



Business
Data Lab

Laboratoire de données
sur les entreprises

Canadian Survey on Business Conditions Report, Q4 2022

December 2022




Message from the Senior Research Director

Surreal to say that we are at the end of 2022 -- a year of slow but significant transition -- which has seen the lifting of COVID-19 restrictions and reopening of international borders to a world where global economic activity is experiencing broad-based slowdown. Unfortunately, as with any economy, there are winners and losers, and the costs to Canada's business sector have not been singular or insular. Still, the CSBC's Q4 results reassure us that businesses remain pragmatic in their plans to address ongoing economic challenges, but, overall, their optimism has tempered about their future outlook.

Consistent with previous releases, rising costs associated with doing business remain the top near-term obstacle for half or more of Canadian businesses. And, while one-third of companies still believe they will pass increases in costs on to their customers, the silver lining is that this proportion has decreased steadily over the past two quarters. With central bankers steadfast in efforts to rein in inflation with higher interest rates, borrowing costs are seeing unwelcomed hikes. Unsurprisingly, small businesses and those owned by minorities are feeling more acutely the headwinds of uncertainty and reporting more challenges in their loan applications. It's not all bad news, overall: although liquidity has decreased, businesses' ability to take on debt has recently improved.

Prices are not the only shocks giving firms grief. Businesses report that supply chain difficulties are improving, although they expect them to persist. This is thanks to concerted management efforts such as substituting inputs, partnering with new suppliers and working with suppliers to improve timeliness. Still posing a challenge, however, is the amplified competition for talent driven by sectoral shifts, retiring baby boomers and a slowdown of immigration earlier in the pandemic. To cope, businesses are rethinking their strategies and prioritizing recruiting and retention, as well as their overall operating procedures, to keep rising labour costs in check. We are also seeing that businesses are looking to digitize, although major technology adoption limitations remain.

All in all, looking ahead, business expectations remain in check with the potentially recessionary conditions that await them in the new year. What remains to be seen is how they will continue to adapt, retool and strategize to get to the other side. We hope that, as always, you find value in the analysis that follows.



Marwa Abdou (mabdou@chamber.ca)

Senior Research Director, Canadian Chamber of Commerce



Key findings

BUSINESS OBSTACLES

Top near-term obstacles for Canadian companies in 2023 are rising costs of doing business. Persistent inflation is the biggest pain point, cited by well over half of all businesses (58%), followed by rising input costs (48%) and debt costs (39%).

INFLATIONARY PRESSURES

With persistent inflation, about one-third of businesses plan to increase their selling prices in the next quarter to combat cost pressures -- expected to be more prevalent in Northern, Central and Western Canada.

DEBT CONSTRAINTS

Businesses' ability to take on debt has improved, although remains constrained, especially for smaller firms and underrepresented groups. Although 57% of businesses are able to take on more debt, 75% do not plan on taking out a loan mainly due to rising interest rates and uncertainty in the economy.

LABOUR CHALLENGES

Recruiting and retaining employees remain major issues for businesses, despite improvements over the past year.

Key findings

SUPPLY CHAIN ISSUES

Supply chain issues are improving, as difficulty acquiring inputs and maintaining inventory levels have steadily decreased as obstacles over the past year as more business report implementing management strategies.

TECH/DIGITAL ADOPTION

Planned adoption of emerging technologies, including automation (6%), Artificial Intelligence (6%) and robotics (1%), remains low across all businesses. The need to hire workers with technological skills (40%), have access to financial resources (35%) and ability to retain employees (26%) are cited as key obstacles to adoption.

GROWTH OUTLOOK

Business optimism across industries has tempered over the course of this year. Firms in arts, entertainment and recreation, healthcare and wholesale trade are the most optimistic.



Business obstacles

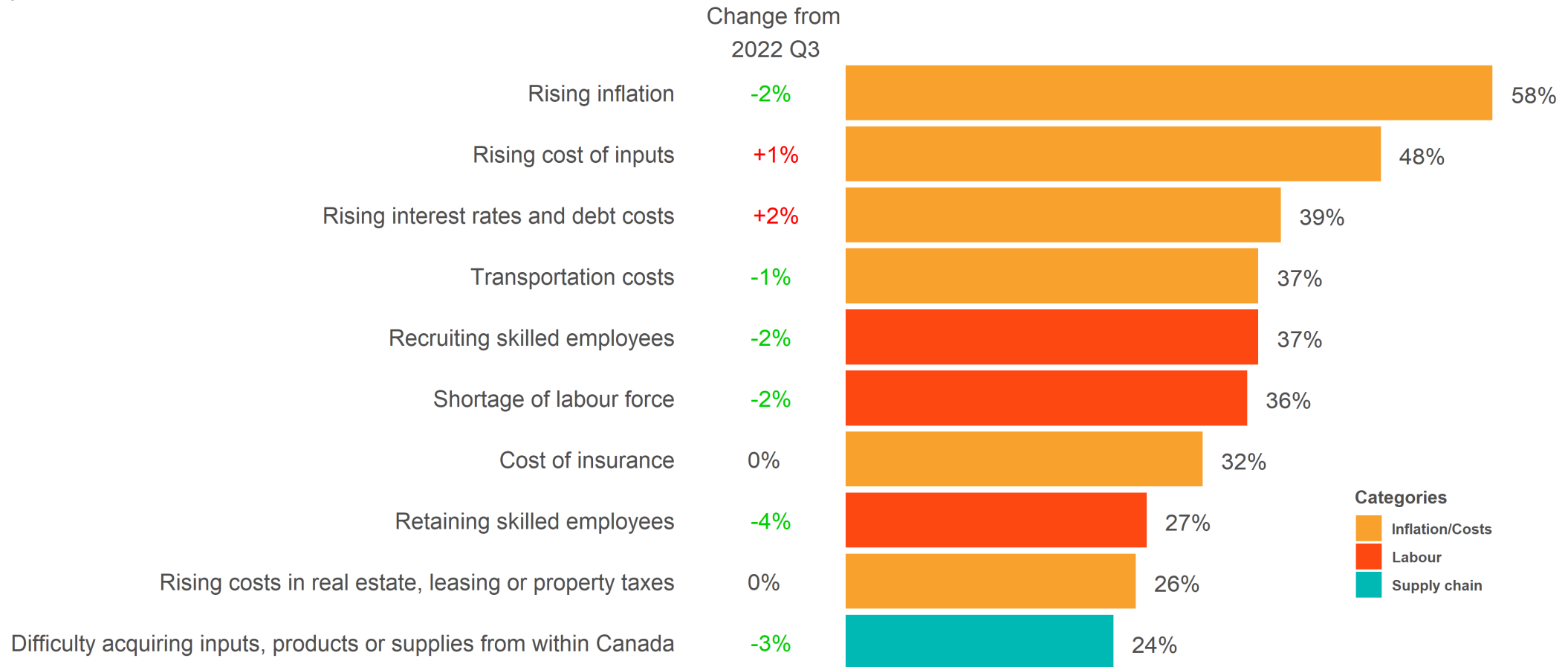
As labour and supply chain challenges ease for some, more businesses are anticipating finance, operational and demand challenges ahead.





Rising inflation remains the top obstacle expected by businesses in the next quarter

Top 10 business obstacles expected over the next three months
% of respondents

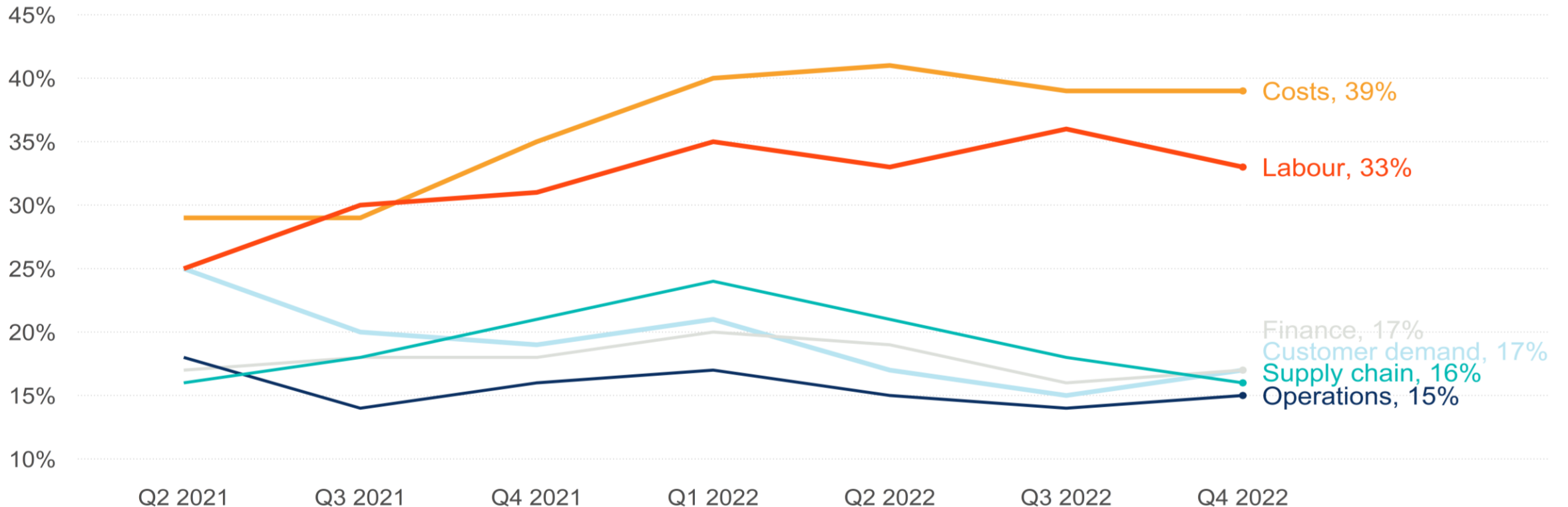




More businesses anticipate **demand** and **finance** obstacles as labour and supply chain challenges ease

Business obstacles expected over the next three months

% of respondents, grouped by category





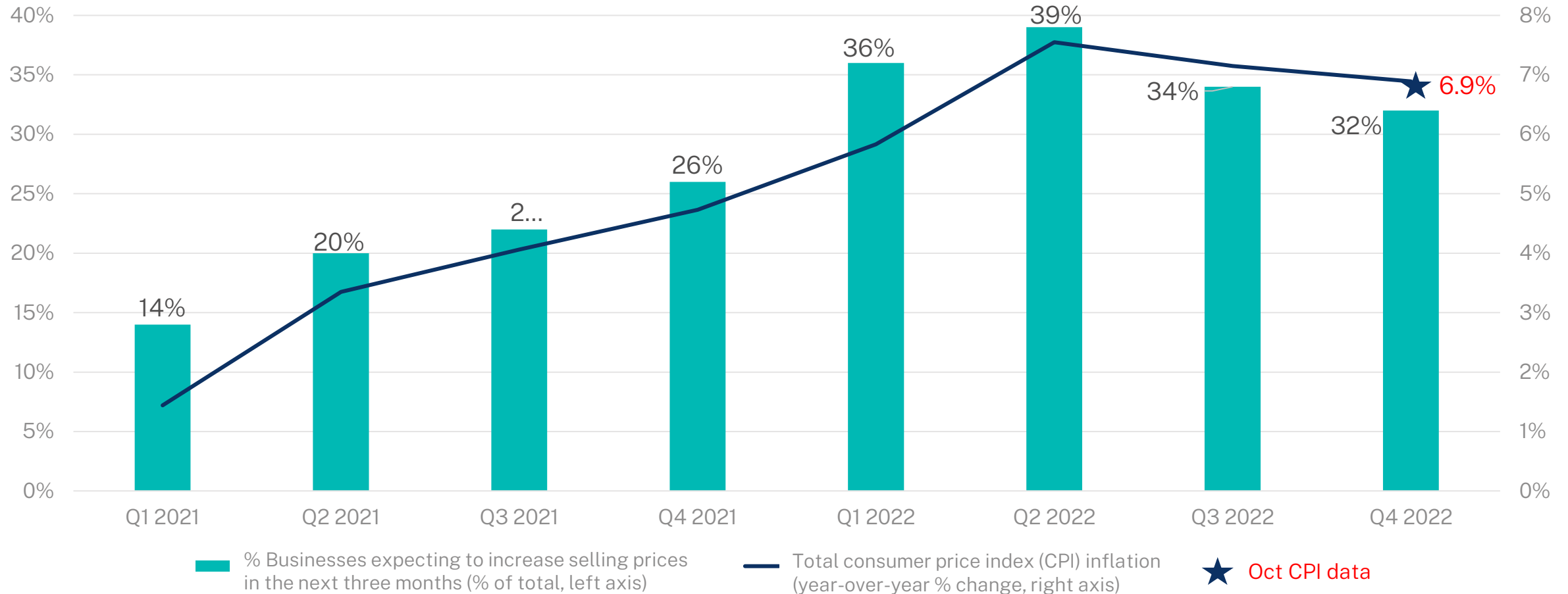
Inflationary Pressures

Looking at the near term, rising inflation is the leading cause of concern for Canadian businesses, followed by rising input costs.



Selling price pressures are expected to ease as inflation decelerates

Businesses expecting to raise the the selling price of their goods and services over the next three months versus CPI inflation
% of respondents

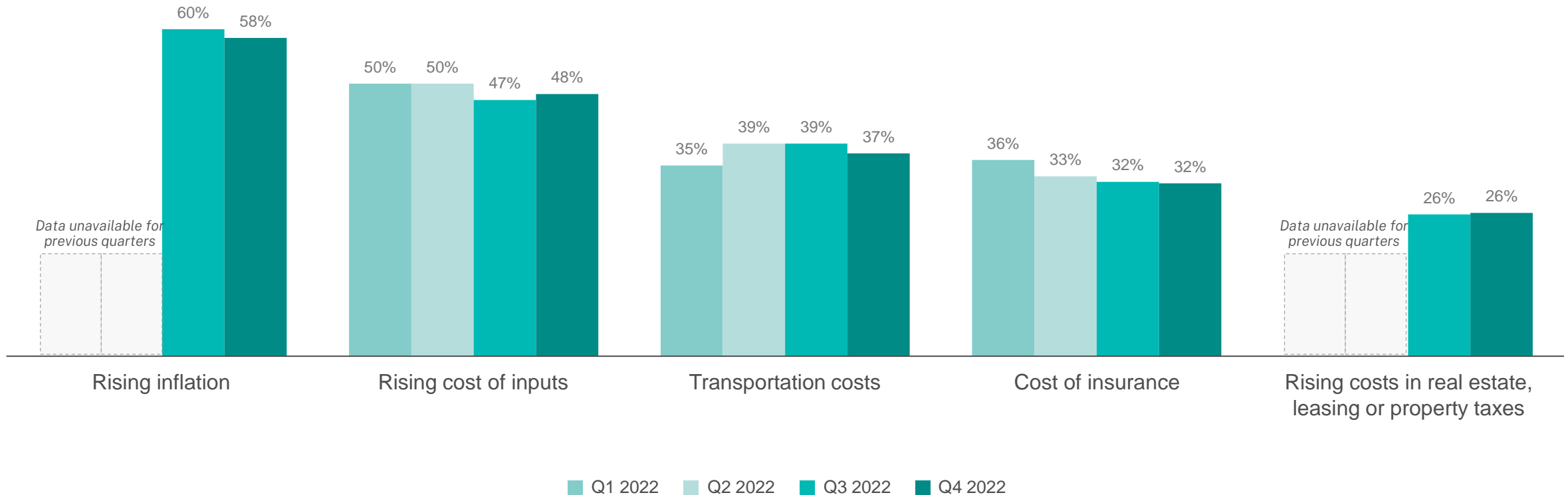


Source: Statistics Canada, Canadian Survey on Business Conditions, 17,363 businesses surveyed in October and November 2022.



Cost pressures will remain broad based and top-of-mind over the near term

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

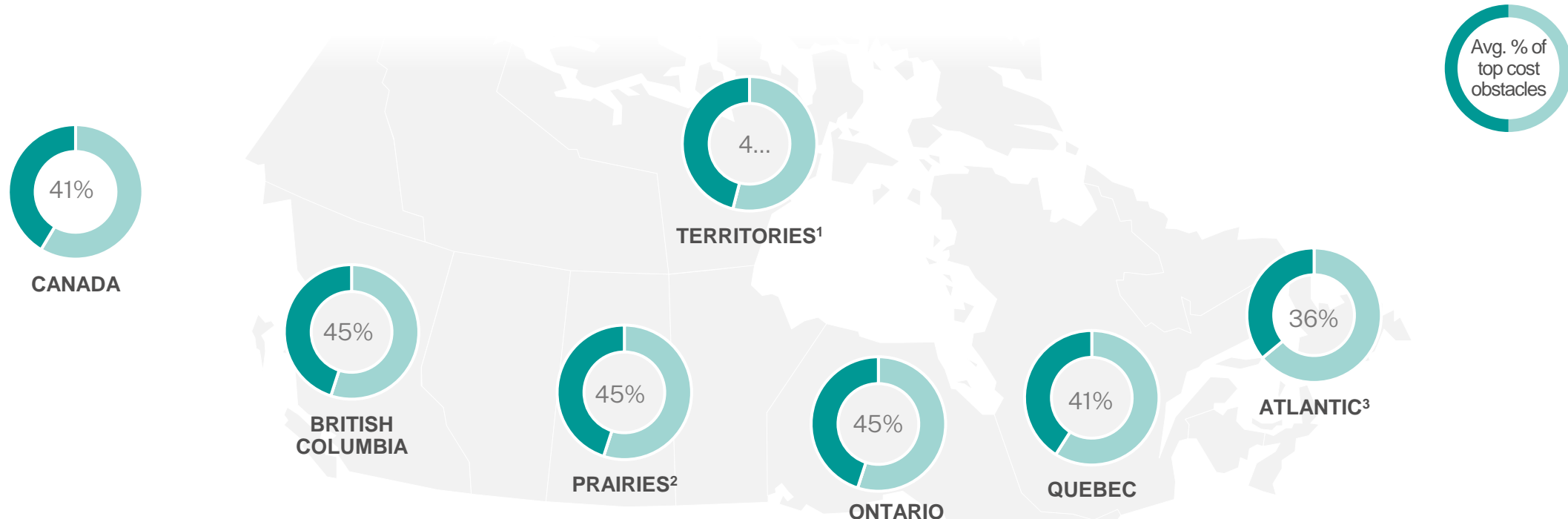




More than 4 in 10 businesses in Northern, Western and Central Canada anticipate **cost-related obstacles** in the near term

Businesses expecting cost-related obstacles* over the next three months

% of respondents, averaged 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

**Regional aggregations are approximations based on provincial/territorial averages

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



Debt constraints

Small and minority-owned businesses and those in diverse communities are affected more acutely by debt constraints.

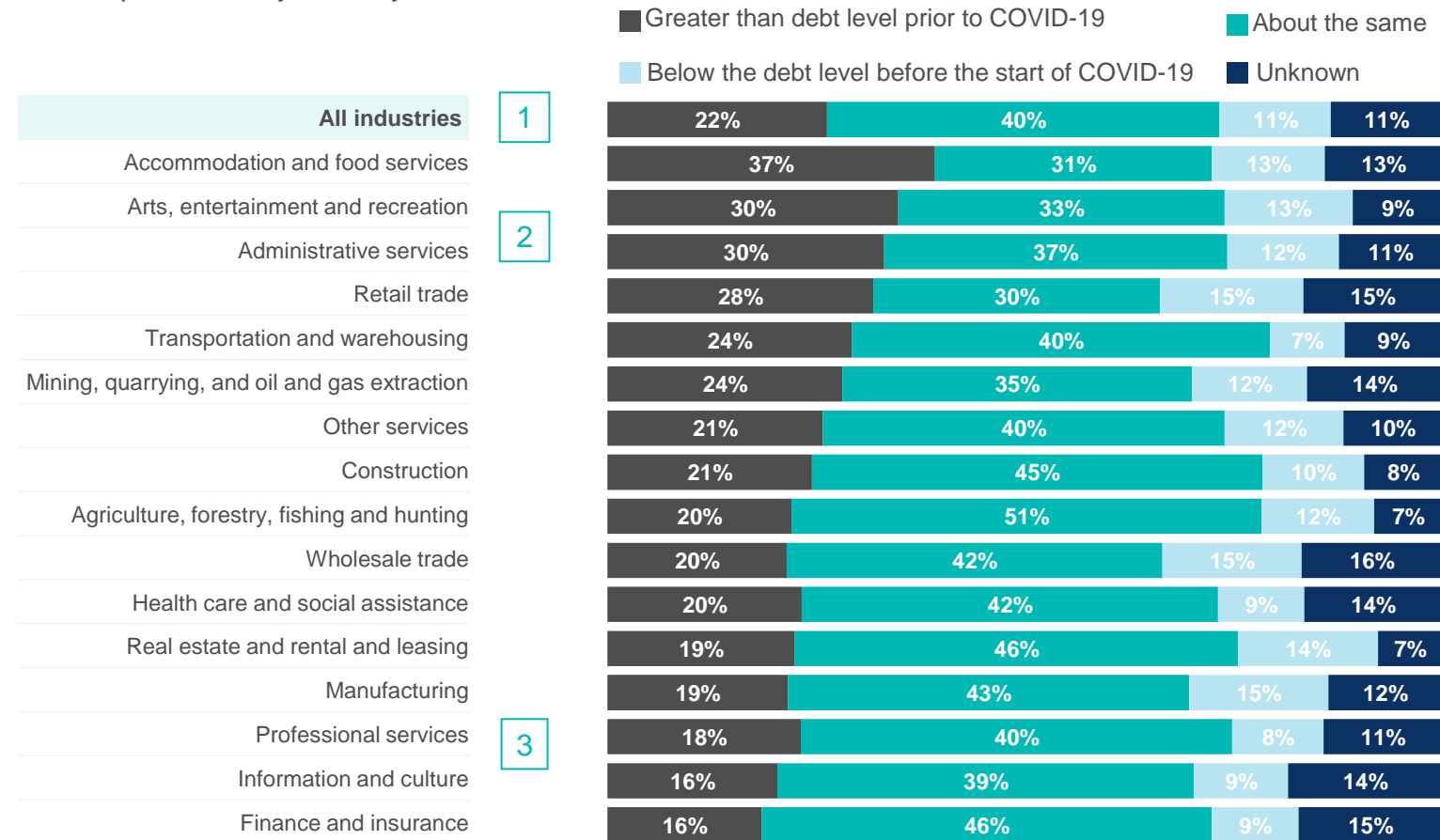




Business debt levels have increased since the start of the pandemic, especially in services sectors

Which of the following best describes the current debt level of this business?

% of respondents, by industry



Responses to "not applicable" are not shown

1 Overall, debt levels have **increased** since prior to the pandemic across all industries

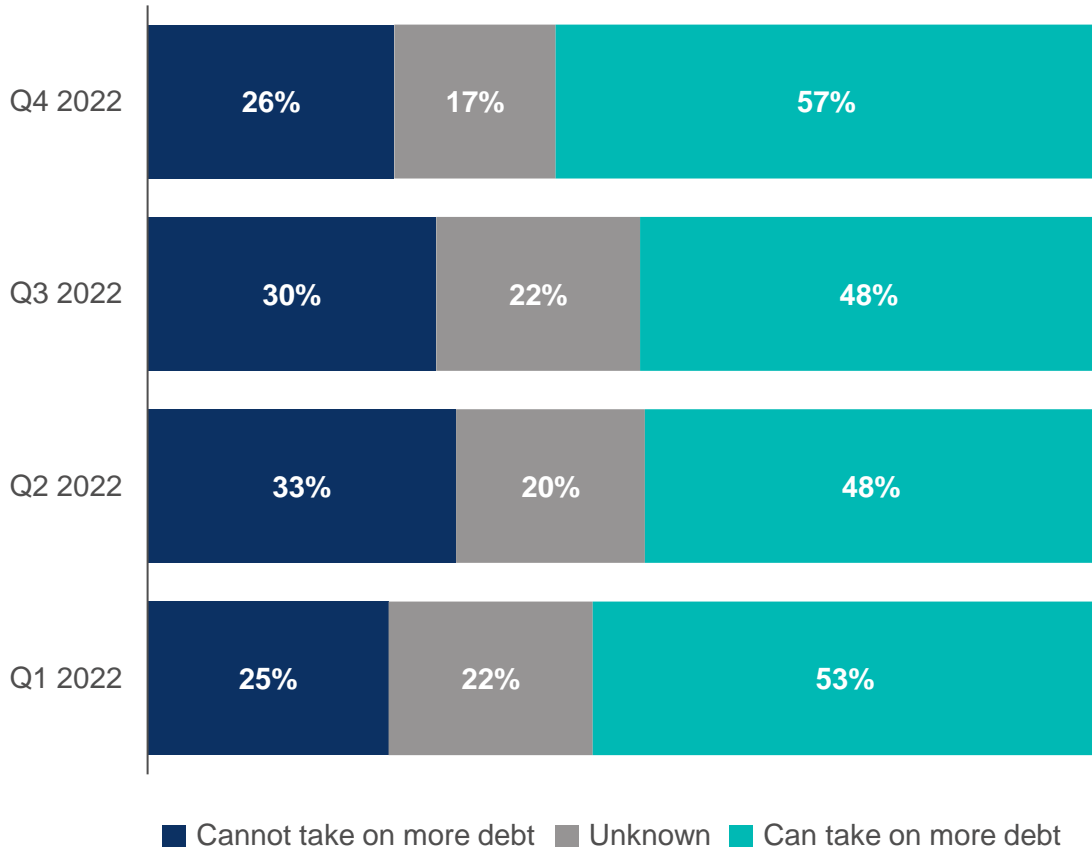
2 **Accommodation and food services, arts and entertainment and administrative services** have seen debt levels increase the most

3 **Professional services, information and finance and insurance** have seen the lowest debt-level increases across all industries

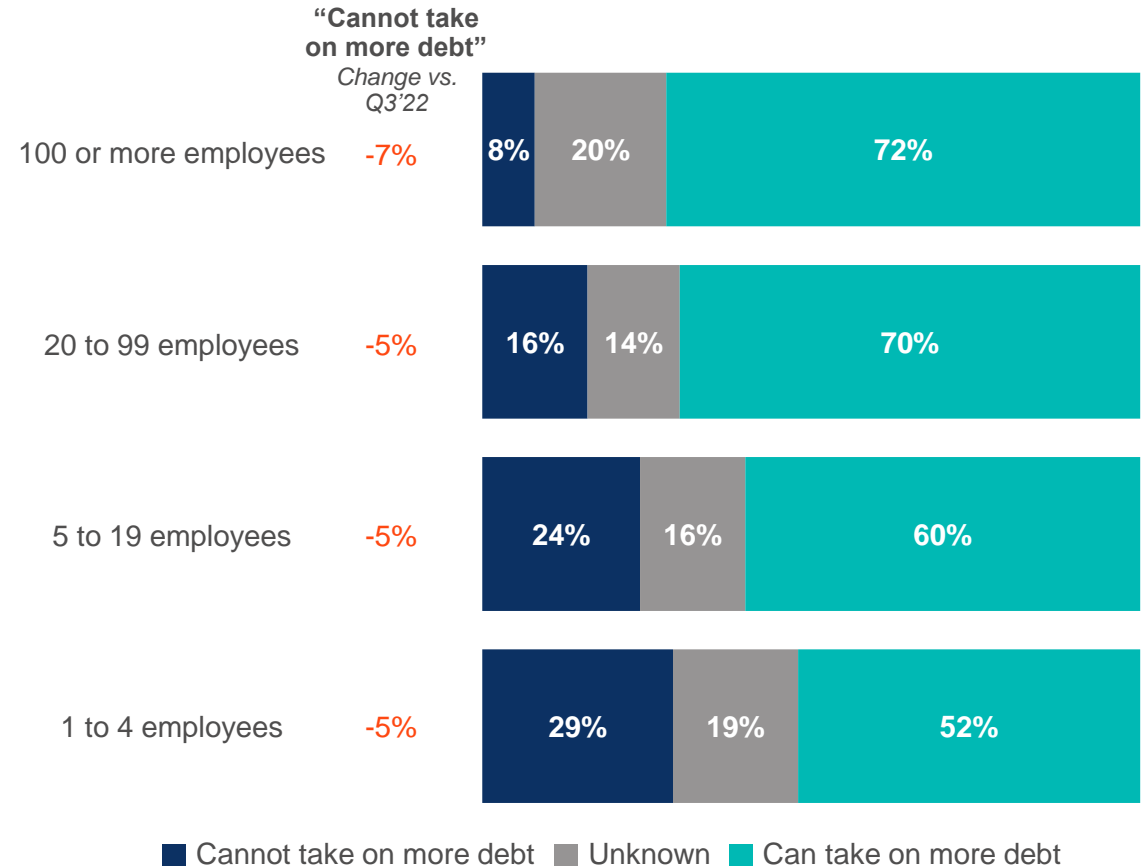


Businesses' ability to take on debt has improved since the previous quarter, but smaller firms remain most constrained

Does this business have the ability to take on more debt?
% of respondents, by quarter of survey



Does this business have the ability to take on more debt?
% of respondents, by employment size





Debt constraints are most significant in the primary sectors, while firms in high-contact services report improvements

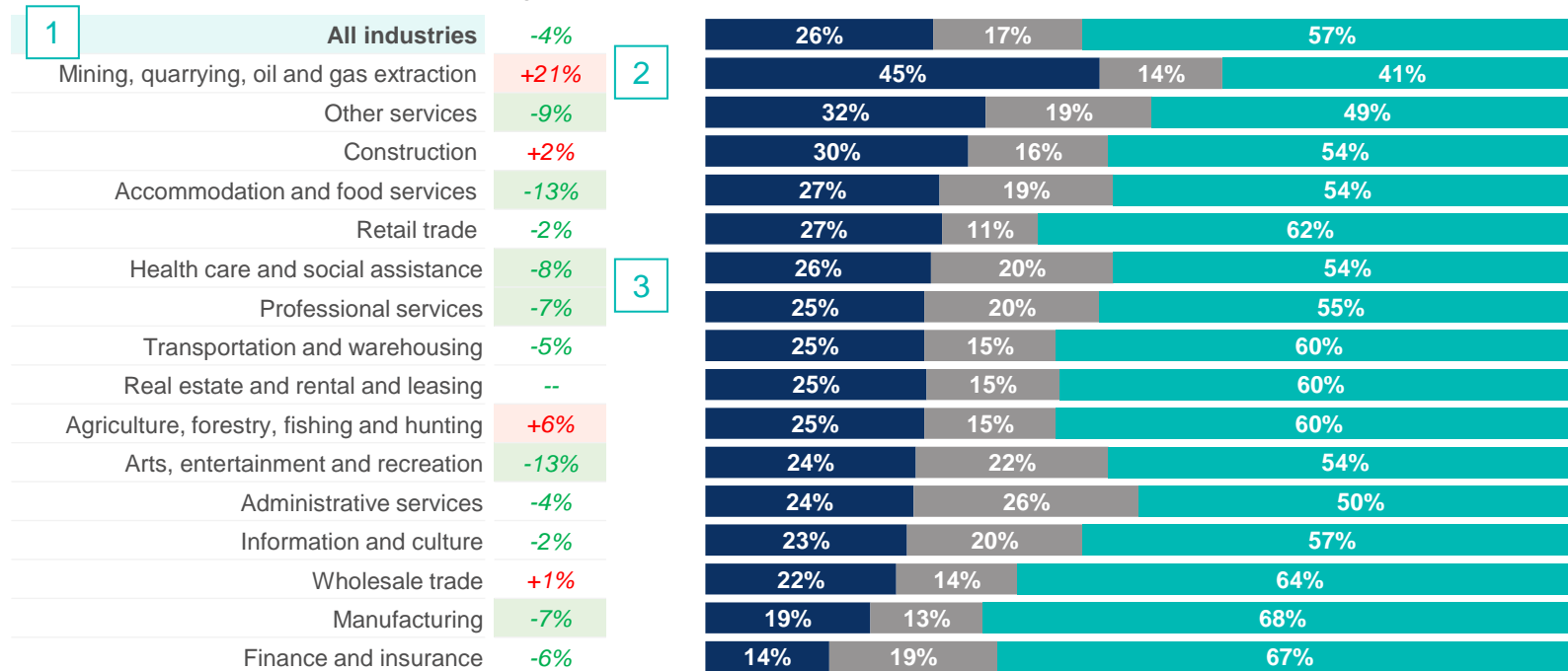
Does this business have the ability to take on more debt?

% of respondents, by industry

“Cannot take on more debt”

Change vs. Q3'22

■ Cannot take on more debt ■ Unknown ■ Can take on more debt



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

2 Mining and agriculture have seen their inability to take on more debt increase

3 Accommodation, arts and entertainment, healthcare, professional, manufacturing and other services have seen improvements

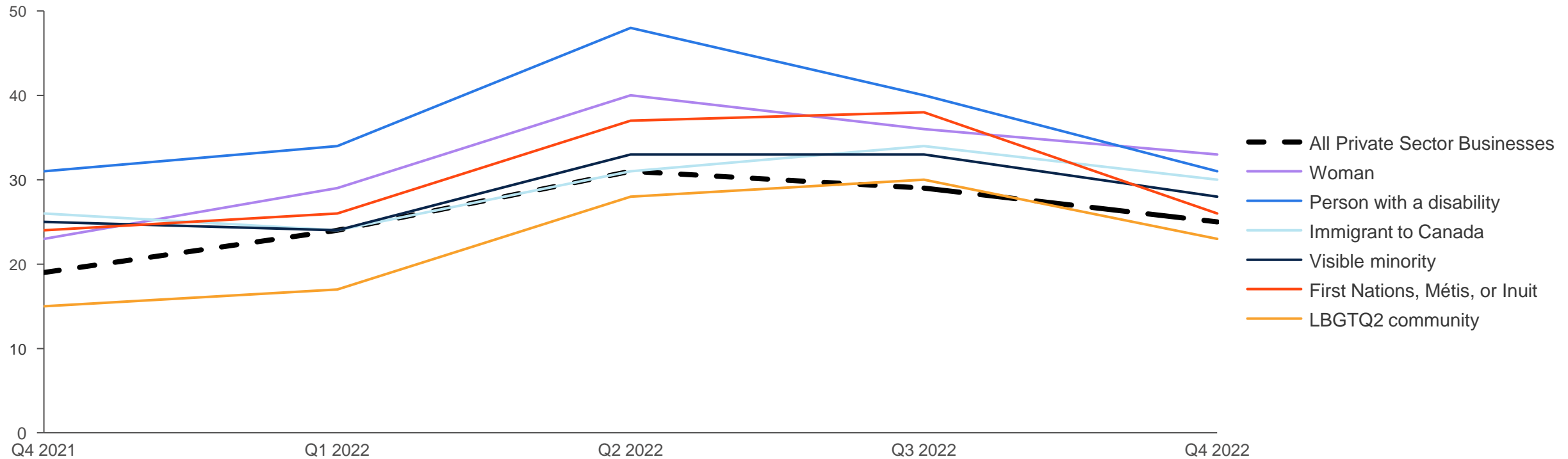
Although **57%** of businesses have the ability to take on more debt, **75%** of businesses do not plan on applying for a business loan



Debt constraints are generally worse for businesses owned by underrepresented groups

Does this business have the ability to take on more debt?

% of respondents, by businesses majority owned by minorities or diverse communities, declaring they cannot take on more debt



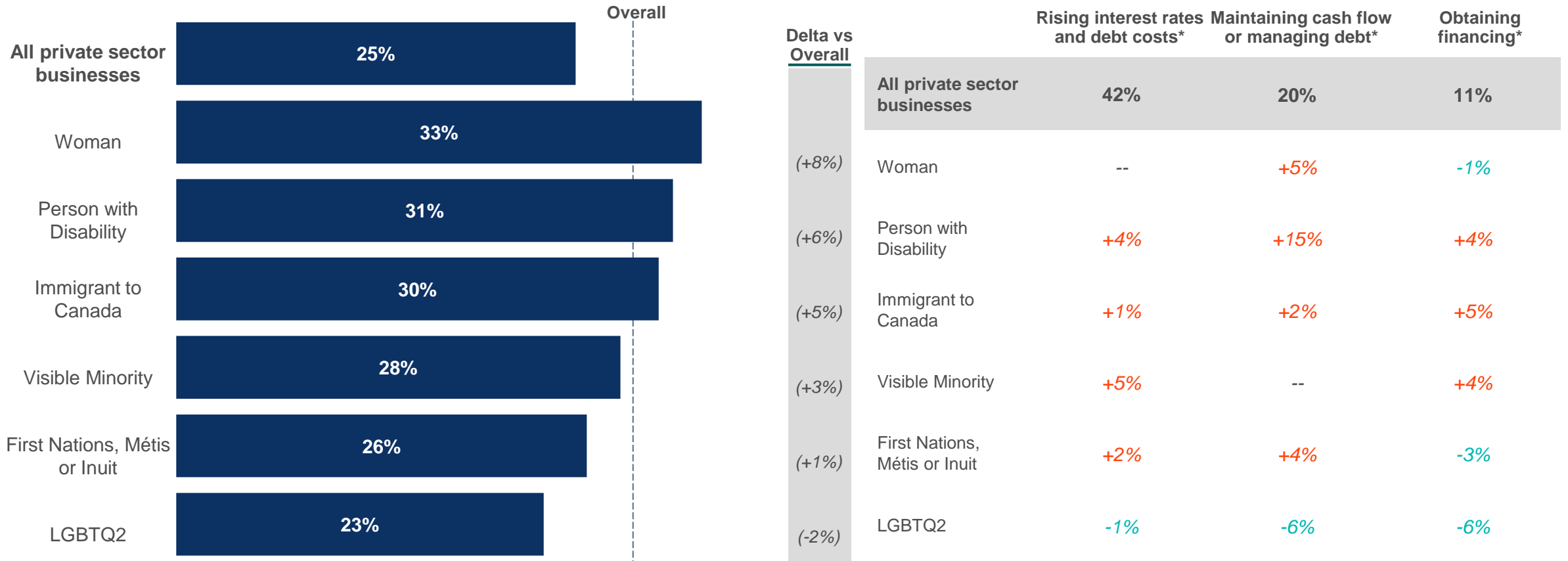


As interest rates rise, more minority-owned businesses expect **debt-related obstacles** to continue

(1) Does this business have the ability to take on more debt?

(2) Over the next three months, which of the following are expected to be obstacles for this business?

% of respondents, by businesses majority owned by minorities or diverse communities, declaring they cannot take on more debt and the obstacles they face



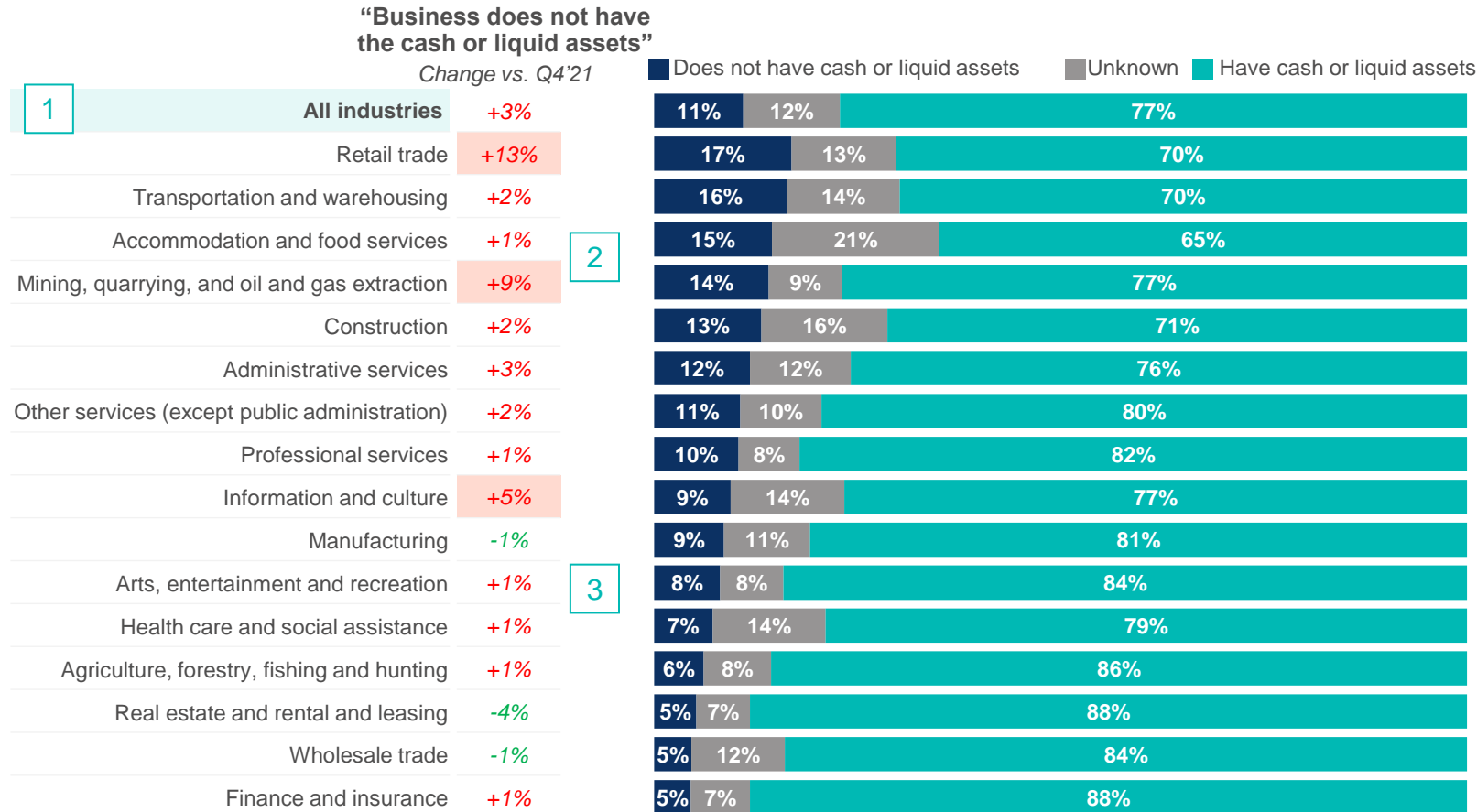
* *Italicized values represent the difference in the % between businesses that are majority-owned by minorities and all private sector businesses by the expected obstacles for their business*



More businesses report reduced **access to cash or liquid assets** from a year ago across most industries

Does the business have the cash or liquid assets required to operate for the next three months?

% of respondents, by industry



1 Overall, the proportion of Canadian businesses that **do not have cash or liquid assets** has **increased** over the past year

2 **Retail trade, mining and information and cultural industries** have seen their cash or liquid assets decrease

3 **Manufacturing, real estate and wholesale trade** have seen slight improvements in liquidity

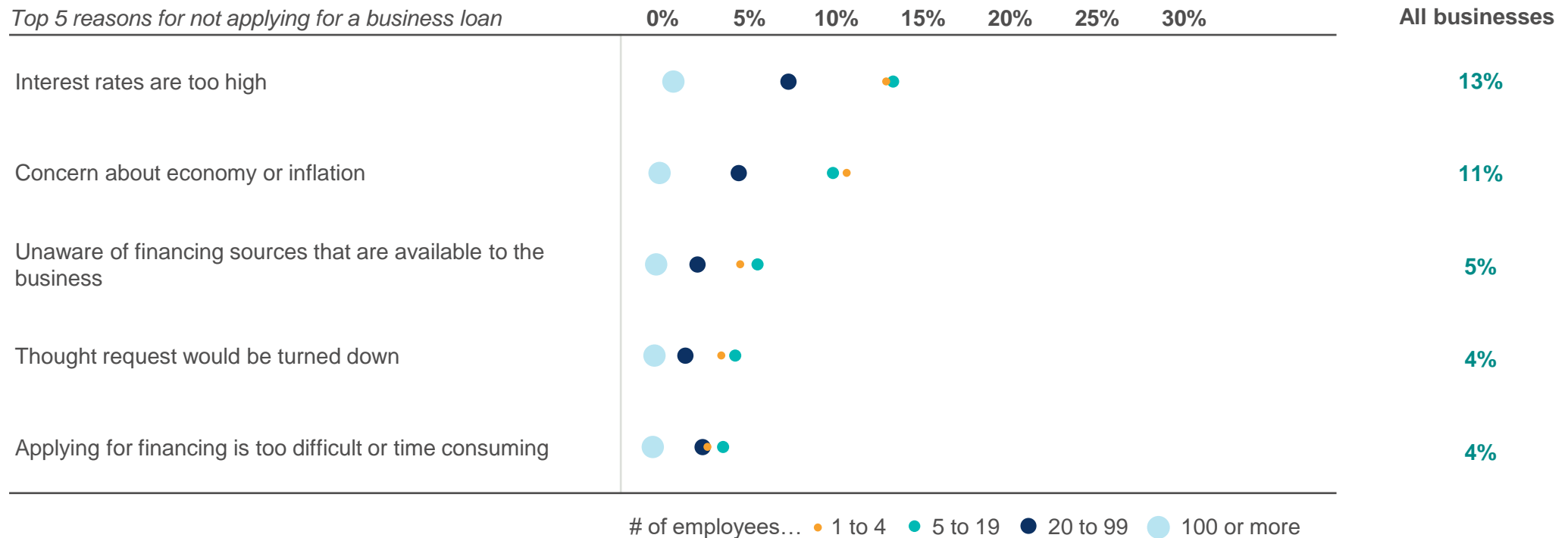
Source: Statistics Canada, Canadian Survey on Business Conditions, 17,363 businesses surveyed in October and November 2022.



High interest rates and inflation concerns are cited as top reasons small businesses did not apply for a business loan

Which of the following were the reasons this business did not apply for a business loan?

% of respondents that did not apply for a new line of credit, new term loan, new non-residential mortgage or refinancing of an existing non-residential mortgage



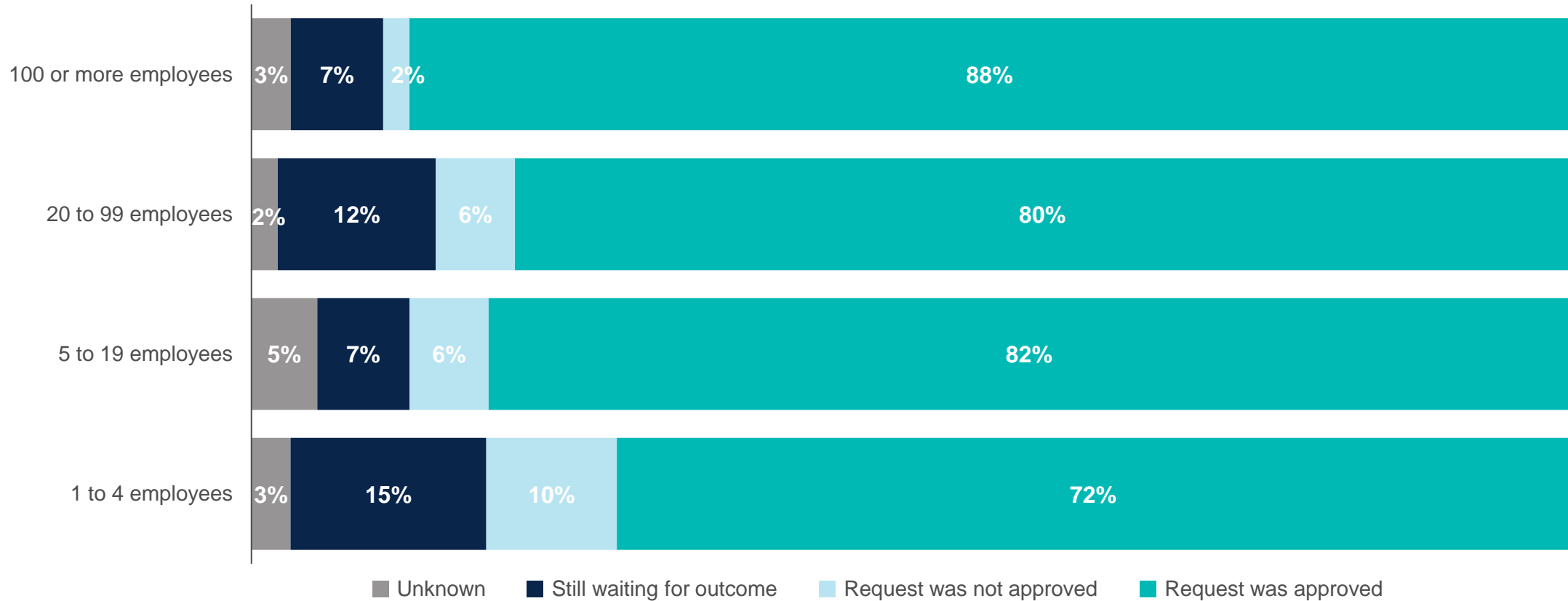
Responses to "other" and "unknown" are excluded

Source: Statistics Canada, Canadian Survey on Business Conditions, 17,363 businesses surveyed in October and November 2022.



For those with **loan applications**, more small businesses reported rejection or decisions pending

Was the largest request made for credit / loan application approved, either fully or partially?
% of respondents, by employment size



Responses to “request was withdrawn by the business or organization” are included under “unknown”



Competition for talent

The competition for talent due to labour shortages is a pain point for many Canadian businesses, although it has seen improvement.

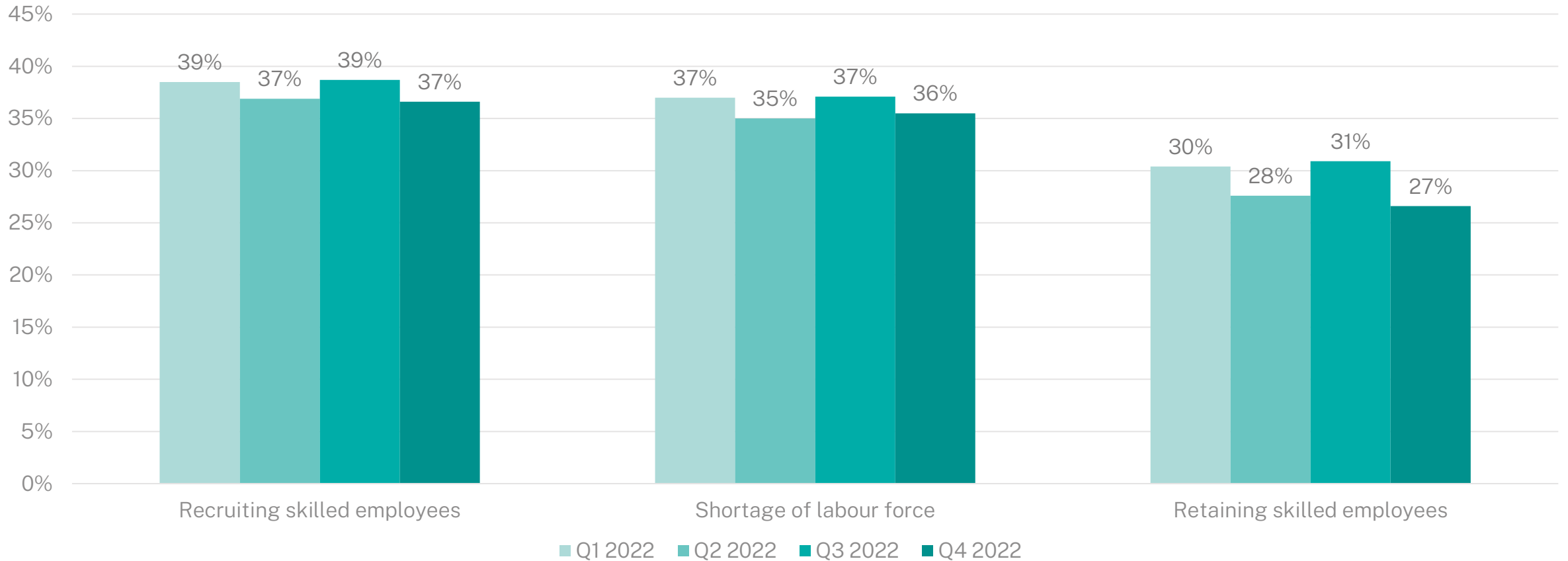




Labour challenges are slowly easing, but are expected to continue for the next quarter

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

% of respondents, by labour-related obstacle





Firms in accommodation, food services and retail trade report the most significant **shortage** and **recruiting challenges**

Labour-related business obstacles, expected over the next three months

% of respondents, by industry

	Shortage of labour force	Recruiting skilled employees	Retaining skilled employees
All Industries*	36%	37%	27%
Accommodation, food services	58%	42%	40%
Retail trade	49%	48%	37%
Administrative services	45%	42%	37%
Manufacturing	45%	40%	34%
Construction	44%	49%	26%
Wholesale trade	38%	43%	31%
Other services	34%	39%	26%
Health care, social assistance	32%	35%	29%
Arts, entertainment, recreation	33%	35%	27%
Information, culture	24%	28%	24%
Mining, oil and gas	24%	28%	23%
Finance, insurance	21%	31%	22%
Professional services	20%	27%	18%
Transportation, warehousing	24%	24%	17%
Agriculture, forestry, fishing	28%	20%	15%
Real estate	22%	22%	12%

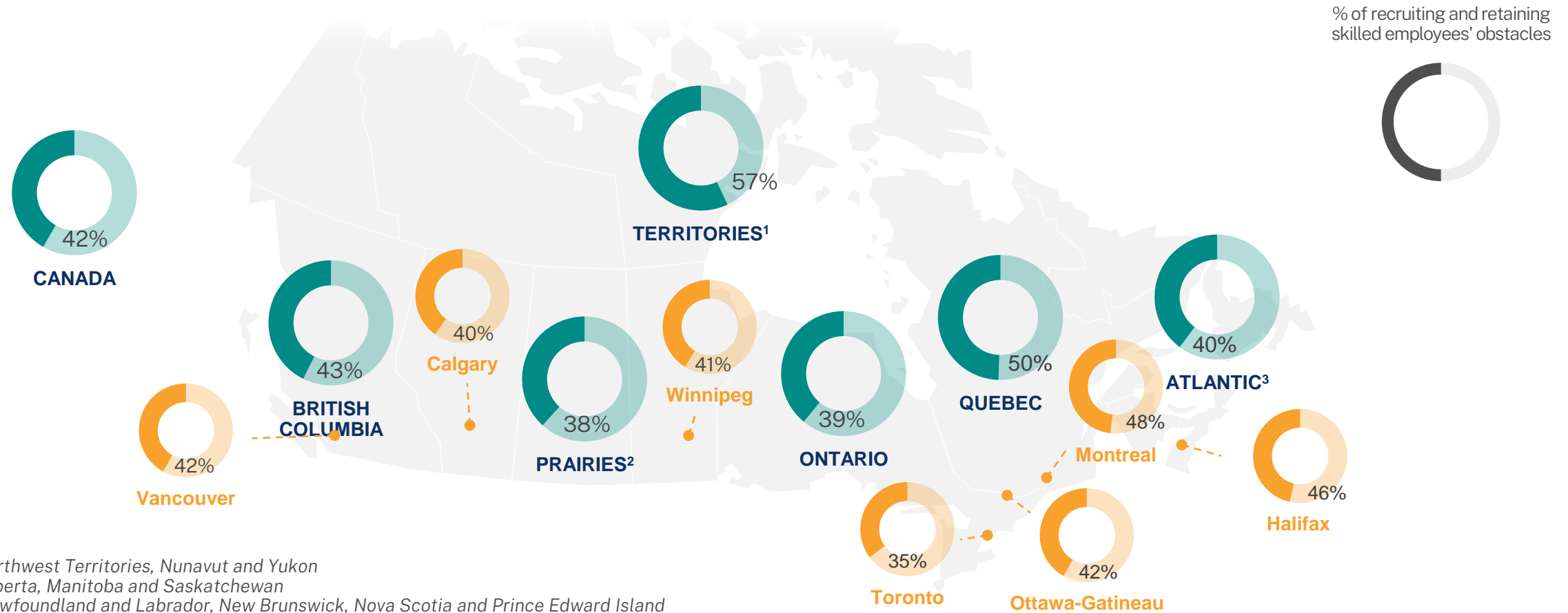


*Note: Industries sorted in descending order based on the average across the three responses.

42% of businesses expect recruitment and retention obstacles in the coming quarter – with even more in the territories and Quebec

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

% of respondents associated with recruiting and retaining skilled employees' obstacles, by region and census metropolitan area



¹ Northwest Territories, Nunavut and Yukon

² Alberta, Manitoba and Saskatchewan

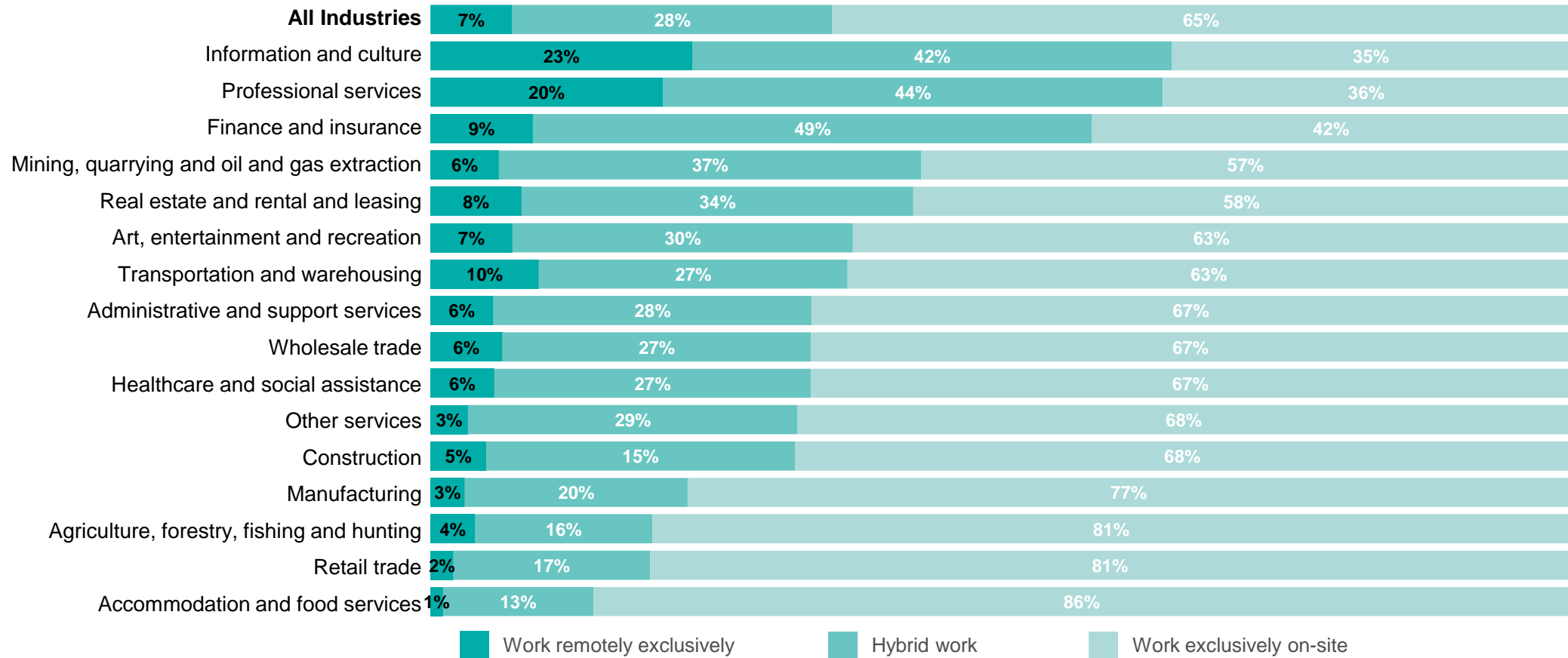
³ Newfoundland and Labrador, New Brunswick, Nova Scotia and Prince Edward Island

Note: Regional aggregations are approximations based on provincial/territorial averages



Firms in information and culture, professional services and finance continue to embrace **hybrid** and **remote work**

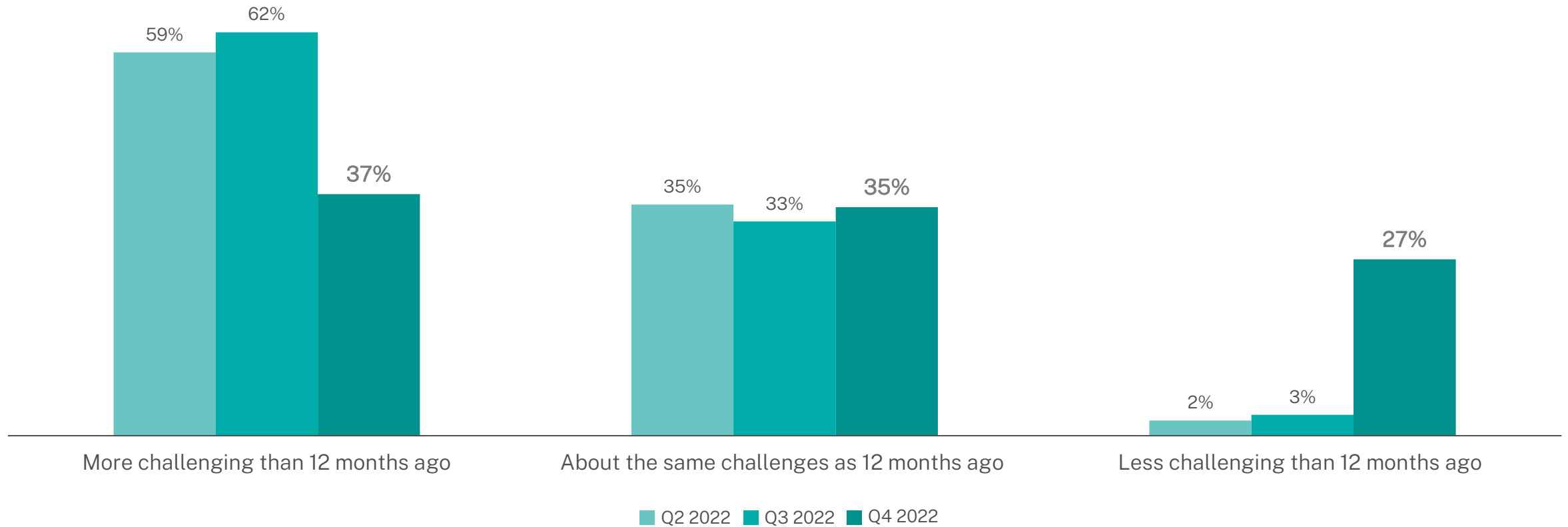
Over the next three months, what percentage of the employees of this business is anticipated to do each of the following?
% of respondent, by industry





Labour challenges are expected to persist, but more businesses report they are less than a year ago

Compared with 12 months ago, how would this business or organization describe its challenges with recruiting and retaining staff?
% of respondents, by timeframe





Supply chain challenges

Supply chain issues are improving, but businesses expect challenges to remain well into 2023.



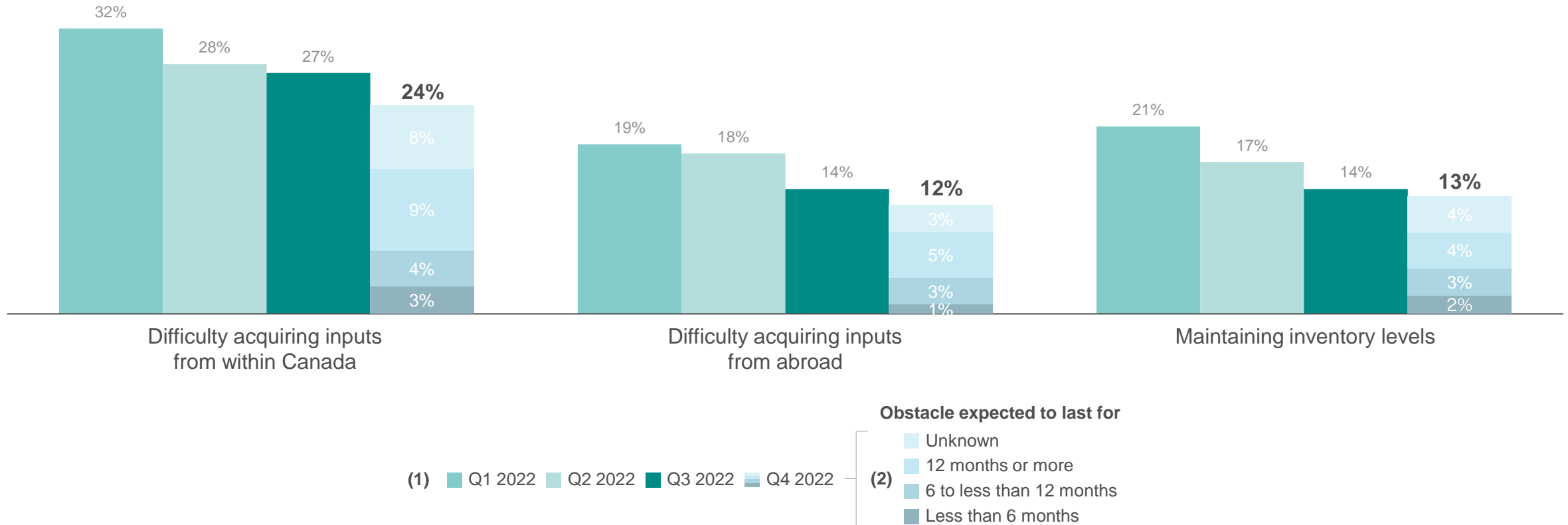


Businesses continue to report improvement in **supply chain challenges**, but expect them to persist into 2023

(1) Over the next three months, which of the following are expected to be obstacles for this business?

(2) How long does this business expect the following to continue to be an obstacle?

% of respondents, by obstacle associated with supply chain





To improve their supply chains, more businesses plan to substitute inputs, partner with new suppliers and work with suppliers

Over the next 12 months, does this business plan to make any of the following adjustments to its supply chain?

% of respondents, by adjustment and top 3 industries planning on making the adjustment





33%


+3%

Δ% from Q3 2022

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

 Healthcare and social assistance **45%**

 Wholesale trade **39%**

 Professional services **37%**





32%


+1%

Δ% from Q3 2022

of businesses intend to **partner with new suppliers**

 Wholesale trade **47%**

 Manufacturing **46%**

 Other services **39%**





31%


+2%

Δ% from Q3 2022

of businesses intend to **work with suppliers to improve timeliness**

 Wholesale trade **44%**

 Transportation and warehousing **42%**

 Manufacturing **42%**





18%


+3%

Δ% from Q3 2022

of businesses intend to **shift to local suppliers**

 Accommodation and food services **27%**

 Other services **26%**

 Finance and insurance **22%**





12%

+1%

Δ% from Q3 2022

of businesses intend to **implement technological improvements**

 Manufacturing **30%**

 Wholesale trade **22%**

 Arts and entertainment **20%**



Technology / Digitization

Near-term plans for technology adoption remain low, especially for emerging technologies such as AI, robotics and automation.



Technology adoption plans are low across all sectors, especially for robotics, software or hardware using AI

Over the next 12 months, does this business plan to adopt or incorporate any of the following technologies?

% of respondents, by industry and technology type

	Digital technology to move business operations online	Automation of certain tasks	Software or hardware using Artificial Intelligence	Robotics	Security software tools	Cloud computing	Collaboration tools	Software or databases for other purposes
All industries	7%	6%	6%	1%	14%	14%	12%	6%
Information and culture	12%	13%	13%	1%	21%	25%	27%	15%
Professional services	6%	13%	11%	1%	24%	27%	29%	9%
Wholesale trade	21%	8%	9%	1%	22%	22%	19%	12%
Manufacturing	12%	20%	5%	10%	17%	18%	12%	11%
Finance and insurance	11%	7%	8%	1%	22%	18%	18%	8%
Administrative and support services	7%	7%	5%	1%	17%	15%	10%	10%
Arts, entertainment and recreation	11%	6%	4%	0%	11%	14%	14%	7%
Accommodation and food services	10%	4%	6%	3%	8%	11%	5%	3%
Retail trade	7%	6%	4%	1%	12%	9%	8%	4%
Other services	5%	3%	3%	0%	13%	11%	9%	6%
Health care and social assistance	1%	2%	4%	0%	13%	12%	12%	5%
Transportation and warehousing	9%	4%	8%	0%	8%	7%	7%	3%
Mining, quarrying, and oil and gas extraction	1%	2%	4%	1%	9%	9%	9%	4%
Real estate and rental and leasing	2%	4%	5%	0%	7%	10%	8%	4%
Agriculture, forestry, fishing and hunting	2%	8%	4%	3%	7%	5%	4%	4%
Construction	2%	2%	2%	0%	8%	7%	5%	2%



Note: Industries sorted in descending order based on the average of responses for all technologies; responses to “unknown” and “none” are excluded



Businesses cite hiring skilled workers and accessing finance as top obstacles to adopting technologies

How challenging are the following for this business when adopting or incorporating technologies?

% of respondents, by all industries and top 3 and bottom 3 industries by average of all responses



Hiring workers with technological skills

40%



Access to financial resources to invest in new technologies

35%



Retrain employees with new technological skills and processes

26%



Reorient business strategy and processes

25%



Ensure security and privacy of data

25%

All Industries



Administrative and support services

55%

41%

25%

31%

33%



Manufacturing

48%

36%

32%

25%

31%



Finance and insurance

42%

22%

37%

38%

31%



Healthcare and social assistance

25%

38%

22%

25%

21%



Other services

34%

30%

22%

16%

21%



Real estate and rental and leasing

22%

29%

22%

24%

14%

More challenging

Less challenging

Note: Sum of responses to “somewhat challenging” and “extremely challenging” categories



More businesses in Quebec and Ontario report plans to incorporate digital technology, automation and AI

Over the next 12 months, does your business plan to adopt or incorporate any of the following technologies?

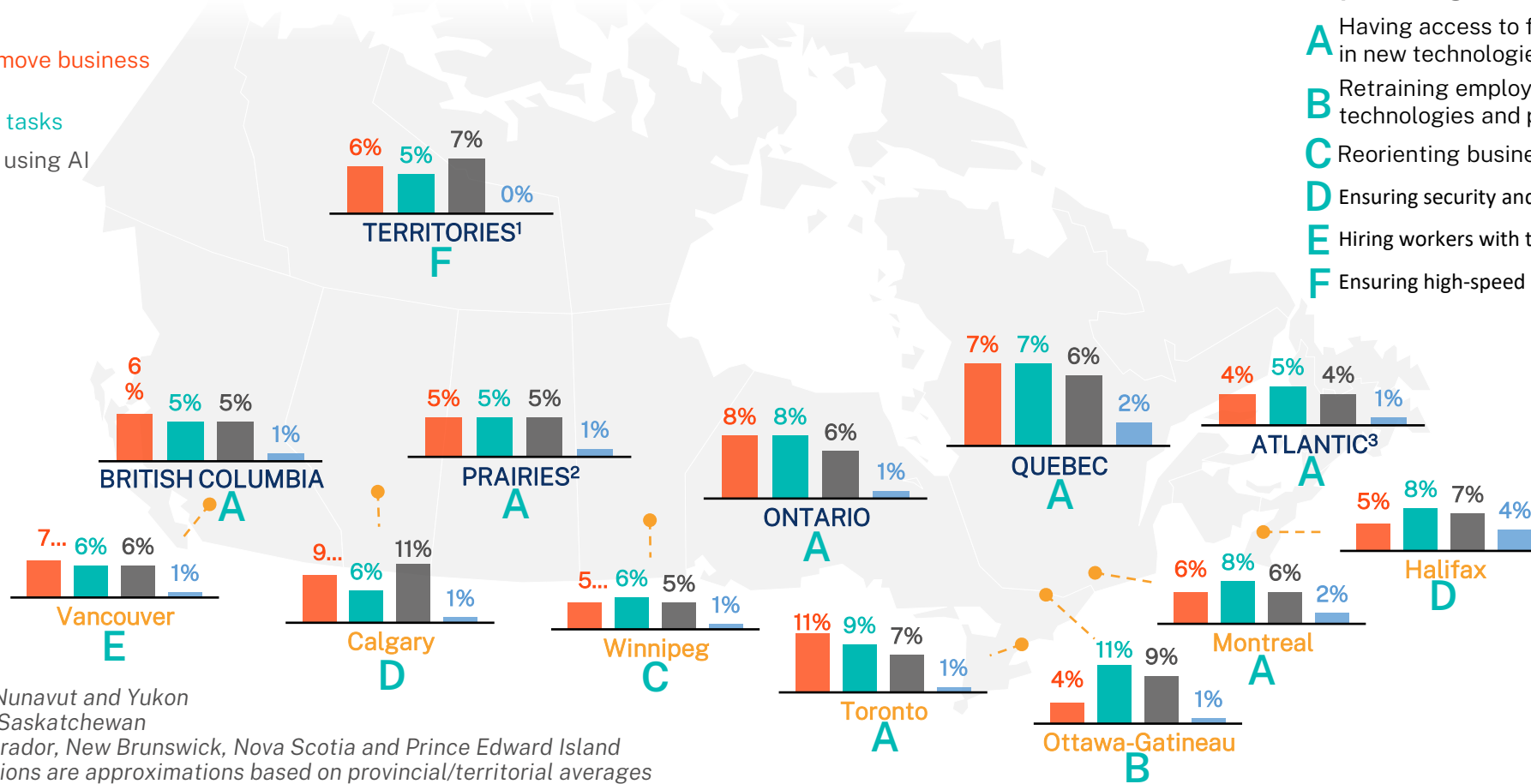
% of respondents, by technology, region and census metropolitan area and top challenge in each region

Technology

- Digital technology to move business operations online
- Automation of certain tasks
- Software or hardware using AI
- Robotics

Top challenges

- A Having access to financial resources to invest in new technologies
- B Retraining employees with skills to use new technologies and processes
- C Reorienting business strategy and processes
- D Ensuring security and privacy of data
- E Hiring workers with technological skills
- F Ensuring high-speed connectivity



¹ Northwest Territories, Nunavut and Yukon

² Alberta, Manitoba and Saskatchewan

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

Note: Regional aggregations are approximations based on provincial/territorial averages



Outlook according to Canadian businesses

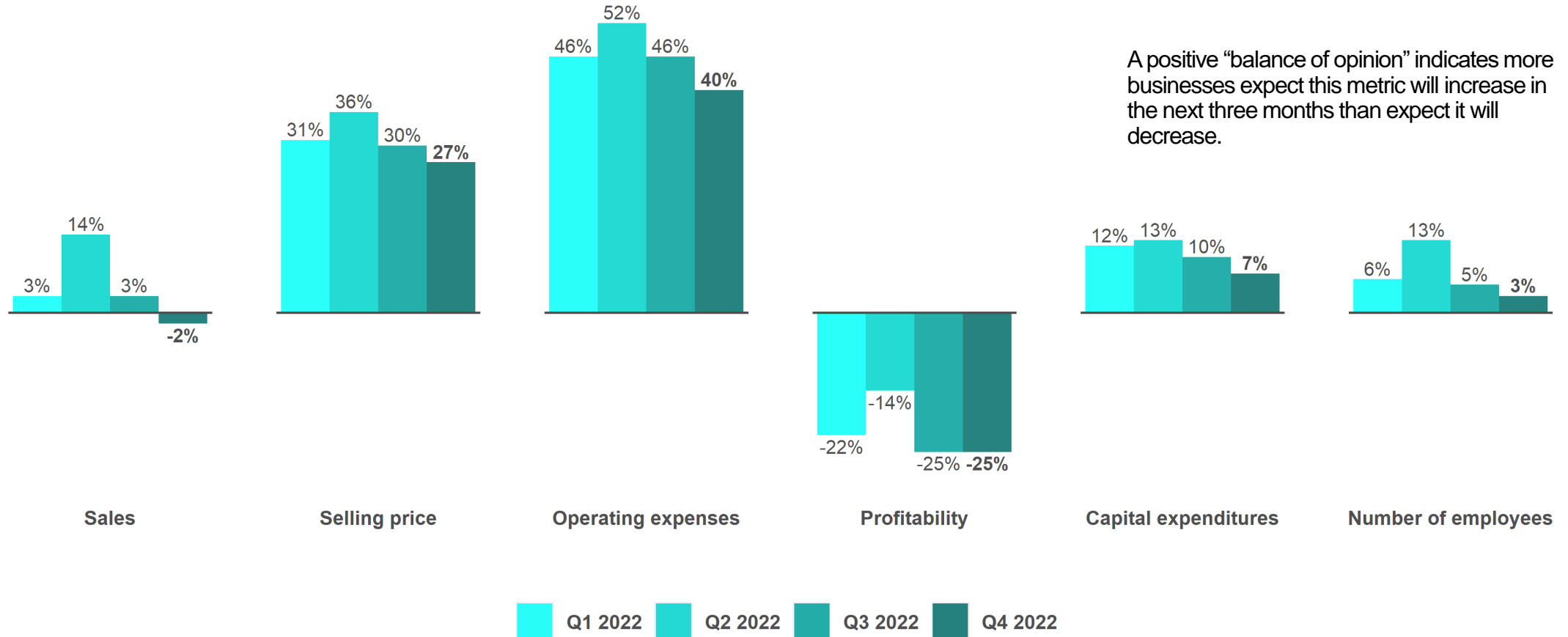
Canadian businesses remain relatively optimistic over the medium term, although short-term optimism has decreased slightly.



Near term: businesses expect sales to shrink, price increases to ease and operating and capital expenses to rise

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

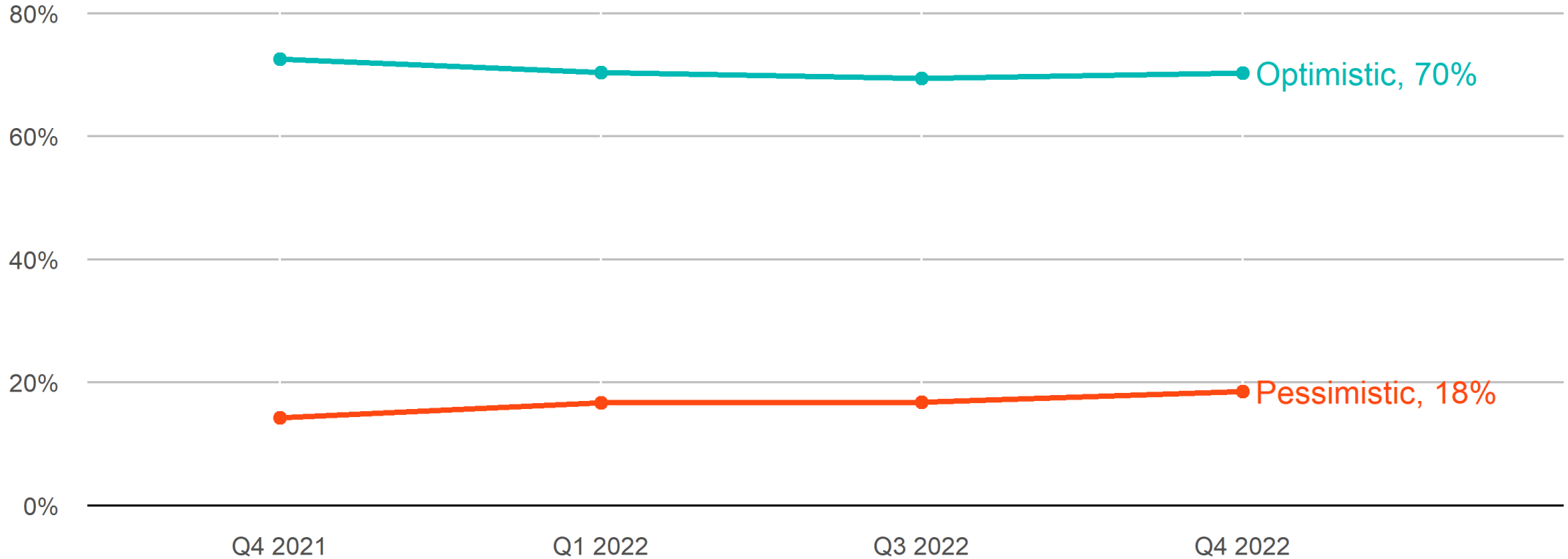




Longer term: most businesses are optimistic about their outlook for 2023

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

% of respondents

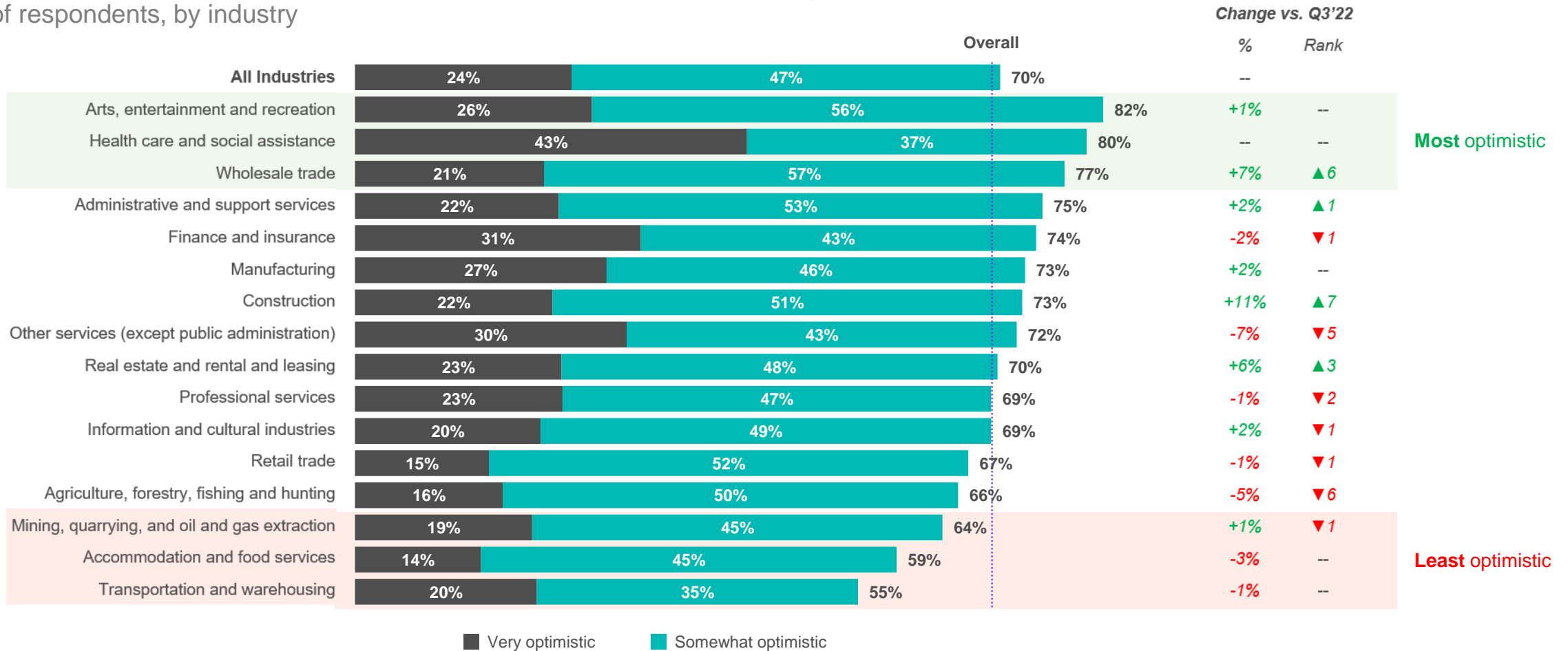


Note: Optimistic includes 'Somewhat optimistic' and 'Very optimistic'; Pessimistic includes 'Somewhat pessimistic' and 'Very pessimistic'. Responses do not sum up to 100% because of 'Unknown' responses. Question not included in Q2 2022.



Outlook: firms in the arts, healthcare and wholesale trade are most optimistic about 2023

Over the next 12 months, what is the future outlook for your business or organization?
% of respondents, by industry





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 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 Q4 2022 CSBC data were collected from October 3 to November 7, 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 17,363 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, comments or media inquiries, please contact Marwa Abdou, Senior Research Director (MAbdou@Chamber.ca).

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