

Monthly estimates of business openings and closures, May 2022

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In May 2022, despite a decrease in the business opening rate (from 4.9% in April to 4.7%) and an increase in the business closure rate (from 4.4% to 4.6%), the number of active businesses grew slightly by 0.1% (+757), as there were more openings than closures. This business dynamic was widespread across provinces, although the decline in the number of businesses was mainly driven by Ontario. Transportation and warehousing (-0.5%; -277) was the lone industry where the number of active businesses decreased in May 2022.

Both the business opening and closure rates were equal to their 2015-to-2019 historical averages in May 2022. Furthermore, the opening rate and its components have been stable since March 2021. Indeed, the opening, reopening and entry rates have been within 0.2 percentage points of their historical averages.

The series on temporary business closures and exits (or "permanent closures") has now been updated to include data up to November 2021. The exit rate dropped slightly to 1.5% after holding steady at 1.6% from August to October 2021. The exit rate has been lower than or equal to its 2015-to-2019 average of 1.7% since December 2020.

In November 2021, the exit rate held steady or changed little compared with October in all industries. Transportation and warehousing (2.8% exit rate vs. 1.5% historical average) and real estate and rental and leasing (2.5% vs. 1.9%) continued to post the highest exit rates across industries. Along with arts, entertainment and recreation (1.8% exit rate vs. 1.5% historical average), these were the industries where the exit rates were furthest from their historical averages.

Number of active businesses above level observed before COVID-19 pandemic in arts, entertainment and recreation, and in accommodation and food services

In May 2022, for the first time since the onset of the pandemic, the number of active businesses in arts, entertainment and recreation surpassed its pre-pandemic level (+0.9% compared with February 2020). The number of active businesses in accommodation and food services exceeded its pre-pandemic level in both April (+0.4%) and May (+1.0%) 2022.

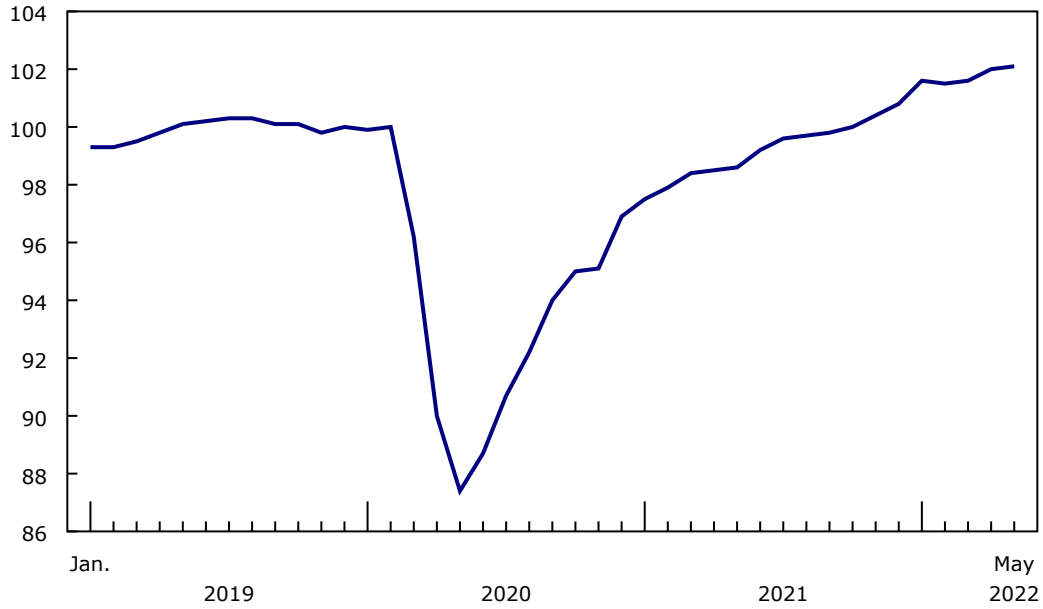
The number of active businesses continued to increase in the other tourism industries in May 2022 and was close to its pre-pandemic level (-0.3%; -211). If the pace of growth continues (+0.6% on average since June 2021), the number of active businesses should return to its February 2020 level in June 2022. The number of active businesses has not yet returned to pre-pandemic levels in mining, quarrying, and oil and gas extraction (-7.0%; -401); wholesale trade (-2.8%; -1,089); finance and insurance, and management of companies and enterprises (-0.7%; -195); and other services (except public administration) (-1.0%; -751). The number of active businesses in transportation and warehousing was below its February 2020 level for the fourth month in a row.

Although the change in the number of active businesses in accommodation and food services was consistent with the change in its gross domestic product (GDP), which surpassed its pre-pandemic level for the first time in April 2022, it is perhaps too early to speak of recovery. Indeed, as reported in the [Survey of Employment, Payrolls and Hours](#), employment was still below pre-pandemic levels in arts, entertainment and recreation, and in accommodation and food services in May 2022. Furthermore, while the number of active businesses in transportation and warehousing has generally been decreasing since February 2022, its GDP posted sustained growth. This contrast between business openings and closures, and employment or GDP, is attributable to the fact that small firms account for nearly all of business openings, closures, entries and exits, while larger firms account for a significant share of employment and GDP.



Chart 1
Number of active businesses, business sector, January 2019 to May 2022, seasonally adjusted series

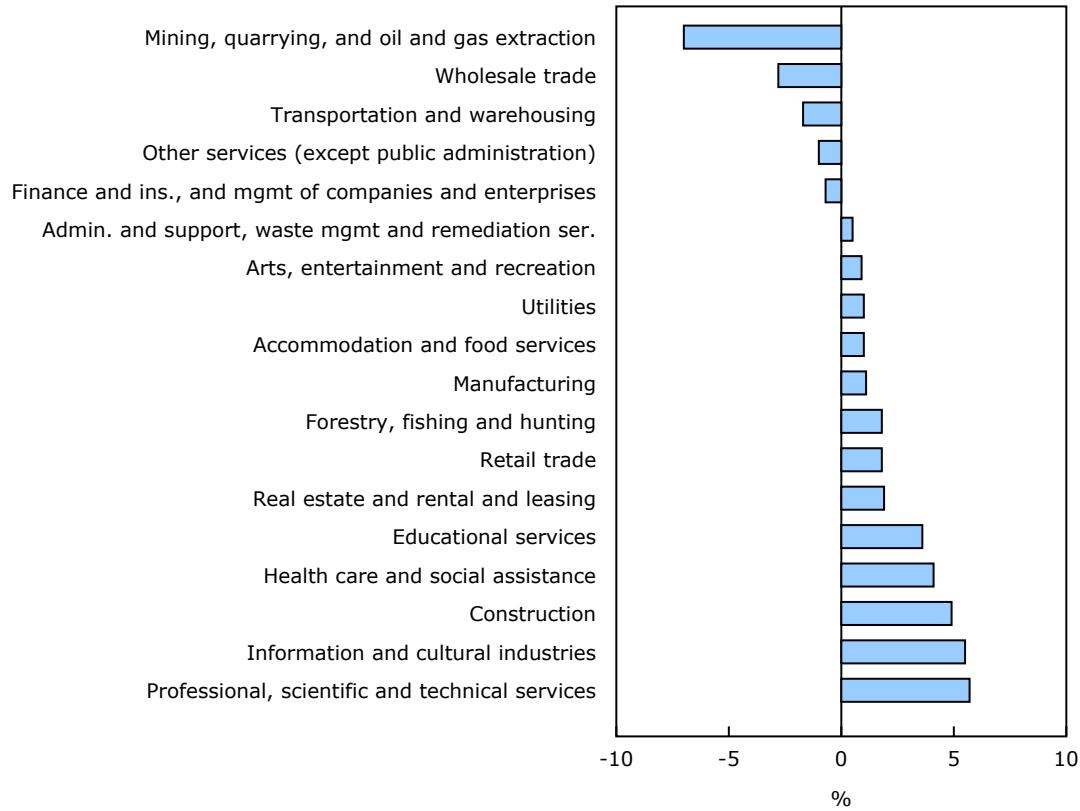
index (February 2020=100)



Source(s): Table [33-10-0270-01](#).

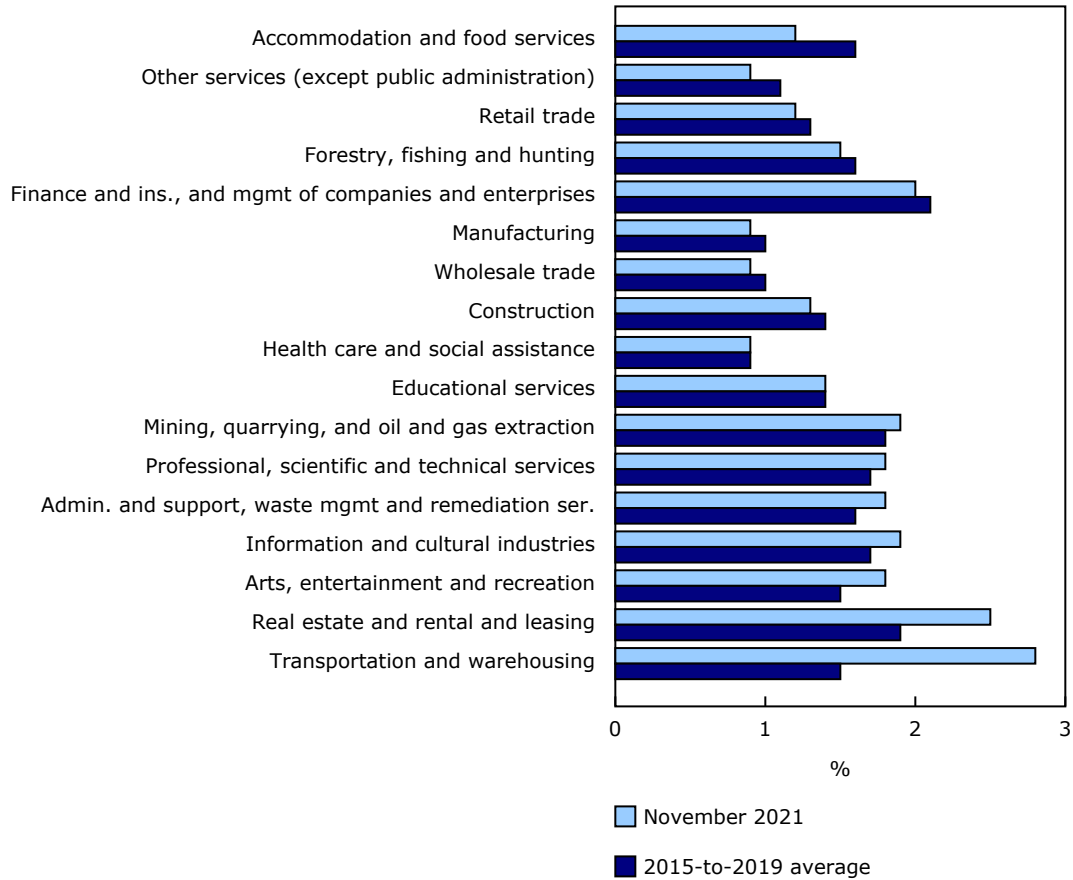
Chart 2

Percentage change in the number of active businesses between February 2020 and May 2022, by industry, seasonally adjusted series



Source(s): Table 33-10-0270-01.

Chart 3
Monthly exits as a percentage of active businesses, by industry, Canada, November 2021, seasonally adjusted series



Source(s): Table 33-10-0270-01.

Note to readers

April's release introduced a new process for seasonal adjustment in the presence of the outliers generated by the response to the COVID-19 pandemic. The new process has a greater number of outliers that are explicitly recognized at the outset of the seasonal adjustment process. This leads to a greater number of outliers being taken into account than previously. Examinations of seasonally adjusted data using the new process show results that are more stable over time and produce smaller revisions.

Every new month of data leads to a revision of the previously released data because of such factors as the seasonal adjustment process and a new version of the Generic Survey Universe File (or vintage of the Business Register). As a result, the estimates may vary compared with those of a previous release.

Openings are defined as businesses with employment in the current month and no employment in the previous month. Closures are defined as businesses that had employment in the previous month, but no employment in the current month. Continuing businesses are those that have employees in both months, and the active population in any given month is the number of opening and continuing businesses in that month. Reopening businesses are defined as opening businesses that were also active in a previous month (that is, they closed in a given month and had positive employment in a subsequent month). In contrast, entrants are opening businesses that were not active in a previous month.

The definition of exits is based on the Longitudinal Employment Analysis Program (LEAP) annual exits. Because the LEAP definition can require up to 24 months of data for a business to be counted as an exit, projections of exits using predicted growth rates are implemented using a regression model of exits on closures of more than six months. As a result, there are no published exits in the last six months. A temporary business closure is the difference between closures and exits. For more information on temporary business closures and exits, see "[Defining and measuring business exits using monthly data series on business openings and closures.](#)"

A business is defined as an enterprise operating in a particular geography and industry.

The vast majority of businesses operate in one industry and one location or geography. These businesses will be counted once at the national and provincial levels in the monthly estimates of openings and closures. For example, a retailer in Windsor, Ontario, will be counted as an active business in the Ontario estimates and once in the national estimates.

Some businesses can have multiple operations, and these can be in different industries and geographies. Such businesses can be counted more than once in the monthly estimates of openings and closures because they are active in multiple industries or geographies. For example, if a retailer has operations in both Alberta and Ontario, it will be counted as an active business in both provinces, but only once at the national level because it represents only one active firm. Similarly, a firm with retail and wholesale operations will be counted in both industries when individual industries are examined. However, when the business sector is examined, the firm counts only once because at that level it represents one firm active in the business sector.

Available tables: table [33-10-0270-01](#).

Definitions, data sources and methods: survey number [8013](#).

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; infostats@statcan.gc.ca) or Media Relations (statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca).