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## Analysis in Brief

# Analysis on small businesses in Canada, second quarter of 2024

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## Table of contents

<b>Smaller businesses more likely to have lower revenues in 2023, compared with 2022, and remain less optimistic than larger businesses .....</b>	<b>4</b>
<b>Expected obstacles differ by size of business .....</b>	<b>4</b>
<b>Smaller businesses less likely to hire in the short term .....</b>	<b>5</b>
<b>Smaller businesses more likely to expect a decrease in profitability .....</b>	<b>5</b>
<b>Small businesses and debt.....</b>	<b>6</b>
<b>Methodology .....</b>	<b>6</b>
<b>References .....</b>	<b>6</b>

# Analysis on small businesses in Canada, second quarter of 2024

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

Small businesses make significant contributions to the Canadian economy and play an important role in employing Canadians. In 2023, businesses with 1 to 19 employees comprised 86.7% of all employer businesses in Canada<sup>1</sup> and employed 5.2 million individuals,<sup>2</sup> accounting for 29.8% of the total employed population. Additionally, businesses with 20 to 99 employees comprised 11.2% of all employer businesses and employed 5.7 million individuals, accounting for 32.5% of the total employed population in Canada. Meanwhile, businesses with 100 or more employees employed 6.6 million individuals (37.7% of the total employed population).

From the beginning of April to early May 2024, Statistics Canada conducted the Canadian Survey on Business Conditions to better understand the current environment that businesses in Canada are operating in and their expectations moving forward. Based on the results of the survey, small businesses<sup>3</sup> were slightly more likely to expect cost-related obstacles and also less likely to be optimistic about their future. However, they were less likely to expect labour-related obstacles. In addition, small businesses were also more likely to expect a decrease in profitability but less likely to hire new employees. This article provides insights on the expectations of small businesses, as well as the unique conditions faced by these businesses.

## Smaller businesses more likely to have lower revenues in 2023, compared with 2022, and remain less optimistic than larger businesses

Smaller businesses were more likely to have lower revenues in 2023, compared with 2022. Three in 10 businesses with 1 to 19 employees (30.5%) reported that revenues were lower in 2023 compared with 2022. Meanwhile, 20.9% of businesses with 20 to 99 employees and 26.5% of businesses with 100 or more employees reported lower revenues.

Smaller businesses were also less likely to have an optimistic outlook over the next 12 months. Over two-thirds (70.4%) of businesses with 1 to 19 employees reported having a positive outlook over the next 12 months, while over four-fifths of businesses with 20 to 99 employees (83.1%) and 100 or more employees (84.1%) had the same outlook. This outlook is similar to the first quarter of 2022 and 2023.

## Expected obstacles differ by size of business

Among businesses with 1 to 19 employees, 7 in 10 (71.7%) expect at least one cost-related obstacle<sup>4</sup> over the next three months and two in five (40.9%) expect at least one labour-related obstacle<sup>5</sup> over the same period. Specifically, the top five obstacles expected by businesses with 1 to 19 employees over the next three months were rising inflation (55.3%), rising cost of inputs (44.7%), rising interest rates and debt costs (42.0%), rising costs in real estate, leasing or property taxes (31.7%), and cost of insurance (29.7%).

By comparison, businesses with 100 or more employees were slightly less likely to expect cost-related obstacles (68.7%) but much more likely to expect labour-related obstacles (63.4%) over the next three months. In particular, the top five obstacles expected by businesses with 100 or more employees over the next three months were rising inflation (49.7%), rising cost of inputs (48.4%), recruiting skilled employees (48.3%), retaining skilled employees (40.7%) and shortage of labour force (37.6%). While both smaller and larger businesses were most likely to expect obstacles related to inflation and rising costs, larger businesses were much more likely to expect challenges related to labour.

1. Statistics Canada. 2024. [Table 33-10-0806-01 Canadian Business Counts, with employees, December 2023](#) [Data table].

2. Statistics Canada. 2024. [Table 14-10-0068-01 Employment by establishment size, annual](#) [Data table].

3. For the purpose of this article, small businesses are defined as businesses with 1 to 99 employees. Smaller businesses are typically businesses with 1 to 19 employees.

4. Businesses that expect cost-related obstacles include businesses that expect at least one of the following: rising cost of inputs; rising costs in real estate, leasing or property taxes; rising inflation; rising interest rates and debt costs; cost of insurance; or transportation costs.

5. Businesses that expect labour-related obstacles include businesses that expect at least one of the following: shortage of labour force, difficulty recruiting skilled employees, or difficulty retaining skilled employees.

**Table 1**  
**Selected business obstacles over the next three months, second quarter of 2024**

	All employment sizes	1 to 19 employees	20 to 99 employees	100 or more employees
	percent of businesses			
Rising inflation	54.4	55.3	48.7	49.7
Rising cost of inputs	44.6	44.7	43.3	48.4
Rising interest rates and debt costs	40.6	42.0	31.1	30.1
Recruiting skilled employees	31.3	28.8	47.7	48.3
Cost of insurance	29.1	29.7	25.6	20.8
Transportation costs	26.0	26.4	23.0	23.8
Shortage of labour force	24.9	23.6	32.8	37.6
Retaining skilled employees	21.9	20.5	30.0	40.7

**Note:** Respondents were asked between April 2 to May 6, 2024 about various expected business obstacles over the next three months. Therefore, the three-month period could range from April 2 to August 6, 2024, depending on when the business responded.

**Source:** Statistics Canada, Canadian Survey on Business Conditions, second quarter of 2024 (Table 33-10-0809-01).

## Smaller businesses less likely to hire in the short term

Similar differences between smaller and larger businesses can be observed when looking at the challenges they expect regarding labour and their expectations to hire. For example, the proportion of businesses with 1 to 19 employees (11.6%) that expect the number of employees to increase over the next three months is significantly lower than businesses with 20 to 99 employees (23.5%) or 100 or more employees (24.0%). These differences are similar to the first quarter of 2022 and 2023. Similarly, 5.0% of businesses with 1 to 19 employees expect the number of vacant positions to increase over the next three months, compared with 11.6% of businesses with 20 to 99 employees and 9.8% of businesses with 100 or more employees.

**Table 2**  
**Business expectations regarding the number of employees over the next three months, second quarter of 2024**

	Increase	Stay about the same	Decrease
	percent of businesses		
<b>All employment sizes</b>	<b>13.2</b>	<b>81.5</b>	<b>5.4</b>
1 to 19 employees	11.6	83.3	5.1
20 to 99 employees	23.5	69.8	6.8
100 or more employees	24.0	66.6	9.4

**Note:** Respondents were asked between April 2 to May 6, 2024 how their number of employees was expected to change over the next three months. Therefore, the three month period could range from April 2 to August 6, 2024, depending on when the business responded.

**Source:** Statistics Canada, Canadian Survey on Business Conditions, second quarter of 2024 (Table 33-10-0755-01).

Businesses expect various impacts as a result of the expected labour-related obstacles over the next three months, but smaller businesses expect to be less affected by these issues. For example, among businesses that expect at least one labour-related obstacle over the next three months, 30.5% of businesses with 1 to 19 employees expect to hire less suitable candidates, while two-fifths of businesses with 20 to 99 employees (42.8%) and 100 or more employees (40.4%) anticipate the same.

Notably, 34.4% of businesses with 1 to 19 employees expect existing staff to work increased hours because of labour-related obstacles over the next three months, compared with around half of businesses with 20 to 99 employees (46.3%) and 100 or more employees (54.9%). However, smaller businesses with 1 to 19 employees (47.3%) were more likely than businesses with 20 to 99 employees (42.1%) or 100 or more employees (38.8%) to anticipate that management would work increased hours because of labour-related obstacles over the next three months.

## Smaller businesses more likely to expect a decrease in profitability

Nearly one-third (31.3%) of businesses with 1 to 19 employees expect a decrease in their profitability over the next three months, compared with one-quarter of businesses with 20 to 99 employees (25.2%) and 26.6% of businesses with 100 or more employees.

**Table 3**  
**Business expectations of profitability over the next three months, second quarter of 2024**

	Increase	Stay about the same	Decrease	Not applicable
	percent of businesses			
<b>All employment sizes</b>	<b>13.3</b>	<b>53.7</b>	<b>30.6</b>	<b>2.5</b>
1 to 19 employees	12.2	54.1	31.3	2.4
20 to 99 employees	21.5	50.4	25.2	2.8
100 or more employees	14.3	54.9	26.6	4.2

**Note:** Respondents were asked between April 2 to May 6, 2024 how their profitability was expected to change over the next three months. Therefore, the three month period could range from April 2 to August 6, 2024, depending on when the business responded.

**Source:** Statistics Canada, Canadian Survey on Business Conditions, second quarter of 2024 (Table 33-10-0755-01).

Nearly one-quarter of businesses with 1 to 19 employees (23.8%) and 29.5% of businesses with 20 to 99 employees expect to increase the selling price of goods and services offered over the next three months, while 17.1% of businesses with 100 or more employees anticipate doing the same. These proportions have decreased for all business sizes from the first quarter of 2022 and 2023.

**Table 4**  
**Business expectations of selling price of goods and services offered over the next three months, second quarter of 2024**

	Increase	Stay about the same	Decrease	Not applicable
	percent of businesses			
<b>All employment sizes</b>	<b>24.3</b>	<b>67.8</b>	<b>5.1</b>	<b>2.8</b>
1 to 19 employees	23.8	68.3	5.2	2.7
20 to 99 employees	29.5	63.2	3.7	3.6
100 or more employees	17.1	70.8	7.7	4.5

**Note:** Respondents were asked between April 2 to May 6, 2024 how their selling price of goods and services offered was expected to change over the next three months. Therefore, the three month period could range from April 2 to August 6, 2024, depending on when the business responded.

**Source:** Statistics Canada, Canadian Survey on Business Conditions, second quarter of 2024 (Table 33-10-0755-01).

## Small businesses and debt

Nearly three-quarters (72.9%) of businesses with 1 to 19 employees do not plan to apply for debt financing<sup>6</sup> over the next three months, compared with almost two-thirds of businesses with 20 to 99 employees (66.5%) and 100 or more employees (64.0%).

Among businesses that do not plan to apply for debt financing, 23.2% of businesses with 1 to 19 employees and 13.2% of businesses with 20 to 99 employees reported that they cannot take on more debt. Meanwhile, 7.7% of businesses with 100 or more employees that do not plan to apply for debt financing reported that they cannot take on more debt.

## Methodology

From April 2 to May 6, 2024, representatives from businesses across Canada were invited to complete 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. Proportions are estimated using calibrated weights to calculate the population totals in the domains of interest. The total sample size for this iteration of the survey is 20,996 and results are based on responses from a total of 10,173 businesses or organizations.

## References

Statistics Canada. 2024. Canadian Survey on Business Conditions, first and second quarters of 2024.

6. Debt financing refers to a new line of credit, a new term loan, a new non-residential mortgage, or refinancing of an existing non-residential mortgage.