



Economic optimism and response to Canada-U.S. tariffs

Survey report

Research and Market Intelligence at BDC
July 2018



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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:** July 10 to 20, 2018
- **Margin of error:** The maximum margin of error for a probability sample of 951 respondents is ± 1.4 percentage points, 19 times out of 20*
- **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
- **Data processing note:** Unless otherwise mentioned, calculation bases exclude respondents who preferred not to answer the question

*As this survey is based on a non-probability sample, these numbers should be interpreted with caution.



02.

Summary of results



Summary of results

Current health and optimism for the next 6 months

Overall health of...	Good health (% of score of 7+ / 10)	Level of optimism	Total optimistic (% of score of 7+ / 10)
Their company	59%	Their company	64%
Their direct competitors	52%	Their sector of activity	59%
Their industry / sector	59%	Their region	50%
The Canadian economy	48%	The Canadian economy	41%



Regional trends: Results are significantly **higher in Quebec** and significantly **lower in the Prairies** for both health and optimism.

Business conditions

	↑	✓	↓
Sales volumes (in the past 12 months)	Increased: 48%	Stable: 31%	Decreased: 22%
Sales volumes (expected changes)	Will increase: 56%	Stable: 33%	Will decrease: 12%
Financing terms (in the past 3 months)	Better: 10%	The same: 65%	Worse: 25%
Is now a good or bad time to invest?	Good time: 51%	Don't know: 20%	Bad time: 29%



Regional trends: Respondents from **the Prairies** tend to be more negative on most of these aspects.



Summary of results

Perceived impacts of the introduction of tariffs



Countering tariffs' impacts: main strategies used and considered



BDC's expected role in regards to tariffs

According to respondents, BDC could help Canadian businesses by **sharing information** and offering financial support to those **most impacted**.



Regional trends: We did not observe any clear regional trends for the questions on the Canada-U.S. tariffs. The manufacturing sector appears to be more affected by these protectionist measures.



03.

Main results

Economic perspectives



More than half rated the health of their company, their competitors and sector **good to excellent**. Perception of the Canadian economy is slightly less positive.

Q.1 At the moment, **how would you rate the health of...?**

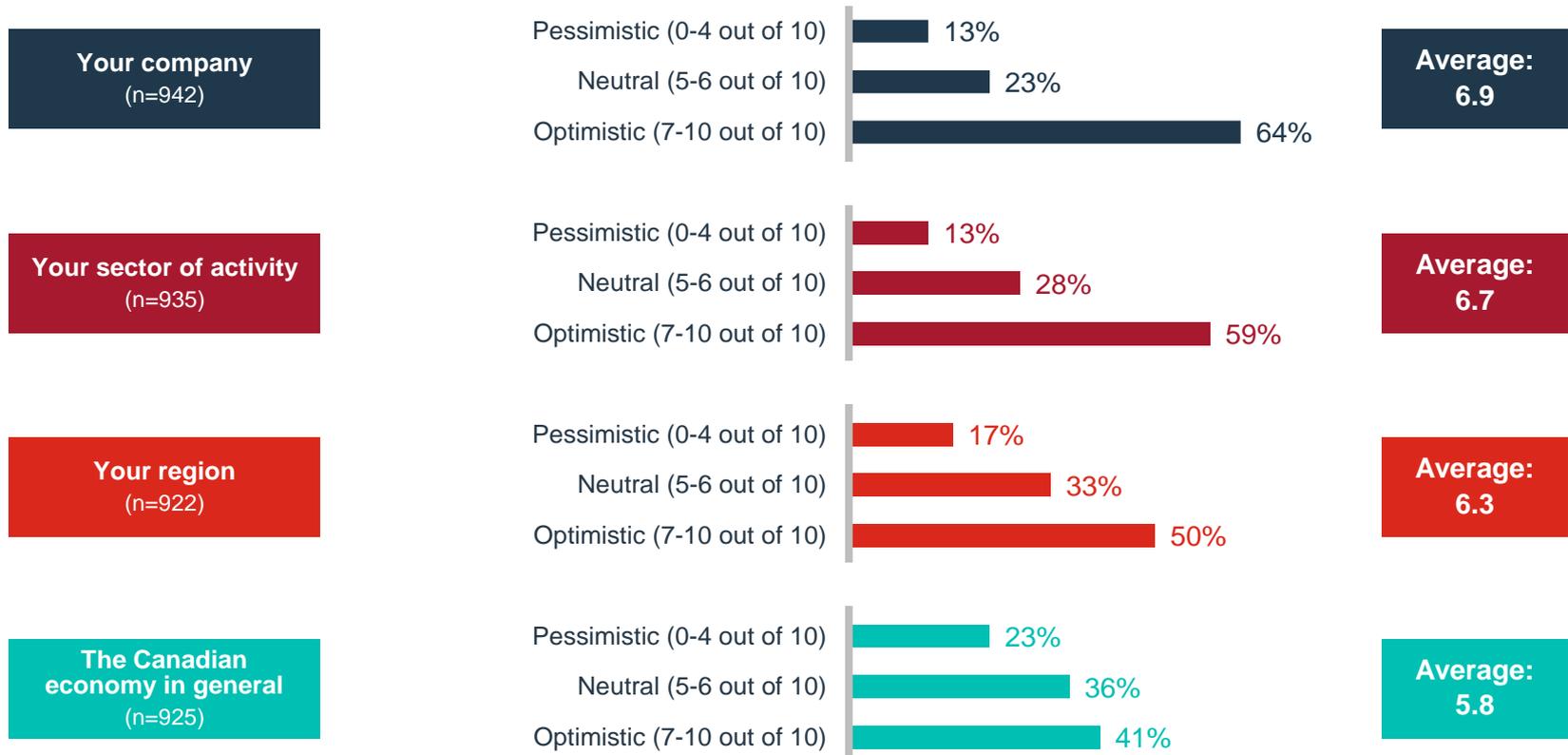


Base: All respondents. Those who did not know were excluded from the calculation base.



Although most are **optimistic** about the outlook of their **company** and **sector of activity**, they are less so about the Canadian economy in general.

Q.2 If you think about the **next six months**, how **optimistic** are you about the economic outlook for your company, your sector of activity, your region and the Canadian economy?

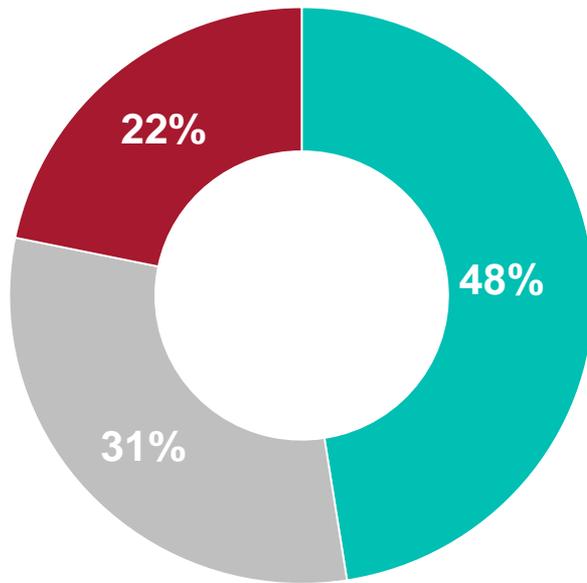


Base: All respondents. Those who did not know were excluded from the calculation base.

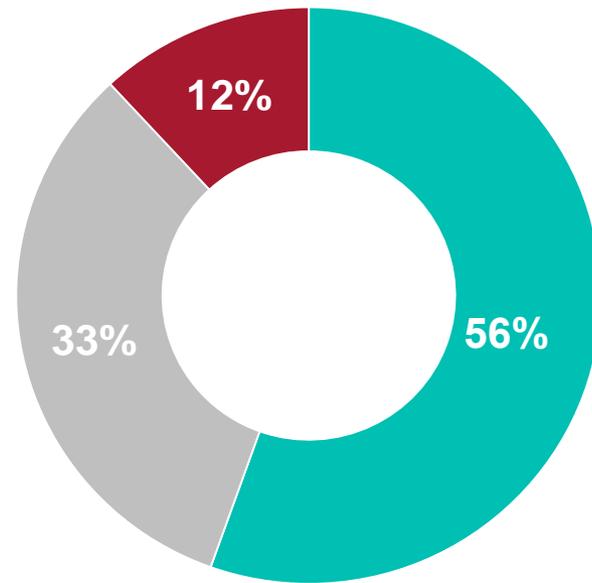


Most business owners claimed that sales volumes have **increased or remained stable** in the past 12 months and will continue to do so in the next year.

Q.3 Over the **past** 12 months, how has your **sales volume** changed? (n=933)



Q.4 Over the **next** 12 months, how do you expect your **sales volume** to change? (n=912)



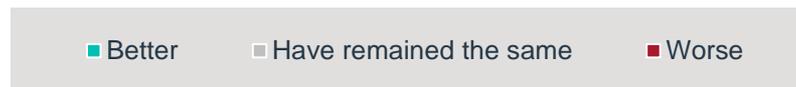
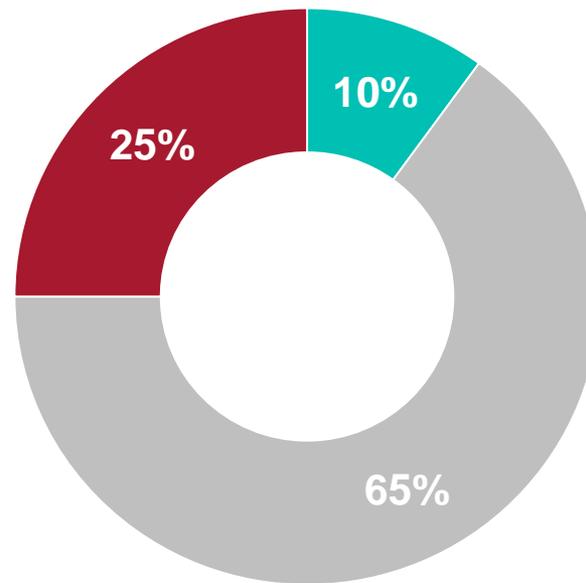
■ Has increased ■ Has remained stable ■ Has decreased

■ Will increase ■ Will remain stable ■ Will decrease



Almost two-thirds of business owners stated that their financing terms have **remained the same** in the past three months.

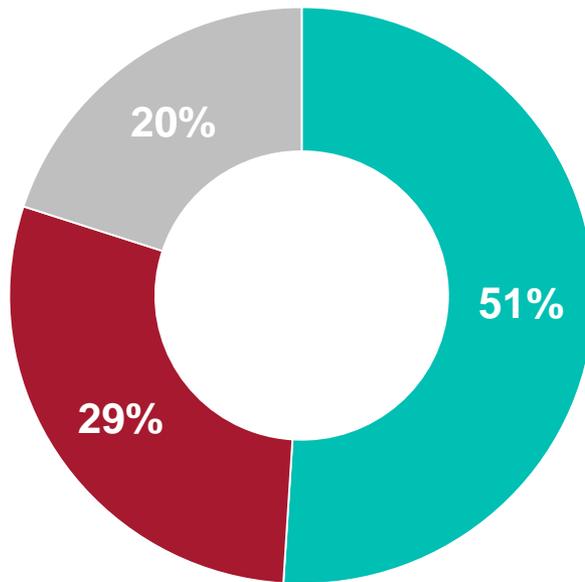
Q.5 Have your **financing terms changed** compared to the terms of the previous three months?





Half the respondents believe that now is a **good time to invest**, mostly because they see growth opportunities in the current economic situation.

Q.6 At this point, would you say this is a **good or bad time** to allocate funds to grow your business, to buy equipment or to spend on other things for your company?



Main reasons for now being a **good** time to invest:

- Growth opportunities (44%)
- Investing to grow business (16%)
- Economy is still stable (13%)
- Business growth and/or sales are on the rise (11%)

Main reasons for now being a **bad** time to invest:

- Uncertainty/higher risk to invest (25%)
- Low business sales/growth/declining sector (24%)
- Rising rates/prices/tariffs (17%)
- Trump/unpredictable political situation (11%)

■ Good time to invest ■ Bad time to invest ■ Don't know

Base: Q.6 = All respondents (n=923). Those who did not know or preferred not to answer were excluded from the calculation base. Q.7 and Q.8 (open-ended questions) = Those who said it was either a good time or a bad time to invest. Q.7: n=421 and Q.8: n=252.



03.

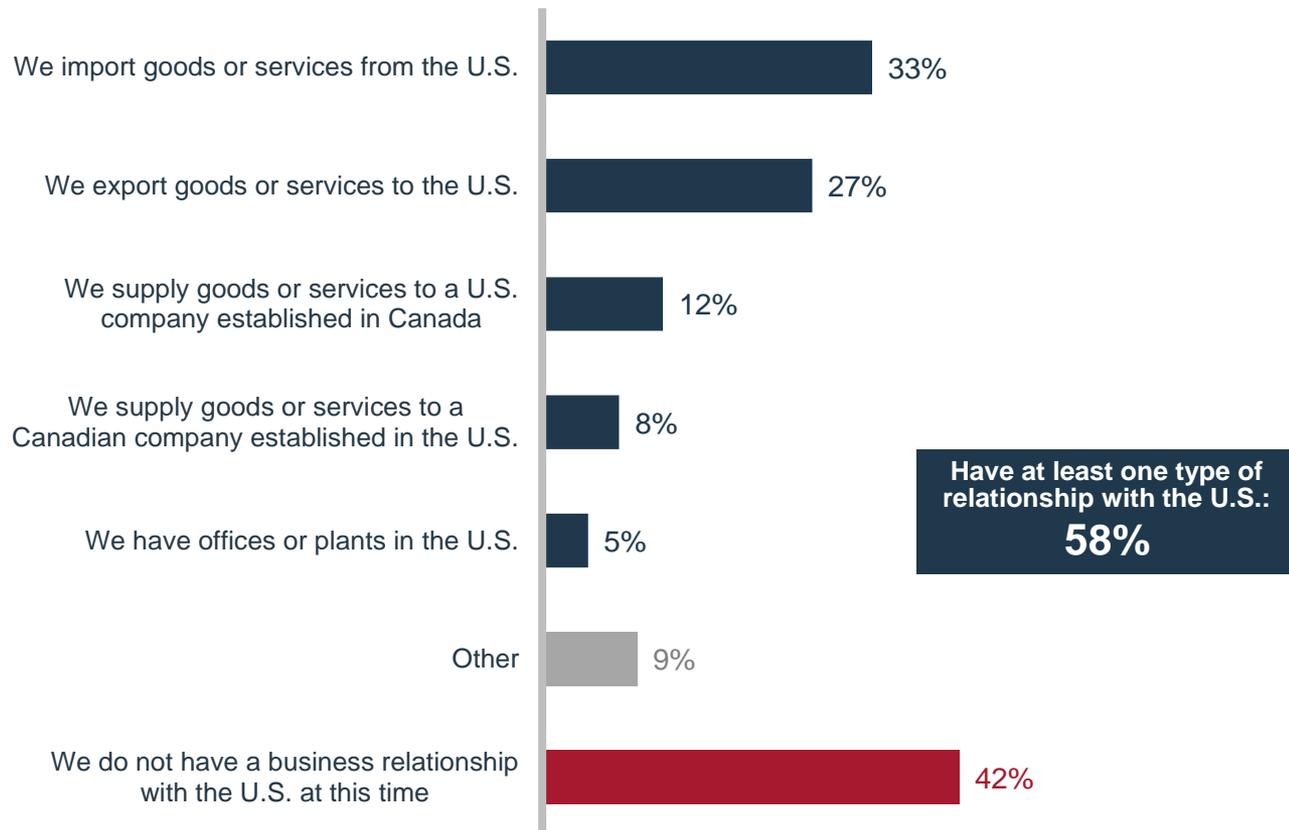
Main results

Canada-U.S. tariffs



Over half said they **have a relationship** with the United States. In most cases, they either import or export goods or services to or from the U.S.

Q.9 What statements best describe your current **business relationship with the United States?**

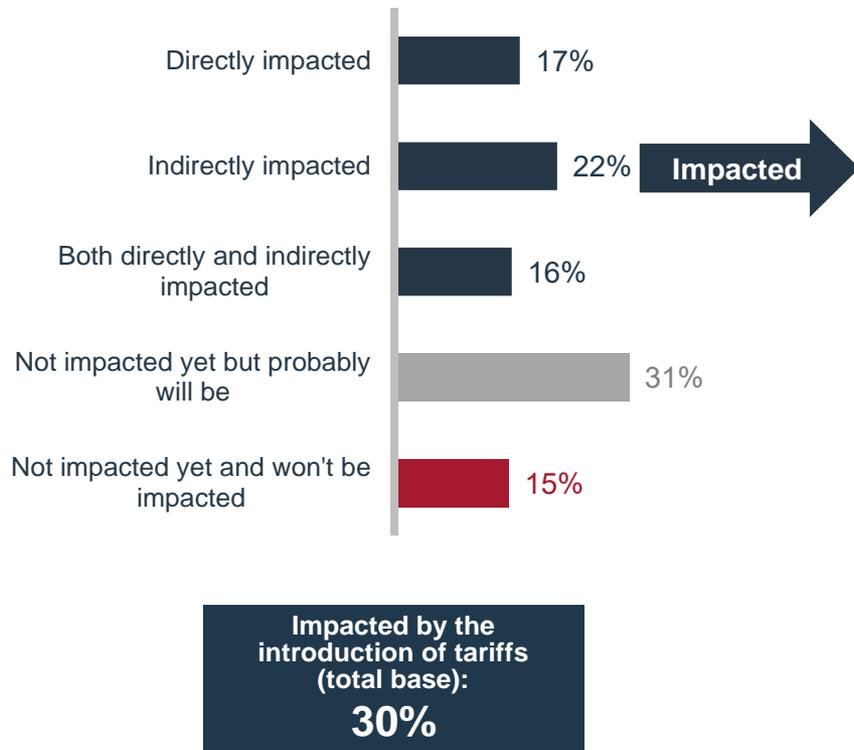


Base: All respondents (n=937). Those who preferred not to answer were excluded from the calculation base. Multiple answers were allowed, therefore total does not equal to 100%.

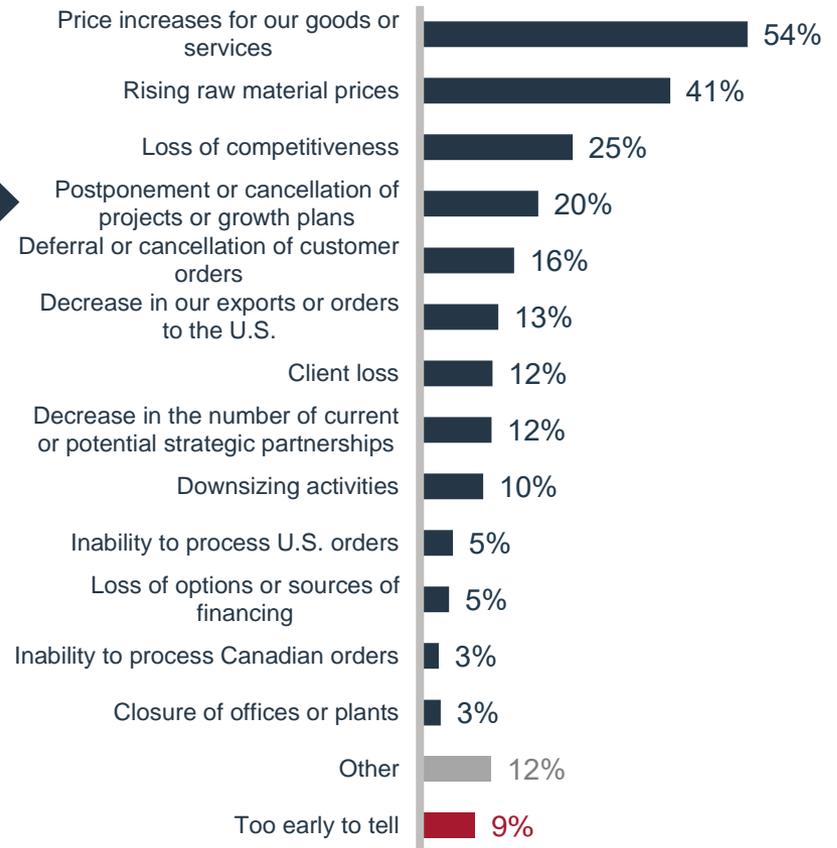


Three in ten respondents say they are impacted by the introduction of tariffs. Goods and services price increases and rising costs of raw materials are the most commonly cited impacts.

Q.10 Is your business **impacted** – directly or indirectly – by the introduction of tariffs between Canada and the United States?



Q.11 What **impacts** are you referring to?

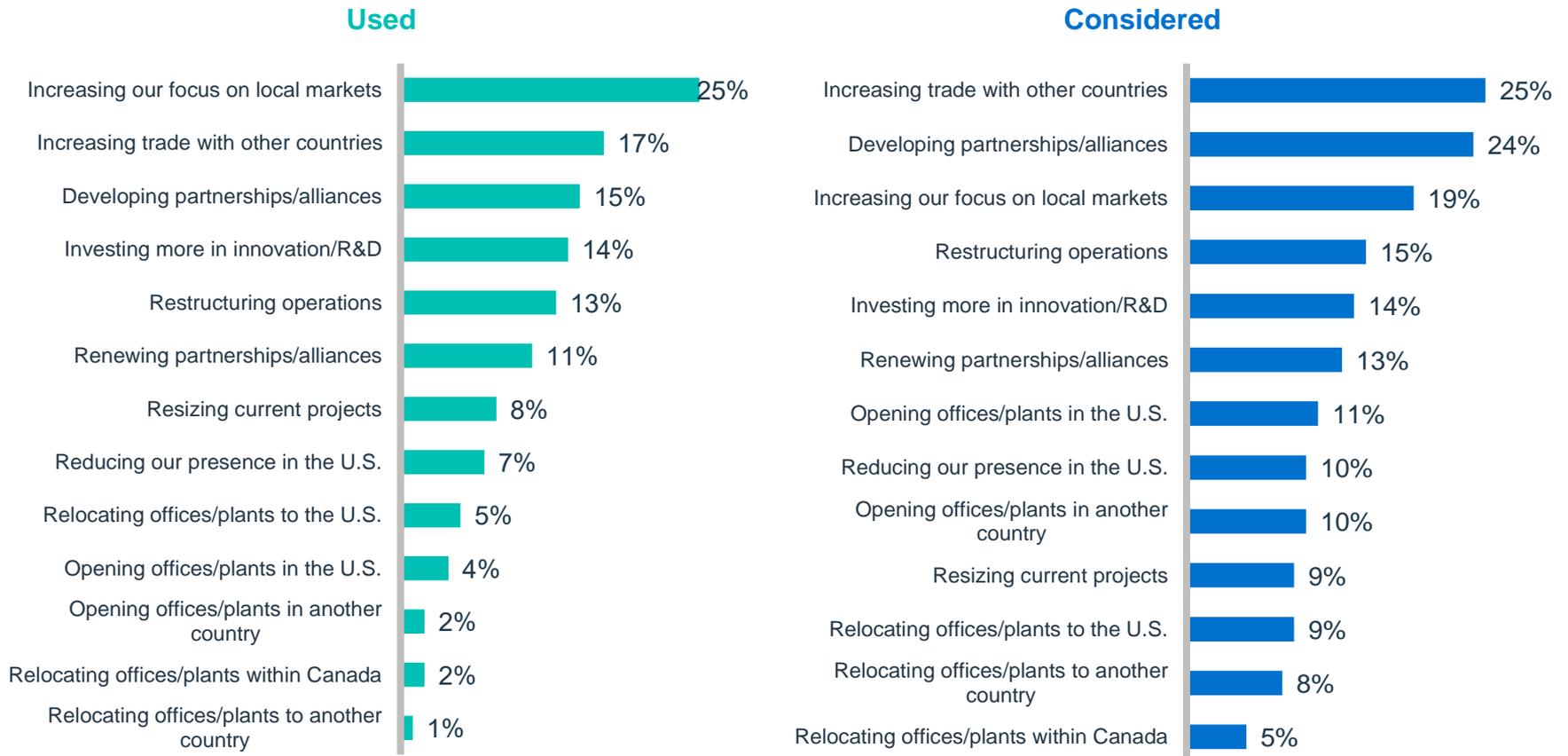


Base: Q.10 = Respondents who have a business relationship with the U.S. (n=563). Q.11 = Respondents impacted by the introduction of tariffs (n=332). Multiple answers were allowed, therefore total does not equal to 100%. In both cases, those who did not know or preferred not to answer were excluded from the calculation base.



Strategies used or considered to minimize or avoid the impacts of the tariffs are **quite diversified** in nature. Focusing on local markets and expanding trade beyond U.S. borders are the most commonly mentioned.

Q.12 What **strategies** is your company considering or have you already used to minimize or avoid these negative impacts?

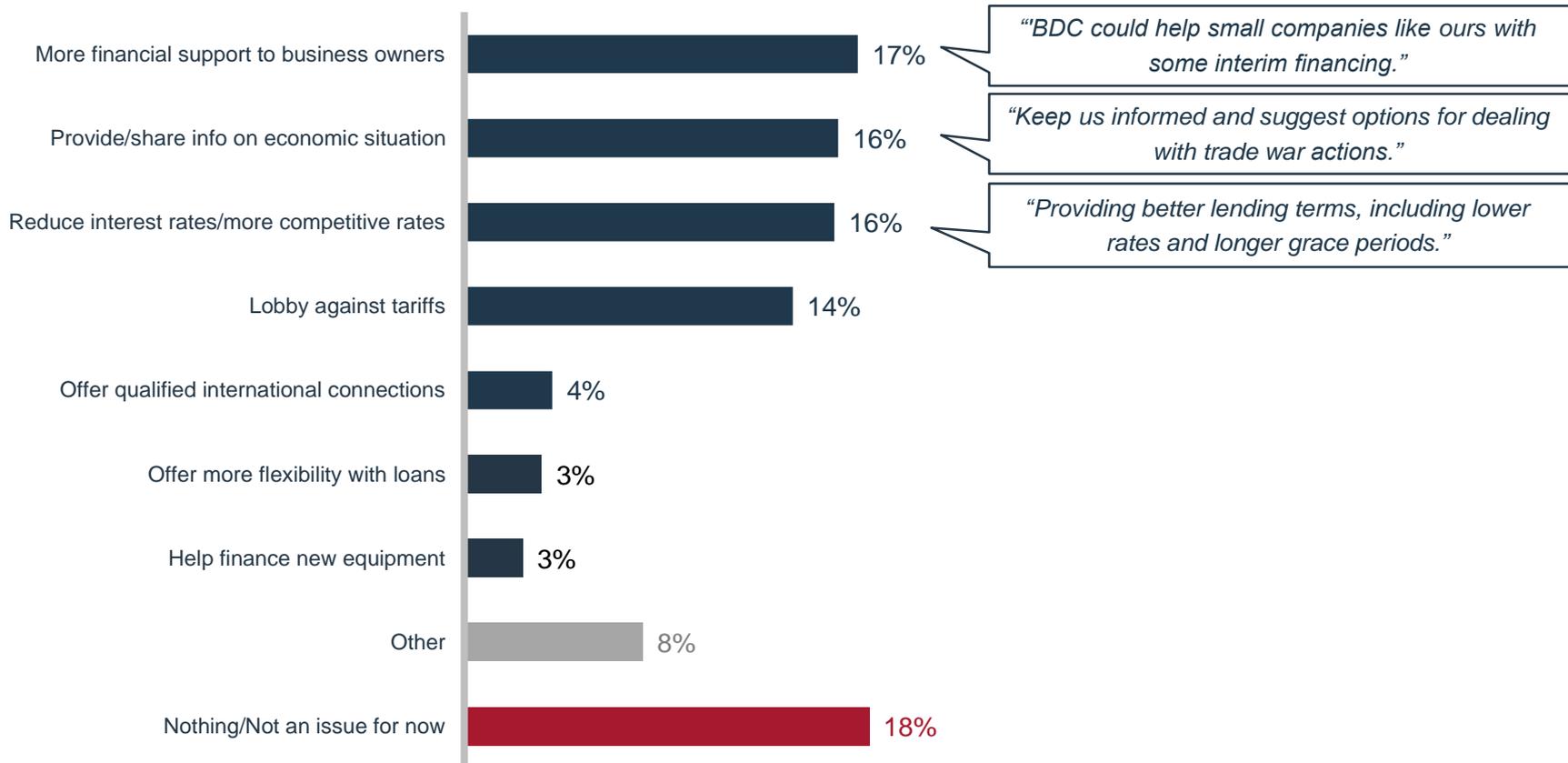


Base: Respondents impacted by the introduction of tariffs (n=334). Multiple answers were allowed, therefore total does not equal to 100%.

According to respondents, BDC could help Canadian businesses by **sharing information** and offering financial support to those **most impacted**.



Q.13 How **could BDC help you** address the problems associated with the introduction of tariffs between Canada and the United States?



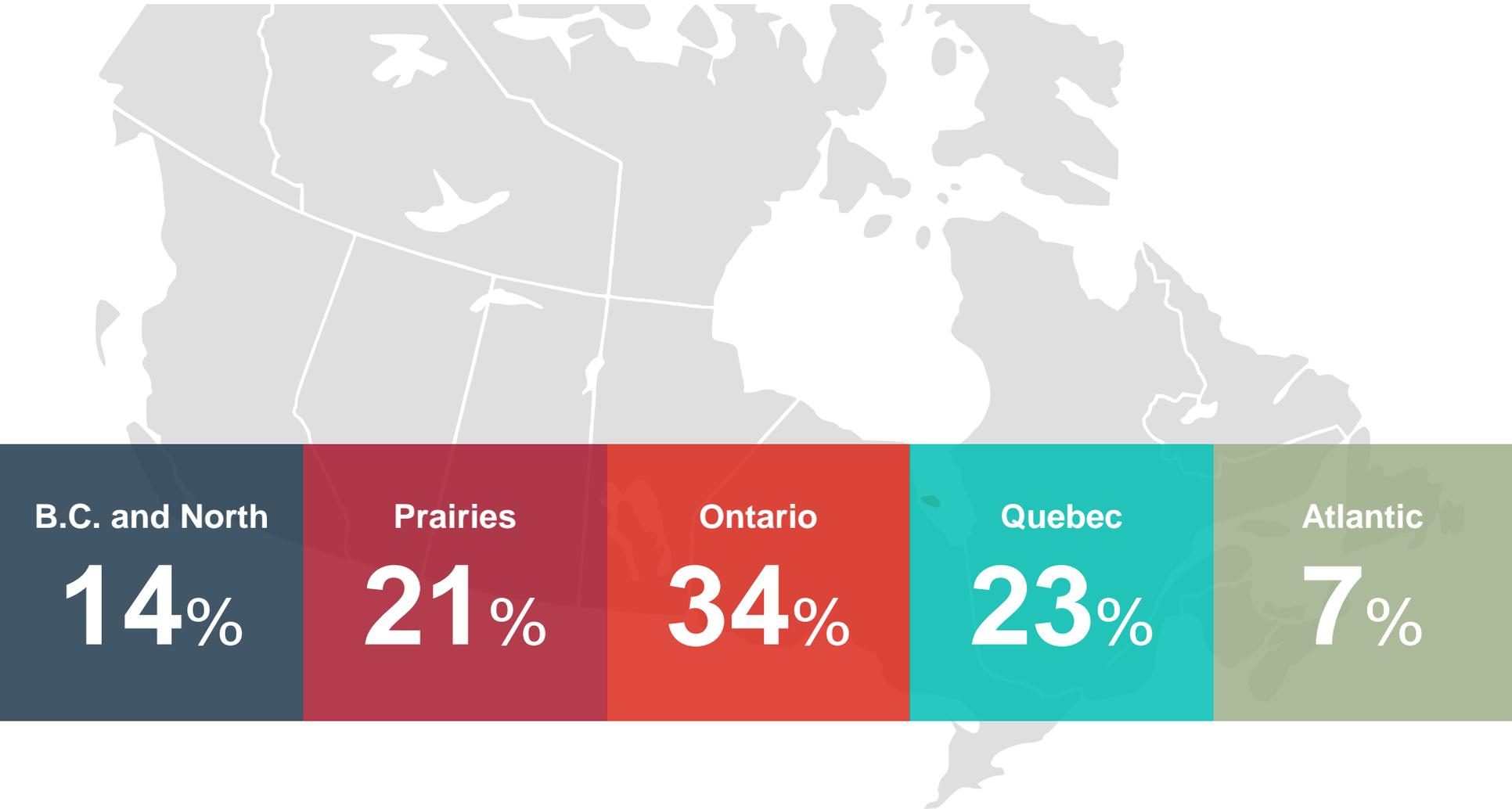


04.

Respondent profile

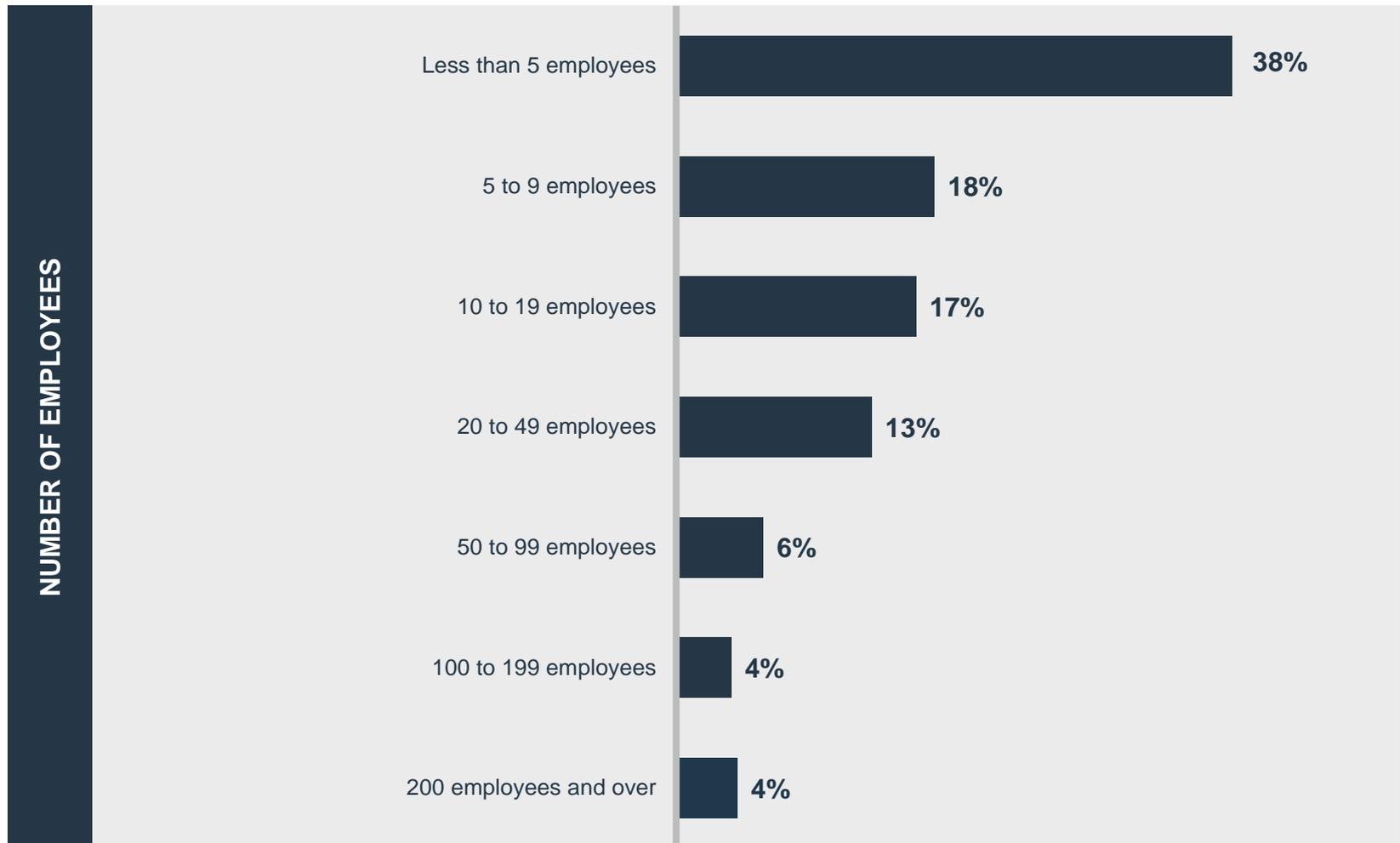


Region



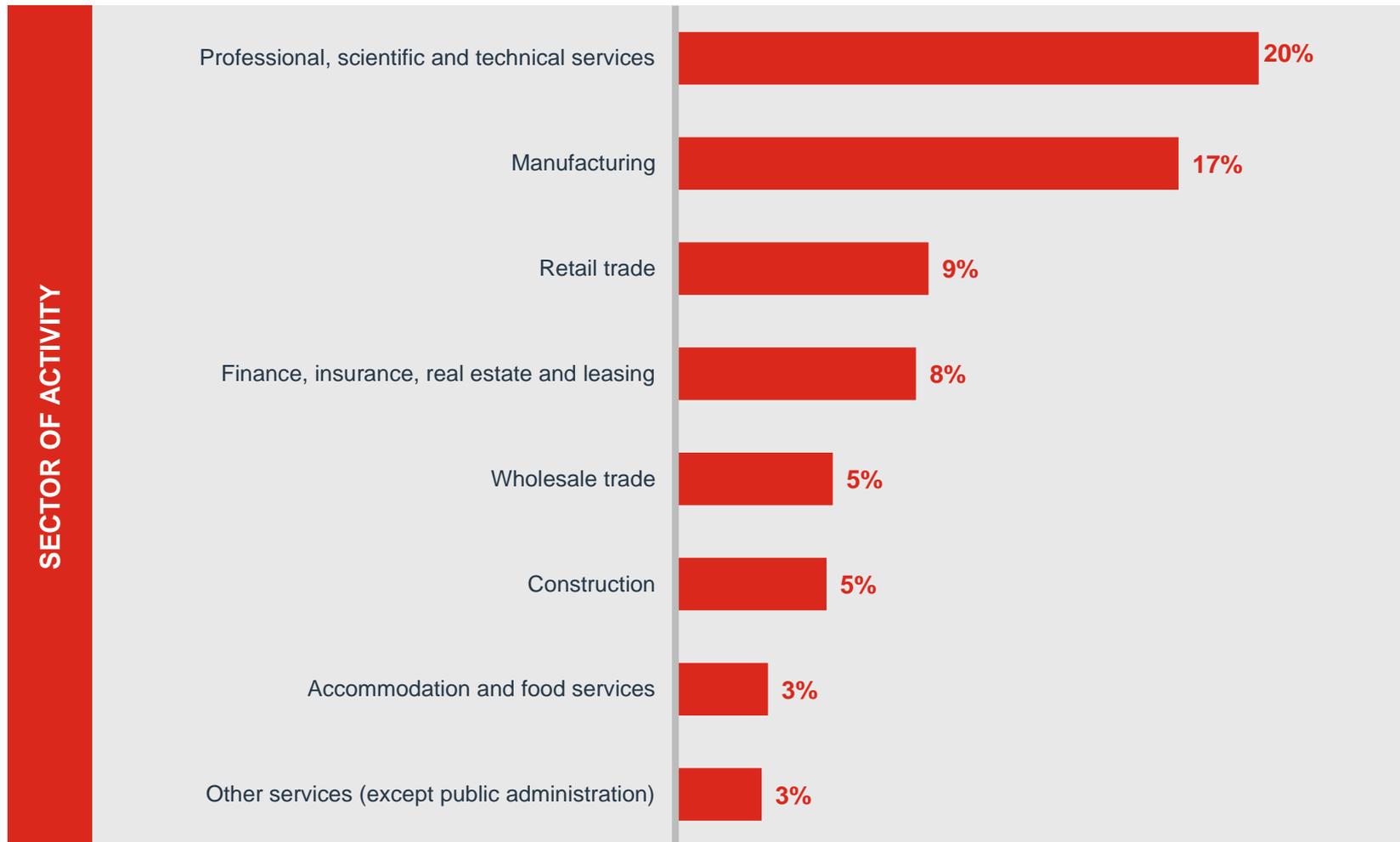


Number of employees





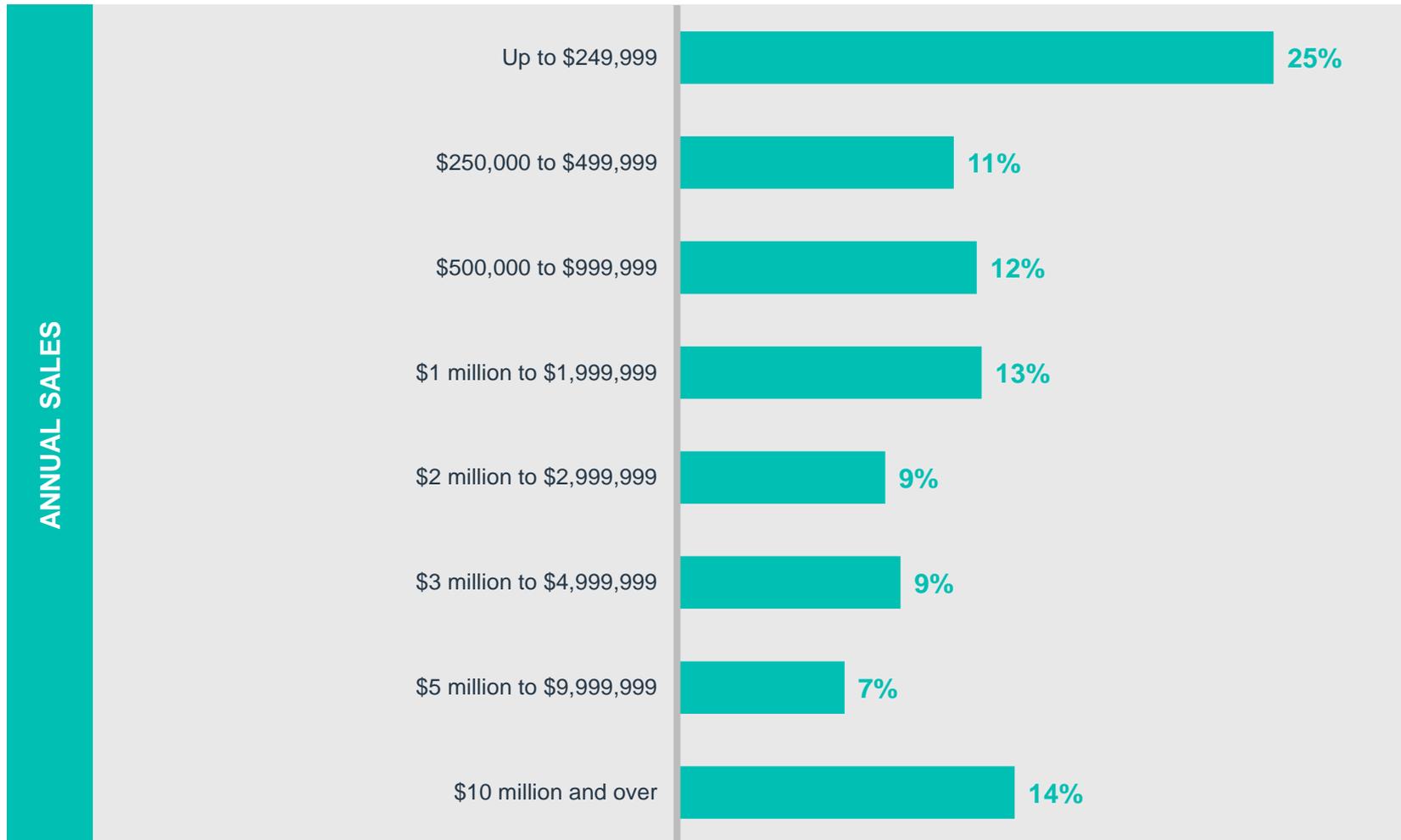
Sector of activity



Base: All respondents (n=951). Only sectors with a minimum of 3% of respondents are shown.



Business annual sales



Base: All respondents (n=951).



Business annual sales growth





05. Appendix

Results by region



NOTE:
Arrows indicate statistical differences between a given region and the rest of the sample.



Current health and optimism about the economy

Q.1 At the moment, how would you rate the health of...?

% who said it is in good health (7+ out of 10)	Atlantic (n=60-70)	Quebec (n=195-217)	Ontario (n=273-322)	Prairies (n=177-202)	B.C. North (n=111-134)
Your company	62%	66% ↑	60%	47% ↓	61%
Your direct competitors	41%	61% ↑	56%	42% ↓	50%
Your sector of activity	60%	69% ↑	62%	41% ↓	62%
The Canadian economy in general	51%	64% ↑	49%	28% ↓	50%

Q.2 If you think about the next six months, how optimistic are you about the economic outlook for your company, your sector of activity, your region and the Canadian economy?

% of optimistic (7+ out of 10)	Atlantic (n=66-69)	Quebec (n=210-216)	Ontario (n=314-321)	Prairies (n=199-202)	B.C. North (n=129-134)
Your company	68%	75% ↑	64%	50% ↓	67%
Your sector of activity	60%	70% ↑	60%	47% ↓	59%
Your region	50%	62% ↑	51%	37% ↓	49%
The Canadian economy in general	55% ↑	60% ↑	40%	31% ↓	27% ↓



Past and future evolution of sales volume

Q.3 Over the **past** 12 months, how has your **sales volume** changed?

	Atlantic (n=71)	Quebec (n=211)	Ontario (n=318)	Prairies (n=200)	B.C. North (n=133)
Has increased	49%	52%	49%	39% ↓	47%
Has remained stable	27%	36%	32%	29%	26%
Has decreased	23%	12% ↓	19%	31% ↑	27%

Q.4 Over the **next** 12 months, how do you expect your **sales volume** to change?

	Atlantic (n=67)	Quebec (n=209)	Ontario (n=310)	Prairies (n=197)	B.C. North (n=129)
Will increase	54%	62%	56%	50%	55%
Will remain stable	42%	29%	34%	34%	29%
Will decrease	5% ↓	9%	10%	16%	16%



Changes in financing terms in the past 3 months

Q.5 Have your **financing terms changed** compared to the terms of the previous three months?

They...	Atlantic (n=64)	Quebec (n=207)	Ontario (n=294)	Prairies (n=186)	B.C. North (n=116)
...are better	11%	14% ↑	10%	6%	9%
...have remained the same	73%	63%	66%	56% ↓	70%
...are worse	16%	23%	24%	38% ↑	21%



Investment timing: good or bad?

Q.6 At this point, would you say this is a **good or bad time** to allocate funds to grow your business, to buy equipment or to spend on other things for your company?

	Atlantic (n=70)	Quebec (n=209)	Ontario (n=314)	Prairies (n=199)	B.C. North (n=131)
Think it's a good time to invest	56%	56%	50%	42% ↓	53%
Think it's a bad time to invest	29%	21% ↓	31%	35%	29%
Don't know	15%	23%	19%	22%	18%

Q.8 Why is it a bad time to invest?

Main reasons not to invest	Atlantic (n=19*)	Quebec (n=41)	Ontario (n=91)	Prairies (n=65)	B.C. North (n=36)
Uncertainty / Higher risk to invest	24%	9% ↓	30%	21%	32%
Low sales / Declining sector / No growth	44%	31%	12% ↓	37% ↑	19%
Rising rates / Prices / Tariffs	16%	21%	24%	9% ↓	14%
President Trump / Unpredictable political situation	0%	16%	16%	4%	12%
Unstable economy	5%	4%	10%	16%	10%

**Base is small, please interpret with caution.*

Base: Q.6 = All respondents. Those who did not know or preferred not to answer were excluded from the calculation base. Base: Q.8 (open-ended question) = Those who said it was a bad time to invest.



Current business relationship with the U.S.

Q.9 What statements best describe your current **business relationship with the United States?**

	Atlantic (n=71)	Quebec (n=212)	Ontario (n=320)	Prairies (n=201)	B.C. North (n=133)
We import goods or services from the U.S.	27%	31%	34%	31%	38%
We export goods or services to the U.S.	19%	25%	33% ↑	18% ↓	29%
We supply goods or services to a U.S. company established in Canada	6%	9%	16% ↑	10%	12%
We supply goods or services to a Canadian company established in the U.S.	8%	6%	8%	6%	10%
We have offices or plants in the U.S.	0%	3%	6%	4%	6%
Other	9%	12%	10%	9%	6%
We do not have a business relationship with the U.S. at this time	53%	45%	36% ↓	49% ↑	37%

Base: All respondents. Those who preferred not to answer were excluded from the calculation base. Multiple answers were allowed, therefore total does not equal to 100%.



Being impacted by Canada-U.S. tariffs

Q.10 Is your business **impacted** – directly or indirectly – by the introduction of tariffs between Canada and the United States?

	Atlantic (n=34)	Quebec (n=126)	Ontario (n=206)	Prairies (n=109)	B.C. North (n=88)
Directly impacted	6%	17%	15%	22%	17%
Indirectly impacted	29%	23%	19%	22%	22%
Both directly and indirectly impacted	30% ↑	10%	14%	16%	21%
Not impacted yet but probably will be	18%	31%	35%	31%	25%
Not impacted yet and won't be impacted	17%	19%	16%	9%	15%



Impacts of Canada-U.S. tariffs

Q.11 What **impacts** are you referring to?

	Atlantic (n=23)	Quebec (n=69)	Ontario (n=115)	Prairies (n=70)	B.C. North (n=55)
Price increases for our goods or services	66%	48%	50%	53%	64%
Rising raw material prices	52%	54% ↑	35%	41%	39%
Loss of competitiveness	29%	18%	22%	35%	27%
Postponement or cancellation of projects or growth plans	24%	16%	23%	16%	20%
Deferral or cancellation of customer orders	8%	16%	15%	20%	14%
Decrease in our exports or orders to the United States	18%	10%	15%	18%	7%
Client loss	14%	7%	15%	13%	9%
Decrease in the number of current or potential strategic partnerships	1% ↓	9%	16%	18%	4% ↓
Downsizing activities	3%	16%	9%	9%	11%
Inability to process U.S. orders	0%	4%	5%	10%	5%
Loss of options or sources of financing	0%	2%	8%	6%	2%
Closure of offices or plants	0%	5%	4%	5%	2%
Inability to process Canadian orders	0%	0%	2%	4%	8%
Other	8%	12%	13%	11%	11%
It is still too early to tell	12%	6%	9%	12%	9%

Base: Respondents impacted by the introduction of tariffs. Multiple answers were allowed, therefore total does not equal to 100%. Those who did not know or preferred not to answer were excluded from the calculation base.



Strategies used to reduce the tariffs' impacts

Q.12 What **strategies** [...] have you already used to minimize or avoid these negative impacts?

	Atlantic (n=24)	Quebec (n=69)	Ontario (n=115)	Prairies (n=71)	B.C. North (n=55)
Increasing our focus on local markets	29%	17%	22%	40% ↑	21%
Increasing trade with other countries	13%	17%	19%	15%	15%
Developing partnerships/alliances	9%	10%	18%	16%	15%
Investing more in innovation/R&D	8%	8%	17%	15%	14%
Restructuring operations	10%	16%	9%	17%	11%
Renewing partnerships/alliances	2%	18%	11%	15%	4% ↓
Resizing current projects	0%	10%	10%	8%	5%
Reducing our presence in the U.S.	12%	5%	5%	8%	9%
Relocating offices/plants to the U.S.	8%	2%	6%	7%	2%
Opening offices/plants in the U.S.	10%	2%	4%	7%	0%
Opening offices/plants in another country	0%	3%	0% ↓	3%	5%
Relocating offices/plants within Canada	0%	0%	3%	4%	0%
Relocating offices/plants to another country	0%	2%	0%	4% ↑	0%



Strategies considered to reduce the tariffs' impacts

Q.12 What **strategies** is your company considering [...] to minimize or avoid these negative impacts?

	Atlantic (n=24)	Quebec (n=69)	Ontario (n=115)	Prairies (n=71)	B.C. North (n=55)
Increasing trade with other countries	38%	33%	24%	21%	21%
Developing partnerships/alliances	42%	20%	21%	28%	25%
Increasing our focus on local markets	24%	14%	25%	19%	11%
Restructuring operations	31%	19%	13%	16%	12%
Investing more in innovation/R&D	8%	8%	17%	15%	14%
Renewing partnerships/alliances	16%	18%	12%	16%	4%
Opening offices/plants in the U.S.	5%	7%	12%	12%	12%
Reducing our presence in the U.S.	8%	8%	8%	18% ↑	7%
Opening offices/plants in another country	16%	9%	7%	17%	10%
Resizing current projects	10%	9%	7%	10%	12%
Relocating offices/plants to the U.S.	0%	6%	8%	15%	9%
Relocating offices/plants to another country	12%	2% ↓	7%	12%	10%
Relocating offices/plants within Canada	0%	2%	3%	12% ↑	4%



Thank you.

Research and Market Intelligence

For more info, please contact us at

marketingresearch@bdc.ca