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Canadian Chamber of Commerce
Chambre de Commerce du Canada

Key Insights from the Canadian Survey on Business Conditions – Q4 2021

December 2021

The Canadian Chamber of Commerce, in collaboration with Deloitte Canada, identified insights from the Q4 2021 Canadian Survey on Business Conditions; this document summarizes these findings

Background

The Canadian Chamber of Commerce (CCC), in collaboration with **Deloitte Canada**, identified insights on the last seven iterations of the *Canadian Survey on Business Conditions*

The most recent survey was conducted by **Statistics Canada** in **Q4 2021**. The aim was to collect data to measure the impact COVID-19 is having on Canadian businesses as the pandemic continues to disrupt the economy

Overview of Findings

As part of the analysis conducted, Deloitte and the CCC have identified **six key themes** and supporting insights, including:

1 | While businesses are still **cautiously optimistic** about their long-term outlooks, a growing number are expecting **decreases in profitability and sales**, especially compared to pre-pandemic levels

2 | The **end of government support programs** will have an uneven impact on businesses across sectors, with some having more **difficulty repaying government funding** received during COVID-19

3 | **Supply-driven challenges**, including those related to the workforce, remain the main obstacles Canadian businesses expect to face in Q4 2021

4 | To mitigate workforce-related challenges, many businesses are putting in place **adjustments to improve recruitment and retention**, such as increases in wages and on-the-job training

5 | More businesses in **Quebec expect to face workforce challenges** in the next three months relative to both Alberta and Ontario

6 | The majority of Canadian businesses either **have no awareness or limited familiarity** with the details of three of the **major trade agreements** that Canada has negotiated (i.e., CUSMA, CETA, and CPTPP)

Source: Statistics Canada, Canadian Survey on Business Conditions, October 1 – November 5 2021, n = 16,528; Deloitte & Canadian Chamber analysis

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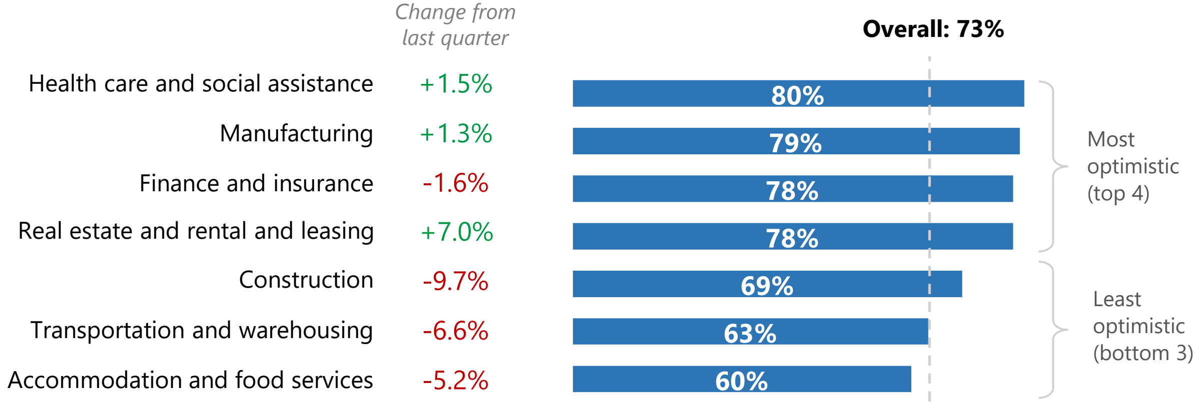
While businesses are still cautiously optimistic about their long-term outlooks, a growing number are expecting decreases in profitability and sales, especially compared to pre-pandemic levels

ALBEIT LESS THAN IN Q3, THE MAJORITY OF BUSINESSES REMAIN OPTIMISTIC ABOUT THEIR FUTURE OUTLOOK OVER THE NEXT 12 MONTHS

Over the next 12 months, what is the future outlook for this business?

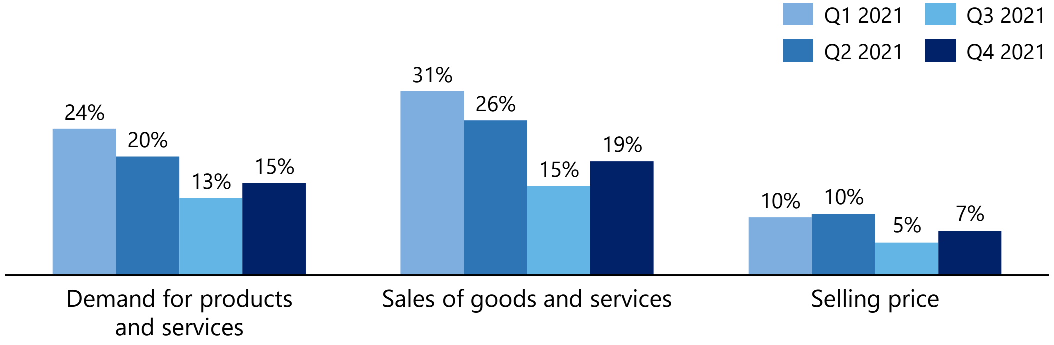
% of respondents that answered 'Somewhat optimistic' or 'Very optimistic'



PESSIMISM FOR THE SHORT-TERM IS ON THE RISE ACROSS SEVERAL KEY MEASURES, AFTER HAVING SUBSIDED IN Q3…

Over the next three months, how are each of the following expected to change?

% of respondents that answered 'Decrease'



MANY BUSINESSES EXPECT SALES IN Q4 2021 TO BE LOWER THAN Q4 2019. OUT OF THOSE, THE MAJORITY DO NOT EXPECT SALES TO RECOVER TO PRE-PANDEMIC LEVELS WITHIN 1 YEAR

Compared to sales from Q4 2019, how does this business or organization expect sales from Q4 2021 to change?

% of respondents that answered 'Sales are expected to be lower'

29% of businesses expect sales to be lower

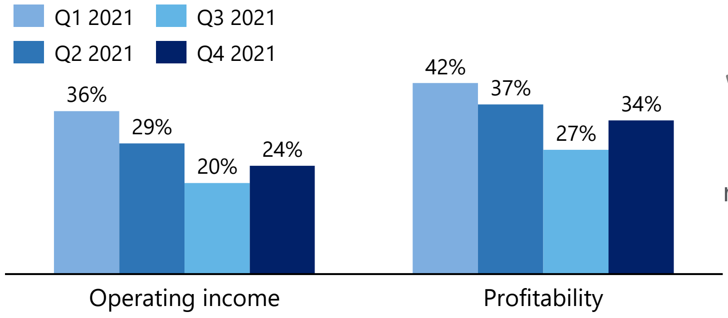
Share of the 29%

- **29%** expect sales to return to pre-pandemic levels in **3 to 12 months**
- **26%** expect sales to return to pre-pandemic levels in **more than 12 months**
- **16%** believe sales are **unlikely to return to pre-pandemic level**

… WITH A GROWING NUMBER EXPECTING DETERIORATION TO EARNINGS AND TO THE BALANCE SHEET IN THE NEXT THREE MONTHS

Over the next three months, how are each of the following expected to change?

% of respondents that answered 'Decrease'



1 in 3 are expecting cash reserves to decrease in the next three months

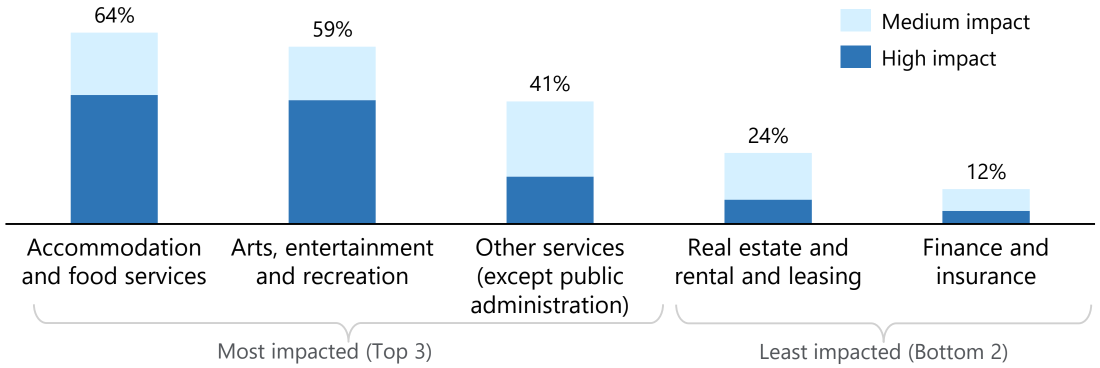
Source: Statistics Canada, Canadian Survey on Business Conditions, October 1 – November 5 2021, n = 16,528; Deloitte & Canadian Chamber analysis

The end of government support programs will have an uneven impact on businesses across sectors, with some having more difficulty repaying government funding received during COVID-19

THE END OF GOVERNMENT SUPPORT WOULD SIGNIFICANTLY IMPACT THE SURVIVAL OF 33% OF CANADIAN BUSINESSES IN THE COMING YEAR, AFFECTING SOME INDUSTRIES MORE THAN OTHERS

Over the next 12 months, how would the absence of government support programs impact the survival of this business or organization?

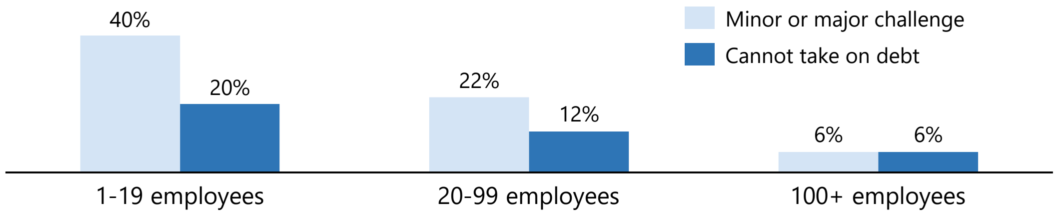
% of respondents, by industry



SMALL BUSINESSES ARE DISPROPORTIONALLY FINDING IT DIFFICULT TO REPAY AND REPLACE GOVERNMENT FUNDING

Two questions: **(1)** Over the next 12 months, to what extent does this business or organization foresee challenges in repaying funding received from repayable government support programs put in place because of the COVID-19 pandemic? **(2)** Does this business or organization have the ability to take on debt?

% of respondents, by size

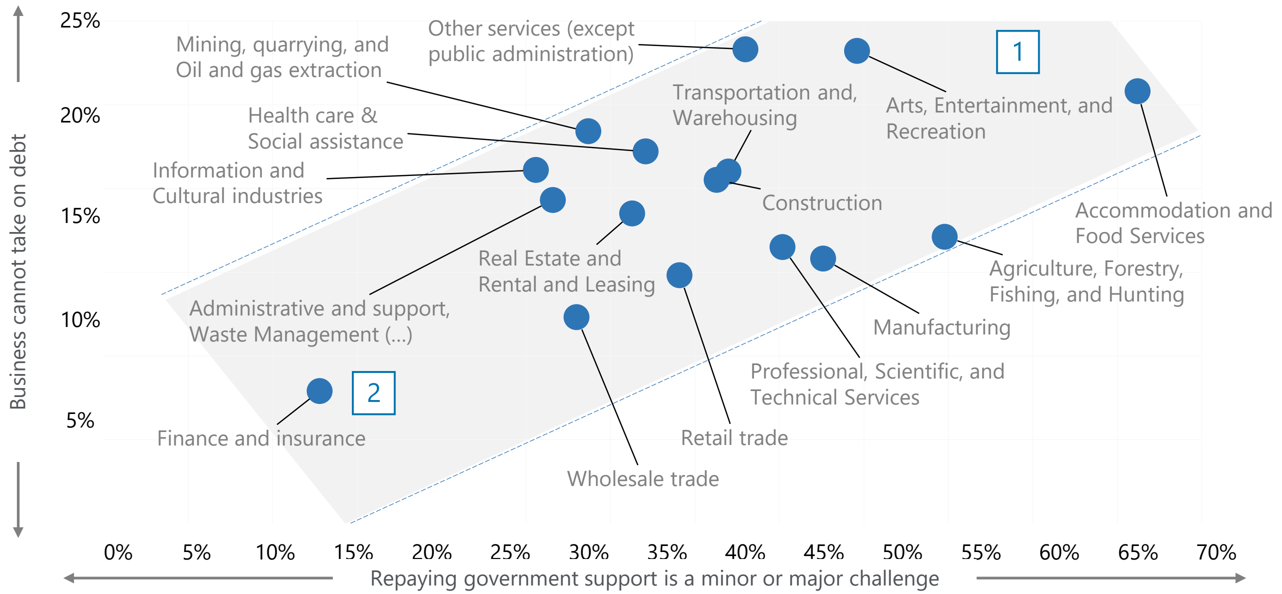


INDUSTRIES EXPERIENCING CHALLENGES WITH REPAYING FUNDING FROM GOVERNMENT SUPPORT PROGRAMS ARE ALSO MORE LIKELY TO EXPERIENCE ISSUES TAKING ON DEBT

Two questions: **(1)** Over the next 12 months, to what extent does this business or organization foresee challenges in repaying funding received from repayable government support programs put in place because of the COVID-19 pandemic? **(2)** Does this business or organization have the ability to take on debt?

X-axis: % of respondents that said repaying debt is a minor or major challenge

Y-axis: % of respondents that said their business cannot take on debt



1 Businesses within **Accommodation and Food Services** and **Art, entertainment and recreation** appear most likely to be experiencing challenges with repaying funding they have received from government support programs, as well as to encounter difficulty with taking on debt

2 **Finance and Insurance** appears least likely to experience challenges with paying back government support or accessing debt

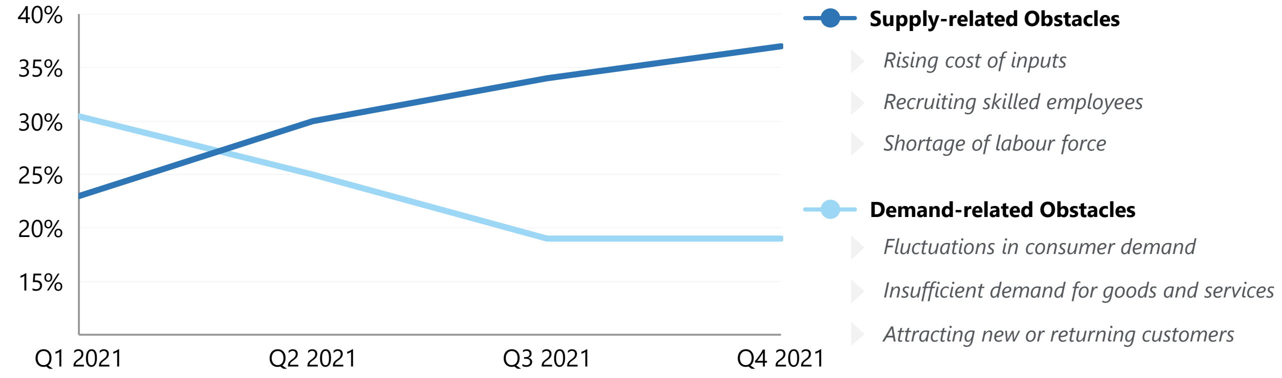
Source: Statistics Canada, Canadian Survey on Business Conditions, October 1 – November 5 2021, n = 16,528; Deloitte & Canadian Chamber analysis

Supply-driven challenges, including those related to the workforce, remain the main obstacles Canadian businesses expect to face in Q4 2021

OVER THE COURSE OF THE YEAR, BUSINESSES HAVE SHIFTED FROM FACING DEMAND-DRIVEN TO PRIMARILY SUPPLY-DRIVEN OBSTACLES

Over the next three months, which of the following are expected to be obstacles for this business?

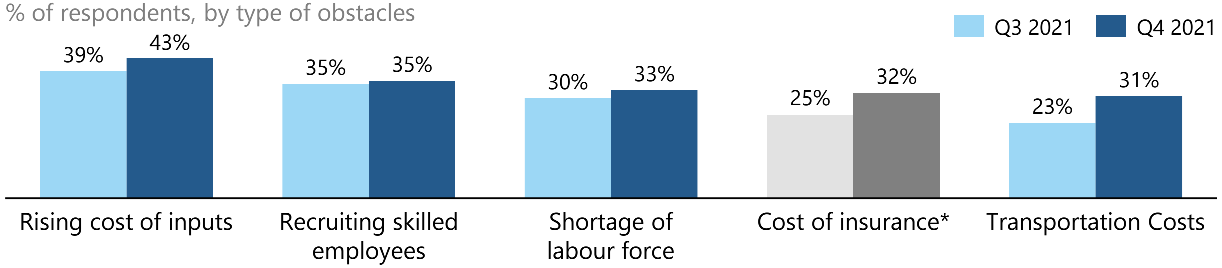
% of respondents, by average of the three obstacles listed in the supply- and demand-driven obstacle groupings



SUPPLY-RELATED OBSTACLES MAKE UP FOUR OF THE TOP FIVE OBSTACLES BUSINESSES ARE FACING, AND HAVE INCREASED SINCE Q3

Over the next three months, which of the following are expected to be obstacles for this business?

% of respondents, by type of obstacles



***Note**: Cost of insurance is greyed out as it's not considered as a supply-related obstacle

WORKFORCE-RELATED CHALLENGES IMPACT BUSINESSES ACROSS DIFFERENT INDUSTRIES AT VARYING LEVELS

Over the next three months, which of the following are expected to be obstacles for this business?

% of respondents, by type of obstacle and by industry

0-10% 11-20% 21-30% 31%-40% 41-50% 51%+

	Shortage of labour force	Recruiting skilled employees	Retaining skilled employees
Accommodation and food services	63%	53%	51%
Manufacturing	46%	49%	34%
Administrative and support, waste (...)	43%	41%	30%
Retail trade	36%	41%	33%
Health care and social assistance	38%	38%	31%
Construction	41%	39%	23%
Arts, entertainment and recreation	34%	33%	29%
Other services (except public admin.)	32%	35%	24%
Wholesale trade	27%	34%	24%
Agriculture, forestry, fishing and hunting	30%	27%	22%
Transportation and warehousing	25%	23%	24%
Information and cultural industries	19%	29%	22%
Mining, quarrying, and oil and gas extraction	20%	25%	20%
Finance and insurance	13%	29%	22%
Pro., scientific and technical services	14%	28%	14%
Real estate and rental and leasing	18%	18%	12%

1 Five industries stood out in their high expectation of facing workforce-related obstacles. Businesses in **Accommodation and food services** were significantly more likely to expect **shortage of labour force, recruiting skilled employees, and retaining skilled employees** to be obstacles in the next three months

2 **Recruiting skilled employees** was the most prevalent obstacle, with at least **25% of businesses in 14 of 16 industries** expecting it to be an obstacle in the next three months

3 Four industries stood out as being **the least likely to expect workforce-related challenges** in the next three months

Source: Statistics Canada, Canadian Survey on Business Conditions, October 1 – November 5 2021, n = 16,528; Deloitte & Canadian Chamber analysis

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To mitigate workforce-related challenges, many businesses are putting in place adjustments to improve recruitment and retention, such as increases in wages and on-the-job training

BUSINESSES IMPACTED BY WORKFORCE CHALLENGES ARE RESPONDING BY OFFERING BENEFITS TO HELP WITH RECRUITMENT AND RETENTION

Two questions: **(1)** Over the next twelve months, does this business or organization plan to do any of the following [recruitment, retention and training plans]? **(2)** Over the next three months, which of the following are expected to be obstacles for this business? % of respondents, by industry

Benefit Category	Industry	% (Most impacted industries / Least impacted industries)
1 Increase wages offered to new employees	Accommodation and food services	48% (Most impacted)
	Manufacturing	34% (Most impacted)
	Administrative and support	32% (Most impacted)
	Finance and insurance	24% (Least impacted)
	Professional, scientific, and technical services	14% (Least impacted)
	Real estate and rental and leasing	14% (Least impacted)
2 Increase wages offered to existing employees	Accommodation and food services	63% (Most impacted)
	Manufacturing	58% (Most impacted)
	Administrative and support	54% (Most impacted)
	Finance and insurance	47% (Least impacted)
	Professional, scientific, and technical services	39% (Least impacted)
	Real estate and rental and leasing	45% (Least impacted)
3 Encourage employee to participate in on-the-job training	Accommodation and food services	29% (Most impacted)
	Manufacturing	31% (Most impacted)
	Administrative and support	32% (Most impacted)
	Finance and insurance	31% (Least impacted)
	Professional, scientific, and technical services	22% (Least impacted)
	Real estate and rental and leasing	15% (Least impacted)

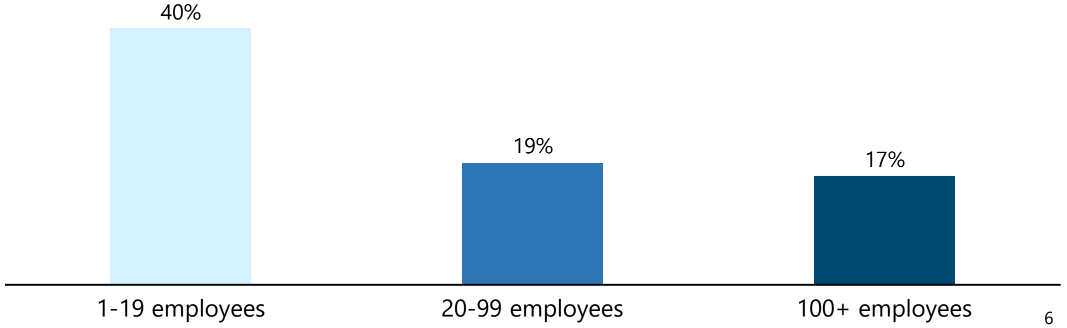
Note: The most impacted industries were identified as the three that had the highest average of respondents expecting Shortage of labour force, Recruiting skilled employees, and Retaining skilled employees to all be obstacles. The least impacted industries were the three with the lowest average of respondents expecting them to be obstacles.

SMALLER BUSINESSES EXPECT LESS WORKFORCE-RELATED OBSTACLES OVER THE NEXT 3 MONTHS…

Over the next three months, which of the following are expected to be obstacles for this business?
% of respondents, by employment size

… WHICH MAY EXPLAIN WHY THEY ARE LESS LIKELY TO HAVE PLANNED INITIATIVES FOR RECRUITMENT OR RETENTION

Over the next twelve months, does this business or organization plan to do any of the following [recruitment, retention and training plans]?
% of respondents that answered 'None', by size



Source: Statistics Canada, Canadian Survey on Business Conditions, October 1 – November 5 2021, n = 16,528; Deloitte & Canadian Chamber analysis

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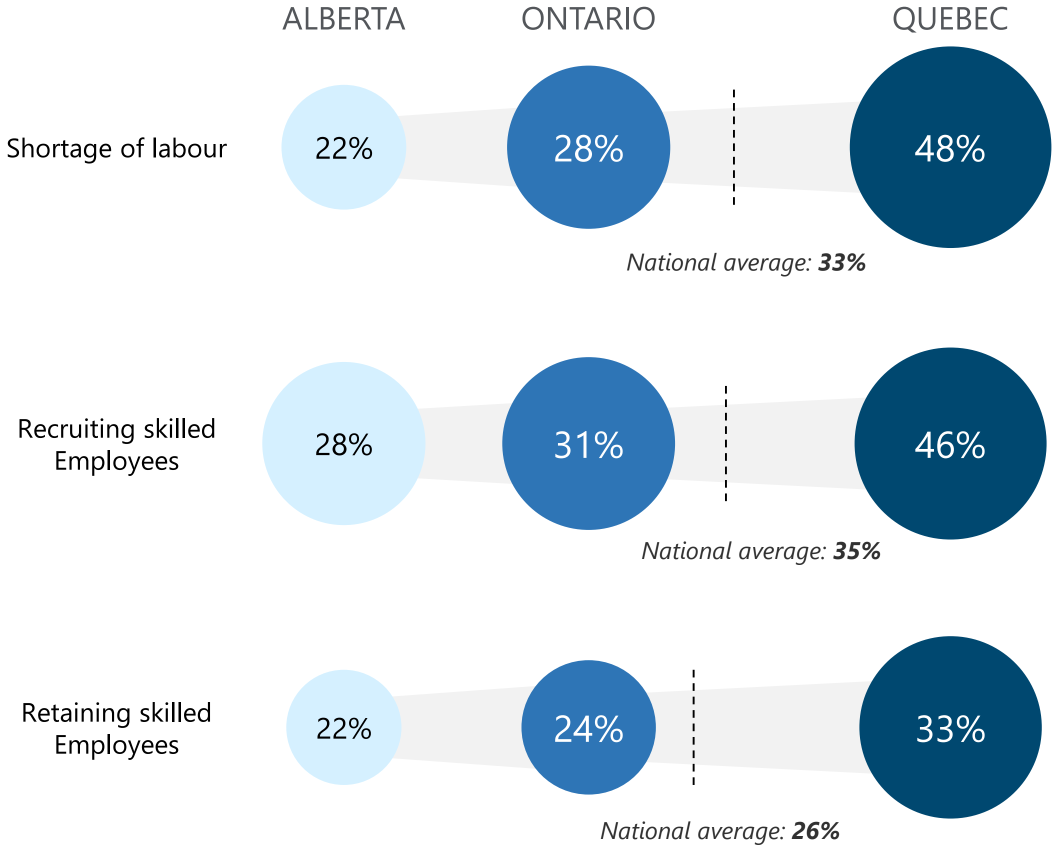
More businesses in Quebec expect to face workforce challenges in the next three months relative to both Alberta and Ontario

MORE BUSINESSES IN QUEBEC EXPECT TO FACE LABOUR-RELATED OBSTACLES COMPARED TO ALBERTA AND ONTARIO…

Over the next three months, which of the following are expected to be obstacles for this business?

% of respondents, by type of obstacle and by province



…WHICH MAY BE DUE TO FIVE SERVICES INDUSTRIES* EXPECTING TO FACE MORE LABOUR CHALLENGES IN QUEBEC THAN IN ONTARIO OR ALBERTA

Over the next twelve months, does this business or organization plan to do any of the following?

% of respondents in five industries (weighted average), by province

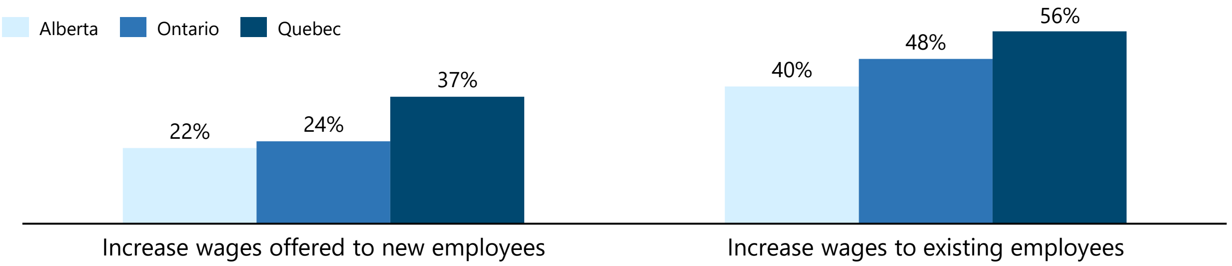
	Weighted average of businesses in five industries*			
	Canada	Alberta	Ontario	Quebec
Shortage of labour	31%	19%	21%	50%
Recruiting skilled employees	35%	26%	26%	50%
Retaining skilled employees	27%	24%	21%	36%

*** Note:** The five industries included were: Manufacturing, Wholesale trade, Retail trade, Transportation and warehousing, and Information and cultural industries

THESE QUEBEC BUSINESSES ARE RESPONDING TO WORKFORCE CHALLENGES BY PLANNING WORKFORCE ADJUSTMENTS, SUCH AS WAGE INCREASES

Over the next twelve months, does this business or organization plan to do any of the following?

% of respondents in five industries (weighted average), by province



Source: Statistics Canada, Canadian Survey on Business Conditions, October 1 – November 5 2021, n = 16,528; Deloitte & Canadian Chamber analysis

The majority of Canadian businesses either have no awareness or limited familiarity with the details of three of the major trade agreements that Canada has negotiated (i.e., CUSMA, CETA, and CPTPP)

MOST BUSINESSES ARE NOT AWARE OF THE MAIN TRADE AGREEMENTS THAT CANADA HAS BROKERED WITH ITS GLOBAL TRADING PARTNERS

Is this business or organization aware of the existence of any of the following trade agreements?

% of all respondents

33% are **not aware** of the Canada-United States-Mexico Agreement (**CUSMA**)

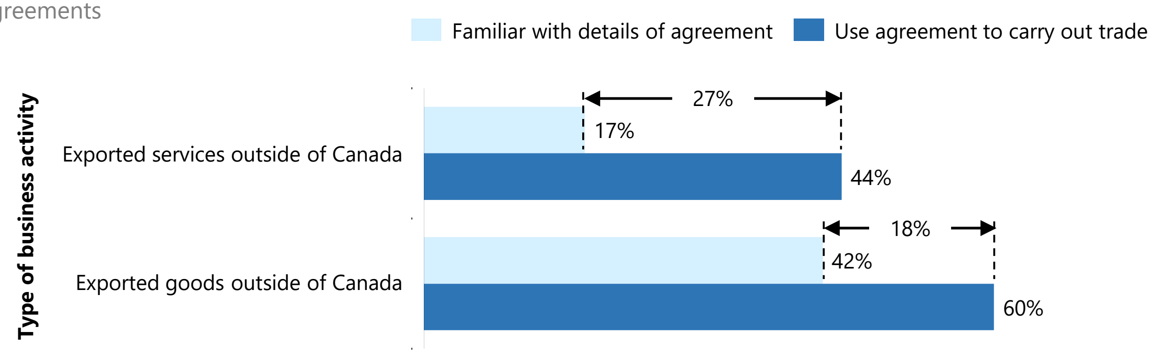
52% are **not aware** of the Canadian-European Union Comprehensive Economic and Trade Agreement (**CETA**)

59% are **not aware** of Comprehensive and Progressive Agreement for Trans-Pacific Partnership (**CPTPP**)

THERE SEEMS TO BE A GAP IN FAMILIARITY WITH THE DETAILS OF TRADE AGREEMENTS, EVEN FOR BUSINESSES THAT ARE USING THEM TO CARRY OUT TRADE

Two questions: **(1)** Is this business or organization aware of the existence of any of the following trade agreements? **(2)** Which of the following trade agreements does this business or organization currently carry out trade under?

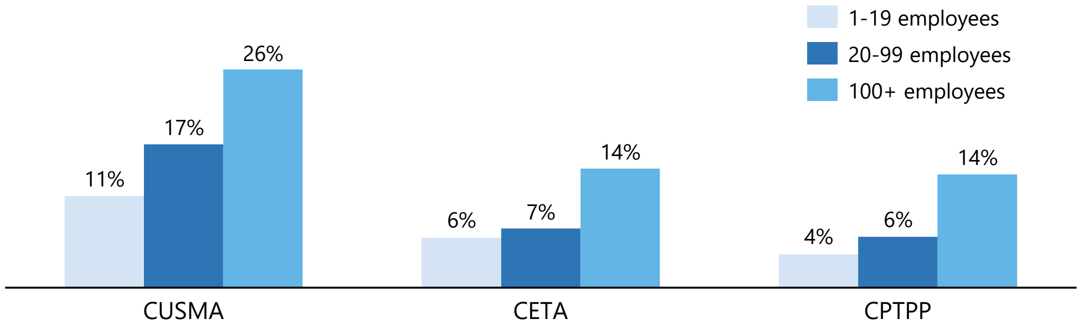
% of respondents that are familiar with details of the trade agreements and that carry out trade under the trade agreements



SMALLER BUSINESSES ARE GENERALLY LESS FAMILIAR WITH THE DETAILS OF THE THREE MAIN TRADE AGREEMENTS

Is this business or organization aware of the existence of any of the following trade agreements?

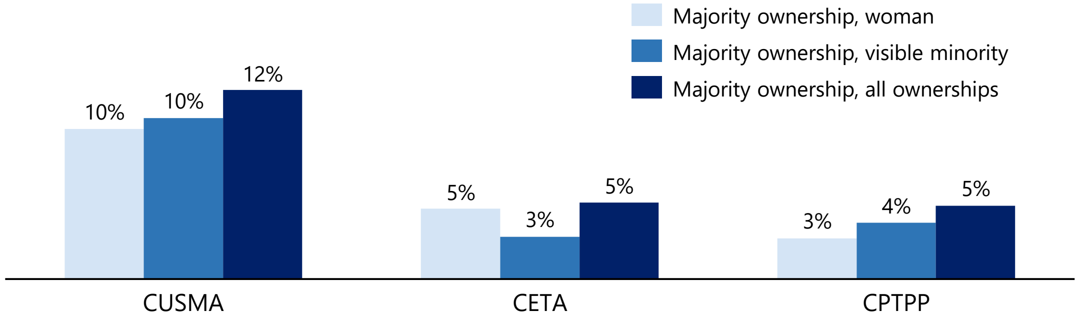
% of respondents that answered "Familiar with details of agreement", by size



BUSINESSES OWNED BY MINORITIES HAVE SIMILAR FAMILIARITY WITH THE DETAILS OF THE TRADE AGREEMENTS

Is this business or organization aware of the existence of any of the following trade agreements?

% of respondents that answered "Familiar with details of agreement", by majority ownership



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