



Investment & Financing outlook

SME business investment and financing
outlook survey, wave XII

April 2022



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01.
Key highlights

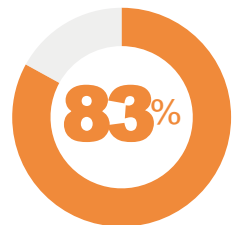
Key highlights: Profitability profile and investment intentions



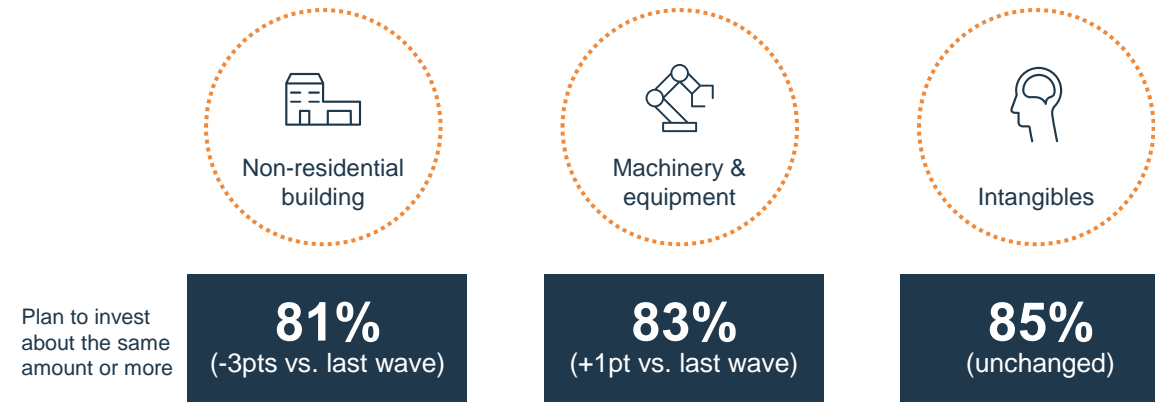
Profitability



Investments



Plan to invest about the same amount or more (-2pts vs. last wave)

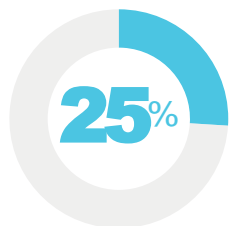


Plan to invest about the same amount or more

Key highlights: Financing intentions

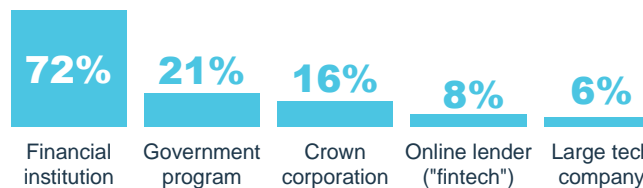


Requested financing



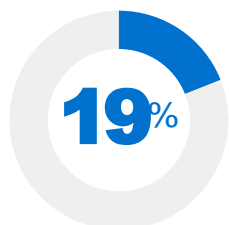
Requested financing in the last 3 months
(-1pt vs. last wave)

Financing suppliers



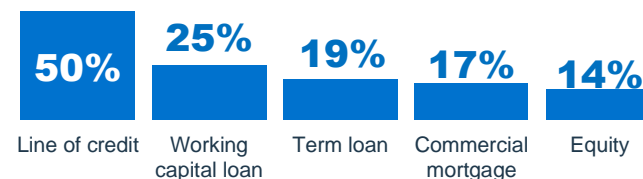
80%
Approval rate

Financing intentions



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

Financing solutions



50%
Easy to access

23%
Borrowing to cover expenses

Key highlights: Optimism



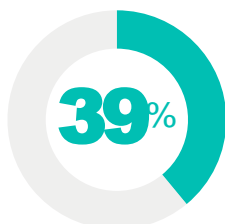
Economic expectations



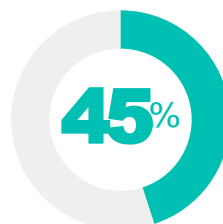
Sales expectations



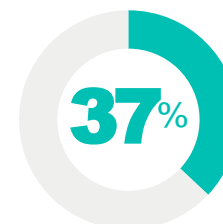
Cash flow expectations



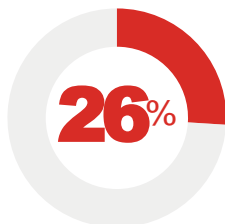
Better



Increase



Improve



Worse



Decrease



Deteriorate



02. Methodology



Methodology

Survey methodology

Online tracking survey.

Respondent profile

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

Survey dates

April 4th to April 21st, 2022.

Margin of error

For a probability sample of 1,057 respondents, the maximum margin of error is ± 3.0 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.

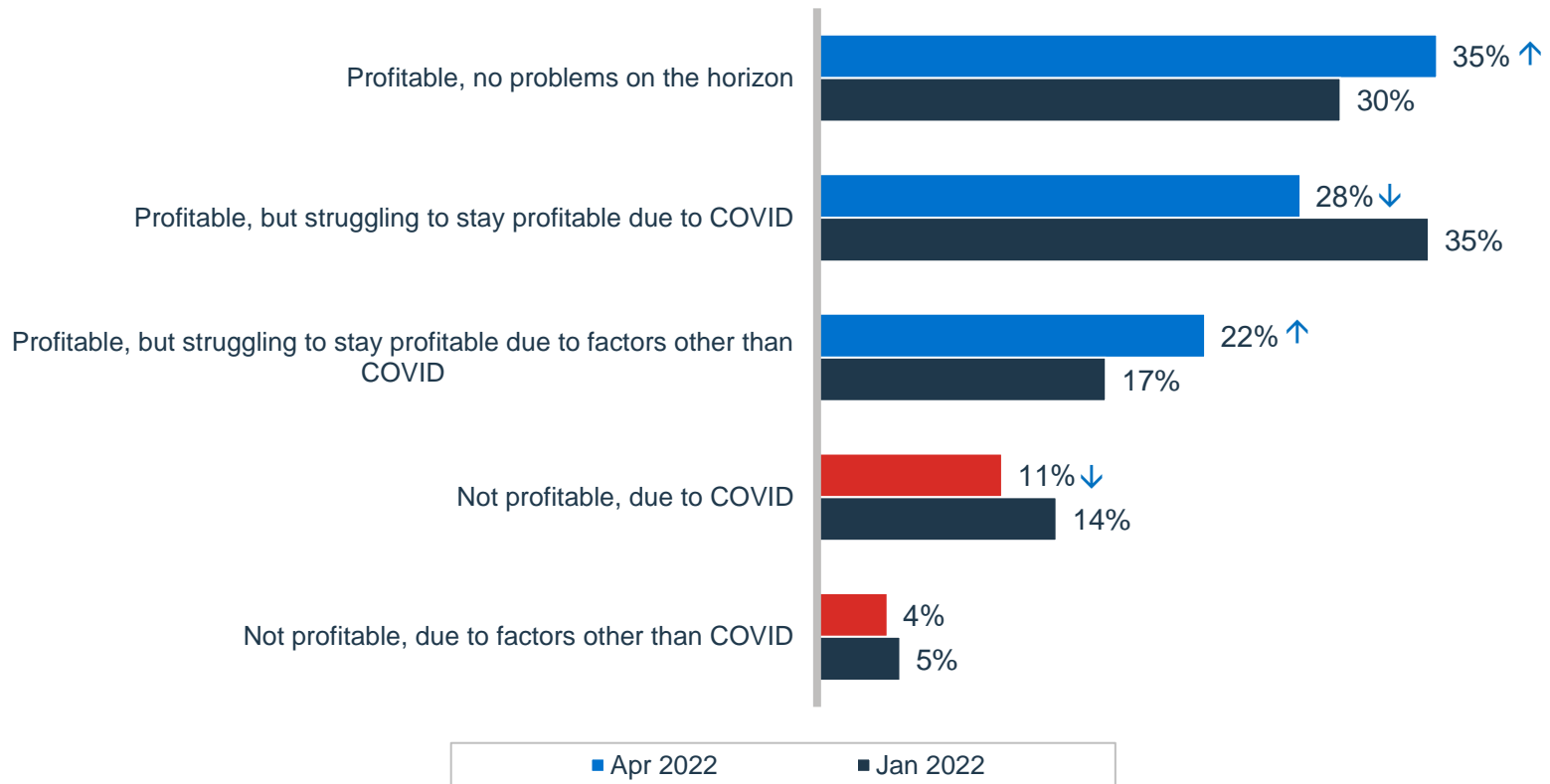
**SME current state
and expectations**



The **situation is improving** for Canadian SMEs. A statistically fewer number of them are negatively impacted by COVID, but we do note an increase in those **struggling due to other factors**.



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

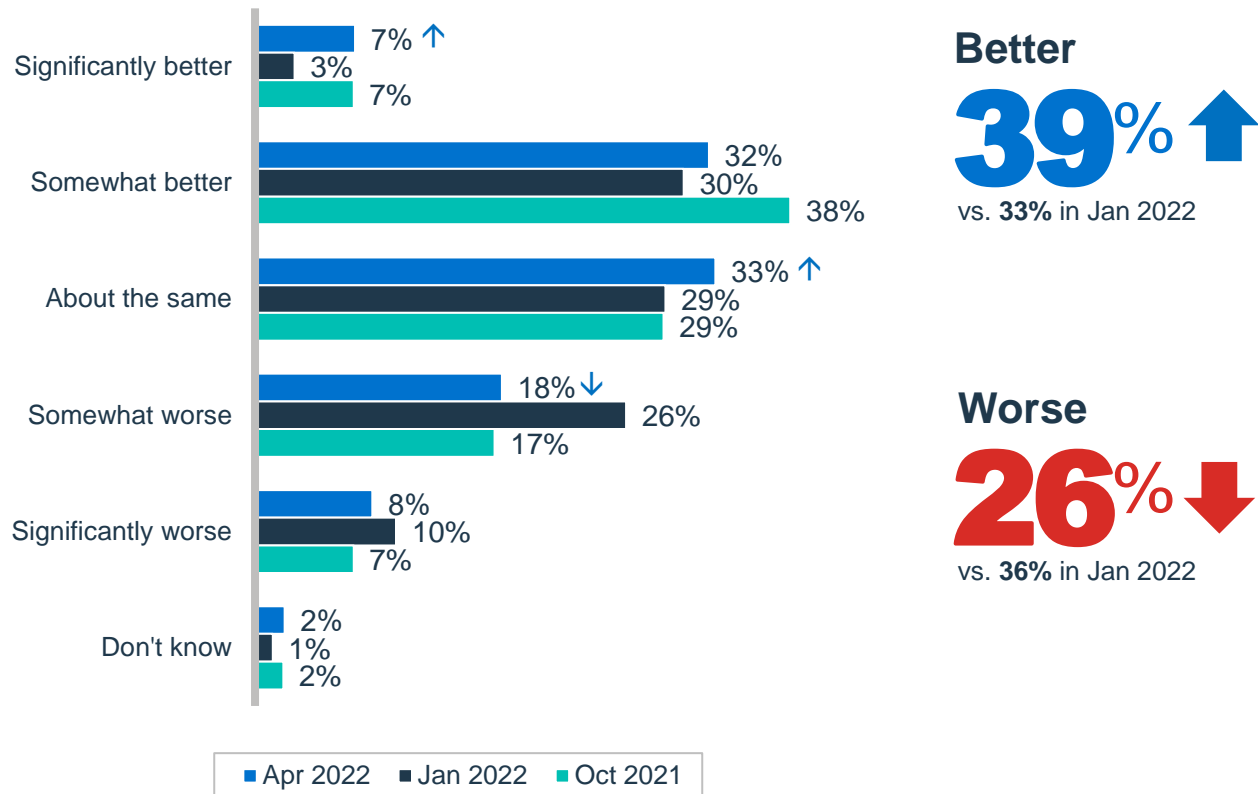


Base: All qualified respondents (n=1,037). Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Optimism among SMEs is **on the rise**: nearly two out of five believe that the situation will **improve** and one third believe it will **remain the same**, both scores significantly higher than the previous wave.



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?

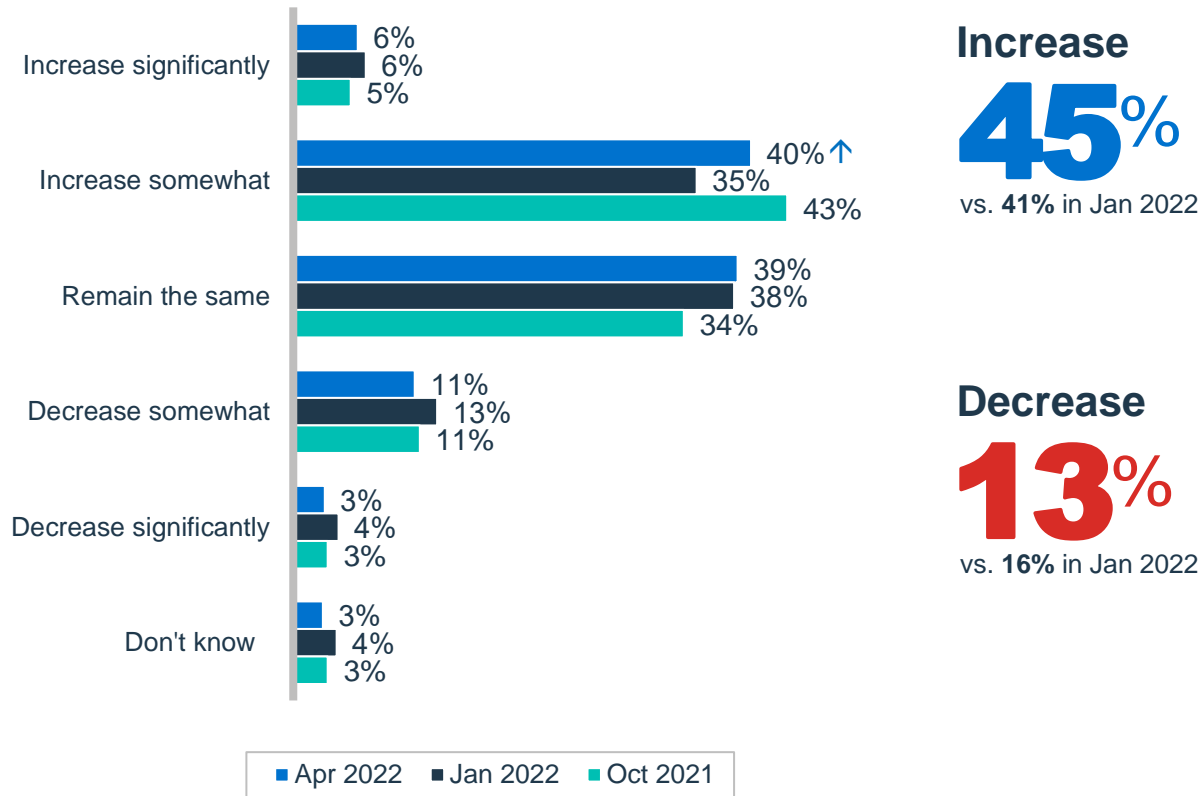


Base: All qualified respondents (n=1,057). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Most SMEs expect their sales to **increase or remain the same** compared to the last year. Good news: a slightly smaller proportion now expect their sales will 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?

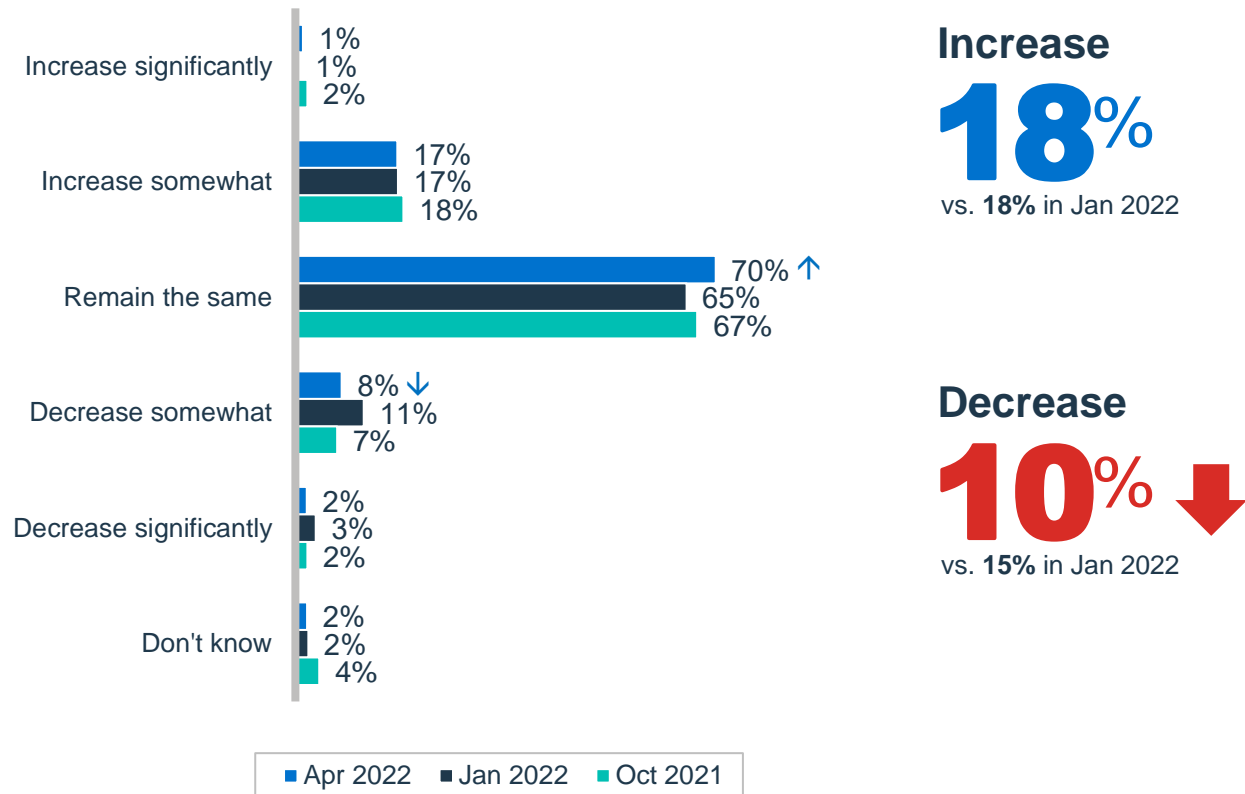


Base: All qualified respondents (n=1,053). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

The majority believe that their **number of employees will remain the same**, while nearly one out of five think it will increase. Only one out of ten are anticipating a decrease, a significant change.



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?

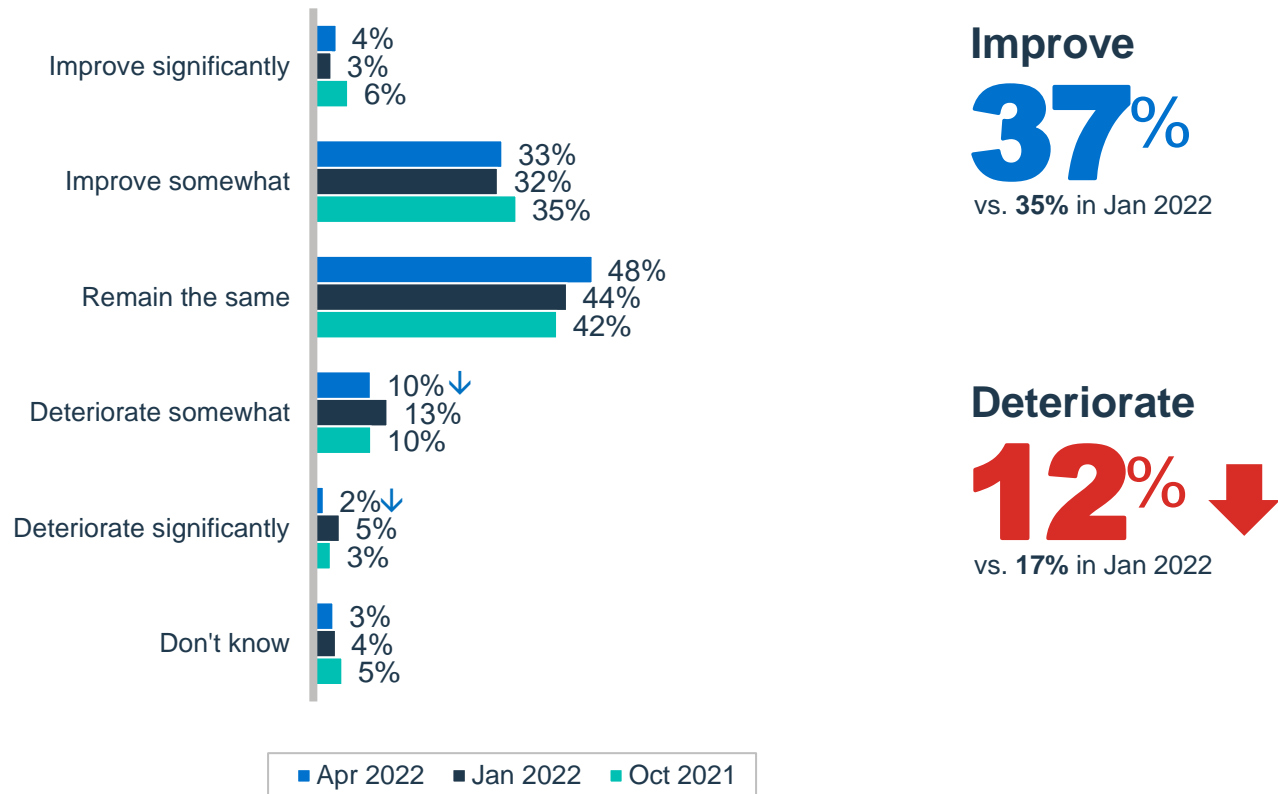


Base: All qualified respondents (n=1,052).
 Those who preferred not to answer were excluded from the calculation base.
 Arrows indicate statistical differences between this wave and the previous one.

A statistically **smaller proportion** of business leaders expect their **cash flow to deteriorate**. **Nearly half** expect it to **remain the same**, while more than **a third** foresee **improvements**.



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?

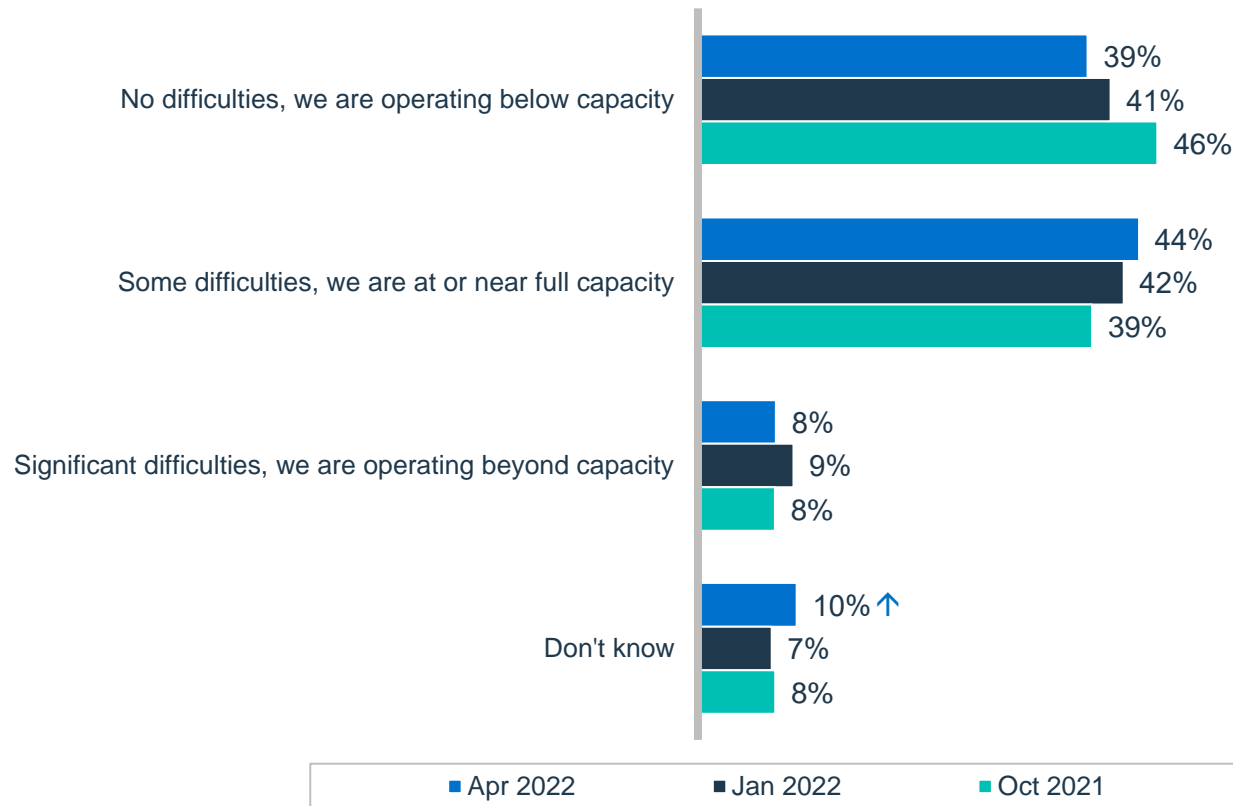


Base: All qualified respondents (n=1,052).
 Those who preferred not to answer were excluded from the calculation base.
 Arrows indicate statistical differences between this wave and the previous one.

SMEs appear to be **scaling up** their operations. There is an **upward trend** in those who report being **at or near full capacity** and a **downward trend** in those who are operating **below capacity**.



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

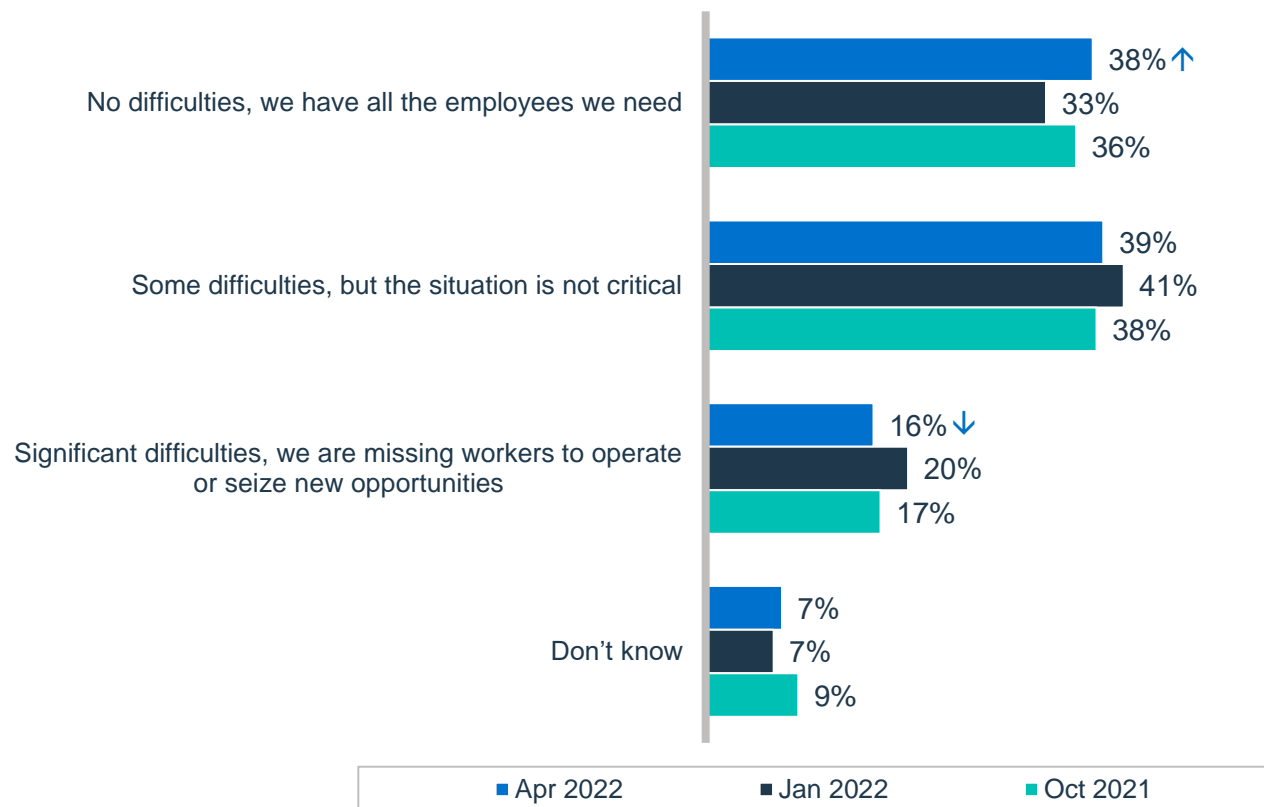


Base: All qualified respondents (n=1,044).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

Difficulties related to **hiring qualified workers** are significantly **less acute** this time around, but firms with **five or more employees** are experiencing some **difficulties**.



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

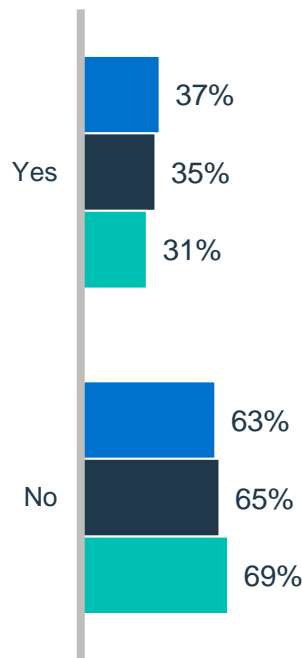


Base: All qualified respondents (n=1,047).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

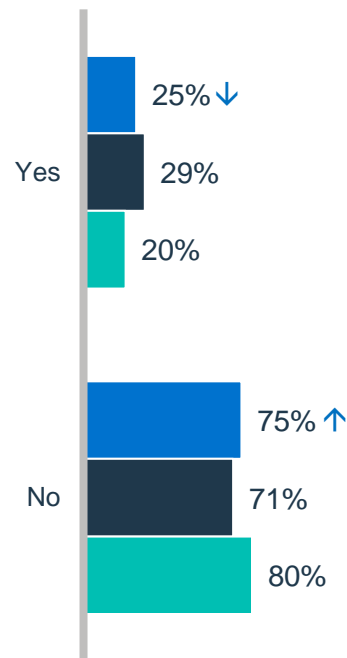
Fewer business leaders indicated that debt repayment is **limiting business activity**. Furthermore, more than half feel that **FIs are effectively meeting their needs**, a significant increase.



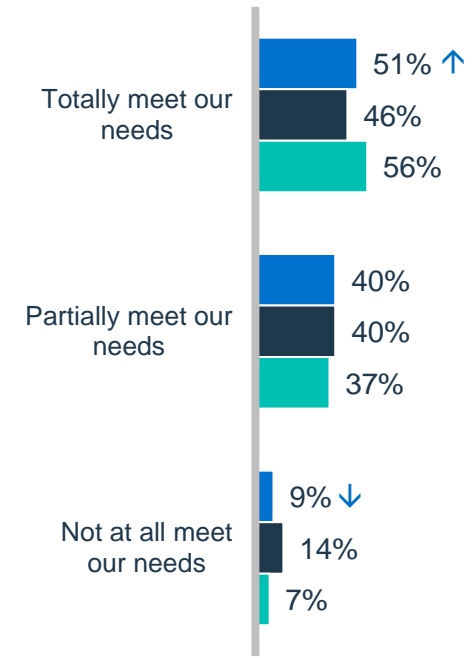
BA1. In the past or next 12 months, has your business used or will use **significant resources** for **growth projects**?



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**?



■ Apr 2022 ■ Jan 2022 ■ Oct 2021

Base: All respondents (n=979-1,057). 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.

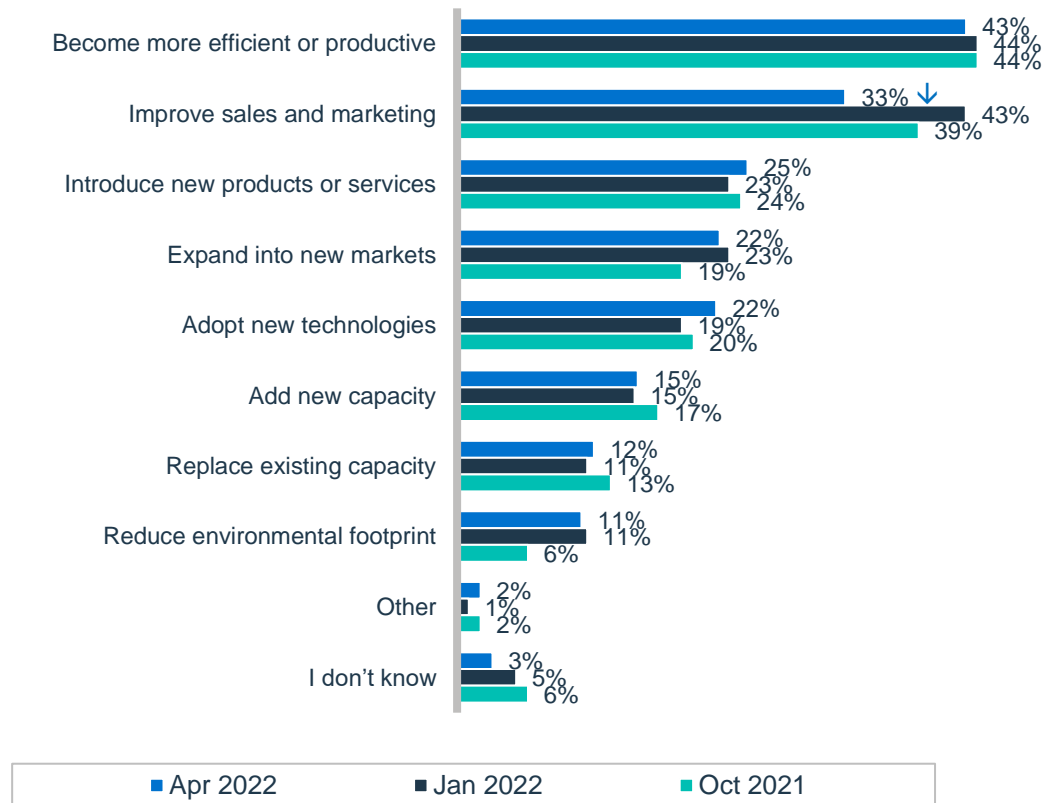
**Investment
outlook**



Top investment goals among SMEs remain constant and percentages are nearly identical to the last wave. Improving sales and marketing has, however, decreased significantly.



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

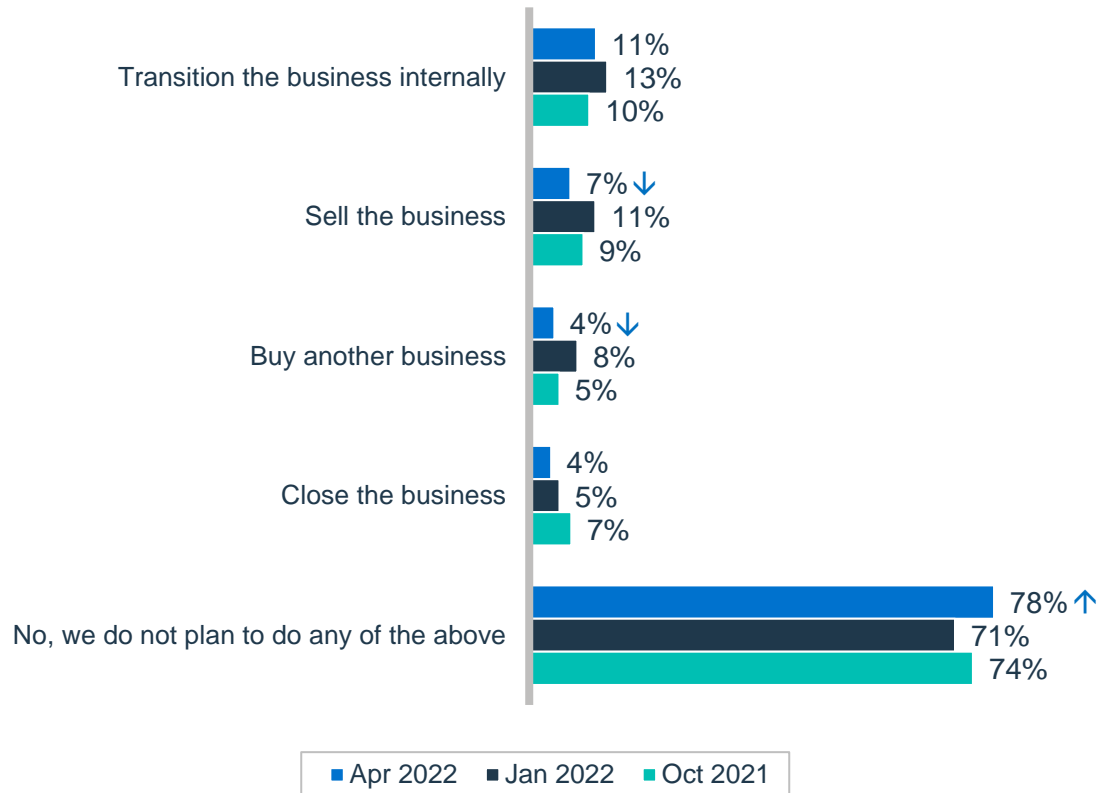


Base: Respondents planning to invest (n=557).
 Those who preferred not to answer were excluded from the calculation base.
 Arrows indicate statistical differences between this wave and the previous one.



More than **three quarters** of SME leaders have **no plans** to transition, sell, buy or close the business. This is a **significant increase** since the last wave in January.

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

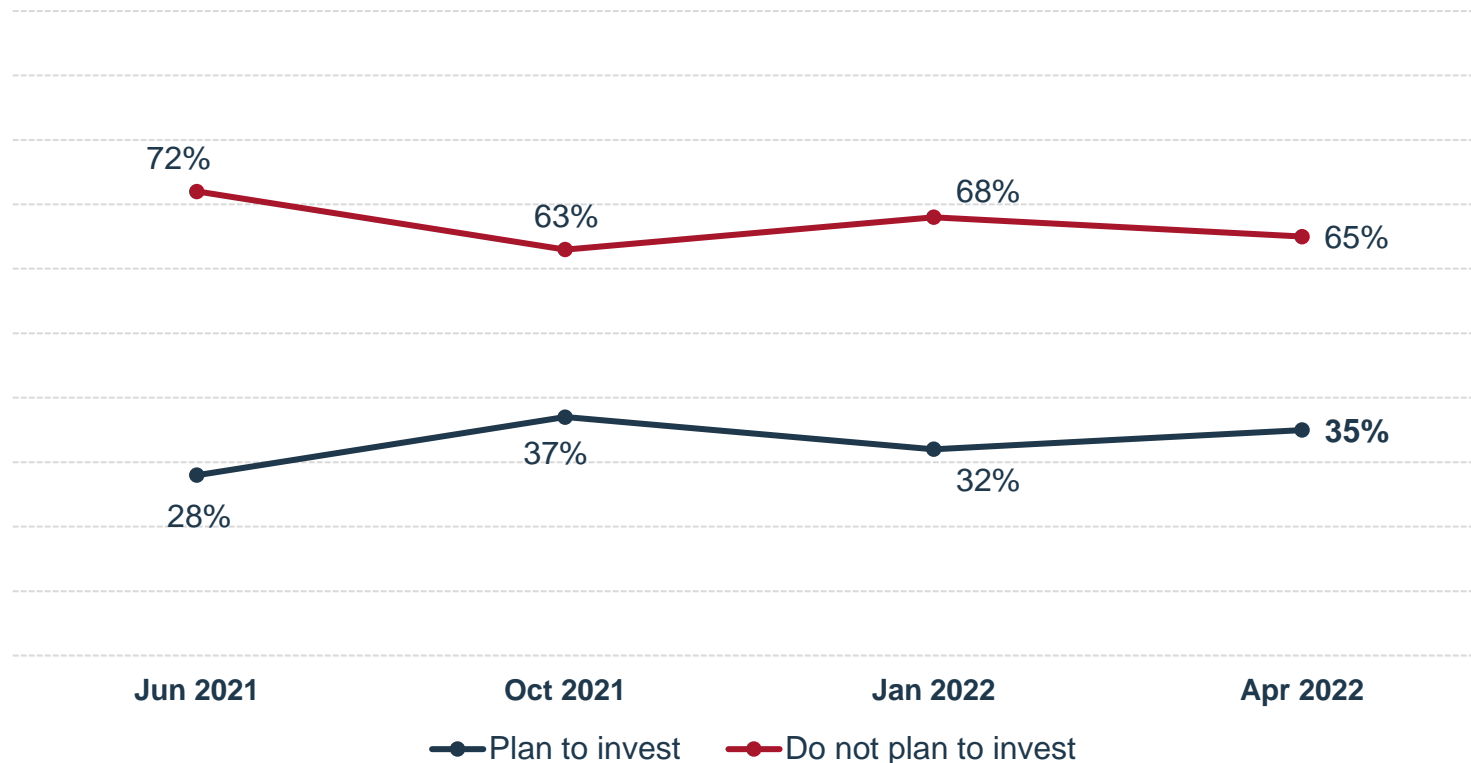


Base: All qualified respondents (n=946).
Those who did not know or preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

Investment intentions in **non-residential building**, including renovations have **increased** to more than one third since January and stand just below October 2021's results.



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

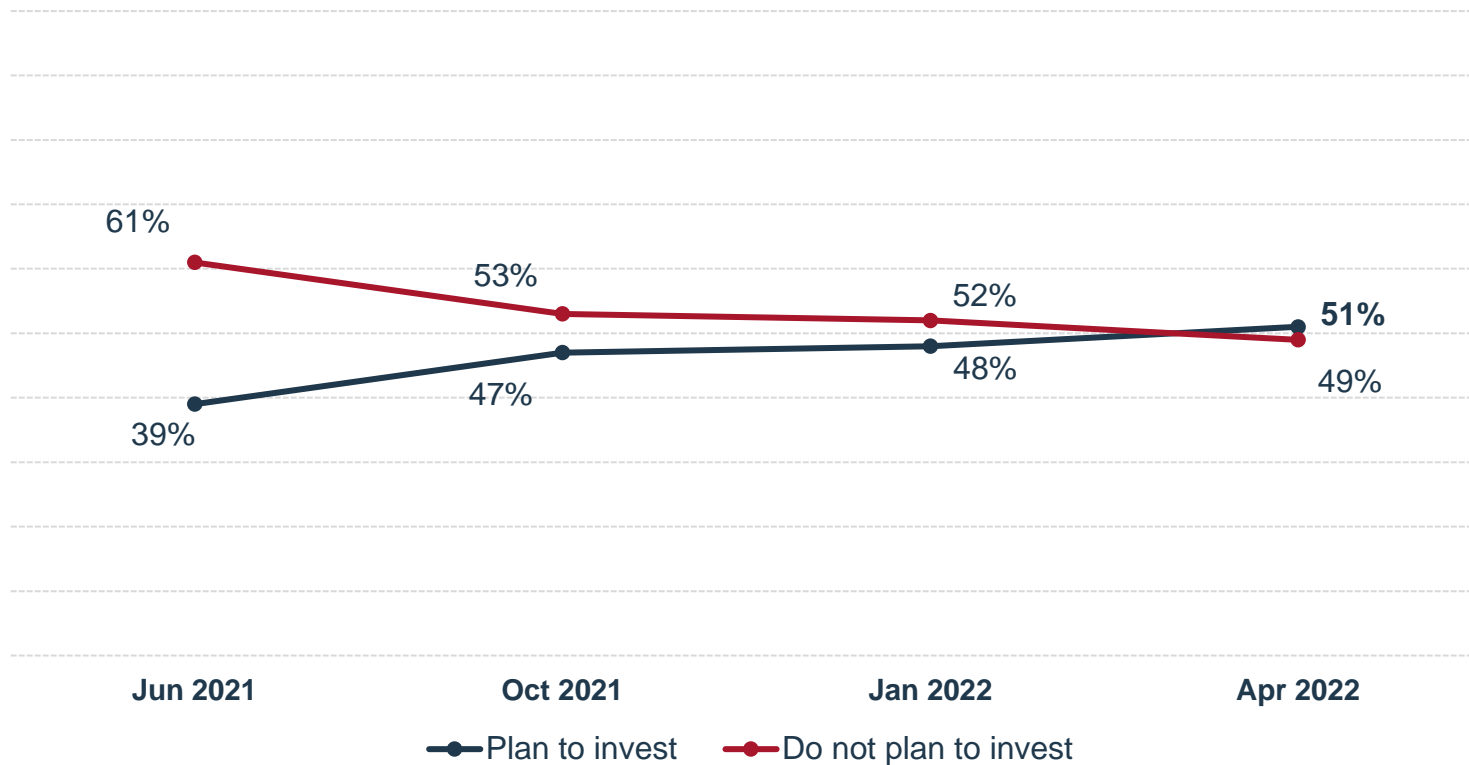


Base: All qualified respondents (n=935).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

Investment intentions in **machinery and equipment** continues to trend upwards.



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

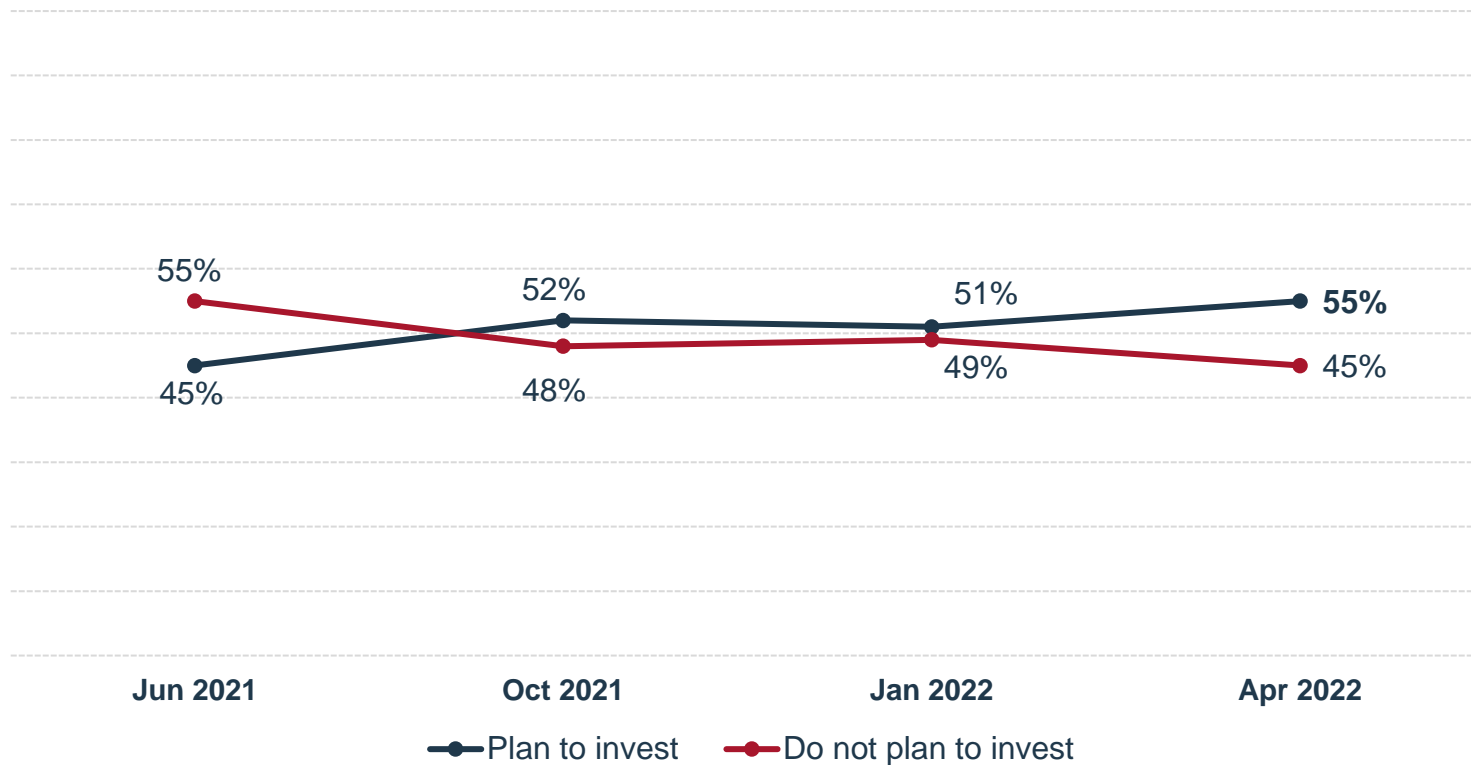


Base: All qualified respondents (n=922).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

Intentions to invest in intangibles have ticked upwards since January.



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

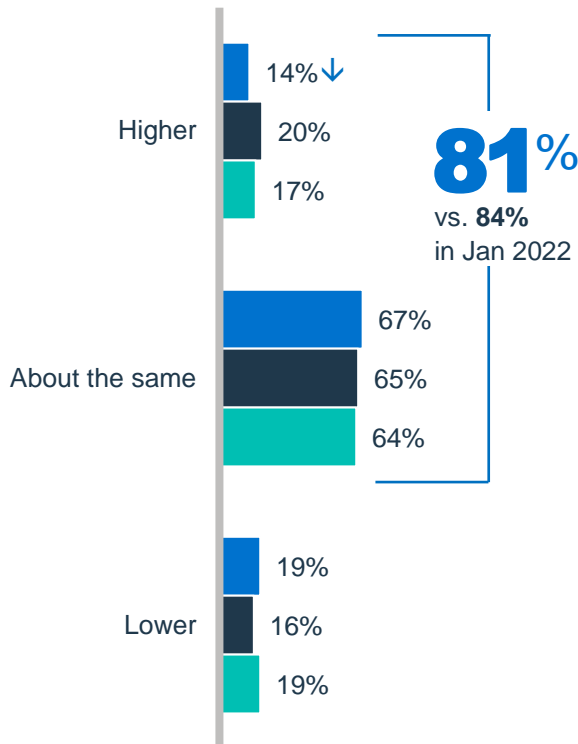


Base: All qualified respondents (n=907).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

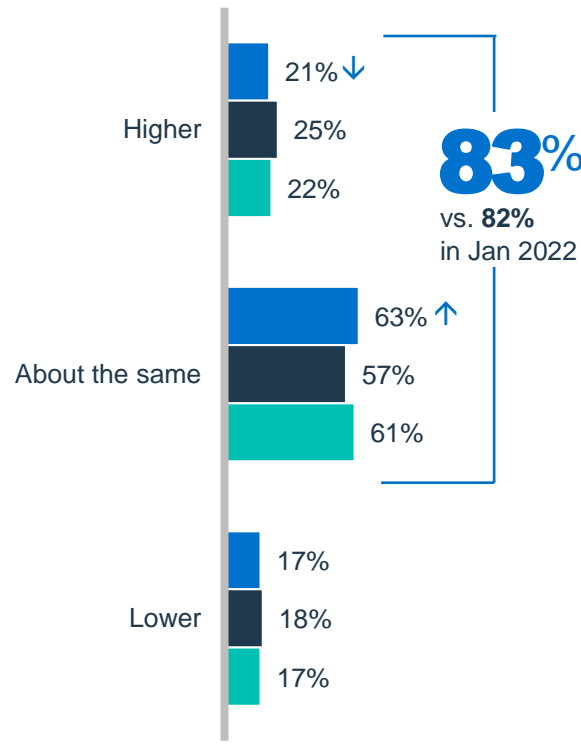
Investment comparison (plans for the next 12 months): The majority plan to invest about the same amount as last year.



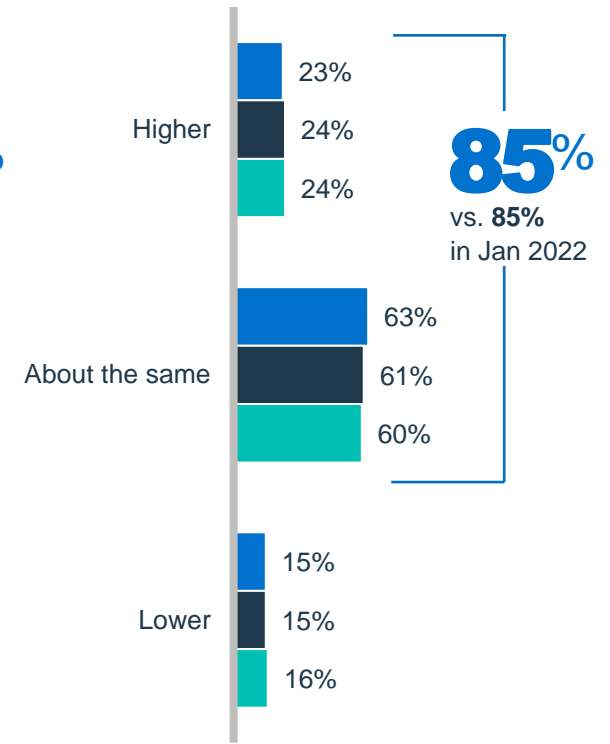
Non-residential building, including renovations



Machinery and equipment



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



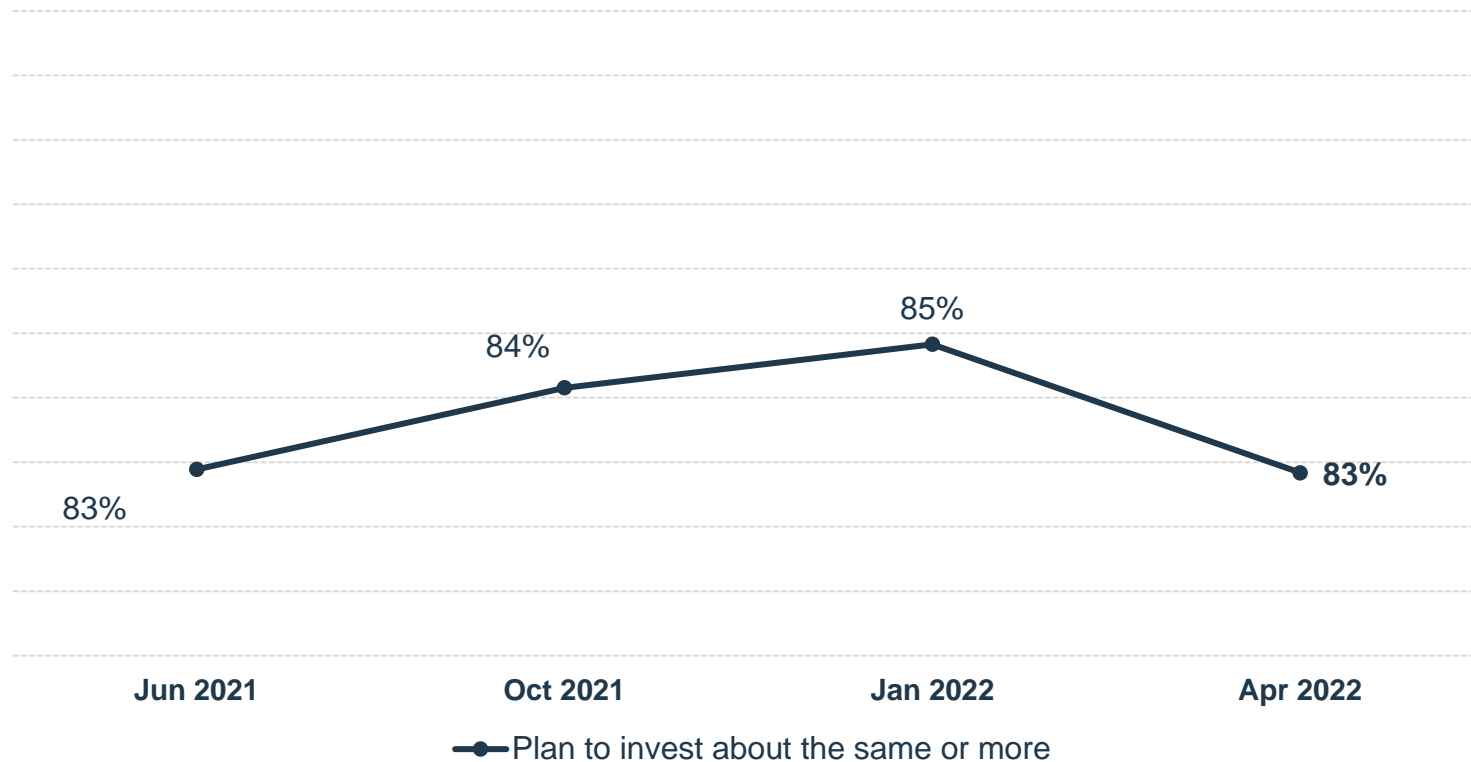
■ Apr 2022 ■ Jan 2022 ■ Oct 2021

Base: All qualified respondents (n=931-976). Those who did not know were excluded from the calculation base. The sum of percentages may not add up due to rounding. Arrows indicate statistical differences between this wave and the previous one.

Our indicator of investment intentions shows a **slight tick downwards in investment intentions**



Q58. Percentage of SMEs planning to invest “**about the same amount or more**”. This variable is based on an aggregate average of investment intentions.

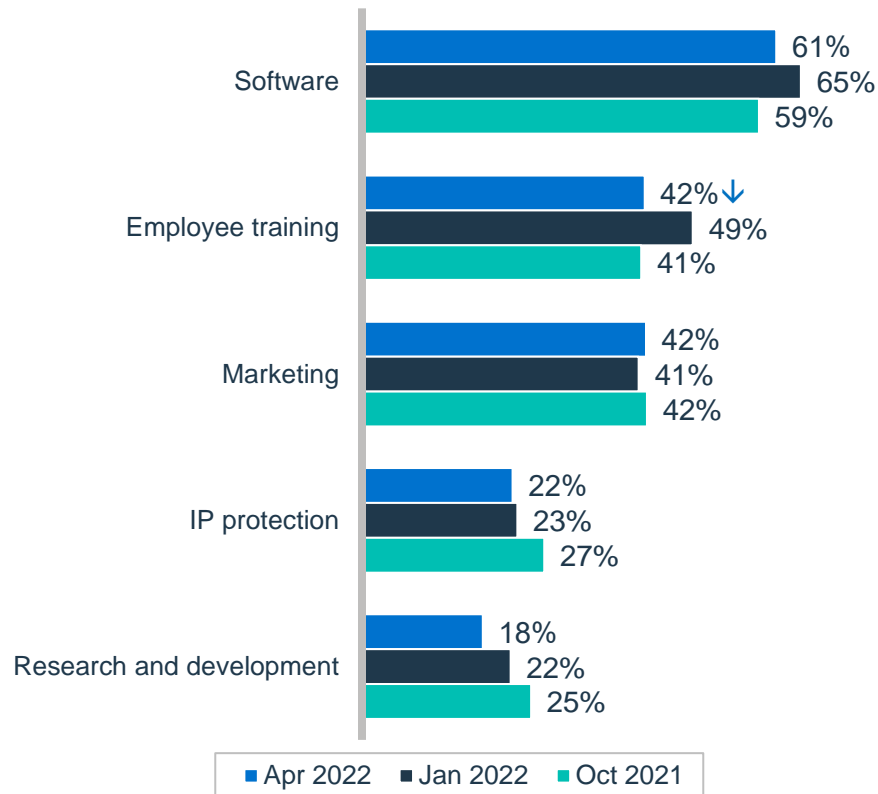


Base: All qualified respondents (n=997). Those who preferred not to answer were excluded from the calculation base.

Among those planning to invest in intangible assets, intentions to invest in **software**, **employee training** and **marketing** remain the most popular, although training has decreased significantly.



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*)

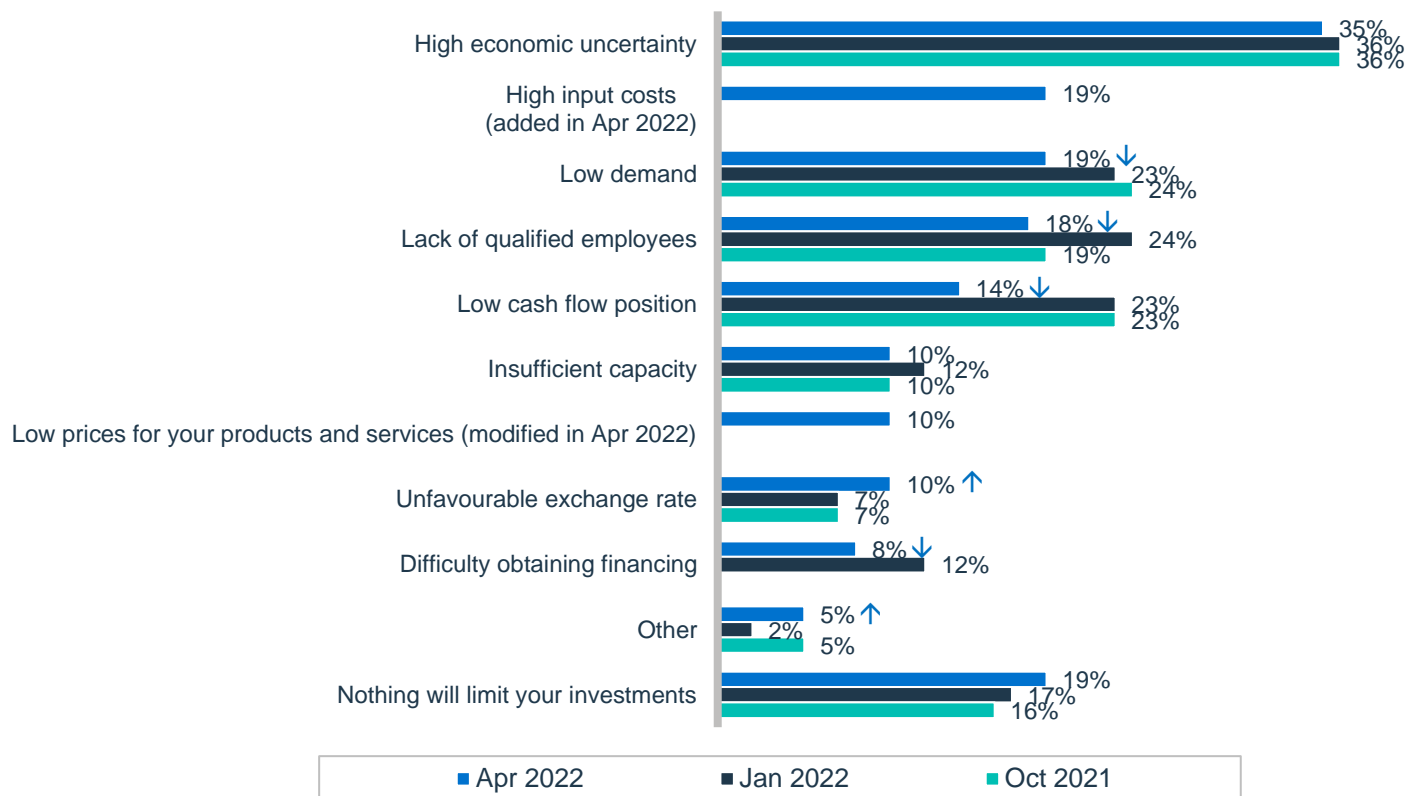


Base: All qualified respondents planning to invest in intangibles (n=457). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Economic uncertainty remains the biggest deterrent to investment, followed by high input costs. Many of the other key factors have decreased significantly since the last wave.



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=926). 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.

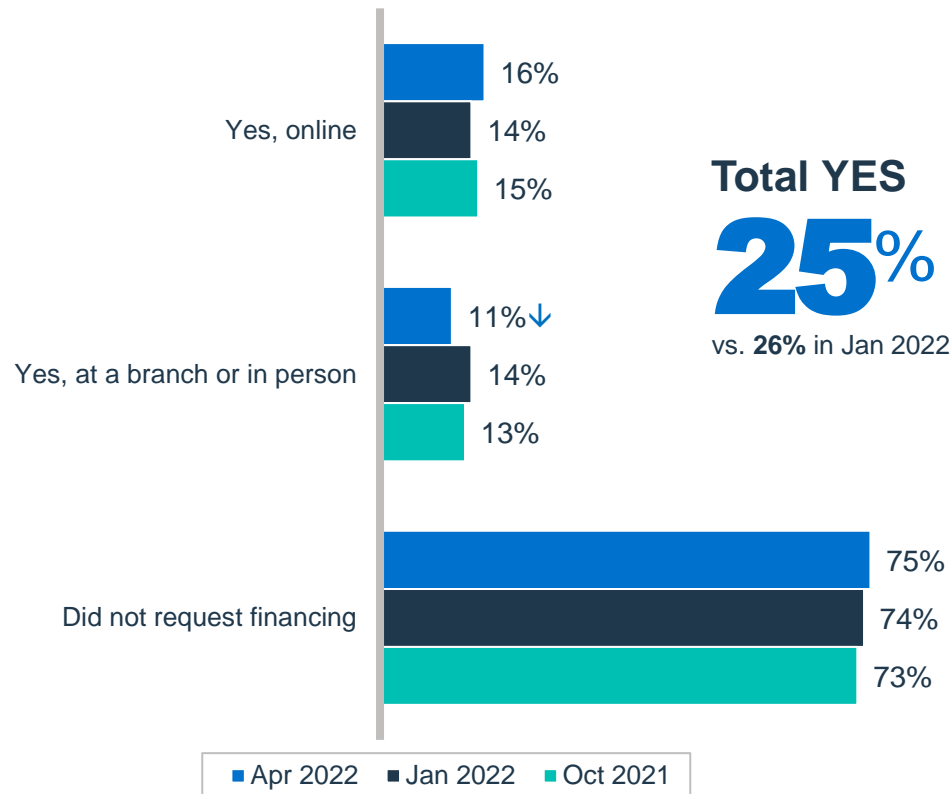
Financing supply



Financing **requests** have **remained relatively stable** over the past six months, with about a quarter of companies applying. We do note a statistical decrease in those doing so at a branch or in person.



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

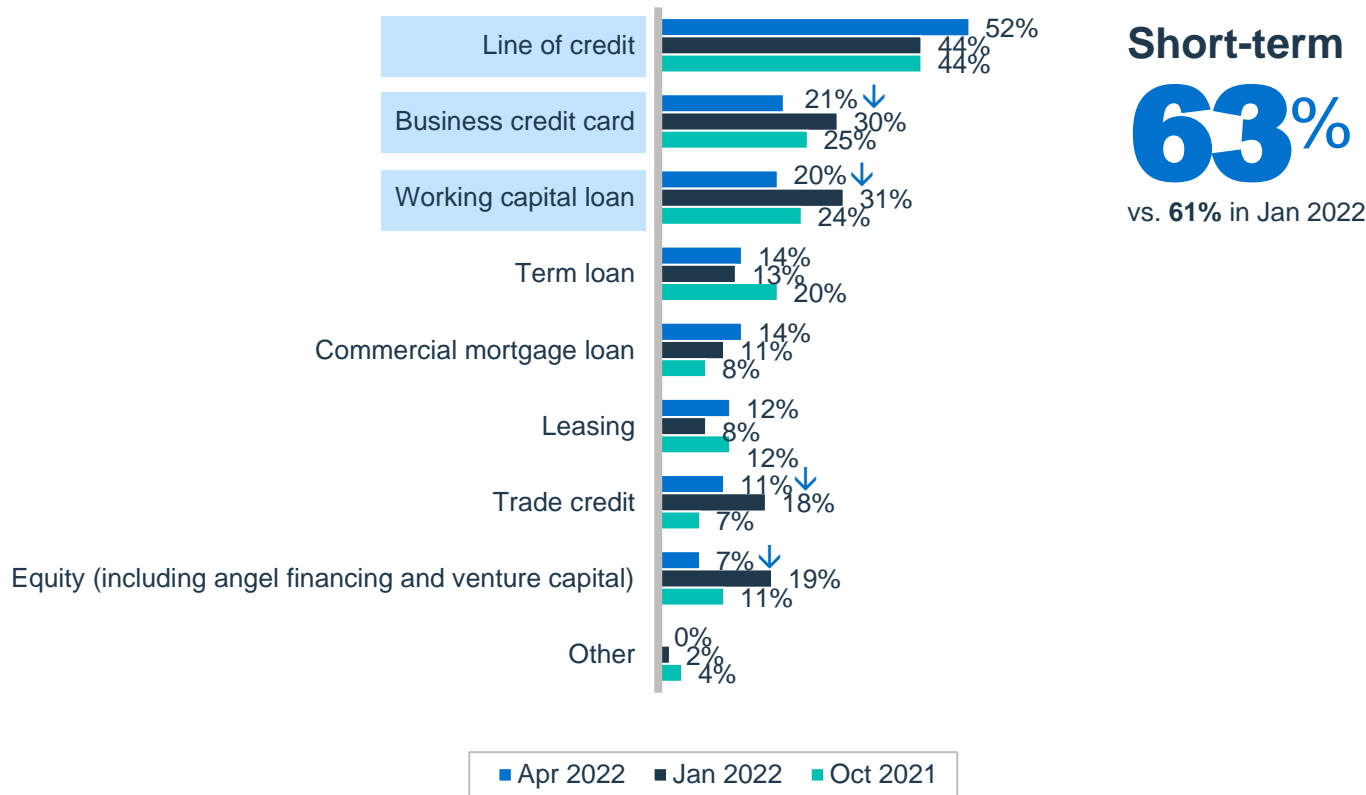


Base: All qualified respondents (n=1,014).
Those who did not know were excluded from the calculation base. .

Lines of credit continue to be the most popular type of financing sought. Working capital loans and credit cards have decreased significantly so too as trade credit and equity.



Q30a. What type of financing did you request?

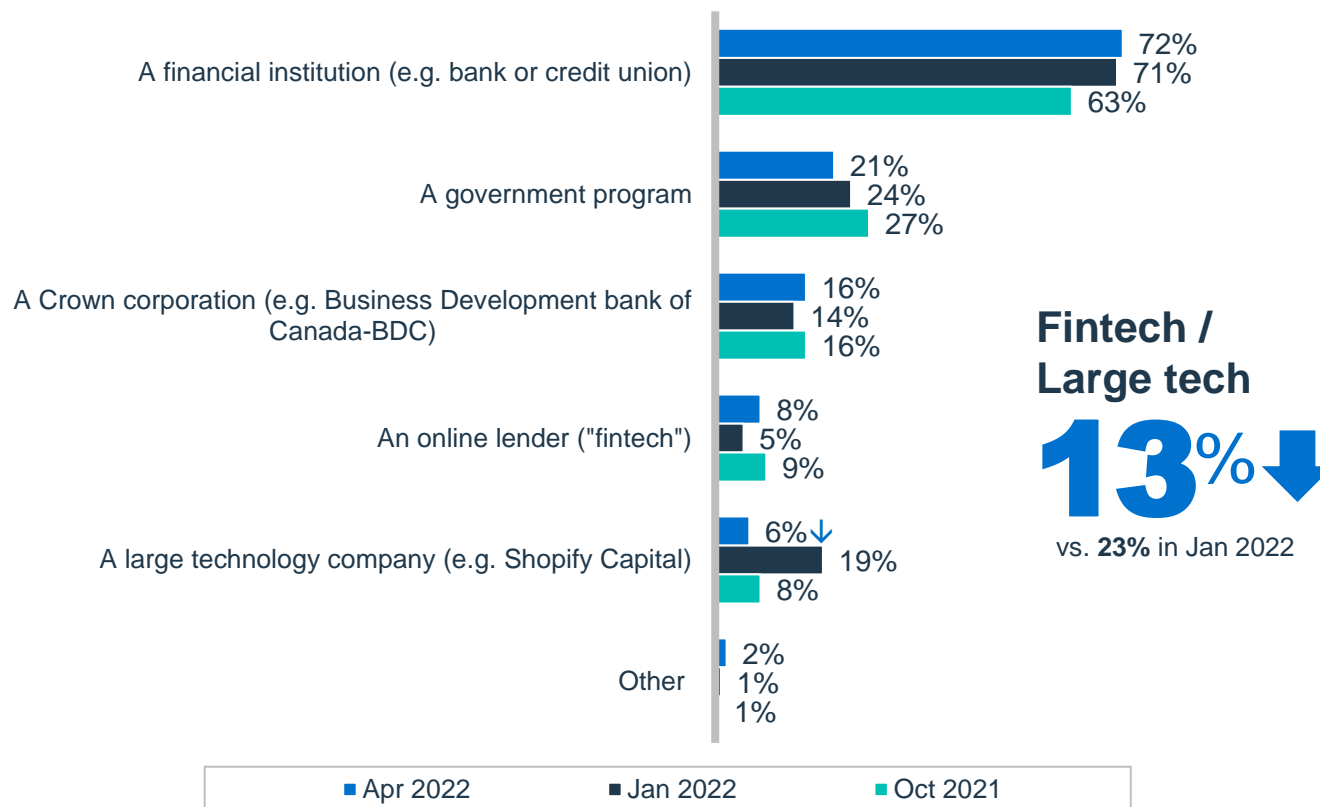


Base: Respondents who requested financing (n=308). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. Short-term options are highlighted in blue in the graph. Arrows indicate statistical differences between this wave and the previous one.

SMEs continue to turn **predominantly to FIs** for financing. After a significant surge in the last wave, fewer turned to large tech companies for financing.



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

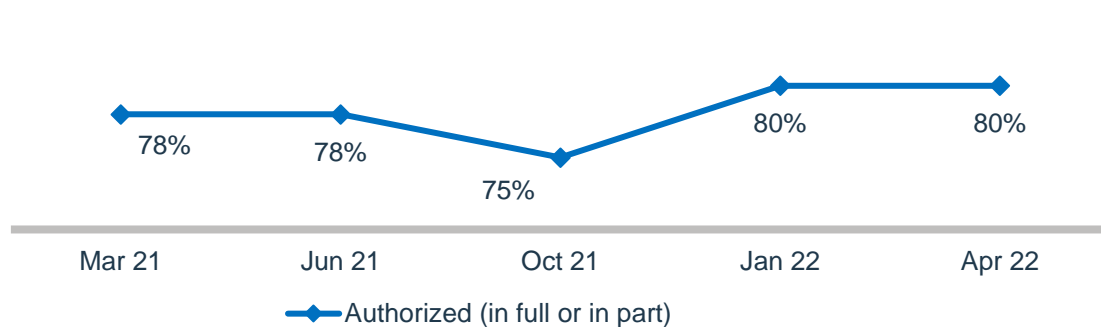
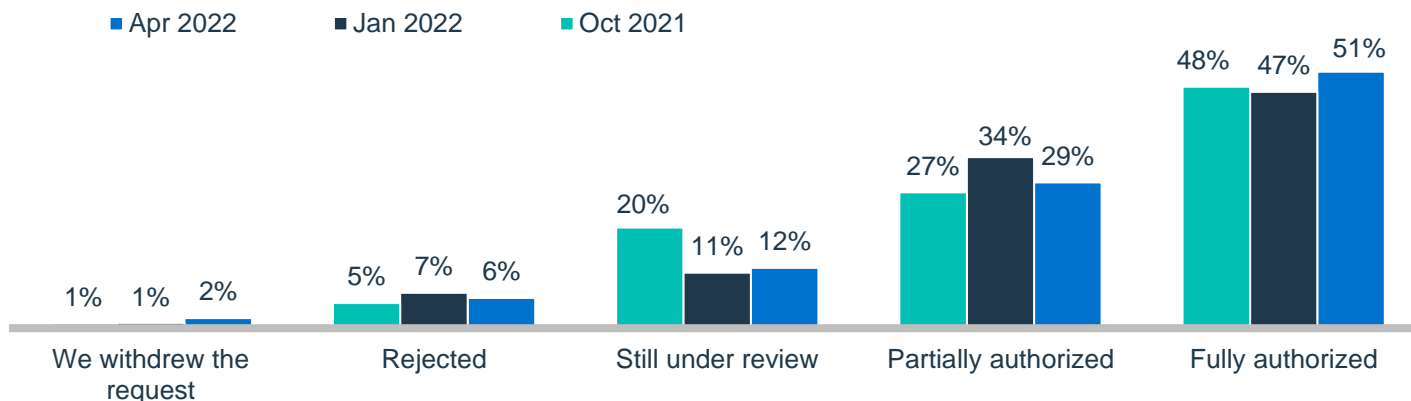


Base: Respondents who requested financing (n=310). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. Arrows indicate statistical differences between this wave and the previous one.

Fully authorized loans have increased, and partial authorizations have decreased, but the overall approval rate is strong and identical to the last wave.



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



Approval rate:
80%

Base: Respondents who requested financing (n=309). Those who did not know were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

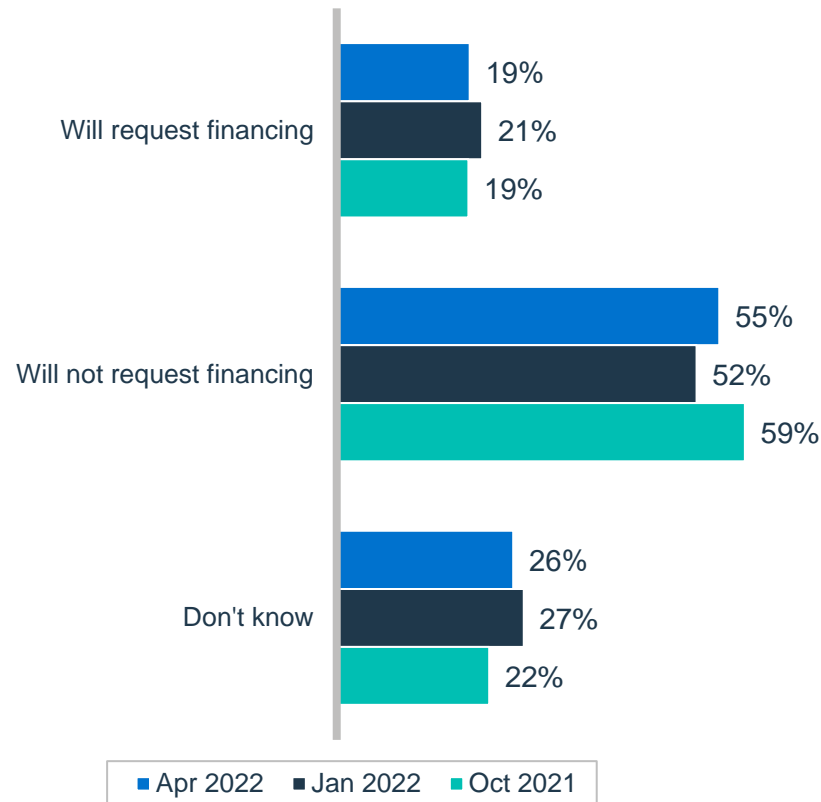


03d.
**Financing
demand**

No significant changes: Financing intentions are **relatively stable**. However, uncertainty remains among SMEs, with more than one quarter **not knowing** if they will request financing.



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

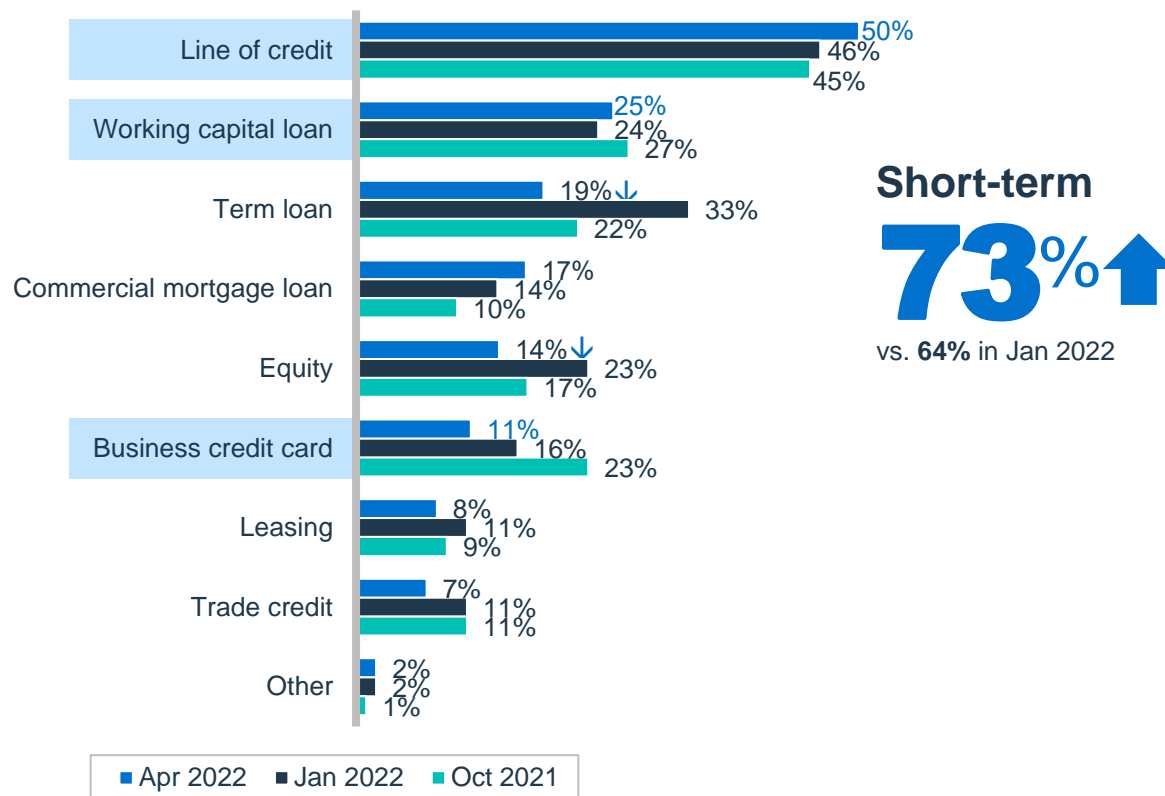


Base: All qualified respondents (n=1,044). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Overall, nearly **three quarters** are seeking short-term financing mainly through lines of credit and working capital loans. There is a significant **decrease** in **term loans** and **equity** investment.



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

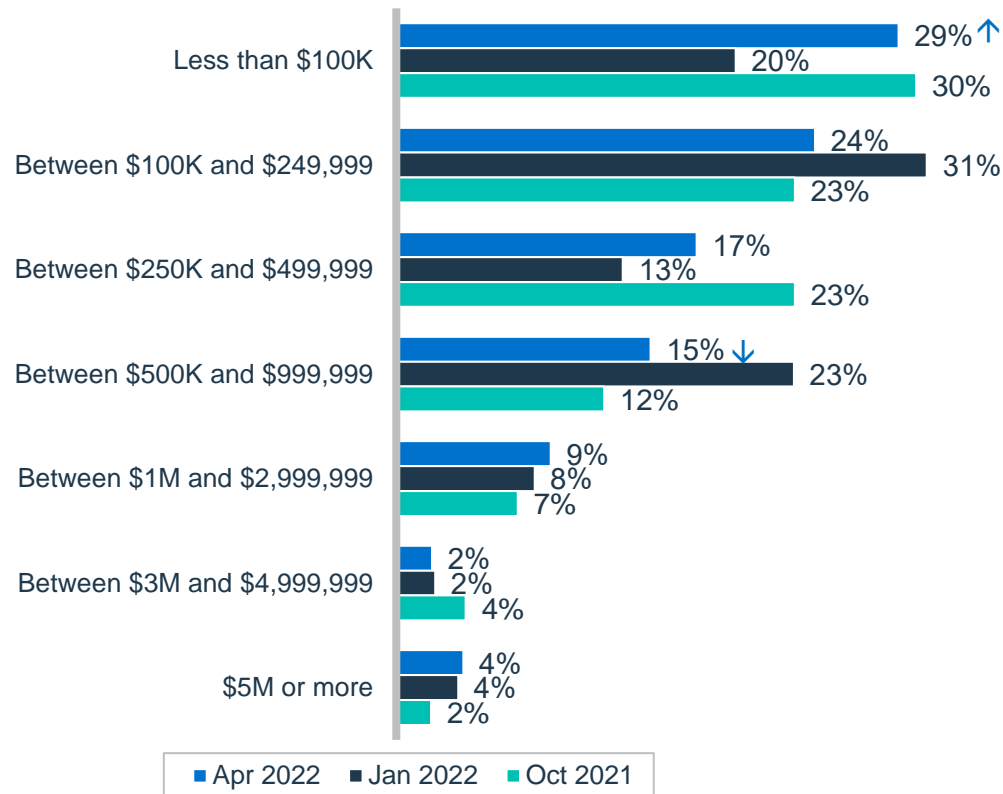


Base: Respondents who will request financing (n=251). Those who did not know are not presented in the graph. Arrows indicate statistical differences between this wave and the previous one. Multiple mentions were allowed, therefore total exceeds 100%. Short-term options are highlighted in blue in the graph.

The proportion of those **seeking \$1M or more is stable**. For those seeking under \$1M, we see a statistical **increase** for up to \$100K and a significant **decrease** in the \$500K to <\$1M range.



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

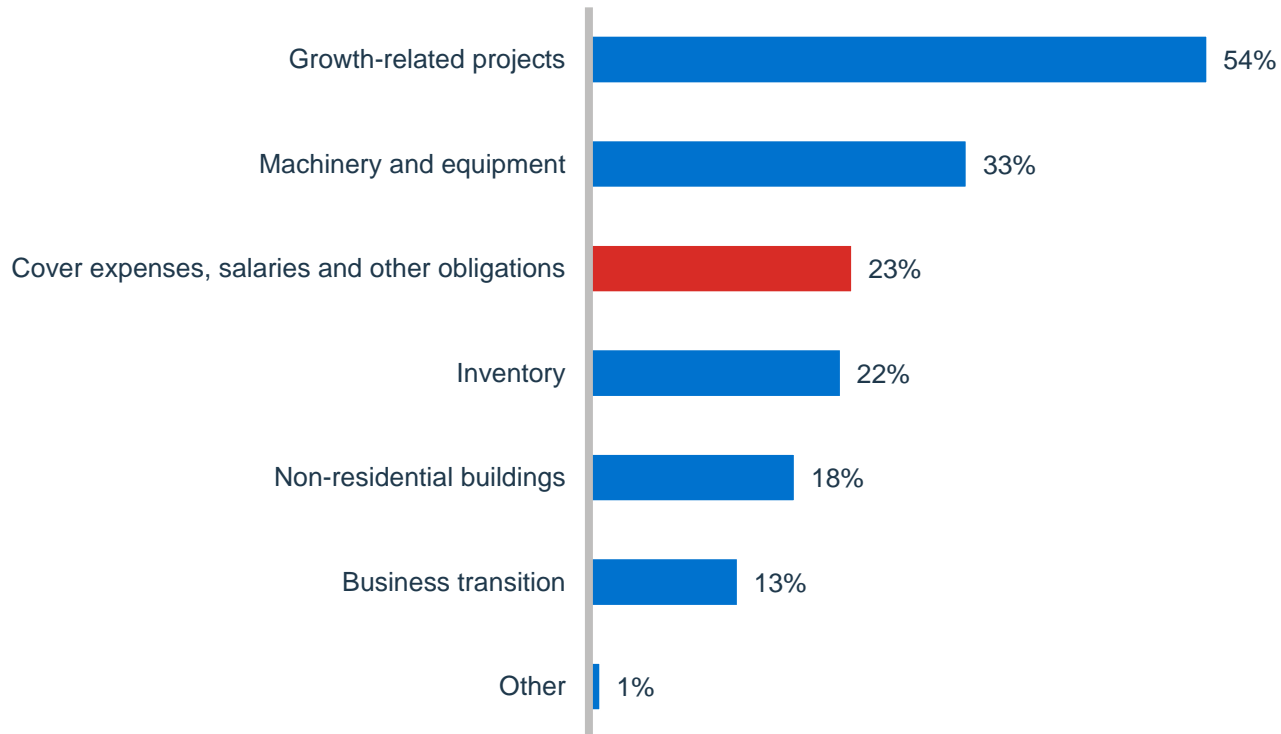


Base: Respondents who will request financing (n=245).
Arrows indicate statistical differences between this wave and the previous one.

Although **most** plan to borrow for **growth-related projects** and **physical assets**, nearly one quarter plan to **borrow to cover expenses, salaries and other obligations**.



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

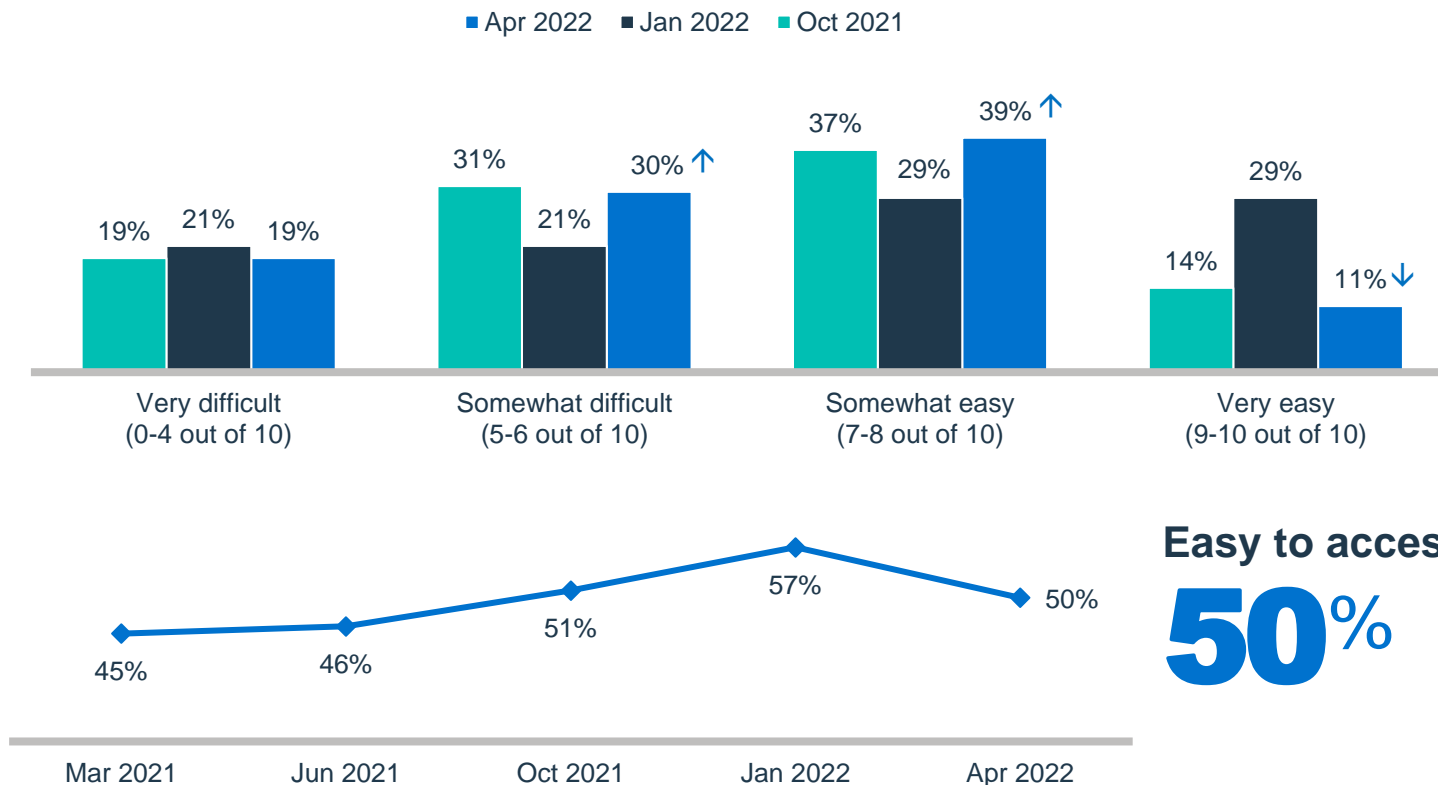


Base: Respondents that will request financing in the next 12 months (n=228). Multiple mentions were allowed, therefore total exceeds 100%. The respondent base was modified in April 2022. Those who did not know or preferred not to answer are not presented on this slide.

Ease of access to financing **had been steadily increasing** since June 2021 but has **now decreased** with a statistical drop in those that think it will be **very easy** to access.



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



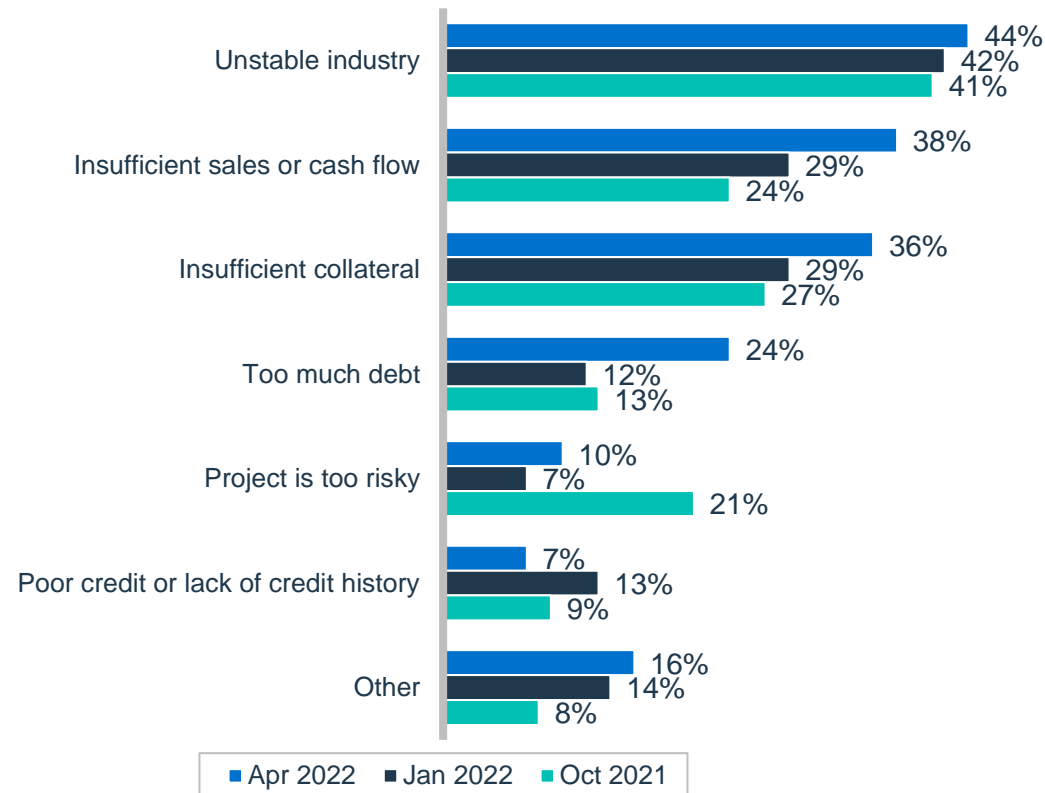
Easy to access:
50%

Base: Respondents who intend to request financing in the next 12 months (n=243). 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).

The **main reason** respondents believe obtaining financing will be difficult relates to an **unstable industry**. All **other factors relate to the business**: insufficient cash flow, collateral and too much debt.



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

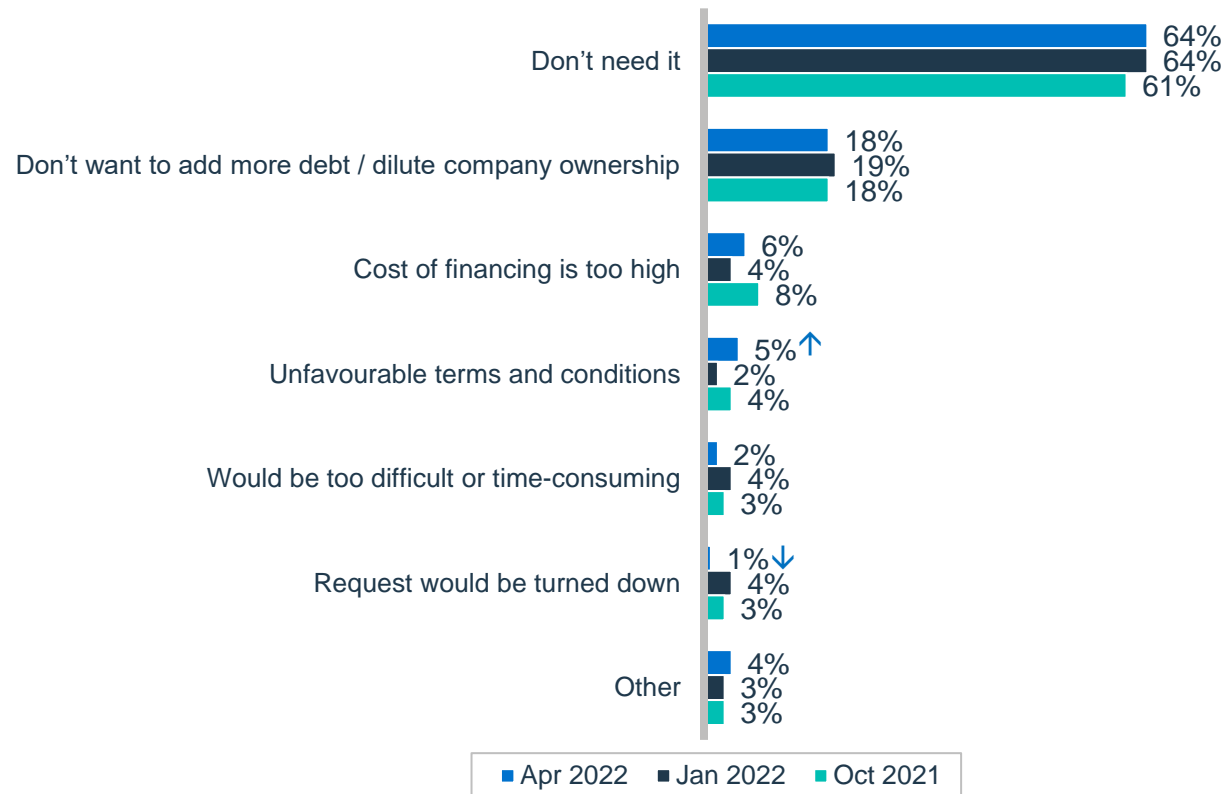


Base: Respondents who believe it will be difficult to obtain financing (n=47). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. We did not list statistically significant differences between sub-groups due to the small sample size.

As in previous waves, about two thirds of respondents who will not seek financing say it is because they **do not need the money**. One out of ten stated that **the cost or terms are unfavourable**.



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

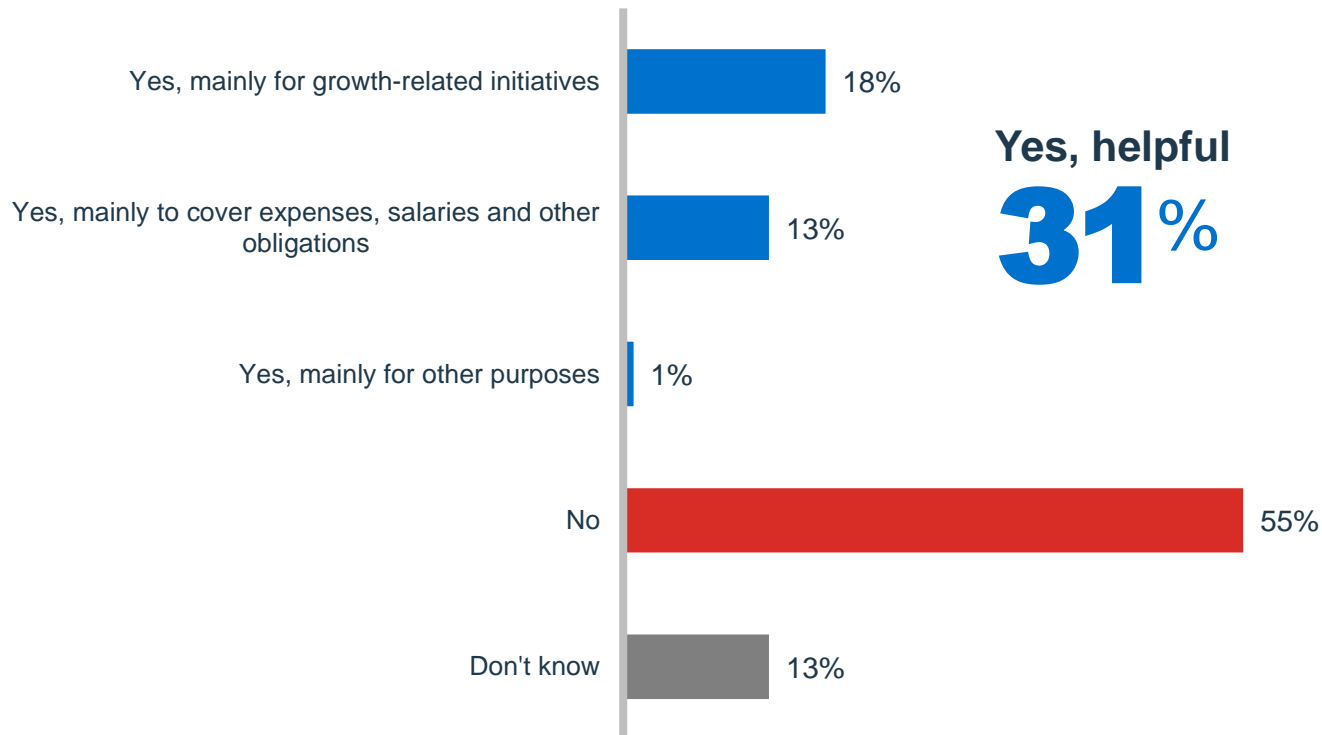


Base: Respondents who will not request financing in the next 12 months (n=723). Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one. Multiple mentions were allowed, therefore total exceeds 100%.

We asked those who do not plan to request financing in the next year if obtaining financing would still be helpful to them, and nearly one third **said it would**, especially for **growth-related** projects.



Q37b. Would it be **helpful** for your company to **obtain financing** over the next 12 months?



Base: Respondents who will not request financing in the next 12 months (n=782). Those who did not know or preferred not to answer were excluded from the calculation base. This question was added in April 2022.

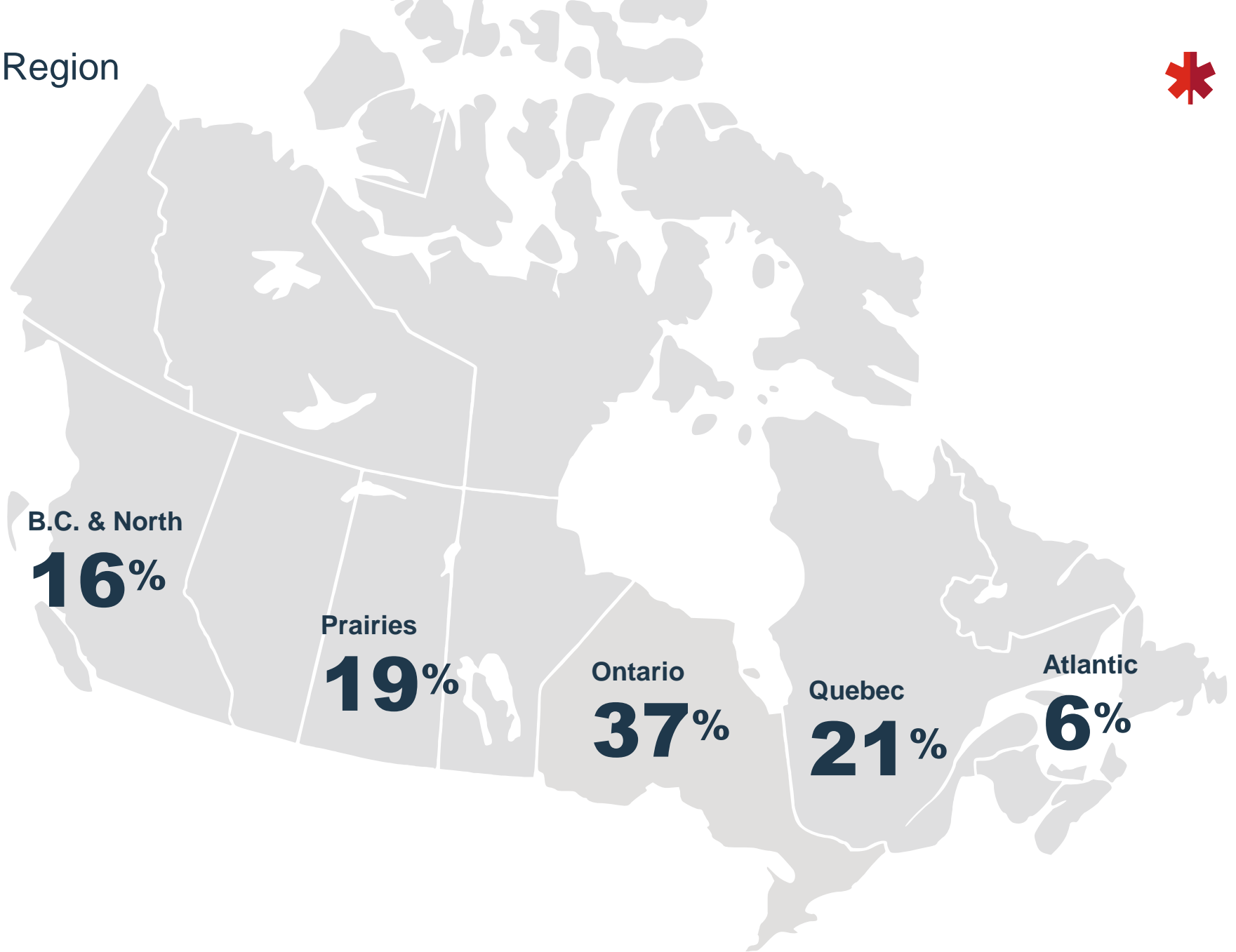


04.

Respondent profile



Region

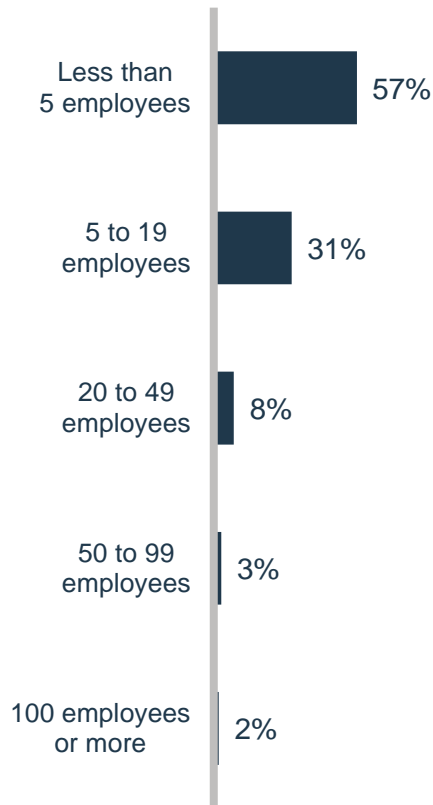


Base: All respondents (n=1,057).

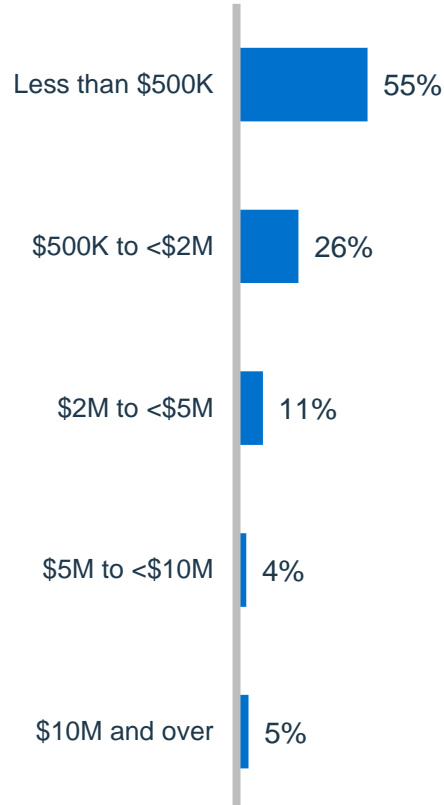
Number of employees, annual sales and gender ownership



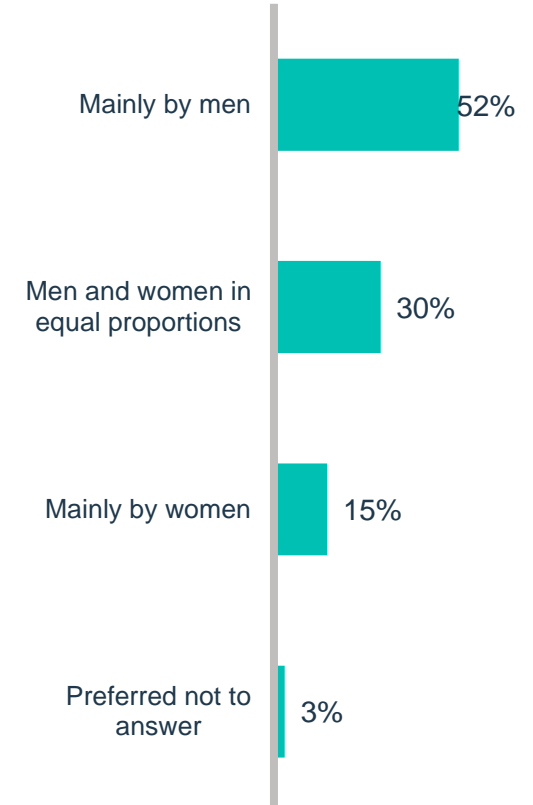
Number of employees



Annual sales



Gender ownership



Business revenue growth, diversity groups and sector of activity



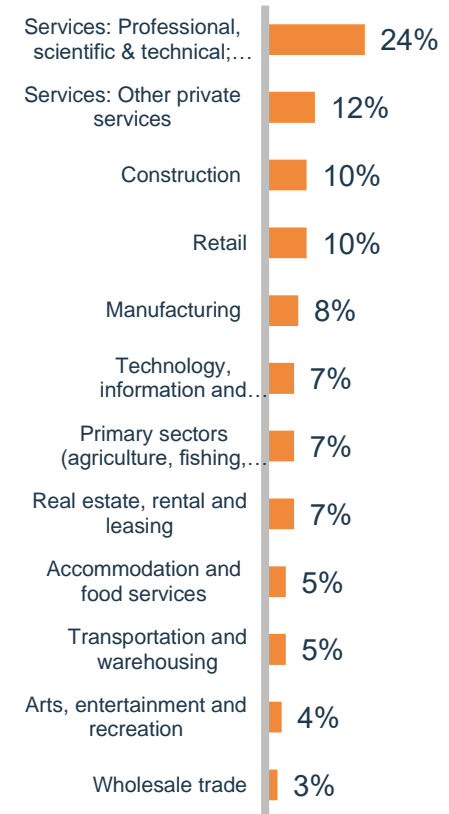
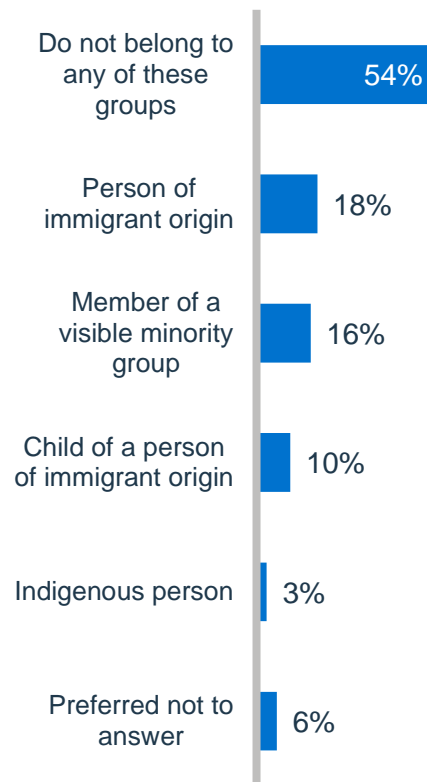
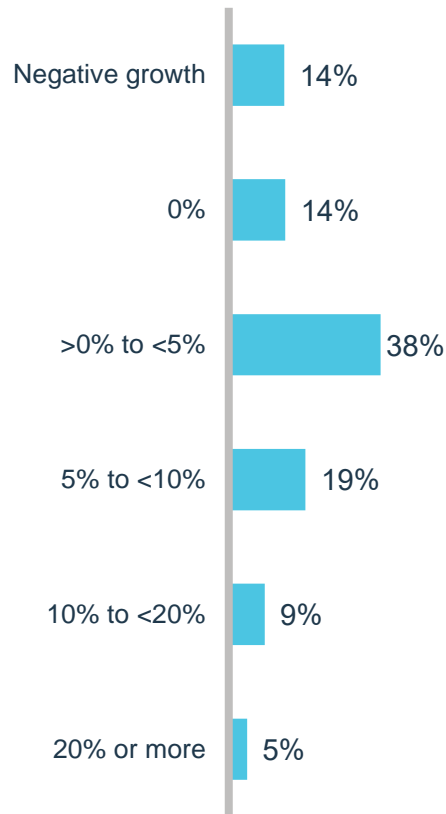
Revenue growth



Diversity groups



Sector of activity



Base: For revenue growth = Respondents for which company existed last year (n=949). For diversity groups = All respondents (n=1,057). For sectors = All respondents (n=1,033). Those who did not know or preferred not to answer were excluded from the calculation base.



Thank you.

Research and Market Intelligence

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