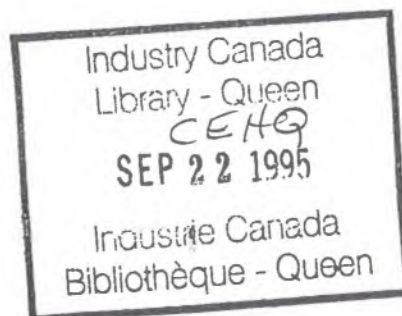


QUARTERLY REPORT
ON
SMALL- AND MEDIUM-SIZED ENTERPRISES
September 1995



Entrepreneurship and Small Business Office
Industry Canada
September 1995

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HIGHLIGHTS ¹

Real GDP at factor cost rose 0.3 percent in May, following a modest increase of 0.1 percent in April. Growth came primarily from the services sector. This was the smallest increase since the end of 1992.

The Composite Leading Indicator was down 0.3 percent (smoothed version) in July, after slowing for more than a year and declining at similar rates in the previous two months. Seven of ten components declined and three went up.

The June 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 somewhat more confident than are large manufacturers, i.e., 26 percent versus 18 percent expect increases in production - seasonally unadjusted basis.

In the second quarter 1994 to second quarter 1995 period 311,000 net new jobs (including self-employment 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, shed 10,520 jobs in this period.

In the second quarter business bankruptcies, at 3343, were unchanged from the first quarter of 1994. Associated liabilities in the same period (at \$0.9 billion) were, however, 47 percent lower.

The Bank of Canada reports that chartered bank loans to small business (under \$500,000 authorized limit) in the first quarter of 1995 (latest available data) increased somewhat - to \$21.3 billion or 0.7 percent - from the level reached in fourth quarter.

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

¹ This report contains the latest available information as of September 6, 1995.

NET BUSINESS FORMATIONS

Employer Businesses

Seasonally adjusted net employer business formations remained flat in the second quarter of 1995. The number of active businesses is, however, up sharply from the trough reached in mid-1993.

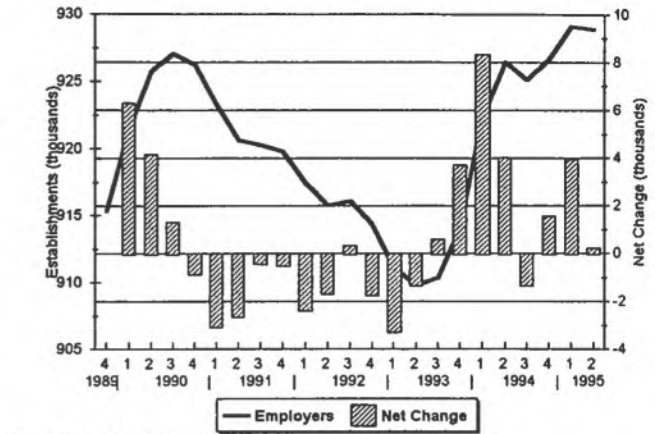
The marked regional variation in the employer business formations observed in previous editions of this report has now moderated. Since early 1993 all provinces, except for Saskatchewan and Newfoundland, recorded increases. The most robust increase is in Alberta, British Columbia and the Territories 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 second of 1995 was 81,000 versus 73,000 in the same period of 1994.

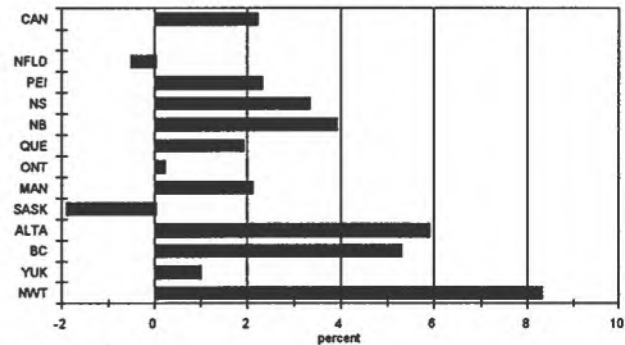
The last section of this report provides further information on self-employment trends.

Active Employer Businesses Canada, 1989 - 95



Source: Business Register, Statistics Canada

Employer Business Formation by Region, 1993- 95

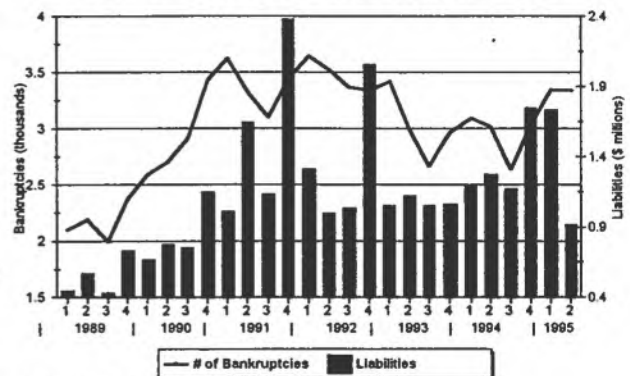


Source: Business Register, Statistics Canada

BUSINESS BANKRUPTCIES

In the second quarter of 1995 business bankruptcies, at 3,343, were virtually unchanged from the first quarter. Associated liabilities (at \$0.9 billion) were, however, 47 percent lower. 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

Business Bankruptcies & Liabilities 1st Quarter 1989 - 2nd Quarter 1995



Source: Industry Canada

highest rate of business failure.

BUSINESS CONDITIONS

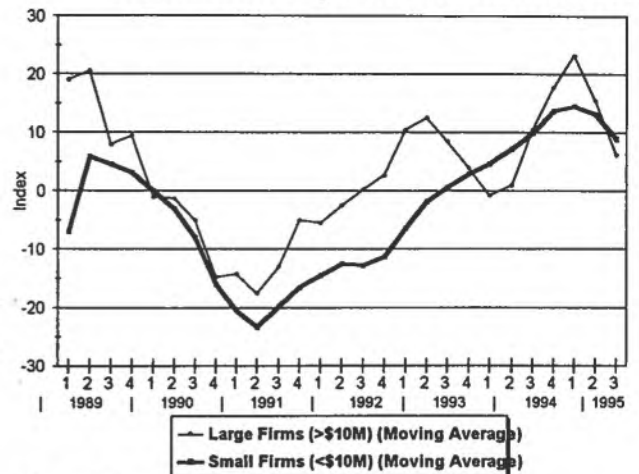
The June 1995 Survey of Business Conditions indicated that while Canadian manufacturers confidence regarding production prospects continues to be positive on a moving average basis the raw (unadjusted) data points to a slump from the strong upswing noted since 1992. Production expectations of small manufacturers are more positive than those of large manufacturers.

Large manufacturers are also 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, twelve 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.

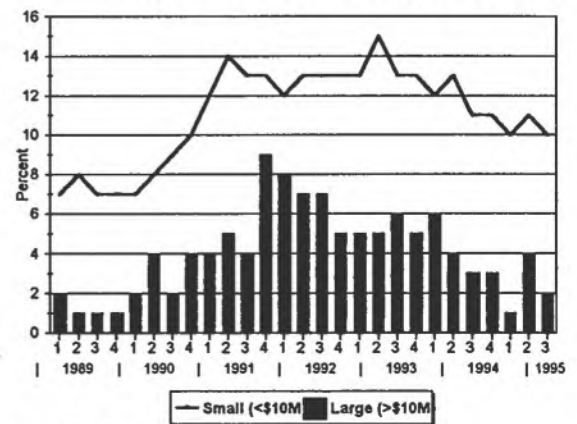
The accompanying chart tracks working capital concerns by size of firm. Working capital shortages continue to be a particular concern for small firms; i.e., ten percent report this as a problem versus only two percent of large firms. These difficulties are, however, less severe than the peak reached in mid-1993.

Manufacturers Confidence Balance of Opinion on Production



Source: Business Conditions Survey

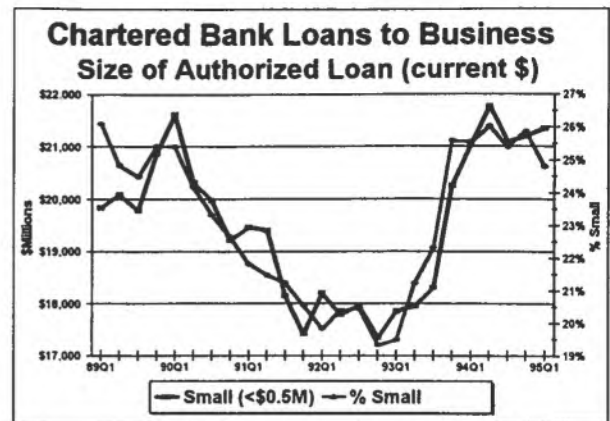
Working Capital Difficulties Small and Large Manufacturers



Source: Business Conditions, Statistics Canada

BUSINESS LOAN TRENDS

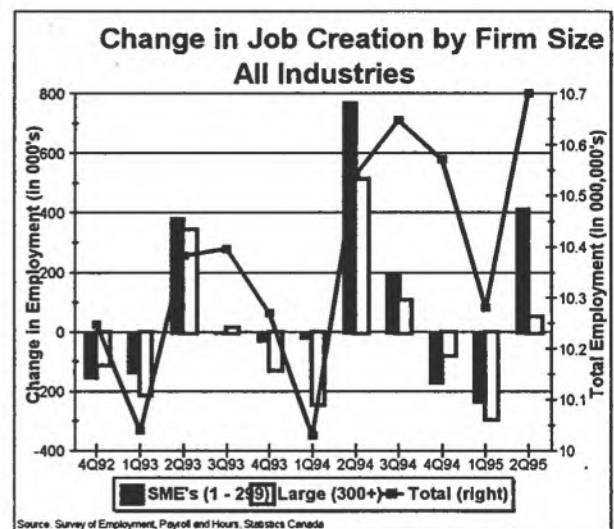
The Bank of Canada reports that chartered bank loans to small business (under \$500,000 authorized limit) in the first quarter of 1995 (latest available data) increased somewhat - to \$21.3 billion or 0.7 percent - from the level reached in fourth quarter. This level is less than two percent higher than that achieved in the first quarter of 1994 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 25 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, over 310,000 net new jobs were created between the second quarter 1994 and the second quarter 1995. All of this number - 100 percent - originated with firms having less than 300 employees, i.e., 109,000 in self-employment firms, 172,300 in the less-than-50 employee category, and 40,000 in the 50 - 300 firm size group. Large firms - those with over 300 employees - recorded a net decline of 10,500 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. The Attachments provide detail by size of firm, industry and province.

TRENDS IN SELF-EMPLOYMENT

For the period from the second quarter 1994 to second quarter 1995 self-employment in Canada grew by 109,000 compared to 73,000 in the same period of 1993-94. This represents half of all employment growth recorded in this period. 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 second quarter of 1995 this percentage had risen to 15.5. There are now a total 2.09 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
2nd QUARTER, 1995

INDUSTRY	000-999 Total	041-061 Logging	061-092 Mining	101-399 Manufacturing	401-449 Construction	451-499 Transportation & Communication	601-692 Trade	701-761 Finance & Real Estate	771-779 851-999 Services	812-837 Government
CANADA										
BUSINESS SIZE										
TOTAL	10,743,400	58,849	132,160	1,687,034	445,737	846,594	2,032,505	634,498	4,132,714	695,824
0-49	4,005,722	27,050	28,473	447,563	336,399	169,233	1,132,780	201,614	1,584,593	531
50-299	1,294,534	6,182	15,001	354,910	68,407	66,867	220,782	58,209	503,829	X
300 OR MORE	5,438,799	25,487	88,605	884,234	40,751	610,558	678,287	374,187	2,041,944	694,746
NFLD										
BUSINESS SIZE										
TOTAL	146,884	1,588	2,414	12,345	8,912	13,614	29,618	5,869	54,760	16,820
0-49	51,671	620	X	3,151	4,806	2,556	19,169	1,964	18,355	X
50-299	11,922	119	X	1,461	909	1,161	2,074	163	5,929	X
300 OR MORE	83,159	821	2,357	7,733	3,160	9,887	8,371	3,742	30,421	16,667
P.E.I.										
BUSINESS SIZE										
TOTAL	42,732	X	X	4,367	3,080	2,902	7,681	1,982	16,819	5,546
0-49	17,219	X	X	1,505	1,830	X	5,378	X	7,072	X
50-299	4,828	X	X	1,314	X	X	692	200	2,138	X
300 OR MORE	20,679	X	X	1,548	X	2,013	1,610	X	7,602	5,546
N.S.										
BUSINESS SIZE										
TOTAL	301,855	2,264	3,341	38,212	12,720	22,116	58,798	15,929	117,346	29,787
0-49	109,749	X	X	10,300	10,037	4,409	34,918	4,667	41,573	X
50-299	30,844	X	463	6,715	1,086	1,517	5,291	1,286	14,370	X
300 OR MORE	161,117	X	X	21,197	1,596	16,189	18,536	9,977	61,310	29,663
N.B.										
BUSINESS SIZE										
TOTAL	238,797	3,394	3,085	33,041	11,666	21,351	46,627	9,774	86,824	22,008
0-49	88,293	1,867	580	7,666	9,647	4,332	26,633	4,403	32,130	X
50-299	23,091	227	384	6,925	1,531	1,290	3,900	229	8,605	X
300 OR MORE	127,283	1,276	2,121	18,450	487	15,713	16,081	5,141	46,012	22,002
QUE										
BUSINESS SIZE										
TOTAL	2,616,034	12,749	14,668	470,676	99,818	211,116	489,440	142,455	987,928	166,445
0-49	1,050,082	5,731	2,607	145,335	76,728	46,190	315,285	56,974	380,397	X
50-299	322,669	2,491	2,049	101,307	12,964	17,585	50,270	15,265	120,739	X
300 OR MORE	1,242,220	4,497	10,012	223,921	10,125	147,254	123,772	70,190	486,099	166,349
ONT										
BUSINESS SIZE										
TOTAL	4,186,747	8,595	21,709	797,944	147,814	291,010	784,935	272,369	1,578,522	253,262
0-49	1,373,851	2,879	3,490	165,095	106,714	49,289	385,841	68,434	561,249	X
50-299	549,959	415	2,569	176,905	25,009	20,810	107,365	24,095	192,642	X
300 OR MORE	2,261,926	5,299	15,650	455,750	16,035	220,904	291,477	179,782	823,991	253,039
MAN										
BUSINESS SIZE										
TOTAL	407,503	457	3,704	52,202	12,879	42,443	73,856	24,961	166,360	27,507
0-49	138,799	X	X	12,409	10,516	5,714	37,589	8,288	60,355	X
50-299	43,297	X	X	11,636	1,412	1,986	5,556	2,103	20,354	X
300 OR MORE	225,345	X	X	28,157	951	34,726	30,711	14,570	85,642	27,369
SASK										
BUSINESS SIZE										
TOTAL	316,690	748	9,065	24,879	11,311	29,550	66,823	20,558	129,637	22,781
0-49	124,908	353	3,036	9,771	8,899	6,278	39,472	6,218	49,502	X
50-299	27,110	123	775	4,423	1,935	2,337	4,537	1,673	11,307	X
300 OR MORE	164,239	272	5,254	10,685	434	20,935	22,702	12,666	68,552	22,740
ALTA										
BUSINESS SIZE										
TOTAL	1,050,787	1,893	59,858	92,402	63,555	85,376	205,508	55,629	412,059	67,221
0-49	432,049	1,230	14,499	34,231	48,765	19,406	111,884	19,919	174,767	X
50-299	104,030	208	7,127	14,759	10,999	4,281	17,134	3,343	46,174	X
300 OR MORE	513,837	455	38,150	43,391	3,754	61,689	76,388	32,015	190,841	67,155
B.C.										
BUSINESS SIZE										
TOTAL	1,399,901	26,771	12,265	160,480	72,105	123,434	264,740	83,482	569,619	76,527
0-49	604,980	11,928	2,924	57,719	56,996	29,237	153,648	29,378	252,614	X
50-299	174,894	2,569	1,445	29,369	12,014	14,919	23,721	9,852	80,879	X
300 OR MORE	619,766	12,268	7,897	73,391	3,095	79,278	87,364	44,200	235,930	76,343
YUKON										
BUSINESS SIZE										
TOTAL	12,599	X	X	X	699	1,347	1,574	436	4,890	2,547
0-49	5,977	X	X	186	594	X	1,170	X	2,885	X
50-299	625	X	X	X	X	X	X	X	410	X
300 OR MORE	5,997	X	X	X	X	935	X	X	1,594	2,547
N.W.T.										
BUSINESS SIZE										
TOTAL	22,871	X	X	X	1,178	2,336	2,905	1,056	7,950	5,373
0-49	8,344	X	X	194	868	X	1,794	X	3,693	X
50-299	1,264	X	X	X	X	X	X	X	281	X
300 OR MORE	13,232	X	X	X	X	1,035	X	X	3,949	5,327

X - Confidential

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

**JOB CREATION BY SIZE OF BUSINESS, INDUSTRY AND PROVINCE
CHANGE IN EMPLOYMENT, 2nd QUARTER 1994 - 2nd QUARTER 1995**

INDUSTRY	000-999 Total	041-061 Logging	061-092 Mining	101-399 Manufacturing	401-449 Construction	451-499 Transportation & Communication	501-592 Trade	701-761 Finance & Real Estate	771-779 851-999 Services	812-837 Government
CANADA										
BUSINESS SIZE										
TOTAL	202,163	1,353	29	39,993	8,853	(14,340)	72,085	(11,646)	121,172	(14,423)
0-49	172,990	2,759	2,514	16,872	(772)	8,944	52,340	4,353	88,969	121
50-299	40,079	(366)	(1,940)	12,806	8,740	(7,718)	17,269	(788)	11,532	X
300 OR MORE	(10,520)	(940)	(601)	10,606	772	(13,604)	3,286	(15,247)	20,296	(15,088)
NFLD										
BUSINESS SIZE										
TOTAL	2,879	454	(392)	35	187	221	(7)	(197)	2,535	93
0-49	1,910	186	(191)	668	(330)	10	656	(196)	1,053	X
50-299	1,420	1	(213)	93	442	496	337	43	114	X
300 OR MORE	(580)	238	(45)	(726)	39	(296)	(1,000)	(45)	1,313	(58)
P.E.I.										
BUSINESS SIZE										
TOTAL	1,889	X	X	286	921	77	286	174	572	(223)
0-49	965	X	X	197	123	X	(86)	X	724	X
50-299	551	X	X	186	X	X	343	(18)	73	X
300 OR MORE	367	X	X	(97)	X	(62)	27	X	(232)	(223)
N.S.										
BUSINESS SIZE										
TOTAL	6,955	(83)	(528)	2,852	42	(566)	2,198	62	2,589	968
0-49	6,389	X	X	805	324	155	3,398	103	1,881	X
50-299	1,371	X	(567)	1,544	(354)	(72)	(251)	86	943	X
300 OR MORE	(697)	X	X	522	72	(649)	(867)	(127)	(233)	880
N.B.										
BUSINESS SIZE										
TOTAL	633	852	518	(109)	(173)	(335)	(253)	219	(568)	866
0-49	2,397	628	223	490	246	379	(1,282)	679	1,416	X
50-299	(1,686)	103	384	(169)	(313)	(560)	417	(13)	(1,535)	X
300 OR MORE	(40)	96	(89)	(414)	(95)	(169)	610	(449)	(399)	868
QUE										
BUSINESS SIZE										
TOTAL	48,006	157	(786)	24,617	(779)	544	11,796	(7,445)	28,395	(6,664)
0-49	42,682	960	(219)	6,554	(3,250)	1,005	11,589	1,976	25,806	X
50-299	17,918	128	(354)	10,754	2,211	4,895	895	(3,221)	2,612	X
300 OR MORE	(12,454)	(836)	(213)	7,281	259	(5,403)	(476)	(6,188)	(126)	(6,753)
ONT										
BUSINESS SIZE										
TOTAL	68,326	80	1,539	9,353	1,850	(17,719)	35,817	(9,445)	46,462	(3,583)
0-49	60,383	7	773	7,204	(2,213)	(481)	25,001	(2,624)	28,747	X
50-299	1,947	(41)	373	(2,640)	1,942	(14,204)	12,175	839	3,354	X
300 OR MORE	6,342	112	392	4,855	2,065	(3,035)	(1,209)	(7,426)	14,319	(3,730)
MAN										
BUSINESS SIZE										
TOTAL	10,894	(52)	169	3,842	1,184	(304)	(79)	541	6,051	(1,289)
0-49	3,194	X	X	(406)	1,229	(356)	(1,201)	615	2,523	X
50-299	6,903	X	X	3,193	119	464	627	258	2,193	X
300 OR MORE	835	X	X	1,055	(159)	(380)	496	(329)	1,350	(1,380)
SASK										
BUSINESS SIZE										
TOTAL	8,222	(94)	1,991	877	(1,804)	302	5,490	1,754	1,217	(1,032)
0-49	6,038	(160)	1,188	1,658	(1,215)	886	2,704	932	530	X
50-299	1,548	123	611	(78)	(21)	(350)	2,036	319	(1,071)	X
300 OR MORE	480	(36)	193	(703)	(606)	(233)	688	511	1,695	(1,028)
ALTA										
BUSINESS SIZE										
TOTAL	(2,384)	30	(4,622)	2,953	4,972	(3,585)	3,796	2,205	(4,767)	(2,903)
0-49	24,419	161	(62)	4,059	7,267	2,659	2,984	2,209	5,558	X
50-299	(9,910)	208	(2,351)	(382)	(1,255)	(2,002)	511	235	(4,048)	X
300 OR MORE	(17,205)	(247)	(2,289)	(727)	(1,073)	(3,440)	301	(545)	(6,233)	(2,951)
B.C.										
BUSINESS SIZE										
TOTAL	55,083	95	2,112	(4,772)	2,257	6,879	13,086	372	37,441	(483)
0-49	23,457	1,055	587	(4,583)	(3,099)	2,587	8,652	531	19,644	X
50-299	19,869	(795)	223	269	5,966	4,377	67	683	8,952	X
300 OR MORE	12,087	(146)	1,325	(442)	(569)	(86)	4,777	(829)	8,652	(596)
YUKON										
BUSINESS SIZE										
TOTAL	506	X	X	X	82	29	(197)	4	559	(161)
0-49	686	X	X	20	145	X	(139)	X	492	X
50-299	(27)	X	X	X	X	X	X	X	(19)	X
300 OR MORE	(133)	X	X	X	X	48	X	X	85	(161)
N.W.T.										
BUSINESS SIZE										
TOTAL	1,154	X	X	X	115	118	154	112	687	(13)
0-49	468	X	X	4	4	X	65	X	594	(104)
50-299	174	X	X	X	X	X	X	X	(37)	X
300 OR MORE	480	X	X	X	X	100	X	X	103	45

X - Confidential

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