



Investment & Financing outlook

SME business investment and financing
outlook survey, wave 16

January 2023



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01.
Key highlights

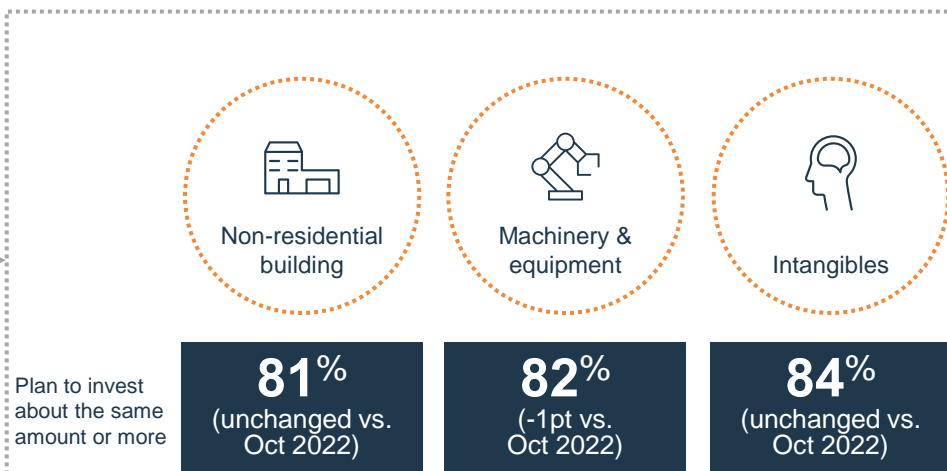
Key highlights: Profitability profile and investment intentions



Profitability



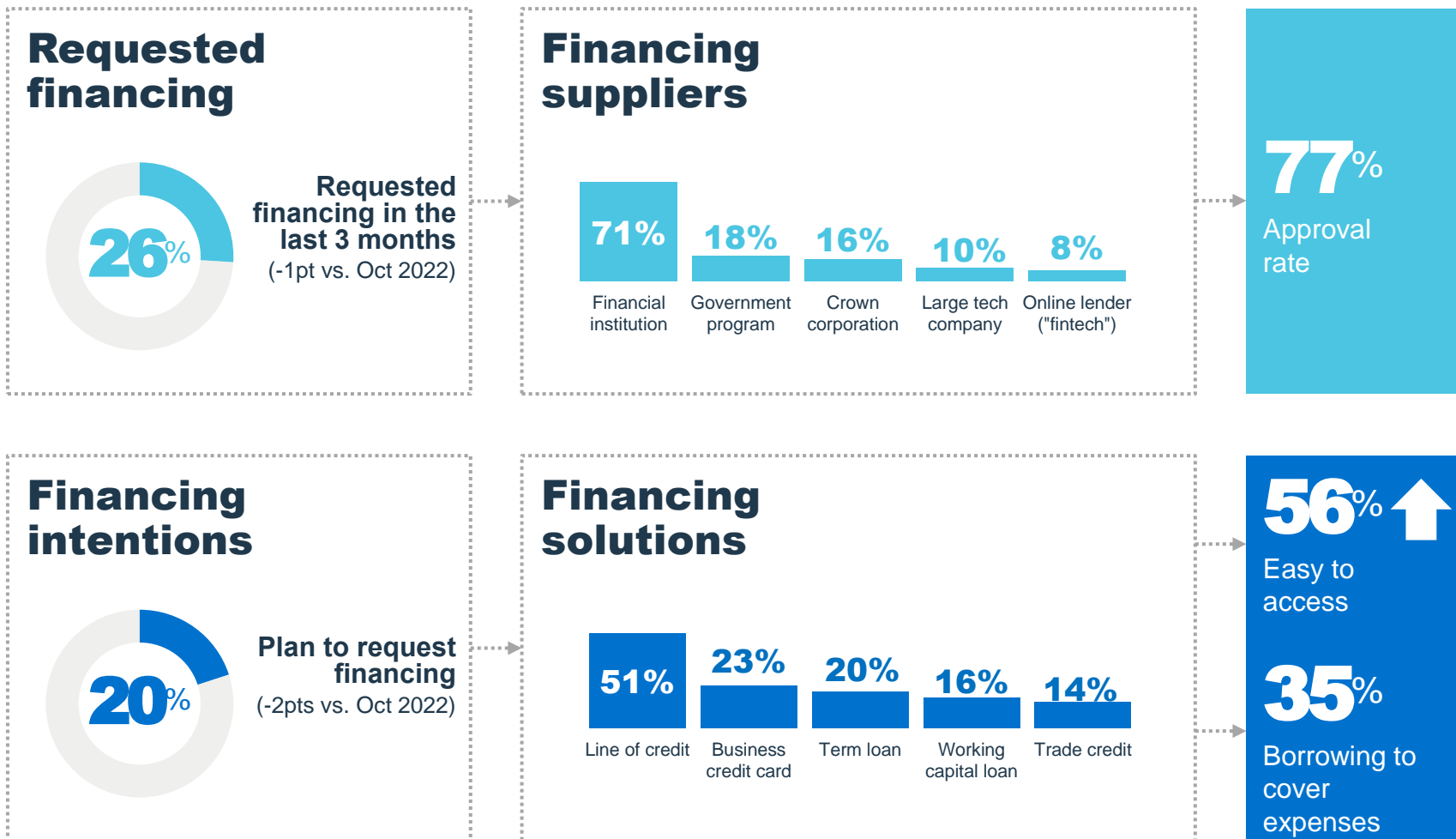
Investments



61% of those planning to invest are **not confident** they will pursue their investment in the next 12 months

Arrows indicate statistical differences between this wave and the previous one.

Key highlights: Financing intentions



Arrows indicate statistical differences between this wave and the previous one.

Key highlights: Outlook



Economic expectations



Sales expectations

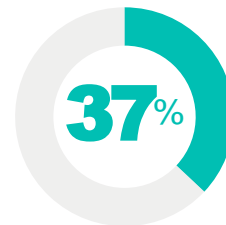


Cash flow expectations



21%

Better



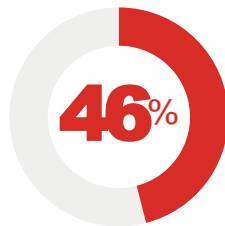
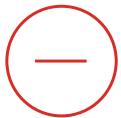
37%

Increase



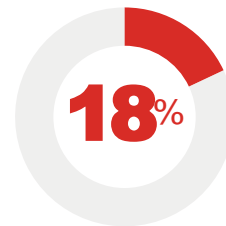
23%

Improve



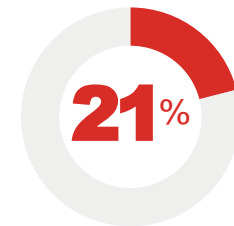
46%

Worse



18%

Decrease



21%

Deteriorate

Arrows indicate statistical differences between this wave's results and those of October 2022.



02. **Methodology**



Methodology

Survey methodology

Online tracking survey.

Respondent profile

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

Survey dates

January 17th to 27st, 2023.

Margin of error

For a probabilistic sample of 1,002 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-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 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.

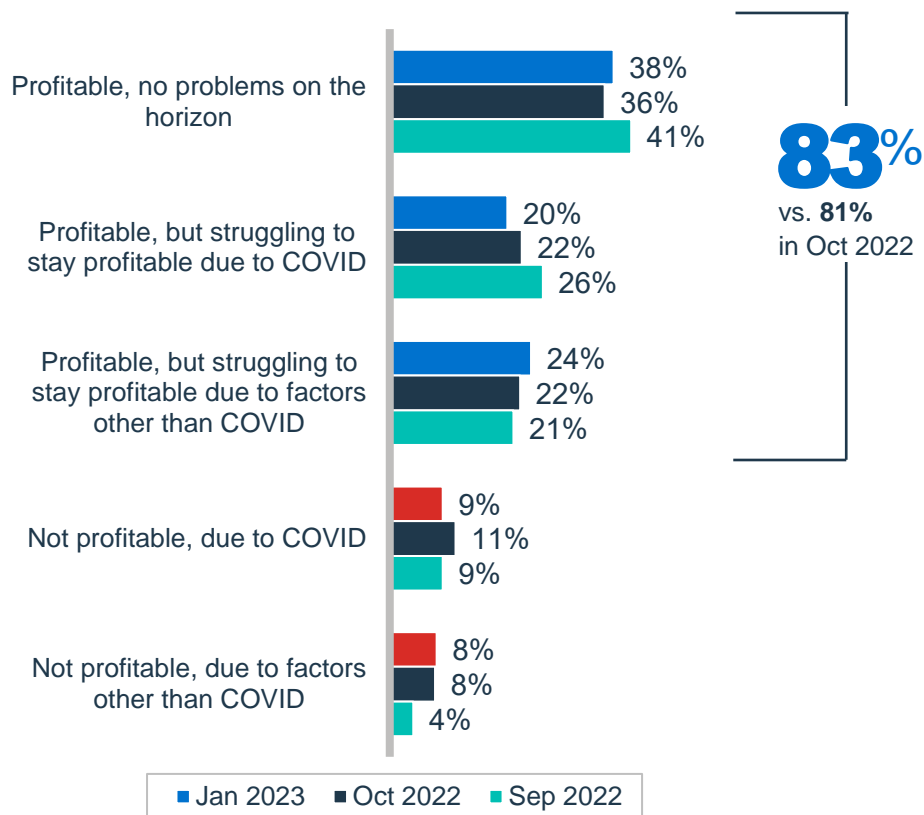
**SME current state
and expectations**



While four out of five SMEs indicate being profitable (stable), a larger proportion of **micro-businesses** (< 5 employees, sales ≤ \$500K) **are struggling**, especially those in the **B2C space**.



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

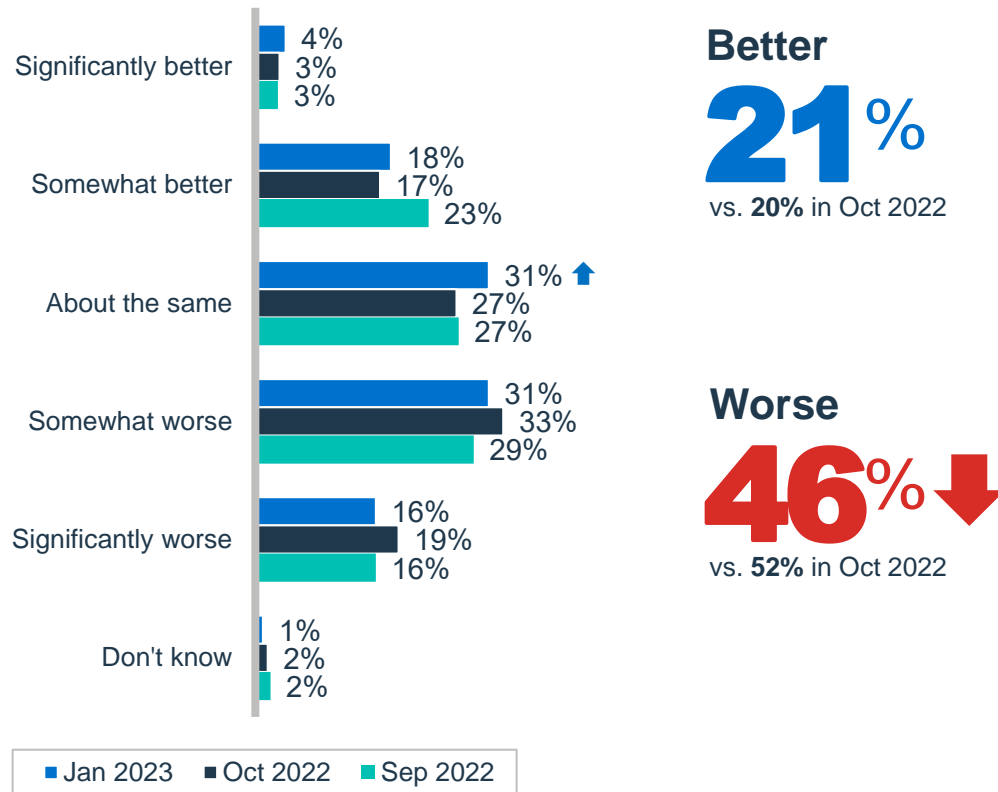


Base: All qualified respondents (n=947). Those who did not know or preferred not to answer were excluded from the calculation base.

Just over **half** of SMEs believe that the economic conditions will be **better** or **similar** in the upcoming year.



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?

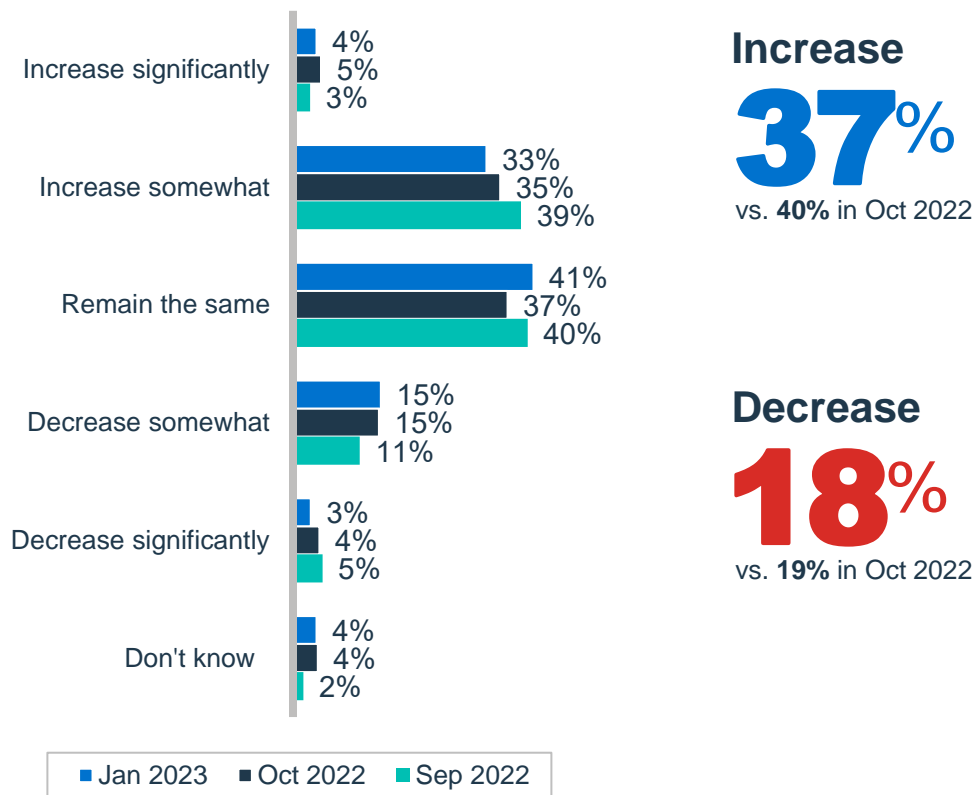


Base: All qualified respondents (n=1,002). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Nearly **4 out of 5** SMEs expect **sales to remain the same or increase** over the next 12 months. Optimism regarding sales and revenue is pushed **upwards by SMEs with 5 or more employees**.



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?

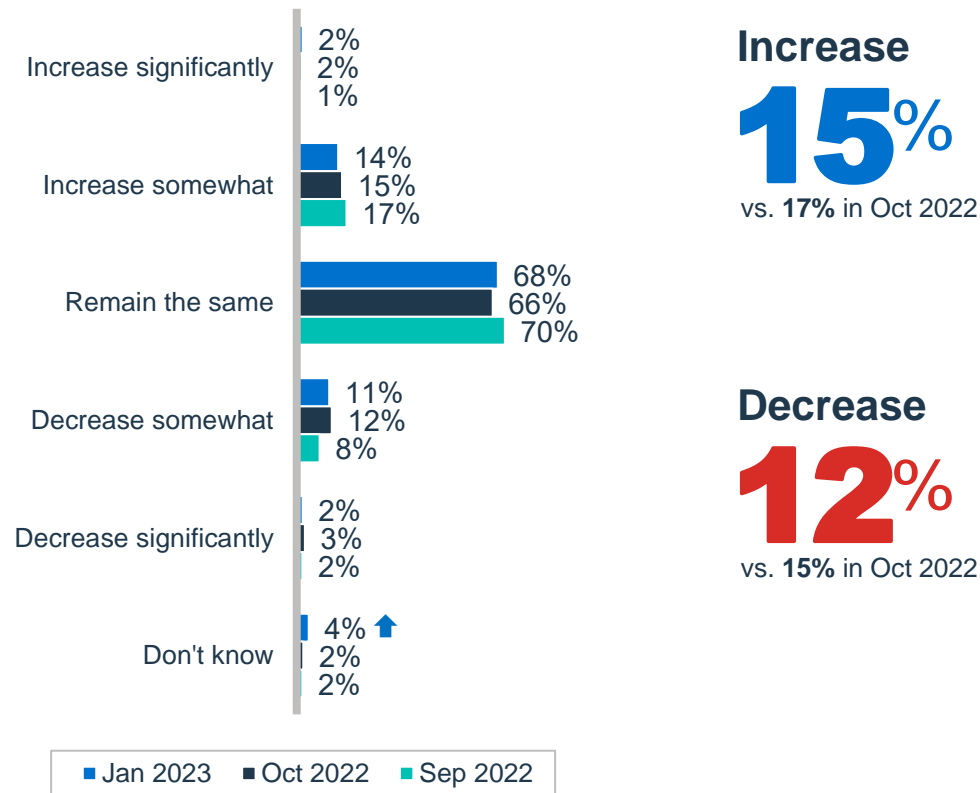


Base: All qualified respondents (n=996). Those who preferred not to answer were excluded from the calculation base.

Two thirds of SMEs expect their **employee count** to remain the **same**. However, a statistically higher percentage of SMEs with 5 or more employees expect to **increase** their staff.



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?

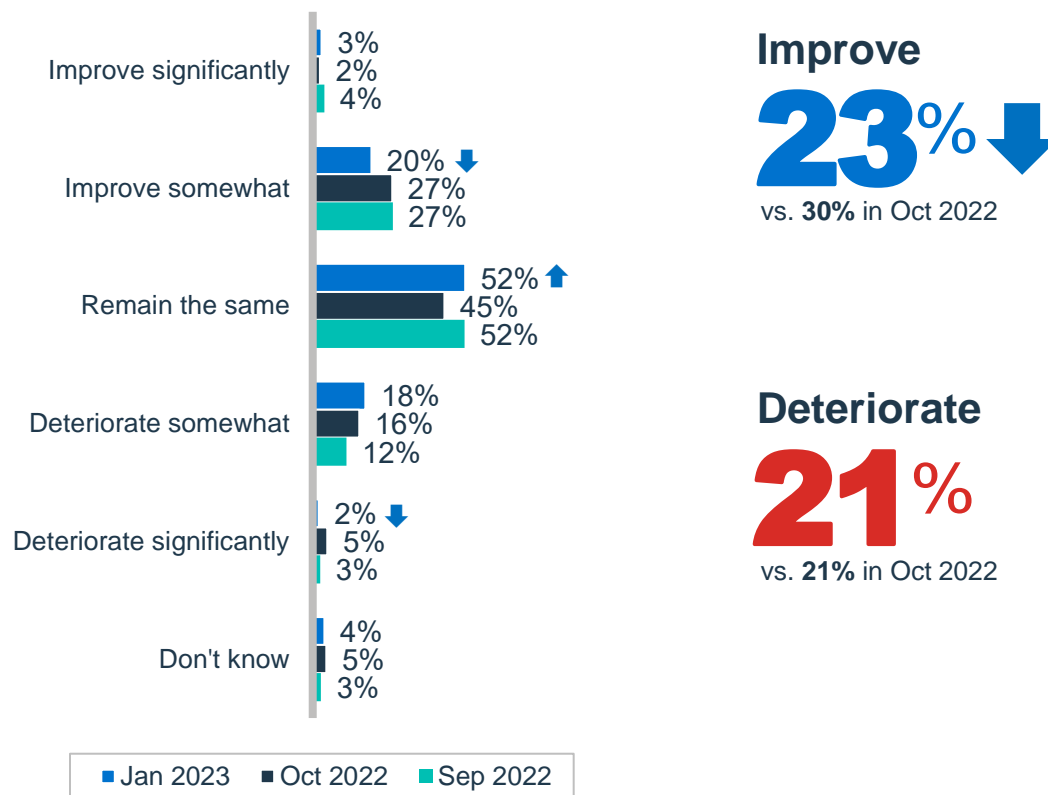


Base: All qualified respondents (n=998). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Fewer SMEs expect their cash flow to **improve** in 2023, shifting to a higher percentage of SMEs who think the situation will **remain the same**.



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?

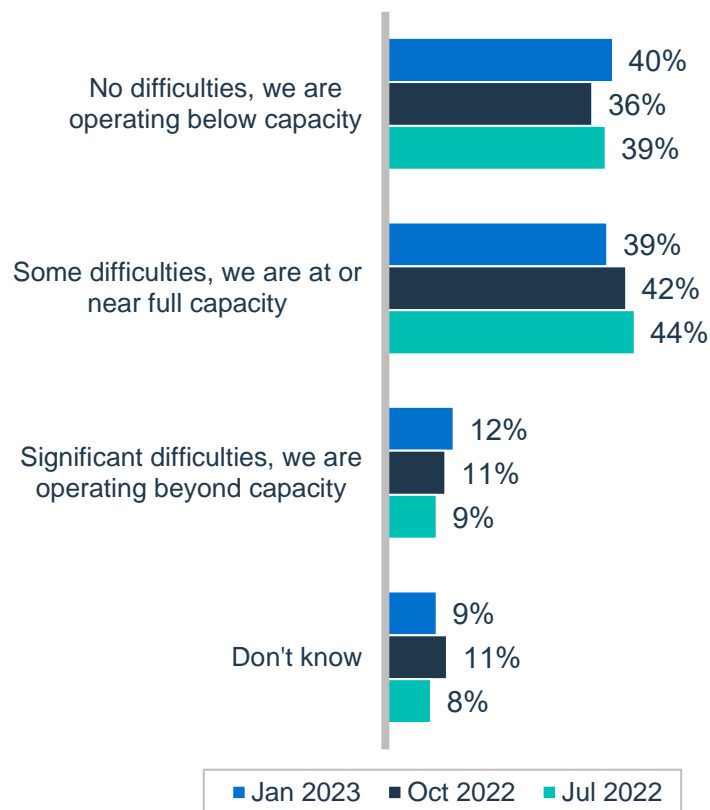


Base: All qualified respondents (n=997). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Two out of five SMEs are operating below capacity, especially micro-businesses. A nearly equal proportion are at or near full capacity, while one in ten are operating beyond capacity.



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

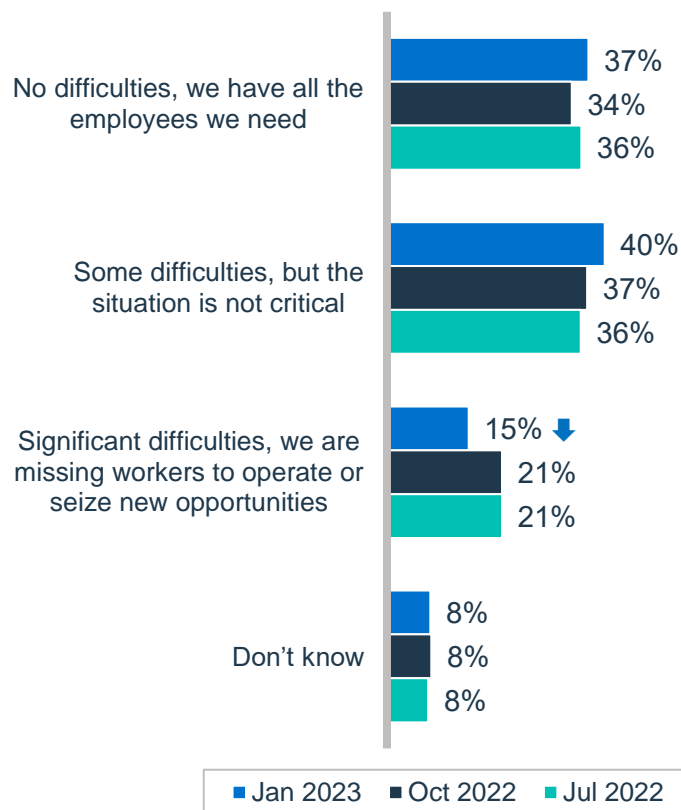


Base: All qualified respondents (n=993). Those who preferred not to answer were excluded from the calculation base.

Hiring qualified workers is now a concern for fewer than 1 in 5 SMEs. For the most part, SMEs have the employees they need or are experiencing some noncritical hiring difficulty.



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

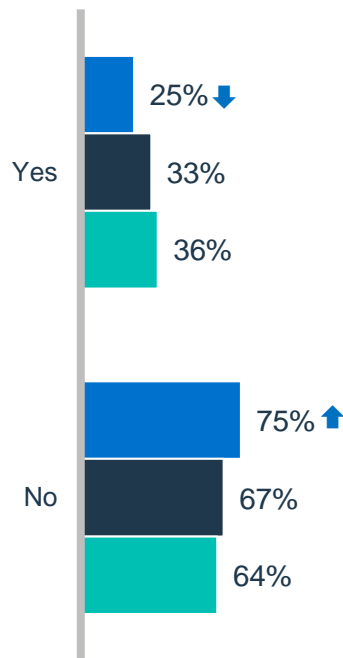


Base: All qualified respondents (n=996).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

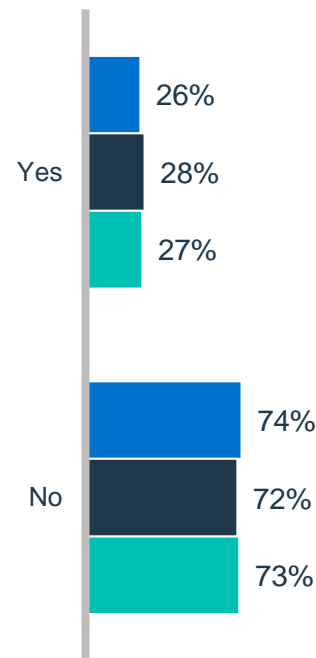
Debt repayment is affecting **one quarter** of SMEs, especially goods-producing firms. Needs are totally met for half of SMEs.



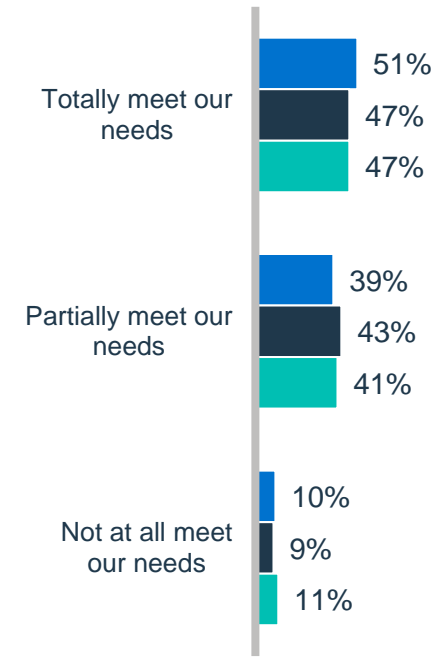
BA1. In the past or next 12 months, has your business used or will use **significant resources** for **growth projects**?



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 financing needs in the short -term**?



■ Jan 2023 ■ Oct 2022 ■ Sep 2022

Base: All respondents (n=1002). Those who preferred not to answer at BA2 (n=947) and BA3 (n=943) were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

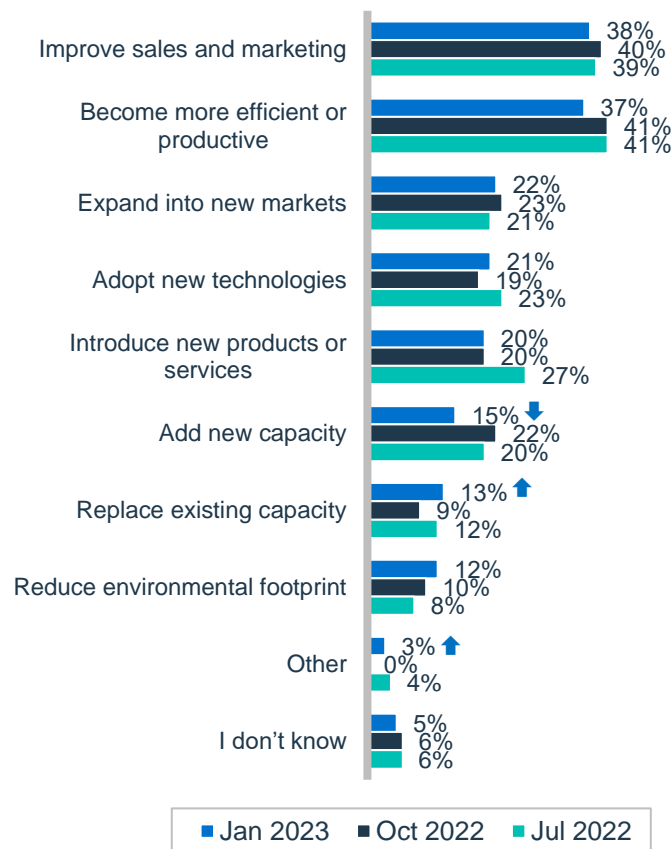


03b. **Investment outlook**

The top investment goals remain **consistent**: improving **sales and marketing** and becoming more **efficient or productive**. Replacing existing capacity rebounded with a significant increase.



Q55. What are your main **investment goals** for the next 12 months?

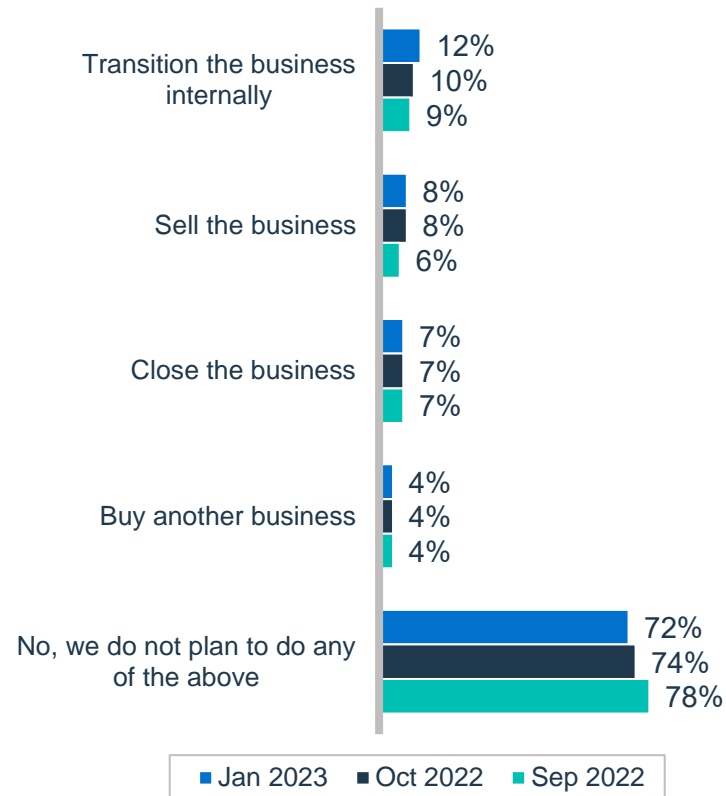


Base: Respondents planning to invest (n=466). Those who preferred not to answer were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. Arrows indicate statistical differences between this wave and the previous one.

While more than 7 out of 10 SMEs have no plans per se, we do note a trend appearing with internal business transition.



Q80. Over the next 12 months, do you plan to pursue any of the following actions?



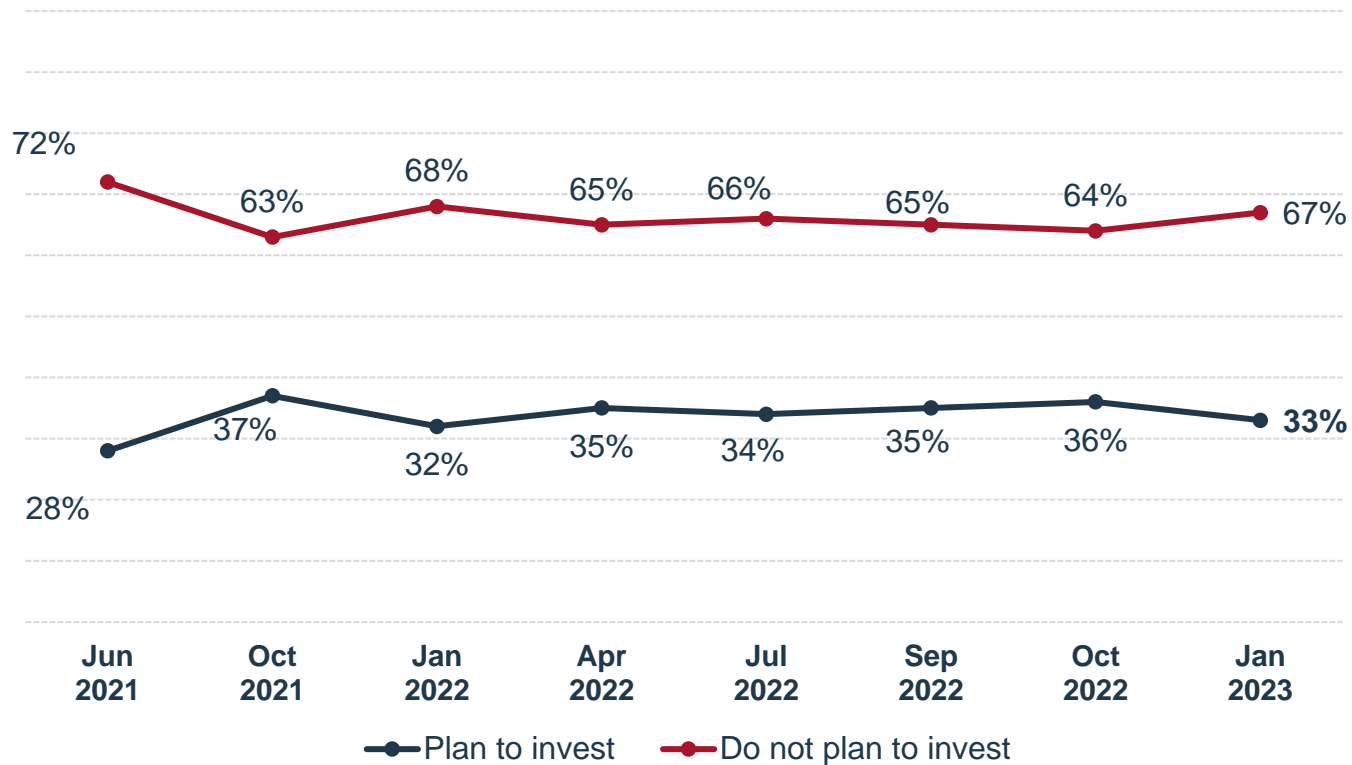
Base: All qualified respondents (n=916).

Those who did not know or preferred not to answer were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%.

Despite higher rates, investment intentions in **non-residential building** have only **decreased slightly**.



Q57a. Investment intentions in **non-residential building, including renovations** over the next 12 months.

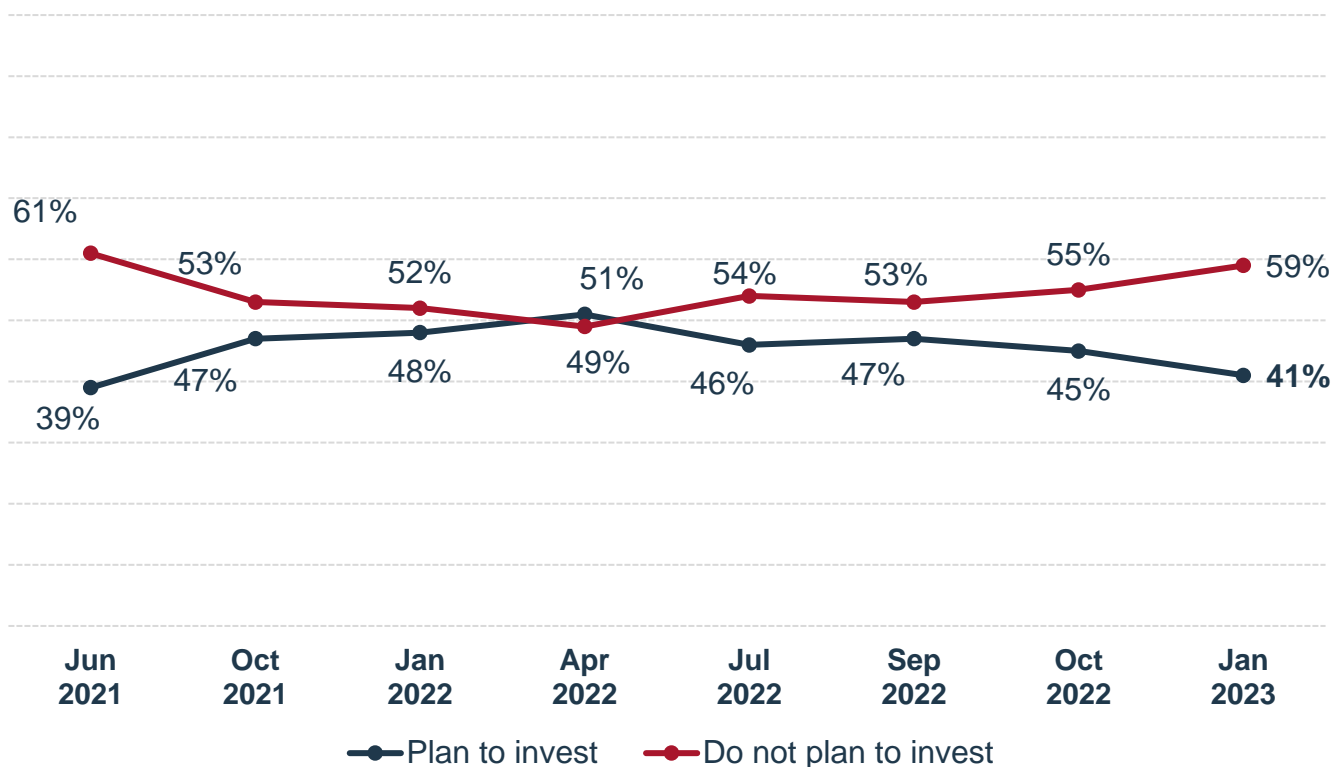


Base: All qualified respondents (n=892). Those who preferred not to answer were excluded from the calculation base.

Investment intentions in machinery and equipment are decreasing.



Q57b. Investment intentions in machinery and equipment over the next 12 months.

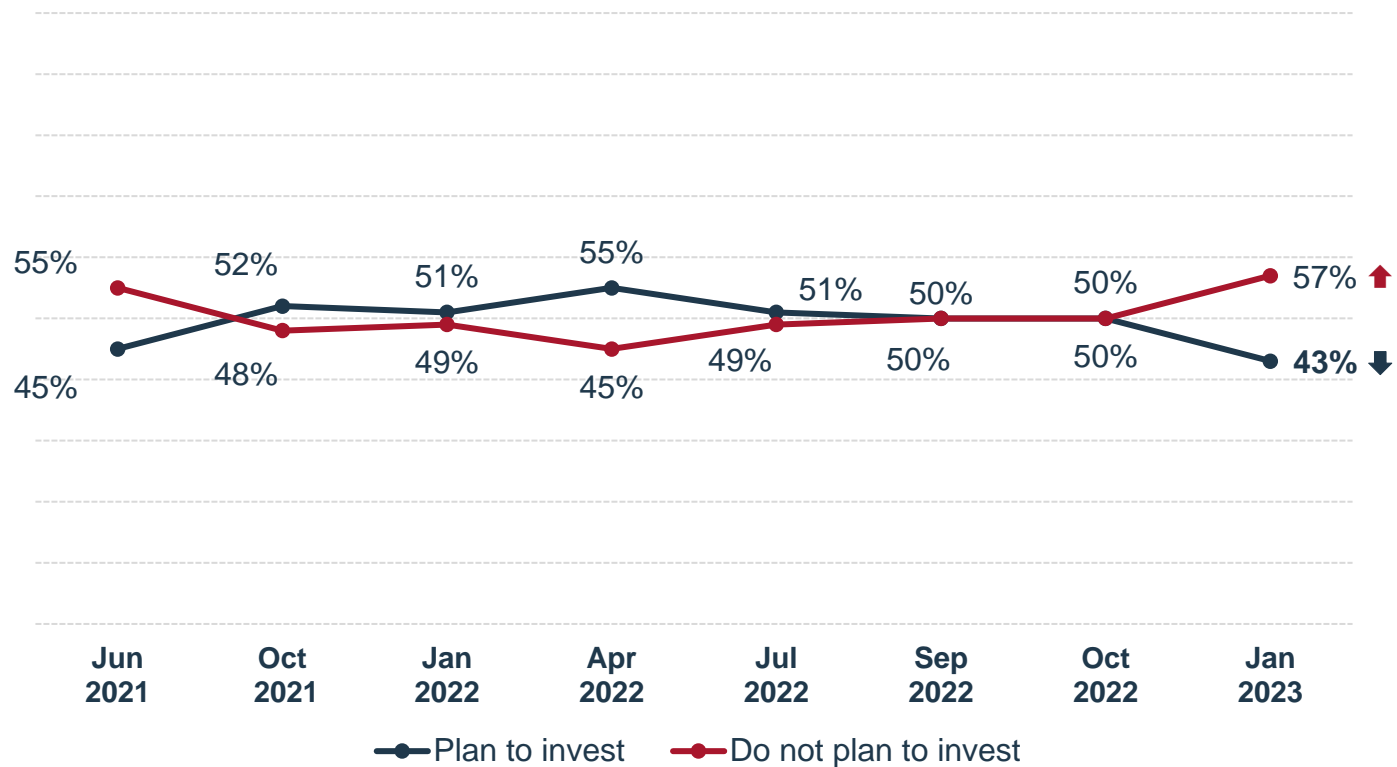


Base: All qualified respondents (n=886). Those who preferred not to answer were excluded from the calculation base.

Investment intentions in **intangibles** have **decreased significantly** to their **lowest point** in nearly **two years**.



Q57c. Investment intentions in **software, IP protection, R&D, marketing, and employee training** over the next 12 months.

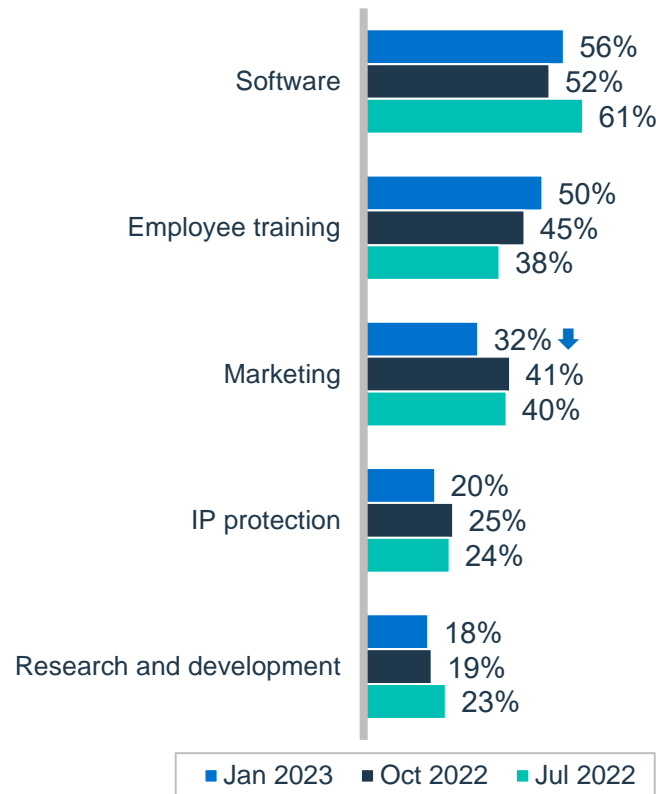


Base: All qualified respondents (n=878). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Among those planning to invest in intangibles, intentions are **up for software** and **employee training**. **Marketing** investment intentions are **down**, which is not unusual during an economic downturn.



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



Base: All qualified respondents planning to invest in intangibles (n=364). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

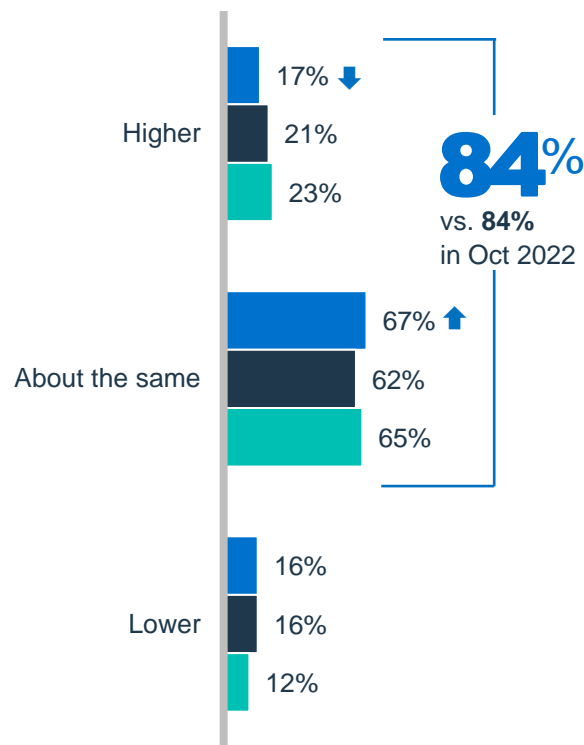
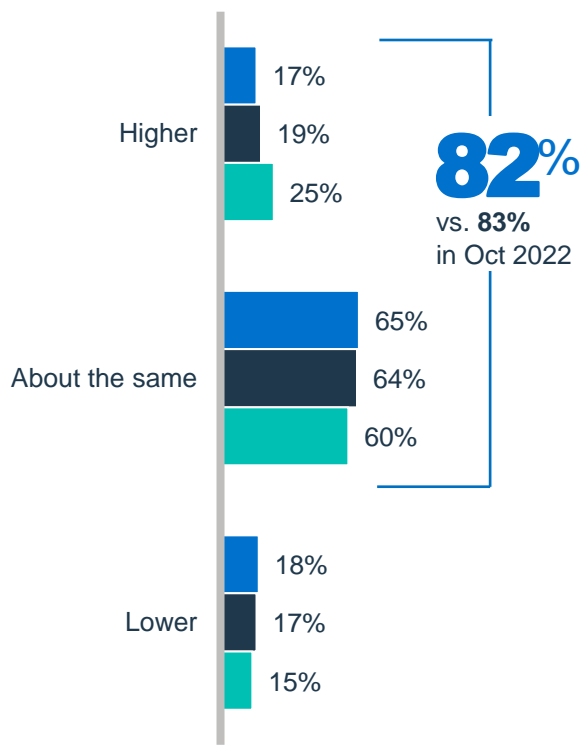
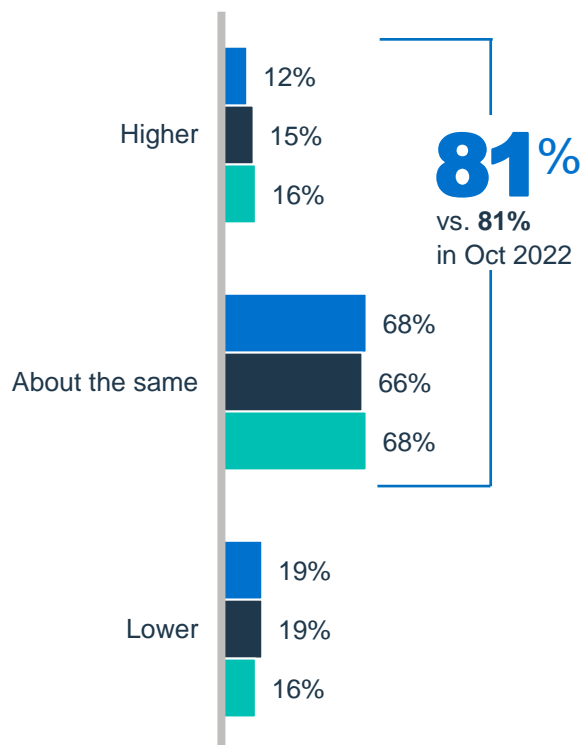
Despite **economic uncertainty**, investment intentions in all three categories are holding **steady** but the proportion of SMEs planning to invest a **higher amount** has **diminished** for all three categories.



Q58a. Non-residential building, including renovations

Q58b. Machinery and equipment

Q58c. Software, IP protection, R&D, marketing, and employee training



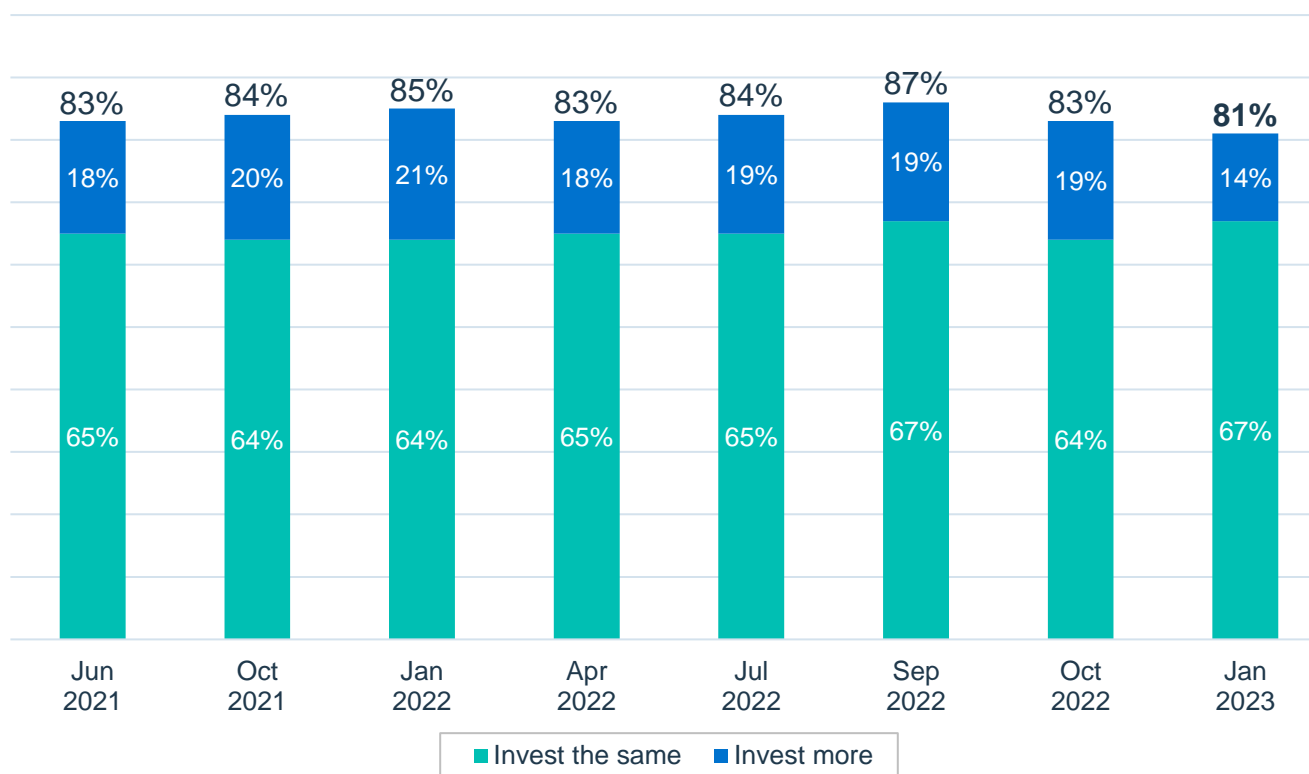
■ Jan 2023 ■ Oct 2022 ■ Sep 2022

Base: All qualified respondents (n=897-922). Those who did not know were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

Our indicator of **investment intentions** has **decreased** and trending downwards. It is at its **lowest point** in nearly **two years**.



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

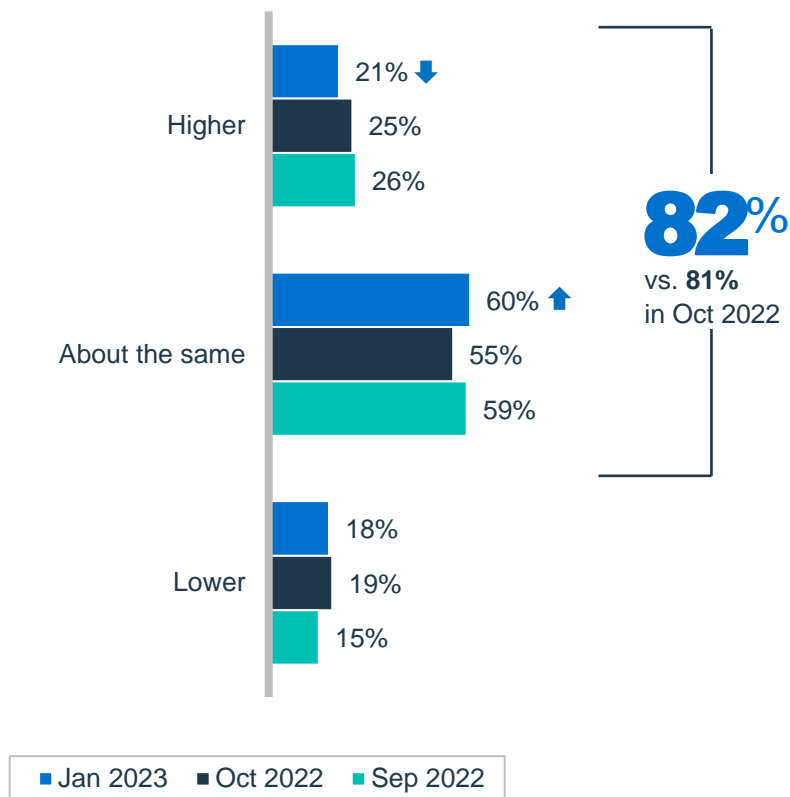


Base: All qualified respondents (n=940). Those who preferred not to answer were excluded from the calculation base.

When asked directly, four out of five SMEs say they plan to **invest about the same amount or more** next year. There is a **significant decrease** in those planning to **invest more**.



Q58b. Overall, over the next 12 months, what do you expect your company's **investment spending** to be compared to the last 12 months?

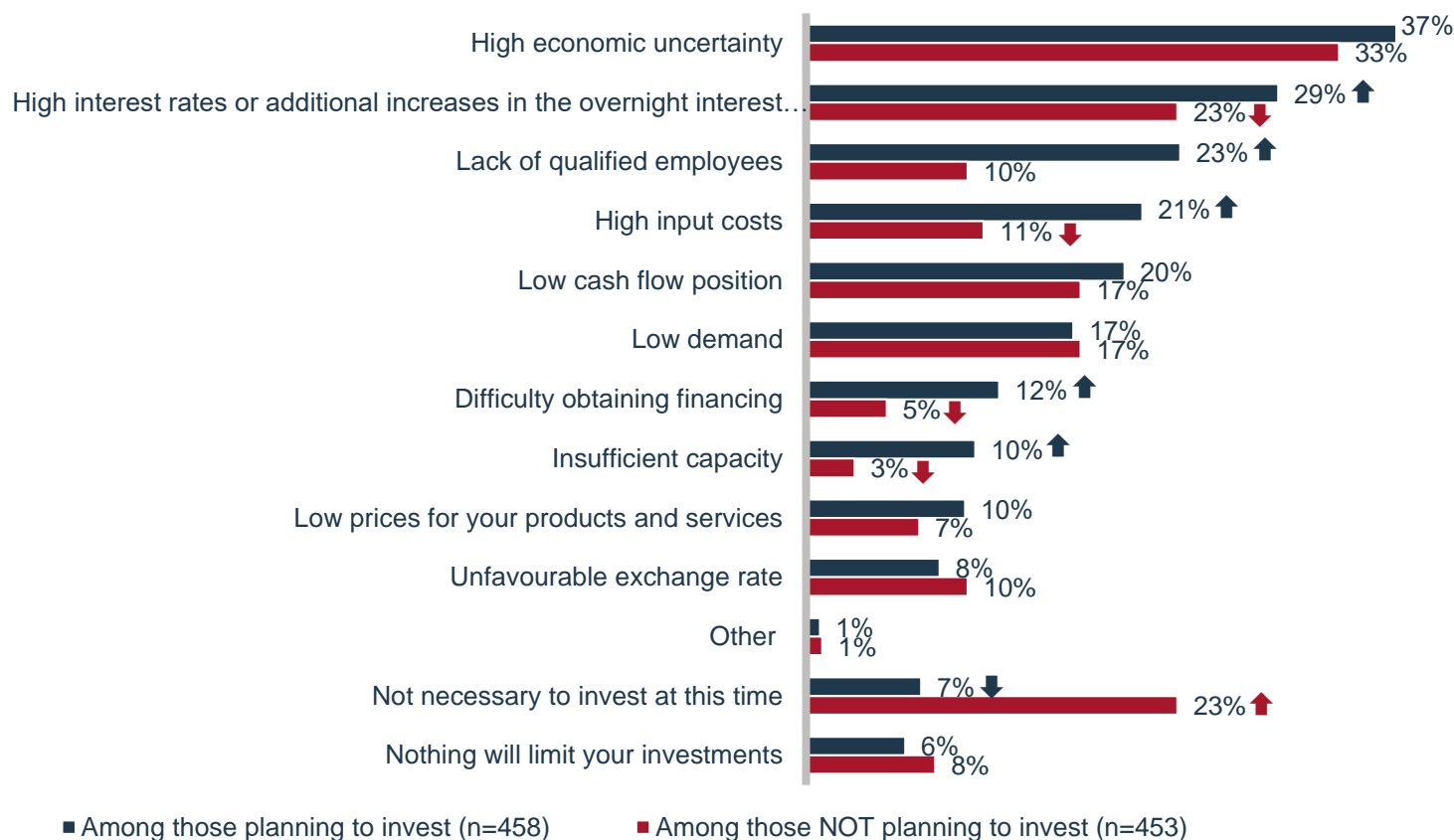


Base: All qualified respondents (n=946). Those who did not know were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

High economic uncertainty, high interest rates or additional increases and a lack of qualified employees are the main factors that could limit SME investments in the next 12 months.



Q56. Whether or not you plan to invest in the next 12 months, **what could limit your investments** in the current context?

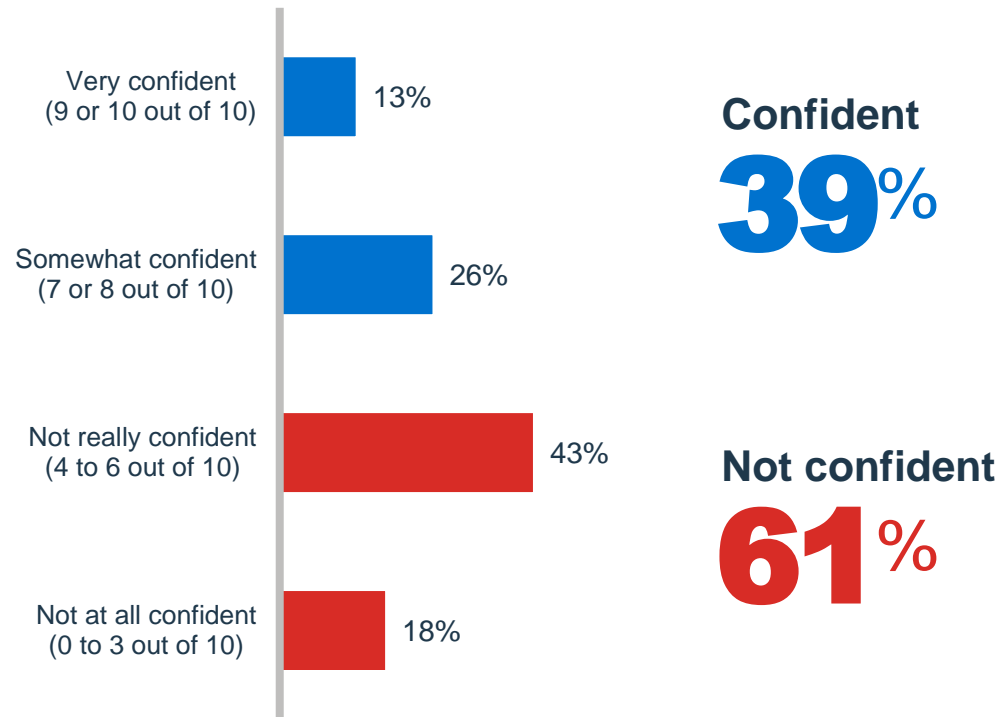


Base: All qualified respondents. Those who did not know or preferred not to answer were excluded from the calculation base. A maximum of three mentions was allowed, therefore total exceeds 100%. This question was modified in January 2023. Arrows indicate statistical differences between those planning to invest compared to those NOT planning to invest.

Outlook for 2023 is **uncertain**. Most SMEs planning to invest are **not fully confident** they will pursue their investments.



Q60. How **confident** are you that your business will pursue its investments in the next 12 months?

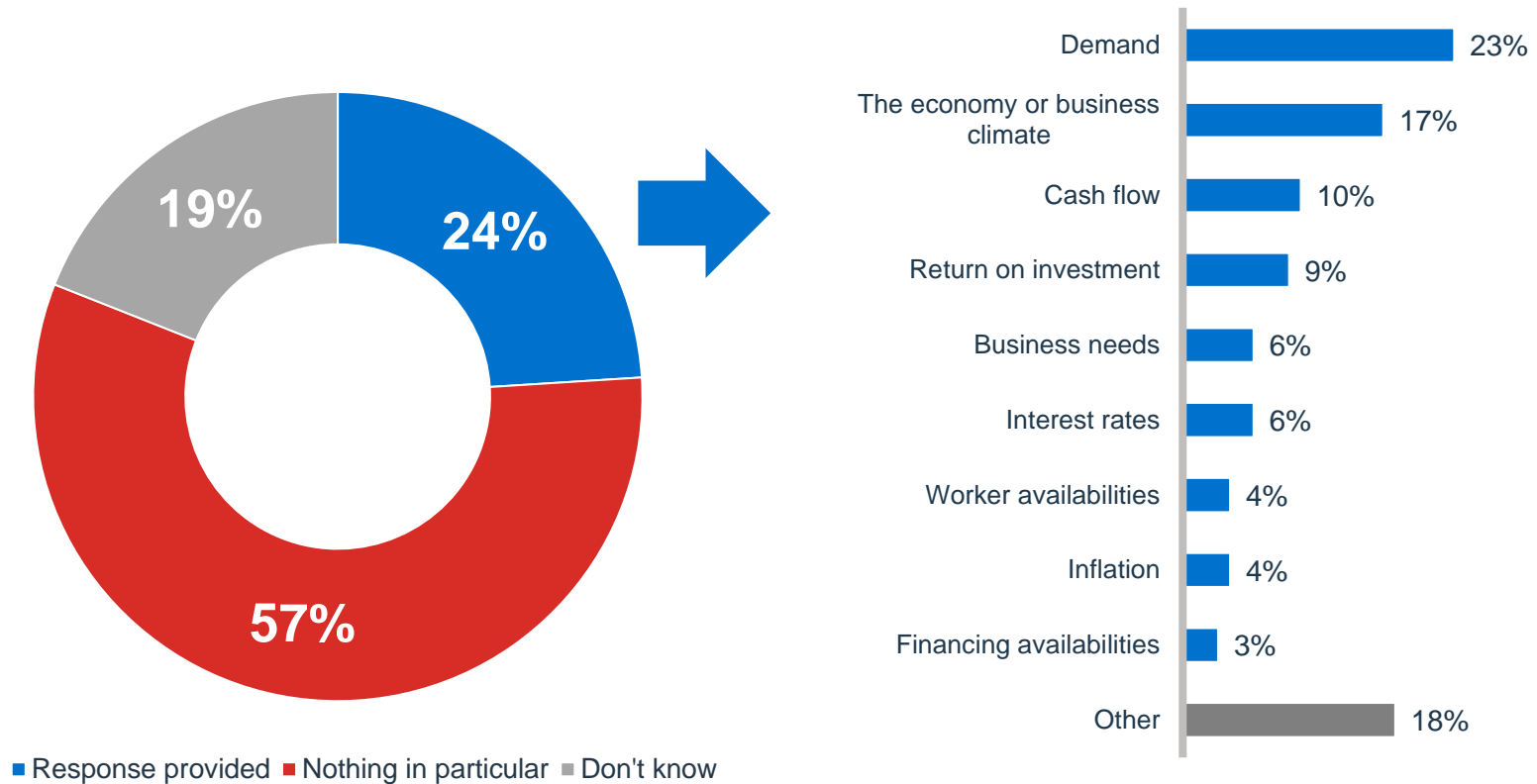


Base: Respondents planning to invest (n=896).
Those who did not know or preferred not to answer were excluded from the calculation base.
This question was added in January 2023.

Among those who provided an answer, half say they will make their final decision to invest based on **demand** for their offering, the **economy** and **business climate** or their **cash flow position**.



Q61. On what do you or will you base your final decision to invest or not to invest as you had planned?



Base: Respondents planning to invest (n=217). Those who did not know or preferred not to answer were excluded from the calculation base. This question was added in January 2023. This is a recoded, open-ended question; sample size is small, please interpret with caution.



03c.

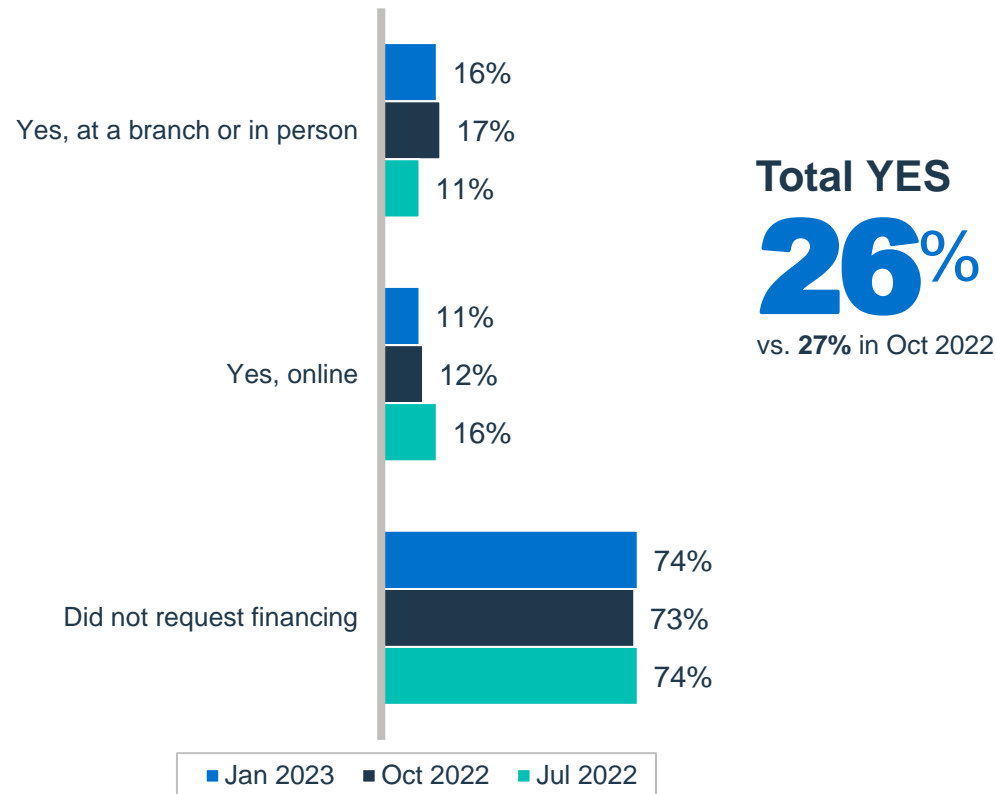
Financing supply



One quarter of SMEs indicated having requested financing over the last three months (stable).



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

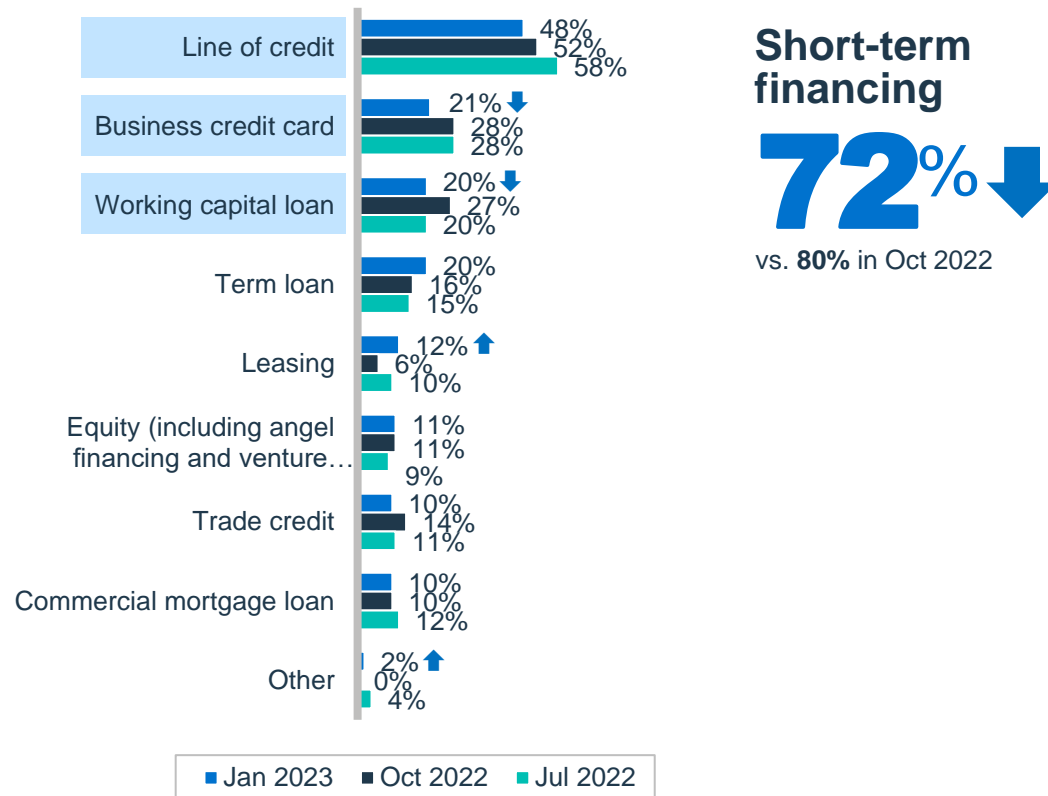


Base: All qualified respondents (n=958). Those who did not know were excluded from the calculation base.

Although it has decreased significantly, **demand for short-term financing** continues to be the **most requested**. Some 7 out of 10 SMEs sought **LOC, business credit cards** and/or **WC term loans**.



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

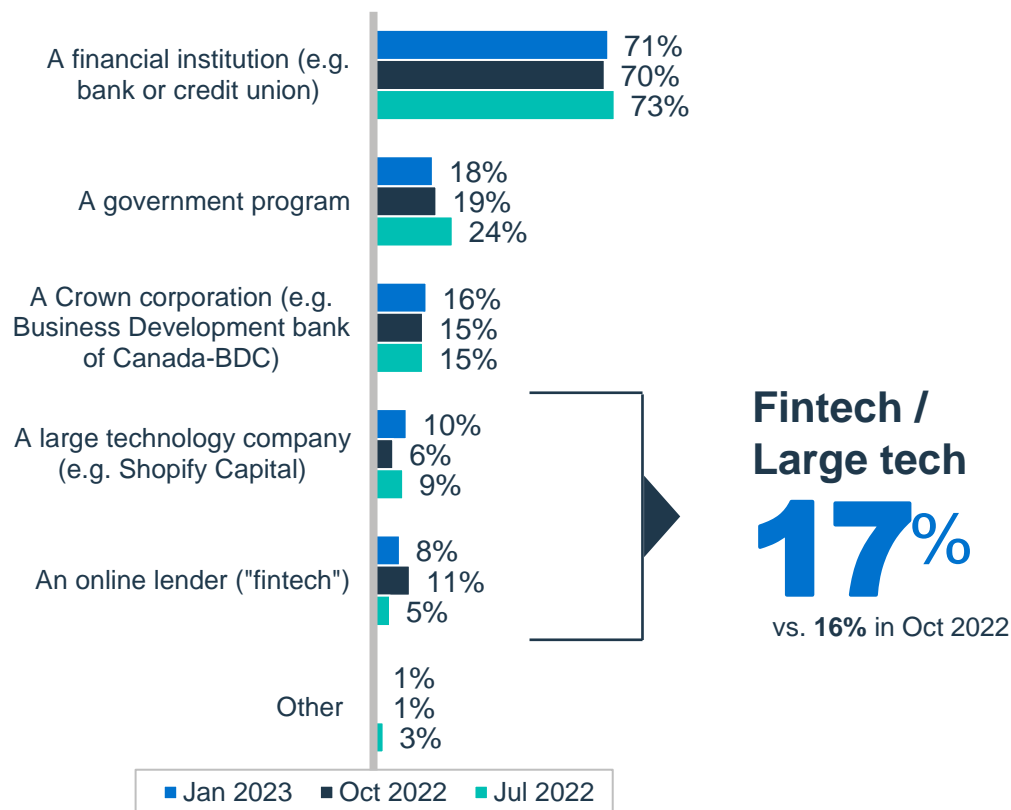


Base: Respondents who requested financing (n=292). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. Short-term options are highlighted in blue in the graph. Arrows indicate statistical differences between this wave and the previous one.

While SMEs continue to turn **predominantly to banks and credit unions** for financing, we see **continued use of large tech companies and fintechs**.



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

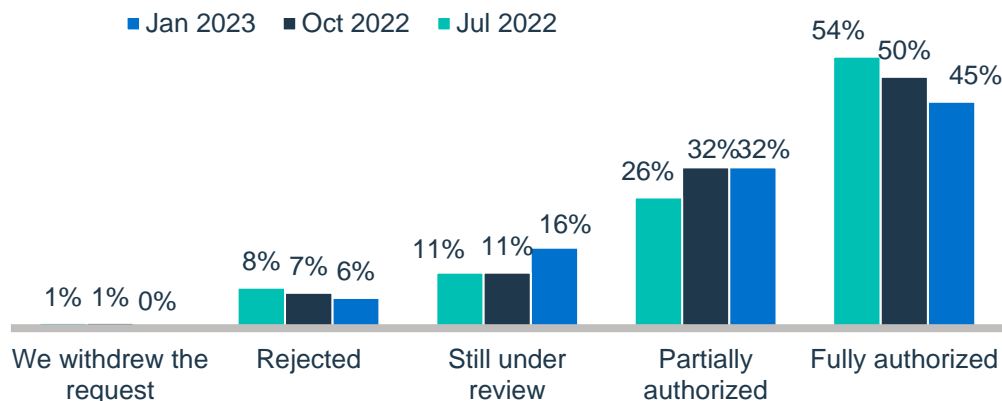


Base: Respondents who requested financing (n=290). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%.

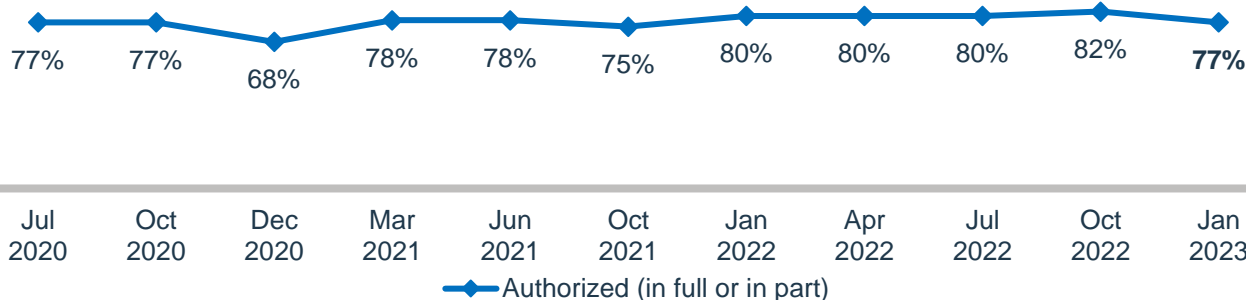
Approval rates have **slightly decreased**. The decrease is explained by a smaller proportion of SMEs getting **fully authorized**, which is **trending downwards**.



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



Approval rate:
77%



Base: Respondents who requested financing (n=292). Those who did not know were excluded from the calculation base.

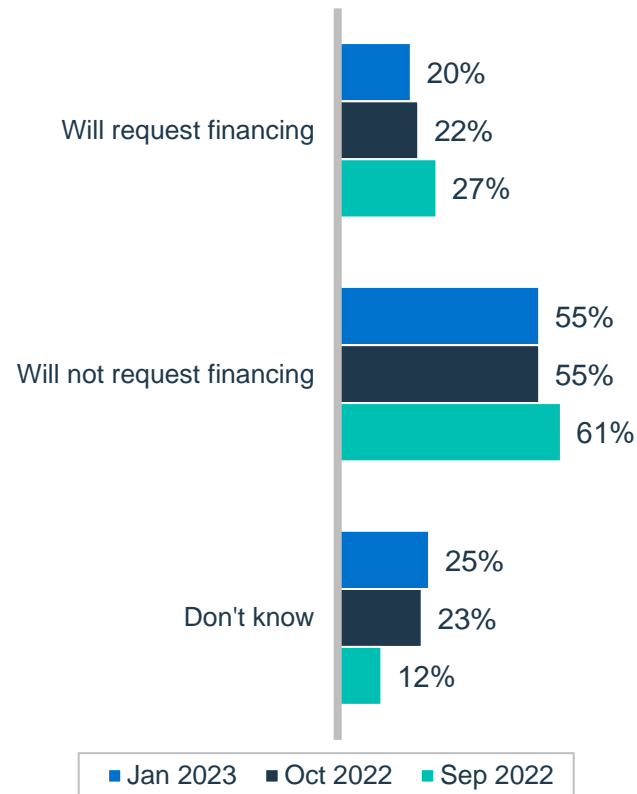


03d.
**Financing
demand**

One in five SMEs plans to request financing, higher in Ontario and fewer than one in five in the other regions.



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

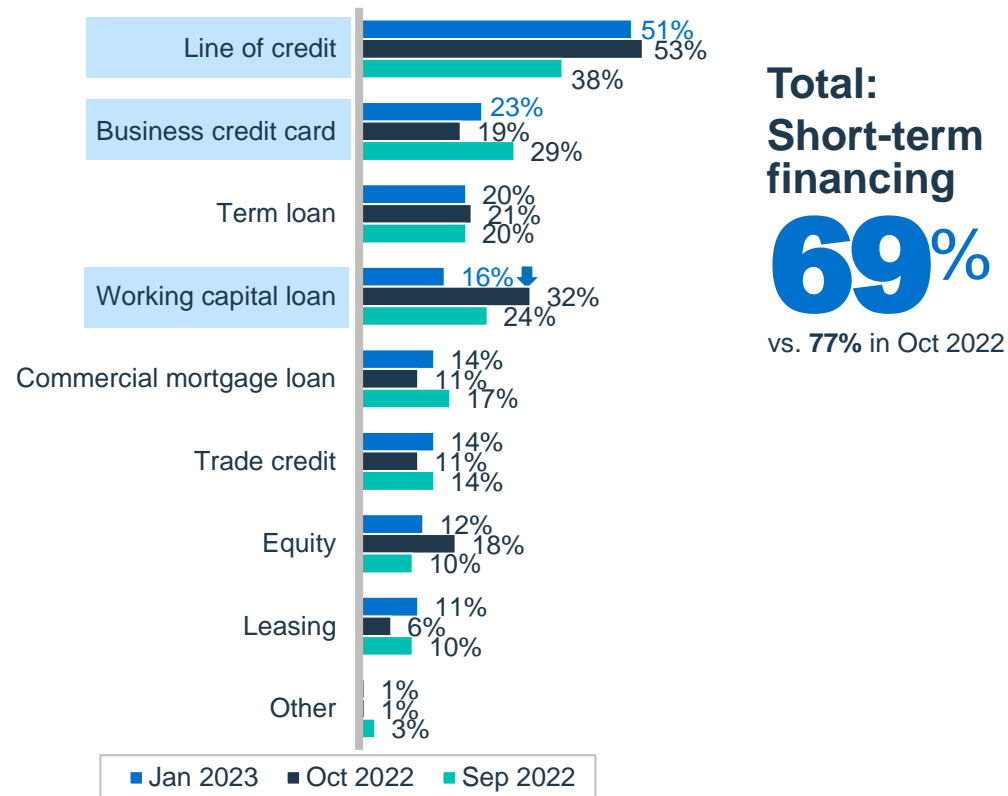


Base: All qualified respondents (n=991). Those who preferred not to answer were excluded from the calculation base.

We note a **decrease** in SMEs seeking **short-term financing**.



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

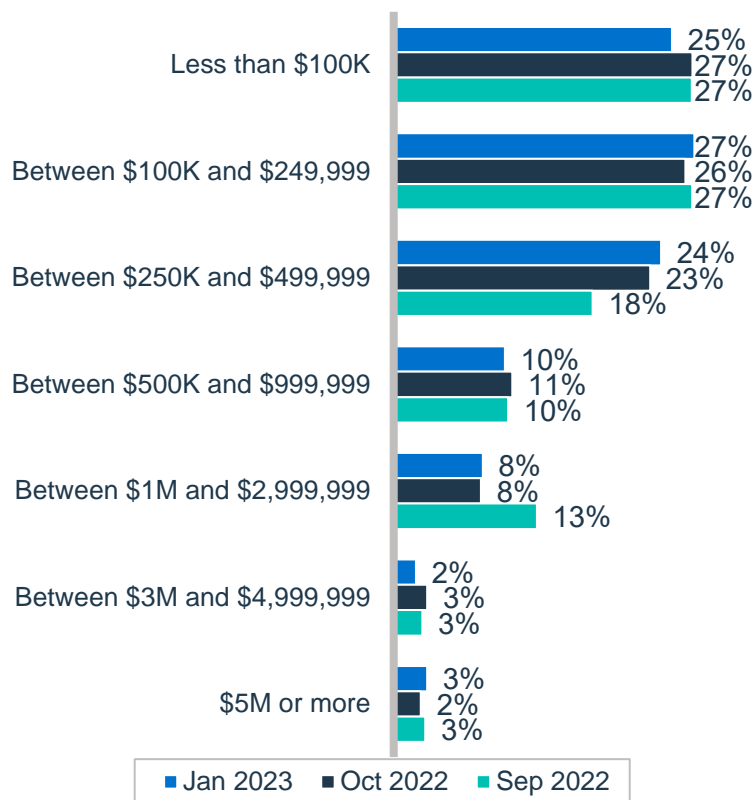


Base: Respondents who will request financing (n=225). Those who did not know are not presented in the graph. Arrows indicate statistical differences between this wave and the previous one. Multiple mentions were allowed, therefore total exceeds 100%. In this graph, short-term options are highlighted in blue.

The situation is **stable** in terms of the amounts requested. There is a **slight upward trend** for loans between \$250K and <\$500K.



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

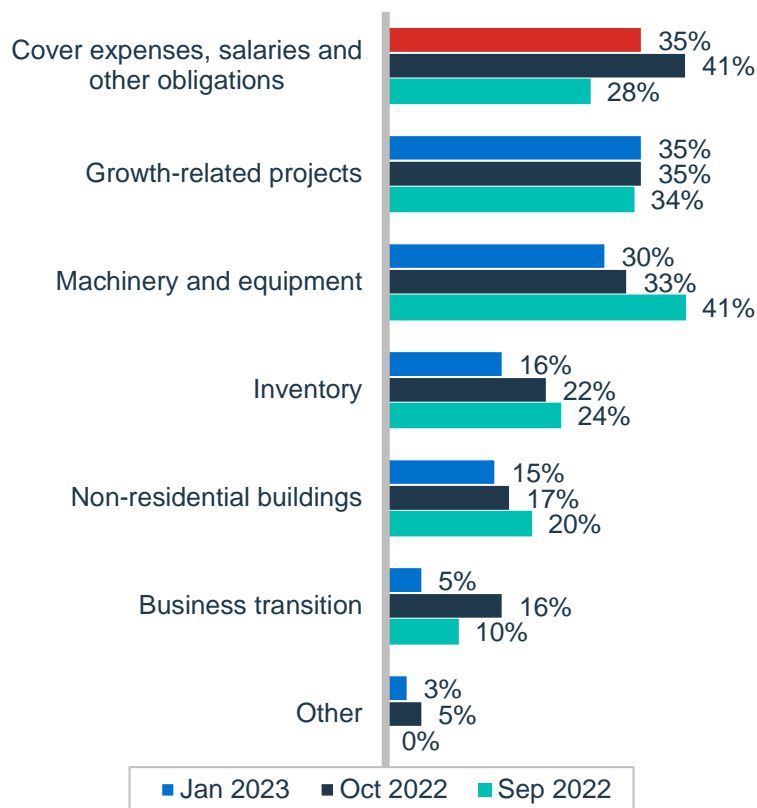


Base: Respondents who will request financing (n=222). Those who did not know or preferred not to answer are not presented on this slide.

For the second wave in a row, more than one-third of SMEs plan to borrow to **cover expenses, salaries and other obligations**. An equal proportion plan to use the funds for **growth-related projects**.



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

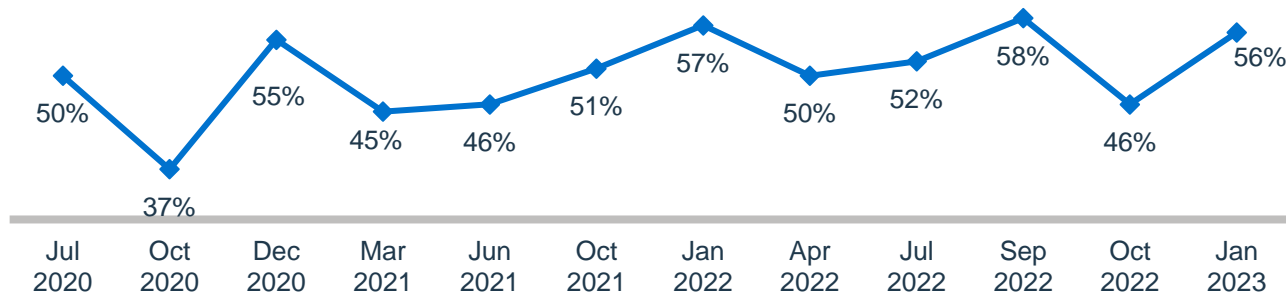
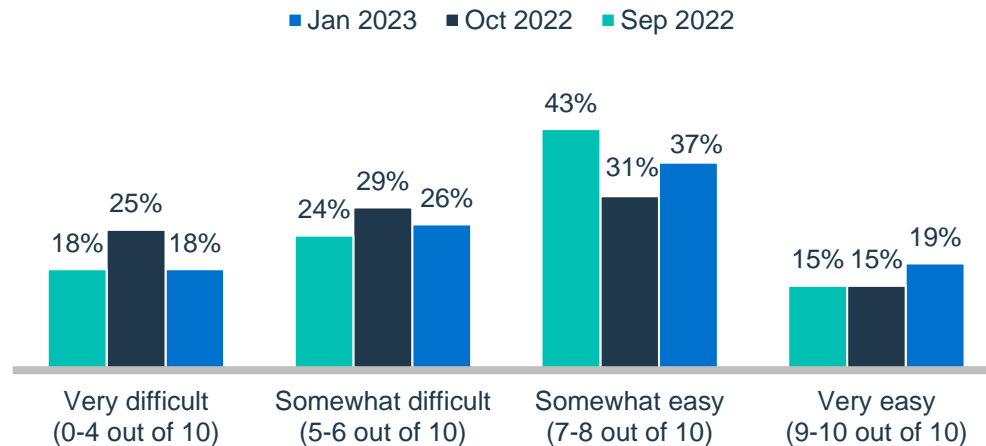


Base: Respondents who will request financing in the next 12 months (n=225). Multiple mentions were allowed, therefore total exceeds 100%. The respondent base was modified in April 2022. Those who did not know or preferred not to answer are not presented on this slide.

Ease of access to financing has **bounced back significantly**. More than **half** of those planning to request financing believe it will be **easy to obtain**.



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



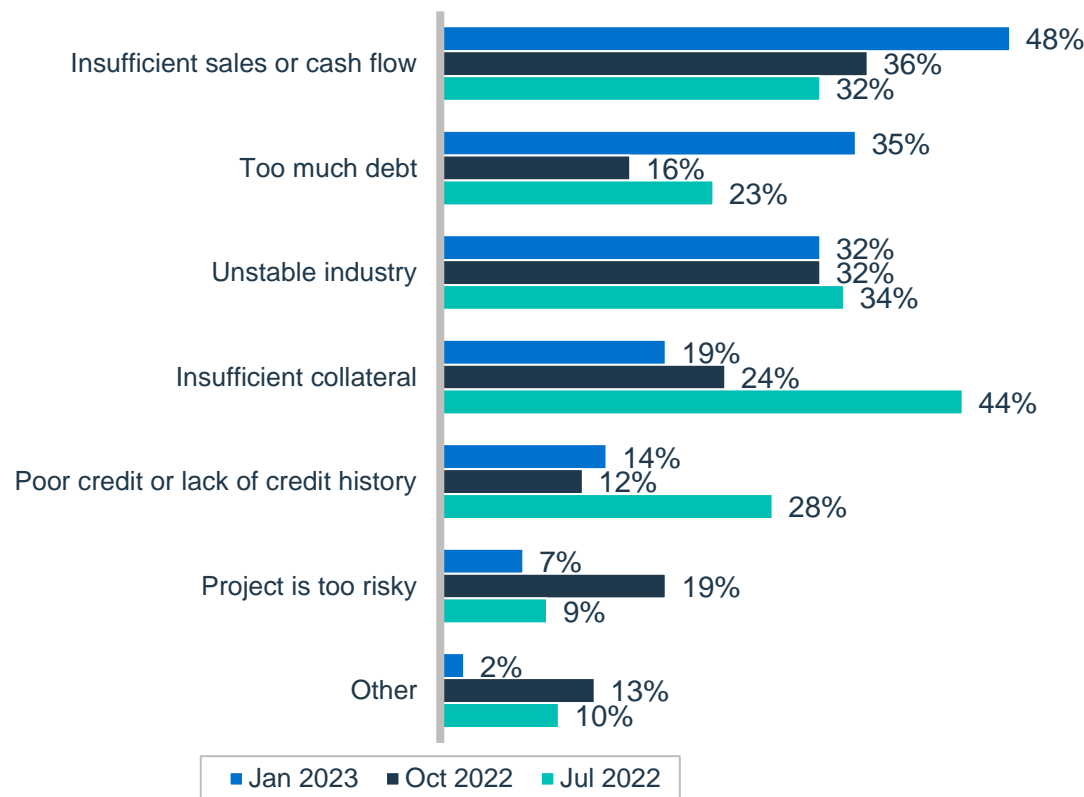
Easy to access:
56% ↑

Base: Respondents who intend to request financing in the next 12 months (n=219). 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.

Those who believe that obtaining financing will be **difficult** mention **insufficient sales or cash flow** as the **main reason**. **Too much debt** and an **unstable industry** complete the top answers.



Q36. What makes you believe that it will be **difficult** to obtain financing for your company?

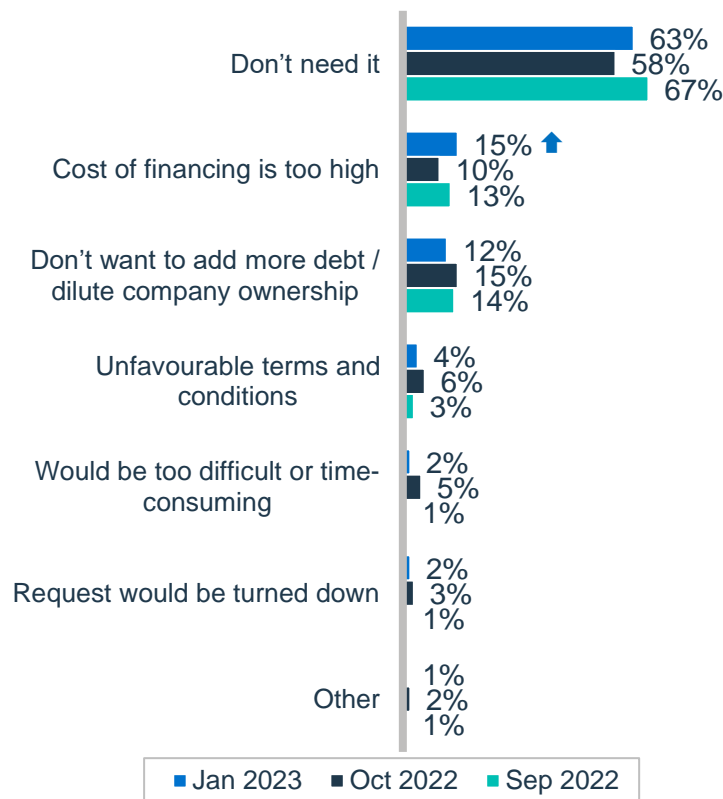


Base: Respondents who believe it will be difficult to obtain financing (n=32). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. Sample size is small, please interpret with caution.

Just over three in five SMEs claim they **don't need financing**. Limiting factors are the **cost of financing** deemed too high (significant increase) and **not wanting to add more debt**.



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

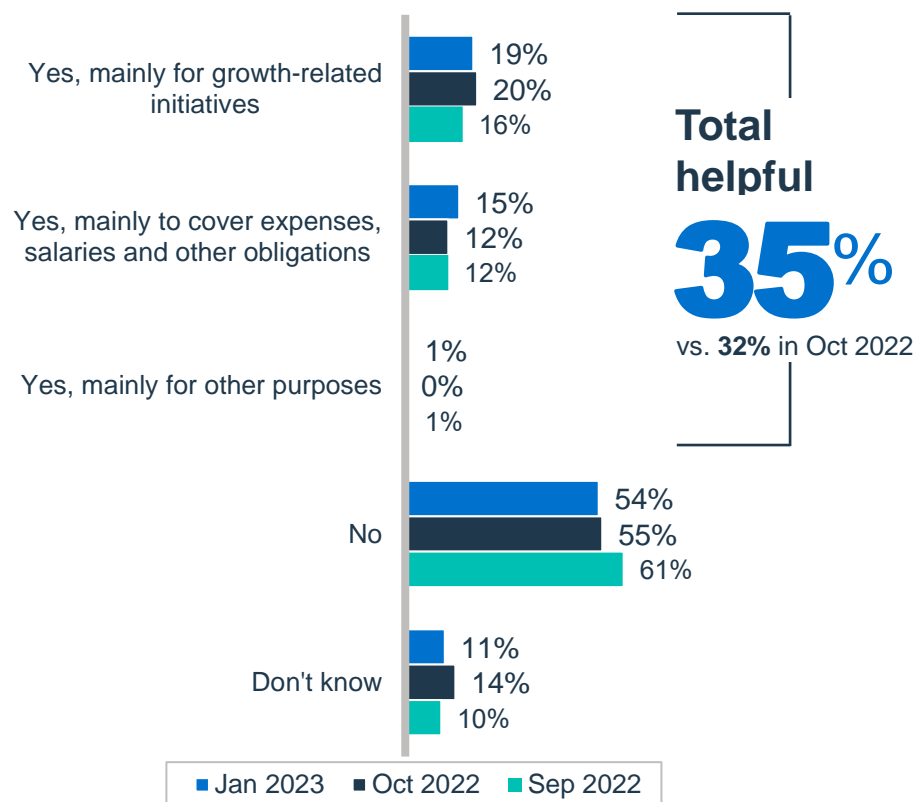


Base: Respondents who will not or who don't know if they will request financing in the next 12 months (n=697). Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one. Multiple mentions were allowed, therefore total exceeds 100%.

Among those who don't know or don't plan on requesting financing, just over **one third** said that obtaining **financing would be helpful**.



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



Base: Respondents who will not or don't know if they will request financing in the next 12 months (n=762). Those who did not know or preferred not to answer were excluded from the calculation base. This question was added in April 2022.

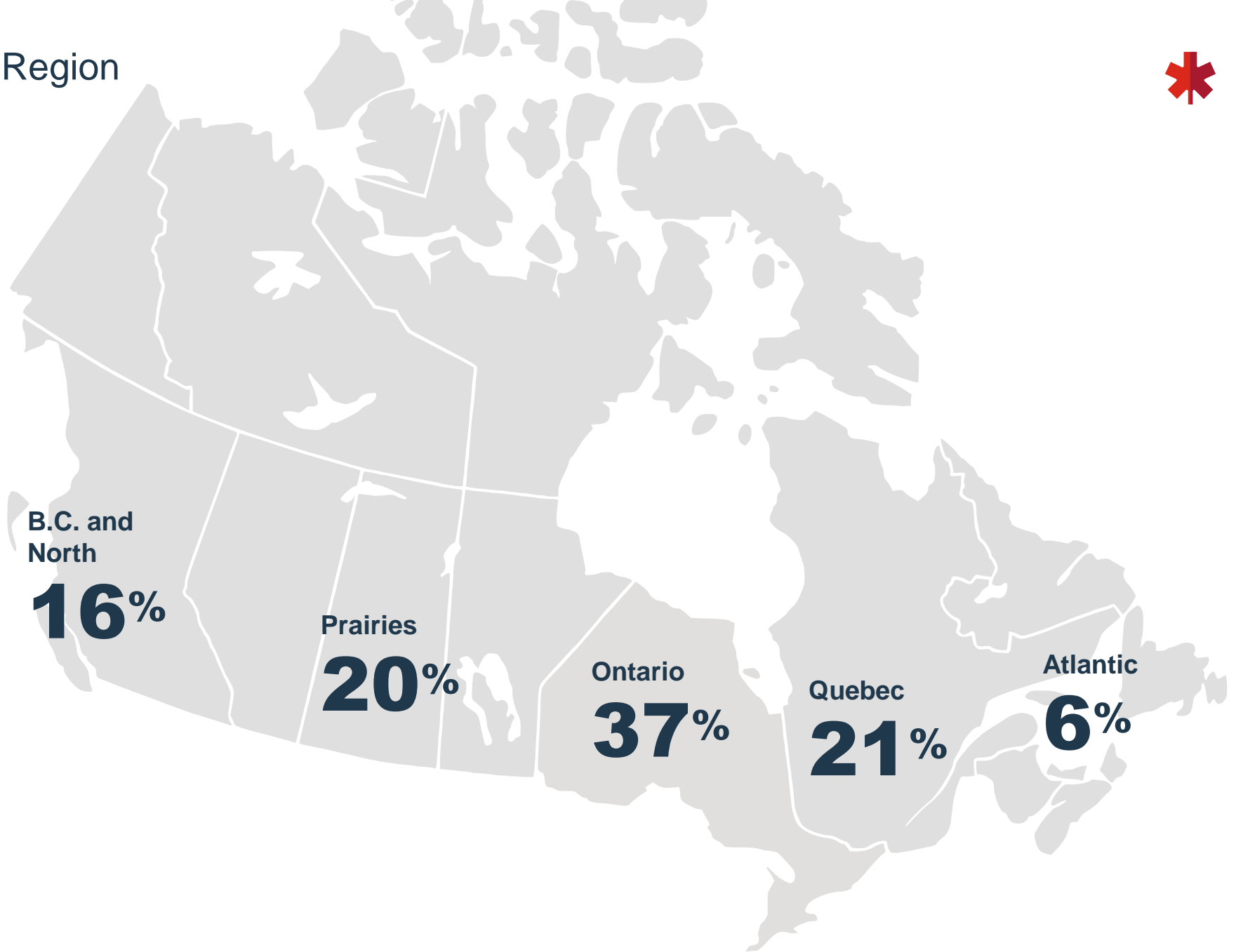


04.

Respondent profile



Region

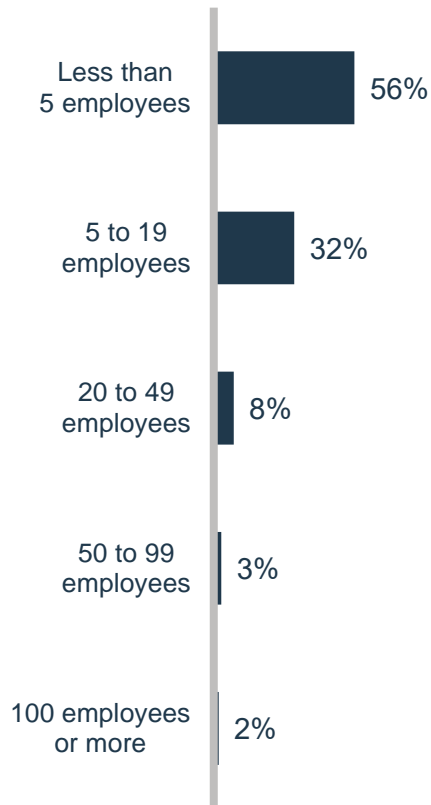


Base: All respondents (n=1002).

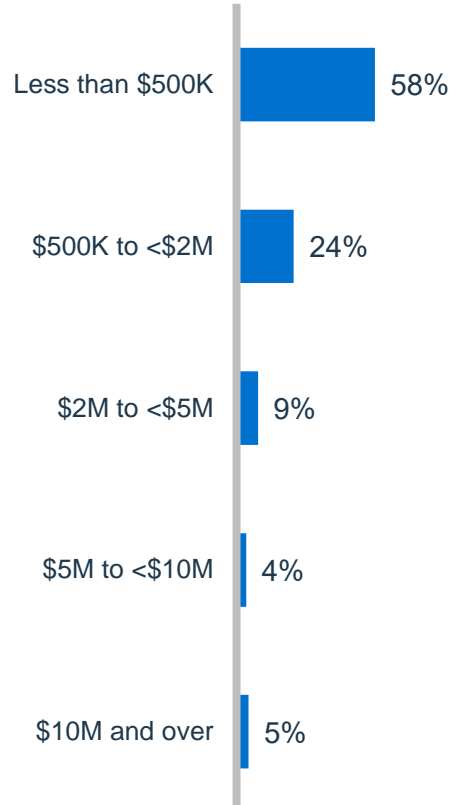
Number of employees, annual sales and gender ownership



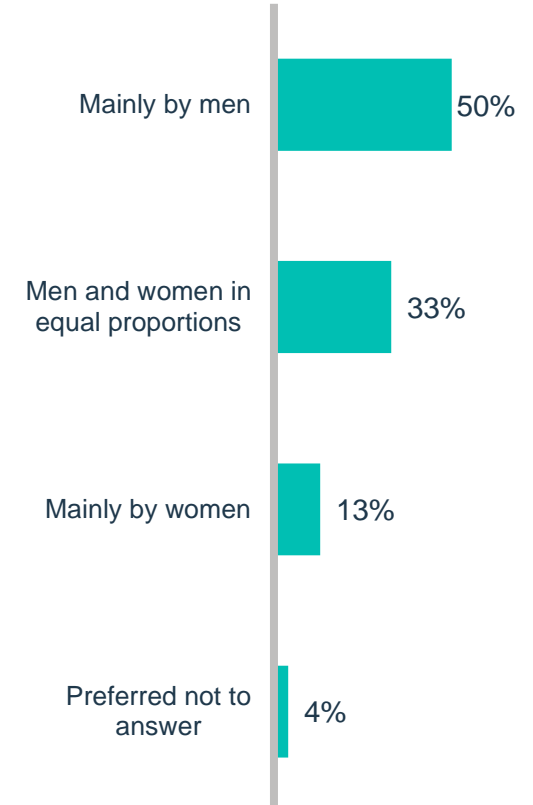
Number of employees



Annual sales



Gender ownership



Business revenue growth, diversity groups and sector of activity



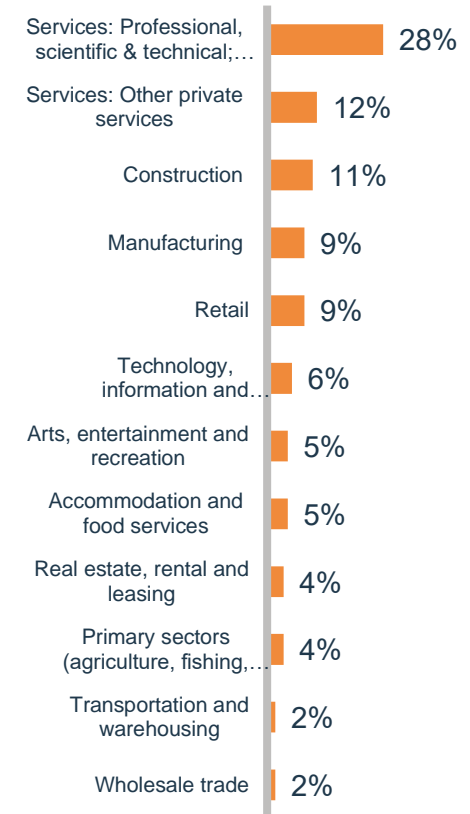
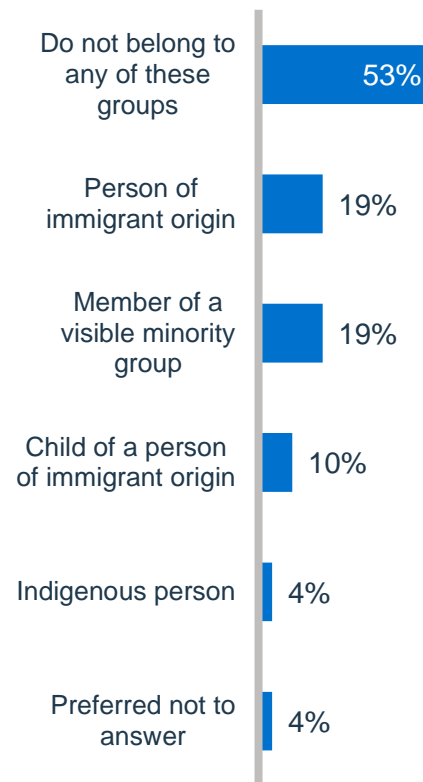
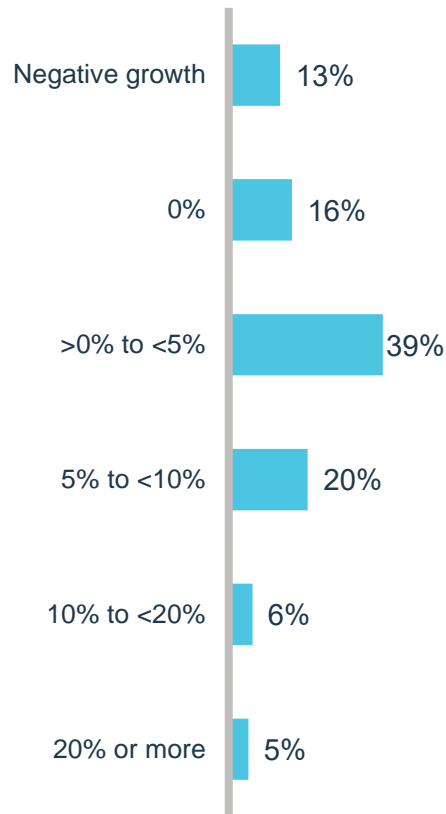
Revenue growth



Diversity groups



Sector of activity



Base: For revenue growth = Respondents for which company existed last year (n=888). For diversity groups = All respondents (n=1002). For sectors = All respondents (n=974). 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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