

Canada

An overview of the economy and of the business environment



Ice hockey, often simply referred to as "hockey," holds a unique place in Canada's identity. As the nation's official winter sport, it is more than just a pastime; it's a way of life. From children playing on frozen ponds to professionals competing in the National Hockey League (NHL), hockey unites Canadians across generations.



Beyond its cultural significance, hockey plays a substantial role in Canada's economy, contributing over \$11.2 billion annually. This revenue comes from a variety of sources, including tourism, which accounts for nearly half of the total, and spectator-related activities such as ticket sales, merchandise, and concessions. Participation in amateur hockey, professional coaching, and sponsorship activities also contribute to this impressive economic impact.

Over the past five years, Canada has faced extraordinary global challenges, from the COVID-19 pandemic to geopolitical tensions and surging global inflation. Despite these pressures, the Canadian economy has demonstrated remarkable resilience. The recovery from the pandemic-induced recession, one of the deepest since the Great Depression, has been swift compared to past downturns and even outpaced recoveries in other major economies.

The Canadian government has laid out a comprehensive economic plan designed to secure long-term prosperity. A central focus of this plan is making life more affordable for Canadians while strengthening the country's competitiveness.

Innovation is another key priority. With nearly \$5 billion allocated to advancing artificial intelligence and fostering scientific breakthroughs, the government is ensuring Canada remains at the forefront of global technological advancements. These investments are designed to empower Canadian researchers and entrepreneurs while boosting productivity across the broader economy.

Canada is also adapting to an increasingly uncertain global landscape by deepening trade relationships with trusted partners and securing critical supply chains. As the U.S. imposes industrial subsidies and tariffs, Canada is responding with measures to ensure a stable and competitive environment for business investment.

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Finally, the government is positioning Canada as a leader in the clean energy transition. A \$94 billion suite of tax credits is supporting the development of renewable energy projects, critical mineral supply chains, and clean technology manufacturing, ensuring Canada remains a global player in the green economy.

Canada's economy is supported by its rich natural resources, a highly developed services sector, and a robust manufacturing industry. As one of the world's largest oil producers, as well as a major exporter of natural gas, minerals, and agricultural products, Canada's resource wealth is a cornerstone of its economic strength. At the same time, the services sector dominates employment and GDP, with Toronto standing as a major financial hub.



Canada's agricultural landscape is as varied as its vast geography. While less than one-twelfth of the nation's land is suitable for crop production, the regions that support agriculture are highly productive. Approximately four-fifths of Canada's cropland is found in the Prairie Provinces, where long summer days and sufficient rainfall create ideal conditions for grain farming. Southwestern British Columbia and southern Ontario, meanwhile, boast the highest yields and a wider diversity of crops due to their favorable climates.

Agriculture, although employing less than 4% of Canada's labor force, contributes significantly to the economy. It supports food production for domestic consumption and export, while also supplying raw materials for food processing, wholesale, and retail industries. The sector has undergone a transformation in recent decades, moving away from traditional family farms—which were home to over a quarter of Canadians in the 1940s—toward larger, mechanized farms. Farmers increasingly specialize in fewer products, using advanced breeds, genetically modified organisms (GMOs), and innovative farming methods.

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Regional distinctions in farming are notable. The Prairie Provinces dominate in grain (especially wheat), oilseeds (like canola), and cattle grazing. Central and eastern Canada focus on a wider range of crops and livestock, often specializing in specific cash crops or livestock types. Southwestern Ontario leads in producing grains such as corn, soybeans, and white beans, while southern Ontario and southwestern British Columbia are hubs for fruit and vegetable farming. Dairying is prominent near major urban centers across the country. However, the use of GMOs, while beneficial in meeting agricultural challenges, has complicated export opportunities to markets like Europe, where such products face significant resistance.

With nearly half of its landmass covered in forest, Canada possesses one of the world's most abundant timber resources. Accessible forests supply the country with lumber, pulp, and paper, which collectively form a cornerstone of Canada's export economy. The west coast, with its favorable climate, is particularly valuable for its large, high-quality trees. Canada leads the world in pulp and paper exports and is a major supplier of softwood lumber, with most exports destined for the United States. Key provinces in forestry production include British Columbia, Ontario, and Quebec.



Despite its contributions, the forestry industry faces ongoing challenges. Forest fires, insect infestations, and diseases threaten large areas each year. Efforts to combat these issues—such as aerial insecticide spraying—have met with mixed success, often harming ecosystems in unintended ways. Public pressure in the 1990s led to stricter government oversight and the adoption of sustainable forestry practices, including limits on clear-cutting. As a result, the industry increasingly balances economic goals with ecological stewardship and recreational considerations.

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Canada's coastline, the longest of any country in the world, offers access to rich fishing grounds in the Atlantic, Pacific, and Arctic Oceans. These waters are home to shallow fishing banks—such as the Grand Banks of Newfoundland—where sunlight encourages the growth of plankton, forming the basis of the marine food chain. Other significant fishing banks include Sable Bank, Georges Bank, and Bradelle Bank off the Atlantic coast. On the Pacific coast, narrow continental shelves and mountain streams provide ideal spawning grounds for salmon. In Canada's northern rivers and Arctic Ocean, fish serve as a vital resource for Indigenous communities.

While fishing remains an essential industry, overfishing and pollution caused severe depletion of fish stocks in the 20th century. In 1992, the Canadian government implemented a moratorium on cod fishing in the Atlantic, resulting in widespread unemployment along the east coast. In response, international regulations and catch limits have improved fish populations, though smaller catches have driven up prices.

Canada contributes only a small fraction of the world's total fish catch but ranks among the top exporters due to its small population and relatively low domestic consumption. In the Atlantic provinces, fishing was historically a critical economic driver, supporting countless small coastal communities. While the industry has declined since the 1990s, key species such as lobster, haddock, halibut, and salmon remain vital to regional economies.



Canada's natural wealth extends beyond agriculture, forestry, and fishing, with mineral resources and energy playing transformative roles in its economic development.

The Canadian Shield, with its vast deposits of igneous and metamorphic rocks, holds an abundance of metallic minerals, complemented by additional deposits in the Western Cordillera and the Appalachians. The sedimentary basins of western Canada are rich in fossil fuels like coal, petroleum, and natural gas. Mining has been central to the development of Canada's northern regions, often driving the construction of infrastructure such as roads and railways.

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Canada is a global leader in the production of uranium, zinc, nickel, and potash, among other resources. It is also a significant producer of iron ore, gold, diamonds, and copper. Although the mining sector employs a relatively small percentage of the workforce, its impact on related industries—such as steel manufacturing and transportation—is substantial. However, the industry remains vulnerable to global price fluctuations, which can lead to cycles of boom and bust in mining-dependent communities.

Canada's energy sector is anchored by its vast hydroelectric resources, which generate approximately 60% of the country's power. While most viable hydroelectric sites have been developed, Canada continues to expand its use of coal-fueled thermal energy and remains a leader in nuclear power, though safety concerns have limited its growth.



The western provinces, particularly Alberta, are home to Canada's largest oil and natural gas fields. The country is self-sufficient in petroleum production and enjoys a surplus of natural gas and electricity. Additionally, Canada's uranium and coal reserves bolster its energy exports. The development of unconventional resources, such as oil sands and Arctic reserves, highlights the industry's potential for growth, though environmental concerns remain a pressing challenge.

Manufacturing represents one-fifth of Canada's gross national product and employs about one-seventh of its workforce. The iron and steel industry supports the production of durable goods such as vehicles and appliances. The auto industry expanded after a 1960s agreement with the U.S., with further growth when Japanese automakers opened Canadian plants in the 1980s. High-tech and electronics industries have surged in recent decades, while most manufacturing activity is concentrated in the heartland, from Quebec City to Windsor, Ontario. Manufacturing growth has been driven by exports, particularly to the U.S., although automation has reduced employment in the sector.

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The service sector in Canada employs more people than all other activities combined. Among the fastest-growing service areas is tourism. Canada is one of the world's leading destinations for foreign travelers, particularly from the United States, the United Kingdom, Japan, France, and Germany. Canadian and foreign travelers spend several billion dollars each year on transportation, accommodations, food, recreation, and entertainment as they travel in the country. By 1990 tourism was providing employment for about 5 percent of Canada's total labour force. Business services—particularly in computer applications—also have grown considerably.

Tourism is a key industry and economic driver in every province and territory, supporting over 2 million jobs, or about 10 percent of all employment in Canada in 2023. In several jurisdictions, tourism is the top or one of the top service exports.



Canada's provinces and territories continue to showcase their diverse tourism offerings globally, ranging from parks and attractions in the great outdoors, to major festivals and events, and Indigenous tourism. Successes are evident with Canada's overall position on the World Economic Forum's Travel & Tourism Development Index improving to 11th place in the 2024 ranking, up from 13th place in 2021. Going forward, ministers are keen to work collaboratively to tackle persistent issues and showcase Canada's leadership in tourism on the world stage.

Canada's financial sector is robust and adaptable. Commercial banks are federally chartered, with the Bank of Canada functioning as the central authority, controlling monetary policy and issuing currency. While large banks dominate the financial system, credit unions, provincial savings banks, and trust companies have increasingly merged. Canada also has vibrant stock exchanges in Montreal, Toronto, Winnipeg, and a unified venture exchange in Alberta and Vancouver.

Foreign ownership is significant, especially in manufacturing and primary resources (excluding agriculture), with U.S. investments forming the largest share.

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Trade has always been a cornerstone of Canada's economy. Historically, exports of raw materials such as fish, fur, grain, and timber played a key role, but the focus has shifted to processed and manufactured goods, which now dominate exports. Leading exports include automobiles, automobile parts, machinery, high-tech products (like computerized communication systems), metals, and forestry products (wood pulp and newsprint).

On the import side, Canada primarily brings in manufactured goods, with automobiles and parts as the leading imports, followed by industrial machinery, chemical products, textiles, petroleum, and seasonal foods like winter vegetables and tropical fruits.

The United States is Canada's largest trading partner, accounting for the majority of trade. Changes in U.S. consumer trends directly impact Canadian producers. Canada also maintains strong ties with Europe while expanding trade relationships with China (its second-largest partner), the UK, Mexico, Japan, South Korea, and Germany.

Canada proves to be a dynamic country from an economic and commercial point of view. To gain a clear understanding of your potential or existing partners in Canada, it's essential to rely on expert and reliable business information providers.

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Sources: budget.canada.ca; <https://www.focus-economics.com/>; [Britannica.com](https://www.britannica.com/); www.oecd.org