



Canadian Chamber of Commerce

Chambre de Commerce du Canada



Business Data Lab

Laboratoire de données sur les entreprises

Q3 2024

Canadian Survey on Business Conditions Report



RISK ASSESSMENTS

- STARTUP - JUN 2010
- ANNUAL GROWTH INCREASE 15%
- STATISTICS SHOW TARGET AUDIENCE UNDER 35 yb

ANNUAL REPORT



NEW INSIGHTS

KEY M...

TOTAL PAGE

STS PUBLI

MEDIA NEW PO

PREVIOUS ANNUM

15% INCREASE

REVENUE



50,000
40,000
30,000
20,000
10,000

VIEWERS

NBIL

BUSINESS MODEL PLAN



Message from the Chief Economist

Short-term business sentiment declined in Canada in the third quarter of 2024. The BDL's Business Expectations Index registered a disappointing 98.4, down 3.4 points from last quarter, with weaker outlooks for sales and employment dragging down the headline number.

The good news, however, is that with the economy still growing and the Bank of Canada increasingly winning the war against inflation, businesses expect a “soft landing” with employment growing over the next three months — albeit modestly. Equally important, this survey reveals new evidence that cost pressures are moderating, and firms' pricing behaviour is normalizing. The central bank has been watching this closely. If these improvements continue, this trend could eventually hasten more aggressive interest rate cuts to support the weak economy.

Looking across the country, the outlook is definitely gloomy in Ontario and British Columbia — particularly their major cities of Toronto and Vancouver, where high housing prices and associated debt levels, along with impending mortgage renewals, are weighing heavily on consumer spending. Conversely, businesses are more optimistic in Quebec and Atlantic Canada, markets that haven't suffered as much with housing affordability challenges.

The potential for ongoing disruptions to vital supply chains — from labour disruptions to transportation networks in rail, ports or airlines — is a wildcard that businesses are increasingly worried about. A rising share of exporters expect supply chain obstacles to worsen in the near term.

As interest rates start falling across the developed world, there are reasons to be hopeful. First, it's reassuring to see optimism rise for the third straight quarter when Canadian businesses look beyond the short term to the next 12 months. In fact, this is the best showing for the “future outlook” question in the past 11 quarterly surveys! Second, Indigenous-owned firms in Canada continue to be quite optimistic about their future business opportunities.

Check back in December for an updated read on the pulse of businesses across the country to close out the year.

Stephen Tapp

Chief Economist, Canadian Chamber of Commerce



Key outlook findings by geography

Canada: Modest decline in near-term business sentiment, but rising optimism farther out

- The Business Expectations Index slipped into negative territory to 98.4 in the third quarter of 2024.
- The index fell 3.4 points from last quarter, mainly due to weaker outlooks for sales and employment.
- Businesses still see a “soft landing”, with employment expected to grow modestly over the next three months, even as labour market conditions continue to cool.
- Looking beyond the next quarter to the next 12 months, business optimism continues to rise.

Regions: Stronger outlook in Atlantic Canada and Quebec with British Columbia and Ontario lagging

- Business sentiment is strongest in Quebec (102.6) and Atlantic Canada (102.5, with Halifax leading the country), and weakest in British Columbia (94.7, particularly Vancouver and Kelowna) and Ontario (96.3, with Toronto, Hamilton and Windsor struggling).

Key outlook findings by business characteristics

Industries: **Few sectors have an improving outlook**

- Only 4 of 16 sectors are improving with finance and insurance (110.1) leading the pack, while transportation (88.1), agriculture (90.3), and wholesale trade (90.9) are notably contracting.

Size: **Micro firms continue to lag behind**

- Micro firms (1 to 4 employees) remain the least optimistic (95.3), while firms with five or more employees are much more optimistic.

Ownership: **Optimism from Indigenous business owners**

- Among underrepresented groups, Indigenous-owned businesses are the most optimistic (104.2), followed by women-owned businesses (103.5). Conversely, businesses owned by visible minorities (91.9) and immigrants (92.2) are much more pessimistic.



Key findings for business obstacles

- Most business obstacles show signs of sustained easing over the past two years.
- Cost-related pressures remain the most prevalent. However, after significant progress on slowing inflation, firms' pricing behaviour is finally normalizing — as evidenced by a drop in the share of companies expecting to raise prices next quarter to 20% from 24% last quarter.
- Labour challenges remain elevated but have eased. They are most problematic for larger firms and those in accommodation and food services, manufacturing, retail and construction.
- With the looming spectre of labour disputes, a rising share of Canadian exporters expect supply chain obstacles to worsen in the near-term.

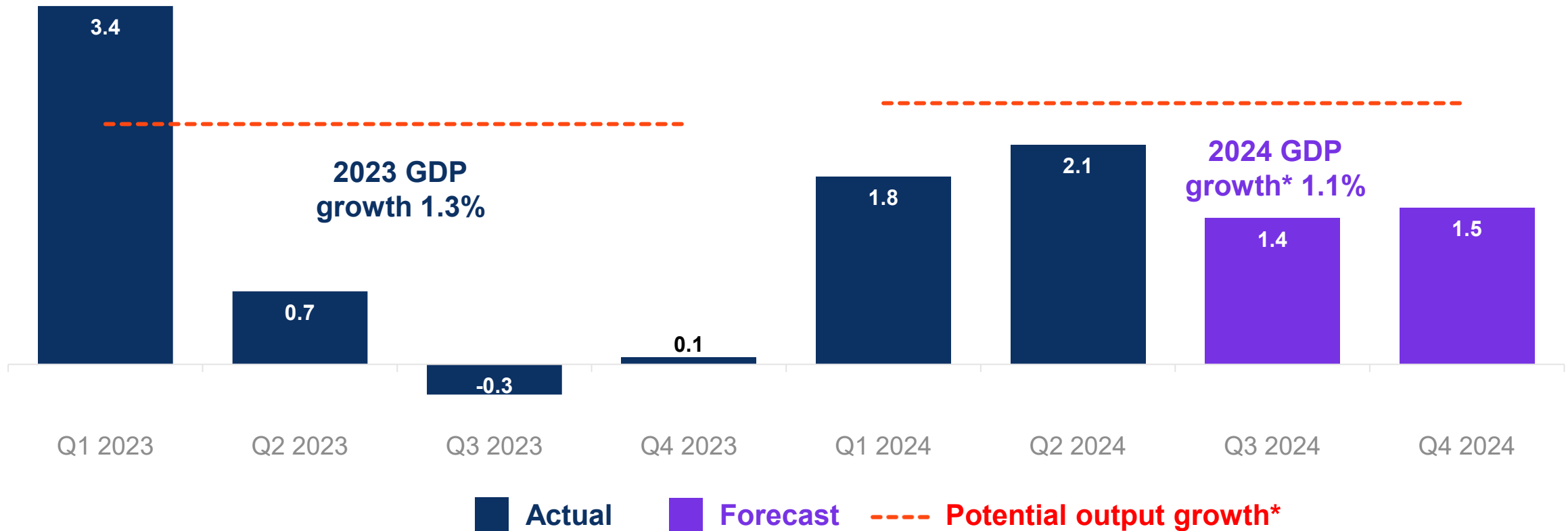
Q3 2024

Outlook according to Canadian businesses



Context: After three quarters of weak growth, Canada's economy picked up in the first half of 2024 but is expected to continue growing below its potential.

Canadian real gross domestic product (GDP) growth
Chained 2012 dollars, annualized quarterly percent change



Sources: Statistics Canada historical data and Bloomberg consensus forecast as of August 30, 2024.

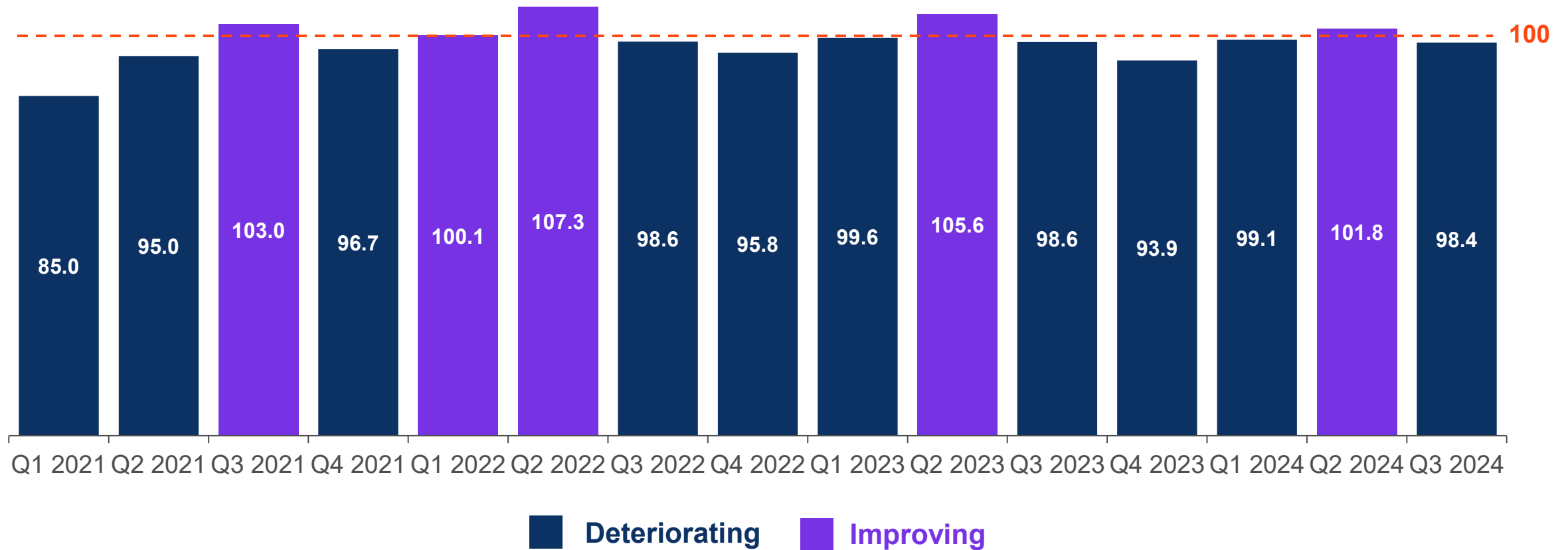
*Potential output growth estimates of 2.3% for 2023 and 2.5% for 2024 are from the Bank of Canada's April 2024 *Monetary Policy Report*.



Business sentiment declined modestly in the third quarter of 2024.

Business Expectations Index

Next three months; above 100 indicates improving sentiment from the previous quarter, below 100 indicates deteriorating sentiment

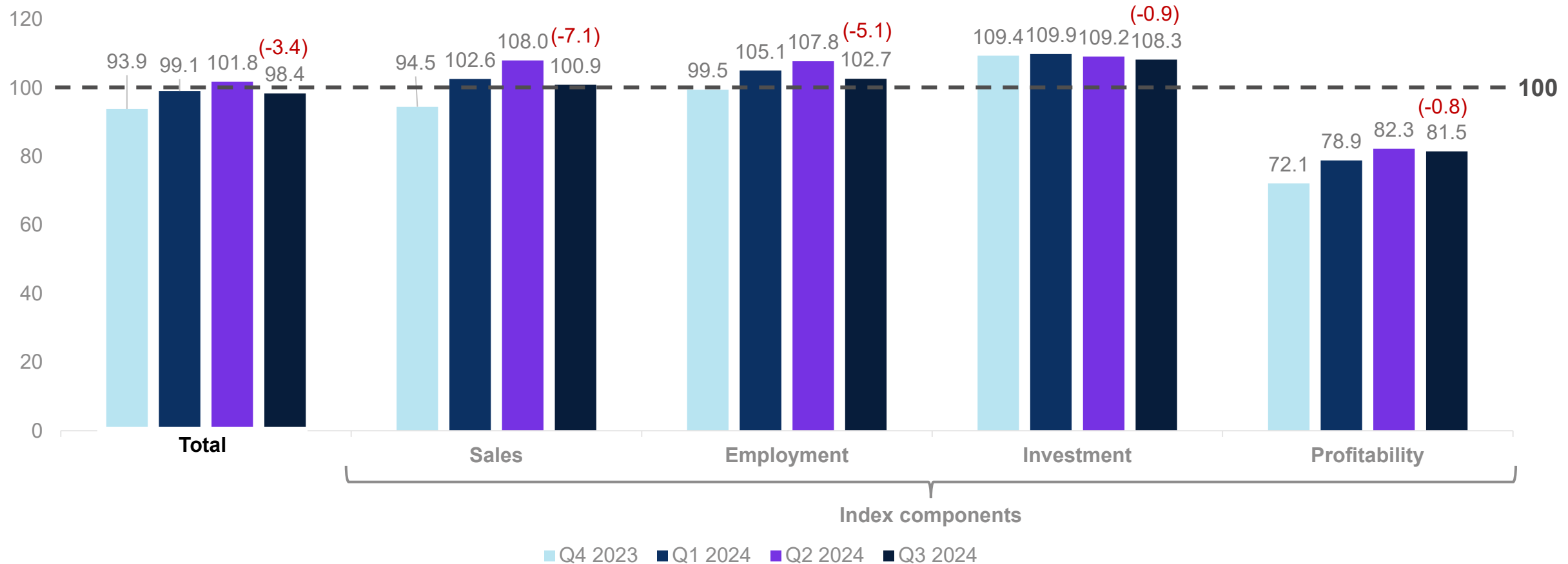




More subdued outlooks for sales and employment drove down the headline index.

Business Expectations Index, total and components

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment



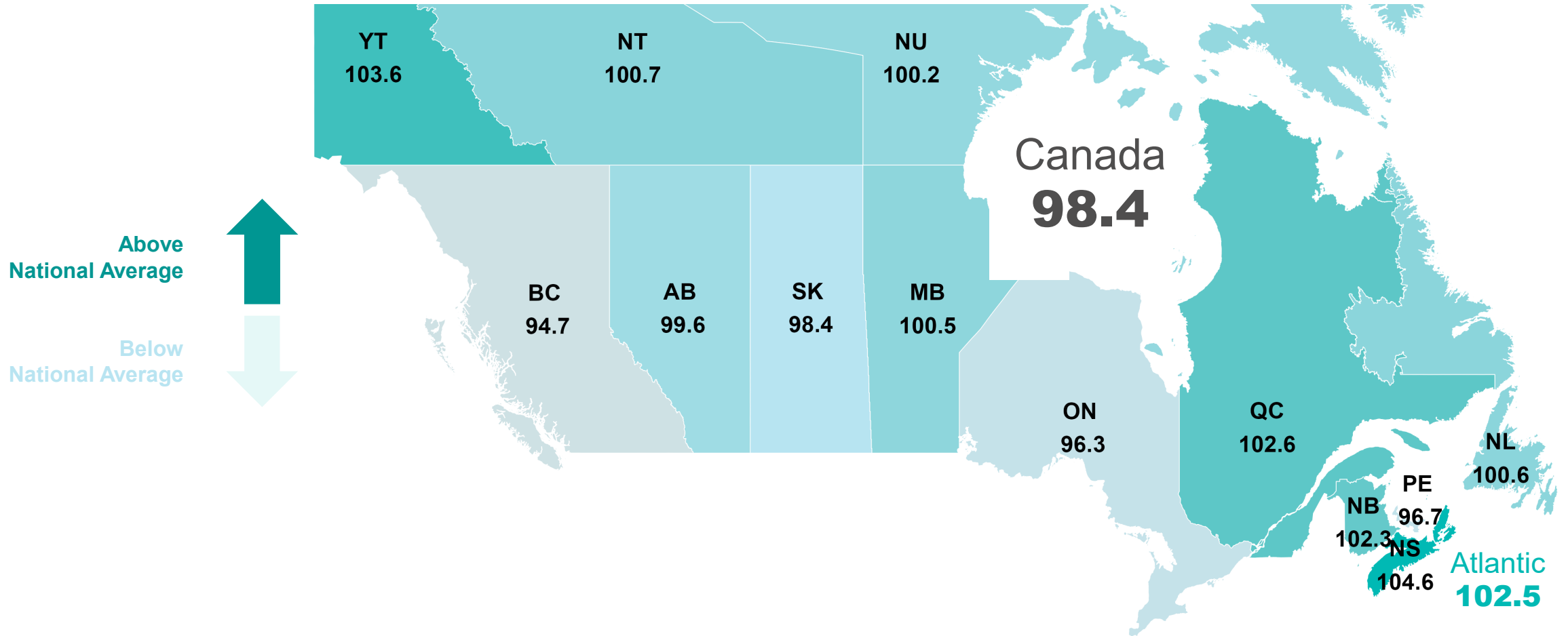
Note: Change from last quarter in parenthesis.
Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.



Business sentiment is strongest in Quebec and Atlantic Canada, and weakest in British Columbia and Ontario.

Business Expectations Index, provinces and territories

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment



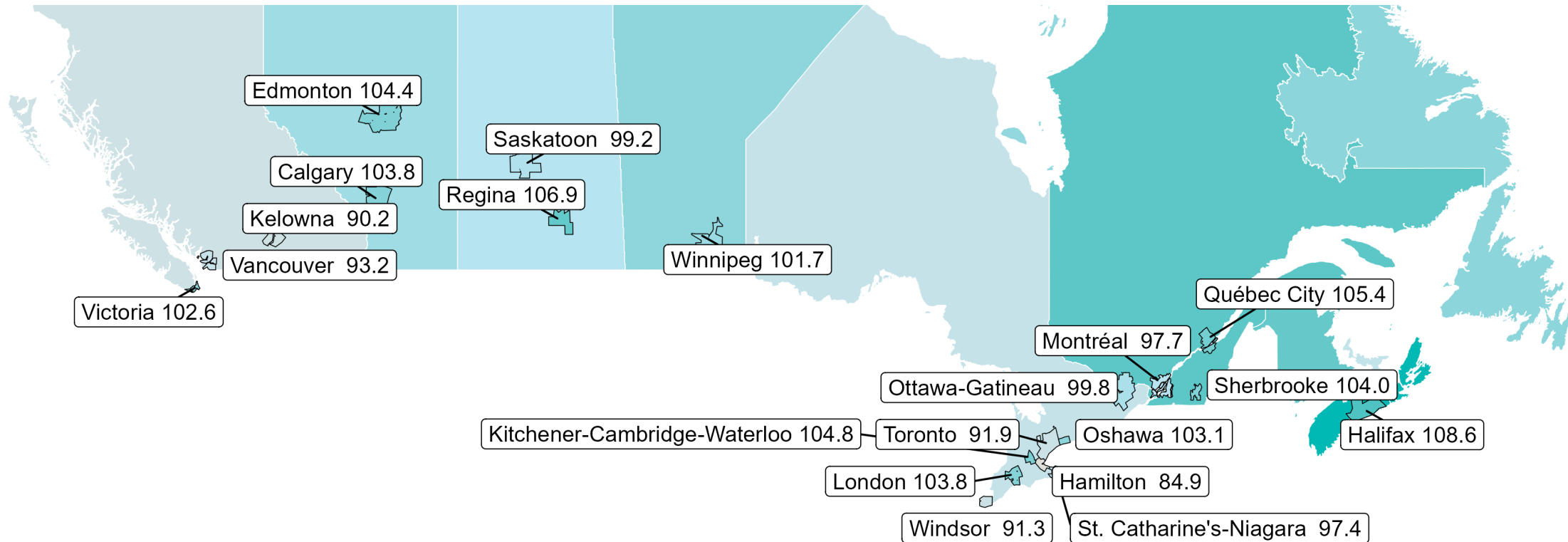
Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 9,031 business responses in July and August 2024.



Among Canada's major cities, business sentiment is highest in Halifax, but is depressed in Greater Toronto and Vancouver.

Business Expectations Index, CMAs

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment

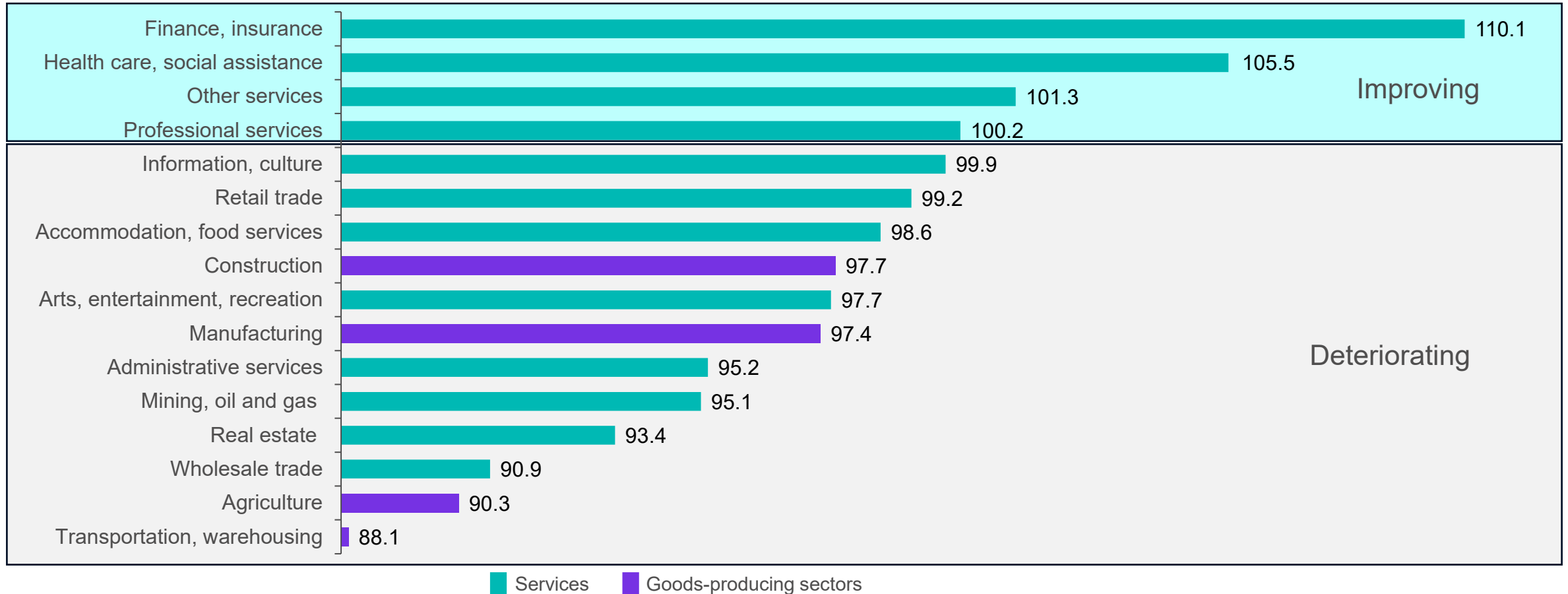




Short-term sentiment is stable or deteriorating in most industries, especially transportation and agriculture. Finance and healthcare are most optimistic.

Business Expectations Index, by industry

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment





Sentiment worsened for most business sizes but held steady for medium and large firms.

Business Expectations Index, by firm size

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment



Micro = 1-4 employees; Scale = 5-19 employees; Mature= 20-99 employees; Medium and large = 100+ employees.



Among underrepresented groups, Indigenous-owned businesses are the most optimistic, followed by women-owned businesses.

Business Expectations Index, by ownership

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment

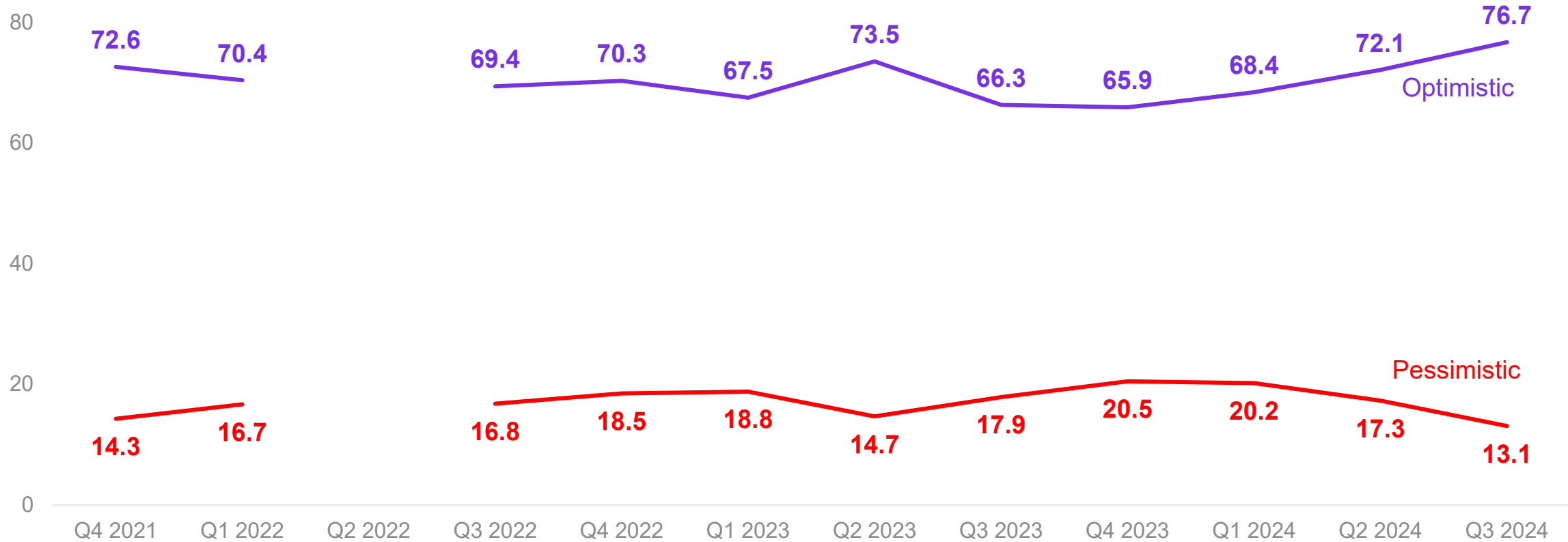




Looking beyond the next quarter to the next 12 months, business optimism continues to rise, while pessimism is fading.

Future outlook for your business

Next 12 months; % of businesses



Q3 2024

Business obstacles

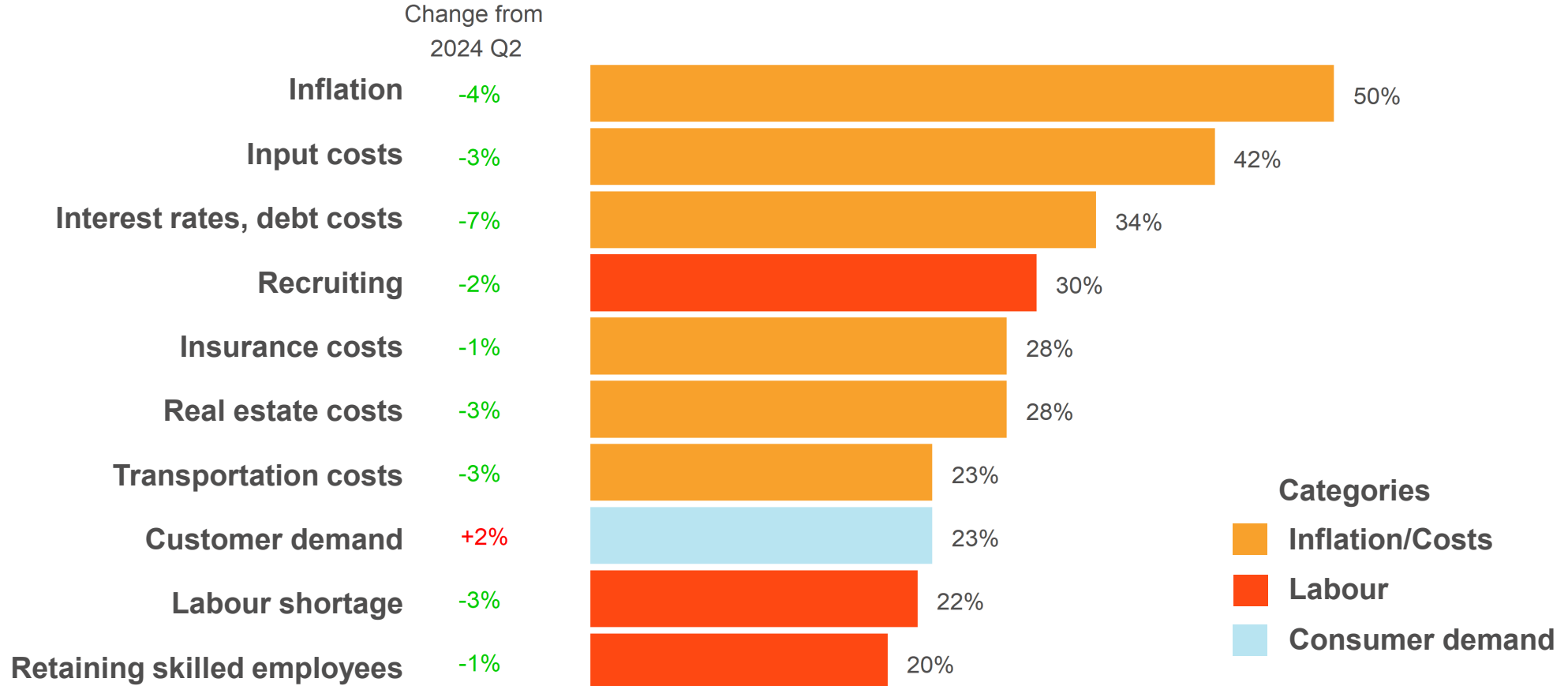




Costs obstacles remain the most prevalent for businesses...

Top 10 business obstacles expected, next three months

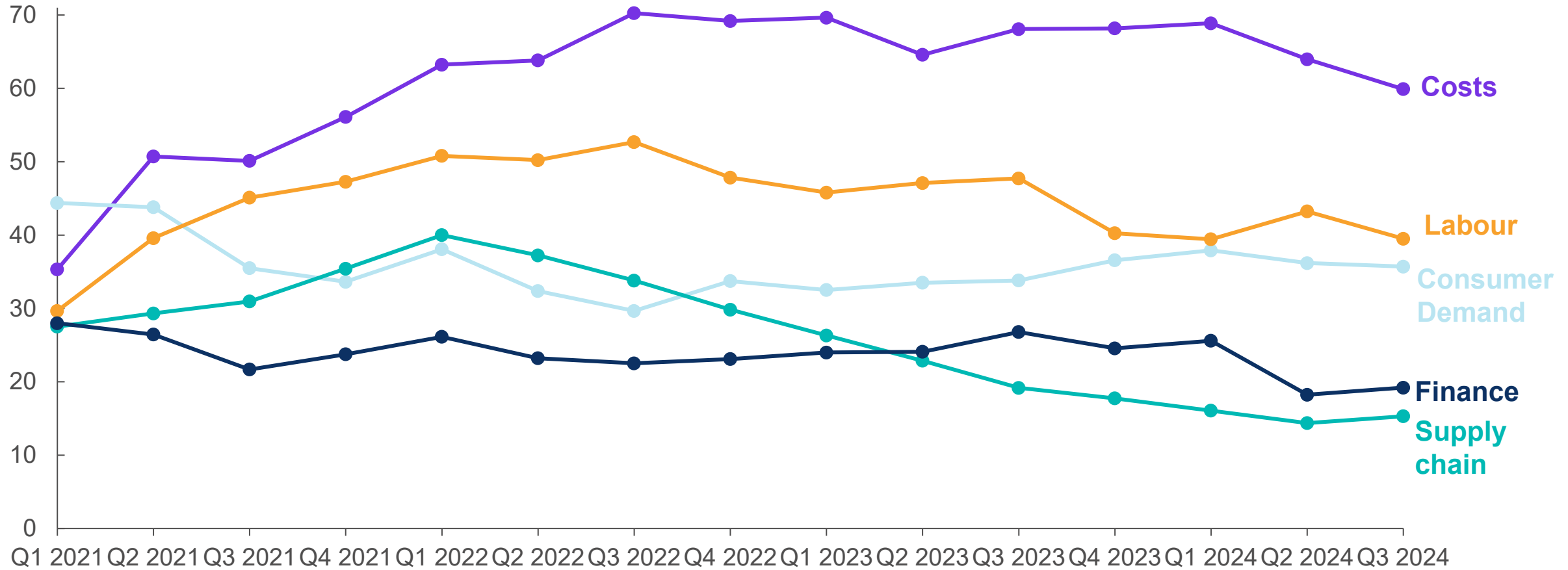
% of businesses, all industries





...but continue to ease modestly, alongside labour concerns.

Business obstacles expected, next three months
% of businesses, grouped by category



Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.

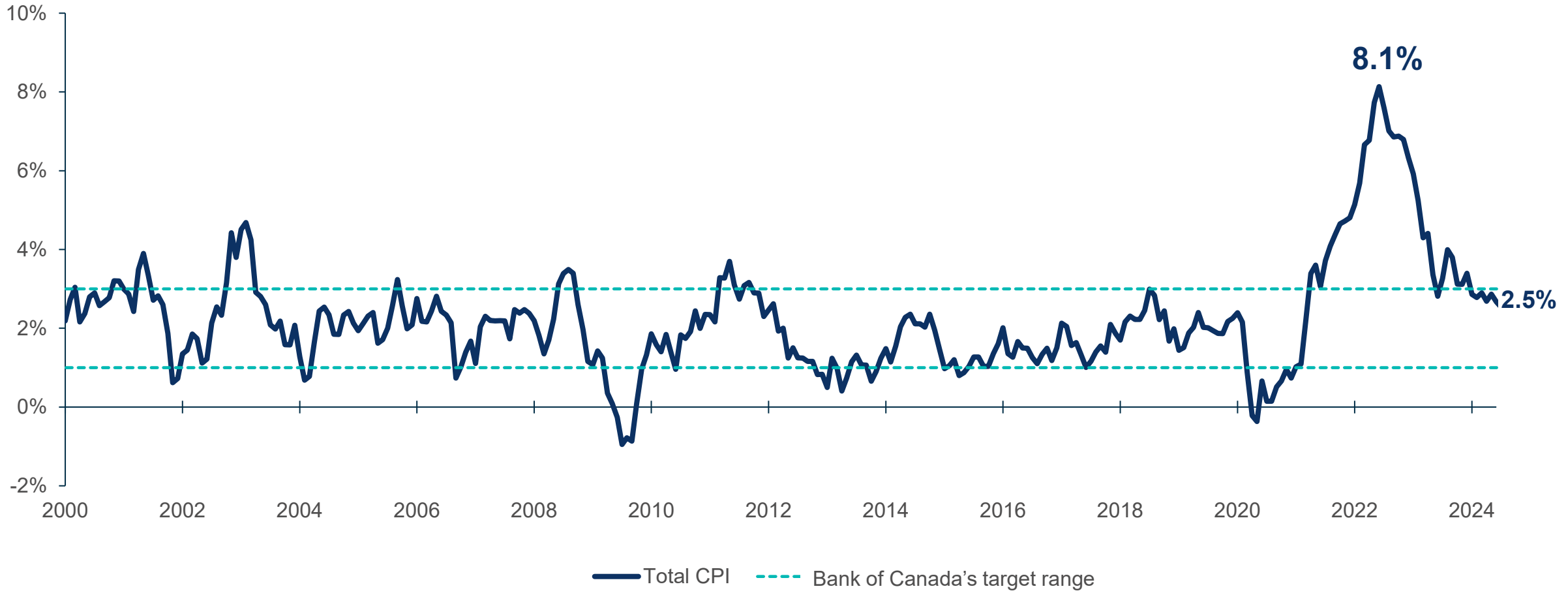
Q3 2024

Inflation and debt constraints



Context: Inflation peaked at over 8% in 2022 but has been in the Bank of Canada's target range for the first seven months of 2024.

Canadian consumer price index (CPI)
% change, year-over-year

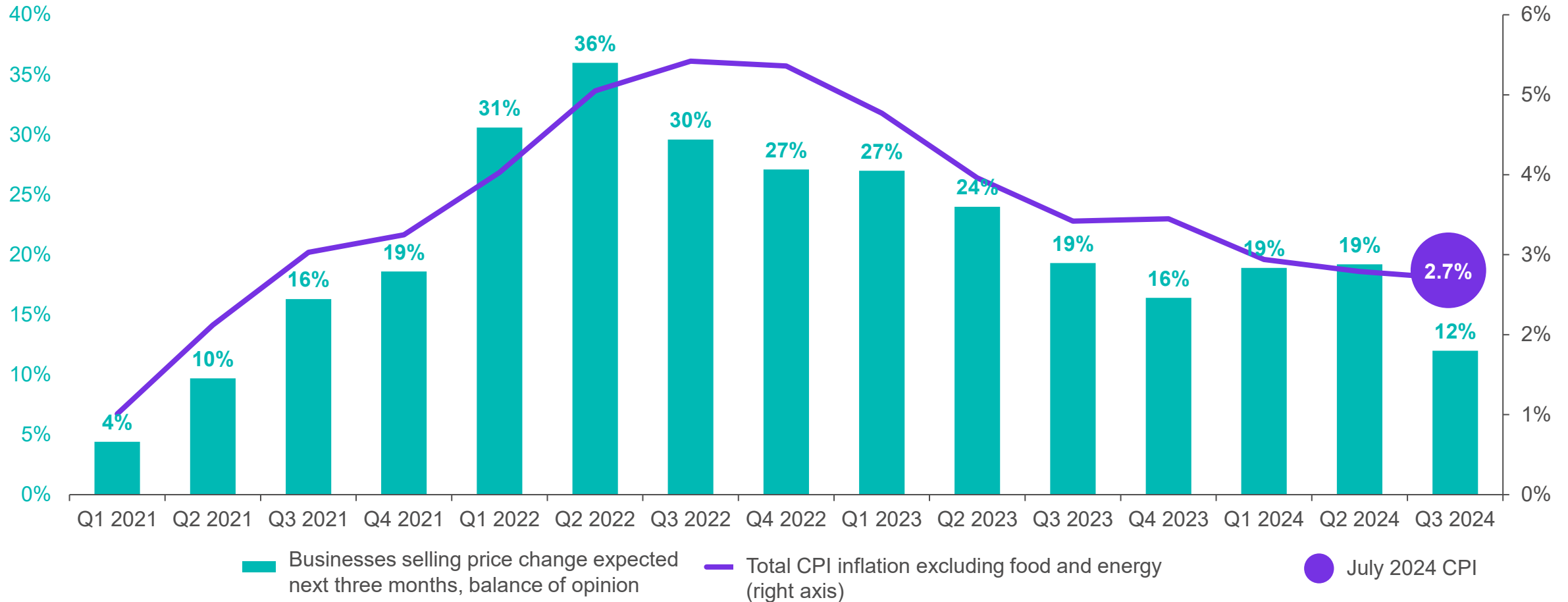




After much progress on inflation, there's finally been a noticeable drop in the share of companies expecting to raise prices next quarter.

Businesses expecting to raise their selling prices*, next three months; and CPI inflation, excluding food and energy

% of businesses, right axis; year-over-year % change



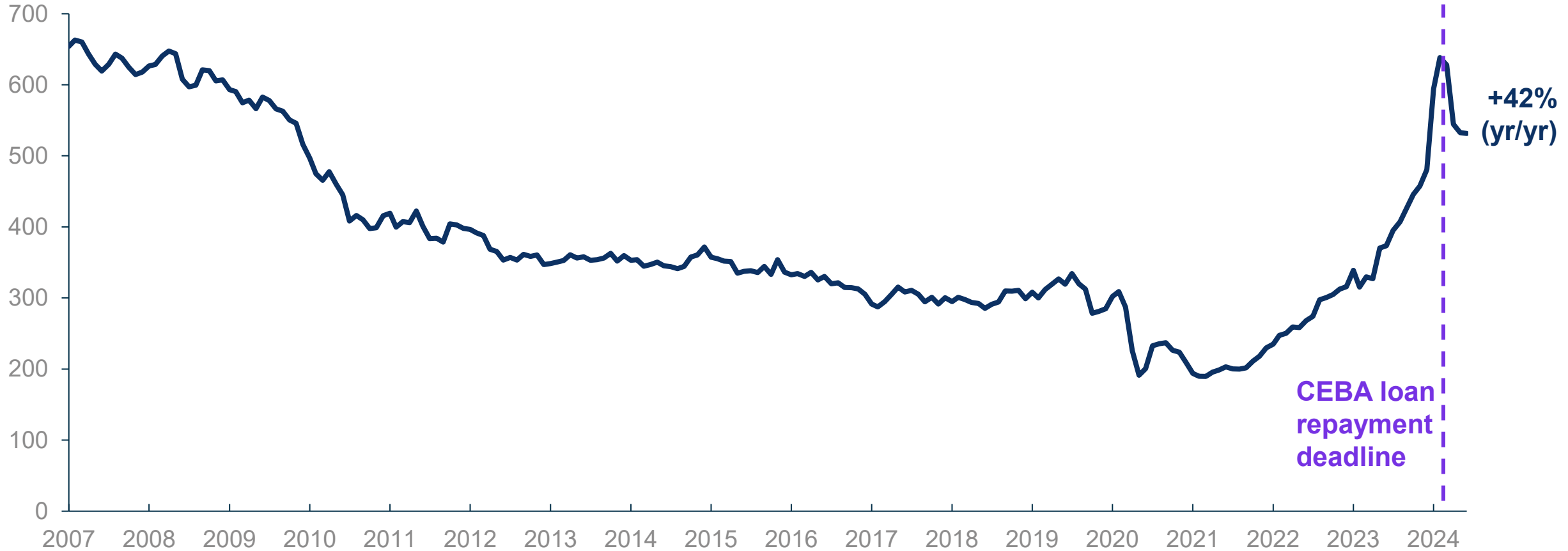
Note: *Balance of opinion = percentage of firms expecting to raise their selling prices minus percentage expecting to lower prices.
Source: BDL analysis using on Statistics Canada's *Canadian Survey on Business Conditions* and CPI data.



Context: Business bankruptcies spiked in January 2024, coincident with the CEBA loan repayment deadline.

Business insolvencies, Canada

Three month moving average, seasonally adjusted

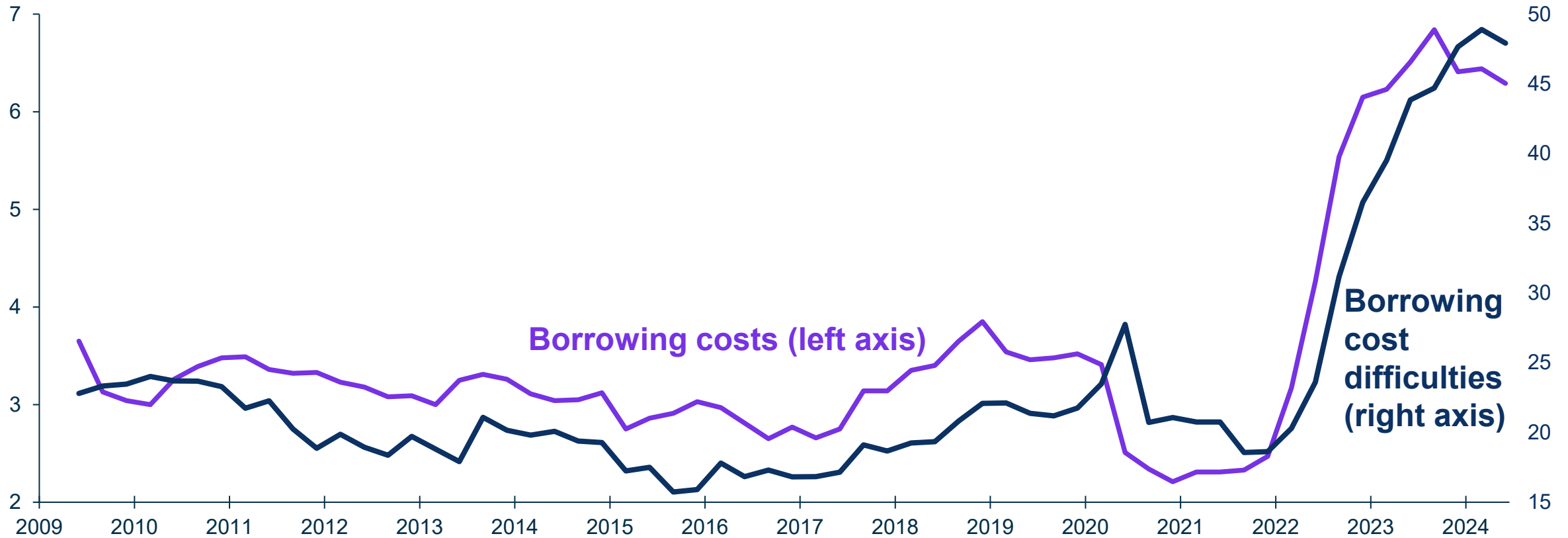


Note: CEBA = Canada Emergency Business Account
Source: BDL calculations using ISED data.



Context: Businesses are struggling with borrowing costs, but things started to turn the corner after interest rate cuts began.

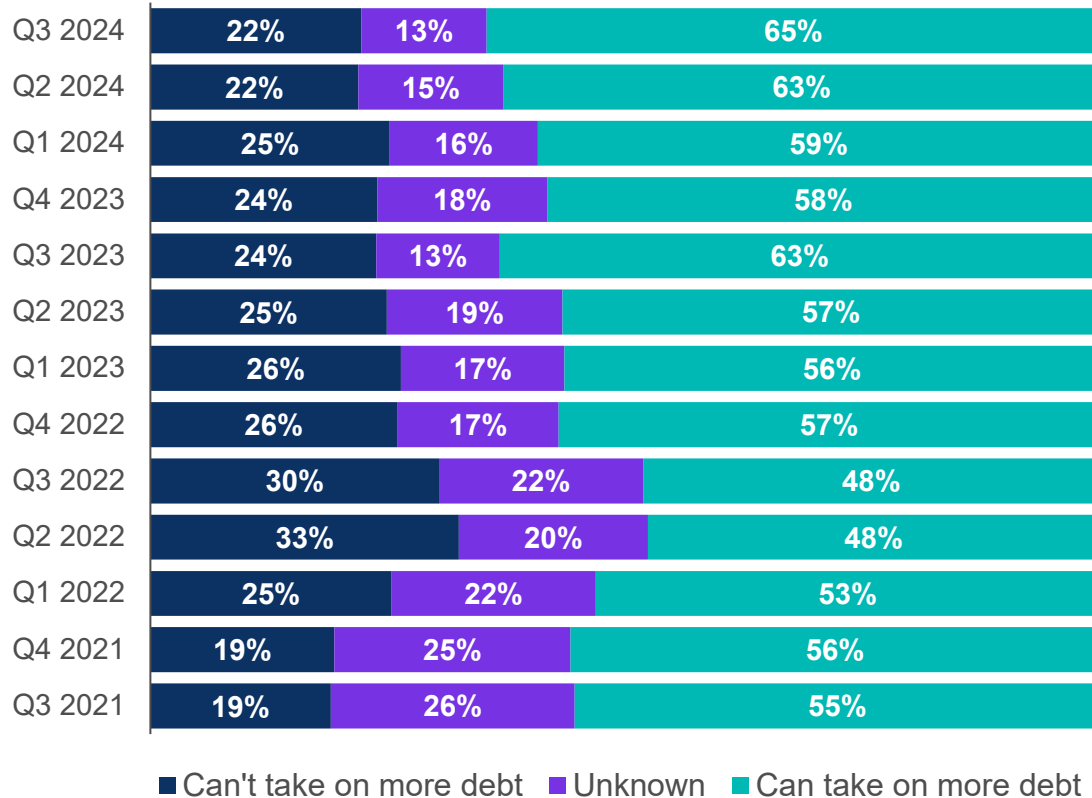
Effective business interest rate and share of small businesses reporting borrowing cost difficulties
Quarterly (left axis %; right axis % of total)



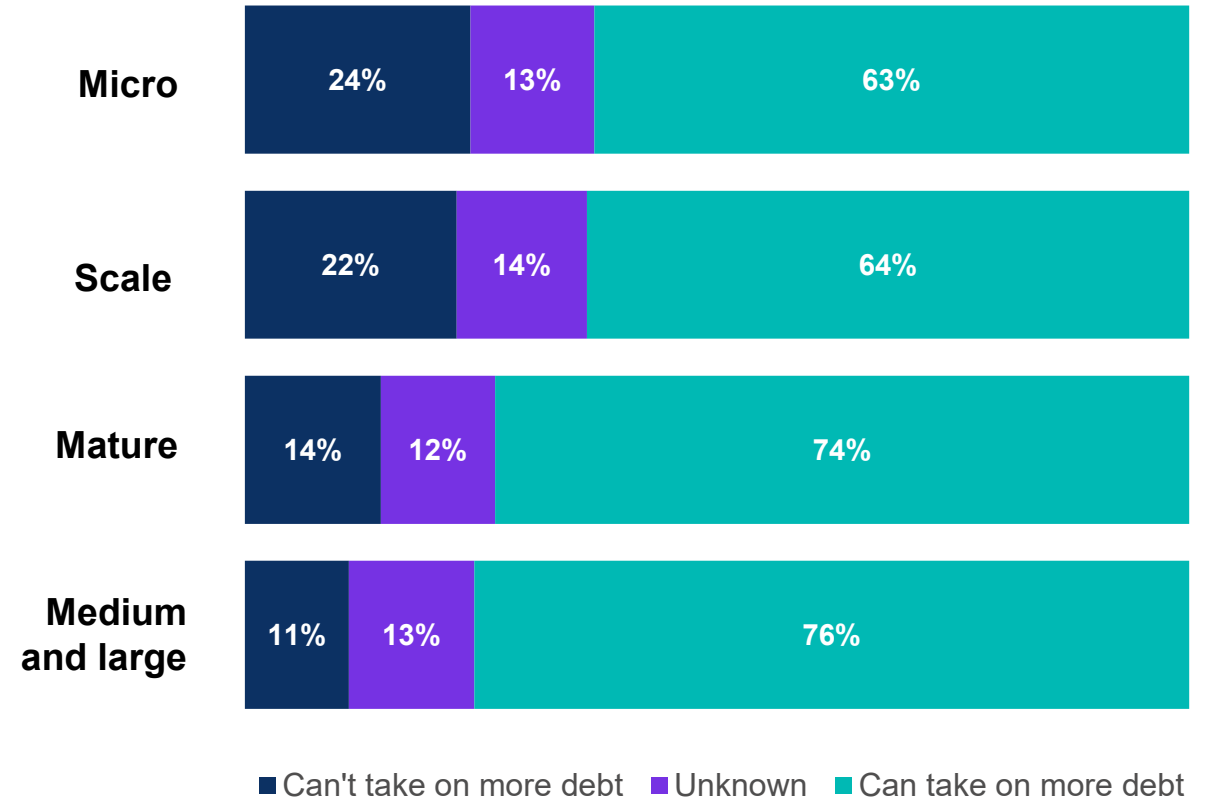


Overall debt constraints are improving, but micro businesses continue to feel more pressure.

Ability to take on more business debt
% of businesses*, by survey quarter



Ability to take on more business debt
% of businesses*, by firm size



Micro = 1-4 employees; Scale = 5-19 employees; Mature = 20-99 employees; Medium and Large = 100+ employees.

Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*

*Note: Businesses are asked if they plan to apply for debt financing in the next three months. If they report "No", they are asked if the business has the ability to take on more debt. If they do not, they are asked the reasons why.

Q3 2024

Labour market

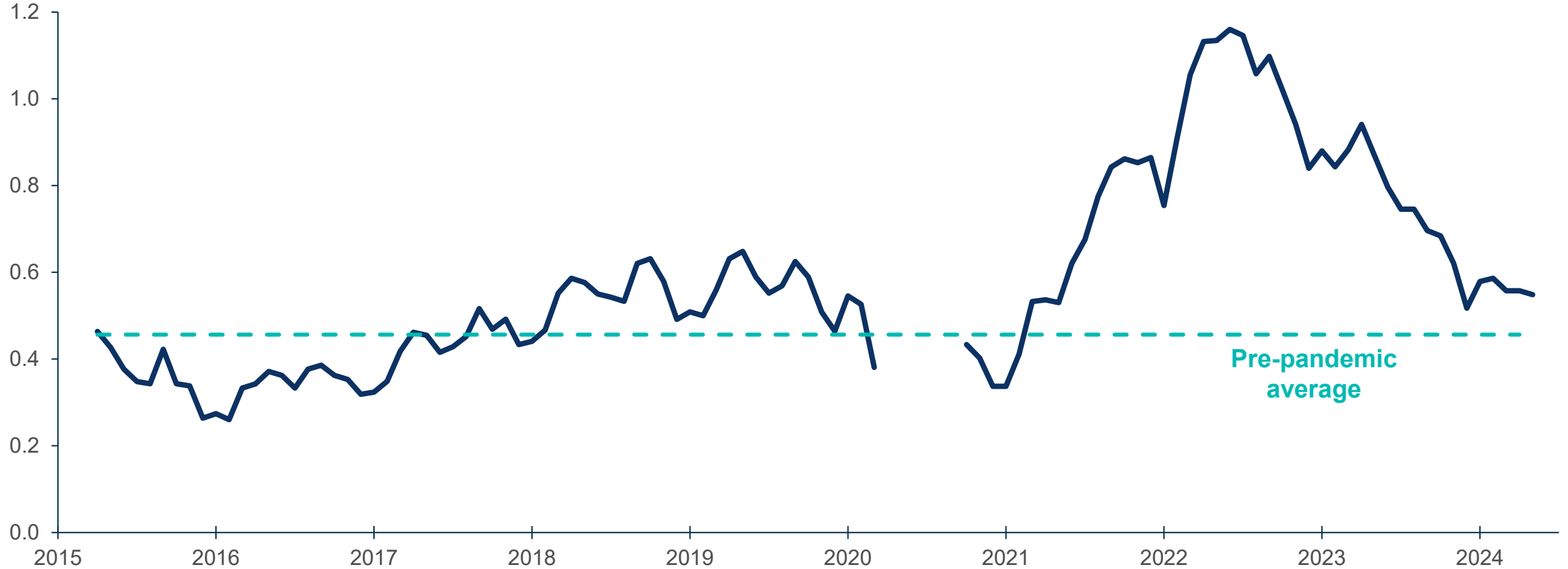




Context: Canada's labour market has normalized closer to the pre-pandemic balance of supply and demand.

Labour market tightness

Job vacancies per unemployed person

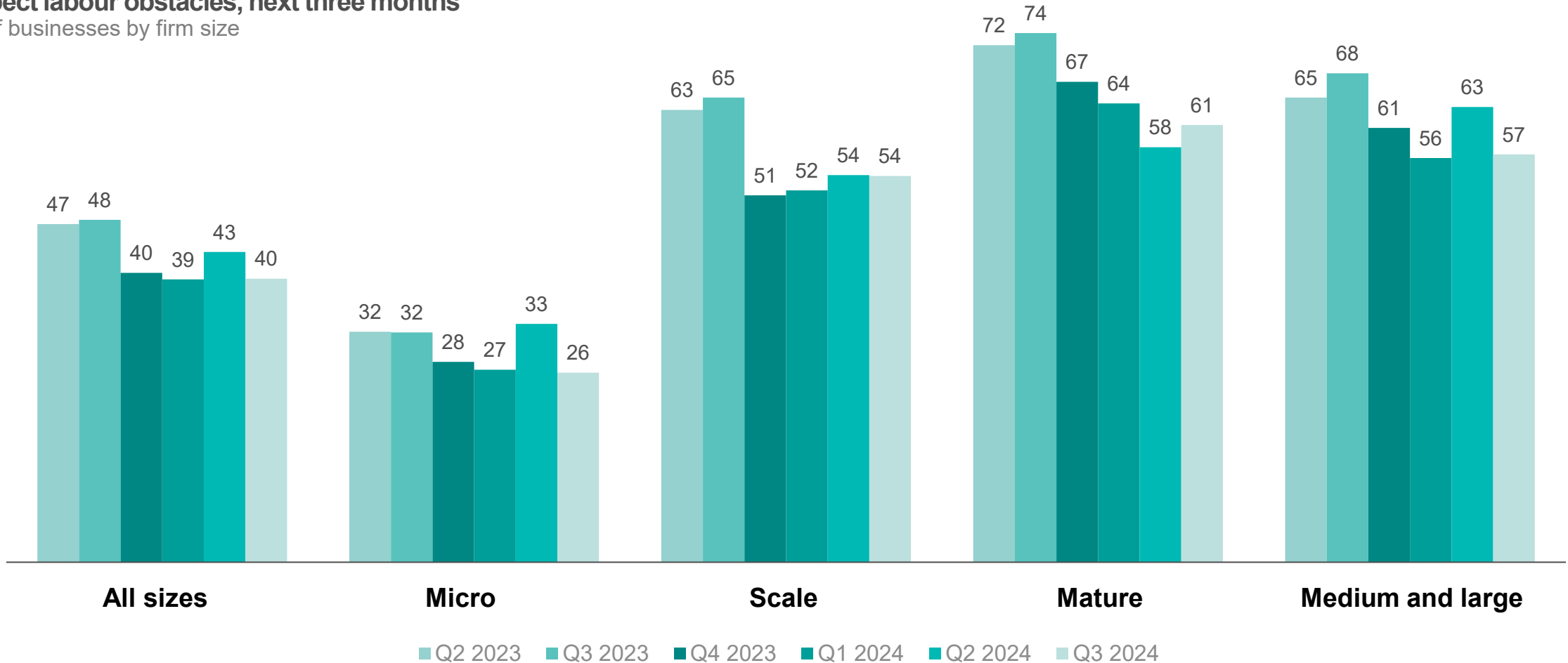




Labour challenges remain elevated but have eased from last year.

Expect labour obstacles, next three months

% of businesses by firm size



Micro = 1–4 employees; Scale = 5–19 employees; Mature = 20–99 employees; Medium and large = 100+ employees

Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.



Roughly half of firms in accommodation and food services, manufacturing, retail and construction expect short-term labour challenges.

Labour challenges expected, next three months
% of businesses by industry



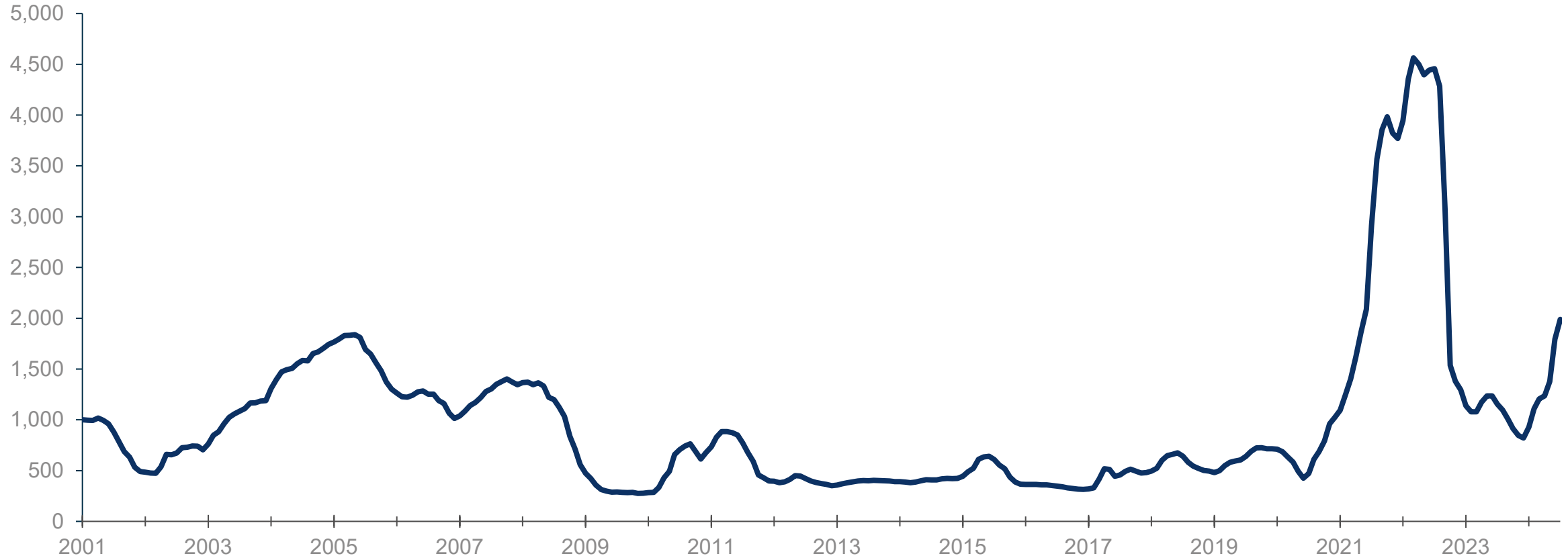
Q3 2024

Supply chain challenges



Context: After falling from pandemic highs, Red Sea disruptions have caused global shipping rates to rise.

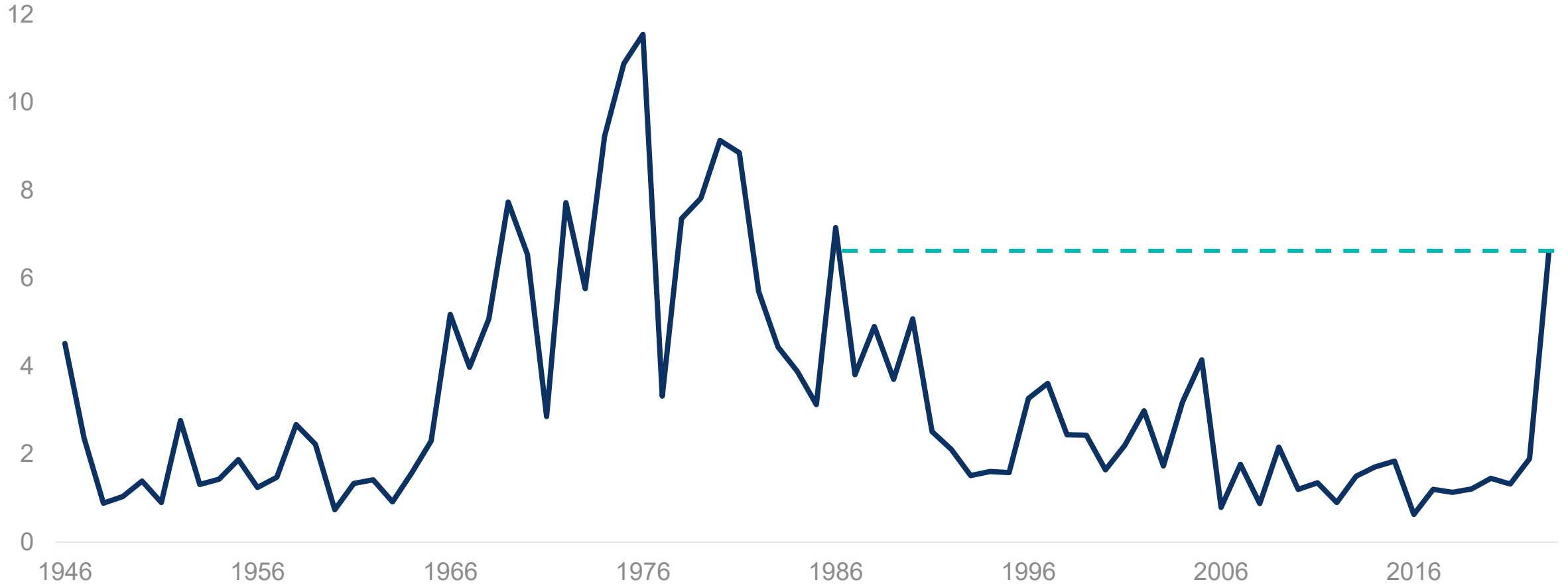
Global shipping rates
Index, January 2001=1000





Context: 2023 saw the most days lost to labour disputes since 1986.

Person days lost to labour disputes, Canada
Millions

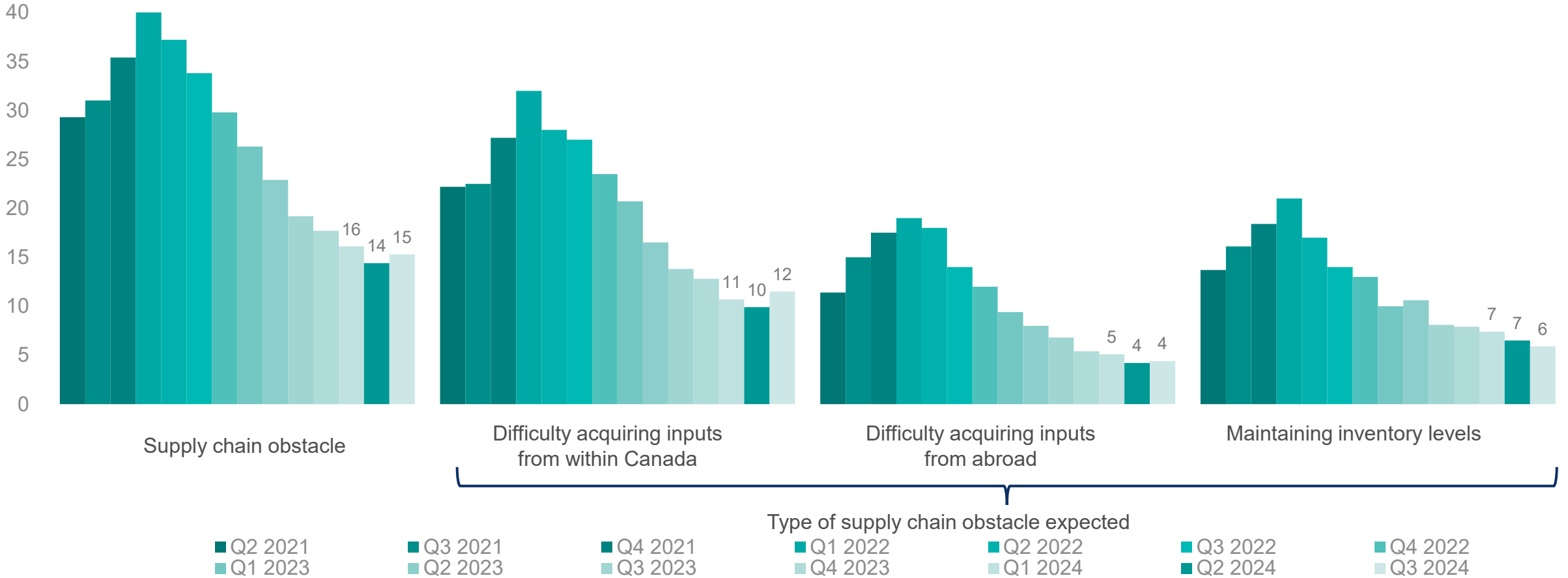


Source: BDL calculations using ESDC data.



There was a slight uptick in overall supply chain challenges this quarter due to difficulties acquiring domestic inputs.

Expect supply chain obstacles, next three months
% of businesses

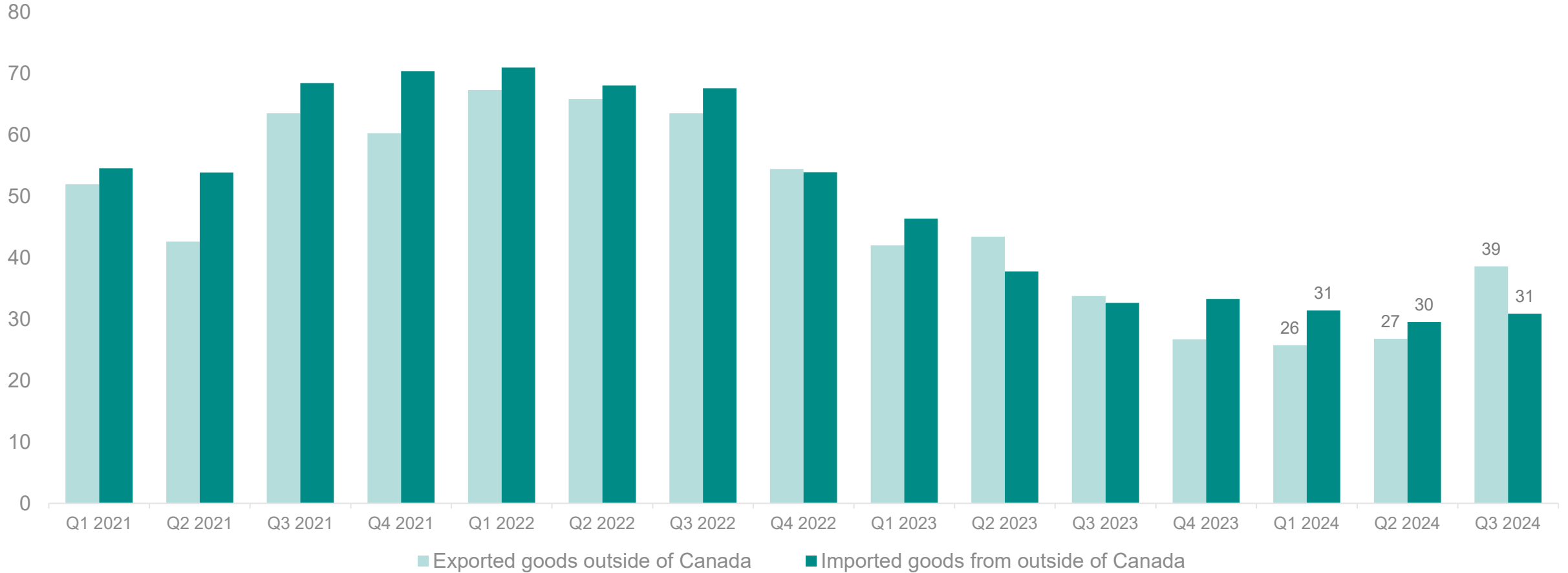


Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.



The biggest change was the rising share of Canadian exporters expecting supply chain obstacles over the next three months.

Expect supply chain obstacles, next three months
% of businesses

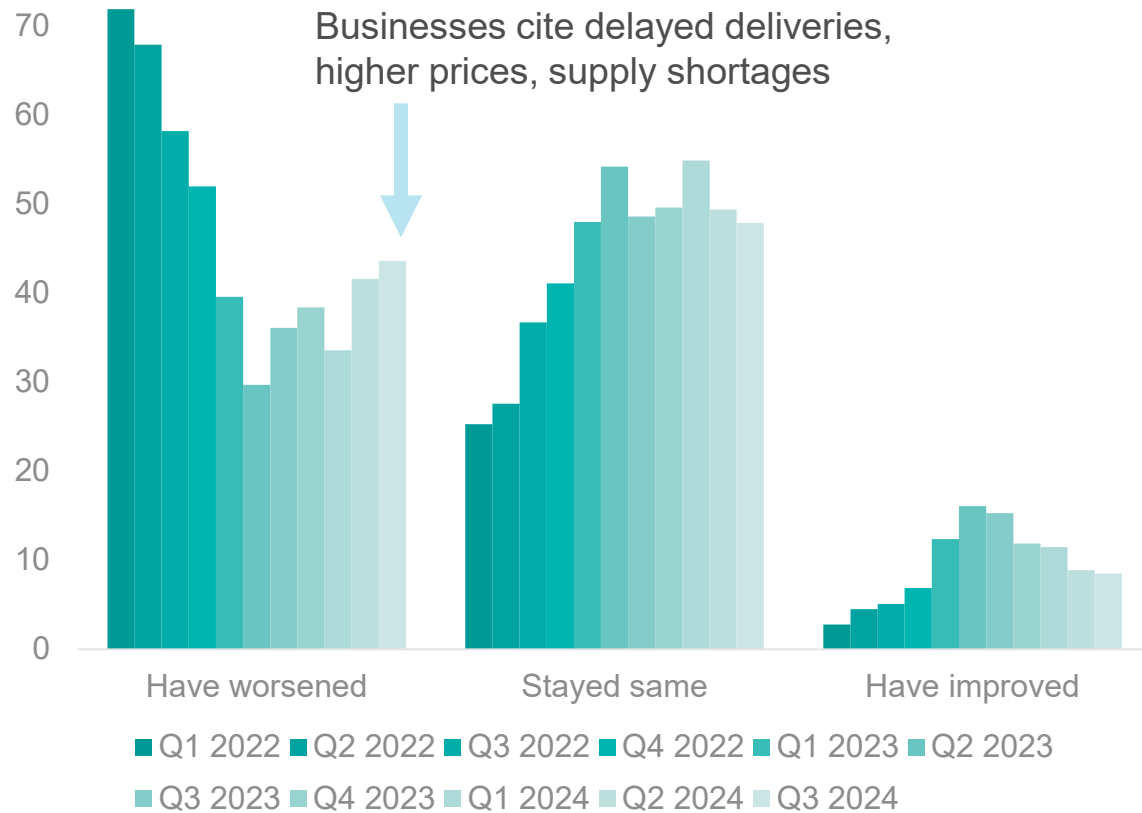


Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.

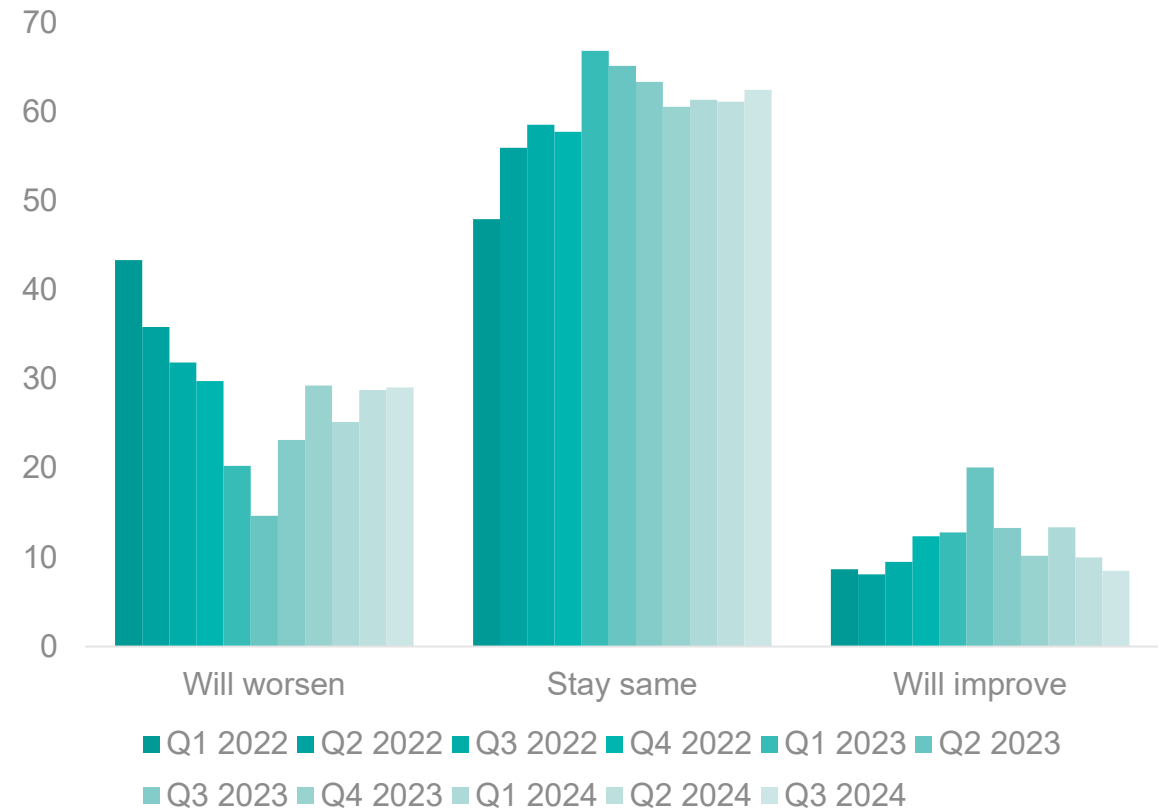


Among affected businesses, a rising share think supply chain issues have worsened recently.

Supply chain obstacles experienced, last three months
% of businesses, of those who experienced supply chain obstacles



Supply chain obstacles expected, next three months
% of businesses, of those who expect supply chain obstacles



Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.

Q3 2024

Environmental practices

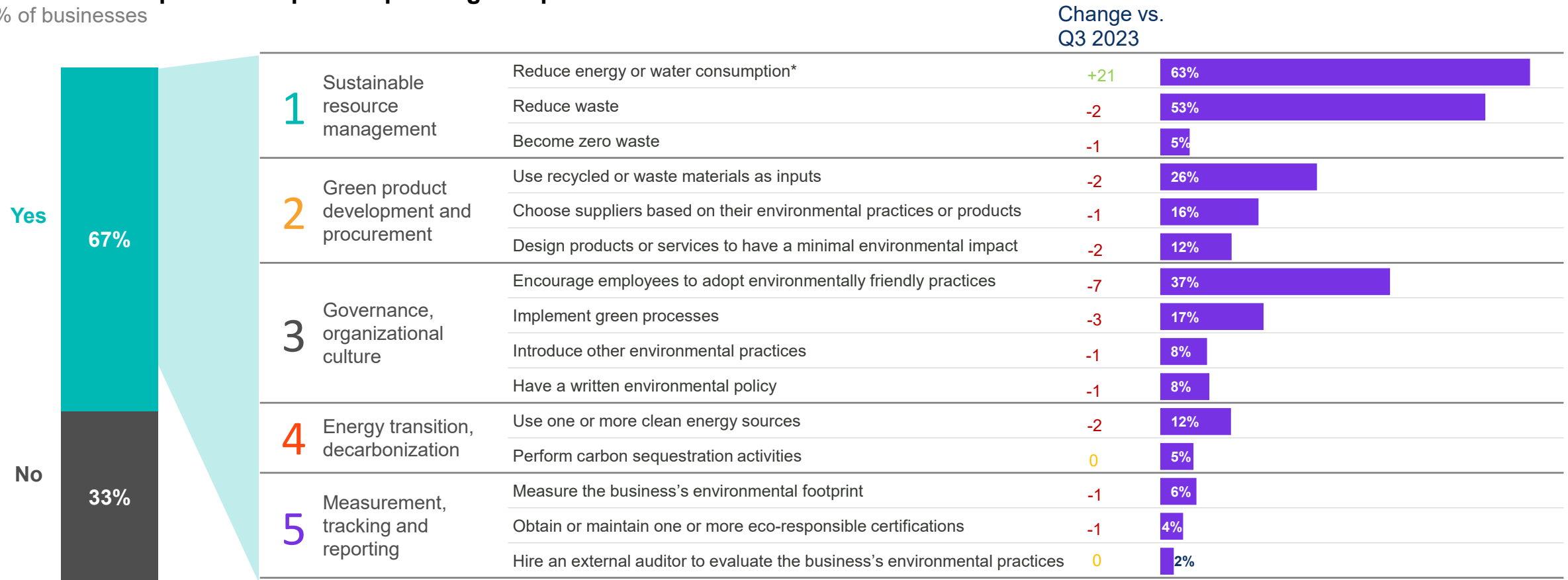




Two-thirds of businesses are adopting environmental practices, with a stronger focus on reducing energy and water use.

Environmental practices in place or planning to implement over the next 12 months

% of businesses



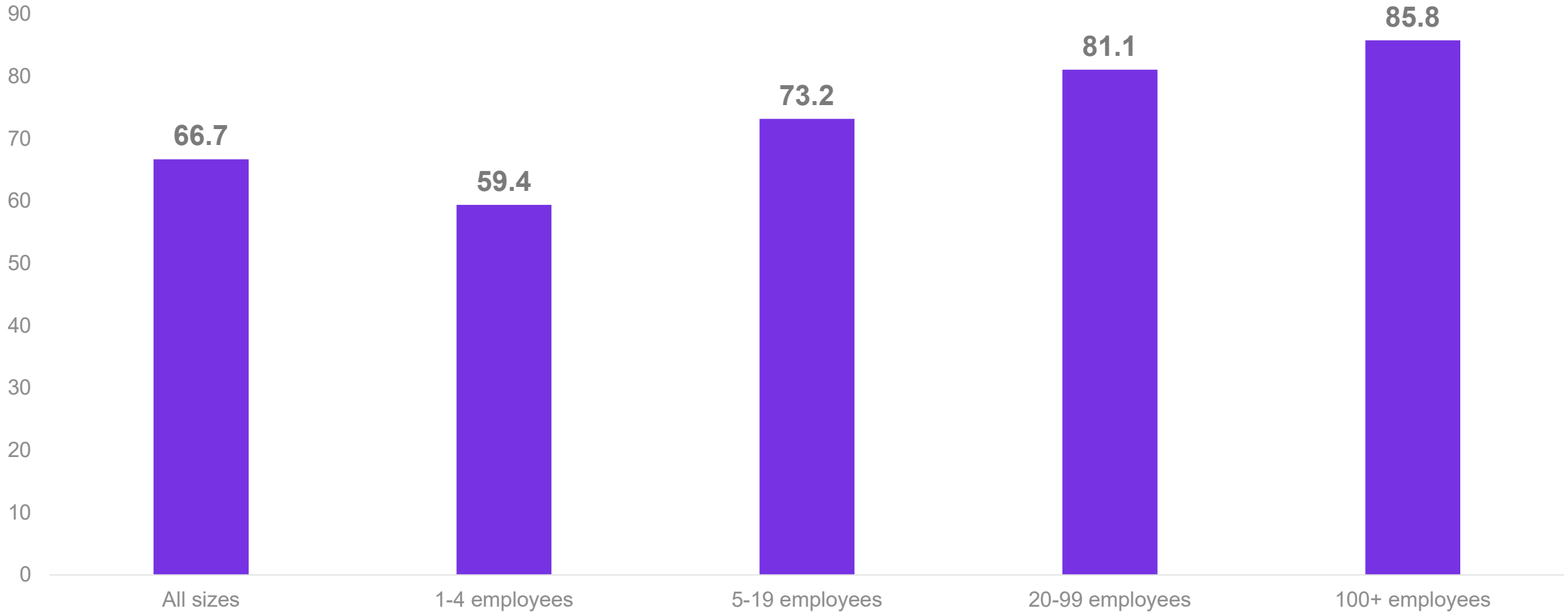
Note:* These responses were separated out in the most recent survey but were grouped together last year.
 Source: Business Data Lab analysis based on Statistics Canada's *Canadian Survey on Business Conditions*; 9,031 business responses in July and August 2024.



Larger firms are more likely to adopt environmental practices.

Environmental practices in place

% of businesses



Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 9,031 business responses in July and August 2024.

Appendix





Most optimistic cities historically: Halifax, Sherbrooke and Quebec City. Most pessimistic: Toronto, Windsor and Vancouver.

Business Expectations Index, major census metropolitan areas

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment

Location	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Latest Rank	Average Q1 2021-Q3 2024	Historical Rank
Canada	85.0	95.0	102.9	96.7	100.1	107.2	98.6	95.7	99.6	105.6	98.6	93.9	99.1	101.8	98.4	14	98.5	12
Victoria	96.0	101.2	107.5	109.9	103.7	108.6	98.8	92.8	103.0	104.8	100.1	96.0	102.1	101.7	102.6	10	101.9	5
Vancouver	84.8	93.2	102.7	98.4	97.7	102.7	97.4	88.4	102.4	103.9	95.4	92.3	96.2	100.6	93.2	17	96.6	20
Kelowna									97.2	112.7	97.1	90.7	103.0	102.7	90.2	20	99.1	9
Calgary	86.6	87.8	101.7	89.4	101.4	106.2	99.5	92.5	97.2	100.1	101.2	92.8	104.2	104.0	103.8	7	97.9	17
Edmonton	81.4	93.7	94.6	91.5	95.4	100.4	101.8	93.6	100.9	103.8	101.3	90.7	104.8	108.7	104.4	5	97.8	18
Saskatoon	86.4	100.5	103.7	97.7	107.3	101.4	97.9	98.3	97.7	111.1	99.4	96.2	104.1	96.6	99.2	13	99.8	7
Regina	82.7	92.9	101.0	88.0	98.7	103.7	98.3	96.7	104.2	109.1	102.3	94.7	100.0	91.6	106.9	2	98.1	14
Winnipeg	89.4	91.6	105.3	103.1	101.0	110.4	101.2	99.5	101.0	102.8	101.6	102.8	97.3	99.7	101.7	11	100.6	6
Windsor	69.5	87.2	98.2	102.3	96.1	107.4	96.0	99.7	89.9	104.7	95.7	95.7	100.4	98.0	91.3	19	95.5	21
London	87.4	100.4	99.7	103.0	97.6	103.7	96.0	97.9	101.6	105.6	103.2	90.6	91.0	104.1	103.8	7	99.0	10
Kitchener/Cambridge/Waterloo	79.9	93.0	109.0	104.9	95.2	106.4	103.8	94.4	104.3	105.5	91.4	78.9	100.5	101.5	104.8	4	98.2	13
St. Catharine's/Niagara	74.9	90.5	101.0	103.3	89.6	107.5	103.5	95.4	98.3	115.5	95.1	88.5	103.6	106.2	97.4	16	98.0	15
Hamilton	82.7	91.3	106.5	100.7	105.3	109.1	96.7	92.1	103.4	108.4	106.2	85.1	95.8	101.1	84.9	21	98.0	16
Toronto	75.0	89.4	96.1	96.3	99.3	103.7	96.3	98.2	94.8	102.4	93.6	91.5	94.5	98.2	91.9	18	94.7	22
Oshawa	76.9	90.7	104.1	95.9	97.6	105.7	101.3	90.7	99.5	99.0	100.8	78.8	112.8	105.3	103.1	9	97.5	19
Ottawa-Gatineau	85.7	88.5	111.8	106.1	96.4	104.7	94.9	95.0	98.9	113.0	104.4	96.0	101.1	98.3	99.8	12	99.6	8
Montreal	90.8	100.7	108.7	99.2	107.1	111.6	104.2	96.0	103.3	105.2	103.6	101.4	104.2	105.5	97.7	15	102.6	4
Sherbrooke	101.5	113.3	105.8	105.5	103.4	114.2	101.3	95.4	106.0	109.3	98.6	92.7	107.2	115.0	104.0	6	104.9	2
Quebec City	95.7	100.5	112.8	97.9	103.5	107.5	105.0	103.7	110.5	107.4	105.9	97.7	98.8	110.8	105.4	3	104.2	3
Halifax	95.7	103.6	110.7	102.7	104.0	117.8	104.3	102.2	103.9	111.3	104.4	98.5	112.7	115.6	108.6	1	106.4	1
St. John's	85.3	100.5	102.6	95.4	94.3	112.4	101.1	100.4									99.0	11

Business Expectations Index methodology

Objectives: The Business Expectations Index captures the near-term outlook according to Canadian businesses. The index is timely, forward-looking and useful for a wide variety of business contexts.

Methodology: The BDL leverages Statistics Canada’s *Canadian Survey on Business Conditions* (CSBC) as a key input to construct quantitative business sentiment indicators for Canada and many business sub-populations. The index uses a diffusion methodology commonly applied to business surveys, constructed as follows:

$Index_i = 100 * (2 * P_{I,i} + 1 * P_{NC,i} + 0 * P_{D,i})$, where

$P_{I,i}$ = % of businesses who expect series i to “increase”;

$P_{NC,i}$ = % of businesses who expect in series i to “stay about the same”;

$P_{D,i}$ = % of businesses who expect series i to “decrease”.

Where i = sales, employment, investment and profitability. “Not applicable” responses are removed by re-weighting each component series separately. The headline composite index is calculated by applying equal weights to firms’ expectations over the next three months for these four components. Results are available for the following 71 business contexts:

- 36 regions (national, provincial, territorial, rural and urban, as well as 20 major cities).
- 16 industries (at the NAICS two-digit level, e.g., manufacturing, construction) as well as private-sector businesses.
- Six business ownership groups (including women, Indigenous, immigrant and visible minorities).
- Four firm sizes (by employment: 1–4 employees, 5–19 employees, 20–99 employees, 100+ employees).
- Four firm ages (2 years or less, 3–10 years, 11–20 years, 20+ years).
- Three firm trade statuses (goods exporters and importers, and not globally engaged).

Interpreting the index: Index scores range from a minimum of zero (if all businesses expect a decrease/deterioration) to a maximum of 200 (if all businesses expect an increase/improvement). A value of 100 indicates “no net change” in business expectations relative to last quarter. Values above 100 indicate an improving outlook, while values below 100 signal a deteriorating outlook.



Survey methodology

Survey objectives: The *Canadian Survey on Business Conditions* (CSBC) was created in spring 2020 by Statistics Canada in partnership with the Canadian Chamber of Commerce to provide timely, relevant data on business conditions in Canada, as well as businesses' expectations and views on emerging issues. These surveys are used by governments, business associations and analysts to monitor evolving business conditions and devise policies to support Canadian business.

Survey period: The Q3 2024 CSBC data collection period was July 2 to August 6, 2024.

Survey approach: The survey was conducted by Statistics Canada via electronic questionnaire, using a stratified random sample of business establishments with employees, classified by geography, industry sector and size. Population totals are estimated using calibration weights. The survey is based on responses from 9,031 businesses or organizations.

Note: Charts might not sum to 100% due to rounding.

Contact: This report presents CSBC analysis conducted by the Canadian Chamber of Commerce's Business Data Lab. For questions, comments or inquiries, contact Stephen Tapp, Chief Economist (STapp@Chamber.ca).

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