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Key highlights
CURRENT STATE:
Slight deterioration in the SME landscape

Various signals point to a deterioration in the situation of SMEs:

- **47%** believe that economic conditions will deteriorate in the next 12 months (+5pts)
- **28%** think that their cash flow situation will improve (-2pts)
- **29%** say that debt repayment is limiting business activities (+3pts)

Some points remain positive

- **59%** are profitable (-1pt)
- **80%** stand below full capacity operation (-2pts)
- **29%** have used or will use significant resources for growth projects (unchanged)

Credit tightening is occurring

- **41%** say that FIs totally meet their needs (-4pts)
- **50%** are deemed bankable (-4pts)
- **57%** believe that access to financing will be difficult (+7pts)

Note: Numbers in parentheses and arrows indicate differences with April 2023. Numbers = differences in percentage points / Arrows = statistically significant differences.
INVESTMENT OUTLOOK:
Although intentions remain quite stable, confidence is down

Investment intentions are holding relatively steady

Plan to invest about the same amount or more:

- Non-residential building: 81% (-3pts)
- Machinery and equipment: 81% (-3pts)
- Intangible assets: 84% (-4pts)

61% of those planning to invest are not confident they will pursue their investment in the next 12 months (+6pts)

Investment goals are consistent

- Increasing efficiency: 40% (+2pts)
- Improving sales and marketing: 37% (-1pt)
- Adopting new technologies: 25% (+6pts)

What could limit investments?

- High economic uncertainty: 39% (+6pts)
- Interest rates: 32% (+3pts)
- High input costs: 25% (+5pts)

Note: Numbers in parentheses and arrows indicate differences with April 2023. Numbers = differences in percentage points / Arrows = statistically significant differences.
FINANCING OUTLOOK: Conditions are difficult for those already in a precarious situation, especially micro-businesses*

Financing situation in the past months is stable

- 73% of those who requested financing were approved (-9pts)
- 29% of those who requested financing in the last 3 months (unchanged)

Those who asked for financing turned to:
- A financial institution: 67% (+1pt)
- A government program or crown corporation: 39% (+2pts)
- A large tech or fintech lender: 17% (-2pts)

Financing intentions are stable

- 19% Plan to request financing over the next 12 months (-1pt)
- 73% Will need short-term financing (+2pts)
- 47% For growth-related projects (+6pts)
- 44% To cover expenses (+8pts)

Ease is declining

- 43% of those planning to request financing believe it will be easy to obtain (-7pts)

Note: Numbers in parentheses and arrows indicate differences with April 2023. Numbers = differences in percentage points / Arrows = statistically significant differences.
* Micro-businesses = ≤ 5 employees, sales ≤ $500K.
Methodology
Methodology

Survey methodology
- Online tracking survey.

Respondent profile
- Business owners and business decision-makers from the Sago (formerly Schlesinger Group) panel.

Survey dates

Margin of error
- For a probabilistic sample of 1,032 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.
SME current state and expectations
3 out of 5 SMEs indicated that they were profitable in the last year. One quarter said that they broke even, while just under one in five lost money. Micro-businesses* are significantly more likely to be struggling.

Q4aa. Was your business **profitable in the last 12 months?**

<table>
<thead>
<tr>
<th>Outcome</th>
<th>July 2023</th>
<th>May 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>We were very profitable</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>We were somewhat profitable</td>
<td>47%</td>
<td>45%</td>
</tr>
<tr>
<td>We broke even</td>
<td>25%</td>
<td>23%</td>
</tr>
<tr>
<td>We lost some money</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>We lost a lot of money</td>
<td>3%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Base: All qualified respondents (n=993). Those who did not know or preferred not to answer were excluded from the calculation base. This question was modified for wave 18 to capture SMEs who broke even. Arrows indicate statistical differences between this wave and BDC’s SME Financing Survey, May 2023. *Micro-businesses = < 5 employees, sales ≤ $500K.
Overall optimism regarding economic conditions in Canada has slipped once again in July compared to April 2023. Micro-businesses are by far the most pessimistic.

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?

- **Significantly better**: 2% (July 2023) vs. 3% (Apr 2023)
- **Somewhat better**: 16% (July 2023) vs. 21% (Apr 2023)
- **About the same**: 33% (July 2023) vs. 32% (Apr 2023)
- **Somewhat worse**: 31% (July 2023) vs. 32% (Apr 2023)
- **Significantly worse**: 16% (July 2023) vs. 10% (Apr 2023)
- **Don't know**: 1% (July 2023) vs. 2% (Apr 2023)

Base: All qualified respondents (n=1,032). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.
SME expectations regarding their sales for the upcoming year are relatively stable for a third consecutive wave.

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?

<table>
<thead>
<tr>
<th>Expectation</th>
<th>July 2023</th>
<th>Apr 2023</th>
<th>Jan 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase significantly</td>
<td>4%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Increase somewhat</td>
<td>35%</td>
<td>34%</td>
<td>33%</td>
</tr>
<tr>
<td>Remain the same</td>
<td>42%</td>
<td>42%</td>
<td>41%</td>
</tr>
<tr>
<td>Decrease somewhat</td>
<td>11%</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Decrease significantly</td>
<td>4%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Don't know</td>
<td>4%</td>
<td>3%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Base: All qualified respondents (n=1,022). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.
For the most part, SMEs expect their employee count to remain the same.

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?

- **Increase significantly**: 13% (July 2023) vs. 18% in Apr 2023
- **Increase somewhat**: 16% (July 2023) vs. 14% in Apr 2023
- **Remain the same**: 69% (July 2023) vs. 68% in Apr 2023
- **Decrease somewhat**: 9% (July 2023) vs. 11% in Apr 2023
- **Decrease significantly**: 2% (July 2023)
- **Don't know**: 2% (July 2023) vs. 4% in Apr 2023

Base: All qualified respondents (n=1,025). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.
SMEs do not expect significant changes in their cash flow over the next 12 months.

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?

- **Improve significantly:**
  - July 2023: 3%
  - Apr 2023: 4%
  - Jan 2023: 3%

- **Improve somewhat:**
  - July 2023: 25%
  - Apr 2023: 27%
  - Jan 2023: 20%

- **Remain the same:**
  - July 2023: 52%
  - Apr 2023: 50%
  - Jan 2023: 52%

- **Deteriorate somewhat:**
  - July 2023: 14%
  - Apr 2023: 13%
  - Jan 2023: 18%

- **Deteriorate significantly:**
  - July 2023: 4%
  - Apr 2023: 2%
  - Jan 2023: 2%

- **Don't know:**
  - July 2023: 3%
  - Apr 2023: 4%
  - Jan 2023: 4%

IMPROVE: 28% vs. 30% in Apr 2023

DETERIORATE: 18% vs. 15% in Jan 2023

Base: All qualified respondents (n=1,026). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.
One in ten SMEs is 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=1,014).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

- No difficulties, we are operating below capacity: 38% (July 2023), 38% (Apr 2023), 40% (Jan 2023)
- Some difficulties, we are at or near full capacity: 42% (July 2023), 44% (Apr 2023), 39% (Jan 2023)
- Significant difficulties, we are operating beyond capacity: 9% (July 2023), 8% (Apr 2023), 12% (Jan 2023)
- Don't know: 10% (July 2023), 10% (Apr 2023), 9% (Jan 2023)
While labour concerns seem to have decreased overall, we do note that half of SMEs with 5 or more employees are experiencing some difficulties. However, the situation is not critical.

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

- No difficulties, we have all the employees we need: 39% (July 2023), 32% (Apr 2023), 37% (Jan 2023)
- Some difficulties, but the situation is not critical: 43% (July 2023), 40% (Apr 2023), 40% (Jan 2023)
- Significant difficulties, we are missing workers to operate or seize new opportunities: 15% (July 2023), 15% (Apr 2023), 15% (Jan 2023)
- Don’t know: 7% (July 2023), 9% (Apr 2023), 8% (Jan 2023)

Base: All qualified respondents (n=1,017). 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 3 out of 10 SMEs. SME needs are totally met for fewer than half and trending downwards.

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?

Base: BA1 (n=1,032). Those who preferred not to answer at BA2 (n=984) and BA3 (n=972) were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.
Investment outlook
Top investment goals remain consistent: becoming more efficient and improving sales and marketing. Adopting new technologies has risen significantly since April.

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

- Become more efficient or productive: 40% (July 2023), 38% (Apr 2023), 37% (Jan 2023)
- Improve sales and marketing: 38% (July 2023), 37% (Apr 2023), 38% (Jan 2023)
- Adopt new technologies: 25% (July 2023), 19% (Apr 2023), 21% (Jan 2023)
- Expand into new markets: 23% (July 2023), 22% (Apr 2023), 26% (Jan 2023)
- Introduce new products or services: 20% (July 2023), 21% (Apr 2023), 20% (Jan 2023)
- Add new capacity: 17% (July 2023), 15% (Apr 2023), 21% (Jan 2023)
- Replace existing capacity: 12% (July 2023), 13% (Apr 2023), 11% (Jan 2023)
- Reduce environmental footprint: 11% (July 2023), 11% (Apr 2023), 12% (Jan 2023)
- Other: 2% (July 2023), 2% (Apr 2023), 3% (Jan 2023)
- I don’t know: 4% (July 2023), 4% (Apr 2023), 5% (Jan 2023)

Base: Respondents planning to invest (n=523). 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.
Three quarters of SMEs have no plans to transition, close, sell or buy another businesses.

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

- **Transition the business internally**: 10% (July 2023), 9% (April 2023), 12% (January 2023)
- **Close the business**: 8% (July 2023), 7% (April 2023), 7% (January 2023)
- **Sell the business**: 6% (July 2023), 7% (April 2023), 8% (January 2023)
- **Buy another business**: 5% (July 2023), 3% (April 2023), 4% (January 2023)
- **No, we do not plan to do any of the above**: 74% (July 2023), 77% (April 2023), 72% (January 2023)

Base: All qualified respondents (n=913). Those who did not know or 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.
Despite rate hikes in July, investment intentions in non-residential buildings is up.

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

Base: All qualified respondents (n=915). 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 are trending upwards.

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

Base: All qualified respondents (n=915). 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 intangibles are holding steady. Intentions are statistically higher among SMEs with 5 or more employees.

Q57c. Investment intentions in software, IP protection, R&D, marketing, and employee training over the next 12 months.
Among those planning to invest in intangibles, software investments are the most frequent. Intended R&D investments are up significantly, especially among technology companies.

Q57d. Your company will invest in software, IP protection, R&D, marketing and employee training. More specifically, in which **category will you spend money?**
The proportion of SMEs planning to invest in one of the three categories has increased, but fewer plan to invest the same amount or more.

Q58a. Non-residential building, including renovations
- Higher: 17% (July 2023) vs. 14% in Apr 2023
- About the same: 64% (July 2023) vs. 68% in Apr 2023
- Lower: 19% (July 2023) vs. 16% in Apr 2023

Q58b. Machinery and equipment
- Higher: 20% (July 2023) vs. 23% in Apr 2023
- About the same: 61% (July 2023) vs. 65% in Apr 2023
- Lower: 19% (July 2023) vs. 16% in Apr 2023

Q58c. Software, IP protection, R&D, marketing, and employee training
- Higher: 22% (July 2023) vs. 24% in Apr 2023
- About the same: 64% (July 2023) vs. 67% in Apr 2023
- Lower: 16% (July 2023) vs. 12% in Apr 2023

Base: All qualified respondents (n=935-955).
Those who did not know were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.
Our investment intentions indicator has decreased significantly since April. The fact that fewer SMEs will invest the same amount or more may be compensated by a slight increase in those planning to invest.

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=971). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.
When asked directly, just over four out of five SMEs say they plan to invest about the same amount or more next year.

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

- Higher: 27% (July 2023), 24% (April 2023), 21% (January 2023)
- About the same: 57% (July 2023), 59% (April 2023), 60% (January 2023)
- Lower: 16% (July 2023), 17% (April 2023), 18% (January 2023)

Base: All qualified respondents (n=978). Those who did not know were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one. Totals may not equal 100% due to rounding.
High economic uncertainty, high interest rates and high input costs are the main factors that could limit SME investments in the next 12 months. Difficulty obtaining financing increased significantly since April.

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

### Limiting factors among those planning to invest

<table>
<thead>
<tr>
<th>Factor</th>
<th>July 2023</th>
<th>Apr 2023</th>
<th>Jan 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>High economic uncertainty</td>
<td>39%</td>
<td>33%</td>
<td>37%</td>
</tr>
<tr>
<td>High interest rates or additional increases in the overnight interest rate</td>
<td>29%</td>
<td>28%</td>
<td>29%</td>
</tr>
<tr>
<td>High input costs</td>
<td>20%</td>
<td>21%</td>
<td>25%</td>
</tr>
<tr>
<td>Lack of qualified employees</td>
<td>20%</td>
<td>18%</td>
<td>23%</td>
</tr>
<tr>
<td>Low demand</td>
<td>18%</td>
<td>17%</td>
<td>22%</td>
</tr>
<tr>
<td>Low cash flow position</td>
<td>17%</td>
<td>20%</td>
<td>18%</td>
</tr>
<tr>
<td>Difficulty obtaining financing</td>
<td>13%</td>
<td>9%</td>
<td>12%</td>
</tr>
<tr>
<td>Unfavourable exchange rate</td>
<td>12%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Insufficient capacity</td>
<td>10%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Low prices for your products and services</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Not necessary to invest at this time</td>
<td>5%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Nothing will limit your investments</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Base: Those planning to invest (n=517). 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%. Arrows indicate statistical differences between this wave and the previous one.
SMEs’ confidence has slipped once again. Most 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?

- Very confident (9 or 10 out of 10): 13% in July 2023 (vs. 13% in Apr 2023)
- Somewhat confident (7 or 8 out of 10): 26% in July 2023 (vs. 32% in Apr 2023)
- Not really confident (4 to 6 out of 10): 45% in July 2023 (vs. 39% in Apr 2023)
- Not at all confident (0 to 3 out of 10): 16% in July 2023 (vs. 18% in Apr 2023)

Base: Respondents planning to invest (n=933).
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.
Both internal (i.e., business needs, cash flow position and demand) and external (i.e., interest rates, inflation and economic context) factors may influence business leaders' decision to invest.

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

![Bar chart showing factors influencing investment decisions]

Base: Respondents planning to invest (n=975).
This question has been converted from an open-ended (wave 16) to a single choice question in April 2023. Those who did not know or preferred not to answer were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%.
Financing supply
Three out of ten SMEs indicated having requested financing in the last three months (stable). The proportion of SMEs having applied is higher than those intending to do so over the same period*.

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

- Yes, at a branch or in person: 17% (July 2023), 19% (Apr 2023), 16% (Jan 2023)
- Yes, online: 14% (July 2023), 12% (Apr 2023), 11% (Jan 2023)
- Did not request financing: 71% (July 2023), 71% (Apr 2023), 74% (Jan 2023)

Total YES: 29% vs. 29% in Apr 2023

Base: All qualified respondents (n=978). Those who did not know were excluded from the calculation base. Multiple answers allowed for the “Yes” response.
* The comparison made pertains to the average percentage of “Yes” at Q30 over a one year period to the percentage of “Yes” at Q32 from July 2022.
Three quarters of SMEs sought short-term financing. Many SMEs are meeting their financial needs by accessing lines of credit and using business credit, which tend to be easier to access than other options.

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

**SHORT-TERM FINANCING**

76% vs. 74% in Apr 2023

Base: Respondents who requested financing (n=355). 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 mainly 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?

<table>
<thead>
<tr>
<th>Category</th>
<th>Jul 2023</th>
<th>Apr 2023</th>
<th>Jan 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>A financial institution</td>
<td>67%</td>
<td>66%</td>
<td>71%</td>
</tr>
<tr>
<td>A Crown corporation</td>
<td>22%</td>
<td>18%</td>
<td>16%</td>
</tr>
<tr>
<td>A government program</td>
<td>16%</td>
<td>19%</td>
<td>18%</td>
</tr>
<tr>
<td>A large technology company</td>
<td>11%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>An online lender or &quot;fintech&quot;</td>
<td>8%</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
</tr>
</tbody>
</table>

FINTECH / LARGE TECH

17% vs. 19% in Apr 2023

Base: Respondents who requested financing (n=355). 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.
Approval rates have decreased significantly. Important variations in fully authorized and still under review partly explain this drop.

Q31. What was the outcome of this financing request?

Base: Respondents who requested financing (n=355). Those who did not know were excluded from the calculation base.
Financing demand
One in five SMEs plan to request financing, but two different profiles emerge – profitable SMEs and those in a weaker financial position.

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

Among those planning to request financing:
- 52% are profitable
- 24% broke even
- 24% lost money

Base: All qualified respondents (n=1,017). Those who preferred not to answer were excluded from the calculation base.
Short-term financing remains the most sought. SMEs continue to access a variety of options to meet their business needs.

Q33. What type of financing will you request?

- **Line of credit**: 47% (July 2023) vs. 51% (Apr 2023)
- **Working capital loan**: 32% (July 2023) vs. 33% (Apr 2023)
- **Business credit card**: 21% (July 2023) vs. 20% (Apr 2023)
- **Term loan**: 20% (July 2023) vs. 20% (Apr 2023)
- **Equity**: 15% (July 2023) vs. 18% (Apr 2023)
- **Leasing**: 8% (July 2023) vs. 11% (Apr 2023)
- **Commercial mortgage loan**: 12% (July 2023) vs. 14% (Apr 2023)
- **Trade credit**: 11% (July 2023) vs. 16% (Apr 2023)
- **Other**: 1% (July 2023) vs. 1% (Apr 2023)

Base: Respondents who will request financing (n=249). 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.
There is a significant increase for loans up to $100K. Once again, the larger the company, the higher the amount sought.

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

Base: Respondents who will request financing (n=245).
This question was modified in July 2023 to capture smaller amounts under $100,000. 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.
SMEs plan to borrow for growth projects, machinery and equipment, and inventory, but a substantial portion plans to borrow to cover expenses, salaries and other obligations.

Q34b. What would this financing be used for?

<table>
<thead>
<tr>
<th>Category</th>
<th>July 2023</th>
<th>Apr 2023</th>
<th>Jan 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth-related projects</td>
<td>47%</td>
<td>41%</td>
<td>35%</td>
</tr>
<tr>
<td>Cover expenses, salaries and other obligations</td>
<td>44%</td>
<td>36%</td>
<td>35%</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>37%</td>
<td>34%</td>
<td>30%</td>
</tr>
<tr>
<td>Inventory</td>
<td>25%</td>
<td>19%</td>
<td>16%</td>
</tr>
<tr>
<td>Non-residential buildings</td>
<td>16%</td>
<td>16%</td>
<td>20%</td>
</tr>
<tr>
<td>Business transition</td>
<td>7%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>1%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Base: Respondents who will request financing in the next 12 months (n=248). 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.
Fewer than half of those planning to request financing now believe it will be easy to obtain.

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

Base: Respondents who intend to request financing in the next 12 months (n=239). 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.
FIs’ risk aversion is the main reason mentioned by those who believe that obtaining financing will be difficult. Unstable industry and insufficient collateral complete the top answers.

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

- Financial institutions are too risk-averse: 52%
- Unstable industry: 37%
- Insufficient collateral: 30%
- Insufficient sales or cash flow: 40%
- Too much debt: 35%
- Project is too risky: 16%
- Poor credit or lack of credit history: 14%
- Other: 3%

Base: Respondents who believe it will be difficult to obtain financing (n=45). 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. Arrows indicate statistical differences between this wave and the previous one.
The proportion of SMEs saying they don't need financing has fallen significantly. Overall, one quarter indicated that the cost of financing is too high or that terms and conditions are unfavourable.

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

- Don't need it: 56% (July 2023), 62% (Apr 2023), 63% (Jan 2023)
- Cost of financing is too high: 19% (July 2023), 16% (Apr 2023), 15% (Jan 2023)
- Don't want to add more debt / dilute company ownership: 14% (July 2023), 12% (Apr 2023), 12% (Jan 2023)
- Unfavourable terms and conditions: 5% (July 2023), 4% (Apr 2023), 4% (Jan 2023)
- Request would be turned down: 3% (July 2023), 3% (Apr 2023), 2% (Jan 2023)
- Would be too difficult or time-consuming: 2% (July 2023), 2% (Apr 2023), 2% (Jan 2023)
- Other: 1% (July 2023), 1% (Apr 2023), 1% (Jan 2023)

Base: Respondents who will not or who don't know if they will request financing in the next 12 months (n=711). 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%.
A third of those who don’t know or don’t plan on requesting financing said that financing would be helpful.

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

- **Yes, mainly for growth-related initiatives**: 21% (July 2023, 18% Apr 2023, 19% Jan 2023)
- **Yes, mainly to cover expenses, salaries and other obligations**: 13% (July 2023, 16% Apr 2023, 15% Jan 2023)
- **Yes, mainly for other purposes**: 1% (July 2023, 1% Apr 2023, 1% Jan 2023)
- **No**: 53% (July 2023, 53% Apr 2023, 54% Jan 2023)
- **Don't know**: 12% (July 2023, 12% Apr 2023, 11% Jan 2023)

**Total YES**: 34% (July 2023) vs. 35% in Apr 2023

Base: Respondents who will not or don’t know if they will request financing in the next 12 months (n=765). Those who did not know or preferred not to answer were excluded from the calculation base.
Respondent profile
Region

B.C. & North 16%
Prairies 20%
Ontario 37%
Quebec 21%
Atlantic 6%

Base: All respondents (n=1,032).
SME respondent profile

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>32%</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 or more</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 $500K</td>
<td>58%</td>
</tr>
<tr>
<td>$500K to &lt;$1M</td>
<td>13%</td>
</tr>
<tr>
<td>$1M to &lt;$3M</td>
<td>16%</td>
</tr>
<tr>
<td>$3M to &lt;$10M</td>
<td>10%</td>
</tr>
<tr>
<td>$10M or more</td>
<td>4%</td>
</tr>
</tbody>
</table>

Sector of activity

<table>
<thead>
<tr>
<th>Sector of Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional services</td>
<td>22%</td>
</tr>
<tr>
<td>Other private services</td>
<td>12%</td>
</tr>
<tr>
<td>Retail</td>
<td>10%</td>
</tr>
<tr>
<td>Construction</td>
<td>10%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9%</td>
</tr>
<tr>
<td>Technology and information</td>
<td>9%</td>
</tr>
<tr>
<td>Arts, entertainment and recreation</td>
<td>6%</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>6%</td>
</tr>
</tbody>
</table>

Revenue growth

<table>
<thead>
<tr>
<th>Revenue growth</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative growth</td>
<td>13%</td>
</tr>
<tr>
<td>0%</td>
<td>15%</td>
</tr>
<tr>
<td>&gt;0% to &lt;5%</td>
<td>43%</td>
</tr>
<tr>
<td>5% to &lt;10%</td>
<td>19%</td>
</tr>
<tr>
<td>10% to &lt;20%</td>
<td>7%</td>
</tr>
<tr>
<td>20% or more</td>
<td>3%</td>
</tr>
</tbody>
</table>

Base: Number of employees (n=1,032). For annual sales (n=962). For the sectors (n=1,017) only those with 6%+ respondents are presented. For revenue growth = Respondents for which company existed last year (n=953). Those who didn’t know were excluded from the calculation base.
### SME respondent profile

#### Diversity*

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do not belong to any of these groups</td>
<td>45%</td>
</tr>
<tr>
<td>Member of a visible minority group</td>
<td>20%</td>
</tr>
<tr>
<td>Person of immigrant origin</td>
<td>19%</td>
</tr>
<tr>
<td>Child of a person of immigrant origin</td>
<td>11%</td>
</tr>
<tr>
<td>Person with a disability (visible or non-visible)</td>
<td>4%</td>
</tr>
<tr>
<td>Indigenous person</td>
<td>4%</td>
</tr>
<tr>
<td>LGBTQ2+ person</td>
<td>3%</td>
</tr>
<tr>
<td>Person with military service</td>
<td>2%</td>
</tr>
<tr>
<td>Preferred not to answer</td>
<td>5%</td>
</tr>
</tbody>
</table>

#### Gender ownership

- **Male**: 55%
- **Female**: 13%
- **Equal proportions**: 31%

*Multiple mentions were allowed, therefore total exceeds 100%. For gender ownership (n=992). Those who did not know or preferred not to answer were excluded from the calculation base.
Thank you

Research and market intelligence team