



# Canadian Entrepreneurs' Needs and Challenges: 2023 Outlook

Research and Market intelligence at BDC  
October 2022



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# 01. Methodology



# Methodology

## Survey methodology

Online survey.

## Respondent profile

This survey wave was conducted among business owners and strategic decision-makers from Schlesinger's panel.

## Survey dates

October 19 to 26, 2022

\*Please note that surveys with similar or identical questions were conducted between August 24 and September 3, 2021, and between April 21 and May 6, 2021. When possible, this wave's results are compared to previous ones. Since these results may come from a different survey panel, we recommend to interpret them with caution.

## Margin of error

For a probabilistic sample of 1,502 respondents, the maximum margin of error is  $\pm 2.5$  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.

**Note:** Unless otherwise mentioned, calculation bases exclude respondents who preferred not to answer the question. Other appropriate exclusions are detailed on the different slides.



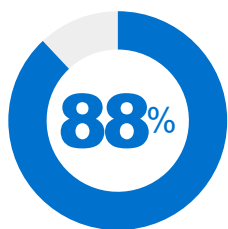
02.

Key highlights





## Profitability

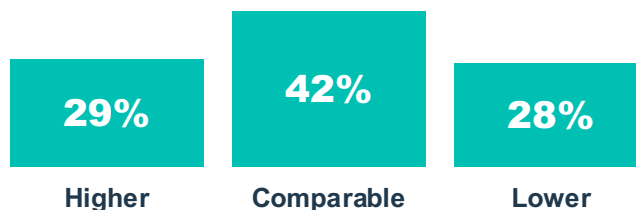


Profitable

**45%** Of SMEs **don't see any problems** on the horizon

## Sales

Compared to last year, sales are...



## Debt level



**75%** Of SMEs are **comfortable** with their **current debt level**

Compared to last year, debt level...



## Capacity to absorb more debt



Could take more debt at this time

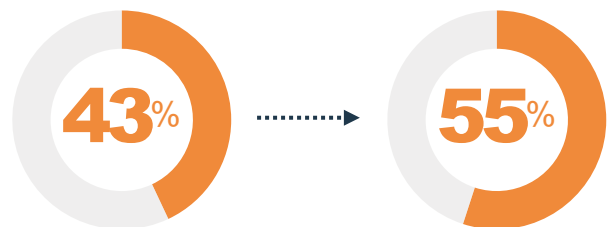


Could not take more debt at this time



**Rising interest rates** have a **negative** impact on...

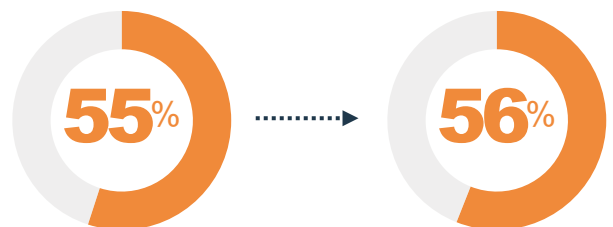
## Sales



Currently

Next 12 months

## Investments



Currently

Next 12 months

% of those who said the impact is/will be negative.

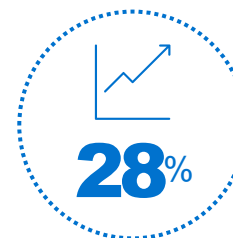
## Impacts of an economic slowdown

**69%** of SMEs claim **to be prepared** to face an economic slowdown

## Actions to limit the impacts of an economic slowdown



Reduce waste/losses



Increase productivity



Reduce debt level

**36%** are **limited** by the repayment of their debts



## Main areas of focus



**Operational efficiency**  
(-6 pts vs. Sept 2021, significant)



**Growth projects / Market expansion**  
(-28 pts vs. Sept 2021, significant)



**Repaying debt / Financial stability**  
(-11 pts vs. Sept 2021, significant)

## Challenges

*In the next 12 months, the main forecasted challenges for SMEs are...*

**47%** Rising costs

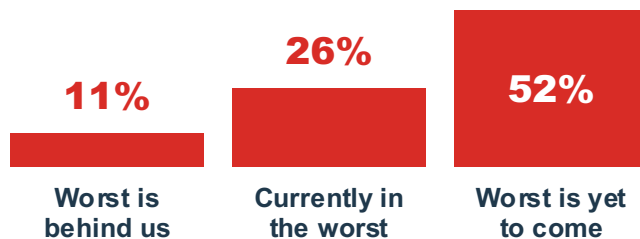
**40%** Economic slowdown or recession

**35%** Economic uncertainty

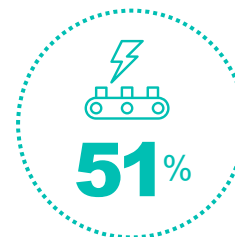
**34%** Controlling internal costs

## Current inflationary context

*SMEs are quite pessimistic about the current inflationary context*



## Elements behind rising costs



Energy



Interest rates



Salaries





# 03.1

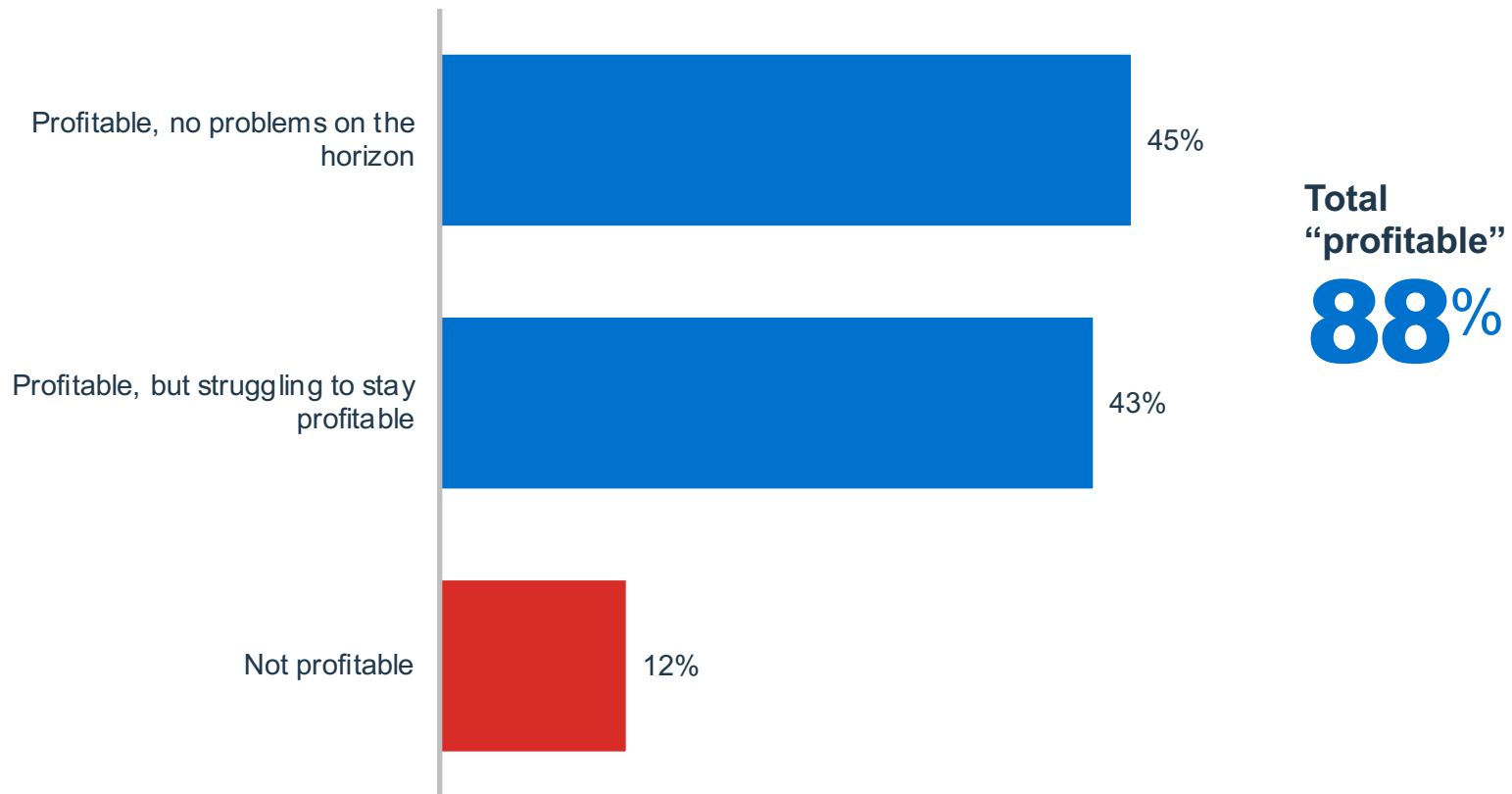
## Current state



# Company's current situation in terms of profitability



S1Q1. Which of the following situations **best describes** your company's **current situation** in terms of **profitability**? Is your company...

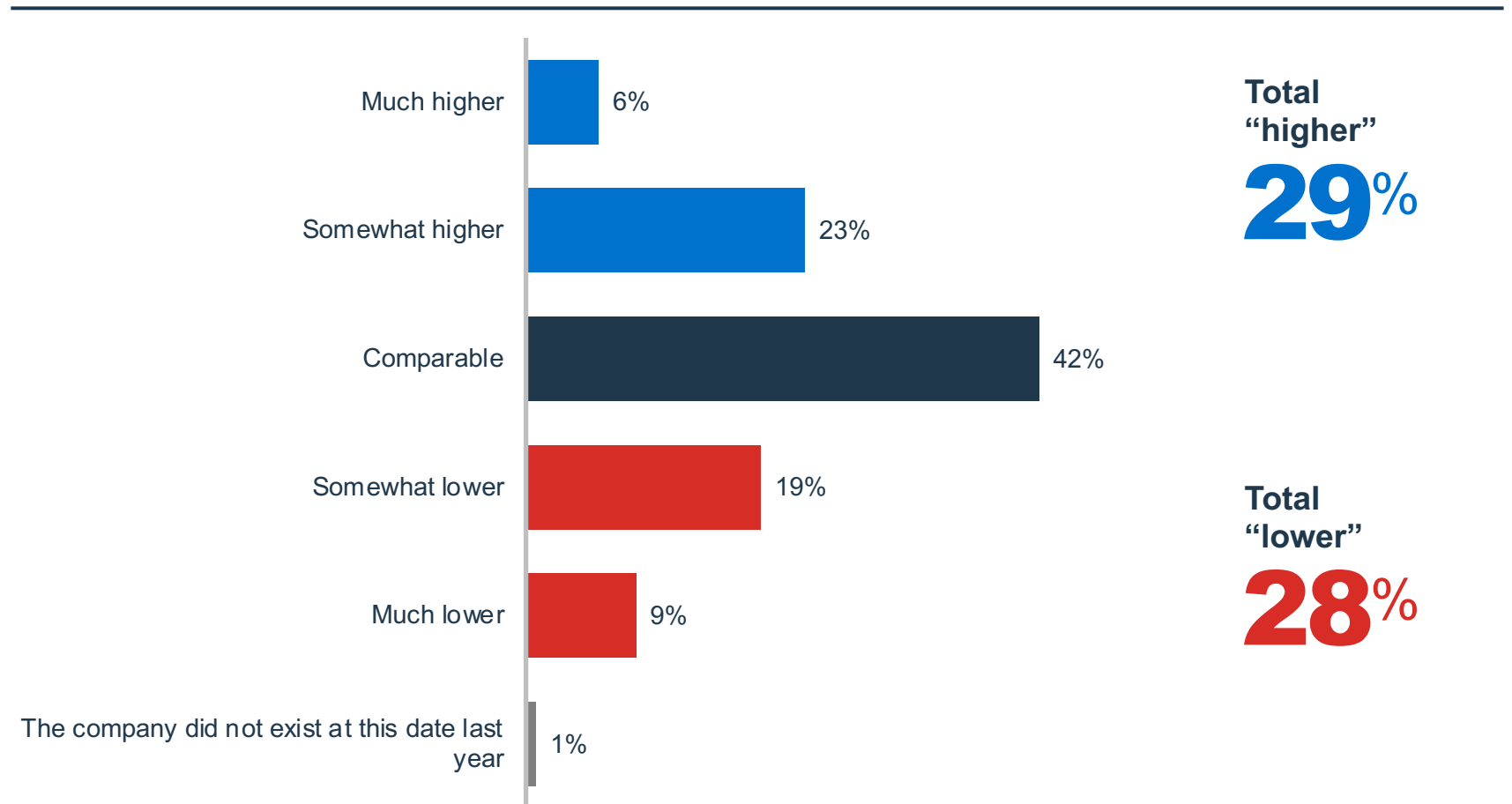


**Base:** All respondents (n=1,475). Those who did not know or preferred not to answer were excluded from the calculation base. This question was modified in October 2022, therefore results from previous waves are not presented.

# Sales evolution



S1Q2. How do your company's **total annual sales or revenues** compare to what they were at this time last year? Your current annual sales are...

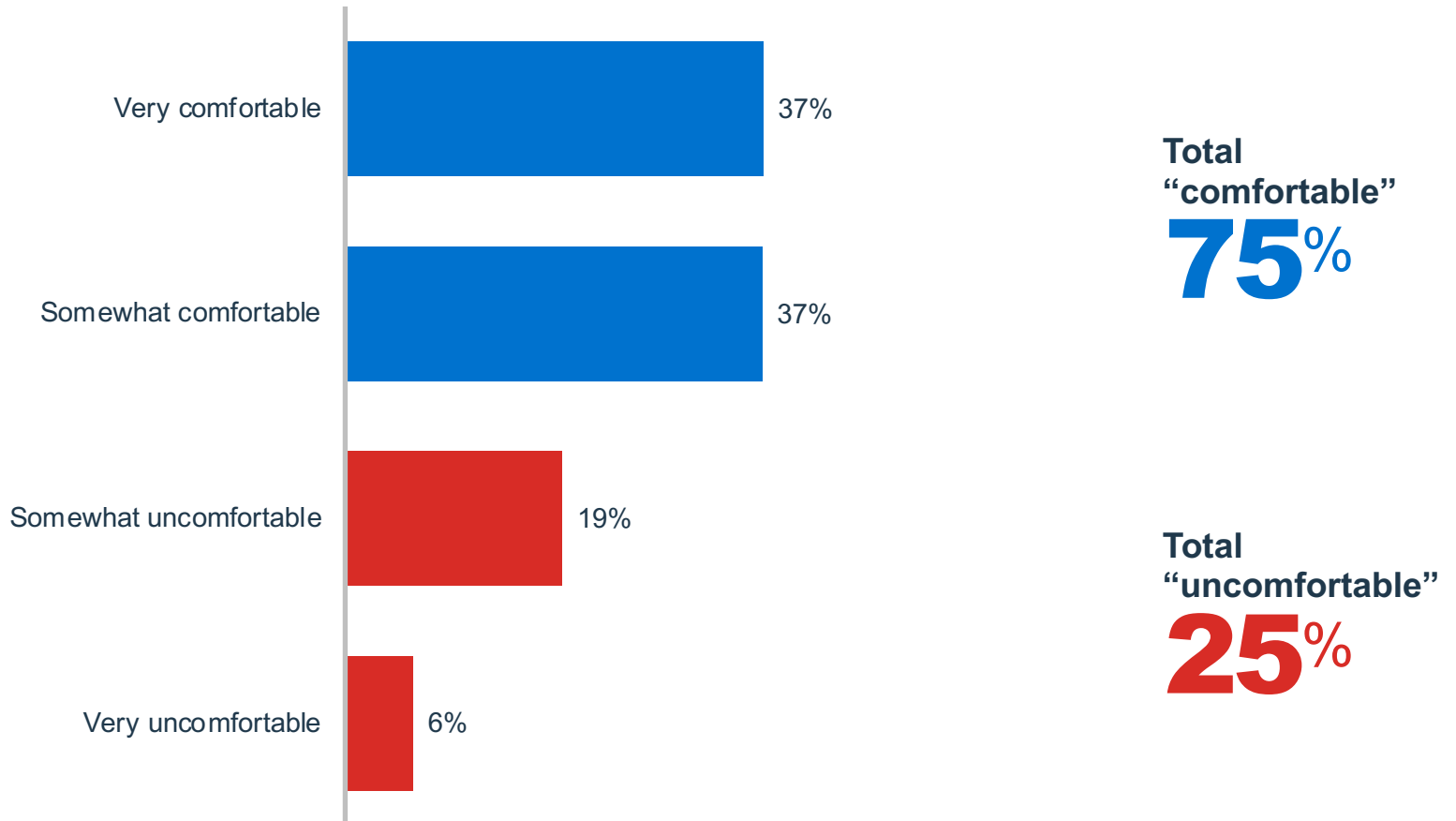


**Base:** All respondents (n=1,485). Those who did not know or preferred not to answer were excluded from the calculation base. This question was asked for the first time in this wave of the survey.

# Comfort with current debt level



S1Q3. How comfortable are you with your **company's current debt level**?

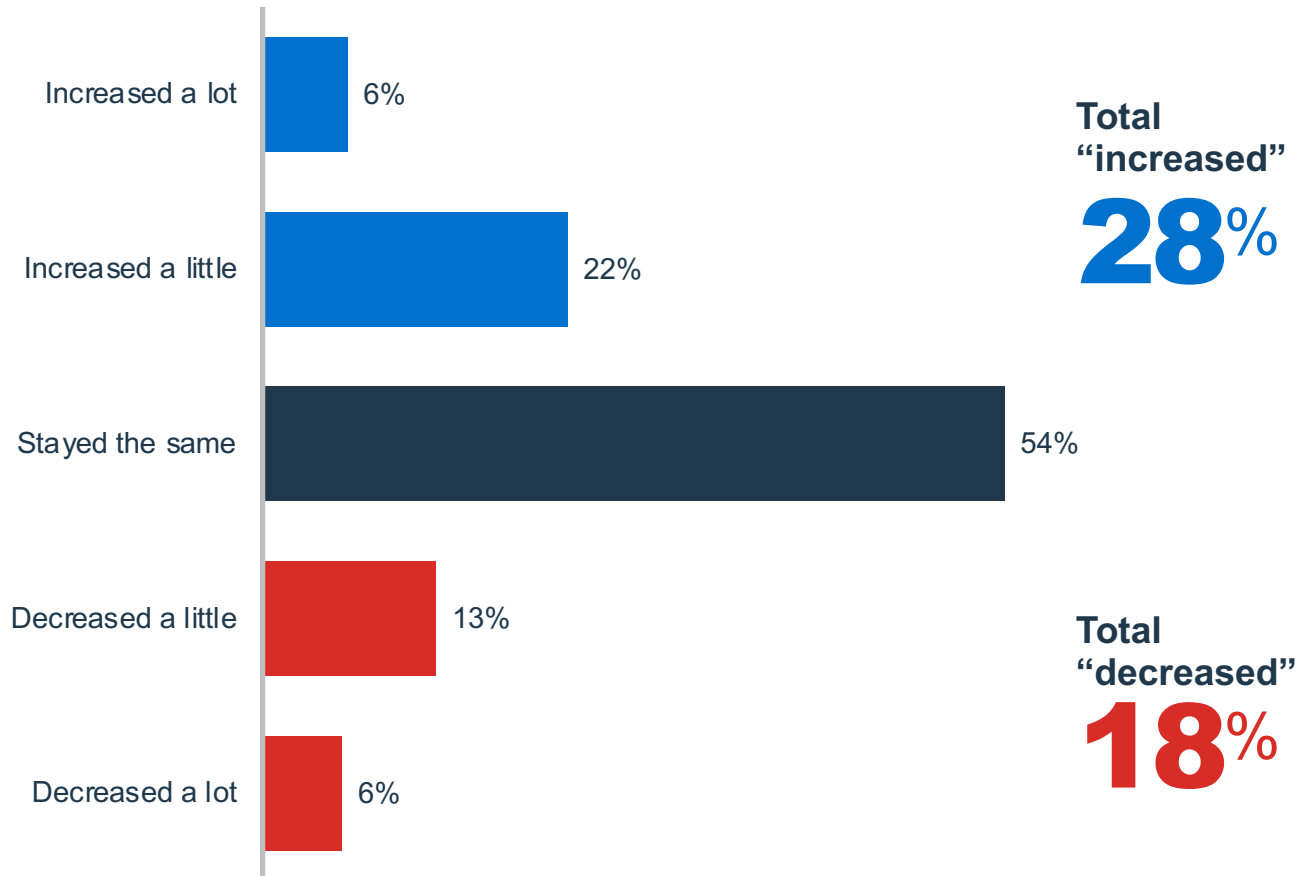


**Base:** All respondents (n=1,476). Those who preferred not to answer were excluded from the calculation base. This question was asked for the first time in this wave of the survey.

# Debt variation



S1Q4. How has your debt level **changed over the past year**? It has...



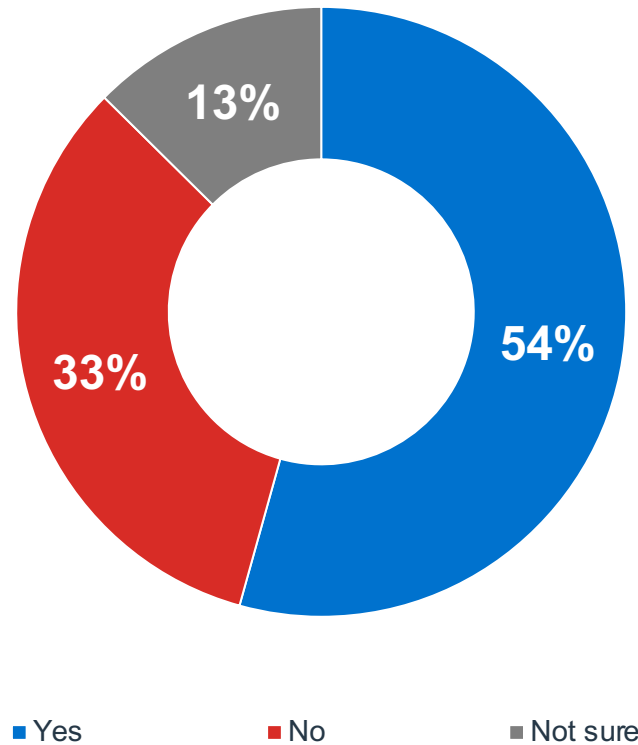
**Base:** All respondents (n=1,463). Those who did not know or preferred not to answer were excluded from the calculation base. This question was asked for the first time in this wave of the survey.

# Capacity to absorb more debt



S1Q5. If you needed to, could your company **take on more debt** at this time?

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**Base:** All respondents (n=1,480). Those who preferred not to answer were excluded from the calculation base. This question was asked for the first time in this wave of the survey.



# 03.2

## Impacts of rising interest rates

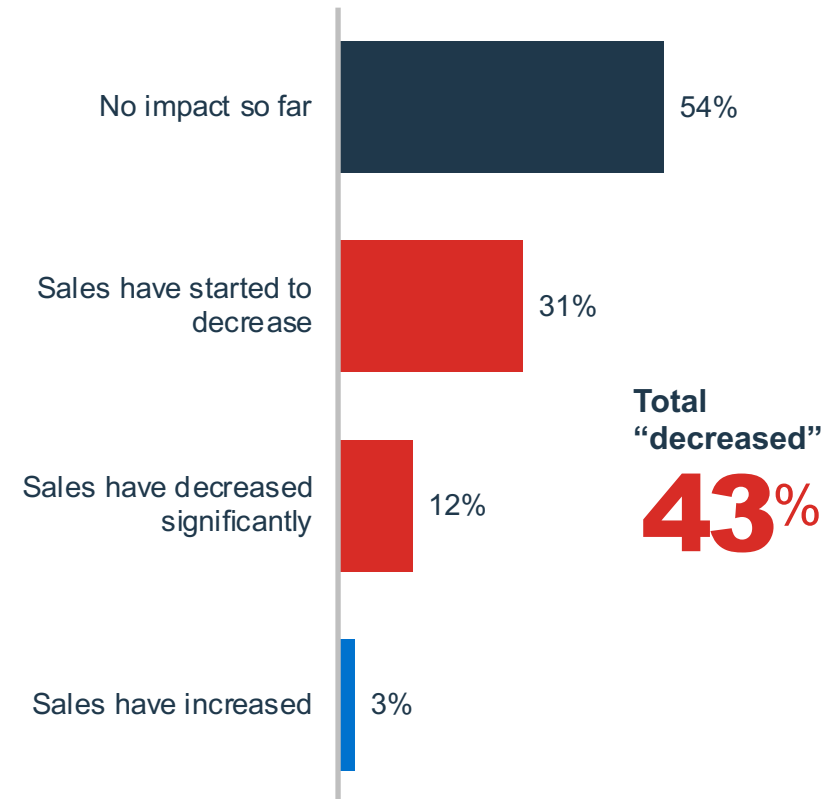
# Impact of rising interest rates on **sales**



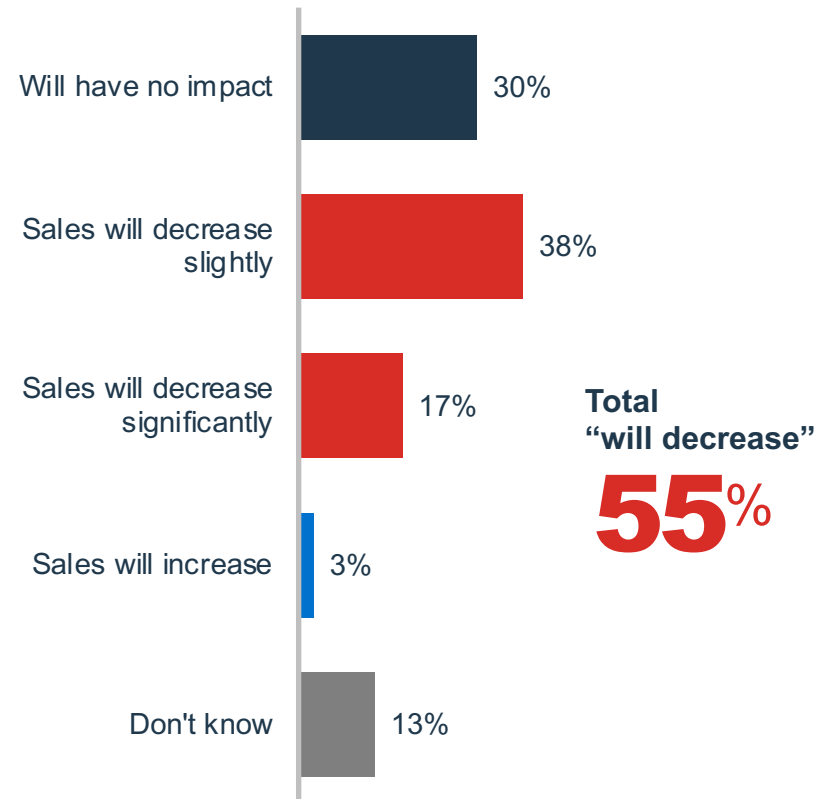
S2Q1. What is the impact of rising interest rates **on your sales** at this time?

S2Q2. And what impact will further interest rate increases have **on your sales** over the next 12 months?

## Current impact



## Impact over the next 12 months



**Base:** All respondents (n=1,450-1,502). At S2Q1, those who did not know were excluded from the calculation base. These questions were asked for the first time in this wave of the survey.



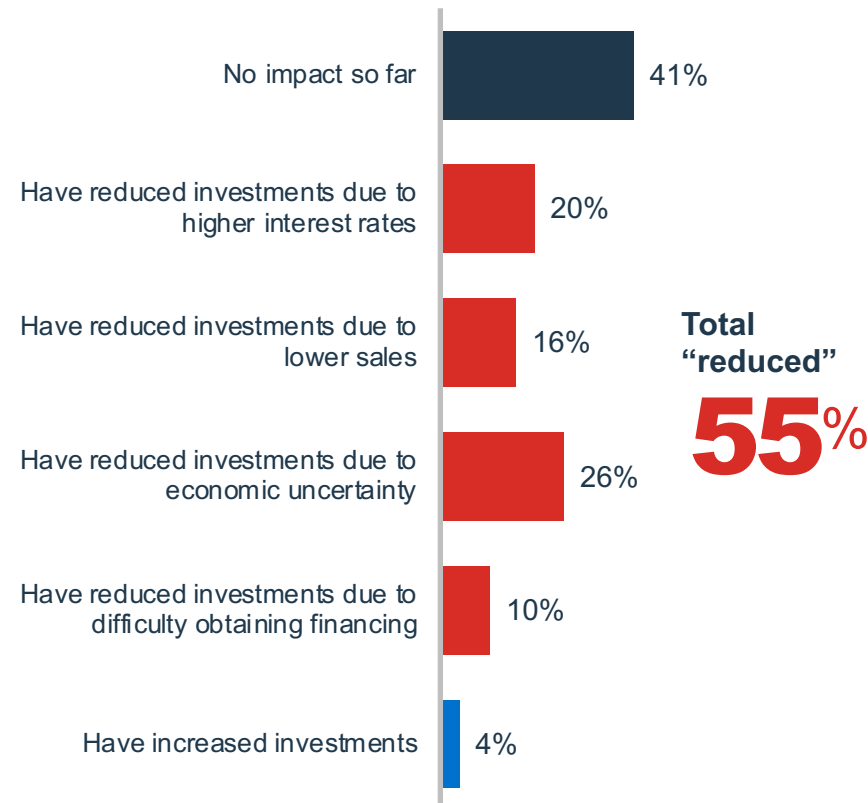
# Impact of rising interest rates on **investments**



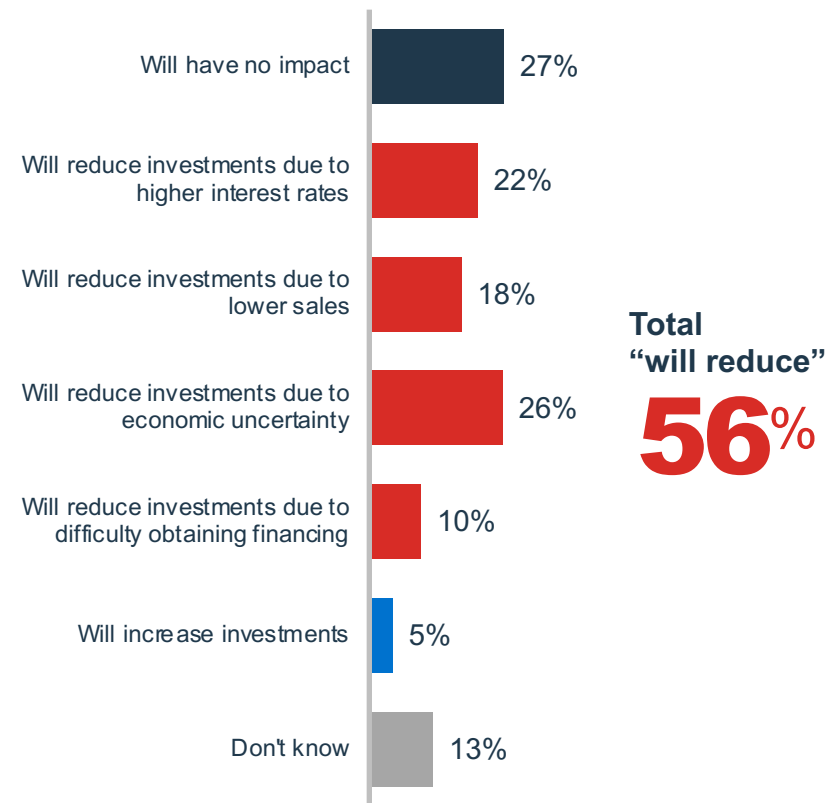
S2Q3. What is the impact of rising interest rates **on your investments** at this time?

S2Q4. And what impact will rising interest rates have **on your investments** over the **next 12 months**?

## Current impact



## Impact over the next 12 months



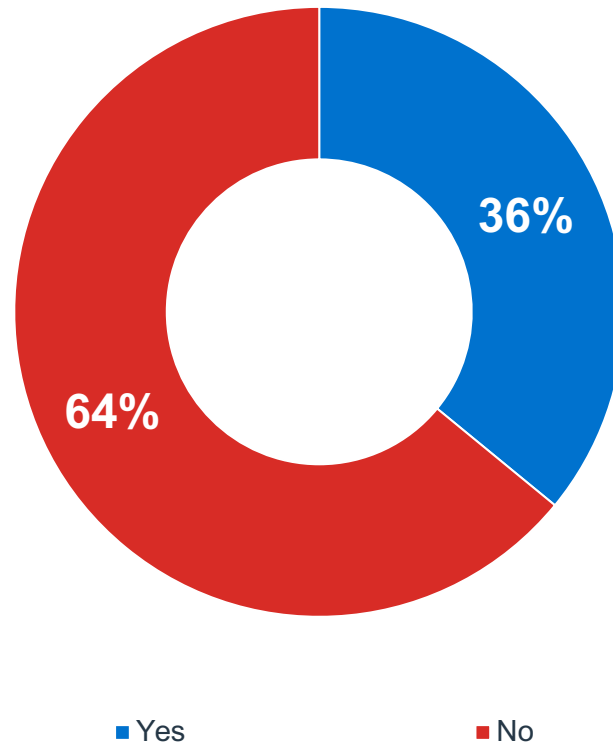
**Base:** All respondents (n=1,398-1,502). At S2Q3, those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total may not equal to 100%. These questions were asked for the first time in this wave of the survey.

# Debt repayment limiting activities



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

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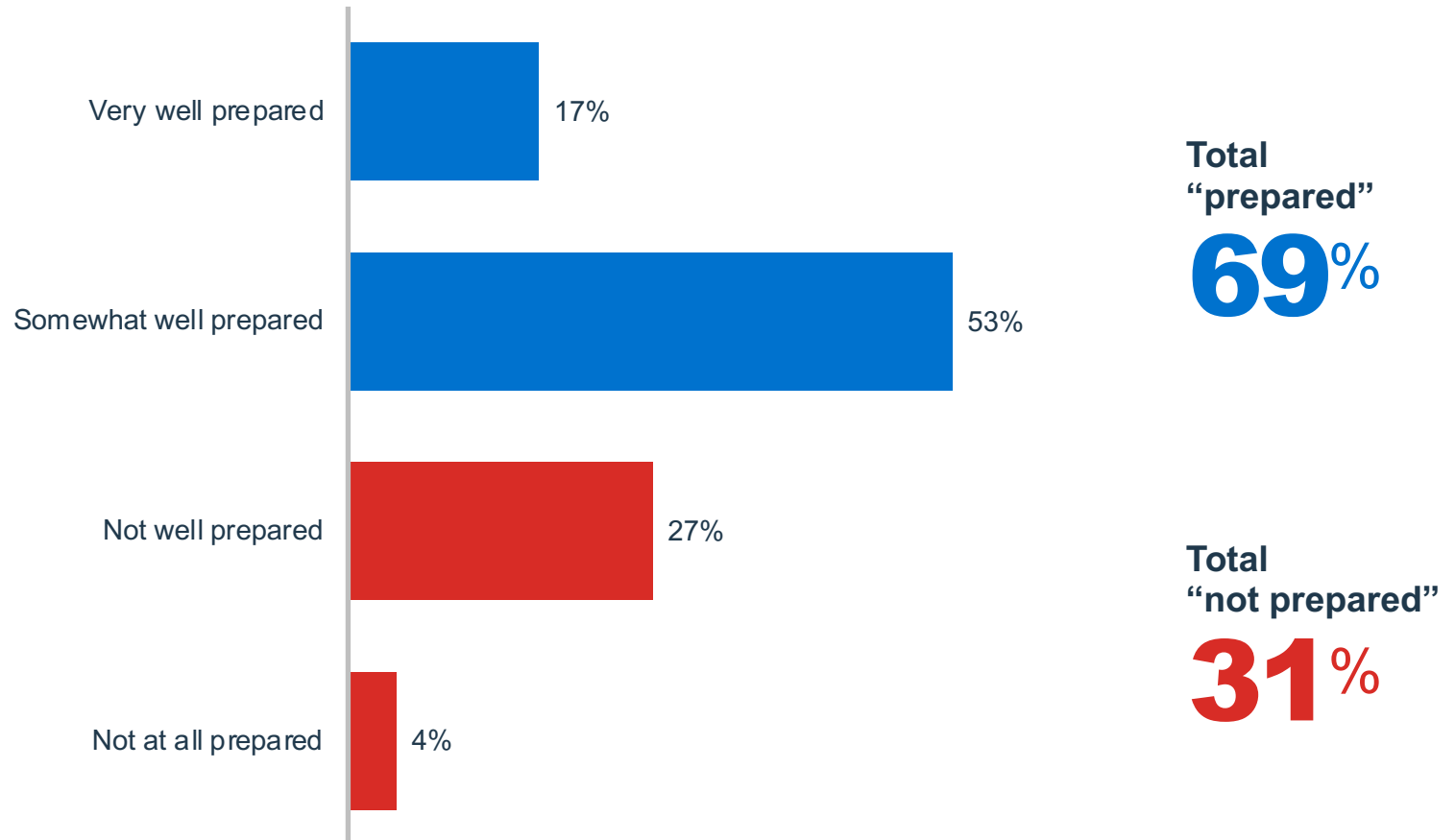


**Base:** All respondents (n=1,452). Those who preferred not to answer were excluded from the calculation base.

# Prepared for an economic slowdown



S2Q5. How **prepared** is your company for an **economic slowdown or recession**?



**Base:** All respondents (n=1,457). Those who did not know were excluded from the calculation base. This question was asked for the first time in this wave of the survey.

# Actions to limit the impact of an economic slowdown



S2Q6. What **actions** have you taken or do you plan to take to **limit the impact of an economic slowdown** on your business?




**Base:** All respondents (n=1,461). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total may not equal to 100%. This question was asked for the first time in this wave of the survey.



# 03.3

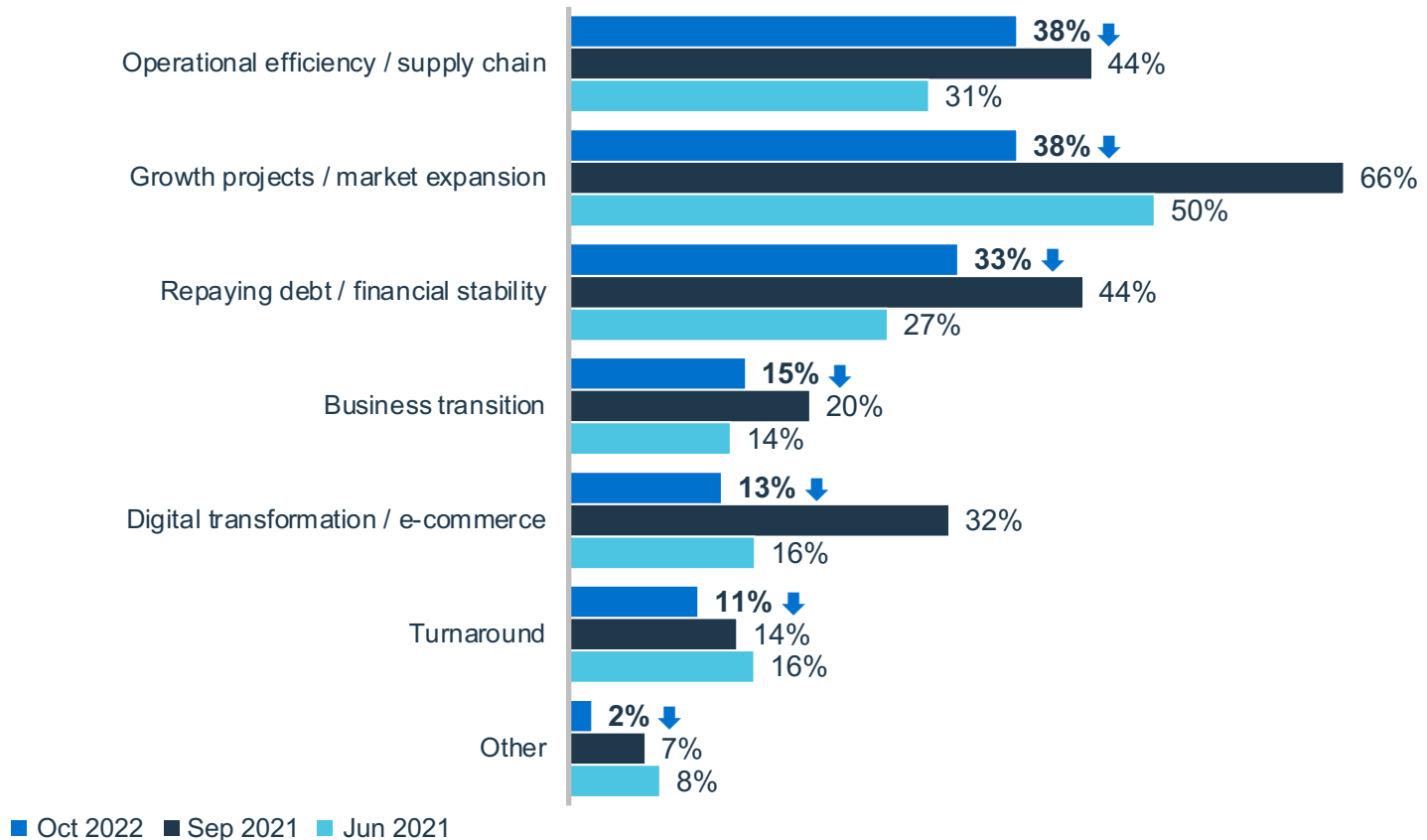
## Business needs and challenges



# Aspects SMEs intend to focus on in the next 12 months



S3Q1. Which of the following aspects do you intend to **focus on in the next 12 months**?



**Base:** All respondents (n wave 3 = 1,447). Those who did not know were excluded from the calculation base. A maximum of three mentions was allowed, therefore total may not equal to 100%. **Note:** Since the two survey waves were conducted among different panels, any comparison is indicative and should be interpreted with caution. Arrows indicate statistically significant differences between the last survey waves.

# Forecasted **internal** obstacles over the next 12 months



S3Q2. Over the **next 12 months**, which of the following **internal obstacles** do you think your company will face?

## Internal obstacles



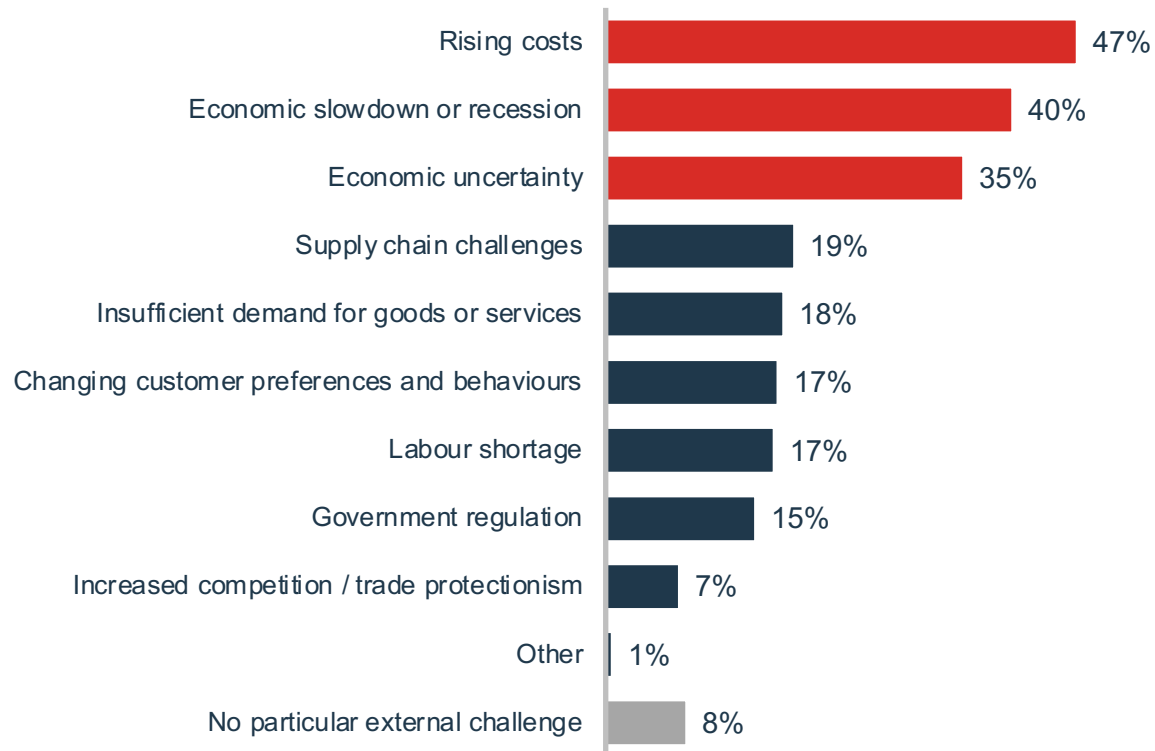
**Base:** All respondents (n=1,461). Those who did not know or preferred not to answer were excluded from the calculation base. A maximum of three mentions was allowed, therefore total may not equal to 100%. This question was asked for the first time in this wave of the survey.

# Forecasted **external** obstacles over the next 12 months



S3Q3. Over the **next 12 months**, which of the following **external obstacles** do you think your company will face?

## External obstacles



**Base:** All respondents (n=1,464). Those who did not know or preferred not to answer were excluded from the calculation base. A maximum of three mentions was allowed, therefore total may not equal to 100%. This question was modified in October 2022.

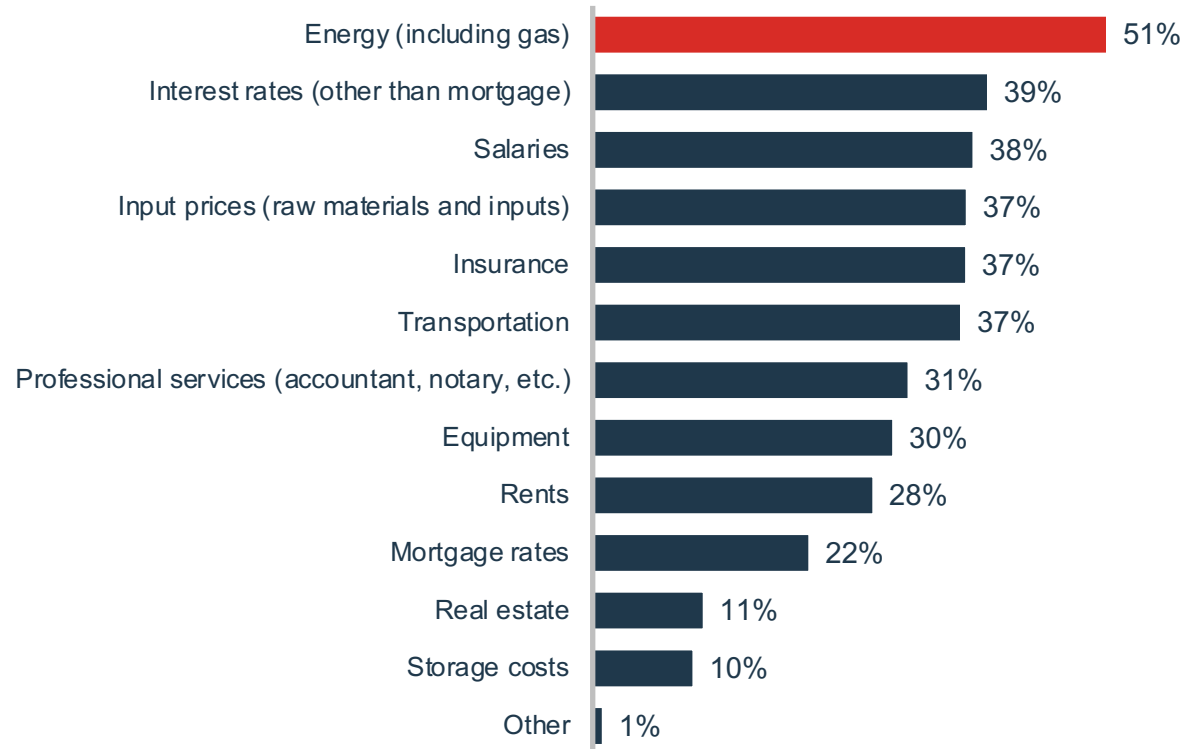


# Categories of rising costs



S3Q4. You mentioned **rising costs** as an external obstacle. **Which costs** are you referring to?

## Rising costs

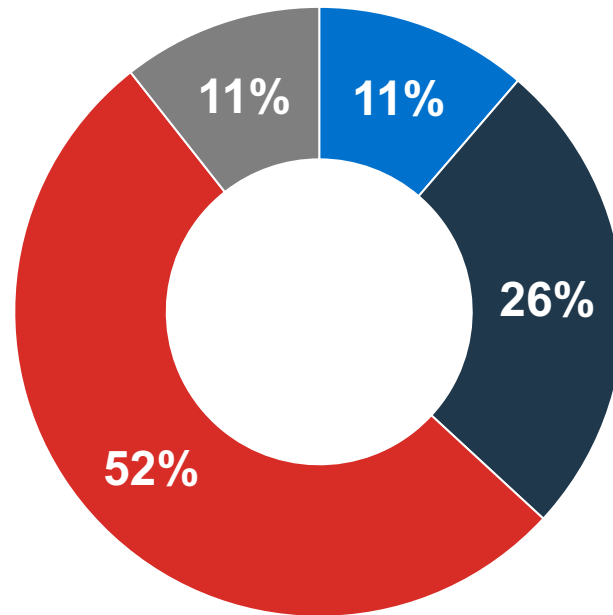


**Base:** Respondents who see rising costs of doing business as a challenge (n=688). Those who did not know were excluded from the calculation base. A maximum of three mentions was allowed, therefore total may not equal to 100%. This question was asked for the first time in this wave of the survey.



S3Q5. When you think about the **current inflationary context**, do you think that...

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- The worst is behind us
- We are in the worst moment
- The worst is yet to come
- Don't know



04.

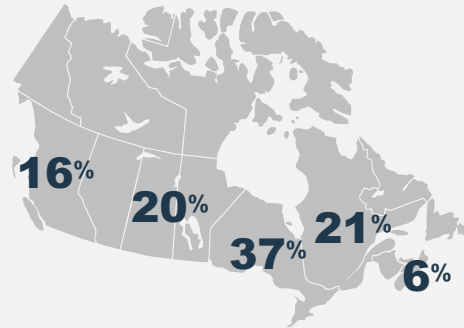
## Respondents' profile



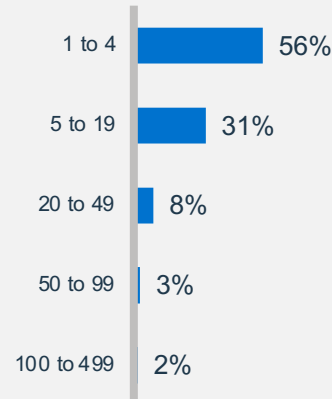
# Profile of the SMEs who completed the survey (cont.)



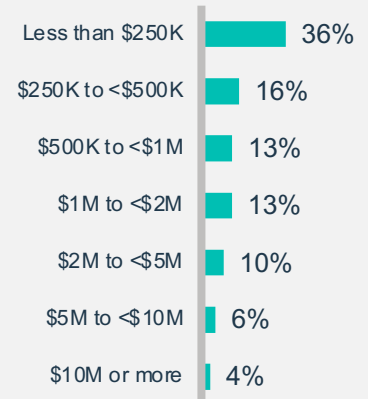
## Region



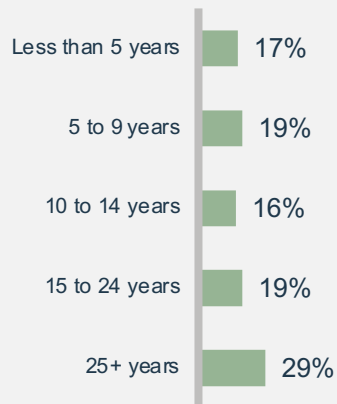
## Number of employees



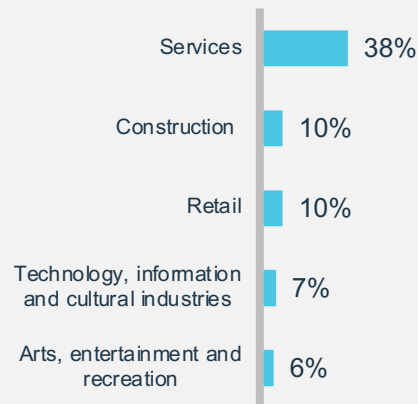
## Annual sales



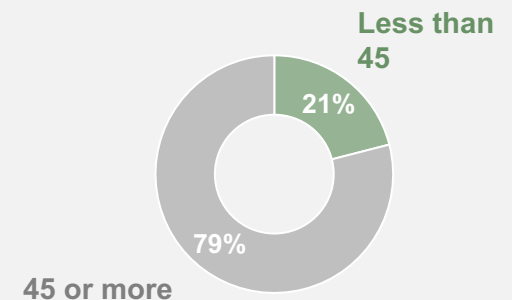
## Years in business



## Sector of activity



## Age

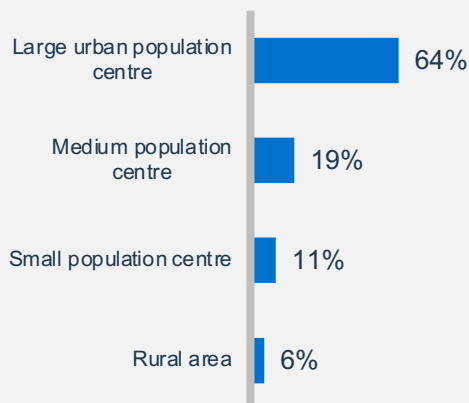


Base: All respondents (n=1,461-1,502). Those who did not know or preferred not to answer were excluded from the calculation base. Sectors with 6% or more of respondents are presented and some sectors have been regrouped.

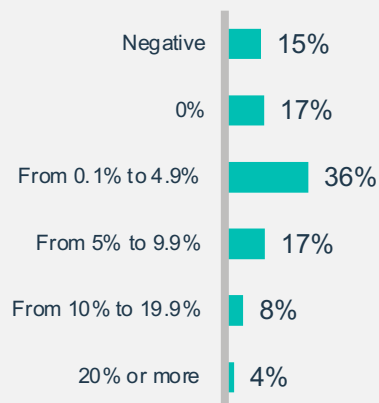
# Profile of the SMEs who completed the survey (cont.)



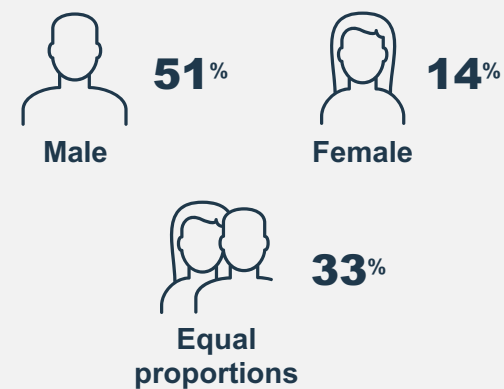
## Location



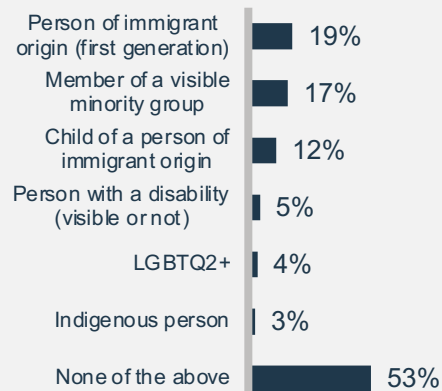
## Revenue growth



## Gender (owners)



## Diversity (owners)\*



Base: All respondents (n=1,395-1,502). Those who did not know or preferred not to answer were excluded from the calculation base. \*Multiple mentions were allowed, therefore total exceeds 100%.



Thank you.

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