



Investment & Financing outlook

SME business investment and financing
outlook survey, wave XI

January 2022



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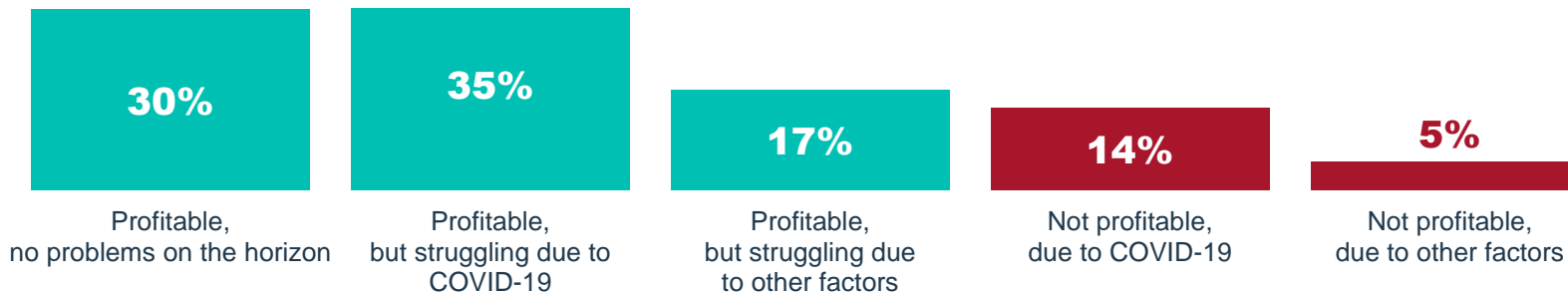


01.
Key highlights

Key highlights: Profitability profile and investment intentions



Profitability

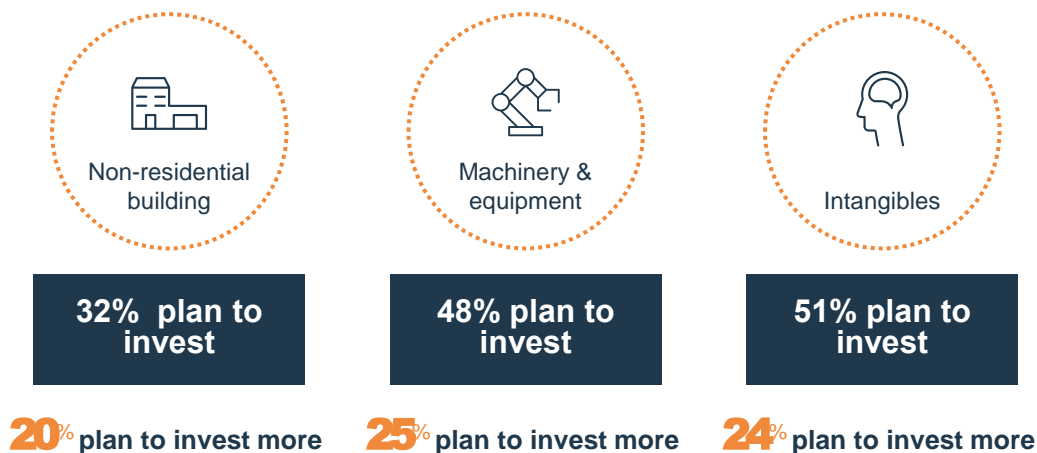


Investments



Plan to invest
(+2pts vs. last wave)

Compared to the last 12 months:



Key highlights: Financing intentions

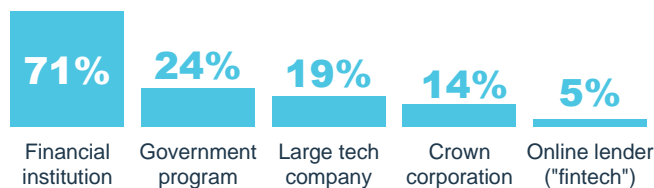


Requested financing



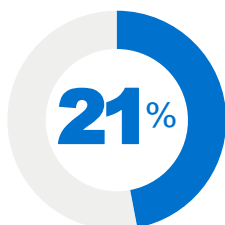
Requested financing in the last 3 months (+1pt vs. last wave)

Financing suppliers



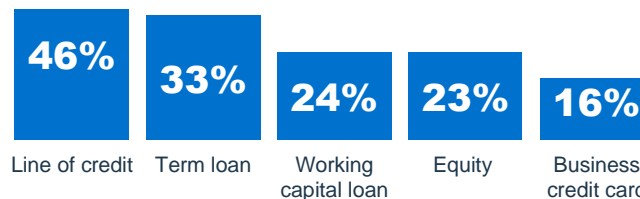
80%
Approval rate

Financing intentions



Plan to request financing (+2pts vs. last wave)

Financing solutions



57%
Easy to access

Key highlights: Optimism



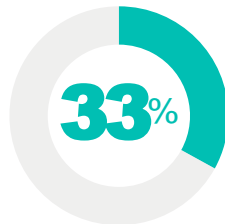
Economic expectations



Sales expectations

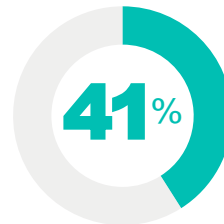


Cash flow expectations



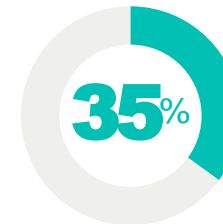
33%

Better



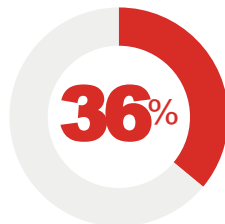
41%

Increase



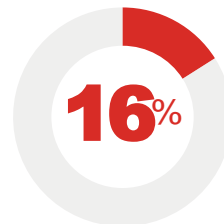
35%

Improve



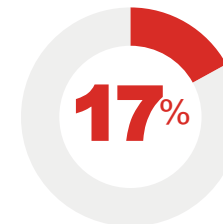
36%

Worse



16%

Decrease



17%

Deteriorate



02.

Methodology



Methodology

Survey methodology

Online tracking survey.

Respondent profile

Business owners and business decision-makers from the AskingCanadians (Delvinia) panel.

Survey dates

January 10th to January 20th, 2022.

Margin of error

For a probability sample of 1,001 respondents, the maximum margin of error is ± 3.1 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.

Note: Unless otherwise noted, the bases for calculation exclude respondents who chose not to answer the question. Other appropriate exclusions are detailed on the individual slides.



03. **Detailed results**



03a.

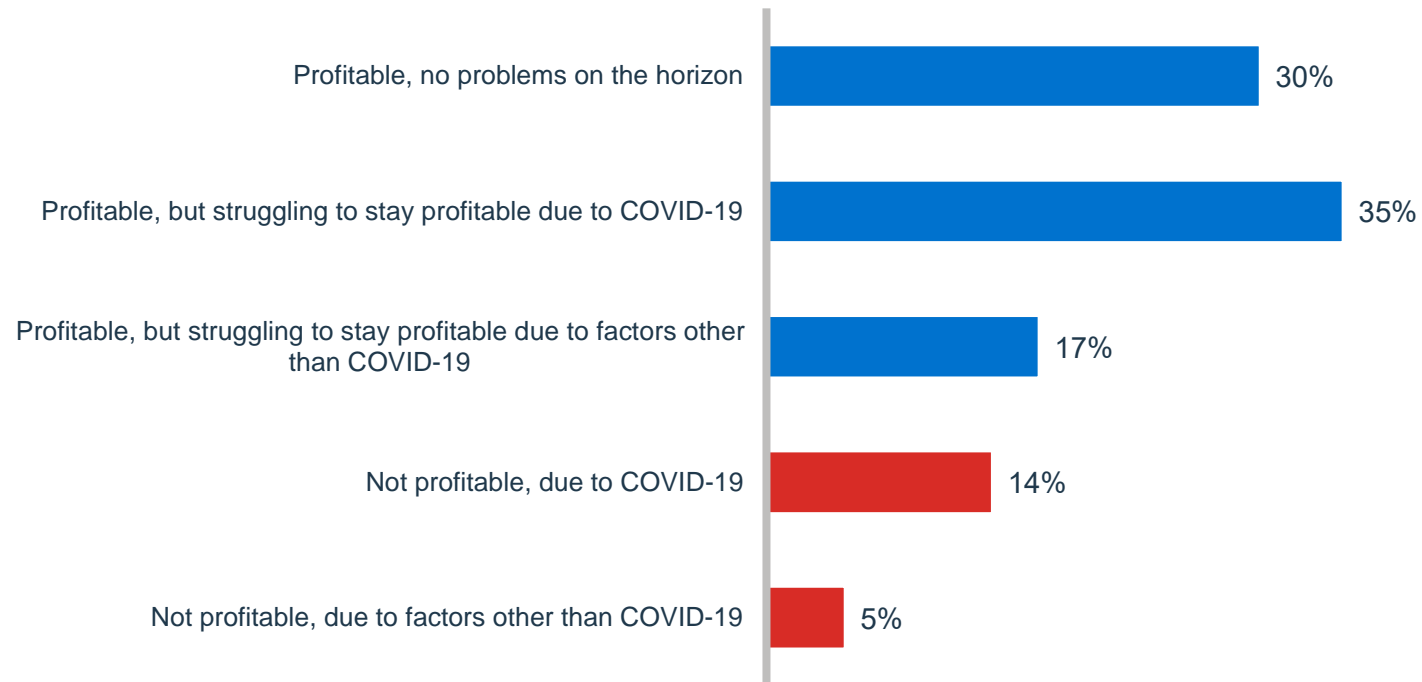
**SME current state
and expectations**



Current situation: 4 out of 5 SMEs claim to be **profitable**, but half of them are struggling to remain so.



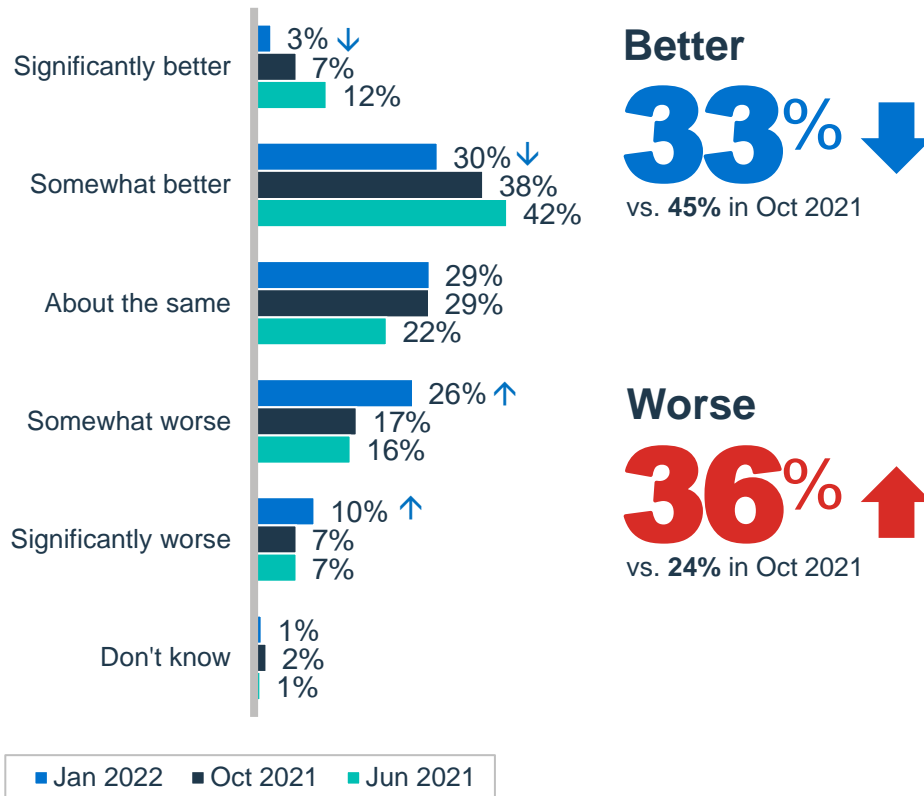
Q4a. Which of the following situations best describes your **company's current situation**? Is it...



Opinions are quite evenly distributed with a third of business leaders in Canada believing that economic conditions **will get better**, and a slightly higher proportion claiming it **will get worse**.



Q59. When you think about the next 12 months, do you expect the **economic conditions in Canada** to be better, the same, or worse than they were in the last 12 months?



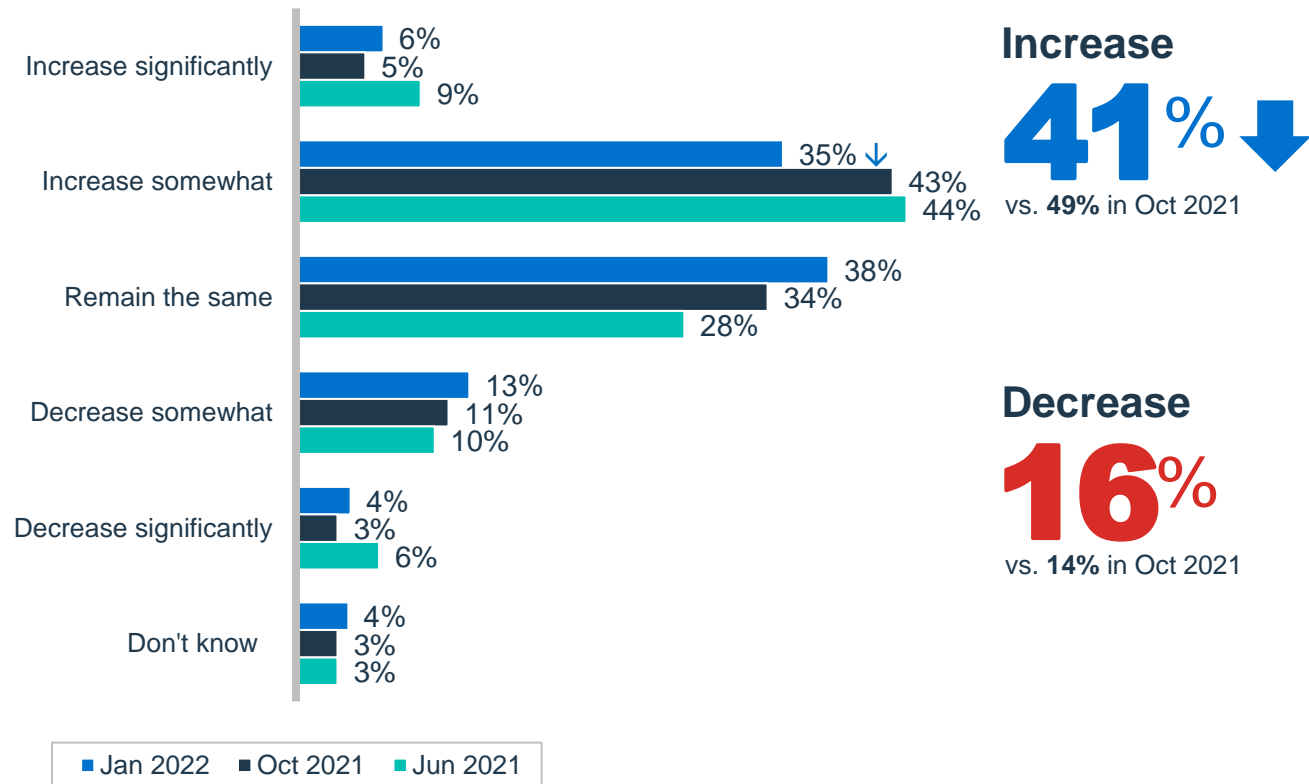
Contextual information
 This survey was conducted during the tail-end of the 5th wave of the pandemic, as Omicron was spreading through the country and the Bank of Canada was hinting at increasing interest rates.

Base: All qualified respondents (n = 1,001). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Most SMEs expect their sales to **increase or remain the same** compared to the last year. Good news: Fewer than one in five expect their sales to decrease.



Q14. Over the next 12 months, do you expect your company's **total sales or revenue** to increase, remain the same, or decrease compared to the last 12 months?

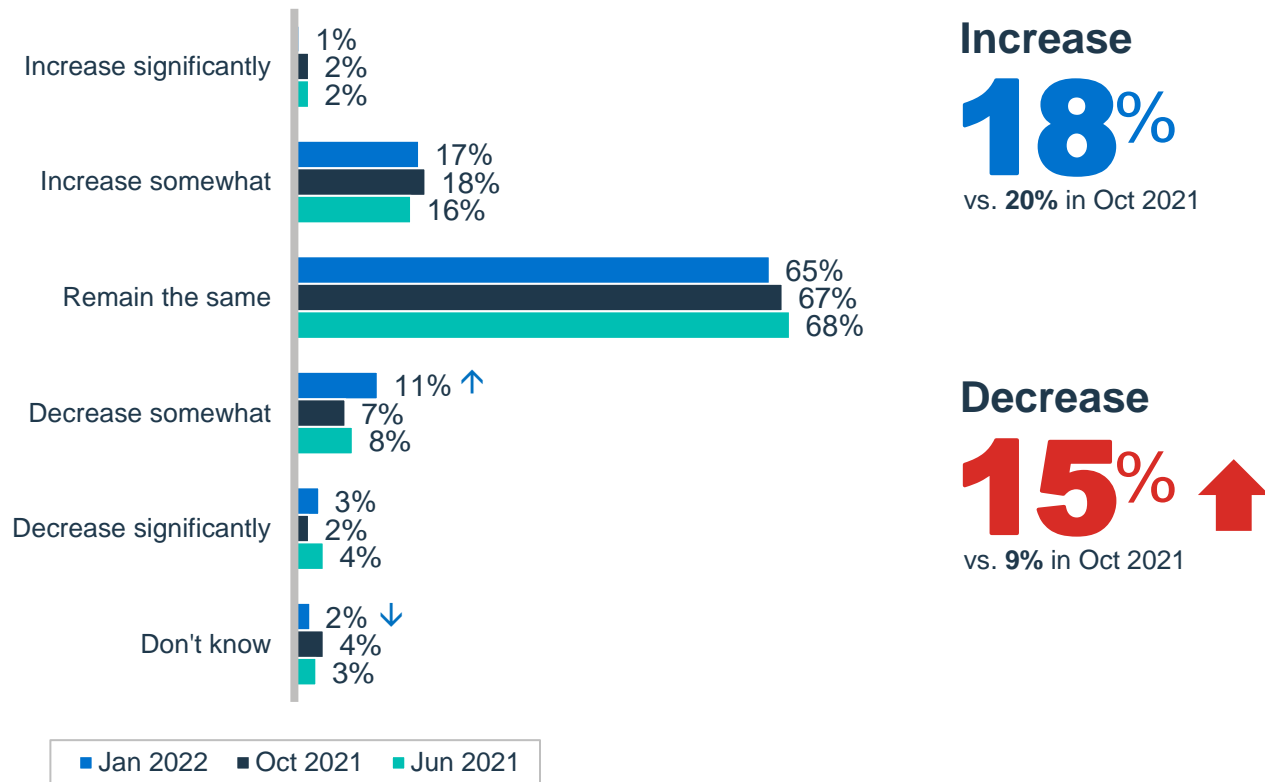


Base: All qualified respondents (n = 999). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

The proportion of SMEs planning to reduce their workforce has **statistically increased**. It is possible that this result was influenced by the COVID restrictions during the survey period.



Q15. Over the next 12 months, do you expect your company's **number of employees** to increase, remain the same, or decrease compared to the last 12 months?

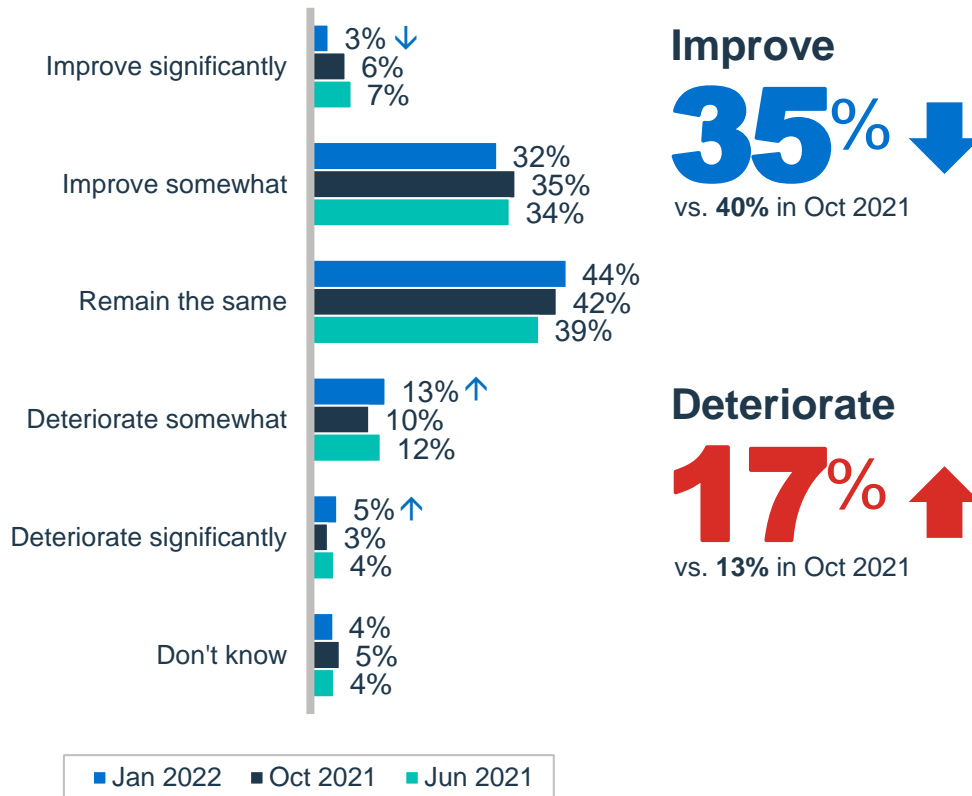


Base: All qualified respondents (n = 999). Those who preferred not to answer were excluded from the calculation. Arrows indicate statistical differences between this wave and the previous one.

Business leaders' expectations regarding their cash flow for the upcoming year has **deteriorated** since the last wave. Macro-economic factors may be influencing their perception.



Q40. Over the next 12 months, do you expect your company's **cash flow situation** to improve, remain the same, or deteriorate compared to the last 12 months?



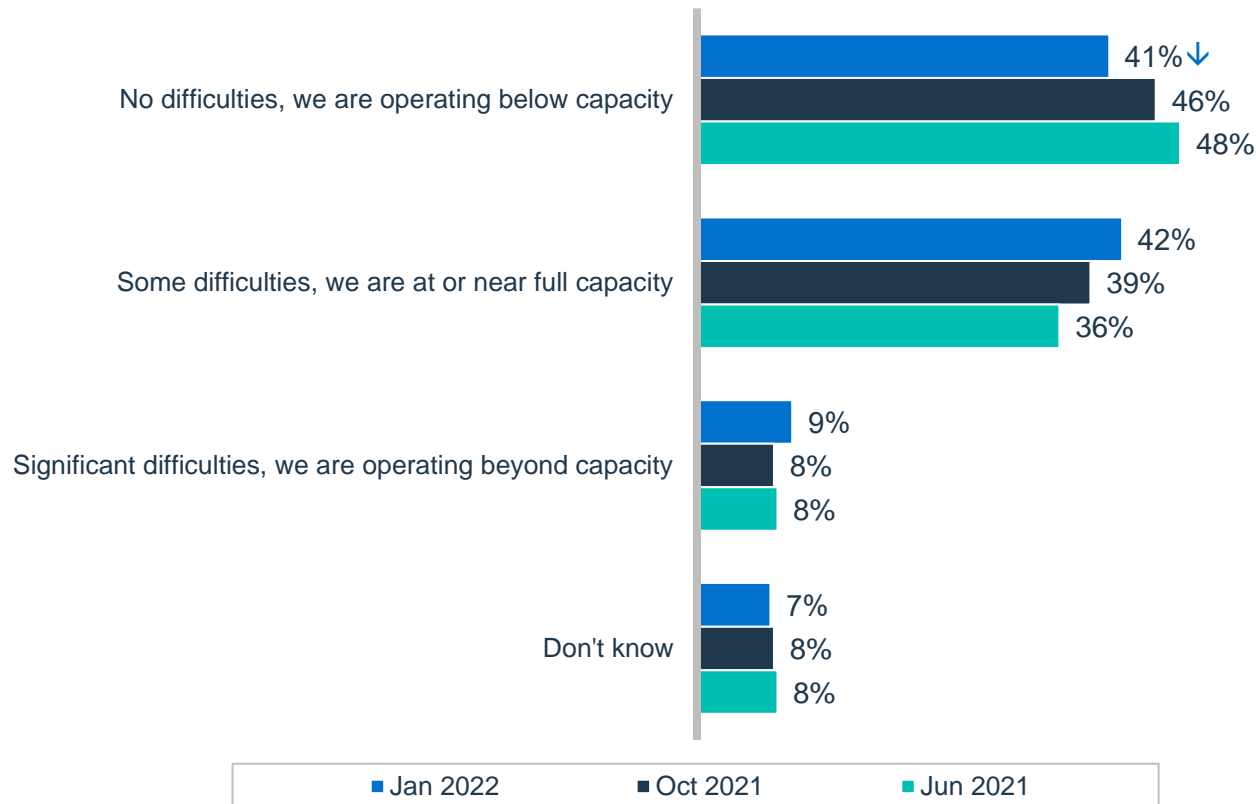
Contextual information
 Although the economic and sanitary situations are improving overall in Canada, inflation and labour shortage issues seem to be affecting how entrepreneurs view their upcoming cash flow position for 2022.

Base: All qualified respondents (n = 997). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

As the economy recovers, the ability of SMEs to cope with an unexpected increase in demand or sales **continues to decline**. More than half of them would have **some difficulty** meeting demand.



Q16. How would you assess your company's current **ability to meet an unexpected increase in demand or sales**?



Base: All qualified respondents (n = 992). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Difficulties related to **hiring qualified workers** have been **increasing** for the last year. The issue is particularly acute among medium-sized businesses (20 to 99 employees).



Q42. How would you assess your company current **ability to hire qualified workers**?

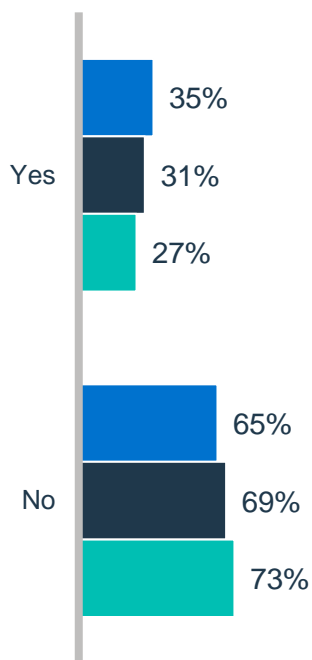


Base: All qualified respondents (n = 996). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

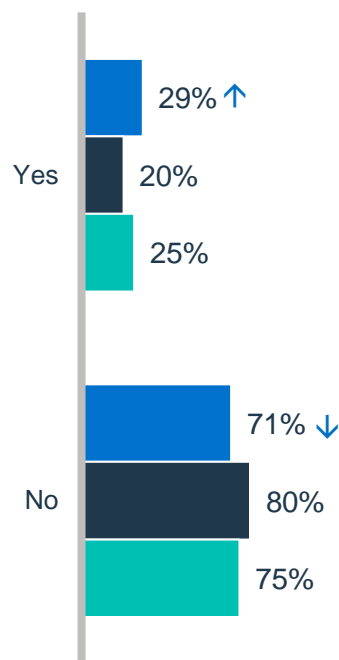
More than one quarter of SMEs said that debt repayment is limiting their business operations. Furthermore, a higher number of SMEs believe that FIs do not meet their short-term financing needs at all.



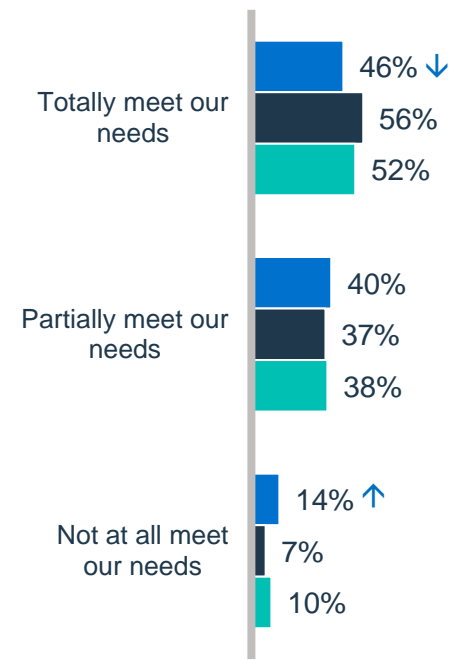
BA1. In the past or next 12 months, has your business used or will use **significant resources** for **growth projects**?



BA2. Does the **repayment** of your company's debts **limit its activities, growth or borrowing capacity**?



BA3. To what extent do the financial institution(s) you are currently dealing with **effectively meet** your **short-term financing needs**?



■ Jan 2022 ■ Oct 2021 ■ Jun 2021

Base: All respondents (n = 949 – 1,001). Those who preferred not to answer at BA2 and BA3 were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

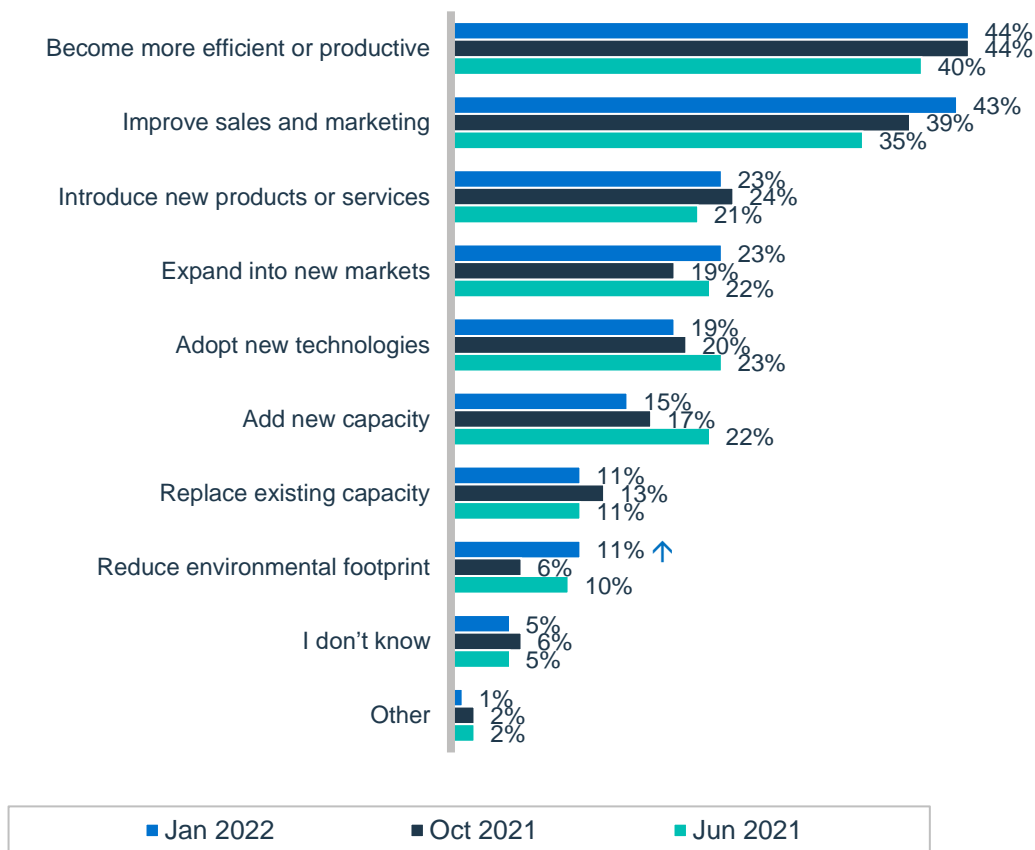


03b. **Investment outlook**

Becoming more efficient and productive along with improving sales and marketing remain the **top investment goals** among SMEs.



Q55. What are your main **investment goals** for the next 12 months? (*multiple answers allowed*)

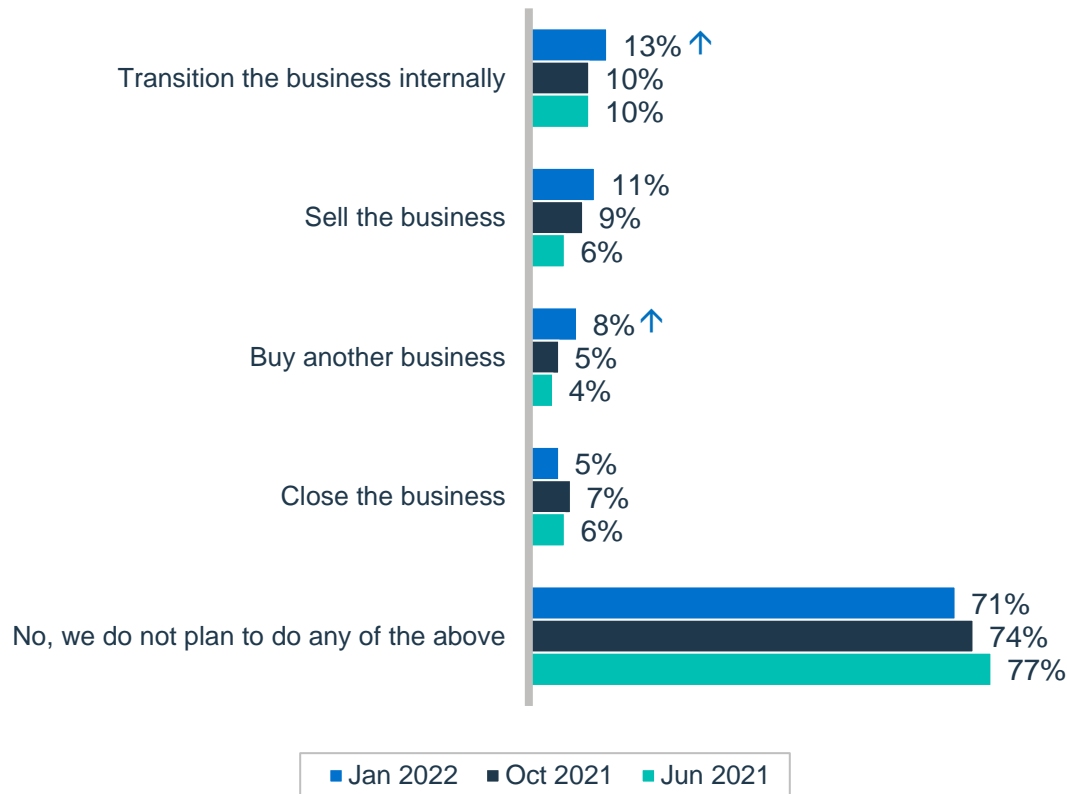


Base: Respondents planning to invest (n = 537). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

One out of five SMEs **could change hands** in the upcoming year, either through an internal transition or via the sale of the business.



Q80. Over the next 12 months, do you **plan to pursue any of the following actions?**
(multiple answers allowed)

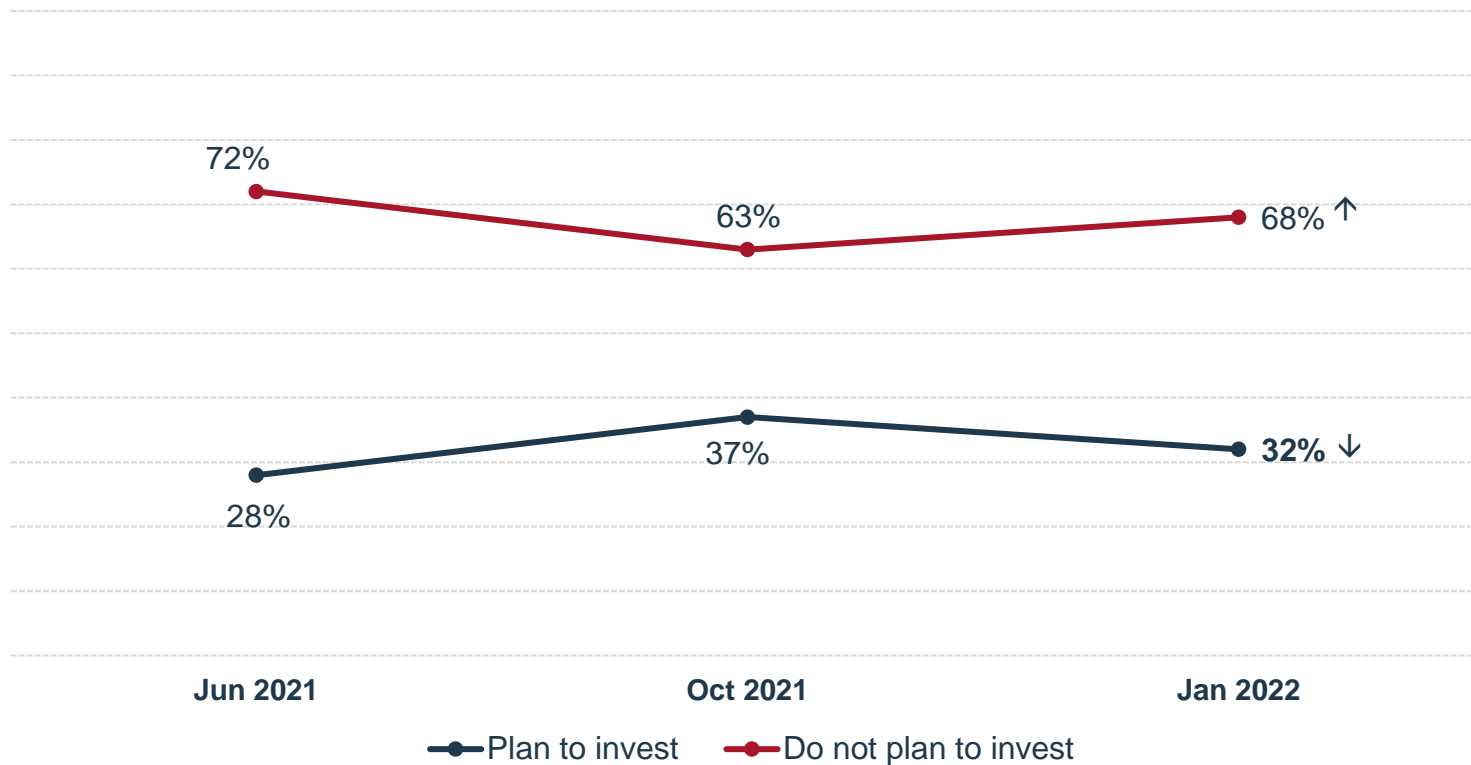


Base: All qualified respondents (n = 921). Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Investment intentions in non-residential building, including renovations have **decreased** since October 2021.



Q57a. Proportion of respondents who plan to spend in **non-residential building, including renovations** over the next 12 months

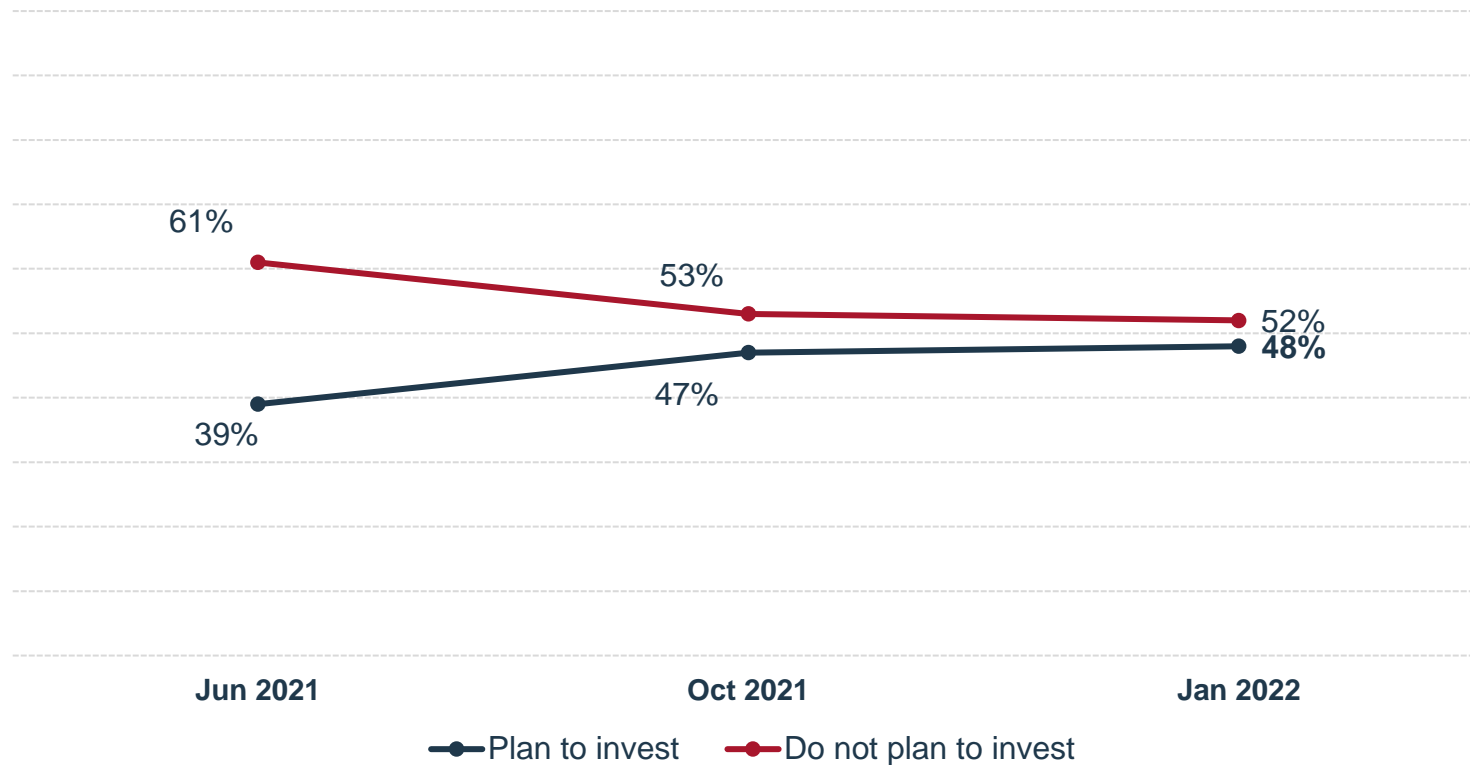


Base: All qualified respondents (n=879 - 914). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Investment intentions **remained stable** for machinery and equipment.



Q57b. Proportion of respondents who plan to spend in **machinery and equipment** over the next 12 months

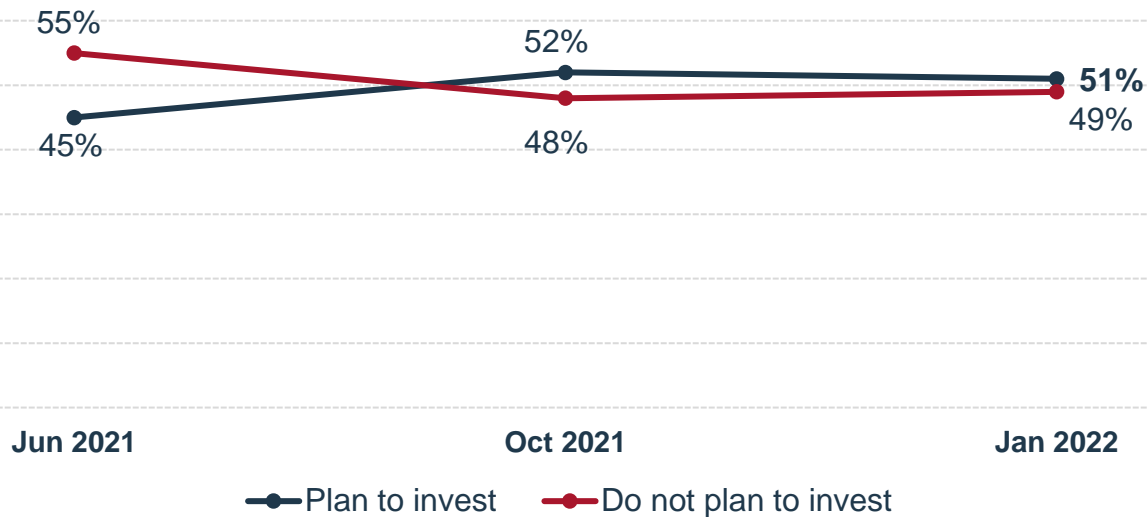


Base: All qualified respondents (n=879 - 910). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Intentions to invest in intangibles are also **stable**.



Q57c. Proportion of respondents who plan to spend in **Software, IP protection, R&D, marketing, and employee training** over the next 12 months

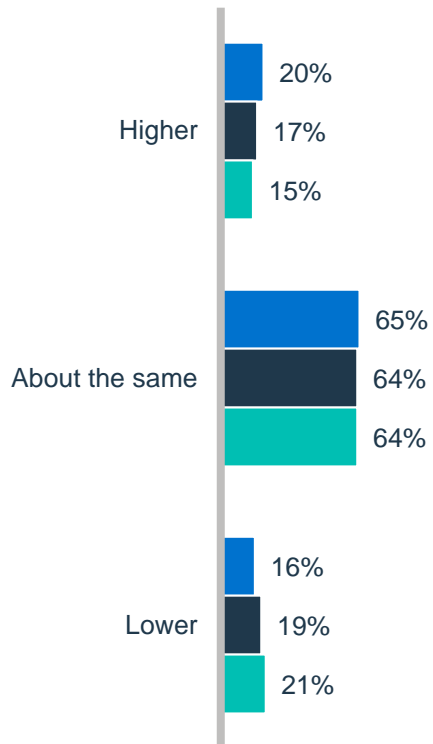


Base: All qualified respondents (n = 879 - 896). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Investment comparison (plans for the next 12 months)

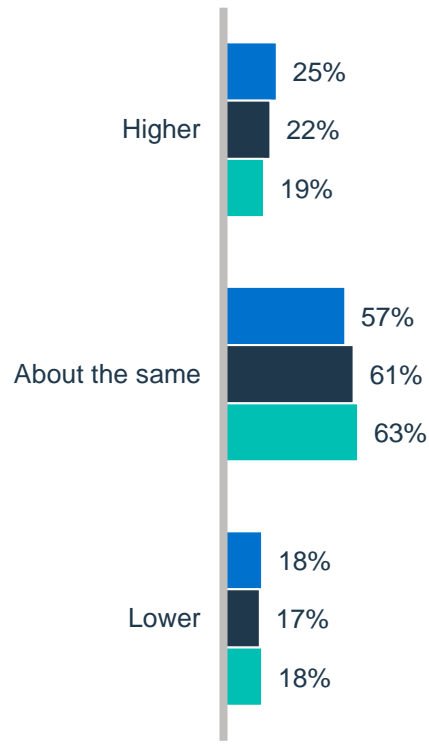


Non-residential building, including renovations



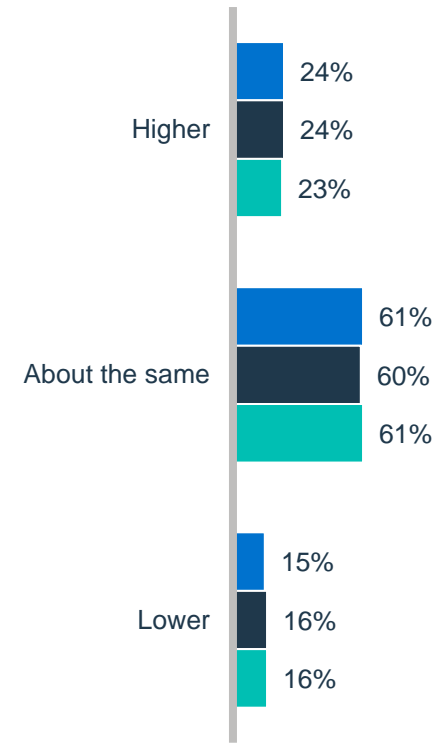
■ Jan 2022 ■ Oct 2021 ■ Jun 2021

Machinery and equipment



■ Jan 2022 ■ Oct 2021 ■ Jun 2021

Software, IP protection, R&D, marketing, and employee training



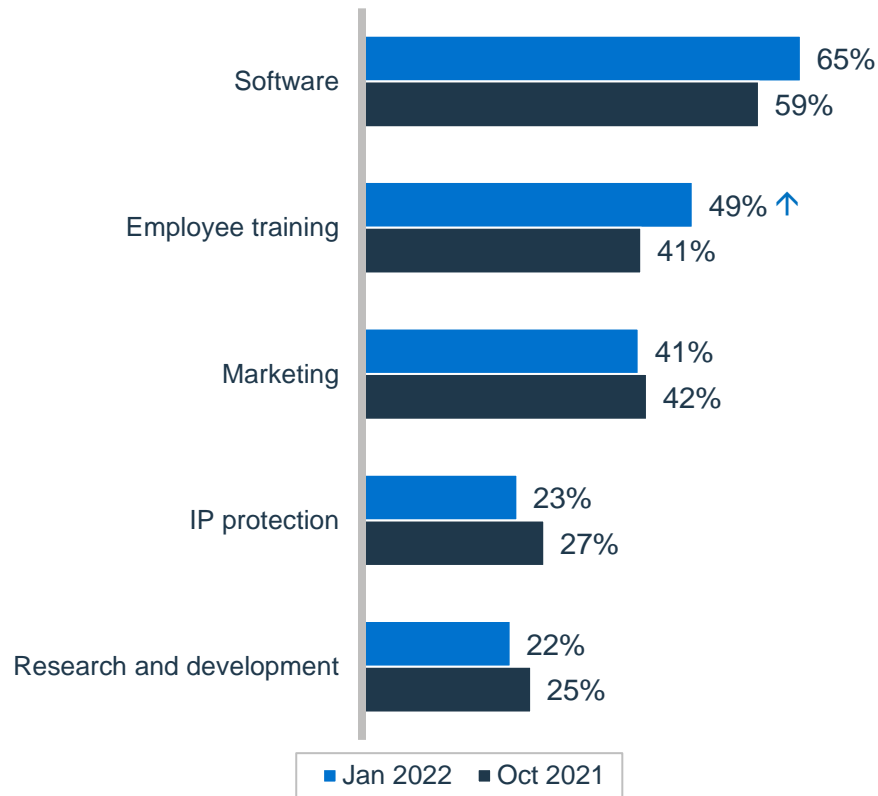
■ Jan 2022 ■ Oct 2021 ■ Jun 2021

Base: All qualified respondents (n = 888 - 922). Those who did not know were excluded from the calculation base. Higher is the sum of significantly and somewhat higher, whereas lower is the sum of somewhat or significantly lower. Arrows indicate statistical differences between this wave and the previous one.

Among intangible asset investments, intentions to invest in **software** and **employee training** remain the most popular, especially among larger SMEs.



Q57d. Your company will invest in software, IP protection, R&D, marketing and employee training. More specifically, in which **category will you spend money?** (*multiple answers allowed*)

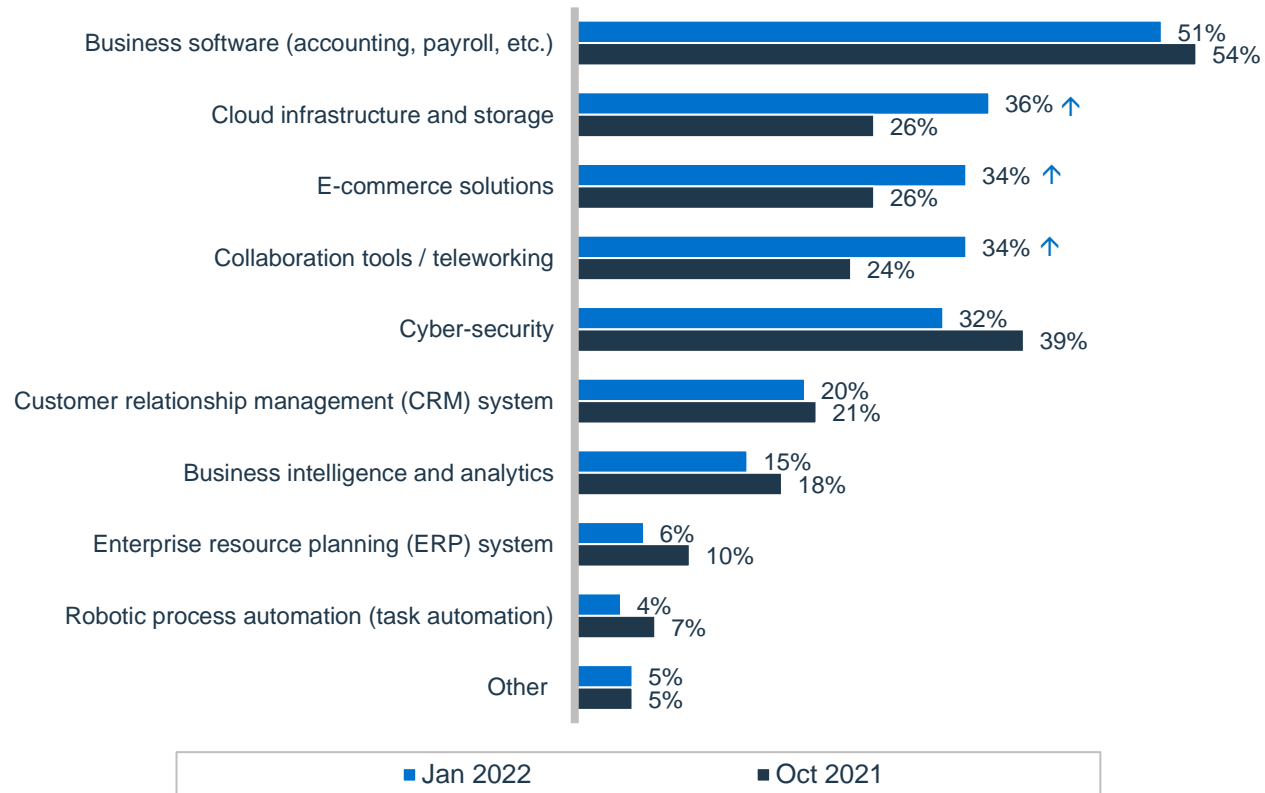


Base: All qualified respondents planning to invest in intangibles (n = 431). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Business software (accounting, payroll, etc.) remain the most popular. Cloud infrastructure, E-commerce solutions and collaboration tools have risen significantly.



Q57e. What types of software are you referring to? *(multiple answers allowed)*

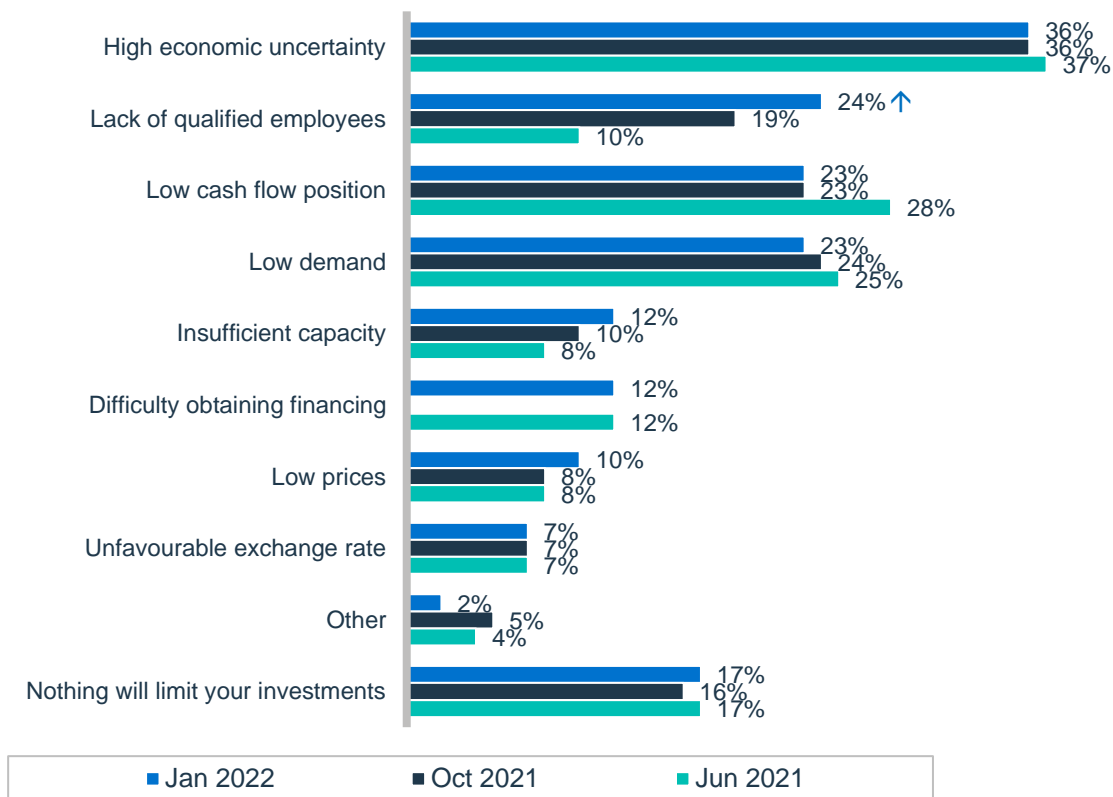


Base: All qualified respondents planning to invest in software (n = 277). Those who did not know were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Economic uncertainty remains the biggest deterrent to investment, followed increasingly closely by a **lack of qualified employees**, steadily gaining mentions since June 2021.



Q56. Which of the following factors are **most likely to limit** your investment spending in the next 12 months? *(multiple answers allowed)*



Base: All qualified respondents (n = 930). Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.



03c.

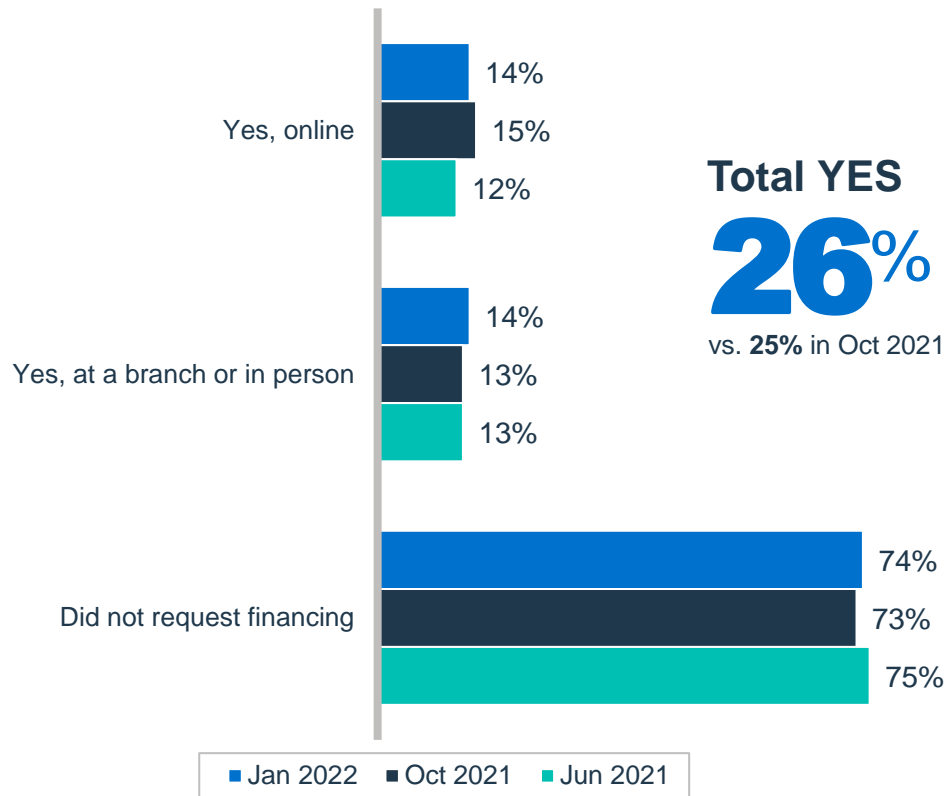
Financing supply



Financing **requests** have **remained stable** over the past six months, with about a quarter of companies applying, internationally active SMEs and manufacturers even more so than others.



Q30. Over the **last 3 months**, has your company **requested financing**?

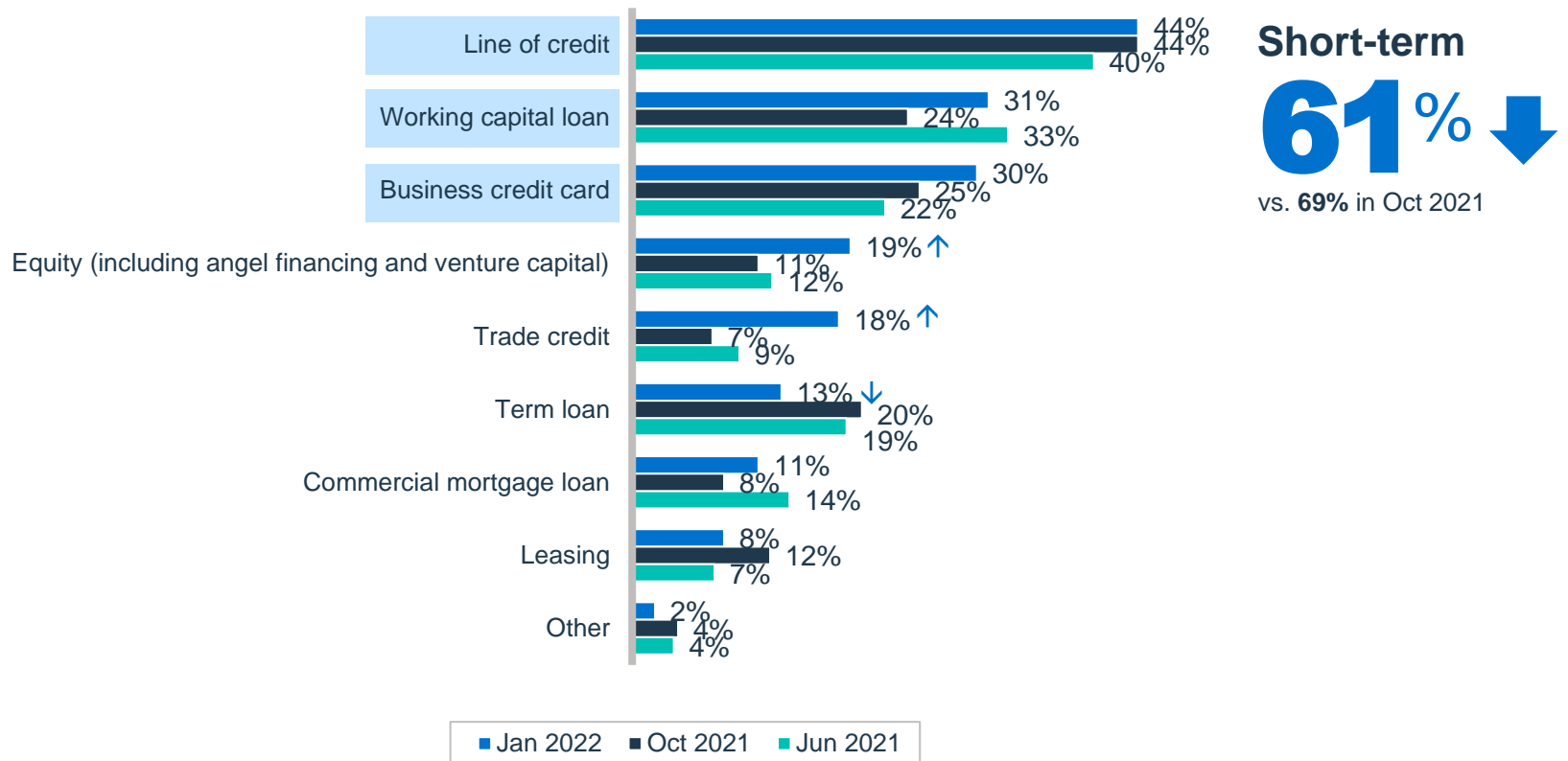


Base: All qualified respondents (n = 963). Those who did not know were excluded from the calculation base. This question was modified in October 2021.

Lines of credit continue to be the most popular type of financing, followed by **working capital loans** and **credit cards**. Demand for short-term credit has **decreased significantly** since October.



Q30a. What **type of financing** did you request?

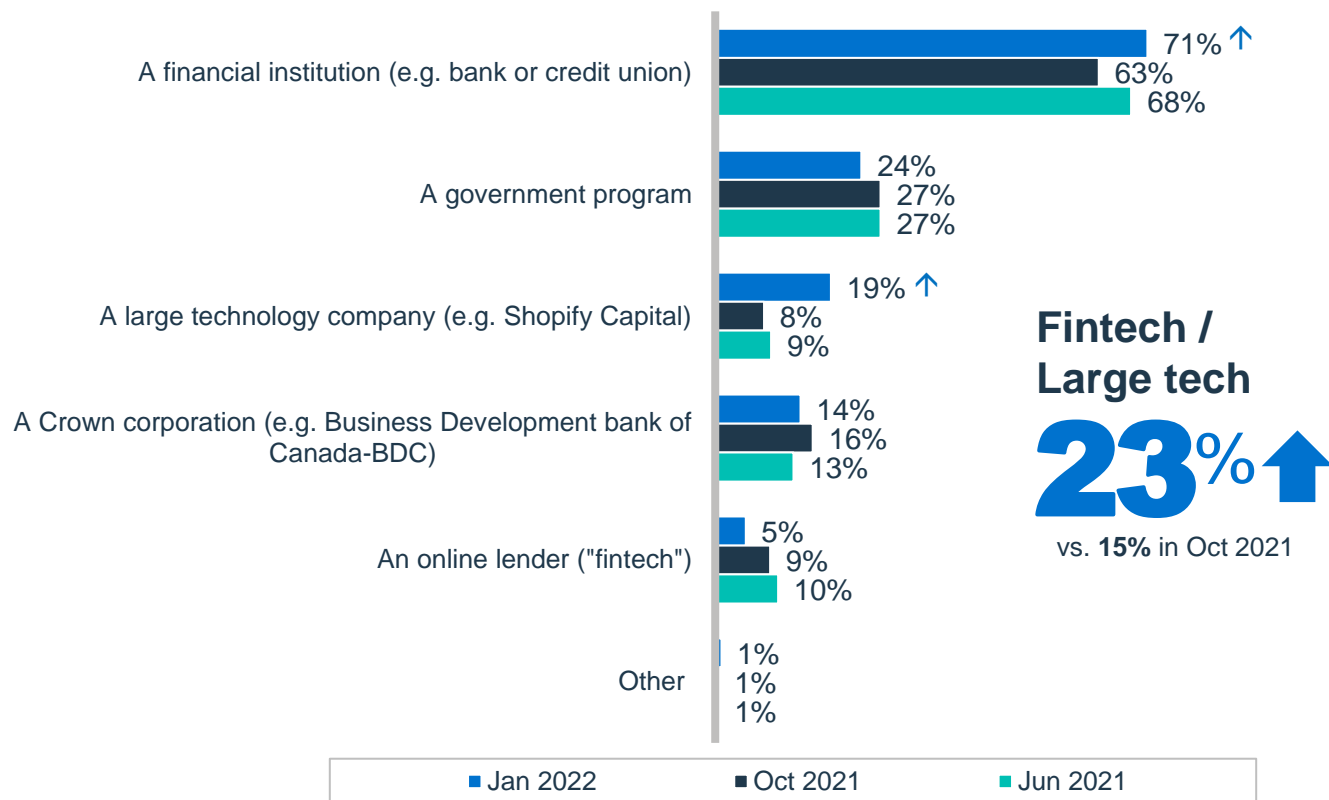


Base: Respondents who requested financing (n = 282). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. This question was asked for the first time in June 2021. Short-term options are highlighted in blue in the graph. Arrows indicate statistical differences between this wave and the previous one.

SMEs have turned **predominantly to FIs** for financing, but fintech and large tech lenders are much more present in the landscape, especially **large tech companies**.



Q30b. **Who** did you apply to for financing?

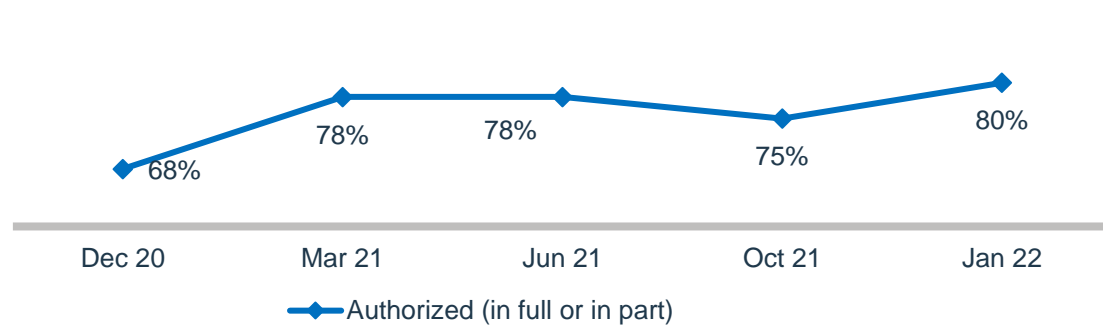
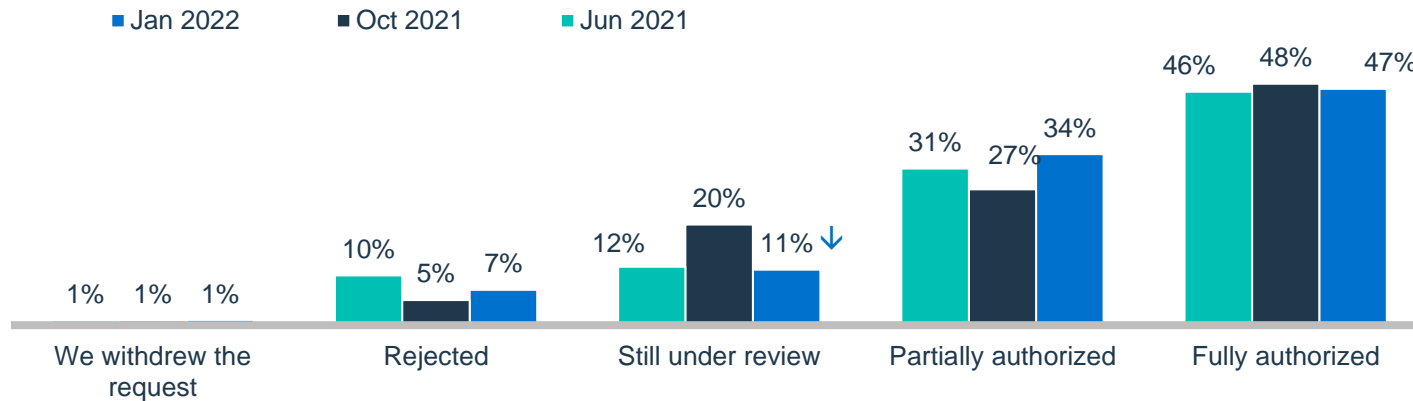


Base: Respondents who requested financing (n = 285). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. This question was asked for the first time in June 2021. Arrows indicate statistical differences between this wave and the previous one.

Loan approval rates have **increased slightly** since October, due to an increase in partially authorized loans and a decrease in files under review. Fully authorized loans have remained stable.



Q31. What was the **outcome** of this financing request?



Approval rate:
80%

Base: Respondents who requested financing (n = 284). Those who did not know were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

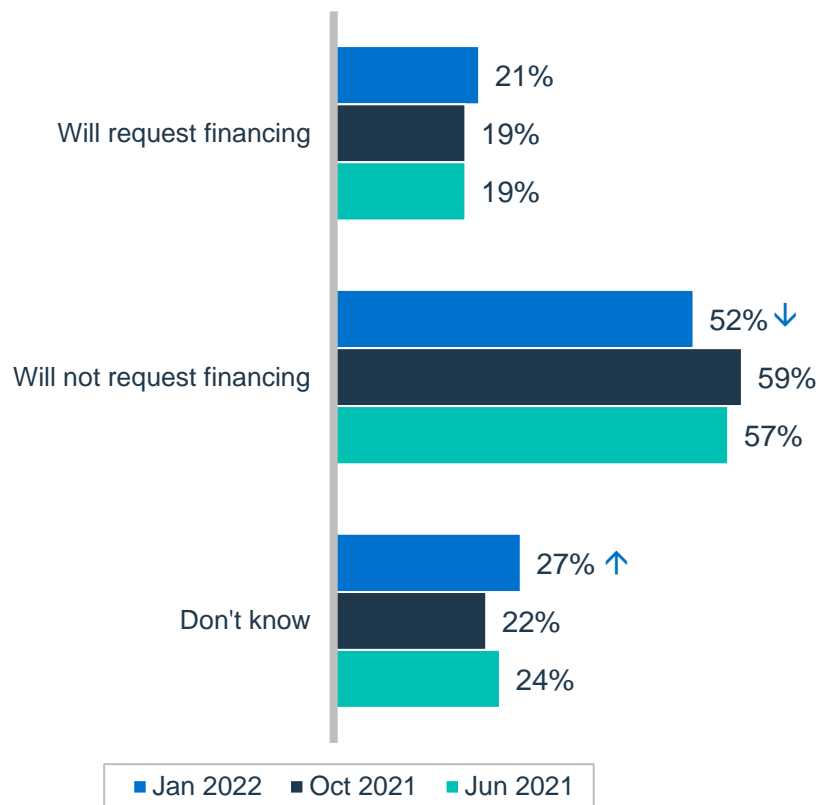


03d.
**Financing
demand**

Intentions to request financing are **relatively stable**. However, there is uncertainty among SMEs, with more than a quarter **not knowing** what they will do about it in the next year.



Q32. Over the **next 12 months**, is your company planning to **request financing**?

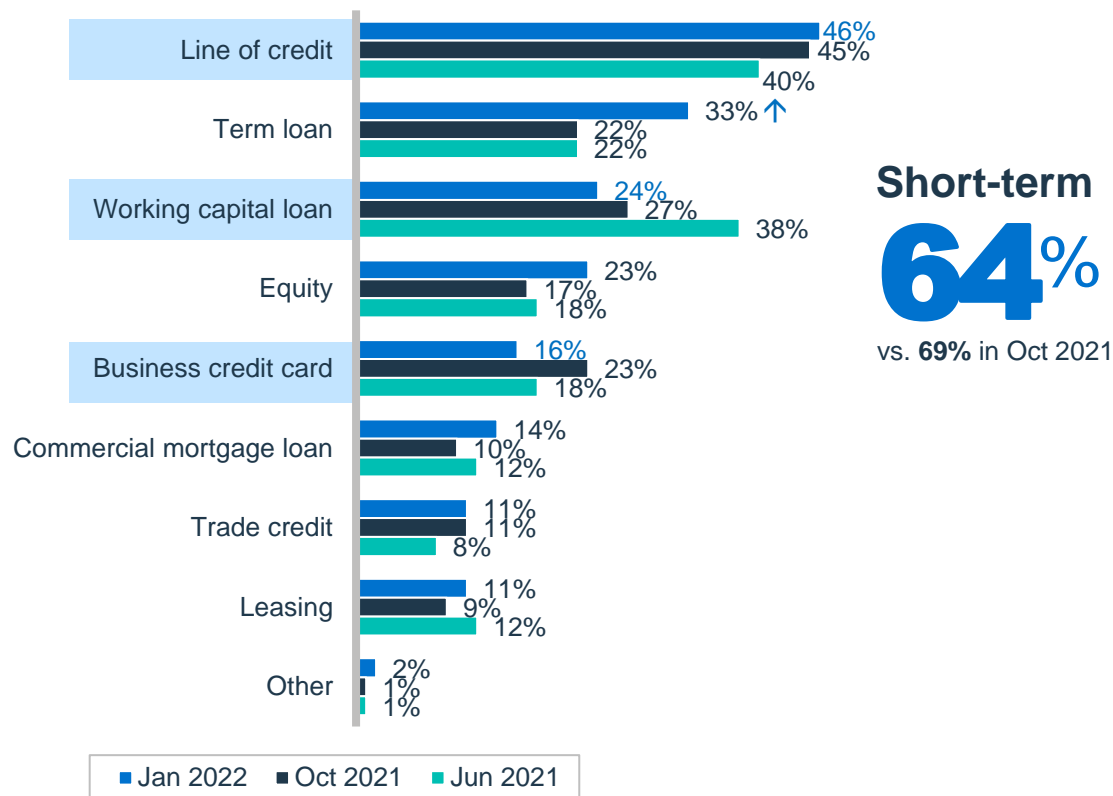


Base: All qualified respondents (n = 995).
Arrows indicate statistical differences between this wave and the previous one.

Among those who will be seeking financing, there is a **significant increase** in intentions for **term loans** and a slight increase for equity and commercial mortgages.



Q33. What **type of financing** will you request?

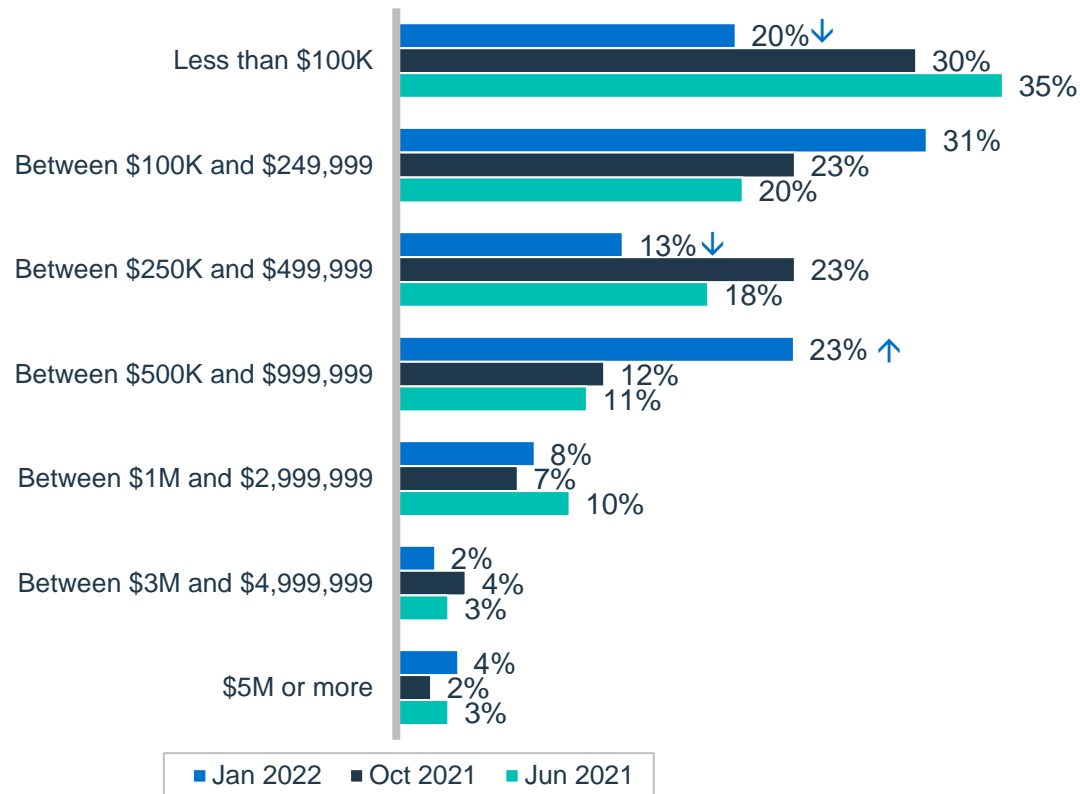


Base: Respondents who will request financing (n = 207). Those who did not know are not presented in the graph. Working capital loan was added to the answer set for the first time in June 2021. Arrows indicate statistical differences between this wave and the previous one. Multiple mentions were allowed, therefore total exceeds 100%. Short-term options are highlighted in blue in the graph.

There appears to be an **upward trend in amounts** in future financing intentions. Requests for less than \$100K have been **steadily decreasing** since June 2021.



Q34. Approximately, what is the **amount of financing** you are seeking?

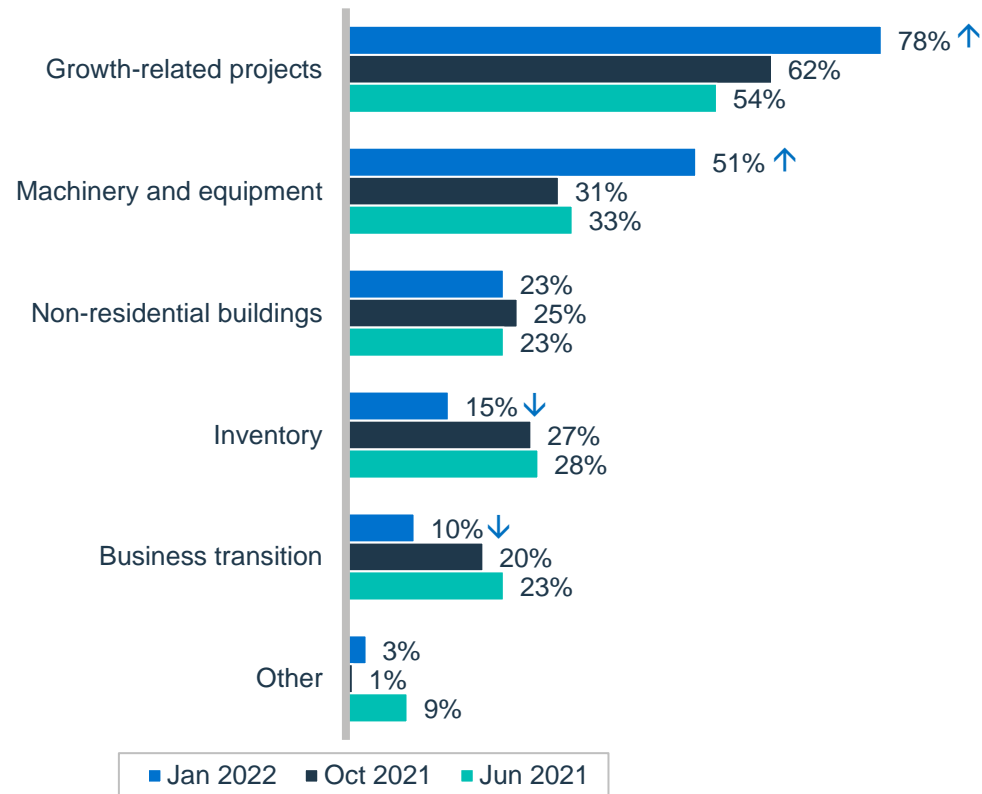


Base: Respondents who will request financing (n = 248).
This question was modified in June 2021 to provide intervals.
Arrows indicate statistical differences between this wave and the previous one.

Among those who will need \$500K or more, financing for **growth projects** and **machinery and equipment** has increased significantly.



Q34b. What would this financing be **used for**?

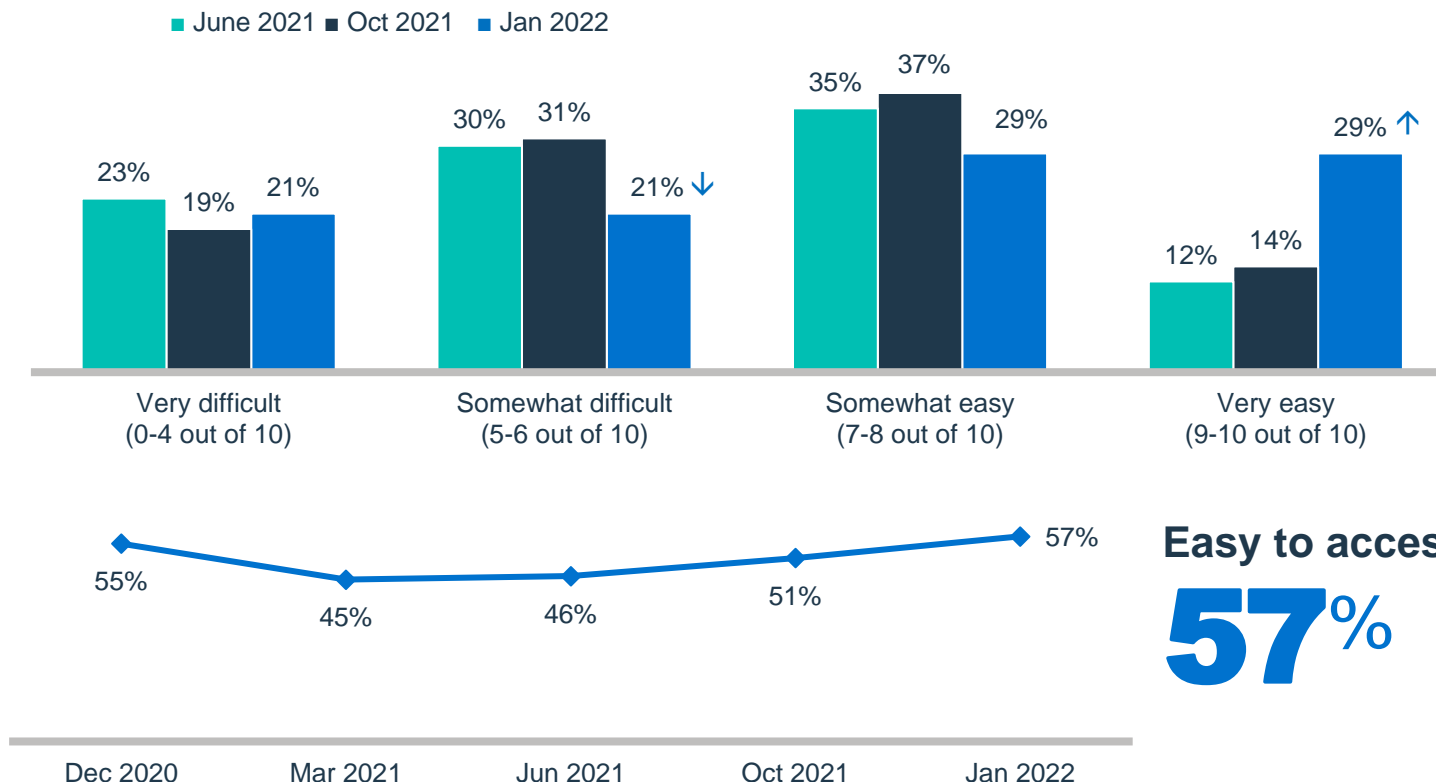


Base: Respondents who will request at least \$500K of financing in the next 12 months (n = 100). Multiple mentions were allowed, therefore total exceeds 100%. Those who did not know or preferred not to answer are not presented on this slide. Arrows indicate statistical differences between this wave and the previous one.

Ease of access to financing has been **steadily increasing** since June 2021. Currently, nearly three in 10 businesses believe it will be **very easy** for them to obtain financing.



Q35. How easy will it be to **obtain this financing**?



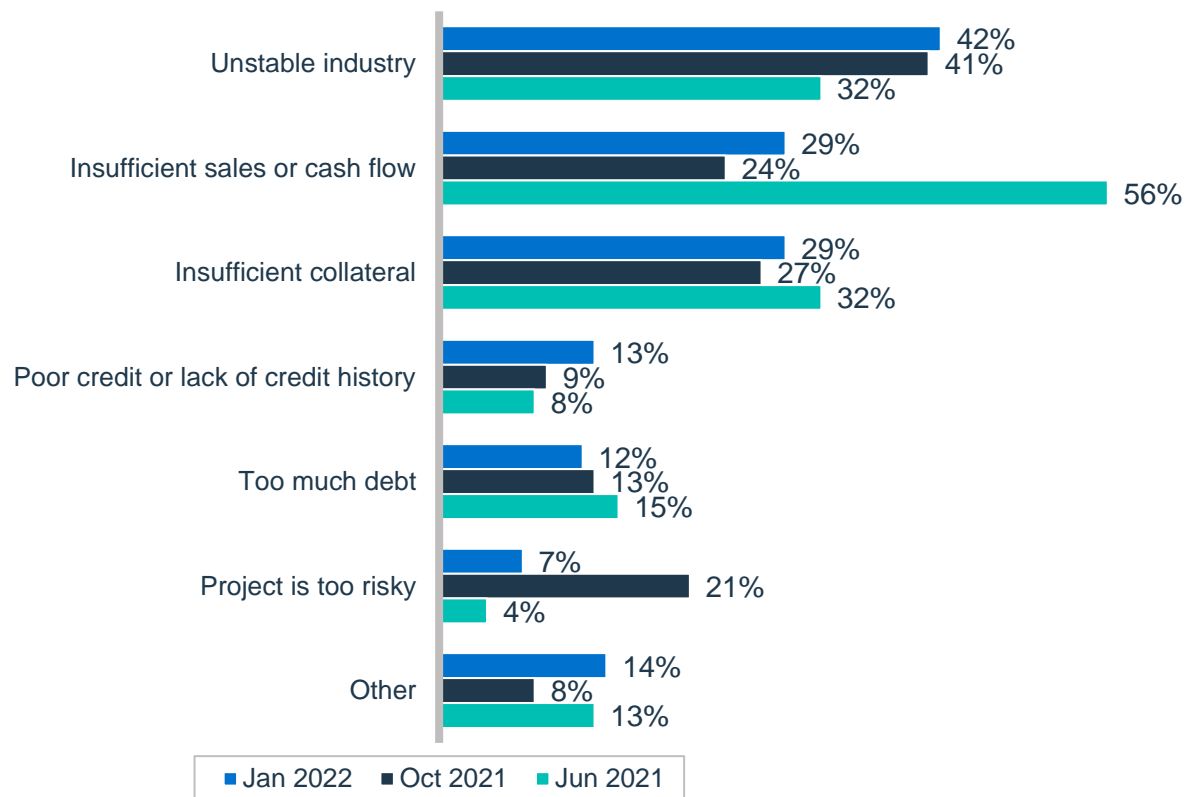
Easy to access:
57%

Base: Respondents who intend to request financing in the next 12 months (n = 238). Those who did not know or refused to answer were removed from the calculation base. Arrows indicate statistical differences between this wave and the previous one. Statistically significant differences between sub-groups are presented in terms of "Total easy" (scores of 7-10 out of 10) and "Total difficult" (scores of 0-6 out of 10).

Reasons for believing that obtaining financing will be difficult are **consistent** with those of the previous survey wave. Unstable industry continues to dominate.



Q36. What makes you believe that it will be **difficult** to obtain financing for your company?
(multiple answers allowed)

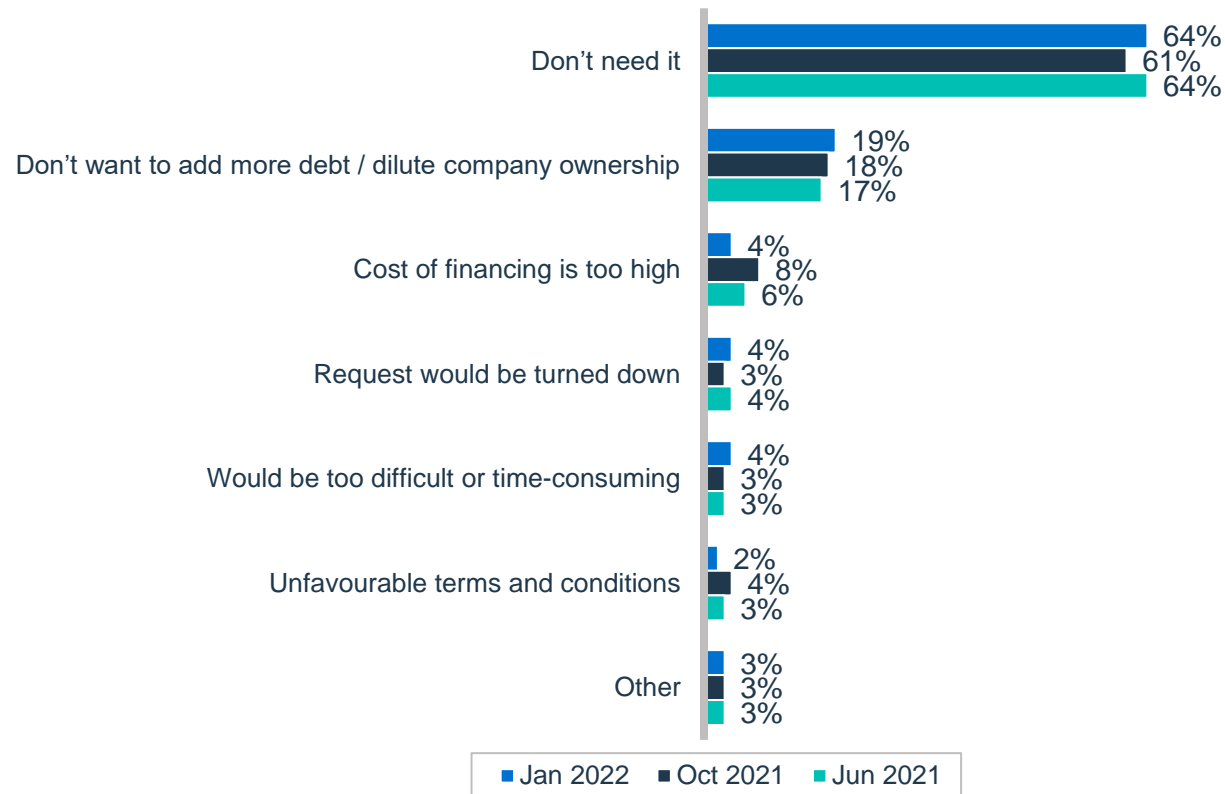


Base: Respondents who believe it will be difficult to obtain financing (n = 42). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. We did not list statistically significant differences between sub-groups due to the small sample size.

As in previous waves of the survey, about two thirds of respondents who will not seek financing say it is because they **do not need the money**.



Q37. Why do you **not intend to request financing** over the next 12 months?



Base: Respondents who will not request financing in the next 12 months (n = 690). Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one. Multiple mentions were allowed, therefore total exceeds 100%.

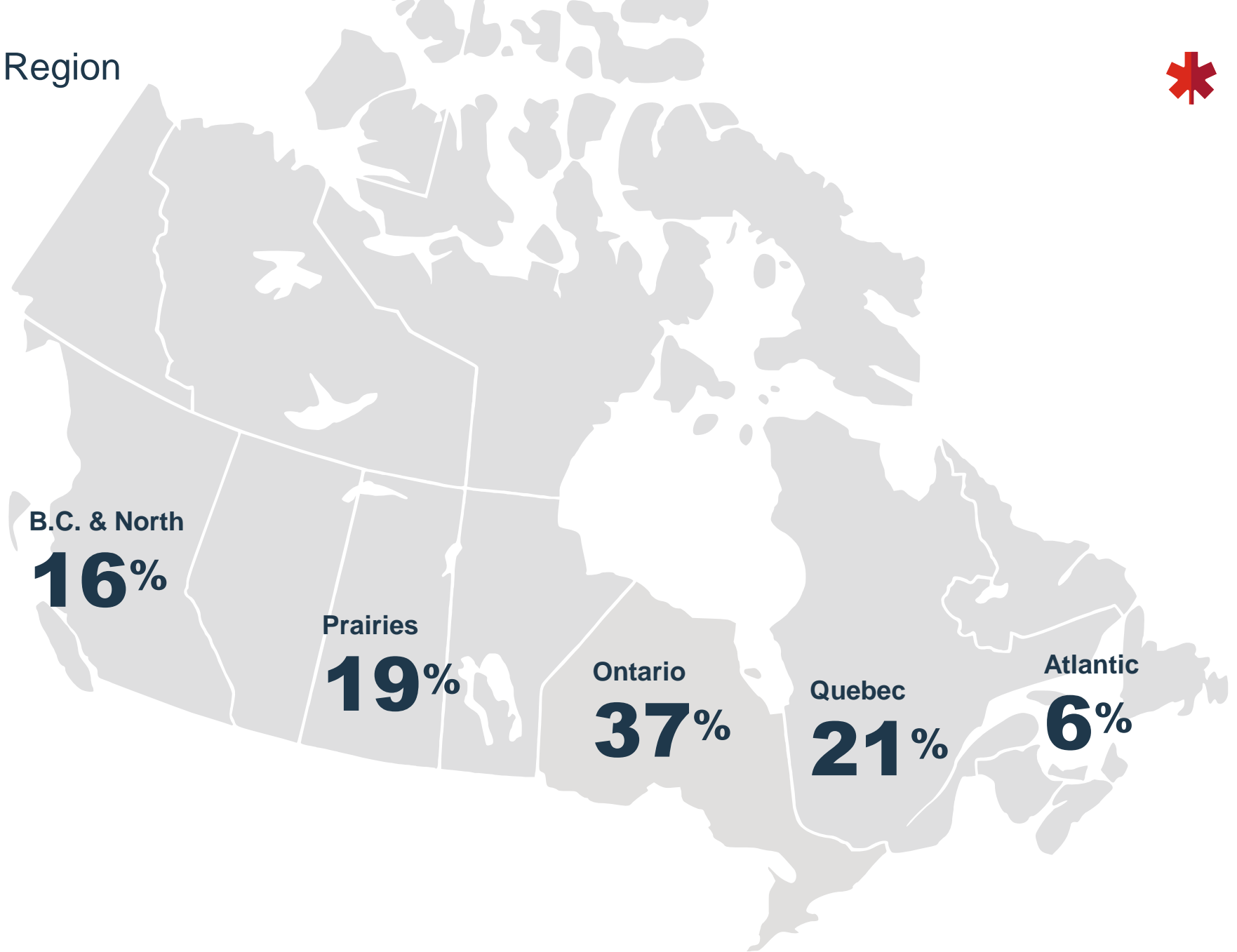


04.

Respondent profile



Region

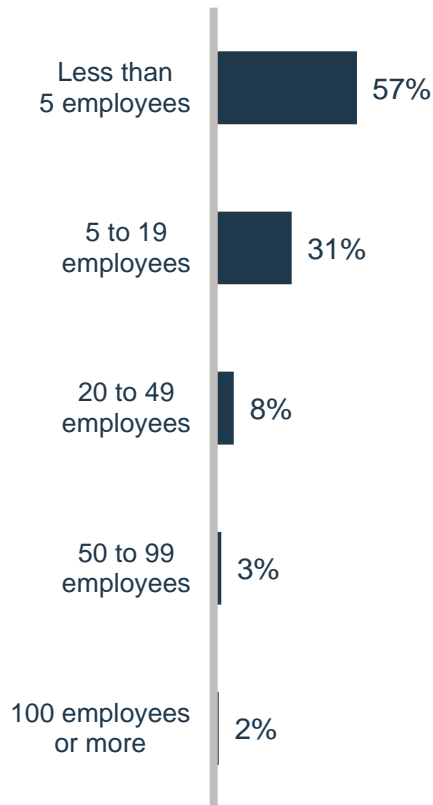


Base: All respondents (n=1,001).

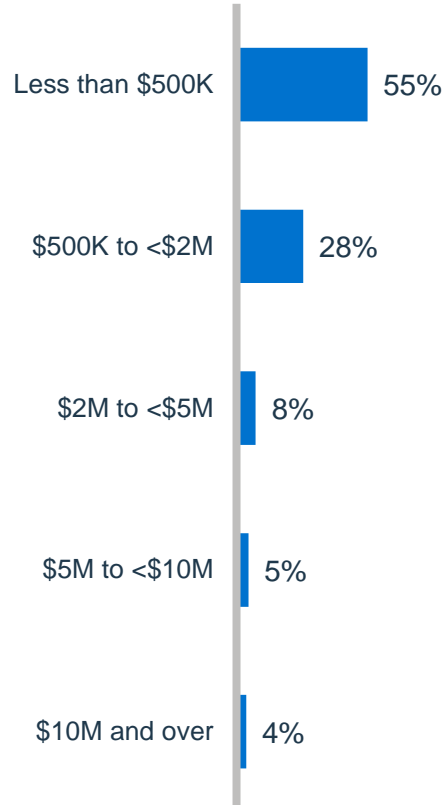
Number of employees, annual sales and gender ownership



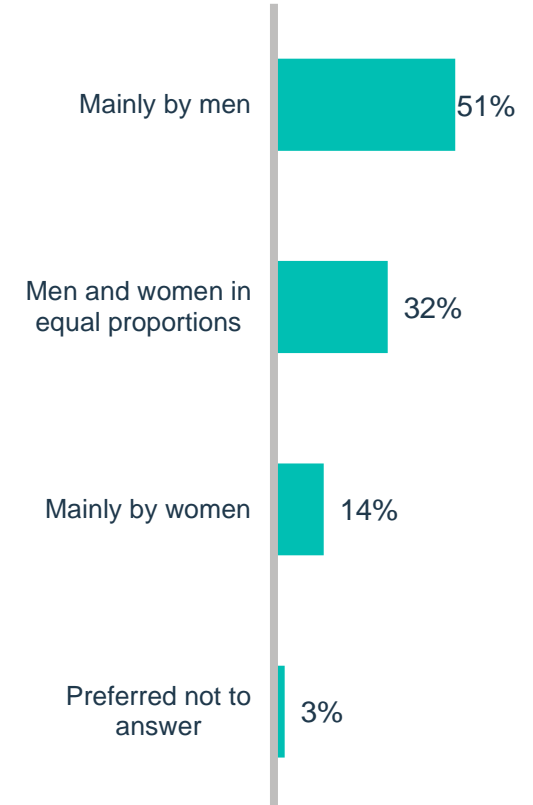
Number of employees



Annual sales



Gender ownership



Business revenue growth, diversity groups and sector of activity



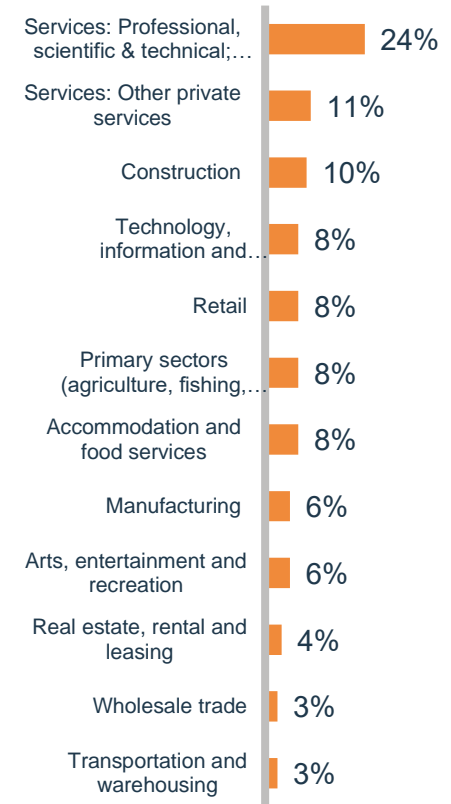
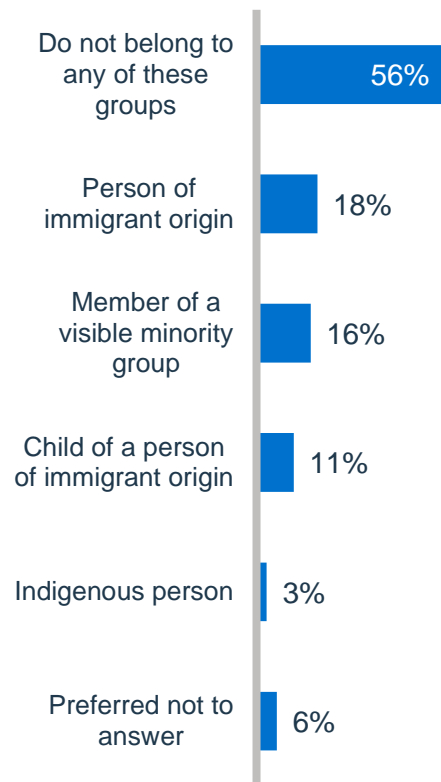
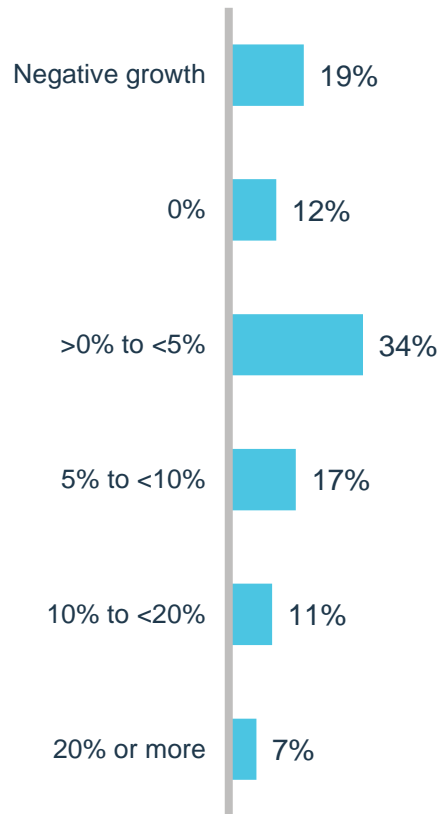
Revenue growth



Diversity groups



Sector of activity



Base: For revenue growth = Respondents for which company existed last year (n=911). For diversity groups = All respondents (n=1,001). For sectors = All respondents (n=993). Those who did not know or preferred not to answer were excluded from the calculation base.



Thank you.

Research and Market Intelligence

For more info, please contact us at:

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