

Key Insights from the Canadian Survey on Business Conditions Q1 2022

March 2022





Overview of Key Survey Insights

1. Despite a challenging operating context, **businesses are relatively optimistic about the future**, although with wide variation across industries.
2. The top business obstacles are **rising input costs, labour and supply chain challenges**.
3. Amid broadening cost pressures, an increasing share of **businesses expect to pass on higher costs to customers**.
4. Acute labour shortages will likely lead to **rising wages and more flexible work arrangements**.
5. An increasing share of businesses expect **supply chain challenges to worsen** in the next three months.
6. Almost half of businesses reported they **could not take on more debt** or do not know if they can, up notably from last quarter.
7. **Women** continue to be **underrepresented in senior management positions**.



The outlook according to Canadian businesses

Despite a challenging operating context, businesses are relatively optimistic about the future, although with wide variation across industries.

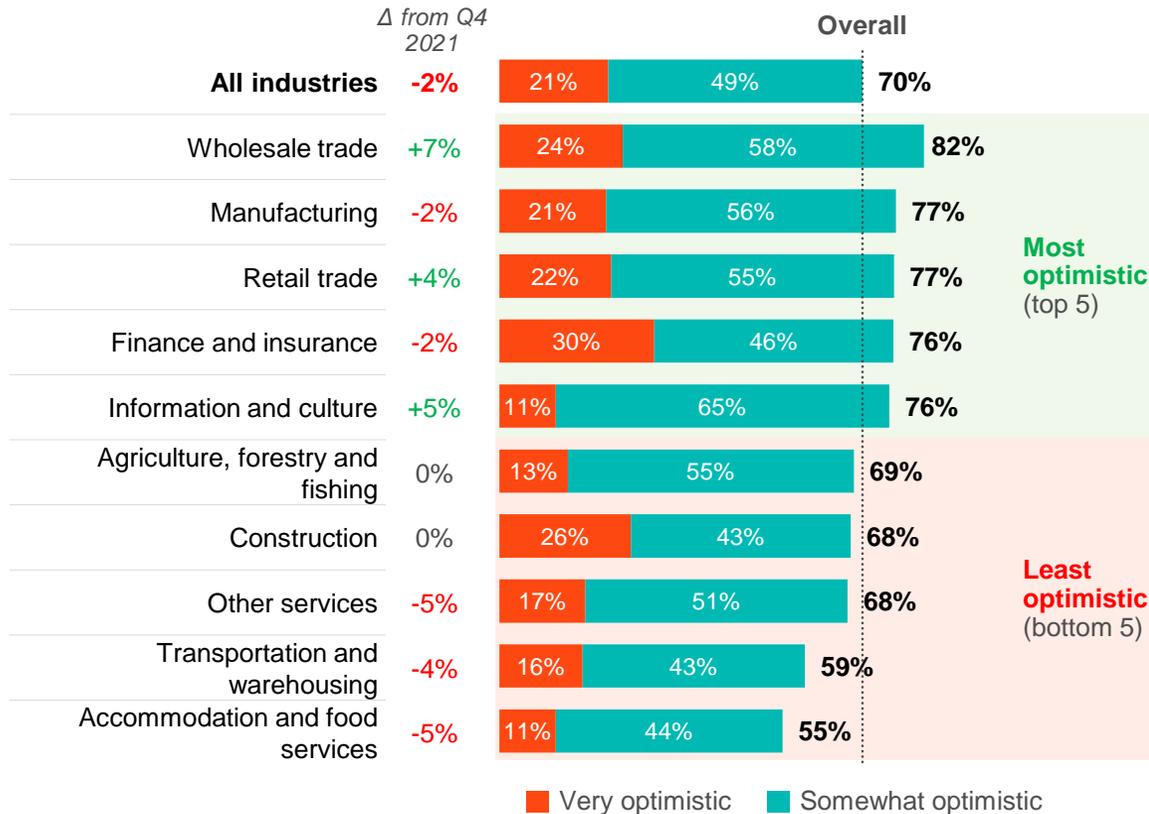




Business optimism for the year ahead held steady, while the short-term outlook improved for several key metrics

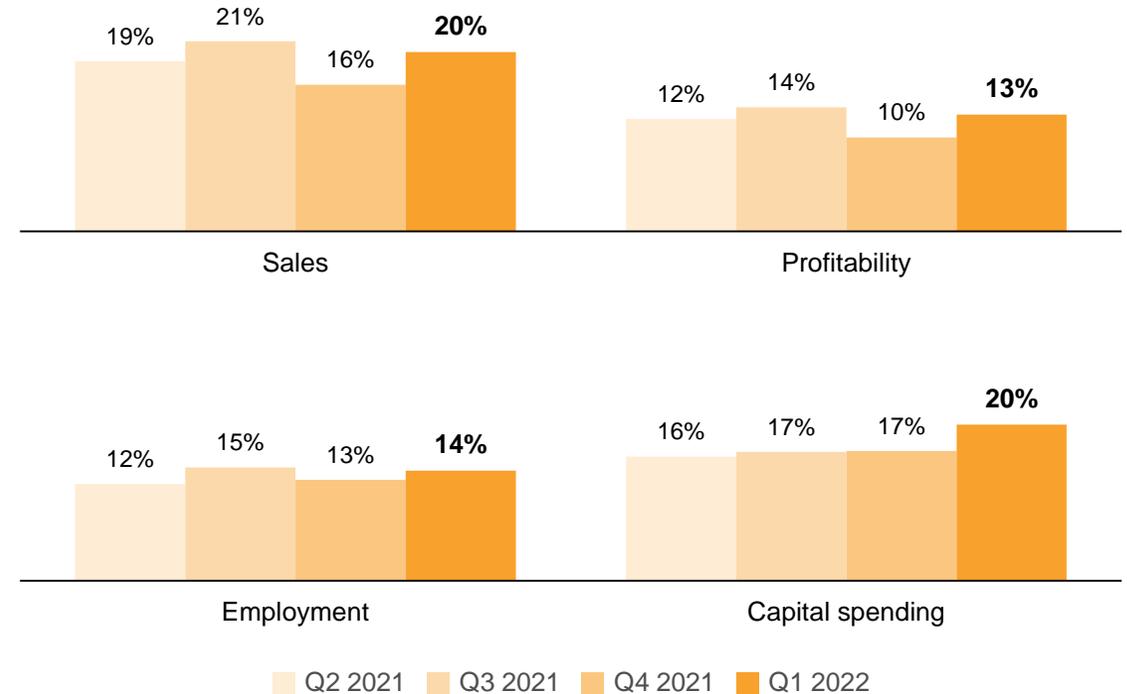
DESPITE A SLIGHT DECLINE FROM Q4 2021, MOST BUSINESSES ARE OPTIMISTIC ABOUT THE NEXT 12 MONTHS

Over the next 12 months, what is the future outlook for your business?
% of respondents that answered 'Somewhat optimistic' or 'Very optimistic', by industry



THE THREE MONTH OUTLOOK IMPROVED FOR SALES, PROFITABILITY, EMPLOYMENT AND CAPITAL SPENDING FROM LAST QUARTER

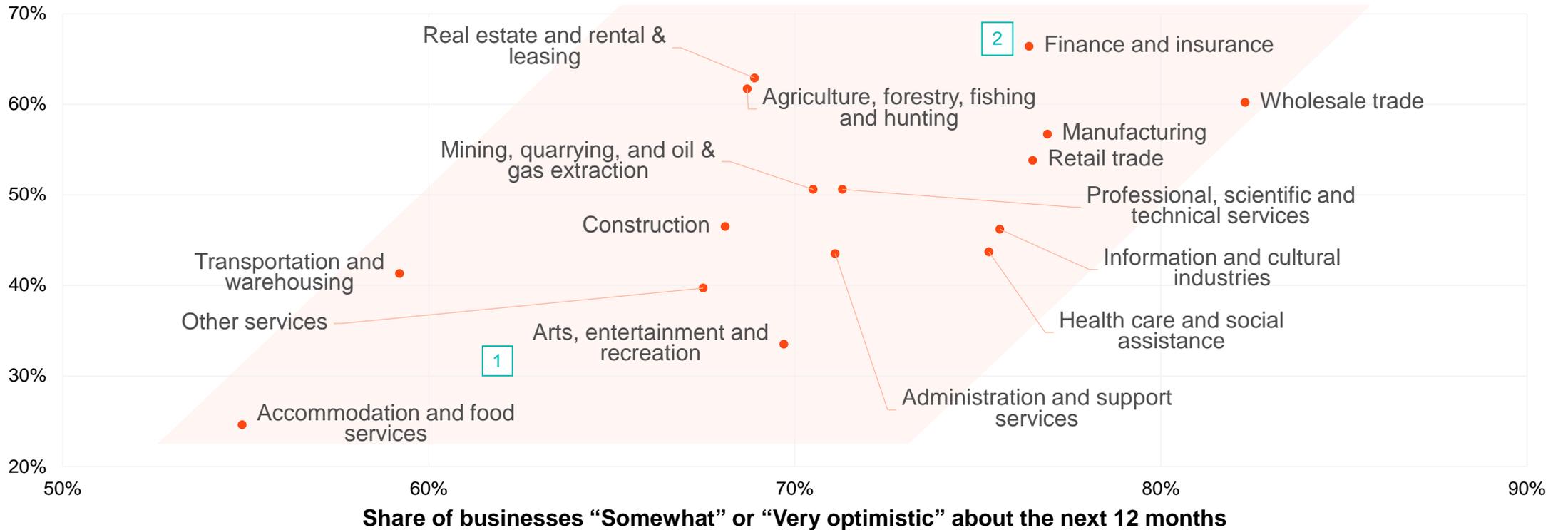
Over the next three months, how are the following expected to change for your business?
% of respondents that answered 'Increase' to the selected metrics





Industries with stronger pandemic sales recoveries tend to be more optimistic about the year ahead

Share of businesses with 2021 revenues at or above 2019 levels



1 **Accommodation and food services** has had the weakest sales recovery, and is the least optimistic going forward. **Arts, entertainment and recreation** is noticeably more optimistic about the future, despite having the second slowest sales recovery.

2 **Finance and insurance** and **Wholesale trade** had much stronger sales recoveries, and are quite optimistic about the year ahead.



Business obstacles

The top struggles for businesses are rising costs, labour and supply chain challenges.





Rising costs, labour and supply chain issues are top of mind for businesses

Over the next three months, which of the following are expected to be obstacles for your business?

% of respondents, by obstacle*



1 Half of Canadian businesses expect **rising input costs** to be an obstacle in the next three months.

2 There was a widespread **increase in expected business obstacles** across all categories.

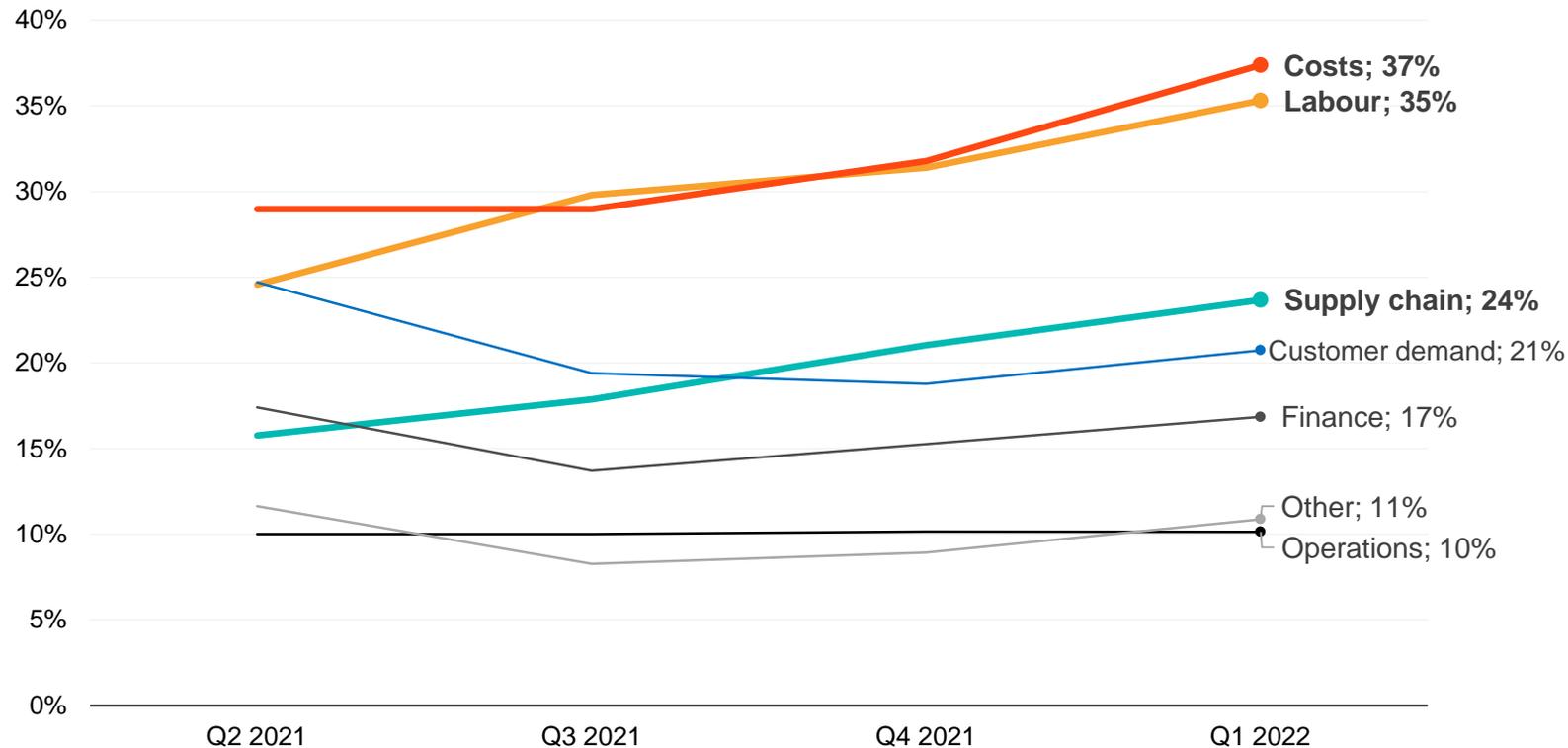
*Obstacles selected by less than 10% of respondents are not reported.



Costs, labour and supply chain challenges all increased over the past year

Over the next three months, which are expected to be obstacles for your business?

% of respondents, by grouped category of obstacles*



- 1 **Costs** and **labour** issues were consistently ranked as the two largest obstacles by businesses over the last year; both **increased in importance each quarter**.
- 2 Last year, uncertainty around **customer demand** was perceived as a larger obstacle than **supply chain** issues, but businesses are now more concerned about supply-side than demand-side challenges.
- 3 In **Q1 2022**, all categories of obstacles have **increased or held steady** compared to last quarter.

*These results average across the categories of obstacles reported in the previous slide.



Rising cost pressures

Amid broadening cost pressures, an increasing share of businesses expect to pass on higher costs to consumers.

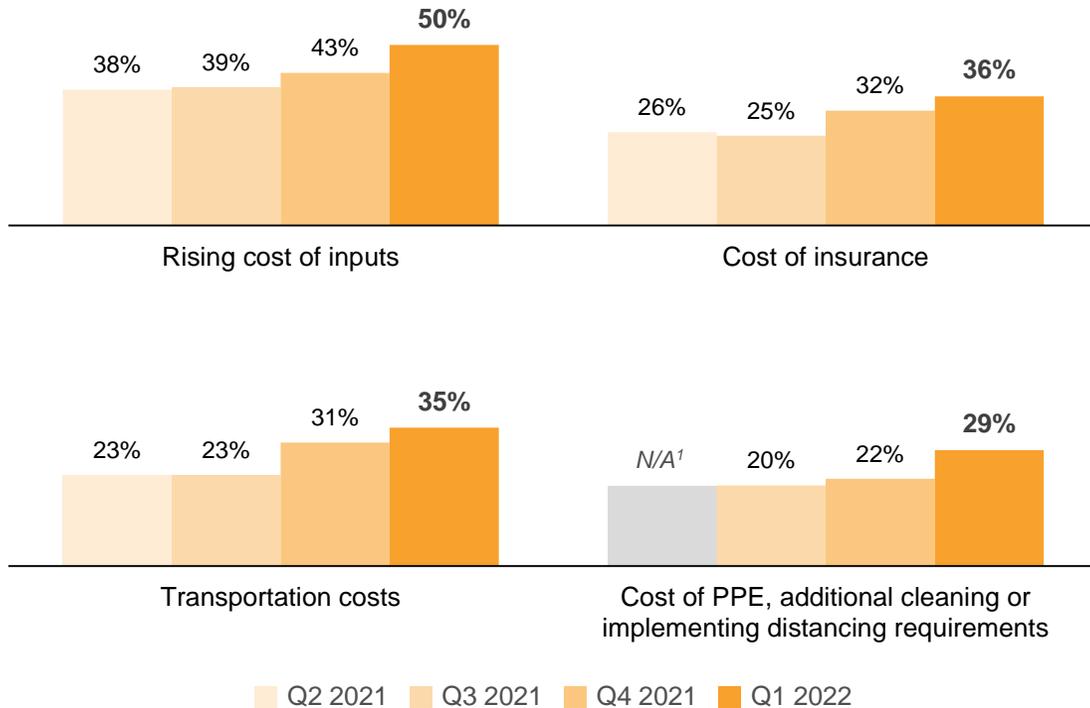




Cost pressures continue to rise across a range of categories

HALF OF CANADIAN BUSINESSES EXPECT RISING INPUT COSTS WILL BE AN OBSTACLE IN THE NEXT THREE MONTHS, WHICH IS A SHARP INCREASE FROM PREVIOUS SURVEYS

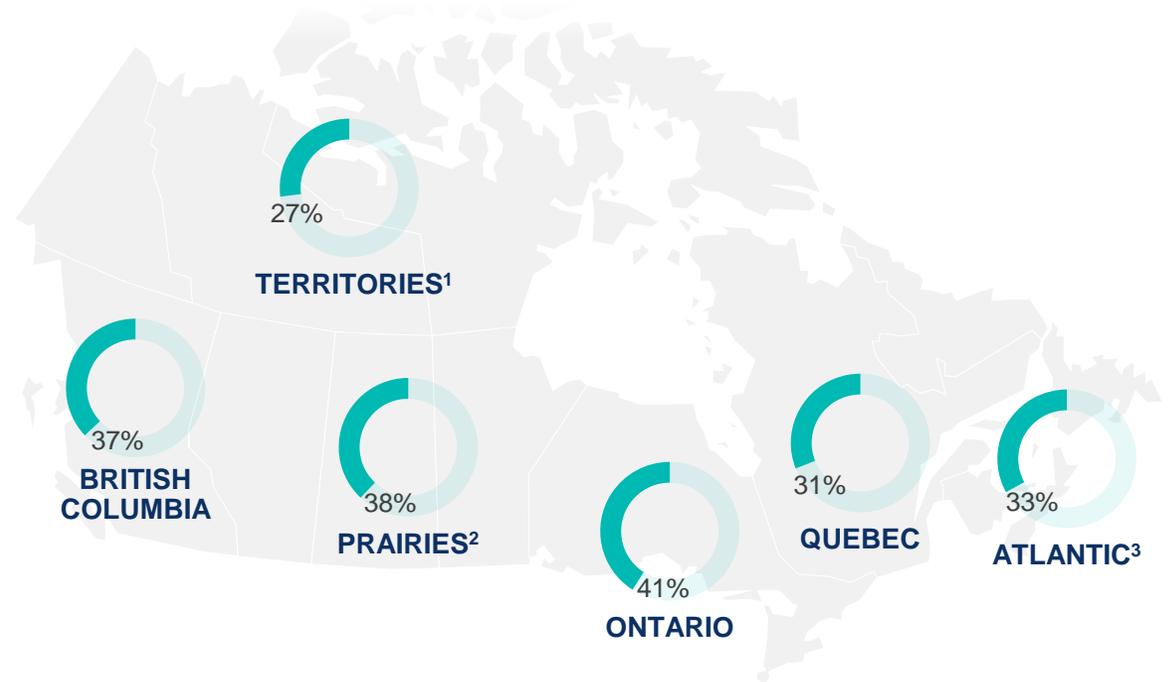
Over the next three months, which of the following are expected to be obstacles for your business?
% of respondents, by obstacle associated with costs



¹ Not surveyed

BUSINESSES IN ONTARIO AND WESTERN CANADA EXPECT HIGHER COST CHALLENGES COMPARED TO THE REST OF THE COUNTRY

Over the next three months, which of the following are expected to be obstacles for your business?
% of respondents averaged by obstacles associated with costs, by region



¹ Northwest Territories, Nunavut and Yukon

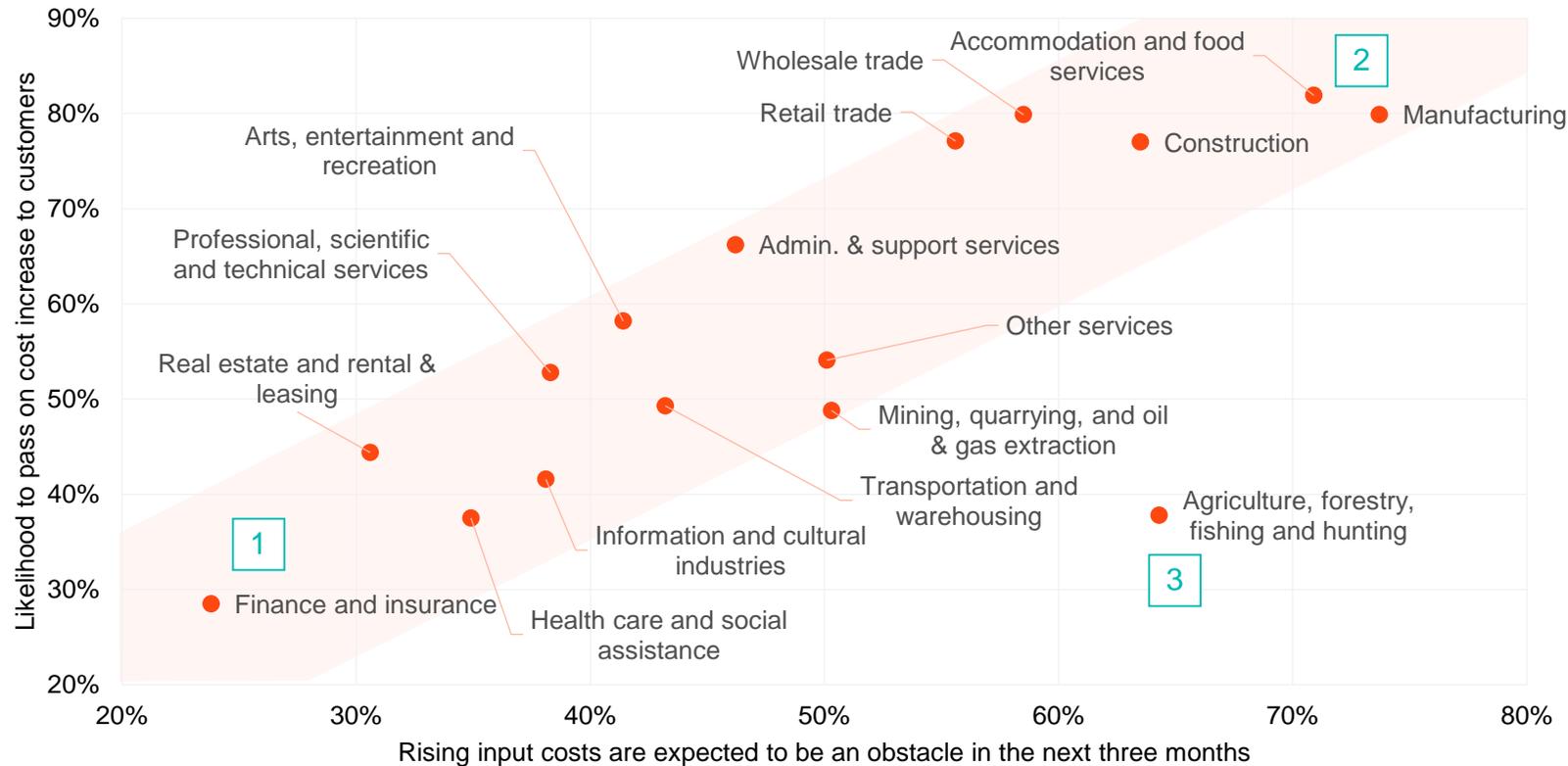
² Alberta, Manitoba and Saskatchewan

³ Newfoundland and Labrador, New Brunswick, Nova Scotia and Prince Edward Island.



Industries with more acute cost pressures are more likely to pass them on to consumers

(1) Over the next three months, which of the following are expected to be obstacles for your business?
(2) Over the next 12 months, how likely is this business or organization to pass on any increases in costs to customers?
X-axis: % of respondents that answered 'Rising cost of inputs', by industry
Y-axis: % of respondents that answered 'Somewhat likely' or 'Very likely', by industry



1 The **Finance and insurance** sector is **most insulated against rising cost of inputs** and least likely to pass on cost increases.

2 **Accommodation and food services** and **manufacturing** are experiencing the **highest cost pressures**, and are the two most likely industries to pass on cost increases.

3 Despite being the third most impacted by rising input costs, **agriculture, forestry and fishing** is one of the **least likely** industries to **pass on cost increases**.



Competition for talent

Acute labour shortages will likely lead to rising wages
and more flexible work arrangements.

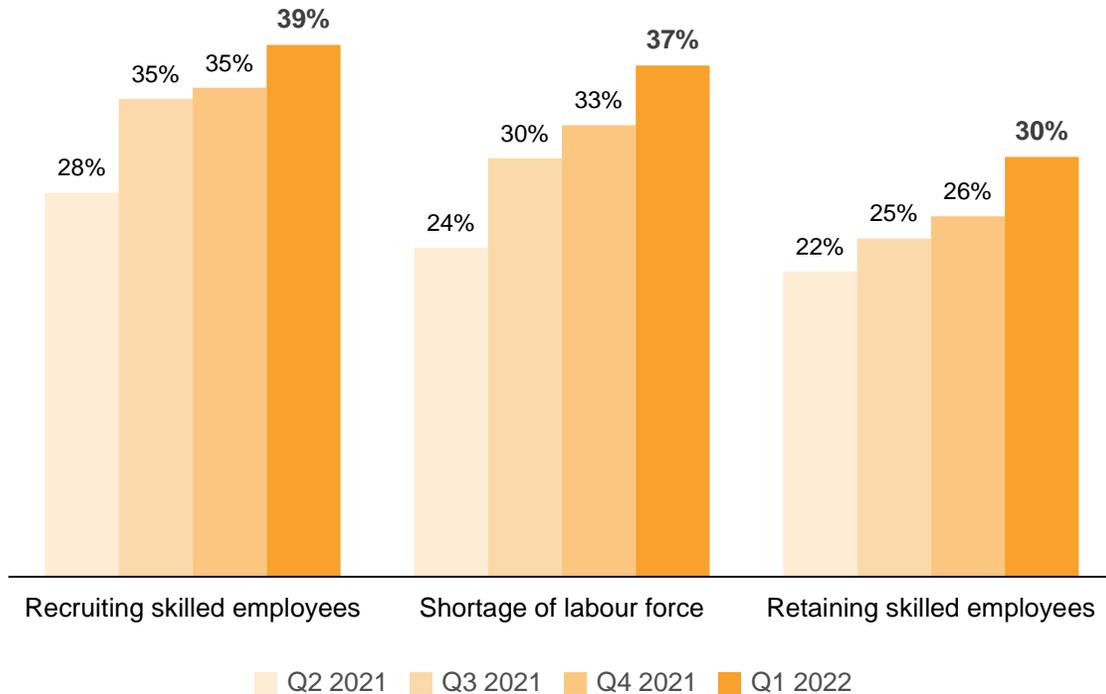




Labour shortages are causing businesses difficulty to attract and retain employees, with Quebec being the most impacted

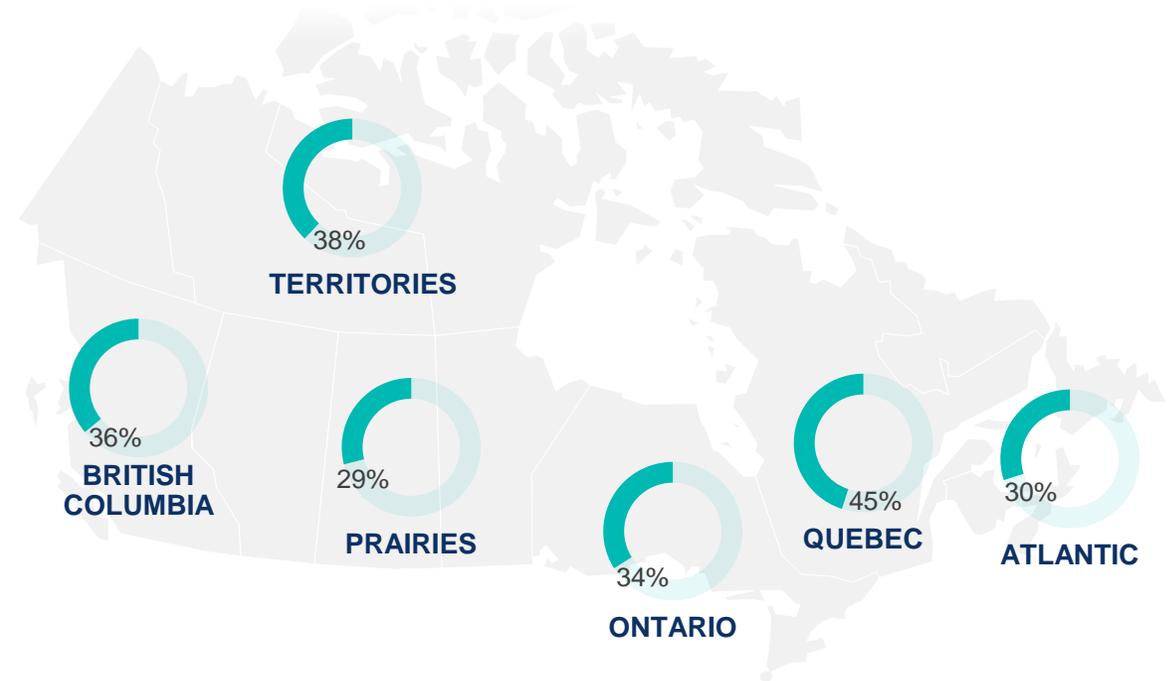
LABOUR CHALLENGES HAVE STEADILY INCREASED FOR BUSINESSES OVER THE LAST YEAR

Over the next three months, which of the following are expected to be obstacles for your business?
% of respondents, by labour obstacle



BUSINESSES IN QUEBEC FACE HIGHER EMPLOYEE RECRUITMENT AND RETENTION CHALLENGES THAN THE REST OF CANADA

Over the next three months, which of the following are expected to be obstacles for your business?
% of respondents averaged by labour obstacles, by region





Accommodation and food services are the most impacted by labour challenges

LABOUR CHALLENGES ARE WIDE SPREAD, BUT IMPACTING SOME INDUSTRIES MORE THAN OTHERS

Over the next three months, which of the following are expected to be obstacles for your business?

% of respondents, by industry

	3 Recruiting skilled employees	Shortage of labour force	Retaining skilled employees
All industries¹	39%	37%	30%
1 Accommodation and food services	46%	65%	47%
Construction	54%	49%	40%
Manufacturing	51%	48%	38%
Retail trade	41%	46%	31%
Health care and social assistance	42%	36%	38%
Admin. & support services	40%	43%	31%
Wholesale trade	34%	41%	27%
Information and cultural industries	37%	30%	33%
Arts, entertainment and recreation	36%	32%	25%
Other services	36%	29%	29%
Mining, quarrying, and oil & gas extraction	34%	27%	24%
Finance and insurance	36%	24%	22%
Transportation and warehousing	31%	32%	16%
2 Agriculture, forestry and fishing	25%	28%	19%
Professional, scientific and technical services	28%	19%	24%
Real estate and rental & leasing	24%	21%	18%

Lower % of businesses Higher % of businesses

¹ Industries sorted in descending order based on the average % of Shortage of labour force, Recruiting skilled employees and Retaining skilled employees.

1 Two thirds of businesses in **accommodation and food services** see labour force shortages as a significant short-term challenge; **construction** and **manufacturing** are expecting the **most recruiting challenges**.

2 **Agriculture, forestry and fishing, professional services** and **real estate** are the **least likely to expect workforce-related challenges**.

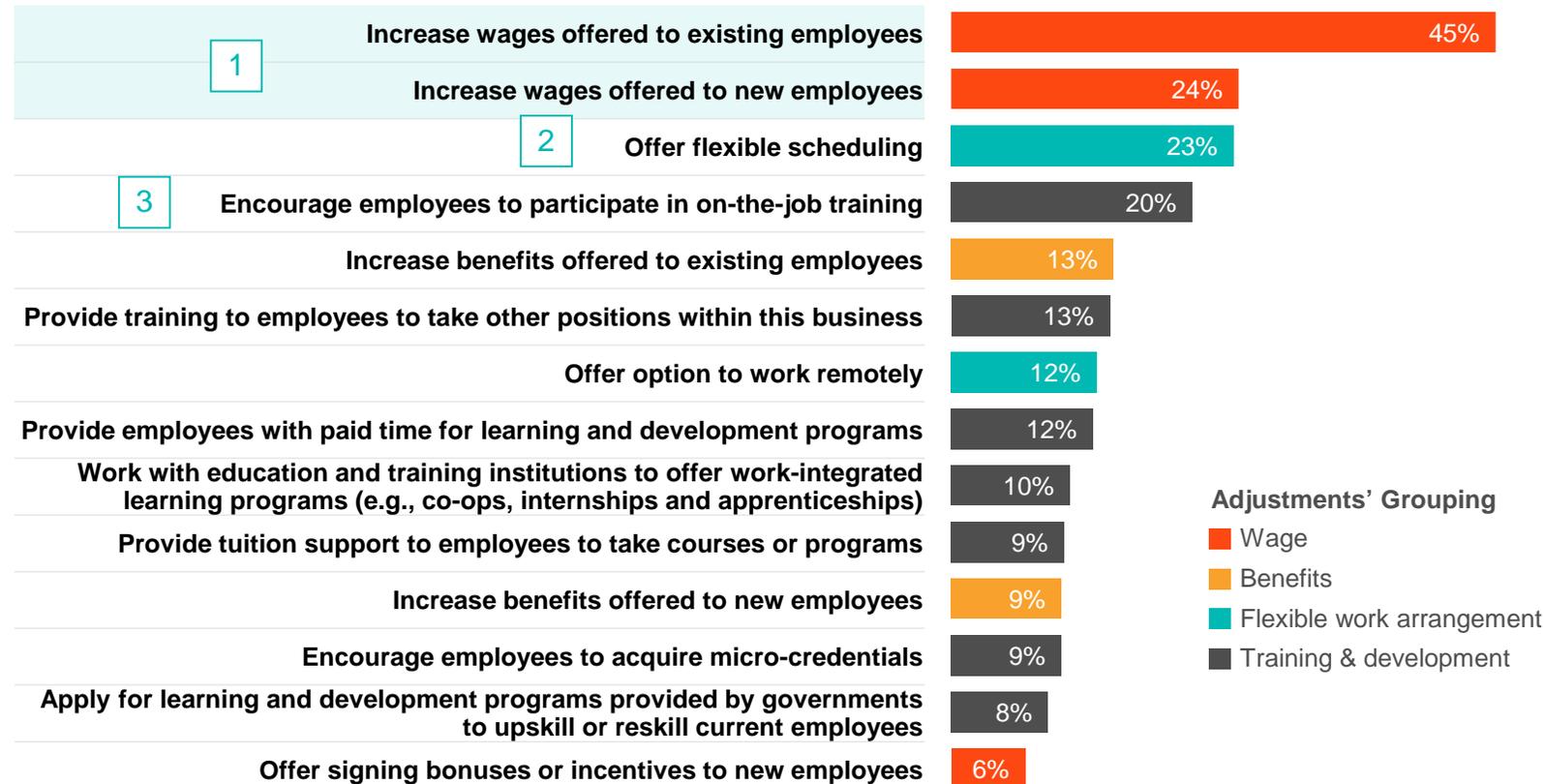
3 **Recruiting skilled employees** was the **most prevalent challenge** with at least 30% of businesses in 13 of 16 industries expecting it to be a short-term obstacle.



Businesses plan to improve their employee value proposition to attract talent with stronger compensation packages and more flexible benefits

HIGHER WAGES ARE VIEWED AS THE PRIMARY SOLUTION BY BUSINESSES TO ADDRESS LABOUR SHORTAGES

Over the next 12 months, does your business plan to start doing any of the following?
% of respondents



1 **Wage increases** are viewed as the best way to attract and retain talent, as almost half of businesses plan to **increase wages for existing employees** and a quarter plan to **increase wages offered to new employees**.

2 Almost one-quarter of businesses plan to **offer flexible scheduling** to their employees to attract and retain employees seeking more flexible work arrangements.

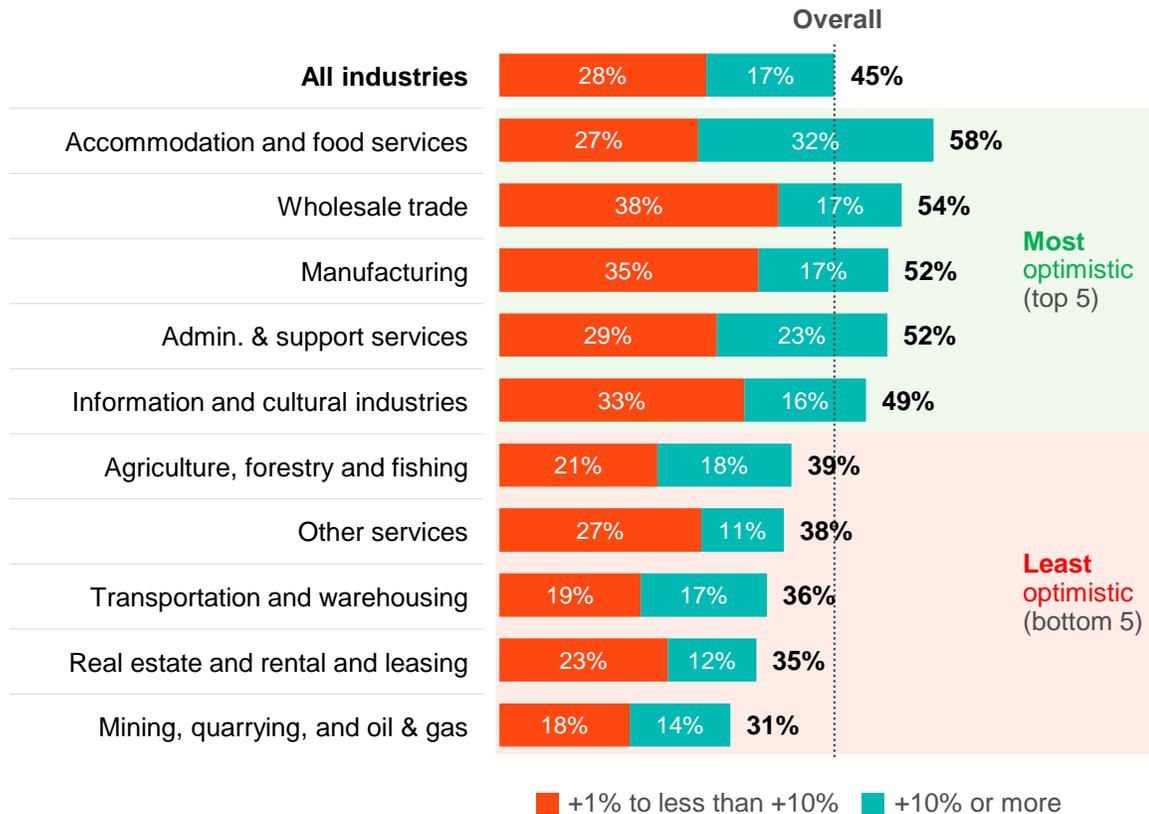
3 20% of businesses intend to **encourage employees to participate in on-the-job training**; this can promote upward mobility in the workforce and enhance the overall employee experience.



Wages are expected to rise for nearly half of businesses over the next year

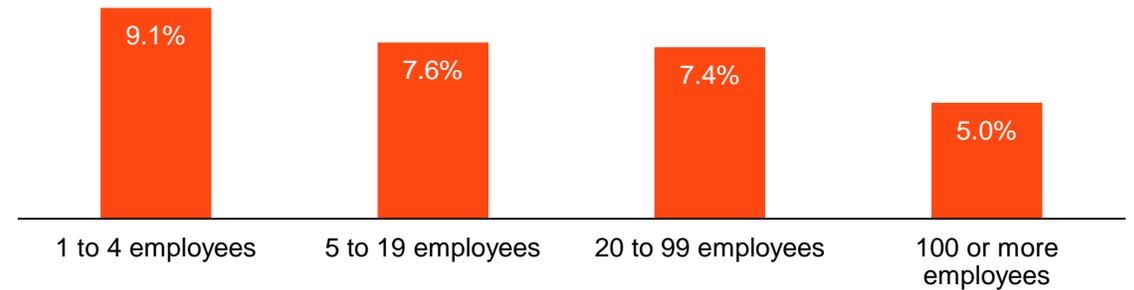
45% OF CANADIAN BUSINESSES EXPECT TO INCREASE WAGES IN THE NEXT 12 MONTHS WITH VARIATION ACROSS INDUSTRIES

Over the next 12 months, does your business expect the average wages paid to change?
% of respondents that answered 'Increase by [X]%', by industry'



AMONG BUSINESSES EXPECTING TO OFFER WAGE INCREASES, SMALLER FIRMS ARE EXPECTING LARGER WAGE INCREASES

Over the next 12 months, does your business expect the average wages paid to change?
Average % increase in wage for respondents that answered 'Increase by [X]%', by employment size



+8.1%

Expected average % wage increase by businesses that expect to increase wages in the next 12 months



Top 3 industries (% increase in wage)

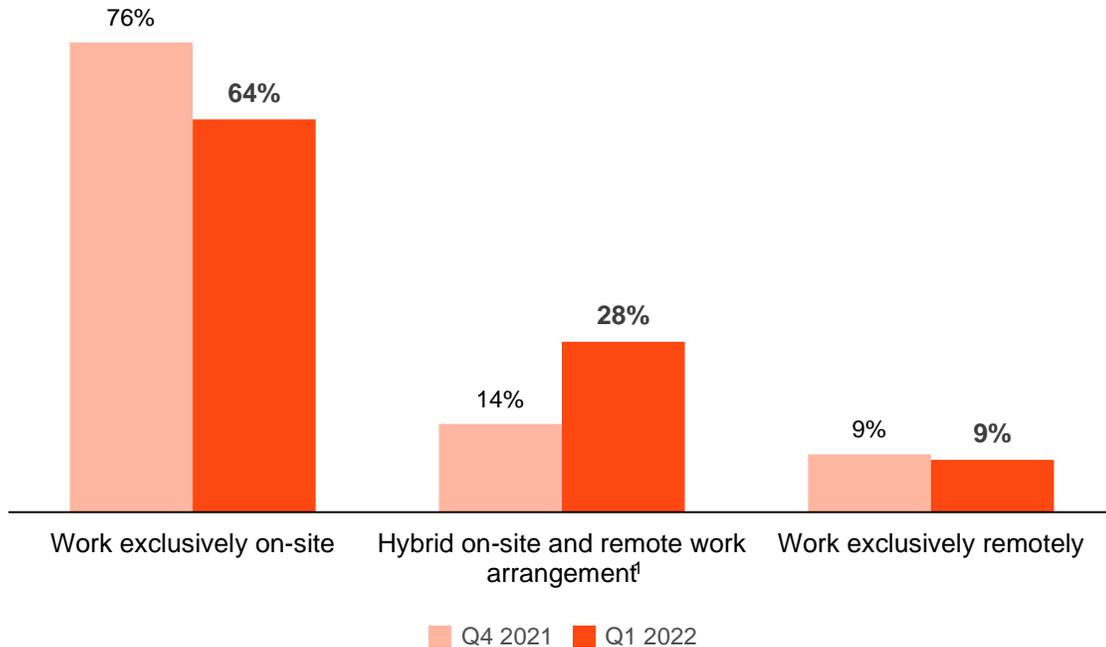
1. Accommodation and food services (+10.4%)
2. Agriculture, forestry and fishing (+9.2%)
3. Professional services (+8.7%)



Hybrid and remote work arrangements are expected to increase

AN INCREASING NUMBER OF BUSINESSES ARE SHIFTING FROM WORKING ON-SITE EXCLUSIVELY TO HYBRID WORK ARRANGEMENTS

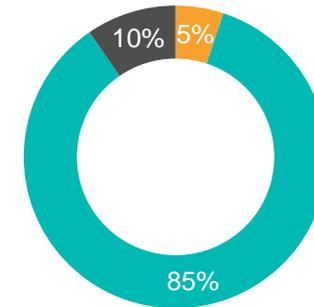
In the next three months, what percentage of the employees of your business is expected to do the following?
% of respondents



¹ Q1 2022 data includes respondents answering 'work on-site most hours', 'work the same amount of hours on-site and remotely' and 'work remotely most hours'.

TECHNOLOGY IS NO LONGER A LIMITATION TO ENABLE REMOTE WORK FOR A STRONG MAJORITY OF BUSINESSES

Questions: (1) Over the next three months, for your business, is insufficient technology a limiting factor in having more employees working remotely? (2) Over the next 12 months, does your business plan to adopt new or additional digital technologies?
% of respondents



For businesses that are not exclusively working remotely, is technology a limiting factor to enabling remote work? (1)

- Yes
- No
- Unknown

22%

Of businesses plan to adopt new or additional digital technologies in the next 12 months (2)

Top 3 industries (% of businesses)

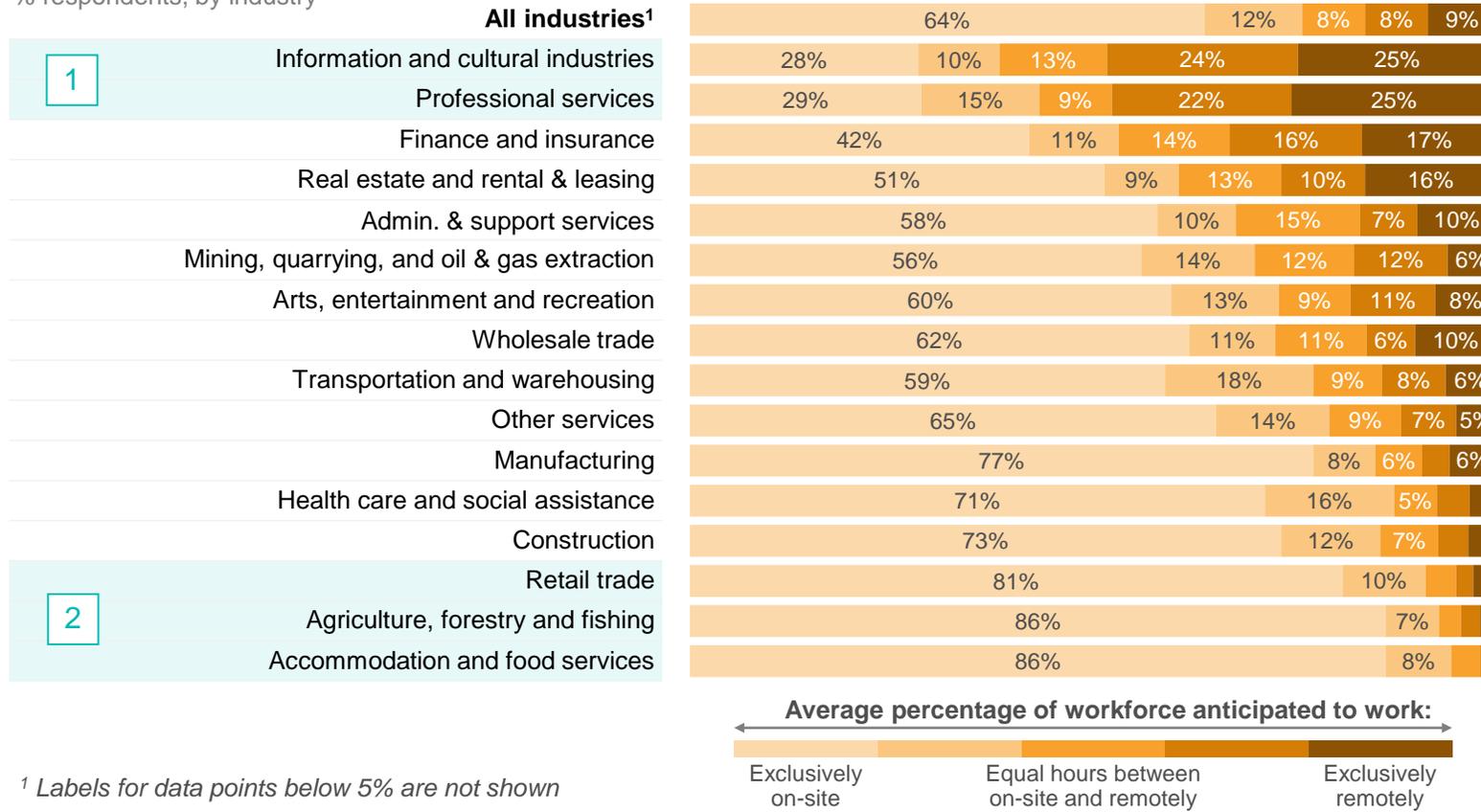
1. Information and cultural industries (42%)
2. Professional services (37%)
3. Finance and insurance (34%)



Remote work arrangements are most common in high-tech service industries

REMOTE WORK VARIES SIGNIFICANTLY BY INDUSTRY, BUT MOST BUSINESSES STILL EXPECT THE MAJORITY OF THEIR EMPLOYEES TO BE EXCLUSIVELY ON-SITE

Over the next three months, what percentage of the employees of this business or organization is anticipated to do each of the following?
% respondents, by industry



¹ Labels for data points below 5% are not shown

3

1

Information and cultural industries and **professional services** have the highest proportions of businesses that plan to allow employees to work **exclusively remotely**.

2

Retail trade, agriculture, forestry and fishing and **accommodation and food services** all have more than 80% of businesses that intend to work **exclusively on-site**.

3

Almost 30% of businesses plan to offer a **hybrid on-site and remote work arrangement**; with 9% planning on working **exclusively remotely**.



Supply chain challenges

43% of businesses facing supply chain challenges expect these issues to worsen in the next three months.

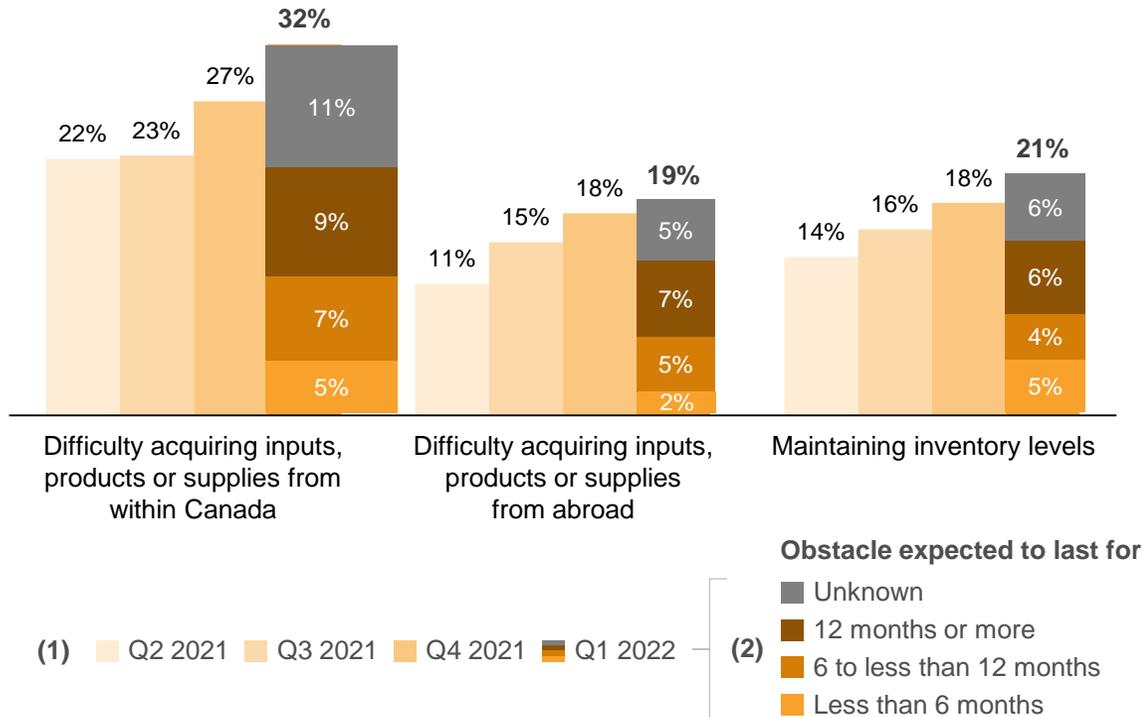




Supply chain challenges worsened in the first quarter of 2022

SUPPLY CHAIN OBSTACLES HAVE INCREASED OVER THE LAST YEAR

Questions: **(1)** Over the next three months, which of the following are expected to be obstacles for your business? **(2)** How long does your business expect the following to continue to be an obstacle?
% of respondents, by supply chain obstacle



TO ADDRESS SUPPLY CHAIN ISSUES, BUSINESS ARE PARTNERING WITH NEW (OR LOCAL) SUPPLIERS AND SUBSTITUTING INPUTS

Over the next 12 months, does your business plan to do any of the following?
% of respondents, of the respondents that identified a supply chain issue as an obstacle



36% of businesses intend to partner with new suppliers



32% of businesses intend to substitute inputs, products or supplies with alternate inputs, products or supplies



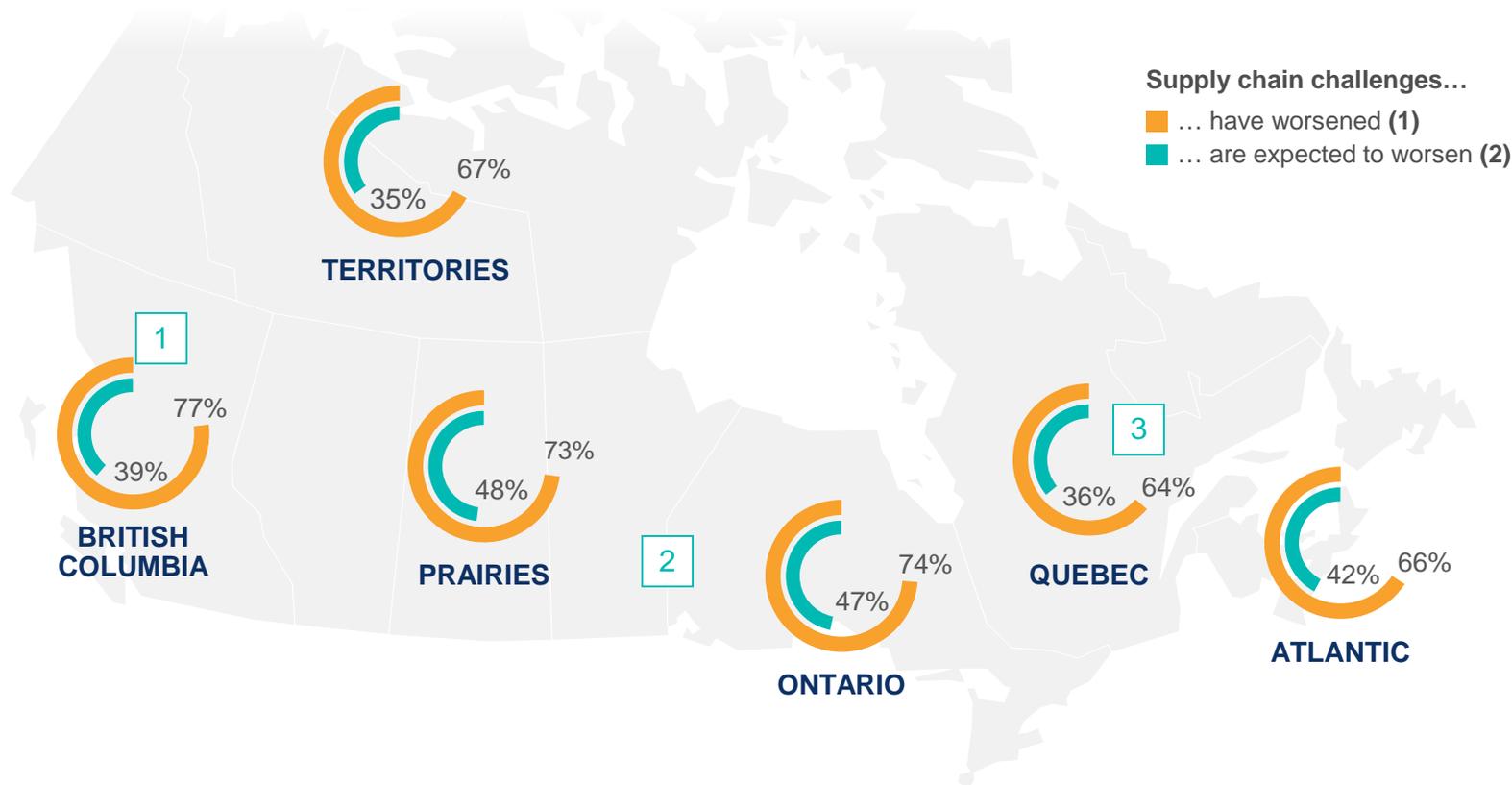
18% of businesses intend to shift to local suppliers



Businesses in Ontario and the Prairies are most pessimistic about future supply chain challenges

SUPPLY CHAIN CHALLENGES ARE IMPACTING BUSINESSES ACROSS THE COUNTRY

Questions: **(1)** Over the last three months, how have supply chain challenges experienced by your business changed? **(2)** Over the next three months, how does your business expect supply chain challenges to change?
% of respondents, of the respondents that identified a supply chain-related issue as an obstacle, by region





Financing needs and ability to take on debt

One quarter (25%) of businesses reported they could not take on more debt, up notably from 19% in Q4 2021.

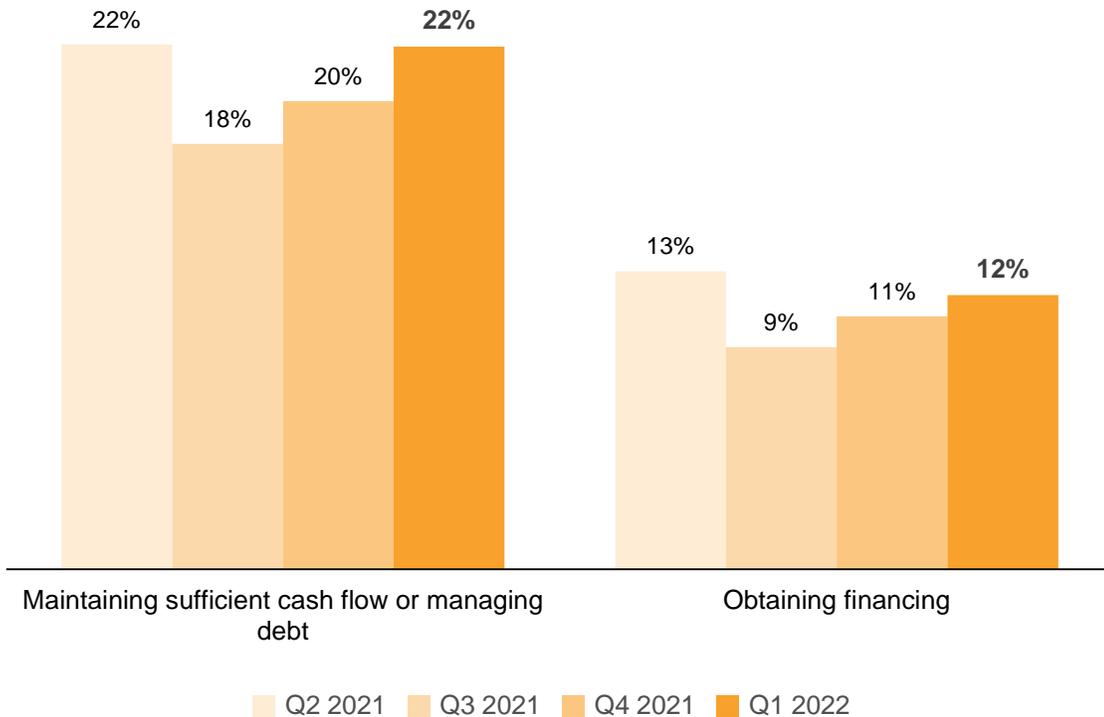




Financing concerns fell in the middle of 2021 as the economy reopened, but concerns are rising once again

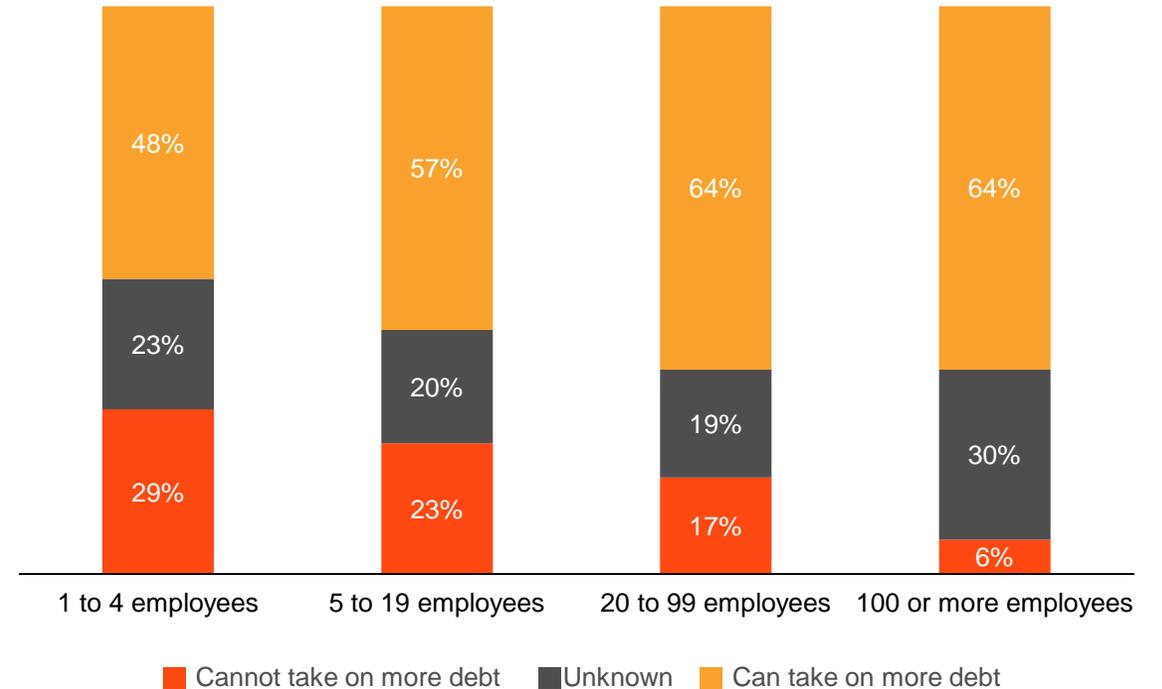
FINANCING CONCERNS INCREASED IN Q1 2022

Over the next three months, which of the following are expected to be obstacles for your business?
% of respondents, by financial obstacle



SMALLER BUSINESSES MAY FIND IT DIFFICULT TO EXPAND AS THE ECONOMY REOPENS; BETWEEN ~40% TO ~50% OF BUSINESSES WITH <20 EMPLOYEES EITHER DO NOT HAVE THE ABILITY TO TAKE ON DEBT OR ARE UNSURE

Does your business have the ability to take on debt?
% of respondents that answered 'Business or organization cannot take on more debt', by employment size





Almost half of businesses say they cannot take on more debt or do not know if they can; high-contact service sectors are in the toughest financial positions

Is your business able to take on debt?

% of respondents, by industry



1 Other services and arts, entertainment and recreation have less ability to take on debt.

2 Businesses in finance and insurance, wholesale trade, agriculture, forestry and fishing, retail trade and manufacturing have a greater ability to take on debt.



Women in management

Only 37% of senior managers are women on average, while men outnumber women in 15 of 16 industries.

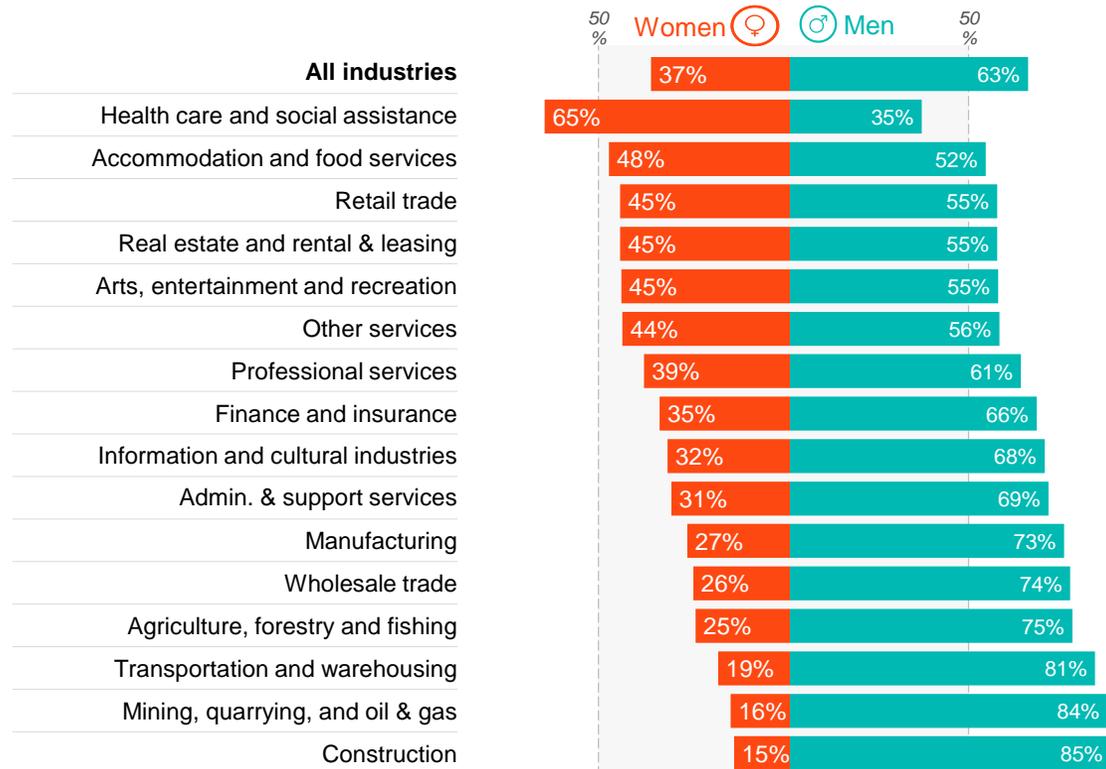




Women are underrepresented in senior management positions in Canada

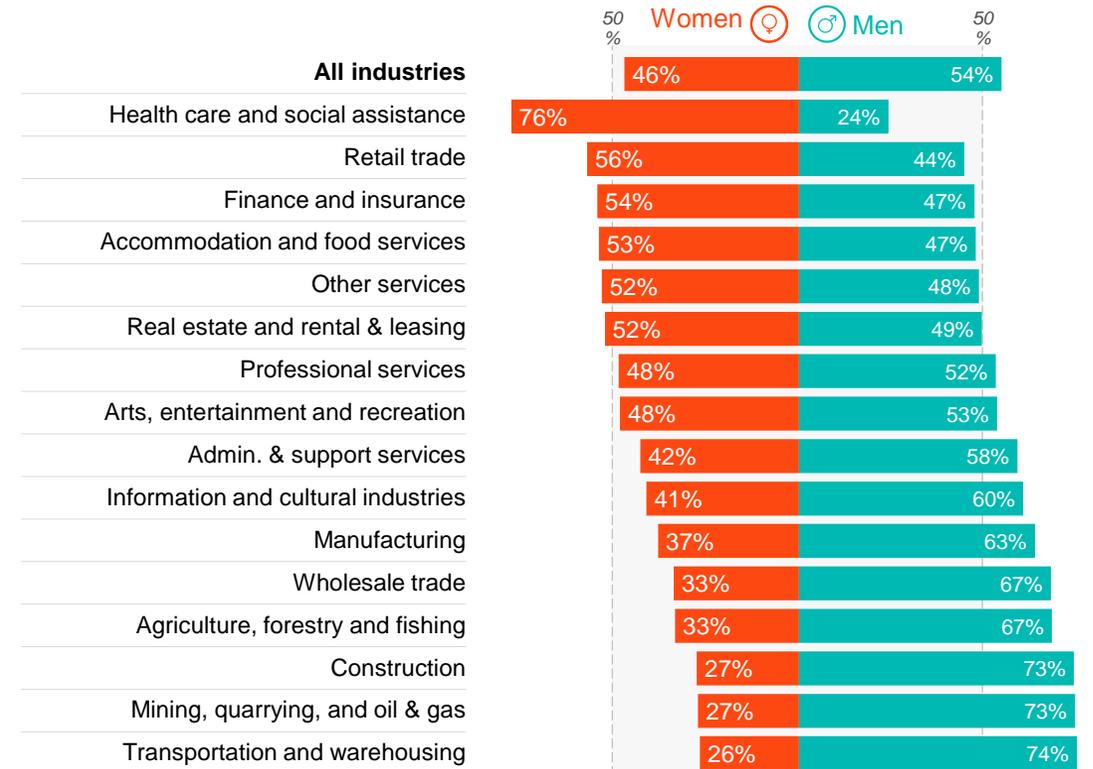
ONLY 37% OF WOMEN OCCUPIED SENIOR MANAGEMENT POSITIONS

Please provide the proportion of employees of your business that are women and men.
% of women and men in senior management positions, by industry



WOMEN REPRESENT NEAR OR ABOVE 50% IN ROUGHLY HALF OF THE INDUSTRIES FOR “OTHER MANAGEMENT” POSITIONS

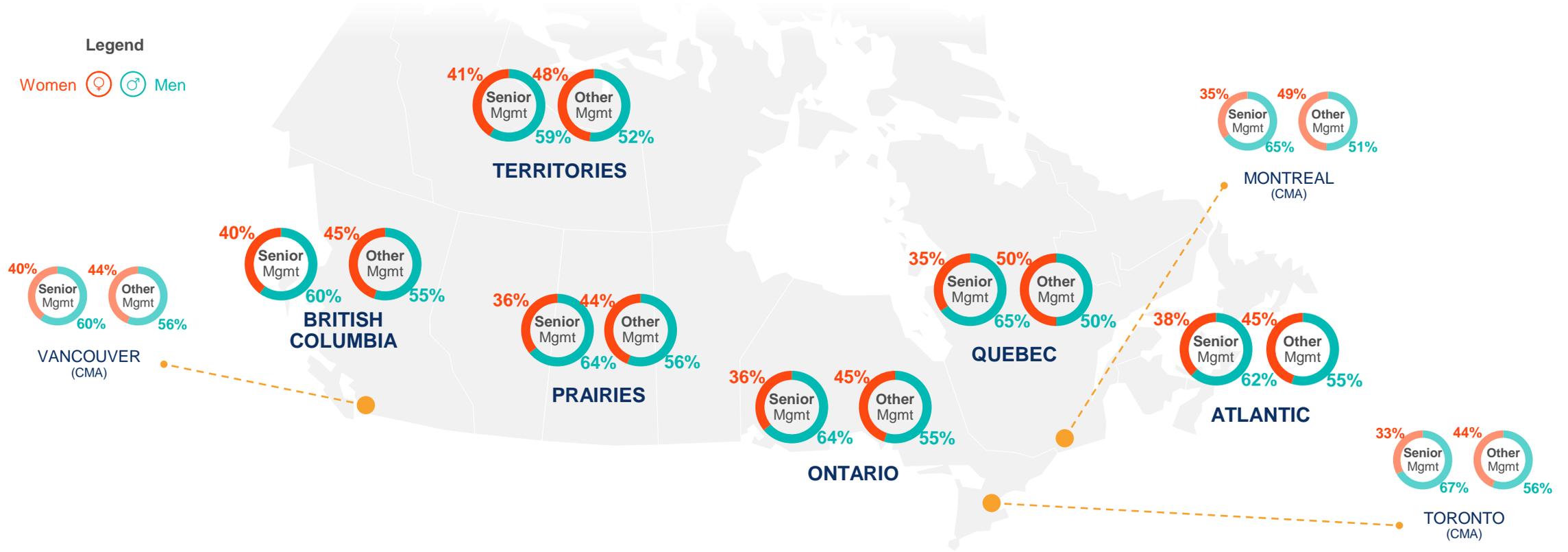
Please provide the proportion of employees of your business that are women and men.
% of women and men in other management positions, by industry





The territories have the highest representation of women in senior management, while among major CMAs Toronto had the lowest representation

Please provide the proportion of employees of your business that are women and men.
%, by region





Survey methodology

- **Sources:** The Canadian Survey on Business Conditions (“CSBC”) is conducted by Statistics Canada. This report presents analysis of the CSBC conducted by the Canadian Chamber of Commerce Business Data Lab (“BDL”).
- **Purpose:** The CSBC collects information on business conditions in Canada as well as business expectations and views on emerging issues. These data are used by governments, chambers of commerce, business associations and analysts to monitor evolving business conditions and devise policies to support Canadian businesses.
- **Survey Period:** The Q1 2022 CSBC was collected from January 4 to February 7, 2022. During this time, the Omicron variant of COVID-19 continued to spread, stricter public health measures were implemented and there were notable protests. The survey was completed before Russia’s invasion of Ukraine.
- **Survey Approach:** This survey is conducted via electronic questionnaire, using a stratified random sample of business establishments with employees, classified by geography, industry sector and size. Population totals are estimated using calibration weights. This survey is based on responses from 17,695 businesses.
- **Note:** Charts may not sum to 100% due to rounding.
- **Contact:** For questions, please contact Stephen Tapp, Chief Economist, Canadian Chamber of Commerce (STapp@Chamber.ca).

