

# Canadian Survey on Business Conditions, third quarter 2021

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Real gross domestic product contracted 0.3% in May, following a 0.5% decline in April. Total economic activity was about 2% below the level in February 2020, before the COVID-19 pandemic.

From July to early August 2021, Statistics Canada conducted the Canadian Survey on Business Conditions. This survey collects information on business expectations in the future and the ongoing impact of the pandemic on businesses in Canada.

Over the next three months (see Note to readers), over one-quarter of businesses expected their profitability to decrease, 14.8% expected their sales to decrease, over one-fifth expected to increase the prices they charge and nearly four-fifths expected their number of employees to remain the same. Businesses also expected to face a variety of obstacles in the short term.

## Businesses have a mixed view on profitability and sales in the short term, depending on the industry

Over one-quarter (27.2%) of all businesses expected their profitability to decrease over the next three months (see Note to readers), while 13.7% of businesses expected their profitability to increase. Close to three-fifths (56.5%) of businesses expected profitability to remain relatively unchanged. Expectations of future profitability differ by industry. For example, among businesses in accommodation and food services, while nearly two-fifths expected profitability to decrease (39.3%) or remain about the same (38.0%), over one-fifth (22.4%) expected profitability to increase. In addition, over one-third of businesses in transportation and warehousing (35.7%) and in administrative and support, waste management and remediation services (35.1%) expected their profitability to decrease over the next three months. Conversely, more than one-fifth of businesses in retail trade (20.9%) and nearly one-fifth of businesses in wholesale trade (19.3%) expected profitability to increase.

Over one-fifth (21.7%) of businesses expected to raise prices over the next three months, just over the 19.9% of businesses that expected to in the second quarter. Those in wholesale trade (38.7%), manufacturing (36.4%), and accommodation and food services (34.5%) were most likely to expect to raise prices.

Close to four-fifths (78.2%) of businesses expected to retain the same number of employees over the next three months, similar to the 77.6% that expected to do so in the second quarter. Conversely, 7.1% of businesses expected their number of employees to decrease, down from 8.8% in the previous quarter. In accommodation and food services, 16.0% of businesses expected a decline in their number of employees over the next three months, down from the previous quarter (20.5%).

In terms of vacant positions, 8.3% of businesses expected to have more job vacancies over the next three months. However, in accommodation and food services, nearly one-fifth (18.6%) of businesses expected to have more vacant positions, up from 13.4% in the previous quarter.

## Business survival and plans over the next year

Over half (53.9%) of businesses reported that they could continue operating at their current level of revenue and expenditures for 12 months or more before considering closure or bankruptcy, compared with over two-thirds (68.5%) of businesses that reported the same in the second quarter. Similar to the second quarter, 6.8% of businesses reported that they could continue for less than 12 months. Less than one-fifth of businesses in accommodation and food services (16.9%) reported that they could continue to operate at their current level of revenue and expenditures for less than 12 months before having to consider closure or bankruptcy, down from the previous quarter (22.8%).



Almost half (49.4%) of businesses reported that they could continue to operate at their current level of revenue and expenditures for 12 months or more before considering laying off staff, down from the over three-fifths (61.6%) of businesses that reported the same in the second quarter. Meanwhile, more than one in six businesses (17.7%) reported that they could continue for less than 12 months before considering laying off staff. Businesses in accommodation and food services (34.5%), in arts, entertainment and recreation (33.7%), and in manufacturing (24.3%) were most likely to report that they could continue operating at their current level of revenue and expenditures for less than 12 months before considering laying off staff.

Moreover, one in eight businesses (12.9%) had plans to expand or restructure or to acquire or invest in other businesses in the next year. Similar to the second quarter, 3.2% of businesses had plans to transfer or sell their business in the next year. Meanwhile, 1.6% of businesses had plans to close their business, relatively unchanged from the 1.3% of businesses in the second quarter.

Nearly four-fifths (79.3%) of businesses had the cash or liquid assets required to operate over the next three months. Nearly one-fifth (19.0%) of businesses reported that they could not take on more debt. Of businesses that could not take on more debt, the most commonly reported reasons were a lack of confidence or uncertainty in future sales (41.0%), cash flow (39.6%), and that the request would be turned down (15.9%).

### **Businesses expect to face a variety of obstacles, including labour shortages and supply issues**

Businesses face a variety of obstacles and future unknowns. The rising cost of inputs, including labour, capital, energy and raw materials, was the most commonly expected obstacle over the next three months (38.5%). This proportion was similar to the 37.8% of businesses that expected this to be an obstacle in the second quarter. The rising cost of inputs was expected to be an obstacle for approximately three in five businesses in manufacturing (65.4%); accommodation and food services (59.6%); and agriculture, forestry, fishing and hunting (58.0%).

Businesses also expected to face obstacles related to the workforce. Recruiting skilled employees was expected to be an obstacle for over one-third (34.6%) of all businesses, led by those in accommodation and food services (55.3%), manufacturing (46.9%), and construction (41.1%). In addition, a labour force shortage was expected to be an obstacle for 30.3% of businesses, while retaining skilled employees was expected to be an obstacle for nearly one-quarter (24.5%) of businesses.

Over one-quarter (25.3%) of businesses expected the cost of insurance to be an obstacle over the next three months. This was expected by over two-fifths of businesses in agriculture, forestry, fishing and hunting (41.6%) and in mining, quarrying, and oil and gas extraction (41.0%).

Over one-fifth (22.6%) of businesses expected fluctuations in consumer demand to be an obstacle over the next three months. This was expected by around one-third of businesses in arts, entertainment and recreation (33.8%); retail trade (33.1%); and accommodation and food services (32.6%).

Half (50.1%) of businesses in construction and over two-fifths (41.9%) of businesses in manufacturing expected to have difficulty acquiring inputs, products or supplies domestically over the next three months. Over one-third of businesses in wholesale trade (36.1%) and manufacturing (34.4%) expected to have difficulty acquiring inputs, products or supplies from abroad.

**Table 1**  
**Expected obstacles to businesses or organizations over the next three months, by selected industry, third quarter of 2021**

|  | All businesses  | Manufacturing | Wholesale trade | Retail trade | Arts, entertainment and recreation | Accommodation and food services |
|--|-----------------|---------------|-----------------|--------------|------------------------------------|---------------------------------|
|  | % of businesses |               |                 |              |                                    |                                 |
| Rising cost of inputs  | 38.5            | 65.4          | 51.5            | 38.8         | 32.1                               | 59.6                            |
| Recruiting skilled employees   | 34.6            | 46.9          | 27.2            | 37.8         | 26.0                               | 55.3                            |
| Shortage of labour force   | 30.3            | 41.4          | 28.0            | 33.7         | 25.9                               | 60.2                            |
| Cost of insurance  | 25.3            | 26.2          | 20.9            | 21.5         | 27.6                               | 38.7                            |
| Retaining skilled employees  | 24.5            | 29.6          | 21.3            | 28.5         | 20.0                               | 42.7                            |
| Transportation costs   | 22.8            | 41.0          | 45.0            | 28.6         | 8.6                                | 19.7                            |
| Fluctuations in consumer demand  | 22.6            | 30.2          | 25.4            | 33.1         | 33.8                               | 32.6                            |
| Difficulty acquiring inputs, products or supplies domestically   | 22.5            | 41.9          | 29.6            | 29.6         | 11.3                               | 20.2                            |
| Attracting new or returning customers  | 21.7            | 27.0          | 21.7            | 30.4         | 42.2                               | 33.8                            |
| Cost of personal protective equipment (PPE), additional cleaning or implementing distancing requirements | 20.2            | 19.6          | 13.3            | 19.6         | 21.4                               | 40.3                            |
| Maintaining sufficient cash flow or managing debt  | 18.0            | 18.7          | 18.4            | 18.5         | 24.4                               | 30.9                            |
| Increasing competition   | 17.5            | 14.5          | 14.9            | 25.2         | 9.8                                | 27.3                            |
| Government regulations   | 17.3            | 14.7          | 13.4            | 14.4         | 30.7                               | 28.5                            |
| Maintaining inventory levels   | 16.1            | 30.2          | 32.7            | 42.5         | 7.8                                | 19.4                            |
| Travel restrictions and travel bans  | 15.4            | 22.6          | 24.4            | 17.4         | 24.3                               | 24.5                            |
| Difficulty acquiring inputs, products or supplies from abroad  | 15.0            | 34.4          | 36.1            | 27.0         | 6.9                                | 13.0                            |
| Insufficient demand for goods or services offered  | 13.9            | 20.0          | 11.7            | 14.2         | 23.7                               | 23.2                            |
| Speed of internet connection   | 9.9             | 7.4           | 8.6             | 9.7          | 10.6                               | 12.0                            |
| Obtaining financing  | 9.4             | 12.1          | 5.3             | 8.4          | 13.4                               | 15.7                            |
| Shortage of space or equipment   | 7.8             | 14.6          | 14.5            | 8.1          | 11.6                               | 7.9                             |
| Intellectual property protection   | 2.9             | 2.9           | 1.1             | 3.5          | 2.5                                | 0.8                             |
| Challenges related to exporting goods and services   | 2.5             | 8.6           | 6.8             | 2.4          | 1.1                                | 3.0                             |
| Other  | 1.6             | 2.3           | 1.0             | 0.8          | 0.6                                | 1.3                             |
| None   | 21.2            | 9.4           | 13.6            | 14.9         | 15.5                               | 6.5                             |

Source(s): Table 33-10-0364-01.

## Businesses outsourcing tasks, projects and short contracts

Over one-fifth (21.4%) of all businesses had outsourced tasks, projects or short contracts to freelancers, gig workers, or other businesses or organizations in the previous 12 months. Businesses in information and cultural industries (35.5%) were the most likely to have done this. Of the businesses that outsourced tasks, projects or short contracts, over one-quarter (26.3%) used a third-party digital platform, application or website to do so. The activities most commonly outsourced through a third-party digital platform were website or software development and computer programming (51.6%); accounting, law or other professional services (39.1%); graphic design and audio-visual production (38.3%); and sales and marketing support (32.7%).

## Businesses anticipate reducing office space as more workers expected to telework

Over one-quarter (27.8%) of businesses anticipated that some of their workforce would continue to primarily telework once the COVID-19 pandemic is over. The businesses most likely to anticipate having some of their staff primarily telework were those in information and cultural industries (53.4%); professional, scientific and technical services (51.5%); and finance and insurance (44.8%). Of the businesses anticipating staff to telework, almost one in six (14.7%) foresaw reducing their office space because more of their workforce would be teleworking.

## Non-profit organizations

Nearly four-fifths (77.8%) of non-profit organizations expected to retain the same number of employees over the next three months, while 14.5% expected to increase their number of employees. Three-fifths (60.5%) of non-profit organizations expected their operating income to stay about the same over the next three months, while 15.7%

expected their operating income to increase. Nearly three-fifths (58.8%) of non-profit organizations expected their operating expenses to stay about the same, while nearly one-quarter (24.8%) expected operating expenses to increase over the next three months.

The most common obstacles non-profit organizations expected to face over the next three months were recruiting skilled employees (35.4%) and retaining skilled employees (25.3%). Nevertheless, the majority of non-profit organizations (89.7%) were optimistic about the future outlook for their organization over the next 12 months.

### Note to readers

*Data from the Canadian Survey on Business Conditions are now available. The tables provide data at the national, provincial and territorial levels by industrial sector, employment size, type of business and majority ownership. Data are also available for the 20 largest cities in Canada, by request.*

*Data in this release are from Statistics Canada's Canadian Survey on Business Conditions. Results from this survey are applicable to all employer businesses in Canada. This survey is carried out on a quarterly basis to collect information from businesses in Canada more efficiently and rapidly, compared with traditional survey methods.*

*The most recent survey was conducted from July 2 to August 6, 2021, and respondents were asked about their expectations over the next three-month period. As a result, those three months could range from July 2 to November 6, 2021, depending on when the business responded.*

*This survey collected data from businesses on the current economic situation and will be used to effectively assess their needs for support measures both during and after the COVID-19 pandemic. Statistics Canada would like to thank all the Canadians who took the time to answer questions for this survey. Their collaboration enables a better understanding of COVID-19's impact on Canadian businesses and the economy.*

**Definitions, data sources and methods: survey number [5318](#).**

**Available tables: [33-10-0363-01](#) to [33-10-0394-01](#) .**

The infographic "[Business Conditions in Canada, third quarter of 2021](#)," part of the series *Statistics Canada—Infographics (11-627-M)*, is available.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; [STATCAN.infostats-infostats.STATCAN@canada.ca](mailto:STATCAN.infostats-infostats.STATCAN@canada.ca)) or Media Relations (613-951-4636; [STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca](mailto:STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca)).