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Q U A R T E R L Y

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PERFORMANCE

Trends

- Between the first quarter of 2003 and the first quarter of 2004, small businesses (those with fewer than 100 employees) created approximately 39 700 jobs or almost 63 percent of net new jobs in the Canadian economy.
- The number of business establishments grew at an annualized rate of 2.7 percent from 2001 to 2003.
- Bankruptcies numbered 2 308 in the first quarter of 2004, a decrease of approximately 3 percent from the same quarter of 2003.
- Total business loans outstanding¹ from chartered banks amounted to \$91 billion in the first quarter of 2004, a decrease of 6 percent from the same quarter in 2003. Business loans of less than \$500 000 accounted for 20 percent of the total.
- Between 1990 and 2001, 11 percent of owners of small and medium-sized enterprises (SMEs) made an informal investment in another business.
- There were 2.4 million self-employed workers in the first quarter of 2004, an increase of 1.8 percent from the same quarter of 2003.

¹ Excluding non-residential mortgages, agricultural loans and customer's liability under acceptances.

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CANADIAN VENTURE CAPITAL ACTIVITY:

An Analysis of Trends and Gaps

The financing of SMEs with potential for high growth has become a significant public policy issue in Canada and abroad. High-growth-potential businesses are seen as important to success in a knowledge-based, global economy, but they find it difficult to secure timely and appropriate financing — a major impediment to growth. High-risk, high-growth firms can face challenges in securing access to financing, since many lack sufficient tangible assets to secure bank loans or other types of conventional financing. Risk capital, a form of investment provided for new companies in exchange for an ownership stake in the business, is often a more appropriate financing instrument for these SMEs, particularly in knowledge-based industries.

The Canadian venture capital¹ (VC) market is a key component of risk capital. *Canadian Venture Capital Activity: An Analysis of Trends and Gaps (1996–2002)*, a new Industry Canada report, assesses the state of the Canadian VC market. The following are the report's key findings:

- From 1996 to 2002, the Canadian VC industry grew considerably, with increases of:
 - 88 percent in new capital raised (\$3.2 billion in 2002);
 - 117 percent in the number of VC funds (282 in 2002);

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- 217 percent in total capital under management (\$22.5 billion in 2002); and
- 139 percent in total amount invested (\$2.5 billion in 2002).

Key drivers of this growth were increased foreign investment and increased investments in Ontario and in information technology firms.

- Canada ranks second among leading Organisation for Economic Cooperation and Development (OECD) countries in terms of VC investments as a percentage of Gross Domestic Product (GDP) (Chart 1). However, the Canadian VC industry experienced lower growth than that observed in the United States between 1995 and 2000.

Venture capital is appropriate only for the small number of firms that are able to generate returns commensurate with the high risk borne from investing in private equity. In 2002, 677 firms received VC funding out of a total of 2.2 million business establishments. Venture capitalists accept less than 1 percent of proposals and tend to invest only in firms characterized by:

- high-growth potential;
- an experienced management team;
- a willingness to share ownership;

- a strong financial commitment by the owner;
- the potential for annual returns of 30–40 percent over a five-year period; and
- a strong R&D, technological and international orientation.

- The analysis reveals a Canadian VC industry still in its infancy (by U.S. standards) that faces the following interrelated challenges:

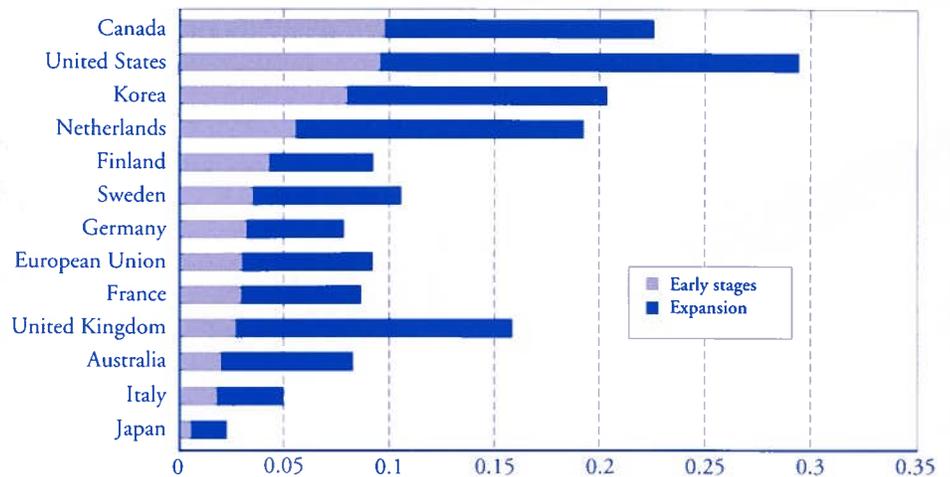
- a shortage of investor-ready firms;
- smaller and less experienced VC funds (relative to those in the United States);
- low participation by institutional investors; and
- lower returns (relative to those in the United States).

These challenges cannot be met by government or any other group alone, but need to be addressed collaboratively with the VC industry, the educational and research communities, and institutional investors.

This report is available on the Small Business Research and Policy Web site at www.strategis.gc.ca/venturecapital

¹ Venture capital is a form of risk capital characterized chiefly by high-risk investment in new or young companies following a growth path in technology and other value-added sectors. (Source: Macdonald & Associates Ltd.)

Chart 1: Venture Capital Investments as a Percentage of GDP in Major OECD Countries, 1995–2000



Source: OECD, 2001.



BUSINESS *Establishments*

According to Statistics Canada's Business Register, the number of business establishments¹ grew at an annualized rate of 2.7 percent from 2001 to 2003 (Table 1). The most significant rates of growth were in Nunavut (8.2 percent), Ontario (4.2 percent) and Alberta (3.8 percent). Most of the growth was in the indeterminate category.²

The number of employer establishments grew at an annualized rate of only 0.1 percent. The number of small employer establishments (1 to 99 employees) as a whole rose by 0.1 percent, the same rate as for medium-sized establishments (100 to 499 employees). The number of large establishments (500 employees and more), however, declined at a rate of 0.1 percent. The most significant rates

of growth were among small establishments with 5 to 9 employees (1.7 percent) and 10 to 19 employees (1.7 percent), and among medium-sized establishments with 200 to 499 employees (1.6 percent). The rates of growth of small establishments were highest in Nunavut, Alberta and Ontario.

¹ For a business establishment to be included in Statistics Canada's Business Register, the company to which it belongs must meet one of the following criteria: have at least one paid employee (with payroll deductions remitted to the Canadian Revenue Agency), have annual sales revenues of \$30 000, or be incorporated and have filed a federal corporate income tax return at least once in the previous three years. Some business establishments can belong to the same company and each company owns at least one business establishment.

² The Business Register classifies a business as "indeterminate" when it cannot be determined through payroll data that the firm has paid employees. The firm may, however, have a work force of contract workers, family members and/or its owners.

Table 1: Annualized Growth of Business Establishments by Size of Employment and Province or Territory, 2001 to 2003

Province or Territory	Employer Establishments												
	Grand Total	Indeterminate ¹	Total	Number of Employees									
				1-4	5-9	10-19	20-49	50-99	1-99	100-199	200-499	100-499	500+
Newfoundland and Labrador	0.3%	3.8%	-1.5%	-2.7%	0.6%	0.1%	0.5%	0.6%	-1.5%	0.5%	5.0	2.0%	0.0%
Prince Edward Island	-0.4%	2.7%	-2.0%	-6.6%	4.9%	5.9%	3.8%	1.3%	-2.0%	-6.1%	-7.2%	-6.5%	11.8%
Nova Scotia	0.8%	4.8%	-1.8%	-3.6%	-1.9%	2.2%	2.8%	2.7%	-1.9%	-0.7%	0.9%	-0.2%	0.0%
New Brunswick	0.1%	3.2%	-1.8%	-2.9%	-1.6%	-0.1%	1.6%	2.3%	-1.9%	-2.5%	0.0%	-1.7%	1.7%
Quebec	0.8%	2.5%	-1.0%	-2.3%	2.8%	0.4%	0.4%	-2.1%	-1.0%	-0.3%	0.7%	0.0%	-0.7%
Ontario	4.2%	7.0%	0.6%	0.3%	1.2%	1.9%	1.0%	-1.2%	0.7%	-1.8%	1.2%	-0.8%	-0.3%
Manitoba	0.8%	1.6%	-0.1%	-2.6%	2.8%	4.1%	4.0%	-1.0%	-0.1%	0.3%	1.3%	0.6%	-2.2%
Saskatchewan	0.7%	2.1%	-1.2%	-4.0%	2.2%	3.0%	5.2%	1.9%	-1.3%	2.6%	9.3%	5.0%	-1.6%
Alberta	3.8%	5.6%	1.7%	1.0%	3.1%	3.4%	2.2%	0.1%	1.7%	2.5%	2.1%	2.4%	0.7%
British Columbia	2.6%	4.8%	0.3%	0.0%	1.0%	0.9%	0.5%	-1.0%	0.3%	-0.7%	2.9%	0.4%	1.2%
Yukon Territory	1.0%	4.9%	-1.8%	-3.5%	0.2%	-1.5%	4.1%	4.5%	-1.6%	-10.1%	-15.5%	-12.0%	0.0%
Northwest Territories	1.5%	5.9%	-0.8%	-1.8%	-2.1%	-1.3%	5.7%	2.9%	-0.6%	-4.0%	0.0%	-2.7%	-29.3%
Nunavut ²	8.2%	16.3%	5.7%	-1.2%	10.1%	13.8%	9.6%	-2.4%	5.7%	8.0%	0.0%	6.1%	0.0%
Canada Total	2.7%	5.0%	0.1%	-0.9%	1.7%	1.7%	1.3%	-0.8%	0.1%	-0.6%	1.6%	0.1%	-0.1%

Source: Statistics Canada, *Business Register*, December 2001, 2002, 2003.

¹ The Business Register classifies a business as "indeterminate" when it cannot be determined through payroll data that the firm has paid employees. The firm may, however, have a work force of contract workers, family members and/or its owners.

² High growth numbers for Nunavut reflect the very small number of establishments.

JOB *Creation*

According to Statistics Canada's *Survey of Employment, Payrolls and Hours*, approximately 63 000 new payroll jobs were created in the first quarter of 2004 compared with the first quarter of 2003 (Table 2). This is substantially less than the 418 000 jobs created in the first quarter of 2003. Table 2 also shows that large firms (those with more than 500 employees) and small firms (those with fewer than 100 employees) contributed 74 percent and 63 percent respectively to net job creation. Conversely, the number of employees in medium-sized firms (those with between 100 and 500 employees) decreased by 37 percent.

Table 3 shows, using four-quarter averages, how the year-over-year change in employment by size of firm varied across provinces and territories. Total job growth rates were the highest in Prince Edward Island (6.7 percent), Nunavut (4.8 percent) and the Northwest Territories (4.5 percent). Firms with between 5 and 19 employees were the only size class to decline in payroll employment. In contrast, the strongest overall growth was seen in small firms with 50 to 99 employees.

(continued on page 4)



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Table 2: Year-over-year Quarterly Net Change in Payroll Employment by Firm Size, Canada, Q1 2001 to Q1 2004

Quarter	Total Net Change		% Contribution to Total Net Change by Size of Firm (Number of Employees)								
	Jobs, y/y	%, y/y	0-4	5-19	20-49	50-99	0-99	100-299	300-499	100-499	500+
Q1 2001	445 716	3.7	10.2	1.3	8.2	6.1	25.8	11.4	3.6	15.0	59.2
Q2 2001	344 534	2.8	2.0	8.8	13.3	12.1	36.2	11.0	2.7	13.7	50.1
Q3 2001	220 349	1.8	30.4	2.6	17.3	15.8	66.1	0.1	-1.0	-0.9	34.8
Q4 2001	118 891	0.9	33.4	39.9	36.0	13.9	123.2	-18.7	-39.8	-58.5	35.3
Q1 2002	109 548	0.9	-10.5	32.4	43.3	37.1	102.3	-8.6	-26.8	-35.4	33.1
Q2 2002	219 942	1.7	-2.2	5.4	36.8	37.7	77.8	14.1	-16.4	-2.3	24.5
Q3 2002	371 463	2.9	-0.5	1.0	24.1	25.5	50.1	16.7	-8.7	8.0	41.9
Q4 2002	468 364	3.7	-1.0	2.0	22.3	23.7	47.0	13.1	-1.9	11.1	41.9
Q1 2003	417 855	3.3	1.6	-0.2	17.6	19.7	38.7	13.1	2.8	15.9	45.4
Q2 2003	295 447	2.3	4.5	0.3	9.6	9.5	23.9	12.4	4.5	16.9	59.2
Q3 2003	133 500	1.0	9.1	-5.9	14.3	15.7	33.1	16.6	11.4	28.0	38.9
Q4 2003	88 971	0.7	7.3	-15.3	18.5	29.4	39.9	17.6	13.8	31.4	28.7
Q1 2004	63 120	0.5	1.3	19.9	15.9	25.8	62.9	0.6	-37.4	-36.8	73.9

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours*, June 2004.

Table 3: Year-over-year Annual Net Change¹ in Payroll Employment² by Province and Territory and Firm Size, Four-quarter Averages, Q2 2002 to Q1 2004

	Total Net Change		Growth Rates by Size of Firm and Province (Number of Employees)								
	Jobs, y/y	%, y/y	0-4	5-19	20-49	50-99	0-99	100-299	300-499	100-499	500+
			(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Newfoundland	3 016	1.7	1.5	3.6	7.0	2.0	3.7	8.7	-20.5	-1.3	0.9
Prince Edward Island	3 927	6.7	-1.0	0.9	3.3	7.3	2.4	9.4	23.3	13.0	8.9
Nova Scotia	7 210	2.0	-3.2	0.0	2.6	-1.0	-0.1	5.4	25.1	9.9	1.3
New Brunswick	1 020	0.3	-1.6	0.0	1.9	-6.4	-1.0	-1.9	3.0	-0.6	1.8
Quebec	33 818	1.1	0.4	-1.0	0.7	3.1	0.6	1.8	1.2	1.6	1.4
Ontario	33 084	0.6	0.7	-0.5	0.9	1.1	0.5	-0.8	0.0	-0.5	1.2
Manitoba	947	0.2	0.5	-0.1	0.3	-0.5	0.0	2.3	-1.2	1.3	0.0
Saskatchewan	14 756	3.9	2.0	-0.7	1.5	1.3	0.7	-0.7	-3.0	-1.4	9.1
Alberta	28 049	2.0	3.0	0.3	1.1	3.0	1.6	3.8	0.2	2.7	2.1
British Columbia	17 677	1.1	1.1	1.7	2.8	4.1	2.3	3.6	2.1	3.2	-1.0
Yukon Territory ³	304	2.0	2.9	2.9	2.0	12.3	4.3	18.8	—	—	—
Northwest Territories ³	952	4.5	-4.4	-0.1	2.6	19.2	3.8	7.5	—	—	—
Nunavut ³	501	4.8	-10.0	-6.8	9.1	23.1	5.9	43.6	—	—	—
Canada Total	145 260	1.1	0.9	-0.1	1.3	2.0	0.9	1.3	0.8	1.1	1.3

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours*, June 2004.

¹ The year-over-year change in net payroll employment is calculated as the difference between the average level of employment in the four quarters ending the first quarter of 2004 and the average level in the preceding four quarters.

² Excluding self-employed workers who are not on a payroll and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. The data breaking down employment by size of firm also exclude unclassified industries.

³ Data for firms with 300 or more employees in the territories are suppressed because of confidentiality restrictions but are included in the size category and territorial totals.

BUSINESS

Bankruptcies

There were 2 308 business bankruptcies in Canada in the first quarter of 2004,¹ a drop of 3 percent from the same quarter of 2003 (2 379) but an increase of approximately 8 percent from the fourth quarter of 2003 (2 141). The industries most affected were construction (18 percent of bankruptcies), retail trade (14 percent), and accommodation and food services (11 percent). These three sectors have had the highest bankruptcy rates since the first quarter of 2003.

In the first quarter of 2004, liabilities involved in bankruptcies amounted to \$662 million, a drop of 0.5 percent from the previous quarter. The average liability was approximately \$287 000 per bankrupt business, 6.5 percent lower than the average in the previous quarter (\$307 000). Close to 30 percent of the first quarter liabilities were accounted for by manufacturing (\$100 million) and wholesale trade industries (\$91 million).

¹ Since the first quarter of 2004, the Office of the Superintendent of Bankruptcy has been providing data according to the codes of the North American Industry Classification System rather than the Standard Industrial Classification. This change in method may have affected the accuracy of the comparisons in this text.

SELF-Employment

Statistics Canada's *Labour Force Survey* distinguishes five categories of self-employed workers:

- workers with incorporated businesses that use paid help;
- workers with incorporated businesses that don't use paid help;
- workers with unincorporated businesses that use paid help;
- workers with unincorporated businesses that don't use paid help; and
- unpaid family workers.

Using special tabulations from the *Labour Force Survey*, Industry Canada's Small Business Policy Branch has derived educational profiles for the different categories of self-employed workers. Table 4 shows the distribution by gender and education level for each category of self-employed workers, as well as for employees overall, in 2003.

The education profile of the self-employed differs from that of employees overall. Self-employed persons are more likely to have a university degree, but they are also more likely to have only 0–8 years of schooling. Nearly 17 percent of self-employed workers have not completed high school compared with less than 15 percent for employees overall. This discrepancy is particularly pronounced for unpaid family workers, 52 percent of whom have not completed high school.

(continued on page 6)

ECONOMIC

Snapshot

Data as of June 30, 2004

Canada's real Gross Domestic Product (GDP)... increased by 2.4 percent (annualized)¹ in the first quarter of 2004, following a 3.3-percent rise in the fourth quarter of 2003. The first quarter growth was mainly driven by an increase in final domestic demand of 4.8 percent, up from 2.3 percent in the fourth quarter. Inventory accumulation fell from \$12.2 billion in the fourth quarter to \$1 billion in the first quarter, subtracting 3.6 percentage points from GDP growth. On the income side, corporate profits continued to rise, while strong job creation helped real personal disposable income grow by 4.3 percent, compared with 2.8 percent in the fourth quarter of last year.

Monthly real GDP... edged up 0.1 percent in April on the strength of energy and housing, after rising by a strong 0.8 percent in March. Goods-producing output accounted for the overall economic growth in April, advancing by 0.3 percent following a 1.1-percent increase in March. Meanwhile, the output of manufacturers contracted by 0.2 percent, after a surge of 1.6 percent in March. The service sector's output was unchanged in April, reflecting in part a 1.0-percent decline in health care activity associated with public service strikes in Newfoundland, Labrador and British Columbia.

The economic outlook... has been revised upward amid improving domestic and global economic conditions. The *Consensus Forecast* survey of June expects real GDP growth in Canada to rise from 2.0 percent in 2003 to 2.9 percent in 2004 (up from 2.8 percent in April) and 3.3 percent in 2005. Meanwhile, real GDP growth in the United States is forecast to rise to 4.7 percent in 2004 before moderating to 3.8 percent in 2005.

Consumer spending... surged by 5.5 percent in the first quarter of 2004, the best performance in four years. This mainly reflected an increase of 15.7 percent in the consumption of semi-durable goods and of 7.7 percent in durable goods, facilitated by an increase in disposable income, continued strength in housing activity, and attractive financing terms and incentives from auto dealers. Expenditures on non-durables increased 3.9 percent, while services were up only 1.1 percent.

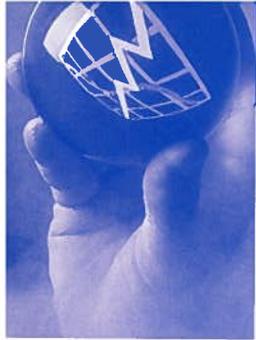
Housing investment... and activity remained strong in the first quarter of 2004, as residential investment increased 14.4 percent after rising 8.6 percent in the fourth quarter of 2003. Continued strength is also evident in housing starts, which remained at high levels in April and May. Assuming no growth in June, housing starts should rise 27.7 (annualized) percent in the second quarter.

Business investment in machinery and equipment (M&E)... rose 6.5 percent in the first quarter of 2004, up from 3.2 percent in the fourth quarter of 2003. In 2003, M&E investment, stimulated by lower prices associated with the appreciation of the Canadian dollar, increased 4.5 percent, following a decline of 1.2 percent in 2002.

Corporate profits... rose 26.6 percent in the first quarter of 2004, to a record high of more than \$163 billion. This rise was driven by strength in the mineral fuels and manufacturing industries. Government business enterprise profits were also up, largely because of strength from provincial government-owned electric-power utilities. Profits have posted double-digit growth for three consecutive quarters. In the first quarter of 2004, corporate profits reached 13 percent of GDP, compared with a historical average of 10 percent.

¹ All quarterly growth rates are annualized.

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Differences in education levels are also evident among the self-employment categories. In particular, unincorporated self-employed workers without paid help are less likely to have a university degree and more likely not to have finished high school than the other three categories of remunerated self-employed workers. Approximately 21 percent of unincorporated self-employed workers without paid help have a university degree, compared with a range of 26 to 31 percent for the other three categories of remunerated self-employed workers. Similarly, 19 percent of unincorporated self-employed workers without paid help have not finished

high school; the range for the other three remunerated self-employment categories is between 13 and 15 percent.

The proportion of males and females who have a university degree is similar. Among self-employed workers with paid help, a higher percentage of males have a university degree compared with females. This is especially true for the unincorporated self-employed with paid help, where 33 percent of males have a university degree compared with 26 percent of females.

Table 4: Distribution of Self-employed Workers by Gender and Education Level, Canada, Annual Average 2003

Education Level	All Employees		With Paid Help						Without Paid Help						Unpaid Family Workers
			Incorporated			Unincorporated			Incorporated			Unincorporated			
			All	Males	Females	All	Males	Females	All	Males	Females	All	Males	Females	
All levels	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
0-8 years	2.9%	5.2%	4.4%	5.0%	2.4%	4.8%	5.3%	3.7%	4.2%	4.4%	3.6%	5.4%	6.7%	3.7%	21.2%
Some high school	11.7%	11.6%	8.7%	9.0%	7.7%	9.8%	10.1%	9.1%	8.6%	8.9%	7.7%	13.6%	14.4%	12.5%	30.6%
High school graduate	20.6%	18.6%	20.1%	18.2%	26.2%	18.3%	16.9%	21.4%	17.0%	16.6%	18.5%	18.5%	18.4%	18.6%	14.6%
Some post-secondary	10.3%	7.6%	7.0%	6.6%	8.3%	6.8%	6.7%	6.9%	7.2%	7.4%	6.8%	8.1%	8.0%	8.3%	5.7%
Post-secondary certificate/diploma	34.1%	33.1%	33.7%	33.8%	33.2%	29.4%	28.1%	32.6%	34.4%	34.5%	34.0%	33.8%	32.2%	36.1%	19.9%
University degree	20.4%	24.0%	26.1%	27.3%	22.2%	30.9%	32.9%	26.3%	28.5%	28.2%	29.4%	20.5%	20.4%	20.7%	7.9%

Source: Statistics Canada, *Labour Force Survey*, special tabulations.



FINANCING

Business Owners Investing in Other Businesses

In seeking funds to finance their firms, business owners occasionally approach informal sources for financing, such as friends and family, angel investors or other business owners. Anecdotal evidence suggests that business owners who provide informal financing may have a bigger appetite for risk and be more flexible about repayment terms than formal institutions such as chartered banks and credit unions.

In a large national survey of SMEs (*Survey on Financing of Small and Medium-sized Enterprises, 2001*, conducted by Statistics Canada), owners were asked if they had invested privately in other businesses. Although business owners are just one segment of the informal investment market, the results offer insight into the availability of this source of financing among Canadian businesses.

Between 1990 and 2001, 11 percent of SME owners informally invested in another business. In 2000, there were 97 000 informal investments in debt or equity, and a further 102 000 in 2001. (No data are available on the proportions of debt or equity). Owners of businesses with 20 to 99 employees were the most likely to have invested in another business (21 percent had made an investment). At 16 percent, Alberta and British Columbia had the highest proportion of business owners making informal investments; the national average was 11 percent.

The size of investment varied considerably:

- 30 percent of business owners provided less than \$25 000;
- 13 percent provided \$25 000 to \$49 999;
- 19 percent provided \$50 000 to \$99 999;
- 20 percent provided \$100 000 to \$249 999; and
- 18 percent of business owners provided \$250 000 or more.

Under the SME Financing Data Initiative (www.strategis.gc.ca/fdi), Industry Canada will carry out additional research on the role that informal investment is playing in the financing of Canadian businesses.

Data as of June 30, 2004

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The current account... surplus rose \$2.8 billion to \$9.5 billion (\$38.0 billion annualized) in the first quarter of 2004. This was largely because of a higher merchandise trade surplus as exports rose (4.1 percent) more than imports (0.6 percent). The increase in exports was led by energy products, partly because of higher prices. However, the deficit in services rose slightly (\$0.1 billion) to \$3.0 billion and the deficit on investment income increased \$0.5 billion to \$5.0 billion.

The April Business Conditions Survey... indicated that manufacturers' outlook on production prospects for the second quarter of 2004 remained cautiously optimistic. This was mainly because of continued optimism in 16 of 21 manufacturing industries, led by the chemical and machinery industries. Sixty-two percent of manufacturers expected to keep their production unchanged and 23 percent expected to raise it. Eighty-five percent of producers stated that their work force would remain the same or increase. Eighty-one percent of manufacturers reported no production impediments, down from 84 percent in January. Impediments included the shortage of raw material and skilled labour.

Employment... surged by 56 000 in May, after an increase of 50 000 in April. This brought job gains since the beginning of 2004 to 86 000, as 154 000 full-time positions were created while 68 000 part-time jobs were lost. The goods sector gained 33 000 jobs in May and the service sector 23 000. Eight of the ten provinces posted job gains. The unemployment rate fell from 7.3 percent in April to 7.2 percent in May, the lowest rate since July 2001.

The Consumer Price Index (CPI)... posted a year-over-year increase of 2.5 percent in May, following a 1.6-percent rise in April. This was principally because of strong gasoline price increases. Excluding energy prices, the CPI rose 1.3 percent in May, only slightly higher than the 1.2-percent increase posted in both March and April. Core inflation, which excludes the most volatile components of the overall CPI and indirect taxes, fell from 1.8 percent in April to 1.5 percent in May, which is below the midpoint of the official 1–3 percent target range.

The Bank of Canada... left the overnight rate unchanged at 2.0 percent on June 8, as developments in the economy, except for the sharp rise in world oil prices, remained consistent with the Bank's outlook. In light of much-improved economic conditions and prospects, most analysts expect the Bank to begin raising interest rates later this year. The Federal Reserve has already started to become less accommodating, raising its funds rate by 25 basis points (bps) to 1.25 percent on June 30. Consistent with these developments, the spread between the 90-day corporate paper rate and its U.S. counterpart narrowed from about 100 bps on April 14 to about 55 bps on June 29.

The Canadian dollar... closed at US\$0.75 on June 30, 2004, up from US\$0.74 on June 25, 2004. Nonetheless, the Canadian dollar has trended down since hitting a 10-year high of US\$0.788 in early January. The gap between Canadian and U.S. interest rates narrowed and the U.S. dollar strengthened against major currencies.

The "Economic Snapshot" is prepared by the Micro-Economic Policy Analysis Branch of Industry Canada. Please address comments to Joseph Macaluso at 613-954-3495 or at macaluso.joseph@ic.gc.ca

RECENT *Developments*

New Web Site on Management Skills to Assist SMEs

Owners and managers of SMEs have a new place to turn when confronted by a management challenge. Industry Canada's new *Managing for Business Success* Web site provides practical advice for SME owners who need "just-in-time" solutions or simply want to run their business more successfully. The site has more than 270 links on key management functions such as strategy, leadership, operations, finance and human resources.

The site was inspired by the growing body of research underlining the correlation between management skills and business

success or failure, and the importance of strong management skills in moving entrepreneurial start-ups to profitable businesses.

We invite you to visit the site at
www.strategis.gc.ca/sme-management

Economic Forum on Women Entrepreneurs

Industry Canada, in collaboration with the Sprott School of Business at Carleton University, is organizing an Economic Forum on Women Entrepreneurs. On October 27–29, 2004, Canadian and international researchers will gather with senior federal officials in Ottawa to deepen understanding of the challenges faced by women entrepreneurs. The goal of the conference is to find ways to ensure that women entrepreneurs have every opportunity to succeed and contribute to the economy. For information on participating in the conference, please contact Anne Pigeon at pigeon.anne@ic.gc.ca

The 21st Conference of the Canadian Council for Small Business and Entrepreneurship

The 21st Conference of the Canadian Council for Small Business and Entrepreneurship (CCSBE) will be held November 12 and 13 in Regina, Saskatchewan. Under the theme "Entrepreneurship and Economic Development: Innovation, Opportunity and Capacity," academics, public servants, professionals and service providers will explore the relationship between entrepreneurship and economic development, as well as the roles that innovation, opportunity and capacity play in entrepreneurship. Workshops will be organized around three main themes: research, education and practice.

For more information on the CCSBE and the November conference, visit www.ccsbe.org

Small Business Quarterly Small Business Policy Branch

The *Small Business Quarterly* (SBQ) provides a quick and easy-to-read snapshot of the recent performance of Canada's small business sector. The SBQ is published by the Small Business Policy Branch of Industry Canada.

Please send your comments to the editor:

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