

Canadian Survey on Business Conditions, fourth quarter 2022

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Real gross domestic product edged up 0.1% in August, following the same increase (+0.1%) in July. Although inflationary pressures have been slowly decelerating since their peak of 8.1% in June, they remain high after rising 6.9% year over year in October. After remaining relatively unchanged in September, employment rose by 108,000 (+0.6%) in October, while the unemployment rate remained low and unchanged at 5.2%.

In this macroeconomic context, Statistics Canada conducted the Canadian Survey on Business Conditions from October to early November 2022. The survey collects information on the environment businesses are currently operating in and their expectations moving forward.

The combination of supply chain issues, inflationary pressures and labour challenges has impacted businesses in a number of different ways. Businesses continued expecting to face a variety of obstacles over the next three months (see Note to readers) related to supply chains, rising inflation, rising cost of inputs, rising transportation costs, as well as hiring and retention.

Nearly 3 in 10 businesses (29.8%) that are facing challenges maintaining inventory levels or acquiring inputs, products and supplies, either domestically or abroad, expected these challenges to worsen in the short term. Over the next three months, almost half of businesses expected their operating expenses to increase, more than one-third expected their profitability to decrease, nearly one-third expect to increase the prices they charge, and four-fifths expected their number of employees to remain the same.

Fewer businesses are experiencing supply chain challenges; however, more of these businesses expect these challenges to continue for the longer term

Nearly one-quarter (23.5%) of businesses expected difficulty acquiring inputs, products or supplies domestically, down from 26.8% in the third quarter. Among these businesses, over half (56.0%) expected these challenges to continue for six months or more, up from the previous quarter (54.3%). Meanwhile, just over 3 in 10 (30.8%) were uncertain of how long these challenges would persist. About two in five businesses in retail trade (41.4%) and accommodation and food services (38.0%) expected difficulty acquiring inputs, products or supplies domestically over the next three months.

Of the 29.8% of businesses that expected supply chain challenges over the next three months, more than half (52.0%) reported that the challenges they have experienced have worsened over the last three months, which is down from 58.2% in the third quarter. This is the second straight quarter of decline in the number of businesses that expected supply chain challenges to worsen over the next three months.

Of the businesses that expected supply chain challenges over the next three months, reported leading factors that contributed to worsening supply chain challenges were increased delays in deliveries of inputs, products or supplies (80.4%); increased prices of inputs, products or supplies (79.7%); and supply shortages resulting in fewer inputs, products or supplies being available (75.0%).

While 3 in 10 businesses (29.8%) expected supply change challenges to worsen over the next three months, almost three in five (57.8%) expected the situation to remain about the same and more than 1 in 10 (12.4%) expected the challenges to improve.

Businesses expect to face obstacles related to rising inflation and costs

Many businesses expected to continue facing challenges due to rising inflation, costs related to inputs and costs related to transportation. Prices of raw materials purchased by manufacturers operating in Canada, as measured by the [Raw Materials Price Index](#), increased by 9.0% year over year in October, following an 11.0% year-over-year increase in September. Meanwhile, [average hourly wages of employees](#) rose by 5.6% year over year in October (not seasonally adjusted).



Rising inflation remained the top obstacle businesses expected over the next three months (see Note to readers), with three in five businesses (58.4%) expecting it to be an obstacle, led by businesses in retail trade (74.6%), accommodation and food services (71.3%), and mining, quarrying, and oil and gas extraction (62.9%).

The second-most common obstacle businesses expected (48.1%) was the rising cost of inputs, including labour, capital, energy and raw materials, led by businesses in the manufacturing sector (73.8%), followed by businesses in the accommodation and food services (69.9%) and agriculture, forestry, fishing and hunting (65.5%) sectors.

After peaking in the first quarter, the number of businesses that expected the rising cost of inputs to be an obstacle has remained relatively stable into the fourth quarter. However, expectations differed by sector. The largest sector decline in the number of businesses that expected the rising cost of inputs to be an obstacle from the first to the fourth quarter was the other services (except public administration) sector (-10.9%), followed by construction (-8.7%). Conversely, the percentage of businesses expecting this obstacle in real estate and rental and leasing (+7.7%) and wholesale trade (+4.7%) increased over the same period.

Table 1
Business or organization expecting the rising cost of inputs to be an obstacle over the next three months by industries, fourth quarter of 2022

	Business or organization expecting rising cost of inputs to be an obstacle							
	First quarter 2021	Second quarter 2021	Third quarter 2021	Fourth quarter 2021	First quarter 2022	Second quarter 2022	Third quarter 2022	Fourth quarter 2022
	% of businesses							
All industries	25.5	37.8	38.5	42.5	50.3	49.7	47.1	48.1
Agriculture, forestry, fishing and hunting	56.1	62.0	58.0	68.4	64.3	75.6	71.7	65.5
Mining, quarrying, and oil and gas extraction	27.9	37.1	43.7	47.5	50.3	57.9	54.4	45.4
Construction	42.4	62.1	57.2	47.0	63.5	64.7	62.2	54.8
Manufacturing	38.7	59.2	65.4	70.6	73.7	75.4	71.3	73.8
Wholesale trade	34.9	48.1	51.5	62.5	58.5	57.5	51.2	63.2
Retail trade	20.6	39.2	38.8	49.2	55.6	52.4	49.1	59.1
Transportation and warehousing	20.8	34.0	25.2	43.7	43.2	51.9	44.3	39.8
Information and cultural industries	9.3	16.5	24.6	26.1	38.1	37.1	31.4	34.8
Finance and insurance	8.0	11.0	13.3	16.0	23.8	20.3	20.8	20.8
Real estate and rental and leasing	19.6	24.6	26.2	24.6	30.6	38.1	26.1	38.3
Professional, scientific and technical services	12.3	15.8	20.7	27.1	38.3	28.6	36.6	37.8
Administrative and support, waste management and remediation services	20.1	35.2	37.0	34.3	46.2	45.0	44.6	50.0
Health care and social assistance	17.8	24.6	26.1	30.1	34.9	36.7	29.0	28.7
Arts, entertainment and recreation	14.1	24.3	32.1	38.5	41.4	43.1	38.6	36.6
Accommodation and food services	38.8	50.9	59.6	66.2	70.9	64.0	69.6	69.9
Other services (except public administration)	19.1	34.9	35.8	36.8	50.1	51.5	44.3	39.2

Source(s): Tables [33-10-0308-01](#), [33-10-0338-01](#), [33-10-0364-01](#), [33-10-0400-01](#), [33-10-0469-01](#), [33-10-0504-01](#), [33-10-0534-01](#) and [33-10-0603-01](#).

Nearly two-fifths (39.4%) of businesses expected rising interest rates and debt costs to be an issue in the next three months. More than half of the businesses in agriculture, forestry, fishing and hunting (57.6%); retail trade (54.1%); and real estate and rental and leasing (53.5%) expected this to be an obstacle.

Nearly two-fifths (37.2%) of businesses expected transportation costs to be an obstacle over the next three months, led by businesses in wholesale trade (69.3%) and retail trade (53.8%).

Number of businesses expecting to raise prices over the next three months largely unchanged compared with the third quarter of 2022

In October, Canadian consumer prices rose 6.9% year over year after peaking at 8.1% in June. When asked about their expectations over the next three months, almost one-third (32.4%) of businesses expected to raise prices, largely unchanged from 34.0% in the third quarter. Over half of businesses in retail trade (51.8%) and nearly half of those in wholesale trade (45.4%) and accommodation and food services (45.1%) indicated that they expected to raise prices over the next three months.

More than half (52.8%) of businesses expected profitability to remain relatively unchanged over the next three months. More than one-third (34.4%) expected their profitability to decrease, down slightly from 35.9% in the third quarter. Expectations on future profitability differ by sector. Nearly three-fifths (57.2%) of businesses in accommodation and food services expected profitability to decrease. Conversely, 19.5% of businesses in manufacturing and 16.0% of businesses in wholesale trade expected profitability to increase.

Nearly four-fifths (79.6%) of businesses expected to retain the same number of employees over the next three months, led by businesses in health care and social assistance (89.8%) and wholesale trade (85.9%). In contrast, 8.9% of businesses expected their number of employees to decrease. Businesses in accommodation and food services (18.4%) and agriculture, forestry, fishing and hunting (15.3%) expected a decrease in their number of employees over the next three months.

Table 2
Business or organization expectations over the next three months, third quarter of 2022 and fourth quarter of 2022

	Expected change, third quarter of 2022				Expected change, fourth quarter of 2022			
	Increase	Stay about the same	Decrease	Not applicable	Increase	Stay about the same	Decrease	Not applicable
	% of businesses							
Number of employees	12.3	80.4	7.2	0.0	11.5	79.6	8.9	0.0
Vacant positions	8.2	53.2	5.0	33.7	8.9	51.6	5.4	34.0
Sales of goods and services offered by the business or organization	17.2	64.3	14.6	3.9	16.6	60.5	18.8	4.1
Selling price of goods and services offered by the business or organization	34.0	57.5	4.4	4.1	32.4	58.0	5.3	4.3
Demand for products and services offered by the business or organization	22.4	64.8	12.9	0.0	21.2	61.4	17.4	0.0
Profitability	11.2	50.0	35.9	3.0	9.5	52.8	34.4	3.3

Source(s): Tables [33-10-0533-01](#) and [33-10-0602-01](#).

Businesses continue to have workforce-related obstacles

Businesses continue to face obstacles related to the workforce. Amid elevated labour demand, recent labour market conditions have been characterized by low unemployment rates and high labour force participation among those in the core working ages of 25 to 54. [Among people aged 25 to 54, the unemployment rate was 4.2% while the labour force participation rate was 88.2% in October.](#) Two in five businesses (41.7%) expected obstacles related to recruiting and retaining skilled employees. More than half of businesses in retail trade (52.9%), construction (52.0%), accommodation and food services (51.2%) and administrative and support, waste management and remediation services (50.8%) expected obstacles related to recruiting and retaining skilled employees over the next three months.

Among businesses that expected recruiting or retaining skilled employees to be obstacles over the next three months, more than three-fifths (61.3%) reported that challenges related to recruiting and retaining staff were more challenging than they had been 12 months ago.

In terms of vacant positions, 8.9% of businesses expected to have more job vacancies over the next three months. However, accommodation and food services (16.2%) and retail trade (15.7%) expected to have more vacant positions.

Of the businesses that either currently have or intend to recruit volunteers (7.7%), half (50.0%) reported having a shortage of volunteers, 35.3% had issues retaining volunteers, and 30.0% were experiencing difficulties with volunteers being unable to commit long term. Meanwhile, 10.4% reported having been successful in filling their volunteer vacancies. Businesses that were not able to fill volunteer positions had to adapt in different ways: for instance, 24.8% reported that paid employees had to work increased hours, 23.1% said that they will adapt current volunteer roles to meet operational requirements, and 22.9% reported that they reduced programs and services offered.

Future outlook on business health relatively unchanged

Nearly three-quarters (74.7%) of businesses stated that they did not intend to apply for new debt financing over the next three months. Among these businesses, more than half (56.9%) had the ability to take on more debt. Of the 25.7% of businesses that could not take on more debt, 39.7% reported unfavourable interest rates and 34.0% reported lack of confidence or uncertainty in future sales as the reasons for not taking on more debt.

Future outlook remains relatively unchanged from the previous quarter, with over two-thirds (70.3%) of businesses reporting being either very optimistic or somewhat optimistic about their future outlook over the next 12 months. The businesses most likely to be optimistic about their future outlook were those in arts, entertainment and recreation (81.5%) and health care and social assistance (79.7%).

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.

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 October 3 to November 7, 2022, and respondents were asked what their expectations would be over the next three-month period. As a result, those three months could range from October 3, 2022, to February 7, 2023, depending on when the business responded.

Statistics Canada would like to thank Canadians who took the time to answer questions for this survey at this time and enabled a more robust understanding of Canadian businesses and the economy.

Available tables: [33-10-0601-01](#) to [33-10-0630-01](#) .

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

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).