

Monthly estimates of business openings and closures, June 2022

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The business opening rate decreased from 4.7% in May to 4.2% in June 2022. This was the largest drop in the opening rate since August 2020 and its lowest level since March 2020. The opening rate was below its 2015-to-2019 historical average (4.7%) for the first time since June 2021. The business closure rate contracted slightly and settled 0.1 percentage points (pp) below its historical average of 4.6%. The number of active businesses remained relatively unchanged from May to June.

The decrease in the business opening rate in June was mainly driven by a decrease in business re-openings. In fact, the re-opening rate fell by 0.4 pp, whereas the entry rate edged down 0.2 pp. Both the re-opening and the entry rate were 0.3 pp below their respective historical averages. Furthermore, the entry rate has been decreasing since March 2022. From March to June 2022, evidence from the [Canadian Survey on Business Conditions](#) indicated that inflationary pressures, labour challenges and supply chain issues were impacting businesses. The Bank of Canada's policy interest rate also started increasing in March.

In June, the business opening rate decreased in all provinces and territories. It was mainly driven by Ontario, where the opening rate dropped by 0.7 pp (-2,336 businesses), followed by Alberta (-0.5 pp; -587) and Quebec (-0.2 pp; -527). In all provinces and territories, the opening rate settled below its historical average in June and was at its lowest level since at least August 2021.

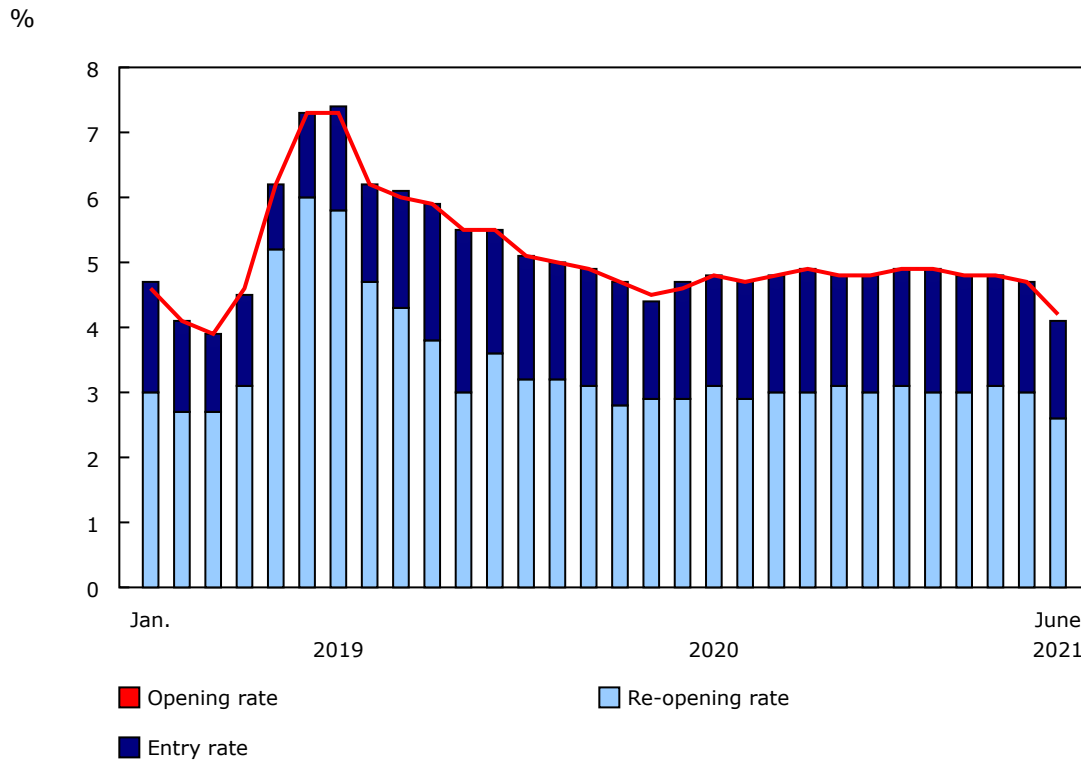
On the industry side, the decline in the business opening rate was also widespread. Professional, scientific and technical services (-0.7 pp; -801 businesses) and construction (-0.5 pp; -661) drove the decline, followed by health care and social assistance (-0.4 pp; -438) and accommodation and food services (-0.7 pp; -424). Across the majority of the industries, the gap between the opening rate and its historical average has widened from May to June.

The series on temporary business closures and exits (or "permanent closures") is now updated to include data up to December 2021. The exit rate rose from 1.4% in November 2021 to 1.6% in December 2021. The exit rate was still below its historical average of 1.7%.

In December 2021, with the exception of mining, quarrying, and oil and gas extraction (from 2.0% to 2.6%) and arts, entertainment and recreation (from 1.8% to 1.5%), the exit rate held steady or changed little compared with November in all industries. Transportation and warehousing (2.5% exit rate vs. 1.6% historical average) was the industry where the exit rate was the furthest from its historical average, followed by mining, quarrying, and oil and gas extraction (2.6% vs. 1.9%) and real estate and rental and leasing (2.5% vs. 1.9%). On the other hand, despite being one of the industries most affected by the COVID-19 pandemic, accommodation and food services has generally posted the smallest gap between the exit rate and its historical average since August 2020 among all industries.

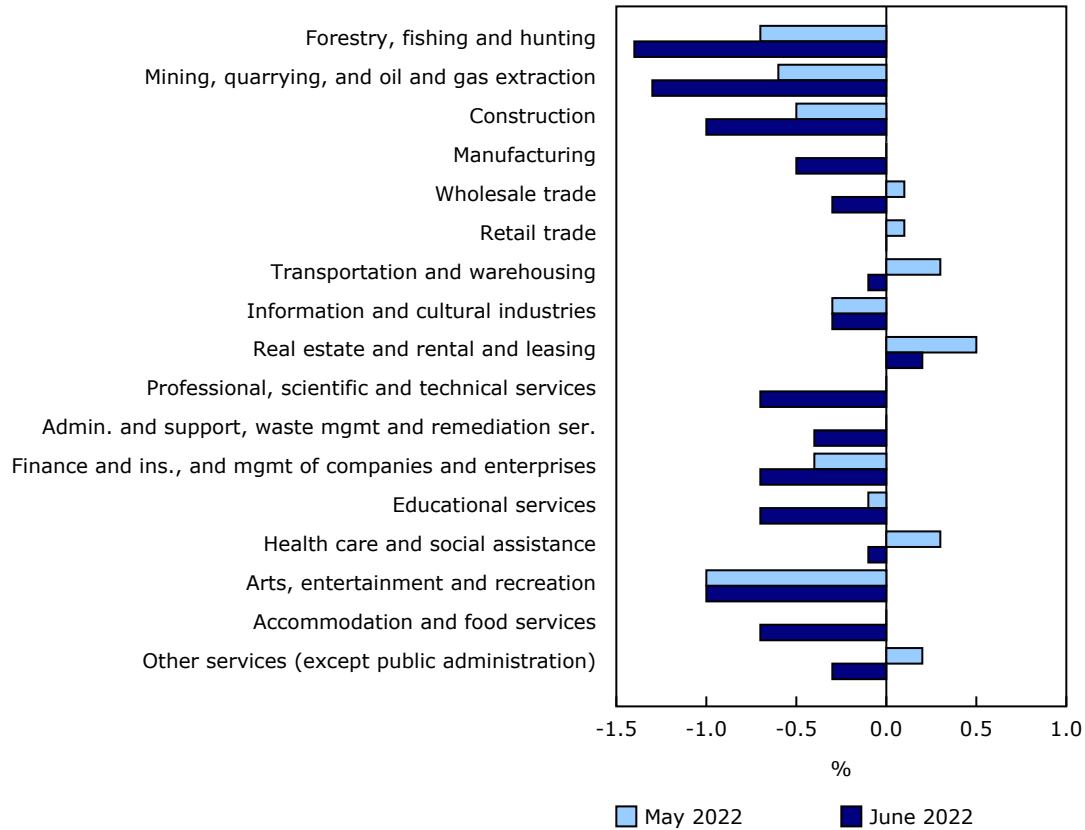


Chart 1
Business opening rate and its components, business sector, January 2020 to June 2022,
seasonally adjusted series



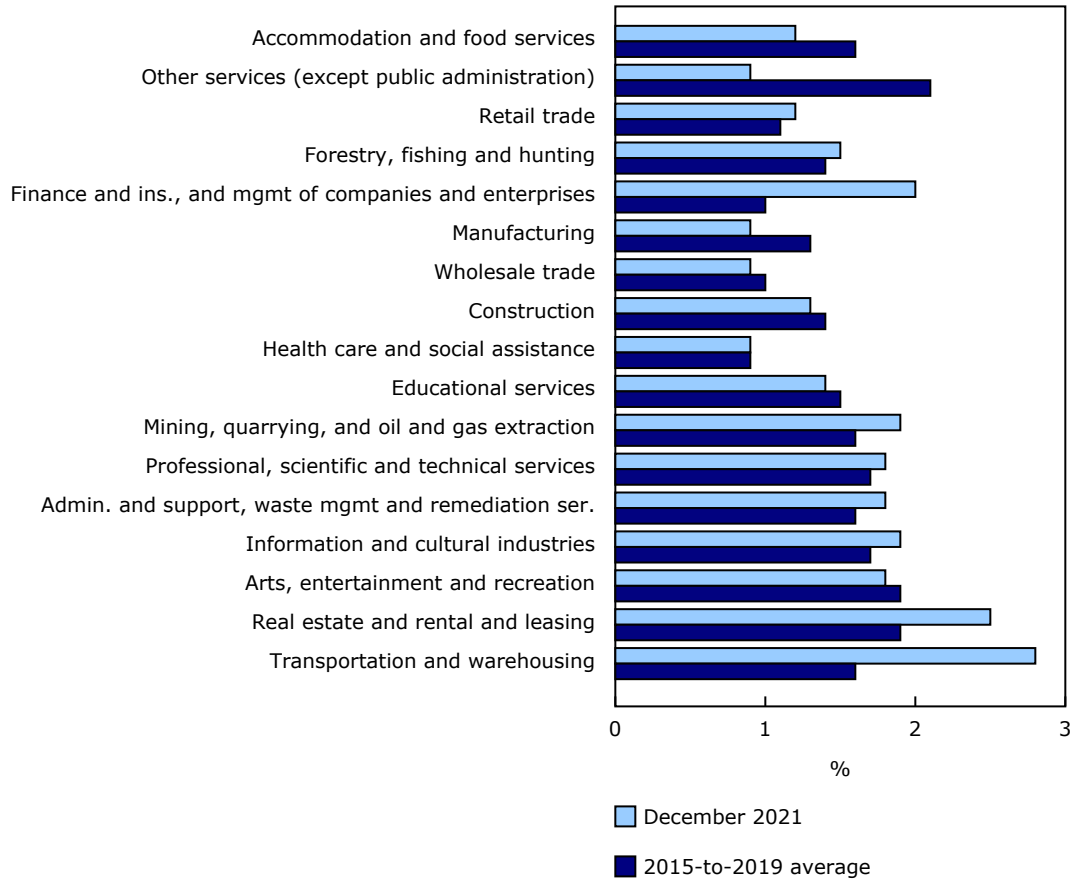
Source(s): Table 33-10-0270-01.

Chart 2
Percentage point difference in the business opening rate in May and June 2022 relative to 2015-to-2019 average, 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, December 2021, seasonally adjusted series



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

Note to readers

April 2022'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 was previously occurring. 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 due to such factors as the seasonal adjustment process and a new version of the Generic Survey Universe File (or vintage of the Business Register). As such, the estimates may vary compared with a previous release.

Openings are defined as businesses with employment in the current month and no employment in the previous month, while 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. Re-opening 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).