



Business
Data Lab

Laboratoire de données
sur les entreprises

Q2 2023

Canadian Survey on Business Conditions Report



Message from the Senior Director

The Canadian economy is showing resilience in the face of tightened monetary policy and slow global growth. Canada's output growth and labor market activity exceeded market expectations in the first quarter of 2023. This resilience has prompted the Bank of Canada to further raise interest rates to temper excess demand in the market.

In this context, our latest analysis of Statistics Canada's *Canadian Survey on Business Conditions* (CSBC) provides valuable insights into how long businesses expect this resilient economy to persist.

Concerns regarding inflation and input costs remain high. These are identified as the most significant business challenges in the upcoming quarter, with half of businesses anticipating an increase in operating expenses. Despite the slowdown in headline inflation, a notable share of businesses plan to raise their prices next quarter, contributing to an ongoing "pricing predicament."

Labor challenges may have intensified in the second quarter, particularly affecting small businesses. These challenges are leading to longer working hours, reducing the ability to fulfill customer orders, and consequently hindering business growth.

While businesses continue to grapple with inflation and costs, other obstacles are improving. Supply chain challenges, especially for domestic inputs, are gradually easing. Businesses maintain surprisingly strong sales expectations, and their debt capacity remains relatively stable.

Our analysis this quarter also offers additional insights, including a unique snapshot of Canada's trade competitiveness in international markets. We examine the number of Canadian exporters in key markets and identify their perceived competitive strengths.

Alongside this release, we are introducing the [Survey Insights Generator](#), a new tool that can help you explore CSBC data more effectively and generate customized results by geography and various firm characteristics. We hope you find it useful. Stay tuned for more business insights from the Business Data Lab in the next quarter.

Patrick Gill (PGill@Chamber.ca)
Canadian Chamber of Commerce, Business Data Lab, Senior Director





Key findings

Business Outlook:

- With resilient economic activity, businesses are more optimistic about sales in the near term.
- The overall business outlook is holding up well at a time when the Bank of Canada has further raised interest rates to reduce excess demand.
 - **By sector:** Sales expectations show a broad-based improvement.
 - **By size:** The outlook has improved for all business sizes since the last survey; micro firms (with 1 to 4 employees) continue to have the weakest outlook.
 - **By ownership:** Indigenous and women-owned firms remain the most optimistic among underrepresented groups.
 - **By major cities:** Business optimism rose across several CMAs. Businesses in Montreal are the most optimistic, while those in Toronto are the least optimistic.
 - **By strategy:** Expansion plans ticked back up, while plans to restructure held steady.



Key findings (continued)

Business Obstacles:

- Costs and labour challenges continue to be Canada's greatest near-term business obstacles.
- Rising production costs are leading to a “pricing predicament.” Despite slowing headline inflation, the share of companies expecting to raise prices next quarter remains elevated, and firms' pricing behavior has not yet normalized.

Debt Constraints:

- Debt rose over the pandemic and constrained firms' ability to borrow. Smaller firms remain most constrained in their ability to borrow.
- Higher interest rates are the most common reason given by firms for not being able to take on additional debt.



Key findings (continued)

Labour:

- Canada's labour market tightened significantly during the pandemic. The previous loosening appears to have reversed slightly in the second quarter, and it remains difficult for employers to recruit and retain workers.
- Labour challenges are more acute in “blue-collar” industries and for firms with fewer than 100 employees.
- These labour challenges are leading to longer working hours and slower business growth.
- Employers are addressing these challenges by offering higher wages, more flexible work arrangements, and enhanced training opportunities.
- Information, professional services, finance, insurance and real estate industries continue to lead the way in remote and hybrid work, which is increasing office vacancy rates.



Key findings (continued)

Supply Chains:

- While supply chain challenges have steadily eased since the start of 2022, they remain elevated.
- To address these issues, firms are partnering with new suppliers, substituting inputs and working with existing suppliers to speed up delivery times.
- Acquiring inputs from within Canada has shown the greatest improvement since the start of 2022.

Canadian Competitiveness in International Markets:

- More than 1 in 10 Canadian businesses exported goods and/or services in the past year.
- The U.S. continues to be Canada's primary export market by a wide margin. Consequently, trade diversification remains a strategic opportunity and imperative for Canada.
- Canadian businesses rely on quality, value and intellectual property to compete against international competitors in foreign markets.



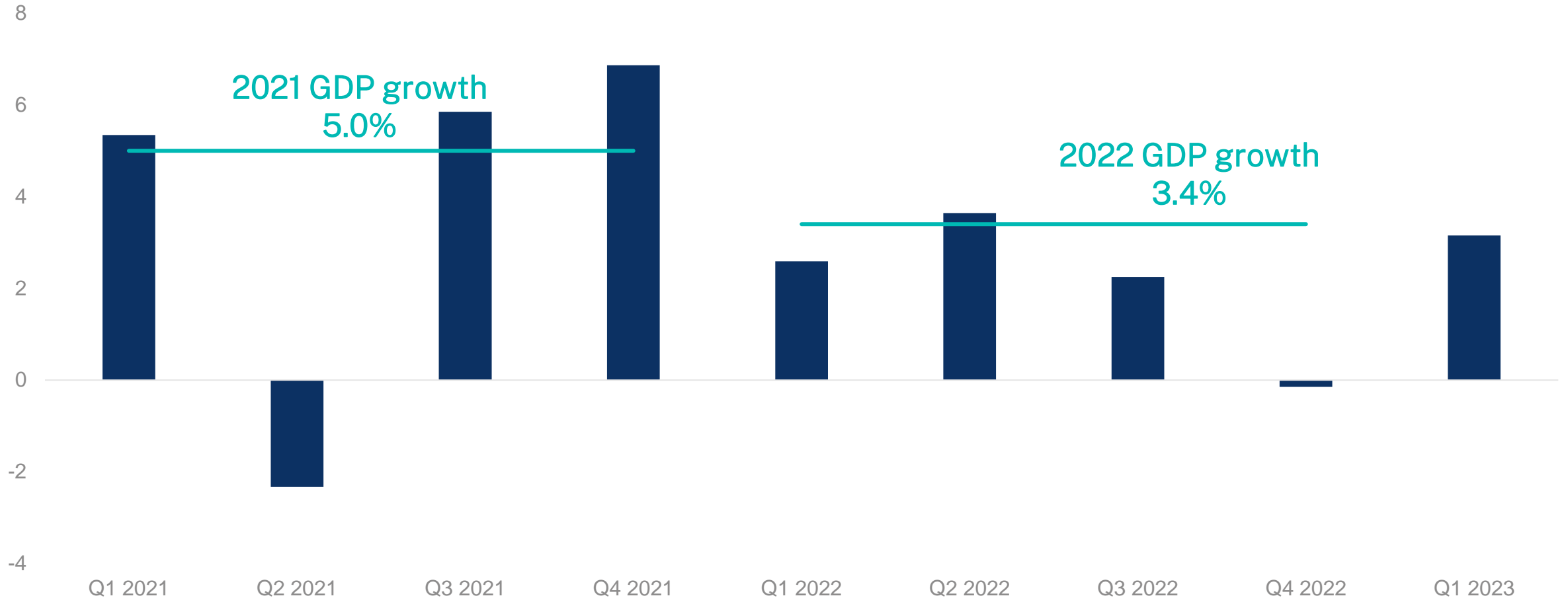
Q2 2023

Outlook according to Canadian businesses



Context: Canada's economic growth slowed in 2022, but rebounded in the first quarter of 2023.

Canadian real gross domestic product (GDP) growth
Chained 2012 dollars, annualized quarterly percent change

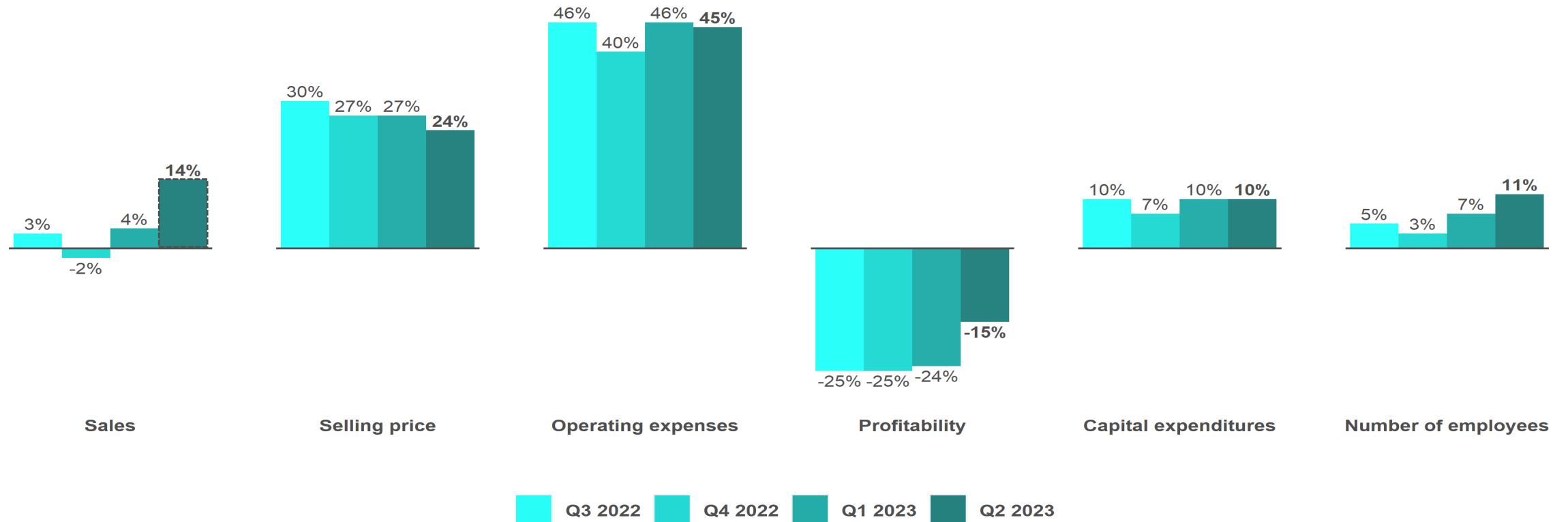




Next quarter: Somewhat surprisingly, businesses expect sales to rebound, while the strong employment outlook continues.

Expected changes for your business, next three months

Balance of opinion*



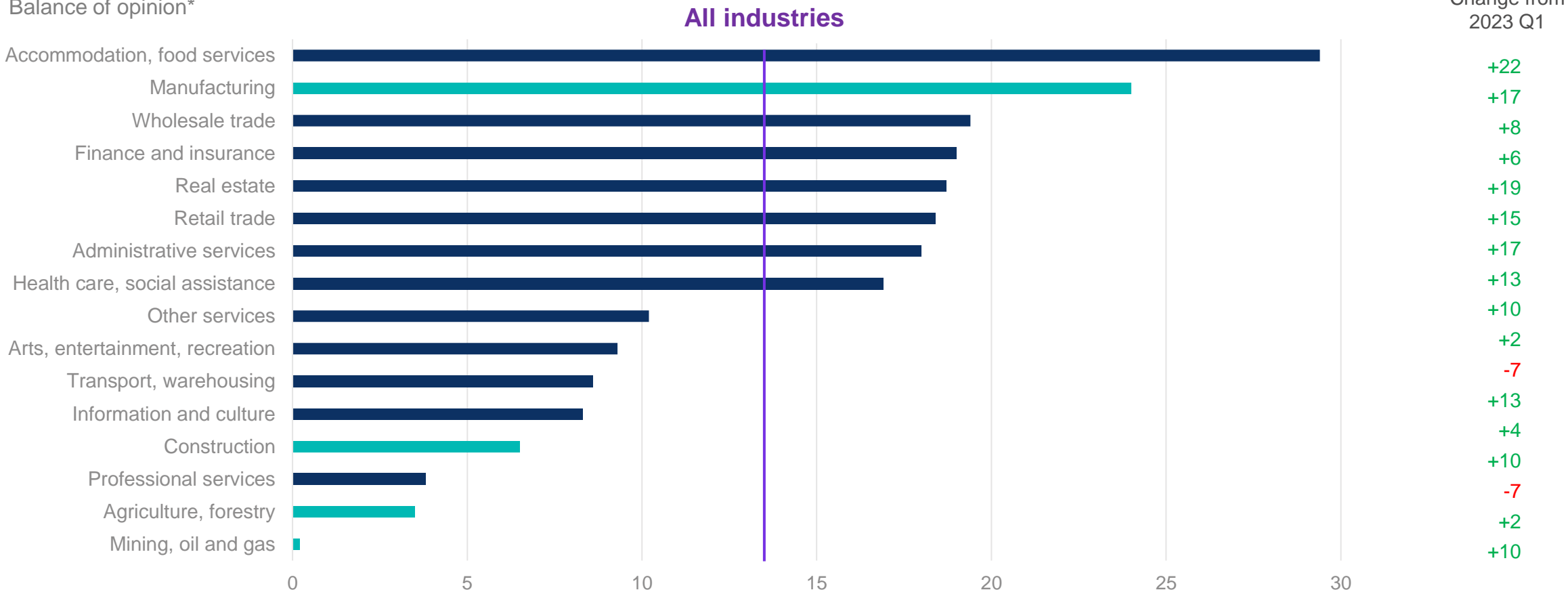
* % of respondents that answered “increase” less % that answered “decrease” by metric



Next quarter: Sales expectations are positive across the board.

Expected change in sales for your business, next three months

Balance of opinion*



* % of respondents that answered "increase" less % that answered "decrease" by metric

■ Services

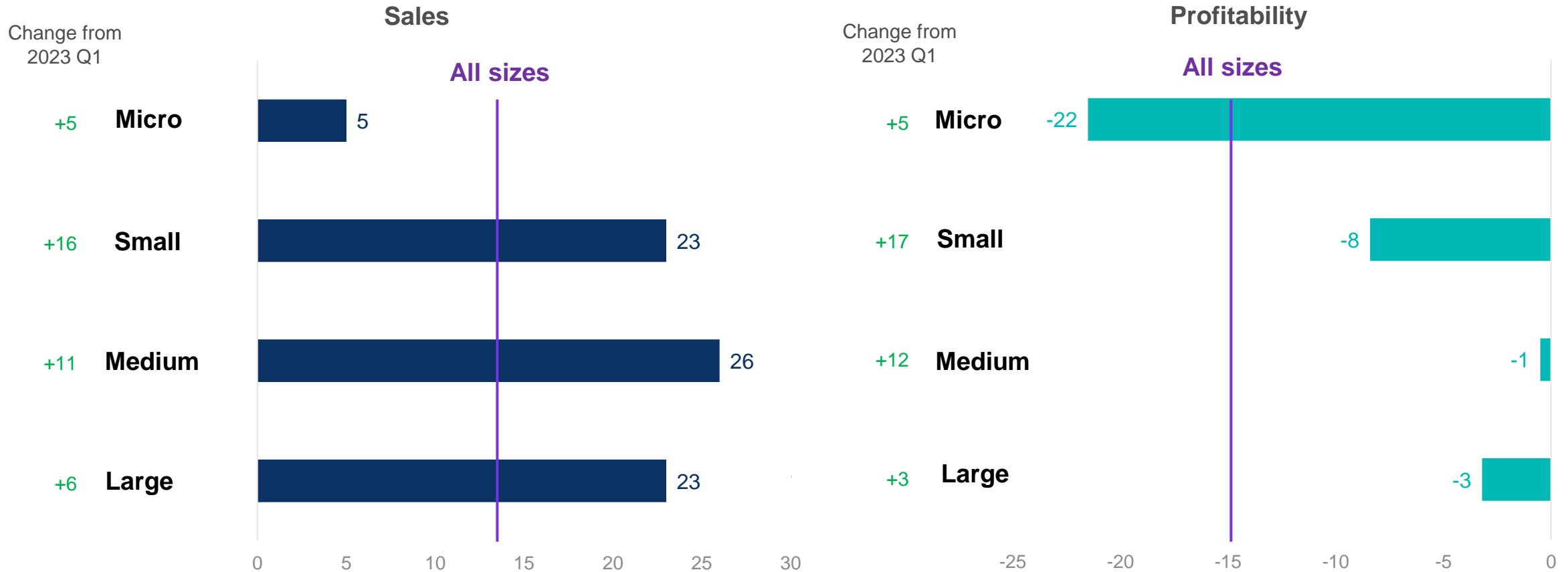
■ Goods-producing sectors

Source: Business Data Lab analysis of Statistics Canada's Canadian Survey on Business Conditions.
Based on 15,401 business or organization responses in April and early May 2023.



Next quarter: The outlook improved for all business sizes, but micro firms continue to have the weakest outlook.

Expected changes for your business, next three months
Balance of opinion, by employment size*

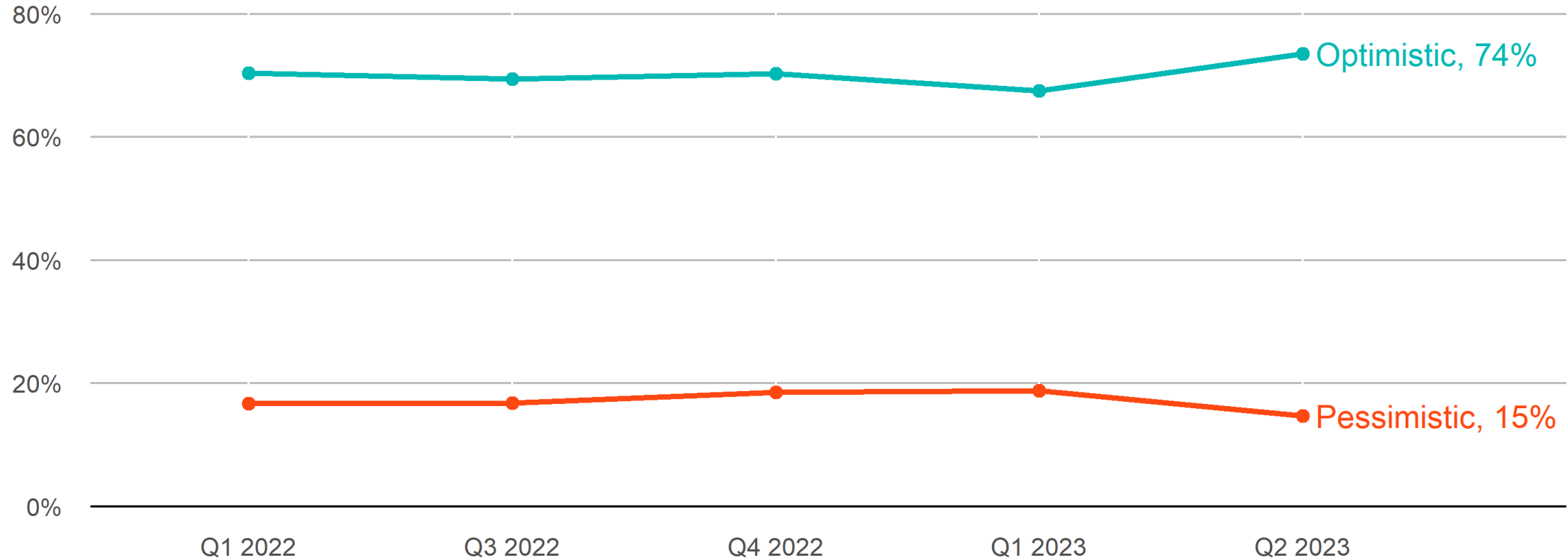


* % of respondents that answered “increase” less % that answered “decrease” by metric. Micro = 1–4 employees; Small = 5–19 employees; Medium = 20–99 employees; Large = 100+ employees

Year-ahead: Optimism for the year ahead has picked up.

Outlook for your business, next 12 months

% of respondents

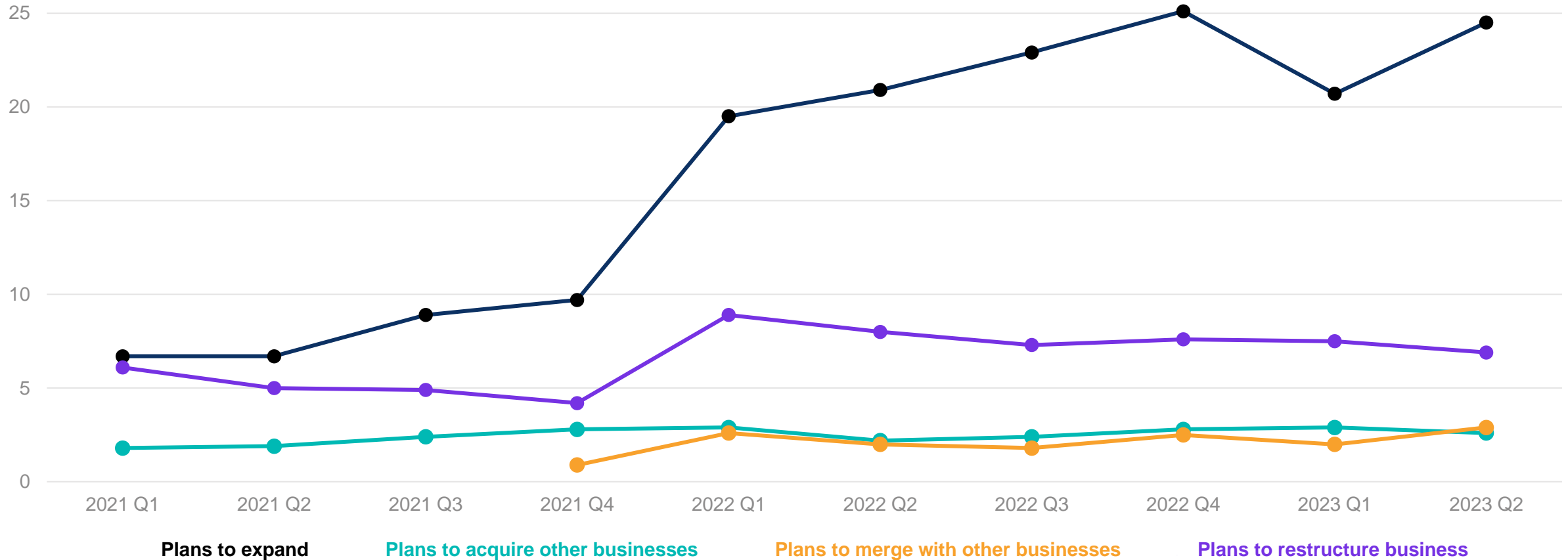


* Optimistic includes “somewhat” and “very optimistic”; pessimistic includes “somewhat” and very pessimistic. Responses do not sum to 100% because of “unknown” responses and rounding. This question was not included in the Q2 2022 survey



Year-ahead: Expansion plans ticked back up, while restructuring plans held steady.

Business plans, next 12 months
% of respondents

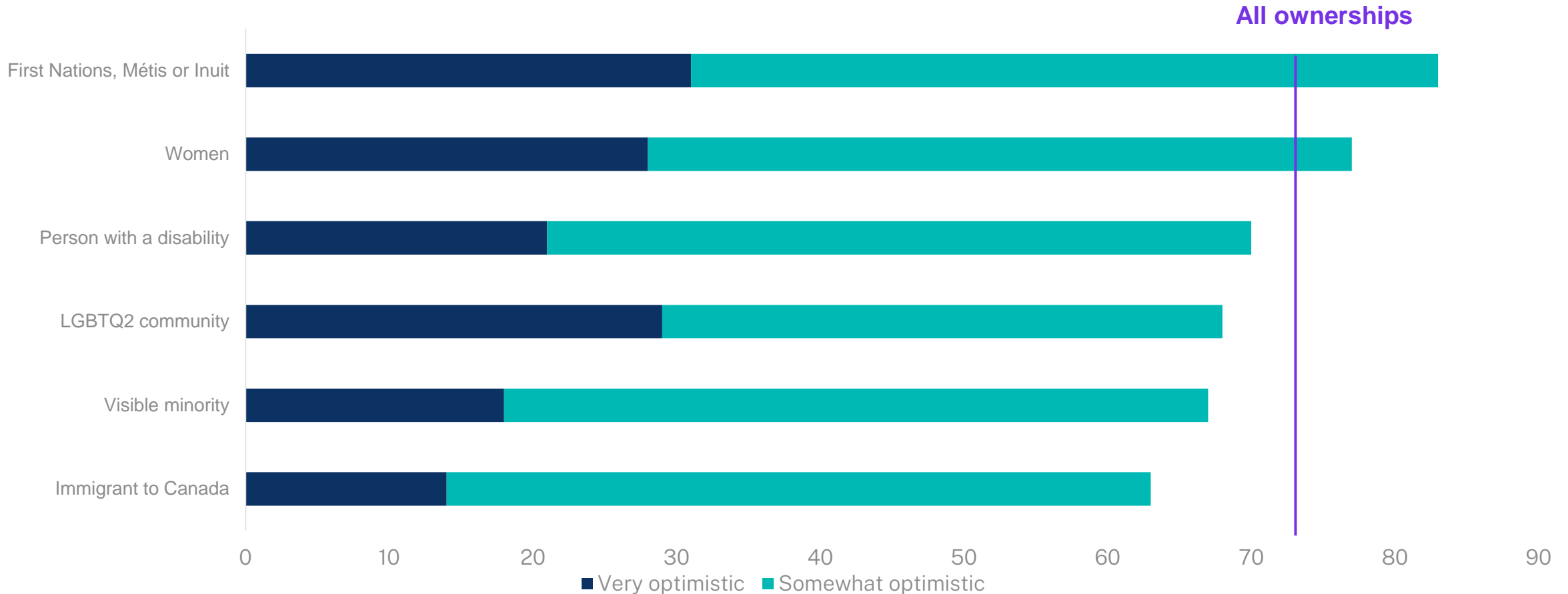




Variation by ownership: Indigenous and women-owned firms are more optimistic, while other under-represented groups are less optimistic.

Business outlook, next 12 months

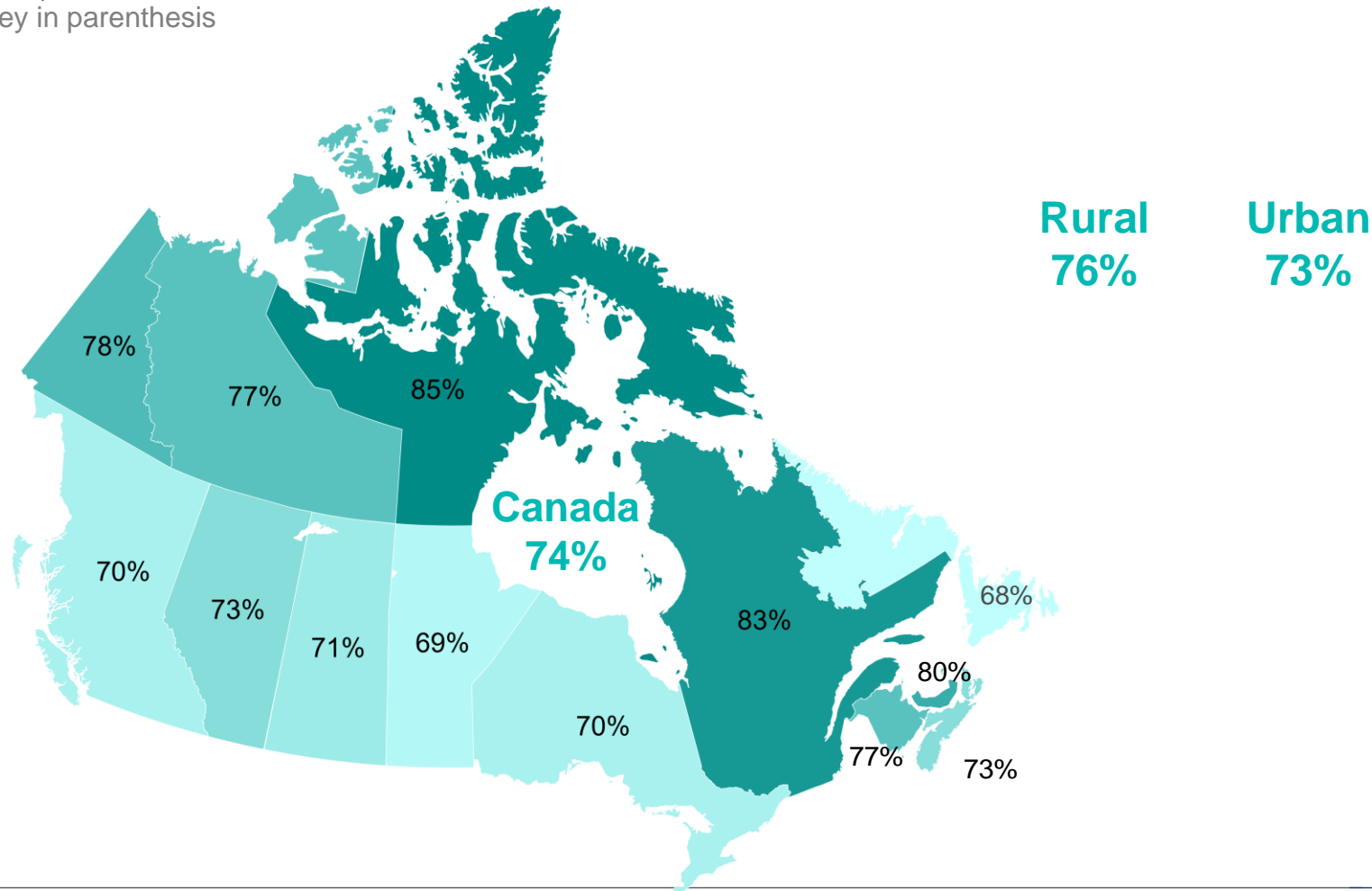
% of respondents, by ownership





Business optimism is highest in Nunavut and Quebec; lowest in Newfoundland and Labrador and Manitoba.

Businesses with an optimistic outlook, next 12 months
% of respondents, change since last survey in parenthesis

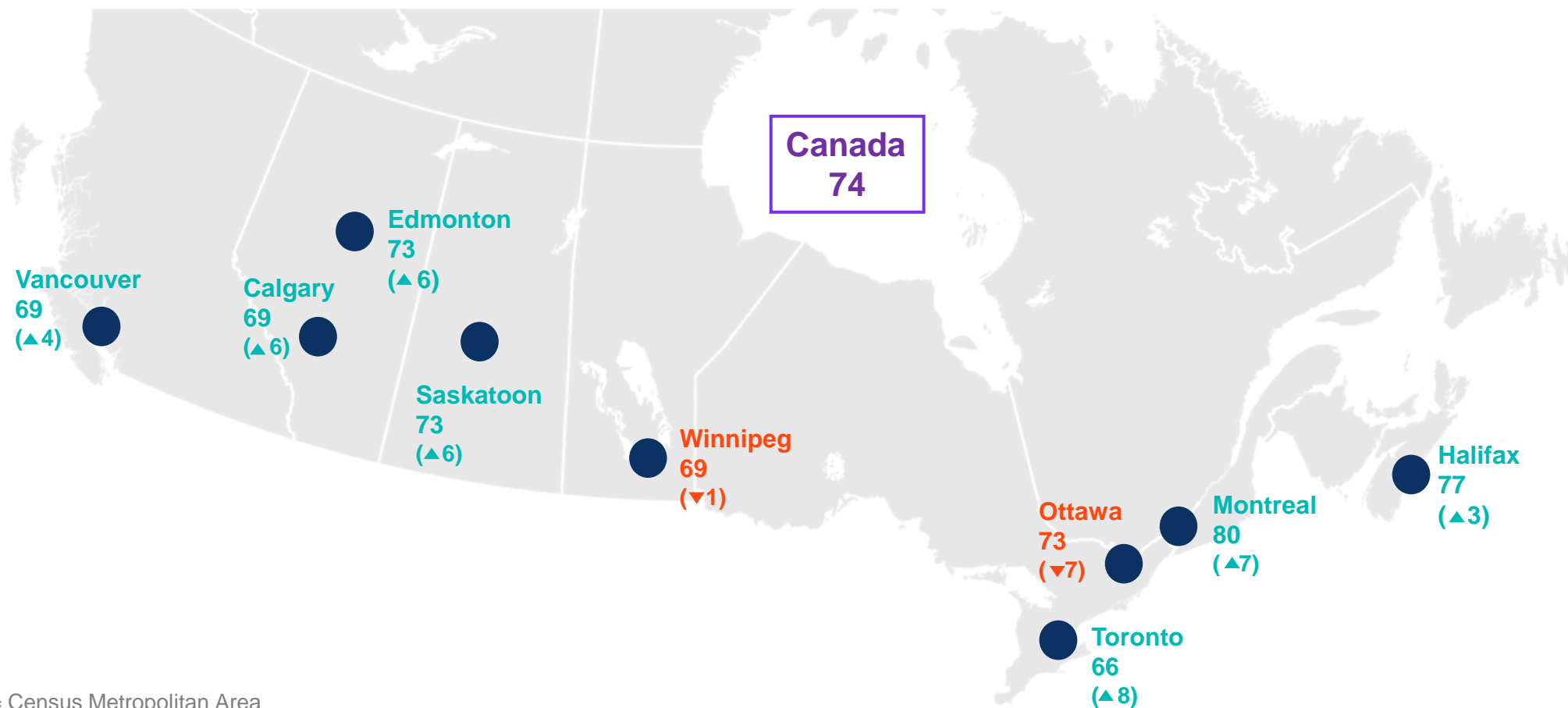




Major CMAs: Business optimism rose across several CMAs. Businesses in Montreal are the most optimistic, while those in Toronto are the least optimistic.

Businesses with an optimistic outlook, next 12 months

% of respondents, by major CMA*, change relative to last survey in parenthesis



* CMA = Census Metropolitan Area

Source: Business Data Lab analysis of Statistics Canada's Canadian Survey on Business Conditions. Based on 15,401 business or organization responses in April and early May 2023.



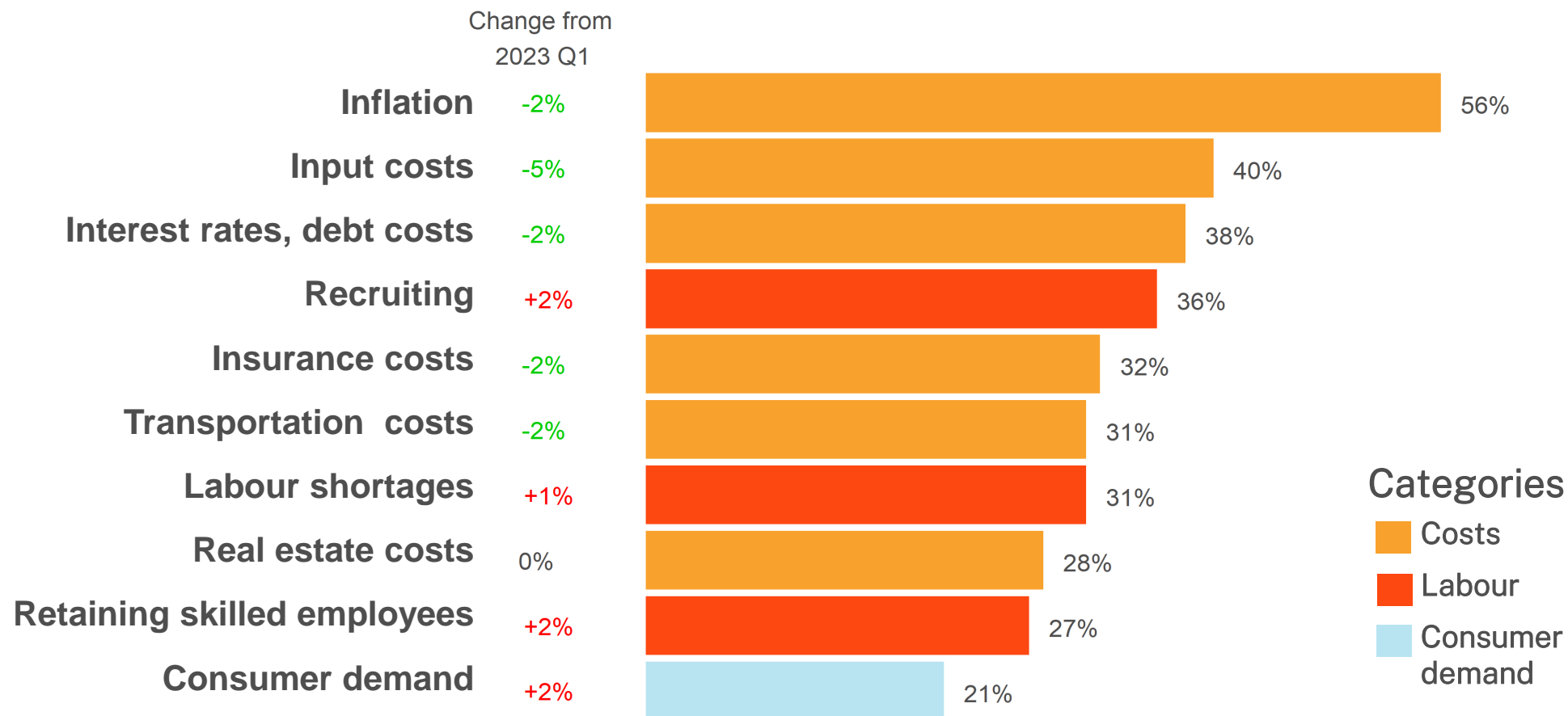
Q2 2023

Business obstacles



Inflation is expected to remain the top business obstacle next quarter.

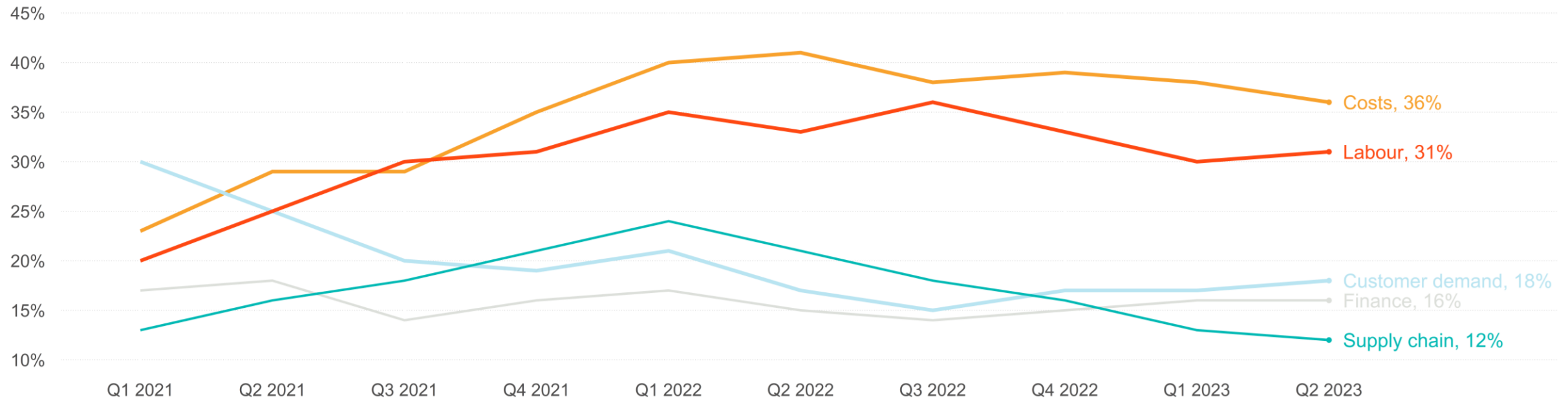
Top 10 business obstacles expected, next three months
% of respondents





Costs and labour challenges remain the biggest business concerns.

Business obstacles expected, next three months
% of respondents, grouped by category





Q2 2023

Inflation pressures



Context: Inflation peaked at 8.1% last June and has slowed, but remains well above the Bank of Canada's 2% target.

Canadian consumer price index (CPI)
% change, year-over-year





Despite slowing inflation, the share of companies expecting to raise prices next quarter remains elevated.

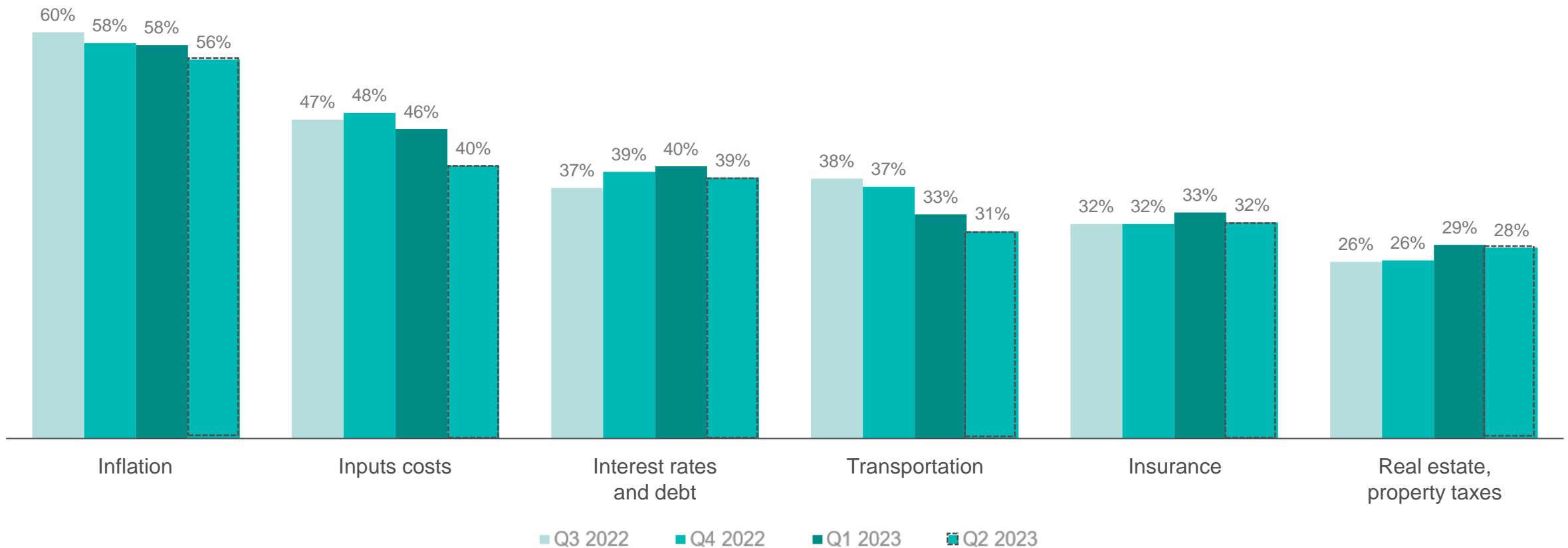
Businesses expecting to raise the selling price of their goods and services, next three months and CPI inflation

Left axis % of respondents; right axis year-over-year % change



Cost pressures remain broad based but are modestly improving.

Businesses expecting cost-related obstacles, next three months
% of respondents





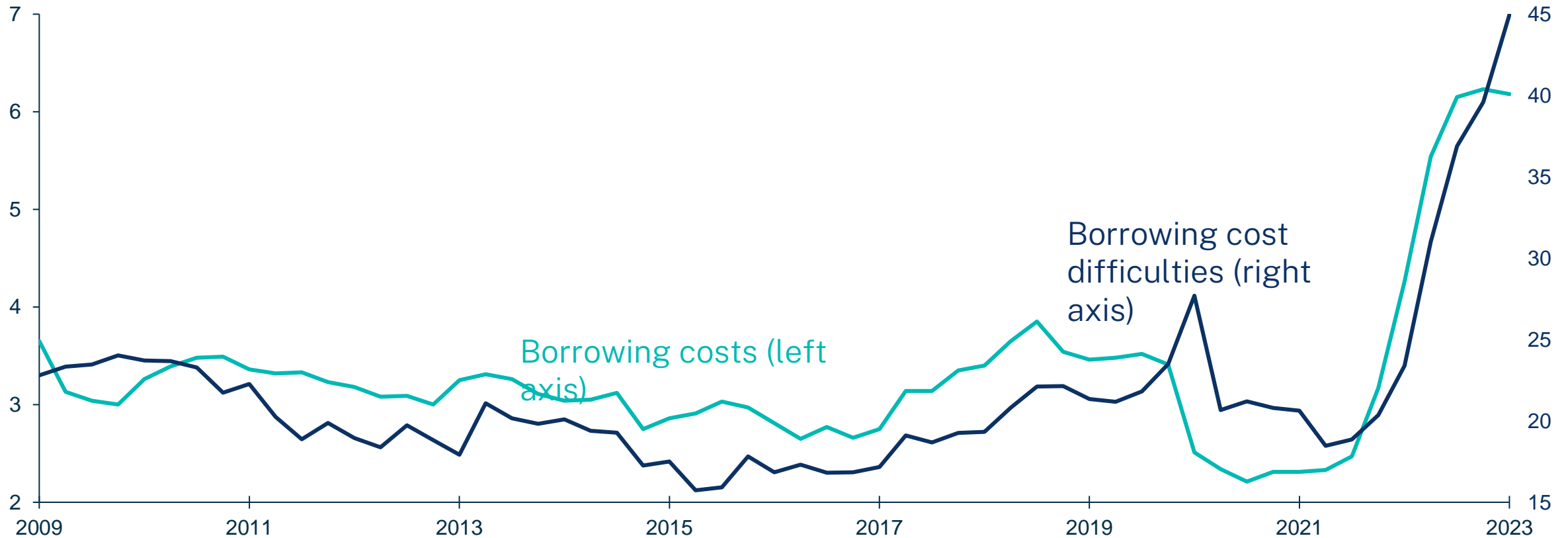
Interest rates and debt constraints

Q2 2023



Context: Businesses are struggling with borrowing costs after interest rate hikes

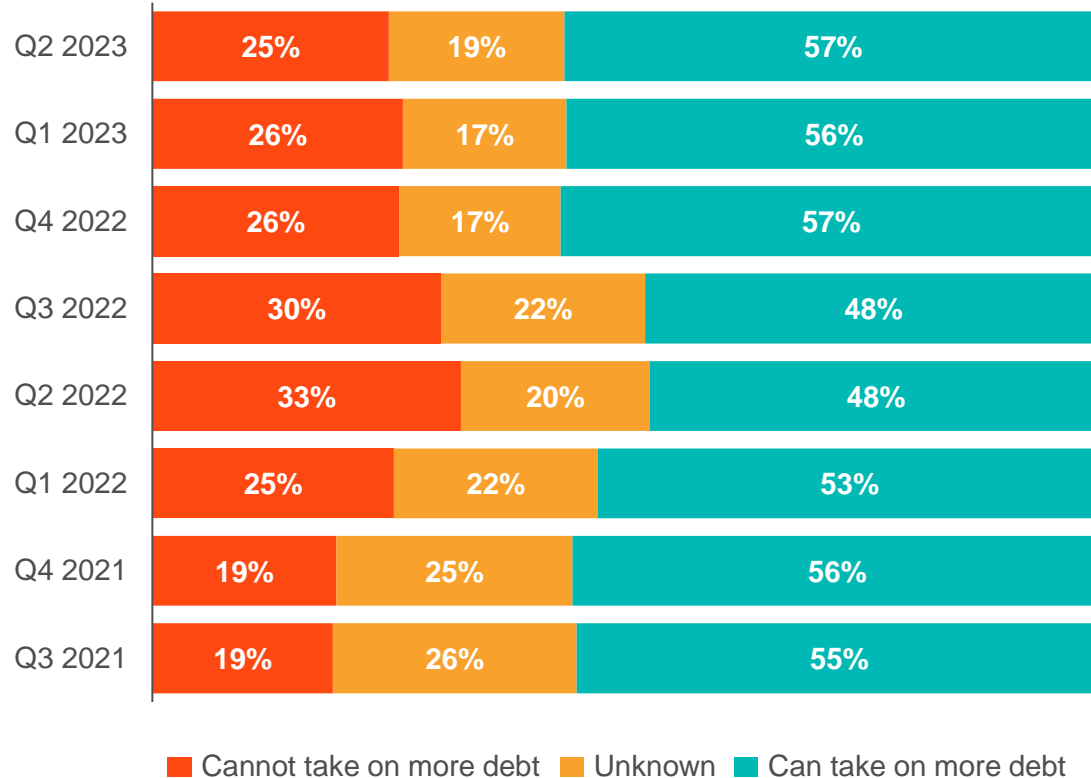
Effective business interest rate and share of small businesses reporting borrowing cost difficulties
Quarterly (left axis %; right axis % of total)



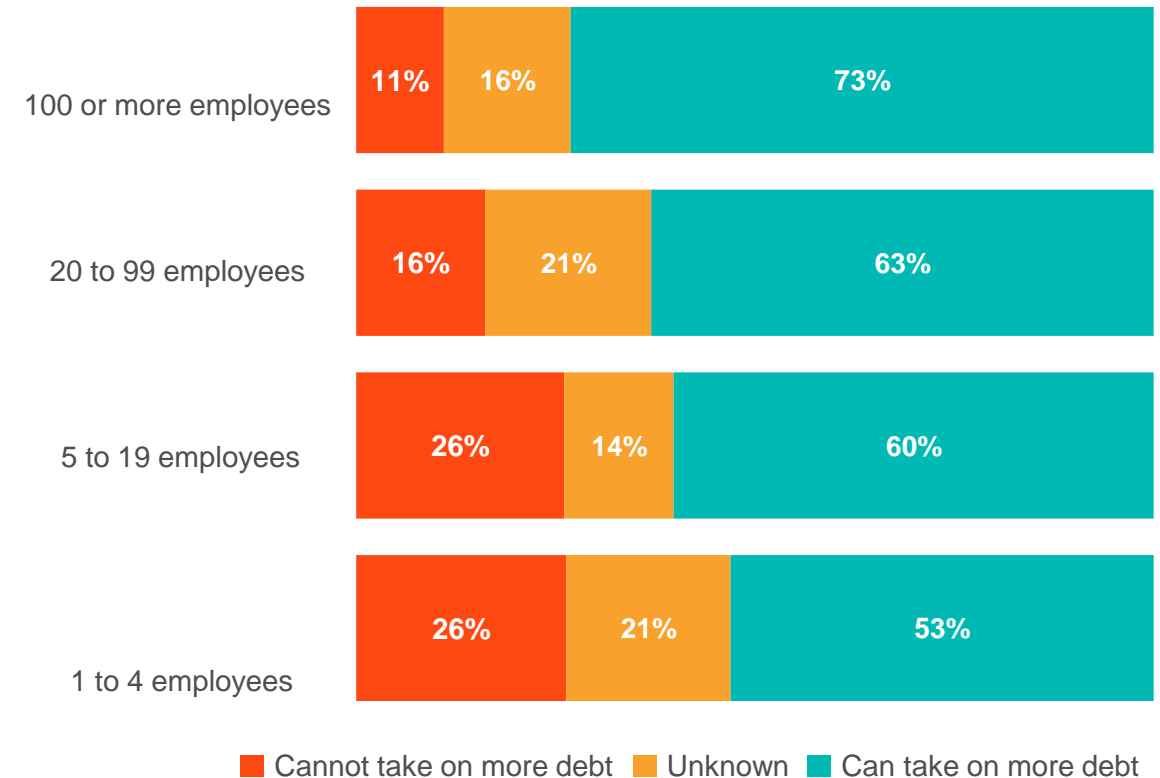


Business debt rose and constraints tightened over the pandemic; small firms are most constrained.

Ability to take on more business debt
% of respondents, by quarter of survey



Ability to take on more business debt
% of respondents, by employment size in Q2 2023



In a recent survey, nearly one-quarter of private-sectors firms reported higher business debt relative to the start of the pandemic.



Higher interest rates are the most common reason businesses say they **can't take on more debt.**

Reasons business can't take on more debt

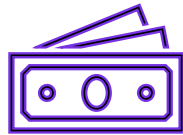
Top answers from the 25% of all respondents who said they can't take on more debt



44%

Unfavourable
interest rates

-9 pts
from Q1 2023



40%

Cash flow

+2 pts
from Q1 2023



35%

Uncertain
future sales

-1 ppt
from Q1 2023



12%

Unfavourable
payment terms

Unchanged
from Q1 2023



11%

Request would
be turned down

Unchanged
from Q1 2023



Q2 2023

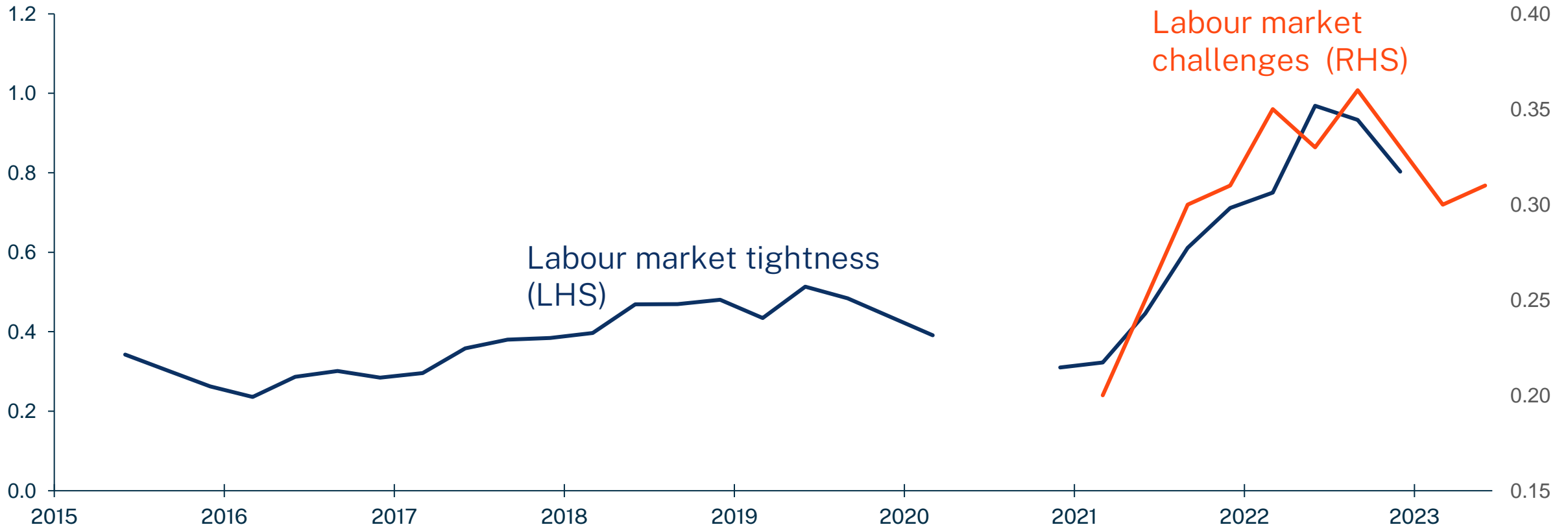
Competition for talent



Context: Canada's labour market tightened significantly in the pandemic. The previous loosening appears to have reversed in the second quarter.

Labour market tightness and labour challenges

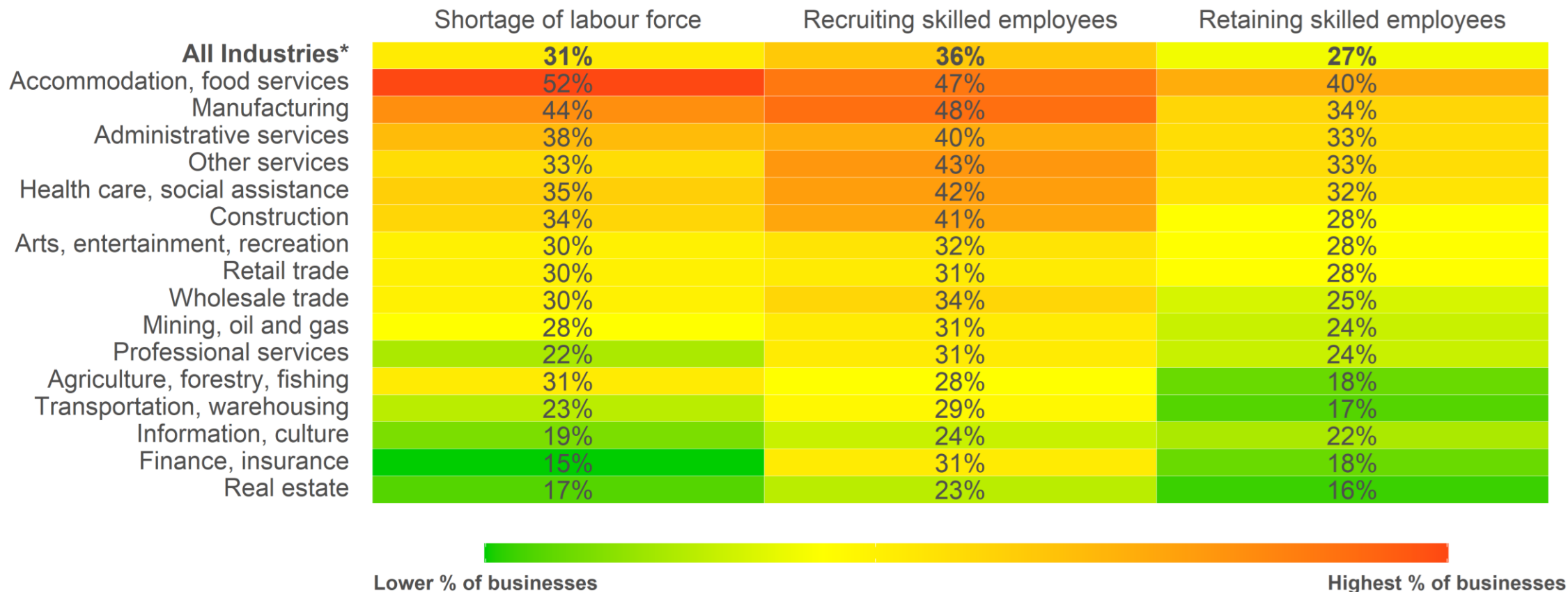
Job vacancies per unemployed (Left axis); % of businesses reporting labour challenges (Right axis, % of total)



Labour challenges are more acute in “blue-collar” jobs.

Labour challenges expected, next three months

% of respondents by industry



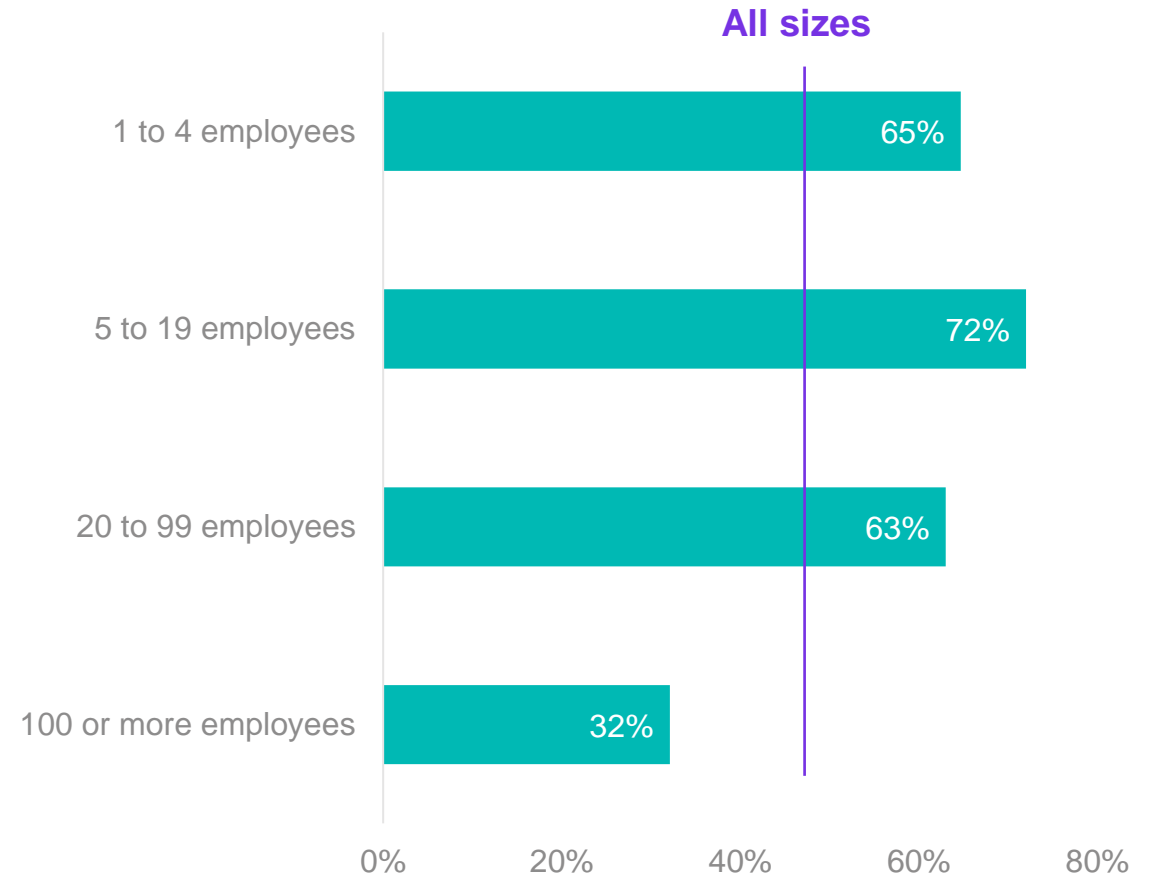


Labour challenges ticked back up and are a key concern for most SMEs (under 100 employees).

Expect labour obstacles, next three months
% of respondents



Expect labour obstacles, next three months
% of respondents by firm size in Q2 2023

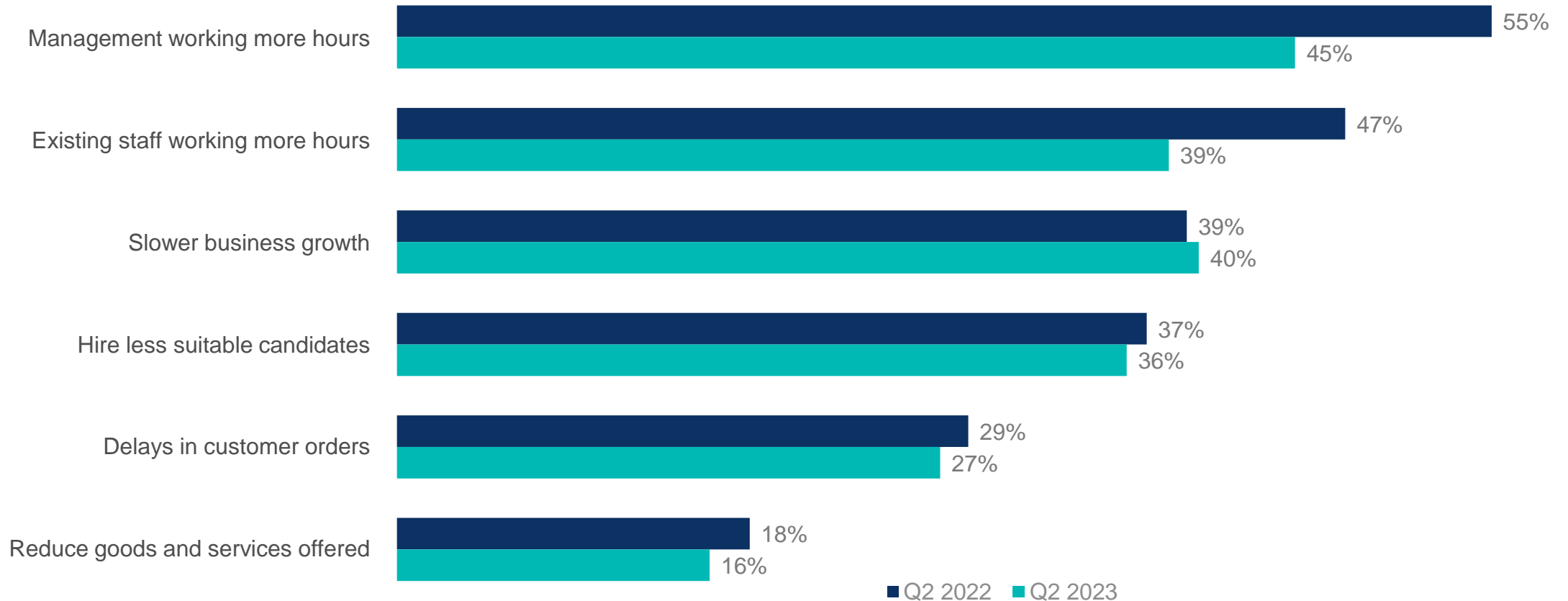




Labour challenges are leading to longer working hours and slower business growth, among other impacts.

Expected impacts of labour-related obstacles for your business, next three months

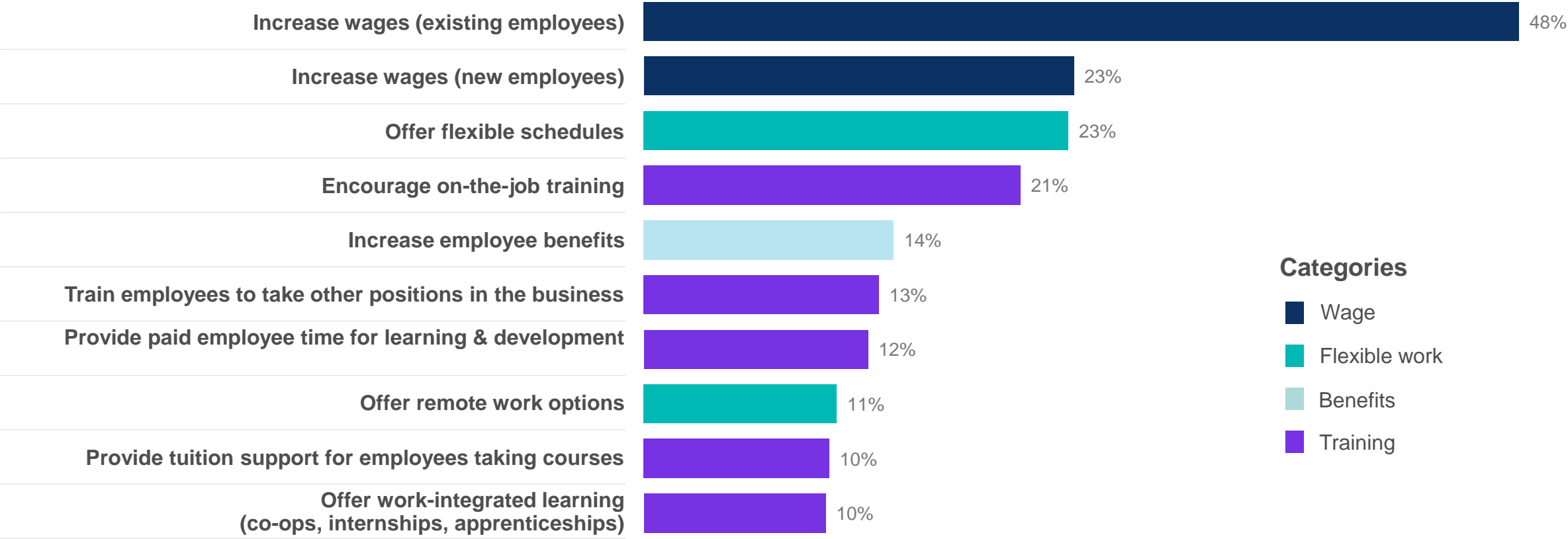
Of the 40% of respondents in Q2 and 47% of respondents in Q3 that expected labour-related obstacles





Businesses plan to address labour challenges with higher wages, more flexibility, training and benefits.

Top 10 plans to address labour challenges over the next 12 months
% of respondents

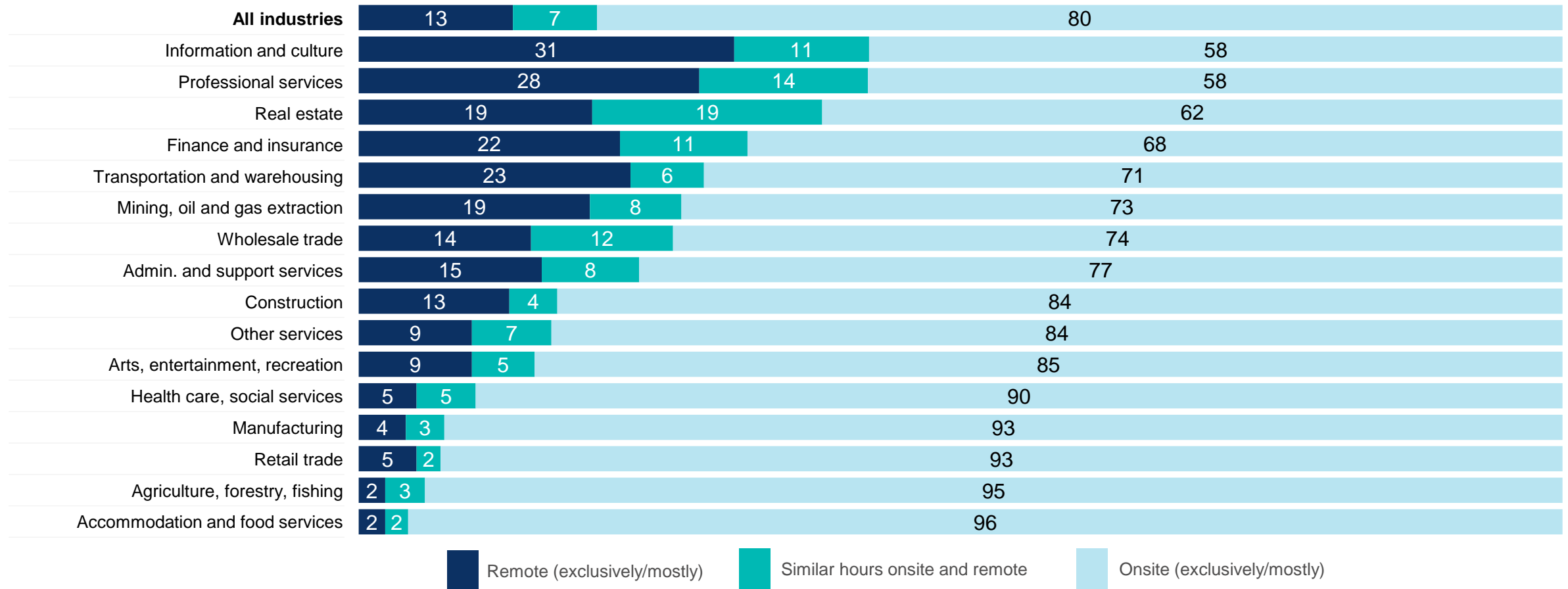


Source: Business Data Lab analysis of Statistics Canada’s Canadian Survey on Business Conditions. Based on 15,401 business or organization responses in April and early May 2023.



Information, professional services, finance, insurance and real estate are leading the way for **hybrid and remote work**

Percentage of the employees anticipated working arrangements, next three months
% of respondents, by industry

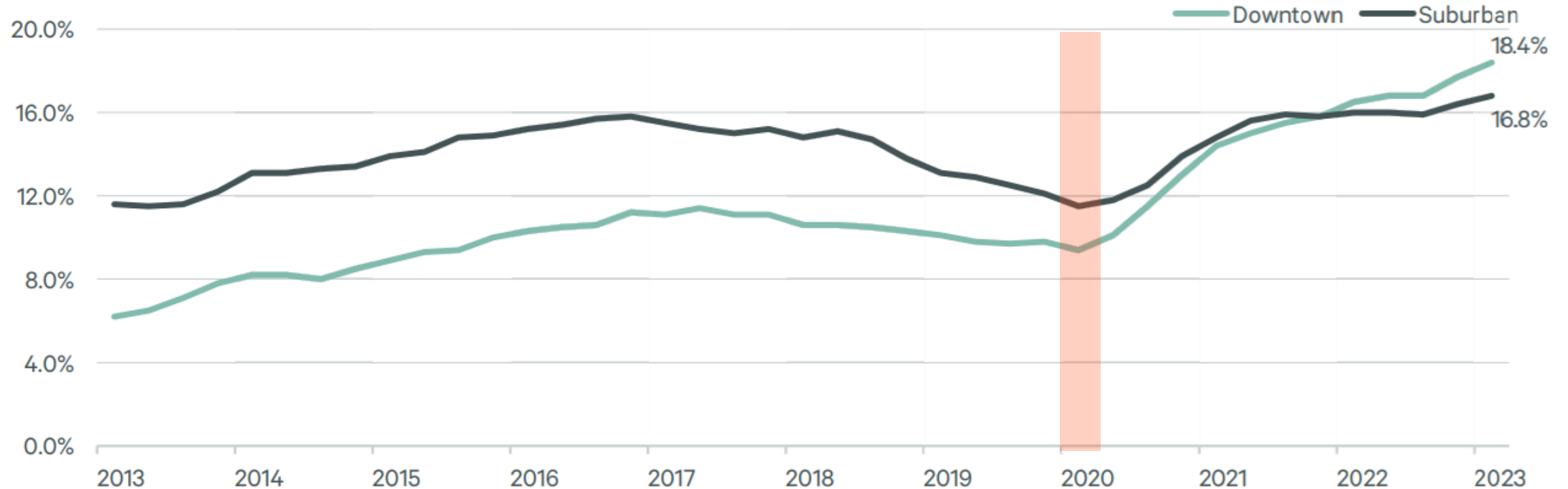


Source: Business Data Lab analysis of Statistics Canada's Canadian Survey on Business Conditions.
Based on 15,401 business or organization responses in April and early May 2023.

Hybrid and remote work is increasing office vacancy rates.

National Downtown vs Suburban Vacancy Rate

Amount of space that is currently available within an office building





Q2 2023

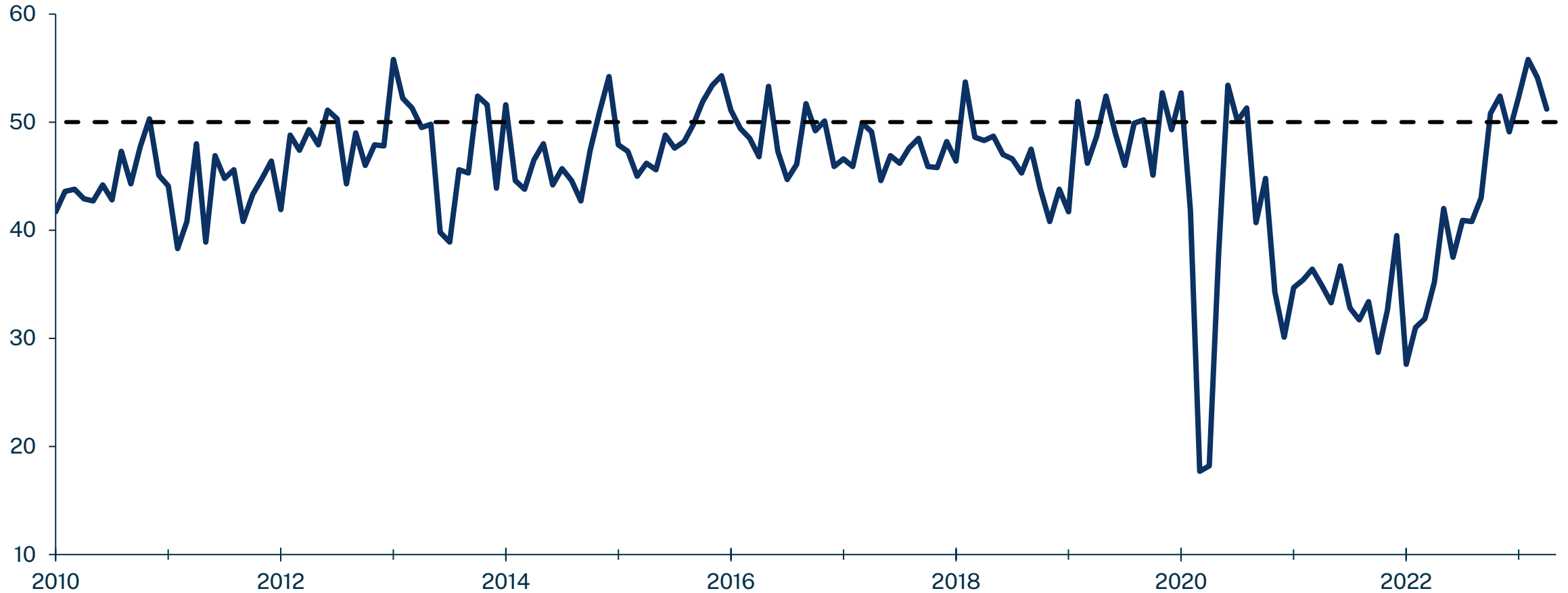
Supply chain challenges



Context: Supply chains experienced significant backlogs throughout the pandemic, but delivery times are finally improving.

Canadian supplier delivery times

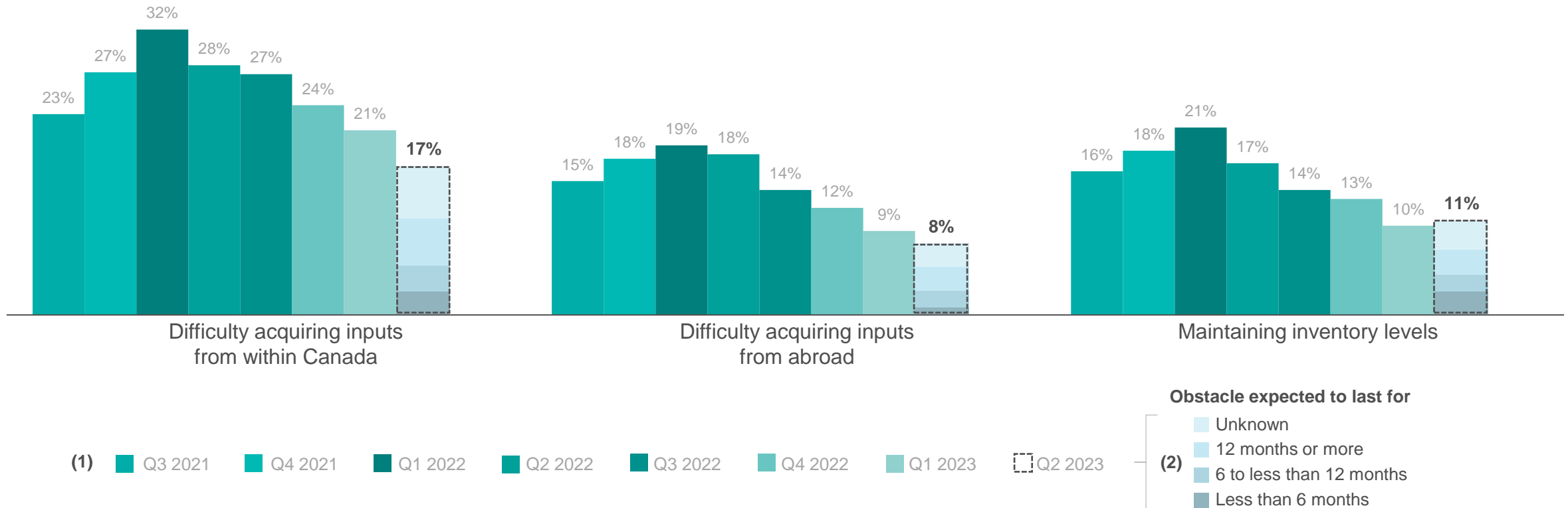
Index, above 50 implies deliveries were faster than the previous month





Supply chain challenges continue to ease, with acquiring domestic inputs showing the largest improvement.

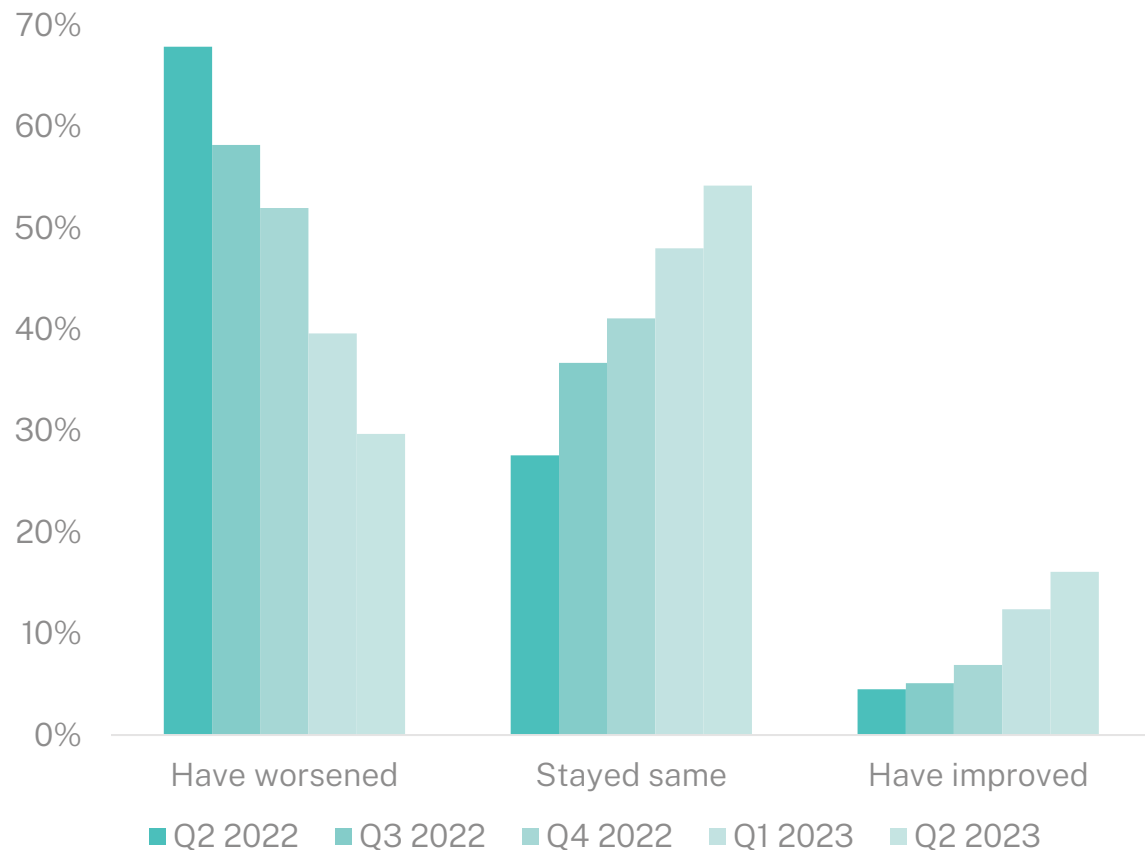
- (1) Expected supply-chain obstacles, next three months
(2) Expected duration of obstacles
% of respondents



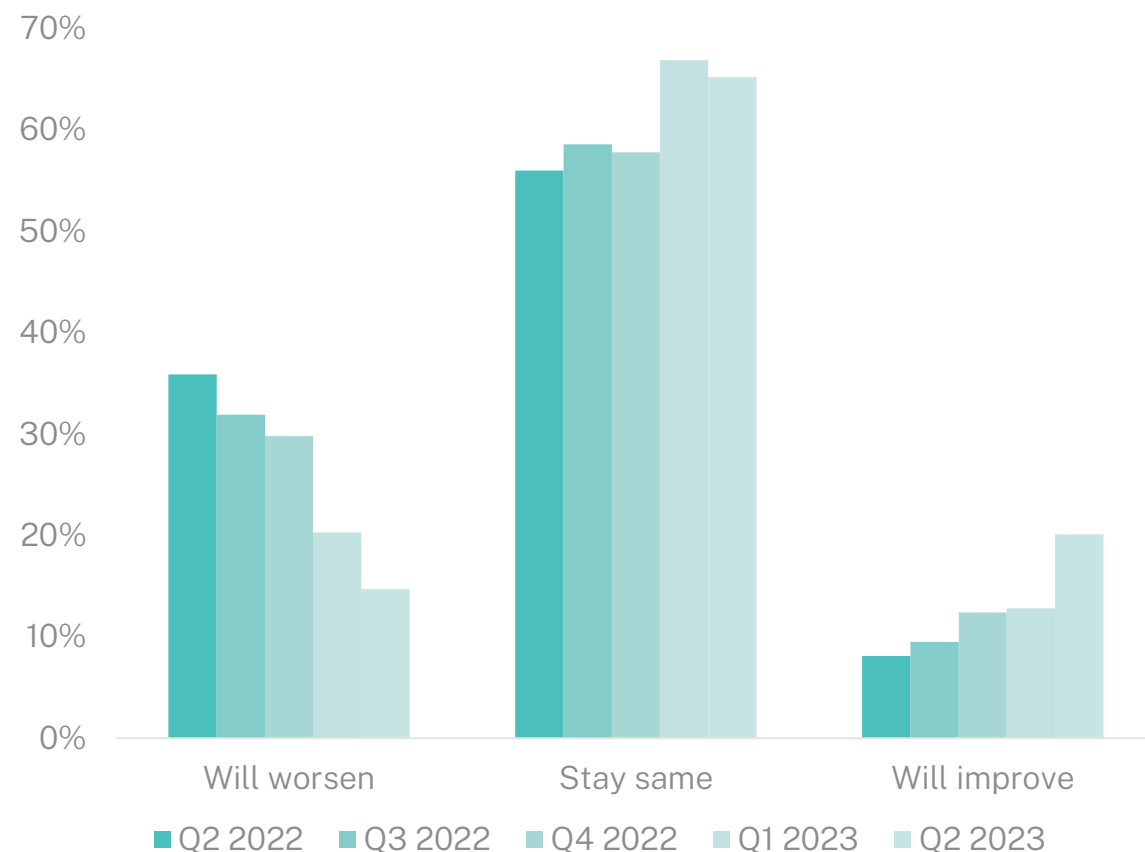


Most firms experiencing **supply-chain issues** say they have been the **same or improved**, and generally don't expect things to worsen.

Supply-chain obstacles experienced, last three months
% of respondents, of those that expect supply-chain obstacles



Supply-chain obstacles expected, next three months
% of respondents, of those that expect supply-chain obstacles





To **manage supply chains**, businesses plan to work with suppliers, find new suppliers, substitute inputs, make tech improvements and buy local.

Business plans to adjust their supply chains, next 12 months
% of respondents



36%

work with suppliers
to improve timeliness

+ 8 ppts
from Q1 2023



31%

partner with
new suppliers

+ 1 ppt
from Q1 2023



27%

substitute inputs
with alternatives

- 2 ppts
from Q1 2023



19%

make technological
improvements

+ 5 ppts
from Q1 2023



15%

shift to local
suppliers

+ 1 ppt
from Q1 2023



Q2 2023

Canadian competitiveness in international markets





The U.S. remains Canada's primary export market. Trade diversification remains a strategic opportunity and imperative for Canada.

International activity

% of respondents, of those that exported or sold outside of Canada in the last 12 months



11%

Of Canadian businesses
exported in the past year.
Includes goods and services.

To the U.S.

89%

To Europe

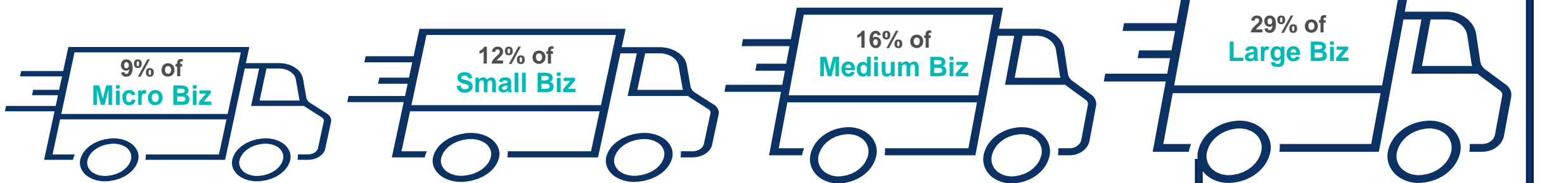
26%

To Other

18%

To China

9%



Micro = 1–4 employees; Small = 5–19 employees; Medium = 20–99 employees; Large = 100+ employees

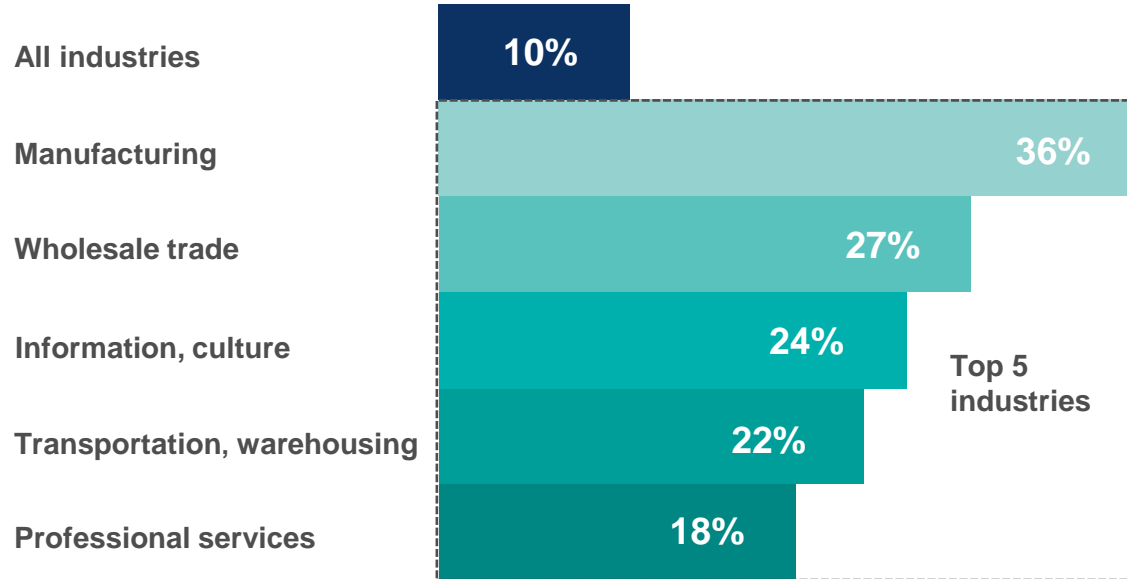
Source: Business Data Lab analysis of Statistics Canada's Canadian Survey on Business Conditions.
Based on 15,401 business or organization responses in April and early May 2023.



Canadian manufacturing is the most **U.S. oriented** industries. Canadian businesses rely on quality and value to compete in the U.S.

Industries exporting

% of respondents, of those that exported to the U.S. in past 12 months



Primary competition

% of respondents, of those that exported to U.S. in past 12 months



57%

say businesses
from the U.S.



25%

say businesses
from Canada

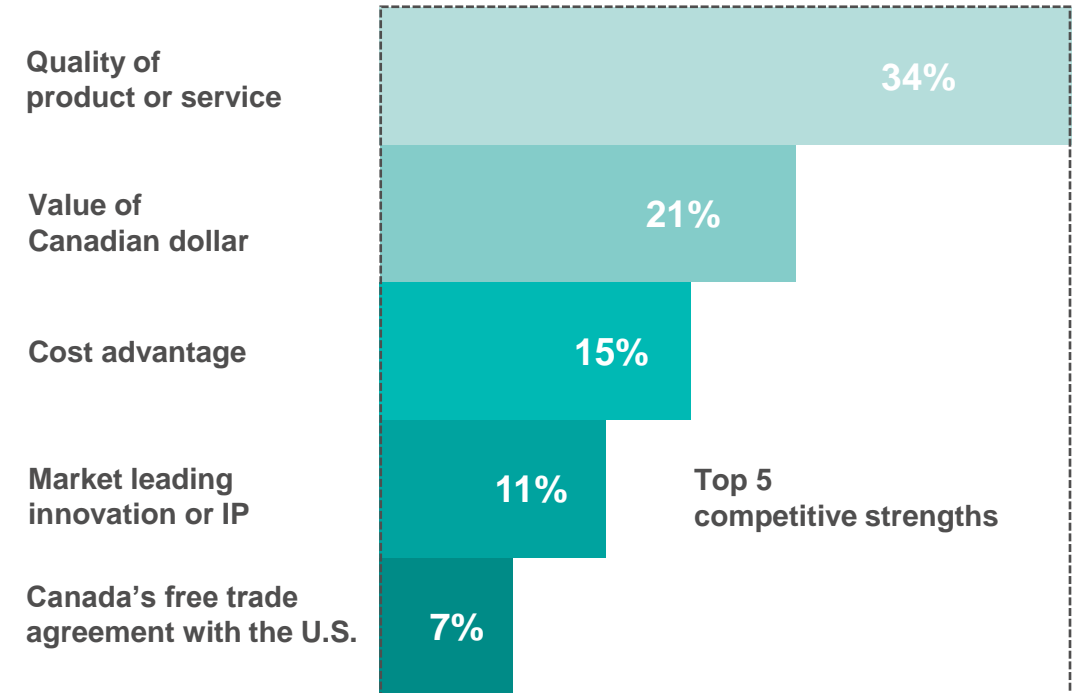


4%

say businesses
from China

Most important competitive strength

% of respondents, of those that exported to the U.S. in past 12 months

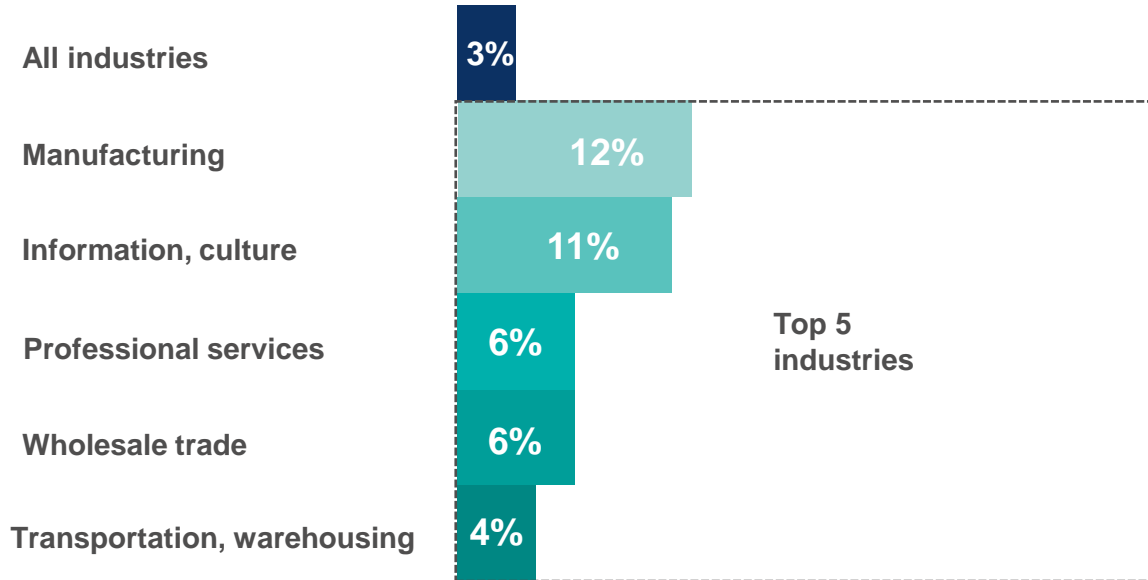




Canadian manufacturing and technology, are most **Europe oriented**. Canadian businesses rely on quality and IP to compete in Europe.

Industries exporting

% of respondents, of those that exported to Europe in past 12 months



Primary competition

% of respondents, of those that exported to Europe in past 12 months



32%

say businesses
from Europe



14%

say businesses
from Canada

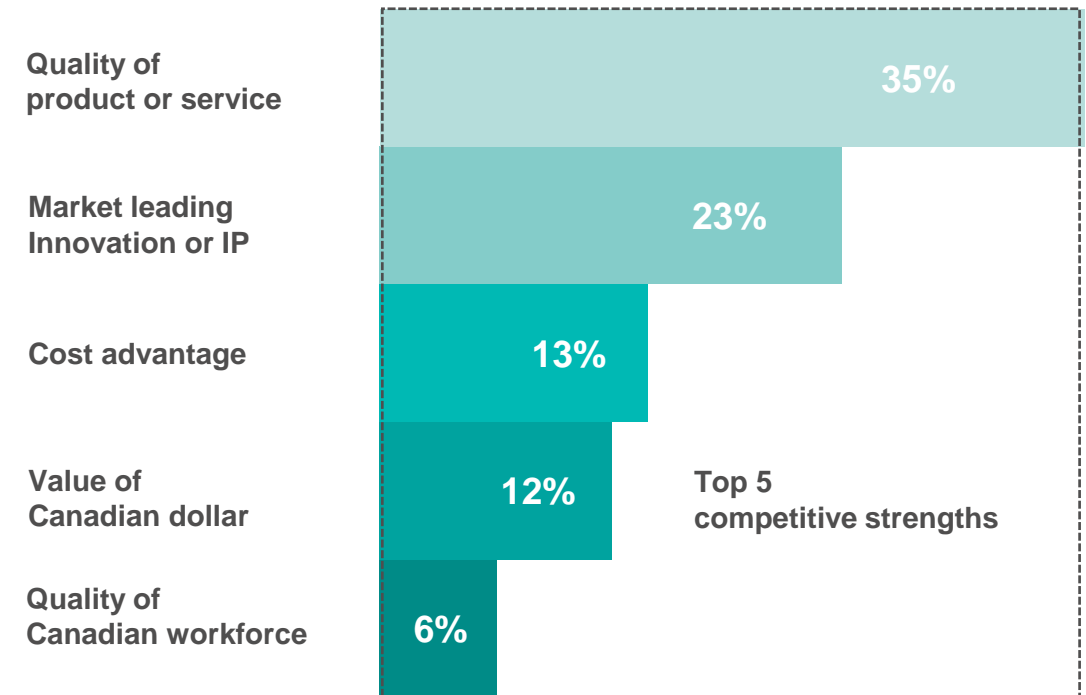


14%

say businesses
from the U.S.

Most important competitive strength

% of respondents, of those that exported to Europe in past 12 months

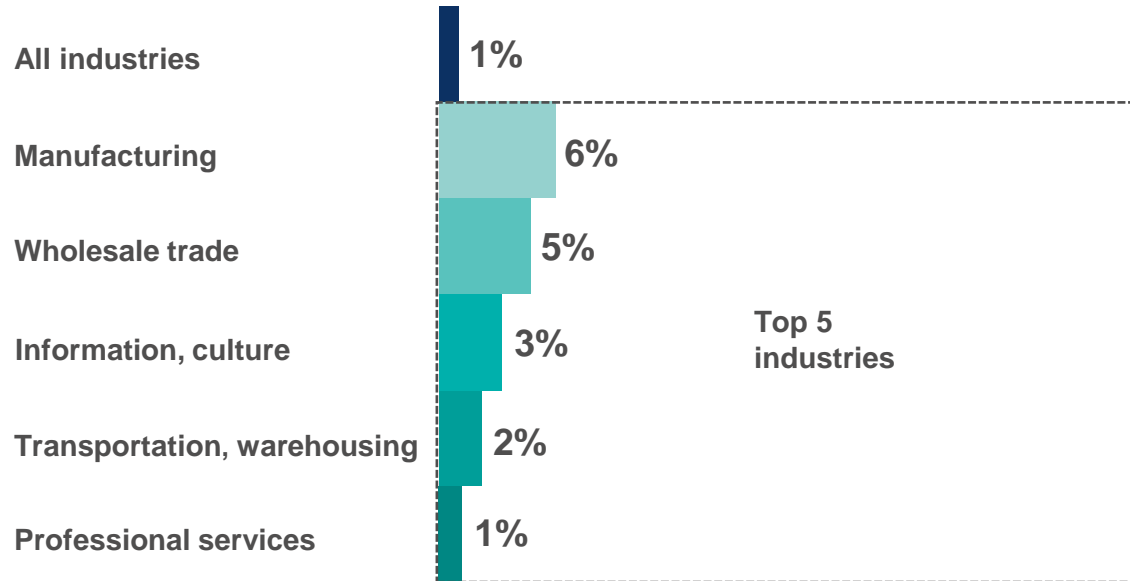


Canadian manufacturing most China oriented.

Canadian businesses rely on IP and quality to compete in China.

Industries exporting

% of respondents, of those that exported to China in the past 12 months



Primary competition

% of respondents, of those that exported to China in the past 12 months



35%

say businesses
from China



24%

say businesses
from Canada

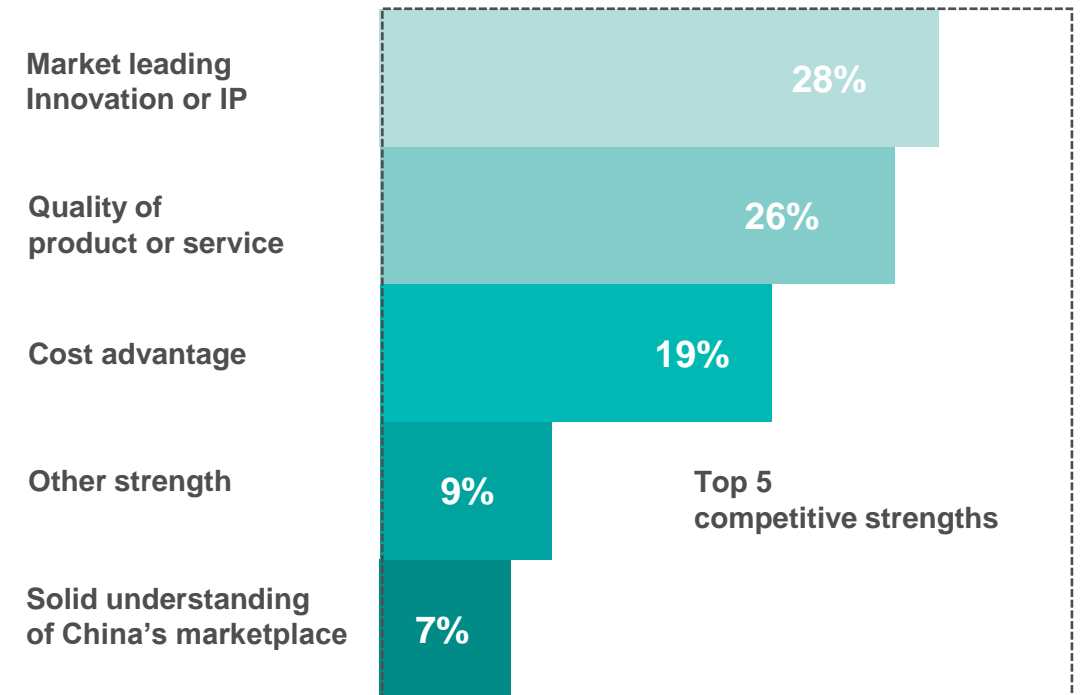


11%

say businesses
from BRICS

Most important competitive strength

% of respondents, of those that exported to China in the past 12 months





Appendix



Survey methodology

- **Survey objectives:** The Canadian Survey on Business Conditions (CSBC) was created in spring 2020 by Statistics Canada in partnership with the Canadian Chamber of Commerce to provide timely, relevant data on business conditions in Canada, as well as businesses' expectations and views on emerging issues. These surveys are used by governments, chambers of commerce, business associations and analysts to monitor evolving business conditions and devise policies to support Canadian business.
- **Survey period:** The Q2 2023 CSBC data collection period was April 3 to May 8, 2023.
- **Survey approach:** The survey was conducted by Statistics Canada 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. The survey is based on responses from 15,401 businesses or organizations.
- **Note:** Charts might not sum to 100% due to rounding.
- **Contact:** This report presents CSBC analysis conducted by the Canadian Chamber of Commerce Business Data Lab. For questions, comments or media inquiries, contact Patrick Gill, Senior Director (PGill@Chamber.ca).



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Commerce

Chambre de
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du Canada



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The BDL is made possible through our collaboration with Statistics Canada and financial support from Innovation, Science and Economic Development Canada.

Funded by the
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