2019 CANADIAN BENEFITS SCORECARD

EDC’s Canadian Benefits Policy sets out 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.

Report by
EDC Economics

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CONTENTS

CANADIAN BENEFITS SUMMARY ........................................................................................................... 2
CANADIAN BENEFITS SCORECARD – 2019 HIGHLIGHTS ........................................................................ 2
1. EDC’S ROLE IN FACILITATING TRADE AND FOREIGN DIRECT INVESTMENT ............................................. 3
   Chart 1: Share of Canadian Exports and CDIA Facilitated by EDC ............................................................... 4
2. BOOSTING CANADIAN DIVERSIFICATION INTO EMERGING MARKETS .............................................. 4
   Chart 2: Share of Canadian Exports and CDIA in Emerging Markets Facilitated by EDC ................................ 5
3. CONTRIBUTING TO THE CANADIAN ECONOMY ......................................................................................... 5
4. EDC’S INVESTMENTS PROGRAM ............................................................................................................ 5
CANADIAN BENEFITS SCORECARD – 2019 HIGHLIGHTS

- EDC’s volume of international and domestic transactions on behalf of Canadian companies reached $103 billion in 2019, a decline of almost 2% from 2018.
- In 2019, the Canadian exports, Canadian direct investment abroad (CDIA), and domestic business facilitated by EDC is estimated to have supported $64 billion in Canadian gross domestic product (GDP) and over 510,000 jobs. This represents 3.3% of total Canadian GDP and 2.7% of national employment, respectively.
- EDC facilitated over $28 billion in emerging markets transactions in 2019, an increase of 12.5% from the previous year. The level of support in 2019 represented 30% of all Canadian exports and direct investment to emerging markets, up from 26% in 2018.
- EDC-backed CDIA grew to $16 billion in 2019, slightly higher than in 2018, and equivalent to 17% of the Canadian total.
- EDC facilitated 12.5% of Canada’s total exports and direct investment outflows in 2019, down from over 13% in 2018 due mainly to increased exports and CDIA.
- The total number of EDC customers increased by 28% in 2019 to 16,807.
- EDC’s partnership transactions increased by 3% in 2019 to 5,203. These transactions represent risk-sharing arrangements with other financial institutions to better serve Canadian companies.
- EDC recorded 6,373 small business transactions in 2019, an increase of 28% over the previous year.

CANADIAN BENEFITS SUMMARY

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Total EDC Volume (bn C$)</td>
<td>104.6</td>
<td>102.6</td>
<td>-1.9</td>
</tr>
<tr>
<td>-- Volume in Emerging Markets</td>
<td>25.3</td>
<td>28.4</td>
<td>12.5</td>
</tr>
<tr>
<td>-- CDIA supported by EDC</td>
<td>16.0</td>
<td>16.1</td>
<td>0.5</td>
</tr>
<tr>
<td>2. Canadian GDP facilitated by Total EDC Volume (bn C$)</td>
<td>65.2</td>
<td>63.6</td>
<td>-2.5</td>
</tr>
<tr>
<td>-- Share of Total Canadian GDP (%)</td>
<td>3.5</td>
<td>3.3</td>
<td>-5.7</td>
</tr>
<tr>
<td>3. Number of jobs facilitated by Total EDC Volume</td>
<td>523,539</td>
<td>510,728</td>
<td>-2.4</td>
</tr>
<tr>
<td>-- Share of Total Canadian Employment (%)</td>
<td>2.8</td>
<td>2.7</td>
<td>-0.1</td>
</tr>
<tr>
<td>4. Number of Customers</td>
<td>13,135</td>
<td>16,807</td>
<td>28.0</td>
</tr>
<tr>
<td>5. Number of Partnership Transactions</td>
<td>5,032</td>
<td>5,203</td>
<td>3.4</td>
</tr>
<tr>
<td>6. Small Business Transactions</td>
<td>4,970</td>
<td>6,373</td>
<td>28.2</td>
</tr>
<tr>
<td>7. Canadian Trade and Investment Data (bn C$)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-- Canadian Exports of Goods and Services (1)</td>
<td>713.4</td>
<td>728.1</td>
<td>2.1</td>
</tr>
<tr>
<td>-- Canadian Exports of Goods and Services to Emerging Markets (1)</td>
<td>94.3</td>
<td>94.7</td>
<td>0.5</td>
</tr>
<tr>
<td>-- Canadian Direct Investment Abroad (CDIA) all countries</td>
<td>68.6</td>
<td>94.5</td>
<td>37.7</td>
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<tr>
<td>-- CDIA to Emerging Markets</td>
<td>1.5</td>
<td>0.6</td>
<td>-60.0</td>
</tr>
</tbody>
</table>

Sources: Statistics Canada, EDC Economics

1. Sum of receipts for merchandise goods exports and service exports from Statistics Canada (CANSIM 376-0103). Emerging Markets figures are for non-OECD countries.
1. EDC’S ROLE IN FACILITATING TRADE AND FOREIGN DIRECT INVESTMENT

EDC supported more than 12% of total Canadian exports and investment abroad in 2019 (Chart 1), down slightly from 13% in 2018. In 2019, Canadian exports of goods and services increased 2%, from $713 billion to $728 billion, while CDIA increased 38%, from $69 billion to $94 billion. Meanwhile, EDC transaction value decreased nearly $2 billion in 2019, to $103 billion, a 2% decrease from 2018. The lower EDC revenues and increased Canadian exports and CDIA resulted in the relative decline in EDC support.

In emerging markets, the picture was mixed. EDC volume of business facilitated in emerging markets rose more than 10%, from $25 billion in 2018 to $28 billion in 2019. Total Canadian exports of goods and services to emerging markets showed little difference, increasing from $94 billion in 2018 to $95 billion in 2019, an increase of 0.5%. CDIA to emerging markets fell from $1.5 billion in 2018 to $0.6 billion in 2019. The increased EDC support and relatively flat exports and CDIA resulted in a relative increase in EDC support in emerging markets.

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. However, emerging markets are still a relatively small share of total exports (13% of total). With CDIA in these markets declining in 2019, it remains to be seen what impact reduced flows of CDIA in emerging markets will have on trade volumes and downstream revenues for Canadian businesses in the future. The ratio of CDIA in emerging markets to total CDIA has generally been below 5% in recent years, and once again declined in 2019.

EDC entered into 5,203 partnership transactions in 2019, an increase of 3% from 5,032 in 2018. 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 28% in 2019 to 16,807, continuing the growth trend of recent 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 2019, the number of small business transactions supported by EDC increased by 28%, from 4,970 to 6,373. EDC is strongly committed to supporting SMEs as part of its broader mandate.
2. BOOSTING CANADIAN DIVERSIFICATION INTO EMERGING MARKETS

In an increasingly competitive global economy, Canada will need to expand and diversify trade with traditional markets as well as increase its presence in and trade volume with emerging markets 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 to and direct investment into emerging markets have shown growth. However, in 2019, exports leveled off and CDIA to emerging markets continued to decline from its already small value. The combined $95 billion in exports and CDIA to emerging markets was virtually unchanged from 2018. Economy-wide, total CDIA increased to $94 billion, similar to flows in 2016. Therefore, the emerging markets share is very small.

Canadian firms’ trade and investment in emerging markets as a share of total has shown slow but steady increases. Emerging markets now account for 12% of total trade and investment which is in line with the 12% average from 2014-2018. This is a doubling in overall share of emerging markets in Canadian trade and investment from the early 2000s, although it remains a comparatively small share of the total.

EDC’s business facilitated in emerging markets approximated $28 billion in 2019, a 12% increase from 2018. Given EDC’s total business volume of $103 billion in 2019, this meant that business in emerging markets comprised 30% of EDC’s total business, down from 34% from 2014-2018 but up from 26% in 2018. Noteworthy is the facilitating role EDC plays in helping Canadian exporters and investors diversify into these economies (Chart 2).
3. CONTRIBUTING TO THE CANADIAN ECONOMY

The exports, CDIA, and domestic business facilitated by EDC in 2019 are estimated to have sustained $64 billion in Canadian GDP, similar to 2016 but down slightly from 2018. The contribution to the Canadian economy in 2019 represented 3.3% of Canada’s total GDP, a slight decline from 3.5% in 2018. This means that for every $1 in income earned in Canada during 2019, over 3 cents are attributable to EDC’s trade and investment facilitation. The employment associated with the business EDC facilitated in 2019 is estimated at 510,728 full-time-equivalent jobs, about 2.7% of national employment.

4. EDC’S INVESTMENTS PROGRAM

EDC’s investment program assisted companies in generating $4.9 billion in revenues for the year ending December 2019. The sum of partnership gains (net of losses) for Canadian domiciled firms approximated $1.2 billion, a 12% decline from prior year gains. 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.

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1. The GDP impact is less than total EDC business volumes because exports facilitated by EDC contain imported input content which is subtracted from the GDP calculation.