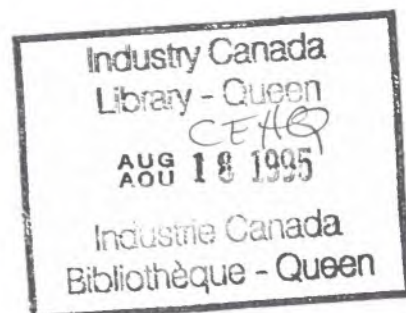


QUARTERLY REPORT
ON
SMALL- AND MEDIUM-SIZED ENTERPRISES
June 1995



Entrepreneurship and Small Business Office
Industry Canada
June 1995

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– **CHANGE IN EMPLOYMENT, 1994-1995**

HIGHLIGHTS ¹

In the first quarter of 1995 real gross domestic product advanced just 0.7 percent annualized rate, down sharply from 4.6 percent in the fourth quarter 1994. This was the smallest increase since the end of 1992.

The Composite Leading Indicator was up 0.2 percent (smoothed version) in April, the slowest increase in several months but still indicative of a positive momentum. The slowdown in growth was led by weak sales in the automotive and real estate sectors.

The March 1995 Survey of Business Conditions indicated that while Canadian manufacturers confidence regarding production prospects continues to be positive on a moving average basis, the raw (unadjusted) data points to a slump from the strong upswing noted since 1992. Small manufacturers are considerably more confident than are large manufacturers, i.e., 42 percent versus 24 percent - seasonally unadjusted basis.

In the first quarter 1994 to first quarter 1995 period almost 400,000 net new jobs were created. All of this net job creation has been made by small and medium-sized businesses. Large businesses, those with over 300 employees, shedded 142,000 jobs in this period.

In the first quarter business bankruptcies, at 3346, were eight percent higher than in the first quarter of 1994 . Associated liabilities in the same period were \$1.73 billion, slightly less than last quarter, but 44 percent higher than one year ago and the second highest level recorded in two years.

The Bank of Canada reports that chartered bank loans to small business (under \$500,000 authorized limit) in the fourth quarter of 1994 (latest available data) increased modestly - to \$21.2 billion or 0.5 percent - from the level reached in third quarter. This level is only five percent higher than that achieved in the fourth quarter of 1993 indicating a slower growth trend than that recorded earlier in the post recession recovery period.

Since mid-1993 over 20,000 net new employer businesses have been created.

¹ This report contains the latest available information as of June 9, 1995.

NET BUSINESS FORMATIONS

Employer Businesses

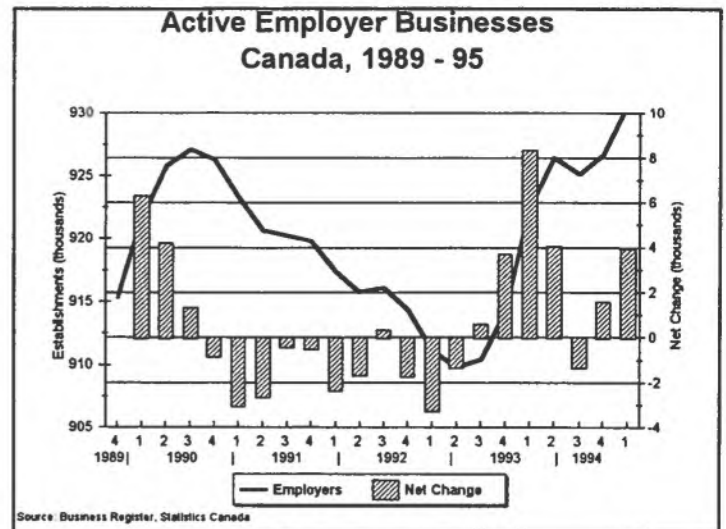
Seasonally adjusted net employer business formations moved up strongly in the first quarter of 1995 - by 3,938 businesses - resuming the sharp uptrend observed in 1993.

The marked regional variation in the employer business formations observed in previous editions of this report has now moderated. Since early 1993 all provinces, except for Saskatchewan and Newfoundland, recorded increases. The most robust increase is in Alberta, British Columbia and the Territories but since mid-1993 Quebec and the Maritime provinces recorded increases as well. The accompanying chart displays this regional variation.

Self-Employment Businesses

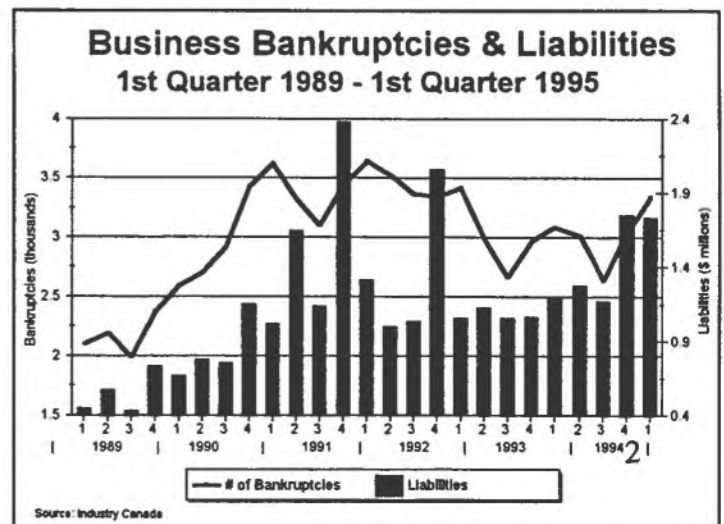
The number of self-employment business formations in the first quarter of 1995 was 70,000 versus 34,000 in the same period of 1994.

The last section of this report provides further information on these self-employment trends.



BUSINESS BANKRUPTCIES

In the first quarter of 1995 business bankruptcies, at 3,346, were 10 percent higher than in the fourth quarter. Associated liabilities in the same period were down one percent, to \$1.73 billion, but still near record high levels. The accommodation, food & beverage service and construction sectors are the hardest hit by bankruptcies. An unusual phenomenon

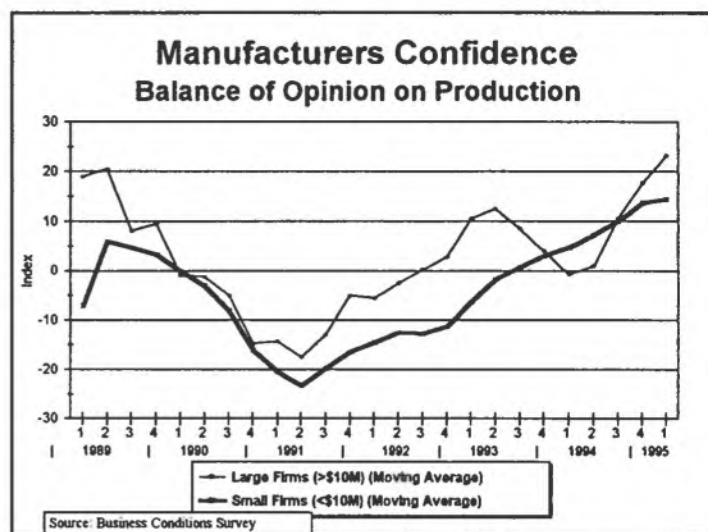


noted by Office of the Superintendent of Bankruptcies concerns the increase in bankruptcies amongst firms cut off from government subsidies. For example, firms in the private training sector and firms providing family support services are experiencing a higher than normal failure rate. Regionally, Quebec and Alberta report the highest rate of business failure.

BUSINESS CONDITIONS

The March 1995 Survey of Business Conditions indicated that while Canadian manufacturers confidence regarding production prospects continues to be positive on a moving average basis the raw (unadjusted) data points to a slump from the strong upswing noted since 1992.

Production expectations of both small and large manufacturers are, with allowance made for normal seasonal variation, still positive.

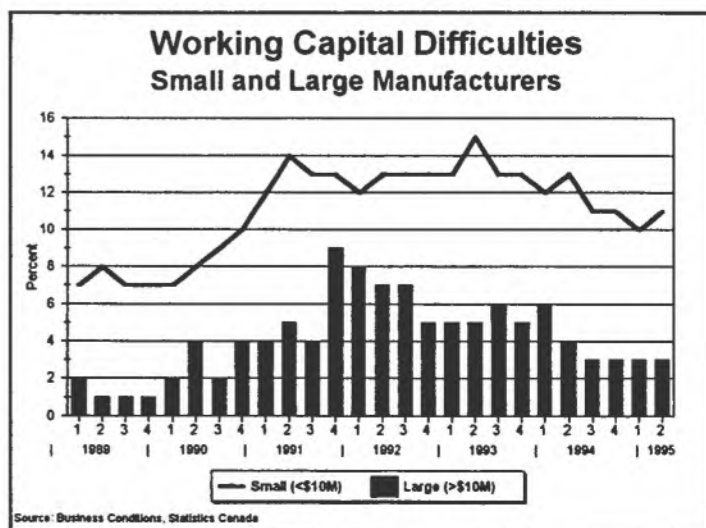


Large manufacturers are less positive that their employment would rise this quarter than are small manufacturers, i.e., their Manufacturers Balance of Opinion, or MBO (the net of positive and negative respondent opinions) on new hiring is lower than that for small manufacturers. Indeed, fourteen percent of the small employers are experiencing shortages of skilled labour versus only a three percent skill shortage amongst large employers.

Small chemical, machinery producers and metal fabricators are those experiencing the strongest demand for labour. On the other hand, both small and large food producers are still laying off staff.

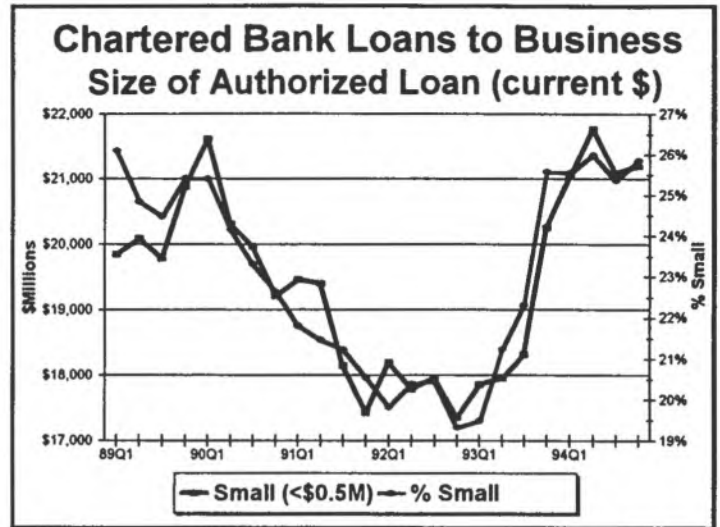
The accompanying chart tracks working capital concerns by size of firm. Working capital shortages continue to be a particular concern for small firms; i.e., eleven percent report this as a problem versus only three percent of large firms.

Comments made on the Survey showed that a chief concern of manufacturers in many sectors is the rise in the cost of materials. Next in order of importance is a shortage in new orders followed by (obviously not in the same firms) the need to invest in more equipment.



BUSINESS LOAN TRENDS

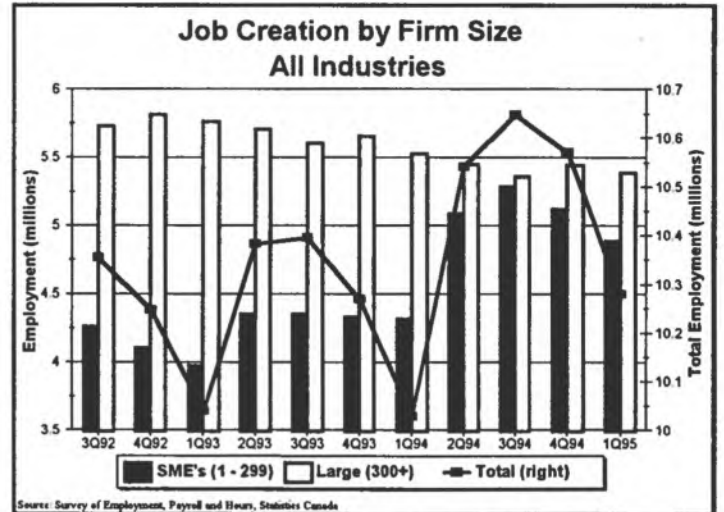
The Bank of Canada reports that chartered bank loans to small business (under \$500,000 authorized limit) in the fourth quarter of 1994 (latest available data) increased somewhat - to \$21.2 billion or 0.5 percent - from the level reached in third quarter. This level is only five percent higher than that achieved in the fourth quarter of 1993 indicating a slower growth trend than that recorded earlier in the post recession recovery period. The small business share of all bank loans to business appears to have stabilized at a roughly 26 percent share of all bank loan to business.



Later this year the Bank of Canada, responding to requests for better data on the size and types of loans to small business, will be issuing additional information by size of authorized loan. This new information will be an important input to future editions of the Quarterly Report on SMEs.

EMPLOYMENT BY SIZE OF BUSINESS

Including jobs in self-employment businesses, almost 400,000 net new jobs were created between the first quarter 1994 and the first quarter 1995. All of this number - 100 percent - originated with firms having less than 300 employees, i.e., 141,000 in self-employment firms, 494,832 in the less-than-50 employee category, and 75,796 in the 50 - 300 firm size group. Large firms - those with over 300 employees - recorded a net decline of 141,860 jobs in this period. The accompanying chart displays the quarter by quarter variation in total employment by size of firm (excluding self-employment firms).



The industries recording the largest job increases in this period were in services, trade, and manufacturing. The only industries recording net job losses were the financial & real estate and government sectors.

All regions participated in the job growth. The largest absolute growth was recorded in Ontario, Québec and British Columbia. In relative terms (based on the numbers of employees in the province/territory) the strongest growth was in Newfoundland (9 percent growth). The Attachments provide more detail by size of firm, industry and province.

TRENDS IN SELF-EMPLOYMENT

For the period from the first quarter 1994 to first quarter 1995 self-employment in Canada grew by 141,000 compared to 57,000 in the same period of 1993-94. The proportion of the labour force who are self-employed continues to increase. In 1981, for instance, only 12.3 percent were self-employed; by the end of 1994 this percentage had risen to 15.5. There are now a total 2.02 million self-employed persons in Canada.

Self-employment grew fastest in the services, finance, insurance and real estate, and in the construction sectors. Alberta, British Columbia, Québec and Manitoba had the largest increases.

As of first quarter 1995, approximately one in three (32 percent) of the self employed were women compared to less than one in four (24 percent) in 1981. Women make up about 36 percent of the unincorporated self-employed and only 20 percent of those with an incorporated firm. There is, however, an increasing trend for women to establish incorporated firms. The incorporated self-employed are more likely to take on employees than those who are unincorporated.

EMPLOYMENT BY SIZE OF BUSINESS, INDUSTRY AND PROVINCE
1st QUARTER, 1995

INDUSTRY	000-999 Total	041-051 Logging	061-092 Mining	101-399 Manufacturing	401-449 Construction	451-499 Transportation & Communication	601-692 Trade	701-761 Finance & Real Estate	771-799 851-999 Services	812-837 Government
CANADA										
BUSINESS SIZE										
TOTAL	10,279,930	57,012	125,133	1,605,293	344,799	826,931	1,940,653	633,165	3,998,223	686,370
0 - 49	3,671,936	29,491	24,797	418,328	260,920	161,361	1,061,738	192,396	1,459,829	728
50 - 299	1,215,099	4,819	14,267	333,466	49,925	62,679	201,714	62,514	485,446	X
300 OR MORE	5,388,688	22,681	85,972	852,975	33,667	602,746	676,683	377,770	2,050,801	685,374
NFLD										
BUSINESS SIZE										
TOTAL	139,427	1,199	2,496	8,895	7,559	13,078	28,712	5,840	54,107	16,687
0 - 49	46,817	403	118	2,376	3,962	2,153	18,168	2,014	16,612	155
50 - 299	10,824	X	X	358	759	854	1,921	164	6,674	X
300 OR MORE	81,607	701	2,378	6,161	2,698	10,054	8,623	3,662	30,798	16,532
P.E.I.										
BUSINESS SIZE										
TOTAL	37,104	X	X	2,911	1,826	2,616	6,653	1,929	15,729	5,184
0 - 49	14,109	X	X	931	1,252	X	4,573	X	6,122	X
50 - 299	3,601	X	X	626	X	X	493	199	1,926	X
300 OR MORE	19,377	X	X	1,355	X	1,814	1,587	X	7,664	5,184
N.S.										
BUSINESS SIZE										
TOTAL	285,356	2,187	3,495	34,290	8,695	22,292	54,022	15,841	114,405	28,950
0 - 49	94,595	X	X	7,514	7,229	3,716	30,115	4,554	37,961	X
50 - 299	30,396	X	749	6,534	532	1,770	4,757	1,203	14,764	X
300 OR MORE	160,229	X	X	20,242	934	16,806	19,151	10,062	61,565	28,850
N.B.										
BUSINESS SIZE										
TOTAL	220,938	2,966	2,747	27,849	8,553	19,967	44,054	9,654	83,209	21,183
0 - 49	78,223	1,808	395	6,741	6,785	4,265	24,514	3,871	29,079	X
50 - 299	19,808	169	420	4,617	1,402	704	3,393	218	8,885	X
300 OR MORE	122,820	988	1,931	16,491	366	14,983	16,145	5,565	45,176	21,175
QUE										
BUSINESS SIZE										
TOTAL	2,477,413	12,188	12,983	435,587	75,063	205,455	456,988	143,624	951,695	165,989
0 - 49	951,362	5,199	1,526	134,159	56,387	43,183	289,433	55,320	348,261	X
50 - 299	300,006	2,311	1,854	87,571	10,504	16,159	46,877	17,229	117,501	X
300 OR MORE	1,225,121	4,677	9,603	213,576	8,169	146,072	120,434	71,055	485,599	165,936
ONT										
BUSINESS SIZE										
TOTAL	4,052,258	8,716	18,207	780,882	115,334	289,552	763,084	273,040	1,530,930	249,754
0 - 49	1,267,851	3,681	2,223	159,140	84,364	48,541	367,829	64,784	514,435	X
50 - 299	532,879	377	1,970	176,213	18,078	22,679	99,523	26,511	187,497	X
300 OR MORE	2,250,847	4,657	14,014	445,435	12,866	218,317	295,670	181,744	828,515	249,628
MAN										
BUSINESS SIZE										
TOTAL	392,253	567	3,178	50,003	10,311	42,024	73,416	24,474	159,302	27,390
0 - 49	129,833	X	X	12,384	8,707	5,561	37,565	8,028	55,250	X
50 - 299	39,379	X	X	10,279	851	2,378	5,177	2,150	18,423	X
300 OR MORE	222,967	X	X	27,340	745	34,067	30,665	14,273	85,611	27,284
SASK										
BUSINESS SIZE										
TOTAL	304,102	962	8,208	24,862	9,864	28,445	62,585	19,884	125,791	22,332
0 - 49	116,661	636	2,559	9,225	7,284	5,652	37,015	5,683	47,394	X
50 - 299	25,722	X	717	4,936	2,202	2,310	2,818	1,873	10,810	X
300 OR MORE	161,365	270	4,932	10,701	373	20,482	22,678	12,315	67,325	22,288
ALTA										
BUSINESS SIZE										
TOTAL	1,013,225	2,705	60,767	85,789	49,348	84,177	195,742	55,761	406,309	65,750
0 - 49	404,544	1,987	14,948	30,249	37,036	20,466	104,227	19,699	168,894	161
50 - 299	95,891	108	6,811	12,347	8,243	3,928	16,754	3,464	44,233	X
300 OR MORE	511,633	610	38,912	43,088	3,988	59,784	74,643	32,195	192,829	65,585
B.C.										
BUSINESS SIZE										
TOTAL	1,325,040	25,366	11,095	153,794	56,726	115,653	251,308	81,741	545,242	75,334
0 - 49	555,738	13,480	2,151	55,278	46,753	26,010	145,574	27,217	230,442	X
50 - 299	154,996	1,679	1,656	29,892	7,023	11,094	19,881	9,504	74,138	X
300 OR MORE	613,932	10,186	7,288	68,577	2,946	78,508	85,851	45,016	240,405	75,154
YUKON										
BUSINESS SIZE										
TOTAL	10,738	X	X	X	459	1,366	1,349	392	3,865	2,463
0 - 49	4,593	X	X	155	379	X	1,036	X	2,080	X
50 - 299	465	X	X	X	X	X	X	X	359	X
300 OR MORE	5,681	X	X	X	X	899	X	X	1,427	2,463
N.W.T.										
BUSINESS SIZE										
TOTAL	22,077	X	X	X	1,060	2,304	2,738	986	7,641	5,354
0 - 49	7,610	X	X	177	782	X	1,689	X	3,298	X
50 - 299	1,131	X	X	X	X	X	X	X	237	X
300 OR MORE	13,108	X	X	X	X	958	X	X	3,886	5,295

X - Confidential

Source: Survey of Employment, Payroll and Hours, Statistics Canada

**EMPLOYMENT BY SIZE OF BUSINESS, INDUSTRY AND PROVINCE
CHANGE IN EMPLOYMENT, 1st QUARTER 1984 - 1st QUARTER 1985**

INDUSTRY	000-999 Total	041-061 Logging	061-092 Mining	101-399 Manufacturing	401-449 Construction	461-499 Transportation & Communication	601-692 Trade	701-761 Finance & Real Estate	771-799 851-999 Services	812-837 Government
CANADA										
BUSINESS SIZE										
TOTAL	251,236	2,073	3,258	47,666	10,286	6,082	57,069	(5,427)	96,954	(4,833)
0 - 49	494,832	6,121	421	51,089	24,117	31,395	105,913	20,398	217,027	247
50 - 299	75,796	683	2,639	47,469	6,070	4,782	3,021	5,303	6,408	0
300 OR MORE	(141,860)	(1,913)	101	(33,058)	(5,215)	(14,864)	(16,317)	(19,611)	(46,483)	(4,500)
NFLD										
BUSINESS SIZE										
TOTAL	5,378	346	(35)	589	1,234	198	2,614	313	(683)	344
0 - 49	6,421	114	118	804	1,131	(69)	3,225	370	188	155
50 - 299	2,514	0	(156)	(434)	554	268	6	37	2,264	0
300 OR MORE	(2,301)	230	76	219	(69)	(18)	(450)	(95)	(2,411)	218
P.E.I.										
BUSINESS SIZE										
TOTAL	1,208	0	0	102	530	(124)	(242)	90	990	(201)
0 - 49	1,412	0	0	(37)	316	0	(197)	0	1,332	0
50 - 299	399	0	0	102	0	0	91	(16)	210	0
300 OR MORE	(620)	0	0	38	0	(200)	(136)	0	(569)	(193)
N.S.										
BUSINESS SIZE										
TOTAL	12,549	490	122	3,594	(109)	524	2,123	275	4,591	231
0 - 49	15,045	0	0	1,095	1,351	353	3,286	619	6,841	0
50 - 299	4,020	0	126	3,057	(554)	364	761	109	100	0
300 OR MORE	(4,561)	0	0	(558)	(471)	(194)	(912)	(475)	(1,820)	160
N.B.										
BUSINESS SIZE										
TOTAL	2,356	458	438	(779)	1,163	(1,193)	982	169	(166)	830
0 - 49	9,954	925	137	837	1,752	544	952	501	3,845	0
50 - 299	(1,593)	60	420	(439)	436	(862)	38	(67)	(1,066)	0
300 OR MORE	(3,496)	8	(32)	(1,177)	(103)	(890)	155	(265)	(2,040)	849
QUE										
BUSINESS SIZE										
TOTAL	52,537	833	736	10,606	3,137	6,665	1,427	(5,143)	24,343	(1,451)
0 - 49	140,452	1,107	370	21,410	3,694	7,775	22,896	6,796	65,030	0
50 - 299	10,834	382	741	3,245	1,512	5,391	(7,818)	(1,339)	9,246	0
300 OR MORE	(42,186)	(636)	(374)	(6,526)	(650)	(2,469)	(6,302)	(5,537)	(18,777)	(916)
ONT										
BUSINESS SIZE										
TOTAL	103,628	(858)	(397)	29,540	3,143	(6,503)	34,030	(1,754)	32,851	(929)
0 - 49	169,458	1,427	(452)	18,668	8,636	11,383	39,810	8,328	67,180	(120)
50 - 299	47,364	(23)	468	33,022	1,202	(3,164)	10,686	4,807	529	0
300 OR MORE	(50,617)	(1,527)	(412)	(16,219)	(1,257)	(6,991)	(5,810)	(10,685)	(6,976)	(742)
MAN										
BUSINESS SIZE										
TOTAL	14,592	252	(482)	2,530	1,257	1,574	2,522	(317)	6,515	(221)
0 - 49	18,750	0	0	1,274	1,917	949	2,976	1,218	9,287	0
50 - 299	5,307	0	0	2,294	22	1,223	642	352	910	0
300 OR MORE	(3,802)	0	0	(460)	(184)	(592)	(143)	(902)	(1,041)	(292)
SASK										
BUSINESS SIZE										
TOTAL	8,060	9	818	3,722	1,615	605	1,923	(60)	(683)	(590)
0 - 49	12,915	129	504	2,016	760	874	2,575	(137)	5,455	0
50 - 299	1,206	(128)	301	1,676	1,175	(239)	(68)	672	(2,240)	0
300 OR MORE	(3,069)	(49)	14	30	(324)	393	(40)	(228)	(2,237)	(629)
ALTA										
BUSINESS SIZE										
TOTAL	9,968	(481)	57	(2,096)	3,179	(1,406)	1,945	1,243	6,343	(2,967)
0 - 49	54,687	332	(645)	2,252	7,075	5,981	10,033	1,725	23,649	161
50 - 299	(1,765)	108	88	(1,270)	827	(988)	873	677	(1,982)	0
300 OR MORE	(24,331)	(385)	517	(1,895)	(1,998)	(3,932)	(2,243)	(551)	(10,777)	(3,067)
B.C.										
BUSINESS SIZE										
TOTAL	39,158	1,015	1,820	(229)	(5,143)	5,458	9,801	(256)	21,972	265
0 - 49	64,362	1,302	351	2,714	(2,652)	3,534	20,101	1,000	33,612	(108)
50 - 299	7,548	294	920	6,183	893	2,629	(2,116)	71	(1,418)	0
300 OR MORE	(7,114)	469	548	(6,510)	(513)	(103)	(185)	(1,016)	(35)	229
YUKON										
BUSINESS SIZE										
TOTAL	259	0	0	0	28	148	(198)	(5)	286	(269)
0 - 49	643	0	0	37	25	0	55	0	268	0
50 - 299	(12)	0	0	0	0	0	0	0	61	0
300 OR MORE	(372)	0	0	0	0	83	0	0	(43)	(269)
N.W.T.										
BUSINESS SIZE										
TOTAL	1,543	0	0	0	251	134	138	19	596	125
0 - 49	733	0	0	20	111	0	203	0	339	0
50 - 299	(27)	0	0	0	0	0	0	0	(205)	0
300 OR MORE	609	0	0	0	0	46	0	0	242	151

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Source: Survey of Employment, Payroll and Hours, Statistics Canada