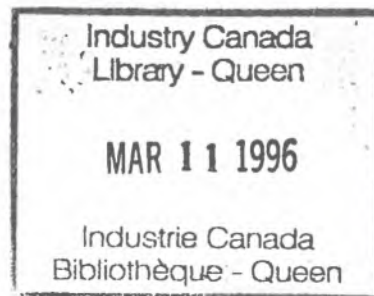


QUARTERLY REPORT
ON
SMALL- AND MEDIUM-SIZED ENTERPRISES
March 1996



Entrepreneurship and Small Business Office
Industry Canada
March 1996

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**EMPLOYMENT BY SIZE OF BUSINESS, FOURTH
QUARTER 1995**

CHANGE IN EMPLOYMENT, 1994-1995

HIGHLIGHTS ¹

Real GDP at factor cost rose 0.6 percent in 1995 (year-over-year basis) compared to a 1.2 percent increase in 1994. Growth came primarily from the services and export sectors. This was the smallest annual increase since the end of 1992.

The January 1996 Survey of Business Conditions reported lower confidence amongst both large and small manufacturers regarding the production volumes expected in the first quarter of 1996. The confidence index began to turn down in the second quarter of 1995. It is still positive, if only barely, for small manufacturers.

Regarding hiring intentions both large manufacturers report are negative: one in five expects to lay off workers in the next three months. Only one in ten plans to hire more.

Including jobs in self-employment businesses, almost 420,000 net new jobs were created between the last quarter 1994 and the last quarter 1995. Almost all of this number - 97.7 percent - originated with firms having less than 300 employees, i.e., 210,000 in self-employment firms, 160,943 in the less-than-50 employee category, and 38,623 in the 50 - 300 firm size group. Large firms - those with over 300 employees - recorded a net increase of 5,475 jobs in this period.

In the fourth quarter of 1995 the number of business bankruptcies, at 3,508, were at their highest level in three years. Associated liabilities (at \$1.03 billion) were up only slightly from the levels recorded in the first three quarters of 1995.

The Bank of Canada reports that chartered bank loans to small business (under \$500,000 authorized limit) in the third quarter of 1995 (latest available data) decreased somewhat - to \$21.6 billion or 0.7 percent - from the level reached in second quarter.

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

¹ This report contains the latest available information as of March 4, 1996.

NET BUSINESS FORMATIONS

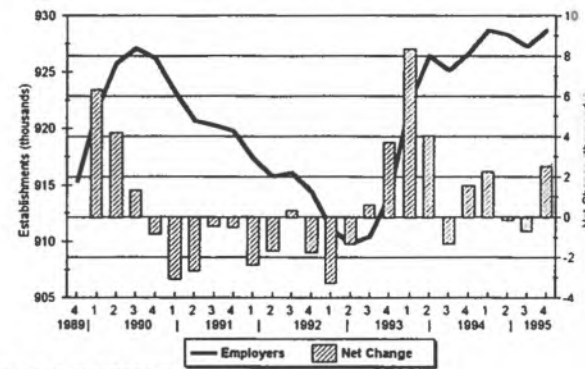
Employer Businesses

Seasonally adjusted net employer business formations revived in the fourth quarter of 1995 posting a gain of 1,455 over the previous quarter. The number of active businesses is, nevertheless, up only modestly from the level reached in mid-1994.

There is significant regional variation in the employer business formations observed; most of the increase is occurring in Alberta, British Columbia and Québec. Annex I displays the numbers of businesses, by province, from the start of 1993.

The table below shows the distribution by industry of this business formation for the period from the first quarter of 1993 to the first quarter of 1995. The largest net increase, by far, is in the business services sector; the retail trade and construction sectors followed but registered less than half the business service increase. The accommodation and food service sectors recorded a net decline in business formation.

**Active Employer Businesses
Canada, 1989 - 95**



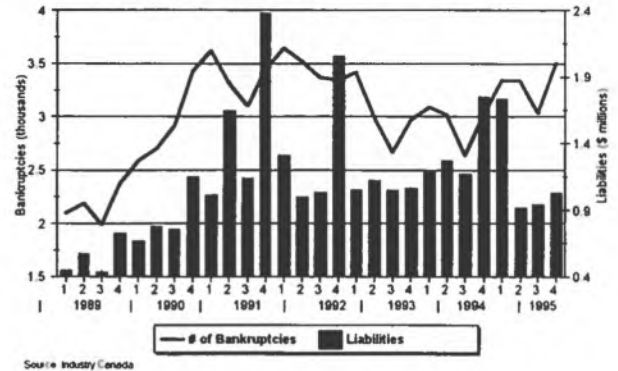
CUMULATIVE NET BUSINESS FORMATION BY INDUSTRY - Q1 1993 TO Q1 1995			
Industries in Scope to the Entry & Exit Survey	Business Entries	Business Exits	Net Business Format
C. Logging and Forestry	2,103	1,482	621
D. Mining, Quarrying and Oil Wells	788	332	456
E. Manufacturing	6,425	5,555	870
F. Construction	17,053	13,941	3,112
G. Transportation and Storage	5,875	4,939	936
H. Communications and Other Utilities	877	483	394
I. Wholesale Trade	7,907	6,287	1,620
J. Retail Trade	22,816	19,633	3,183
K. Finance and Insurance	2,381	2,314	67
L. Real Estate Operators and Insurance Agents	3,976	2,967	1,009
M. Business Services	16,240	9,143	7,097
Q. Accommodation, Food & Beverage Services	13,585	15,599	(2,014)
R. Other Services	14,380	11,455	2,925
TOTAL	114,406	94,130	20,276

BUSINESS BANKRUPTCIES

In the fourth quarter of 1995 the number of business bankruptcies, at 3,508, were at their highest level in three years. Associated liabilities (at \$1.03 billion) were up only slightly from the levels recorded in the first three quarters of 1995. The wholesale and retail trade sectors continue to be the hardest hit. Manufacturers reported the most improved performance (fewest failures) in 1995.

Calculation of an "incidence of bankruptcy" rate by industry, i.e., number of bankruptcies per thousand businesses, shows that the primary and finance, insurance sectors have the lowest rate (7.8 and 9.5 per thousand, respectively) whereas the transportation and communication and the retail sectors have the highest incidence (21.6 and 18.7 per thousand, respectively).

Business Bankruptcies & Liabilities
1st Quarter 1989 - 4th Quarter 1995

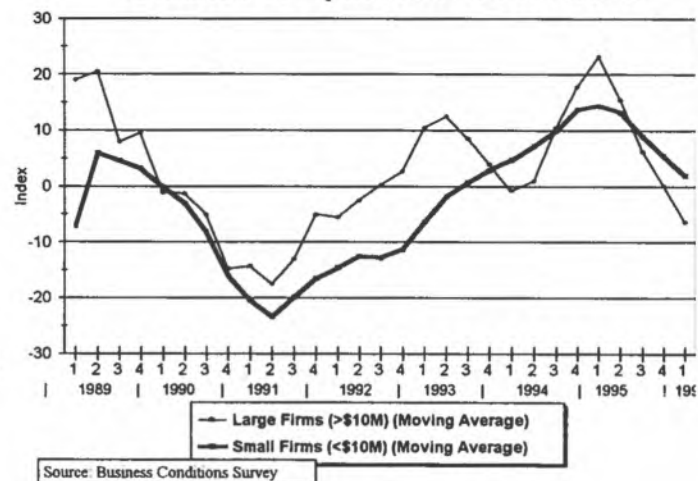


BUSINESS CONDITIONS

The January 1996 Survey of Business Conditions reported lower confidence amongst both large and small manufacturers regarding production volumes expected in the first quarter of 1996. The confidence index began to turn down in the second quarter of 1995. It is still positive, if only barely, for small manufacturers.

Regarding hiring intentions both large manufacturers report are negative: one in five expects to lay off workers in the next three months. Only one in ten plans to hire more. Employment in manufacturing at the end of 1995 was 66,000 less (to just over 2 million workers) than it was six months earlier.

Manufacturers Confidence
Balance of Opinion on Production



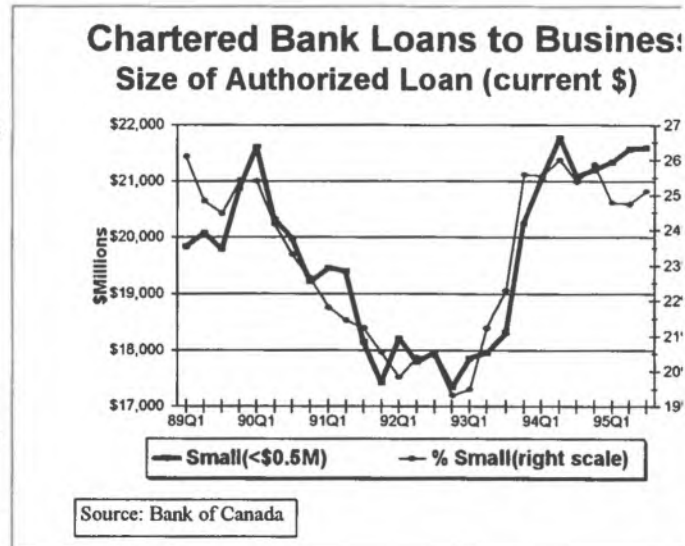
With the downturn in confidence fewer manufacturers are reporting production difficulties. Problems regarding, for instance, attracting skilled workers are at historic low levels, at least for large manufacturers, i.e., fewer than two percent report such difficulties. Ten percent of small manufacturers continue to encounter problems in recruiting skilled labour. Difficulties regarding the availability of working capital - which has been a perennial problem for small manufacturers -

have moderated. The January survey showed only eight percent of small manufacturers, compared to twelve percent and higher in previous surveys, were reporting this as a problem area.

BUSINESS LOAN TRENDS

The Bank of Canada reports that the volume of chartered bank loans to small business (under \$500,000 authorized limit) in the third quarter of 1995 (latest available data) is essentially unchanged from the level reached in second quarter. Loans to small business had been on a slow rise since early 1994. 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.

The Bank of Canada, responding to requests for better data on the size and types of loans to small business, is currently collecting such information and will be issuing a special report on its findings shortly. Future editions of the Quarterly Report on SMEs will review this data.

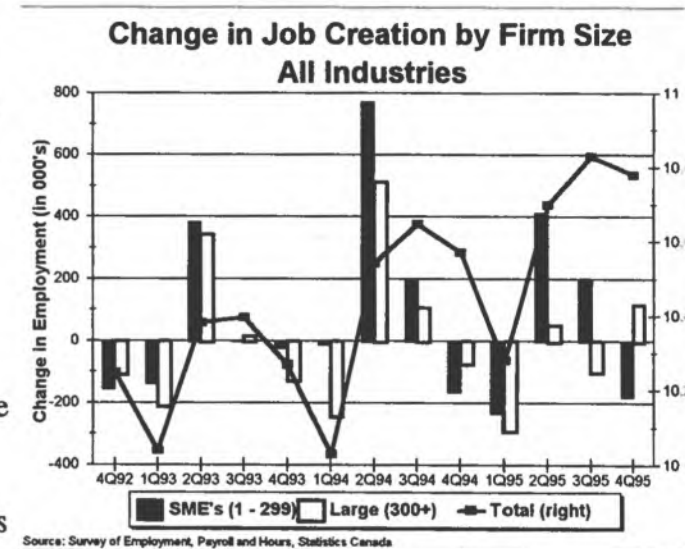


EMPLOYMENT BY SIZE OF BUSINESS

Including jobs in self-employment businesses, almost 420,000 net new jobs were created between the last quarter 1994 and the last quarter 1995. Almost all of this number - 97.7 percent - originated with firms having less than 300 employees, i.e., 210,000 in self-employment firms, 160,943 in the less-than-50 employee category, and 38,623 in the 50 - 300 firm size group. Large firms - those with over 300 employees - recorded a net increase of 5,475 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.

Three industries recorded net job losses; government, mining and construction. Annex 2 provides detail by size of firm, by industry and by province on level of employment at the end of 1995 while Annex 3 shows how these levels changed from the fourth quarter of 1994 to the fourth quarter of 1995.



TRENDS IN SELF-EMPLOYMENT

During 1995 (fourth quarter 1994 to fourth quarter 1995) self-employment in Canada grew by 210,000 compared to 77,000 in the same period of 1994. This 210,000 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 end 1995 this percentage had risen to 15.5. There are now almost 2 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 fourth 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.

Number of Businesses

Canada				Chg 1Q93-4Q95	Percent
	1993	1994	1995		
Q1	910,093	921,922	928,709	6804	0.7%
Q2	908,710	925,899	928,324		
Q3	910,184	924,931	927,271		
Q4	914,123	926,712	928,726		
Newfoundland					
	1993	1994	1995		
Q1	20,880	21,041	20,512	-1130	-5.3%
Q2	20,900	20,791	20,377		
Q3	21,167	20,501	20,037		
Q4	21,224	20,428	19,911		
PEI					
	1993	1994	1995		
Q1	6,417	6,635	6,564	-179	-2.8%
Q2	6,399	6,670	6,513		
Q3	6,438	6,607	6,473		
Q4	6,509	6,584	6,456		
Nova Scotia					
	1993	1994	1995		
Q1	28,619	29,303	29,644	-23	-0.1%
Q2	28,733	29,439	29,510		
Q3	28,973	29,486	29,323		
Q4	29,132	29,571	29,280		
New Brunswick					
	1993	1994	1995		
Q1	24,813	25,350	25,677	228	0.9%
Q2	24,766	25,540	25,640		
Q3	24,853	25,571	25,586		
Q4	25,028	25,629	25,578		
Quebec					
	1993	1994	1995		
Q1	224,262	226,304	227,392	2310	1.0%
Q2	223,658	226,925	227,677		
Q3	223,929	226,677	227,915		
Q4	224,784	227,130	228,614		
Ontario					
	1993	1994	1995		
Q1	302,111	301,251	301,441	-687	-0.2%
Q2	300,553	301,958	301,039		
Q3	299,887	301,711	300,698		
Q4	300,037	301,915	300,564		
Manitoba					
	1993	1994	1995		
Q1	32,159	32,599	32,697	83	0.3%
Q2	32,069	32,719	32,694		
Q3	32,102	32,647	32,653		
Q4	32,290	32,685	32,682		
Saskatchewan					
	1993	1994	1995		
Q1	36,776	36,947	36,161	-1144	-3.1%
Q2	36,656	36,769	35,999		
Q3	36,723	36,422	35,863		
Q4	36,819	36,289	35,803		
Alberta					
	1993	1994	1995		
Q1	96,029	98,745	101,449	3725	3.8%
Q2	96,118	99,724	101,861		
Q3	96,632	100,169	102,042		
Q4	97,406	100,783	102,470		
British Columbia					
	1993	1994	1995		
Q1	133,237	137,548	140,525	4190	3.1%
Q2	133,787	138,961	140,885		
Q3	134,573	139,716	141,246		
Q4	135,679	140,251	141,738		
Northwest Territories & Yuko					
	1993	1994	1995		
Q1	2,961	2,986	3,090	164	5.5%
Q2	2,960	3,020	3,114		
Q3	2,953	3,051	3,133		
Q4	2,962	3,069	3,150		

Source: Business Register, Statistics Canada

EMPLOYMENT BY SIZE OF BUSINESS, INDUSTRY AND PROVINCE
4th QUARTER, 1995

INDUSTRY	000-999 Total	041-061 Logging	061-092 Mining	101-399 Manufacturing	401-449 Construc	461-499 Transpor & Comm	601-692 Trade	701-761 Finance Real Est	771-799 851-999 Services	812-837 Governm
CANADA BUSINES										
TOTAL	10780816	69,294	124,265	1,698,680	448,903	860,320	2,079,368	648,623	4139113	672517
0 - 49	4018155	38,402	26,726	457,618	340,758	186,461	1,130,465	211,455	1586100	435
50 - 299	1301351	6,793	13,860	367,110	65,696	68,152	217,635	60,989	500514	...
300 OR	5452249	23,827	83,525	872,318	42,322	605,236	730,592	375,696	2047255	671478
NFLD BUSINES										
TOTAL	145478	1,891	2,549	10,817	8,402	13,889	30,798	6,216	54086	16037
0 - 49	53436	874	228	3,328	5,253	2,801	19,321	2,042	18722	...
50 - 299	9831	...	...	1,236	513	1,059	2,204	165	4529	...
300 OR	82018	810	2,320	6,253	2,636	10,030	9,273	4,009	30792	15896
P.E.I. BUSINES										
TOTAL	44594	...	...	3,883	4,074	2,777	8,280	1,734	17764	5661
0 - 49	18263	...	...	1,683	1,891	...	5,785	...	7388	...
50 - 299	4453	...	...	736	...	...	697	185	2271	...
300 OR	21827	...	...	1,464	...	1,848	1,764	...	8088	5641
N.S. BUSINES										
TOTAL	297491	2,372	3,281	35,287	13,475	21,637	61,598	16,477	114059	28444
0 - 49	106023	...	...	8,944	10,126	5,320	33472	4,487	40021	...
50 - 299	26853	...	410	5,152	1,650	1,138	4,685	1,222	12527	...
300 OR	163488	...	...	20,287	1,693	15,179	23,441	10,571	61490	28417
N.B. BUSINES										
TOTAL	242593	5,524	3,031	30,877	12,224	23,728	49,332	10,121	85478	21765
0 - 49	92828	3,914	579	9,182	10,306	5,303	28420	4,127	30484	...
50 - 299	24551	182	438	5,803	1,295	2,907	3,167	235	10524	...
300 OR	124913	1,428	2,015	15,892	623	15,494	17,745	5,665	44289	21762
QUE BUSINES										
TOTAL	2588925	15,801	12,898	473,103	95,759	210,255	496,053	146,858	967533	159684
0 - 49	1041886	7,622	1,882	145,654	74,853	51,727	313,824	60,808	374458	...
50 - 299	312780	3,846	1,732	106,897	10,590	16,490	48,186	14,230	110808	...
300 OR	1232141	4,251	9,284	220,358	10,268	141,889	133,757	71,775	480951	159608
ONT BUSINES										
TOTAL	4238245	9,832	21,699	810,377	160,355	304,129	800,410	280,027	1590939	245064
0 - 49	1386708	4,093	3,756	173,038	115,053	55,301	381,765	72,948	565291	...
50 - 299	579698	467	2,228	182,985	29,898	25,166	108,632	30,126	199886	...
300 OR	2269668	5,241	15,716	453,957	15,391	223,484	309,887	176,929	824362	244701
MAN BUSINES										
TOTAL	409405	657	3,096	56,386	13,333	43,507	76,401	24,314	164713	26334
0 - 49	139494	...	...	12,824	10,759	5,978	39,939	8,100	60262	...
50 - 299	46087	...	...	13,220	1,664	2,428	5,818	2,071	20398	...
300 OR	223646	...	...	30,277	908	35,101	30,644	14,142	83951	26198
SASK BUSINES										
TOTAL	317507	1,006	8,925	24,085	11,730	28,877	66,109	21,892	131763	22121
0 - 49	124936	635	2,845	9,245	9,465	6,389	37,689	6,693	50954	...
50 - 299	25766	...	437	4,345	1,718	2,775	3,429	1,936	11070	...
300 OR	166412	315	5,643	10,457	525	19,677	24,915	13,263	69517	22101
ALTA BUSINES										
TOTAL	1046095	2,549	54,827	95,181	58,199	89,547	208,784	56,594	412929	64407
0 - 49	426388	1,832	13,644	33,198	43,911	21,468	110,634	20,419	178167	...
50 - 299	100845	234	6,261	19,777	10,265	6,343	15,984	2,872	39106	...
300 OR	517463	476	34,848	42,169	3,988	61,650	82,014	33,198	194753	64367
B.C. BUSINES										
TOTAL	1415662	29,334	12,027	158,213	69,092	118,351	277,008	82,869	587587	75051
0 - 49	614430	16,516	2,559	60,157	57,305	30,250	156,521	30,460	254471	...
50 - 299	168801	1,905	1,930	26,859	7,547	9,093	24,705	7,945	88695	...
300 OR	631401	10,913	7,472	71,196	4,237	79,009	95,781	44,446	243477	74869
YUKON BUSINES										
TOTAL	11391	...	...	...	770	1,177	1,557	412	4097	2589
0 - 49	5008	...	...	184	596	...	1,169	...	2310	...
50 - 299	560	...	...	...	...	...	...	...	375	...
300 OR	5815	...	...	...	...	826	...	...	1412	2589
N.W.T. BUSINES										
TOTAL	23430	...	...	...	1,492	2,445	3,036	1,108	8164	5359
0 - 49	8756	...	...	180	1,238	...	1,926	...	3572	...
50 - 299	1127	...	...	...	...	...	...	...	328	...
300 OR	13458	...	...	...	...	1,050	...	...	4174	5328

... - Confidential

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

**JOB CREATION BY SIZE OF BUSINESS, INDUSTRY AND PROVINCE
CHANGE IN EMPLOYMENT, 4th QUARTER 1994 - 4th QUARTER 1995**

Annex 3

INDUSTRY	000-999 Total	041-051 Logging	061-09 Mining	101-399 Manufacturing	401-449 Construction	451-499 Transportation & Communication	501-692 Trade	701-761 Finance & Real Estate	771-779 851-999 Services	812-837 Government
CANADA										
BUSINESS SIZE										
TOTAL	209,993	2,666	(6,673)	55,178	(3,410)	4,646	76,429	6,492	114,249	(19,014)
0-49	160,943	3,622	(901)	15,045	(4,024)	21,337	39,559	12,367	94,450	55
50-299	38,623	131	(2,277)	33,480	(871)	(1,040)	9,725	626	(1,560)	X
300 OR MORE	5,475	(1,229)	(3,648)	5,693	1,640	(15,934)	27,346	(6,644)	17,730	(19,480)
NFLD										
BUSINESS SIZE										
TOTAL	(825)	422	(130)	173	(1,610)	(139)	291	355	287	(110)
0-49	1,645	172	65	588	(1,053)	141	4	6	2,016	X
50-299	(1,434)	(202)	(142)	529	(212)	323	405	165	(2,326)	X
300 OR MORE	(1,177)	246	(54)	(944)	(293)	(602)	(118)	283	554	(249)
P.E.I.										
BUSINESS SIZE										
TOTAL	6,269	X	X	645	1,932	(114)	1,124	(231)	2,604	236
0-49	3,259	X	X	615	155	X	668	X	1,673	X
50-299	664	X	X	(41)	X	X	298	(24)	340	X
300 OR MORE	2,296	X	X	71	X	(171)	123	X	574	216
N.S.										
BUSINESS SIZE										
TOTAL	1,850	(506)	(414)	(1,332)	81	(1,905)	5,826	985	(305)	(294)
0-49	3,061	X	X	(741)	(769)	1,118	2,610	181	981	X
50-299	(4,178)	X	(389)	(1,439)	582	(594)	(354)	111	(2,127)	X
300 OR MORE	2,003	X	X	36	263	(2,429)	3,571	495	890	(283)
N.B.										
BUSINESS SIZE										
TOTAL	11,021	857	349	2,253	(822)	2,911	2,125	499	1,684	1,435
0-49	5,385	853	209	2,172	(96)	703	1,491	303	19	X
50-299	3,652	153	171	938	(764)	2,207	(379)	6	1,626	X
300 OR MORE	1,806	157	(30)	(799)	38	(23)	1,013	96	(78)	1,432
QUE										
BUSINESS SIZE										
TOTAL	42,718	(33)	(2,187)	29,295	(4,053)	(2,399)	18,275	(54)	16,817	(7,490)
0-49	44,150	215	(817)	5,519	490	6,757	12,897	4,142	20,334	X
50-299	6,911	972	(543)	20,611	(4,121)	3	(3,156)	(3,911)	(2,946)	X
300 OR MORE	(9,204)	(1,179)	(827)	3,293	(418)	(9,241)	8,602	(265)	(1,613)	(7,555)
ONT										
BUSINESS SIZE										
TOTAL	78,092	975	2,215	15,119	3,403	18	24,812	1,008	45,667	(7,646)
0-49	52,889	335	851	6,256	(832)	4,920	9,694	2,514	36,673	X
50-299	22,907	129	324	6,268	4,192	(5,956)	10,018	4,885	2,840	X
300 OR MORE	1,189	481	1,042	2,384	84	915	5,349	(6,349)	5,097	(7,813)
MAN										
BUSINESS SIZE										
TOTAL	10,482	120	(389)	6,820	(531)	650	(170)	(842)	6,989	(1,168)
0-49	4,029	X	X	(124)	(917)	(106)	(9)	(116)	6,226	X
50-299	7,831	X	X	4,301	388	810	372	60	1,639	X
300 OR MORE	(1,348)	X	X	2,578	(4)	X	(516)	(787)	(841)	(1,242)
SASK										
BUSINESS SIZE										
TOTAL	5,360	6	1,088	(122)	(1,344)	(131)	3,138	2,366	1,410	(956)
0-49	3,802	(32)	526	838	(621)	592	763	1,369	439	X
50-299	(510)	X	(175)	(504)	(56)	648	1,055	119	(1,597)	X
300 OR MORE	1,943	38	738	(494)	(690)	(1,405)	1,248	888	2,598	(976)
ALTA										
BUSINESS SIZE										
TOTAL	3,764	(128)	(7,787)	6,480	(1,043)	4,098	6,700	1,384	(279)	(2,519)
0-49	13,704	98	(1,572)	2,148	24	2,017	4,638	850	8,652	X
50-299	(6,344)	55	(2,008)	5,600	(918)	2,306	(1,119)	376	(10,635)	X
300 OR MORE	(4,381)	(289)	(4,280)	(1,299)	(85)	(288)	3,126	211	1,032	(2,509)
B.C.										
BUSINESS SIZE										
TOTAL	50,049	890	481	(4,185)	612	1,719	14,094	895	38,702	(755)
0-49	28,391	1,856	(238)	(2,246)	(436)	5,110	6,620	3,023	17,107	X
50-299	9,205	(721)	293	(2,797)	(21)	(698)	2,589	(1,064)	11,588	X
300 OR MORE	11,760	(240)	360	867	1,075	(2,692)	4,912	(1,039)	9,307	(790)
YUKON										
BUSINESS SIZE										
TOTAL	17	X	X	(178)	32	(206)	(39)	8	66	172
0-49	(80)	X	X	184	(11)	X	(21)	X	55	X
50-299	(42)	X	X	X	X	X	X	X	(56)	X
300 OR MORE	132	X	X	X	X	(96)	X	X	67	172
N.W.T.										
BUSINESS SIZE										
TOTAL	1,196	0	X	X	(65)	142	252	118	605	80
0-49	708	0	X	14	40	X	205	X	275	X
50-299	(38)	0	X	X	X	X	X	X	96	X
300 OR MORE	458	0	X	X	X	99	X	X	144	117

X - Confidential

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