



SMALL Business

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Q U A R T E R L Y

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PERFORMANCE

Trends

■ Between the third quarter of 2003 and the third quarter of 2004, small businesses (those with fewer than 100 employees) lost approximately 1270 jobs or almost 0.8 percent of net new jobs in the Canadian economy.

■ There were 2.35 million business establishments in June 2004, an increase of 5.3 percent from June 2003.

■ Bankruptcies numbered 1796 in the third quarter of 2004, a decrease of approximately 10 percent from the same quarter of 2003.

■ Total business loans outstanding¹ from chartered banks amounted to \$93 billion in the third quarter of 2004, virtually the same amount as in the third quarter of 2003. Business loans of less than \$500 000 accounted for 21 percent of the total.

■ During 2002–03, 11 252 loans worth \$955.9 million were granted under the Canada Small Business Financing program. More than half (57 percent) of this amount was provided to start-up businesses. It is estimated that the program helped to create almost 31 200 jobs during this period.

■ There were 2.48 million self-employed workers in the third quarter of 2004, an increase of 1.9 percent from the same quarter of 2003.

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

SUSTAINING THE MOMENTUM:

An Economic Forum on Women Entrepreneurs

Industry Canada and the Eric Sprott School of Business of Carleton University organized an Economic Forum on Women Entrepreneurs in Ottawa from October 27–29, 2004, to examine the research on differences between women and men entrepreneurs, and to discuss the implications for entrepreneurship and for small business policies and programs. The Forum represented a unique opportunity to bring together researchers and policy makers in this area.

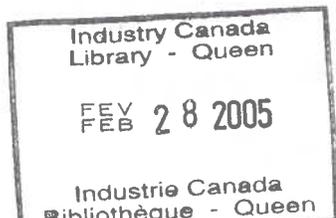
Industry Canada research presented at the Forum indicated that women business owners have become an integral part of the Canadian economy. Measured by the number of firms, women's entrepreneurship in Canada has tripled over the last 20 years.¹ In 2001, firms with at least one female owner accounted for 47 percent of all small and medium-sized enterprises (SMEs), and these firms employed 2.6 million people. Women held majority ownership in 18 percent of SMEs, and these firms employed almost 570 000 people.

SMEs in which women owned a majority brought in combined annual revenues of \$72 billion in 2000, representing 8 percent of all revenues from Canada's SMEs. Although women operate SMEs in all sectors of the economy, they are disproportionately located in the service sector. In 2001, 80 percent of SMEs owned by women were in the service industries, compared with 59 percent of SMEs owned by men.

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There are other notable differences between firms owned by women and those owned by men. For example:

- in 2001, 85 percent of firms owned by women were microbusinesses (with fewer than 5 employees), compared with 79 percent of firms owned by men;
- in 2000, average annual sales for firms owned by women were \$318 000, compared with \$680 000 for firms owned by men;
- in 2000, net profit for businesses owned by women averaged just over half that for businesses owned by men (\$34 000 compared with \$65 000);
- 17 percent of SMEs in which women owned a majority made a request for debt in 2000, compared with 23 percent for SMEs owned by men; and
- in 2000, small businesses owned by women were slightly less likely to be involved in exports (8 percent compared with 11 percent for SMEs owned by men).

To better understand the factors behind these differences, researchers, representatives of associations of women business owners and those who provide services to women entrepreneurs presented information on a variety of issues. Round-table discussions followed, in which delegates considered the implications of the research findings for public policy and identified priorities for action. Participants were very positive regarding both the content and format of the Forum and several commented that the event was a first and long-awaited attempt to meld research and policy.

JOB Creation

According to Statistics Canada's *Survey of Employment, Payrolls and Hours*, close to 159 000 net jobs (payroll jobs) were created between the third quarter of 2003 and the third quarter of 2004 (Table 1), representing an increase of 1.2 percent. This gain is greater than the growth (133 500 jobs) recorded between the third quarter of 2002 and the third quarter of 2003. As Table 1 indicates, total growth in employment was generated by large firms (500 employees and over) between the third quarter of 2003 and the third quarter of 2004. Small and medium-sized firms (those with fewer than 100 employees

From the discussions, it is evident that there is considerable room for further research in this area. For example:

- there is a lack of data on use of small business programs by gender of clients;
- little, if any, information is available on the impacts of existing SME policies and programs on firms owned by women; and
- a new approach to understanding gender differences in entrepreneurship needs to be considered, since "traditional" explanations of why firms owned by women lag behind those owned by men (e.g. younger firms, concentration in service industries, etc.) are not borne out by research.

A report summarizing the research findings and the recommendations will be shared with federal departments and agencies responsible for entrepreneurship and for small business policies and programs.

Selections of the research presented at the Forum will be featured in a special issue on women entrepreneurs and public policy in the *Journal of Small Business and Entrepreneurship* to be published in fall 2005.

For more information on the Forum, see www.sprott.carleton.ca/forum/

¹ The data in this article are drawn from the SME Financing Data Initiative, a federal initiative that aims to provide comprehensive, reliable data on SME financing in Canada.

and 100–499 employees respectively) experienced declines of 0.8 and 6.3 percent in net job creation over this period.

Table 2 indicates, 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 highest in Nunavut (3.4 percent), Saskatchewan (2.4 percent), Alberta (1.6 percent) and the Northwest Territories (1.6 percent). Among small firms, the 5–19 category was the only class to record an increase in net payroll jobs (2.4 percent).

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Table 1: Year-over-year Quarterly Net Change in Payroll Employment by Firm Size, Canada, Q1 2001 to Q3 2004

Quarter	Total Net Change		% Contribution to Total Net Change by Size of Firm (Number of Employees)								
	%, y/y	Jobs, y/y	0-4	5-19	20-49	50-99	0-99	100-299	300-499	100-499	500+
Q1 2001	3.7	445 716	10.2	1.3	8.2	6.1	25.8	11.4	3.6	15.0	59.2
Q2 2001	2.8	344 534	2.0	8.8	13.3	12.1	36.1	11.0	2.7	13.7	50.1
Q3 2001	1.8	220 349	30.4	2.6	17.3	15.8	66.1	0.1	-1.0	-0.9	34.8
Q4 2001	0.9	118 891	33.4	39.9	36.0	13.9	123.2	-18.7	-39.8	-58.5	35.3
Q1 2002	0.9	109 548	-10.5	32.4	43.3	37.1	102.3	-8.6	-26.8	-35.4	33.1
Q2 2002	1.7	219 942	-2.2	5.4	36.8	37.7	77.8	14.1	-16.4	-2.3	24.5
Q3 2002	2.9	371 463	-0.5	1.0	24.1	25.5	50.1	16.7	-8.7	8.0	41.9
Q4 2002	3.7	468 364	-1.0	2.0	22.3	23.7	47.0	13.1	-1.9	11.1	41.9
Q1 2003	3.3	417 855	1.6	-0.2	17.6	19.7	38.6	13.1	2.8	15.9	45.4
Q2 2003	2.3	295 447	4.5	0.3	9.6	9.5	23.9	12.4	4.5	16.9	59.2
Q3 2003	1.0	133 500	9.1	-5.9	14.3	15.7	33.1	16.6	11.4	28.0	38.9
Q4 2003	0.7	88 971	7.3	-15.3	18.5	29.4	39.9	17.6	13.8	31.4	28.7
Q1 2004	0.5	63 120	1.3	19.9	15.9	25.8	62.9	0.6	-37.4	-36.8	73.9
Q2 2004	0.7	93 736	-20.0	92.5	-28.9	-45.4	-1.7	-31.3	21.3	-9.9	111.7
Q3 2004	1.2	158 969	-18.7	59.0	-10.6	-30.6	-0.8	-9.7	3.4	-6.3	107.1

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

Table 2: Year-over-year Annual Net Change¹ in Payroll Employment² by Province and Territory and Firm Size, Four-quarter Averages, Q4 2002 to Q3 2004

	Total Net Change		Growth Rates (%) by Size of Firm (Number of Employees)								
	%, y/y	Jobs, y/y	0-4	5-19	20-49	50-99	0-99	100-299	300-499	100-499	500+
Newfoundland	0.2	441	-0.4	5.8	3.2	-1.2	2.7	-3.6	23.6	3.8	-2.3
Prince Edward Island	0.9	574	1.0	-1.4	-3.5	-2.7	-1.8	-2.7	4.3	-0.7	4.6
Nova Scotia	-0.8	-3 170	-3.0	1.3	-1.5	-0.8	-0.7	-0.9	5.1	0.6	-1.5
New Brunswick	-2.4	-7 227	-0.9	-0.2	-2.4	-4.0	-1.6	-6.2	-9.3	-7.1	-1.7
Quebec	0.6	17 311	-2.5	1.3	1.5	0.1	0.5	-1.2	-0.8	-1.1	1.3
Ontario	0.9	43 582	-1.2	2.5	-1.2	-1.6	-0.1	-1.1	0.3	-0.7	2.2
Manitoba	-0.9	-4 456	-3.0	3.0	-3.6	-7.3	-2.2	-2.7	-4.1	-3.1	1.0
Saskatchewan	2.4	9 396	-2.7	2.8	-2.2	-3.4	-0.7	-3.3	7.7	0.0	6.4
Alberta	1.6	23 672	1.8	3.1	-1.9	0.4	1.0	3.4	-1.4	2.0	2.2
British Columbia	1.3	20 470	0.0	4.0	1.8	-0.4	1.8	2.6	4.8	3.2	-0.1
Yukon ³	-0.7	-105	-2.7	4.0	2.4	0.8	1.7	0.2	—	—	—
Northwest Territories ³	1.6	347	-6.3	1.8	4.3	-9.1	-0.7	9.1	—	—	—
Nunavut ³	3.4	365	-6.0	-7.9	-0.8	25.4	3.1	-6.8	—	—	—
Canada Total	0.8	101 199	-1.1	2.4	-0.3	-1.1	0.3	-0.5	0.6	-0.2	1.5

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours*, December 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 third quarter of 2004 and the average level in the preceding four quarters.

² *Survey of Employment, Payrolls and Hours* data exclude 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 due to confidentiality restrictions but are included in the size category and territorial totals.

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 tables derived from the *Labour Force Survey*, Industry Canada's Small Business Policy Branch has created an occupational profile for the different categories of self-employed workers based on customary hours of work.

In 2003, self-employed workers worked, on average, more hours per week than employees. The gap was wider for men: self-employed men worked an average of 44.6 hours per week, compared with 38.2 hours for male employees — a difference of 6.4 hours. Contributing to this is the fact that 48 percent of self-employed men worked more than a normal 40-hour work week, compared with only 16 percent of male employees (Table 3).

In contrast, self-employed women worked only 0.7 hours per week more than their employee counterparts — 33.3 hours as opposed to 32.6 hours. In part, this reflected the 26 percent of self-employed women who worked more than 40 hours per week, compared with only 5 percent of female employees. At the same time, self-employed women are more likely than female employees to work part time (less than 30 hours per week): 39 percent of self-employed women said they work part time, compared with 26 percent of female employees. These two influences effectively cancelled each other out in overall average hours.

Self-employed men with paid help worked the longest hours — 49 hours per week on average, with 59 percent of this group working more than 40 hours per week. The trend is the same for women, but to a lesser extent. Self-employed women with paid help worked an average of 40 hours per week, compared with 33 hours for self-employed women who do not use paid help. The group most likely to work part time is self-employed women who do not use paid help — 34 percent of those with incorporated businesses and 47 percent of those with unincorporated businesses worked part time.

Table 3: Distribution of Self-employed Workers and Employees by Hours Worked per Week, Annual Average, 2003

Usual Hours Worked per Week	Men							Women						
	Employees		Self-employed					Employees		Self-employed				
	Total	Total	Incorporated	Unincorporated	Unpaid Family Workers ¹	Total	Total	Incorporated	Unincorporated	Unpaid Family Workers				
			With Paid Help	No Paid Help	With Paid Help	No Paid Help			With Paid Help	No Paid Help	With Paid Help	No Paid Help	Unpaid Family Workers	
1-4	3.7%	4.5%	1.0%	3.1%	2.0%	7.3%	25.4%	7.4%	16.5%	6.8%	12.2%	5.5%	21.1%	28.8%
5-29	6.8%	8.5%	3.0%	7.8%	5.5%	12.4%	17.0%	19.0%	22.2%	14.8%	21.8%	13.3%	25.5%	27.2%
30-34	3.9%	6.8%	3.4%	6.6%	5.0%	9.3%	—	9.5%	10.2%	8.1%	10.2%	10.6%	10.5%	14.8%
35-39	18.1%	6.3%	4.8%	7.4%	5.7%	7.0%	—	30.3%	7.7%	8.7%	8.3%	7.8%	7.4%	2.9%
40	51.6%	25.9%	28.8%	27.6%	22.3%	24.9%	4.7%	29.0%	17.4%	27.1%	19.9%	21.2%	14.1%	13.2%
41-49	8.7%	8.9%	9.9%	8.6%	9.8%	8.1%	6.2%	3.0%	5.8%	7.0%	5.9%	8.2%	5.1%	0.6%
50 or more	7.2%	39.2%	49.0%	38.8%	49.7%	31.1%	26.6%	1.8%	20.3%	27.5%	21.7%	33.4%	16.3%	12.5%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Average (hours)	38.2	44.6	49.0	45.1	48.6	41.1	35.2	32.6	33.3	39.9	35.1	41.7	30.2	27.0

Source: Statistics Canada, *Labour Force Survey*, 2004.

¹ Some of the data for unpaid family workers are unavailable because their values were suppressed in the original source due to confidentiality restrictions. However, these values are included in the total and are used to calculate average hours worked per week.

BUSINESS

Bankruptcies

There were 1796 business bankruptcies in the third quarter of 2004,¹ the lowest level in 17 years. This represents a drop of 12 percent from the number of bankruptcies in the previous quarter (2048) and a drop of 10 percent from the number in the third quarter of 2003 (2006). Four industries made up more than half of commercial bankruptcies: construction (289); retail trade (283); accommodation and food services (215); and transportation and warehousing (180). This last category showed the greatest improvement, however, with a 17-percent decline in bankruptcies compared with the second quarter.

On the other hand, liabilities involved in bankruptcies showed a sharp, quarter-to-quarter increase, rising by almost 54 percent from \$670 million to \$1.034 billion. The average liability was \$576 000 per bankrupt business, a 75-percent quarterly increase. The manufacturing sector and the agriculture, forestry, fishing and hunting sector together accounted for 55 percent of total liabilities from business bankruptcies in the third quarter, although they represented only 13 percent of the total number of business bankruptcies.

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.

BUSINESS

Establishments

According to Statistics Canada's *Business Register*, there were nearly 2 347 000 business establishments¹ in Canada in June 2004, an increase of 5.3 percent from June 2003. Over this period, the number of businesses in the indeterminate category (businesses without employees)² increased by nearly 120 000, an increase of 10.1 percent. At the same time, the number of employer businesses (businesses with employees) declined by around 800 compared with 1 047 132 recorded in June 2003, representing a drop of just 0.1 percent. Table 4 provides a breakdown of business establishments by number of employees and industry.

In June 2004, small businesses (those with fewer than 100 employees) accounted for almost 98 percent of employer establishments. Of these, 57.5 percent were microbusinesses with fewer than 5 employees; 37.2 percent had 5–49 employees; and only 2.9 percent, or 31 000 business establishments, had 50–99 employees.

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ECONOMIC

Snapshot

Data as of December 23, 2004

Canada's real Gross Domestic Product (GDP)... increased by 3.2 percent (annualized) in the third quarter of 2004, following a 3.9-percent rise in the second quarter. Growth was driven by final domestic demand (including consumer, business and government spending), which rose to 3.3 percent from 2.1 percent in the second quarter, and a substantial build-up in inventories. On the income side, corporate profits rose 8.5 percent, following a 33.7-percent average growth in the first two quarters of 2004. Personal disposable income increased 2.0 percent in the third quarter, down from 5.0 percent in the second, owing in part to the inclusion of Ontario's health premium in the national accounts as a tax.

Monthly real GDP... was unchanged in September and October, after strong gains in the previous three months. However, October output was 3.2 percent higher than a year earlier. Goods production went down 0.2 percent, after a 0.1-percent decline in September. This reflects decreases in all components, except agriculture and mining. Construction posted the largest drop (0.6 percent). Manufacturing output declined 0.3 percent after a 0.2-percent decrease in September, but was 4.8 percent higher than a year earlier. Service output rose 0.1 percent in October, the same as in September, and stood 3.2 percent higher than a year earlier. The largest gain, in October, was posted by retail trade (0.9 percent), boosted by incentives for motor vehicle sales. Labour strikes in the federal government reduced federal public administration output by 1.2 percent and the lockout of the National Hockey League players resulted in a 2.1-percent drop in output by arts and entertainment industries.

The economic outlook... has been revised down somewhat, with the *Consensus Forecast* survey of December expecting real GDP growth of 2.7 percent in 2004 and 3.0 percent in 2005, down from 2.9 percent in 2004 and 3.3 percent in 2005 expected three months ago. The lower growth for 2004 largely reflects downward revisions to real GDP in the first two quarters of 2004, while that of 2005 reflects weak economic data and a substantially higher Canadian dollar than expected.

Consumer spending growth... rose 3.0 percent in the third quarter, up from 2.1-percent growth in the second quarter. This was largely the result of an acceleration in spending on semi-durables (8.9 percent) and on durables (4.8 percent). Spending on services rose 2.1 percent, down from 2.3-percent growth in the second quarter.

Housing investment... and activity moderated in the third quarter as residential construction grew 3.3 percent, half the growth posted in the second quarter. The slowdown was noticeable in the resale of existing homes, where ownership and transfer costs dropped 15.6 percent, after an increase of 25.6 percent in the previous quarter. Renovations posted growth of 12.3 percent, following a 3.9-percent increase in the second quarter. Recent indicators point to a further slowdown in the housing sector in the fourth quarter. Average housing starts in the first two months of the fourth quarter were 6.6 percent lower than housing starts in the third quarter.

Business investment in machinery and equipment... advanced 8.2 percent in the third quarter (the seventh consecutive quarter of growth), after a 5.5-percent increase in the second quarter. In 2003, machinery and equipment investment, stimulated by lower prices associated with appreciation of the Canadian dollar, increased 4.5 percent, following a decline of 1.2 percent in 2002.

Corporate profits (before taxes)... rose 8.5 percent (annualized) in the third quarter, following a 33.0-percent increase in the second quarter. At 13.9 percent of GDP, corporate profits are well above their 10-year average of 11.1 percent.

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More than one third of small business establishments were active in one of the following three sectors: retail trade; professional, scientific and technical services; and construction. Among employer microbusinesses (1–4 employees), more than one third were found in professional, scientific and technical services; construction; or other services (the same three industries as in June 2003). Medium-sized employer businesses (100–499 employees) were most heavily concentrated in manufacturing (21 percent) and retail trade (13 percent).

¹ For an individual 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 Canada 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 owners.

Table 4: Business Establishments by Size of Employment and Industry, June 2004

Industry	Employer Businesses												
	Grand Total	Indeterminate ¹	Total	Number of Employees								Distribution (%)	
				1–4	5–9	10–19	20–49	50–99	100–199	200–499	500+	1–99	100–499
Agriculture, forestry, fishing and hunting	198 087	139 118	58 969	43 185	7 888	4 486	2 454	655	223	70	8	5.7	1.3
Mining and oil and gas extraction	16 206	7 917	8 289	4 801	1 113	907	778	334	185	119	52	0.8	1.4
Utilities	2 039	826	1 213	532	207	150	144	60	42	38	40	0.1	0.4
Construction	266 121	154 881	111 240	73 589	16 769	10 227	6 959	2 386	899	331	80	10.8	5.7
Manufacturing	105 620	43 393	62 227	26 689	9 343	8 163	8 448	4 611	2 912	1 619	442	5.6	20.9
Wholesale trade	125 606	61 217	64 389	32 317	11 993	9 288	7 274	2 185	947	324	61	6.2	5.9
Retail trade	227 222	94 512	132 710	60 454	31 663	21 563	11 956	4 130	2 016	821	107	12.7	13.1
Transportation and warehousing	112 613	66 644	45 969	30 945	5 748	3 948	3 150	1 185	527	329	137	4.4	3.9
Information and cultural industries	32 774	19 048	13 726	7 304	2 016	1 582	1 643	585	331	178	87	1.3	2.3
Finance and insurance	108 615	74 171	34 444	17 489	5 475	4 567	4 858	1 056	532	298	169	3.3	3.8
Real estate and rental and leasing	175 421	135 149	40 272	24 893	6 602	4 304	2 951	979	343	149	51	3.9	2.3
Professional, scientific and technical services	316 840	201 471	115 369	81 553	14 982	9 402	6 219	1 896	795	405	117	11.2	5.5
Management of companies and enterprises	91 102	74 049	17 053	10 249	2 470	1 838	1 436	600	282	107	71	1.6	1.8
Administrative and support, waste management and remediation services	110 702	62 708	47 994	27 773	8 030	5 477	4 014	1 445	716	403	136	4.6	5.2
Educational services	22 008	10 279	11 729	6 086	1 917	1 400	1 039	395	245	221	426	1.1	2.1
Health care and social assistance	96 850	13 550	83 300	47 588	16 022	9 468	5 678	2 066	1 279	808	391	7.9	9.6
Arts, entertainment and recreation	43 236	25 166	18 070	9 938	3 155	2 242	1 690	575	291	133	46	1.7	2.0
Accommodation and food services	116 296	41 575	74 721	29 153	14 725	14 028	11 297	4 000	1 143	306	69	7.2	6.7
Other services (excluding public administration)	171 358	74 804	96 554	64 809	17 149	8 711	4 281	1 023	393	147	41	9.4	2.5
Public administration	8 165	58	8 107	2 305	1 704	1 105	1 203	644	447	361	338	0.7	3.7
Total all industries	2 346 881	1 300 536	1 046 345	601 652	178 971	122 856	87 472	30 810	14 548	7 167	2 869	100.0	100.0
Share of employer businesses			100%	57.5%	17.1%	11.7%	8.4%	2.9%	1.4%	0.7%	0.3%		

Source: Statistics Canada, *Business Register*, June 2004.

¹ The indeterminate category consists of incorporated or unincorporated businesses that do not have a Canada Revenue Agency payroll deductions account. The work force of such businesses may consist of contract workers, family members and/or owners.

FINANCING

Canada Small Business Financing Act — Annual Report 2002–2003

The Canada Small Business Financing (CSBF) program facilitates access to asset-based debt financing for the establishment, expansion, modernization and improvement of small and medium-sized enterprises (SMEs). The CSBF program is a loss-sharing program based on a partnership between the federal government and private sector lenders. The program is delivered by a network of around 1540 private sector lenders.

Part of the program is a Capital Leasing Pilot Project. The purpose of this project is to determine the effectiveness of the CSBF loss-sharing program in helping SMEs in Canada access lease financing to innovate, modernize and grow.

Performance of the program is documented in its annual report. Highlights from the most recent report (for the 12-month period ending March 31, 2003) include the following:

- Some 11 252 small business loans totalling \$955.9 million and 57 capital leases totalling \$8.8 million were made during 2002–03. The average loan was about \$85 000 and the average capital lease was about \$154 000.
- New businesses accounted for 50 percent of the number of loans in 2002–03 and 57 percent of their value. By value, 55 percent of loans went to four industry sectors: food and beverage services, retail trade, manufacturing, and transportation and warehousing. Franchise businesses accounted for 11 percent of the value of loans. As for capital leases, new businesses accounted for 27 percent of leases by value, while 47 percent were made to firms more than three years old.
- Borrowers estimated the employment impact of loans made in 2002–03 at 31 173 new jobs across Canada, or about 2.8 jobs per loan. Job estimates for leases were 140 new jobs, or about 2.5 jobs per lease.
- During 2002–03, 1425 claims totalling \$69.4 million were paid for loans that defaulted during the four-year life of the CSBF program. No claims for loss were submitted in the case of capital leases.

For more information on the comprehensive review of the CSBF program or to obtain a copy of the annual report, please visit our Web site at www.strategis.gc.ca/sbresearch/csbfa

Data as of December 23, 2004

(continued from page 5)

The current account... was \$37.6 billion (annualized) in the third quarter, \$7.2 billion lower than in the second quarter. However, this was the 21st consecutive quarterly surplus. The decline was primarily the result of a lower surplus in merchandise trade and a higher deficit on investment income. The surplus on trade in goods stood at \$69.3 billion, as imports rose (2.5 percent) faster than exports (0.4 percent). The increase in imports was led by automotive products, industrial goods and crude petroleum. The deficit on services declined by \$1.2 billion. However, the deficit on investment income increased by \$1.2 billion, resulting from lower profits earned by Canadian direct investors.

The October Business Conditions Survey... indicated that manufacturers' outlook for the fourth quarter remained upbeat. This was mainly owing to continued optimism by 16 of 21 manufacturing groups, led by computer and electronic product manufacturing and machinery industries. Sixty-nine percent of manufacturers expected to keep their production unchanged and 22 percent expected to raise it. Ninety-one percent of manufacturers stated that their work force would remain the same or increase.

Employment... edged up by 5000 net new jobs in November, following robust growth in the previous two months (78 000 net new jobs). All gains were in part-time employment in November (30 000 jobs created). However, part-time employment declined 0.7 percent (22 000) since the beginning of the year, while full-time employment rose 1.7 percent (217 000), more than offsetting the loss in part-time employment. In November, unemployment rose 0.2 of a percentage point to 7.3 percent.

The Consumer Price Index (CPI)... posted a year-over-year increase of 2.4 percent in November, up from a 2.3-percent increase in October. "Core" inflation, which excludes the most volatile components of the overall CPI and indirect taxes, and is the target for monetary policy, rose from 1.4 percent in October to 1.6 percent in November, but remained below the midpoint of the official 1–3 percent target range for monetary policy.

The Bank of Canada... held the overnight rate unchanged at 2.5 percent on December 7, 2004, after raising it by 25 basis points (bps) in September and October. The Bank's decision reflected the moderating effect of the Canadian dollar on the Canadian economy. In the United States, the Federal Reserve raised its fed funds rate by a further 25 bps on December 14, resulting in a cumulative increase of 100 bps since August, for a rate of 2.25 percent. The spread between the 90-day corporate paper rate and its U.S. counterpart narrowed to 19 bps on December 22 from about 60 bps in October and from over 150 bps at the start of 2004.

The Canadian dollar... closed at US\$0.812 on December 23, 2004, down 4.5 percent since November 26, when the loonie hit a 12-year high of about US\$0.85. The recent retreat in the Canadian dollar reflects a narrowing of interest rate spread, declining commodity prices, and slowing economic conditions, along with a recovery in the U.S. dollar against major currencies.

The "Economic Snapshot" is prepared by the Micro-Economic Policy Analysis Branch of Industry Canada. Please address comments to Hossein Rostami at 613-955-8452 or at rostami.hossein@ic.gc.ca

RECENT *Developments*

Managing for Business Success

Focus testing of Industry Canada's Web site *Managing for Business Success* was recently completed in an effort to ensure that the Web site is meeting client needs. The portal was launched last summer to provide practical advice and information on management challenges for small businesses.

Focus testing used both in-person and online focus groups and provided feedback on the layout, content, navigation and other functional aspects of the site. Overall, participants found the site informative and concise, and its navigation intuitive, fast and helpful. Areas for improvement that were identified included the need for more links to Canadian sites in both official languages, use of basic business terminology,

use of improved colour and design, and streamlining the organization of the site through clearer topics on the left bar menu.

Look for the newly designed *Managing for Business Success* Web site in March 2005 at

www.strategis.gc.ca/sme-management

Key Small Business Statistics

An updated version of *Key Small Business Statistics*, which provides a statistical overview of the small business sector in Canada, was released in January 2005. In addition to updated data, several new sections have been added, answering the following questions: What is the contribution of small businesses to Canada's exports? What sources of financing are used by SMEs at different stages of development? How many SMEs request debt financing? Who are the key suppliers of debt financing?

Launched in 2001 in response to a demand for baseline data on small businesses, *Key Small Business Statistics* is updated twice a year and can be found in the Small Business Research and Policy Web site at www.strategis.gc.ca/sbstatistics

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.

If you want to subscribe, please send your request to prg-sbpb@ic.gc.ca. If you have questions or comments about the content, please send them to the editor:

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