



Canadian  
Chamber of  
Commerce

Chambre de  
Commerce  
du Canada



Business  
Data Lab

Laboratoire de données  
sur les entreprises

# Canadian Survey on Business Conditions Report

Q1 2024





# Message from Senior Economist, Andrew DiCapua

The outlook for Canadian businesses remains weak, despite modest improvements in the first quarter of 2024, according to Statistics Canada's latest *Canadian Survey on Business Conditions* (CSBC). More than half of all businesses are getting squeezed by high interest rates as cost-related challenges dominate the top business obstacles. Larger businesses have been better able to navigate this challenging environment, but smaller firms, interest-rate sensitive industries and those with persistent labour shortages are most affected.

Firms are reporting concerns around weak consumer demand. This is understandable given that consumers are pulling back on discretionary spending — in January 2024, for the first time in three years, our [Local Spending Tracker](#) showed negative year-over-year growth in nominal terms.

This report introduces our latest effort to enhance understanding of business conditions — the [Business Expectations Index](#) (BEI) allows users to quickly gauge trends in sentiment for more than 70 different business concepts. And to continue democratizing data, there's a new tab in BDL's [Survey Insights Generator](#), with customizable results that can be downloaded for use in your own analysis and outputs. You can also explore results by geography (including for the 20 largest cities in Canada), industry, ownership, firm size, age, trade status and more.

Operating a business will continue to be challenging in 2024, with affordability concerns exacerbated by upcoming mortgage renewals for many households. While we are moving in the right direction this quarter, a more significant rise in business optimism is likely still a few quarters away.

## **Andrew DiCapua**

Senior Economist, Business Data Lab  
Canadian Chamber of Commerce



# Introducing the Business Expectations Index (BEI).

What's the near-term outlook for \_\_\_\_\_ businesses in Canada?



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.

Unlike other sentiment indicators, it drills down below national trends to provide reliable and relevant results by geography, industry, firm size, ownership, trade status and more.



## How to read the results

Our headline business expectations index quantifies the business outlook for the next three months, based on four components: sales, employment, investment and profits. A reading above 100 indicates improving business sentiment; below 100 indicates deteriorating sentiment; while 100 indicates no change from the previous quarter.



# Key outlook findings: Geography

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## Canada: **Weak overall business sentiment**

- The *Business Expectations Index* is in slightly negative territory (99.1) in the first quarter of 2024.
- That said, the index is up 5.2 points from last quarter, with modest gains across all four components (sales, employment, investment, profits), led by rebounding sales expectations.
- Businesses expect employment to grow modestly in the next three months, as labour market conditions continue to come into better balance between supply and demand.

## Provinces: **Greater housing affordability challenges, less optimistic businesses**

- Sentiment is weakest in Ontario (96.8) and British Columbia (98.0), and strongest in Quebec and Atlantic Canada (102.5 and 102.6).

## Cities: **Stronger spending growth, more optimistic businesses**

- Business sentiment is weakest in major Southwestern Ontario cities (London, 91.0; Toronto, 94.5; and Hamilton, 95.8) and Vancouver (96.2). Sentiment is strongest in Halifax (112.7), Oshawa (112.8) and Sherbrooke (107.2).

# Key outlook findings: Business characteristics

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## **Industries: Even split between improving and deteriorating outlooks**

- Sectoral strength is led by finance (107.1) — which benefited from recent equity market gains — and a rebounding manufacturing sector (104.7).
- Weakening sectors include those more sensitive to the pullback in discretionary consumer spending and high interest rates, such as transportation (88.6), accommodation and food services (92.8) and real estate (93.9).

## **Size: Micro firms, major problems**

- Micro firms (with 1 to 4 employees) continue to struggle (96.4), while medium and large firms (with 100 or more employees) are much more optimistic (106.8).

## **Ownership: Indigenous-owners lead business optimism**

- Among underrepresented groups, Indigenous-owned businesses are the most optimistic (113.0), while businesses owned by immigrants and people with disabilities are more pessimistic (93.9 and 91.8).



## Key findings: Business obstacles

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- Cost-related challenges remain the most broad-based near-term business obstacles. Higher interest rates are exacerbating financial concerns, particularly for micro firms.
- Customer demand is an increasing concern for businesses, consistent with the Chamber's *Local Spending Tracker* that shows a recent decline in nominal spending growth.
- Facing continued cost pressures, firms' pricing behaviour still hasn't normalized. Despite headline inflation falling back into the Bank of Canada's target range, the share of companies expecting to raise prices next quarter (25%) remains historically elevated.
- Most businesses report significant impacts from higher interest rates, which raises their borrowing costs.
- Labour market challenges remain acute in accommodation and food services, construction and healthcare. Recruiting challenges are still a major issue in the tech sector.



# Outlook according to Canadian businesses

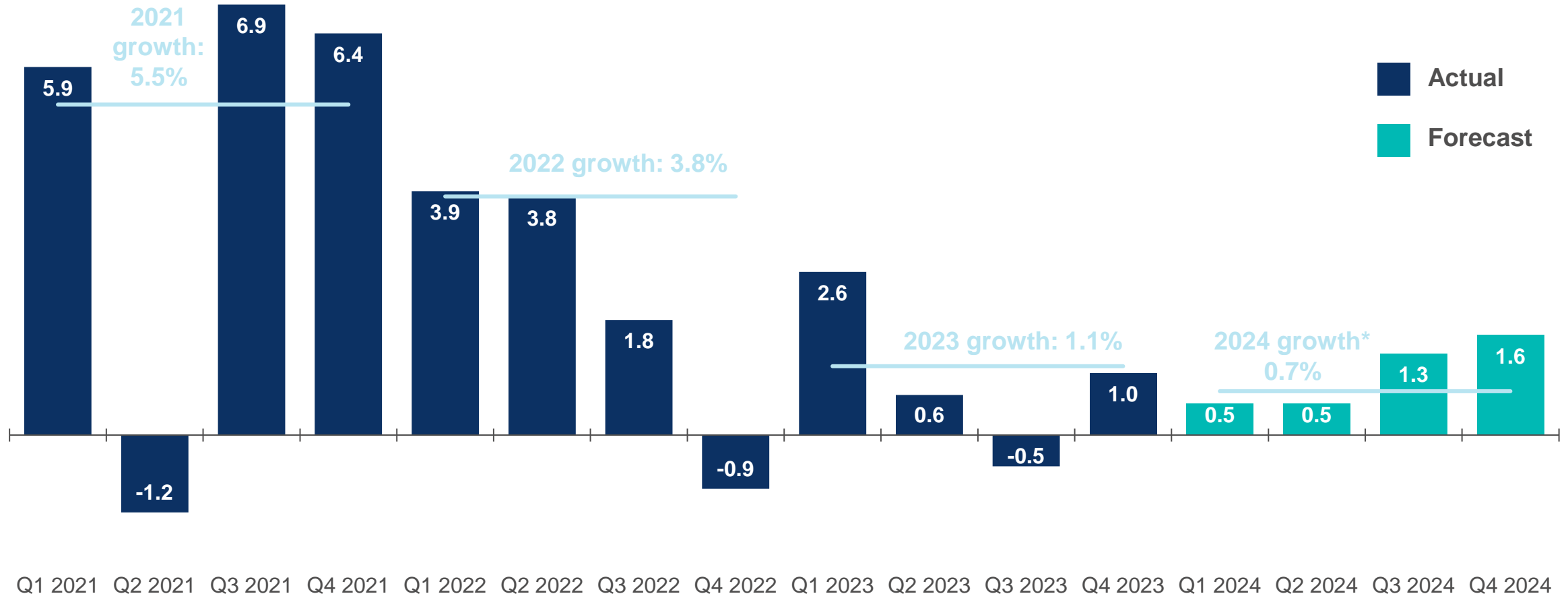
Q1 2024



Context: While Canada's economy picked up in the fourth quarter of 2023, growth this year is expected to remain sluggish.

### Canadian real gross domestic product (GDP) growth

Chained 2012 dollars, annualized quarterly percent change



Sources: Business Data Lab analysis, based on Statistics Canada; Bloomberg  
Note: \*Bloomberg Consensus Forecast

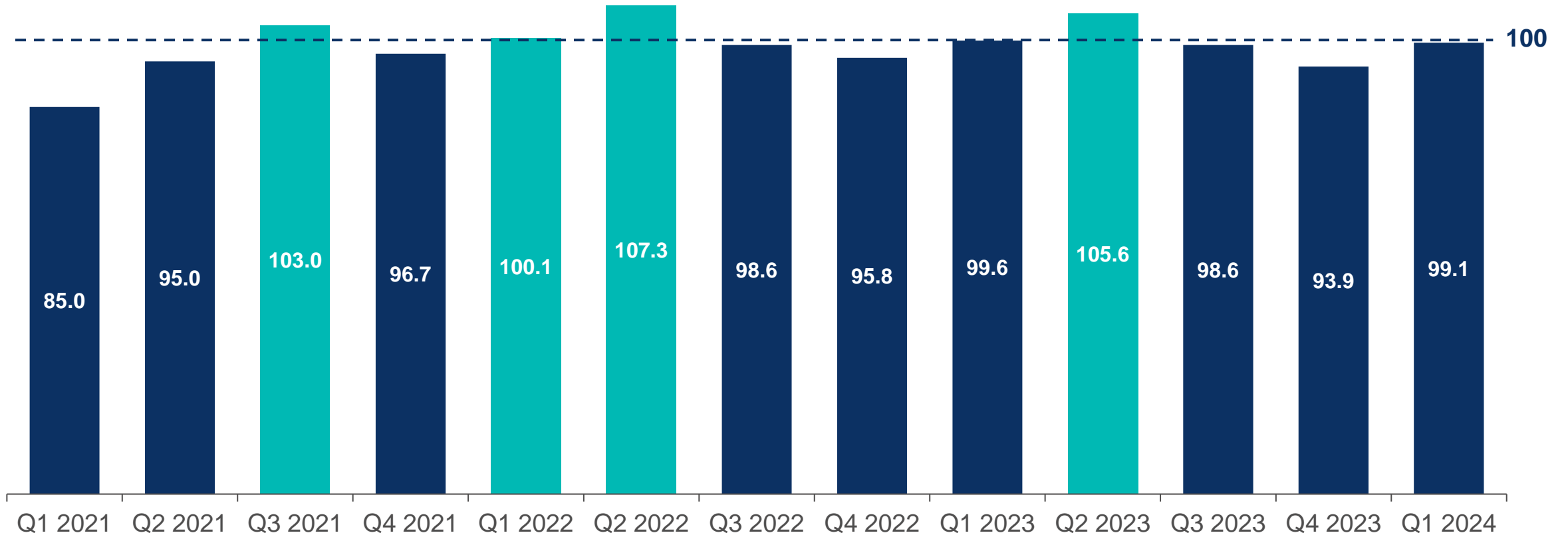




# Expectations: Weak business sentiment, despite some improvement.

## Business Expectations Index

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

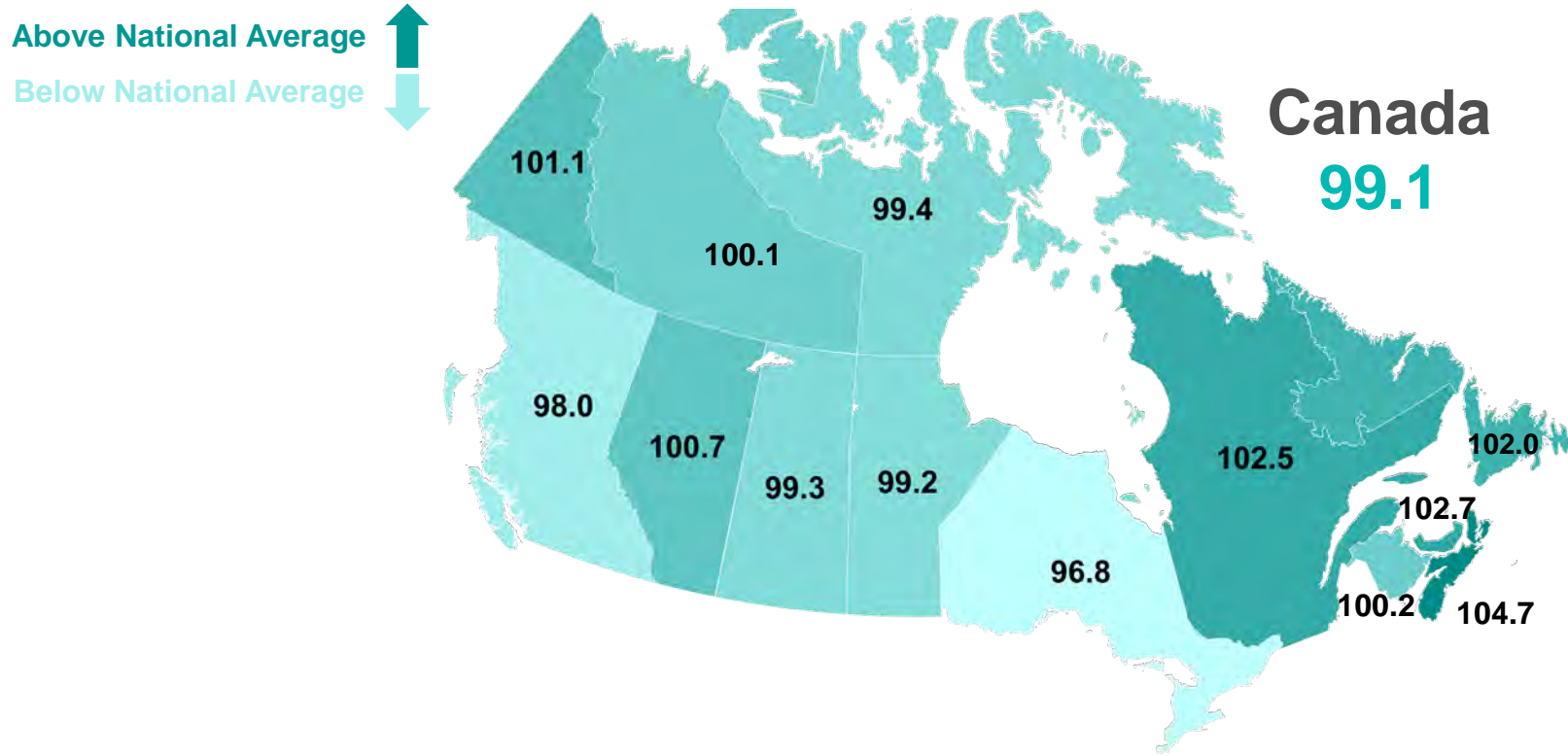




# Region: Sentiment is weakest in Ontario and British Columbia; strongest in Quebec and Atlantic Canada.

## Business Expectations Index, by region

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

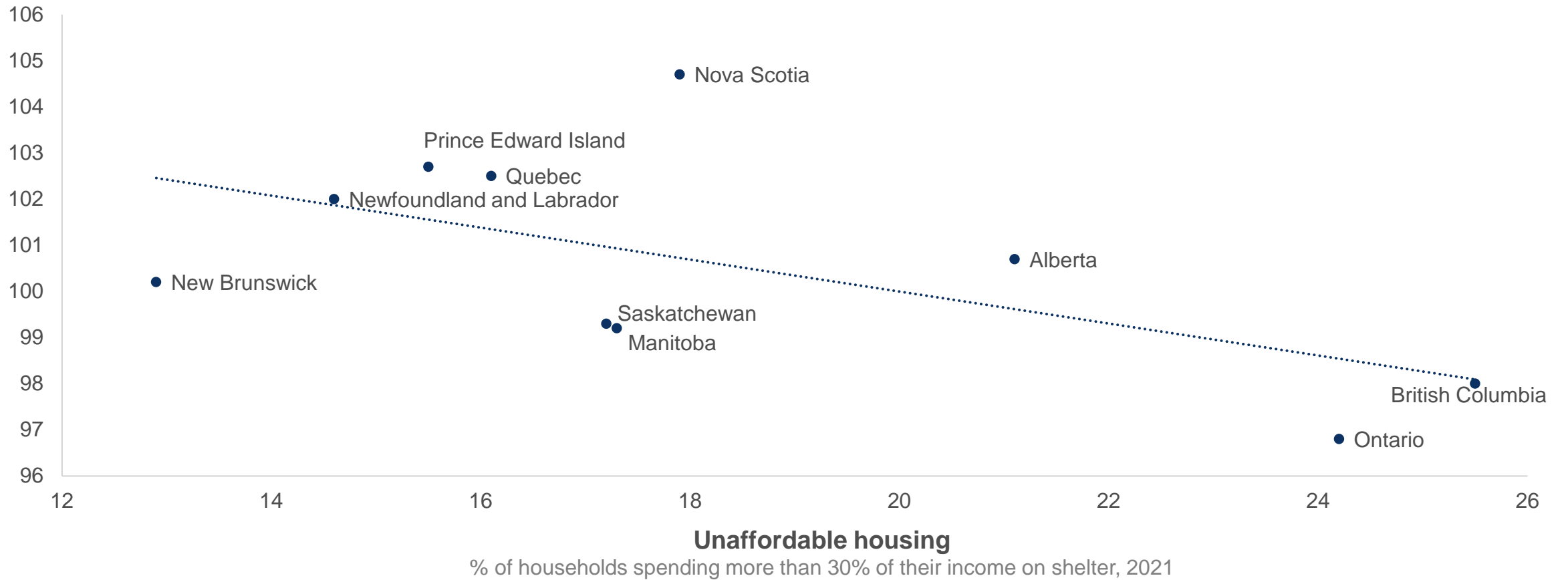




# Businesses in less affordable housing markets are the least optimistic.

## Business Expectations Index, 2024 Q1

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

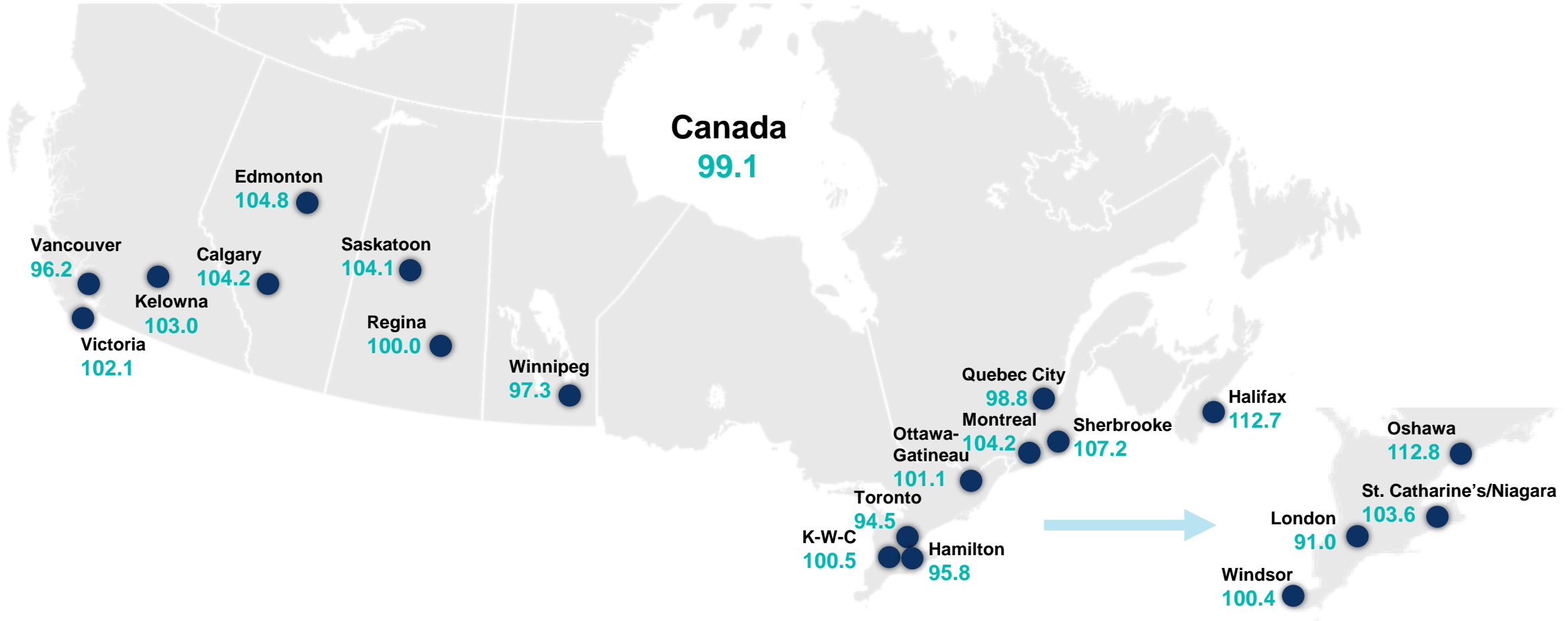




# Cities: Localized optimism in Eastern Canada and the Prairies; weakness in Southwestern Ontario.

## Business Expectations Index, by census metropolitan area (CMA)

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





# Industries: Even split between sectors in growth mode (led by finance) and contraction (transportation, accommodation and food services, real estate)

## Business Expectations Index, by industry

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

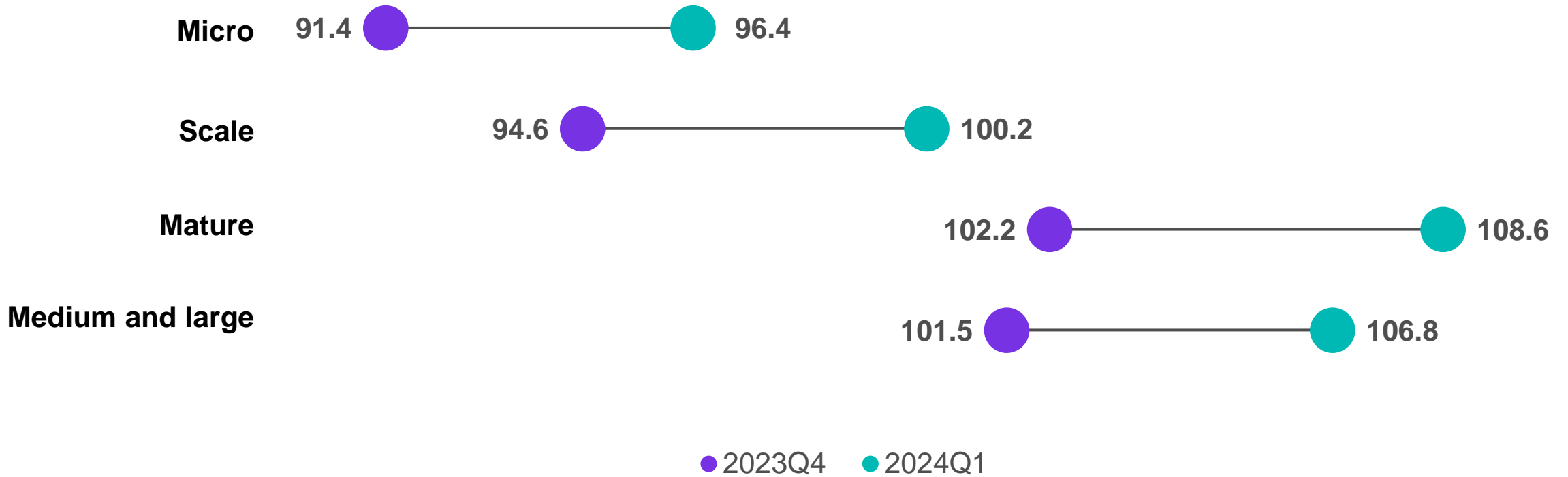




# Employee size: Despite gains last quarter, micro firms remain pessimistic.

## Business Expectations Index, by employee size

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



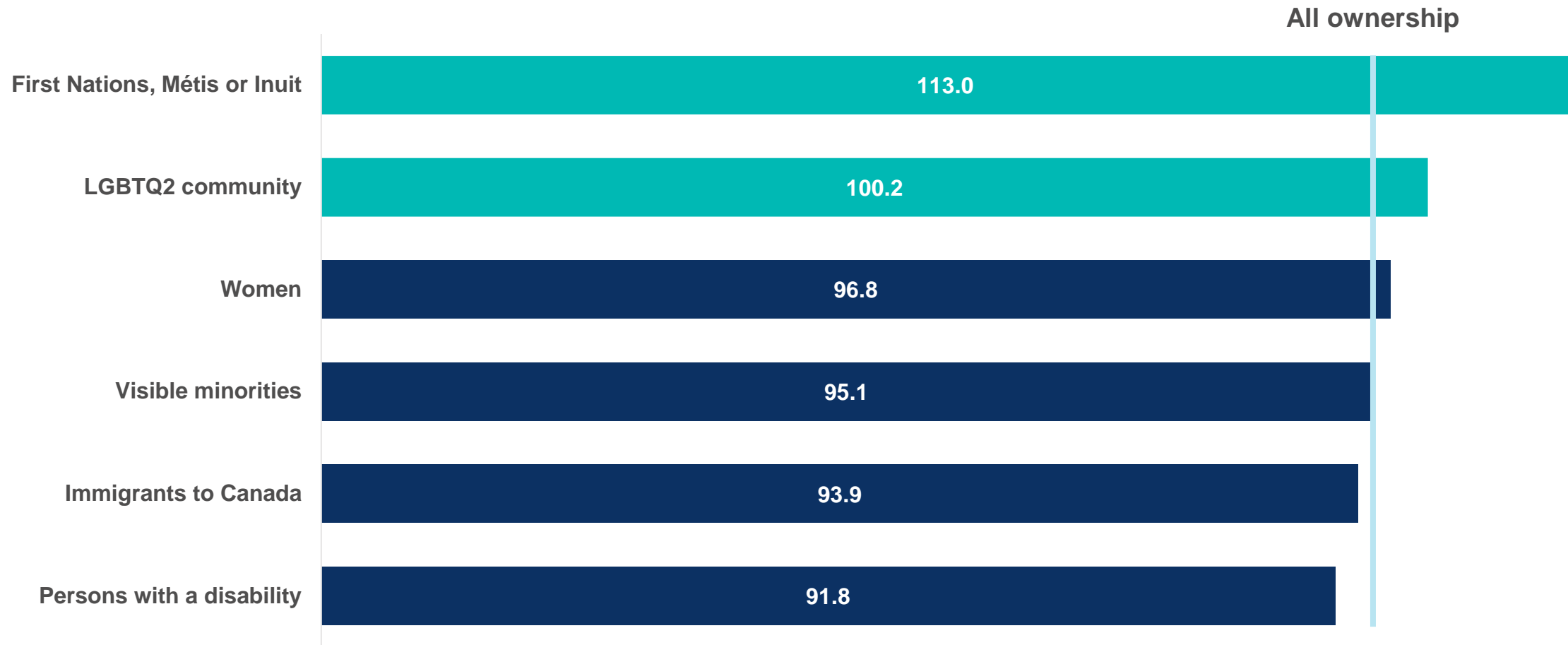
Micro = 1 – 4 employees; Scale = 5 –19 employees; Mature= 20 – 99 employees; Medium and Large = 100 + employees.



# Ownership: Among underrepresented groups, Indigenous-owned businesses are the most optimistic.

## Business Expectations Index, by ownership

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





# Business obstacles

Q1 2024

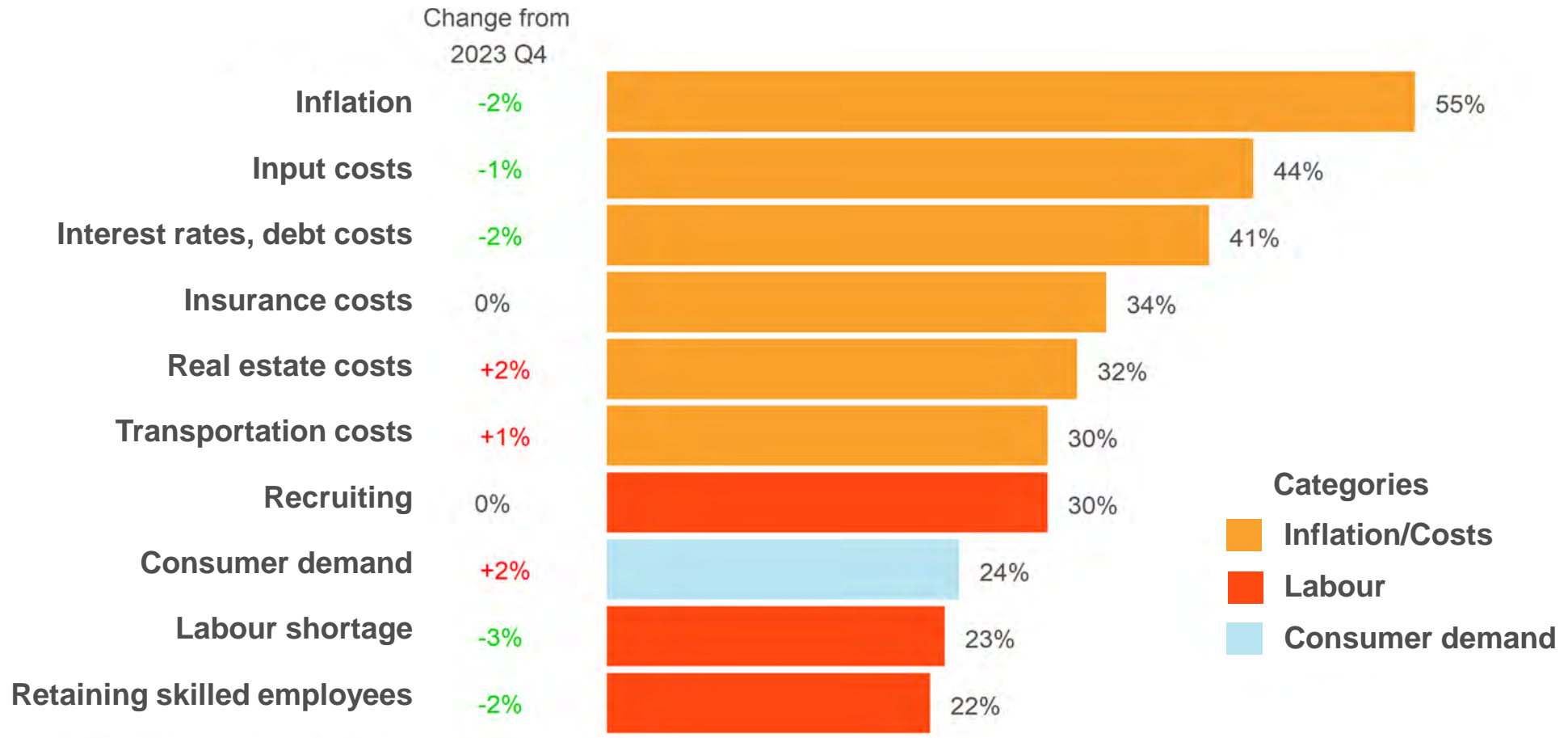




# Modest easing on inflation and labour challenges, but real estate costs and customer demand worries worsened.

## Top 10 business obstacles expected, next three months

% of businesses, all industries

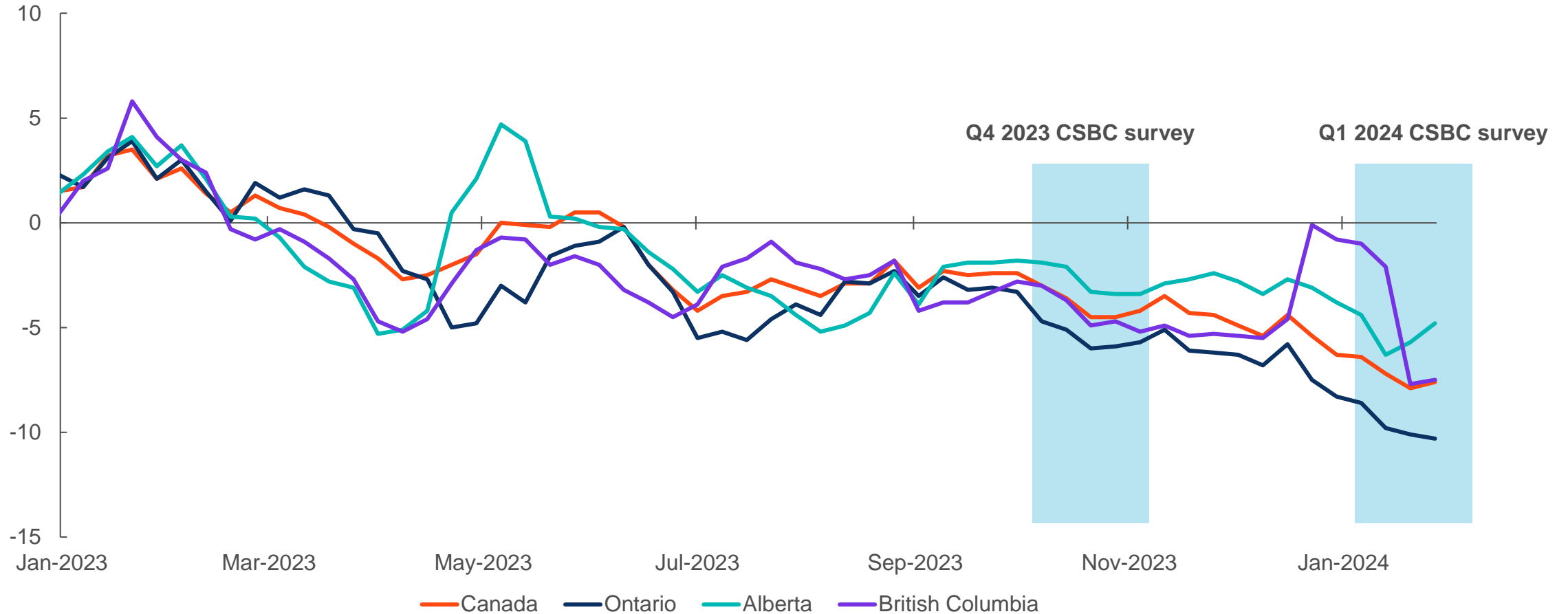




# Context: Falling real consumer spending per person is causing concerns for businesses in Ontario, Alberta, and British Columbia.

## Local Spending Tracker

Real per capita spending, year-over-year % change

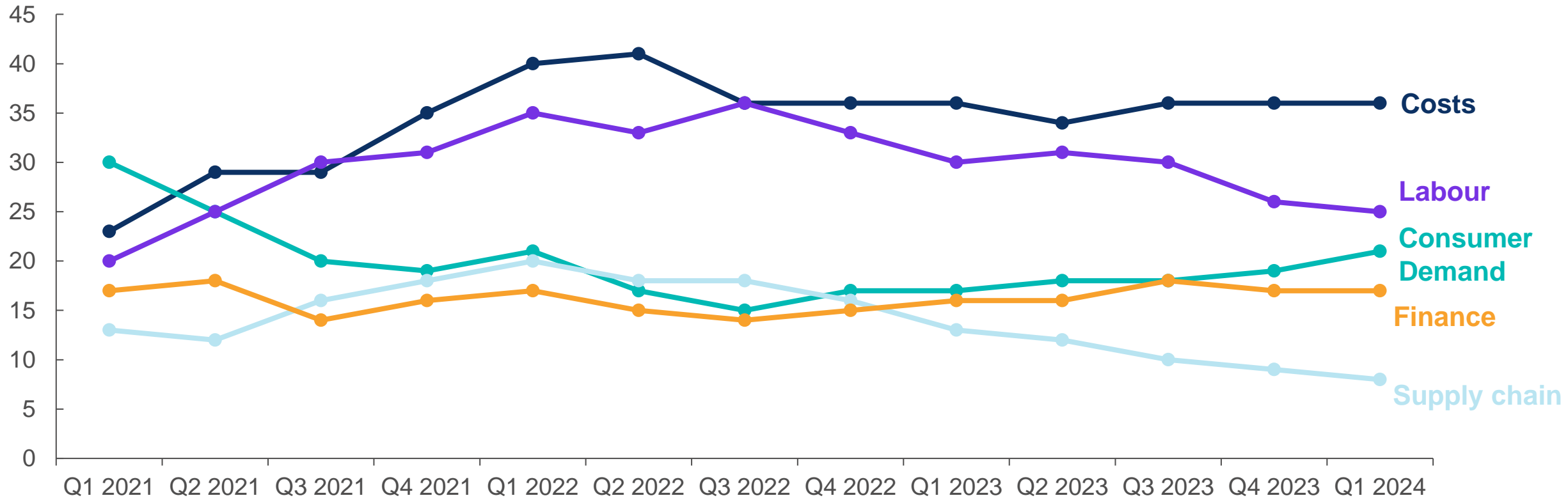




# Labour and supply chain issues continue to fall, while concerns about consumer demand rose for the second straight quarter.

## Business obstacles expected, next three months

% of businesses, grouped by category\*



\* Simple averages of related responses within categories, based on consistent response options over surveys; not estimates of the proportion of impacted businesses for each category.



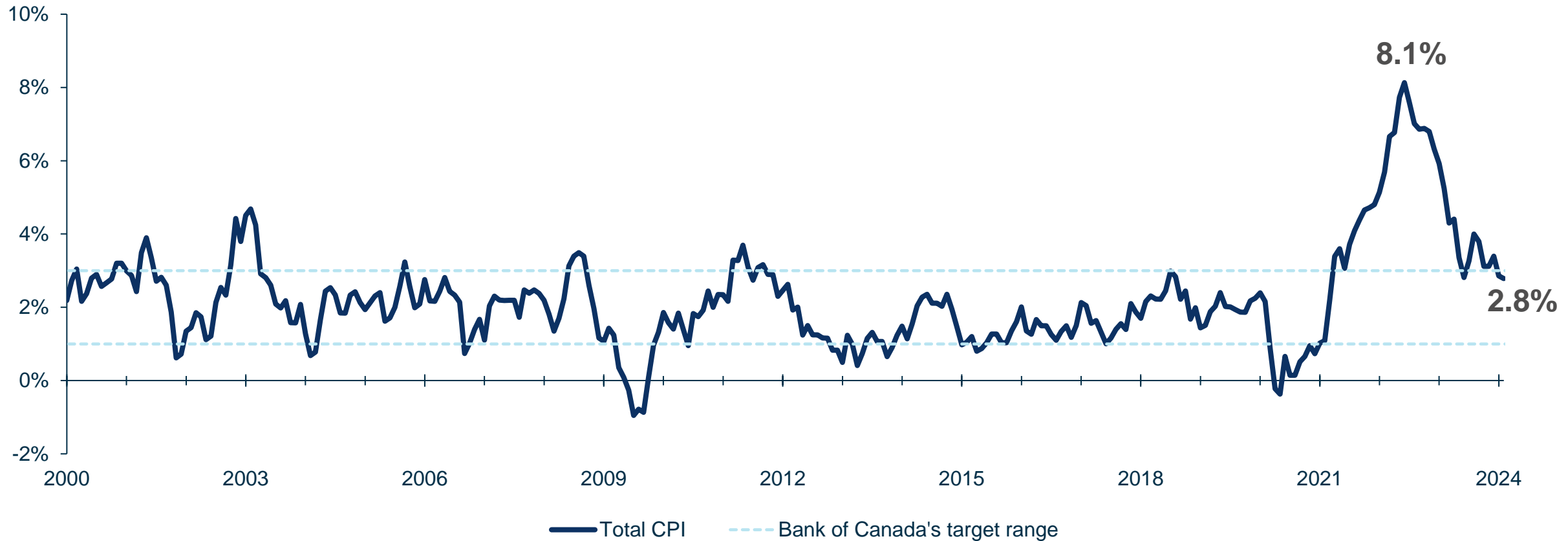
# **Inflation, interest rates and debt constraints**

Q1 2024



Context: Inflation peaked at over 8% last summer; it has slowed significantly, recently entering the Bank of Canada's target range.

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

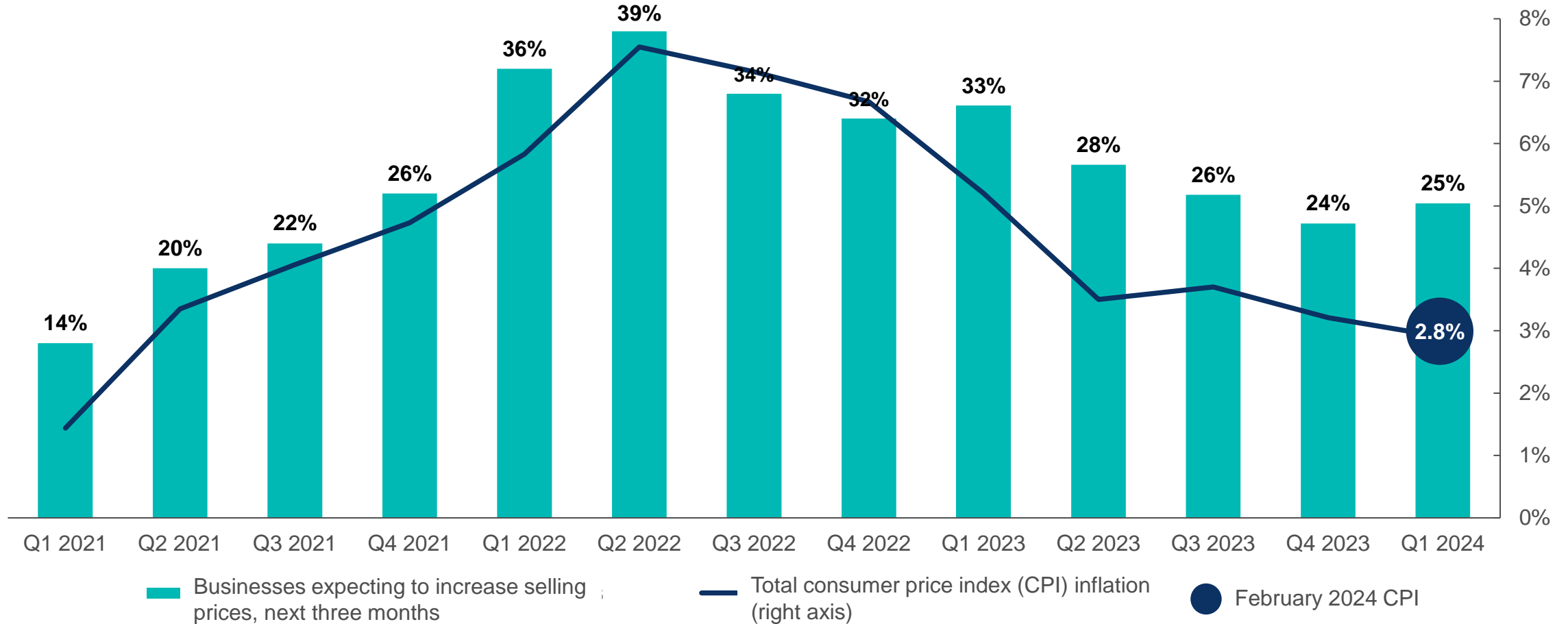




# Despite continued progress on inflation, the share of companies expecting to raise prices next quarter remains elevated.

## Businesses expecting to raise their selling prices, next three months and CPI inflation

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



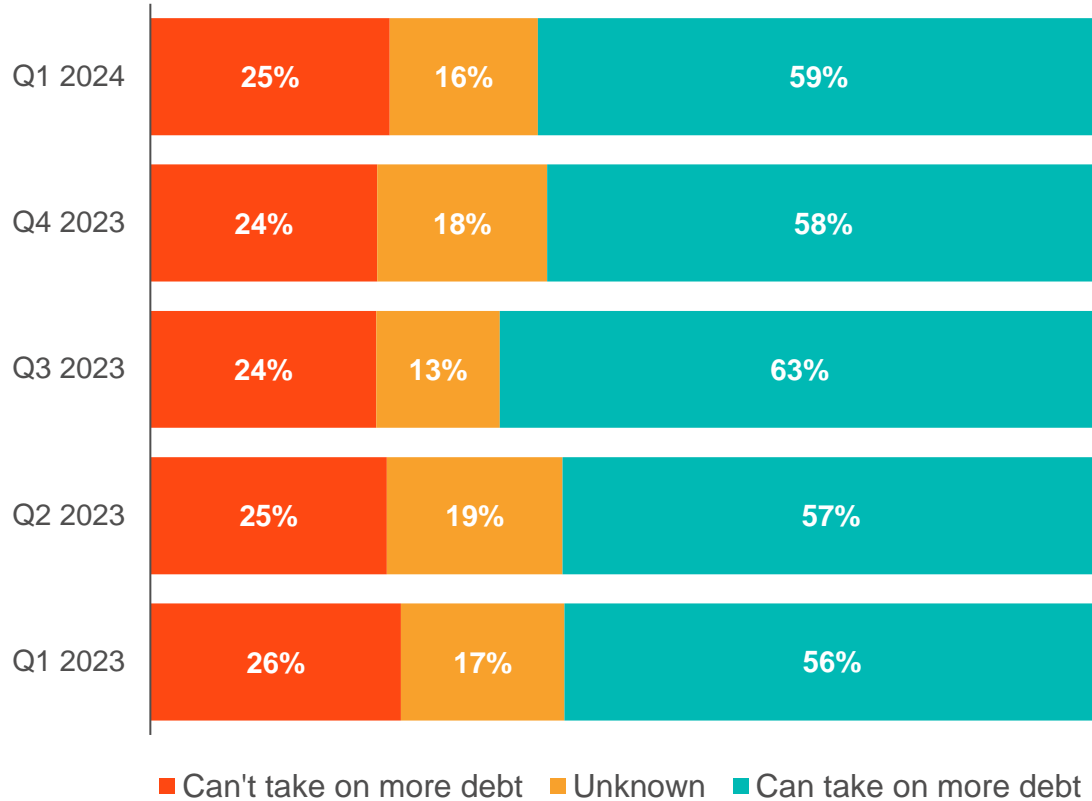
Source: Business Data Lab analysis, based on Statistics Canada, Canadian Survey on Business Conditions; 13,327 business responses in January and February 2024.



# Overall debt constraints are stable, but small firms feel more pressure.

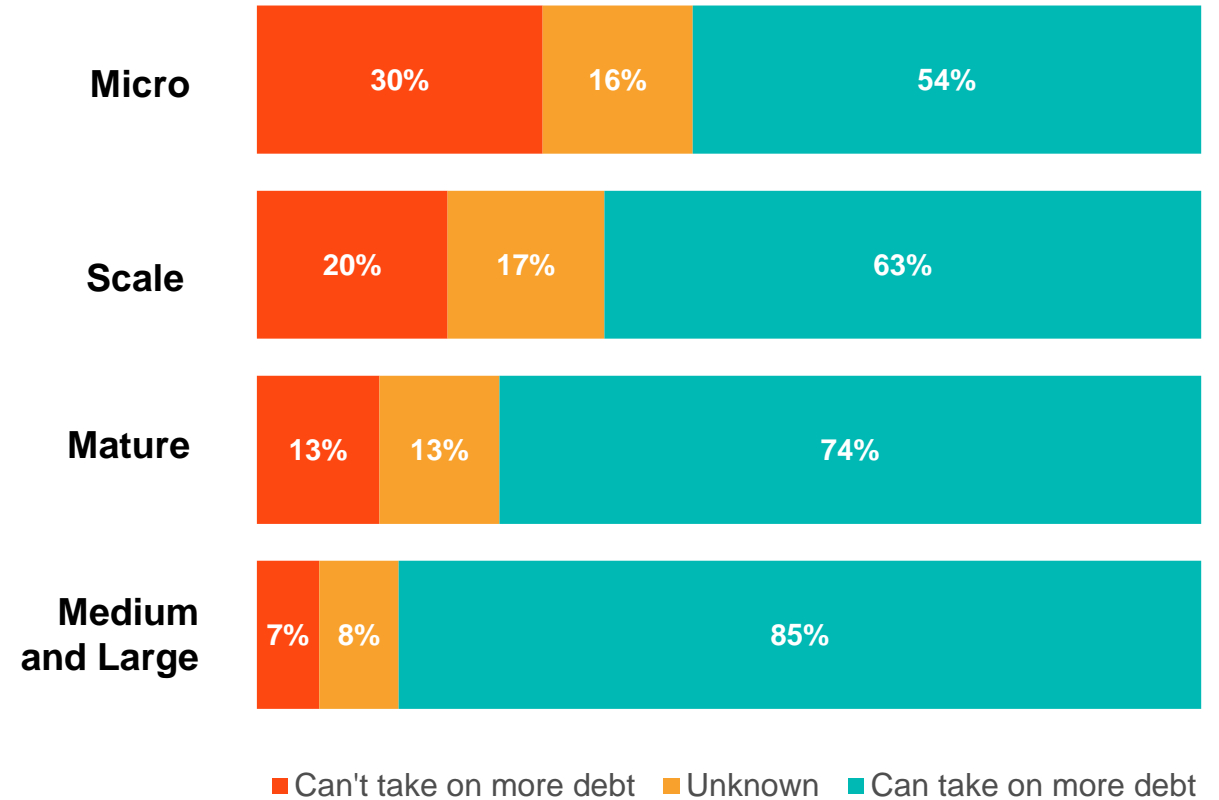
## Ability to take on more business debt

% of businesses\*, by survey quarter



## Ability to take on more business debt

% of businesses\*, by employment size



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

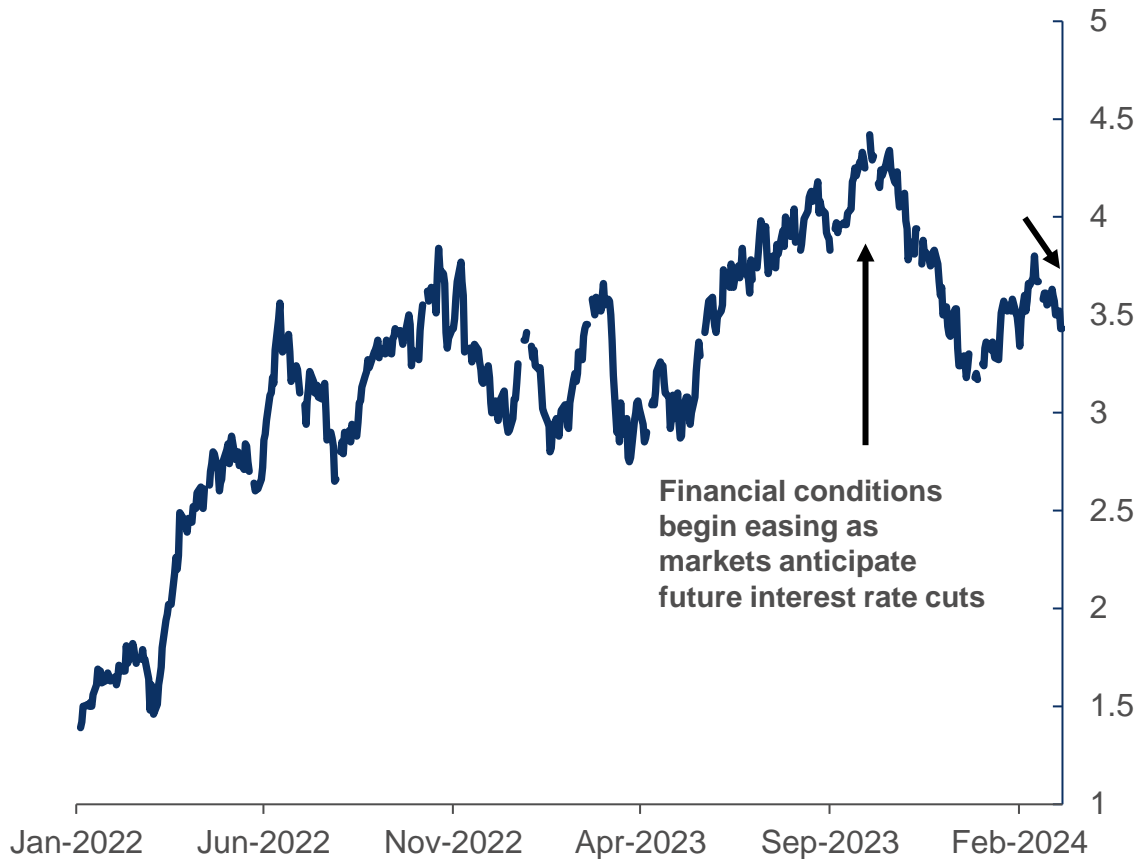
Source: Business Data Lab analysis, based on Statistics Canada, Canadian Survey on Business Conditions; 13,327 business responses in January and February 2024.

Note: \*Businesses were asked if they plan to apply for debt financing. The responses above represent 72% of total respondents who indicated “No”.

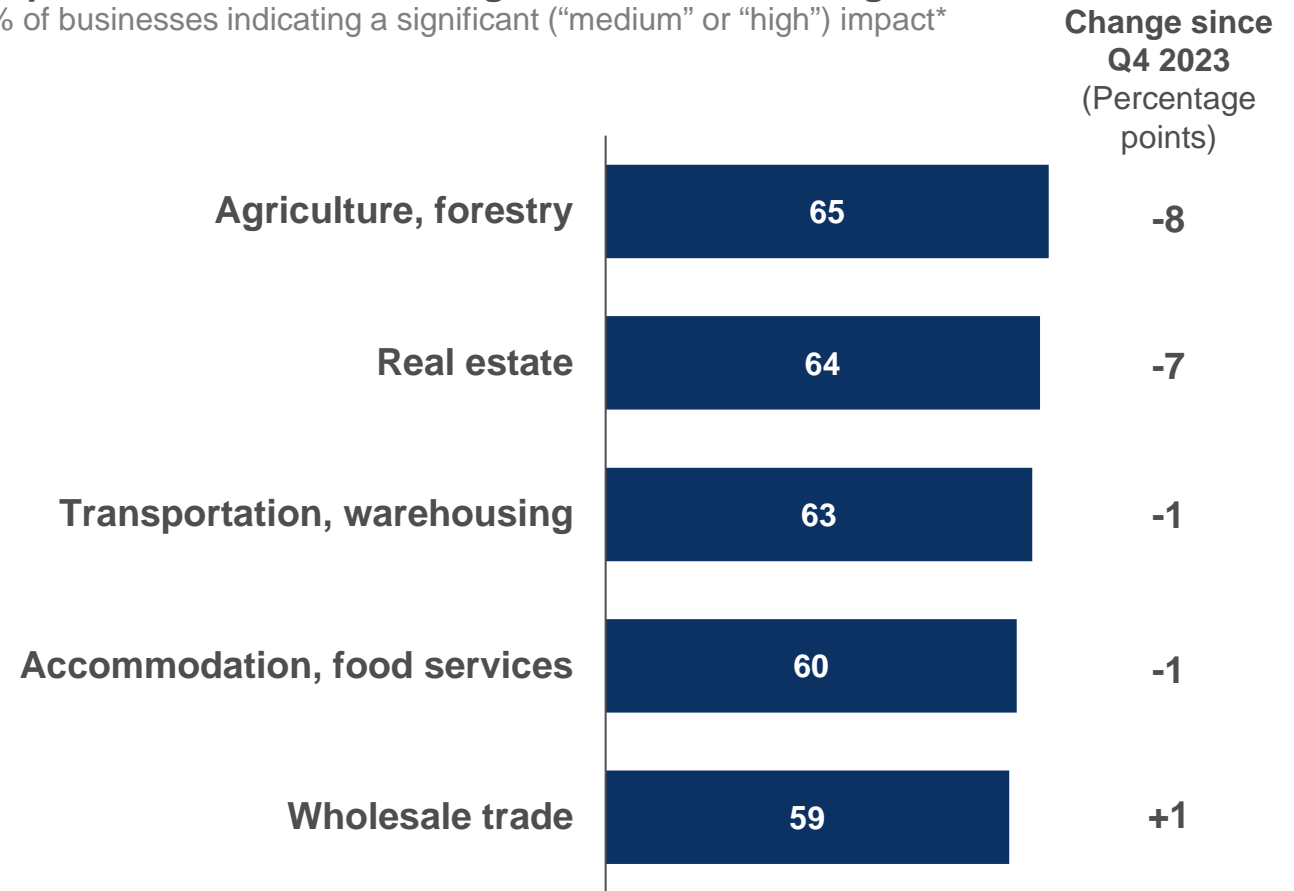


Many businesses are still being impacted by higher interest rates, though financial conditions have improved slightly.

**Canada 5-year Benchmark Bond Yield**  
%



**Impact interest rates are having on the business or organization**  
% of businesses indicating a significant (“medium” or “high”) impact\*



Source: Business Data Lab analysis, based on Statistics Canada, Canadian Survey on Business Conditions; 13,327 business responses in January and February 2024.

Note: \*54% of total business respondents indicated a “medium” or “high” impact of interest rates.





Q1 2024

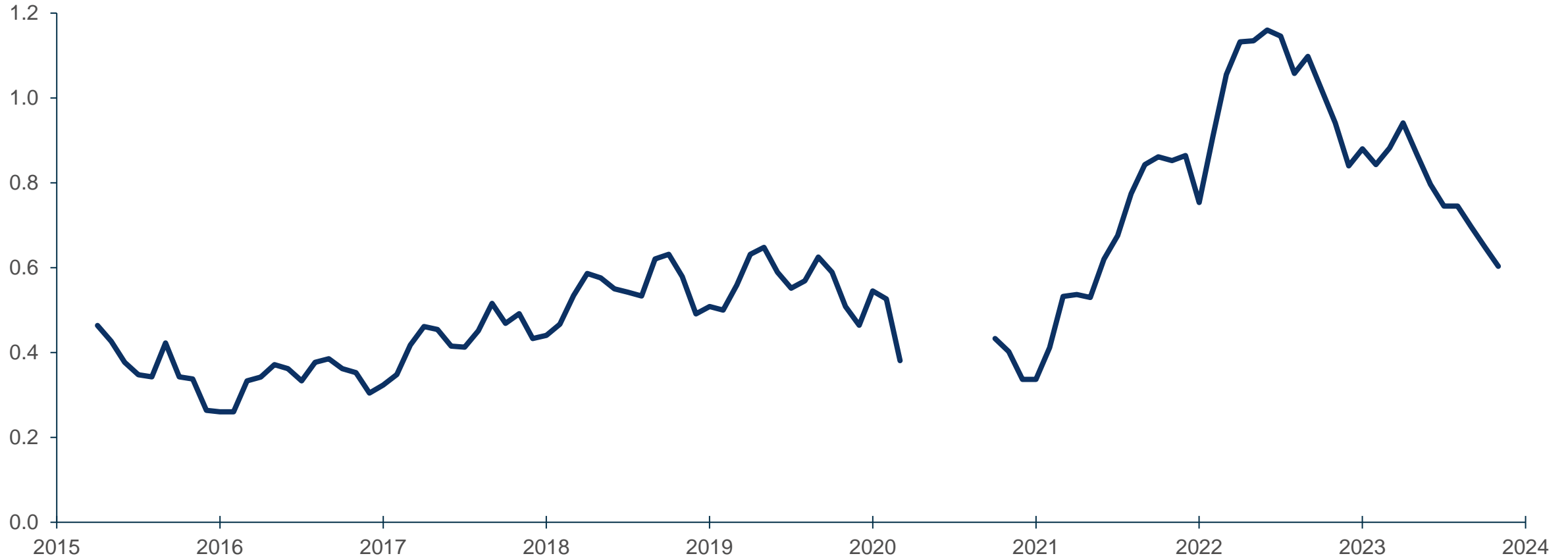
# Labour market



Context: Canada's labour market is normalizing towards pre-pandemic balance of supply and demand.

### Labour market tightness

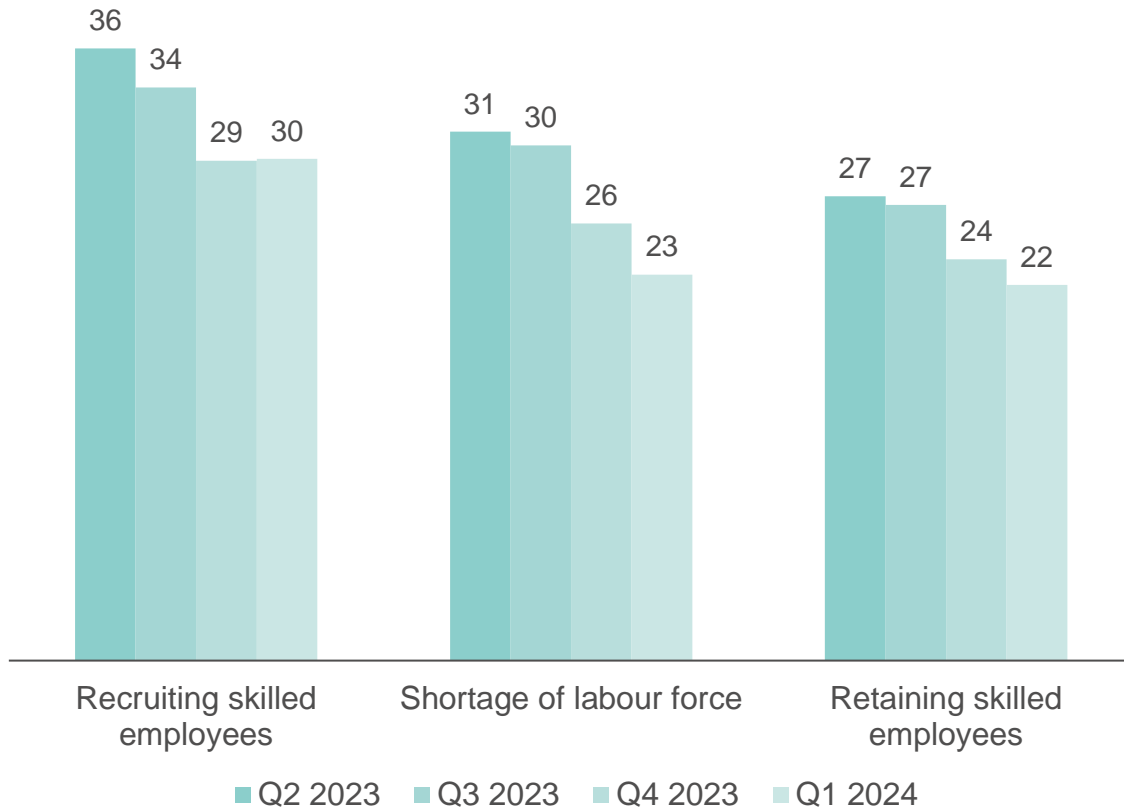
Job vacancies per unemployed



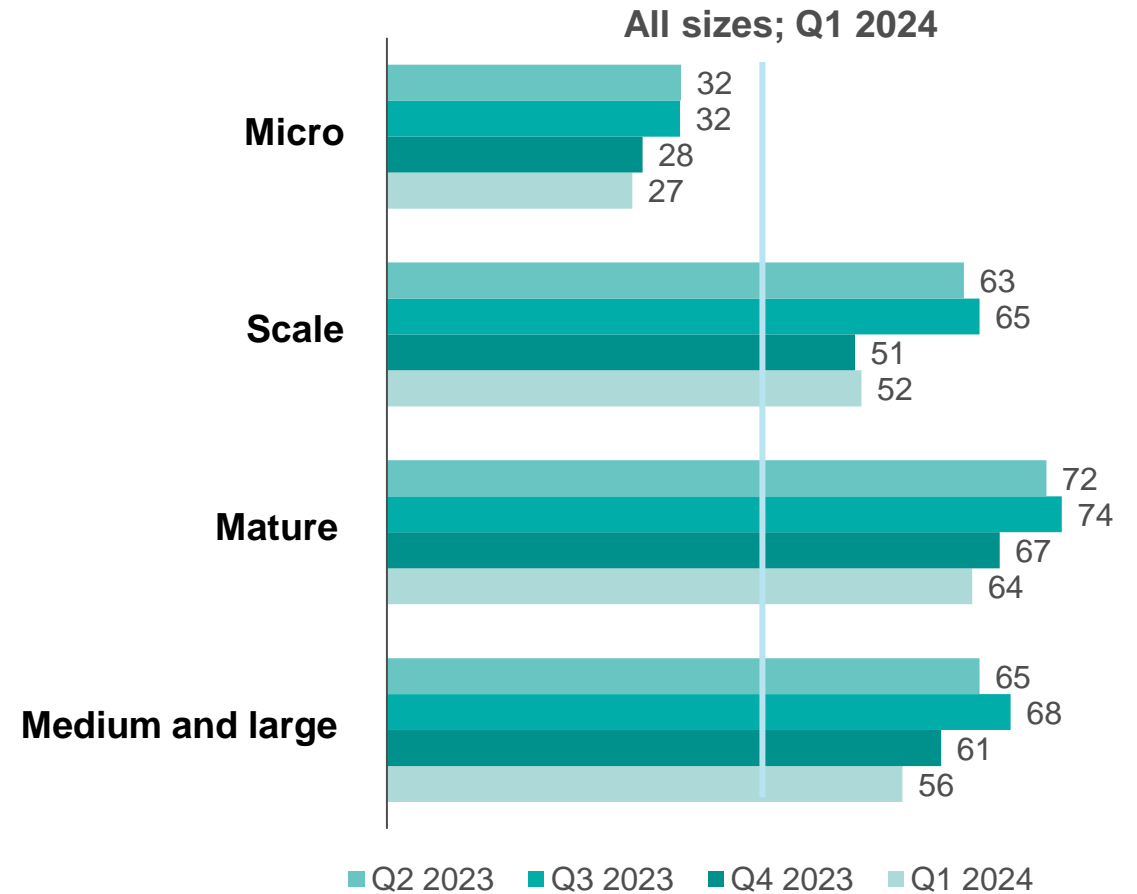


# Labour challenges are easing but remain a top-of-mind concern for all businesses, except the smallest firms.

**Expect labour obstacles, next three months**  
% of businesses



**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

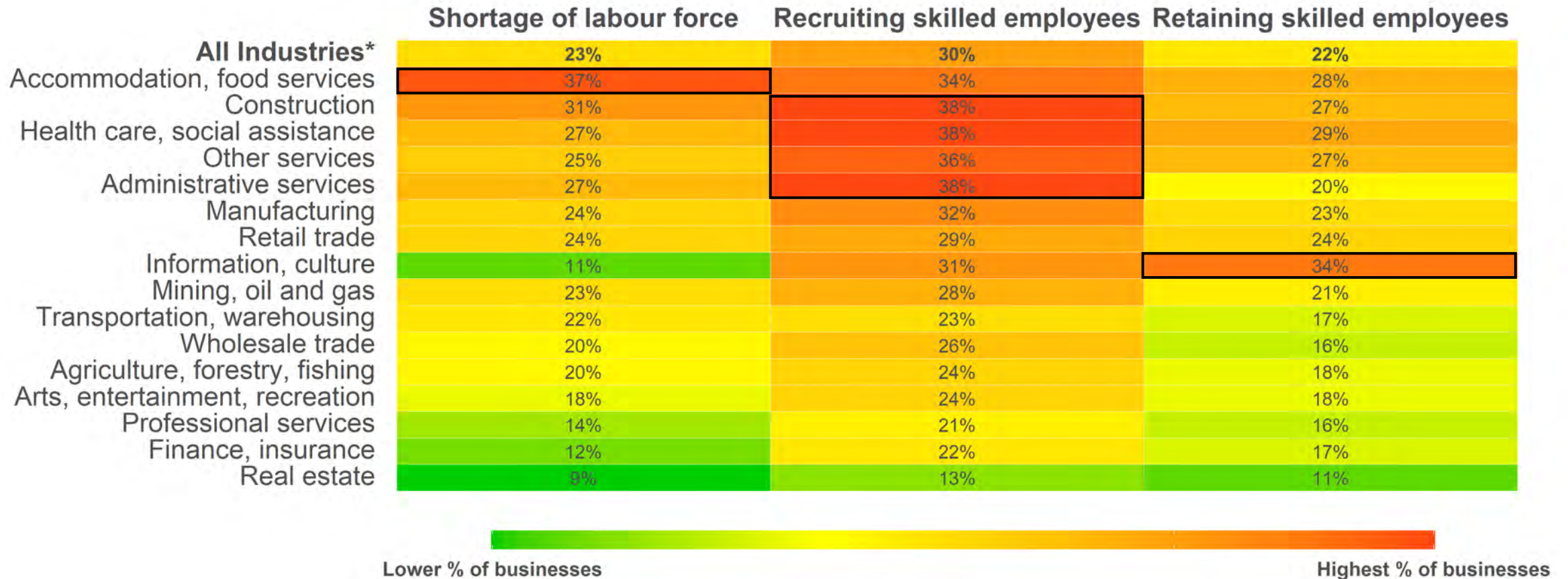
Source: Business Data Lab analysis, based on Statistics Canada, Canadian Survey on Business Conditions; 13,327 business responses in January and February 2024.



Labour challenges are most acute in accommodation and food services, construction and healthcare. The tech sector has retention challenges.

### Labour challenges expected, next three months

% of businesses by industry

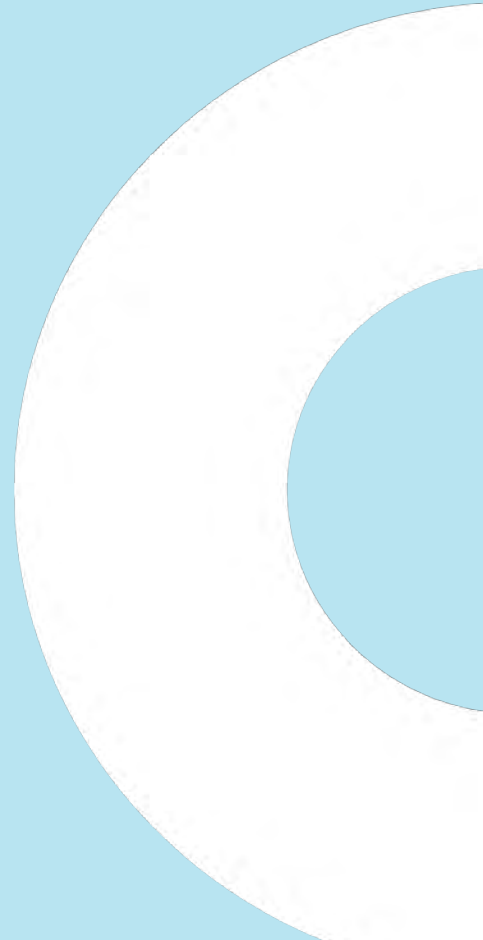


Note: Industries sorted in descending order based on average across the three responses.

Source: Business Data Lab analysis, based on Statistics Canada, Canadian Survey on Business Conditions; 13,327 business responses in January and February 2024.



# Appendix





# 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 Business Data Lab 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 respondents who expect series  $i$  to “increase”;

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

$P_{D,i}$  = % of respondents 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 (four ages, e.g., 2 years or less, 3-10 years, 11-20 years, 20+ years)
- Three firm trade statuses (goods exporters and importers, and not globally engaged).

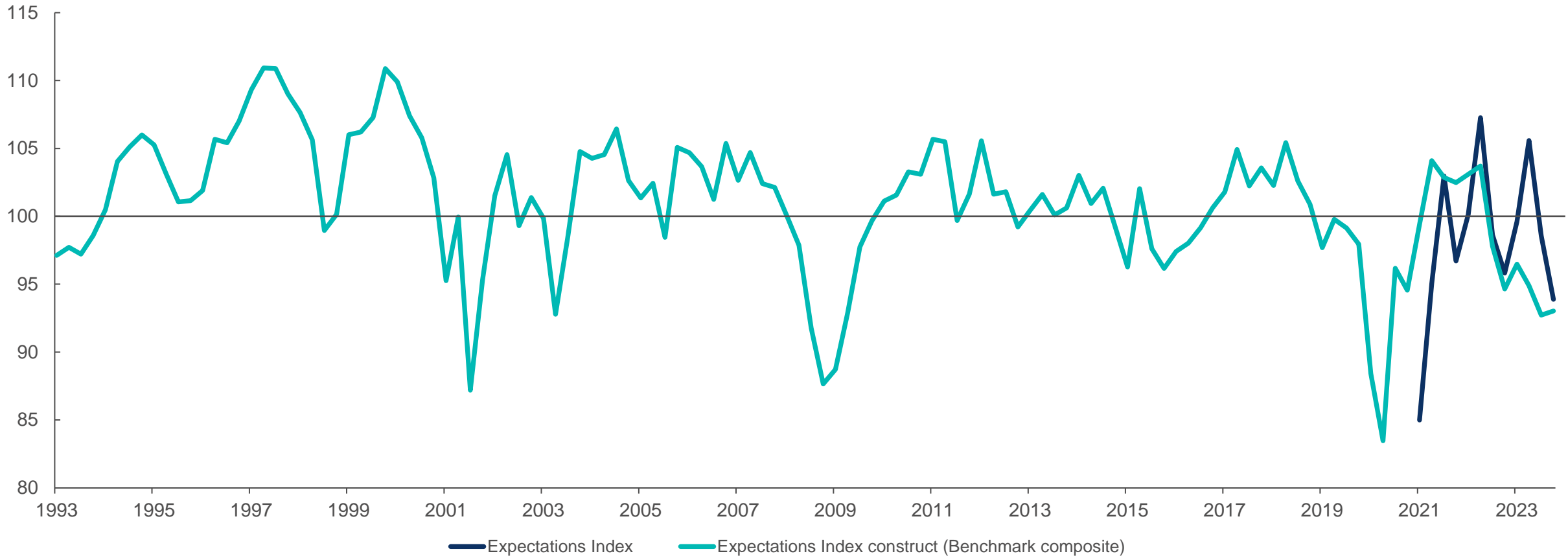
**Interpreting the index:** Index scores range from a minimum of zero (if all respondents expect a decrease/deterioration) to a maximum of 200 (if all respondents expect an increase/improvement). A value of 100 indicates “no net change” in business expectations relative to last quarter. Values above 100 indicate an improving outlook, while values below 100 signal a deteriorating outlook. To compare sentiment indicators over longer periods, the BDL backcast the results using historical business survey data from the Bank of Canada, Conference Board of Canada, Canadian Federation of Independent Business, and Ivey Business School. This involves averaging “Z-scores” to put each series on comparable scale.



# Historical context of business sentiment in Canada

## Business Expectations Index and Benchmark Composite

Z scores normalized to 100; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment



Source: Business Data Lab analysis.

Note: Data before Q1 2021 is estimated using the z-scores from a benchmark composite, including select Canadian business surveys, to provide an estimate of the BEI in other periods of time.



# Survey methodology

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**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 Q1 2024 CSBC data collection period was January 2 to February 5, 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 13,327 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 Andrew DiCapua, Senior Economist ([ADiCapua@Chamber.ca](mailto:ADiCapua@Chamber.ca)).



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