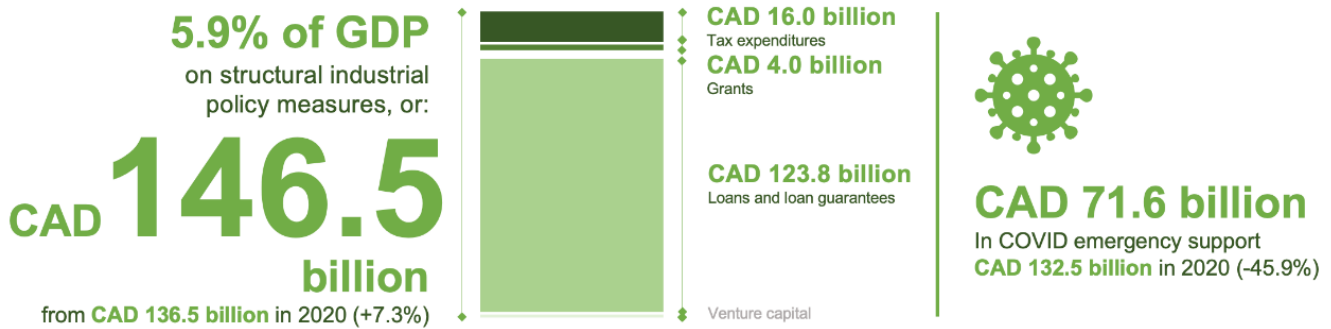


Quantifying Industrial Strategy: Canada Factsheet

Highlights

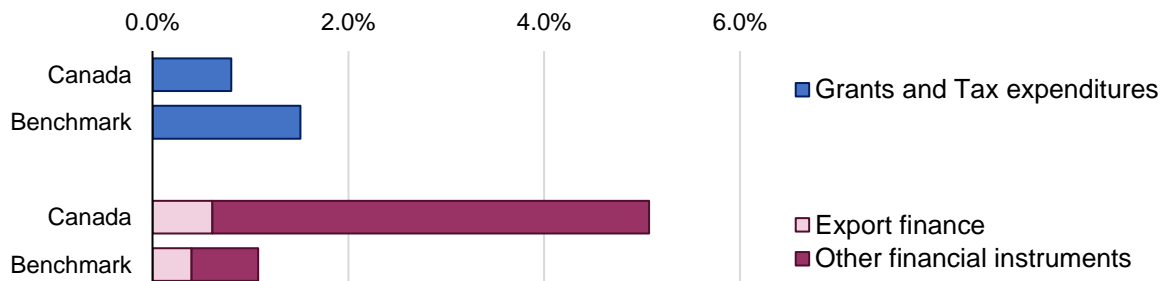
- Industrial policy support through financial instruments is significantly higher in Canada compared to other countries, but significantly lower for grants and tax expenditures.
- Regarding grants and tax expenditures, the Canadian industrial strategy is characterised by its R&D focus and by lower support to the green transition compared to other countries.
- Canada is the country that spends the most on export financial instruments among QuIS participating countries. In terms of non-export financial instruments, Canada stands out as having sectoral financial instruments supporting manufacturing.
- Canadian sectoral grants and tax expenditures are higher than the benchmark for the information and mining sectors, while sectoral financial instruments are higher than the benchmark for manufacturing.
- Around half of Canada's expenditure on industrial policy through grants and tax expenditures is administered by provinces.

CANADIAN INDUSTRIAL STRATEGY EXPENDITURES - 2021 NUMBERS



Industrial policy support through financial instruments, as a percentage of GDP, is significantly higher in Canada compared to other participating countries (5.1% vs 1.1%), but significantly lower for grants and tax expenditures (0.8% vs 1.5%) (**Figure 1**). The higher support through financial instruments is primarily driven by export finance, in particular loans and export insurance provided by 'Export Development Canada' (4.3% of GDP). A distinctive characteristic of Canada's industrial strategy is that half of its industrial policy grants and tax expenditures are delivered by provincial authorities.

Figure 1. Canadian industrial policy expenditures by instrument type in 2021, % of GDP



Note: Includes EU support. Source: OECD calculations based on the QuIS database.

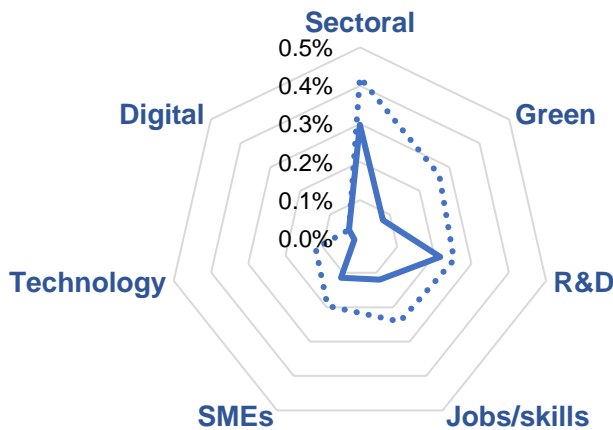


Figure 2. Industrial policy expenditures by eligibility criteria in 2021, grants and tax expenditures, % of GDP

— Canada
..... Benchmark

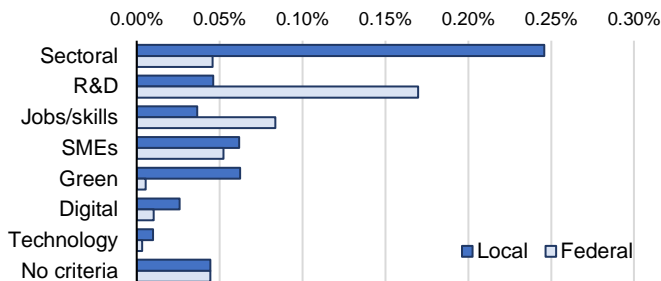
Note: Structural policies (i.e., excluding COVID). Categories are not mutually exclusive, as policies can be tagged in several categories. Additionally, some policies do not fulfil any of these eligibility criteria. Source: OECD calculations based on the QuIS database.

Regarding grants and tax expenditures, as a percentage of GDP, Canada's expenditure is significantly lower than the benchmark (0.8% vs 1.5% of GDP). Canada spends less than the benchmark in all the eligibility criteria: Sectoral (0.30% vs 0.42% of GDP), R&D (0.22% vs 0.25% of GDP), 'Jobs and skills' (0.12% vs 0.24% of GDP), 'SMEs and young firms' (0.11% vs 0.20% of GDP in the benchmark), 'Green' (0.08% of GDP vs 0.27% of GDP). Grants and tax expenditures supporting the digital transition are small and similar to the benchmark (0.04% of GDP).

Provinces provide an important share of expenditure

Close to half of Canada's industrial policy grants and tax expenditures are delivered by provinces (52%, corresponding to 0.42% of GDP). This is particularly the case for sectoral instruments.

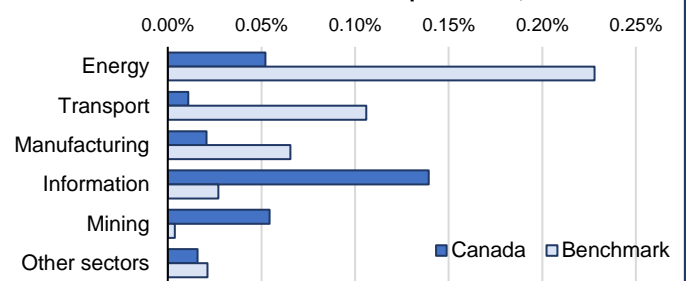
Figure 3. Grants and tax expenditures divided into province-level and federal budget in 2021, % of GDP¹



Sectoral support is above average in two sectors

An industry-level perspective reveals that sectoral grants and tax expenditures in Canada are higher than the benchmark for two sectors: information (0.14 vs 0.03% of GDP) and mining (0.05% vs <0.01% of GDP).

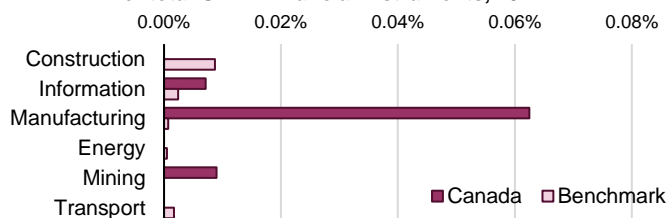
Figure 4. Sectoral support by sector as a percentage of total GDP - Grants and tax expenditures, 2021²



Canadian sectoral support through financial instruments

Sectoral financial instruments are an important part of the Canadian industrial strategy (0.08% vs 0.04% of GDP in the benchmark). Manufacturing support in Canada is lower than the benchmark when considering grants and tax expenditures (0.02% vs 0.07%), but higher when looking at financial instruments (0.06% vs <0.01% of GDP).

Figure 5. Sectoral support by sector as a percentage of total GDP – financial instruments, 2021



Support to the information sector in Canada

Among the countries participating in QuIS, Canada stands out as the country that provides the highest support to the Information sector through grants and tax expenditures (0.14% vs 0.03% of GDP in the benchmark). Half of the support is targeting the film and television sub-sectors (0.05% of GDP), mainly through schemes intended to incentivise employment. A large programme supporting the information sector in Canada is the 'Development of e-business tax credit', which is a tax-credit for labour costs of firms investing in innovative and high-value-added activities in the ICT sub-sector (0.02% of GDP).

1: Note: Eligibility criteria are not mutually exclusive (e.g., There are instruments with more than one criterion). Hence, the sum of the local and federal expenditure in this figure
2: Reading example: the amount of Canadian grants and tax expenditures support specifically directed to the energy sector represents 0.05% of total GDP, vs 0.23% in the benchmark. Note: Includes EU support. Instruments targeting agricultural firms are excluded from QuIS. Source: OECD calculations based on the QuIS database.