

Catalogue no. 11-621-M
ISSN 1707-0503
ISBN 978-0-660-42210-7

Analysis in Brief

Analysis on small businesses in Canada, first quarter of 2022

by Stephanie Tam, Shivani Sood and Chris Johnston

Release date: March 3, 2022



Statistics
Canada

Statistique
Canada

Canada

How to obtain more information

For information about this product or the wide range of services and data available from Statistics Canada, visit our website, www.statcan.gc.ca.

You can also contact us by

Email at infostats@statcan.gc.ca

Telephone, from Monday to Friday, 8:30 a.m. to 4:30 p.m., at the following numbers:

- Statistical Information Service 1-800-263-1136
- National telecommunications device for the hearing impaired 1-800-363-7629
- Fax line 1-514-283-9350

Standards of service to the public

Statistics Canada is committed to serving its clients in a prompt, reliable and courteous manner. To this end, Statistics Canada has developed standards of service that its employees observe. To obtain a copy of these service standards, please contact Statistics Canada toll-free at 1-800-263-1136. The service standards are also published on www.statcan.gc.ca under "Contact us" > "[Standards of service to the public](#)."

Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued co-operation and goodwill.

Published by authority of the Minister responsible for Statistics Canada

© Her Majesty the Queen in Right of Canada as represented by the Minister of Industry, 2022

All rights reserved. Use of this publication is governed by the Statistics Canada [Open Licence Agreement](#).

An [HTML version](#) is also available.

Cette publication est aussi disponible en français.

Table of contents

Outlook for smaller businesses less positive than their larger counterparts.....	4
Small business expectations about sales down since last quarter.....	5
Small businesses more likely to have financial constraints than their larger counterparts	6
Small businesses less likely to increase employment.....	7
Methodology.....	8
References	8

Analysis on small businesses in Canada, first quarter of 2022

by **Stephanie Tam, Shivani Sood** and **Chris Johnston**

Small- and medium-sized businesses are significant contributors to the Canadian economy. For context, in 2021, small businesses made up 98.1% of all employer businesses in Canada.¹ In addition, small businesses employed 10.3 million individuals in Canada – almost two-thirds (63.8%) of the total labour force. By comparison, medium-sized businesses employed 3.4 million individuals (21.1% of the labour force) and large businesses employed 2.4 million individuals (15.1% of the labour force).² As such, small businesses play an important role in employing Canadians and are a significant driver towards economic recovery.

From the beginning of January to early February 2022, Statistics Canada conducted the Canadian Survey on Business Conditions to better understand the current environment businesses in Canada are operating in and their expectations moving forward. Based on the results of the survey, small businesses were less likely to have a positive future outlook. These businesses were also more likely to expect a decrease in profitability and sales, and were less likely to expect demand for their goods and services to increase over the next three months, compared with larger businesses. Small businesses were less likely to increase employment, be able to take on more debt, and have the liquid assets to operate. This article provides insights on the expectations of small businesses as well as the unique conditions faced by these businesses.

Outlook for smaller businesses less positive than their larger counterparts

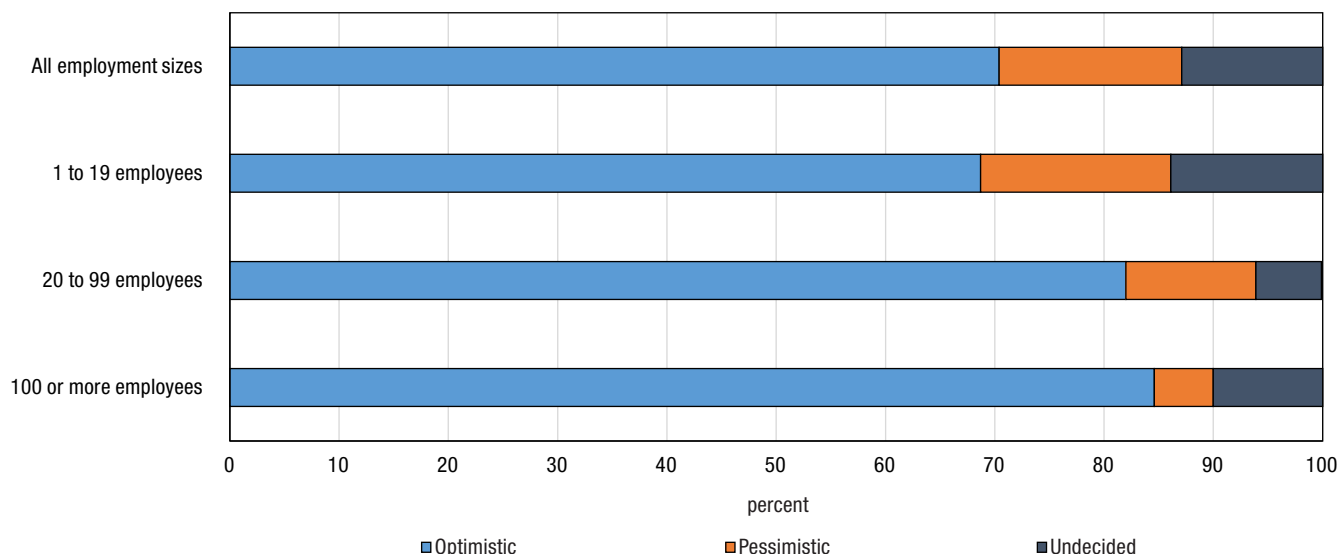
Small businesses were more likely to have lower revenues in 2021 compared with 2019. Over half (53.6%) of businesses with 1 to 19 employees reported lower revenues in 2021 compared with 2019. In contrast, over two-fifths (41.4%) of businesses with 20 to 99 employees and over one-third (34.5%) of businesses with 100 or more employees reported lower revenues.

Furthermore, smaller businesses were less likely to have an optimistic future outlook over the next 12 months. Two-thirds (68.7%) of businesses with 1 to 19 employees reported having a positive future outlook over the next 12 months, while over four-fifths of businesses with 20 to 99 employees (82.0%) and 100 or more employees (84.6%) had the same outlook.

1. Statistics Canada. (2021). [Table 33-10-03950-01: Canadian Business Counts, with employees, June 2021](#) [Data table].
2. Statistics Canada. (2022). [Table 14-10-0068-01: Employment by establishment size, annual \(x 1,000\)](#) [Data table].

Chart 1
Future outlook over the next 12 months, first quarter of 2022

Employment size



Note: Respondents were asked to report the future outlook of the business or organization.
Source: Canadian Survey on Business Conditions, first quarter of 2022 (Table 33-10-0488-01).

Small business expectations about sales down since last quarter

Small businesses were more likely to expect a decrease in sales in the short term. Nearly one-fifth of businesses with 1 to 19 employees (18.4%) expected to see a decrease in sales over the next three months,³ while less than one in ten businesses with 20 to 99 employees (9.4%) and 100 or more employees (7.8%) expected the same. These figures are similar to last quarter, where one-fifth (19.8%) of businesses with 1 to 19 employees, 13.4% of businesses with 20 to 99 employees, and 9.7% of businesses with 100 or more employees expected a decrease in sales over the next three months.

Table 1
Business expectations of sales over the next three months, first quarter of 2022

	Increase (% of businesses)	Stay about the same (% of businesses)	Decrease (% of businesses)	Not applicable (% of businesses)
	percent			
All employment sizes	19.8	59.6	17.2	3.5
1 to 19 employees	18.0	60.4	18.4	3.2
20 to 99 employees	31.5	53.5	9.4	5.5
100 or more employees	31.7	55.7	7.8	4.8

Note: Respondents were asked between January 4 to February 7, 2022 how their sales were expected to change over the next three months. Therefore, the three month period could range from January 4 to May 7, 2022, depending on when the business responded.

Sources: Canadian Survey on Business Conditions, first quarter of 2022 (Table 33-10-0468-01).

Small businesses were less likely to expect demand for their goods and services to increase over the next three months. Nearly one-quarter (24.5%) of businesses with 1 to 19 employees expected an increase in demand for their goods and services over the next three months, while close to one-fifth (38.3%) of businesses with 20 to 99 employees and over one-third (34.4%) of businesses with 100 or more employees expected the same.

3. The results in this article are based on the survey that was in collection from January 4 to February 7, 2022, and respondents were asked what their expectations would be over the next three-month period. As a result, those three months could range from January 4 to May 7, 2022, depending on when the business responded.

Over one-third (35.6%) of businesses with 1 to 19 employees and over one-quarter (28.9%) of businesses with 20 to 99 employees expected to see a decrease in profitability, compared with just under one-fifth (19.6%) of businesses with 100 or more employees. These numbers have increased from last quarter, when the numbers were 34.8%, 26.3%, and 19.0%, respectively.

Table 2
Business expectations of profitability over the next three months, first quarter of 2022

	Increase (% of businesses)	Stay about the same (% of businesses)	Decrease (% of businesses)	Not applicable (% of businesses)
	percent			
All employment sizes	12.9	49.6	34.6	2.9
1 to 19 employees	12.1	49.6	35.6	2.7
20 to 99 employees	18.1	48.7	28.9	4.4
100 or more employees	18.4	56.7	19.6	5.3

Note: Respondents were asked from January 4 to February 7, 2022 how their profitability was expected to change over the next three months. Therefore, the three month period could range from January 4 to May 7, 2022 depending on when the business responded.

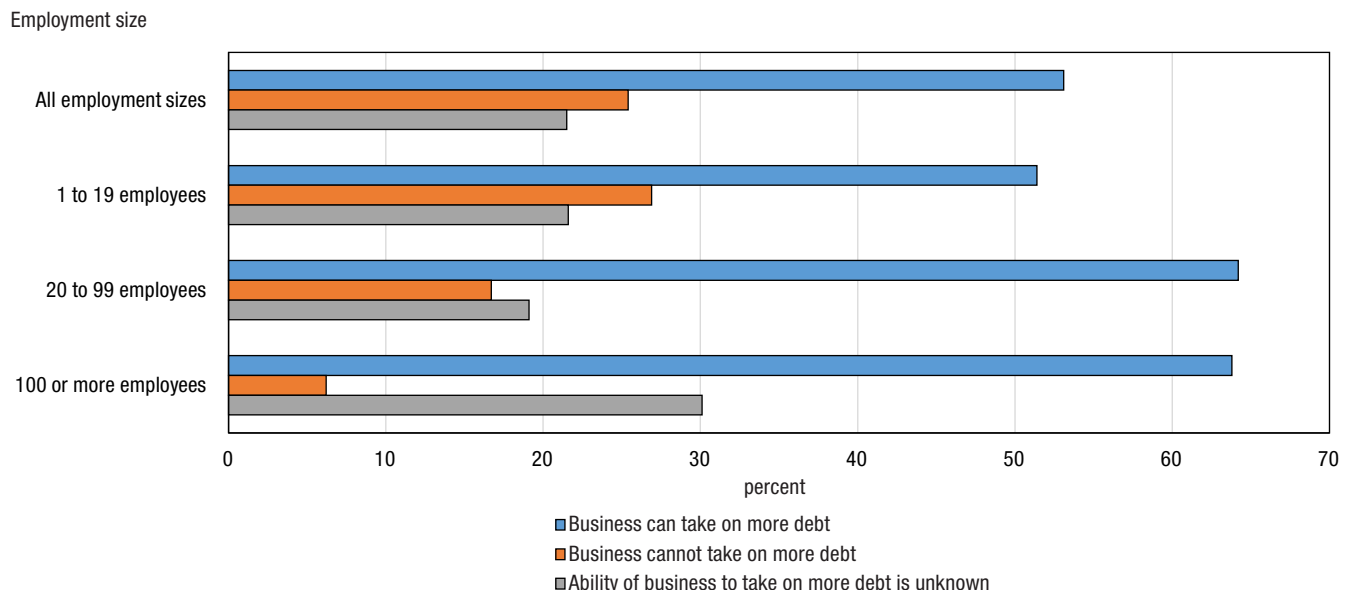
Sources: Canadian Survey on Business Conditions, first quarter of 2022 (Table 33-10-0468-01).

Small businesses more likely to have financial constraints than their larger counterparts

As the current business environment continues to evolve, businesses sought external financing in order to survive. As a result, some businesses have now reached a point where they do not have the ability to take on more debt. Smaller businesses were more likely to report this being the case. At the same time, smaller businesses were more likely to expect maintaining sufficient cash flow to be an obstacle and less likely to have the cash or liquid assets required to operate.

Over one-quarter (26.9%) of businesses with 1 to 19 employees reported that they did not have the ability to take on more debt. In contrast, 16.7% of businesses with 20 to 99 employees and 6.2% of businesses with 100 or more employees reported the same. These figures are slightly higher than last quarter, where one-fifth (20.6%) of businesses with 1 to 19 employees, 11.9% of businesses with 20 to 99 employees, and 5.5% of businesses with 100 or more employees reported they could not take on more debt.

Chart 2
Businesses' ability to take on more debt



Note: Respondents were asked if the business or organization had the ability to take on more debt.

Source: Canadian Survey on Business Conditions, first quarter of 2022 (Table 33-10-0483-01).

Around one-fifth of businesses with 1 to 19 employees (22.9%) and 20 to 99 employees (18.3%) expected maintaining sufficient cash flow to be an obstacle over the next three months. Conversely, 8.7% of businesses with 100 or more employees reported similar concerns.

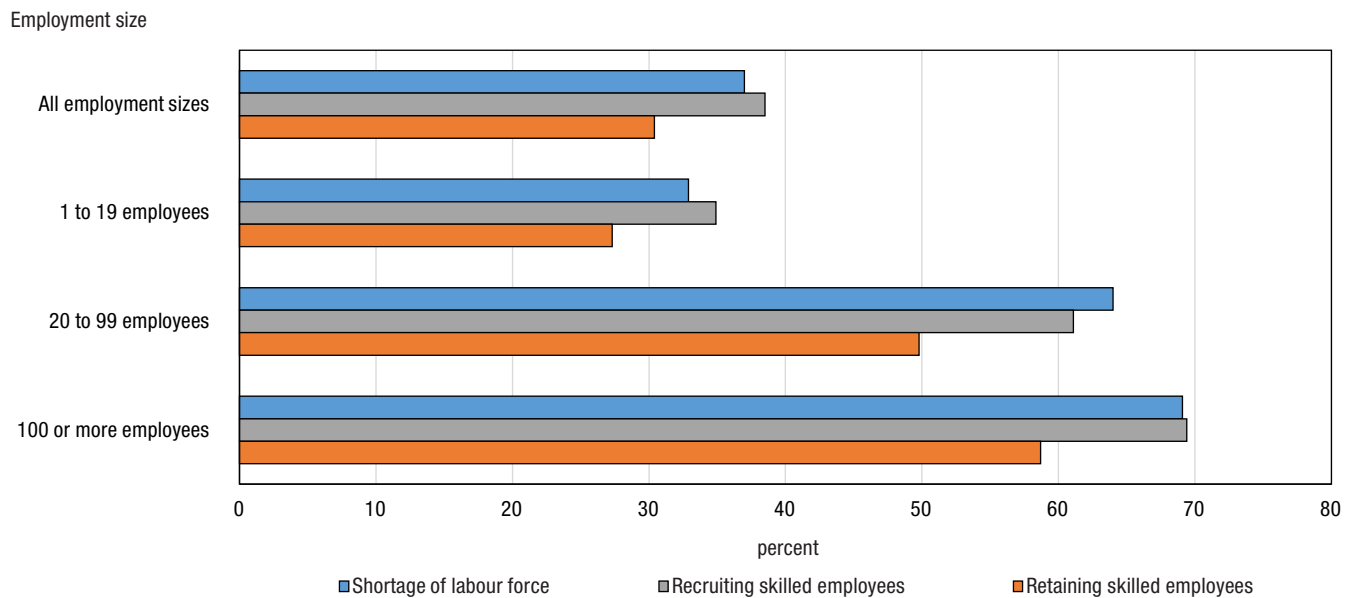
Three-quarters (75.8%) of businesses with 1 to 19 employees reported that they had the cash or liquid assets required to operate, while over four-fifths of businesses with 20 to 99 employees (82.3%) and 100 or more employees (82.5%) said the same.

Small businesses less likely to increase employment

While 11.9% of businesses with 1 to 19 employees expected an increase in the number of employees over the next three months, over one-quarter (27.8%) of businesses with 20 to 99 employees and over one-third (34.4%) of businesses with 100 or more employees said the same. Additionally, 7.5% of businesses with 1 to 19 employees expected the number of vacant positions to increase, in comparison with one-fifth (20.6%) of businesses with 20 to 99 employees and over one-quarter (27.8%) of businesses with 100 or more employees.

Smaller businesses were less likely to expect labour challenges over the next three months. Nearly one-third (32.9%) of businesses with 1 to 19 employees expected the shortage of labour force to be an obstacle over the next three months, while around two-thirds of businesses with 20 to 99 employees (64.0%) and 100 or more employees (69.1%) said the same. Around three in ten businesses with 1 to 19 employees expected recruiting (34.9%) and retaining (27.3%) skilled employees to be an obstacle over the next three months. In contrast, a larger proportion of businesses with 20 to 99 employees (61.1% and 49.8% respectively) and 100 or more employees (69.4% and 58.7% respectively) had the same expectations.

Chart 3
Expected labour challenges over the next three months



Note: Respondents were asked if the business or organization expected various obstacles over the next three months.

Source: Canadian Survey on Business Conditions, first quarter of 2022 (Table 33-10-0469-01).

Smaller businesses were less likely to have various recruitment, retention and training plans over the next 12 months in comparison with larger businesses. Over two-fifths (42.1%) of businesses with 1 to 19 employees plan to increase wages offered to existing employees over the next 12 months, while a larger proportion of businesses with 20 to 99 employees (65.3%) and 100 or more employees (56.0%) said the same. Furthermore, 5.0% of businesses with 1 to 19 employees plan to offer signing bonuses or incentives to new employees, in contrast with 13.3% of businesses with 20 to 99 employees and 17.0% of businesses with 100 or more employees. Additionally, one in ten (11.2%) businesses with 1 to 19 employees and 15.5% of businesses with 20 to 99 employees plan to offer employees the option to work remotely, compared with over one-quarter (28.2%) of businesses with 100 or more employees. Lastly, 8.3% of businesses with 1 to 19 employees plan to provide tuition support to employees to take courses or programs, in comparison with 14.7% of businesses with 20 to 99 employees and 23.5% of businesses with 100 or more employees.

Methodology

From January 4 to February 7, 2022, representatives from businesses across Canada were invited to take part in an online questionnaire about business conditions and business expectations moving forward. The Canadian Survey on Business Conditions uses a stratified random sample of business establishments with employees classified by geography, industry sector, and size. An estimation of proportions is done using calibrated weights to calculate the population totals in the domains of interest. The total sample size for this iteration of the survey is 35,026 and results are based on responses from a total of 17,695 businesses and organizations.

References

Statistics Canada. (2022). Canadian Survey on Business Conditions, first quarter of 2022.