

# SMALL

VOL. 7, NO. 2, August 2005

# Business

QUARTERLY  
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## PERFORMANCE

### Trends

- Between the first quarter of 2004 and the first quarter of 2005, small businesses (those with fewer than 100 employees) shed approximately 43 000 jobs.
- There were 2.4 million business establishments in December 2004, an increase of 3 percent from December 2003.
- Bankruptcies numbered 2122 in the first quarter of 2005, a drop of 8 percent from the same quarter of 2004.
- Total business loans outstanding<sup>1</sup> from chartered banks amounted to \$98.5 billion in the first quarter of 2005, an increase of 8.3 percent from the same quarter of 2004. Business loans of less than \$500 000 accounted for 19 percent of the total.
- In 2001, 7 percent of Canada's small and medium-sized enterprises were owned by persons belonging to a visible minority. Less than one quarter of visible minority entrepreneurs approached a financial institution for financing and 80 percent of these applications were approved.
- There were 2.46 million self-employed workers in the first quarter of 2005, an increase of 2.9 percent from the same quarter of 2004.

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

## SURVEY OF REGULATORY

### Compliance Costs

**A** concern often cited by small businesses is that the costs of regulatory compliance often outweigh the benefits, undermining business' capacity to attract investment and trade in global markets. Paperwork burden or "red tape" is the unwarranted time and resources spent by businesses to access and understand regulations, develop compliance strategies and meet reporting requirements. Excessive regulatory compliance costs stem from the complexity of a multitude of regulatory requirements imposed by distinct jurisdictions in three orders of government.

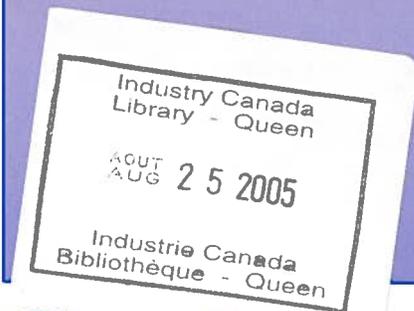
The 2004 Federal Budget created the Advisory Committee on Paperwork Burden Reduction, a 14-member, public-private working group co-chaired by the Canadian Federation of Independent Business and Industry Canada. This committee was tasked with identifying concrete actions that will reduce the paperwork burden on small businesses and tracking the government's performance in reducing the paperwork burden. At its first meeting in March 2005, the advisory committee approved an operational plan that includes a new survey on regulatory compliance costs.

The *Survey of Regulatory Compliance Costs* is a key component of the Paperwork Burden Reduction Initiative (PBRI). The survey is designed to provide accurate benchmark data on the current cost of regulatory compliance. Information from the survey, which will be carried out in fall 2005, will enable governments to quantify the burden of compliance and measure its impact on businesses by firm size.

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The 2005–06 benchmark survey will collect information on the cost of complying with key regulations experienced by the majority of businesses for the following federal, provincial/territorial and municipal regulations:

- payroll remittances, records of employment, T4 summaries and workers' compensation;
- personal income tax (T1), corporate income tax (T2), goods and services/harmonized/provincial sales taxes, and corporate tax installments;
- business operating licences and permits;
- information filings related to corporate registration; and
- mandatory Statistics Canada surveys on businesses.

In fall 2005, Statistics Canada will distribute the mail questionnaire to a large sample of businesses, ranging in size from 0 to 499 employees and with annual revenues of at least \$30 000 but not more than \$50 million. The data will be broken down into five business size classes. All industries will be covered and at least five industries will be sampled sufficiently to permit industry-specific results to be reported.

The *Survey of Regulatory Compliance Costs* will be repeated in 2008–09 to provide a relevant and statistically valid measure of the extent to which the paper burden is being reduced. Results can also be used to develop a tool that measures the timeliness, efficiency and predictability of regulatory service delivery by government.

## JOB Creation

According to Statistics Canada's *Survey of Employment, Payrolls and Hours*, slightly more than 156 000 net jobs (payroll jobs) were created between the first quarter of 2004 and the first quarter of 2005, an increase of 1.2 percent. This gain is more than double the 0.5 percent increase achieved between the first quarter of 2003 and the first quarter of 2004 (close to 61 000 jobs created), which was the lowest annual increase recorded since 2001.

Table 1 shows that large firms created the equivalent of 109.6 percent of total net job growth between the first quarter of 2004 and the first quarter of 2005. Small firms (those with fewer than 100 employees) lost jobs overall; those with 5–19 employees were the only category among small firms that contributed to net job creation (32.9 percent). Since the second quarter of 2004, this has been the only small firm category to make a positive year-over-year contribution to job creation.

Table 2 presents a breakdown of net changes in average payroll employment by province or territory and business size. The net change is calculated as the difference between the average level of employment in the four quarters ending the first quarter of 2005 and the average level in the preceding four quarters. This calculation minimizes the impact of seasonality on the data (which are not seasonally adjusted). Approximately 142 000 net jobs were created during this period, with the highest percentage increases occurring in Nunavut (4.4 percent), British Columbia (2.1 percent) and Alberta (2.0 percent). The categories of firms that posted the highest increases during this period were those with 5–19 employees (4.4 percent) and those with 500 employees or more (2.6 percent).

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*Table 1: Year-over-year Net Change<sup>1</sup> in Payroll Employment<sup>2</sup> by Firm Size, Canada, Q1 2002 to Q1 2005*

Quarter	Change, y/y		% Contribution to Total Net Change by Size of Firm (Number of Employees)								
	%	Jobs	0-4	5-19	20-49	50-99	0-99	100-299	300-499	100-499	500+
Q1 2002	0.9	110 112	-10.5	32.3	43.0	36.9	101.8	-8.3	-26.6	-34.9	33.1
Q2 2002	1.7	220 493	-2.2	5.4	36.8	37.7	77.6	14.1	-16.2	-2.2	24.6
Q3 2002	2.9	372 033	-0.5	1.0	24.0	25.4	50.0	16.8	-8.6	8.2	41.9
Q4 2002	3.7	468 689	-1.0	2.0	22.3	23.6	46.9	13.1	-1.9	11.1	41.9
Q1 2003	3.3	417 394	1.6	-0.2	17.6	19.7	38.7	13.1	2.8	15.9	45.4
Q2 2003	2.3	295 106	4.5	0.3	9.6	9.5	23.9	12.4	4.4	16.8	59.3
Q3 2003	1.0	132 639	9.1	-5.9	14.5	15.5	33.2	16.4	11.5	28.0	38.8
Q4 2003	0.7	88 037	7.4	-15.4	18.6	29.6	40.2	17.3	13.9	31.2	28.6
Q1 2004	0.5	60 967	1.4	20.6	16.5	26.6	65.1	0.8	-39.9	-39.1	74.0
Q2 2004	0.7	91 118	-20.6	95.2	-29.6	-46.8	-1.8	-32.1	21.4	-10.7	112.5
Q3 2004	1.2	158 951	-19.1	59.9	-10.2	-30.3	0.3	-9.6	3.1	-6.5	106.3
Q4 2004	1.2	160 950	-12.1	58.6	-13.5	-33.1	-0.2	0.4	-0.7	-0.2	100.4
Q1 2005	1.2	156 058	-7.7	32.9	-21.6	-31.1	-27.6	6.6	11.4	18.0	109.6

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours*, June 2005.

<sup>1</sup> Year-over-year net change in payroll employment is calculated as the variation between the level of employment in a given quarter and the level in the same quarter a year before.

<sup>2</sup> *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.

*Table 2: Year-over-year Annual Net Change<sup>1</sup> in Payroll Employment<sup>2</sup> by Province and Territory, Q2 2003 to Q1 2005*

	Change, y/y		Growth Rates (%) by Size of Firm (Number of Employees)								
	%	Jobs	0-4	5-19	20-49	50-99	0-99	100-299	300-499	100-499	500+
Newfoundland	0.6	1 040	-3.0	6.1	2.4	-5.1	1.4	2.7	26.4	9.3	-2.0
Prince Edward Island	0.5	301	-0.2	-2.5	-2.1	-9.4	-3.4	-8.5	10.8	-3.1	6.1
Nova Scotia	-1.4	-5 303	-3.5	3.4	-5.9	-3.1	-1.7	-2.6	-1.7	-2.3	-0.9
New Brunswick	-2.7	-8 037	-2.7	2.3	-4.4	-1.8	-1.2	-6.9	-19.6	-10.6	-1.7
Quebec	0.7	20 941	-3.0	3.6	2.2	-3.2	1.5	-2.2	-2.8	-1.1	1.9
Ontario	1.2	61 982	-2.3	4.8	-3.3	-4.0	0.4	-0.6	1.3	0.5	3.2
Manitoba	-0.2	-908	-5.0	6.2	-7.3	-13.7	-2.6	-1.3	10.5	3.2	2.2
Saskatchewan	1.7	6 799	-6.8	7.2	-4.3	-5.1	0.6	-3.1	16.4	1.8	3.8
Alberta	2.0	29 279	0.4	4.1	-3.0	-4.2	0.6	3.4	-0.9	2.6	4.2
British Columbia	2.1	34 647	-0.7	4.8	-0.4	-3.6	1.5	1.9	10.4	4.6	3.0
Yukon <sup>3</sup>	1.9	300	-2.7	2.8	6.9	-10.2	3.2	10.9	—	—	—
Northwest Territories <sup>3</sup>	1.1	244	-1.8	-2.7	4.9	-19.0	-2.3	-0.4	—	—	—
Nunavut <sup>3</sup>	4.4	485	-4.0	-4.8	-8.1	18.8	1.3	-8.9	—	—	—
<b>Canada Total</b>	<b>1.1</b>	<b>141 769</b>	<b>-2.1</b>	<b>4.4</b>	<b>-1.7</b>	<b>-4.2</b>	<b>0.9</b>	<b>-0.6</b>	<b>1.8</b>	<b>0.1</b>	<b>2.6</b>

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours*, June 2005.

<sup>1</sup> The year-over-year annual net change in payroll employment is calculated as the difference between the average level of employment in the four quarters ending the first quarter of 2005 and the average level in the preceding four quarters.

<sup>2</sup> *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.

<sup>3</sup> 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.



# BUSINESS *Establishments*

According to Statistics Canada's *Business Register*, there were slightly more than 2 377 000 business establishments<sup>1</sup> in Canada in December 2004 (see Table 3), an increase of 3.0 percent from December 2003. Over this period, the number of businesses in the indeterminate category (businesses without employees)<sup>2</sup> increased by around 75 000 or 5.3 percent. At the same time, the number of employer businesses (businesses with employees) increased by approximately 5720 or 0.5 percent.

In December 2004, small businesses (those with fewer than 100 employees) accounted for almost 98 percent of employer establishments. Of these, microbusinesses (fewer than 5 employees) make up the bulk at 56.6 percent. Medium-sized enterprises (100–499 employees) represented 2.1 percent, while large firms

(500 employees or more) accounted for only 0.3 percent. These proportions are essentially the same as in December 2002 and 2003.

As of December 2004, most business establishments were located in Ontario (36.7 percent) and Quebec (22.0 percent). The four western provinces accounted for 35.2 percent and the four Atlantic provinces for 5.8 percent. This geographic distribution has remained relatively stable since December 2002.

<sup>1</sup> 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.

<sup>2</sup> The indeterminate category consists of incorporated or unincorporated businesses that do not have a Canada Revenue Agency payroll deductions account. The workforce of such businesses may consist of contract workers, family members and/or owners.

*Table 3: Business Establishments by Size of Employment and Province or Territory, December 2004*

Province or Territory	Grand Total	Indeterminate <sup>1</sup>	Employer Businesses								
			Total	Number of Employees							
				1–4	5–9	10–19	20–49	50–99	100–199	200–499	500+
Newfoundland and Labrador	27 033	9 906	17 127	10 294	3 098	1 795	1 217	387	181	99	56
Prince Edward Island	10 528	4 012	6 516	3 602	1 229	847	564	167	63	33	11
Nova Scotia	54 313	24 112	30 201	16 737	5 388	3 769	2 652	946	445	180	84
New Brunswick	45 965	19 594	26 371	15 389	4 558	3 052	2 162	690	313	147	60
Quebec	522 605	285 371	237 234	148 028	38 373	23 422	16 777	5 868	2 772	1 370	624
Ontario	872 725	525 460	347 265	183 370	60 502	45 486	34 850	12 637	6 168	3 083	1 169
Manitoba	78 032	42 410	35 622	18 319	6 546	5 005	3 582	1 232	544	281	113
Saskatchewan	97 975	58 776	39 199	22 259	7 267	4 886	3 192	918	399	209	69
Alberta	314 995	174 588	140 407	79 489	24 463	17 254	11 948	4 112	1 949	883	309
British Columbia	346 316	187 895	158 421	90 606	28 127	19 371	12 962	4 204	1 885	906	360
Yukon Territory	2 922	1 342	1 580	813	303	223	165	43	19	12	2
Northwest Territories	2 795	1 060	1 735	680	349	321	248	81	39	15	2
Nunavut	903	265	638	191	142	130	117	38	14	5	1
<b>Canada Total</b>	<b>2 377 107</b>	<b>1 334 791</b>	<b>1 042 316</b>	<b>589 777</b>	<b>180 345</b>	<b>125 561</b>	<b>90 436</b>	<b>31 323</b>	<b>14 791</b>	<b>7 223</b>	<b>2 860</b>
<b>Share of employer businesses</b>			<b>100%</b>	<b>56.6%</b>	<b>17.3%</b>	<b>12.0%</b>	<b>8.7%</b>	<b>3.0%</b>	<b>1.4%</b>	<b>0.7%</b>	<b>0.3%</b>

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

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



Data as of June 30, 2005

## SELF-*Employment*

**S**tatistics 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;
- unpaid family workers.

Using special tabulations of data from the 2004 *Labour Force Survey*, Industry Canada's Small Business Policy Branch has examined the educational profile of self-employed workers. Table 4 shows the breakdown by gender and educational level for each category of self-employed worker, as well as for all employees, in 2004.

Over the last five years, the proportion of self-employed workers with at least a high-school diploma has increased substantially. In 2004, 84.0 percent of all self-employed workers fell into this category, compared with 78.9 percent in 1999, an increase of 5.1 percentage points. The proportion of self-employed workers with either a certificate, a post-secondary diploma or a university degree increased by a similar amount, rising from 52.2 percent in 1999 to 57.4 percent in 2004.

The proportion of self-employed workers with at least a high-school diploma was slightly lower than the figure of 86.0 percent for employees. It is noteworthy, however, that a higher proportion of self-employed workers (24.1 percent) than employees (20.7 percent) hold a university degree.

For the various categories of self-employed workers, it seems that the lower their educational level, the more likely they fell into the category of those with unincorporated businesses that don't use paid help or into the unpaid family workers category. Whereas the proportion of self-employed workers with university degrees was 21.5 percent for unincorporated businesses that don't use paid help (and 8.1 percent for unpaid family workers), at least 25.4 percent of self-employed workers in the other categories had university degrees. Furthermore, the category of those who did not complete high school accounts for 18.3 percent of workers with unincorporated businesses that don't use paid help (and 44.3 percent of unpaid family workers), whereas they represent, at most, 14.8 percent in the three other categories.

*(continued on page 6)*

**Canada's real Gross Domestic Product (GDP)...** increased by 2.3 percent (annualized) in the first quarter of 2005, following a 2.1-percent rise in the previous quarter. Domestic spending, notably consumer spending and investment in machinery and equipment, registered its strongest gain in almost six years and was the main contributor to growth. Real exports rebounded after two quarters of decline, growing 5.9 percent. However, stronger domestic demand led to stronger import growth in the first quarter, and net exports had a negative impact on growth. On the business side, corporate profits (before taxes) rose 15.6 percent, and were at a record high at 14.1 percent of GDP. On the personal side, stronger growth in consumer spending relative to disposable income resulted in the first ever recorded negative savings rate of 0.6 percent.

**Consumer spending...** rose 6.3 percent in the first quarter following 3.8-percent growth in the previous quarter. This sharp increase in growth was led by purchases of durable and semi-durable goods, which registered growth of over 10 percent.

**Housing investment...** fell 1.7 percent in the first quarter, down from 5.2-percent growth in the previous quarter — the first quarterly decline in nearly five years. Housing starts were at healthy levels in April and May, which points to a rebound in the second quarter. Assuming no growth in June, housing starts in the second quarter would be 18.5 percent (annualized rate) above the first quarter level.

**Business investment in machinery and equipment...** grew 16.6 percent, the third consecutive quarter of solid increase. This bodes well for future growth in labour productivity, which has had a lacklustre performance in the past two years. Non-residential construction also posted a solid advance, growing 7.5 percent compared with 0.9-percent growth in the previous quarter.

**Corporate profits (before taxes)...** have increased 19.8 percent on average in the last seven quarters, leading to a record high both in levels and as a percent of GDP. Profits in the first quarter of 2005 were concentrated in mining companies and banks, whereas motor vehicles and parts manufacturers reported weak profits.

**The current account surplus...** was \$16.0 billion (annualized) in the first quarter, \$5.1 billion lower than in the previous quarter. However, this was the 23rd consecutive quarterly surplus.

**Real GDP at industry level (at basic prices)<sup>1</sup>...** increased by 0.4 percent in April after falling 0.1 percent in March. Both the goods- and services-producing industries contributed to growth, with notable advances in oil and gas extraction, retail sales and educational services, as well as a rebound in manufacturing.

<sup>1</sup> GDP measured at market prices is measured at purchaser's prices, including taxes paid. GDP at basic prices is GDP calculated at market prices, less taxes paid on products plus any subsidies on consumption.

*(continued on page 7)*

Table 4: Percentage Distribution of Self-employed Workers by Gender and Education Level, Canada, Annual Average 2004

Education Level	All Employees	Self-employed	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	2.8	4.9	3.9	4.5	2.1	5.0	5.7	3.1	4.1	4.2	3.7	5.4	6.6	3.6	15.2
Some high school	11.2	11.1	9.1	9.4	8.1	9.8	10.5	8.3	7.8	8.5	6.2	12.9	14.0	11.5	29.1
High-school graduate	20.6	18.9	20.0	18.3	25.1	17.2	16.4	19.2	19.3	18.8	20.9	18.5	18.6	18.3	18.9
Some post-secondary	10.4	7.7	7.6	7.4	8.3	6.8	6.6	7.2	7.0	6.8	7.8	8.1	8.3	7.9	8.1
Post-secondary certificate/diploma	34.3	33.3	33.9	33.8	34.2	31.1	30.7	32.1	34.5	35.4	32.2	33.5	31.9	35.9	20.3
University degree	20.7	24.1	25.4	26.6	21.9	30.1	30.1	29.9	27.1	26.4	29.2	21.5	20.6	22.7	8.1

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

## FINANCING

### Visible Minority Entrepreneurs

Canada's population of visible minorities<sup>1</sup> has grown more than threefold over the past two decades, and reached nearly 4 million in 2001 (13 percent of the population).

The Conference Board estimates that, by 2016, visible minorities will represent 20 percent of Canada's population and 18 percent of the labour force, which will have a large impact on Canada's small business sector.

In 2001, 7 percent of Canada's small and medium-sized enterprises (SMEs) were owned by visible minorities, concentrated mainly in Ontario and British Columbia, which reflects immigrant settlement patterns.<sup>2</sup>

Businesses owned by visible minorities are similar in size to firms owned by other entrepreneurs. They operate in all sectors of the Canadian economy, but are more concentrated in service-based sectors and the knowledge-based economy.

Their capital needs are also similar to other small businesses, and they receive similar approval rates, terms and conditions for financing. Less than a quarter of visible minority entrepreneurs sought financing in 2000, and 80 percent were approved. Applications were typically for new lines of credit, followed by term loans and mortgages, primarily from chartered banks.

Figure 1 presents a breakdown of financing instruments used by visible minority entrepreneurs. Their capital structure indicates a slightly higher usage of personal savings, personal credit and "love money" from friends or relatives. This is consistent with the financing practices of newer firms and those operating in service sectors.

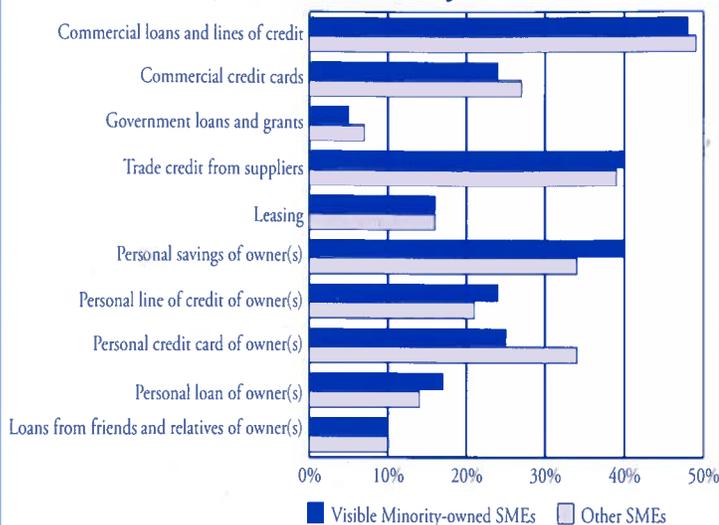
These findings were extracted from *Small Business Financing Profiles: Visible Minority Entrepreneurs* (March 2005). For more information on the SME Financing Data Initiative and to access the full publication, visit our website at [www.strategis.gc.ca/fdi](http://www.strategis.gc.ca/fdi).

<sup>1</sup> Visible minorities are persons, other than Aboriginal peoples, who are non-white in colour and non-Caucasian in race, including both native-born Canadians and immigrants.

<sup>2</sup> Statistics Canada's *Survey on Financing of Small and Medium-sized Enterprises* defines visible minority-owned SMEs as at least 50 percent ownership by a visible minority in a business with fewer than 500 employees and less than \$50 million in annual revenues.

Data as of June 30, 2005

Figure 1: Top Ten Sources of Financing Used in 2000 by Visible Minority-owned SMEs\*



\* Includes any source of financing used, regardless of whether it was authorized or obtained in a previous year.

Source: SME Financing Data Initiative, Statistics Canada, *Survey on Financing of Small and Medium-sized Enterprises*, 2000.

## BUSINESS Bankruptcies

In the first quarter of 2005 — and for the tenth consecutive quarter — Canada experienced a year-over-year decline in business bankruptcies. There were 2122 business bankruptcies in the first quarter of 2005, a drop of 8 percent from the same quarter of 2004 (2308). However, this number represents an 8-percent increase from the previous quarter (1966). Four industries accounted for 53 percent of business bankruptcies: construction (373), retail trade (319), transportation and warehousing (218), accommodation and food services (212).

Liabilities involved in bankruptcies also declined, dropping by 13 percent from \$662 million in the first quarter of 2004 to \$575 million in the first quarter of 2005. The average liability was \$271 000 per bankrupt business — a 6-percent year-over-year decrease. The mining and oil and gas extraction sector, which represented only 1 percent of business bankruptcies, posted the highest average liability — \$820 000 per bankrupt business — followed by the management of companies and enterprises sector, with an average liability of \$785 000 for only 12 bankruptcies. On the other hand, the average liability in the construction industry, which was the sector with the most business bankruptcies (18 percent), was only \$172 000, well below the average for individual business bankruptcies as a whole.

(continued from page 5)

**Employment...** rose 35 400 in May and a total of 64 700 in April and May, substantially more than in the previous three months (25 300). The rise in May was concentrated in services employment, which rose by 45 800. Employment in the goods sector fell 10 400, with declines in manufacturing (18 800) and construction (14 900). Despite the increase in employment, the unemployment rate was unchanged at 6.8 percent in May as more people entered the workforce.

**The Consumer Price Index (CPI)...** (year-over-year change in prices) was 1.6 percent in May, down sharply from 2.4 percent in April owing to a year-over-year decline in gasoline prices, the first since March 2004. Core inflation, which excludes the eight most volatile components and indirect taxes, was also 1.6 percent, down slightly from 1.7 percent in April, and below the mid-point of the official 1–3 percent target range.

**The economic outlook...** remains upbeat as economic activity continues to be supported by solid growth in domestic demand, driven by low interest rates, continued job creation, healthy consumer and business confidence, and record corporate profits. The June *Consensus Forecast* survey expected real GDP growth of 2.6 percent in 2005 and 2.9 percent in 2006. In previous *Consensus Forecast* surveys (last October), the 2005 outlook has been revised down from 3.3 percent, largely reflecting the lag effects of the dollar's appreciation.

**The Bank of Canada...** held the target for the overnight rate unchanged at 2.5 percent on May 25, as economic developments remained largely consistent with the Bank's outlook in the April Monetary Policy Report. In the United States, the Federal Reserve raised the federal funds rate by 25 basis points to 3.25 percent on June 30, bringing the cumulative rate increases since September 2004 to 2.25 percentage points. In its latest statement, the Federal Reserve reiterated its commitment to raising rates at a measured pace, which will likely continue on August 9, the next scheduled Federal Open Market Committee meeting. With rates rising in the United States while remaining stable in Canada, both short-term and long-term Canada–U.S. rate spreads were negative in June.

**The Canadian dollar...** closed at US\$0.816 on June 30, 2005, up 3.6 percent since a recent low on May 16. Higher oil prices, which rose to a record high of nearly US\$60 per barrel on June 20, gave some support to the Canadian dollar, which was partially offset by the impact of the widening of the negative spread between Canadian and U.S. short-term interest rates.

The "Economic Snapshot" is prepared by the Micro-Economic Policy Analysis Branch of Industry Canada. Please address comments to Kevin Koch at 613-948-4068 or at [koch.kevin@ic.gc.ca](mailto:koch.kevin@ic.gc.ca)

# RECENT *Developments*

## *Key Small Business Statistics*

**L**aunched in 2001 in response to a demand for baseline data on small businesses, *Key Small Business Statistics* provides a statistical overview of the small business sector in Canada. An updated version was released in July 2005 with newly available data, including data on the contribution of small businesses to employment creation by growth firms.

*Key Small Business Statistics* is updated twice a year and can be found in the “Statistics” section of the Small Business Research and Policy website at [www.strategis.gc.ca/sbstatistics](http://www.strategis.gc.ca/sbstatistics).

## APEC Small and Medium Enterprise Ministerial Meeting

**C**anada will participate in the 12th Asia-Pacific Economic Cooperation Small and Medium Enterprise (APEC SME) Ministerial Meeting in Daegu, Korea, on September 1–2, 2005. A founding member of APEC, Canada continues to make contributions to a stronger economic and social environment in the Asia-Pacific region. The theme for the meeting is “Promoting Innovation of SMEs,” with the following subthemes: Human Resources and Technology Development Through Industry and Academia Linkage, Enhancing Availability of Capital to Innovative SMEs, and Networking and Clustering for Innovative SMEs. Related meetings will be held leading up to the ministerial meeting. They include a Business Forum that will be held on August 28–31, the 5th Micro Enterprises Sub-Group meeting on August 28th, and the 21st SME Working Group meeting on August 29–30.

More information on APEC’s SME Ministerial Meeting and related activities may be obtained at <http://www.apec2005.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.

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ISSN 1205-9099

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