Survey on the impact of COVID-19 on Canadian SMEs

Tracking survey

Research and Market Intelligence at BDC
As of April 1st, 2020
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01. Methodology
Methodology

- **Survey methodology:** Online.
- **Respondent profile:** Business owners and business decision-makers from the BDC Viewpoints panel.
- **Survey dates:** Wave 1 = March 11 to 13 / Wave 2 = March 14 to 18 / Wave 3 = March 30 to April 1st, 2020
- **Margin of error:** For a probability sample of 1,139 respondents (wave 3), the maximum margin of error is ±2.9 percentage points, 19 times out of 20. However, as this survey is based on a non-probability 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.
COVID-19 survey highlights, March 30 to April 1, 2020

Entrepreneurs feel strongly the impact of COVID-19

- **Impact is negative:** 90% (+17pts)
- **Impact is positive:** 3% (+2.6pts)
- **No impact so far:** 6% (-19pts)

Disruption remains caused by a lack of demand mainly

- **Supply:** 3% (-4pts)
- **Demand:** 61% (+8pts)
- **Both:** 32% (-2pts)

...and the extent of the negative impact is major

- **Say that the negative impact on their business is somewhat or very important:** 84% (+17pts)
- **Predict that the impact on their business will be somewhat or very important:** 43% (-17pts)

Entrepreneurs say they are very worried about...

- **Their business:** 55% (+3pts)
- **Canadian economy:** 64% (+3pts)
- **Worldwide economy:** 62% (+0pt)

Top-3 areas/actions of the business impacted

- **Ability to keep employees on payroll:** 65% (new)
- **61% (new): Ability to keep the business open**
- **Ability to repay their debt:** 60% (+4pts)

How BDC could help (top-3 actions)

- **39% (-3pts): Create a COVID-19 relief loan**
- **Offer payment postponement: 33% (-3pts)**
- **31% (+11pts): Offer a line of credit**

Note: Figures in parentheses indicate the fluctuation with the previous wave of the survey (March 14 to 18).
03. Main results
The level of worry **remains high**; it has increased significantly for the impact on one’s own business but is stable for both Canadian and worldwide economy.

Q.0 How **worried** are you about the impact of COVID-19 on ...?

*Opinions were expressed using a scale of 0 to 10, where 0 means the impact is minimal, and 10 means it is very important.*

<table>
<thead>
<tr>
<th>Question</th>
<th>Wave 3</th>
<th>Wave 2</th>
<th>Wave 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your business</td>
<td>90%</td>
<td>89%</td>
<td>88%</td>
</tr>
<tr>
<td>The Canadian economy</td>
<td>8.7</td>
<td>8.6</td>
<td>8.6</td>
</tr>
<tr>
<td>The worldwide economy</td>
<td>8.6</td>
<td>8.6</td>
<td>8.6</td>
</tr>
</tbody>
</table>

Significantly ↑ proportion of respondents worried about their business among:
- Steady businesses (86%)
- 5-19 employees (87%)
- Construction (90%)
- Retail (94%)

Base: All qualified respondents (n wave 3=1,123-1,139). This question was asked starting March 15. Results are presented in terms of those worried with the situation (scores of 7+ out of 10). Due to rounding, totals may not equal to 100%. The average score is calculated by excluding those who didn’t know or preferred not to answer, whereas the scale includes these respondents. Arrows above results indicate statistically significant differences between the latest two waves.
**Most businesses** now feel the impact of COVID-19. The impact is **negative** for a great majority and impacts almost all business categories similarly.

Q.1 Have you felt the impact of the coronavirus on your business so far?

<table>
<thead>
<tr>
<th>Negative impact</th>
<th>Positive impact</th>
<th>No impact so far</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wave 3</td>
<td>Wave 3</td>
<td>Wave 3</td>
<td>Wave 3</td>
</tr>
<tr>
<td>↑ 90%</td>
<td>3%</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>Wave 2</td>
<td>Wave 2</td>
<td>Wave 2</td>
<td>Wave 2</td>
</tr>
<tr>
<td>73%</td>
<td>1%</td>
<td>25%</td>
<td>2%</td>
</tr>
<tr>
<td>Wave 1</td>
<td>Wave 1</td>
<td>Wave 1</td>
<td>Wave 1</td>
</tr>
<tr>
<td>39%</td>
<td>2%</td>
<td>56%</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Negative impact**
- Significantly ↑ scores among:
  - Not internationally active (92%)
- Significantly ↓ scores among:
  - 100+ employees (79%)
  - Tech businesses (75%)

Base: All qualified respondents (n wave 3=1,139). Due to rounding, total may not equal to 100%. Arrows above results indicate statistically significant differences between the latest two waves.
The extent of negative impact has **increased significantly** in the past two weeks. Conversely, those who haven’t been impacted yet are less apprehensive.

Q.2/Q.4 To **what extent** has your business been impacted **negatively** so far/will be impacted? *Opinions were expressed using a scale from 1 to 10, where 1 means that the impact is minimal and 10 means the impact is important.*

**Extending of negative impact**

**Significantly ↑ results among:**
- Small businesses (85%)
- Steady businesses (87%)

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**Base:** Q.2 = Those who see a negative impact (n wave 3=1,022–1,024) / Q.4 = Those who haven’t seen any impact so far (n wave 3=66). Results are presented in terms of those worried with the situation (scores of 7+ out of 10). The average score is calculated by excluding those who didn’t know or preferred not to answer, whereas the scale includes these respondents. Arrows next to results indicate statistically significant differences between the latest two waves.
The lack of demand is increasingly becoming a problem. It now hits all types of businesses, more so in the Prairies and tech companies.

Q.5 Is or will this disruption mainly be caused by a lack of supply, or a lack of demand, in your opinion?

Lack of demand
Significantly ↑ results among:
- Businesses in the Prairies (69%)
- Tech companies (75%)

Base: All qualified respondents (n wave 3=1,087). Due to rounding, total may not equal to 100%. Arrows next to results indicate statistically significant differences between the latest two waves.
Most are concerned about their ability to keep employees on payroll and keep the business open. These concerns weren’t on the radar earlier.

Q.6 What specifically is or will be affected in your company as a result of the coronavirus?

**Top answers**

- **Ability to keep employees on payroll**: 65%
- **Ability to keep the business open**: 61%
- **Ability to repay your debts**: 60%
- **Ability to work on new projects**: 49%
- **Ability to deliver your products or services**: 47%
- **Ability to develop new markets**: 41%
- **Postponement of planned investments**: 39%

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**Keep employees on payroll**

Significantly ↑ results among:
- Businesses in the Prairies (72%)
- Medium (75%) and Large (78%)
- 5-19 (82%) and 20-49 (86%) employees
- Manufacturing (74%)
- Retail (78%)

**Keep the business open**

Significantly ↑ results among:
- Small businesses (63%)
- Retail (84%)
- Accommodation & food services (78%)
- Not internationally active (65%)

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Base: Those who are impacted negatively or feel they will be impacted in the next 2 months (n wave 3=897). Multiple mentions allowed. Arrows indicate statistically significant differences between the latest two waves.
The **ability to meet demand** is of limited concern, probably because demand itself has decreased. Lacking personnel is **less of a concern** than before.

Q.6 What specifically is or will be affected in your company as a result of the coronavirus?

<table>
<thead>
<tr>
<th>Less often mentioned answers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ability to meet the demand for your products</strong></td>
</tr>
<tr>
<td>Wave 3 (Mar 30 to Apr 1)</td>
</tr>
<tr>
<td>Ability to borrow money</td>
</tr>
<tr>
<td>Ability to source from your suppliers</td>
</tr>
<tr>
<td>Ability to meet the demand for your products</td>
</tr>
<tr>
<td>Lack of personnel</td>
</tr>
<tr>
<td>Ability for clients to pay</td>
</tr>
<tr>
<td>Shutdown due to government instructions</td>
</tr>
</tbody>
</table>

**Ability to borrow money**

Significantly ↑ results among:
- Internationally active (42%)
Creating a **COVID-19 relief loan** and payment **postponement** remain actions deemed most helpful. Significant increase for offering a line of credit.

Q.8 Which of the following actions from BDC would you feel would be **most helpful** for your business during these times?

**Top answers**

<table>
<thead>
<tr>
<th>Action</th>
<th>Wave 3 (Mar 30 to Apr 1)</th>
<th>Wave 2 (Mar 14 to 18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create a COVID-19 relief loan</td>
<td>39%</td>
<td>42%</td>
</tr>
<tr>
<td>Payment postponement</td>
<td>33%</td>
<td>36%</td>
</tr>
<tr>
<td>Offer a line of credit</td>
<td>20%</td>
<td>31%</td>
</tr>
<tr>
<td>Flexible payment terms</td>
<td>25%</td>
<td>27%</td>
</tr>
<tr>
<td>Offer short-term loans to help with cash flow</td>
<td>24%</td>
<td>30%</td>
</tr>
<tr>
<td>Increase access to loans</td>
<td>21%</td>
<td>22%</td>
</tr>
<tr>
<td>Extend loan repayment</td>
<td>21%</td>
<td>18%</td>
</tr>
<tr>
<td>Educate entrepreneurs on what they can do</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Provide information to entrepreneurs</td>
<td>14%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Base: All qualified respondents (n wave 3=940). Multiple answers (maximum 3) were allowed. Arrows indicate statistically significant differences between the latest two waves. This question was converted into a multiple-choice question on March 15.

**COVID-19 relief loan**
Significantly ↑ results among:
  – Quebec businesses (49%)

**Payment postponement**
Significantly ↑ results among:
  – Not internationally active (37%)
BDC clearly has a role to play. Only 4% believe there is nothing BDC can do to help entrepreneurs; this score has remained stable between the two waves.

Q.8 Which of the following actions from BDC would you feel would be most helpful for your business during these times? Less often mentioned answers

- Offer other alternative loans: Wave 3 (Mar 30 to Apr 1) - 12%, Wave 2 (Mar 14 to 18) - 9%
- Offer more bridge financing: Wave 3 - 8%, Wave 2 - 8%
- Reassure entrepreneurs: Wave 3 - 6%, Wave 2 - 8%
- Lower or cancel interest rates: Wave 3 - 3%, Wave 2 - 2%
- Offer grants: Wave 3 - 2%, not mentioned in Wave 2
- There is nothing BDC can do: Wave 3 - 4%, Wave 2 - 3%
- I don't know: Wave 3 - 2%, Wave 2 - 4%

Base: All qualified respondents (n wave 3=940). Multiple answers (maximum 3) were allowed. Arrows indicate statistically significant differences between the latest two waves. This question was converted into a multiple-choice question on March 15.
The fear of lack of support, the decrease in demand or sales and the fear of closing the business remain of particular concern.

Q.7 Are there comments or observations you would like to share regarding the impact of the coronavirus on your business or on Canadian businesses in general?

These were the most commonly mentioned comments and observations on the situation:

- Fear of no support for SMEs / Government actions: 30% (-7pts)
- Decrease in demand or clientele / Drop in sales: 24% (+4pts)
- Fear of closing business: 11% (-1pt)
- Travel restrictions / Events cancelled or delayed: 10% (+8pts)

Currently, all my suppliers are closed until April 15 [...] and the customers are practically all in quarantine or operating at 50%, so I am forced to lay off. The federal government's program is slow to emerge and is very difficult to dissect. (Translated from French)

Government plan to support businesses by providing repayable debt, [which] will just delay the inevitable for some businesses. They will either fail now from lack of working capital, or fail later trying to service an increased debt load in a mediocre economy.

I know the government has put a lot of money out there for small business but from what I am seeing, I will not meet the conditions to access any of these funds.

Our revenues have dropped by 60% and we have to respond to that. Our working capital is also drying up and we will be negatively impacted when projects start up again.

Base: Those who accepted to answer this question (n wave 3=435). This was an open-ended question, for which answers were coded. Only most common answers related to the above-mentioned topic are presented on this slide. Note: Figures in parentheses indicate the fluctuation with the previous wave of the survey (March 14 to 18).
04. Respondent profile
Survey wave 3
Region

B.C. and North: 16%

Prairies: 20%

Ontario: 37%

Quebec: 21%

Atlantic: 7%

Base: All qualified respondents (n=1,139). Due to rounding, total may not equal 100%.
Number of employees

1 to 4 employees: 57%
5 to 19 employees: 30%
20 to 49 employees: 8%
50 to 99 employees: 3%
100 employees or more: 2%

Base: All qualified respondents (n=1,139). Due to rounding, total may not equal 100%.
Sector of activity

Professional, scientific & technical services, finance and insurance: 21%
Manufacturing: 13%
Retail: 11%
Technology, information and cultural industries: 9%
Construction: 8%
Wholesale trade: 6%
Other services, private sector: 5%
Accommodation and food services: 4%
Public services: 4%
Real estate, rental and leasing: 3%
Arts, entertainment and recreation: 3%
Transportation and warehousing: 3%
Primary sectors: 2%
Other: 7%

Base: All qualified respondents (n=1,137). Due to rounding, total may not equal 100%.
Business annual sales

Annual sales

Base: All qualified respondents (n=1,139). Due to rounding, total may not equal 100%.

- Up to $249,999: 26%
- $250,000 to $499,999: 20%
- $500,000 to $999,999: 17%
- $1 million to $1,999,999: 15%
- $2 million to $4,999,999: 13%
- $5 million and more: 10%
Business annual sales growth

Annual sales growth

- Negative or 0%: 21%
- From 0.1% to <5% per year: 25%
- From 5% to <10% per year: 19%
- From 10% to <20% per year: 19%
- 20% or more per year: 14%
- The company did not exist last year: 2%

Base: All qualified respondents (n=1,139). Due to rounding, total may not equal 100%.
Thank you.

Research and Market Intelligence
For more info, please contact us at
marketingresearch@bdc.ca