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Canadian Survey on Business Conditions Report

Q2 2024





Message from the Chief Economist

With the Bank of Canada kicking off the monetary policy easing cycle among G7 countries, we may be seeing the first green shoots of business optimism in Canada. The BDL's *Business Expectations Index* moved into positive territory for the first time in a year, hitting 101.8 in the second quarter of 2024, driven by a brighter outlook for sales. Encouragingly, businesses are still looking to hire in the coming quarter, as the labour market comes into better balance between supply and demand.

Looking across the country, Atlantic Canada and Quebec are leading business optimism, with Halifax topping our city rankings. Conversely, Central Canada is lagging behind in Saskatchewan, Manitoba and Ontario, with cities such as Toronto and Regina struggling. Most industries have an improving outlook for the coming quarter, led by finance and insurance, while agriculture and information and culture are contracting. By size, micro firms (with 1 to 4 employees) are finally stabilizing after years of significant challenges throughout the pandemic; larger firms remain more optimistic.

Business obstacles are generally improving, but cost-related pressures remain widespread. And despite the slowdown in headline inflation, the share of companies expecting to raise prices remains historically elevated --- which if sustained, could slow future interest rate cuts. With rates now coming down, businesses' financing concerns are easing, although micro firms are still grappling with debt constraints.

Labor challenges ticked up this quarter, especially for firms facing tight market conditions in accommodation and food services, construction and healthcare. Such labour issues are leading to longer work hours and slower business growth. Finally, as we look ahead to a summer that could bring several disruptive labour disputes across the country (e.g., for the rail network, ports and at the border), impacted firms are unfortunately expecting supply chain obstacles to worsen in the near term.

For those interested in diving into the numbers, our latest [Business Expectations Index](#) allows users to gauge sentiment trends for over 70 business concepts. You can explore our results by geography (including for Canada's 20 largest cities), industry, ownership, firm size, age, trade status and more. Launch our interactive [Survey Insights Generator](#) to customize results and download our data to use in your analysis and outputs.

Check back in next quarter to see if these improvements will be sustained, or if these baby steps of progress may ultimately reverse.

Stephen Tapp

Chief Economist,
Canadian Chamber of Commerce





Key outlook findings: Geography

Canada: **Modest improvement in business sentiment**

- The Business Expectations Index moved into positive territory (101.8) in the second quarter of 2024 for the first time in the last year.
- The index rose 2.7 points from last quarter, led by the improved outlook for sales.
- Businesses expect employment to grow over the next three months, as labour market conditions continue to come into better balance between supply and demand.

Regions: **Stronger outlook in Atlantic Canada and Quebec with Central Canada lagging**

- Business sentiment is strongest in Atlantic Canada (107.6, with Halifax leading the country) and Quebec (105.0), and weakest across Saskatchewan (93.2, particularly Regina), Manitoba (98.1) and Ontario (99.1, with Toronto continuing to struggle).

Key outlook findings: Business characteristics

Industries: Majority of sectors have an improving outlook

- Eleven of 16 sectors are improving with finance and insurance (110.9) leading the pack, followed by construction (106.9), while agriculture (96.0), information and culture (98.1), and transportation (98.7) are contracting.

Size: Micro firms are stabilizing

- The struggles for micro firms (1 to 4 employees) may finally be stabilizing (99.6), while medium- and large-sized firms (100 or more employees) continue to be much more optimistic (106.8).

Ownership: Optimism for visible minority business owners

- Among underrepresented groups, visible minorities are the most optimistic (106.0), while LGBTQ2+ (88.4) and women business owners (97.7) are more pessimistic.



Key findings: Business obstacles

- Most business obstacles are showing signs of improvement.
- Cost-related pressures remain by far the most prevalent. Facing continued cost pressure, firms' pricing behaviour still hasn't normalized. Despite inflation falling back into the Bank of Canada's target range, the share of companies expecting to raise prices next quarter remains historically elevated.
- Financing concerns are lessening, perhaps on the anticipation of lower borrowing costs. And while debt constraints have improved, micro firms remain the most constrained.
- Labour challenges ticked up this quarter, particularly for larger firms and those in accommodation and food services, construction, and administration. Labour issues are leading to longer working hours and slower business growth.
- Among impacted firms, an increasing share expect supply chain obstacles to worsen over the summer.



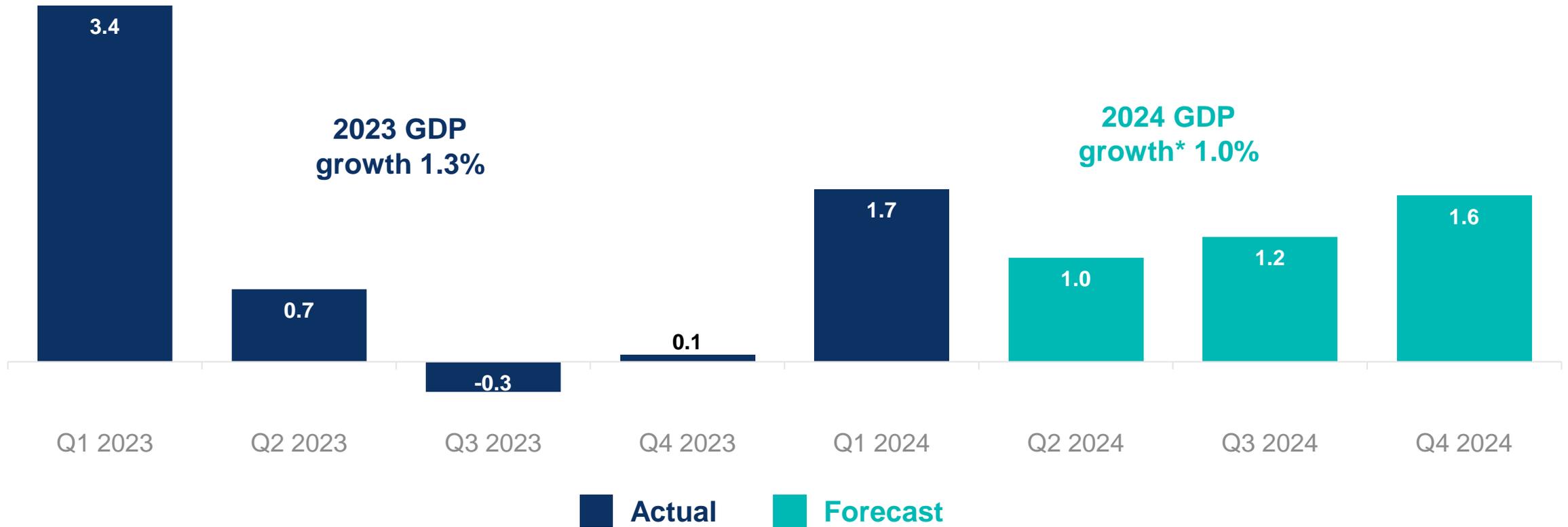
Q2 2024

Outlook according to Canadian businesses



Context: After a period of weak growth, Canada's economy picked up in the first quarter of 2024, but is expected to remain sluggish.

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

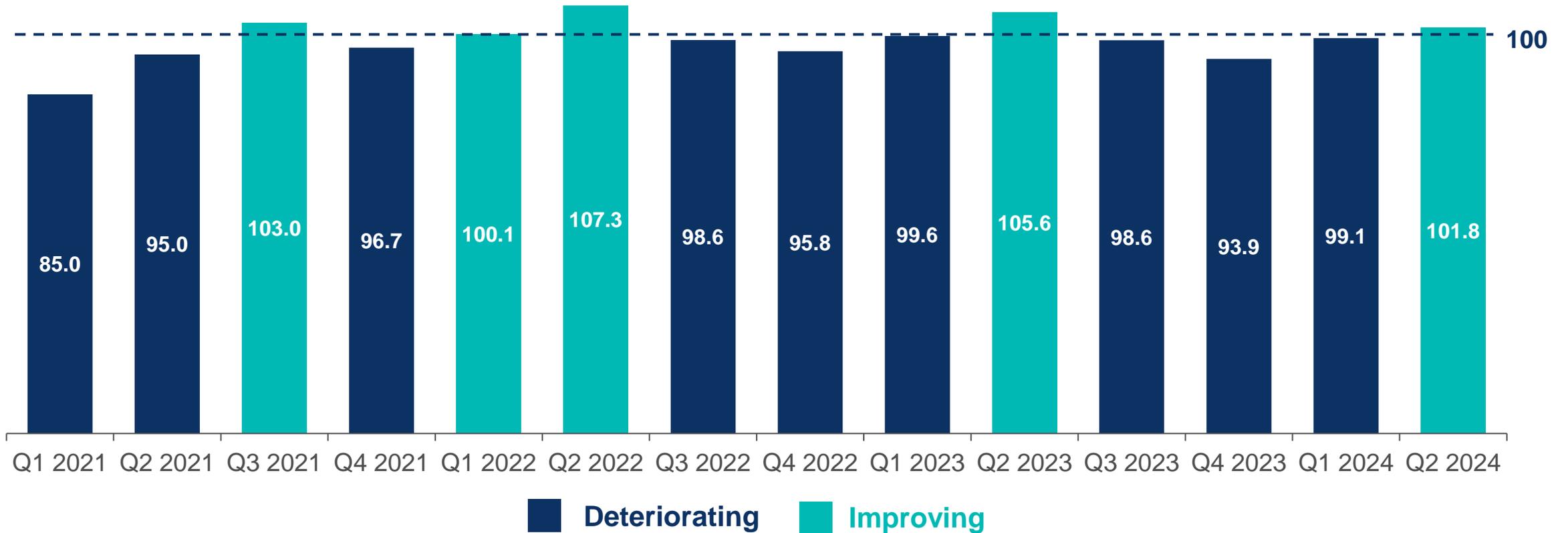




Business sentiment improved modestly in the second quarter of 2024.

Business Expectations Index

Next three months; above 100 indicates improving sentiment from the previous quarter, below 100 indicates deteriorating sentiment

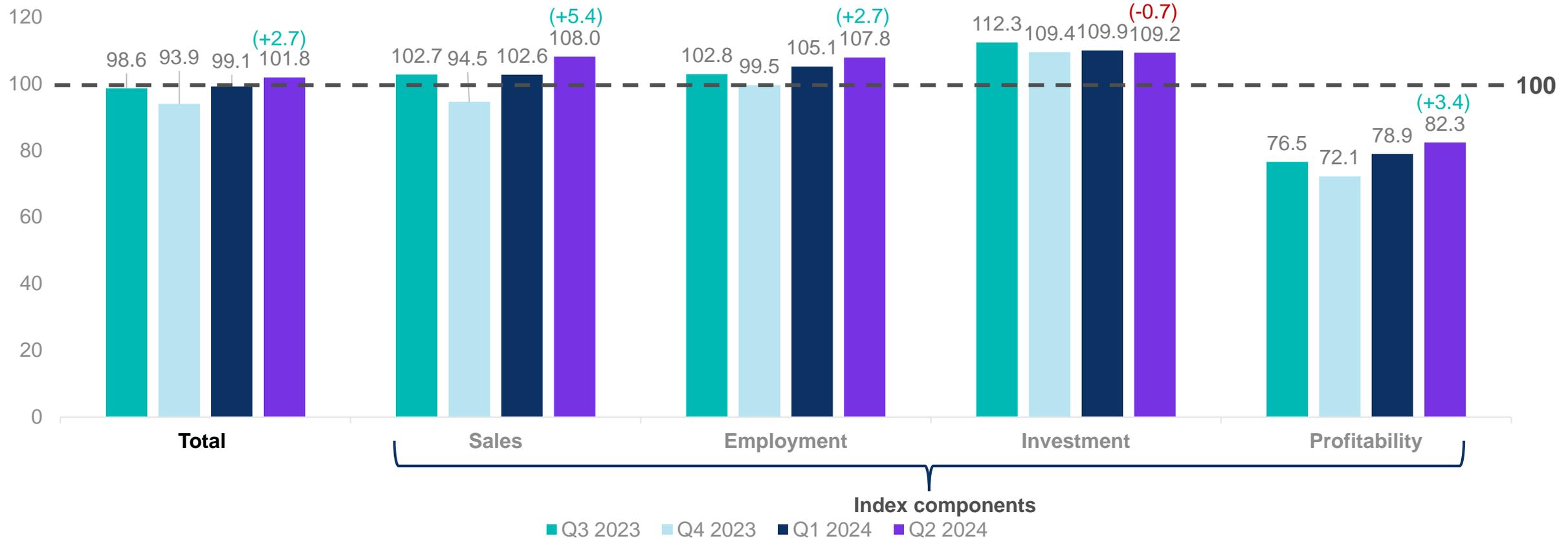




An improved sales outlook drove the gains in the headline index.

Business Expectations Index, total and components

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

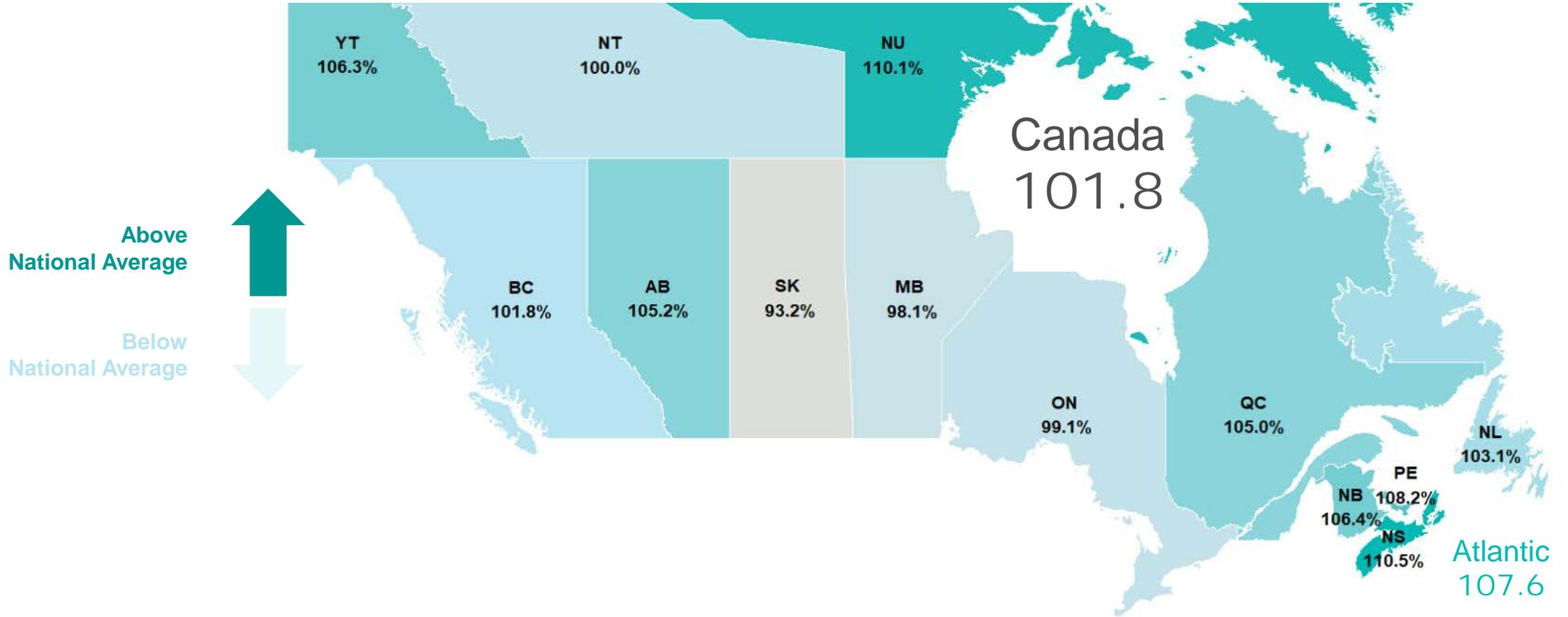




Business sentiment is stronger in Atlantic Canada and Quebec; and weaker in Central Canada.

Business Expectations Index, provinces and territories

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

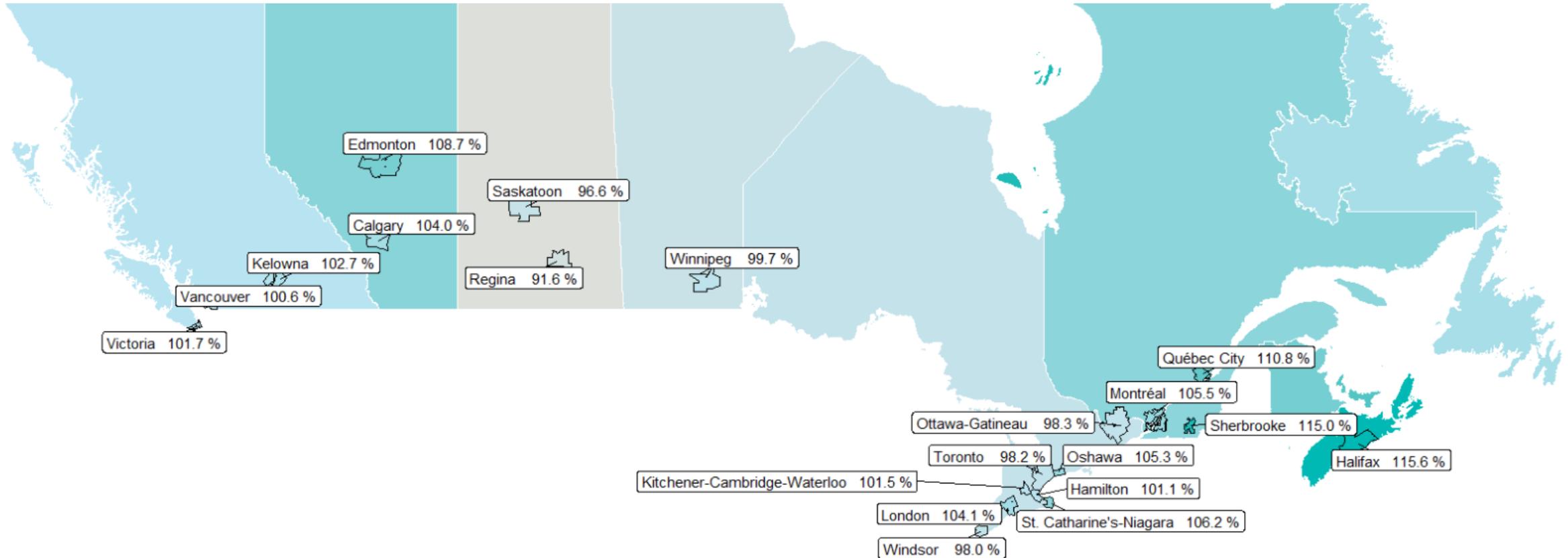




Business sentiment is highest in cities in Eastern Canada and Alberta, and lowest in major cities across Central Canada.

Business Expectations Index, CMAs

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



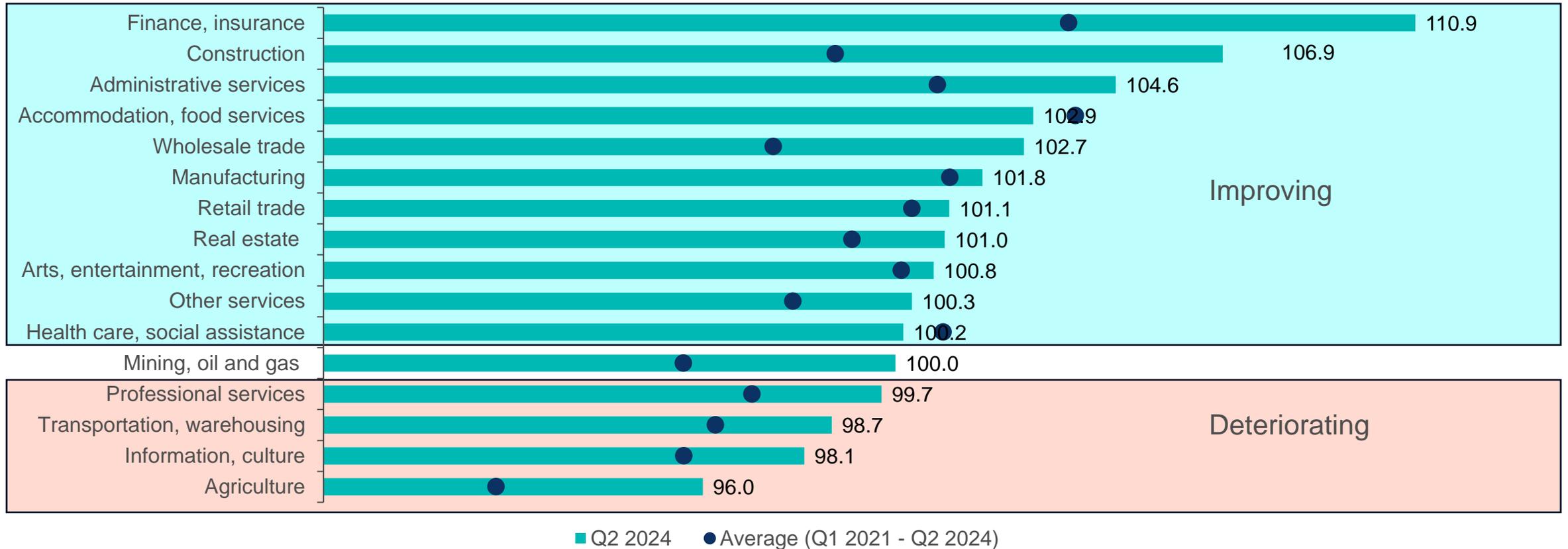
Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 10,173 business responses in April and May 2024.



Most industries are improving, with finance leading the way. Agriculture, information and culture, and transportation are lagging behind.

Business Expectations Index, by industry

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

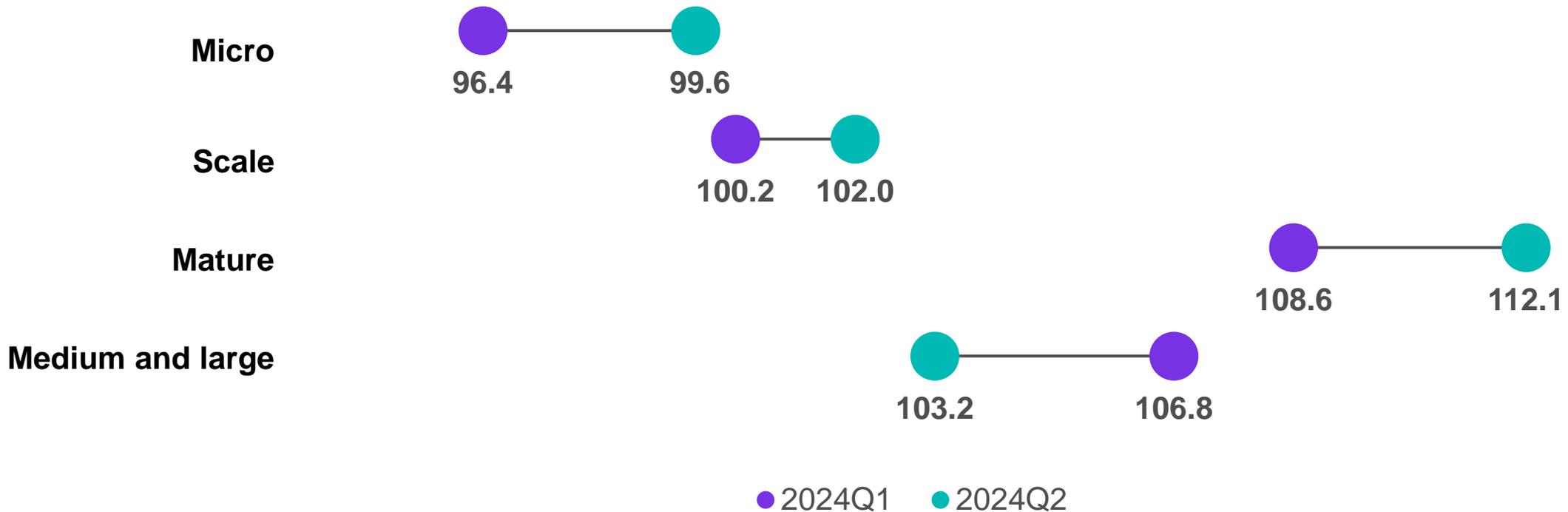




Sentiment improved for most size categories, except mature firms. Micros are finally stabilizing.

Business Expectations Index, by firm size

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



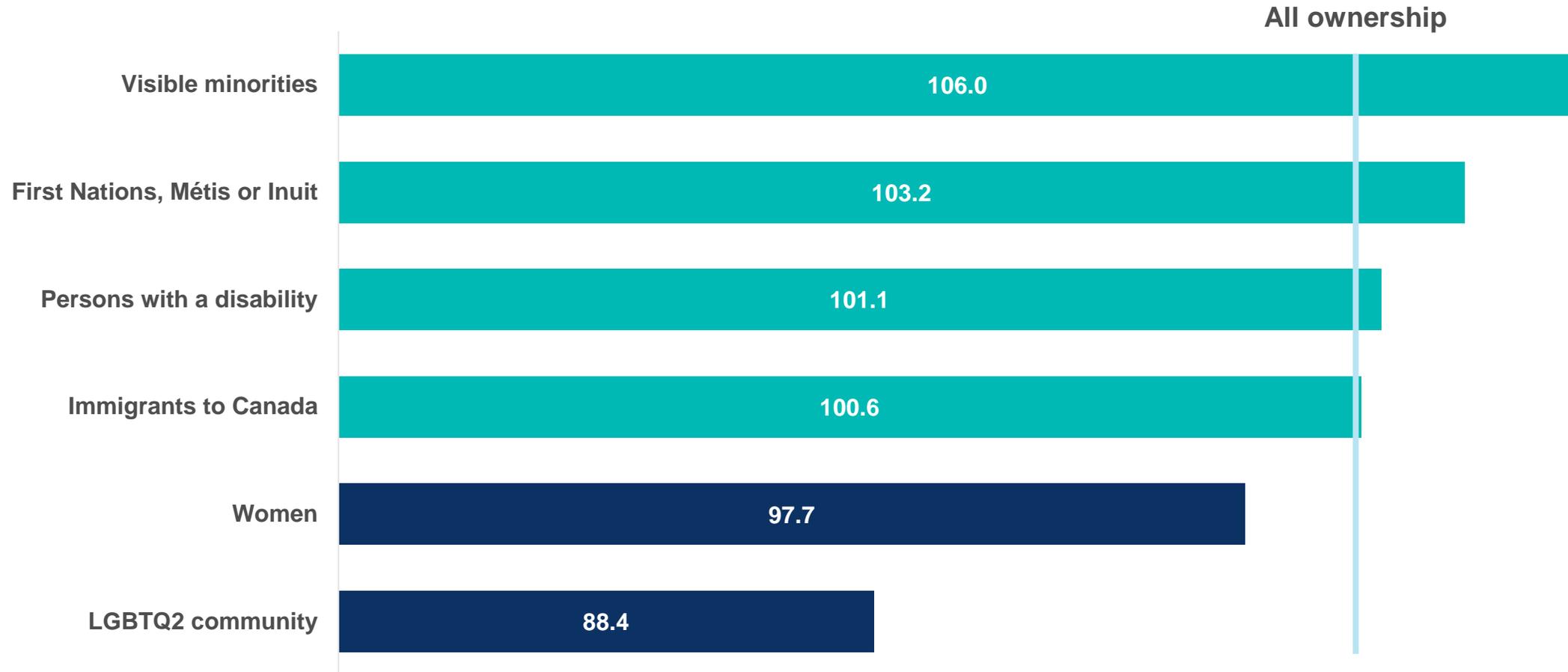
Micro = 1-4 employees; Scale = 5-19 employees; Mature= 20-99 employees; Medium and large = 100+ employees.



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

Business Expectations Index, by ownership

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





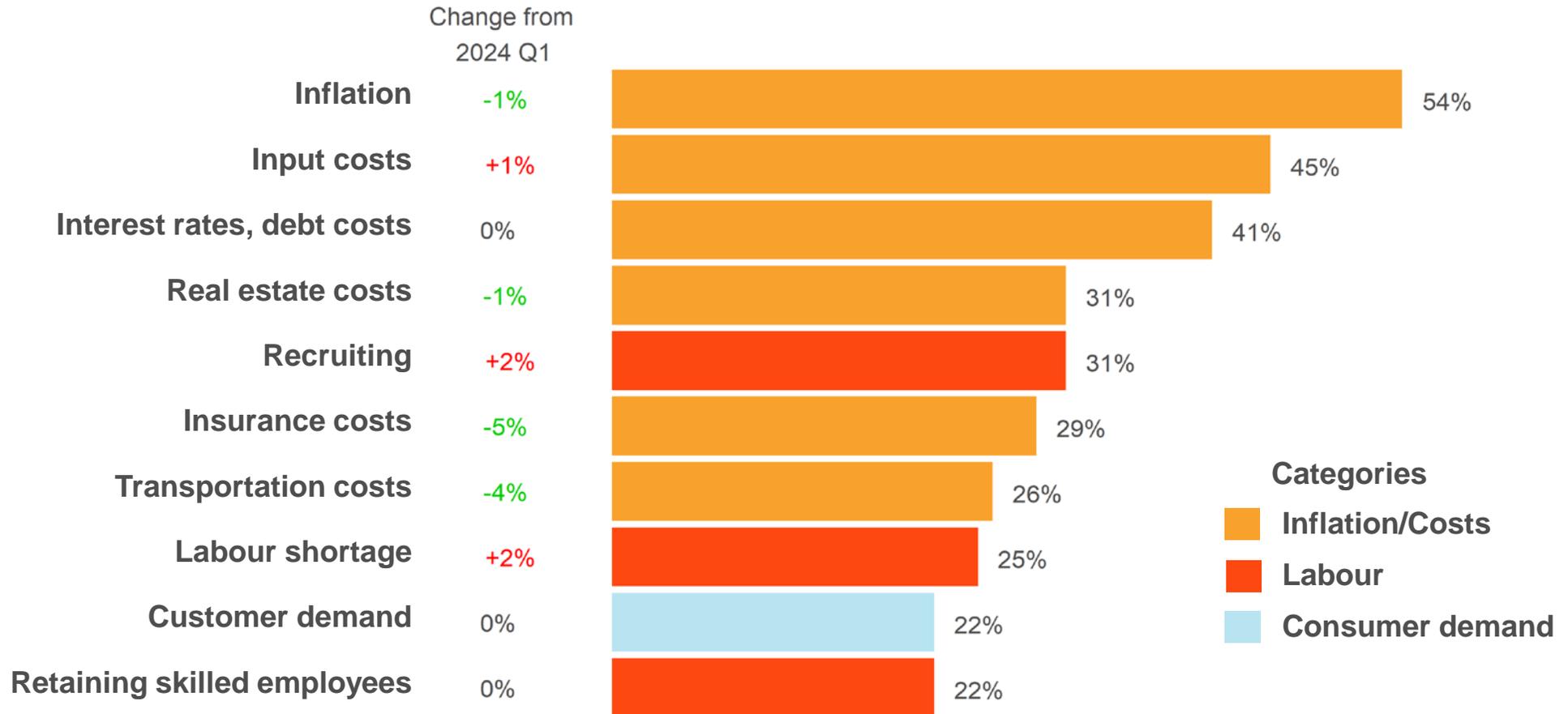
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Business obstacles

Costs obstacles remain the most prevalent.

Top 10 business obstacles expected, next three months

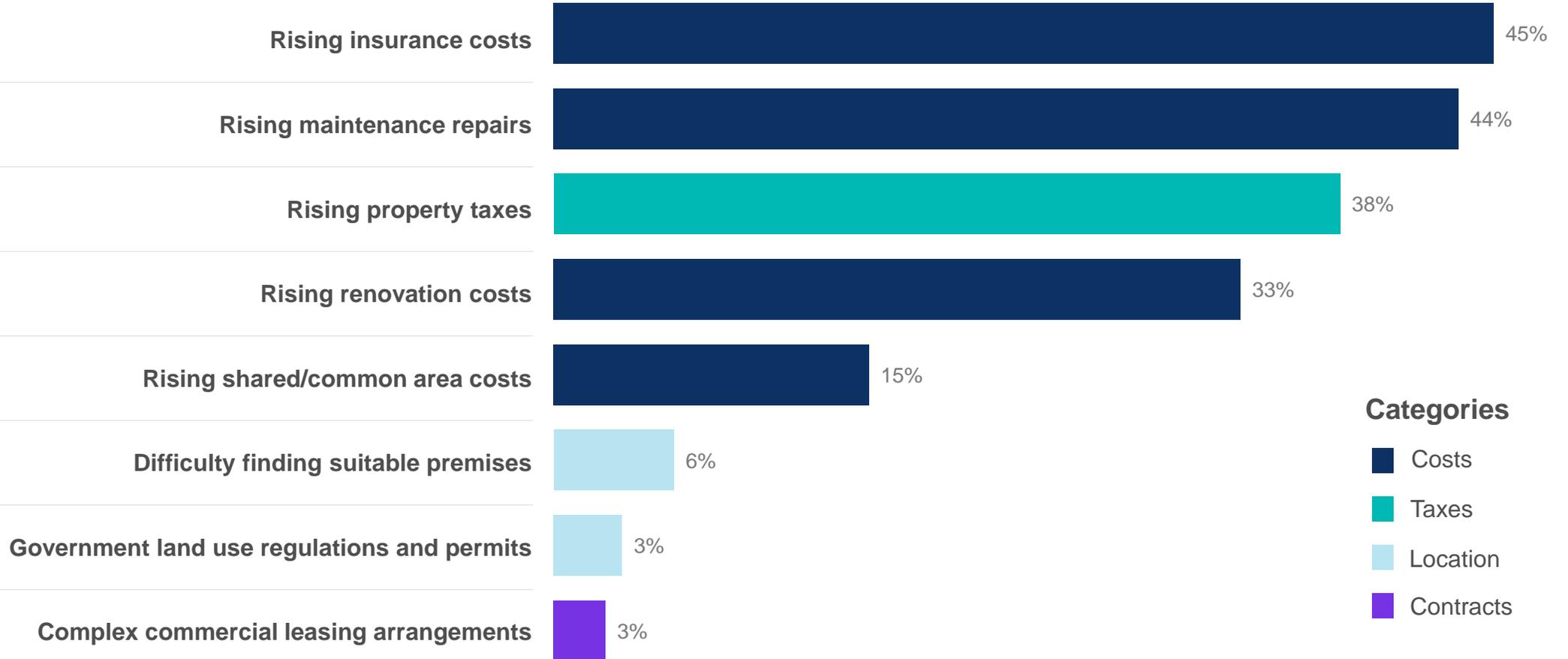
% of businesses, all industries





For real estate issues, businesses are facing rising insurance and maintenance costs.

Real estate issues that businesses are currently facing % of businesses

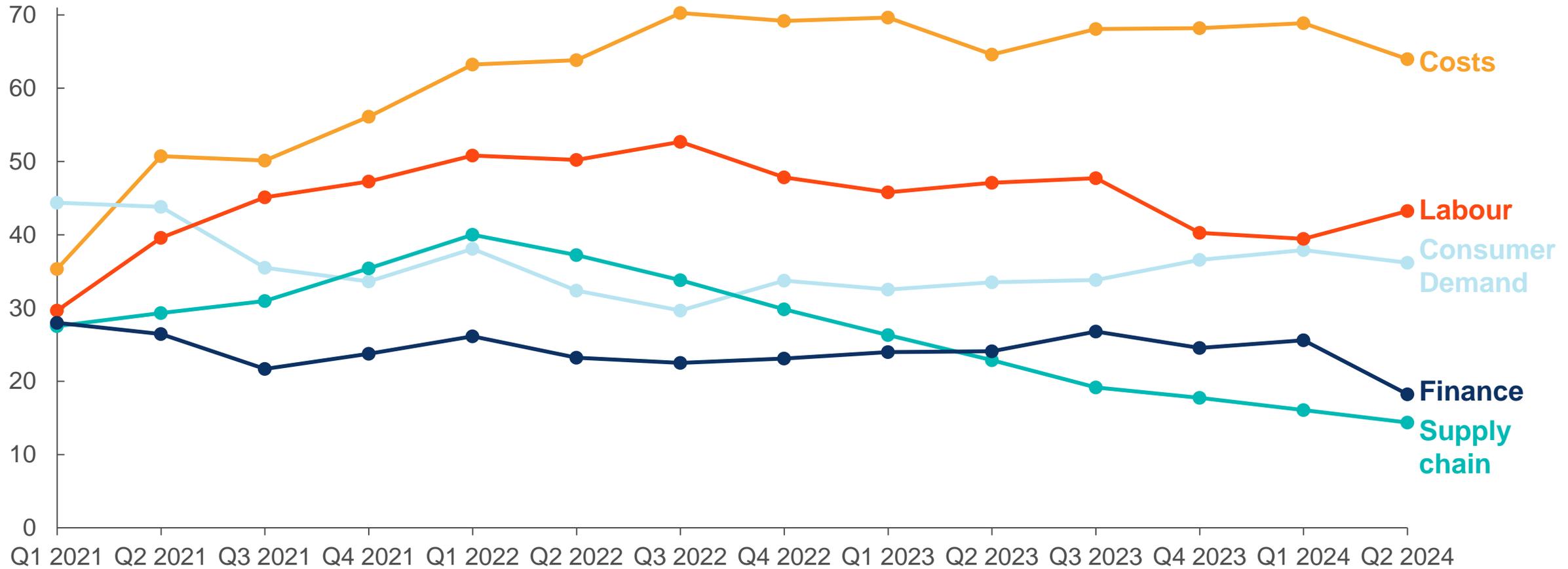




Most obstacles improved modestly, but labour challenges picked up.

Business obstacles expected, next three months

% of businesses, grouped by category





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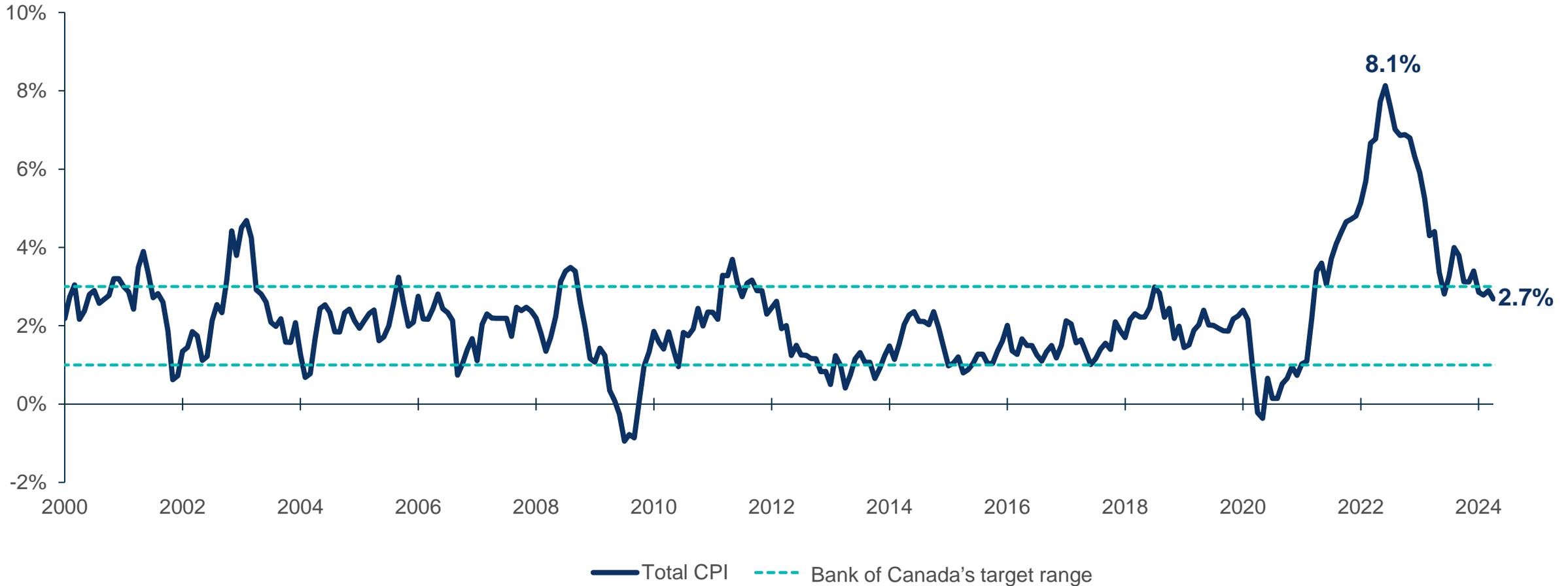
Inflation and debt constraints



Context: Inflation peaked at over 8% but has slowed and is now back within the Bank of Canada's target range; on its way to 2%.

Canadian consumer price index (CPI)

% change, year-over-year

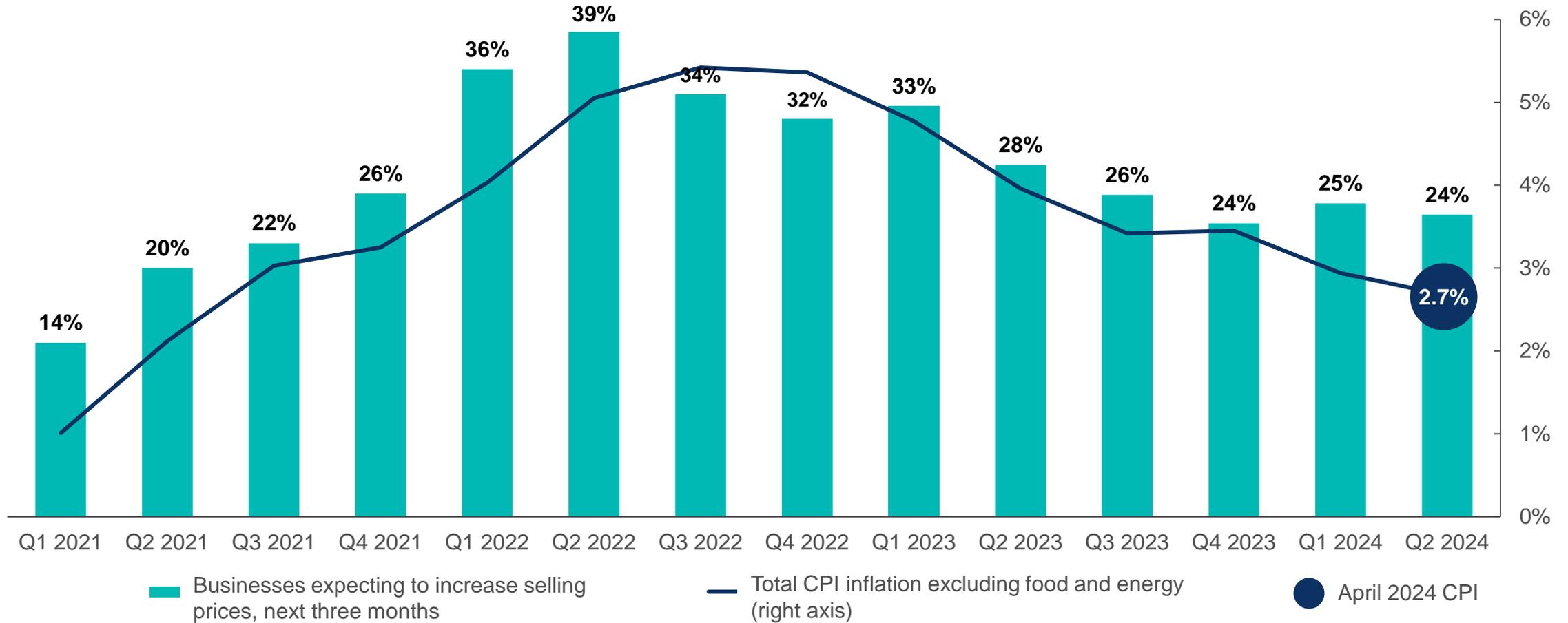




Despite continued inflation progress, the share of companies expecting to raise prices next quarter remains elevated.

Businesses expecting to raise their selling prices, next three months; and CPI inflation, excluding food and energy

% of businesses, right axis; year-over-year % change



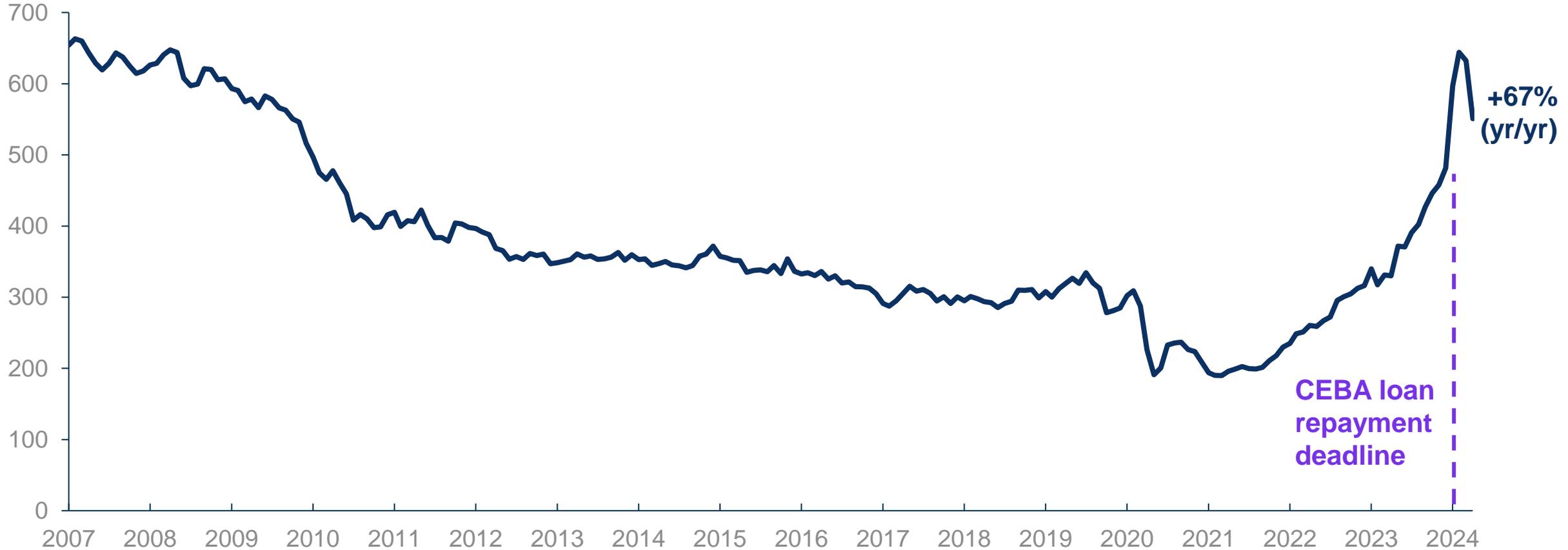
Source: BDL analysis using on Statistics Canada's *Canadian Survey on Business Conditions* and CPI data.



Context: Business bankruptcies spiked in January 2024, coincident with the CEBA loan repayment deadline.

Business insolvencies, Canada

Three month moving average, seasonally adjusted

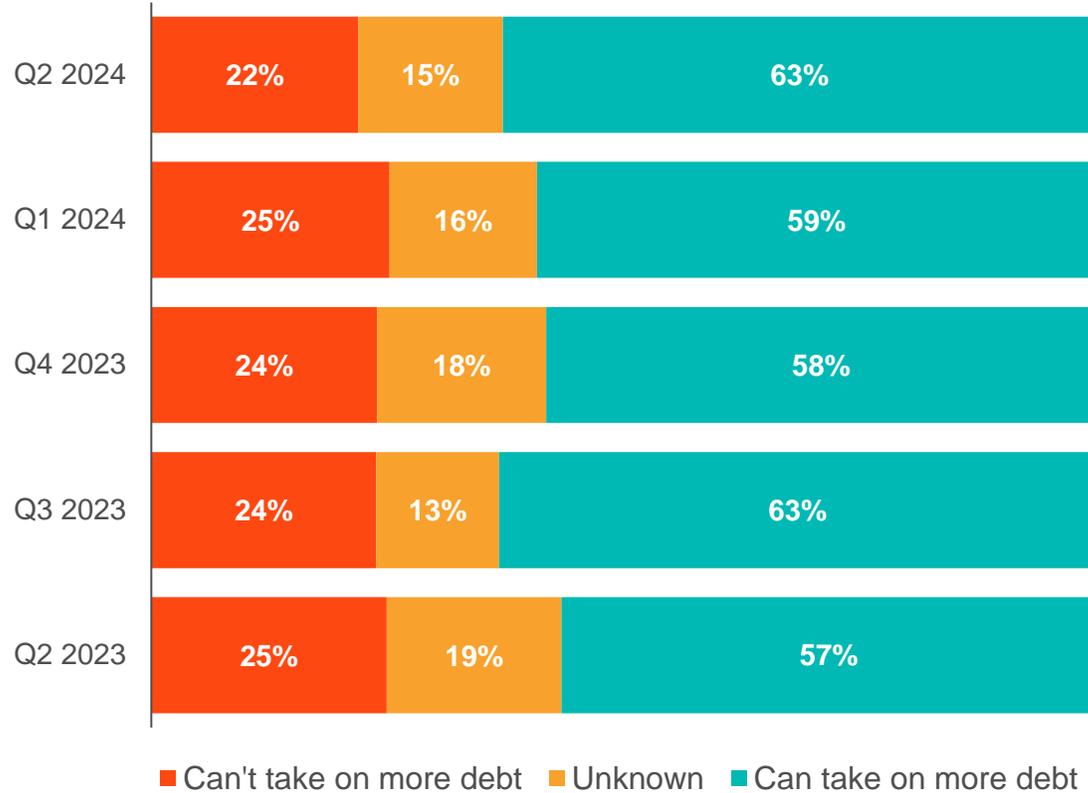


Note: CEBA = Canada Emergency Business Account
Source: BDL calculations using ISED data.



Overall debt constraints are improving, but micros continue to feel more pressure.

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



Ability to take on more business debt
% of businesses*, by firm size



Micro = 1-4 employees; Scale = 5-19 employees; Mature = 20-99 employees; Medium and Large = 100+ employees.

Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*

*Note: Businesses were asked if they plan to apply for debt financing. The responses above represent share of respondents who indicated "No".



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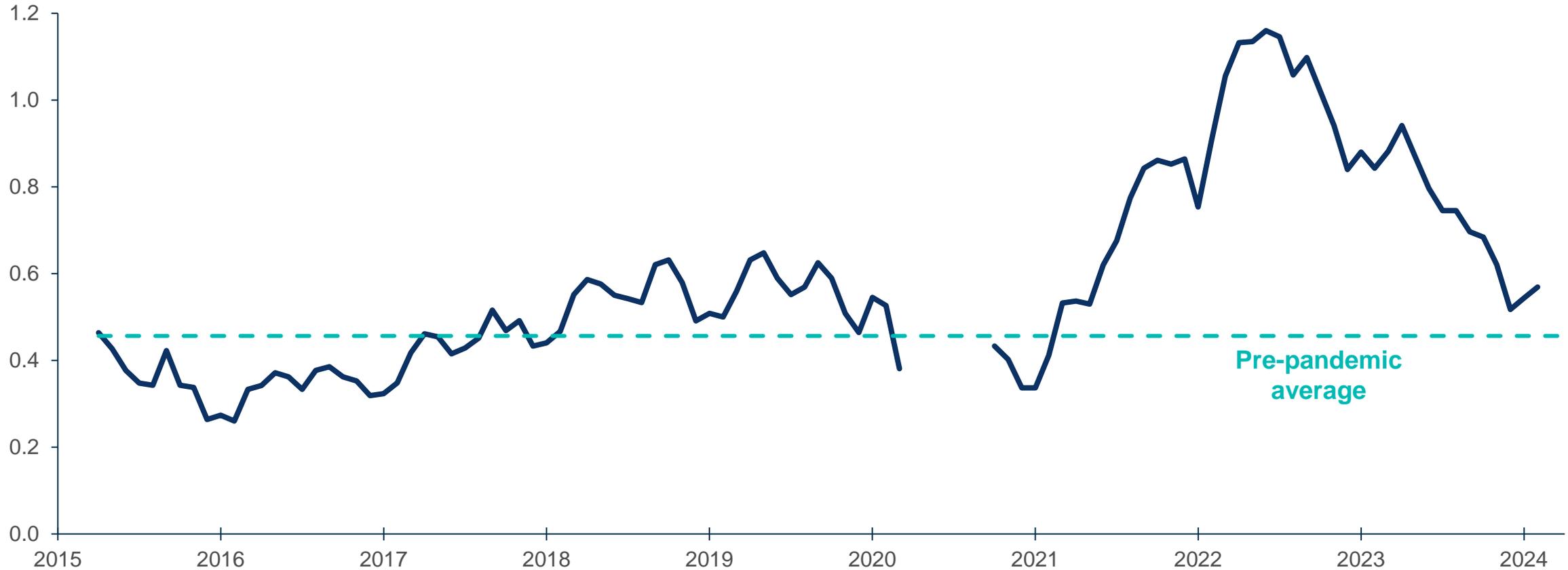
Labour market



Context: Canada's labour market has normalized closer to the pre-pandemic balance of supply and demand.

Labour market tightness

Job vacancies per unemployed person

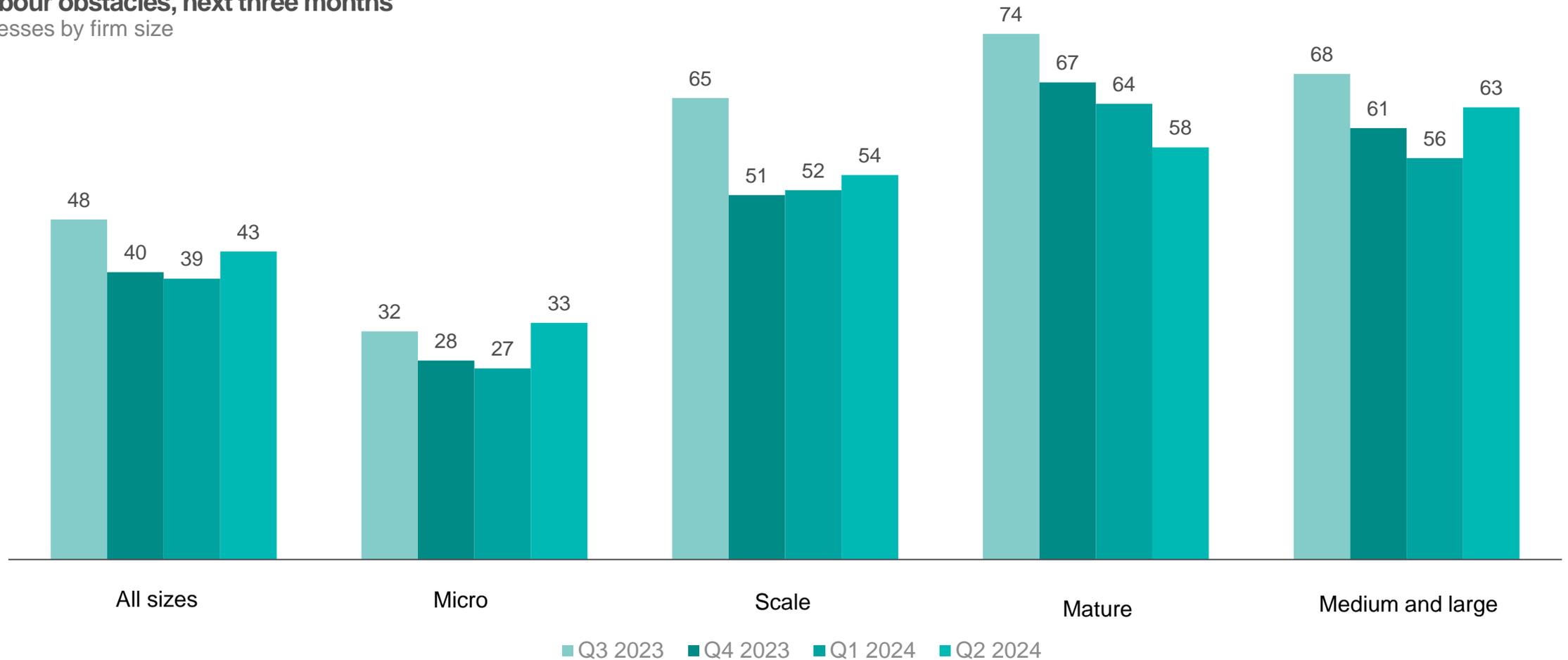




Labour challenges ticked back up, led by medium and large firms.

Expect labour obstacles, next three months

% of businesses by firm size



Micro = 1-4 employees; Scale = 5-19 employees; Mature = 20-99 employees; Medium and large = 100+ employees

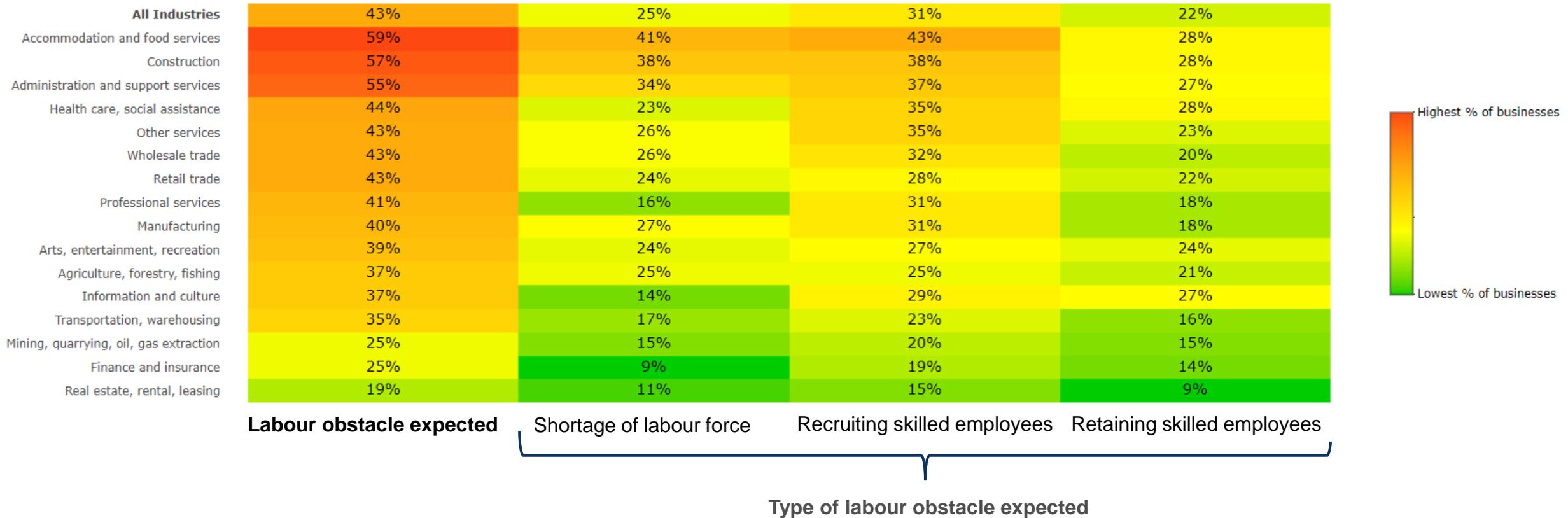
Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.



A majority of firms expect short-term labour challenges in accommodation and food services, construction, and administration.

Labour challenges expected, next three months

% of businesses by industry

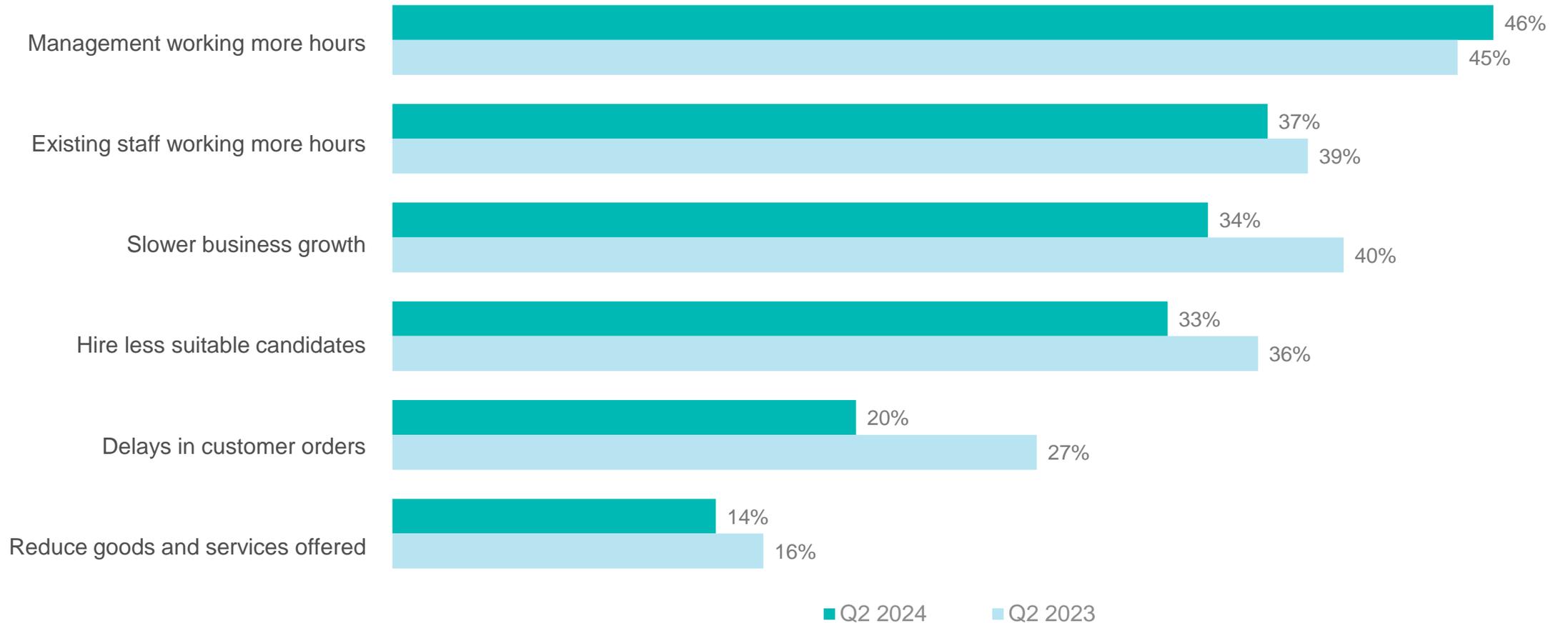




Labour challenges are leading to longer working hours and slower business growth.

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

% of businesses that expect labour-related obstacles





Q2 2024

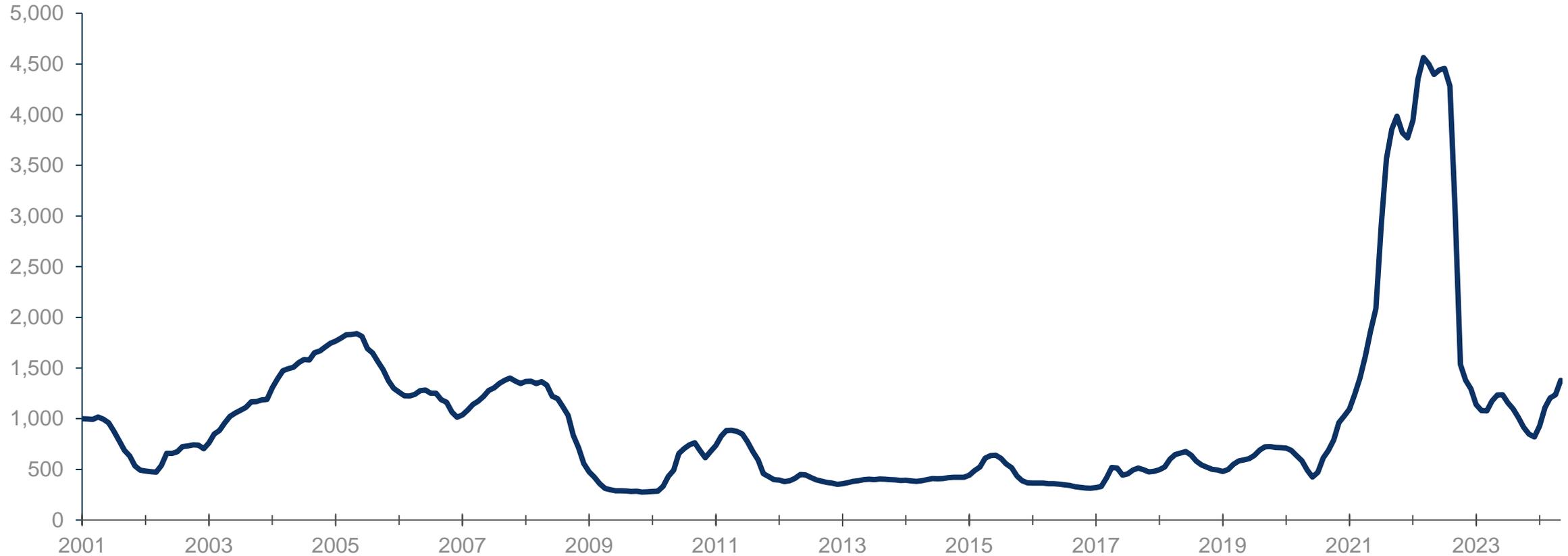
Supply chain challenges



Context: After falling from pandemic highs, Red Sea disruptions have caused global shipping rates to rise.

Global shipping rates

Index, January 2001=1000

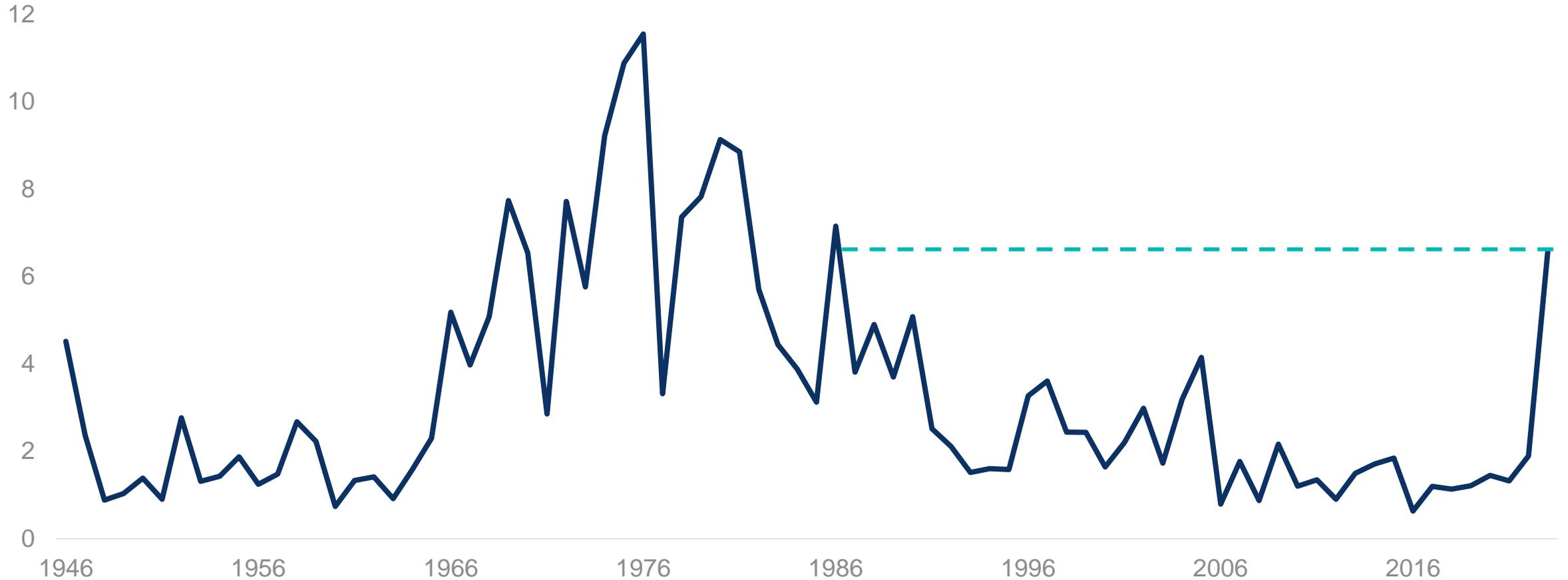




Context: 2023 saw the most days lost to labour disputes since 1986

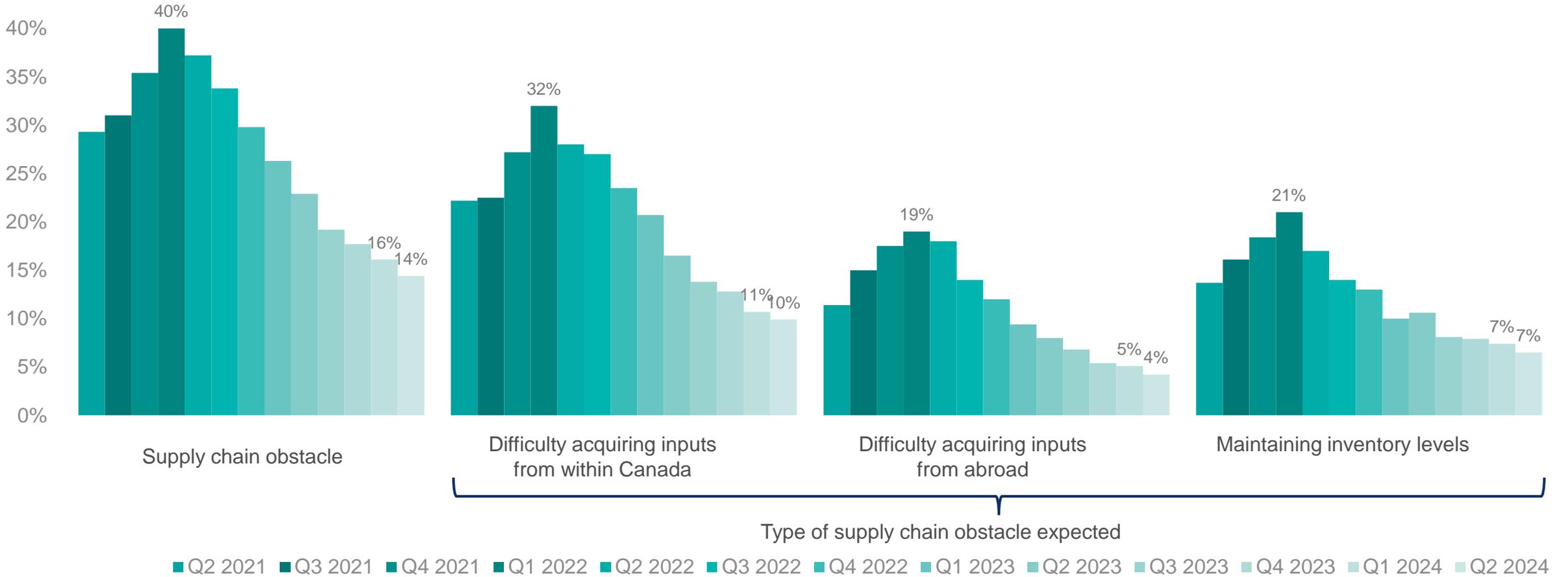
Person days lost to labour disputes, Canada

Millions



Supply chain challenges continue to ease overall.

Expected supply chain obstacles, next three months
% of businesses

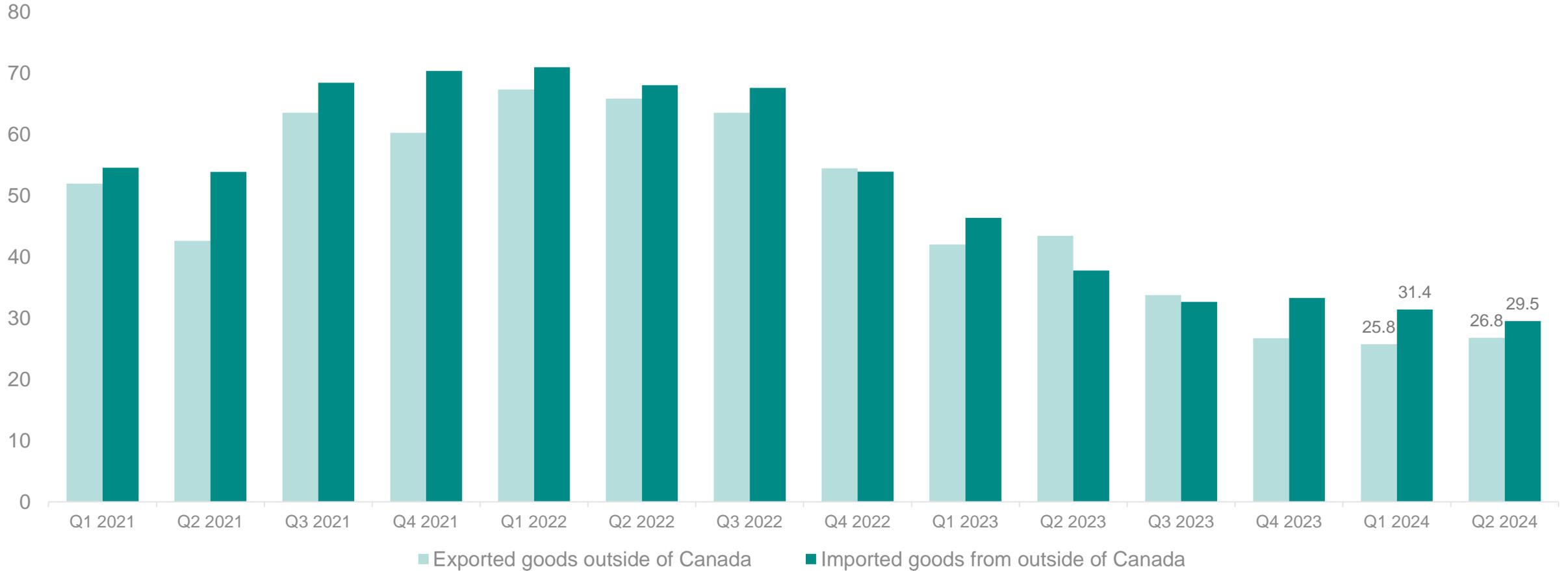


Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.



...But almost 30% of Canada's international goods traders expect supply chain obstacles over the next three months.

Expected supply chain obstacles, next three months
% of businesses

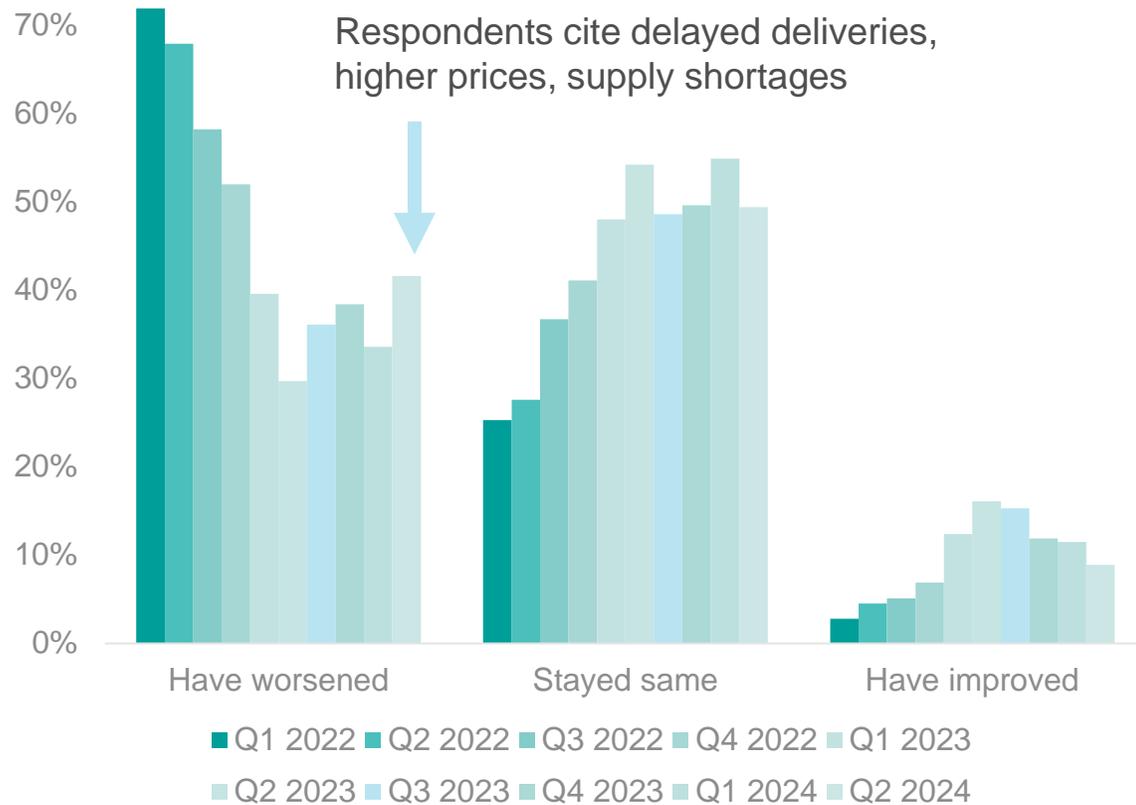


Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.

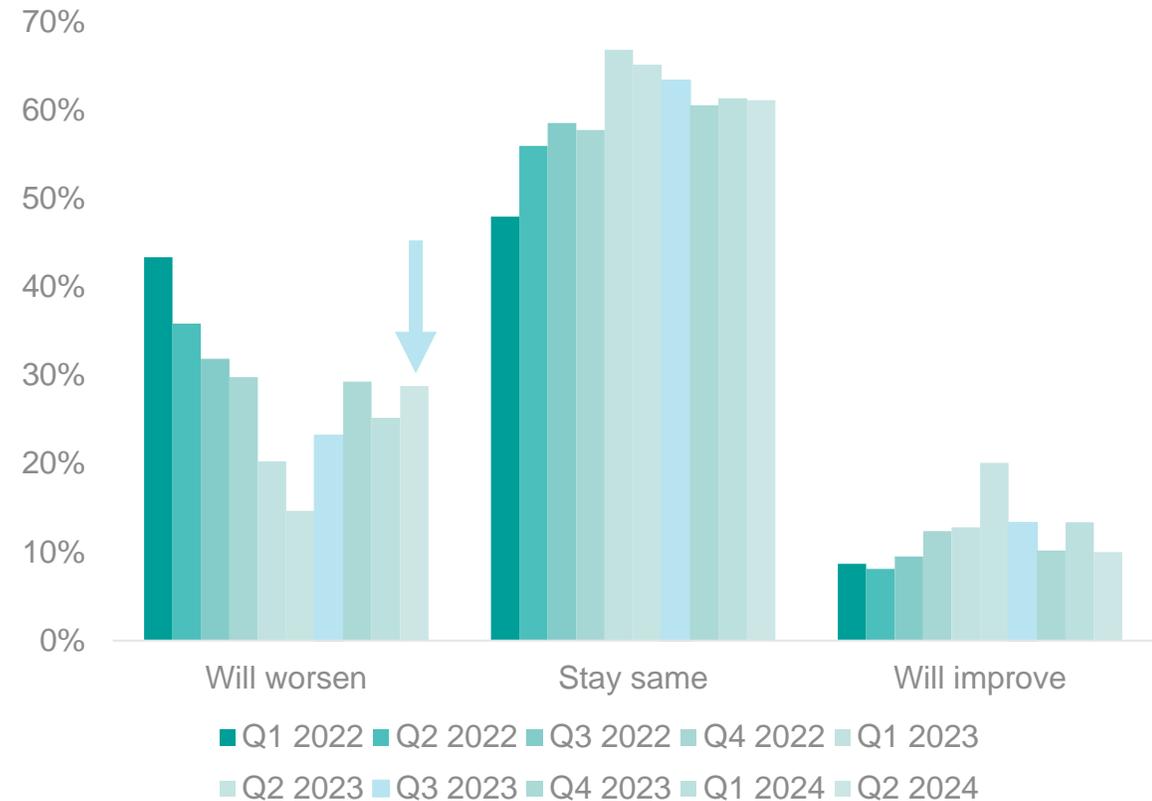


...And among affected businesses, a rising share think supply chain issues have worsened or will worsen in the near term.

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



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



Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.



Appendix



Most optimistic cities historically: Halifax, Sherbrooke and Quebec City. Most pessimistic: Toronto, Windsor and Vancouver.

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	Q2 2024	Latest Rank	Average Q1 2021-Q2 2024	Historical Rank
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	101.8	11	98.6	13
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	101.7	12	101.9	5
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	100.6	15	96.9	20
Kelowna									97.2	112.7	97.1	90.7	103.0	102.7	10	100.6	6
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	104.0	9	97.5	16
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	108.7	4	97.3	18
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	96.6	20	99.9	8
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	91.6	21	97.4	17
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	99.7	16	100.5	7
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	98.0	19	95.8	21
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	104.1	8	98.7	12
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	101.5	13	97.8	15
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	106.2	5	98.1	14
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	101.1	14	98.9	11
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	98.2	18	95.0	22
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	105.3	7	97.1	19
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	98.3	17	99.6	9
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	105.5	6	103.0	4
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	115.0	2	104.9	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	110.8	3	104.1	3
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	115.6	1	106.3	1
St. John's	85.3	100.5	102.6	95.4	94.3	112.4	101.1	100.4								99.0	10



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 BDL leverages Statistics Canada's *Canadian Survey on Business Conditions* (CSBC) 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:

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

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

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

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

Where i = sales, employment, investment and profitability. “Not applicable” responses are removed by re-weighting each component series separately. The headline composite index is calculated by applying 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 cities).
- 16 industries (at the NAICS two-digit level, e.g., manufacturing, construction) as well as private-sector businesses.
- Six business ownership groups (including women, Indigenous, immigrant and visible minorities).
- Four firm sizes (by employment: 1–4 employees, 5–19 employees, 20–99 employees, 100+ employees).
- Four firm ages (four ages, e.g., 2 years or less, 3–10 years, 11–20 years, 20+ years).
- Three firm trade statuses (goods exporters and importers, and not globally engaged).

Interpreting the index: Index scores range from a minimum of zero (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.



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 Q2 2024 CSBC data collection period was April 2 to May 6, 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 survey is based on responses from 10,173 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's Business Data Lab. For questions, comments or inquiries, contact Stephen Tapp, Chief Economist (STapp@Chamber.ca).



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Survey Insights Generator

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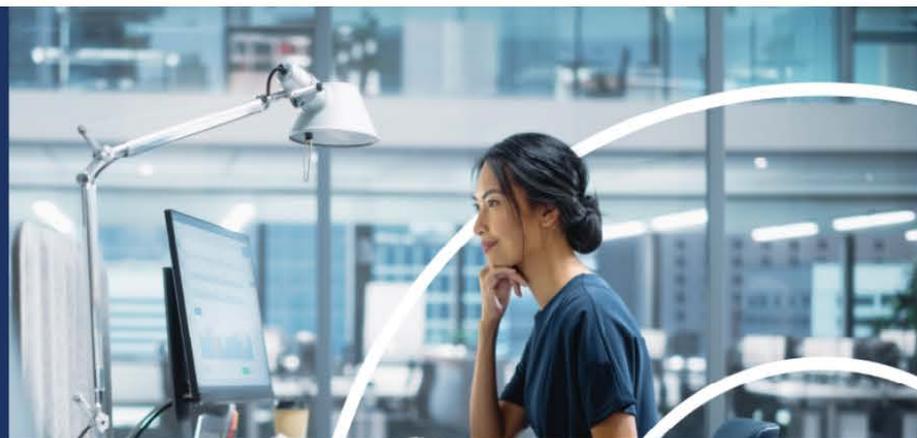
Q2 2024

Select province or territory

Canada ▾

Select firm characteristics

All Industries ▾

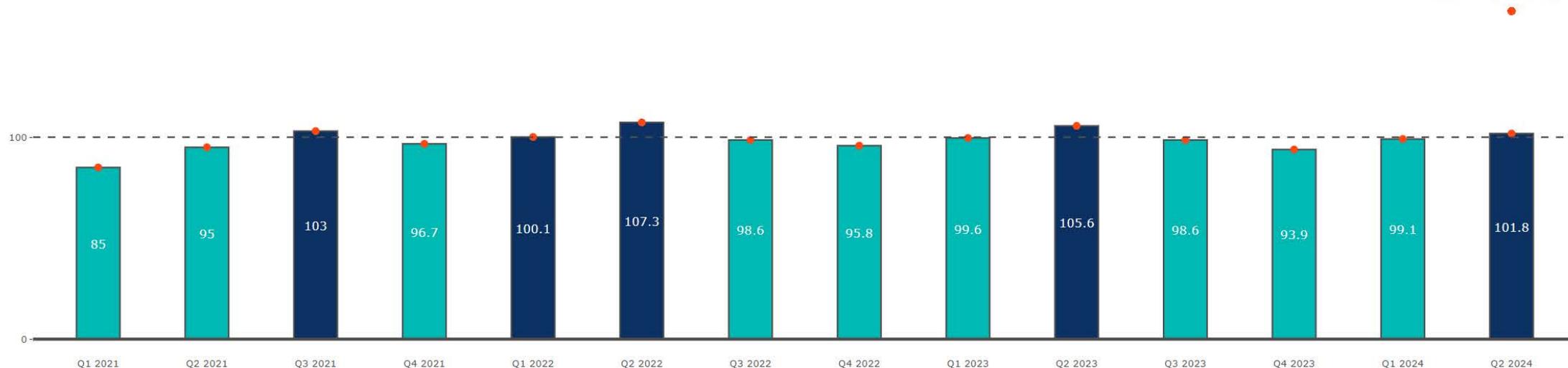


BDL Business Expectations Index

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

Canada; all industries

Canada - All Industries



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

[Download data](#)

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