

Catalogue no. 21-006-X
ISSN 1481-0964
ISBN 978-0-660-47773-2

Rural and Small Town Canada Analysis Bulletin

The outlook of rural businesses, first quarter of 2023



by Jacqueline Ha and Anne Munro

Release date: May 16, 2023

 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

© His Majesty the King in Right of Canada as represented by the Minister of Industry, 2023

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.

The outlook of rural businesses, first quarter of 2023

by **Jacqueline Ha** and **Anne Munro**

In January 2023, the Bank of Canada raised its benchmark interest rate to 4.5%.¹ The Canadian consumer price index (CPI) rose by 5.9% compared to the same month last year, partially driven by increases in the price of food and energy.² Employment continued to grow for the fifth consecutive month, pushing the employment rate up to 62.5%, a level not seen since April and May of 2019.³ Meanwhile, year-over-year average hourly wages increased 4.5% since January 2022.

Against this backdrop, the top obstacles that rural businesses expected over the next three months continued to be rising inflation (60.7%), the rising cost of inputs (56.0%), transportation costs (45.6%), and rising interest rates and debt costs (44.8%). More than one in three rural businesses (36.1%) expected prices for their goods and services to increase over the next three months, with less than a fifth (19.8%) stating that they currently did not expect to raise prices over the next year. Approximately three-quarters (74.7%) of rural businesses reported that their revenue in 2022 was equal to or higher than that of 2021.

A quarter of rural businesses (25.3%) planned to adopt one or more new technologies in the next 12 months. Access to financial resources (18.4%), ensuring high-speed connectivity (18.0%), and hiring workers with the skills to implement them (16.9%) were the top three obstacles anticipated to make the adoption or incorporation of new technologies extremely challenging for these businesses.

One in five rural businesses (22.2%) were very optimistic about the outlook of their business over the next 12 months, with those in the arts, entertainment and recreation sector among the most likely to say that they were somewhat or very optimistic (85.0%). Businesses in rural areas were less likely than their urban counterparts to have their ownership⁴ held by either immigrants (9.3% to 27.0%), racialized groups⁵ (6.7% to 20.9%), or women (13.6% to 18.5%).

The Canadian Survey on Business Conditions (CSBC) provides detailed information on businesses' perceptions of the environment in which they are currently operating as well as their expectations moving forward. This analysis focuses on businesses in rural areas⁶ using results from the CSBC, first quarter of 2023, conducted from January 3 to February 6, 2023.

Rising inflation remains the most common obstacle for rural businesses

In the first quarter of 2023, rising inflation remained the most expected short-term obstacle⁷ among rural businesses at 60.7%, declining 1.7 percentage points from the previous quarter and 3.1 percentage points higher than their urban counterparts. The rising cost of inputs (e.g., labour, capital, energy and raw materials) was the second most common obstacle for over half (56.0%) of rural businesses, followed by transportation costs (45.6%) and rising interest rates and debt costs (44.8%).

1. Bank of Canada. (2023). [Bank of Canada increases policy interest rate by 25 basis points, continues quantitative tightening](#).

2. Statistics Canada. (2023). [The Daily — Consumer Price Index, January 2023](#).

3. Statistics Canada. (2023). [The Daily — Labour Force Survey, January 2023](#).

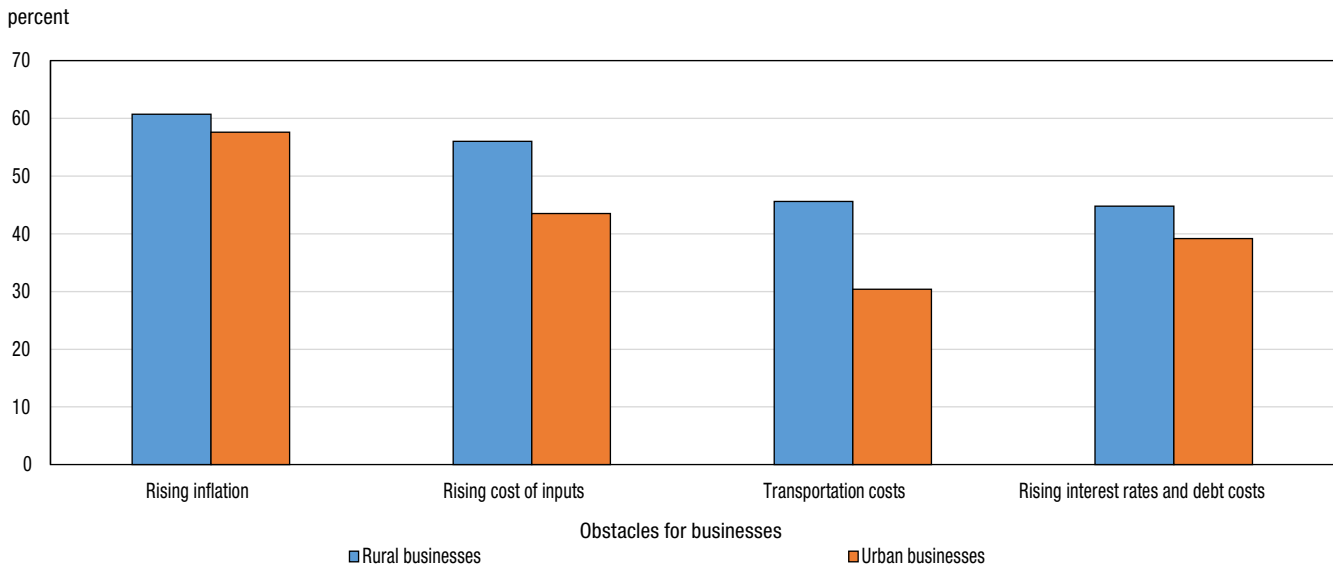
4. Majority ownership is defined at 51% or more. Majority-ownership was self-reported for private sector businesses only.

5. Statistics Canada. (2022). [Analysis on businesses majority-owned by immigrants to Canada and businesses majority-owned by racialized persons, fourth quarter of 2022](#). Data on racialized groups is measured by the "visible minority" variable. "Visible minority" refers to whether or not a person belongs to one of the visible minority groups defined by the *Employment Equity Act*. The *Employment Equity Act* defines visible minorities as "persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour." The visible minority population consists mainly of the following groups: South Asian, Chinese, Black, Filipino, Latin American, Arab, Southeast Asian, West Asian, Korean and Japanese.

6. Using Statistics Canada's Standard Geographical Classification (SGC) 2021, businesses located in either census metropolitan areas (CMAs) or census agglomerations (CAs) are classified as "urban" and all others as "rural". See [Standard Geographical Classification \(SGC\) 2021 - Volume I, The Classification](#).

7. When respondents were asked questions pertaining to their expectations over the next three-months (referred to in text as 'short-term' when discussing business obstacles), that three-month period could range from January 3 to May 6, 2023, depending on when the business responded. For questions pertaining to expectations over the next 12 months, that period could range from January 3, 2023 to February 6, 2024.

Chart 1
Top four obstacles for rural businesses over the next three months, by rural and urban businesses



Note: Figures for urban businesses are provided for comparison only. They do not have the same top four obstacles as rural businesses. The top four obstacles for urban businesses included rising inflation (57.6%), rising cost of inputs (43.5%), rising interest rates and debt costs (39.2%), and recruiting skilled employees (33.1%).
Source: Canadian Survey on Business Conditions, first quarter of 2023.

Of those rural businesses reporting rising interest rates and debt costs as an obstacle, over two-fifths (43.8%) expected that their selling price for goods and services would increase over the next three months due to increased interest rates, with other plans being to reduce investments (31.9%), delay hiring (18.6%), or decrease the number of employees (9.5%). Overall, more than a third (36.1%) of rural businesses also expected the selling prices of their goods and services to increase over the next three months. Less than a fifth (19.8%) of rural businesses currently did not expect to raise prices over the next 12 months and a further 31.6% said that it was currently unknown.

Of the 75.3% of rural businesses not planning to take on more debt over the next three months, more than a quarter (26.3%) of those reported that they did not have the ability to take on more debt with the majority (52.9%) indicating unfavourable interest rates as the primary factor.

Approximately three-quarters (74.7%) of rural businesses reported that their revenue was the same or higher in 2022 compared with 2021. On the other hand, 7.0% of rural businesses reported that their revenue had fallen by 25% or more over that period, with those in real estate and rental and leasing (10.2%) and agriculture, forestry, fishing and hunting (10.1%) being the most likely to have reported those losses. Nearly half (47.1%) of rural businesses reported that they would be increasing the wages they paid to their staff over the next 12 months, 5.0 percentage points lower compared to the previous quarter. For urban businesses, 43.1% expected to increase wages, declining 8.6 percentage points from the last quarter.

For rural businesses that expected to have short-term challenges with supply chains or inventory levels, the share of businesses reporting that their supply chain challenges had worsened over the previous three months declined from 51.9% in the fourth quarter of 2022 to 40.2% in the first quarter of 2023. The factor most frequently cited by these businesses for their supply chain difficulties was the increased prices of inputs, products, or supplies. This was stated by over four-fifths (84.4%) of rural firms, an increase of 8.0 percentage points from the previous quarter.

Nearly three-quarters of rural businesses do not plan to adopt new technologies in the next 12 months

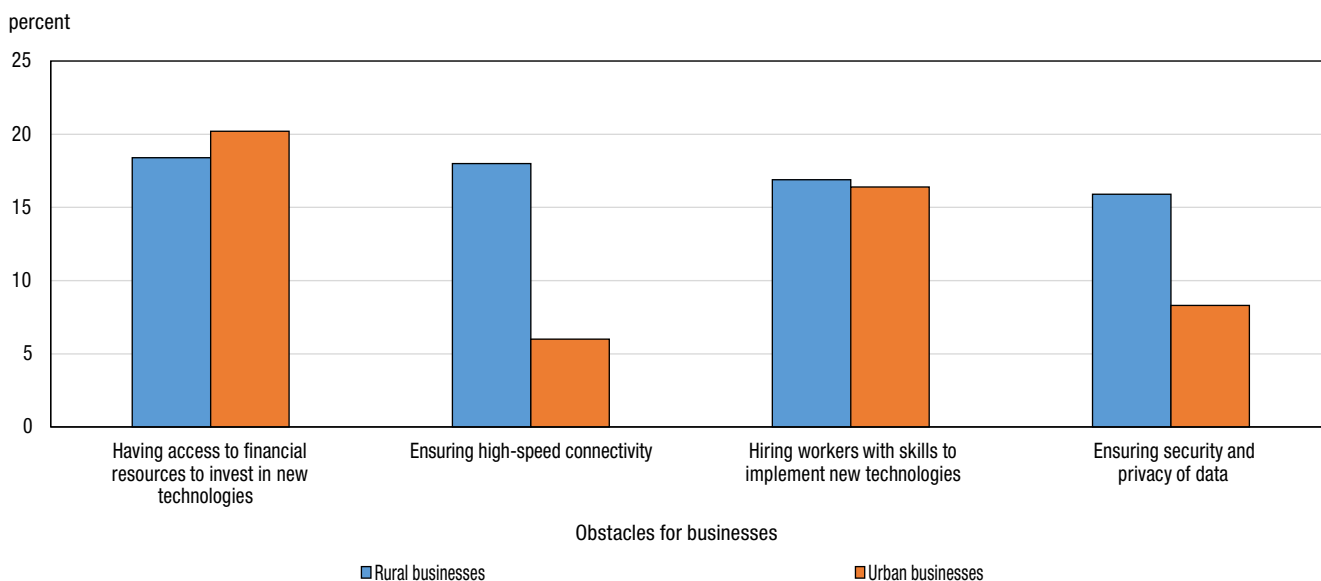
In the first quarter of 2023, 74.7% of rural businesses did not plan to adopt new technologies within the next 12 months. Of these businesses, nearly two-thirds (65.1%) reported that digital technologies were not considered relevant to their business, while 12.0% indicated that digital technologies had already been recently adopted for their business. Other reasons cited were not having the necessary finances (12.6%) or human resources (8.5%) to do so.

The quarter of rural businesses (25.3%) that did plan to adopt any type of new technology were most likely to plan to implement security software tools (12.1%), collaboration tools (11.2%), and cloud computing (8.6%). However, issues with access to financial resources to invest (18.4%), ensuring high-speed connectivity (18.0%), and hiring workers with implementation skills (16.9%) were considered obstacles that made adopting or incorporating such technologies extremely challenging for these businesses.

Rural businesses in manufacturing were more likely than those in other sectors to plan to adopt technologies for the automation of certain tasks in the next 12 months (18.4%), followed by retail trade (11.0%), and professional, scientific and technical services (9.8%). Rural businesses in the manufacturing (6.1%), construction (5.7%), and retail trade (2.0%) sectors were most likely to plan to adopt robotics technologies over the same period.

Chart 2

Top four obstacles found extremely challenging for rural businesses planning to adopt or incorporate new technologies over the next 12 months, by rural and urban businesses



Note: Figures for urban businesses are provided for comparison only. They do not have the same top four obstacles as rural businesses.

Source: Canadian Survey on Business Conditions, first quarter of 2023.

More than half (56.9%) of rural businesses anticipated that their workforce would work on-site exclusively over the next three months, 8.5 percentage points higher than their urban counterparts (48.4%) and a 5.1 percentage point decrease compared to the first quarter of 2022 (62.0%). On the other hand, urban businesses remained stable over the same period (47.6%).

The sectors of administrative and support, waste management and remediation services (12.2%), other services (except public administration) (9.2%), and information and cultural industries (7.9%) had the greatest shares of rural businesses anticipating that their workforce would work on an exclusively remote basis over the next three months. For urban businesses, the sectors with the highest percentages were those in the information and cultural (22.1%), professional, scientific and technical services (15.3%), and finance and insurance (8.5%) sectors.

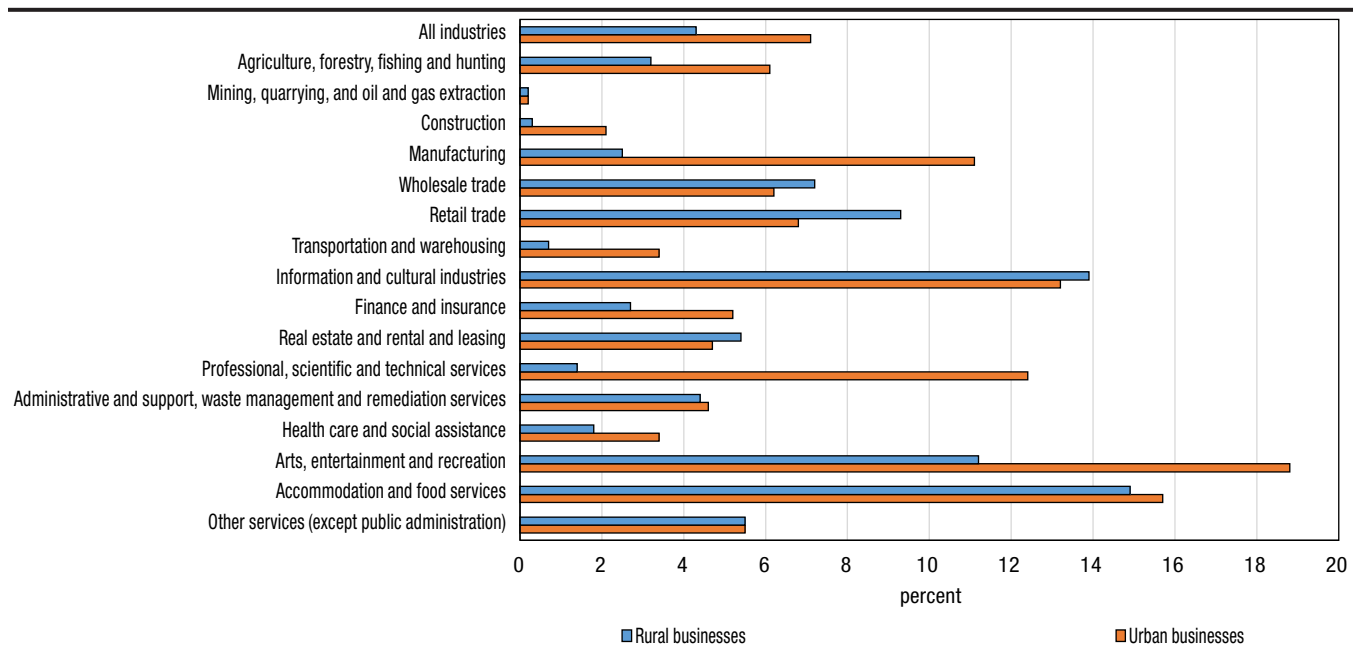
Most rural businesses made no online sales in 2022

Online sales and e-commerce have become increasingly important over the last two years, with retail e-commerce continuing to surpass pre-pandemic levels in 2022 at a national level.⁸ However, 4.3% of sales by rural businesses were made online in 2022 on average, with 87.0% of rural businesses reporting no online sales.

Compared to other sectors, rural businesses in accommodation and food services (65.4%) and the arts, entertainment and recreation (67.3%) sectors had the lowest proportion of businesses reporting that they had made no online sales in 2022. These sectors also made a greater percentage of their sales online, with rural businesses in accommodation and food services making an average of 14.9% of sales online, followed by information and cultural industries (13.9%) and arts, entertainment and recreation (11.2%).

Chart 3

Average percentage of total sales made online in 2022, by industry and by rural and urban businesses



Source: Canadian Survey on Business Conditions, first quarter of 2023.

In the first quarter of 2023, 5.0% of rural businesses planned to adopt or incorporate digital technology to move their business operations or sales online⁹ over the next 12 months. This varied by sector, with rural businesses in the arts, entertainment and recreation (13.5%), wholesale trade (10.5%), and retail trade (10.2%) sectors being most likely to plan to adopt this strategy over that period.

Rural businesses less likely to have diversity in their ownership

Business ownership by a diverse range of groups has been linked to factors such as job creation and innovation, as well as being proven to be an important marker of diversity and inclusion.¹⁰ Rural areas tend to have less diversity in their makeup, with only 3.0% and 5.5% of the rural population being made up of racialized groups or immigrants to Canada, respectively, compared to the 30.5% and 25.9% seen for those groups in urban areas.¹¹ As a result of this, businesses in rural areas were less likely than those in urban ones to report that their majority ownership was held by either immigrants (9.3% to 27.0%) or racialized groups (6.7% to 20.9%). A gap was also seen for businesses owned by women, with 13.6% of rural businesses compared to nearly one in five (18.5%) urban businesses.

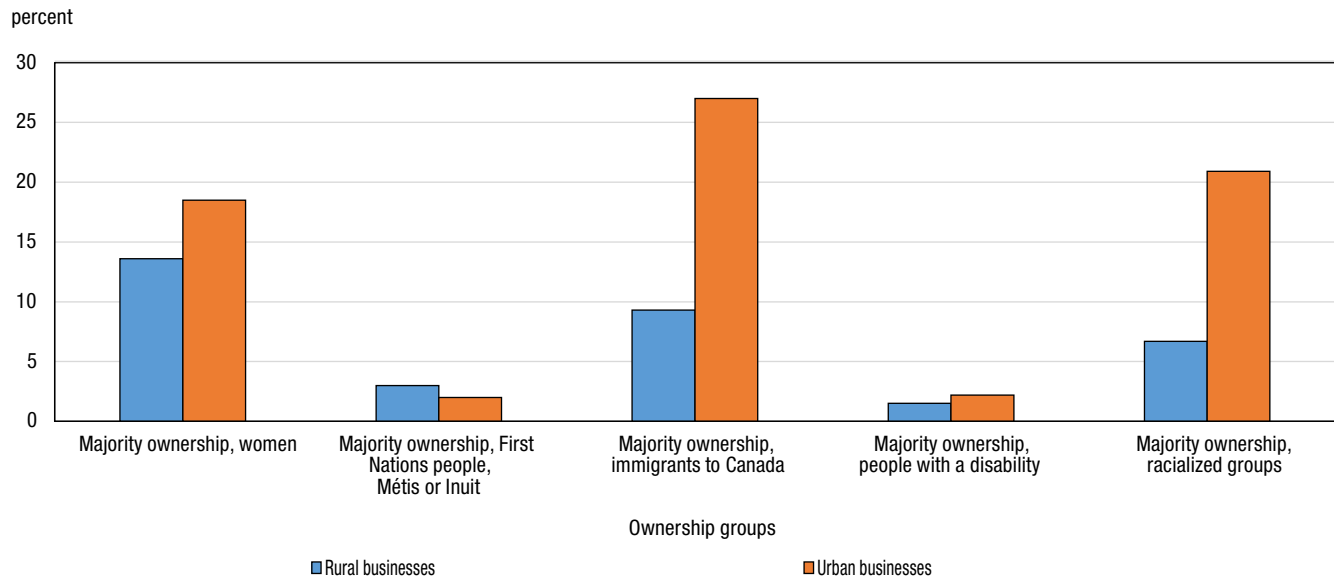
8. Statistics Canada. (2023). [Retail e-commerce and COVID-19: How online sales evolved as in-person shopping resumed.](#)

9. Represents the percentage of rural businesses that planned to move their business operations or sales online for purposes other than teleworking or remote working.

10. Statistics Canada. (2018). [The Measurement of Business Ownership by Gender in the Canadian Employer–Employee Dynamics Database.](#)

11. Statistics Canada. (2021). [Census Profile, 2021 Census of Population.](#)

Chart 4
Majority business ownership, by ownership group and by rural and urban businesses



Note: Data on racialized groups is measured by the "visible minority" variable. "Visible minority" refers to whether or not a person belongs to one of the visible minority groups defined by the *Employment Equity Act*.

Source: Canadian Survey on Business Conditions, first quarter of 2023.

For rural businesses overall, approximately one in five (22.2%) were very optimistic about the outlook of their business over the next 12 months. For the second quarter in a row, businesses in the arts, entertainment and recreation sector continued to be among the most likely to be somewhat or very optimistic in both rural (85.0%) and urban (75.0%) areas. Rural transportation and warehousing (57.3%) and construction (61.2%) sectors were the least likely to be somewhat or very optimistic about their 12-month outlook. This aligns with information that both investment in the construction of single-family homes had declined for five consecutive months¹² and the transportation and warehousing sector's activity level continued to lie below pre-pandemic levels¹³ towards the end of 2022.

Methodology

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. Businesses were classified as rural or urban based on their geographic location. Businesses located in Census subdivisions classified as either Census Metropolitan Areas or Census Agglomerations were classified as urban. All businesses in other locations were classified as rural. The most recent iteration of this survey ran from January 3 to February 6, 2023. The total sample size for this iteration of the survey is 30,554 and results are based on responses from a total of 15,963 businesses.

References

Statistics Canada. (2022). The outlook of rural businesses, first quarter of 2022.

Statistics Canada. (2022). The outlook of rural businesses, fourth quarter of 2022.

12. Statistics Canada. (2023). [The Daily — Investment in building construction, December 2022](#).

13. Statistics Canada. (2023). [The Daily — Gross domestic product by industry, November 2022](#).