

Monthly estimates of business openings and closures, September 2022

Released at 8:30 a.m. Eastern time in *The Daily*, Tuesday, December 20, 2022

In September, the business opening rate (4.4%) contracted for the second consecutive month to settle below its 2015-to-2019 historical average of 4.7%. On the other hand, the business closure rate (4.9%) increased for the third straight month and was 0.3 percentage points above its historical average. Business closures increased slightly or held relatively steady in all industries.

The number of active businesses dropped by 0.3% (-2,464) in September 2022 as business closures remained higher than business openings. The number of active businesses, which generally increases from month to month, did not post positive growth since May. According to the Canadian Survey on Business Conditions (CSBC), many businesses expected to face obstacles related to rising inflation and costs of inputs, transportation and insurance during the third quarter.

In September, the decrease in the business opening rate was due to the 0.1 percentage point decline in both the re-opening (2.7%) and the entry (1.7%) rates. The re-opening rate decreased or held steady for the fifth consecutive month and settled below its historical average for the third straight month. The entry rate has been stable since June 2021, and has stayed within 0.1 percentage points of its historical average of 1.8%.

Across industries, the increase of the business closure rate in September 2022 was not as widespread as the previous two months. The closure rate held steady or changed little (+0.1 percentage points) in most industries. The closure rate decreased in information and cultural industries (-0.6 percentage points; -68 closures), arts, entertainment and recreation (-0.4 percentage points; -63), mining, quarrying, and oil and gas extraction (-0.3 percentage points; -22), and educational services (-0.2 percentage points; -17), but not enough to offset increases in other industries.

The decrease of the business opening rate in September was widespread across industries. The decline was mainly driven by the professional, scientific and technical services industry (-0.5 percentage points; -585 openings). It was followed by construction (-0.2 percentage points; -378), real estate and rental and leasing (-0.6 percentage points; -238) and accommodation and food services (-0.3 percentage points; -236). Data from the CSBC show that these three industries were part of the top five industries with the highest proportion of businesses expecting rising interest rates and debt costs to be a major obstacle in the third quarter. The Bank of Canada has continuously been increasing its policy interest rate since March.

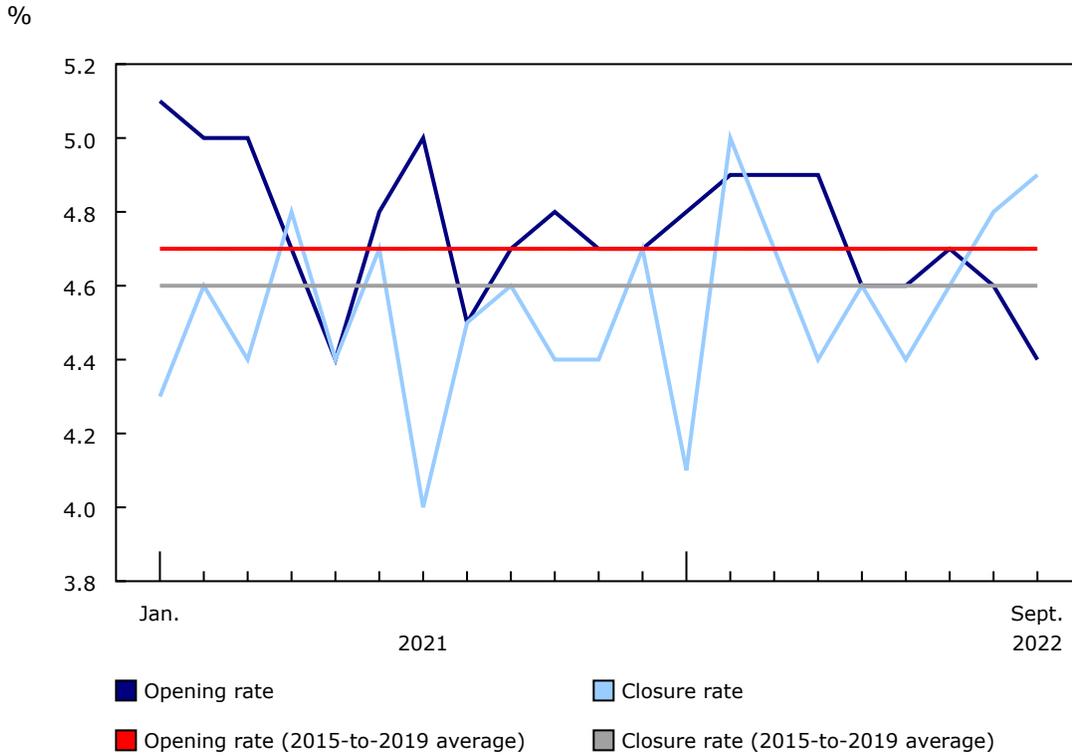
In September 2022, the business opening rate dropped in all provinces and territories. Ontario (-0.4 percentage points; -1,574 openings) drove the decline, followed by British Columbia (-0.3 percentage points; -562) and Alberta (-0.4 percentage points; -465). Furthermore, the opening rate settled below its respective 2015-to-2019 average in all provinces and territories.

The series on temporary business closures and exits (or "permanent closures") is now updated to include data up to March 2022. The exit rate remained unchanged at 1.7% from February to March 2022, equal to its 2015-to-2019 historical average.

The exit rate dropped from 2.3% in February to 1.7% in March 2022 in the mining, quarrying, and oil and gas extraction industry; this was the first time that the exit rate settled below its historical average since September 2021. The only other industry where the exit rate dropped was arts, entertainment and recreation (from 1.7% to 1.5%). With the exception of forestry, fishing and hunting (from 1.5% to 1.8%), the exit rate held steady or changed little in all other industries. The exit rate was within 0.2 percentage points of its respective historical average in every industry except transportation and warehousing (2.9% exit rate vs. 1.5% historical average), real estate and rental and leasing (2.4% vs 2.0%) and accommodation and food services (1.2% vs. 1.6%).



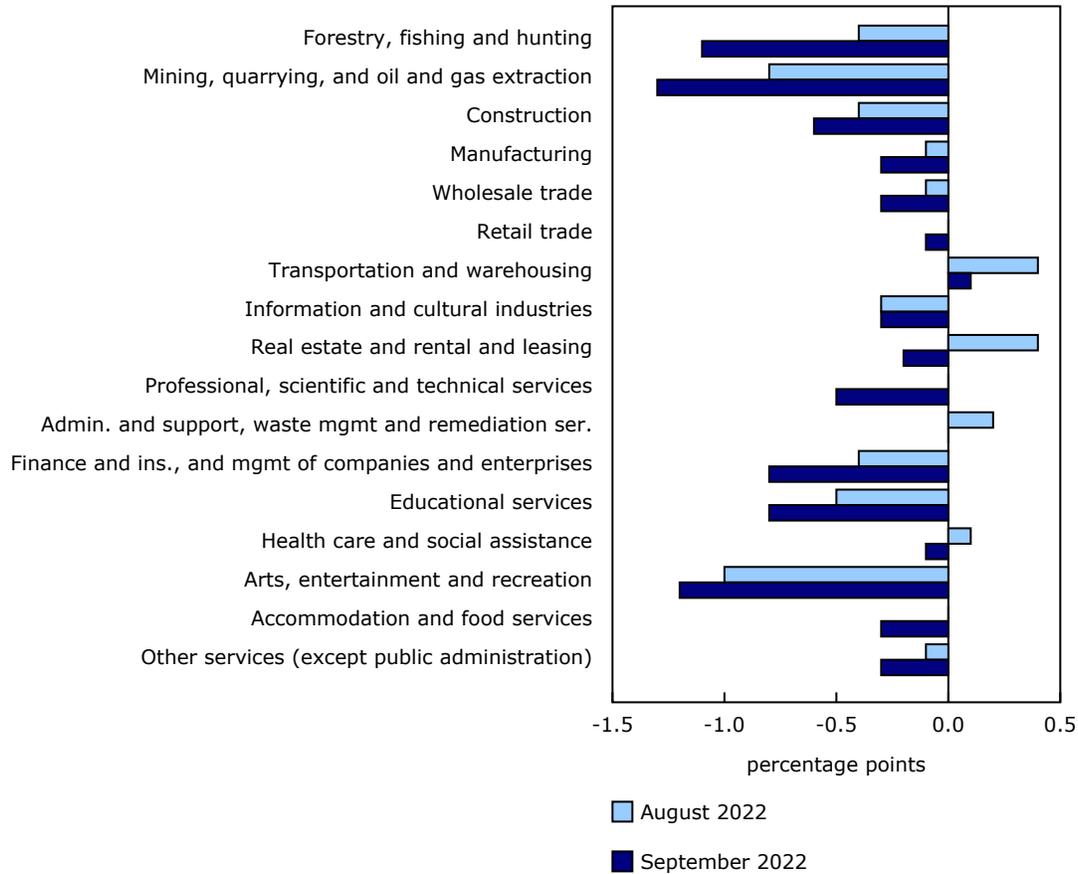
Chart 1
Monthly business openings and closures as a percentage of active businesses, business sector, Canada, January 2021 to September 2022, seasonally adjusted series



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

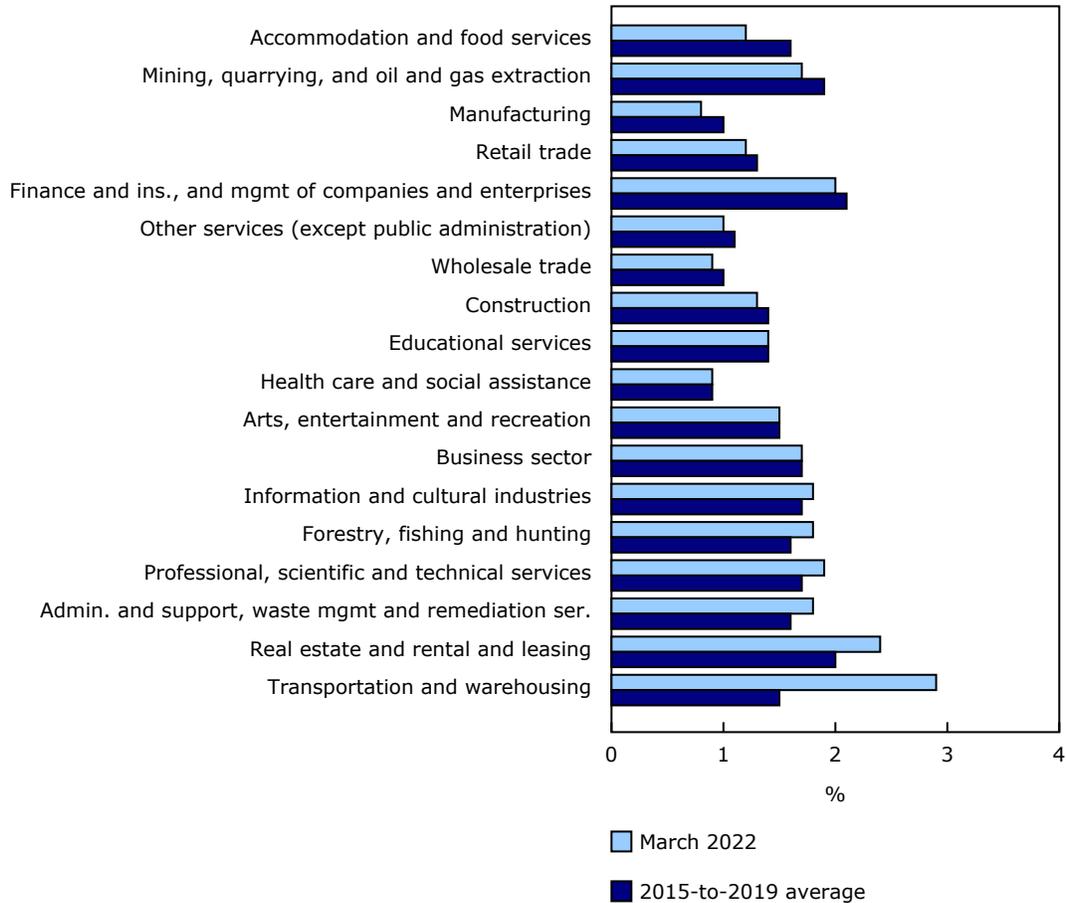
Chart 2

Percentage point difference in the business opening rate in August and September 2022 relative to the 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, March 2022, seasonally adjusted series



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

Note to readers

The June 2022 and subsequent geographic locations are based on the 2021 Census of Population geography.

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 they 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).