

CareEdge Global assigns 'Stable' outlook to the rating of Canada

Reaffirms Long-Term Foreign Currency Rating of 'CareEdge AA+' (Unsolicited)

Issuer rating

CareEdge AA+/Stable (Unsolicited)

CareEdge Global has assigned a 'Stable' outlook to the rating of Canada, while reaffirming the Long-Term Foreign Currency rating of 'CareEdge AA+' (Unsolicited).

The stable outlook reflects CareEdge Global Rating's expectation that, despite prospects of slower growth, the economy remains well-positioned to absorb trade-related uncertainties, supported by the government's effective policymaking and the nation's high GDP per capita.

Moreover, Canada's substantial liquid assets and its position as a net international creditor are likely to be sustained, which offers additional buffers against a relatively high GGG debt/ GDP ratio.

Upside Scenario

Canada's credit ratings could be positively impacted if economic growth exceeds current projections, accompanied by an improvement in the country's debt trajectory and interest-to-revenue ratio.

Downside Scenario

Downside risks to Canada's credit ratings may arise from a significant decline in economic growth and activity, particularly if trade tensions with the US result in a sharp reduction in export demand.

In addition, a higher debt burden and interest-to-revenue ratios, especially if accompanied by weaker growth and a deterioration in external indicators, could further weigh on the country's credit profile.

Rationale

The reaffirmation of Canada's rating reflects its large, well-developed and diverse economy. Canada benefits from strong institutional frameworks and a tradition of effective policymaking, which support its economic resilience. The country's independent central bank plays a critical role in sustaining macroeconomic stability through transparent and credible monetary policy. On the external front, Canada's position is bolstered by its net international creditor status and sizable holdings of liquid assets, which provide a substantial buffer against global financial volatility.

However, these strengths are tempered by slower economic growth prospects and an elevated level of gross general government debt, particularly in the context of rising uncertainty stemming from tariff-related global trade tensions.

Key Rating Drivers

Economic Structure & Resilience

Canada's economic assessment is underscored by its large size and high GDP per capita. Since the past few years, Canada's relatively subdued economic growth trajectory has remained a key weakness for the sovereign. The real GDP growth in Canada was 1.5% in 2024, unchanged from the growth in 2023. Tariff-related uncertainties are expected to weigh on Canada's near-term growth prospects due to Canada's deep interlinkages with the US. About 78% of Canada's exports are to the US.

GDP growth is projected to remain low at 1.38% in 2025. In Q1 2025, Canada's growth rate was 2.31%, up from 2.29% in Q4 2024, supported by the frontloading of exports to the US ahead of the implementation of tariffs.

Since early 2025, the US and Canada have been engaged in a tariff dispute. The US initially imposed a 25% tariff on all Canadian exports and proposed a 10% levy on energy shipments. After several revisions, tariffs were ultimately set at 25% on non-USMCA goods and 50% on aluminium and steel exports. In response, Canada introduced countermeasures, including targeted tariffs on US goods and support programs for impacted sectors, such as the automotive industry, to provide business liquidity and aid displaced workers.

Further, the USMCA agreement between Canada, the US and Mexico is set for review in 2026. Tariff-related developments and the review of the USMCA agreement will be key indicators to monitor for the economy.

Despite having an ageing population, Canada has consistently maintained population growth, predominantly supported by immigration. The annual population growth rate between 2020 and 2024 averaged 1.85%. However, in 2024, the federal government announced that it would lower temporary and permanent immigration into Canada. The latest data for Q1 2025 indicates that Canada added the smallest number of immigrants over the last few years. Therefore, population growth will also be a closely monitored factor for the economy.

Fiscal Strength

The fiscal deficit increased in 2024 because the relatively higher interest rate environment led to lower corporate profits, which weighed on revenue collections. The government's fiscal deficit was at -2.15% of GDP in 2024, compared to a surplus in 2023. The fiscal deficit is projected to be around 2.0% of GDP in 2025.

Canada's debt burden rose to 110.7% of GDP in 2024, up from 107.7% in 2023, reflecting sustained fiscal pressures. Nonetheless, debt servicing costs have remained manageable, with the average interest-to-revenue ratio between 2020 and 2024 at 7.3%.

Canada's strong balance sheet helps temper concerns around its elevated debt levels. According to the IMF, the government holds financial assets equivalent to approximately 94% of GDP, and roughly one-quarter of these assets are considered liquid. Furthermore, the public pension system is largely funded by employee and employer contributions, easing direct fiscal pressures on the federal government.

Following the resignation of former Prime Minister Justin Trudeau, the subsequent elections and appointment of a new Prime Minister have delayed the tabling of the 2025–2026 federal budget. In the interim, the government has released the Main Estimates, detailing planned expenditures in priority areas such as housing and defence. A corresponding departmental plan has also been presented to guide resource allocation.

External Position & Linkages

The performance of Canada's current account over the medium term has remained resilient. FDI net inflows remain comfortable at an average of 2.0% of GDP (2020-2024). The country achieved a modest current account deficit of 0.5% of GDP in 2024. Although Canada's external debt was high at 141.4% of GDP in 2024, it has fallen from 146% of GDP in 2023 and its 2020 peak of 155.5%. Canada's external assessment is helped by the actively traded Canadian dollar and a positive net creditor position equivalent to 61.9% of GDP in 2024. However, as a significant exporter of commodities, Canada remains exposed to commodity price volatility. The current tariff war and its impact on the US economy further expose Canada to external sector shocks.

Monetary & Financial Stability

Canada operates under a free-floating exchange rate regime, which benefits from its actively traded currency. The Bank of Canada targets a CPI inflation rate of 2%, aiming to keep it within a range of 1% to 3% over the medium term. CPI Inflation has steadily decreased from its 2022 peak of 6.8%, reaching its 2.4% in Dec 2024. Inflation in Apr 2025 fell to 1.8% from 2.3% in March as the government's step to eliminate the consumer carbon tax reduced gas prices.

At its latest monetary policy meeting in June 2025, Canada's central bank held the rates at 2.75%. However, the policy rate has decreased from the 5% rate seen in April 2024. In its policy statement, the central bank assured that it will support growth while maintaining controlled inflation. Canada's banking sector is well-developed and well-capitalized, with healthy asset quality.

Institutions & Quality of Governance

Canada's rating is supported by its robust governance structure, strong legal framework and low level of corruption. Canada performs well across all World Bank World Governance Indicators (WGI), scoring percentile ranks above 90 in five out of the six indicators. Canada's regulatory institutions are credible, independent and transparent. Following the resignation of Prime Minister Justin Trudeau earlier this year and the subsequent appointment of Mark Carney as the Prime Minister in March, Canada's federal election was held in 2025. The Liberal Party won the election, and Mark Carney was appointed as the Prime Minister. Although the new administration forms a minority government, the associated risks are viewed as limited, given Canada's long-standing experience in managing minority governments effectively.

Canada – Select Indicators									
	Unit	2019	2020	2021	2022	2023	2024	2025 F	2026 F
Economic Indicators									
Nominal GDP	USD Billion	1743	1655	2022	2190	2173	2241	2225	2332
GDP Per Capita (Constant-PPP)	USD	56872	53377	56223	57606	56874	56093	56309	57189
Real GDP Growth	%	1.9	-5.0	5.9	4.2	1.5	1.5	1.4	1.6
GFCF/GDP	%	22.6	23.2	24.2	23.3	22.9	22.7	-	-
Gross Domestic Savings/GDP	%	21.6	20.5	24.4	25.9	24.0	23.0	-	-
Exports (G&S)/GDP	%	33.02	30.4	30.1	34.0	34.6	34.2	-	-
Working-Age (15-64) Population (% Share in Total)	%	66.5	66.1	65.7	65.4	65.0	64.7	64.4	64.0
Old-Age (65+) Population (% Share in Total)	%	17.6	18.0	18.5	19.0	19.5	20.1	20.6	21.1
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	0.0	-10.9	-3.1	0.6	0.1	-2.2	-1.9	-1.6
Revenue/GDP	%	40.6	41.4	42.4	41.2	42.2	42.6	42.4	42.1
Expenditure/GDP	%	40.6	52.4	45.5	40.6	42.1	44.7	44.2	43.8
GG Gross Debt/GDP	%	90.2	118.1	112.6	104.2	107.7	110.8	112.5	110.9
GG External Debt (by Creditor)/GG Gross Debt	%	18.4	19.2	21.1	18.3	18.7	21.6	-	-
Interest/Revenue	%	7.4	7.2	6.3	6.6	7.8	8.4	-	-
External Indicators									
Current Account Balance/GDP	%	-1.9	-2.0	0.0	-0.3	-0.6	-0.5	-0.1	-0.2
FDI, Net Inflows/GDP	%	2.8	1.7	2.9	2.3	2.2	1.0	-	-
Outstanding FII Liabilities/GDP	%	104.5	120.2	110.9	96.3	103.7	97.1	-	-
NIIP/GDP	%	30.3	53.4	54.7	37.2	59.2	61.9	-	-
Foreign Exchange Reserves	USD Billions	85.3	90.4	106.6	107.3	118.3	121.6		
Import Cover	Months	1.7	2.1	2.0	1.8	2.0	2.02	-	-
External Debt/GDP	%	136.4	155.5	139.5	129.1	146.3	141.4	-	-
Monetary and Financial Indicators									
CPI Inflation	%	1.9	0.7	3.4	6.8	3.9	2.4	1.9	2.1
Exchange Rate (Average)	LC per USD	1.3	1.3	1.3	1.3	1.4	1.4	-	-
Non-Performing Loans/Total Gross Loans	%	0.5	0.5	0.4	0.3	0.4	0.6	-	-
Private debt, loans and debt securities/GDP	%	221.2	244.5	230.7	215.2	218.1	217.9		

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2023

Solicitation Status

The rating is unsolicited

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge AA+/Stable	June 27, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge AA+	October 03, 2024

Criteria Applied

[CareEdge Sovereign Rating Methodology](#)

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