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## Analysis in Brief

# Analysis on supply chains in Canada, first quarter of 2022

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# Analysis on supply chains in Canada, first quarter of 2022

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

The COVID-19 pandemic has renewed interest in supply chains and put a spotlight on the strength and resilience of supply chains. The tightening and closing of borders, the restrictions on the movement of people and goods, the closure of businesses as strategies to control the spread of the virus, and the impact of the virus on employees, all had the potential to disrupt supply chains. As a result, the status of supply chains and the impact they have on their respective economies is of great interest.<sup>1</sup> Widespread global supply constraints in combination with pent-up consumer demand as the economy reopened resulted in inflationary pressures. In fact, the Consumer Price Index (CPI) rose 3.4% on an annual average basis in 2021, the fastest pace since 1991 (+5.6%), following an increase of 0.7% in 2020.<sup>2</sup>

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, businesses expect supply chain issues to continue into the short term, specifically when acquiring inputs, products or supplies domestically and abroad and maintaining inventory levels. Additionally, of those businesses that expected supply chain challenges, the vast majority of them expect the situation to stay the same or worsen over the next three months, and businesses have or plan to use various strategies to address supply chain issues. This article provides insights on the topic of supply chain challenges and the impacts of these issues on businesses in Canada.

## Supply chain challenges anticipated to continue

Nearly one-third (32.1%) of businesses expect difficulty acquiring inputs, products or supplies domestically over the next three months.<sup>3</sup> This proportion has increased from last quarter, when over one-quarter (27.2%) of businesses expected this difficulty. Of the businesses expecting difficulty in the first quarter of 2022, over half (52.4%) expect these challenges to continue for six months or more, similar to last quarter (51.8%). Meanwhile, one-third (33.1%) are uncertain how long these challenges will persist. Over half of businesses in construction (57.7%) and manufacturing (53.2%) expect difficulty acquiring inputs, products or supplies domestically over the next three months. Businesses in wholesale trade (65.6%) and transportation and warehousing (64.1%) were the most likely to expect this difficulty to continue being an obstacle for six months or more (Table 1).

Almost one-fifth (18.1%) of businesses expect difficulty acquiring inputs, products or supplies from abroad over the next three months. This figure has increased slightly from last quarter, when 17.5% of businesses expected the same difficulty. Of these businesses in the first quarter of 2022, over three-fifths (62.5%) expect these challenges to continue for six months or more, up from last quarter (56.4%). At the same time, over one-quarter (28.8%) are uncertain how long these challenges will persist. Almost half (45.7%) of businesses in wholesale trade and nearly one-third of businesses in manufacturing (32.5%) and retail trade (29.8%) expect difficulty acquiring inputs, products or supplies from abroad over the next three months. Businesses in transportation and warehousing (77.7%) and arts, entertainment and recreation (74.6%) were the most likely to expect this difficulty to continue being an obstacle for six months or more (Table 1).

One-fifth (20.8%) of businesses expect maintaining inventory levels to be an obstacle over the next three months. This number has slightly increased from last quarter, when almost one-fifth (18.4%) of businesses expected maintaining inventory levels to be an obstacle. Of these businesses in the first quarter of 2022, half (50.0%) expect these difficulties to continue for six months or more, similar to last quarter (51.9%). However, over one-quarter (28.0%) are uncertain how long these challenges will persist. Over two-fifths of businesses in retail trade (44.2%) and wholesale trade (42.7%) expect maintaining inventory levels to be a challenge over the next three months. Businesses in wholesale trade (72.9%) and information and cultural industries (71.7%) were the most likely to expect this obstacle to continue for six months or more (Table 1).

1. Boileau, D. and Sydor, A. 2020. [Vulnerability of Canadian industries to disruptions in global supply chains](#).

2. Statistics Canada. 2022. [Consumer Price Index: Annual review, 2021](#).

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.

**Table 1**  
**Business expectations of how long supply chain obstacles will last, by industry, first quarter of 2022**

	Business expects difficulty acquiring inputs, products or supplies from within Canada for six months or more	Business expects difficulty acquiring inputs, products or supplies from abroad for six months or more	Business expects maintaining inventory levels to be an obstacle for six months or more
	percent		
<b>All industries</b>	<b>52.4</b>	<b>62.5</b>	<b>50.0</b>
Wholesale trade	65.6	74.0	72.9
Transportation and warehousing	64.1	77.7	60.9
Information and cultural industries	63.6	72.0	71.7
Mining, quarrying, and oil and gas extraction	62.4	71.0	50.8
Real estate and rental and leasing	61.4	57.5	61.1
Arts, entertainment and recreation	60.4	74.6	57.7
Agriculture, forestry, fishing and hunting	57.4	61.8	58.7
Construction	54.2	59.9	50.3
Manufacturing	53.8	68.0	50.9
Administrative and support, waste management and remediation services	49.2	39.8	43.9
Other services (except public administration)	49.0	39.0	43.7
Retail trade	48.0	67.6	50.9
Health care and social assistance	47.7	61.5	40.6
Professional, scientific and technical services	46.9	62.5	10.0
Accommodation and food services	42.5	54.4	38.1
Finance and insurance	41.9	45.5	48.4

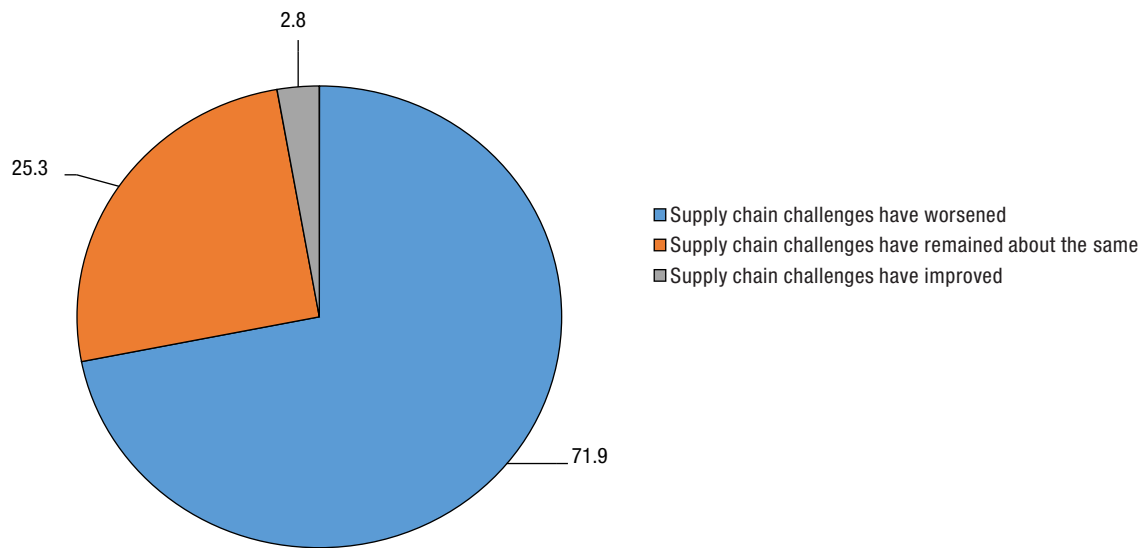
**Note:** Respondents were asked from January 4 to February 7, 2022 their expectations on various obstacles over the next three months. Therefore, the three month period could range from January 4 to May 7, 2022 depending on when the business responded. If they reported that they expected difficulty acquiring inputs or supplies from within Canada or abroad, or maintaining inventory levels as obstacles, they were asked how long they expected these to continue being an obstacle.

**Sources:** Canadian Survey on Business Conditions, first quarter of 2022 (Table 33-10-0470-01).

## Supply chain challenges worsened

Of businesses that expected supply chain challenges (difficulty maintaining inventory levels, or acquiring inputs, products or supplies domestically or abroad) over the next three months, nearly three-quarters (71.9%) reported that challenges experienced by the business have worsened over the last three months. Leading factors that contributed to worsened supply chain challenges were increased delays in deliveries of inputs, products or supplies (84.7%), increased prices of inputs, products or supplies (76.3%) and supply shortages resulting in fewer inputs, products or supplies being available (75.8%).

**Chart 1**  
**Change in supply chain challenges experienced over the last three months, first quarter of 2022**



**Note:** These results are based on the survey that was in collection from January 4 to February 7, 2022, and respondents were asked what the business or organization experienced in the last three-month period. As a result, those three months could range from October 4, 2021 to February 7, 2022, depending on when the business responded. Respondents were asked if the business or organization expected various obstacles over the next three months. If they reported that they expected difficulty acquiring inputs or supplies from within Canada or abroad, or maintaining inventory levels as obstacles, they were asked how supply chain challenges experienced by the business or organization have changed over the last three months.  
**Source:** Canadian Survey on Business Conditions, first quarter of 2022 (Table 33-10-0471-01).

Among businesses that expect supply chain challenges over the next three months, nearly four-fifths (78.5%) of businesses in other services (except public administration) and around three-quarters of businesses in wholesale trade (75.7%) and accommodation and food services (74.6%) reported that supply chain challenges have worsened. In contrast, those in health care and social assistance were the least negatively affected, with half (50.9%) reporting that supply chain challenges have remained about the same.

The vast majority of businesses expect supply chain challenges to either worsen or remain about the same over the next three months. Specifically, over two-fifths (43.4%) of businesses expect supply chain challenges to worsen, and nearly half (48.0%) expect the situation to remain about the same. Meanwhile, less than one in ten (8.7%) businesses expect supply chain challenges to improve over the next three months. Businesses in accommodation and food services (12.0%) and retail trade (11.8%) were the most likely to expect supply chain challenges to improve over the next three months.

### Current and planned adjustments to supply chains

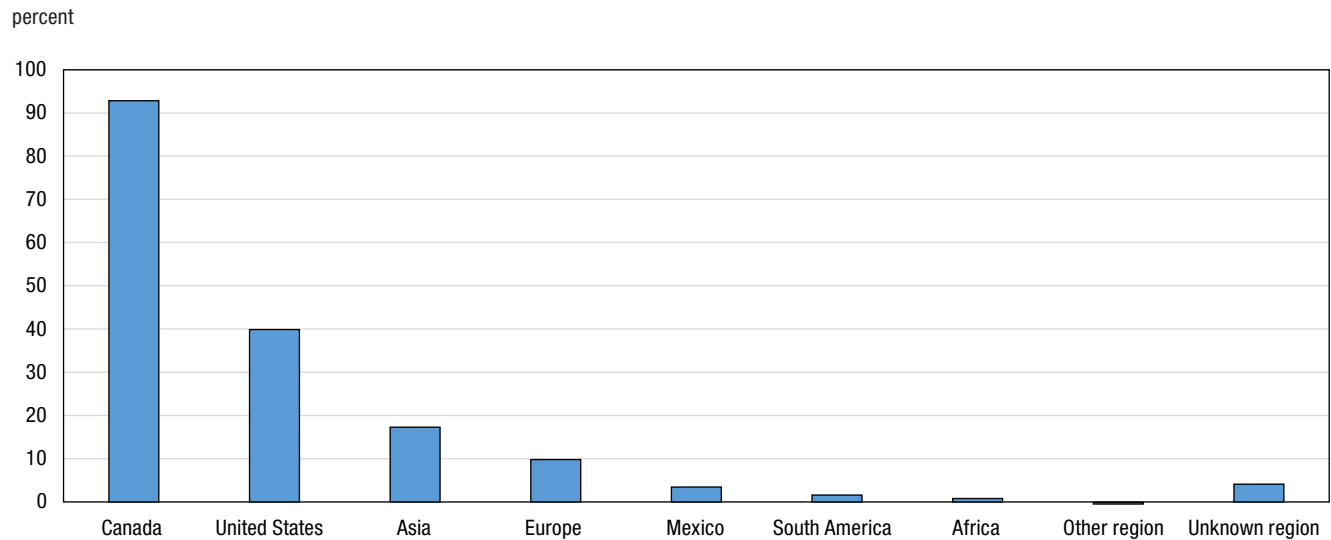
Of businesses that expected supply chain challenges over the next three months, the most common strategies currently used to address these challenges included searching for alternate sources of supply (64.5%), increasing communications with suppliers or wholesalers (58.3%), and monitoring shortages, delays, or disruptions for critical inputs, products or supplies (57.3%). Meanwhile, 4.0% of these businesses had no strategies in place to address supply chain challenges.

Among businesses that expected supply chain challenges over the next three months, various supply chain adjustments are planned over the next 12 months. Around one-third of these businesses plan to partner with new suppliers (35.8%) and substitute inputs, products or supplies with alternate inputs, products or supplies (31.6%). Almost one-fifth (18.0%) plan to shift to local suppliers, with businesses in accommodation and food services (31.6%) being most likely to do so. However, nearly one-fifth (19.2%) of businesses were uncertain of plans to adjust their supply chain, and almost one-quarter (24.5%) had no plans to adjust their supply chain over the next 12 months.

## Vast majority of inputs, products or supplies sourced domestically

Of businesses that expect supply chain challenges over the next three months, nearly all (92.8%) sourced inputs, products or supplies from Canada within the last 12 months. Almost two-fifths (39.9%) of these businesses sourced inputs, products or supplies from the United States, and nearly one-fifth (17.3%) of these businesses sourced from Asia. One-in-ten (9.8%) of these businesses sourced from Europe, and 3.4% sourced from Mexico.

**Chart 2**  
**Regions businesses sourced inputs, products or supplies from over the last 12 months**



**Note:** Respondents were asked if the business or organization expected various obstacles over the next three months. If they reported that they expected difficulty acquiring inputs or supplies from within Canada or abroad, or maintaining inventory levels as obstacles, they were asked which regions the business or organization directly sourced its inputs, products or supplies from in the last 12 months.

**Source:** Canadian Survey on Business Conditions, first quarter of 2022 (Table 33-10-0473-01).

Businesses in health care and social assistance (99.3%), administrative and support, waste management and remediation services (98.1%), and arts, entertainment and recreation (97.9%) were the most likely to source their inputs, products or supplies domestically. Businesses in wholesale trade (65.0%), information and cultural industries (60.1%), and manufacturing (56.3%) were the most likely to source their inputs, products or supplies from the United States. Businesses in information and cultural industries (50.1%) and wholesale trade (37.9%) were the most likely to source their inputs, products or supplies from Asia.

## 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 or organizations.

## References

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