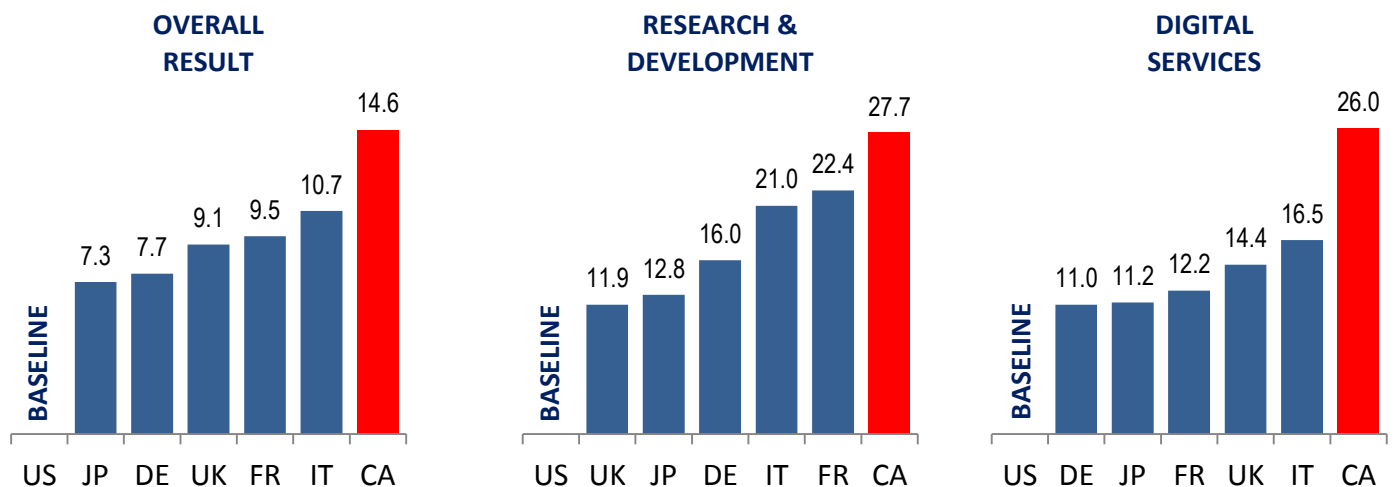


# CANADA: THE MOST COST-COMPETITIVE COUNTRY AMONG G7 COUNTRIES

## CANADA KEEPS TOP SPOT AS MOST COST COMPETITIVE MATURE MARKET FOR BUSINESS, KPMG STUDY REVEALS

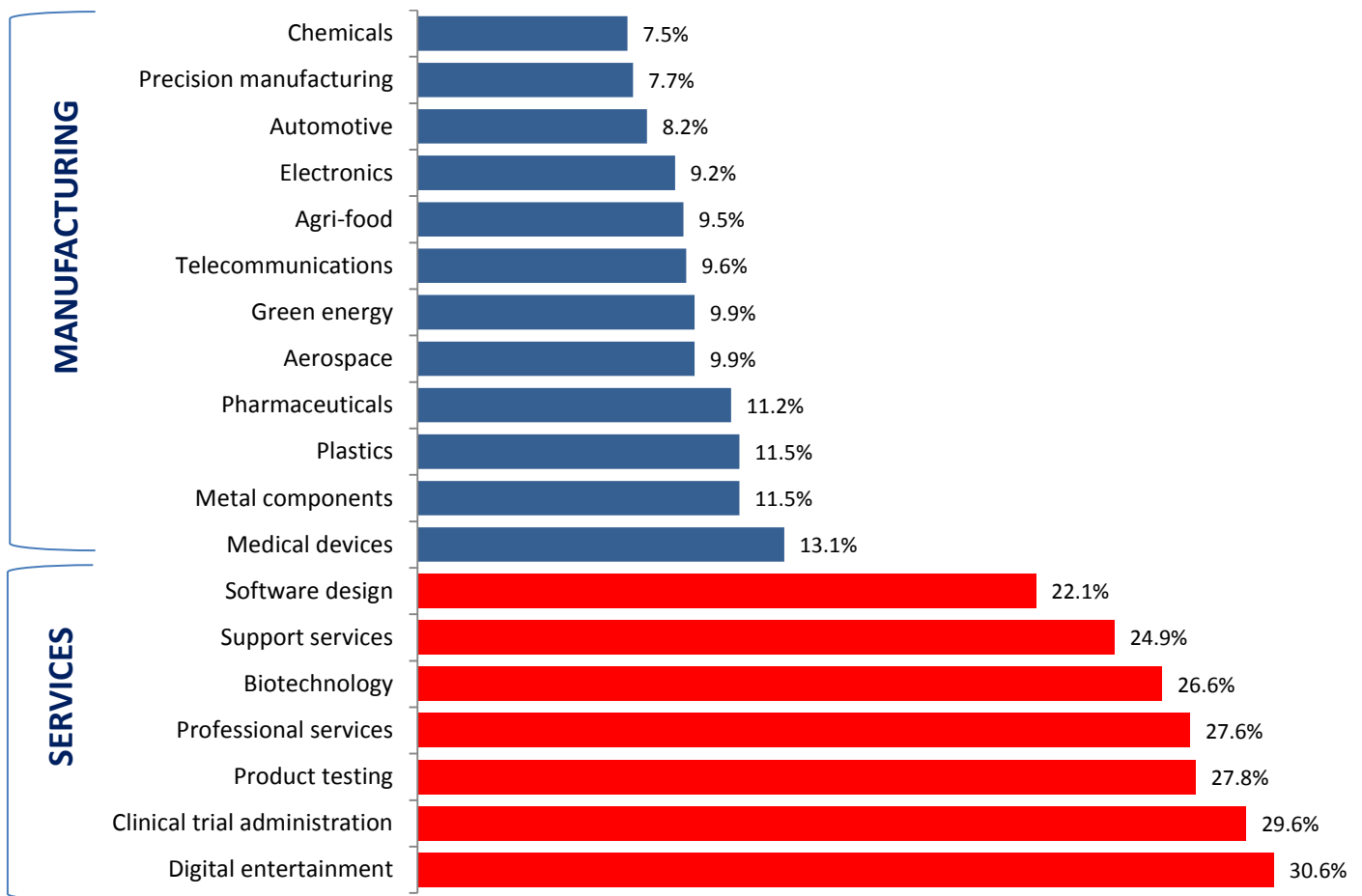
- *Competitive Alternatives 2016* - KPMG's guide to international business location costs - shows that Canada has emerged once again as the most cost-competitive country in the G7 in which to do business, with a 14.6% cost advantage over the U.S.
- In knowledge-based areas such as **R&D Services**, Canada's cost advantage increases to an average of 27.7%, thanks to robust performances in Clinical trial administration (29.6%), Product testing (27.8%) and Biotechnology (26.6%).
- Canada demonstrates very strong results in **Digital Services**, with a 30.6% cost advantage in Digital entertainment and a 22.1% cost advantage in Software design relative to the U.S. baseline. This significant advantage is due in part to substantial incentives that some Canadian provinces provide to digital media production firms.
- Canada offers a highly cost-competitive environment for **Manufacturing**. In fact, Canada has the lowest cost structure among G7 countries in the 12 manufacturing industries included, with cost advantages ranging from 7.5% for Chemicals to 13.1% for Medical devices.
- Canada's **labour costs**, which represent the largest cost-category in the study, are the lowest in the G7. With competitive salary levels and lower healthcare costs, companies based in Canada benefit from total labour costs that are 31.2% lower than equivalent costs in the U.S.
- Progressive reductions in both federal and provincial taxes created a significant advantage for companies operating in Canada. According to KPMG, the effective income tax rate in Canada is 17.9% or 11.9 percentage points below that of the U.S.

### COST ADVANTAGE RELATIVE TO THE U.S. IN %



- Among the 34 major Canadian and U.S. cities (all cities with metropolitan populations of 2 million or more), Montreal continues to be the most cost competitive in Canada, followed by Toronto and Vancouver, ranking ahead of all 31 large U.S. cities. In fact, all Canadian cities included in the study were found to be more cost competitive than any of the U.S. cities featured.
- The rise in value of the US dollar relative to its Canadian counterpart through 2015 is the main driver of improved cost index results for Canada and its cities in 2016.
- There are places in the world where production costs are lower than they are in Canada. But there is no other place where costs are this competitive and other advantages – such as having the best business environment in the G20 and the most-educated workforces in the OECD – are so bountiful.

## CANADA: MORE COST-COMPETITIVE THAN THE U.S. ACROSS ALL INDUSTRIES (CANADA'S COST ADVANTAGE RELATIVE TO THE U.S. BASELINE IN %)



KPMG's 2016 Competitive Alternatives study provides an independent comparison of international business locations in more than 100 cities in 10 countries around the world, including Australia, Canada, France, Germany, Italy, Japan, Mexico, the Netherlands, the United Kingdom and the United States. Competitive Alternatives is a biennial KPMG study that examines 26 significant business cost elements, including labour, facilities, transportation, utilities and taxes. KPMG initiated this study to help Canadian and international businesses make informed global business decisions.