



Business Data Lab Laboratoire de données sur les entreprises

Q3 2023

# Canadian Survey on Business Conditions Report

# Message from the Chief Economist

The outlook for Canadian businesses weakened noticeably in the third quarter, according to Statistics Canada's latest *Canadian Survey on Business Conditions (CSBC)*. Businesses expect sales and hiring to slow in the near term. With cost challenges remaining pervasive, profits are expected to shrink. The outlook is most concerning in Ontario (particularly for Toronto) and British Columbia, whereas Quebec continues to have the most optimistic outlook in the country.

Canada's GDP unexpectedly contracted in the second quarter, and the CSBC provides new evidence of ongoing turmoil in the third quarter as the transportation sector was hard hit by the nearly two-week-long port strike at the start of July, adding to disruptions from forest fires.

Despite broad-based inflation pressures, with the economy sputtering, the Bank of Canada decided to hold its policy rate in September, rather than continue to tighten as it did over the summer. Nonetheless, after an almost 5% cumulative increase in the central bank rate, consumer spending has now stalled, as first illustrated by our [Local Spending Tracker](#). This latest survey shows that businesses are also feeling the pain from higher rates, which are exacerbating cost pressures and debt constraints — especially for micro firms, whose finances are most restricted.

Continuing cost pressures explain why firms' pricing behaviour still hasn't normalized yet, even though headline inflation has slowed. Thankfully, the labour market is loosening up, although there are still significant challenges in sectors such as health care, accommodation and food services, manufacturing and construction. Supply chains are also recovering from their peak difficulties of last year, but they too remain problematic for affected companies.

This quarter's survey includes new insights into interprovincial trade and related barriers, the various payment methods businesses accept and their environmental practices. Check out our [Survey Insights Generator](#) to explore the CSBC data and generate customized results by geography and firm characteristics. We'll be back next quarter with the latest on Canadian business conditions!



**Stephen Tapp** ([STapp@Chamber.ca](mailto:STapp@Chamber.ca))  
Chief Economist, Canadian Chamber of Commerce





# Key findings

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## Business Outlook:

- The outlook is waning — both for the quarter ahead and the year ahead — with sales and hiring expected to slow noticeably.
  - **By sector:** The port strike in Western Canada in July hit the transportation sector hard.
  - **By size:** Micro firms (with 1 to 4 employees) continue to have the weakest outlook, while all firm sizes expect slimmer profits.
  - **By ownership:** Among underrepresented groups, people with disabilities, Indigenous people and women who own firms are the most optimistic.
  - **By province:** Business optimism is highest in Quebec and the territories, and lowest in Ontario and British Columbia.
  - **By city:** Business optimism fell across Canada's largest cities, especially Toronto, which remains the least optimistic.



## Key findings (continued)

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### Business Obstacles:

- Cost-related challenges remain the most pervasive near-term business obstacles. Higher interest rates are exacerbating financial concerns, particularly for micro firms, who are the most debt-constrained.
- Still facing rising costs, firms' pricing behaviour hasn't normalized yet. Despite slower headline inflation, the share of companies expecting to raise prices next quarter remains elevated at 26% — consistent with inflation getting stuck above the Bank of Canada's target range. Industries expecting bigger labour challenges are more likely to raise prices.
- The labour market is loosening, although there are still widespread challenges particularly in health-care, accommodation and food services, manufacturing and construction.



## Key findings (continued)

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### Supply Chains:

- Supply chain challenges have eased since the start of 2022, but remain elevated.
- Although fewer businesses expect supply chain challenges, among those affected a rising share say these challenges are getting worse in the short term, which was likely exacerbated by the port strike.

### Interprovincial Trade and Related Barriers:

- More than a third of businesses (35%) traded interprovincially in the past year.
- Of those traders, most (52%, representing almost 190,000 firms) experienced obstacles. Reducing transportation challenges and regulatory barriers are key ways to spur activity and improve Canada's competitiveness.



## Key findings (continued)

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### Online payments:

- Cash is no longer king, as businesses are increasingly accepting electronic payments.
- Service fees, security and compatibility concerns are key reasons businesses don't accept certain payment methods.

### Environmental Practices:

- Most businesses are adopting environmental practices (such as reducing waste) with more actions taken since last year.
- Customers' unwillingness to pay higher prices and a lack of financial resources are the biggest barriers to adopting green practices.



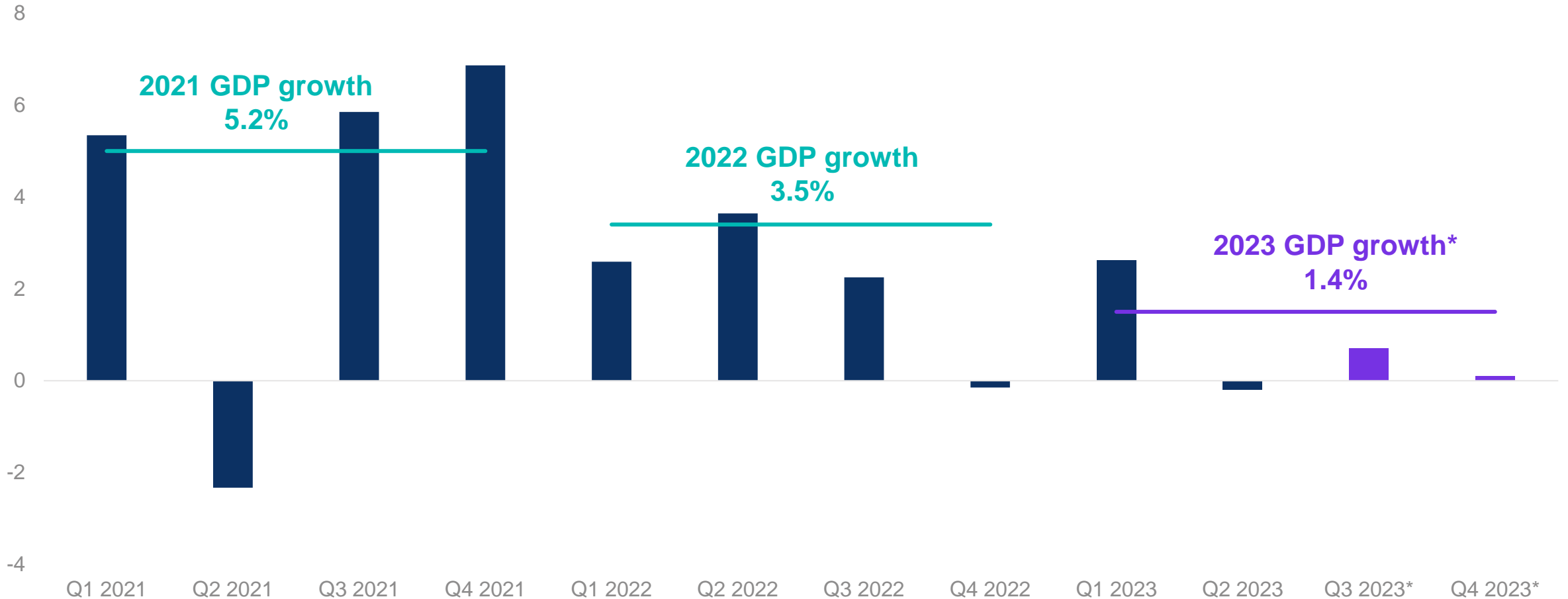
# **Outlook according to Canadian businesses**

**Q3 2023**



# Context: Canada's economic growth slowed over 2022. It contracted in the second quarter of 2023 and is expected to be weak this year.

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



Note: \* denotes current consensus forecast.

Sources: Business Data Lab analysis, based on Statistics Canada; Bloomberg.

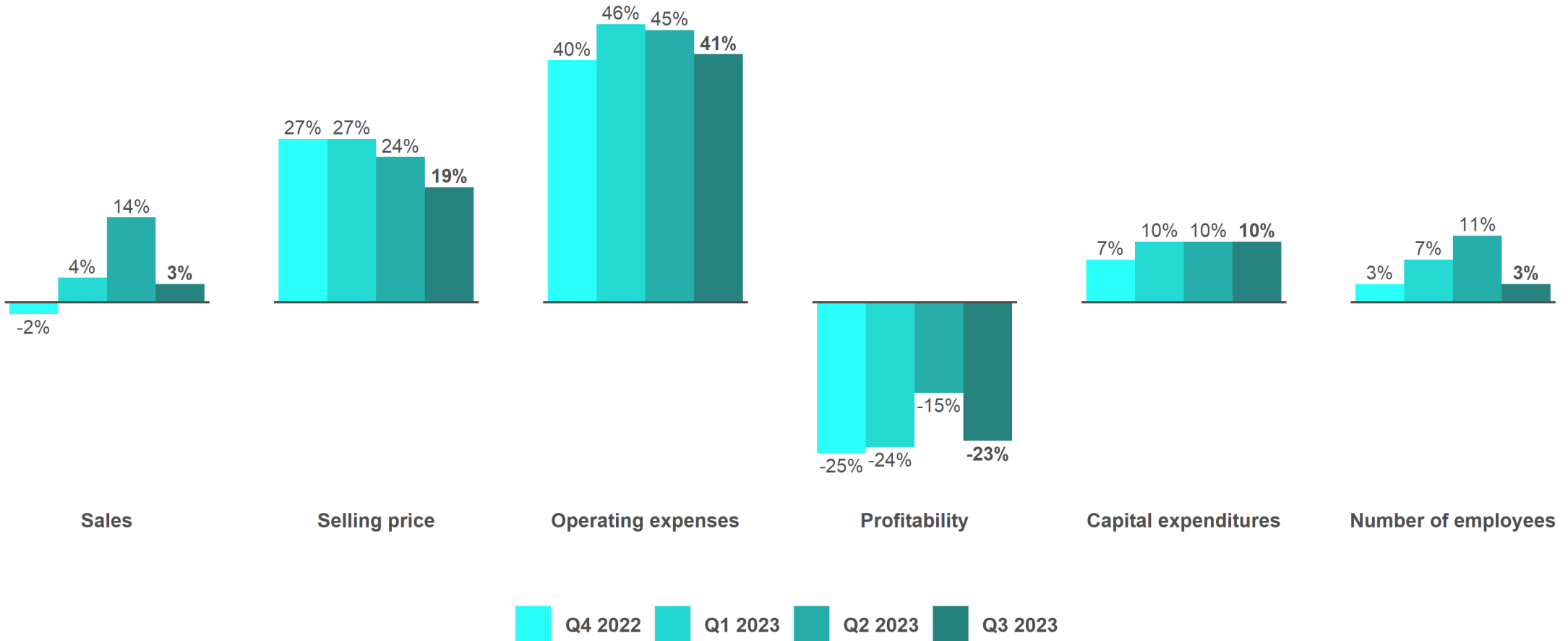




# Next quarter: Businesses expect near-term sales and hiring to slow.

## Expected changes for your business, next three months

Balance of opinion\*



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

Source: Business Data Lab analysis, based on Statistics Canada, Canadian Survey on Business Conditions.



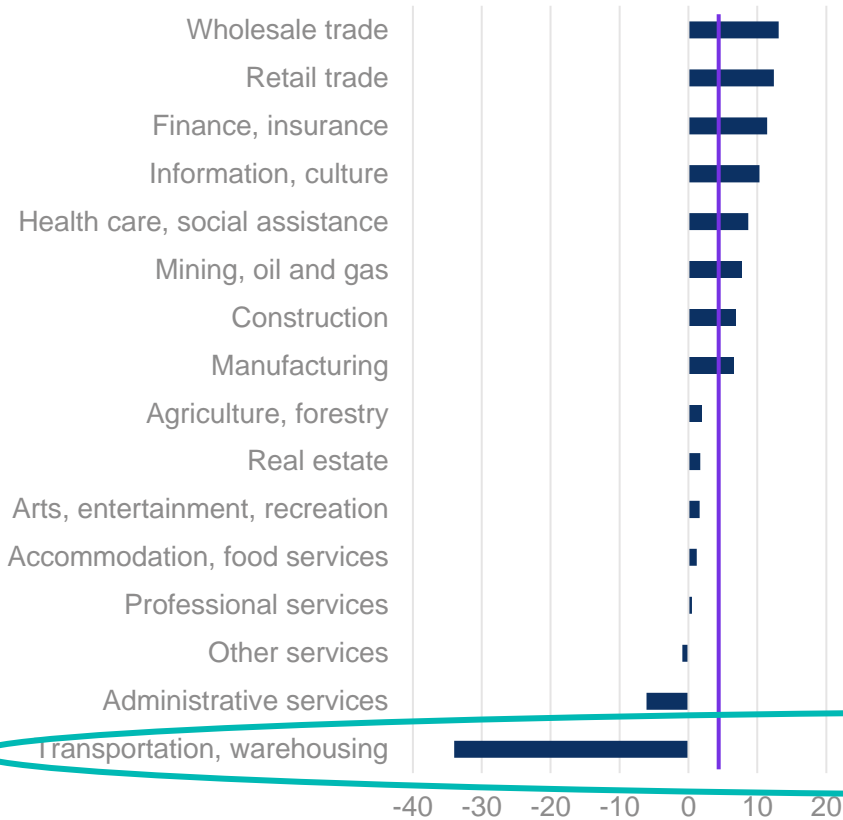
# Next quarter: Abysmal results for the transportation sector reflect the negative affects of the port strike in July.

## Expected changes for your business, next three months

Balance of opinion, by industry\*

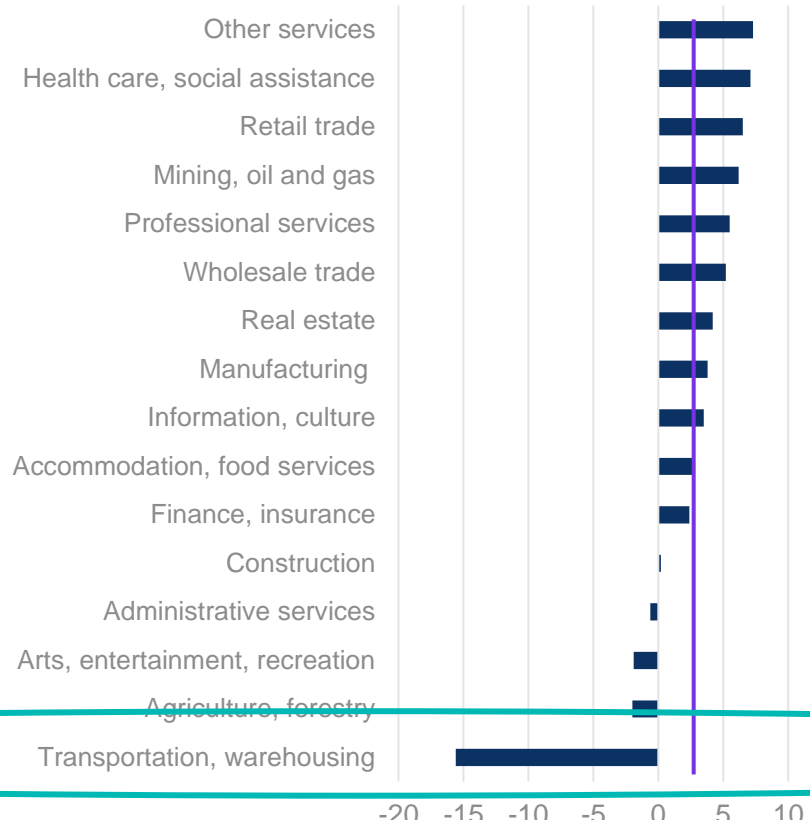
### Sales

#### All industries



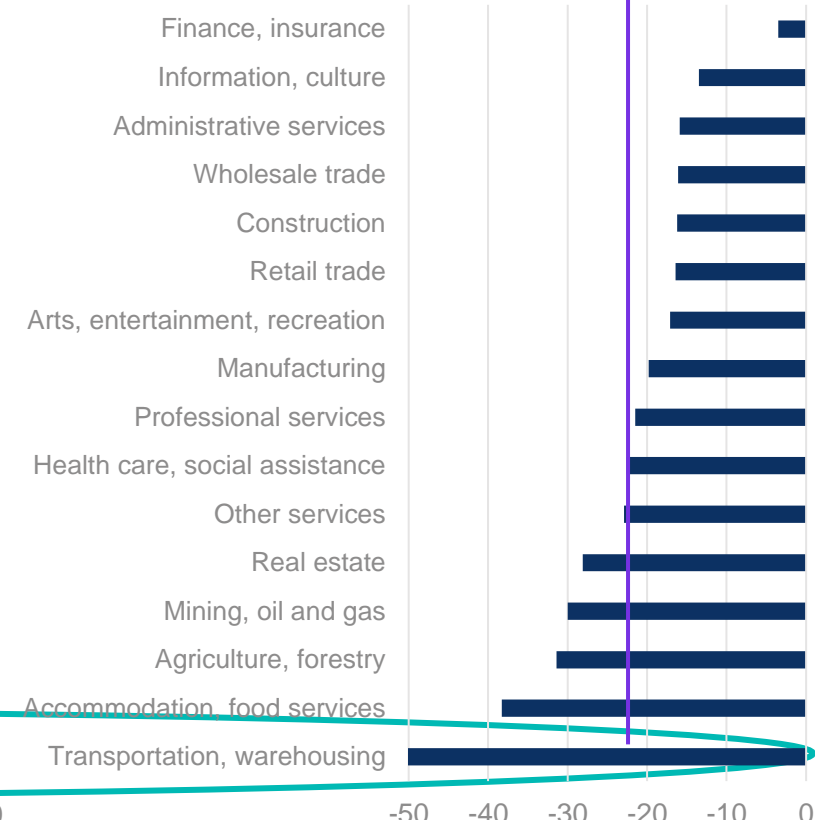
### Employment

#### All industries



### Profitability

#### All industries



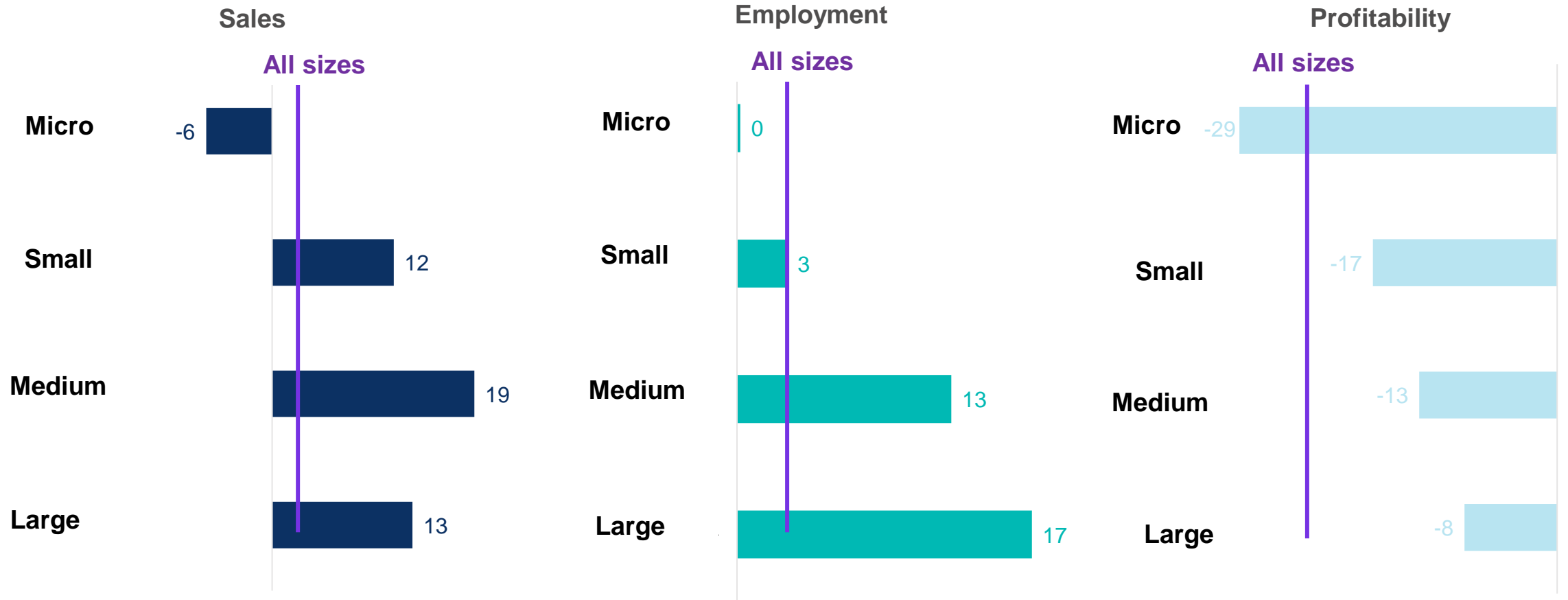
\* % of respondents that answered "increase" less % that answered "decrease," by metric.

Source: Business Data Lab analysis based on Statistics Canada's Canadian Survey on Business Conditions; 15,224 business responses in July and August 2023.



# Next quarter: Micro firms have the weakest outlook, expecting sales to shrink and stagnant employment, while all sizes expect slimmer profits.

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



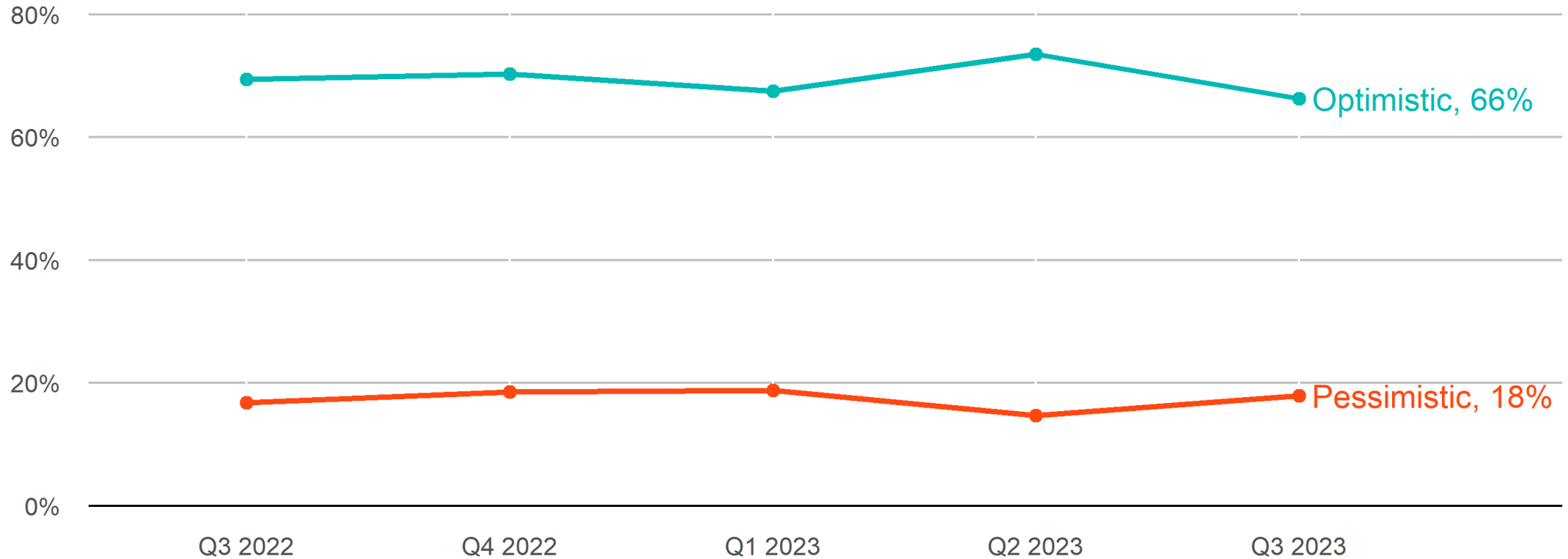
\* % of respondents that answered "increase" less % that answered "decrease" by metric. Micro = 1–4 employees; Small = 5–19 employees; Medium = 20–99 employees; Large = 100+ employees



# Year ahead: The business outlook has softened since the last survey.

## Outlook for your business, next 12 months

% of respondents



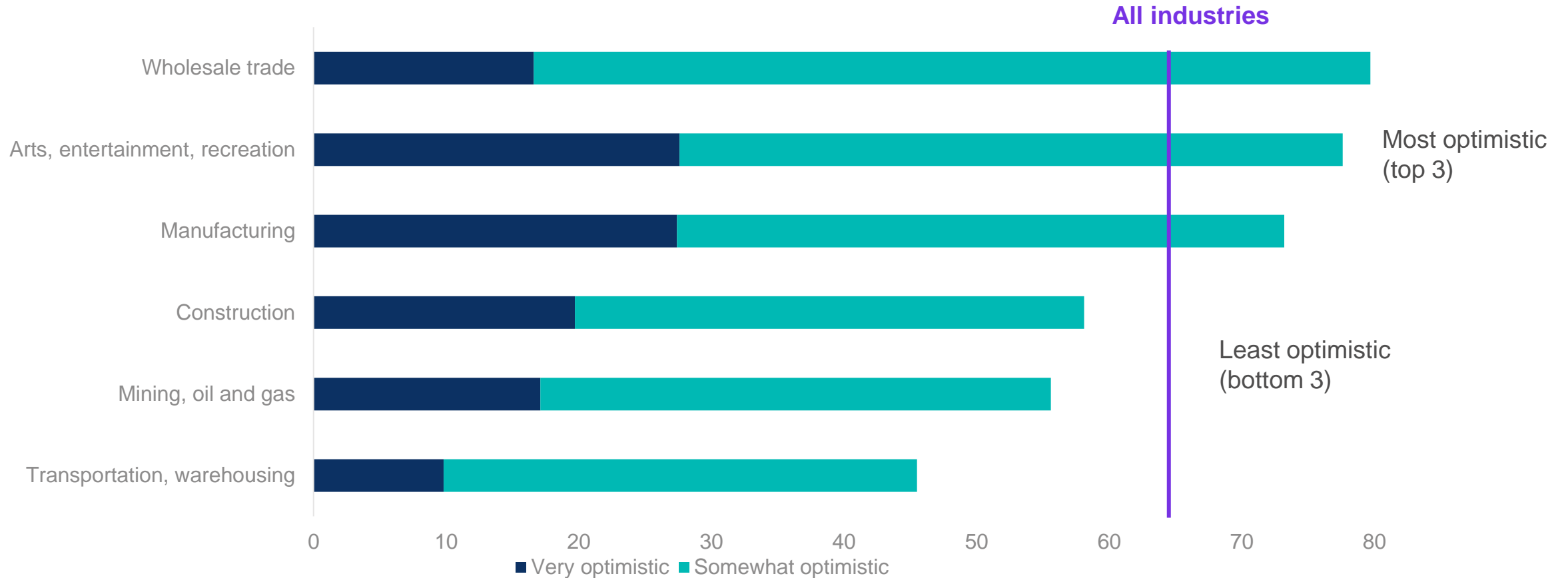
\* Optimistic includes “somewhat” and “very optimistic”; pessimistic includes “somewhat” and very pessimistic. Responses do not sum to 100% because of “unknown” responses and rounding.



# Year ahead: Wholesale, recreation and manufacturing sectors are upbeat, while optimism is lowest for transportation, oil and gas, and construction.

## Business outlook, next 12 months

% of respondents, by top 3 most optimistic and bottom 3 least optimistic industries

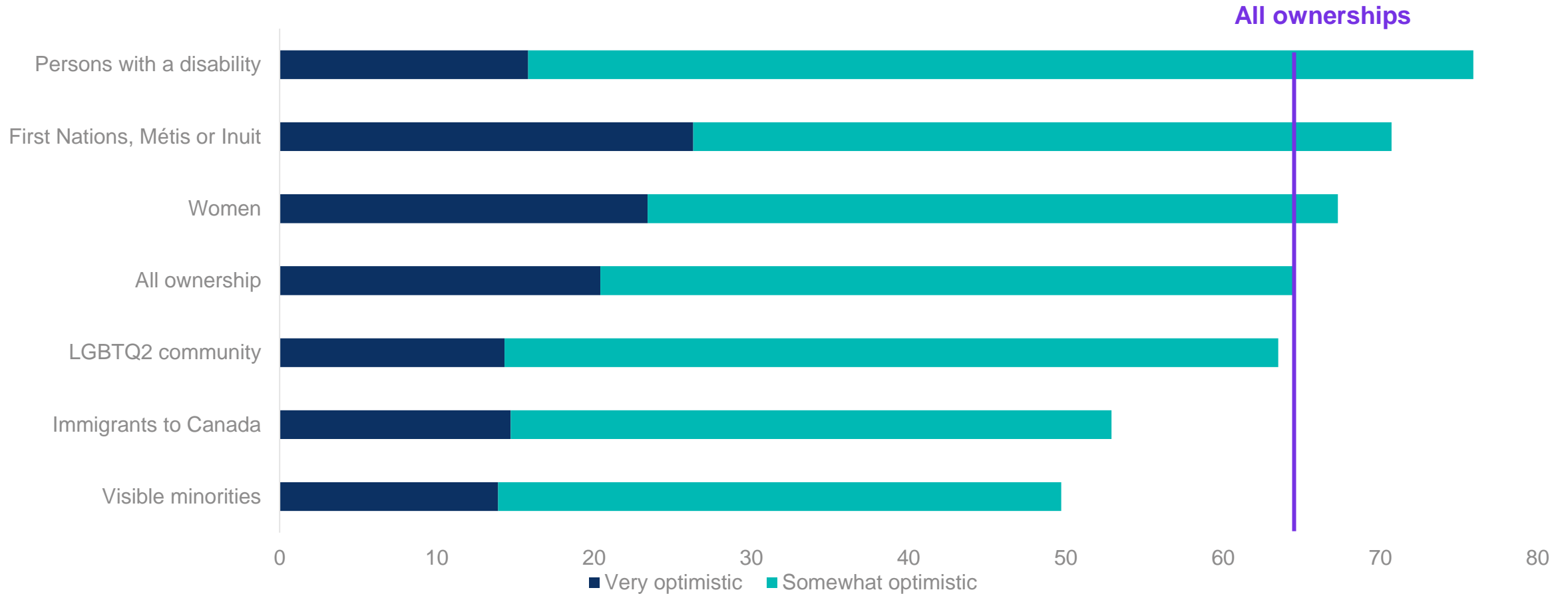




# By ownership: People with disabilities, Indigenous people and women who own firms are more optimistic, while other underrepresented groups are less optimistic.

## Business outlook, next 12 months

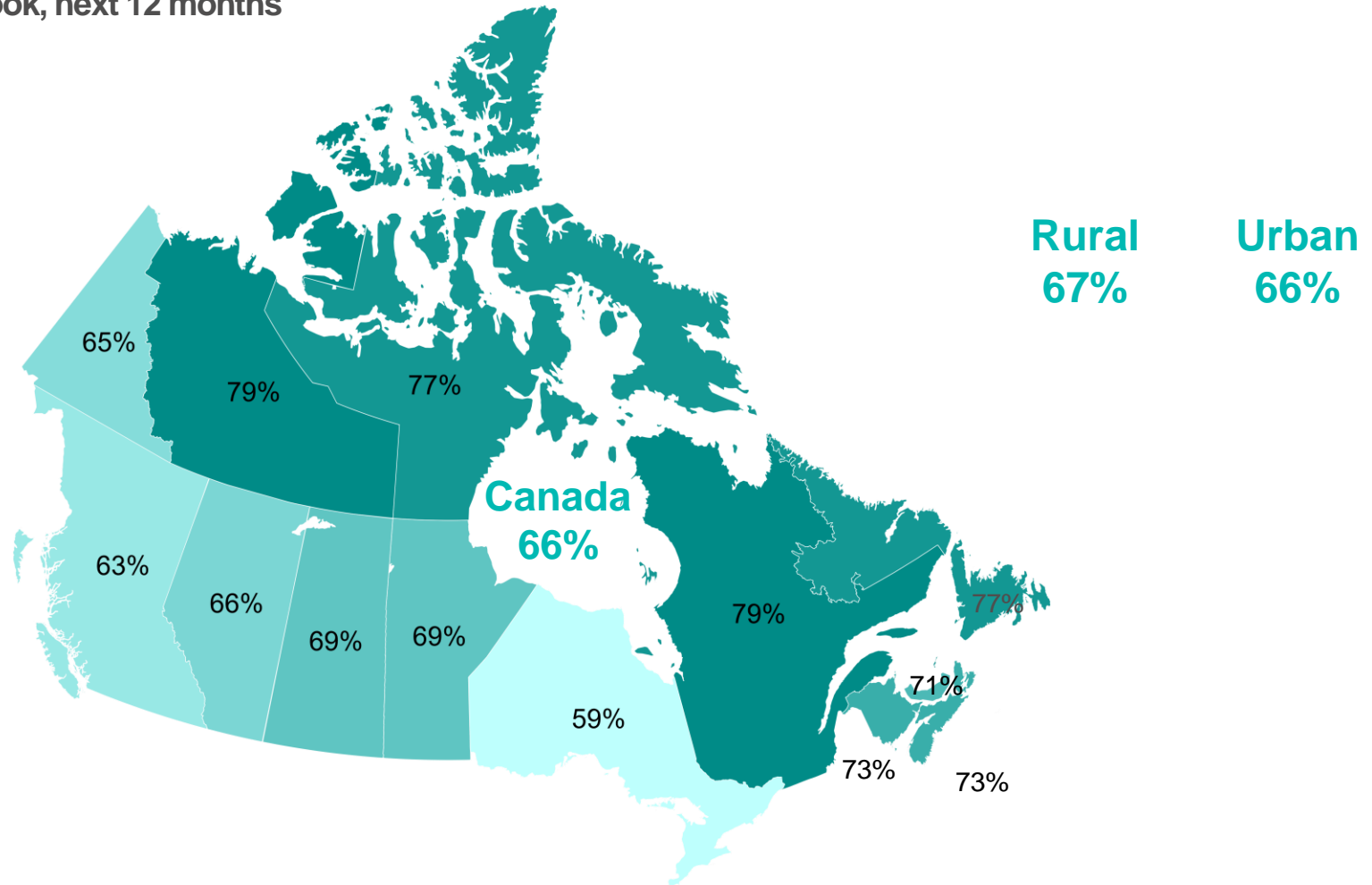
% of respondents, by ownership





# By region: Business optimism is highest in Quebec and the Territories and lowest in Ontario and British Columbia.

Businesses with an optimistic outlook, next 12 months  
% of respondents

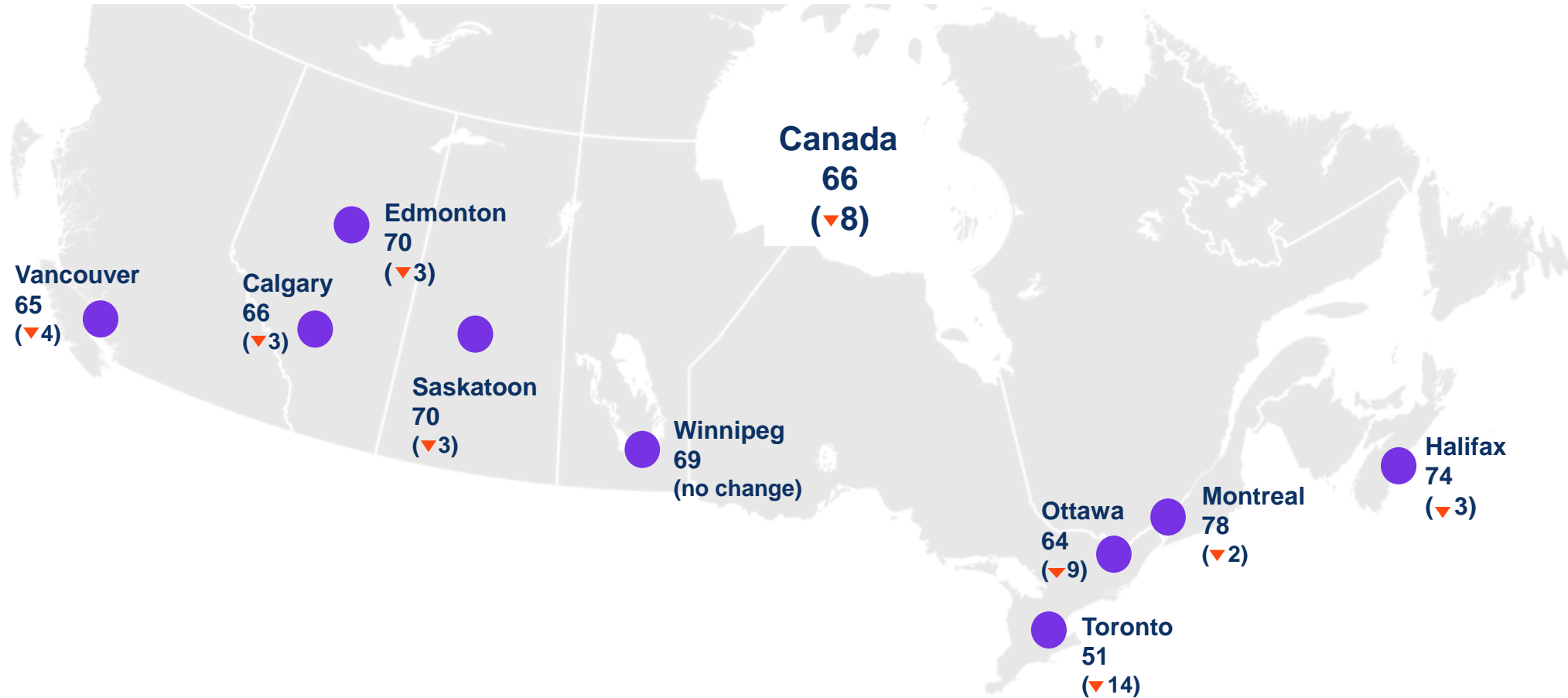




# Major cities: Business optimism fell across Canada's largest cities, especially Toronto, which has the least optimistic outlook.

## Businesses with an optimistic outlook, next 12 months

% of respondents, for by major cities, change relative to last survey in parenthesis







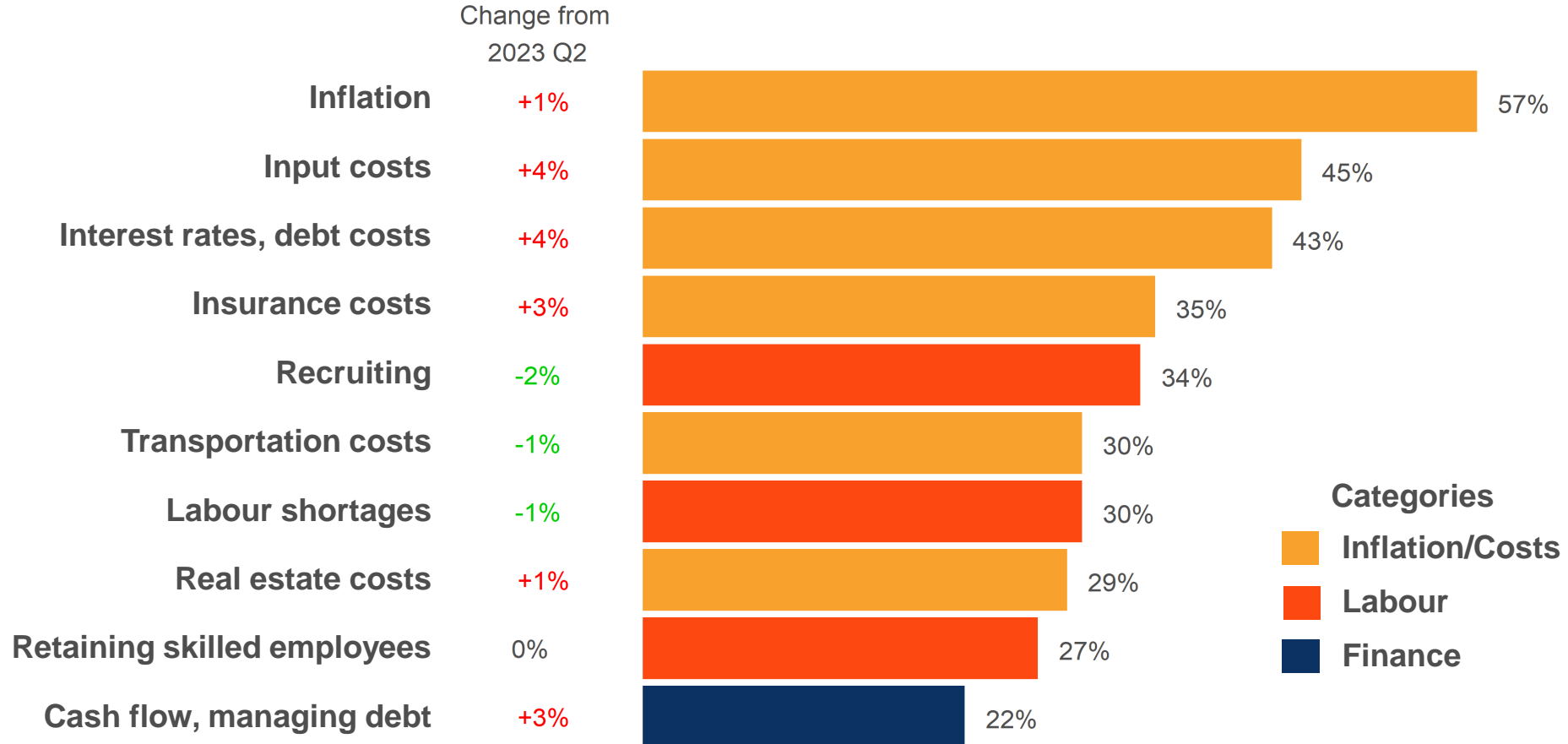
Q3 2023

# Business obstacles



# Inflation remained the most commonly expected business obstacle over the next quarter, while cost concerns picked up.

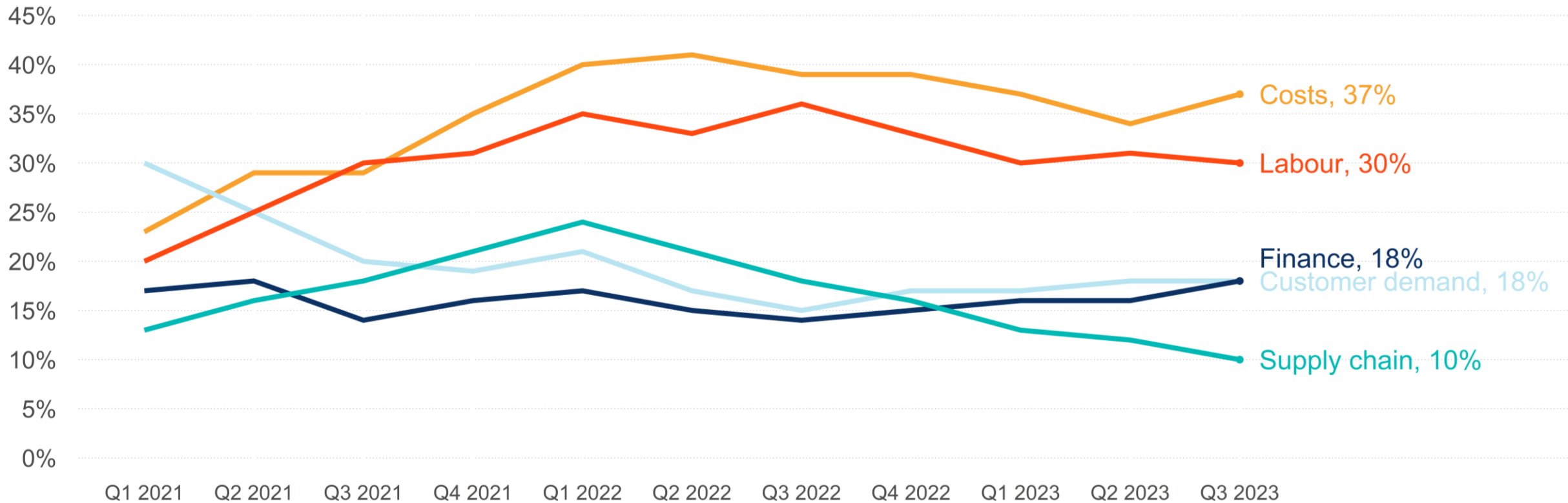
Top 10 business obstacles expected, next three months  
% of respondents





# Cost and financial challenges have worsened since the last survey, but supply chain issues are improving.

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



\* This chart shows the simple averages of related responses within categories, based on consistent response options over surveys. These are not estimates of the proportion of impacted businesses for each category. Source: Business Data Lab analysis, based on Statistics Canada, Canadian Survey on Business Conditions.



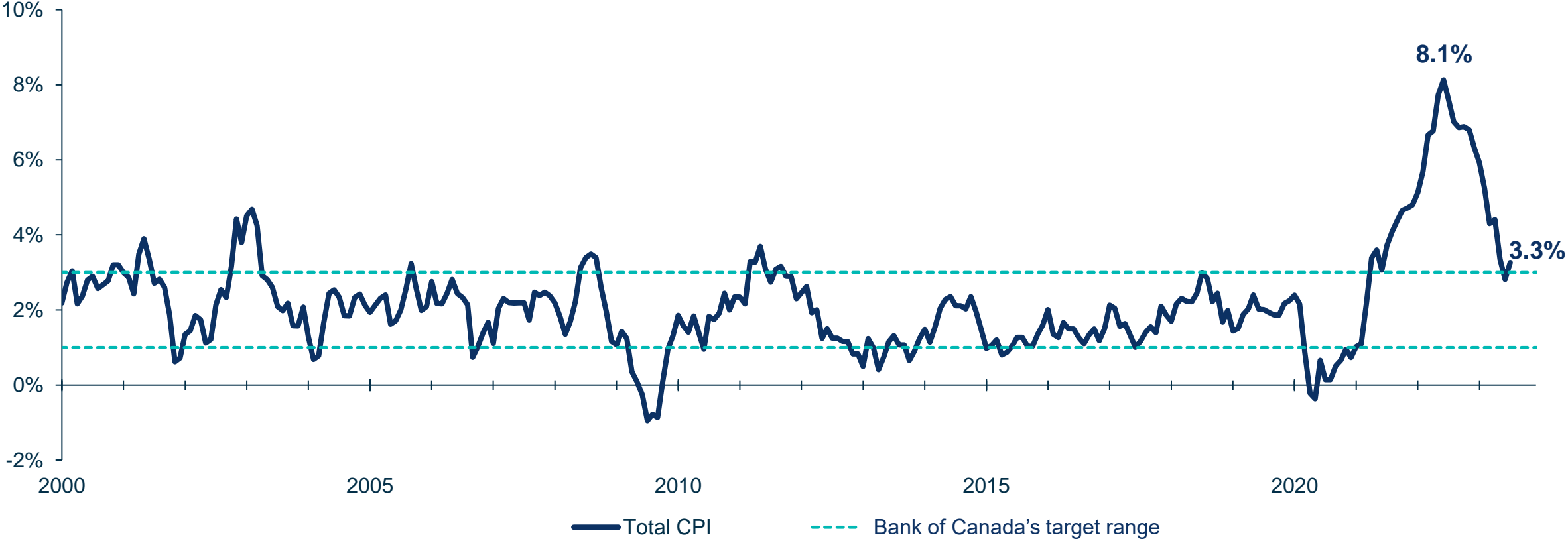
# **Inflation, interest rates, borrowing costs and debt constraints**

**Q3 2023**



# Context: Inflation peaked at over 8% last summer; it has slowed significantly but is still above the Bank of Canada's 2% target.

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



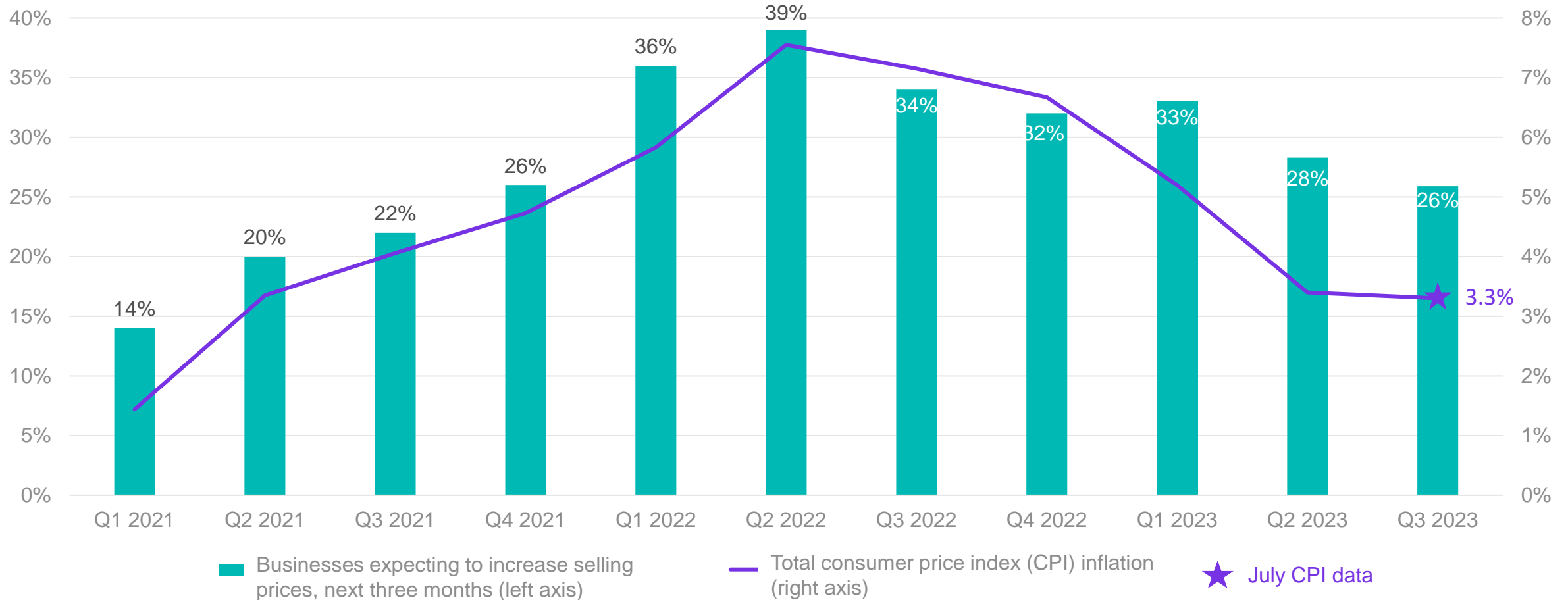
Source: Business Data Lab analysis based on Statistics Canada, Consumer Price Index.



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

## Businesses expecting to raise their selling prices, next three months and CPI inflation

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



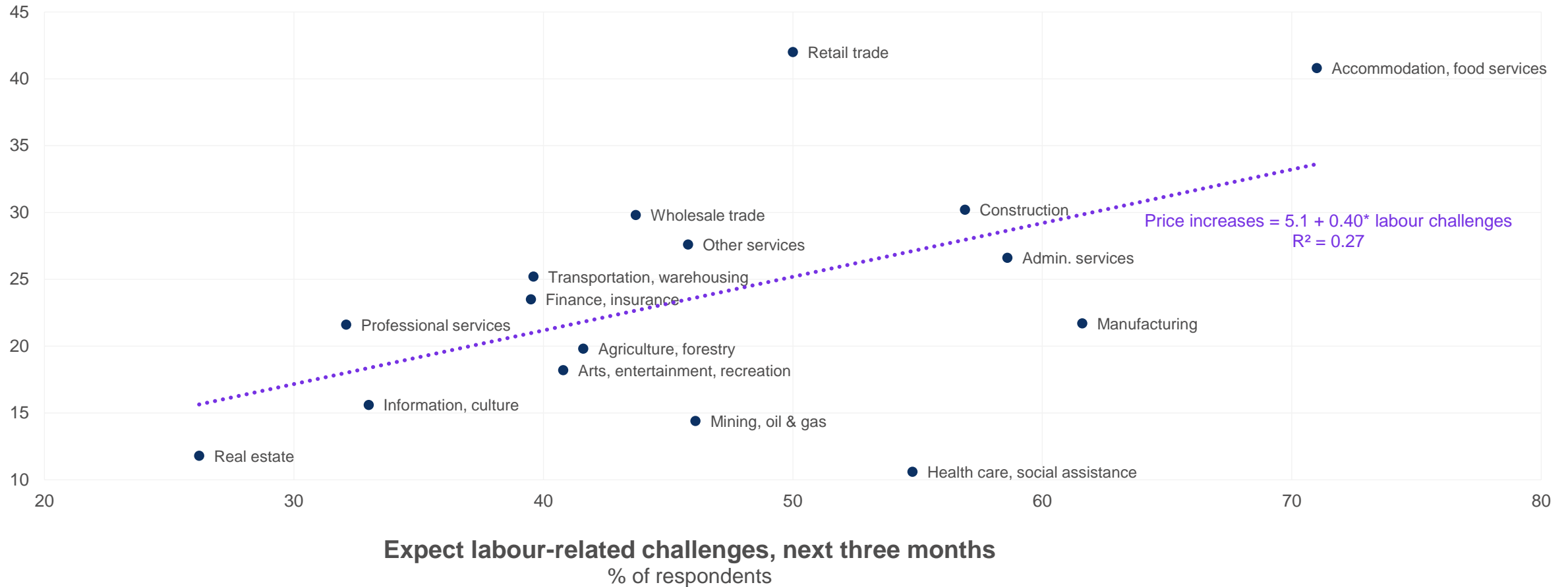
Source: Business Data Lab analysis, based on Statistics Canada, Canadian Survey on Business Conditions.



# Industries facing stronger labour challenges, such as retail trade, accommodation and food services, are more likely to raise prices.

## Expect to raise prices, next three months

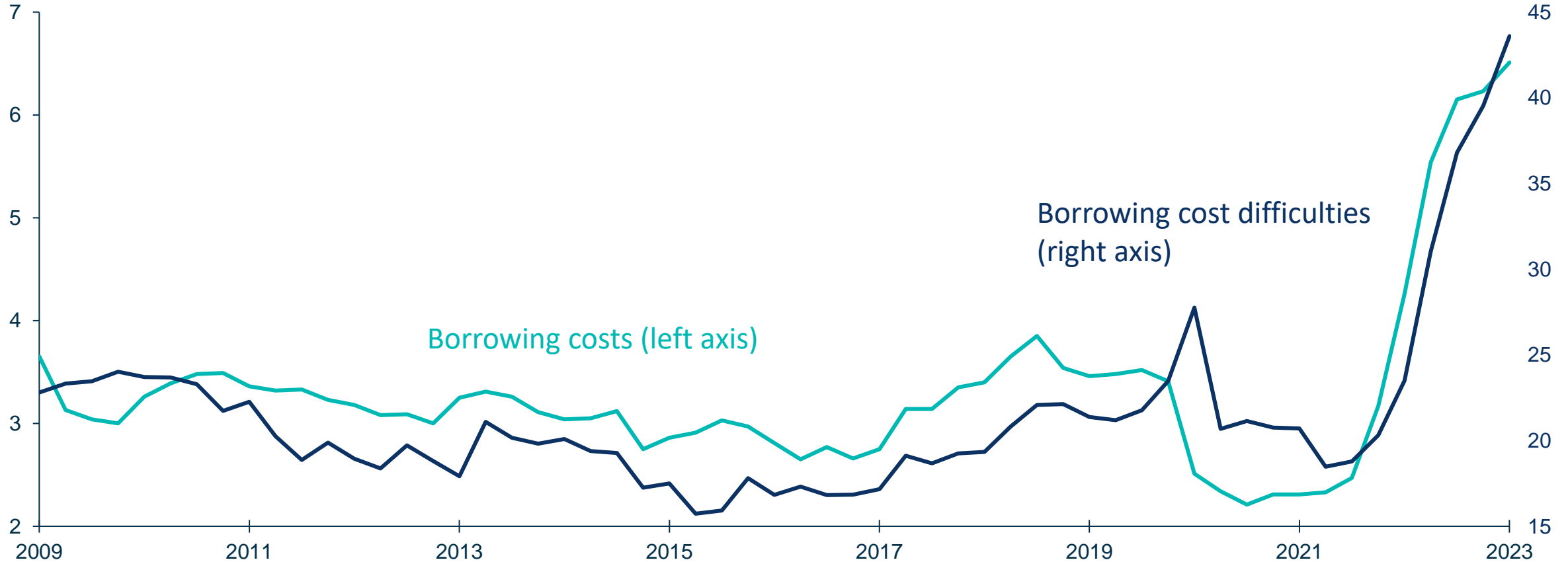
% of respondents





# Context: Businesses are struggling with borrowing costs following interest rate hikes

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

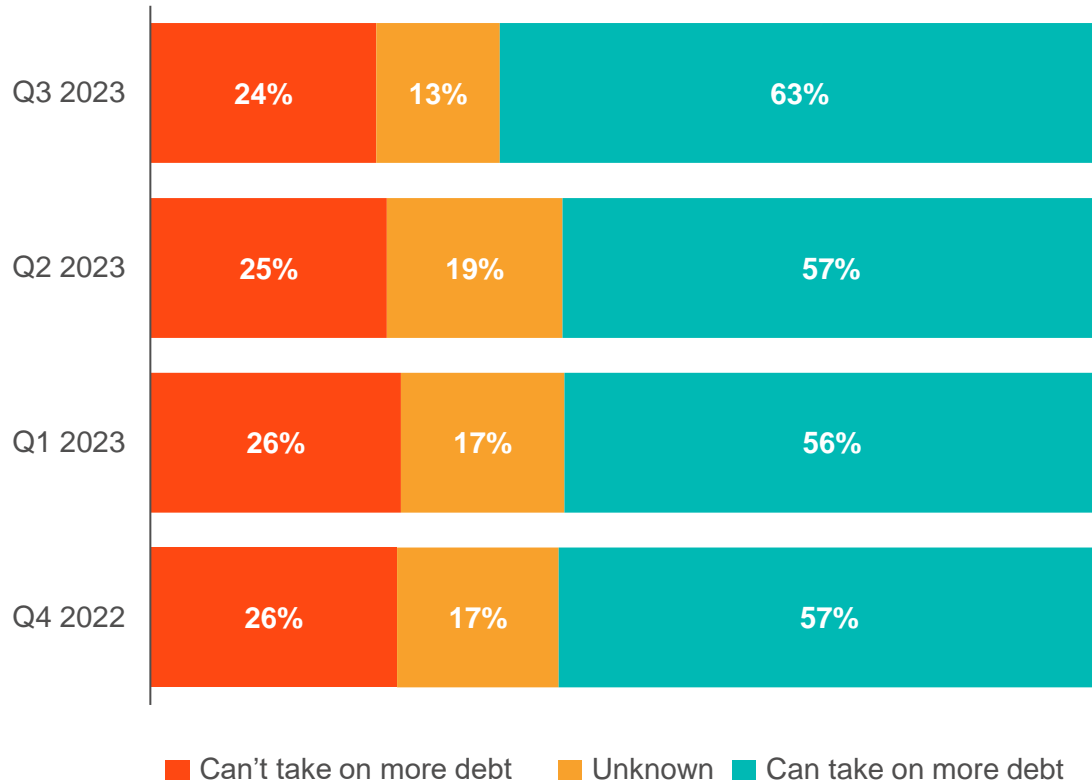




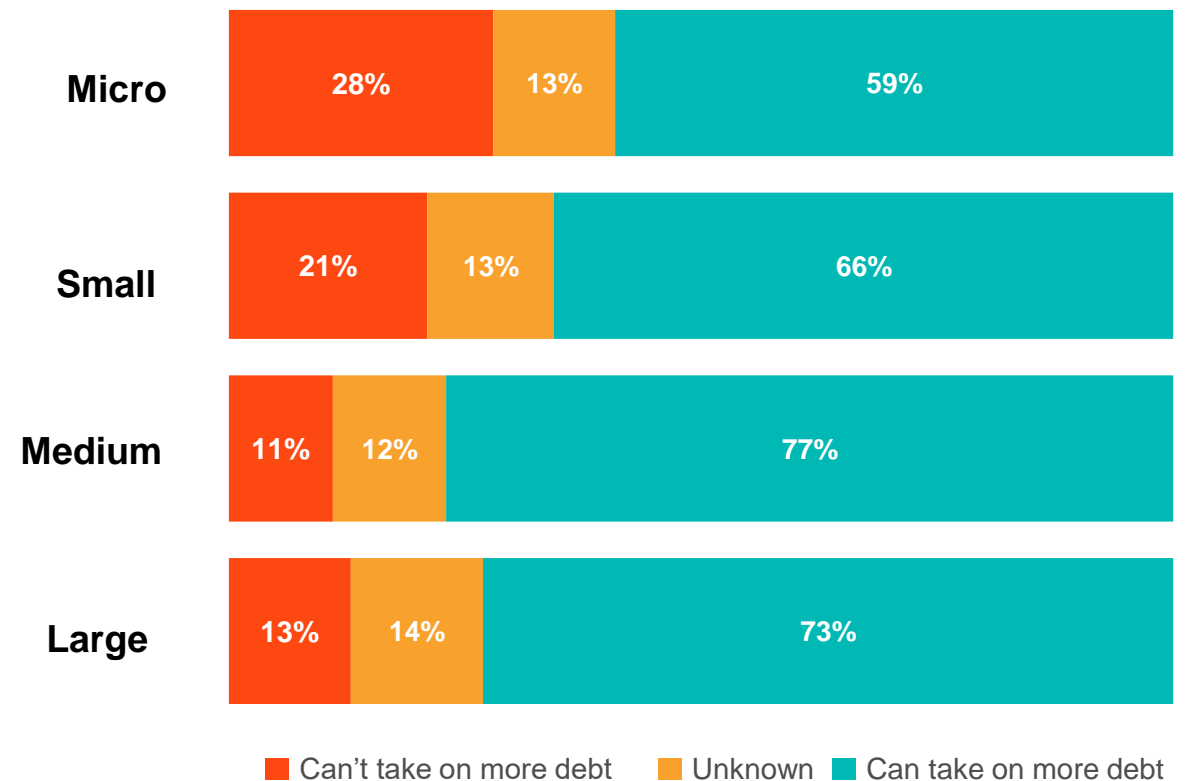


# Business debt rose and constraints tightened over the pandemic; micro and small firms are most constrained.

**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 Q3 2023



*In a recent CSBC survey, nearly one-quarter of private sector firms reported higher business debt since the start of the pandemic.*

Micro = 1–4 employees; Small = 5–19 employees; Medium = 20–99 employees; Large = 100+ employees  
Source: Business Data Lab analysis, based on Statistics Canada, Canadian Survey on Business Conditions.



# 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 24% of all respondents that said they can't take on more debt; change relative to last survey in parentheses



**61%**

(+17)

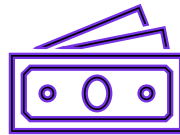
Unfavourable  
interest rates



**42%**

(+7)

Uncertain  
future sales



**28%**

(-12)

Cash flow



**13%**

(+1)

Unfavourable  
payment terms



**13%**

(+2)

Request would  
be turned down



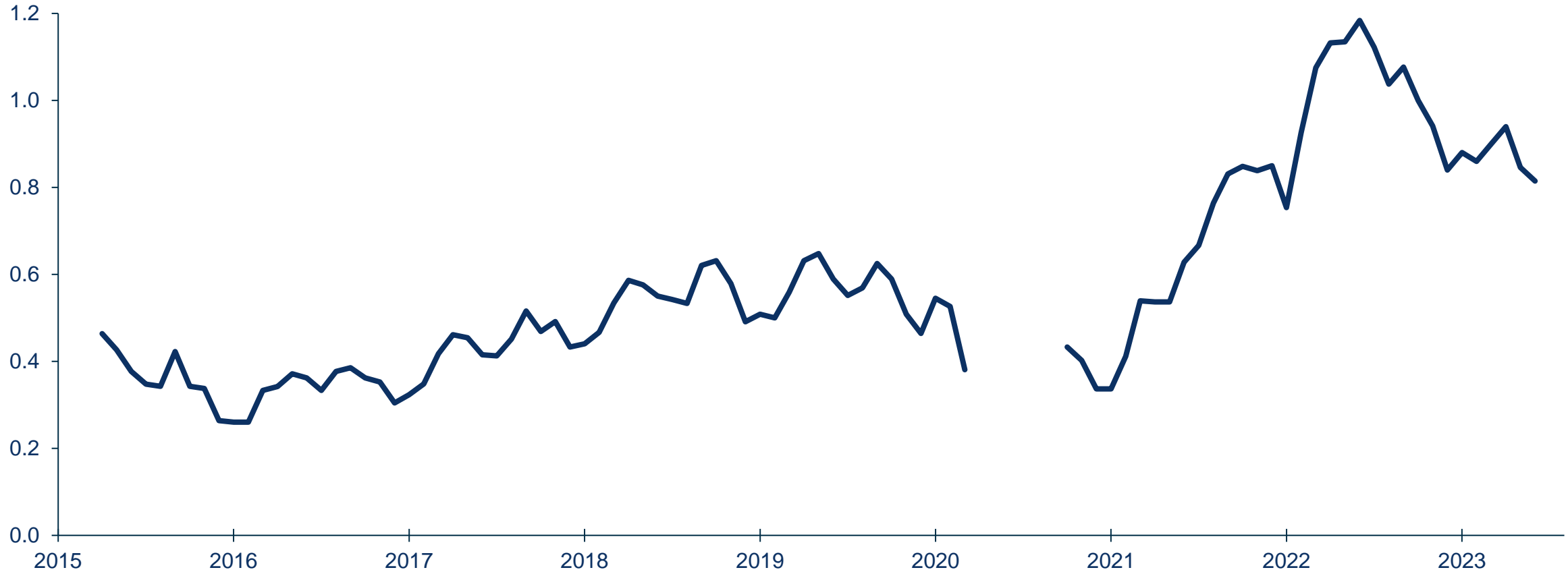
Q3 2023

# Labour markets



# Context: Canada's labour market tightened significantly in the pandemic, but has loosened over the past year.

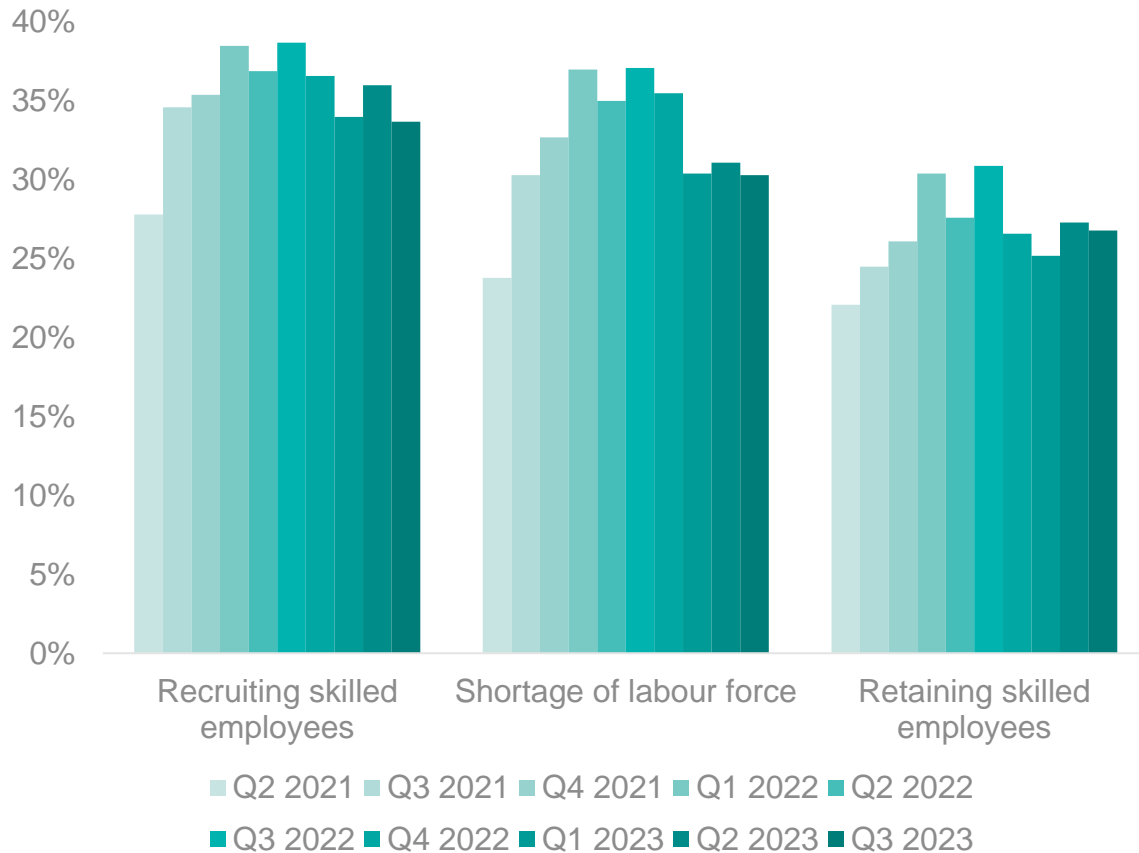
Labour market tightness  
Job vacancies per unemployed



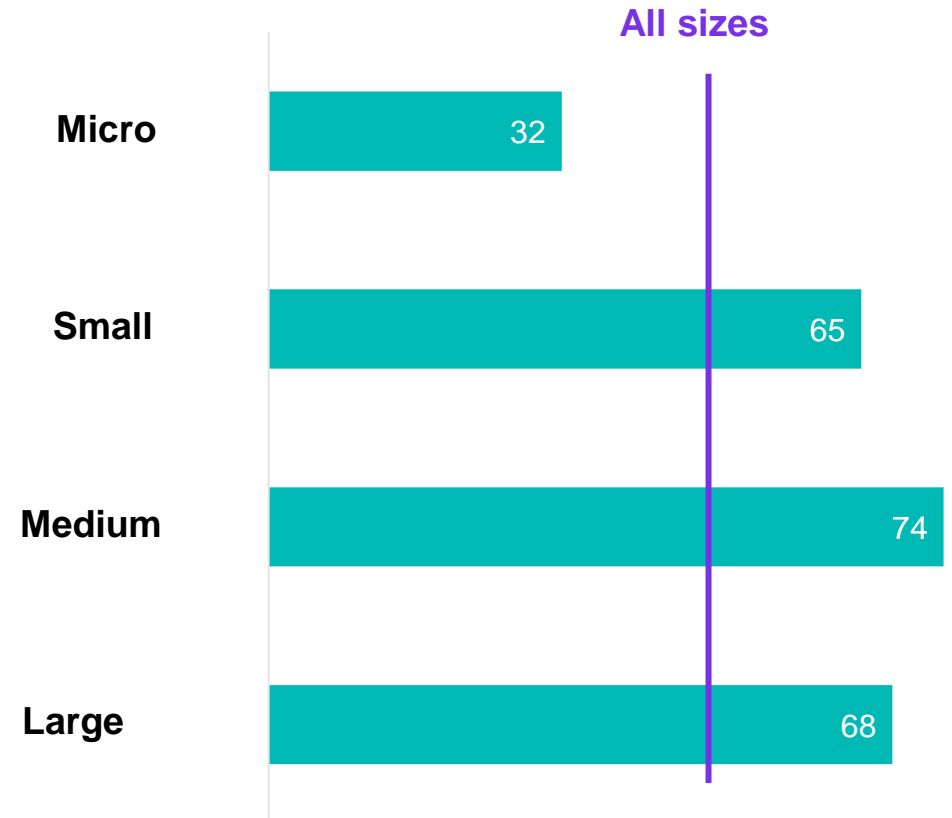


# Labour challenges are a top-of-mind concern for all businesses, except the very smallest firms.

Expect labour obstacles, next three months  
% of respondents



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

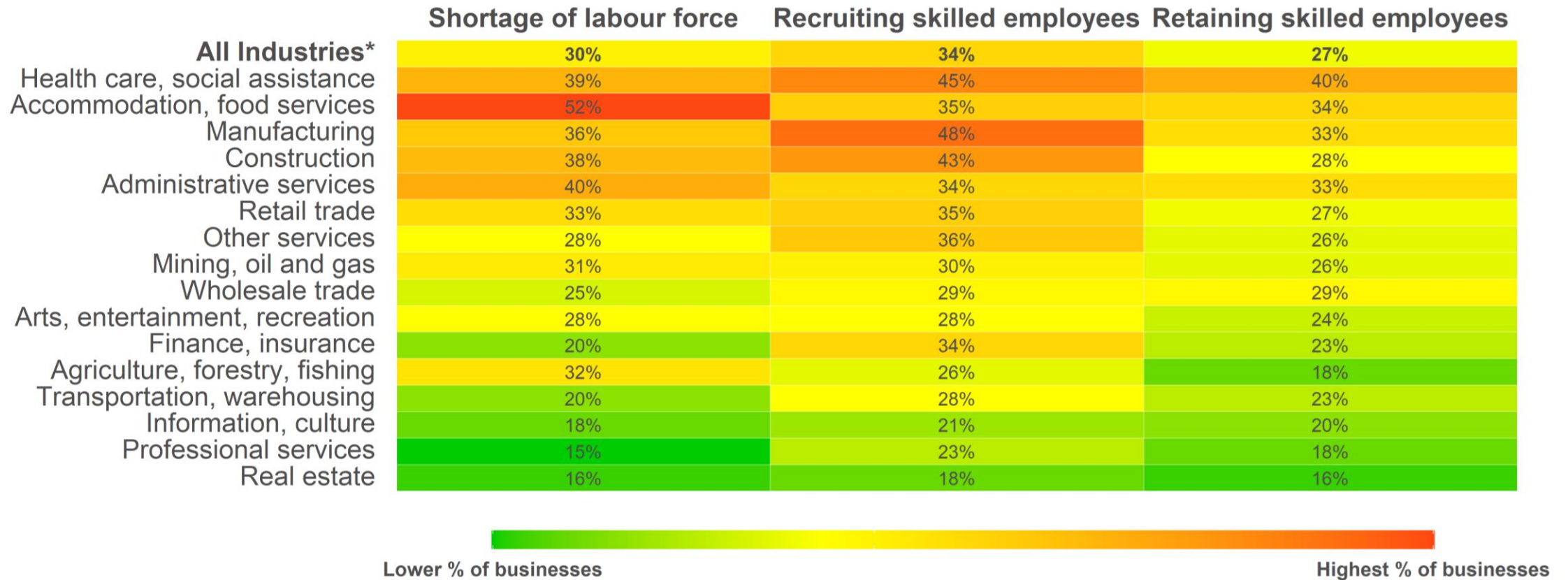


Micro = 1-4 employees; Small = 5-19 employees; Medium = 20-99 employees; Large = 100+ employees  
Source: Business Data Lab analysis, based on Statistics Canada, Canadian Survey on Business Conditions.



# Labour challenges are most acute in health-care, accommodation and food services, manufacturing and construction.

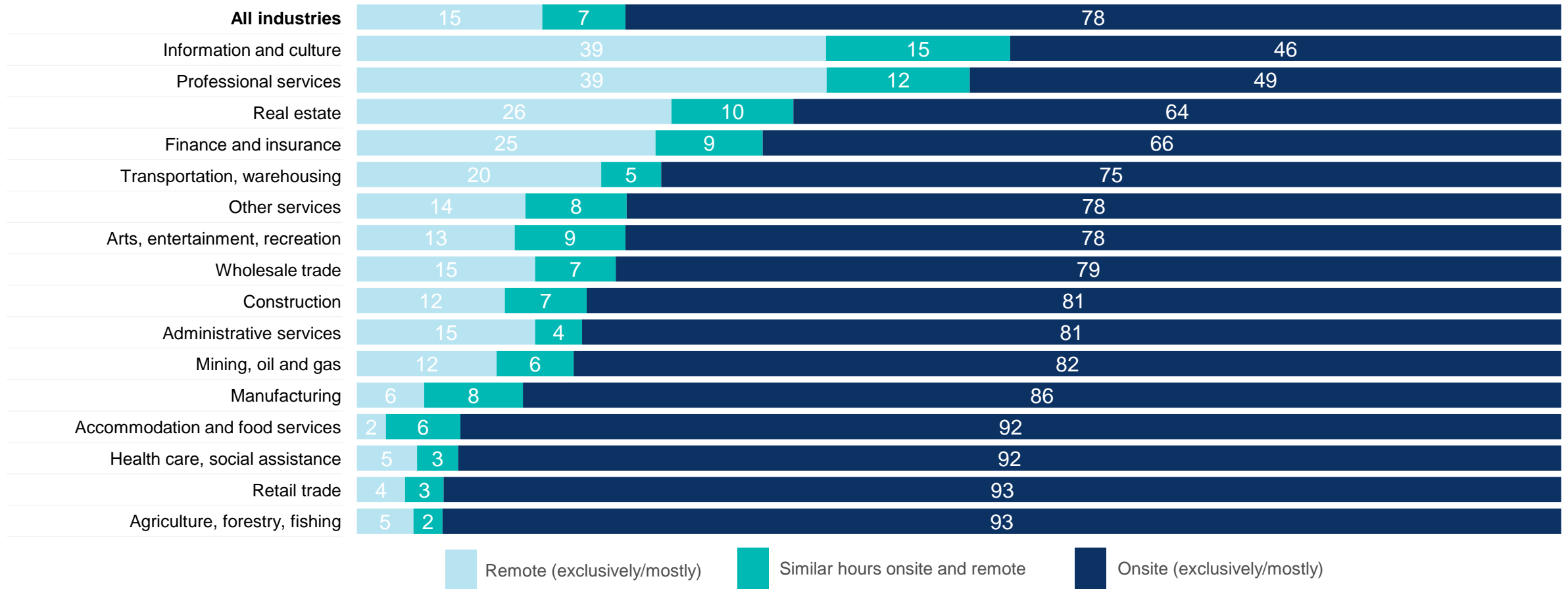
Labour challenges expected, next three months  
% of respondents by industry





# Nearly one-in-four workers engage in **remote or hybrid work**, with information, professional services, real estate and finance leading the way.

Share of employees' anticipated working arrangements, next three months  
% of respondents, by industry





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# Supply chain challenges and interprovincial trade

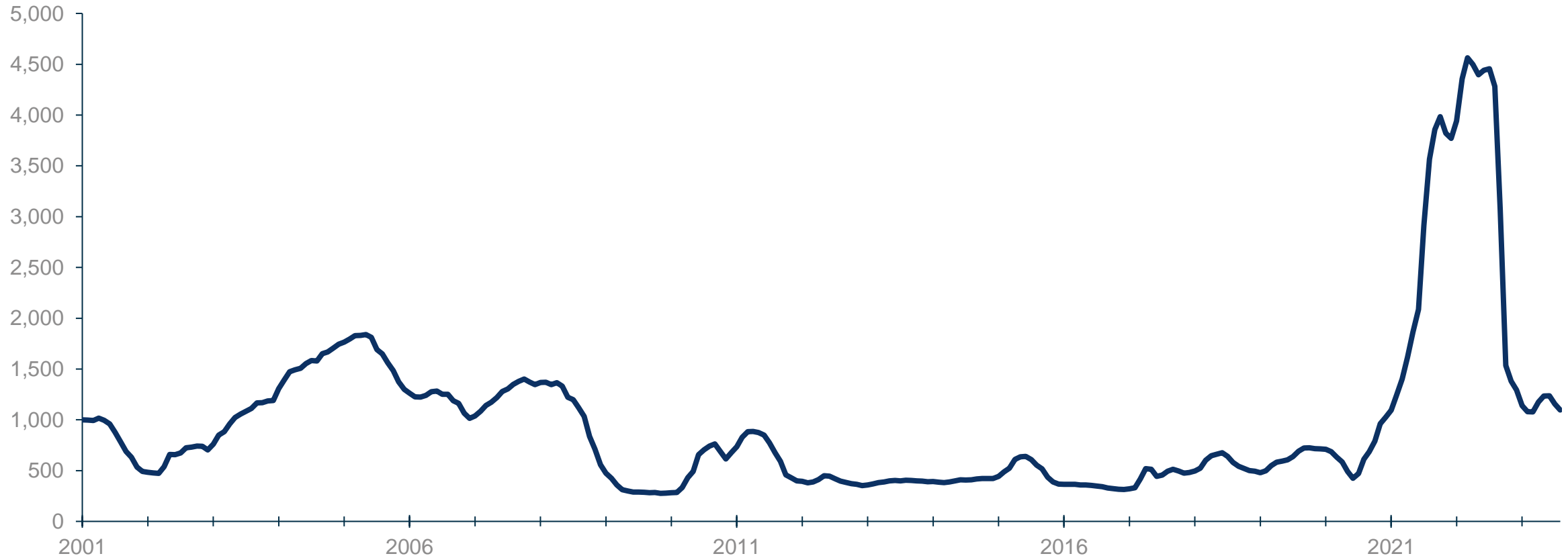




# Context: Global shipping rates spiked during pandemic backlogs, but have since returned closer to pre-pandemic levels.

## Global shipping rates

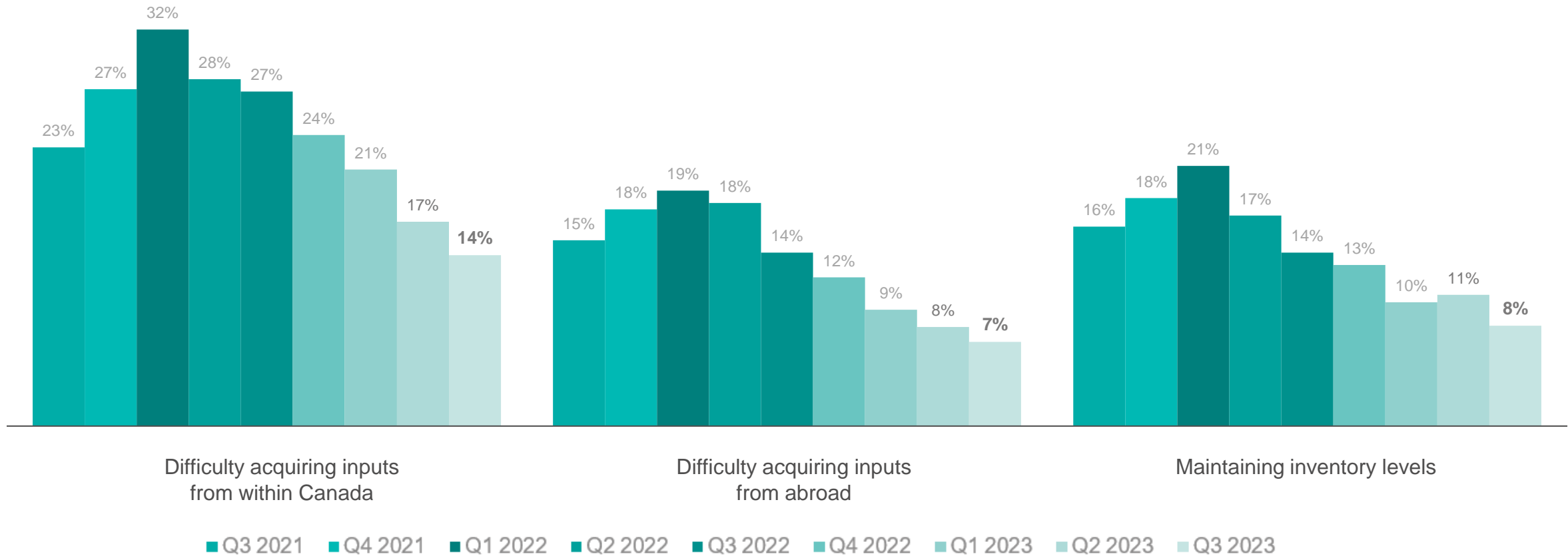
Index, January 2001=1000





# Supply chain challenges continue to ease, with acquiring domestic inputs and maintaining inventories leading the normalization.

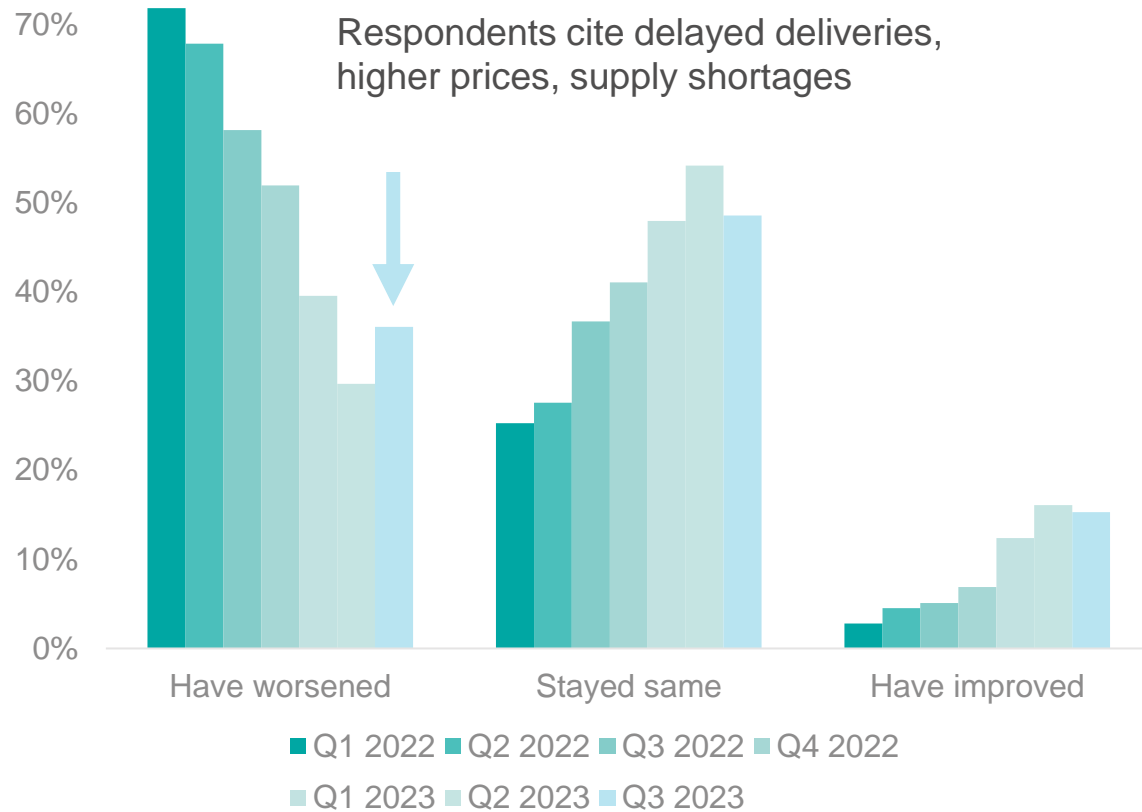
Expected supply chain obstacles, next three months  
% of respondents



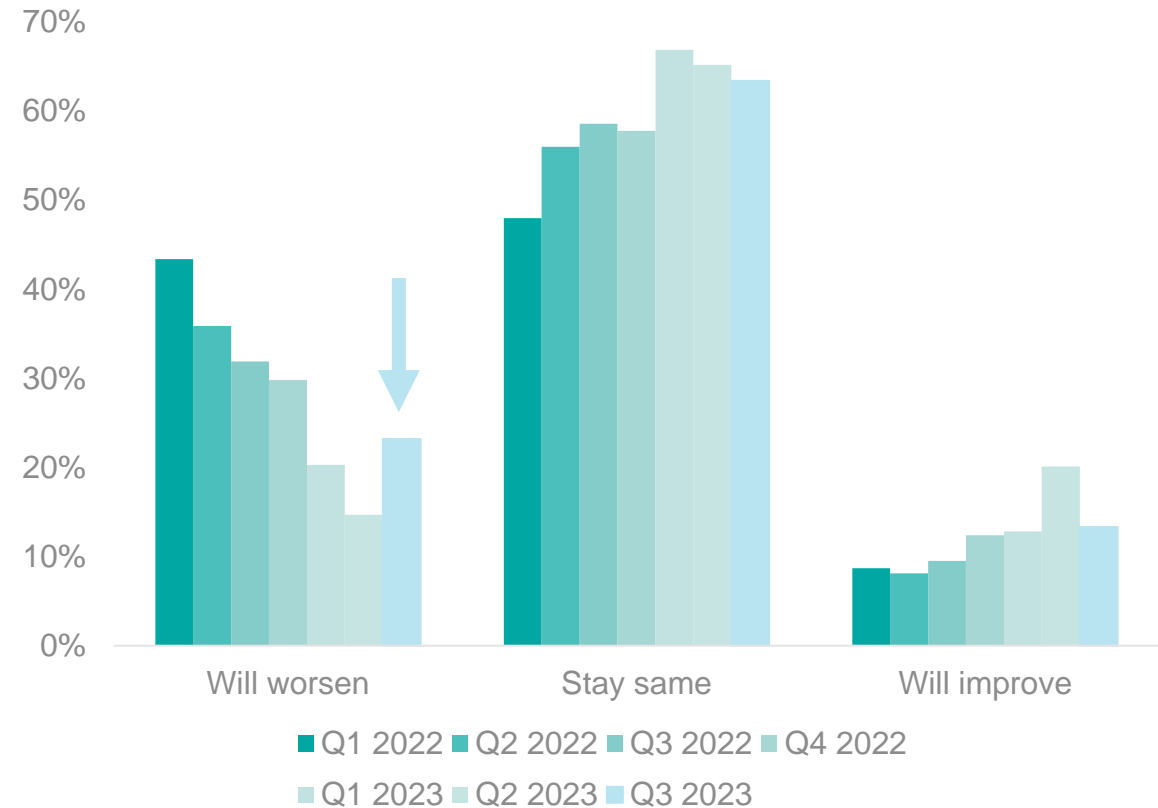


# Among affected businesses, however, a rising share think supply chain issues have worsened or will worsen in the near term.

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



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



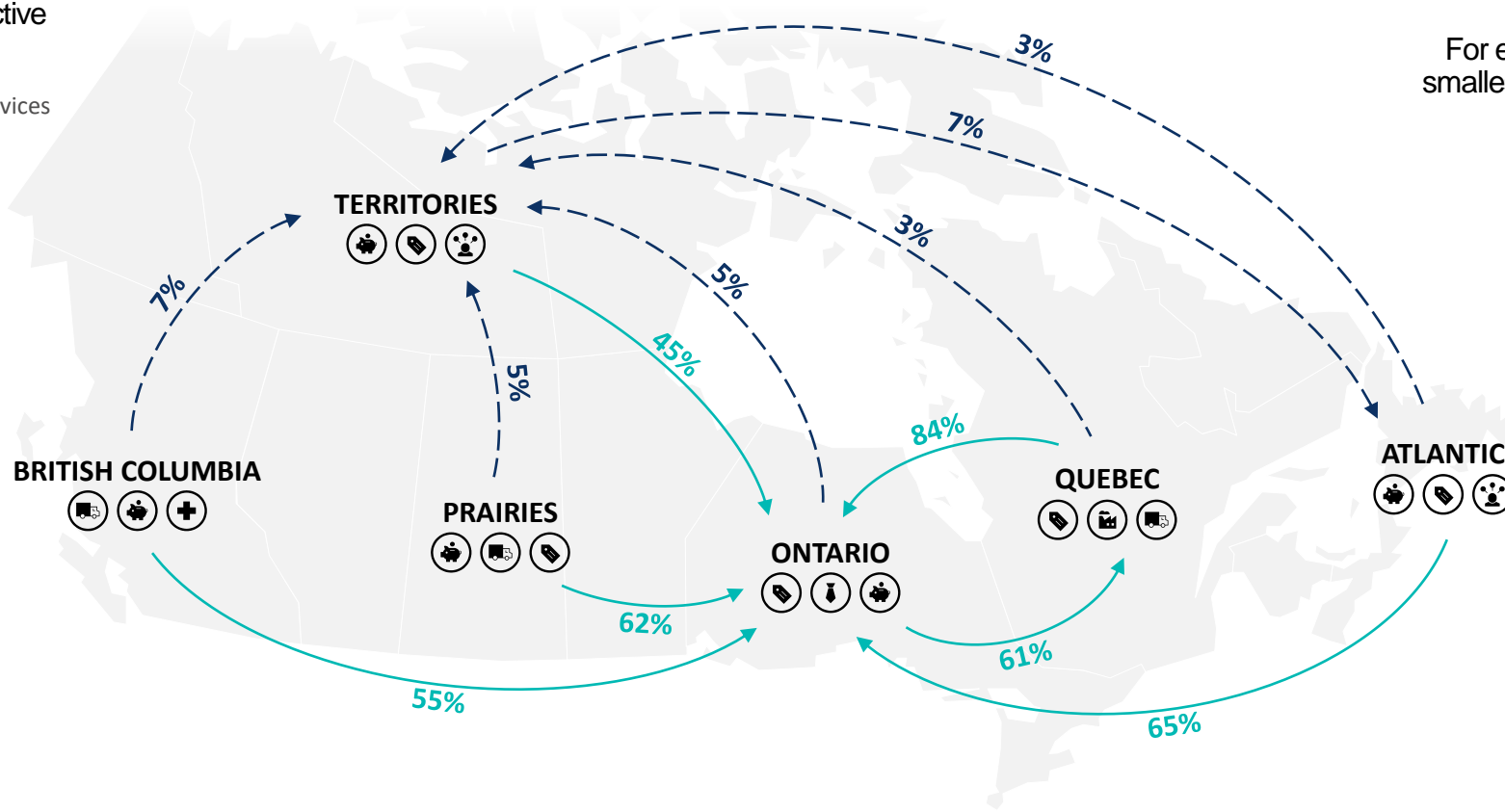
# Ontario was Canada's top internal trader when this issue was surveyed last year.

Which provinces/territories did your business directly export/import goods or services to/from?

% of respondents, by region

For each region, the 3 most active industries are indicated

- Administration and support services
- Finance, insurance
- Health care, social assistance
- Information and culture
- Manufacturing
- Transportation, warehousing
- Wholesale trade



For each region, only its biggest and smallest trading partners are highlighted

REGION ———> X  
**Biggest trading partner**

REGION - - - -> X  
**Smallest trading partner**



# More than one third of businesses **traded interprovincially** in the past year, with higher trade engagement for larger firms.

**Conducted interprovincial trade, past 12 months**  
% of respondents

**35%**

**Bought or sold** goods or services **from/to** suppliers in another province/territory

**Trade-intensive industries:**

- Wholesale, 79%
- Manufacturing, 66%
- Retail, 53%
- Information, culture, 52%

Indigenous-owned businesses, 52%

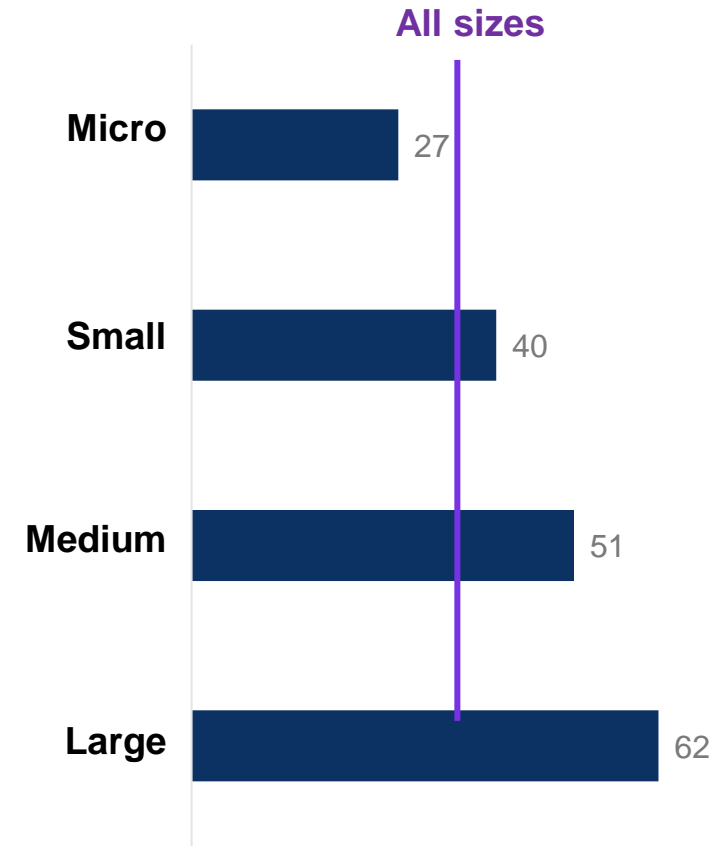
**25%**

**Bought** goods or services **from** suppliers in another province/territory

**22%**

**Sold** goods or services **to** customers in another province/territory

**Trade intensity increases with firm size**

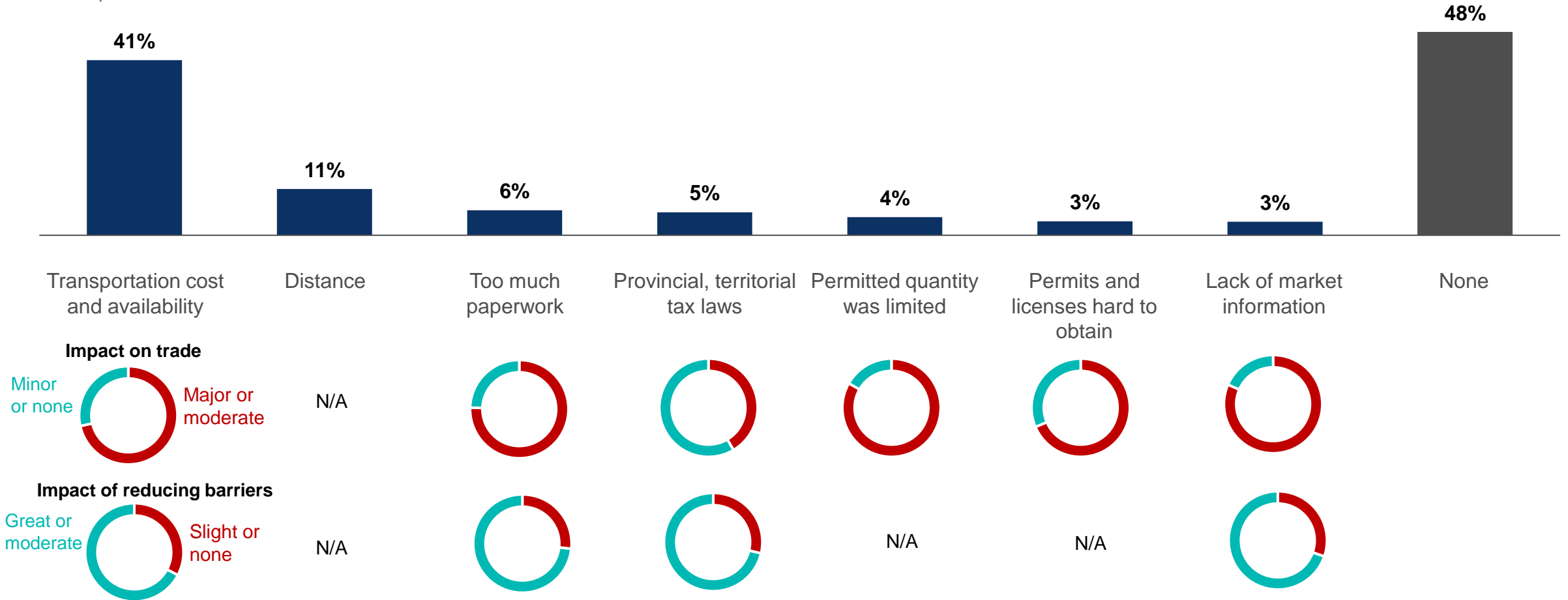




# Given that most **interprovincial** traders experienced obstacles, reducing transportation and regulatory **barriers** could spur activity.

## Obstacles experienced when trading interprovincially, past 12 months

% of respondents



Source: Business Data Lab analysis based on Statistics Canada's Canadian Survey on Business Conditions; 15,224 business responses in July and August 2023.



Q3 2023

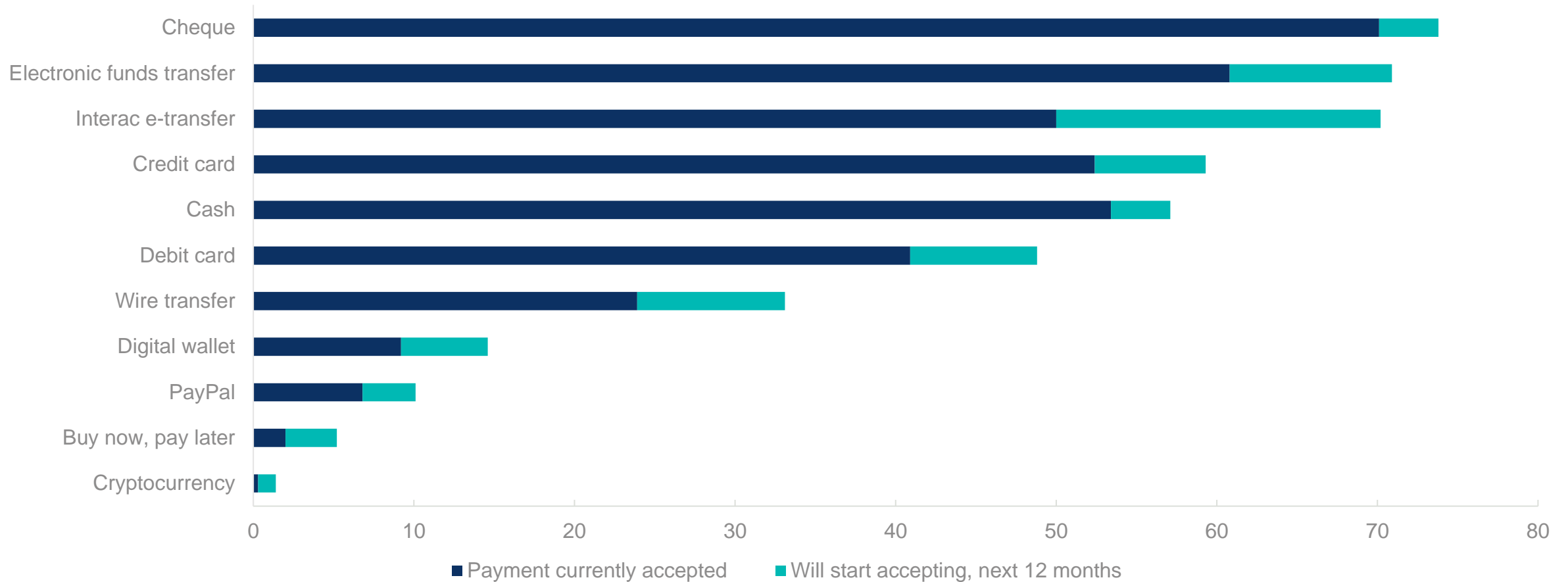
# Online payments



# Cash is not king: Businesses are increasingly accepting electronic payments.

## Payment methods accepted

% of respondents







# Service fees, security and compatibility concerns are key reasons business don't accept certain payment methods.

## Reasons business doesn't accept certain payment methods

% of respondents



68%

Current methods meet business needs



23%

Service fees



15%

Security, privacy concerns



13%

Incompatible with existing equipment or software



13%

Lack of knowledge of payment methods



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# Environmental practices



# Most businesses are adopting environmental practices, with additional actions taken over the past year.

## Environmental practices in place or planning to implement over the next 12 months

% of respondents



\* Responses were grouped to be comparable to previous surveys.

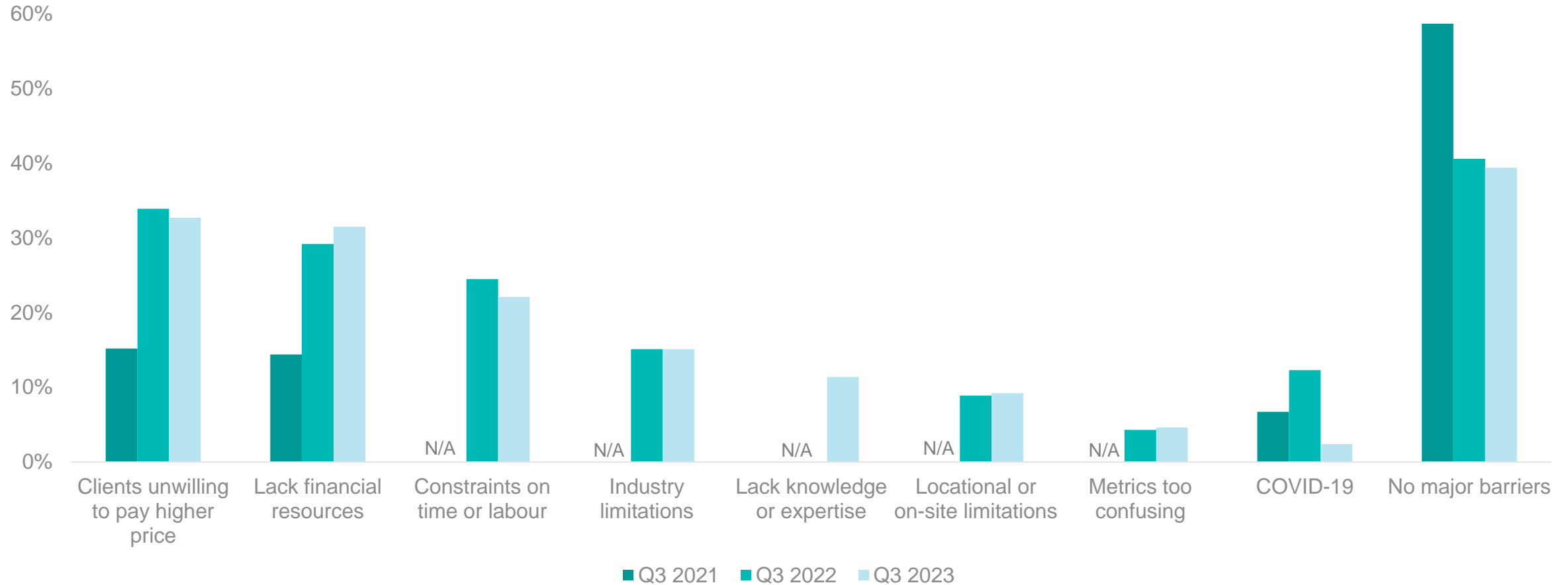
Source: Business Data Lab analysis based on Statistics Canada's Canadian Survey on Business Conditions; 15,224 business responses in July and August 2023.



# Customers' unwillingness to pay higher prices and a lack of financial resources are the biggest barriers to adopting green practices.

## Barriers to adopting more green practices, next 12 months

% of respondents

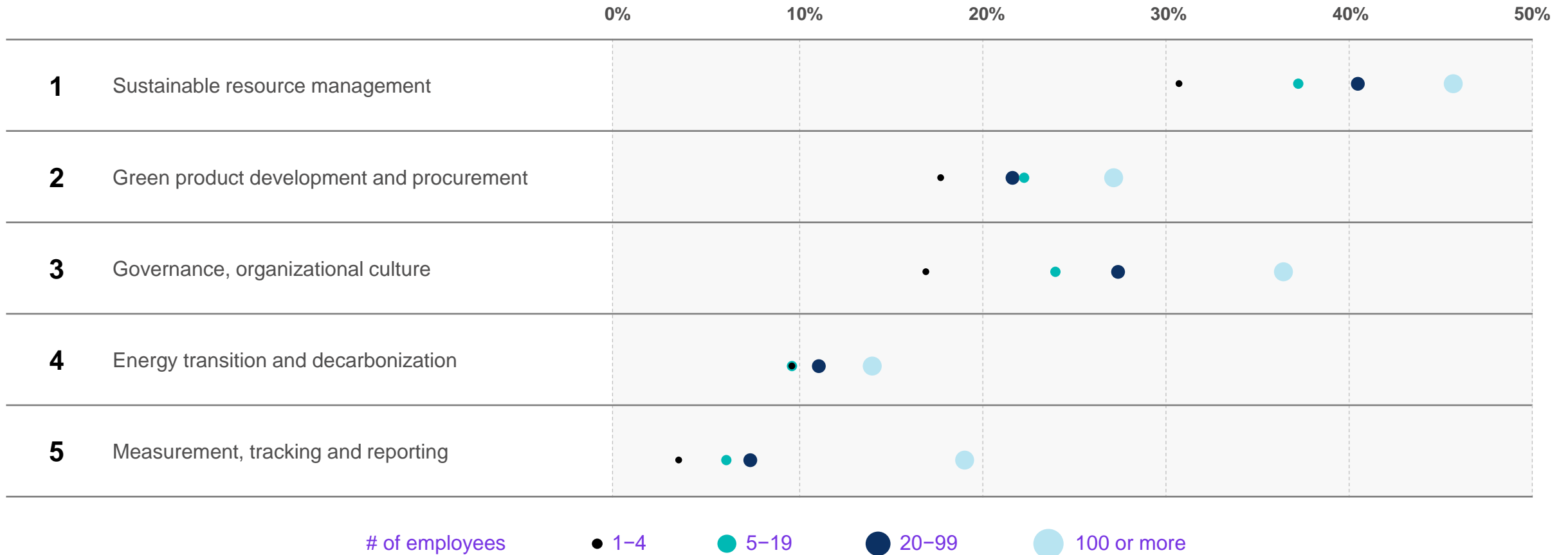




# Larger firms are more likely to adopt environmental practices.

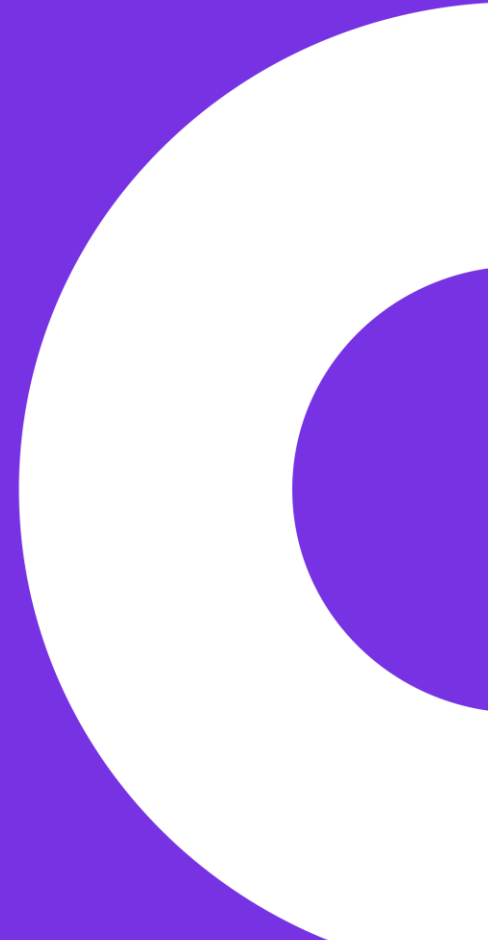
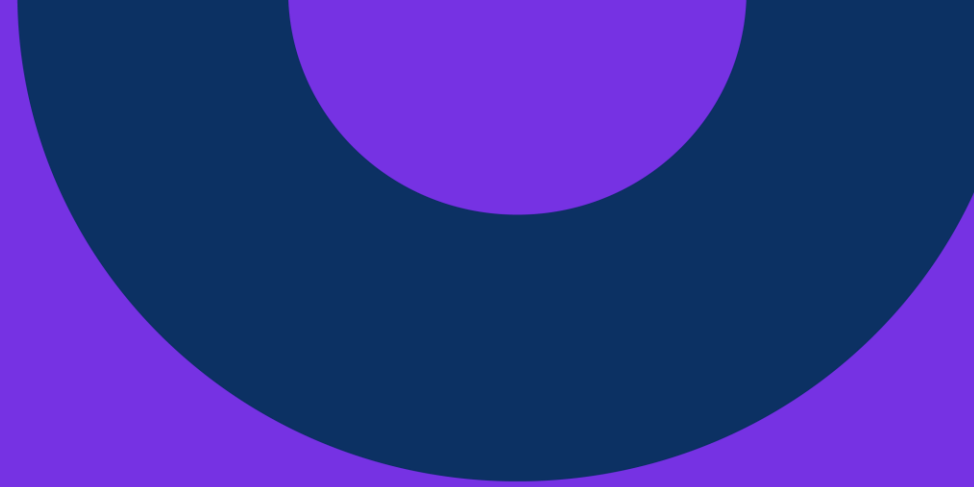
## Environmental practices in place or planned to implement, next 12 months

% of respondents





# Appendix





# Survey methodology

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- **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, business associations and analysts to monitor evolving business conditions and devise policies to support Canadian business.
- **Survey period:** The Q3 2023 CSBC data collection period was July 4 to August 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 15,224 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 Stephen Tapp, Chief Economist ([STapp@Chamber.ca](mailto:STapp@Chamber.ca)).

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