

Canadian Survey on Business Conditions, second quarter 2023

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Real gross domestic product was essentially unchanged in March, following a 0.1% increase in February. Inflationary pressures remained higher compared with recent historical trends, as the Canadian Consumer Price Index (CPI) rose 4.4% year over year in April 2023, which remained lower than the peak in June 2022 (8.1%). Also in April, employment rose by 41,000 (+0.2%), 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 April to early May 2023. The survey collects information on the environment businesses are currently operating in and their expectations moving forward.

Businesses continued to expect to face a variety of obstacles over the next three months (see Note to readers) related to supply chains, rising inflation and rising cost of inputs, as well as those related to hiring and retention. However, pressures faced by businesses continued to ease in the second quarter of 2023.

Nearly one in four businesses (22.9%) were facing challenges maintaining inventory levels or acquiring inputs, products or supplies, either domestically or abroad. Additionally, 14.7% of businesses expected these challenges to worsen in the short term. Over the next three months, nearly half of businesses expected their operating expenses to increase, nearly 3 in 10 businesses expected their profitability to decrease, nearly 3 in 10 expected to increase the prices they charge and four-fifths expected their number of employees to remain the same.

Businesses expect to face obstacles related to rising inflation and costs

Many businesses continued to expect to face 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, decreased 10.8% year over year in April 2023, following a 16.5% year-over-year decrease in March. Meanwhile, average hourly wages rose 5.2% on a year-over-year basis in April, compared with 5.3% year over year in March (not seasonally adjusted).

Rising inflation remained the most commonly expected obstacle by businesses over the next three months. Over half of businesses (56.0%) expected this to be an obstacle (see Note to readers), led by businesses in accommodation and food services (68.4%); agriculture, forestry, fishing and hunting (65.7%); and retail trade (63.8%).

The rising cost of inputs, including labour, capital, energy and raw materials, was the second most commonly expected obstacle, with two in five businesses (40.3%) expecting it to be an obstacle. After peaking in the first quarter of 2022 (50.3%), the proportion of businesses that expected the rising cost of inputs to be an obstacle remained relatively stable in the second quarter of 2023. Businesses in agriculture, forestry, fishing and hunting (68.6%) were the most likely to expect this as an obstacle, followed by businesses in accommodation and food services (59.6%) and manufacturing (57.9%).

Rising interest rates and debt costs was the third most expected obstacle, with nearly two in five businesses (38.5%) expecting it over the next three months. Roughly three in five businesses (61.0%) in agriculture, forestry, fishing and hunting and around half of businesses in transportation and warehousing (54.5%) and administrative and support, waste management and remediation services (46.5%) expected it to be an obstacle. Other costs, such as the cost of insurance (31.9%) and transportation costs (30.6%), were expected by over three in ten businesses.

When asked to indicate which of the expected obstacles would be the most challenging, rising inflation (16.4%) was the most cited by businesses, followed by recruiting skilled employees (15.0%) and the rising cost of inputs (12.2%).



Proportion of businesses expecting to raise prices over the next three months decreases from the previous quarter

In April 2023, the CPI rose 4.4% year over year after peaking at 8.1% in June 2022. Over the next three months, over one-quarter (28.3%) of businesses expected to raise prices, a decrease from 32.9% in the first quarter of 2023. Half (50.3%) of businesses in accommodation and food services and nearly two-fifths of businesses in administrative and support, waste management and remediation services (38.9%) and retail trade (38.7%) expected to raise prices over the next three months.

Over one-quarter (25.9%) of businesses expected their sales of goods and services offered to increase over the next three months, up from 19.1% in the previous quarter. Around two-fifths of businesses in accommodation and food services (40.8%) and manufacturing (38.3%) expected their sales of goods and services offered to increase over the next three months.

For other business characteristics, few differences were observed when compared with the previous quarter. For example, more than half (53.8%) of businesses expected profitability to remain relatively unchanged over the next three months, similar to the previous quarter (51.1%). However, expectations on profitability differ by sector. Over two in five businesses (44.0%) in transportation and warehousing expected profitability to decrease; conversely, 22.3% of businesses in manufacturing expected profitability to increase.

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

	Expected change, first quarter of 2023				Expected change, second quarter of 2023			
	Increase	Stay about the same	Decrease	Not applicable	Increase	Stay about the same	Decrease	Not applicable
	% of businesses							
Number of employees	13.5	80.0	6.4	0.0	16.3	78.2	5.4	0.0
Vacant positions	8.0	50.1	6.0	35.8	7.6	52.9	5.5	34.0
Sales of goods and services offered by the business or organization	19.1	62.1	14.9	3.9	25.9	58.1	12.4	3.6
Selling price of goods and services offered by the business or organization	32.9	57.0	5.9	4.3	28.3	63.4	4.3	4.0
Demand for products and services offered by the business or organization	21.4	62.8	15.8	0.0	25.9	62.8	11.3	0.0
Profitability	10.8	51.1	34.6	3.5	14.3	53.8	28.8	3.2

Source(s): Tables [33-10-0634-01](#) and [33-10-0665-01](#).

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

Nearly one-quarter (22.9%) of businesses expected supply chain challenges of some kind over the next three months, down from the previous quarter (26.3%). Businesses in wholesale trade (41.4%) and manufacturing (35.8%) were the most likely to expect various supply chain challenges over the next three months. Among businesses that expected supply chain challenges of some kind over the next three months, nearly 3 in 10 (29.7%) reported that the challenges they have experienced have worsened over the last three months, down from nearly two-fifths (39.6%) of businesses in the first quarter.

While more than 1 in 10 businesses (14.7%) expected supply chain challenges to worsen over the next three months, nearly two-thirds (65.2%) of businesses expected the situation to remain about the same and one-fifth (20.1%) expected the challenges to improve. This was an improvement from the previous quarter, when 20.3% expected supply chain challenges to worsen, 66.9% expected challenges to remain about the same and 12.8% expected the challenges to improve.

Future outlook on business health slightly improved

Nearly three-quarters (73.5%) of businesses reported being either very optimistic or somewhat optimistic about their future outlook over the next 12 months, a slight improvement from the previous quarter (67.5%). The businesses most likely to be optimistic about their future outlook were those in finance and insurance (79.1%) and health care and social assistance (77.8%).

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 April 3 to May 8, 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 April 3 to August 8, 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: [33-10-0664-01](#) to [33-10-0686-01](#) .

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

The infographic "[Business Conditions in Canada, second 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).