



Inflation and its impact on Canadian SMEs

Survey report

September 2022



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01.

Methodology





Methodology

Survey methodology

Online survey.

Respondent profile

Business owners and business decision-makers from the BDC ViewPoints panel.

Survey dates

September 13 through 23, 2022

Margin of error

For a probabilistic sample of 626 respondents, the maximum margin of error is ± 3.9 percentage points, 19 times out of 20. However, as this survey is based on a non-probabilistic sample, this information is provided for reference only.

Data processing and analysis

Were performed by the BDC Research and Market Intelligence team.

Weighting factors

Results were weighted by region and number of employees to be representative of the Canadian SME population.



02. **Survey highlights**



86%

feel **negative impact** of inflation

↑ in Atlantic and ↓ in Quebec*

56%

of SMEs believe the **worst is yet to come**

↑ in B.C. & North and ↓ in Quebec*

Main price **increases** experienced



Salaries



Inputs



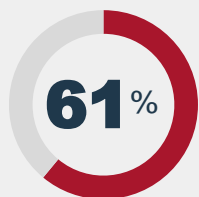
Transport



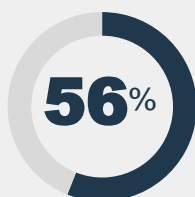
Energy

Top action in response to inflation

Increase in price of goods/services



Have already done so



Will do so in the next 3 months

Future price increase will be ...

41% Above inflation

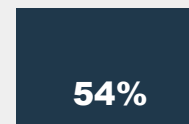
42% At par with inflation

17% Below inflation

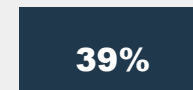
In response to inflation...

18% plan to **borrow more** or **increase debt** in the next 3 months

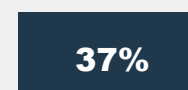
Main sources of financing considered:



Line of credit



Use personal funds



Working capital loan

*Differences are statistically significant vs. rest of the sample.

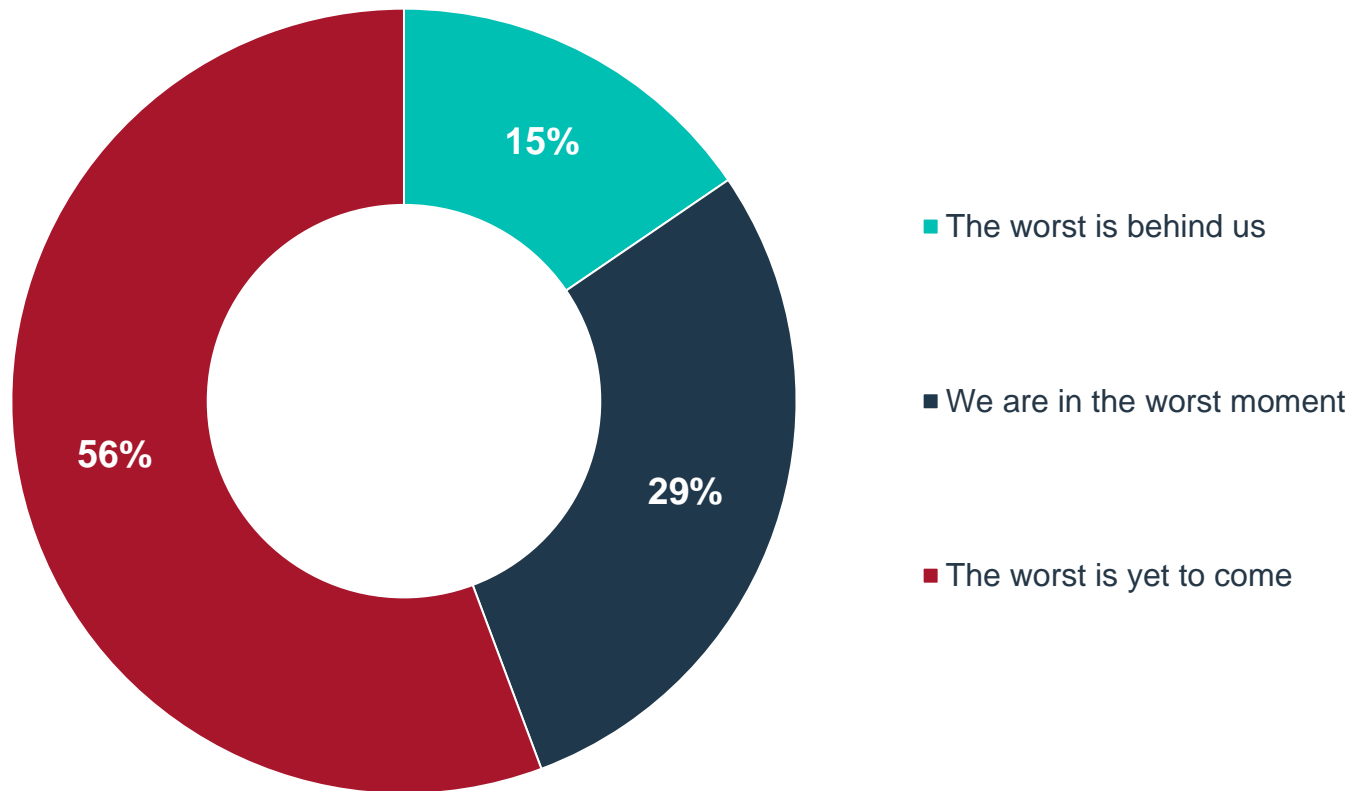


03. **Detailed results**

Perspective on evolution of inflation



S3Q7. When you think about the **current inflationary context**, do you think that...

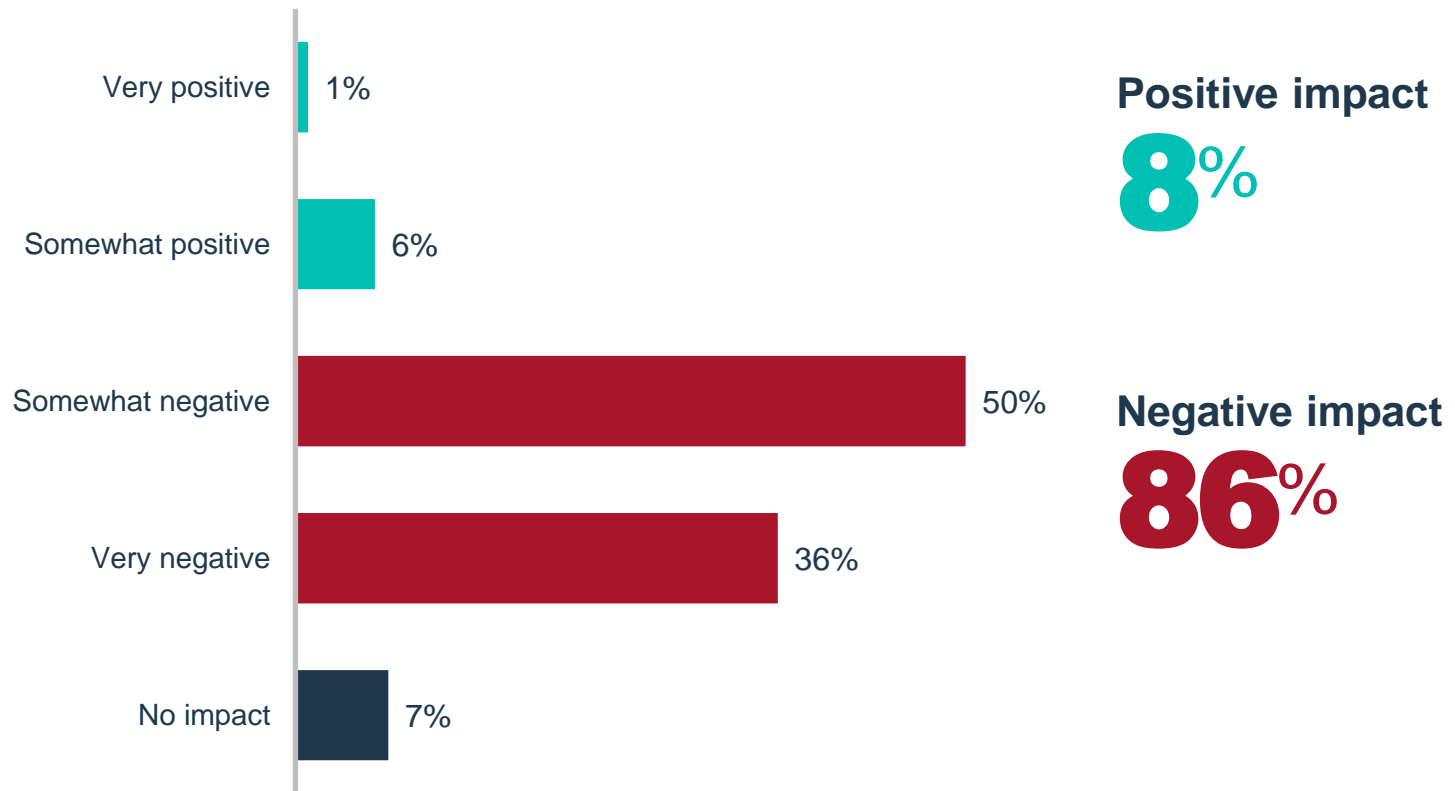


Base: All respondents (n=561). Those who did not know were excluded from the calculation base.

Impact of inflation on the company



S3Q1. Inflation has been hitting the economy for the past several months and this can have both positive and negative impacts on businesses. Overall, for your company, would you say that the **impact of inflation** is:



Reasons behind the positive impact of inflation



S3Q1b. **How** has inflation had a **positive impact** on your business? Have you **taken any specific actions** to turn inflation to your company's advantage?

Main themes include:



Provided a reason to **increase prices/rates** charged to clients

"We have been able to pass along price increases without any pushback from our clients."



Increased **profitability**

"We are adjusting prices upwards, which will eventually impact our overall bottom line positives."



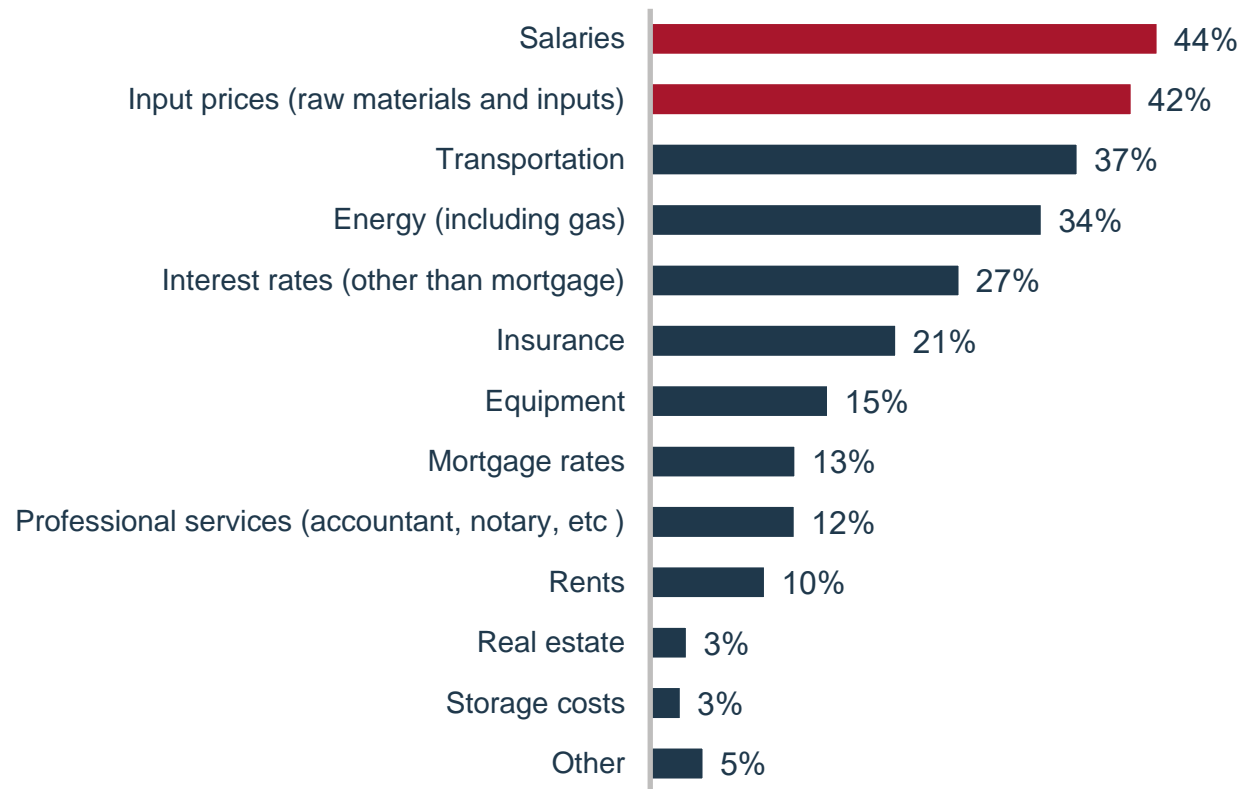
Has brought in a **new clientele**

"Customers less willing to travel (business located 1.5hr from Edmonton). We are working to compete with Edmonton on prices and offering as best a value as possible."

Price increases that impacted the company



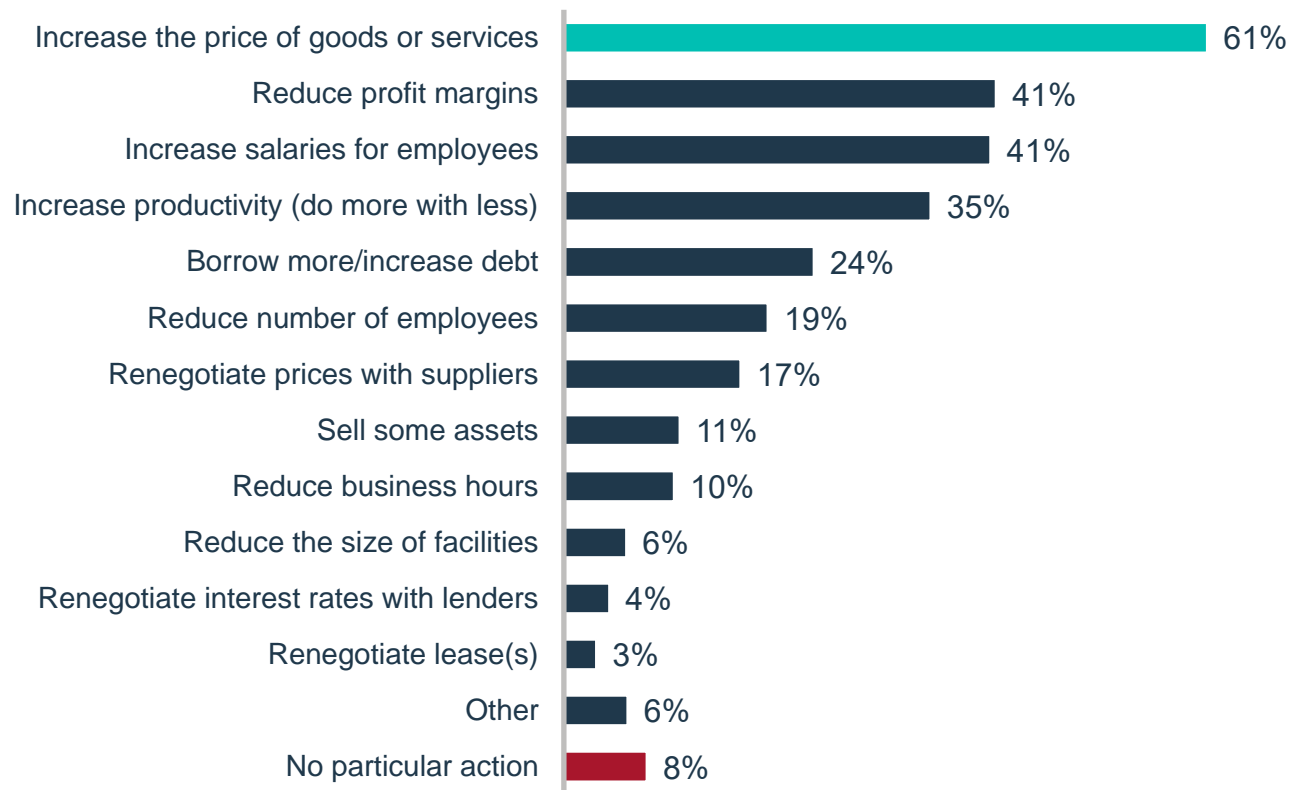
S3Q2. Which **price increases** have impacted your company **the most**?



Actions taken in response to inflation



S3Q3. Which **actions** have you taken in response to inflation **so far**?



Base: All respondents (n=625). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%.

Actions planned for the next 3 months due to inflation



S3Q4. And which **actions** are you planning to take because of inflation **in the next 3 months**?

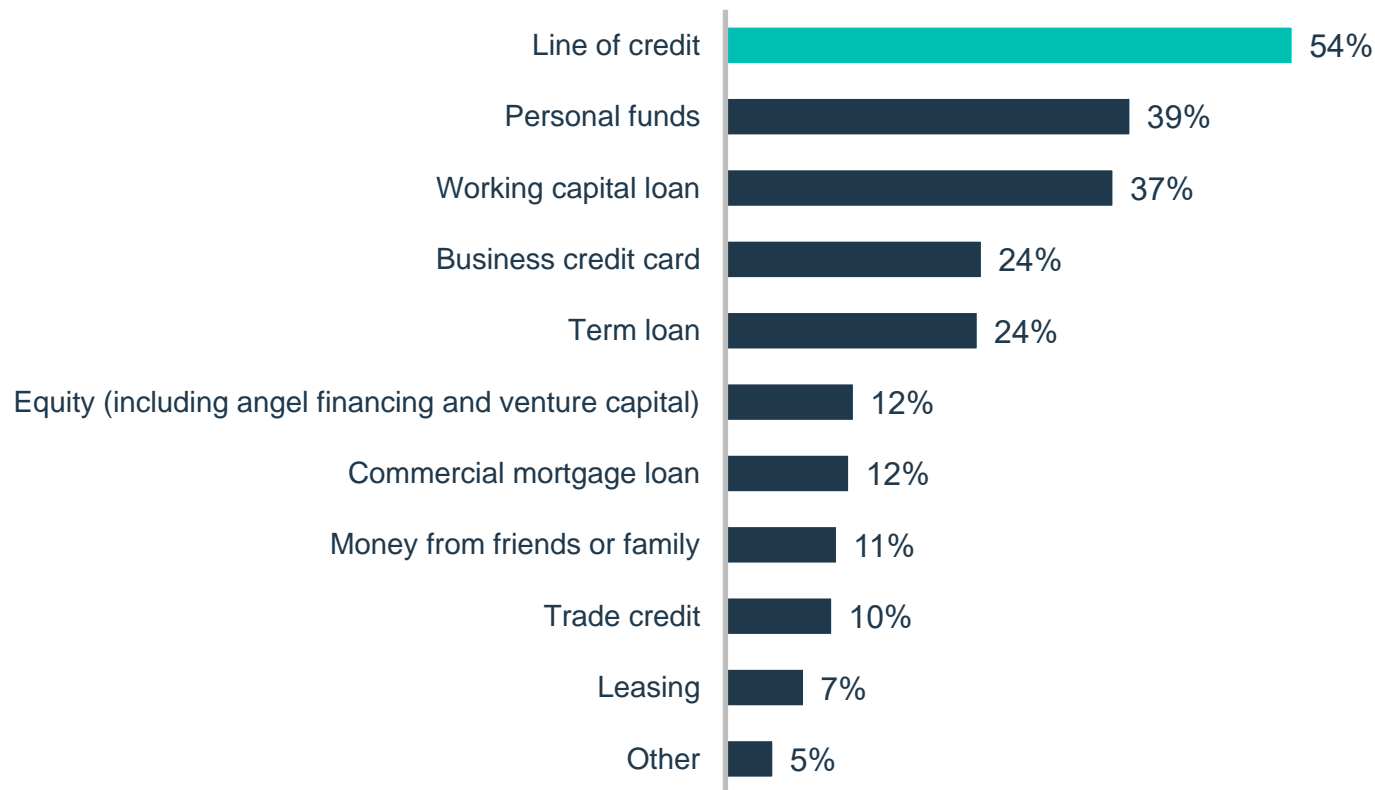


Base: All respondents (n=619). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%.

Type of funding



S3Q5. You said that you **borrowed more / increased your company's debt** or are planning to do so because of inflation. What **type of funding** did you or are you planning to get?

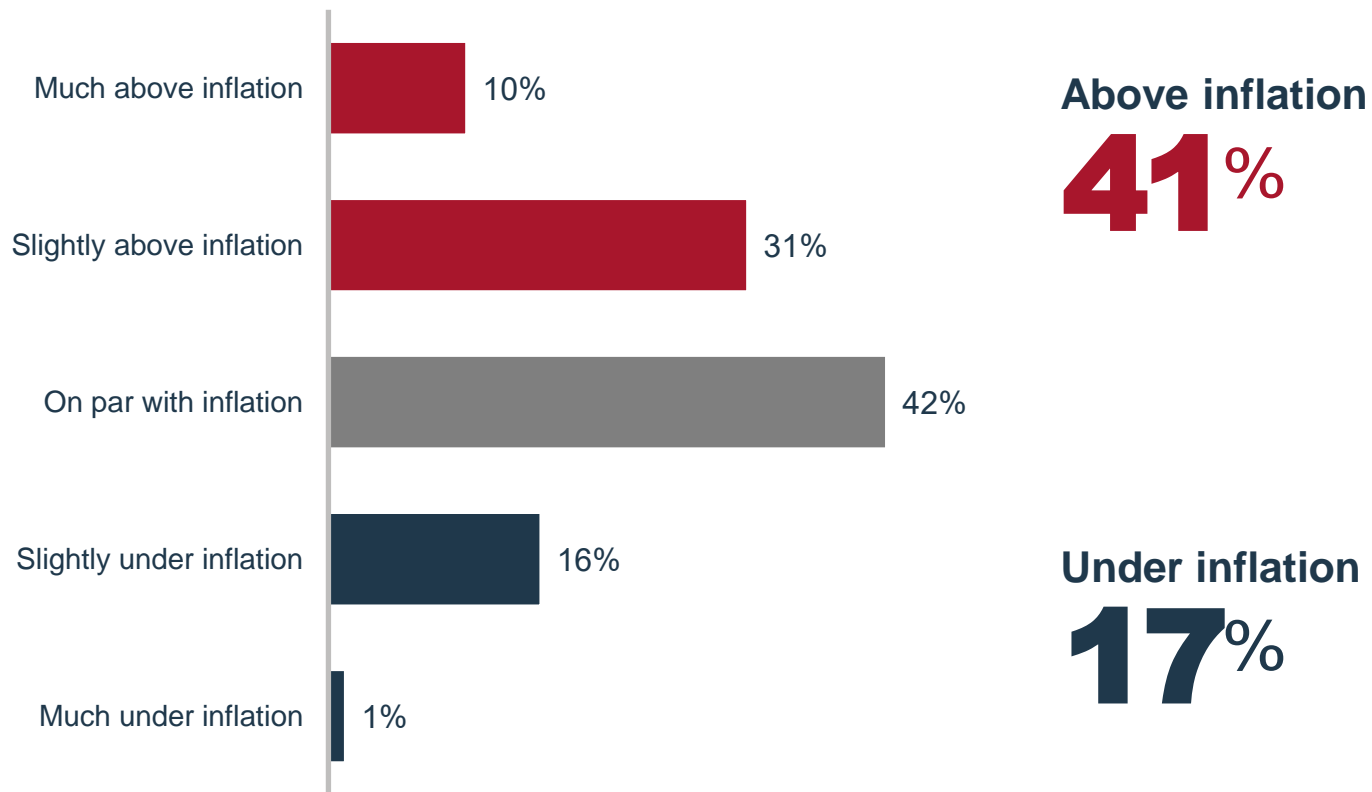


Base: Those who had or will borrow more or increase their debt (n=173). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%.

Increase in the price of their goods or services



S3Q6. You said that you increased or are planning to **increase the price of your goods or services** because of inflation. Did you or will you increase them:



Base: Those who had or will increase prices because of inflation (n=494). Those who did not know were excluded from the calculation base.



04.

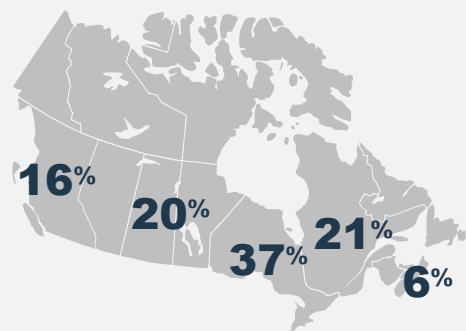
Respondent profile



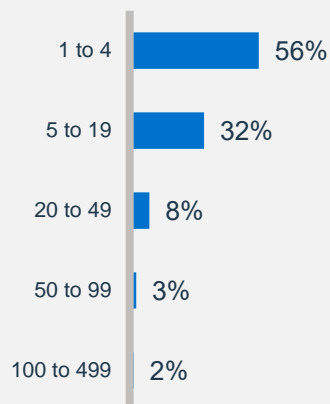
Profile of those who completed the survey



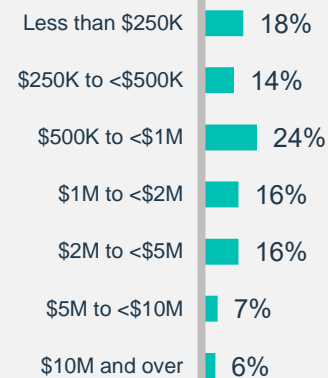
Region



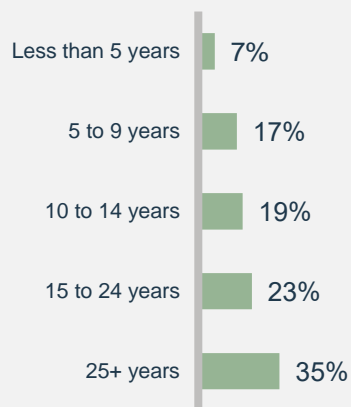
Number of employees



Annual sales



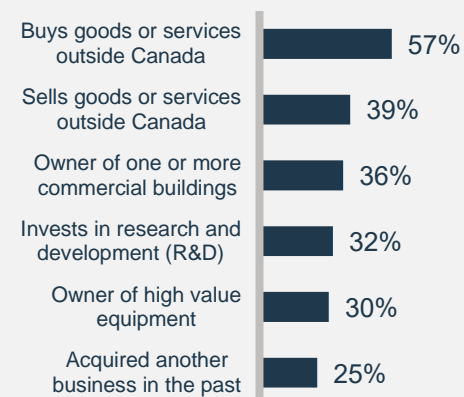
Years in business



Sector of activity



Specific activities*

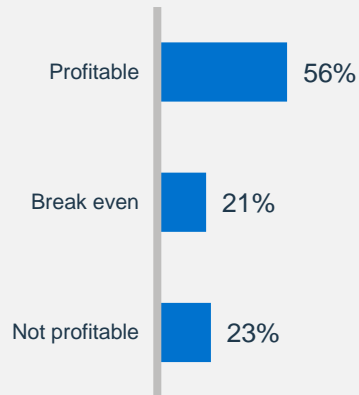


Base: All respondents (n=459-627). Those who did not know or preferred not to answer were excluded from the calculation base. For the sectors, only those with 7%+ respondents are presented. *Multiple mentions were allowed, therefore total exceeds 100%.

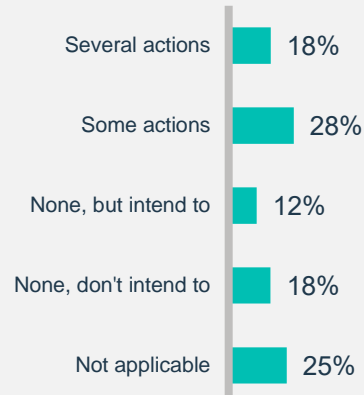
Profile of those who completed the survey (cont.)



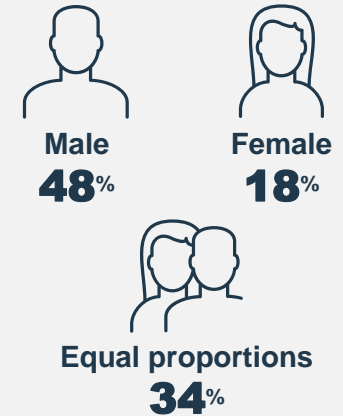
Profitability



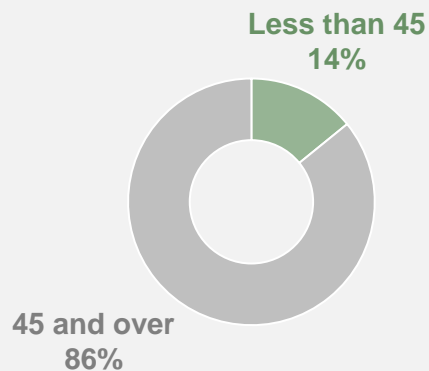
Carbon footprint actions



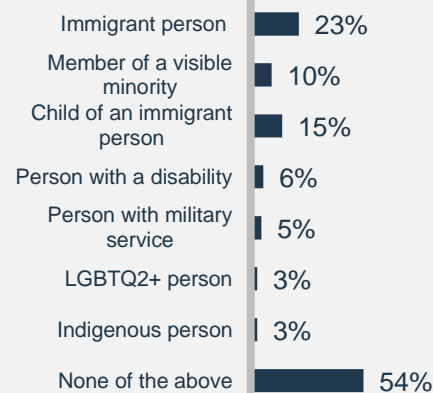
Gender ownership



Owners' age



Diversity*



Base: All respondents (n=570-616). Those who did not know or preferred not to answer were excluded from the calculation base. *Multiple mentions were allowed, therefore total exceeds 100%.



05. **Appendix**

Results by region



Impact of inflation on the company



S3Q1. Inflation has been hitting the economy for the past several months and this can have both positive and negative impacts on businesses. Overall, for your company, would you say that the **impact of inflation** is:

	Atlantic	Quebec	Ontario	Prairies	B.C. & North
Very positive	2%	2%	2%	0%	0%
Somewhat positive	1% ↓	7%	7%	5%	5%
Somewhat negative	71% ↑	49%	46%	48%	54%
Very negative	26%	27% ↓	42%	41%	33%
No impact	0%	15% ↑	3% ↓	5%	9%
Positive (NET)	3%	9%	10%	5%	5%
Negative (NET)	97% ↑	75% ↓	87%	90%	87%
<i>Sample size</i>	39	190	197	111	85

Base: All respondents. Those who did not know were excluded from the calculation base. Arrows indicate statistically significant differences between a given sub-group and the rest of the sample.

Price increases that impacted the company



S3Q2. Which **price increases** have impacted your company **the most**?

	Atlantic	Quebec	Ontario	Prairies	B.C. & North
Salaries	48%	54% ↑	40%	29% ↓	56% ↑
Input prices (raw materials and inputs)	40%	50%	40%	40%	37%
Transportation	37%	40%	33%	40%	37%
Energy (including gas)	27%	23% ↓	35%	45% ↑	34%
Interest rates (other than mortgage)	22%	21%	27%	33%	26%
Insurance	24%	12% ↓	22%	27%	22%
Equipment	16%	19%	14%	16%	13%
Mortgage rates	14%	10%	14%	12%	13%
Professional services (accountant, notary, etc)	16%	15%	14%	8%	10%
Rents	10%	6%	14%	8%	8%
Real estate	3%	3%	4%	2%	3%
Storage costs	0%	2%	3%	0%	6%
Other	0% ↓	5%	7%	2%	3%
<i>Sample size</i>	39	190	199	111	87

Base: All respondents. Those who did not know were excluded from the calculation base. A maximum of three mentions was allowed, therefore total exceeds 100%. Arrows indicate statistically significant differences between a given sub-group and the rest of the sample.

Actions taken in response to inflation



S3Q3. Which **actions** have you taken in response to inflation **so far**?

	Atlantic	Quebec	Ontario	Prairies	B.C. & North
Increase the price of our goods or services	68%	71% ↑	61%	48% ↓	63%
Reduce our profit margins	31%	37%	46%	44%	36%
Increase salaries for our employees	62%	50% ↑	39%	27% ↓	42%
Increase our productivity (do more with less)	34%	36%	38%	29%	34%
Borrow more/increase our debt	20%	16% ↓	32% ↑	23%	20%
Reduce our number of employees	17%	16%	20%	18%	25%
Renegotiate prices with our suppliers	35% ↑	18%	17%	10%	17%
Sell some of our assets	18%	6% ↓	12%	13%	11%
Reduce our business hours	24%	6%	8%	9%	18% ↑
Reduce the size of our facilities	0%	4%	3% ↓	11% ↑	11%
Renegotiate interest rates with our lenders	2%	6%	6%	1% ↓	3%
Renegotiate our lease(s)	0%	4%	3%	2%	3%
Other	2%	5%	7%	7%	6%
No particular action	0%	7%	6%	13%	9%
<i>Sample size</i>	39	189	199	111	87

Base: All respondents. Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. Arrows indicate statistically significant differences between a given sub-group and the rest of the sample.

Actions planned for the next 3 months due to inflation



S3Q4. And which **actions** are you planning to take because of inflation **in the next 3 months**?

	Atlantic	Quebec	Ontario	Prairies	B.C. & North
Increase the price of our goods or services	53%	56%	53%	56%	61%
Increase our productivity (do more with less)	39%	48% ↑	38%	30%	35%
Reduce our profit margins	30%	21%	32%	27%	21%
Increase salaries for our employees	20%	23%	22%	16%	26%
Borrow more/increase our debt	22%	15%	24% ↑	12%	14%
Renegotiate prices with our suppliers	27%	21%	16%	20%	11%
Reduce our number of employees	23%	10%	17%	16%	12%
Sell some of our assets	5%	8%	14%	18%	10%
Renegotiate interest rates with our lenders	3%	14%	9%	11%	7%
Reduce the size of our facilities	18%	3% ↓	9%	7%	10%
Reduce our business hours	3%	5%	6%	6%	13% ↑
Renegotiate our lease(s)	18% ↑	7%	2%	3%	3%
Other	0% ↓	4%	4%	12% ↑	11%
No particular action	2%	12%	7%	3%	10%
<i>Sample size</i>	38	189	196	110	86

Base: All respondents. Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. Arrows indicate statistically significant differences between a given sub-group and the rest of the sample.

Type of funding



S3Q5. You said that you **borrowed more / increased your company's debt** or are planning to do so because of inflation. What **type of funding** did you or are you planning to get?

	Atlantic**	Quebec	Ontario	Prairies*	B.C. & North*
Line of credit	n/a	64%	49%	61%	55%
Personal funds	n/a	42%	30%	67% ↑	36%
Working capital loan	n/a	44%	33%	36%	22%
Business credit card	n/a	15%	19%	49% ↑	33%
Term loan	n/a	9% ↓	35% ↑	22%	17%
Equity (including angel financing and venture capital)	n/a	12%	18%	8%	4%
Commercial mortgage loan	n/a	18%	14%	1% ↓	12%
Money from friends or family	n/a	21%	5%	19%	10%
Trade credit	n/a	28% ↑	9%	3% ↓	0%
Leasing	n/a	6%	10%	3%	11%
Other	n/a	2%	7%	1%	3%
Sample size	11	44	70	27	21

Base: Those who had or will borrow more or increase their debt. Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. Arrows indicate statistically significant differences between a given sub-group and the rest of the sample. *Sample size is small, please interpret with caution. **Results are not shown when the sample size is smaller than 20 respondents.

Increase in the price of their goods or services



S3Q6. You said that you increased or are planning to **increase the price of your goods or services** because of inflation. Did you or will you increase them:

	Atlantic	Quebec	Ontario	Prairies	B.C. & North
Much above inflation	3% ↓	12%	13%	11%	3% ↓
Slightly above inflation	23%	24%	39% ↑	34%	24%
On par with inflation	49%	38%	33% ↓	42%	62% ↑
Slightly under inflation	25%	26% ↑	12%	11%	11%
Much under inflation	0%	0%	2%	2%	0%
Above inflation (NET)	26%	36%	52% ↑	45%	27% ↓
Under inflation (NET)	25%	26% ↑	14%	13%	11%
<i>Sample size</i>	34	155	153	84	68

Base: Those who had or will increase prices because of inflation. Those who did not know were excluded from the calculation base. Arrows indicate statistically significant differences between a given sub-group and the rest of the sample.

Evolution of inflation



S3Q7. When you think about the **current inflationary context**, do you think that...

	Atlantic	Quebec	Ontario	Prairies	B.C. & North
The worst is behind us	18%	15%	18%	13%	12%
We are in the worst moment	32%	42% ↑	27%	26%	18% ↓
The worst is yet to come	50%	43% ↓	55%	61%	70% ↑
<i>Sample size</i>	32	176	181	96	76

Base: All respondents. Those who did not know were excluded from the calculation base. Arrows indicate statistically significant differences between a given sub-group and the rest of the sample.



Thank you.

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