



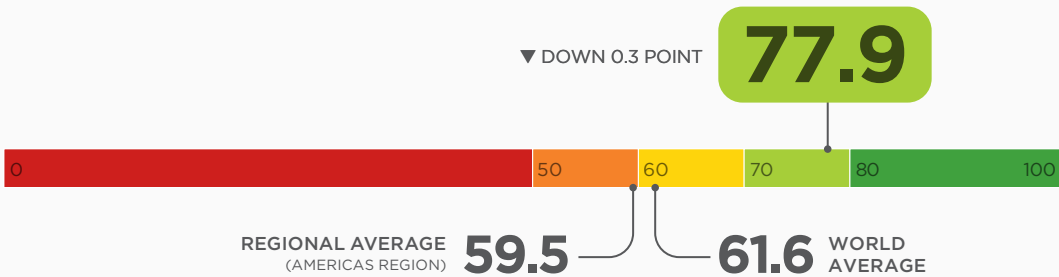
CANADA

Canada's economic freedom score is 77.9, making its economy the 9th freest in the 2021 *Index*. Its overall score has decreased by 0.3 point, primarily because of a decline in **property rights**. Canada is ranked 1st among 32 countries in the Americas region, and its overall score is above the regional and world averages.

This year, Canada's economy remains in the ranks of the mostly free where it has been since it fell from the free category in 2015. The easiest way for the government to improve economic freedom would be to reduce government spending and thereby raise the very low score for that *Index* indicator. Reforming labor laws to create a more flexible labor market would increase labor freedom.

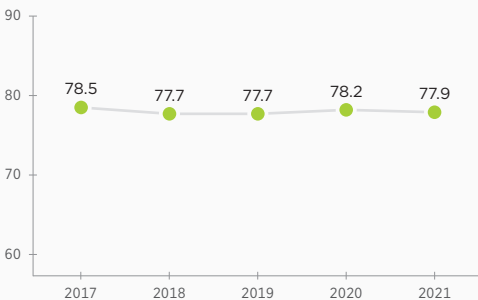
IMPACT OF COVID-19: As of December 1, 2020, 12,229 deaths had been attributed to the pandemic in Canada, and the economy was forecast to contract by 7.1 percent for the year.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +8.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
37.6 million

GDP (PPP):
\$1.9 trillion
1.6% growth in 2019
5-year compound annual growth 1.7%
\$51,342 per capita

UNEMPLOYMENT:
5.6%

INFLATION (CPI):
1.9%

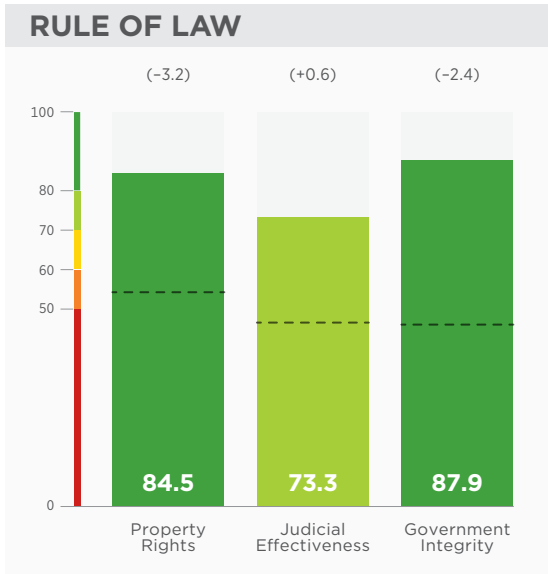
FDI INFLOW:
\$50.3 billion

PUBLIC DEBT:
88.6% of GDP

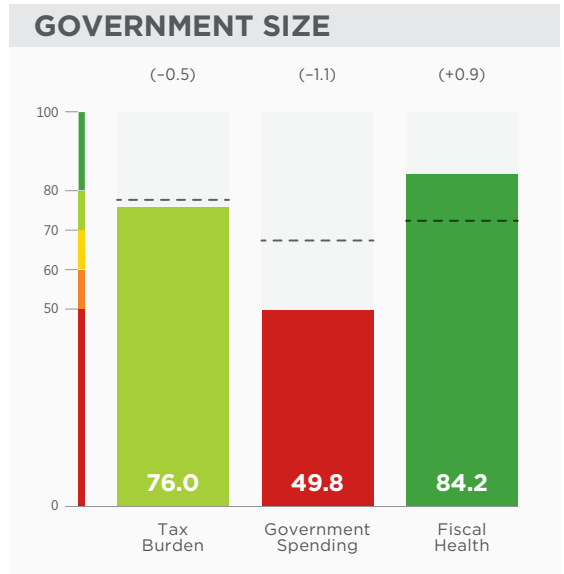
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: Canada is the world's second-largest country by land area and has its 10th-largest economy. Prime Minister Justin Trudeau's Liberal Party managed to win a second term in office in October 2019 national elections despite a corruption scandal that tarnished Trudeau's political brand. Although he remains in power, Trudeau was forced to form an inherently unstable minority government that could fall well before the next election, which is scheduled to be held 2023. Canada's market-oriented economic system closely resembles that of the U.S. Leading sectors include automotive and other manufactures, forest products, minerals, and petroleum. About three-quarters of Canada's exports are to the United States, so the new U.S.-Mexico-Canada Agreement that entered into force on July 1, 2020, is vital to Canada's continued economic well-being.

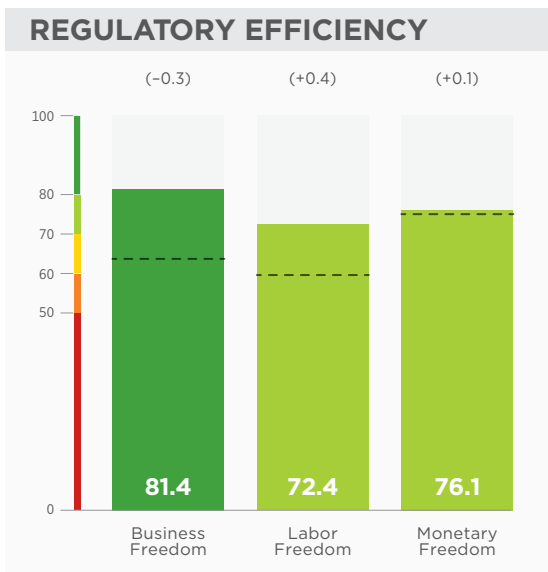
12 ECONOMIC FREEDOMS | CANADA



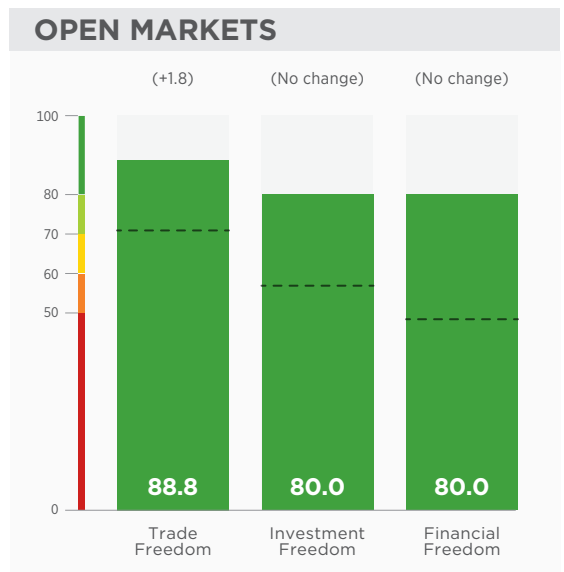
Property rights are generally well protected by law and through the enforcement of contracts. Expropriation is highly unusual. The judiciary is independent, and courts are considered procedurally competent, fair, and reliable. Canada's reputation for clean government with little corruption was tainted by scandal in 2020 when a government education contract kickback scheme was alleged to have involved members of the prime minister's family.



The top individual income tax rate is 33 percent, and the top corporate tax rate is 15 percent. Other taxes include value-added and property taxes. The overall tax burden equals 33.0 percent of total domestic income. Government spending has amounted to 40.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.3 percent of GDP. Public debt is equivalent to 88.6 percent of GDP.



Business freedom in Canada is relatively unchanged and remains at a high level. However, the recovery rate during insolvency procedures has declined slightly. Labor laws vary by jurisdiction. There is a shortage of skilled trade professionals. In addition to subsidizing health care, the government funds large subsidies for a wide range of business sectors including energy and agriculture.



Canada has 15 preferential trade agreements in force. The trade-weighted average tariff rate is 3.1 percent, and 459 nontariff measures are in effect. Foreign investment in some sectors, including aviation and telecommunications, is capped by the government. The banking sector, dominated by six major banks, remains sound. A wide range of nonbank financial companies operate in a prudent regulatory environment.