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Analysis in Brief

The expectations and economic outlook among businesses majority-owned by racialized individuals, fourth quarter of 2023



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The expectations and economic outlook among businesses majority-owned by racialized individuals, fourth quarter of 2023

[One in four people](#) within Canada are part of a racialized group, according to Statistics Canada's most recent Census. Members of these racialized groups face unique barriers and challenges: not only was [race and ethnicity the most commonly reported reason among those who experienced discrimination](#), but certain racialized groups also [experienced higher unemployment rates](#). Many people who are part of racialized groups are business owners,¹ which may come with unique challenges. In fact, during the fourth quarter of 2023, 19.4%² of private sector businesses were majority-owned³ by racialized individuals. While all businesses in Canada have been affected by the COVID-19 pandemic and are facing levels of inflation not seen since the 1980s, businesses majority-owned by racialized individuals may face additional challenges above and beyond those felt by all businesses.

From the beginning of October to early November 2023, Statistics Canada conducted the Canadian Survey on Business Conditions (CSBC) to collect information on the environment businesses are currently operating in and their expectations moving forward. This article explores results from the survey by looking at the businesses majority-owned by racialized individuals. Majority ownership is defined at 51% or more and was self-reported for private sector businesses only. It should be noted that a variety of factors may influence the way that businesses owned by racialized individuals may respond, such as differences in sectoral profiles for example.

In the fourth quarter of 2023, differences between businesses majority-owned by racialized individuals and all private sector businesses were noted in various areas, such as loan repayment and debt, long-term optimism, and supply chain expectations. In addition, obstacles including rising inflation, rising interest rates and debt costs, and recruitment of skilled employees were also observed.

Decreases in profitability and increases in expenses expected

Businesses majority-owned by racialized individuals were more likely to be pessimistic in their future business outlook over the next 12 months: one-quarter (25.7%) reported being either somewhat pessimistic or very pessimistic, while one-fifth (21.4%) of all private sector businesses⁴ reported the same.

A component in the pessimistic future outlook of majority-owned businesses by racialized individuals could lie in the fact that nearly half (48.4%) expect a decrease in profitability over the next three months, a notably higher rate compared to the 37.7% of all private sector businesses that expect the same. These expectations were little changed from the previous quarter for businesses majority-owned by racialized individuals (50.2%) and slightly increased for all private sector businesses (34.7%).

Furthermore, half (50.3%) of businesses majority-owned by racialized individuals expect an increase in operating expenses over the next three months, compared with around two-fifths (42.0%) of private sector businesses that expect the same.

Additionally, over two-fifths (43.8%) of businesses majority-owned by racialized individuals expect to see a decrease in their cash reserves over the next three months, compared with over one-third (35.1%) of all private sector businesses. When compared to the previous quarter, these expectations rose from 41.7% for businesses majority-owned by racialized individuals and 30.4% for all private sector businesses.

1. Businesses majority-owned by racialized groups, where racialized groups are individuals, other than Indigenous persons, who are non-white in colour/ra.

2. Statistics Canada. (2023). Canadian Survey on Business Conditions, fourth quarter of 2023

3. Majority ownership is defined at 51% or more. Majority-ownership was self-reported for private sector businesses only.

4. Ownership groups include men, women, immigrants, racialized individuals, LGBTQ2, person(s) with disability, and First Nations, Inuit or Métis.

Businesses majority-owned by racialized individuals are more likely to expect continued supply chain challenges

The COVID-19 pandemic led to disruptions within various areas of the supply chain. These disruptions manifested in [a surge in freight rates, containers stockpiled in ports, and labour shortages in key parts of the supply chain](#). While the worst of the pandemic-related challenges are over, the repercussions of these disruptions have continued to persist within supply chains and impact Canadian businesses in a variety of ways.

During the fourth quarter of 2023, among businesses anticipating supply chain challenges over the next three months, over one-third (35.5%) of businesses majority-owned by racialized individuals reported that supply chain challenges had worsened over the last three months, similar to nearly two-fifths (38.2%) of all private sector businesses.

However, over two-fifths (43.1%) of businesses majority-owned by racialized individuals expect supply chain challenges to worsen over the next three months. In comparison, over one-quarter (28.6%) of all private sector businesses expect supply chain challenges to worsen. These are higher proportions than in the previous quarter, where just under one-third (31.9%) of businesses majority-owned by racialized individuals and under one-quarter (23.5%) of all private sector businesses expected supply chains to worsen over the upcoming three months.

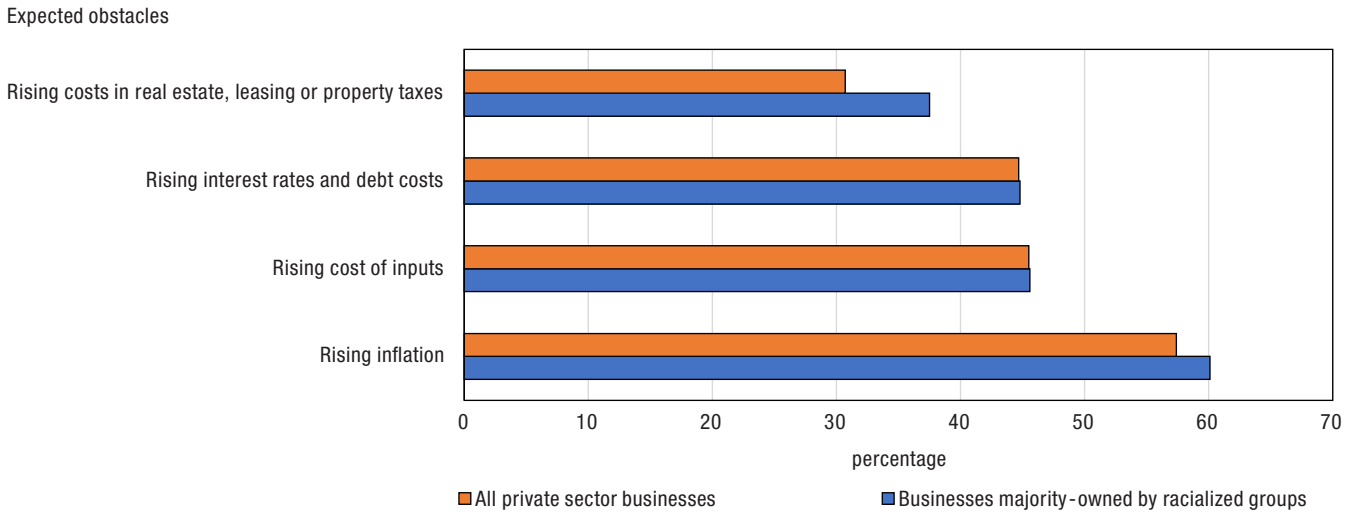
Businesses majority-owned by racialized individuals are more likely to expect obstacles related to rising costs in real estate, leasing or property taxes than all private sector businesses

Since 2022, inflation in Canada reached rates higher than what has been seen in decades. In September, the [Consumer Price Index \(CPI\) rose 3.8%](#) year-over-year. [Rising commodity prices coupled with on-going supply chain issues](#) caused by the pandemic resulted in pressures on price levels across the economy. This pressure is reflected within the obstacles expected by businesses in the fourth quarter of 2023, where 76.2% of businesses majority-owned by racialized individuals indicated expecting cost-related obstacles over the next three months.

Rising inflation was the most commonly expected obstacle over the next three months by both businesses majority-owned by racialized individuals (60.1%) and by all private sector businesses (57.4%). This represents a decrease from the previous quarter for businesses majority-owned by racialized individuals (65.4%) whereas the figure for all private sector businesses (57.0%) was relatively unchanged.

Over two-fifths (44.8%) of businesses majority-owned by racialized individuals expect rising interest rates and debt costs to be an obstacle over the next three months, similar to over two-fifths (44.7%) of all private sector businesses. Close to half (45.6%) of businesses majority-owned by racialized individuals expect the rising cost of inputs to be an obstacle over the next three months, consistent with the proportion of all private sector businesses (45.5%). Over one-third (37.5%) of businesses majority-owned by racialized individuals expect rising costs in real estate, leasing or property taxes to be an obstacle, compared to 3 in 10 (30.7%) private sector businesses.

Chart 1
Selected expected obstacles over the next three months, fourth quarter of 2023



Note: Majority ownership is defined as 51% or more. Majority-ownership was self-reported for private sector businesses only.
Source: Canadian Survey on Business Conditions, fourth quarter of 2023 (Table 33-10-0726-01).

Labour related obstacles less likely to be expected by businesses majority-owned by racialized individuals

Businesses majority-owned by racialized individuals were less likely to expect labour-related obstacles than all businesses. One-third (33.3%) of businesses majority-owned by racialized individuals expected labour related obstacles, a lower rate in comparison to all private sector businesses (39.9%). This is an improvement for both groups of businesses compared to last quarter, when 43.2% of businesses majority-owned by racialized individuals and 47.2% of all private sector businesses anticipated labour-related obstacles over the next three months.

Businesses majority-owned by racialized individuals fared better compared to all private sector businesses when it came to obstacles related to recruiting skilled employees: 21.9% of businesses majority-owned by racialized individuals expect this to be an obstacle, compared to nearly 3 in 10 (29.0%) private sector businesses that expected the same. Additionally, more than one-fifth (21.4%) of businesses majority-owned by racialized individuals expect a shortage of labour force over the next three months, while 25.7% of all private sector businesses expect the same.

Businesses majority-owned by racialized individuals more likely to have an outstanding Canada Emergency Business Account (CEBA) loan

In the fourth quarter of 2023, nearly three-fifths (59.1%) of businesses majority-owned by racialized individuals reported that interest rates had either a medium or high impact on their business, similar to 57.4% of all private sector businesses. Furthermore, one-third (33.3%) of businesses owned by racialized individuals that indicated interest rates had either a low, medium or high impact on their business reported that the cost of existing debt was the factor most impacted by rising interest rates. This means that businesses may be less willing to take on additional debt.

Indeed, among businesses majority-owned by racialized individuals, nearly two-thirds (64.8%) did not plan to apply for debt financing (line of credit, term loan or a mortgage) over the next three months. Furthermore, 29.0% reported not being able to take on more debt, with unfavourable interest rates the reason most often reported (73.0%). Other common reasons include lack of confidence or uncertainty in future sales (48.7%) and cash flow (27.8%). By comparison, during the third quarter, unfavourable interest rates was the second largest reason at 65.2%, behind lack of confidence or uncertainty in future sales (66.0%). When looking at changes between the

two quarters, rising interest rates have now grown to become the largest influence on the ability to take on more debt for businesses majority-owned by racialized individuals.

More than half (55.3%) businesses majority-owned by racialized individuals have received a loan from the Canada Emergency Business Account (CEBA), which offered interest-free loans up to \$60,000 to small businesses and not-for-profits. As of the fourth quarter of 2023, nearly three-quarters (73.0%) of businesses majority-owned by racialized individuals have yet to fully repay their CEBA loan. Of the businesses majority-owned by racialized individuals that have yet to repay their CEBA loan, 59.1% anticipate having the liquidity available or access to credit to repay the CEBA loan by December 31st, 2026, while nearly two-thirds (65.1%) of all private sector businesses anticipate the same.

Table 1

Status of repayment of loan from the Canada Emergency Business Account (CEBA) and if the business or organization anticipates having the liquidity available or access to credit to repay the loan by December 31, 2026, fourth quarter of 2023

	Businesses majority-owned by racialized groups	All private sector businesses
	percentage	
Yes, business or organization received a repayable loan from the CEBA	55.3	53.8
Repayment status of CEBA loan		
Yes, it has been paid back fully	27.0	27.8
No, it has not been paid back fully	73.0	72.2
Yes, businesses or organization will have the liquidity available or access to credit	59.1	65.1
No, businesses or organization will not have the liquidity available or access to credit	19.8	14.8
Unknown	21.1	20.1

Note: Majority ownership is defined at 51% or more. Majority-ownership was self-reported for private sector businesses only.

Source: Canadian Survey on Business Conditions, fourth quarter of 2023 (Table 33-10-0744-01). Canadian Survey on Business Conditions, fourth quarter of 2023 (Table 33-10-0745-01).

Methodology

From October 3 to November 6, 2023, 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 30,623 and results are based on responses from a total of 15,976 businesses or organizations.