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## Analysis in Brief

# Analysis on inventory management among businesses in Canada, third quarter of 2024

by Emily Taylor, Shivani Sood, and Chris Johnston

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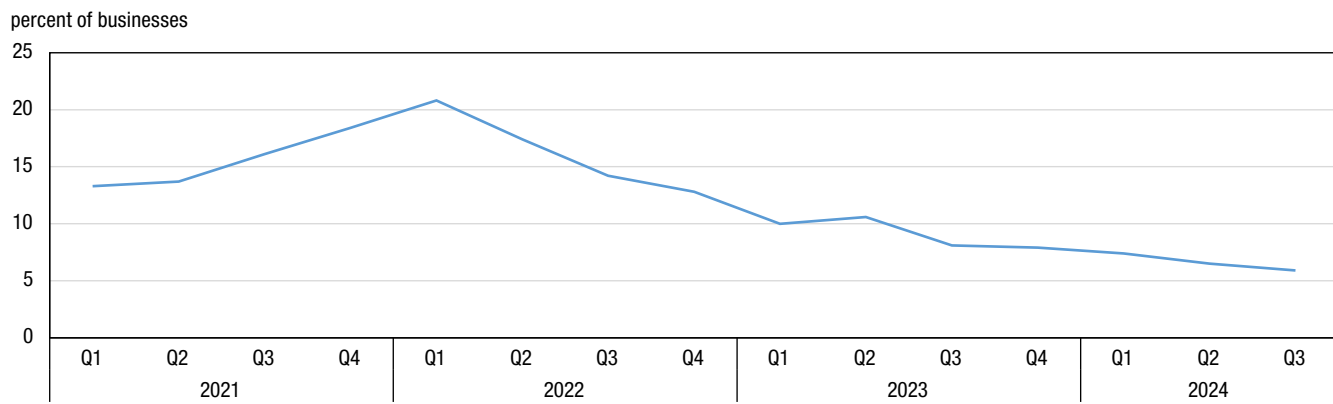
# Analysis on inventory management among businesses in Canada, third quarter of 2024

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To meet consumer demand and fulfill orders in a timely manner, businesses must maintain adequate inventory levels. However, maintaining inventory levels can be challenging. Plant closures, labour shortages, supplier shortages, transport strikes, and weather conditions are all factors that could impact a business’s ability to maintain sufficient inventory. Conversely, if not managed effectively, excess inventory could have a negative impact on profitability.

Challenges with inventory management were more prevalent among businesses during the pandemic than they are currently. According to the results of the Canadian Survey on Business Conditions (CSBC), the proportion of businesses that expected maintaining inventory levels to be an obstacle over the next three months peaked at 20.8% in the first quarter of 2022 (see Chart 1). Since then, this figure has gradually declined, reaching a low of 5.9% in the third quarter of 2024, which is less than one-third of the proportion of businesses that reported this concern in the first quarter of 2022. These results are consistent with the easing of supply chain disruptions and challenges that were observed throughout 2022 and the beginning of 2023.<sup>1</sup>

**Chart 1**  
**Percentage of businesses that expect maintaining inventory levels to remain an obstacle over the next three months, first quarter of 2021 to third quarter of 2024**



**Note:** Respondents were asked each quarter to report their expected business obstacles over the next three months. The three-month period could vary depending on when the business responded to the survey. Businesses in agriculture, forestry, fishing, and hunting; mining, quarrying, and oil and gas extraction; construction; manufacturing; wholesale trade; retail trade; transportation and warehousing; information and cultural industries; finance and insurance; real estate and rental and leasing; professional, scientific and technical services; administrative and support, waste management and remediation services; health care and social assistance; arts, entertainment and recreation; accommodation and food services; and other services (except public administration) were all asked to report their expected business obstacles.

**Source:** Statistics Canada. Canadian Survey on Business Conditions, first quarter of 2021 (Table 33-10-0308-01), second quarter of 2021 (Table 33-10-0338-01), third quarter of 2021 (Table 33-10-0364-01), fourth quarter of 2021 (Table 33-10-0400-01), first quarter of 2022 (Table 33-10-0469-01), second quarter of 2022 (Table 33-10-0504-01), third quarter of 2022 (Table 33-10-0534-01), fourth quarter of 2022 (Table 33-10-0603-01), first quarter of 2023 (Table 33-10-0635-01), second quarter of 2023 (Table 33-10-0666-01), third quarter of 2023 (Table 33-10-0689-01), fourth quarter of 2023 (Table 33-10-0726-01), first quarter of 2024 (Table 33-10-0772-01), second quarter of 2024 (Table 33-10-0809-01), and third quarter of 2024 (Table 33-10-0860-01).

From the beginning of July to early August 2024, Statistics Canada conducted the CSBC to collect information on the operating environment of businesses in Canada and their expectations moving forward. This iteration of the CSBC included questions about inventory management. These questions were directed to businesses in industries that were most likely to hold inventories – specifically those in agriculture, forestry, fishing and hunting; mining, quarrying, and oil and gas extraction; construction; manufacturing; wholesale trade; and retail trade. Throughout this article, these businesses will be referred to as “inventory-holding businesses”. This article will focus on exploring the results of these inventory management questions.

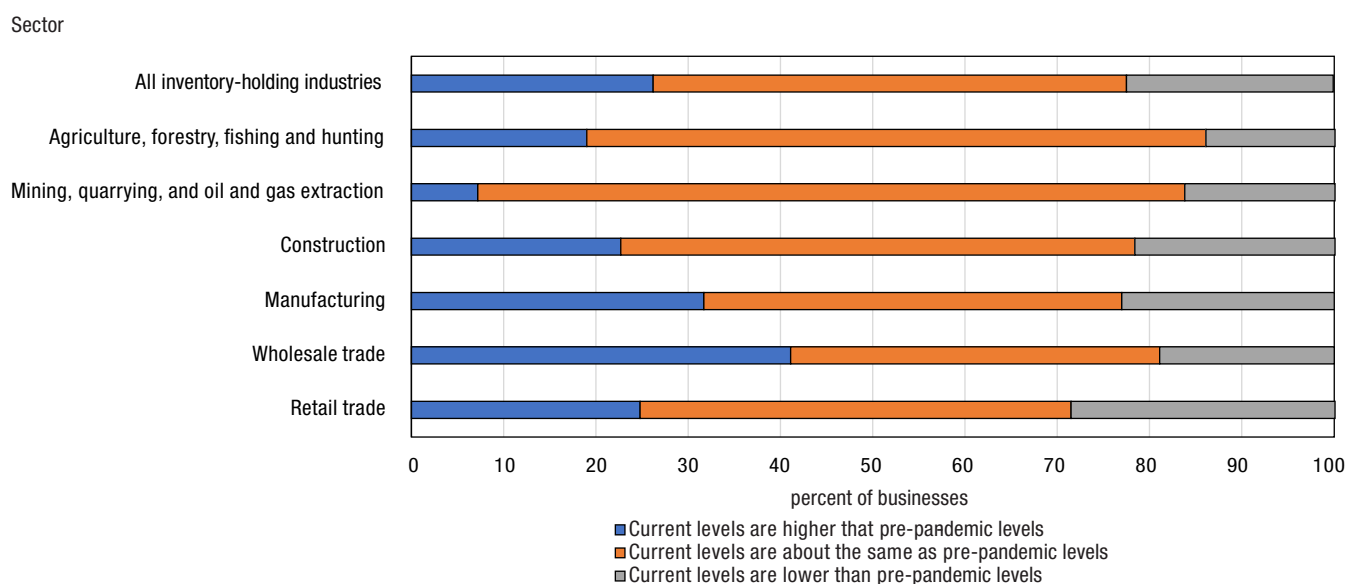
1. Statistics Canada. 2023. [Analysis on supply chain challenges and conditions in Canada, first quarter of 2023](#).

## Wholesale trade businesses are the most likely to have a higher current level of inventories compared with pre-pandemic levels

In the third quarter of 2024, inventory-holding businesses established before 2020 stated whether their current inventory levels were higher than, lower than or about the same as pre-pandemic levels. Of these businesses, 51.3% describe their current inventory levels to be about the same as pre-pandemic levels, while 26.2% have a current inventory level that is higher than pre-pandemic levels and 22.4% have a current inventory level that is lower than pre-pandemic levels (see Chart 2).

**Chart 2**

### Business' current inventory levels compared with pre-pandemic levels by industry, third quarter of 2024



**Note:** Only respondents in agriculture, forestry, fishing and hunting; mining, quarrying, and oil and gas extraction; construction; manufacturing; wholesale trade; and retail trade that were established before 2020 were asked to compare their current inventory levels with pre-pandemic levels.

**Source:** Statistics Canada. Canadian Survey on Business Conditions, third quarter of 2024 (Table 33-10-0869-01).

Wholesale trade (41.1%) has the highest proportion of businesses that are currently holding higher inventory levels compared with pre-pandemic levels, whereas mining, quarrying, and oil and gas extraction (7.2%) has the lowest proportion of businesses that are currently holding higher inventory levels.

Retail trade (28.6%) businesses are the most likely to hold lower inventory levels compared with pre-pandemic levels. In contrast, agriculture, forestry, fishing and hunting (14.0%) businesses are the least likely to currently hold a lower level of inventories compared with pre-pandemic levels.

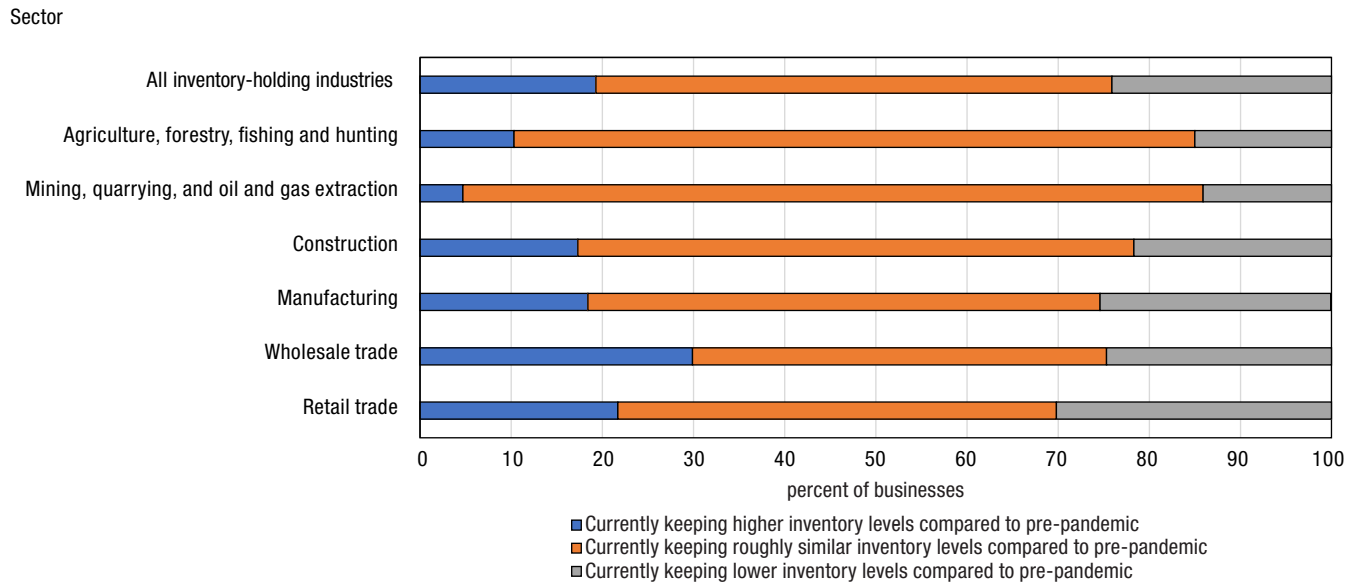
Overall, mining, quarrying, and oil and gas extraction (76.6%) and agriculture, forestry, fishing and hunting (67.1%) businesses are more likely to currently hold about the same level of inventories as they did before the pandemic relative to other inventory-holding businesses.

## Majority of inventory-holding businesses are maintaining a roughly similar inventory approach as they did before the pandemic

In addition to being asked to describe their inventory levels relative to pre-pandemic levels, inventory-holding businesses were asked to describe how their current approach to holding inventories compared with their pre-pandemic approach. Over half (56.6%) of inventory-holding businesses established before 2020 have maintained the same approach to holding inventory compared to before the pandemic, while 19.3% are currently trying to hold higher inventory levels and 24.1% are currently trying to hold lower inventory levels.

By industry, businesses in mining, quarrying, and oil and gas extraction (81.2%) and agriculture, forestry, fishing and hunting (74.7%) were the most likely to keep a similar inventory strategy as they did before the pandemic. In contrast, businesses in wholesale trade (45.4%) and retail trade (48.1%) were least likely to try to keep a similar inventory strategy as they did before the pandemic (see Chart 3).

**Chart 3**  
**Business' current approach to holding inventory compared to pre-pandemic approach by industry, third quarter of 2024**



**Note:** Only respondents in agriculture, forestry, fishing and hunting; mining, quarrying, and oil and gas extraction; construction; manufacturing; wholesale trade; and retail trade that were established before 2020 were asked to describe their current approach to holding inventory compared with pre-pandemic levels.

**Source:** Statistics Canada. Canadian Survey on Business Conditions, third quarter of 2024 (Table 33-10-0870-01).

Wholesale trade businesses, in addition to being the most likely to currently hold higher inventory levels compared with pre-pandemic levels, are also the most likely to have adjusted their inventory strategy to maintain higher inventory levels than before the pandemic. Nearly three in ten (29.9%) wholesale trade businesses are trying to keep higher inventory levels compared with pre-pandemic levels.

Retail trade businesses, in addition to being the most likely to currently hold lower inventory levels compared with pre-pandemic levels, are also the most likely to have adjusted their inventory strategy to maintain lower inventory levels than before the pandemic. More than three in ten (30.2%) retail trade businesses are trying to keep lower inventory levels compared with pre-pandemic levels.

Businesses in mining, quarrying, and oil and gas extraction are the least likely to have changed the inventory levels they hold relative to pre-pandemic levels and are also the least likely to have adjusted their inventory strategy since before the pandemic.

### Nearly two in five wholesale trade businesses are currently holding higher than desired inventory levels

Over three-fifths (63.1%) of inventory-holding businesses are currently holding their desired level of inventories, while 18.6% are holding a higher than desired level of inventories and 18.3% are holding a lower than desired level of inventories.

In addition to having the highest proportion of businesses with a strategy to keep higher inventory levels compared to pre-pandemic levels, wholesale trade also has the highest proportion of businesses holding higher than desired inventory levels. Nearly two in five (38.1%) wholesale trade businesses hold a higher than desired level of inventories, followed by retail trade businesses at 21.3%.

By industry, the proportion of businesses holding a lower level of inventories than desired ranges from a low of 11.4% in mining, quarrying and oil and gas extraction to a high of 21.6% in retail trade. Retail trade also has the highest proportion of businesses with a strategy to keep lower levels of inventory than before the pandemic.

## High cost of maintenance and warehouse or supplier shortages are some of the most prevalent factors contributing to a lower than desired level of inventories amongst inventory-holding businesses

Businesses holding a lower than desired level of inventories (18.3%) were asked which factors contribute to the level of inventories currently held. Of the known factors, high cost of maintenance (32.5%), warehouse or supplier shortages (27.2%), and labour shortages (16.1%) are some of the most common factors.

**Table 1**  
**Factors contributing to businesses holding lower than desired levels of inventories, third quarter of 2024**

	Percent of businesses
High cost of maintenance	32.5
Warehouse or supplier shortages	27.2
Labour shortages	16.1
Weather conditions or natural events	10.1
Delay in timely deliveries	9.5
Plant closures	4.9
Port closures	1.2
Transport strikes	1.0
Other factors	37.6

**Notes:** Only respondents in agriculture, forestry, fishing and hunting; mining, quarrying, and oil and gas extraction; construction; manufacturing; wholesale trade; and retail trade were asked to identify the factors contributing to a lower than desired level of inventories currently held by a business.

**Source:** Statistics Canada. Canadian Survey on Business Conditions, third quarter of 2024 (Table 33-10-0872-01).

For each of the factors contributing to a lower than desired level of inventories listed in Table 1, the differences by industry are notable. Businesses in agriculture, forestry, fishing and hunting are most likely to cite weather conditions or natural events (34.0%) as a factor for holding lower than desired inventory levels, whereas wholesale trade businesses are the least likely (1.4%). High cost of maintenance is the most common factor for holding lower than desired inventory levels among retail trade (49.4%) businesses and a less common factor among manufacturing (12.3%) businesses.

## Methodology

From July 2 to August 6, 2024, 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. Proportions are estimated using survey weights ensuring that the survey results are representative of all employer businesses in Canada. The total sample size for this iteration of the survey is 21,049 and results are based on responses from a total of 9,031 businesses or organizations.

## References

Statistics Canada. 2024. Canadian Survey on Business Conditions, third quarter of 2024.