S&P Global Ratings

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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 Her Majesty in Right of Canada) and ownership by the Government of Canada.	Changes in policy could result in a material weakening of the government's support for the corporation's role.
The debt the corporation has issued 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).	A downgrade of Canada would lead to a downgrade of EDC under our government-related entities (GRE) criteria.
Almost certain likelihood of EDC receiving timely and sufficient extraordinary government support in a period of financial distress.	High concentration of exposure in the U.S., reflecting Canada's trade links.

The long-term issuer credit, senior unsecured, and short-term ratings on Export Development Canada are 'AAA', 'AAA', and 'A-1+', 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 government-related entities (GRE) criteria.

Rationale

We expect EDC will continue to play a critical role in supporting Canadian exporters and businesses, a role that has been reinforced during the COVID-19 pandemic. EDC was tasked with assisting the government in delivering support programs, including providing guarantees to companies that required credit under the Business Credit Availability Program (BCAP), and facilitating the Canada Emergency Business Account (CEBA) program, although the period for accepting new applicants for both programs has expired. Following capital injections totaling almost $11 billion from the federal government in 2020 due to EDC's role in support programs, the corporation's equity reached $19.3 billion in December 2020. In 2021, EDC paid a special dividend to its owner of $6.7 billion based on the capital surplus position of the BCAP program, and $580 million according to EDC's dividend policy. EDC's total equity reached $14.1 billion by September 2021.

We view EDC as a GRE of the federal government because we believe that the likelihood of the corporation receiving extraordinary government support in a period of financial distress is almost certain. 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, as seen in the government's appointment of the board of directors and establishment of EDC's strategic direction, and direct call on the government's CRF.

We have not assigned an SACP to EDC because of our assessment of the almost certain likelihood of extraordinary government support. We believe 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 its parent entity, Canada.

EDC is a federal Crown corporation, wholly owned by the Government of Canada, and was established in 1944. 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 insurance and financial services, bonding products, and small-business solutions to Canadian exporters and investors and their international buyers. It also supports Canadian direct investment abroad and investment into the country. Agrifood, clean technologies, advanced manufacturing, and digital industries are four areas that EDC has identified as strategic sectors of focus over the next several years. EDC also provides support for federal priorities through the Canada Account, whereby EDC acts as an agent in support of transactions that are in the national interest. EDC's largest concentration of exposure remains in the U.S., which can be explained by the strong trade links between the two countries. EDC often works in partnership with other financial institutions and through collaboration with the Government of Canada. Similar to other Crown corporations, EDC also collaborates with the federal government on environmental, social, and governance (ESG) initiatives, including a commitment to reach net zero carbon emissions by 2050, and on the federal government's pledge to develop a plan to end foreign financing of fossil-fuel projects. The corporation is financially self-sufficient, and issues and services its own debt from its own 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

At year-end 2020, EDC held cash and marketable securities of about C$10.7 billion with C$45 billion in loans payable, of which C$2.8 billion was short-term. As of Sept. 31, 2021, cash and marketable securities totaled C$10.5 billion. The corporation's treasury department manages its liquidity. It does so based on internal policies and procedures, and monitors its liquidity daily. EDC maintains 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

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

Related Research

- S&P Global Ratings Definitions, Published Nov. 10, 2021
- Canada, Published Oct. 26, 2021

Ratings Detail (as of January 13, 2022)*

Export Development Canada	
Issuer Credit Rating	AAA/Stable/A-1+
Commercial Paper	A-1+
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.