

Canadian Survey on Business Conditions, first quarter 2023

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Real gross domestic product edged up 0.1% in November, following a 0.1% uptick in October. Although inflationary pressures have been slowly decelerating since the peak of the Consumer Price Index (CPI) in June 2022 (8.1%), they still remained higher than recent historical trends, after rising 5.9% year over year in January 2023. Also in January, employment rose by 150,000 (+0.8%), while the unemployment rate held steady at 5.0%, just above the record low of 4.9% reached in June and July 2022.

In this macroeconomic context, Statistics Canada conducted the Canadian Survey on Business Conditions from January to early February 2023. The survey collects information on the environment that businesses are currently operating in and their expectations moving forward.

Over the next three months (see Note to readers), businesses continued expecting to face a variety of obstacles related to supply chains, rising inflation, rising cost of inputs and hiring and retention. However, some of the pressures businesses faced have been easing in comparison with the previous quarter.

More than one in four businesses (26.3%) faced challenges maintaining inventory levels or acquiring inputs, products or supplies, either domestically or abroad. Additionally, one-fifth (20.3%) expected these challenges to worsen in the short term. Over the next three months, half of businesses expected their operating expenses to increase, one in three businesses expected their profitability to decrease, nearly one in three expected to increase the prices they charge, and four in five expected their number of employees to remain the same.

Fewer businesses expect to experience supply chain challenges and for supply chain challenges to worsen

Over one-quarter (26.3%) of businesses expected supply chain challenges of some kind over the next three months, down from the previous quarter (29.8%). Businesses in wholesale trade (47.4%) and retail trade (41.2%) were the most likely to expect various supply chain challenges over the next three months.

Among the businesses that expected supply chain challenges of some kind over the next three months, nearly two-fifths (39.6%) reported that the challenges they have experienced have worsened over the last three months, down from 52.0% of businesses in the fourth quarter of 2022.

While one-fifth (20.3%) of businesses expected supply chain challenges to worsen over the next three months, two in three (66.9%) expected the situation to remain about the same and more than 1 in 10 (12.8%) expected the challenges to improve. This was an improvement from the previous quarter, when 29.8% expected supply chain challenges to worsen, 57.8% expected challenges to remain about the same, and 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 and costs related to inputs. Prices of raw materials purchased by manufacturers operating in Canada, as measured by the Raw Materials Price Index, [increased 1.2% year over year in January 2023, following a 7.5% year-over-year increase in December 2022](#). Meanwhile, average hourly wages rose 4.5% on a year-over-year basis in January, down from 4.8% in December (not seasonally adjusted).

Rising inflation remained the top obstacle expected by businesses over the next three months (see Note to readers), with nearly three in five businesses (58.1%) expecting it to be an obstacle, led by businesses in mining, quarrying, and oil and gas extraction (67.6%); accommodation and food services (67.5%); and agriculture, forestry, fishing and hunting (64.6%).



The rising cost of inputs, including labour, capital, energy and raw materials, was the second most commonly expected obstacle, with 45.7% of businesses expecting it to be an obstacle. Businesses in accommodation and food services (68.2%) were the most likely to expect this as an obstacle, followed by businesses in agriculture, forestry, fishing and hunting (66.8%) and manufacturing (66.2%). After peaking in the first quarter of 2022, the number of businesses that expected the rising cost of inputs to be an obstacle remained relatively stable into the first quarter of 2023.

Overall, two in five businesses (40.2%) expected rising interest rates and debt costs to be an issue in the next three months. Roughly half of the businesses in agriculture, forestry, fishing and hunting (54.1%); real estate and rental and leasing (50.8%); and transportation and warehousing (49.8%) expected this to be an obstacle.

Among businesses that expected rising interest rates and debt costs to be an issue in the next three months, nearly half (45.7%) also expected to increase the selling price of goods or services offered as a result. Other impacts included reducing investment (31.1%), delaying hiring (21.9%) and decreasing the number of employees (11.0%). However, 30.7% of these businesses expected no impacts despite the expectation of increased interest rates.

Number of businesses expecting to raise prices over the next three months mostly unchanged from the previous quarter

[In January 2023, Canadian CPI rose 5.9% year over year](#), after peaking at 8.1% in June 2022. Over the next three months, nearly one in three businesses (32.9%) expected to raise prices, mostly unchanged from 32.4% in the fourth quarter of 2022. Nearly half of businesses in retail trade (50.1%), followed by businesses in accommodation and food services (48.5%) and wholesale trade (44.6%), indicated that they expected to raise prices over the next three months.

Additionally, nearly half (47.0%) of businesses expected to raise prices for goods and services over the next 12 months. However, the majority of these businesses planned to increase prices by less than the rate of peak inflation observed in June 2022 (8.1%). Specifically, 30.4% of businesses expected to raise prices for goods and services offered by 7% or less over the next 12 months, whereas 16.6% expected to raise prices by 8% or more. Meanwhile, over one in four businesses (27.4%) were undecided. Businesses in accommodation and food services (27.3%), manufacturing (22.6%) and other services (except public administration) (21.3%) were the most likely to expect to raise prices for goods and services offered by 8% or more. Conversely, the businesses that were the most likely not to increase prices over the next 12 months were in health care and social assistance (45.1%), finance and insurance (43.2%) and real estate and rental and leasing (41.5%).

For various business characteristics, few differences were observed when compared with the previous quarter. For example, more than half (51.1%) of businesses expected profitability to remain relatively unchanged over the next three months, similar to the previous quarter (52.8%). Expectations on future profitability differed by sector. Half (50.3%) of businesses in transportation and warehousing expected profitability to decrease. Conversely, 18.0% of businesses in information and cultural industries and 17.6% of businesses in wholesale trade expected profitability to increase.

Table 1
Business or organization expectations over the next three months, fourth quarter of 2022 and first quarter of 2023

	Expected change, fourth quarter of 2022				Expected change, first quarter of 2023			
	Increase	Stay about the same	Decrease	Not applicable	Increase	Stay about the same	Decrease	Not applicable
	% of businesses							
Number of employees	11.5	79.6	8.9	0.0	13.5	80.0	6.4	0.0
Vacant positions	8.9	51.6	5.4	34.0	8.0	50.1	6.0	35.8
Sales of goods and services offered by the business or organization	16.6	60.5	18.8	4.1	19.1	62.1	14.9	3.9
Selling price of goods and services offered by the business or organization	32.4	58.0	5.3	4.3	32.9	57.0	5.9	4.3
Demand for products and services offered by the business or organization	21.2	61.4	17.4	0.0	21.4	62.8	15.8	0.0
Profitability	9.5	52.8	34.4	3.3	10.8	51.1	34.6	3.5

Source(s): Tables [33-10-0602-01](#) and [33-10-0634-01](#).

Businesses continue having workforce-related obstacles

Amidst 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 years. [In January 2023, among people aged 25 to 54 years, the unemployment rate was 4.3% for men and 4.0% for women, while the participation rate was 88.9%.](#) Nearly two in five businesses (39.7%) expected obstacles related to recruiting and retaining skilled employees over the next three months. This was led by businesses in accommodation and food services (51.3%); administrative and support, waste management and remediation services (51.2%); manufacturing (49.8%); and health care and social assistance (47.5%).

Among the 39.7% of businesses that expected recruiting or retaining skilled employees to be obstacles over the next three months, the majority expected these challenges to have either a medium (38.9%) or high (34.0%) impact on their ability to deliver goods and services. Meanwhile, 14.2% reported these challenges to have a low impact, 3.4% said there would be no impact, and 9.4% were undecided.

Workforce-related obstacles have had an impact on hiring plans for businesses. In fact, the proportion of businesses that expected to increase their number of employees has been declining since the second quarter of 2022, when 18.1% of businesses anticipated increasing their number of employees. This proportion dropped to 13.5% in the first quarter of 2023.

Future outlook on business health relatively unchanged

Overall, 7 in 10 businesses (70.4%) stated they did not intend to apply for new debt financing over the next three months. Among these businesses, 56.4% had the ability to take on more debt, while 26.4% could not. Of the businesses that could not take on more debt, 52.9% reported unfavourable interest rates and 35.6% reported lack of confidence or uncertainty in future sales as reasons for not having taken on more debt.

Future outlook remained relatively unchanged from the previous quarter, with over two-thirds (67.5%) 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 (76.6%) and health care and social assistance (75.8%).

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 January 3 to February 6, 2023, and respondents were asked what their expectations would be over the next three-month period. As a result, those three months could range from January 3 to May 6, 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: [33-10-0633-01](#) to [33-10-0660-01](#) .

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

The infographic "[Business Conditions in Canada, first quarter of 2023](#)," part of the series *Statistics Canada—Infographics (11-627-M)*, is now 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; infostats@statcan.gc.ca) or Media Relations (statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca).