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Key highlights
CURRENT STATE:
SMEs expect a deterioration in the Canadian economy, but do not foresee significant negative impacts on their own business.

We are seeing a mixed bag of information in the economic environment:

- 52% believe that economic conditions will deteriorate in the next 12 months (+5pts↑)
- 29% think that their cash flow situation will improve (+1pt)
- 31% say that debt repayment is limiting business activities (+2pts)

Some improvements occurring:

- 62% Are profitable (+3pts)
- 84% Stand below full capacity operation (+4pts↑)
- 33% Have used or will use significant resources for growth projects (+4pts)

SMEs are in a slightly better posture:

- 46% Say that FIs totally meet their needs (+5pts)
- 54% Are deemed bankable (+4pts)
- 54% Believe that access to financing will be difficult (-3pts)

Note: Numbers in parentheses and arrows indicate differences between this wave and the previous one. Numbers = differences in percentage points / Arrows = statistically significant differences.
INVESTMENT OUTLOOK:
Investment intentions remain stable, despite economic uncertainty and high interest rates

Investment intentions are holding relatively steady

Plan to invest about the same amount or more:

- **84%**
  - Plan to invest about the same amount or more (+1pt)

Investment goals remain consistent

- **Increasing efficiency**: 42% (+2pts)
- **Improving sales and marketing**: 39% (+2pts)
- **Adopting new technologies**: 23% (-2pts)

What could limit investments?

- **High economic uncertainty**: 42% (+3pts)
- **Interest rates**: 35% (+3pts)
- **High input costs**: 20% (-5pts)

Note: Numbers in parentheses and arrows indicate differences between this wave and the previous one. Numbers = differences in percentage points / Arrows = statistically significant differences.
FINANCING OUTLOOK:
Financing requests remain stable, but approval rates are trending downwards and have decreased significantly over a one-year span.

While demand is unchanged, use of lenders varied

- **69%** of those who requested financing were approved (-4pts)
- **29%** requested financing in the last 3 months (unchanged)

Those who asked for financing turned to:

- **72%** A financial institution (+5pts)
- **29%** A government program or crown corporation (-5pts)
- **13%** A large tech or fintech lender (-4pts)
- **10%** Private lenders / family offices (n/a)

Intentions remain stable, so too do amounts required

- **21%** Plan to request financing over the next 12 months (+2pts)

- **63%** Will need short-term financing (-10pts↓)
- **38%** For growth-related projects (-9pts↓)
- **36%** To cover expenses (-8pts)
- **43%** Will request up to $100,000 (-1pt)

Perceived access has improved slightly

- **46%** $ of those planning to request financing believe it will be easy to obtain (+3pts)

Note: Numbers in parentheses and arrows indicate differences between this wave and the previous one. Numbers = differences in percentage points / Arrows = statistically significant differences.
Methodology
Methodology

Survey methodology
- Online tracking survey.

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

Survey dates
- October 26 to November 8, 2023.

Margin of error
- For a probabilistic sample of 1,005 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
Fewer than one in five SMEs indicated losing money. SMEs in small population areas are more likely to be struggling than others.

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

Base: All qualified respondents (n=970). 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 the previous one.
Overall optimism regarding economic conditions in Canada has decreased once again in October. Media coverage may be contributing to a more negative economic outlook for the year ahead.

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=1,005). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.
Despite more SME leaders expecting a deterioration in the Canadian economy, there are no significant changes in terms of SMEs’ sales expectations for the next 12 months.

Q14. Over the next 12 months, do you expect your company’s \textbf{total sales or revenue} to increase, remain the same, or decrease compared to the last 12 months?

<table>
<thead>
<tr>
<th>Expectation</th>
<th>Oct 2023</th>
<th>July 2023</th>
<th>Apr 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase significantly</td>
<td>4%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Increase somewhat</td>
<td>34%</td>
<td>35%</td>
<td>34%</td>
</tr>
<tr>
<td>Remain the same</td>
<td>42%</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td>Decrease somewhat</td>
<td>13%</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>Decrease significantly</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Don't know</td>
<td>3%</td>
<td>4%</td>
<td>3%</td>
</tr>
</tbody>
</table>

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.

\textbf{INCREASE} 38\% vs. 38\% in July 2023

\textbf{DECREASE} 17\% vs. 16\% in July 2023
SMEs expect their employee count to remain relatively similar. Hiring intentions are statistically higher among SMEs with 5 or more employees.

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: 1%
  - Somewhat: 16%
  - Don't know: 1%

- **Decrease**
  - Somewhat: 9%
  - Significantly: 2%
  - Don't know: 3%

**Base:** All qualified respondents (n=1,000). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

INCREASE
- **17%** vs. **15%** in July 2023

DECREASE
- **11%** vs. **13%** in July 2023
While the outlook for the Canadian economy may not be particularly rosy, we find that the proportions surrounding various expectations have remained stable, most SMEs expecting much of 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?

- **Improve significantly**: 3% Oct 2023, 3% July 2023, 4% Apr 2023
- **Improve somewhat**: 27% Oct 2023, 25% July 2023, 27% Apr 2023
- **Remain the same**: 51% Oct 2023, 52% July 2023, 50% Apr 2023
- **Deteriorate somewhat**: 14% Oct 2023, 14% July 2023, 13% Apr 2023
- **Deteriorate significantly**: 3% Oct 2023, 4% July 2023, 2% Apr 2023
- **Don't know**: 3% Oct 2023, 3% July 2023, 4% Apr 2023

**IMPROVE**
- 29% vs. 28% in July 2023

**DETERIORATE**
- 17% vs. 18% in July 2023

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.
Overall demand has receded slightly. Fewer SMEs are operating beyond capacity. Interestingly, a larger percentage of non-profitable SMEs said they would struggle to meet demand.

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

- No difficulties, we are operating below capacity: 41% (Oct 2023), 38% (July 2023), 38% (Apr 2023)
- Some difficulties, we are at or near full capacity: 43% (Oct 2023), 42% (July 2023), 44% (Apr 2023)
- Significant difficulties, we are operating beyond capacity: 7% (Oct 2023), 9% (July 2023), 8% (Apr 2023)
- Don't know: 9% (Oct 2023), 10% (July 2023), 10% (Apr 2023)

Base: All qualified respondents (n=984). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.
Labour concerns seem to have resurfaced. Significantly fewer SMEs can easily hire employees, and more are struggling or would struggle to hire employees.

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

Base: All qualified respondents (n=984). 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 issues is trending upwards, but a statistically larger proportion of SMEs feel that their short-term financing needs are totally met by FIs with which they deal.

**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=1,005). Those who preferred not to answer at BA2 (n=950) and BA3 (n=933) 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 is limited to fewer than one in four SMEs. However, its impact can be tremendous.

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

<table>
<thead>
<tr>
<th>Goal</th>
<th>Oct 2023</th>
<th>July 2023</th>
<th>Apr 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Become more efficient or productive</td>
<td>42%</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Improve sales and marketing</td>
<td>39%</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Adopt new technologies</td>
<td>25%</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>Introduce new products or services</td>
<td>26%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Expand into new markets</td>
<td>21%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Add new capacity</td>
<td>21%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Reduce environmental footprint</td>
<td>11%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Replace existing capacity</td>
<td>11%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>I don’t know</td>
<td>4%</td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>

Base: Respondents planning to invest (n=508). 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, sell, close or buy a business.

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

- Transition the business internally: 11% (Oct 2023), 10% (July 2023), 9% (Apr 2023)
- Sell the business: 8% (Oct 2023), 6% (July 2023), 7% (Apr 2023)
- Close the business: 7% (Oct 2023), 8% (July 2023), 7% (Apr 2023)
- Buy another business: 4% (Oct 2023), 5% (July 2023), 3% (Apr 2023)
- No, we do not plan to do any of the above: 75% (Oct 2023), 74% (July 2023), 77% (Apr 2023)

Base: All qualified respondents (n=904). 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.
Investment intentions in non-residential buildings have held steady despite high interest rates.

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

<table>
<thead>
<tr>
<th>Plan to invest</th>
<th>Do not plan to invest</th>
</tr>
</thead>
<tbody>
<tr>
<td>19%</td>
<td>24%</td>
</tr>
<tr>
<td>24%</td>
<td>23%</td>
</tr>
<tr>
<td>21%</td>
<td>22%</td>
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<tr>
<td>22%</td>
<td>22%</td>
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<tr>
<td>20%</td>
<td>22%</td>
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<tr>
<td>22%</td>
<td>24%</td>
</tr>
<tr>
<td>24%</td>
<td>22%</td>
</tr>
<tr>
<td>20%</td>
<td>24%</td>
</tr>
<tr>
<td>76%</td>
<td>76%</td>
</tr>
</tbody>
</table>

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

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

**Plan to invest**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>67%</td>
<td>59%</td>
<td>57%</td>
<td>59%</td>
<td>61%</td>
<td>62%</td>
<td>67%</td>
<td>65%</td>
<td>63%</td>
<td>63%</td>
</tr>
<tr>
<td><strong>Do not plan to invest</strong></td>
<td>33%</td>
<td>41%</td>
<td>43%</td>
<td>41%</td>
<td>39%</td>
<td>38%</td>
<td>33%</td>
<td>35%</td>
<td>37%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Base: All qualified respondents (n=899). 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 increased minimally. Intentions are statistically higher among SMEs planning to request financing.

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

Base: All qualified respondents (n=892).
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, software investments remain the most popular. Other intangible investment have decreased but remain on the agenda for many SMEs.

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Oct 2023</th>
<th>July 2023</th>
<th>Apr 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software</td>
<td>57%</td>
<td>58%</td>
<td>56%</td>
</tr>
<tr>
<td>Marketing</td>
<td>38%</td>
<td>41%</td>
<td>42%</td>
</tr>
<tr>
<td>Employee training</td>
<td>38%</td>
<td>42%</td>
<td>40%</td>
</tr>
<tr>
<td>IP protection</td>
<td>25%</td>
<td>22%</td>
<td>29%</td>
</tr>
<tr>
<td>Research and development</td>
<td>24%</td>
<td>20%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Base: All qualified respondents planning to invest in intangibles (n=418). Those who 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%.
Half of SMEs plan to invest in at least one of three categories identified (-3 points vs. July), and nearly the same exact proportion plans to invest the same amount or more for each of the different categories.

Q58a. Non-residential building, including renovations

Q58b. Machinery and equipment

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

Base: All qualified respondents (n=899-927). Those who did not know were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.
One may have expected that SME leaders would refrain from investing in a high uncertainty and high interest environment, but SME leaders remain unwavering with their investment intentions.

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

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Invest the same</td>
<td>65%</td>
<td>66%</td>
<td>65%</td>
<td>64%</td>
<td>65%</td>
<td>67%</td>
<td>67%</td>
<td>64%</td>
<td>67%</td>
<td>65%</td>
<td>66%</td>
</tr>
<tr>
<td>Invest more</td>
<td>18%</td>
<td>20%</td>
<td>21%</td>
<td>18%</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
<td>14%</td>
<td>19%</td>
<td>17%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Base: All qualified respondents (n=953). Those who preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.
One quarter of SMEs plan to invest more. However, nearly one in five SME plans to reduce its investment budget.

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: 25% (Oct 2023), 27% (July 2023), 24% (April 2023)
- About the same: 57% (Oct 2023), 57% (July 2023), 59% (April 2023)
- Lower: 18% (Oct 2023), 16% (July 2023), 17% (April 2023)

Base: All qualified respondents (n=954). 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 and high interest rates are the two main factors that could limit SME investments in the next 12 months. Low demand could also prevent SMEs from investing in their projects.

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>Oct 2023</th>
<th>July 2023</th>
<th>Apr 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>High economic uncertainty</td>
<td>42%</td>
<td>39%</td>
<td>33%</td>
</tr>
<tr>
<td>High interest rates or additional increases in the overnight interest rate</td>
<td>35%</td>
<td>32%</td>
<td>29%</td>
</tr>
<tr>
<td>Low demand</td>
<td>20%</td>
<td>18%</td>
<td>17%</td>
</tr>
<tr>
<td>High input costs</td>
<td>20%</td>
<td>19%</td>
<td>18%</td>
</tr>
<tr>
<td>Low cash flow position</td>
<td>19%</td>
<td>18%</td>
<td>17%</td>
</tr>
<tr>
<td>Lack of qualified employees</td>
<td>15%</td>
<td>20%</td>
<td>18%</td>
</tr>
<tr>
<td>Difficulty obtaining financing</td>
<td>11%</td>
<td>9%</td>
<td>13%</td>
</tr>
<tr>
<td>Unfavourable exchange rate</td>
<td>10%</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>Low prices for your products and services</td>
<td>10%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Insufficient capacity</td>
<td>8%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Not necessary to invest at this time</td>
<td>5%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Nothing will limit your investments</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Base: Those planning to invest (n=505). 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 remains precarious, given omnipresent uncertainty. Most SMEs 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)
- Oct 2023: 10% (↓)
- July 2023: 13%
- Apr 2023: 13%

Somewhat confident (7 or 8 out of 10)
- Oct 2023: 30%
- July 2023: 26%
- Apr 2023: 32%

Not really confident (4 to 6 out of 10)
- Oct 2023: 41%
- July 2023: 45%
- Apr 2023: 39%

Not at all confident (0 to 3 out of 10)
- Oct 2023: 19%
- July 2023: 16%
- Apr 2023: 16%

**CONFIDENT**
- 40%
  - vs. 39% in July 2023

**NOT CONFIDENT**
- 60%
  - vs. 61% in July 2023

Base: Respondents planning to invest (n=897). 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.

* Micro-businesses are SMEs with 1 to 4 employees and <$500K annual sales
Most SMEs’ investment decisions will be driven primarily by external factors: the economy overall, demand for their offering and interest rates. Concerns regarding inflation have decreased significantly.

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

<table>
<thead>
<tr>
<th>Decision Factor</th>
<th>Oct 2023</th>
<th>July 2023</th>
<th>Apr 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>The economy overall or business climate</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Demand for our products or services</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Interest rates</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Our business needs</td>
<td>16%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>The business’s cash flow position</td>
<td>12%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>The return on investment (ROI)</td>
<td>11%</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>Inflation</td>
<td>12%</td>
<td>9%</td>
<td>7%</td>
</tr>
<tr>
<td>Workforce availability</td>
<td>4%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Financing options available</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Nothing in particular</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Base: Respondents planning to invest (n=960). 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
A stable percentage of SMEs indicated having requested financing in the last three months.

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

- **Yes, at a branch or in person**
  - Oct 2023: 18%
  - July 2023: 17%
  - Apr 2023: 19%

- **Yes, online**
  - Oct 2023: 12%
  - July 2023: 14%
  - Apr 2023: 12%

- **Did not request financing**
  - Oct 2023: 71%
  - July 2023: 71%
  - Apr 2023: 71%

**Total YES**

- **29%**

vs. **29%** in July 2023

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**Base:** All qualified respondents (n=964).
Those who did not know were excluded from the calculation base. Multiple answers allowed for the “Yes” response.
Demand for short-term financing has decreased significantly since July, which may be attributed to the fact that SMEs have tapped the credit needed regarding lines of credit and business credit cards.

Q30a. What type of financing did you request?

**SHORT-TERM FINANCING**

69% down vs. 76% in July 2023

Base: Respondents who requested financing (n=341). 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.
Just over half of SMEs approached their primary FI for financing or credit, but we see that a significant proportion also approached FIs other than their primary financial institution.

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

- **A financial institution**: 72% (67% in July 2023, 66% in April 2023)
- **A Crown corporation**: 19% (22% in July 2023, 18% in April 2023)
- **A government program**: 14% (16% in July 2023, 19% in April 2023)
- **Private lender or family office**: 10% (Choice not presented in previous waves)
- **An online lender or “fintech”**: 7% (8% in July 2023, 11% in April 2023)
- **A large technology company**: 7% (11% in July 2023, 9% in April 2023)
- **Other**: 0%

**FINTECH / LARGE TECH**

13%

vs. 17% in July 2023

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**Base:** Respondents who requested financing (n=345). 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. The answers to this question were modified in wave 19 to better understand primary FIs vs other FIs and to account for the contribution of private lenders and family offices.
Approval rates continue to trend lower. A significant decrease in partly authorized combined with higher rejected rates explain this drop.

Q31. What was the outcome of this financing request?

Base: Respondents who requested financing (n=341). Those who did not know were excluded from the calculation base.
Financing demand
Demand for financing is sustained, but many SMEs are not coming from a position of strength.

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

Among those planning to request financing:
- 53% were profitable
- 23% broke even
- 25% lost money

**Base:** All qualified respondents (n=996).
Those who preferred not to answer were excluded from the calculation base.
There is a significant decrease in demand for short-term financing.

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

---

There is a significant decrease in demand for short-term financing.

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

---

There is a significant decrease in demand for short-term financing.

Q33. What **type of financing** will you request?
There continues to be high demand for loans under $100,000.

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

Base: Respondents who will request financing (n=239). 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.
Good news: fewer SMEs plan to borrow to cover expenses. Less good news: fewer need funds for growth-related projects. Business transition is up significantly.

Q34b. What would this financing be used for?

- **Growth-related projects**
  - Oct 2023: 38% (↓ 47%)
  - July 2023: 41%
  - Apr 2023: 47%

- **Cover expenses, salaries and other obligations**
  - Oct 2023: 36% (↓ 44%)
  - July 2023: 36%
  - Apr 2023: 44%

- **Machinery and equipment**
  - Oct 2023: 29% (↓ 37%)
  - July 2023: 37%
  - Apr 2023: 34%

- **Inventory**
  - Oct 2023: 23% (↓ 34%)
  - July 2023: 25%
  - Apr 2023: 25%

- **Non-residential buildings**
  - Oct 2023: 19% (↓ 20%)
  - July 2023: 16%
  - Apr 2023: 19%

- **Business transition**
  - Oct 2023: 13% (↑ 10%)
  - July 2023: 7%
  - Apr 2023: 7%

- **CEBA repayment (recoded answer)**
  - Oct 2023: 2% (↑ 10%)
  - July 2023: 3%
  - Apr 2023: 3%

- **Other**
  - Oct 2023: 2% (↑ 1%)
  - July 2023: 1%
  - Apr 2023: 1%

Base: Respondents who will request financing in the next 12 months (n=245). Multiple mentions were allowed; therefore, total exceeds 100%. 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.
Even with approval rates decreasing, we see a slight improvement in perceived ease of access to financing.

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

Even with approval rates decreasing, we see a slight improvement in perceived ease of access to financing.
FIs’ reported risk aversion continues to trend upwards. Internal issues such as sales, industry sector, insufficient collateral and current debt levels complete the top answers provided.

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

<table>
<thead>
<tr>
<th>Reason</th>
<th>Oct 2023</th>
<th>July 2023</th>
<th>Apr 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial institutions are too risk-averse</td>
<td>59%</td>
<td>52%</td>
<td>34%</td>
</tr>
<tr>
<td>Insufficient sales or cash flow</td>
<td>27%</td>
<td>23%</td>
<td>19%</td>
</tr>
<tr>
<td>Unstable industry</td>
<td>25%</td>
<td>32%</td>
<td>25%</td>
</tr>
<tr>
<td>Insufficient collateral</td>
<td>23%</td>
<td>29%</td>
<td>23%</td>
</tr>
<tr>
<td>Too much debt</td>
<td>23%</td>
<td>15%</td>
<td>21%</td>
</tr>
<tr>
<td>Project is too risky</td>
<td>10%</td>
<td>11%</td>
<td>16%</td>
</tr>
<tr>
<td>Poor credit or lack of credit history</td>
<td>7%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
<td>8%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Base: Respondents who believe it will be difficult to obtain financing (n=49). 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.
Just over one in five SMEs mentioned that the cost of financing is too high or that terms and conditions are unfavourable. For the most part, a lack of need justifies their decision not to request financing.

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

- **Don’t need it**: 59% (Oct 2023), 56% (July 2023), 62% (Apr 2023)
- **Cost of financing is too high**: 16% (Oct 2023), 19% (July 2023), 16% (Apr 2023)
- **Don’t want to add more debt / dilute company ownership**: 14% (Oct 2023), 14% (July 2023), 12% (Apr 2023)
- **Unfavourable terms and conditions**: 6% (Oct 2023), 5% (July 2023), 4% (Apr 2023)
- **Would be too difficult or time-consuming**: 1% (Oct 2023), 2% (July 2023), 2% (Apr 2023)
- **Request would be turned down**: 1% (Oct 2023), 3% (July 2023), 3% (Apr 2023)
- **Other**: 3% (Oct 2023), 1% (July 2023), 1% (Apr 2023)

Cost of financing / unfavourable terms vs. 24% in July 2023

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%.
Financing would be helpful for a third of SMEs who don’t know or don’t plan on requesting financing.

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

- Yes, mainly for growth-related initiatives: 21%
- Yes, mainly to cover expenses, salaries and other obligations: 13%
- Yes, mainly for other purposes: 1%
- No: 54%
- Don't know: 11%

Base: Respondents who will not or don’t know if they will request financing in the next 12 months (n=740). Those who did not know or preferred not to answer were excluded from the calculation base.

Total YES 34% vs. 34% in July 2023
Respondent profile
Region

- B.C. & North: 16%
- Prairies: 19%
- Ontario: 37%
- Quebec: 21%
- Atlantic: 6%

Base: All respondents (n=1,005).
SME respondent profile

**Number of employees**
- 1 to 4: 55%
- 5 to 19: 31%
- 20 to 49: 9%
- 50 to 99: 3%
- 100 or more: 2%

**Annual sales**
- Less than $500K: 55%
- $500K to <$1M: 15%
- $1M to <$3M: 17%
- $3M to <$10M: 8%
- $10M or more: 4%

**Sector of activity**
- Professional services: 28%
- Construction: 11%
- Other private services: 9%
- Retail: 8%
- Technology and information: 8%
- Manufacturing: 7%
- Primary sectors: 6%
- Arts, entertainment and recreation: 6%

**Revenue growth**
- Negative growth: 11%
- 0%: 15%
- >0% to <5%: 44%
- 5% to <10%: 19%
- 10% to <20%: 6%
- 20% or more: 5%

Base: Number of employees (n=1,005). For annual sales (n=924). For the sectors (n=989) only those with 6%+ respondents are presented. For revenue growth = Respondents for which company existed last year (n=914). Those who didn’t know were excluded from the calculation base.
SME respondent profile

Diversity*

- Do not belong to any of these groups: 47%
- Person of immigrant origin: 20%
- Member of a visible minority group: 16%
- Child of a person of immigrant origin: 11%
- Person with a disability (visible or non-visible): 4%
- LGBTQ2+ person: 4%
- Indigenous person: 3%
- Person with military service: 3%
- Preferred not to answer: 6%

Gender ownership

- Male: 53%
- Female: 13%
- Equal proportions: 34%

Base: For diversity (n=1,005). *Multiple mentions were allowed; therefore, total exceeds 100%. For gender ownership (n=945). Those who did not know or preferred not to answer were excluded from the calculation base.
Thank you

Research and market intelligence team