spending</td>
<td>−0.9</td>
</tr>
</tbody>
</table>

**FREEDOM TREND**

**QUICK FACTS**

- **POPULATION:** 35.9 million
- **GDP (PPP):** $1.6 trillion
- **INFLATION (CPI):** 1.1%
- **FDI INFLOW:** $48.6 billion
- **PUBLIC DEBT:** 91.5% of GDP

- **UNEMPLOYMENT:** 6.9%
- **INFLATION (CPI):** 1.1%
- **FDI INFLOW:** $48.6 billion
- **PUBLIC DEBT:** 91.5% of GDP

**BACKGROUND:** Liberal Party candidate Justin Trudeau was elected prime minister in October 2015 after promising to revive Canada’s economy. After a decade of Conservative rule, Trudeau has reshaped Canadian politics. In March 2016, the prime minister announced a $46 billion stimulus plan targeted at improving public transportation, water systems, and housing. The government has also accepted 25,000 Syrian refugees into the country and has taken the lead in increasing aid to Syria. Canada’s 13 provinces and territories have significant autonomy from the federal government. Canada produces commodities like automobiles, forest products, manufactured goods, minerals, and oil. Its leading export market is the United States.
Although 89 percent of Canada’s land area is owned by the state, the property rights to the 11 percent that is privately owned are well protected. Intellectual property rights meet world standards. Enforcement of contracts is secure, and expropriation is highly unusual. Canada has a reputation for clean government. Its judicial system has an impeccable record of independence and transparency, and cases of corruption are prosecuted vigorously.

The transparent regulatory framework facilitates commercial activity, allowing the processes of business formation and operation to be efficient and dynamic. Relatively flexible labor regulations enhance employment growth. In 2016, Canadian aerospace company Bombardier and the provincial Quebec government agreed to a $1 billion rescue package, but the federal government has not yet approved an additional $1 billion bailout.

Trade is important to Canada’s economy; the value of exports and imports taken together equals 65 percent of GDP. The average applied tariff rate is 0.8 percent. Foreign investment in sectors including aviation and telecommunications is capped by the government. The banking sector remains sound and stable. A wide range of nonbank financial companies operates in a prudent business environment, and securities markets are well developed.