Export Development Canada

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This report does not constitute a rating action.

Credit Highlights

Overview

Key strengths	Key risks
Status as an agent Crown corporation (agent of His Majesty in Right of Canada) and ownership by the Government of Canada.	Policy changes could result in a material weakening of the government's support for the corporation's role.
The debt issued by the corporation constitutes a direct obligation of the Government of Canada and is a charge on, and payable out of, the government's Consolidated Revenue Fund (CRF).	Material concentration of exposure to the U.S., reflecting Canada's trade links.
Almost certain likelihood of receiving timely and sufficient extraordinary government support in a period of financial distress.	A downgrade to Canada would lead to a downgrade to Export Development Canada under our government-related entities (GRE) criteria.

The long-term issuer credit, senior unsecured, and short-term global scale, and Canada scale ratings on Export Development Canada (EDC) are 'AAA', 'AAA', 'A-1+', and 'A-1(High)', respectively. The ratings reflect our assessment of EDC's critical role in supporting Canadian exporters, the importance of the trade sector in the national economy, and the corporation's integral link with the Government of Canada. We do not believe the almost certain likelihood of extraordinary government support from the federal government is subject to transition risk, given EDC's operations are strategically important to the government.

Outlook

The stable outlook on EDC mirrors that on Canada (AAA/Stable/A-1+) and reflects S&P Global Ratings' expectation that over the next two years, the corporation will continue to play a critical role in the government's economic policy, and the link between the government and EDC will remain integral.

Downside scenario

Changes in policy that could result in material weakening of the government's support for the corporation's role could lead us to reassess our view of EDC's role and link. This, in turn, could lead us to detach the ratings on the corporation from those on the government and assign a stand-alone credit profile (SACP) to EDC. A downgrade on Canada would also lead to a downgrade on the corporation under our GRE criteria.

Rationale

We expect EDC will continue to play a critical role in supporting Canadian exporters and businesses. EDC's recent record in delivering countercyclical government support programs indicates the importance of the corporation to the Government of Canada, in our view. Most recently, EDC was tasked with facilitating the Canada Emergency Business Account (CEBA) program, whose repayment deadline was recently extended to Dec. 31, 2026. Guided by its internal capital adequacy assessment process, the corporation aims to return its equity to pre-pandemic levels after capital injections totaling almost C$11 billion from the federal government during the COVID-19 pandemic because of EDC's support to the programs. As part of this process, from 2022 onward, dividends to the Government of Canada are paid by way of share buyback until the share capital returns to pre-pandemic levels. EDC repurchased C$2.4 billion worth of shares in the first three quarters of 2024 and no shares were repurchased in 2023. Its equity position was at C$10.8 billion as of September 2024, down from C$12.8 billion as of December 2023, and closer to year-end 2019 equity level of about C$9.8 billion.

We believe that the likelihood of the corporation receiving extraordinary government support in a period of financial distress is almost certain. As a result, we view EDC as a government related entity (GRE) of the federal government. Following our GRE criteria, we base this determination on our assessment of EDC's critical role in supporting Canadian exporters and the importance of the trade sector in the national economy. We also base this on our assessment of the integral link between the government and the corporation, such as the government's appointment of the board of directors and establishment of EDC's strategic direction, and direct call on the government's Consolidated Revenue Fund (CRF).

We have not assigned an SACP to EDC because of our assessment of the almost certain likelihood of extraordinary government support. In our view, the corporation's operations are strategically important to the government and that the government's support is not subject to transition risk. Accordingly, we have equalized our ratings on EDC's debt with those on Canada, its parent entity.

EDC, established in 1944, is a federal Crown corporation wholly owned by the Government of Canada. Its mandate is to support and develop, directly and indirectly, Canada's export trade and the country's capacity to engage in trade, as well as respond to international business opportunities. The corporation provides a variety of services to Canadian exporters and investors and their international buyers, including insurance and financial services, bonding products, and small business solutions. The corporation also supports Canadian direct investment abroad and investment into the country. EDC has identified various growth industries as strategic focus areas in the next several years for its long-term strategy, including agrifood, clean technologies, advanced manufacturing, and digital industries. The corporation is also advancing on its trade diversification strategy and continuing efforts to expand in Indo-Pacific regions. That said, EDC's exposure remains concentrated to the U.S. because of the strong trade links between the two countries.

The corporation often works in partnership with other financial institutions and through collaborating with the Government of Canada. EDC also provides support to federal priorities through the Canada Account, where it acts as an agent in support of national interest transactions. Like other Crown corporations, it also collaborates with the federal government on environmental, social, and governance (ESG) initiatives, including a commitment to reach net zero carbon emissions by 2050. The corporation is financially self-sufficient, and issues and services its own debt from its resources. However, because it is a Crown agent, it can service its borrowings through the Government of Canada's CRF, which services the government's direct debt.

Liquidity

As of September 2024, EDC held cash and marketable securities of about C$8.5 billion with C$59.3 billion in loans payable. The corporation's treasury department manages liquidity. It does so based on internal policies and procedures, and monitors liquidity daily. EDC holds sufficient liquidity based on forecast cash requirements. In addition, we expect the corporation would borrow from the government quickly if it needed funds above its internal resources.

Related Criteria

- Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Canada, Oct. 30, 2024
- S&P Global Ratings Definitions, Dec. 2, 2024

Ratings Detail (as of January 13, 2025)*	
Export Development Canada	
Issuer Credit Rating	AAA/Stable/A-1+
Commercial Paper	
Global Scale	A-1+
Canada Scale	A-1 (High)
Senior Unsecured	AAA
Issuer Credit Ratings History	
27-Oct-2011	AAA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.