Canadian Chamber of Commerce
Chambre de Commerce du Canada

Business Data Lab
Laboratoire de données sur les entreprises

Canadian Survey on Business Conditions Report, Q3 2022

In-depth analysis powered by a survey of over 17,000 Canadian businesses

Chamber.ca

Message from the Chief Economist

The latest CSBC shows that Canadian businesses continue to struggle with rising costs, recruiting and retaining workers, and lingering supply chain challenges. It should come as no surprise that, amid the highest inflation in 40 years, Canadian businesses identified this issue as their biggest near-term obstacle. A remarkable 60% of firms expect inflation will be a challenge, which represents the highest level of concern in the survey's history!

Thankfully, there are tentative signs of improvement on this front. Consumer price inflation peaked in July, as energy prices finally fell back. And while cost pressures remain a massive problem for business, they too have started to turn the corner. As such, a smaller share of firms now plan to raise their prices over the next quarter (34%, down from the record 39% last quarter), which should slow inflation. Supply chain problems are also improving. A slightly smaller share of firms expect difficulties acquiring inputs or managing inventories, which is consistent with recent improvements in global supply chain problems.

Unfortunately, labour challenges are expected to intensify in the coming quarter. Concerns are widespread, but most acute in the same sectors that have struggled for some time: accommodation and food services, construction, health care and retail. Moreover, businesses' ability to take on debt remains a significant constraint, particularly for small firms and those in high-contact services, which have been hit hardest during the pandemic.

With economic growth slowing in the second half of the year, due to a weakening global economy and higher interest rates, Canadian businesses expect slower growth ahead for their sales, hiring and investment, as well as shrinking profit margins next quarter. Looking out to the medium term, however, business optimism remains surprisingly resilient. There are more insights in our report on timely new topics, including interprovincial trade, environmental practices and the longevity of COVID-19 measures. Be sure to check back next quarter as we track the latest developments in Canadian business conditions!

Stephen Tapp (STapp@Chamber.ca)
Chief Economist, Canadian Chamber of Commerce

Key survey findings

GROWTH OUTLOOK

With economic growth expected to slow in the second half of the year, Canadian businesses expect slower growth in sales, employment and investment, as well as shrinking profit margins next quarter. Looking further ahead, most businesses remain optimistic and expect modest, positive growth over the next three years.

KEY BUSINESS OBSTACLES

Canadian businesses continue to struggle with rising costs in a high-inflation environment, hiring workers in a very tight labour market and lingering supply chain challenges.

INFLATION

Canadian businesses identified inflation as their biggest near-term obstacle: 60% of firms expect this will be a challenge, representing the highest level of concern in the survey's history. One glimmer of hope is that a shrinking share of businesses expect to raise prices over the next quarter, consistent with inflation decelerating in the second half of the year.

Key survey findings

RISING COSTS

Rising input costs are the second biggest near-term obstacle, cited by almost half (47%) of firms, down only slightly from the last survey (50%). Cost pressures are highest in agriculture, manufacturing and accommodation and food services.

LABOUR CHALLENGES

Labour challenges intensified, with 36% of businesses expecting labour difficulties next quarter. These concerns are most acute in accommodation and food services, construction, health care and retail.

DEBT CONSTRAINTS

Businesses' ability to take on debt remains constrained. More than half of businesses (52%) reported they either cannot take on more debt or do not know if they can, unchanged from the previous quarter, and still a bigger worry for small firms and high-contact services.

Key survey findings

SUPPLY CHAINS

Supply chain issues have improved, consistent with recent global trade developments. However, most Canadian businesses experiencing supply chain problems expect them to persist well into 2023.

INTERPROVINCIAL TRADE

More than half of all Canadian businesses conducting interprovincial trade experienced obstacles over the last year, such as differing certification and licensing requirements for goods, services and labour as well as taxes.

ENVIRONMENTAL PRACTICES

Most businesses have or plan to implement environmental practices over the next year, with reducing waste being the most prevalent. Customers' unwillingness to pay higher prices is the top perceived barrier to businesses' green efforts.

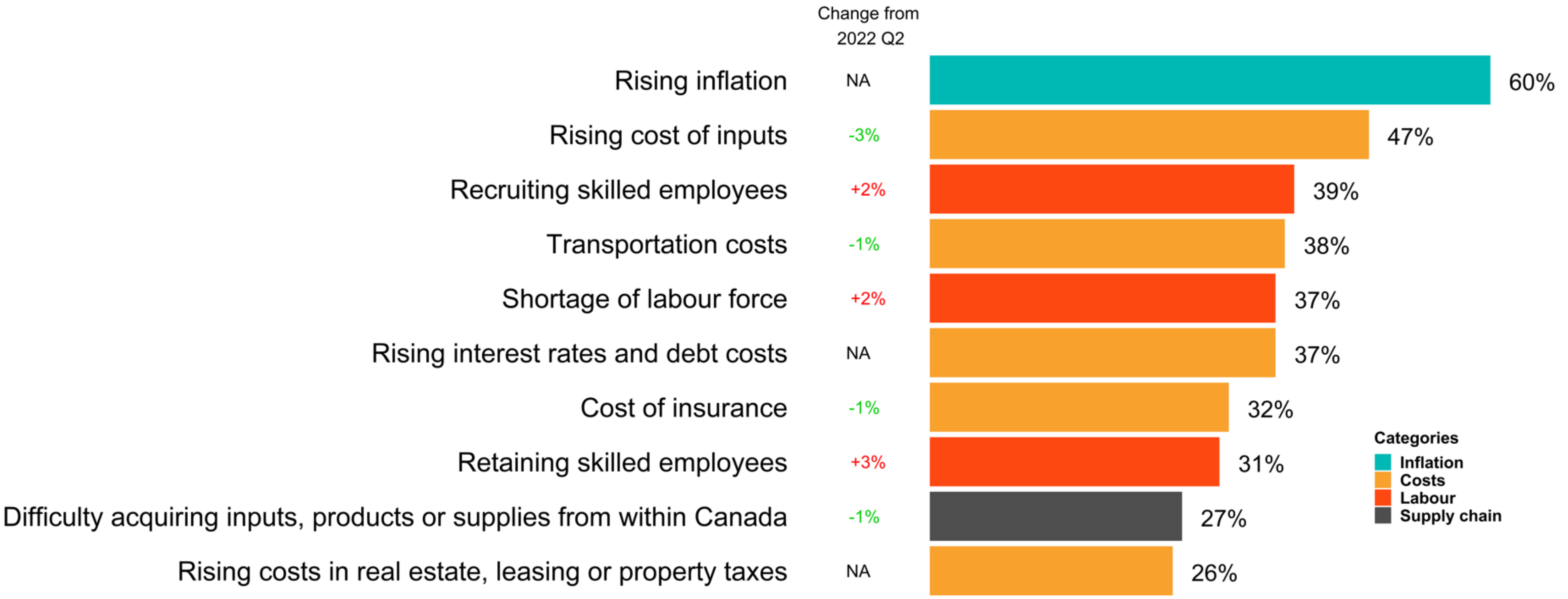
Business obstacles

Inflation is the number one near-term business obstacle. Businesses continue to struggle with costs and labour market challenges.

Rising inflation is the top near-term business obstacle

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

Top 10 obstacles, by % of respondents

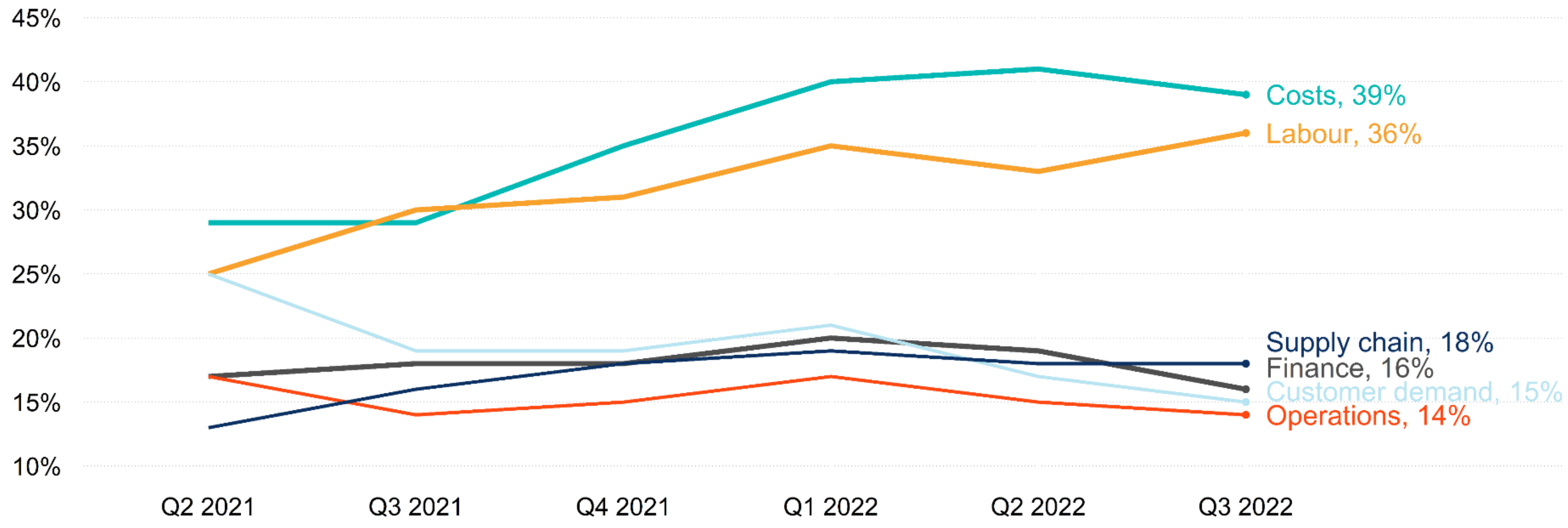


Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

Costs and labour concerns are by far the biggest issues

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

% of respondents, by obstacles averaged across categories



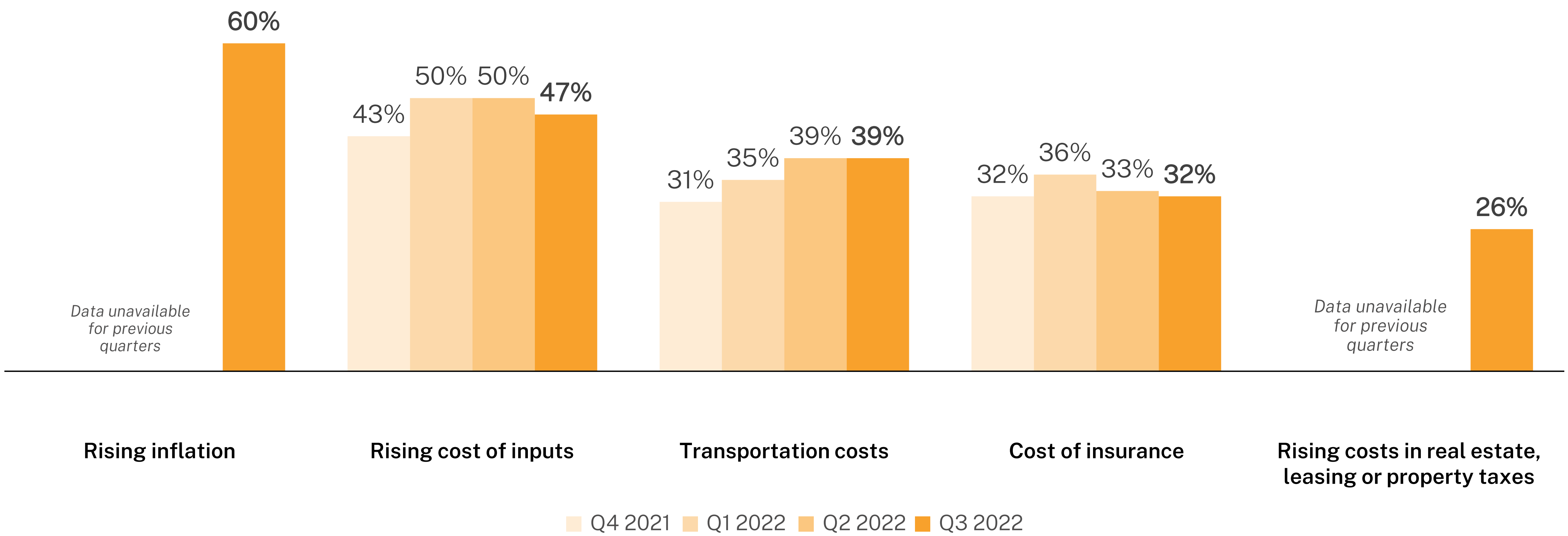
Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

Inflationary pressures

Business (input) cost pressures remain broad-based, but ("output") selling price growth may be slowing down.

Business cost pressures are broad-based

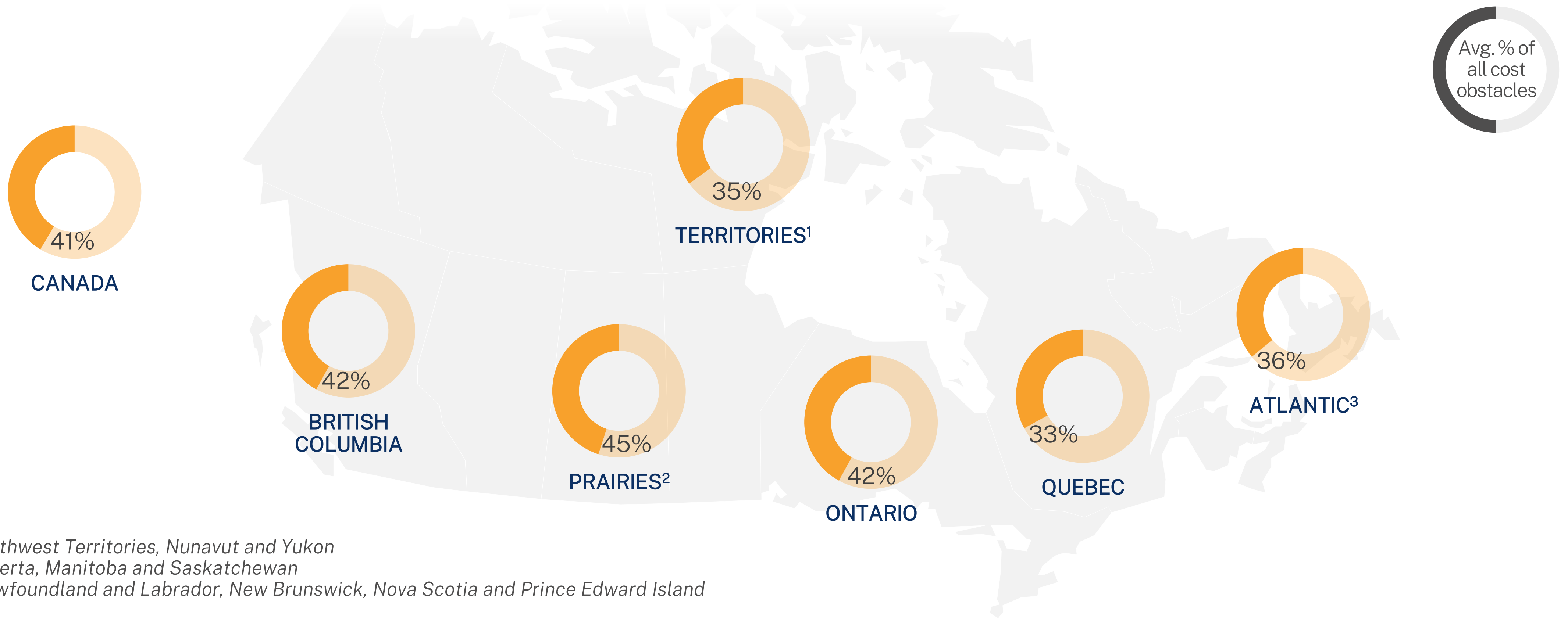
Over the next three months, which are expected to be obstacles for your business?
% of respondents, by obstacles associated with costs



Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

Cost pressures are most acute in Central and Western Canada

Over the next three months, which 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

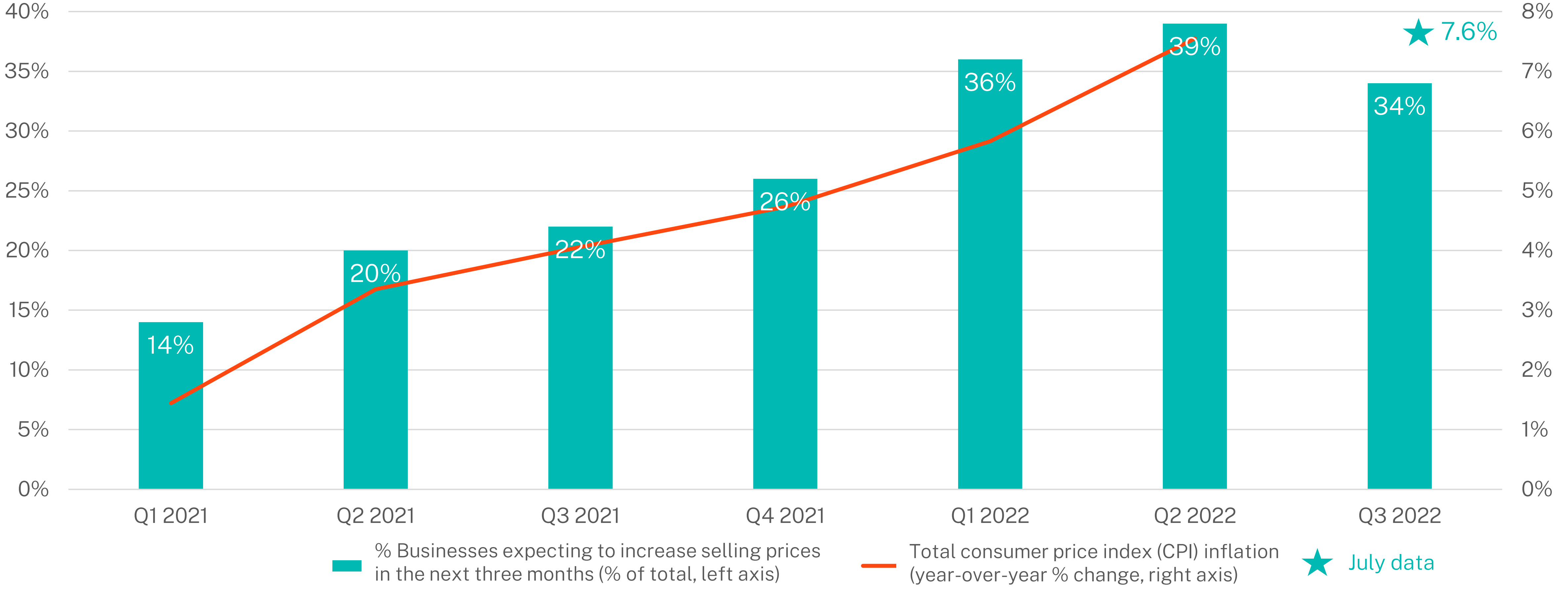
** Cost obstacles include: rising inflation; rising costs of inputs; transportation; insurance; and real estate, leasing or property taxes.*

Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

Selling price pressures may finally be slowing down

Over the next three months, what is the expected change in the selling price of goods and services offered by your business?

% of respondents that answered "Increase"



Sources: Statistics Canada, Canadian Survey on Business Conditions and Consumer Price Index inflation data.

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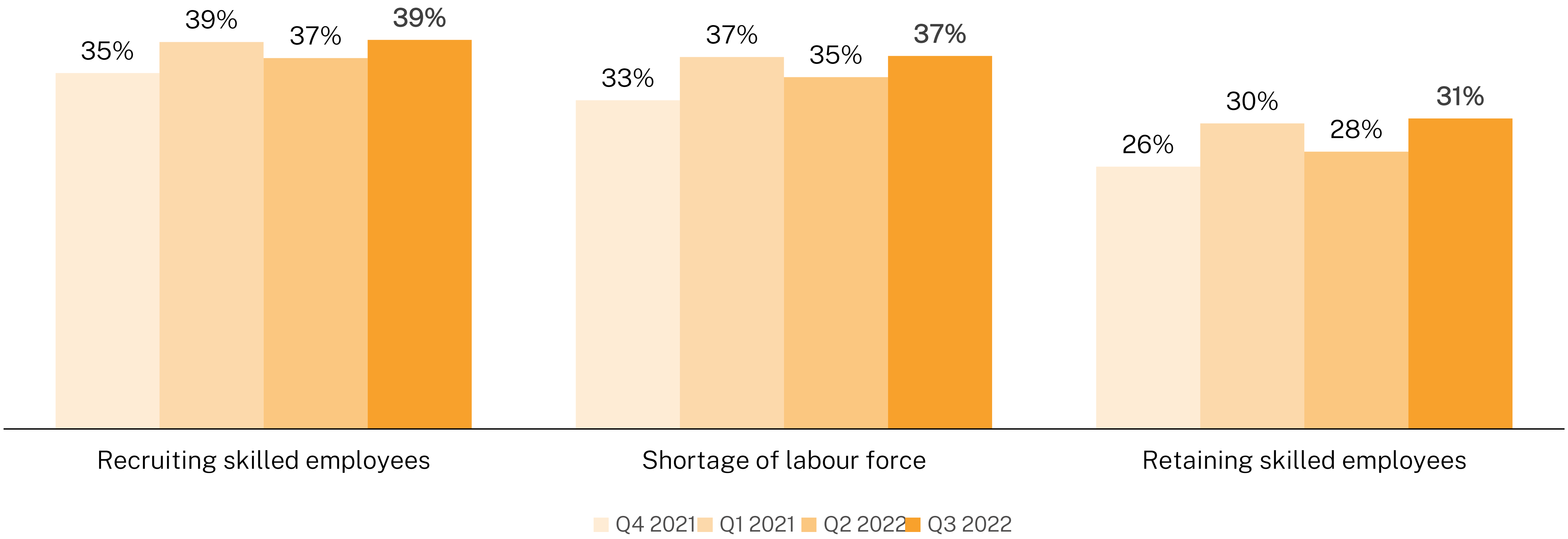
Labour challenges

Attracting and retaining workers are significant pain points for many Canadian companies.

Labour challenges for businesses are expected to intensify amid a very tight market for talent

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

% of respondents, by labour obstacle



Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

The accommodation and food services, and construction sectors report the most significant labour challenges

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

% of respondents, by industry

	Shortage of labour force	Recruiting skilled employees	Retaining skilled employees
All Industries*	**37%**	**39%**	**31%**
Accommodation, food services	64%	49%	46%
Construction	54%	51%	41%
Administrative services	47%	45%	37%
Health care, social assistance	38%	49%	37%
Retail trade	41%	34%	38%
Manufacturing	38%	42%	30%
Information, culture	31%	37%	32%
Wholesale trade	34%	37%	27%
Other services	30%	35%	27%
Arts, entertainment, recreation	35%	33%	23%
Professional services	23%	36%	23%
Finance, insurance	24%	35%	23%
Transportation, warehousing	33%	26%	21%
Mining, oil and gas	26%	26%	23%
Agriculture, forestry, fishing	28%	22%	18%
Real estate	17%	20%	14%

Lower % of businesses — **Highest % of businesses**

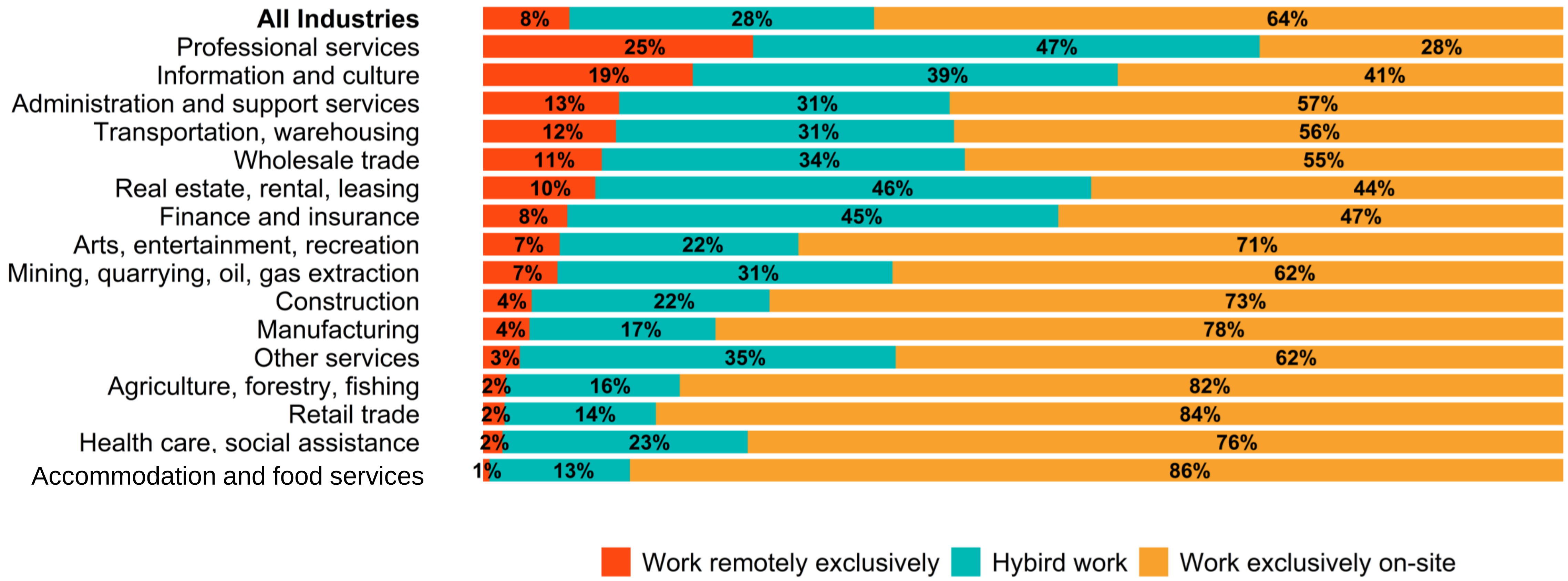
*Note: Industies sorted in descending order based on the average across the three responses.

Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

Professional services, and information and culture are leading the way for remote and hybrid work

Over the next three months, what percentage of your employees is expected to do the following?

% of respondents, by industry



Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

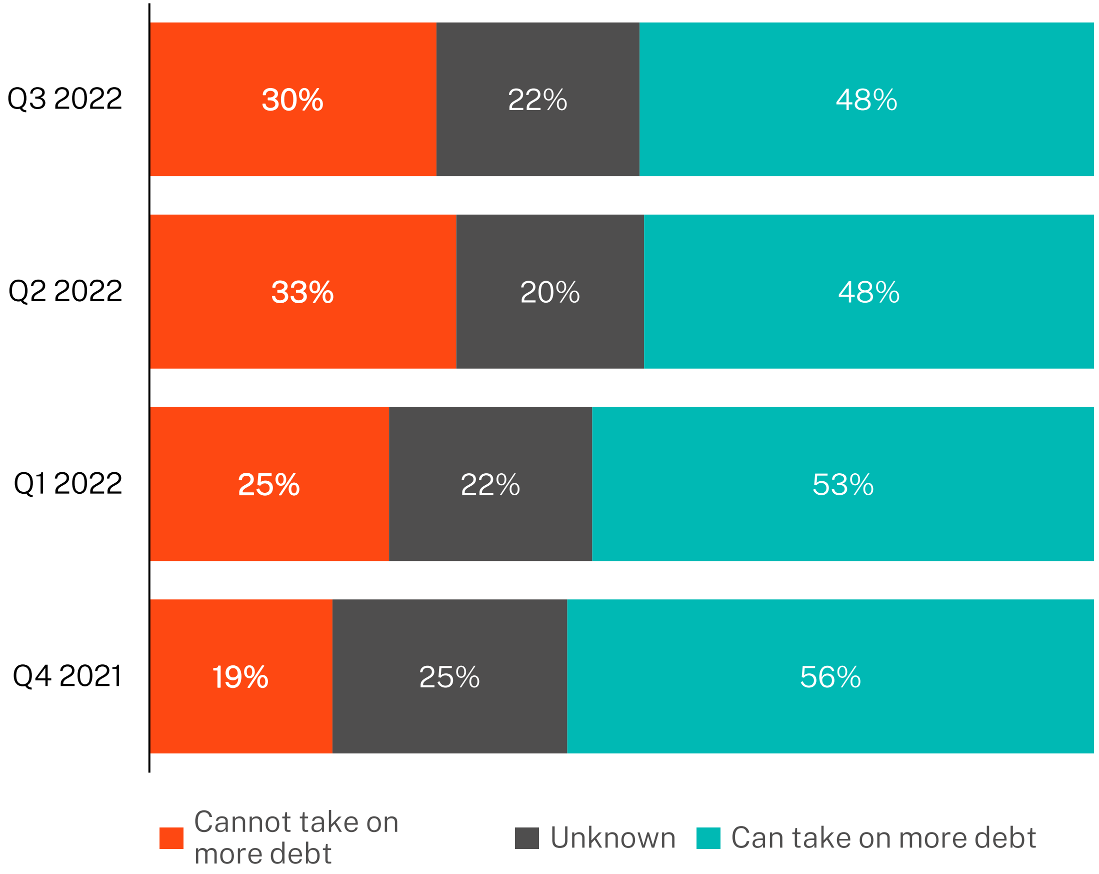
Debt constraints

More than half of businesses (52%) reported they either cannot take on more debt or do not know if they can, unchanged from the previous quarter.

Businesses' ability to take on debt remains constrained, particularly for smaller firms

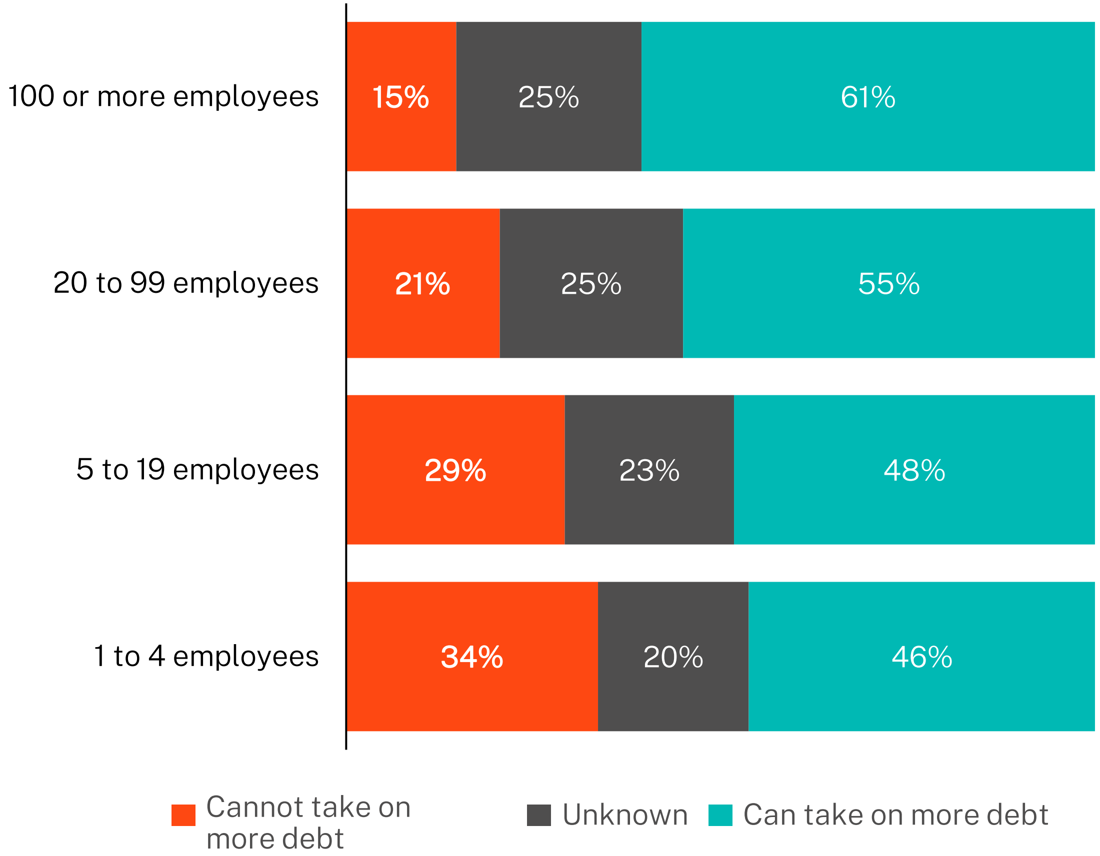
Does your business have the ability to take on debt?

% of respondents, by quarter of survey



Does your business have the ability to take on debt?

% of respondents, by employment size

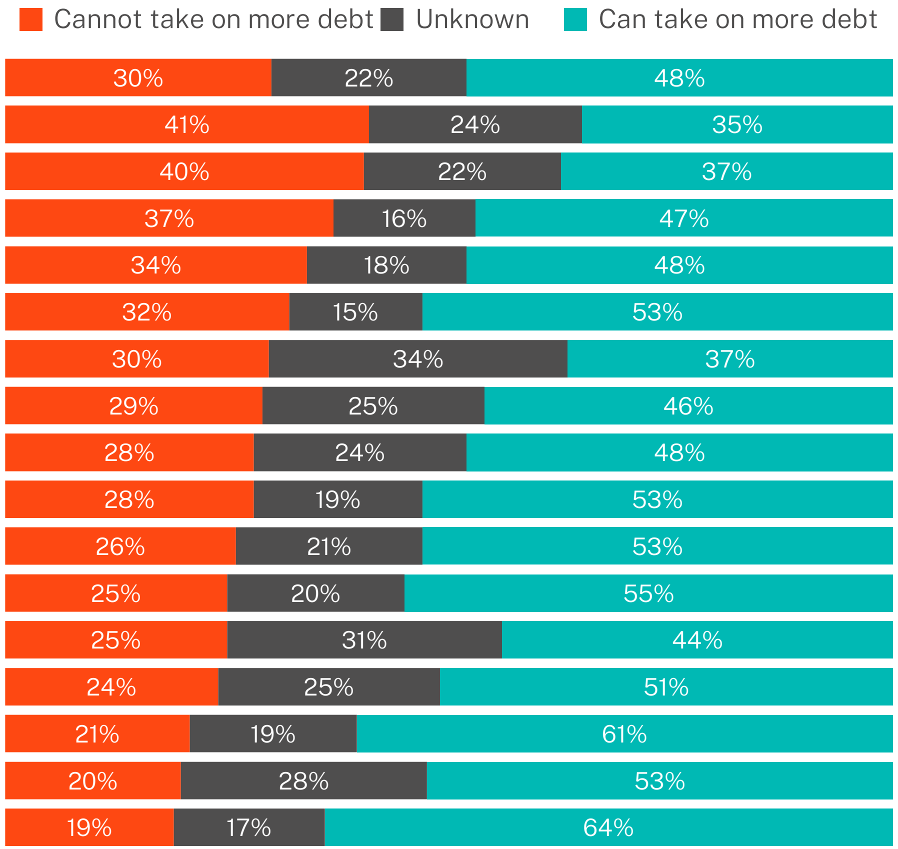


Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

Debt constraints are most significant for high-contact services

Does your business have the ability to take on debt?

% of respondents, by industry



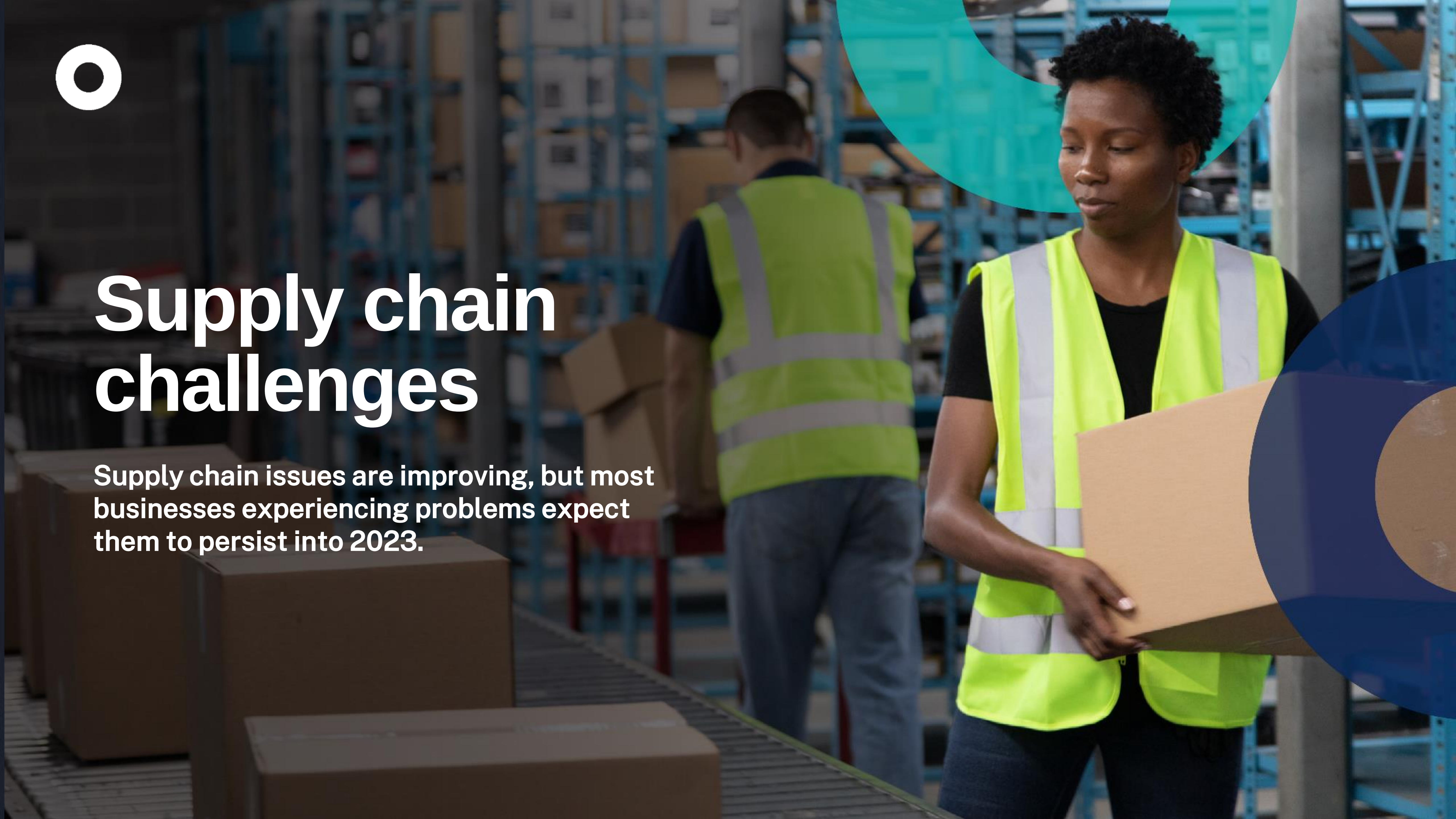
	Industry	"Cannot take on more debt" *Change vs. Q2*	Cannot take on more debt	Unknown	Can take on more debt
1	All industries	-2%	30%	22%	48%
	Other services	-7%	41%	24%	35%
	Accommodation and food services	+6%	40%	22%	37%
	Arts, entertainment and recreation	-4%	37%	16%	47%
	Health care and social assistance	-4%	34%	18%	48%
2	Professional services	+5%	32%	15%	53%
	Transportation and warehousing	+6%	30%	34%	37%
	Retail trade	+1%	29%	25%	46%
	Construction	-11%	28%	24%	48%
	Administration and support services	-7%	28%	19%	53%
	Manufacturing	+3%	26%	21%	53%
	Real estate, rental and leasing	-4%	25%	20%	55%
3	Information and culture	-1%	25%	31%	44%
	Mining, oil and gas extraction	-1%	24%	25%	51%
	Wholesale trade	-13%	21%	19%	61%
	Finance and insurance	-6%	20%	28%	53%
	Agriculture, forestry, fishing	-2%	19%	17%	64%

1 Overall, the proportion of Canadian businesses that cannot take on more debt has slightly decreased

2 Accommodation and food, transportation and warehousing, and professional services have had their inability to take on more debt worsen

3 Wholesale trade, construction, administration and support and other services have seen improvements

Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.



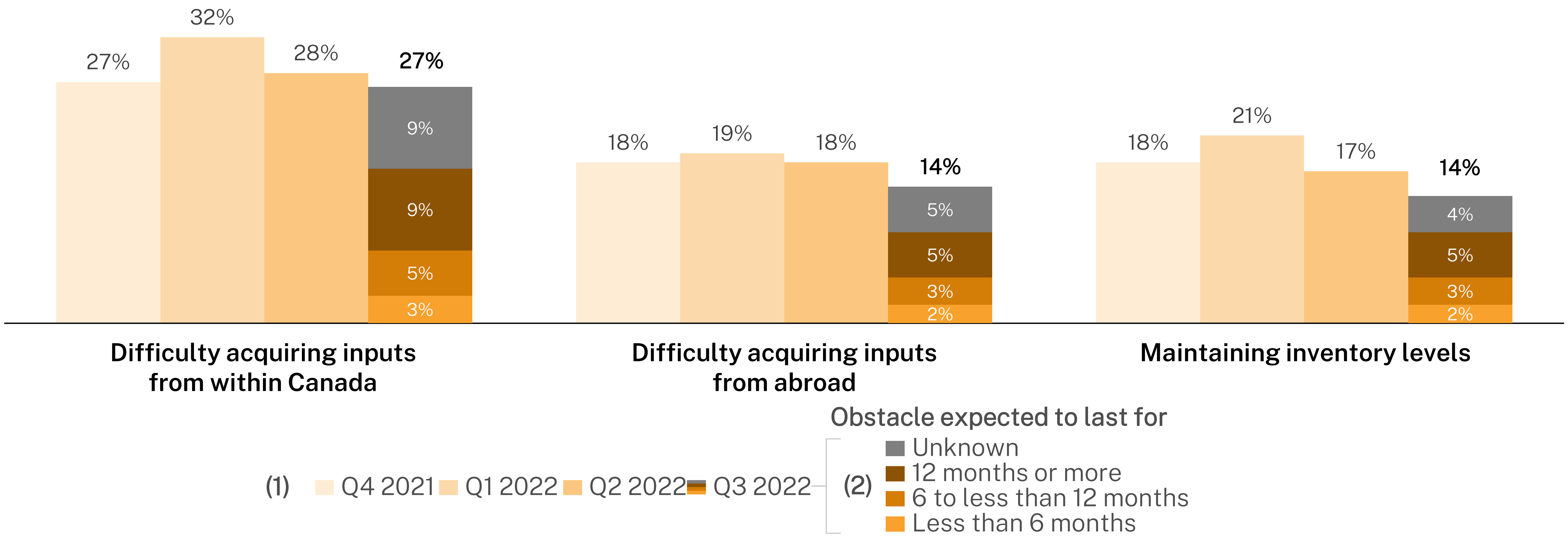
Supply chain challenges

Supply chain issues are improving, but most businesses experiencing problems expect them to persist into 2023.

Supply chain issues are improving, but most businesses experiencing problems expect them to persist into 2023

(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 obstacle associated with supply chain



Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

To tackle supply chain problems, businesses are partnering with new suppliers, substituting inputs and working with existing suppliers to improve timeliness

Over the next 12 months, does your business plan to make any adjustments to your supply chain?

% of respondents, by adjustment

31%
unchanged
Δ% from Q2 2022
partner with new suppliers

30%
+3%
Δ% from Q2 2022
substitute inputs, products or supplies with alternate inputs, products or supplies

29%
+2%
Δ% from Q2 2022
work with suppliers to improve timeliness

15%
unchanged
Δ% from Q2 2022
shift to local suppliers

11%
-2%
Δ% from Q2 2022
implement technological improvements

Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

In addition to domestic suppliers, Canadian businesses also rely on foreign suppliers, which are harder to replace

(1) How many of your business' direct suppliers are located in Canada (domestic) and outside of Canada (foreign)?
(2) How many of your suppliers are difficult to replace?

% of respondents, by industry

	(1) # of domestic direct suppliers				(2) % of hard to replace direct domestic suppliers	(1) # of foreign direct suppliers				(2) % of hard to replace direct foreign suppliers
	0	1 to 4	5 to 24	25 or more		0	1 to 4	5 to 24	25 or more	
All industries	29%	25%	36%	11%	50%	17%	46%	29%	8%	64%
Agriculture, forestry, fishing	56%	17%	20%	7%	34%	2%	60%	33%	5%	61%
Mining, oil and gas extraction	67%	8%	16%	8%	41%	23%	23%	53%	1%	39%
Construction	37%	31%	27%	5%	40%	9%	74%	17%	0%	66%
Manufacturing	38%	13%	28%	21%	45%	14%	26%	48%	13%	67%
Wholesale trade	27%	29%	33%	11%	46%	6%	54%	38%	2%	71%
Retail trade	45%	25%	24%	7%	48%	32%	42%	24%	3%	60%
Transportation and warehousing	30%	27%	33%	11%	47%	18%	58%	14%	9%	54%
Information and culture	57%	17%	21%	5%	41%	45%	34%	15%	7%	55%
Finance and insurance	12%	29%	38%	22%	52%	8%	31%	48%	13%	64%
Real estate, rental and leasing	13%	30%	46%	12%	55%	10%	61%	21%	8%	73%
Professional services	39%	21%	28%	12%	52%	37%	40%	18%	5%	58%
Administration and support services	8%	21%	53%	19%	59%	5%	59%	30%	6%	68%
Health care and social assistance	7%	17%	51%	26%	47%	7%	41%	34%	17%	61%
Arts, entertainment and recreation	9%	36%	44%	10%	57%	10%	59%	26%	5%	71%
Accommodation and food services	14%	23%	51%	13%	52%	16%	43%	36%	5%	57%
Other	20%	27%	43%	11%	43%	36%	38%	23%	3%	64%

Lower % of businesses — Higher % of businesses

Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

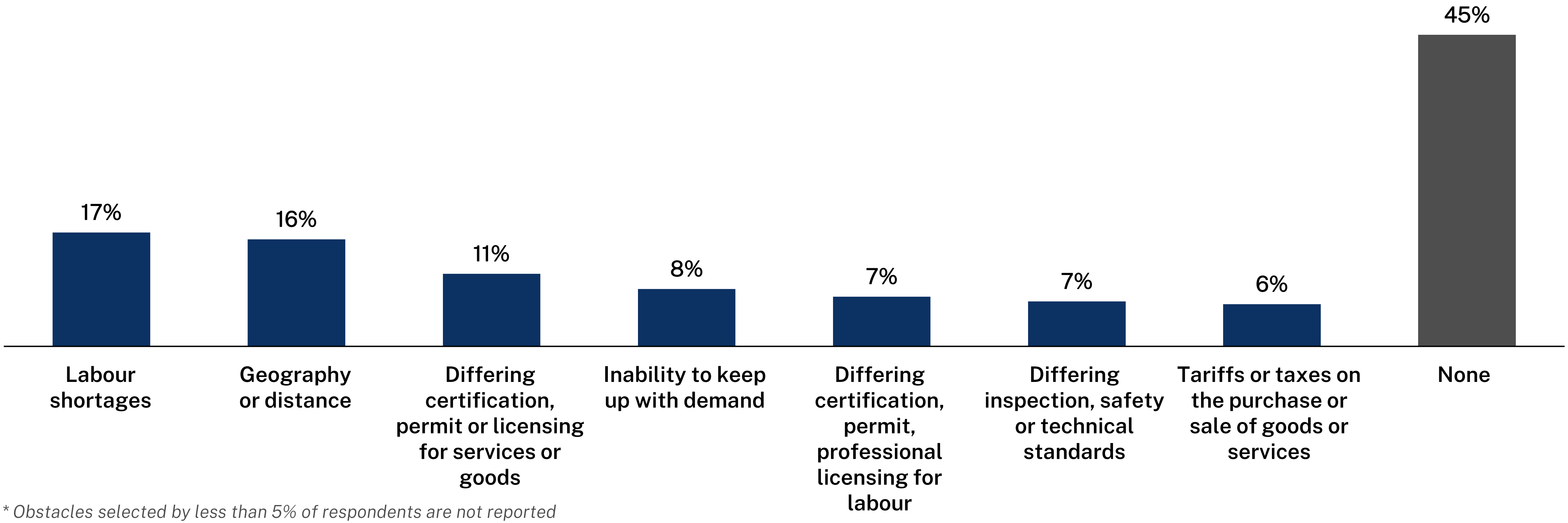
Interprovincial trade

More than half of all businesses experienced obstacles when conducting interprovincial trade during the previous year

More than half of all businesses experienced obstacles when conducting interprovincial trade during the previous year

Over the past 12 months, which of the following obstacles did your business experience when purchasing or selling goods or services interprovincially?

% of respondents, by obstacles*



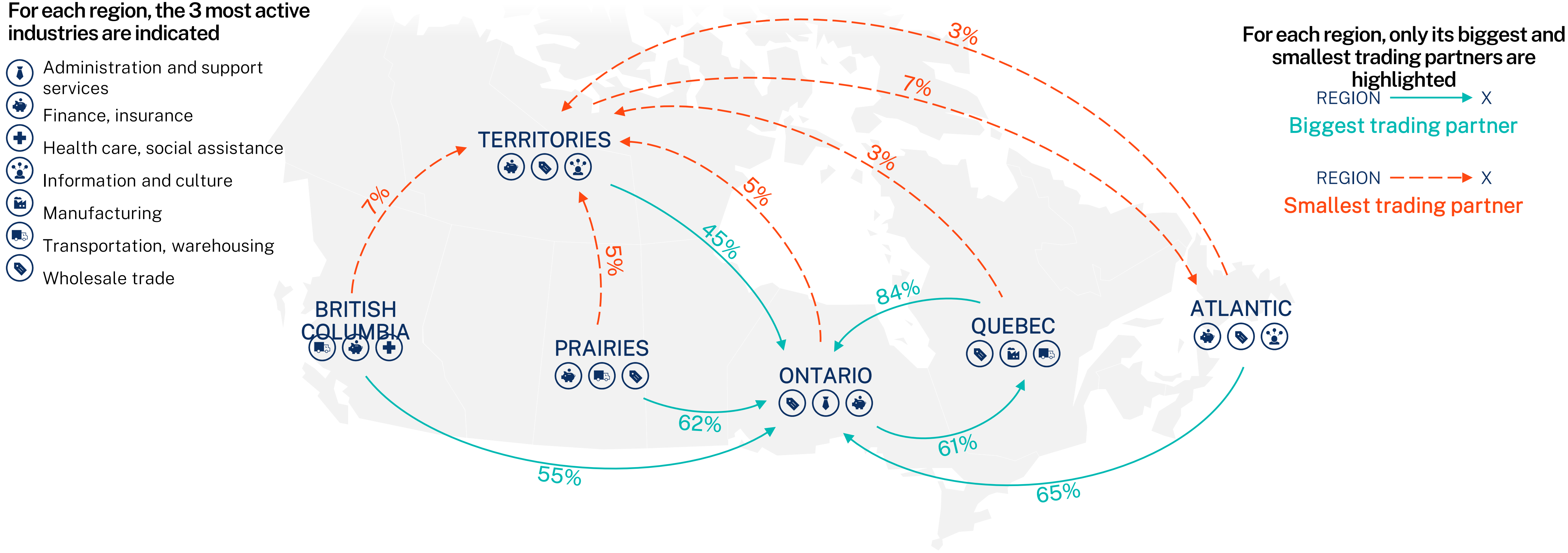
* *Obstacles selected by less than 5% of respondents are not reported*

Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

Ontario is the top internal trading partner for all regions; finance and wholesale sectors are among the most traded

Over the past 12 months, which provinces/territories did your business directly export/import goods or services to/from?

% of respondents that exported or imported goods or services interprovincially over the past 12 months, by region

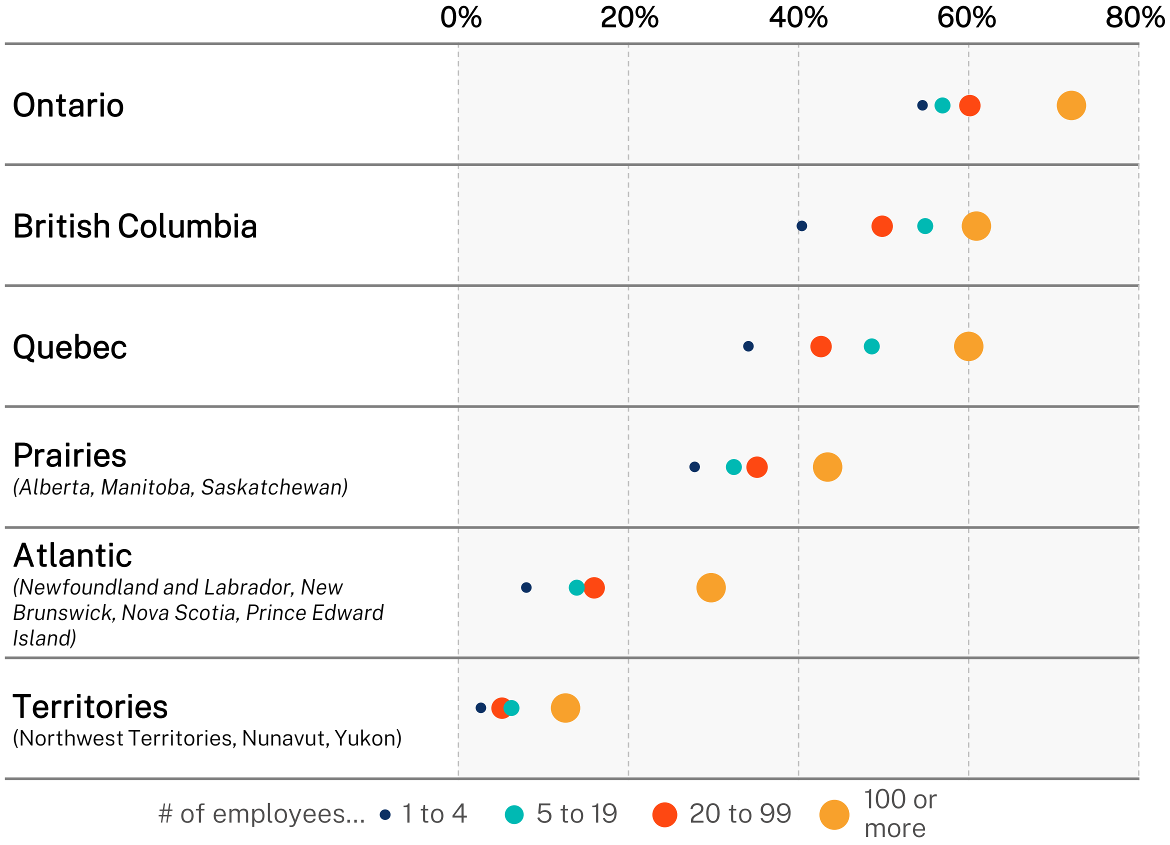


Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

Larger businesses trade more interprovincially, but all firm sizes experienced similar barriers

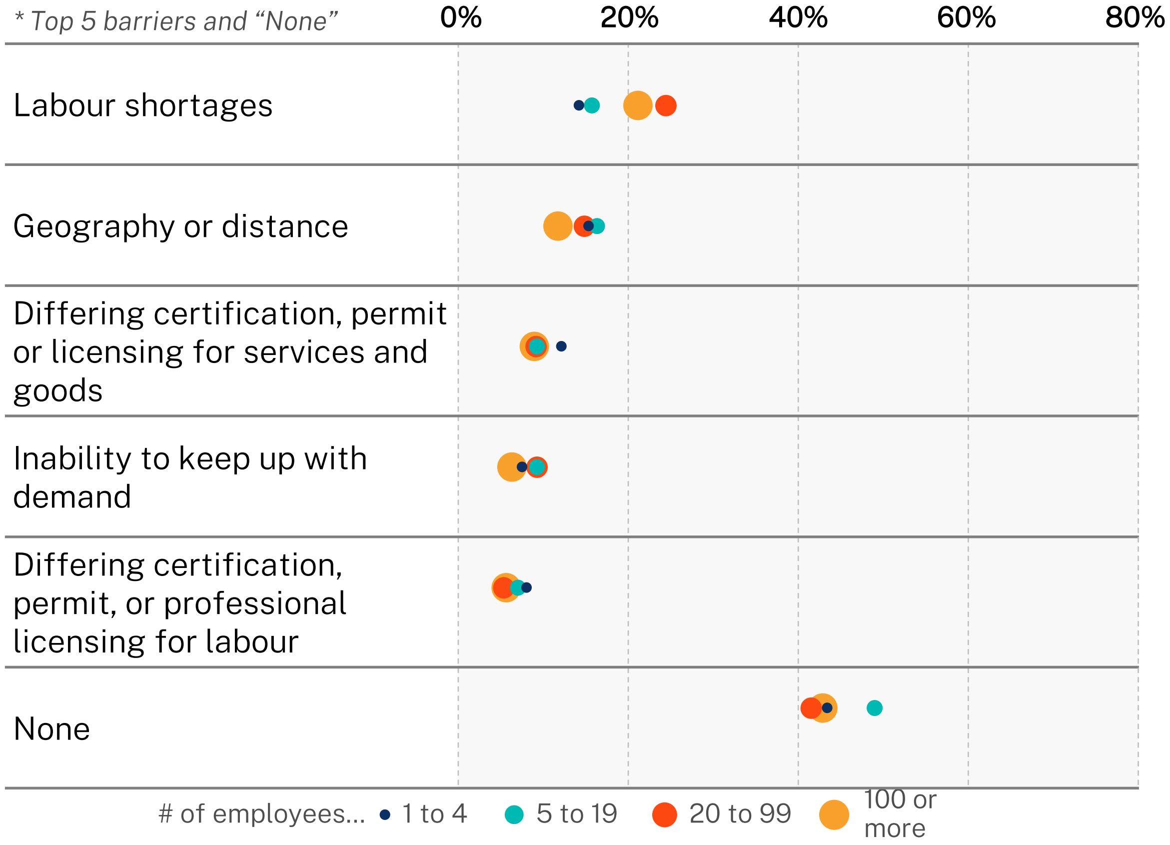
Over the past 12 months, which provinces/territories did your business directly export/import goods or services to/from?

% of respondents that exported or imported goods or services interprovincially over the past 12 months, by region



Over the past 12 months, which of the following obstacles did your business experience when purchasing or selling goods or services interprovincially?

% of respondents, by obstacles*



Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

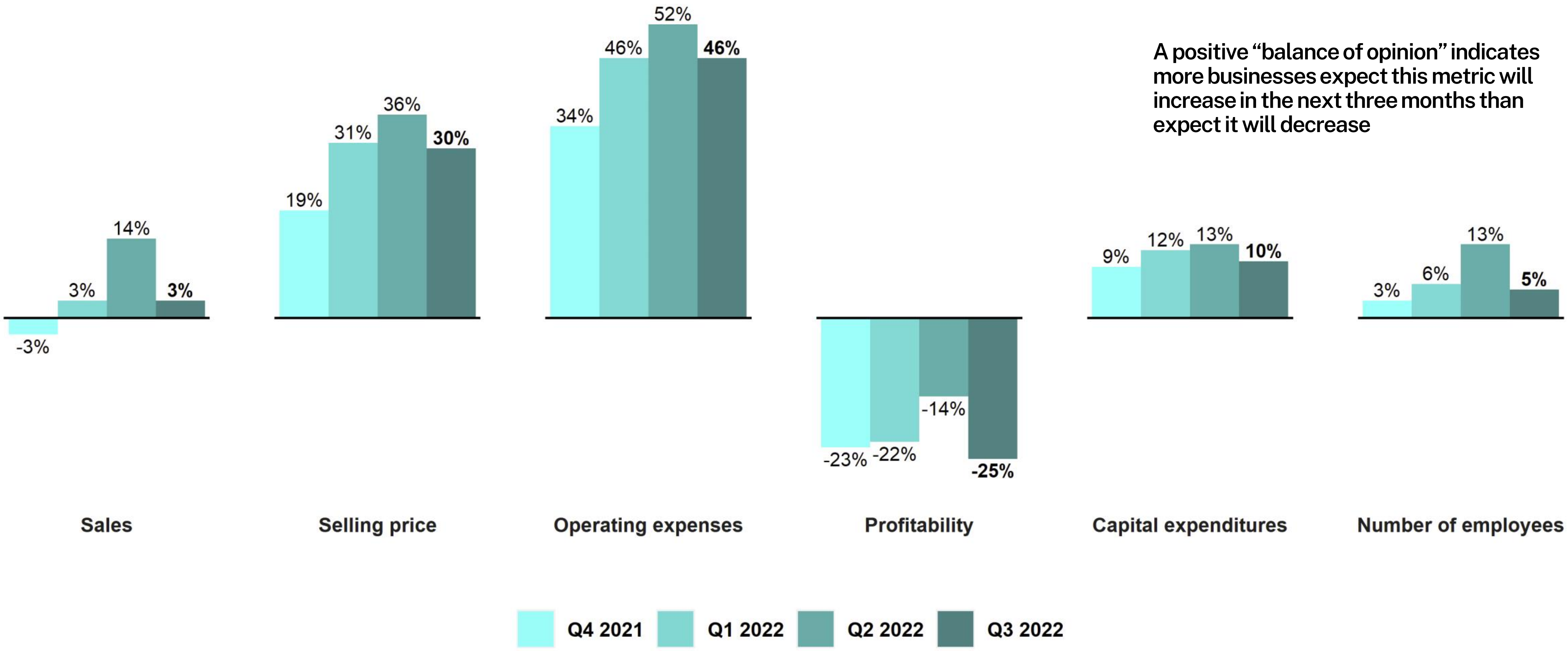
Outlook according to Canadian businesses

Despite a challenging operating context, Canadian firms are relatively optimistic over the medium term.

Canadian businesses expect slower growth in sales, employment and investment, as well as shrinking profit margins in coming quarter

Over the next three months, how are the following expected to change for your business?

% of respondents that answered “Increase” less % that answered “Decrease,” by metric

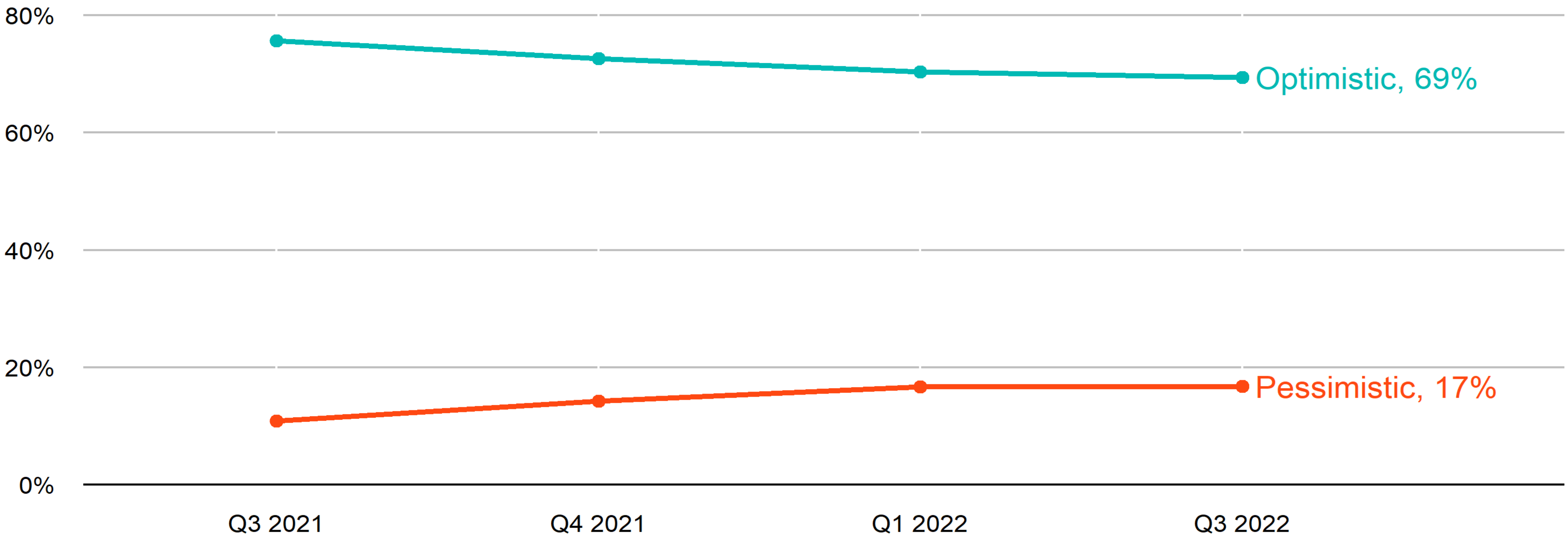


Sources: Canadian Chamber of Commerce Business Data Lab; Statistics Canada, Canadian Survey on Business Conditions.

Looking ahead to 2023, Canadian business optimism has faded only slightly

Over the next 12 months, what is the future outlook for your business?

% of respondents



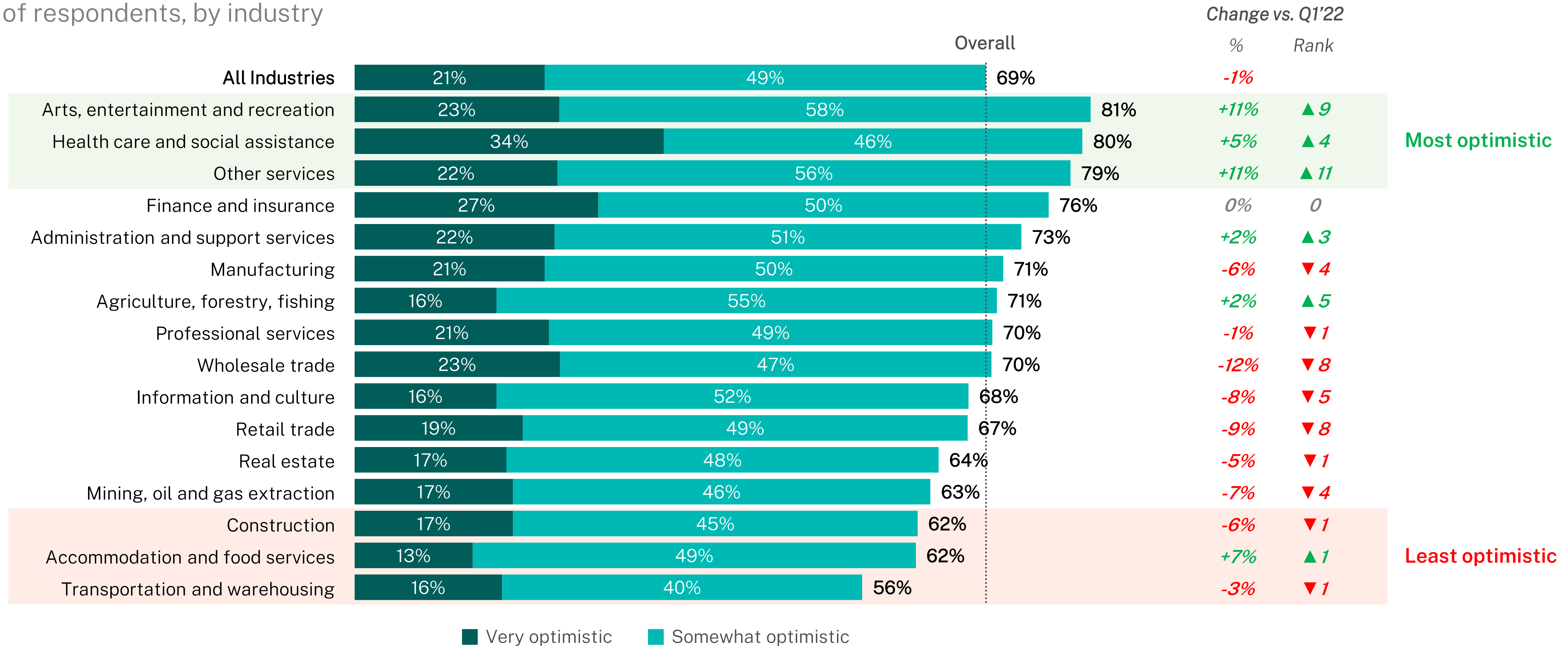
**Optimistic includes "Somewhat optimistic" and "Very optimistic"; Pessimistic includes "Somewhat pessimistic" and "Very pessimistic. Question was not asked in Q2 2022. Responses do not sum to 100% due to "Unknown" responses.*

Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

The year-ahead outlook is much improved for arts, entertainment and recreation, health care and other services, as they continue to recover from the pandemic

Over the next 12 months, what is the future outlook for your business or organization?

% of respondents, by industry

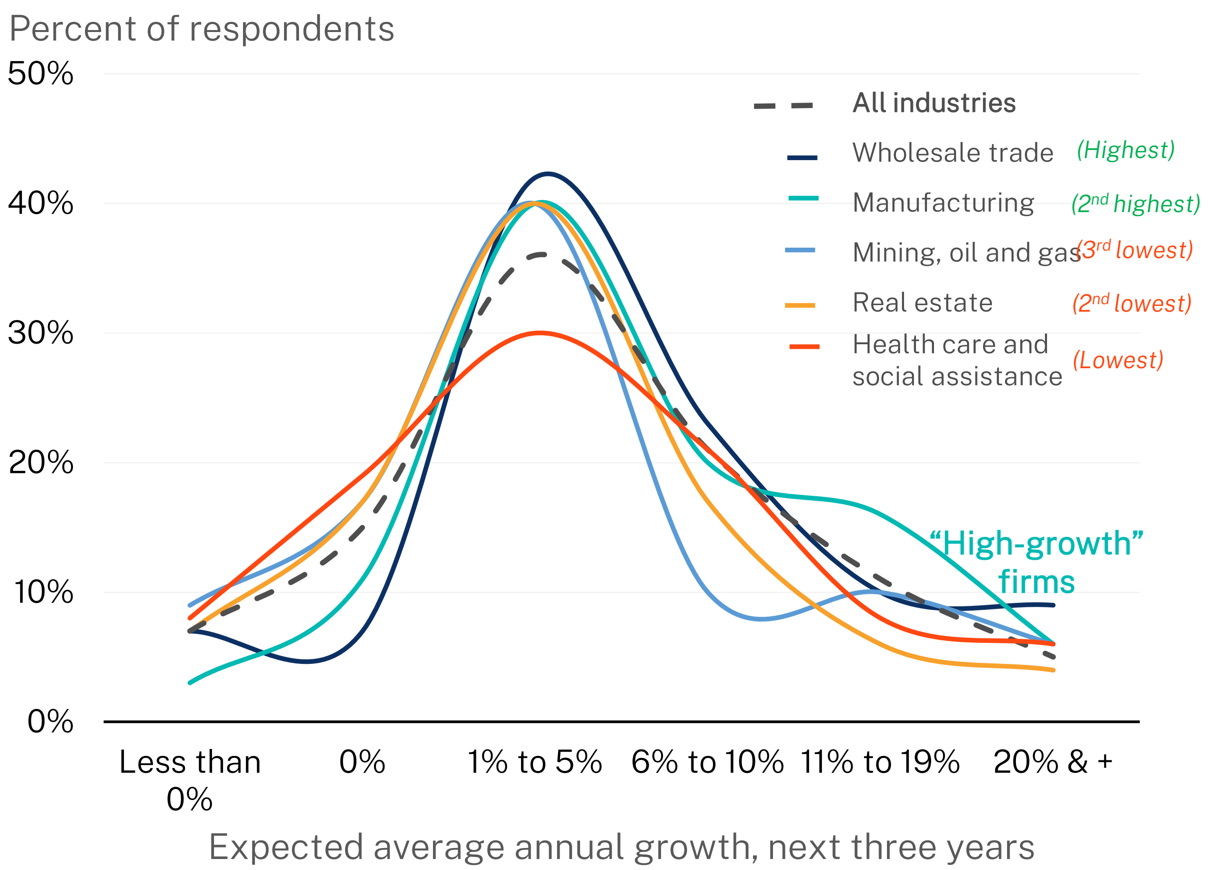


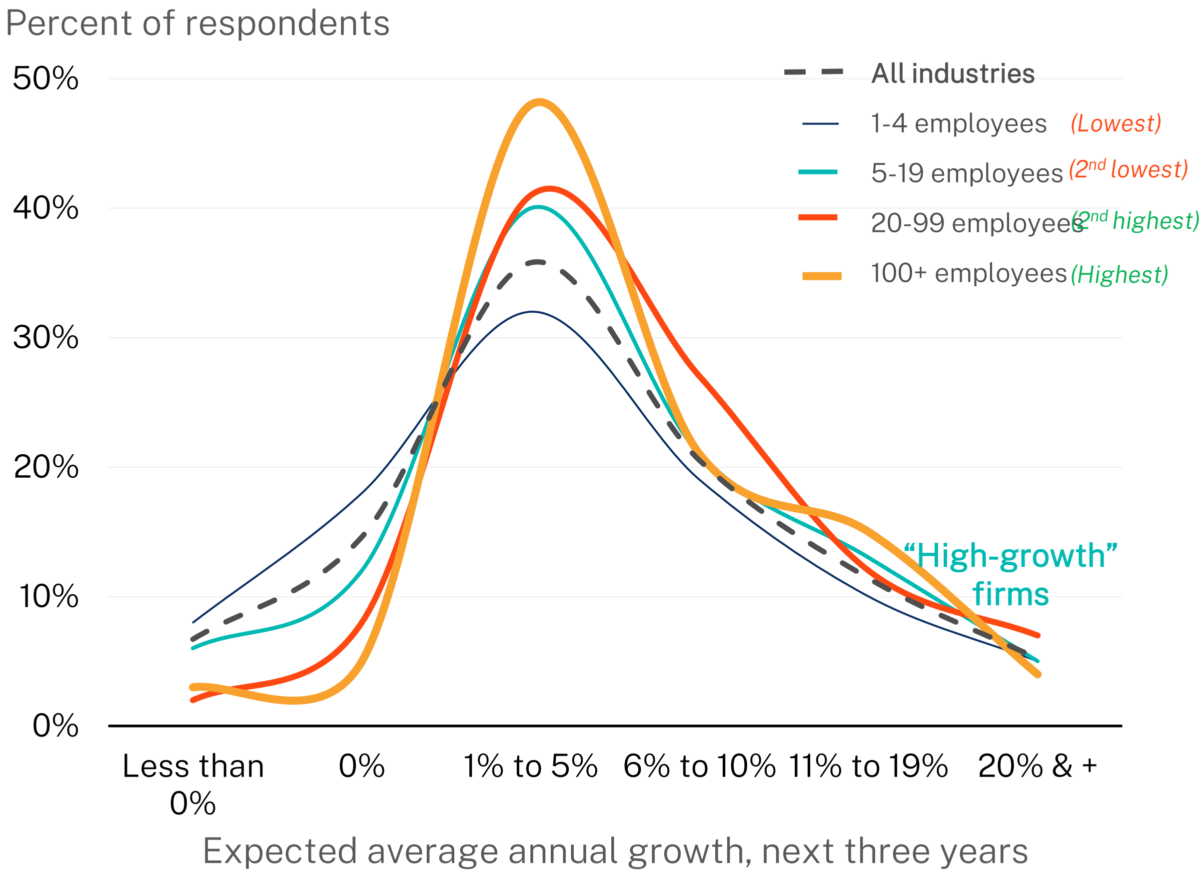
Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

Over the next three years, most businesses expect modest, positive growth; larger firms are more optimistic, but few expect to achieve "high-growth" status

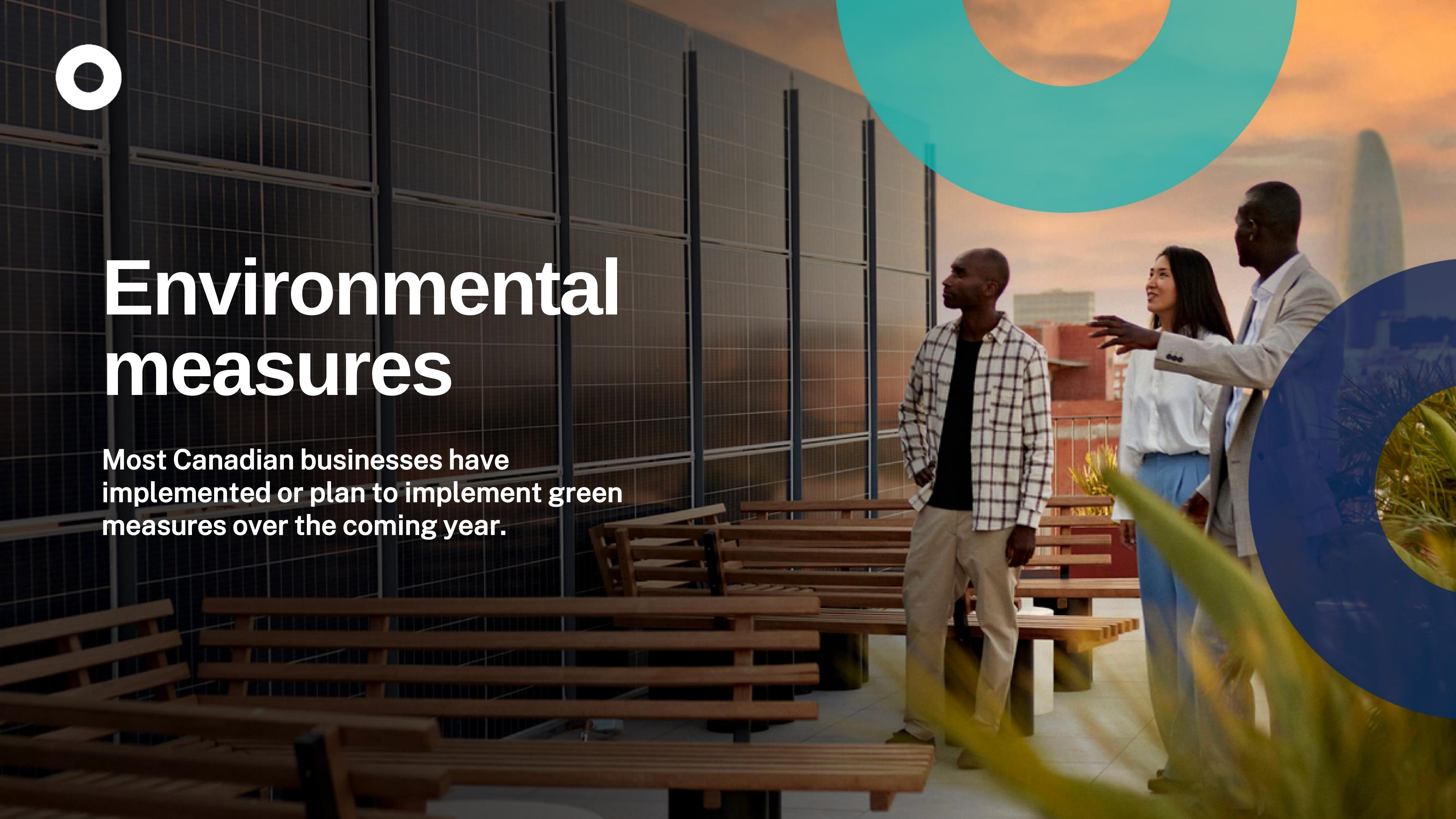
Average annual growth expected by businesses over the next three years

% of respondents, by employment size and key industries





Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.



Environmental measures

Most Canadian businesses have implemented or plan to implement green measures over the coming year.

Most businesses have environmental practices in place, or plan to implement them in the next year; waste reduction is the most common action

Which of the following environmental practices does your business have in place or plan to implement over the next 12 months?

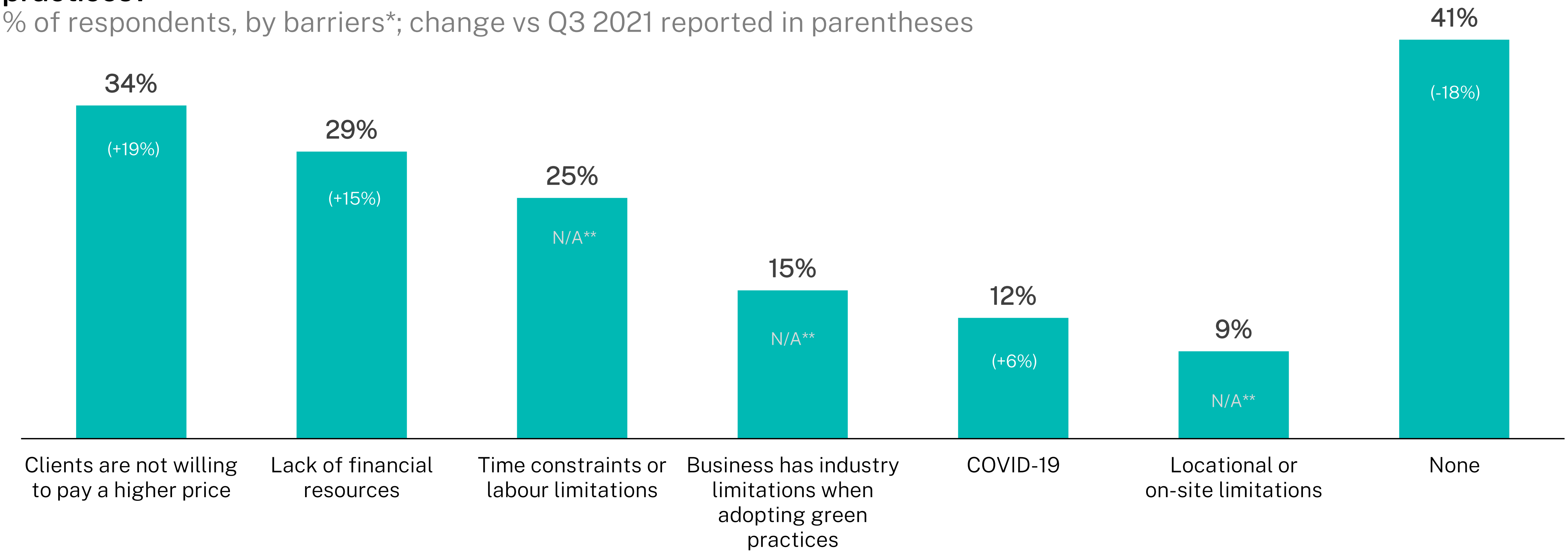
% of respondents, by environmental practice

Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

Customers' unwillingness to pay higher prices is the biggest barrier for those that foresee obstacles to adopting green practices

Over the next 12 months, which of the following could be barriers for your business when adopting more green practices?

% of respondents, by barriers*; change vs Q3 2021 reported in parentheses



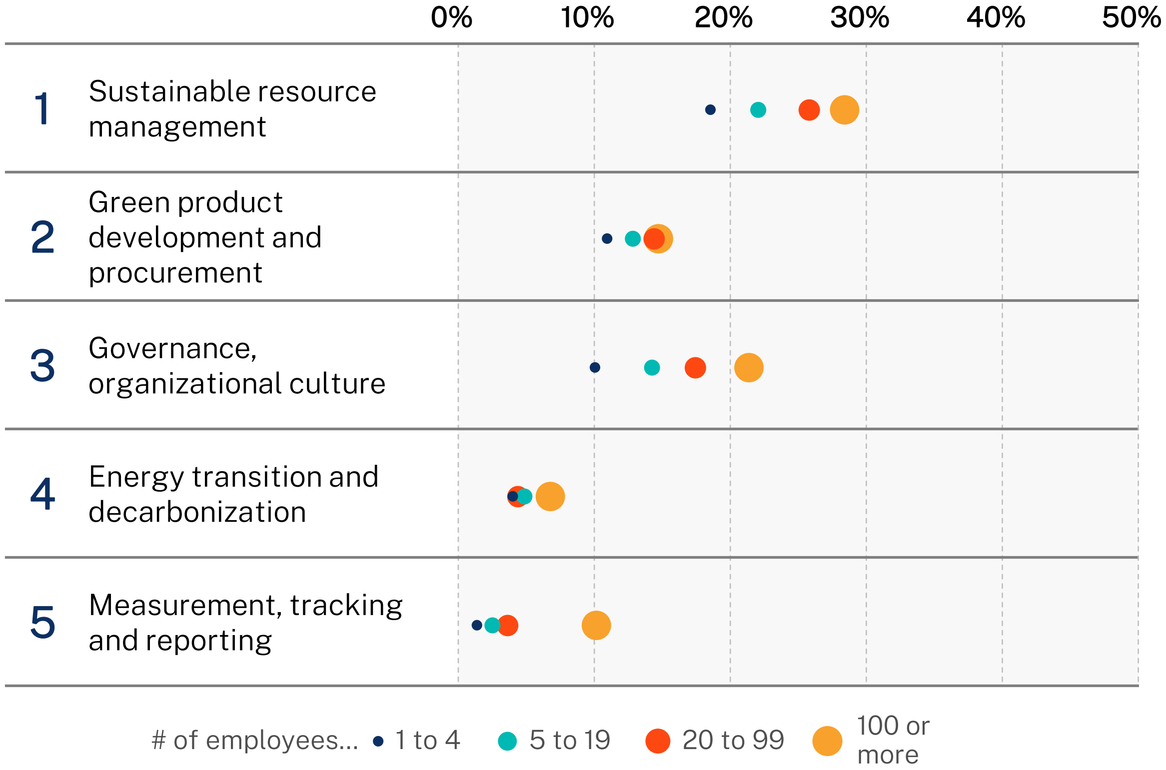
** Unspecified obstacles ("other") and obstacles selected by less than 5% of respondents are not reported*
*** Data unavailable on Q3 2021 due to a change in category response options*

Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

Larger firms are more likely to implement environmental practices and less likely to perceive barriers to doing so compared with their smaller peers

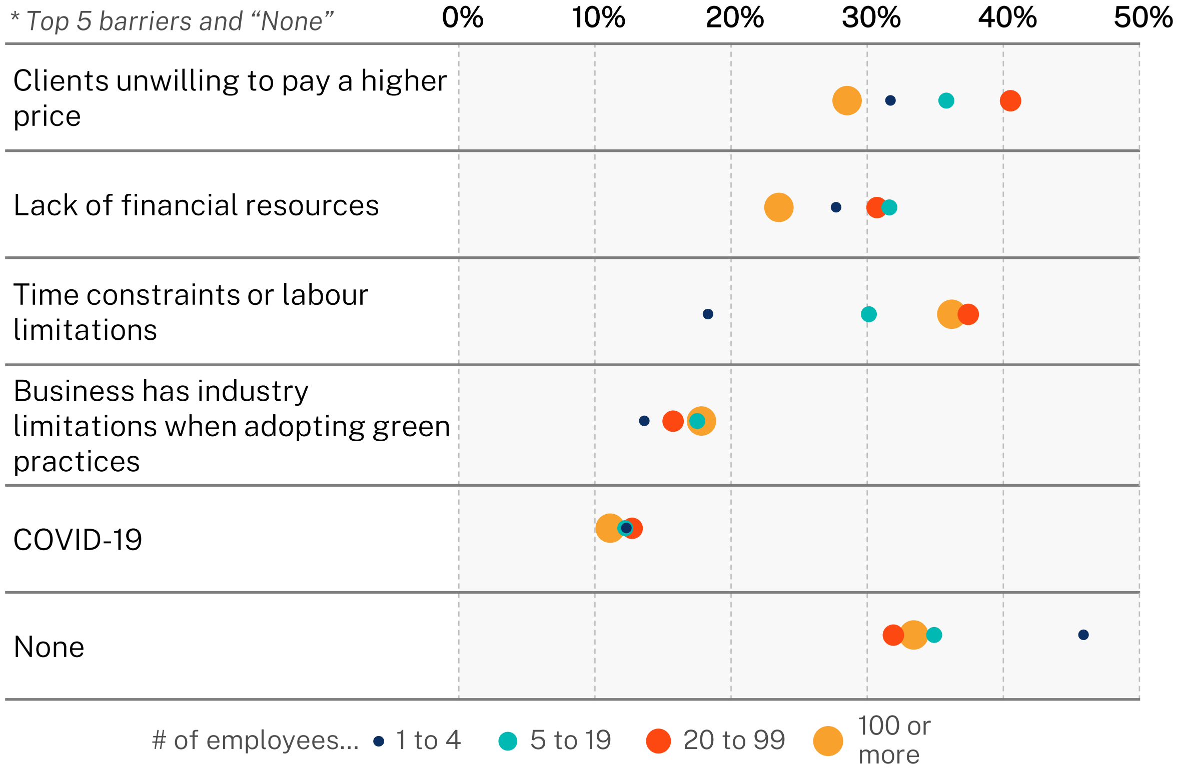
Which of the following environmental practices does your business have in place or plan to implement over the next 12 months?

% of respondents, by environmental practice



Over the next 12 months, which of the following could be barriers for your business when adopting more green practices?

% of respondents, by barriers*



Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

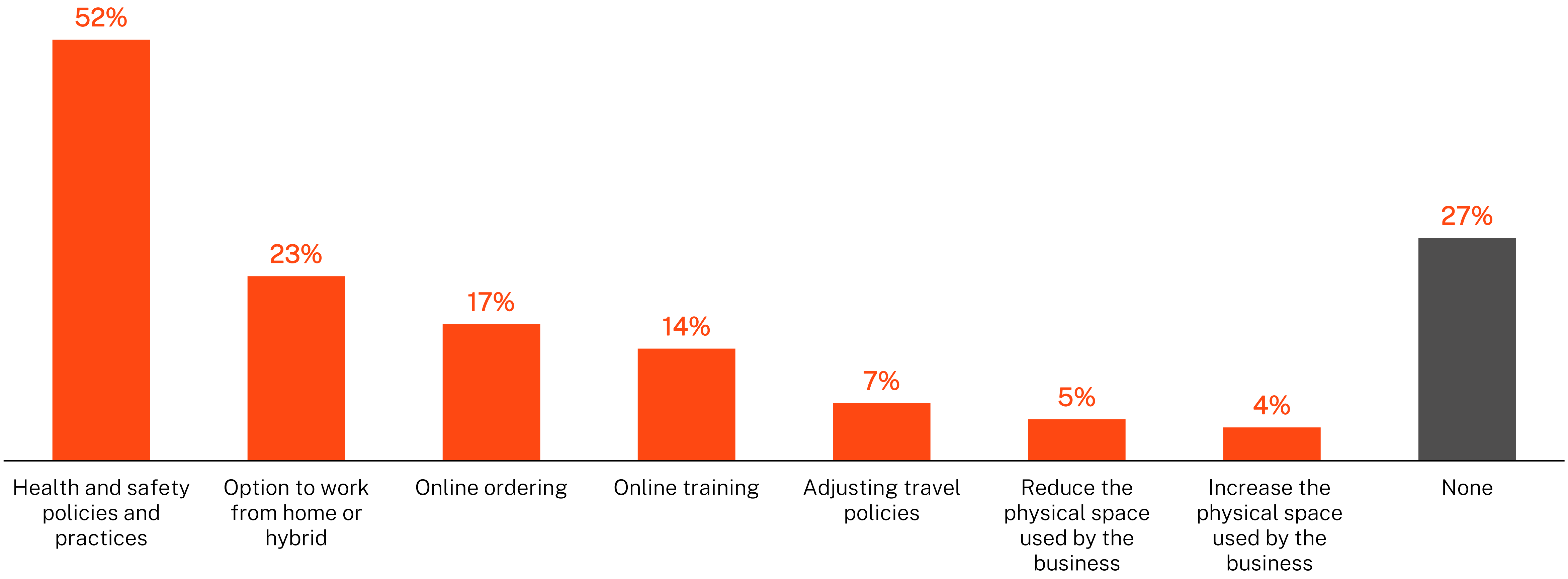
COVID-19 measures

In the long term, over half of businesses plan to maintain health and safety policies and practices adopted due to the pandemic.

Most businesses have implemented pandemic-related practices that will remain in the long run, such as those for health and safety as well as hybrid work

Has your business implemented any policies or practices due to COVID-19 that will remain in the long run?

% of respondents, by policies or practices

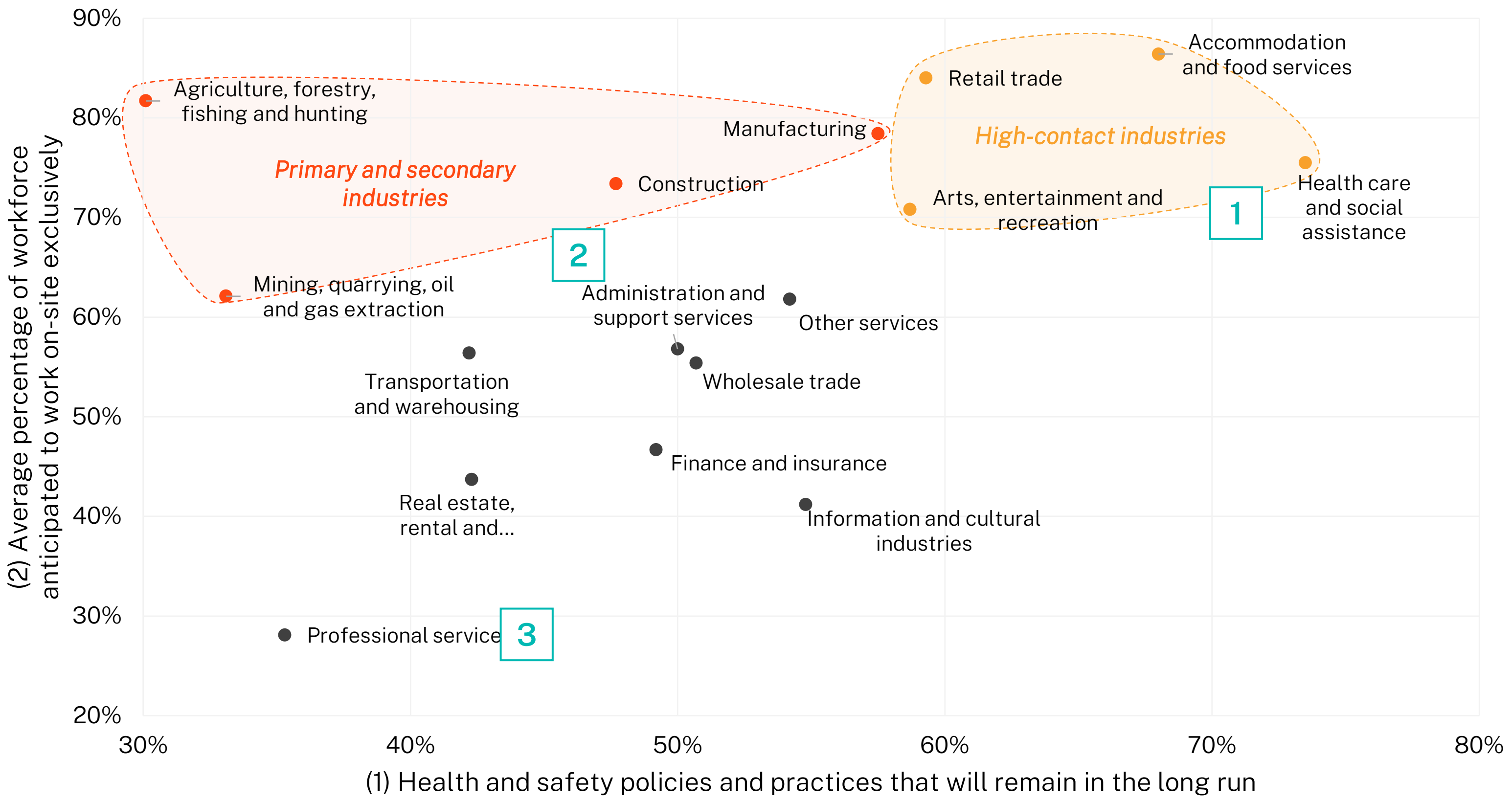


Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

New health and safety practices are most common in high-contact services

(1) Has this business implemented any policies or practices due to COVID-19 that will remain in the long run?
(2) Over the next three months, what percentage of your employees is anticipated to do each of the following?

X-axis: % of respondents who answered "Health and safety policies and practices," by industry
Y-axis: Average % of workforce anticipated to work on-site exclusively, by industry



1 **Intensive** customer-facing **contact industries**, such as **health care and social assistance, accommodation and food services**, and **retail trade**, require **their workforce to work mostly on-site** and have for the most part **maintained safety and health measures**

2 **Primary and secondary industries**, including **agriculture and manufacturing**, expect **significant proportions of their workforces to work on-site**

3 **Professional services**, which can be performed remotely, **do not need most of their workforce on-site** and have more limited changes to **health and safety policies**

Source: Statistics Canada, Canadian Survey on Business Conditions, 17,013 businesses surveyed in July and August 2022.

Appendix

Methodology

- **Survey Objectives:** The Canadian Survey on Business Conditions (CSBC) was created in the spring of 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 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 business.

- **Survey Period:** The 2022 Q3 CSBC was collected from July 4 to August 8, 2022.

- **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 17,013 businesses.

- **Note:** Charts might not sum to 100% due to rounding.

- **Contact:** This report presents analysis of the CSBC conducted by the Canadian Chamber of Commerce Business Data Lab. For questions, please contact Stephen Tapp, Chief Economist (STapp@Chamber.ca).

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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.

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