

Canadian Benefits Scorecard 2017

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Abstract:

EDC's Canadian Benefits Policy sets out the criteria that must be met by transactions contemplated by the organization. A product of that policy is a set of aggregate measures of EDC's mandate performance, collectively called the Canadian Benefits Scorecard.

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Canadian Benefits Scorecard – 2017 Highlights

- The exports, CDIA, and domestic business facilitated by EDC in 2017 supported \$67.2 billion in Canadian GDP and 523,808 jobs. This represents 3.8% of total Canadian GDP and 2.8% of national employment.
- The volume of international and domestic transactions carried out by EDC on behalf of Canadian companies reached \$104 billion in 2017. This represents a 1.7% increase from 2016.
- EDC facilitated \$29.9 billion in emerging markets transactions in 2017, a decrease of 2.4% from the previous year. This represented an estimated 34% of all Canadian exports and direct investment to emerging markets in 2017, up from 32% in 2016. Economy-wide, exports and CDIA volume to emerging markets declined 7.5% in 2017.
- EDC-backed CDIA increased from \$12.4 billion to \$14.3 billion, and was 14% of the Canadian total in 2017.
- In the early 1990s, EDC facilitated 7%-8% of Canada's exports and direct investment outflows. In 2017, this figure was 14%. The trend has shown slow but steady declines since 2012.
- EDC's partnership transactions increased by 6.7% in 2017 to 4,228 from 3,961 in 2016. These transactions represent risk-sharing arrangements with other financial institutions to better serve Canadian companies.
- EDC recorded 3,455 small business transactions in 2017, an increase of 8.4% over the previous year.
- The total number of customers increased by 31.4% in 2017 to 9,398.

Table 1: Canadian Benefits Scorecard Summary

	2016	2017	% Change 2017/2016 (1)
1. Total EDC Volume (billions C\$)	102.0	103.7	1.7
-- Volume in Emerging Markets (bn C\$)	30.6	29.9	-2.4
-- CDIA supported by EDC (bn C\$)	12.4	14.3	15.7
2. Canadian GDP facilitated by Total EDC Volume (bn C\$)	65.4	67.2	2.8
-- Share of Total Canadian GDP (%)	3.85	3.75	-2.7
3. Number of jobs facilitated by Total EDC Volume	521,867	523,808	0.4
-- Share of Total Canadian Employment (%)	2.88	2.82	-1.9
4. Number of Customers	7,150	9,398	31.4
5. Number of Partnership Transactions	3,961	4,228	6.7
6. Small Business Transactions	3,188	3,455	8.4
7. Canadian Trade and Investment Data			
-- Total Canadian Exports of Goods and Services (bn C\$) (2)	630.4	662.3	5.1
-- Total Canadian Exports to Emerging Markets (bn C\$) (3)	76.5	82.5	7.8
-- Canadian Direct Investment Abroad (CDIA) all countries (bn C\$) (4)	93.9	102.3	8.9
-- CDIA to Emerging Markets (bn C\$) (5)	17.8	4.7	-73.6
Source: EDC Corporate Research Department.			
1. Percentages for 2016 and 2017 have been adjusted to reflect more recent Statistics Canada Trade and Investment data.			
2. Equals the sum of receipts for merchandise goods exports and service exports as presented in CANSIM 376-0103.			
3. Includes goods and services. All figures based on Statistics Canada data (CANSIM 376-0103).			
4. Derived from Statistics Canada Financial Account (balance of payments) data (CANSIM 376-0104).			
5. RAD estimates based on Statistics Canada balance of payments data (CANSIM 376-0104).			

1.0 EDC's Role in Facilitating Trade and Foreign Direct Investment

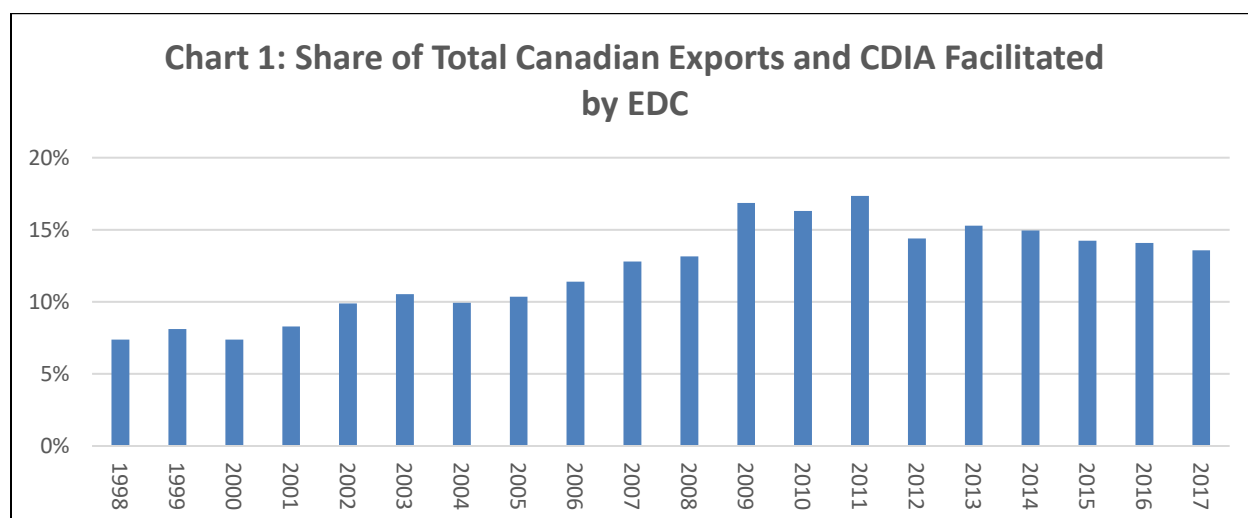
EDC supports about 14% of total Canadian exports and investment abroad (see Chart 1). In 2017, Canadian exports of goods and services increased 5.1%, from \$630.4 billion (2016) to \$662.3 billion. Likewise, CDIA increased 8.9% in 2017, from \$93.9 billion to \$102.3 billion. EDC transactions carried out on behalf of Canadian companies increased \$1.7 billion in 2017, to \$103.7 billion, a 1.7% increase from 2016.

In emerging markets, the picture was less rosy. CDIA flows fell precipitously (74%) to only \$4.7 billion in 2017, as compared with \$17.8 billion in 2016. The \$13.1 billion CDIA decline exceeded the \$6 billion increase (7.8%) in exports of goods and services to emerging markets (from \$76.5 billion to \$82.5 billion). Therefore, net flows to emerging markets declined \$7.1 billion (7.5%) in 2017. EDC support for business in emerging markets declined by 2.4%, from \$30.6 billion in 2016 to \$29.9 billion in 2017.

CDIA (including the role of foreign affiliates) continues to be a driver for EDC business volumes. These firms continue to improve their integrative trade competitiveness, as reflected in growing overall trade volumes in emerging markets (including in 2017). Emerging markets are still a relatively small share of total exports (12.5% of total). However, investment in these markets picked up in 2016, and this contributed to the rising trade volume in 2017 as many of those investments generated downstream revenues. Conversely, the decline in CDIA to emerging markets in 2017 brought the ratio of CDIA to emerging markets to total CDIA down to 4.6%, as compared with nearly 19% the prior year.

EDC entered into 4,228 partnership transactions in 2017, an increase of 6.7% from 3,961 in 2016. These transactions represent financial services delivered to Canadian companies in conjunction with other financial institutions. Such risk-sharing allows EDC to leverage its capital for financing and insurance beyond what could be provided if EDC was the sole provider, increasing EDC's economic impact.

EDC's total number of customers increased by 31% in 2017 to 9,398, dramatically reversing the decline from the previous two years. EDC continues to support SMEs that may find it more difficult or costly to obtain bank financing or commercial credit insurance. As evidence, in 2017, the number of small business transactions supported by EDC increased by 8.4%, from 3,188 to 3,455. EDC is strongly committed to supporting SMEs as part of its broader mandate.



Source: EDC Research and Analysis Department.

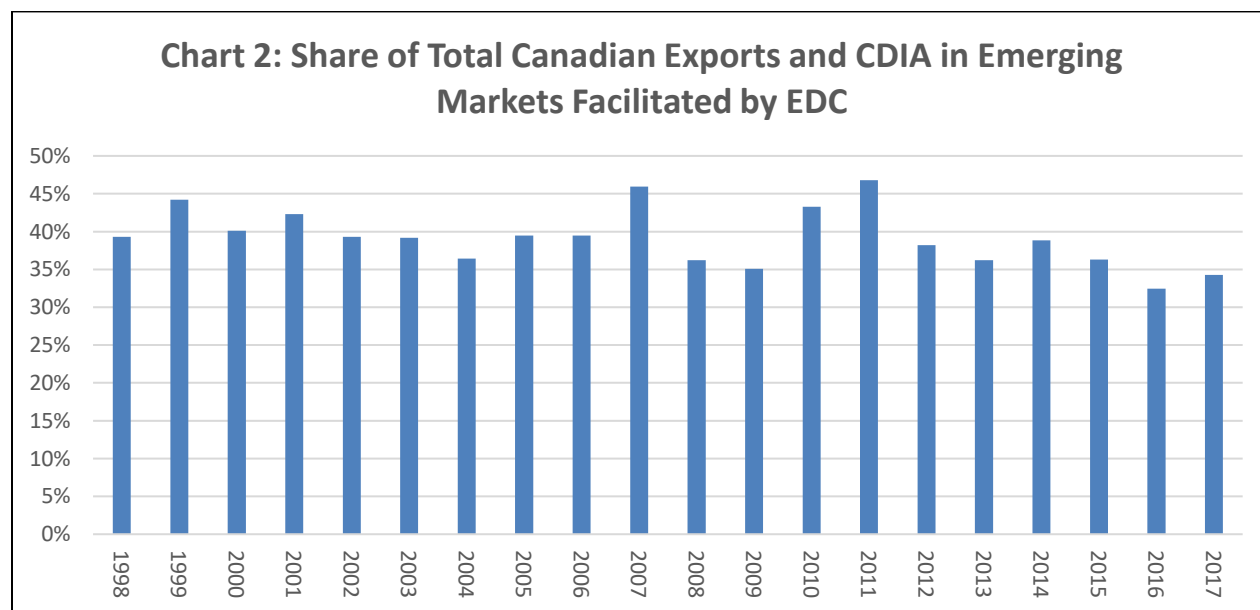
2.0 Boosting Canadian Diversification into Emerging Markets

In an increasingly competitive economy, Canada will need to diversify among “traditional” markets as well as increase its presence in emerging markets¹ to alleviate concentration risk in its trade and investment profile. EDC’s activities support these efforts with financing and market information.

Over the past decade, Canadian exports and direct investment into emerging markets have shown growth. However, in 2017, the combined \$87.2 billion in exports and CDIA to emerging markets decreased due to the decline in CDIA. Exports to emerging markets increased by 7.8% to \$82.5 billion in 2017, but CDIA decreased by \$13.1 billion. Economy-wide, total CDIA increased. Therefore, Canadian businesses pulled back from emerging markets in favor of more traditional markets in 2017, where CDIA increased.

Canadian firms’ trade and investment in emerging markets as a share of total has levelled off at about 11%-12%. This is double levels from the very early 2000s, but has stayed in the 11%-13% range since 2014. In 2017, combined flows of Canadian exports and CDIA to emerging markets approximated 11.4% of Canada’s total export and investment flows (down from 13% in 2016). Thus, the “new normal” indicates a doubling in overall share of emerging markets in Canadian trade and investment from the early 2000s, but a still small share of total.

EDC’s support for trade and investment diversification shows up in the share of EDC’s total volume and share of business in emerging markets. In 2017, the volume of EDC’s business in emerging markets approximated \$30 billion, a 2.4% decrease from 2016 but generally in line with volumes in prior years. Given EDC’s total business volume of \$104 billion in 2017, this meant that business in emerging markets comprised 29% of EDC’s total business, down from 30% in 2016 but consistent with the 2014-2017 average. Noteworthy is the facilitating role EDC plays in helping Canadian exporters and investors diversify into these economies. In 2017, EDC facilitated 34% of all Canadian exports and CDIA to emerging markets, up from 32% in 2016. This means EDC has generally supported about a third of Canadian business activity in emerging markets for several years. (See Chart 2.)



Source: EDC Research and Analysis Department.

¹ Emerging markets for EDC-facilitated business are defined as countries that are not members of the OECD.

3.0 Contributing to the Canadian Economy

The exports, CDIA, and domestic business facilitated by EDC in 2017 are estimated to have sustained \$67.2 billion in Canadian GDP, an increase of 2.8% from the previous year.² The contribution to the Canadian economy in 2017 represented 3.8% of Canada's total GDP, a slight decline from 3.9% in 2016. This means that for every \$1 in income earned in Canada during 2017, nearly 4 cents were attributable to EDC's trade and investment facilitation. The employment associated with the business EDC facilitated in 2017 is estimated at 523,808 full-time-equivalent jobs, about 2.8% of national employment.

4.0 EDC's Investments Program

EDC's investment program generated \$3.7 billion in revenues from October 2016 through September 2017. The sum of partnership gains (net of losses) for Canadian domiciled firms approximated \$1.1 billion. These investments helped to sustain a Canadian investment presence in companies and funds that purchase goods and services from Canada, and help to sustain high value jobs in Canada.

² The GDP impact is less than total EDC business volumes because exports facilitated by EDC have a significant imported input content which is netted out from the GDP calculation.