

Monthly estimates of business openings and closures, December 2022

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In December, the number of active businesses did not increase for the sixth consecutive month. The contraction of the number of active businesses in December (-0.3%; -2,374) was mainly driven by the slight decrease in the business opening rate, from 4.5% in November to 4.4% in December. The business opening rate was 0.3 percentage points below its 2015-to-2019 historical average. The decrease in the business opening rate in December 2022 was due to the decline in the reopening rate from 2.8% to 2.7%, as the entry rate remained at 1.7%. The business closure rate held relatively steady at 4.6%, equal to its historical average.

The number of active businesses decreased or remained relatively unchanged in all industries in December. Professional, scientific and technical services (-0.4% growth rate; -486 change in active businesses) drove the decline, followed by construction (-0.3%; -421) and other services (except public administration) (-0.5%; -323).

In December, the decrease in the number of active businesses was widespread across provinces and territories. Ontario (-0.2% growth rate; -657 change in active businesses) and British Columbia (-0.3%; -518) led the decline, followed by Alberta (-0.2%; -272) and Quebec (-0.1%; -211). The overall decrease in the number of active businesses in the second half of 2022 was also widespread across provinces and territories.

The year 2022 was marked by unprecedented successive declines in the number of active businesses. In fact, this was the first time since data became accessible that the overall number of active businesses did not increase for more than three consecutive months. Since June, the number of active businesses has generally been decreasing in most industries. With the exception of real estate and rental and leasing, and health care and social assistance, the number of active businesses posted no or negative growth in at least four of the last seven months of 2022. The year was marked by a series of events that likely impacted businesses, including the Bank of Canada's [policy interest rate, which rose from 0.25% in January to 4.25% in December](#), Russia's invasion of Ukraine in February, which caused the rise in global prices ([International Monetary Fund, 2022](#)), and the rate of consumer inflation, which, in June (+8.1%), posted its [largest year-over-year change since January 1983](#).

The decrease in the number of active businesses in recent months is in line with businesses' expectations over the last two quarters of 2022. In fact, evidence from the Canadian Survey on Business Conditions shows that businesses were expecting challenges related to supply chains, inflation, cost of inputs, transportation costs and hiring and retention over both [the third](#) and [the fourth](#) quarters. Furthermore, according to the [Bank of Canada's business outlook survey \(BOS\)](#), business sentiment continued to weaken in the fourth quarter. The BOS business confidence indicator in the fourth quarter was lower than its 10-year average. In addition, [business insolvency filings rose sharply in 2022](#) as supply chain challenges, inflationary pressures and labour-related obstacles affected many businesses.

The series on temporary business closures and exits (or "permanent closures") is now updated to include data up to June 2022. The exit rate settled at 1.6% in June, 0.1 percentage points below its May level and its historical average of 1.7%. The exit rate has remained stable between 1.6% and 1.7% since December 2021.

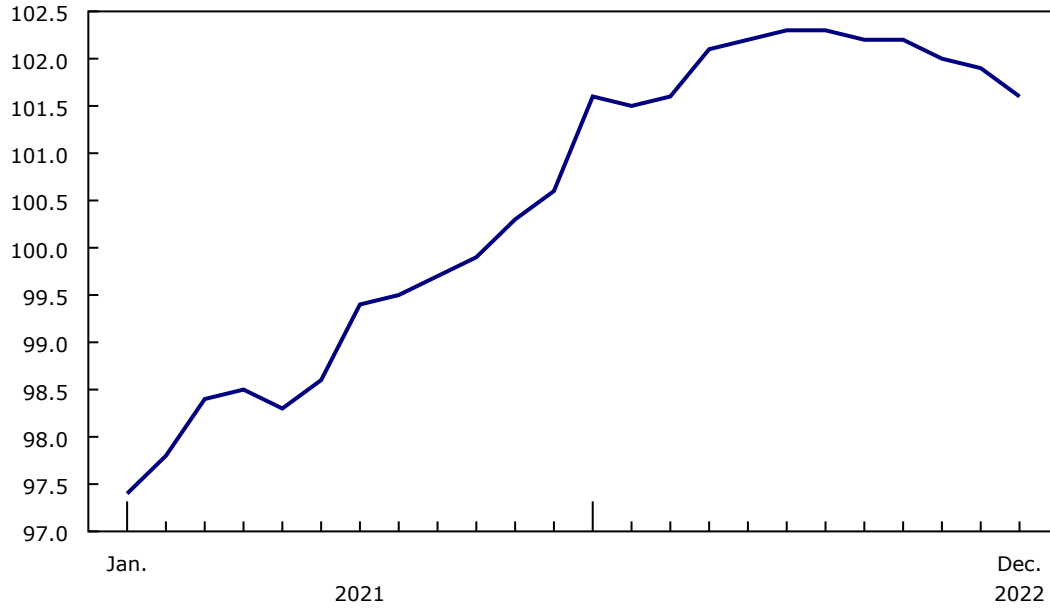
In June 2022, the exit rate held relatively steady in most industries, with the exception of mining, quarrying, and oil and gas extraction (-0.2 percentage points) and arts, entertainment and recreation (+0.2 percentage points).

Industries where exit rates increased the most from their historical averages include transportation and warehousing (2.8% exit rate vs. 1.5% historical average), real estate and rental and leasing (2.5% vs 2.0%), and arts, entertainment and recreation (1.9% vs. 1.5%). Those where exit rates decreased the most from their historical averages include forestry, fishing and hunting (1.3% exit rate; 1.6% historical average), wholesale trade (0.7% vs. 1.0%) and accommodation and food services (1.3% vs. 1.6%), which all experienced exit rates 0.3 percentage points below the historical averages. In all other industries, exit rates were within 0.2 percentage points of their historical averages.



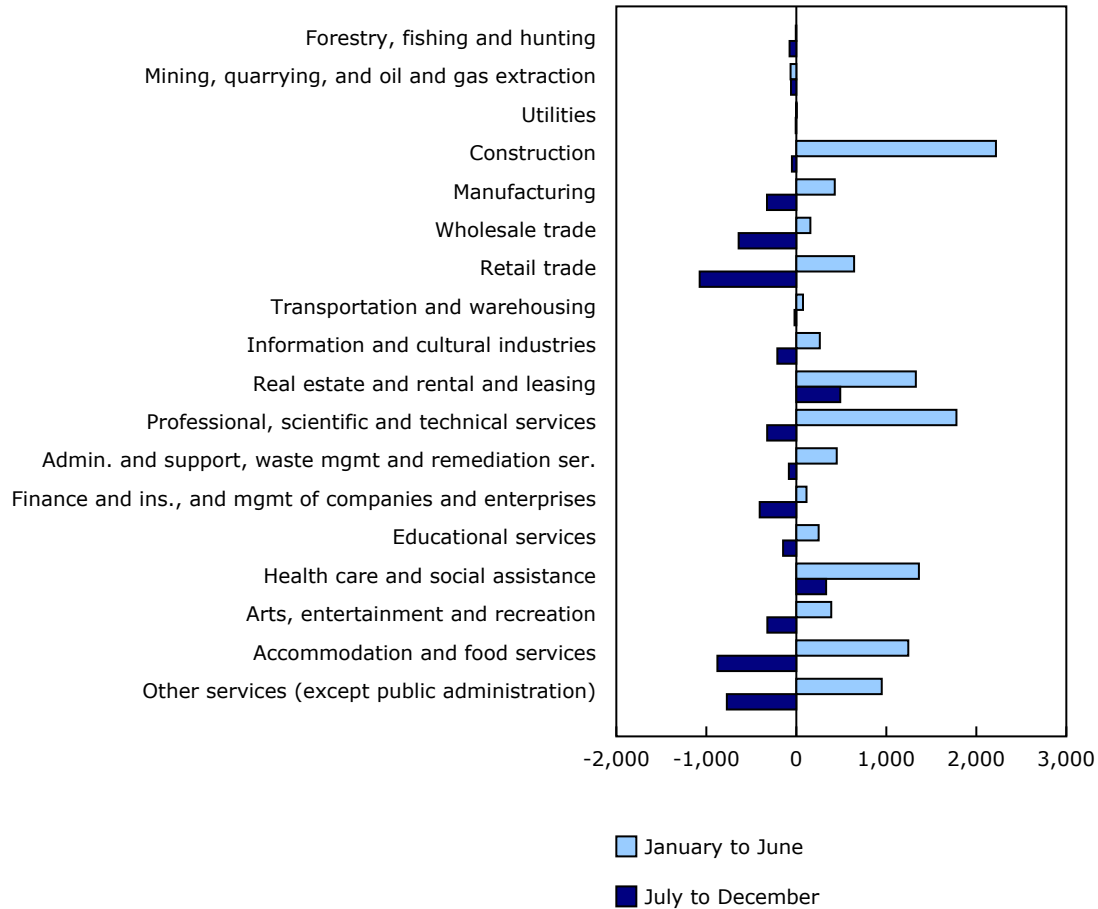
Chart 1
Number of active businesses, business sector, January 2021 to December 2022, seasonally adjusted series

index (February 2020=100)



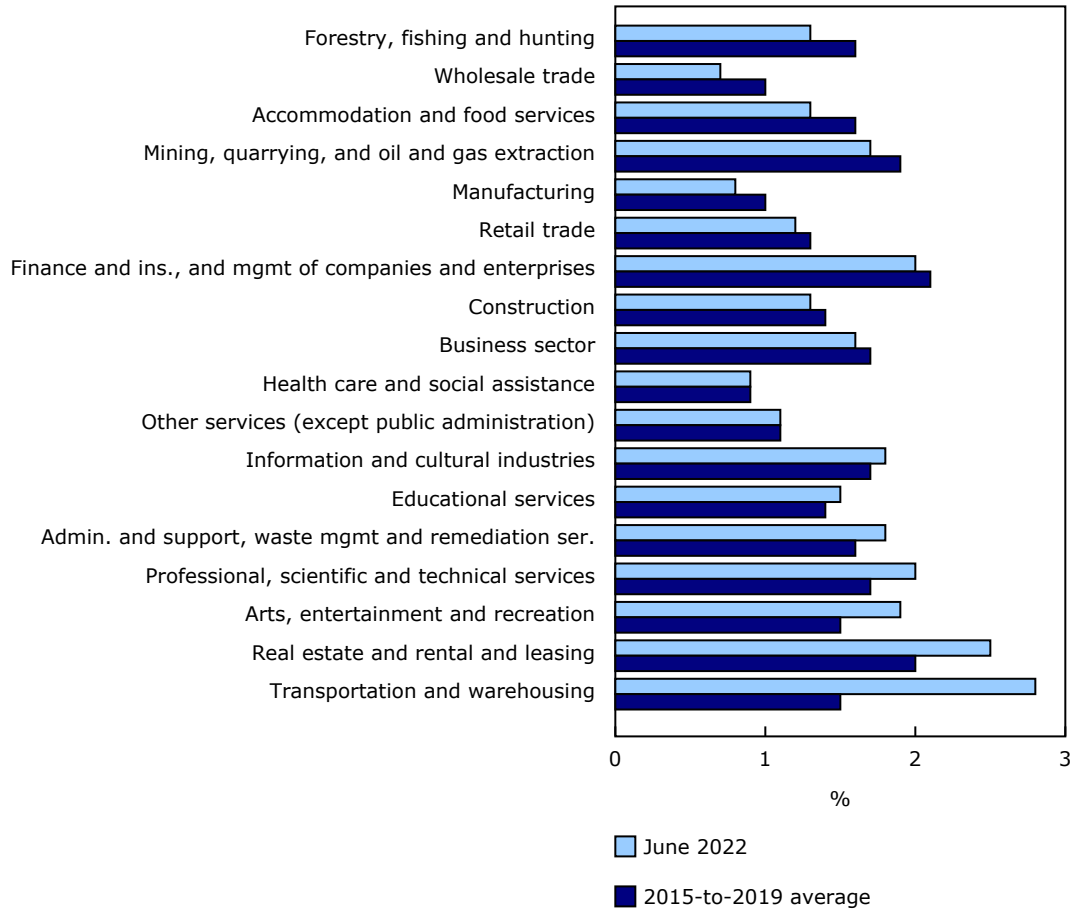
Source(s): Table [33-10-0270-01](#).

Chart 2
Cumulative change in the number of active businesses, 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, June 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. 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 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).