

Business Expectations Index

The Outlook According to Canadian Businesses



Introducing the Business Expectations Index

The **Business Expectations Index** captures the near-term outlook according to Canadian businesses.

The index is timely, forward-looking and useful for a wide variety of business contexts.

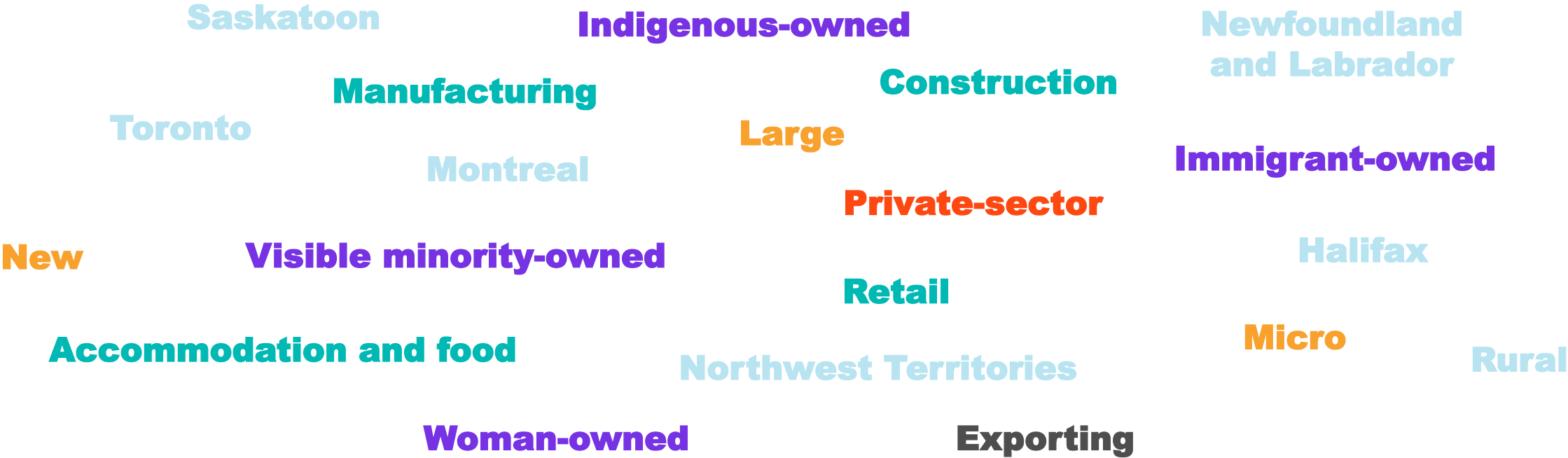
Unlike other business sentiment indicators, it drills down beyond national trends to provide reliable and relevant results by geography, industry, firm size, business ownership, international trade status and more.



Source: Canadian Chamber of Commerce Business Data Lab.

The Business Expectations Index uncovers the unique outlooks for different regions, sectors, sizes and ownership groups.

What's the near-term outlook for _____ businesses in Canada?



Source: Canadian Chamber of Commerce Business Data Lab.

Business Expectations Index

Key features



Granular insights

Relevant results for over 70 business contexts

Timely and forward-looking

Quarterly updates, looking three months ahead

Free

No cost to access

Downloadable

Accessible data for your own analysis and outputs

Bilingual

Available in English and French



Key findings

Canada and regional

Canada

Weak overall business sentiment

The Business Expectations Index is in slightly negative territory (99.1) in the first quarter of 2024.

That said, the index is up 5.2 points from last quarter, with modest gains across all four components, led by rebounding sales expectations.*

Provinces

Bigger housing affordability challenges, less optimistic businesses

Sentiment is weakest in Ontario (96.8) and British Columbia (98.0); and strongest in Atlantic Canada (102.6) and Quebec (102.5).

Cities

Stronger spending growth, more optimistic businesses

Business sentiment is weakest in major Southwestern Ontario cities (London, 91.0; Toronto, 94.5; and Hamilton, 95.8) and Vancouver (96.2); but strongest in Oshawa (112.8), Halifax (112.7) and Sherbrooke (107.2).

* The headline expectations index quantifies the business outlook for the next three months, based on four components: sales, employment, investment and profits. A reading above 100 indicates improving business sentiment; below 100 indicates deteriorating sentiment; while 100 indicates no change from the previous quarter.



Key findings

Industries and ownership

Industries

Even split between improving and deteriorating outlooks

Sectoral strength is led by finance (107.1, which benefited from recent equity market gains) and a rebounding manufacturing sector (104.7).

Deteriorating sectors include those more sensitive to the pullback in consumer spending and high interest rates, such as transportation (88.6), accommodation and food services (92.8), and real estate (93.9).

Ownership

Indigenous-owned businesses lead in optimism

Among underrepresented groups, Indigenous-owned businesses are the most optimistic (113.0), while businesses owned by immigrants (93.9) and people with disabilities (91.8) are more pessimistic.



Key findings

Business types

Size

Micro firms, major problems

Our historical analysis finds that business sentiment is generally higher among larger businesses.

In this quarter, micro firms (1 to 4 employees) continue to struggle (96.4), while firms with 100 or more employees are much more optimistic (106.8).

Age

Optimistic startups

Our analysis finds business sentiment is consistently higher for younger start-ups.

In this quarter, young firms (in first two years of operations) are once again the most optimistic (110.3), while older firms (operating for 20 or more years) are the least optimistic (97.3).

Trade status

Confident exporters

Canadian exporters are more optimistic (103.5) than firms that are not globally active (98.5), which is consistent with historical patterns.



Message from the Chief Economist

Canadian businesses have a deep knowledge of their operations and a strong sense of where things on-the-ground are headed.

By analyzing survey responses from over 15,000 businesses each quarter, we're able to provide relevant, nuanced and actionable insights into where the economy is going in the near term.

Whether you're operating a woman-owned business, working in construction, running a micro business, in a rural area, or many other business contexts, our expectations index lets you quickly learn what your peers are thinking, so you can plan your business strategy accordingly.

Stephen Tapp

Chief Economist, Canadian Chamber of Commerce



Source: Canadian Chamber of Commerce Business Data Lab.



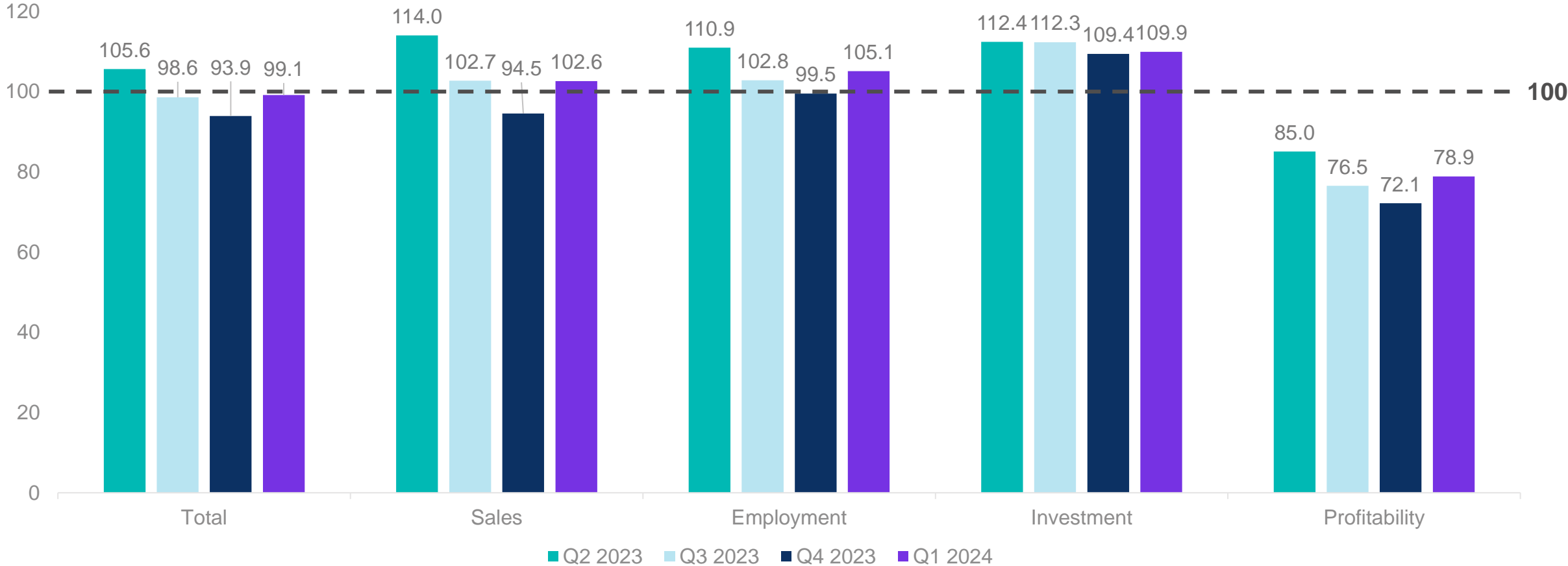
Business Expectations Index Findings



Canadian business sentiment remains in slightly negative territory, although all components improved since last quarter.

Business Expectations Index, total and components

Next three months, above 100 indicates improving sentiment; below 100 indicates deteriorating sentiment

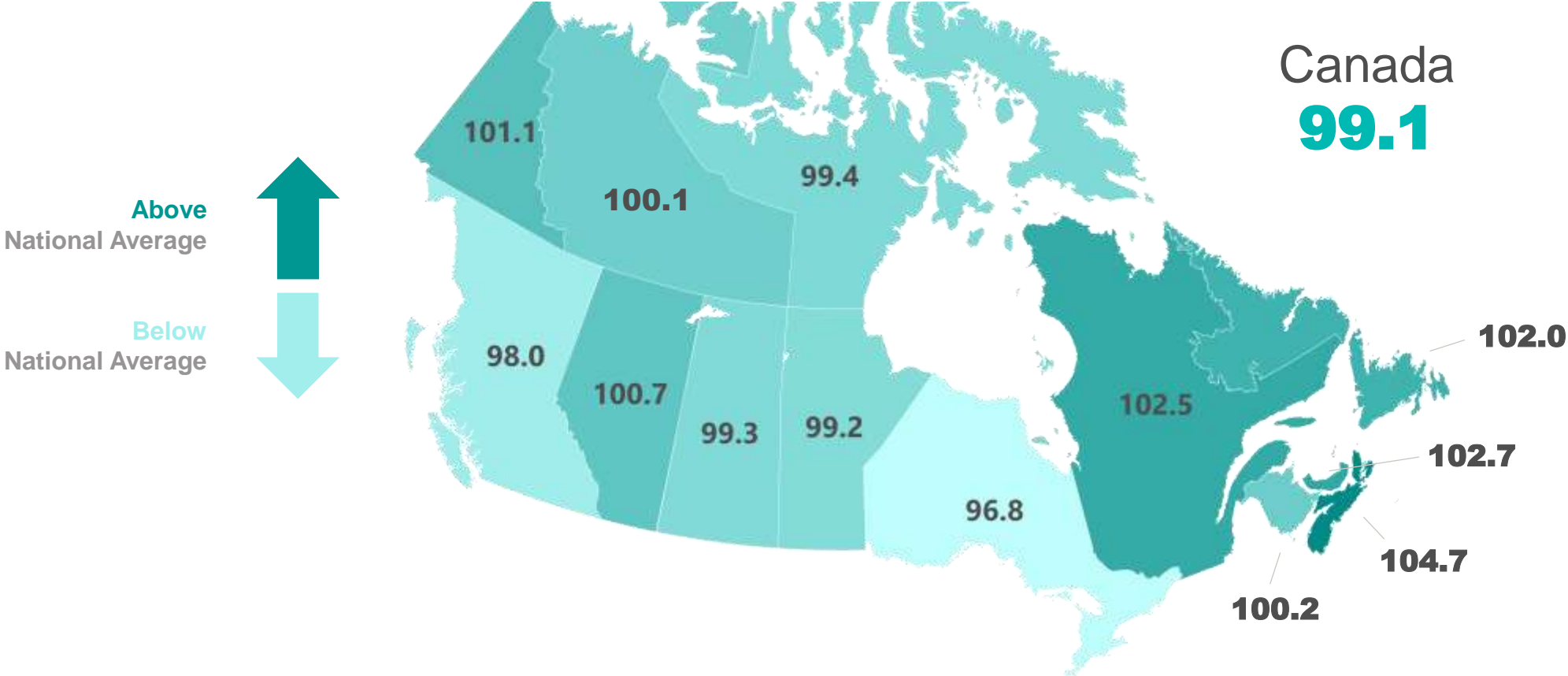


Source: Business Data Lab calculations using Statistics Canada's *Canadian Survey on Business Conditions*.

Business sentiment is weakest in Ontario and British Columbia; strongest in Quebec and Atlantic Canada.

Business Expectations Index, by provinces and territories

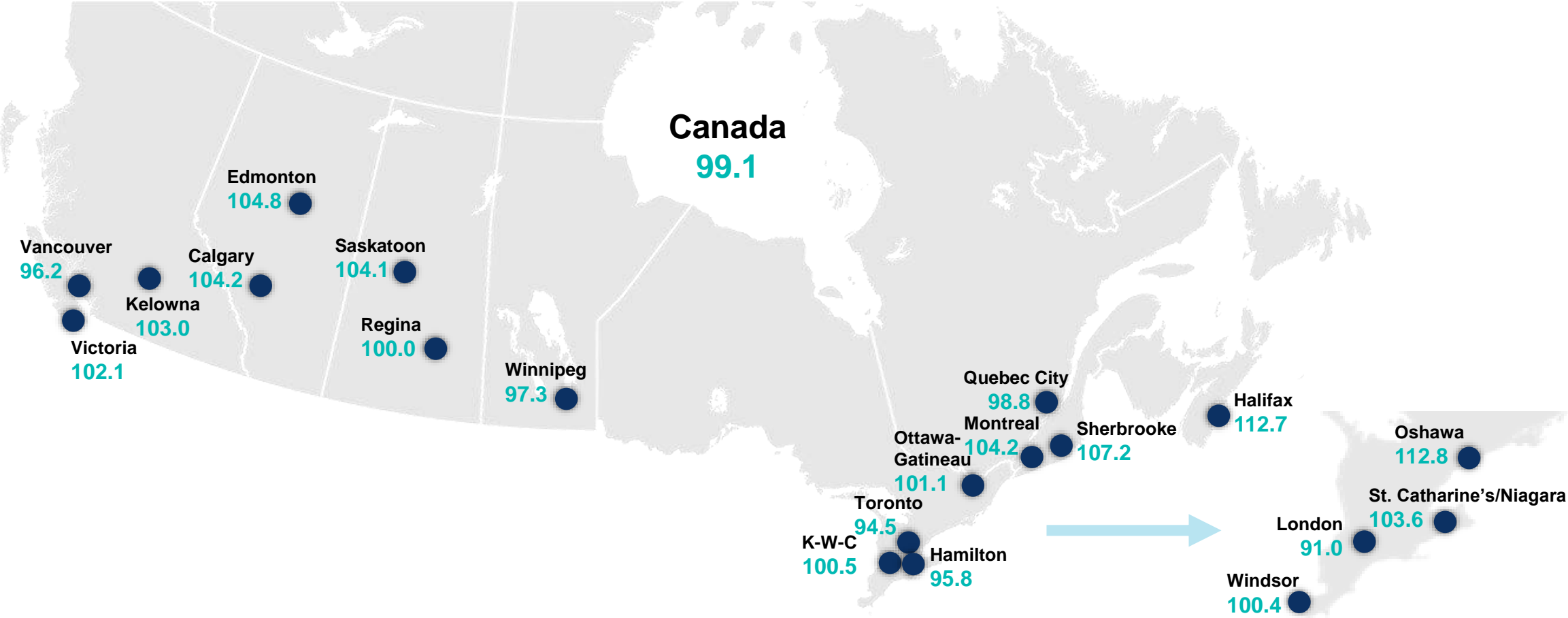
Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment



Source: Business Data Lab analysis, based on Statistics Canada's *Canadian Survey on Business Conditions*; 13,327 business responses in January and February 2024.

Localized optimism in cities in Eastern Canada and the Prairies; weakness in Southwestern Ontario.

Business Expectations Index, by census metropolitan areas
Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment

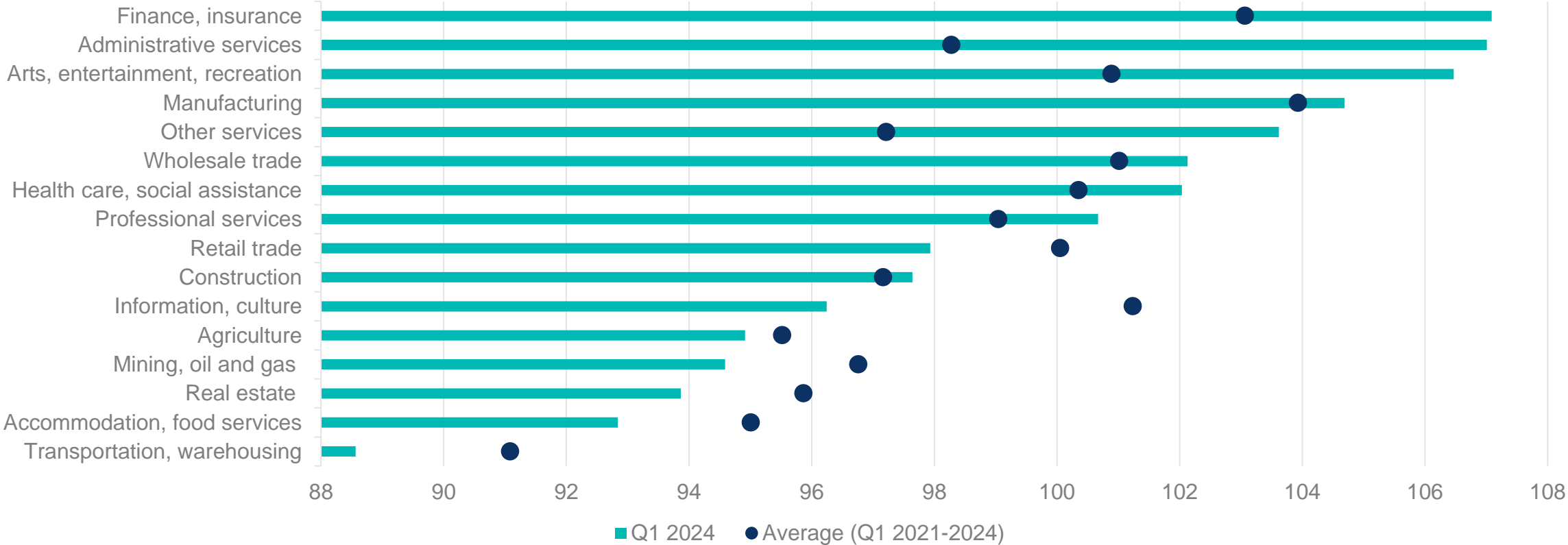


Source: Business Data Lab analysis, based on Statistics Canada's *Canadian Survey on Business Conditions*; 13,327 business responses in January and February 2024.

Even split between industries in growth mode (led by finance) and contraction (transportation, accommodation and food services, real estate).

Business Expectations Index, by industry

Q1 2024; Next three months, above 100 indicates improving sentiment; below 100 indicates deteriorating sentiment

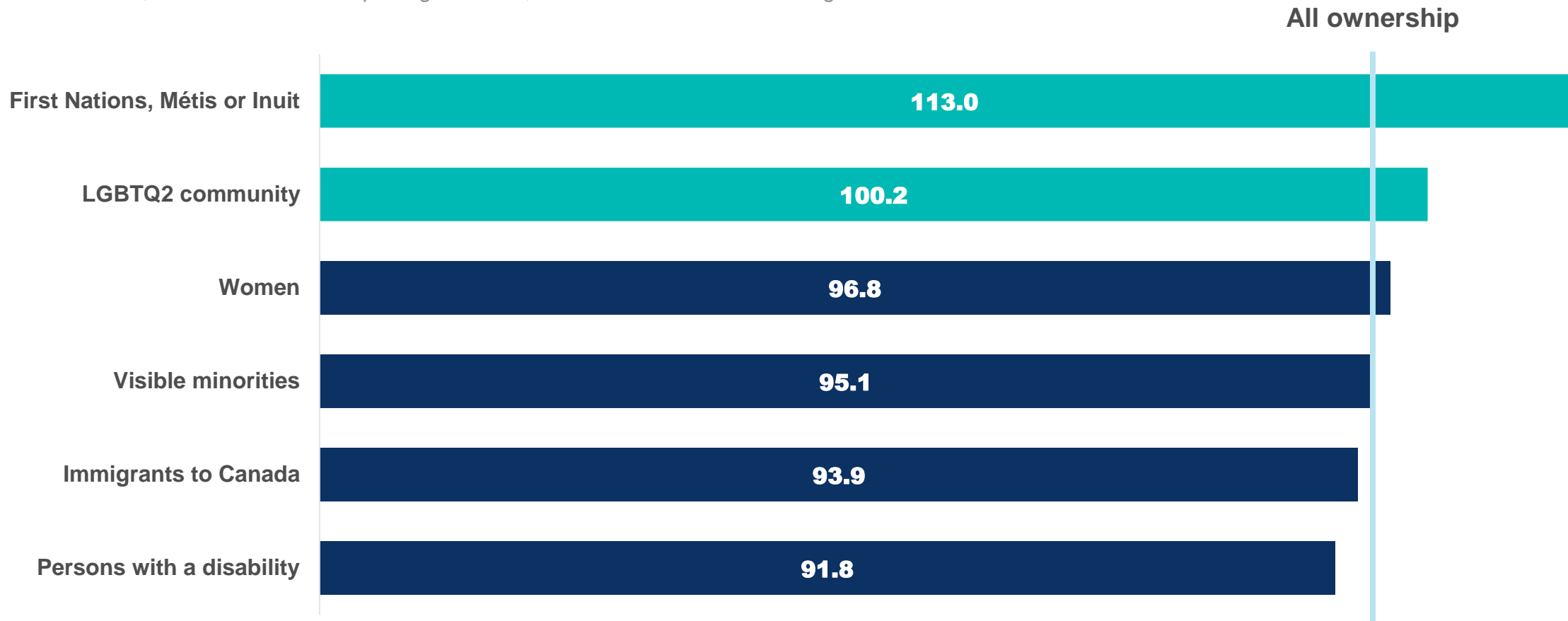


Source: Business Data Lab calculations using Statistics Canada's *Canadian Survey on Business Conditions*.

Among underrepresented groups, Indigenous-owned businesses are the most optimistic.

Business Expectations Index, by business ownership

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment

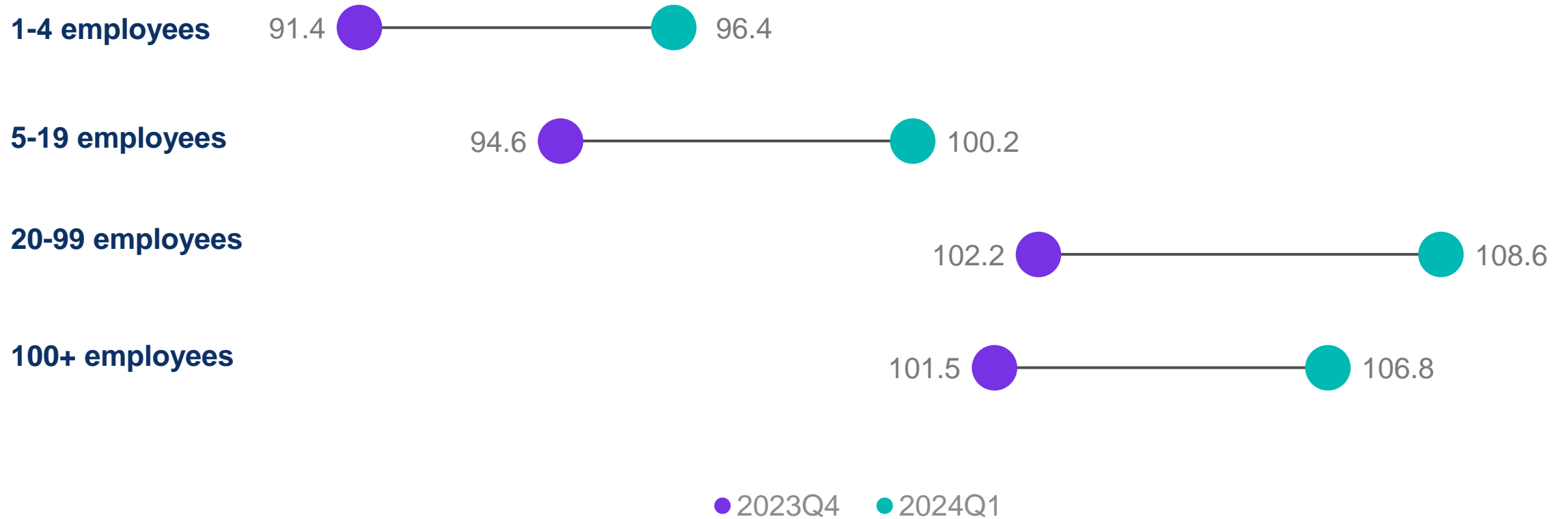


Source: Business Data Lab analysis, based on Statistics Canada's *Canadian Survey on Business Conditions*; 13,327 business responses in January and February 2024.

Despite gains last quarter, micro firms remain the least optimistic.

Business Expectations Index, by employee size

Q1 2024; Next three months, above 100 indicates improving sentiment; below 100 indicates deteriorating sentiment



Source: Business Data Lab calculations using Statistics Canada's *Canadian Survey on Business Conditions*.

Young firms are optimistic, while older firms are not.

Business Expectations Index, by firm age

Q1 2024; Next three months, above 100 indicates improving sentiment; below 100 indicates deteriorating sentiment

<2 years old



3-10 years



11-20 employees



>20 years old



● 2023Q4 ● 2024Q1



Source: Business Data Lab calculations using Statistics Canada's *Canadian Survey on Business Conditions*.



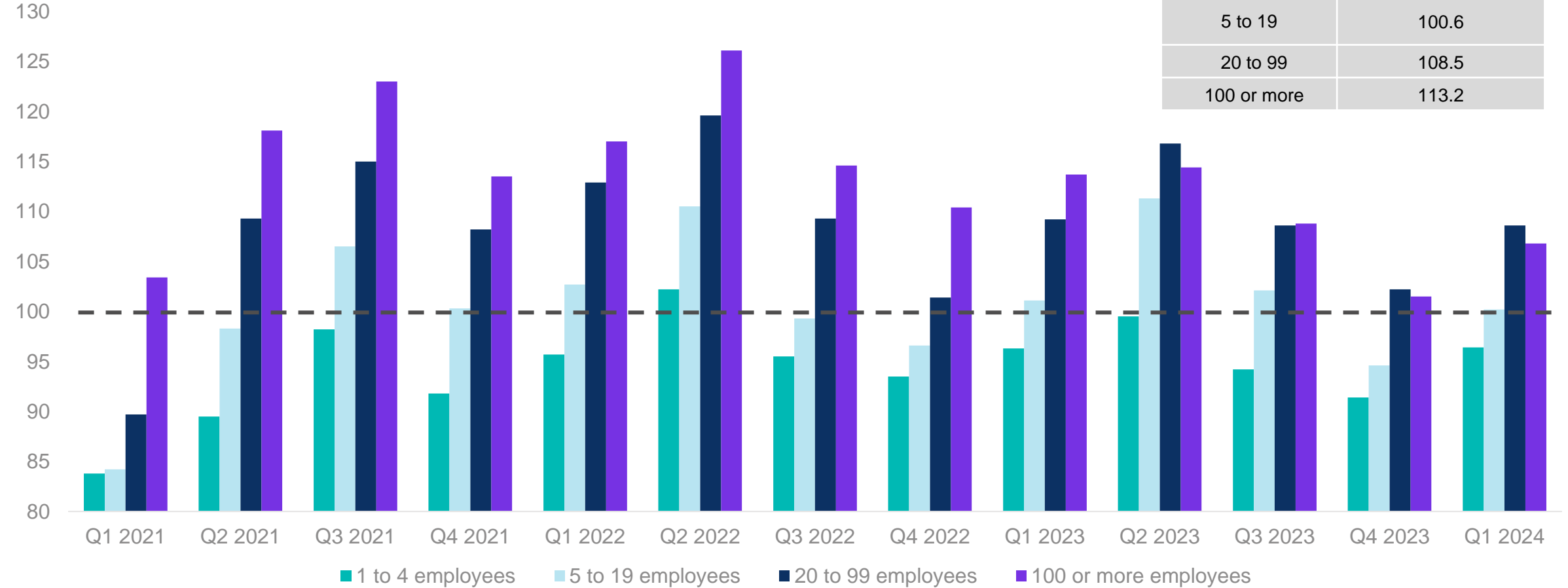
Historical Analysis



Business sentiment improves with firm size.

Business Expectations Index, by employee size

Next three months, above 100 indicates improving sentiment; below 100 indicates deteriorating sentiment



Number of employees	Index average, Q1 2021 – Q1 2024
All	98.3
1 to 4	94.5
5 to 19	100.6
20 to 99	108.5
100 or more	113.2

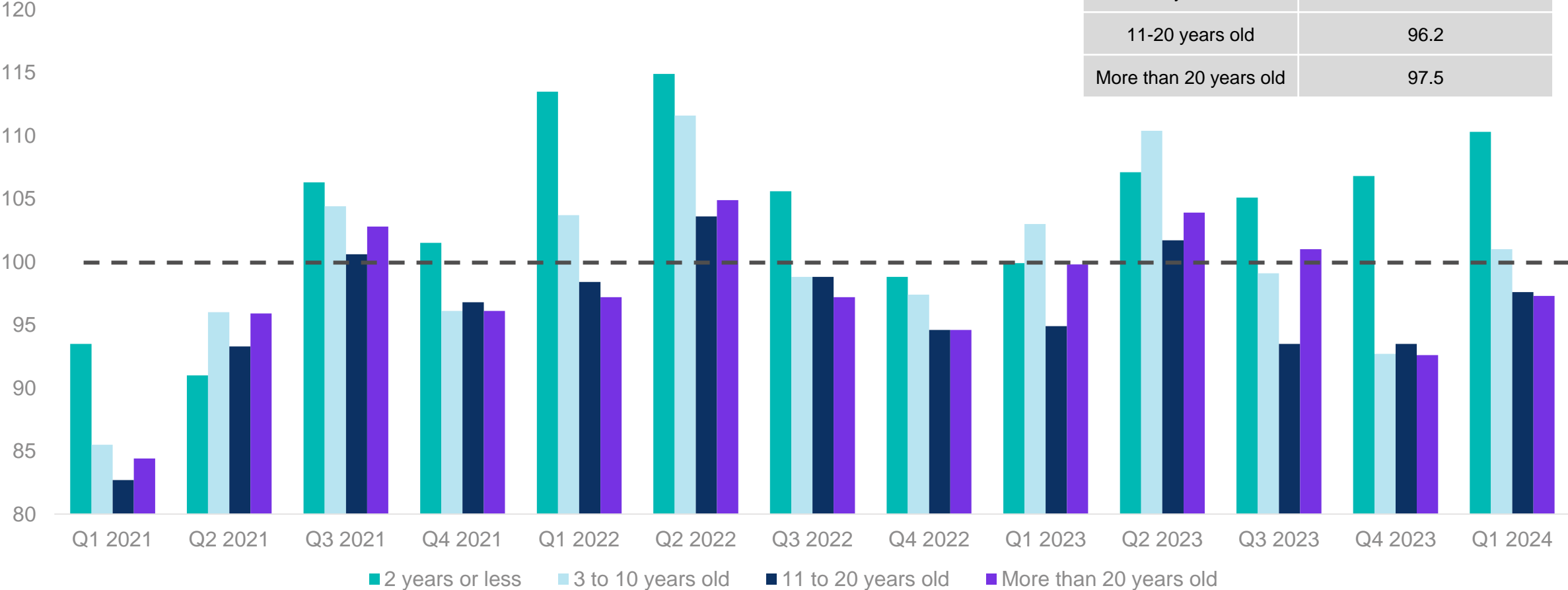


Source: Business Data Lab calculations using Statistics Canada's *Canadian Survey on Business Conditions*.

Young startups are the most optimistic.

Business Expectations Index, by firm age

Next three months, above 100 indicates improving sentiment; below 100 indicates deteriorating sentiment



Firm age	Index average, Q3 2021 – Q1 2024
All ages	98.3
2 years or less	104.2
3-10 years old	100.0
11-20 years old	96.2
More than 20 years old	97.5

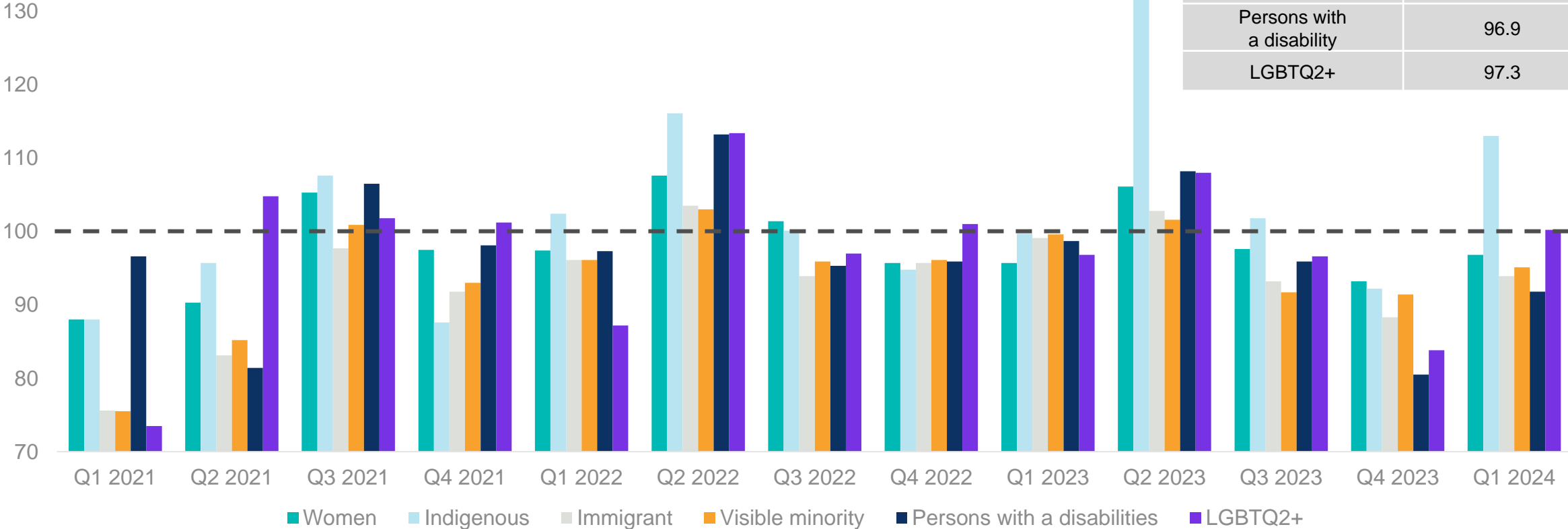


Source: Business Data Lab calculations using Statistics Canada’s *Canadian Survey on Business Conditions*.

Sentiment is highest for Indigenous-owned businesses and lowest for immigrant- and visible minority-owned businesses.

Business Expectations Index, by ownership

Next three months, above 100 indicates improving sentiment; below 100 indicates deteriorating sentiment



Business ownership	Index average, Q1 2021 – Q1 2024
All	98.0
Women	97.9
Indigenous	102.5
Immigrant	93.4
Visible minority	94.2
Persons with a disability	96.9
LGBTQ2+	97.3

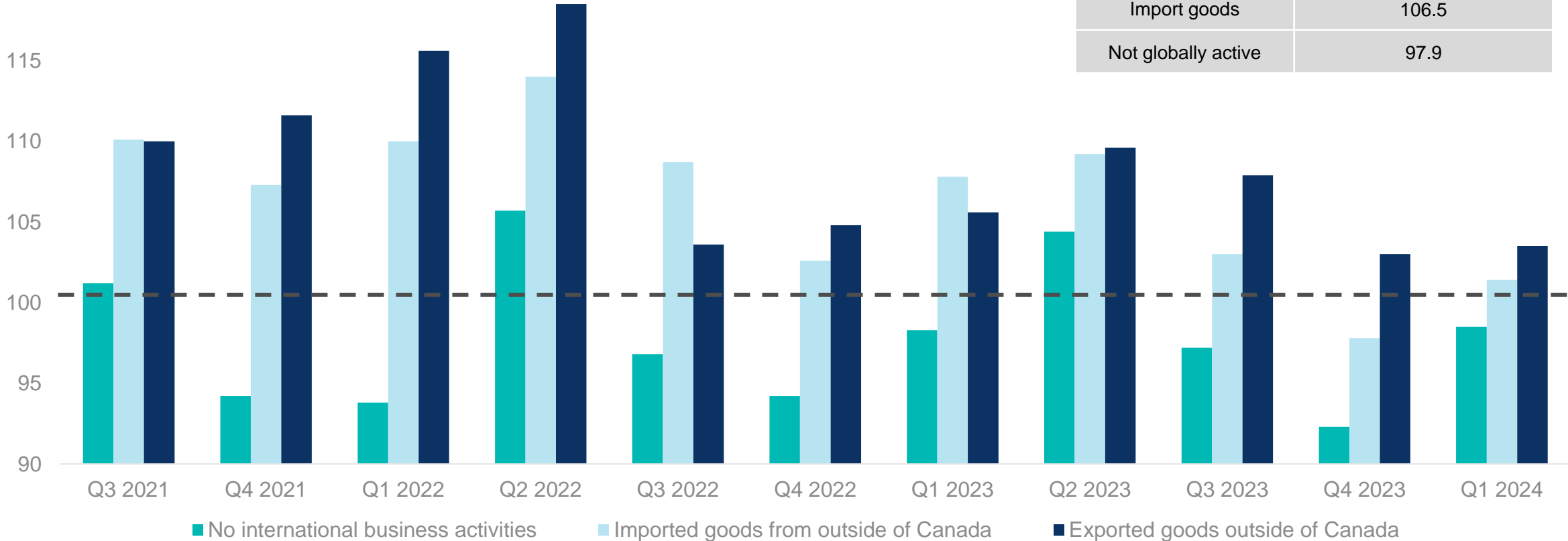


Source: Business Data Lab calculations using Statistics Canada’s *Canadian Survey on Business Conditions*.

Firms that trade internationally are more optimistic than firms that do not.

Business Expectations Index, by trade status

Next three months, above 100 indicates improving sentiment; below 100 indicates deteriorating sentiment



Trade status	Index average, Q3 2021 – Q1 2024
All	99.8
Export goods	108.5
Import goods	106.5
Not globally active	97.9



Source: Business Data Lab calculations using Statistics Canada's *Canadian Survey on Business Conditions*.

Cities in Quebec and Atlantic Canada have been the most optimistic, while Canada's biggest cities (Toronto, Vancouver, Calgary, Edmonton) have been more pessimistic.

Business Expectations Index, major census metropolitan areas

Next three months, above 100 indicates improving sentiment; below 100 indicates deteriorating sentiment

Location	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Average Q1 2021 – Q1 2024
Canada	85.0	95.0	102.9	96.7	100.1	107.2	98.6	95.7	99.6	105.6	98.6	93.9	99.1	98.3
Victoria	96.0	101.2	107.5	109.9	103.7	108.6	98.8	92.8	103.0	104.8	100.1	96.0	102.1	101.9
Vancouver	84.8	93.2	102.7	98.4	97.7	102.7	97.4	88.4	102.4	103.9	95.4	92.3	96.2	96.6
Kelowna									97.2	112.7	97.1	90.7	103.0	100.1
Calgary	86.6	87.8	101.7	89.4	101.4	106.2	99.5	92.5	97.2	100.1	101.2	92.8	104.2	97.0
Edmonton	81.4	93.7	94.6	91.5	95.4	100.4	101.8	93.6	100.9	103.8	101.3	90.7	104.8	96.5
Saskatoon	86.4	100.5	103.7	97.7	107.3	101.4	97.9	98.3	97.7	111.1	99.4	96.2	104.1	100.1
Regina	82.7	92.9	101.0	88.0	98.7	103.7	98.3	96.7	104.2	109.1	102.3	94.7	100.0	97.9
Winnipeg	89.4	91.6	105.3	103.1	101.0	110.4	101.2	99.5	101.0	102.8	101.6	102.8	97.3	100.5
Windsor	69.5	87.2	98.2	102.3	96.1	107.4	96.0	99.7	89.9	104.7	95.7	95.7	100.4	95.6
London	87.4	100.4	99.7	103.0	97.6	103.7	96.0	97.9	101.6	105.6	103.2	90.6	91.0	98.3
Kitchener/Cambridge/Waterloo	79.9	93.0	109.0	104.9	95.2	106.4	103.8	94.4	104.3	105.5	91.4	78.9	100.5	97.5
St. Catharine's/Niagara	74.9	90.5	101.0	103.3	89.6	107.5	103.5	95.4	98.3	115.5	95.1	88.5	103.6	97.4
Hamilton	82.7	91.3	106.5	100.7	105.3	109.1	96.7	92.1	103.4	108.4	106.2	85.1	95.8	98.7
Toronto	75.0	89.4	96.1	96.3	99.3	103.7	96.3	98.2	94.8	102.4	93.6	91.5	94.5	94.7
Oshawa	76.9	90.7	104.1	95.9	97.6	105.7	101.3	90.7	99.5	99.0	100.8	78.8	112.8	96.4
Ottawa-Gatineau	85.7	88.5	111.8	106.1	96.4	104.7	94.9	95.0	98.9	113.0	104.4	96.0	101.1	99.7
Montreal	90.8	100.7	108.7	99.2	107.1	111.6	104.2	96.0	103.3	105.2	103.6	101.4	104.2	102.8
Sherbrooke	101.5	113.3	105.8	105.5	103.4	114.2	101.3	95.4	106.0	109.3	98.6	92.7	107.2	104.2
Quebec City	95.7	100.5	112.8	97.9	103.5	107.5	105.0	103.7	110.5	107.4	105.9	97.7	98.8	103.6
Halifax	95.7	103.6	110.7	102.7	104.0	117.8	104.3	102.2	103.9	111.3	104.4	98.5	112.7	105.5
St. John's	85.3	100.5	102.6	95.4	94.3	112.4	101.1	100.4						99.0



Source: Business Data Lab calculations using Statistics Canada's *Canadian Survey on Business Conditions*.

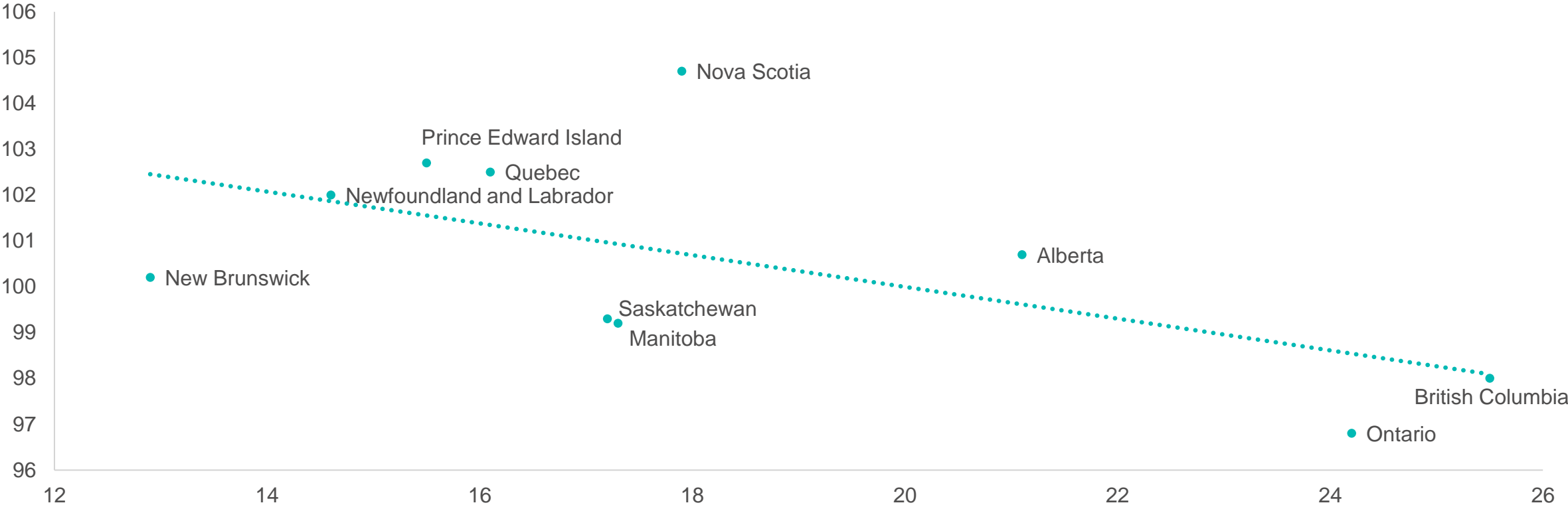


Relationships With Other Datasets

Businesses in provinces with more unaffordable housing markets are less optimistic about the near-term outlook.

Business Expectations Index, Q1 2024

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment



Unaffordable housing

% of households spending more than 30% of their income on shelter, 2021

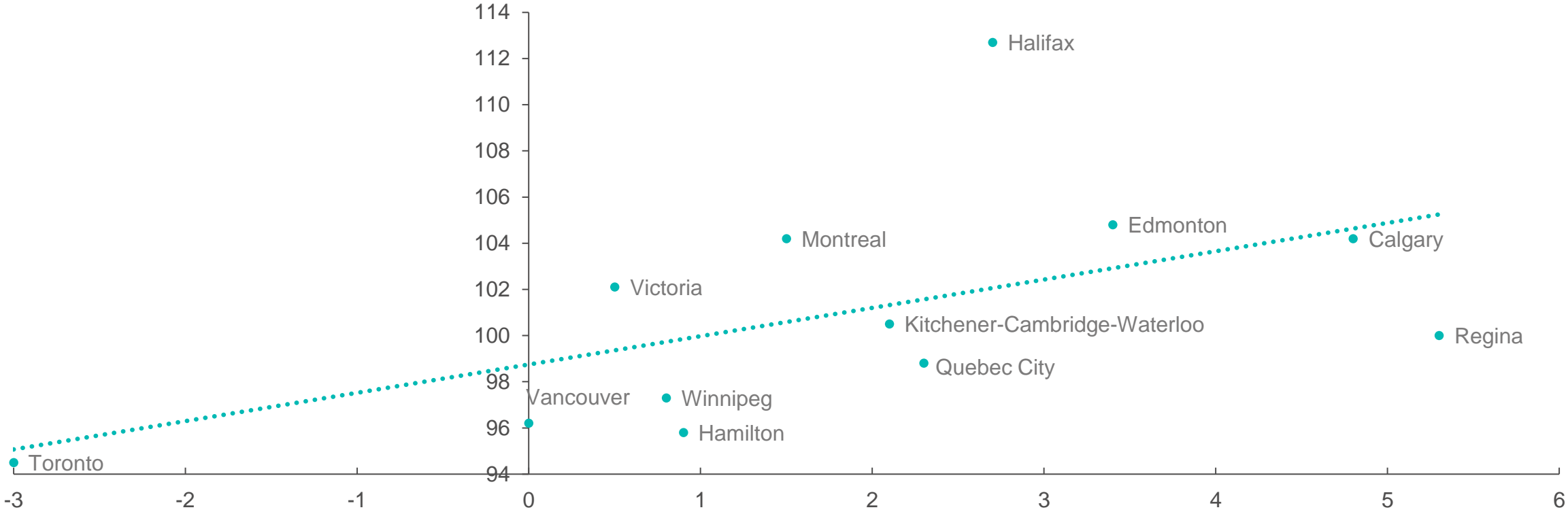


Source: Business Data Lab analysis, based on Statistics Canada's *Canadian Survey on Business Conditions*.

Businesses in cities with stronger spending growth are more optimistic about the near-term outlook.

Business Expectations Index, Q1 2024

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment



Local Spending Tracker

Nominal spending growth, February 2024 year-over-year

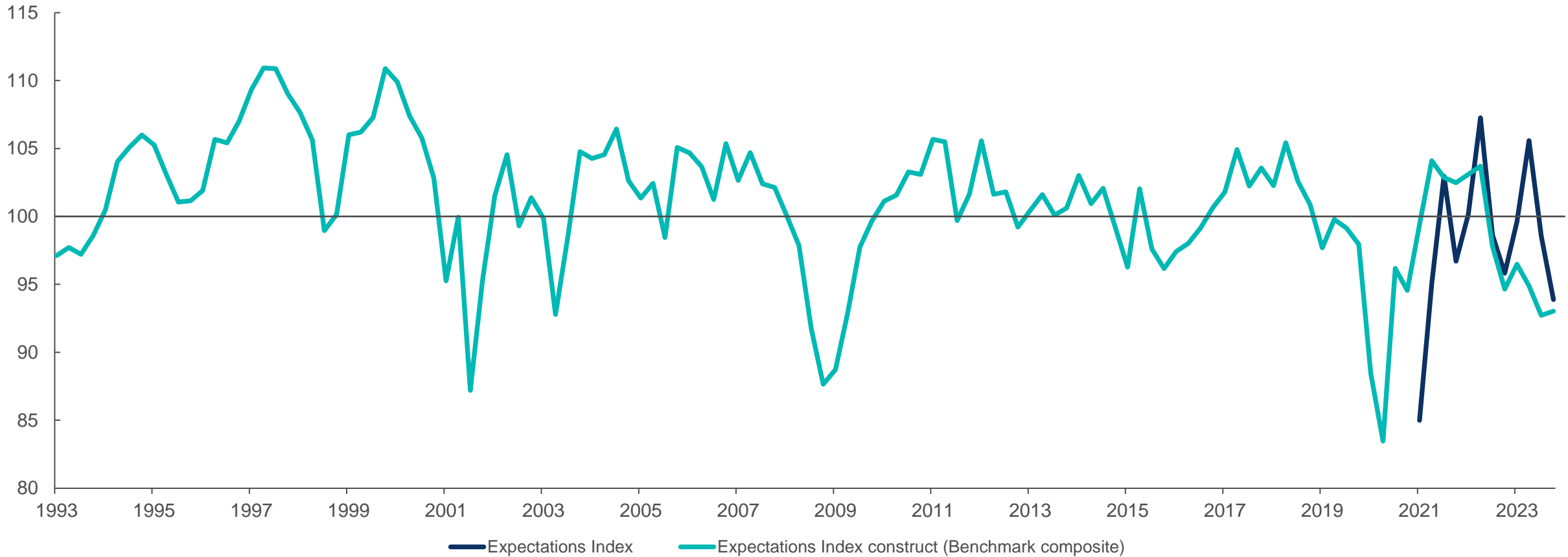


Source: Business Data Lab analysis, based on Statistics Canada's *Canadian Survey on Business Conditions*.

Historical context of business sentiment in Canada.

Business Expectations Index and Benchmark Composite

Z scores normalized to 100; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment



Source: Business Data Lab analysis.

Note: Data before Q1 2021 is estimated using Z-scores from a benchmark composite, including several additional Canadian business surveys, to estimate the Business Expectations Index in earlier periods.

Appendix



Business Expectations Index methodology

- **Objectives:** The Business Expectations Index captures the near-term outlook according to Canadian businesses. The index is timely, forward-looking and useful for a wide variety of business contexts.
- **Methodology:** The Business Data Lab leverages Statistics Canada's *Canadian Survey on Business Conditions* ((CSBC), see slide 30 for details) as a key input to construct quantitative business sentiment indicators for Canada and many business sub-populations. The index uses a diffusion methodology commonly applied to business surveys, constructed as follows:

$$BEI = \sum_i Index_i = 100 * (2 * P_{I,i} + 1 * P_{NC,i} + 0 * P_{D,i}), \text{ where}$$

$P_{I,i}$ = % of businesses who expect i to “increase”;

$P_{NC,i}$ = % of businesses who expect i to “stay about the same”;

$P_{D,i}$ = % of businesses who expect i to “decrease”.

and $i \in \{\text{sales, employment, investment and profitability}\}$. “Not applicable” responses are removed by re-weighting each component separately. The headline composite index applies equal weights to firms' expectations over the next three months for these four components. Results are available for the following 71 business contexts:

- 36 regions (national, provincial, territorial, rural and urban as well as 20 major census metropolitan areas)
- 16 industries (at the NAICS two-digit level, e.g., manufacturing, construction), all industries as well as private-sector businesses
- Six business ownership groups (including women, Indigenous, immigrant and visible minorities)
- Four firm sizes (by employee size: 1-4 employees, 5-19 employees, 20-99 employees and 100+ employees)
- Four firm ages (years in operation: 2 years or less, 3-10 years, 11-20 years and 20+ years)
- Three firm trade statuses (goods exporters, goods importers and not globally engaged)
- **Interpreting the index:** Index scores range from a minimum of 0 (if all respondents expect a decrease/deterioration) to a maximum of 200 (if all respondents expect an increase/improvement). A value of 100 indicates no net change in business expectations relative to last quarter. Values above 100 indicate an improving outlook, while values below 100 signal a deteriorating outlook. To compare sentiment indicators over longer periods, BDL backcast the results using historical business survey data from the Bank of Canada, Conference Board of Canada, Canadian Federation of Independent Business and Ivey Business School, which averages Z-scores to put each series on comparable scale.
- **Contact:** For questions, comments or media inquiries, contact Stephen Tapp, Chief Economist (STapp@Chamber.ca).



Business Expectations Index breakdowns

Geographies (36 locations)

- Canada
- Provinces
 - British Columbia
 - Alberta
 - Saskatchewan
 - Manitoba
 - Ontario
 - Quebec
 - New Brunswick
 - Prince Edward Island
 - Nova Scotia
 - Newfoundland and Labrador
- Territories
 - Yukon
 - Northwest Territories
 - Nunavut
- Rural and urban
- Census Metropolitan Areas
 - Victoria, BC
 - Vancouver, BC
 - Kelowna, BC
 - Calgary, AB
 - Edmonton, AB
 - Saskatoon, SK
 - Regina, SK
 - Winnipeg, MB
 - Windsor, ON
 - London, ON
 - Kitchener-Cambridge-Waterloo, ON

- St. Catharine's-Niagara, ON
- Hamilton, ON
- Toronto, ON
- Oshawa, ON
- Ottawa-Gatineau, ON/QC
- Montreal, QC
- Sherbrooke, QC
- Quebec City, QC
- Halifax, NS

Industries (18 categories)

- All industries
- Private-sector businesses
- Agriculture, forestry, fishing and hunting
- Mining, quarrying, and oil and gas extraction
- Construction
- Manufacturing
- Wholesale trade
- Retail trade
- Transportation and warehousing
- Information and cultural industries
- Finance and insurance
- Real estate and rental and leasing
- Professional, scientific and technical services
- Administrative and support, waste management and remediation services
- Health care and social assistance
- Arts, entertainment and recreation
- Accommodation and food services
- Other services (except public administration)

Majority business ownerships (six categories)

- Women
- First Nations, Métis or Inuit
- Immigrant to Canada
- Visible minority
- Persons with a disability
- LGBTQ2+

Firm sizes (four categories)

- 1-4 employees
- 5-19 employees
- 20-99 employees
- 100+ employees

Firm ages (four categories)

- 2 years or less
- 3-10 years
- 11-20 years
- 20+ years

Firm trade statuses (three categories)

- Exported goods outside of Canada
- Imported goods from outside of Canada
- Not globally engaged



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, business associations and analysts to monitor evolving business conditions and devise policies to support Canadian business.

Survey period: The Q1 2024 CSBC data collection period was January 2 to February 5, 2024.

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 Q1 2024 survey is based on responses from 13,327 businesses or organizations.

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



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