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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 ±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
Overall situation

**Profitability**
- **88%** Profitable
- **45%** Of SMEs don't see any problems on the horizon

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

**Sales**
- Compared to last year, sales are...
  - **29%** Higher
  - **42%** Comparable
  - **28%** Lower

**Capacity to absorb more debt**
- **54%** Could take more debt at this time
- **33%** Could not take more debt at this time

BDC – SMEs current state and financing needs, Oct 2022
Impacts of rising interest rates

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

### Sales
- Currently: 43%
- Next 12 months: 55%

Currently: 43% Next 12 months: 55%

### Investments
- Currently: 55%
- Next 12 months: 56%

Currently: 55% Next 12 months: 56%

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

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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: 31%
- Increase productivity: 28%
- Reduce debt level: 28%

36% are **limited** by the repayment of their debts
Business needs and challenges

Main areas of focus

- **Operational efficiency**
  - 38%
  - (-6 pts vs. Sept 2021, significant)

- **Growth projects / Market expansion**
  - 38%
  - (-28 pts vs. Sept 2021, significant)

- **Repaying debt / Financial stability**
  - 33%
  - (-11 pts vs. Sept 2021, significant)

Challenges

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

- **Rising costs**
  - 47%

- **Economic slowdown or recession**
  - 40%

- **Economic uncertainty**
  - 35%

- **Controlling internal costs**
  - 34%

Current inflationary context

*SMEs are quite pessimistic about the current inflationary context*

- 11% Worst is behind us
- 26% Currently in the worst
- 52% Worst is yet to come

Elements behind rising costs

- **Energy**
  - 51%

- **Interest rates**
  - 39%

- **Salaries**
  - 38%
03.1 Current state
S1Q1. Which of the following situations **best describes** your company’s **current situation** in terms of **profitability**? Is your company…

- Profitable, no problems on the horizon: **45%**
- Profitable, but struggling to stay profitable: **43%**
- Not profitable: **12%**

**Total “profitable”** **88%**

**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.
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...

- **Much higher**: 6%
- **Somewhat higher**: 23%
- **Comparable**: 42%
- **Somewhat lower**: 19%
- **Much lower**: 9%
- **The company did not exist at this date last year**: 1%

**Total “higher”**: 29%

**Total “lower”**: 28%

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

- **Very comfortable**: 37%
- **Somewhat comfortable**: 37%
- **Somewhat uncomfortable**: 19%
- **Very uncomfortable**: 6%

**Total “comfortable”**: 75%

**Total “uncomfortable”**: 25%

**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…

- Increased a lot: 6%
- Increased a little: 22%
- Stayed the same: 54%
- Decreased a little: 13%
- Decreased a lot: 6%

Total “increased”: 28%
Total “decreased”: 18%

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?

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

- No impact so far: 54%
- Sales have started to decrease: 31%
- Sales have decreased significantly: 12%
- Sales have increased: 3%

Total “decreased”: 43%

Impact over the next 12 months

- Will have no impact: 30%
- Sales will decrease slightly: 38%
- Sales will decrease significantly: 17%
- Sales will increase: 3%
- Don’t know: 13%

Total “will decrease”: 55%

**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.
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**

<table>
<thead>
<tr>
<th>Impact</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No impact so far</td>
<td>41%</td>
</tr>
<tr>
<td>Have reduced investments due to higher interest rates</td>
<td>20%</td>
</tr>
<tr>
<td>Have reduced investments due to lower sales</td>
<td>16%</td>
</tr>
<tr>
<td>Have reduced investments due to economic uncertainty</td>
<td>26%</td>
</tr>
<tr>
<td>Have reduced investments due to difficulty obtaining financing</td>
<td>10%</td>
</tr>
<tr>
<td>Have increased investments</td>
<td>4%</td>
</tr>
</tbody>
</table>

**Total “reduced”**

55%

**Impact over the next 12 months**

<table>
<thead>
<tr>
<th>Impact</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will have no impact</td>
<td>27%</td>
</tr>
<tr>
<td>Will reduce investments due to higher interest rates</td>
<td>22%</td>
</tr>
<tr>
<td>Will reduce investments due to lower sales</td>
<td>18%</td>
</tr>
<tr>
<td>Will reduce investments due to economic uncertainty</td>
<td>26%</td>
</tr>
<tr>
<td>Will reduce investments due to difficulty obtaining financing</td>
<td>10%</td>
</tr>
<tr>
<td>Will increase investments</td>
<td>5%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>13%</td>
</tr>
</tbody>
</table>

**Total “will reduce”**

56%

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

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?

- Very well prepared: 17%
- Somewhat well prepared: 53%
- Not well prepared: 27%
- Not at all prepared: 4%

Total “prepared”: 69%
Total “not prepared”: 31%

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

- Reduce your losses / waste: 31%
- Increase your productivity / efficiency: 28%
- Reduce your debt level: 28%
- Grow in new markets: 21%
- Adapt your marketing strategy: 21%
- Reduce your energy consumption (including gas): 20%
- Adapt the workload of your employees: 19%
- Reduce your number of employees: 19%
- Increase your product or service offering: 18%
- Increase your cashflow: 15%
- Renegotiate the conditions of your loans: 9%
- Increase your debt level: 5%
- Other: 2%
- None of the above: 11%

**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**?

- Operational efficiency / supply chain
- Growth projects / market expansion
- Repaying debt / financial stability
- Business transition
- Digital transformation / e-commerce
- Turnaround
- Other

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

**Internal obstacles**

- Controlling costs: 34%
- Maintaining sufficient cash flow: 24%
- Recruiting and retaining skilled employees: 24%
- Managing debt: 21%
- Improving operational efficiency / productivity: 21%
- Replacing aging equipment: 13%
- Dealing with governmental restrictions and lockdowns: 12%
- Dealing with red tape: 11%
- Obtaining financing: 11%
- Integrating new technologies: 10%
- Lack of space: 5%
- Other: 1%
- No particular internal challenge: 13%

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

<table>
<thead>
<tr>
<th>External obstacles</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rising costs</td>
<td>47%</td>
</tr>
<tr>
<td>Economic slowdown or recession</td>
<td>40%</td>
</tr>
<tr>
<td>Economic uncertainty</td>
<td>35%</td>
</tr>
<tr>
<td>Supply chain challenges</td>
<td>19%</td>
</tr>
<tr>
<td>Insufficient demand for goods or services</td>
<td>18%</td>
</tr>
<tr>
<td>Changing customer preferences and behaviours</td>
<td>17%</td>
</tr>
<tr>
<td>Labour shortage</td>
<td>17%</td>
</tr>
<tr>
<td>Government regulation</td>
<td>15%</td>
</tr>
<tr>
<td>Increased competition / trade protectionism</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
<tr>
<td>No particular external challenge</td>
<td>8%</td>
</tr>
</tbody>
</table>

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

### Rising costs

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy (including gas)</td>
<td>51%</td>
</tr>
<tr>
<td>Interest rates (other than mortgage)</td>
<td>39%</td>
</tr>
<tr>
<td>Salaries</td>
<td>38%</td>
</tr>
<tr>
<td>Input prices (raw materials and inputs)</td>
<td>37%</td>
</tr>
<tr>
<td>Insurance</td>
<td>37%</td>
</tr>
<tr>
<td>Transportation</td>
<td>37%</td>
</tr>
<tr>
<td>Professional services (accountant, notary, etc.)</td>
<td>31%</td>
</tr>
<tr>
<td>Equipment</td>
<td>30%</td>
</tr>
<tr>
<td>Rents</td>
<td>28%</td>
</tr>
<tr>
<td>Mortgage rates</td>
<td>22%</td>
</tr>
<tr>
<td>Real estate</td>
<td>11%</td>
</tr>
<tr>
<td>Storage costs</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
</tbody>
</table>

*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...

- The worst is behind us: 52%
- We are in the worst moment: 26%
- The worst is yet to come: 11%
- Don't know: 11%

**Base:** All respondents (n=1,502). This question was asked for the first time in this wave of the survey.
04.
Respondents’ profile
Profile of the SMEs who completed the survey (cont.)

Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>37%</td>
<td></td>
</tr>
<tr>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

Number of employees

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 4</td>
<td>56%</td>
</tr>
<tr>
<td>5 to 19</td>
<td>31%</td>
</tr>
<tr>
<td>20 to 49</td>
<td>8%</td>
</tr>
<tr>
<td>50 to 99</td>
<td>3%</td>
</tr>
<tr>
<td>100 to 499</td>
<td>2%</td>
</tr>
</tbody>
</table>

Annual sales

<table>
<thead>
<tr>
<th>Annual sales</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $250K</td>
<td>36%</td>
</tr>
<tr>
<td>$250K to &lt;$500K</td>
<td>16%</td>
</tr>
<tr>
<td>$500K to &lt;$1M</td>
<td>13%</td>
</tr>
<tr>
<td>$1M to &lt;$2M</td>
<td>13%</td>
</tr>
<tr>
<td>$2M to &lt;$5M</td>
<td>10%</td>
</tr>
<tr>
<td>$5M to &lt;$10M</td>
<td>6%</td>
</tr>
<tr>
<td>$10M or more</td>
<td>4%</td>
</tr>
</tbody>
</table>

Years in business

<table>
<thead>
<tr>
<th>Years in business</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>17%</td>
</tr>
<tr>
<td>5 to 9 years</td>
<td>19%</td>
</tr>
<tr>
<td>10 to 14 years</td>
<td>16%</td>
</tr>
<tr>
<td>15 to 24 years</td>
<td>19%</td>
</tr>
<tr>
<td>25+ years</td>
<td>29%</td>
</tr>
</tbody>
</table>

Sector of activity

<table>
<thead>
<tr>
<th>Sector of activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>38%</td>
</tr>
<tr>
<td>Construction</td>
<td>10%</td>
</tr>
<tr>
<td>Retail</td>
<td>10%</td>
</tr>
<tr>
<td>Technology, information and cultural industries</td>
<td>7%</td>
</tr>
<tr>
<td>Arts, entertainment and recreation</td>
<td>6%</td>
</tr>
</tbody>
</table>

Age

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 45</td>
<td>21%</td>
</tr>
<tr>
<td>45 or more</td>
<td>79%</td>
</tr>
</tbody>
</table>

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**
- Large urban population centre: 64%
- Medium population centre: 19%
- Small population centre: 11%
- Rural area: 6%

**Revenue growth**
- Negative: 15%
- 0%: 17%
- From 0.1% to 4.9%: 36%
- From 5% to 9.9%: 17%
- From 10% to 19.9%: 8%
- 20% or more: 4%

**Gender (owners)**
- Male: 51%
- Female: 14%
- Equal proportions: 33%

**Diversity (owners)*

- Person of immigrant origin (first generation): 19%
- Member of a visible minority group: 17%
- Child of a person of immigrant origin: 12%
- Person with a disability (visible or not): 5%
- LGBTQ2+: 4%
- Indigenous person: 3%
- None of the above: 53%

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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