

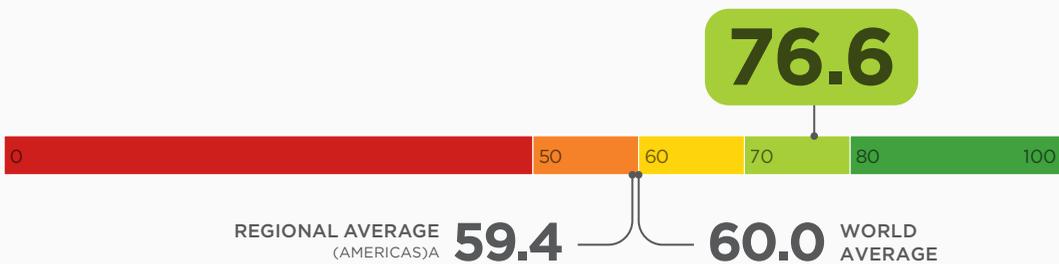
CANADA

Canada's economic freedom score is 76.6, making its economy the 15th freest in the 2022 *Index*. Canada is ranked 1st among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Over the past five years, Canada's economic growth has decelerated, turning negative in 2020, although growth appears to have resumed in 2021. Economic freedom reached a high in Canada in 2011 and has been declining gradually ever since. Weakened by score decreases in **government spending** and **fiscal health**, Canada has recorded a 1.9-point overall loss of economic freedom since 2017 and has fallen further in the top half of the "Mostly Free" category. Rule of law is strong, but **government spending** remains excessive.

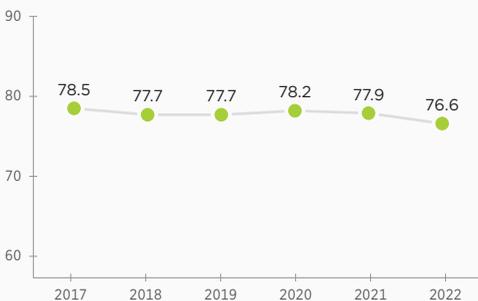
IMPACT OF COVID-19: As of December 1, 2021, 29,767 deaths had been attributed to the pandemic in Canada, and the government's response to the crisis ranked 18th among the countries included in this *Index* in terms of its stringency. The economy contracted by 5.4 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +7.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
38.0 million

GDP (PPP):
\$1.9 trillion
-5.4% growth
in 2020
5-year compound
annual growth 0.6%
\$48,720 per capita

UNEMPLOYMENT:
9.5%

INFLATION (CPI):
0.7%

FDI INFLOW:
\$23.8 billion

PUBLIC DEBT:
117.8% of GDP

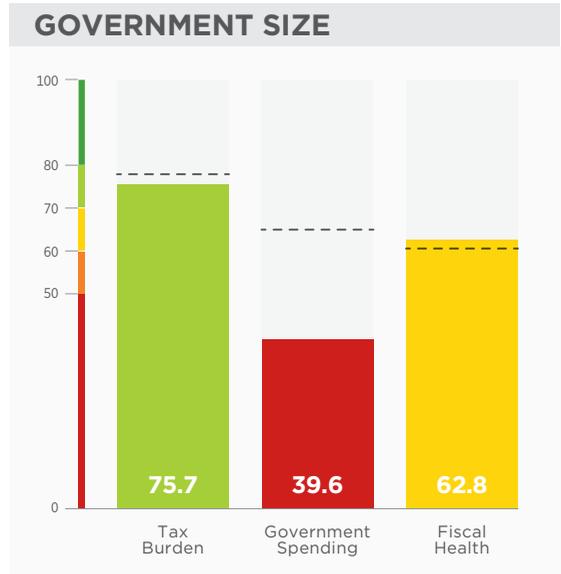
2020 data unless otherwise noted. Data compiled as of September 2021

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 third mandate in a September 2021 snap election aimed at enlarging its position in parliament. Although his plurality increased, Trudeau failed to achieve a majority and was forced to form another minority government. Canada's market-oriented economic system closely resembles that of the United States. Leading sectors include automotive and other manufactures, forest products, minerals, and petroleum. Because approximately three-quarters of Canada's exports are to the United States, the U.S.-Mexico-Canada Agreement (USMCA) that entered into force in 2020 is vital to Canada's flourishing economy.

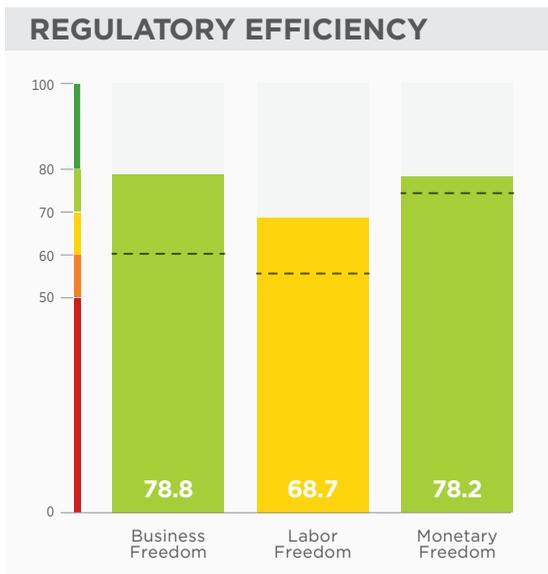
12 ECONOMIC FREEDOMS | CANADA



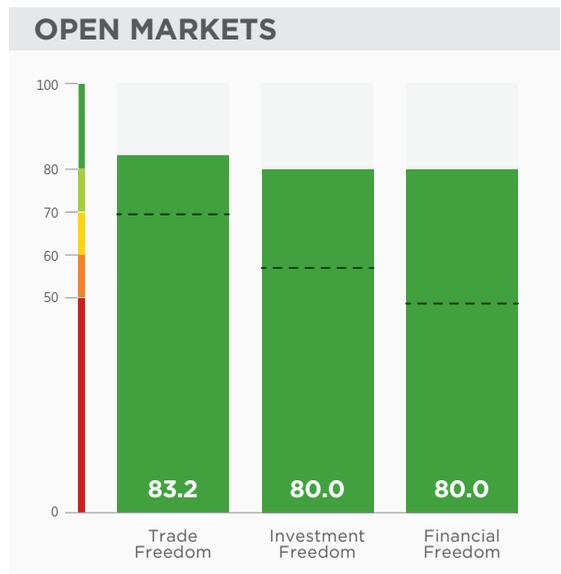
Property rights are generally well protected by law and through the enforcement of contracts. Expropriation is highly unusual. The judiciary is independent, and courts are considered procedurally competent, transparent, fair, and reliable. Although anticorruption statutes are enforced rigorously, numerous investigations have raised concerns about corruption, illegal financing, and kickbacks in the construction sector and in public procurement.



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 33.5 percent of total domestic income. Government spending has amounted to 44.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.3 percent of GDP. Public debt is equivalent to 117.8 percent of GDP.



Business registration and permit application processes are relatively easy and efficiently administered, but they vary by province or territory. The Canada Labor Code and provincial labor codes differ somewhat in their minimum wage and benefit requirements. In 2021, price controls imposed on a wide range of medications threatened the long-term quality of health care, and the government continued to maintain many subsidies.



Canada has 15 preferential trade agreements in force. The trade-weighted average tariff rate is 3.4 percent, and 466 nontariff measures are in effect. Market-oriented policies, facilitated by a sound and transparent investment framework, have attracted significant foreign investment. The relatively competitive financial sector is open and resilient, offering a wide range of services. The exchange rate has been allowed to adjust flexibly without intervention.