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Latest Developments in the Canadian Economic Accounts

Borrowing, repayments and bankruptcies by industry: Results from the Canada Emergency Business Account program

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Borrowing, repayments and bankruptcies by industry: Results from the Canada Emergency Business Account program

by **Sean Clarke** (SAPT), **Jasper Hui** (NEAD) and **Dave Krochmalnek** (NEAD)

Introduction

On March 27, 2020, the Government of Canada introduced the Canada Emergency Business Account (CEBA) program to help eligible small and medium-sized businesses cover operating costs during the COVID-19 pandemic.[1] The CEBA program provided interest-free loans of up to $60,000 that would qualify for partial loan forgiveness of up to one-third of the loan value if repaid by a set deadline.[2] After that time, the outstanding balances would be converted to three-year term loans, subject to an interest rate of 5% per annum, and would not qualify for loan forgiveness. The program accepted loan applications between April 2020 and June 2021 and provided more than $49 billion in funding to nearly 900,000 businesses.

The original deadline for repayment to qualify for partial loan forgiveness was December 31, 2022. However, the deadline was extended to December 31, 2023, as the Omicron variant of COVID-19 necessitated further public health restrictions that delayed recovery for many businesses. The repayment deadline was extended once again, to January 18, 2024, in recognition that the end of December is a busy time for many businesses.

The purpose of the article is threefold: (1) to examine the amount of CEBA funding that was allocated to different industries; (2) to determine the extent to which CEBA loans were repaid; and, (3) to explore how the use of this financial support aligned with bankruptcy patterns in the lead up to and immediate aftermath of the January 2024 deadline to qualify for partial loan forgiveness. The results provide some insight into how the use of emergency funding programs may have influenced short and medium-term business survival rates.

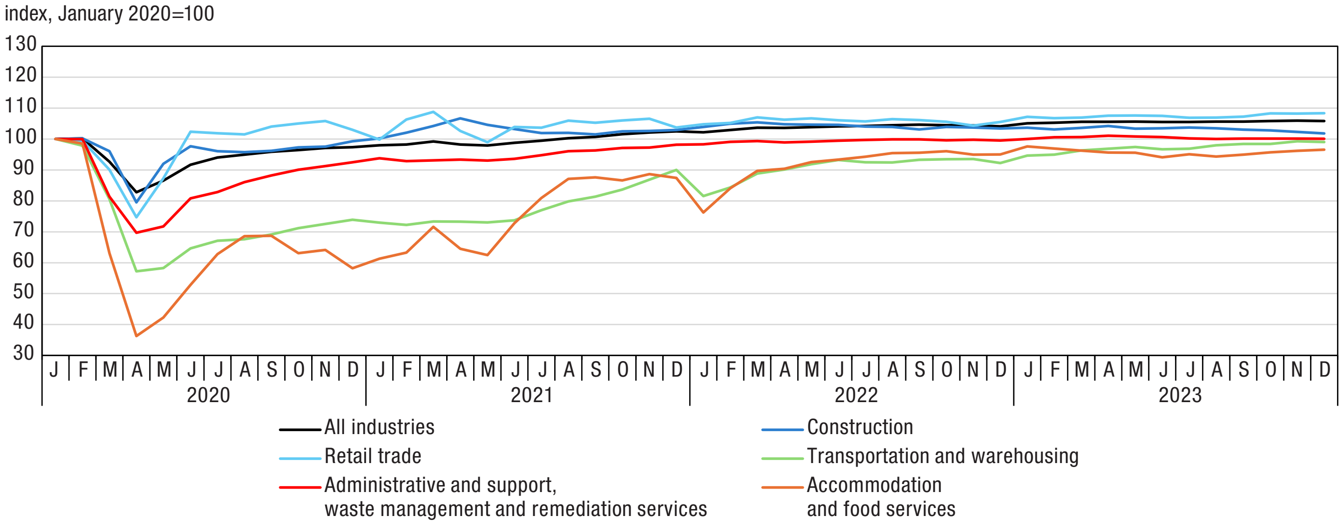
The article leverages loan-level microdata from Export Development Canada, the institution that administered the CEBA program, which in turn received information from the financial institutions that provided financing to businesses. This data was then linked with bankruptcy data received from the Office of the Superintendent of Bankruptcy and with Statistics Canada's business register.[3] References to industry detail refer to the North American Industry Classification System,[4] whose hierarchy covers industrial sectors, sub-sectors, industry groups, and industries. For the sake of simplicity, these will be referred to as industries.

The pandemic was most challenging for client-facing industries

While the pandemic was a challenging period for many businesses, those that provided client-facing services—for example accommodation and food services, transportation and warehousing, and administrative, waste management, and remediation services—were among the most severely impacted (Chart 1). Output contracted sharply in these industries during the initial lockdown, anywhere from about 30% to 60%, and had not recovered to pre-pandemic levels by the end of 2023. This was due, in part, to successive waves of public health restrictions.[5] Retail trade, and to a lesser extent construction and manufacturing, also experienced large output declines during the initial lockdowns of roughly 20% to 25%. However, these industries recovered more quickly when the initial COVID-19 restrictions were eased. The recovery in construction activity, in particular, was buoyed by a surge in demand for single-family homes and home renovations following the lockdowns in April 2020.

1. The CEBA program was one of several programs introduced by the Canadian Government to help support businesses during the pandemic. See An analysis of Canadian business support programs in response to the global COVID-19 pandemic for more details.
2. The original deadline for loan applications was March 31, 2021 but was extended to June 30, 2021 to allow businesses more time to apply. Meanwhile, the original CEBA loan was capped at $40,000 but was expanded to $60,000 on December 4, 2020 as businesses continued to face hardships. For more details on CEBA eligibility requirements, see the Canada Emergency Business Account Program Overview.
3. Due to a specific data gap in the loan-level microdata, a sample comprising 90% of the value of the total CEBA program (about $44 billion of outstanding loans out of $49 billion in total) was generated, ensuring that the results were representative of the population of CEBA-financed businesses. The sample values and counts were then extrapolated to match population totals. Of the sampled, 5.7% did not have a readily associated industry type and are thus excluded from industry breakdowns.
4. More information on the North American Industry Classification System (NAICS) is available here: https://www.statcan.gc.ca/en/subjects/standard/naics/2022/v1/index
5. See Clarke, et al. for the impacts of various COVID-19 health restrictions on Canadian economic activity (Measuring the Correlation Between COVID-19 Restrictions and Economic Activity).

Chart 1
Real GDP by selected industries



Note: Index created based on seasonally adjusted data at annual rates in chained 2017 dollars.
Source: Statistics Canada, table 36-10-0434-01.

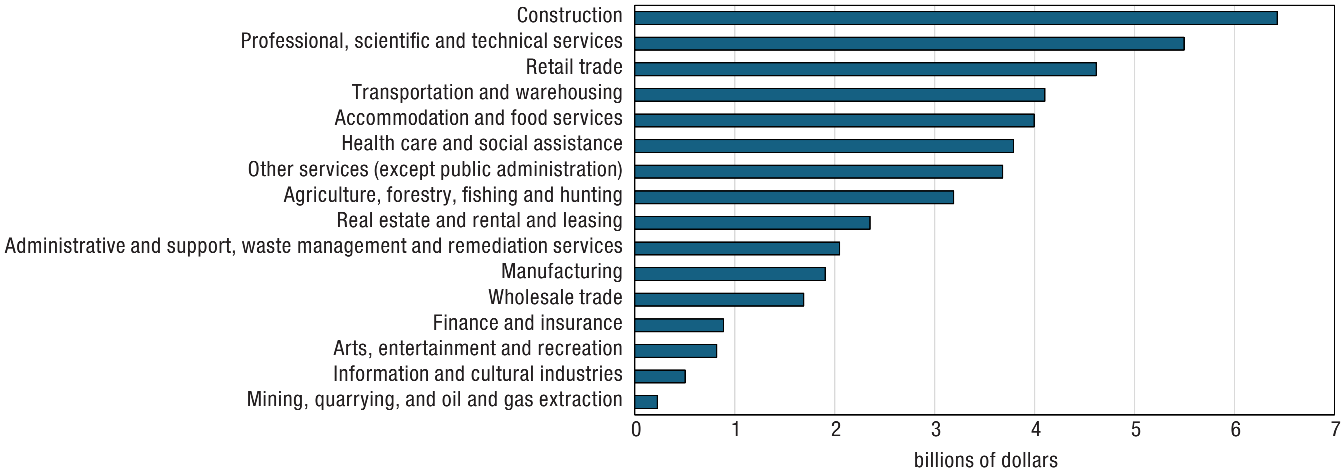
As well, traditional business operations were disrupted during the pandemic, impacting both revenues and costs. From 2019 to 2020, approximately 47% of all small and medium sized enterprises—businesses with annual salary expenses of less than $1.5 million—experienced a drop in gross profit,[6] totalling a loss of nearly $60 billion. This compares with 35% of all small and medium sized enterprises that experienced a drop in gross profit from 2018 to 2019 (-$33.3 billion). By this measure, businesses that took out CEBA loans experienced slightly more financial pressure during the first year of the pandemic, with approximately 56% experiencing a decrease in gross profit from 2019 to 2020 (-$33.4 billion). The businesses that reported the largest declines in gross profit were client-facing ones, such as food service and drinking places, hotels, and offices of dentists and physicians.

Construction and client-facing services businesses most likely to obtain a CEBA loan

A considerable amount of the CEBA loans (by value) were extended to businesses that offered client-facing services (Chart 2).[7] However, the construction industries collectively received the most funds through the CEBA program, totalling more than $6.4 billion (13.1% of total loan disbursements).[8] More than a quarter of these loans were extended to residential building construction businesses, while building equipment and building finishing contractors each accounted for a further 20%. The construction industry is composed of many legal entities relative to other industries, which can explain the relatively larger uptake in CEBA loans by this industry (Table 1).

6. Gross profit is calculated by subtracting cost of sales from revenue and is a general indicator of profitability. Analysis is based on corporate income tax returns and is limited to businesses that had positive gross profit in both years.
7. See also Business or organization received a repayable loan from the Canada Emergency Business Account, fourth quarter of 2023 for more details on the characteristics of CEBA recipients, including age, size and ownership of business.
8. This was due more to the number of loans rather than size; the average loan amount for construction companies was slightly lower than the overall average. The industry had 119,170 borrowers, who received an average of $53,933 compared to the overall average of $54,772 spread over 898,271 total borrowers. Construction companies took on more of the initial $40,000 loans than the expanded $60,000 loans.

Chart 2
Total CEBA loans by selected industries



Note: CEBA stands for the Canada Emergency Business Account.
Source: Statistics Canada, "Borrowing, repayments and bankruptcies by industry: Results from the Canada Emergency Business Account program ", Latest Developments in the Canadian Economic Accounts (13-605-X), 2025; custom tabulation.

Professional, scientific, and technical services, despite experiencing a relatively mild contraction in economic activity, received the second highest loan support ($5.5 billion). Most of these loans were granted to businesses that provided computer system design and related services. Retail trade ($4.6 billion) had the third largest loan support, largely concentrated in health and personal care retailers, and grocery and convenience retailers.

Two of the hardest hit industries during the pandemic—transportation and warehousing and accommodation and food services—received $4.1 billion and $4.0 billion respectively. Within transportation and warehousing, more than 70% of CEBA loans were to freight trucking companies. In the accommodation and food services industry, nearly 80% of program loans were to full-service restaurants and limited-service eating places.

Table 1
Canadian small and medium-sized business counts and CEBA borrower counts by selected industries

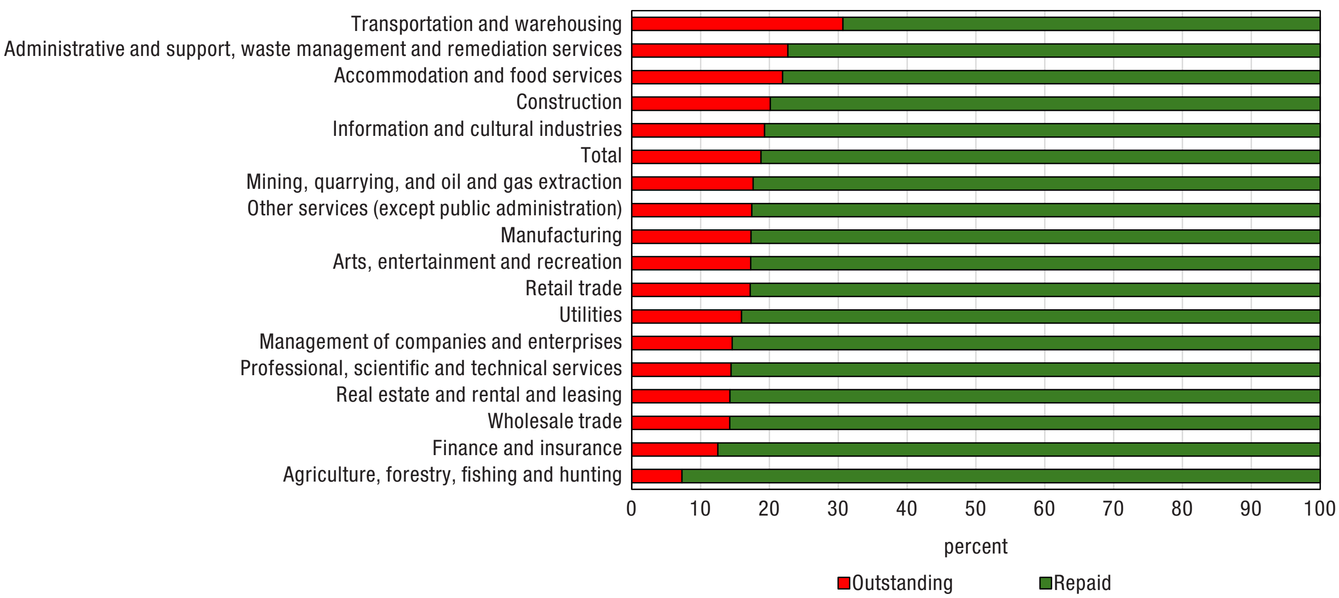
Industry	CEBA borrowers	Canadian small and medium-sized businesses	CEBA borrower counts as a percent of Canadian small and medium-sized business counts
	count		percent
Construction	119,170	149,835	79.5
Professional, scientific and technical services	101,971	148,984	68.4
Retail trade	83,378	145,084	57.5
Accommodation and food services	69,917	84,231	83.0
Health care and social assistance	71,007	121,520	58.4
Other services (except public administration)	66,804	113,152	59.0
Real estate and rental and leasing	42,582	57,600	73.9
Administrative and support, waste management and remediation services	37,632	54,155	69.5
Manufacturing	34,612	51,343	67.4
Wholesale trade	30,846	57,277	53.9
Finance and insurance	16,453	42,367	38.8
Arts, entertainment and recreation	14,727	19,112	77.1
Educational services	10,892	14,617	74.5

Note: CEBA stands for the Canada Emergency Business Account. Small and medium-sized businesses are defined as those with at least one employee and less than 500 employees and align to a statistical location concept reflected on Statistics Canada's business register.
Source: Statistics Canada, "Borrowing, repayments and bankruptcies by industry: Results from the Canada Emergency Business Account program ", Latest Developments in the Canadian Economic Accounts (13-605-X), 2025; custom tabulation; table 33-10-0222-01.

Client-facing services and construction have the highest rates of outstanding CEBA loans

CEBA loans that were not repaid by the forgiveness deadline and therefore no longer qualified for partial loan forgiveness represented 18.8% of CEBA loans (about $9.2 billion of the $49.2 billion). These loans were rolled over into term loans due on December 31, 2026, at a rate of 5.0% per annum.[9,10,11] Industries that were the hardest hit by the lockdowns, and experienced the longest recovery, were more likely to have the greatest share of outstanding loans at the end of the program (Chart 3). These included transportation and warehousing, administrative and support, waste management and remediation services, and accommodation and food services. As well, construction had an above average share of outstanding loans, despite being one of the fastest industries to recover from the lockdowns.

Chart 3
Outstanding and repaid CEBA loans as a share of total CEBA loan amounts, by selected industries



Note: CEBA stands for the Canada Emergency Business Account.
Source: Statistics Canada, "Borrowing, repayments and bankruptcies by industry: Results from the Canada Emergency Business Account program ", Latest Developments in the Canadian Economic Accounts (13-605-X), 2025; custom tabulation.

The transportation and warehousing industry had 30.7% of their loans outstanding (approximately $1.3 billion). The highest shares of these outstanding loans were in taxi and limousine services (51.1%), other transit and ground passenger transportation services (48.4%), and interurban and rural bus transportation services (41.3%). While adjusting to health restrictions that limited personal contact, businesses in these industries also faced rising competition from ride-sharing services that were gaining popularity at the time.

9. Eligible CEBA borrowers in good standing were able to qualify for partial loan forgiveness if the non-forgivable principal of their CEBA loan was repaid on or before January 18, 2024 (or on or before March 28, 2024, for those that applied for refinancing on or before January 18, 2024 with the financial institution that provided their CEBA loan).
10. See Canada Emergency Business Account Loan Assignment for a discussion on those loans that are not repaid at the end of the repayment period.
11. According to the Canadian Federation of Independent Business (CFIB), more than 200,000 small businesses (23%) took on new debt to refinance their Canadian Emergency Business Account (CEBA) loans to preserve access to the forgivable portion (Over 200,000 small businesses took on new debt to repay their CEBA loan).

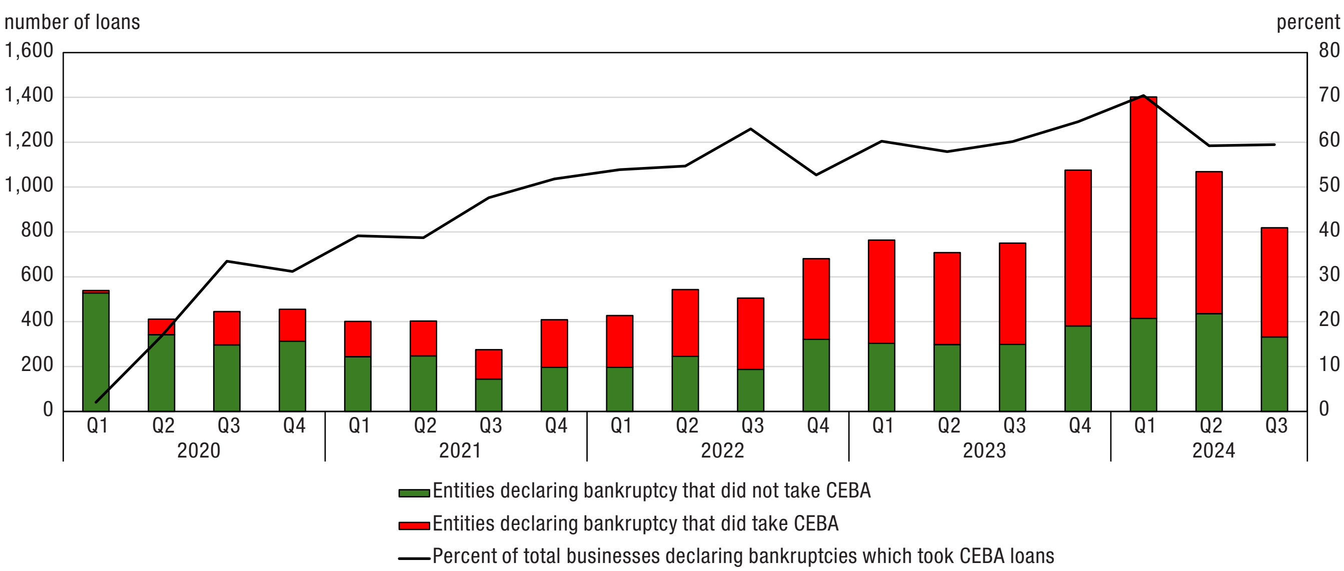
The accommodation and food services industry also had a large share of outstanding loans at 21.9% (nearly $900 million). Businesses that provide food services had sizeable shares of outstanding loans, mainly special food services such as catering (28.3%), full-service restaurants (22.9%), and drinking places (22.8%).[12] Traveller accommodations (13.4%) had a much lower share of outstanding loans.

The construction sector, which had the largest amount of total CEBA support, also had a relatively high share of loans outstanding at 20.1% (nearly $1.3 billion). While construction activity rebounded quickly from the initial shock of the pandemic, the sector was impacted by a slowdown in non-residential construction due in part to an increase in working from home. In addition, when financing costs started to weigh on households' disposable income, residential construction slowed.

Bankruptcies among CEBA borrowers accelerated as the repayment deadline approached

The number of businesses that declared bankruptcy declined in the first half of the COVID-19 pandemic, ranging from about 400 to 450 per quarter throughout 2020 to a low of about 250 in the third quarter of 2021.[13] However, the number of bankruptcies began to accelerate in mid-2022 and reached a high of over 1,200 by the first quarter of 2024. This corresponds to a period of rapidly rising interest rates and elevated input costs, as well as the end of CEBA program forgiveness (first quarter of 2024).[14] An increasing number of these bankruptcies were from businesses that took CEBA loans (Chart 4). In the first quarter of 2021, 39% of businesses that declared bankruptcy had taken out CEBA loans; by the first quarter of 2024 this share had risen to 70%.

Chart 4
Businesses declaring bankruptcy by CEBA borrower status



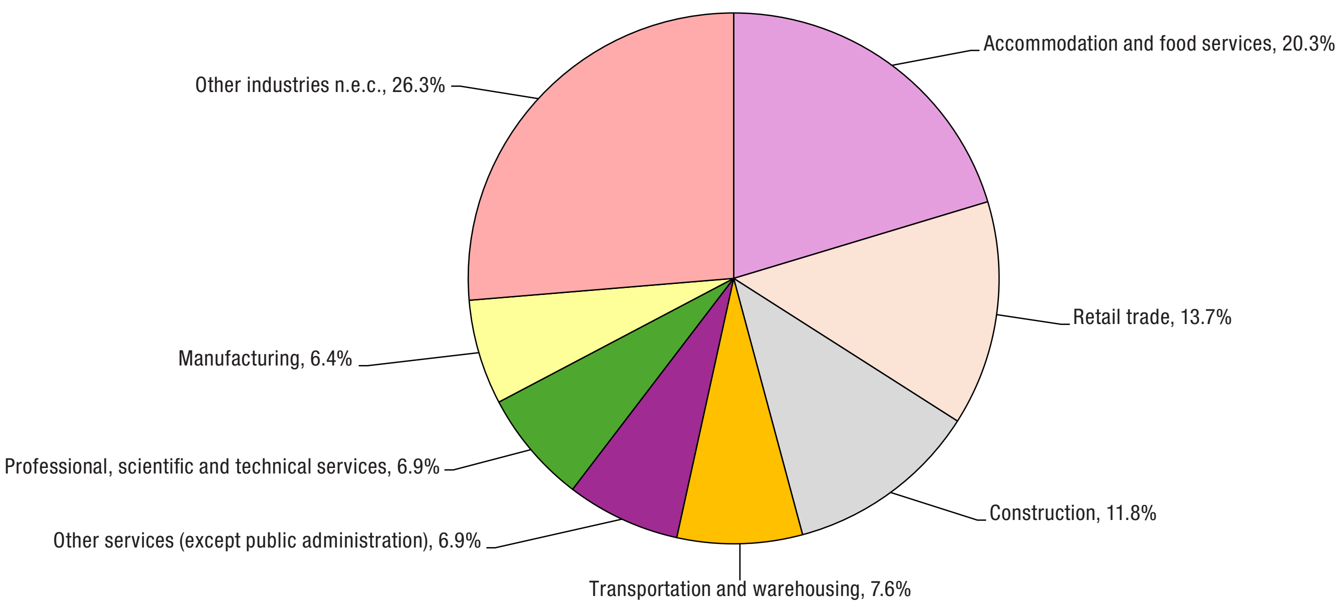
Note: CEBA stands for the Canada Emergency Business Account.
Source: Statistics Canada, "Borrowing, repayments and bankruptcies by industry: Results from the Canada Emergency Business Account program ", Latest Developments in the Canadian Economic Accounts (13-605-X), 2025; custom tabulation.

12. In a letter to the Finance Minister requesting more time to repay CEBA loans, Restaurants Canada in July 2023 wrote that 50% of Canadian foodservice operators were operating at a loss or breaking even compared to 12% before the pandemic and that 49% of small businesses were still making below normal revenues (Industry Associations Call for More Time to Repay CEBA loans - Restaurants Canada).
13. Formal insolvency and bankruptcy is one path distressed businesses can take. Others may simply "exit", which refers to the permanent closure of a business and an exit from the marketplace. See A profile of corporate exits and insolvencies (statcan.gc.ca) for a discussion on insolvencies and exits as well as different uses by industry.
14. According to Statistics Canada's Survey on Business Conditions, third quarter 2023, 56.6% of businesses in the third quarter of 2023 expected rising inflation to be a major obstacle over the following three months, while over four in ten businesses anticipated challenges related to input costs (44.7%), and rising interest rates and debt costs (42.5%).

Overall, of the 9,655 bankruptcies reported between the second quarter of 2020 and the end of the deadline for repayment in the first quarter of 2024, 54.1% were businesses that had received CEBA loans. The number of bankruptcies began to ease after the first quarter, eventually falling to 819 in the third quarter of 2024; 487 of those (59.5%) were businesses that had taken out CEBA loans. Given the scope of the CEBA program and the volume of CEBA recipients, it is not surprising that this number may appear large. However, to put it into perspective, of the 898,271 CEBA borrowers over the entire program (April 2020 to January 2024), 6,343 eventually declared bankruptcy by the end of September 2024. This represents 0.7% of the total number of CEBA borrowers. In contrast, the overall bankruptcy rate for all businesses between the second quarter of 2020 and the third quarter of 2024 was 0.9% and for those businesses that did not take CEBA, that bankruptcy rate stood at 1.3%.

CEBA-borrowing businesses in the accommodation and food services industry declared the most bankruptcies, accounting for over one-fifth (20.3%) of CEBA borrowers that later declared bankruptcy (Chart 5), with most of these bankruptcies declared by full-service restaurants and limited-service eating places. The retail trade industry accounted for 13.7% of CEBA-borrowers that later declared bankruptcy while the construction industry was responsible for 11.8% of CEBA-borrowers that declared bankruptcy, largely among residential building construction companies (3.8%).

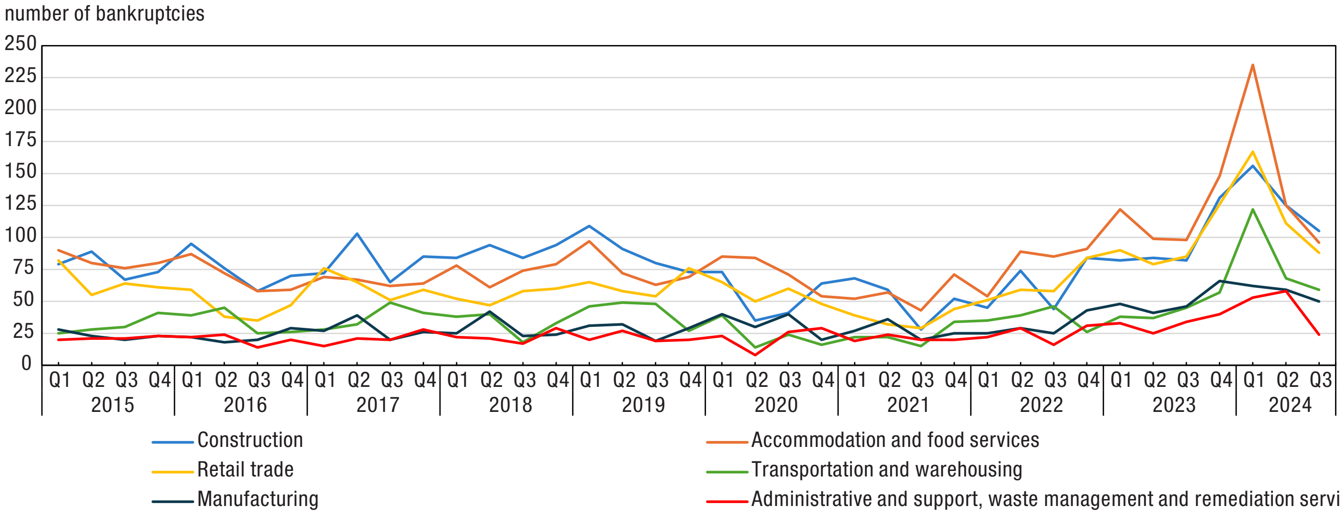
Chart 5
Entities that received CEBA loans but later declared bankruptcy, by selected industries



Notes: CEBA stands for the Canada Emergency Business Account and "n.e.c. stands for "not elsewhere classified".
Source: Statistics Canada, "Borrowing, repayments and bankruptcies by industry: Results from the Canada Emergency Business Account program ", Latest Developments in the Canadian Economic Accounts (13-605-X), 2025; custom tabulation.

In early 2024, business bankruptcies in many industries were up sharply from recent prior lows and well above levels observed pre-pandemic, but this was an acute event with bankruptcies dropping sharply over the remainder of 2024. Many bankruptcies occurred between the third quarter of 2023 and the first quarter of 2024 (Chart 6). Most notable was the rise in bankruptcies in accommodation and food services, which recorded a 139.8% increase in bankruptcies over that period (Table 2.). Bankruptcies subsequently declined in the second and third quarters of 2024; those in accommodation and food services fell by 59.1% between the first quarter high of 2024 and the third quarter.

Chart 6
Bankruptcies by selected industries



Source: Statistics Canada, "Borrowing, repayments and bankruptcies by industry: Results from the Canada Emergency Business Account program ", Latest Developments in the Canadian Economic Accounts (13-605-X), 2025; custom tabulation.

Table 2
Bankruptcies by selected industries

	Change in bankruptcies between periods		Bankruptcies at start and end periods	
	Third quarter 2023 to first quarter 2024	First quarter 2024 to third quarter 2024	Third quarter 2023 to first quarter 2024	First quarter 2024 to third quarter 2024
Industry	percent		count	
Accommodation and food services	139.8	-59.1	98 to 235	235 to 96
Construction	90.2	-32.7	82 to 156	156 to 105
Retail trade	96.5	-47.3	85 to 167	167 to 88
Professional, scientific and technical services	48.3	-37.1	60 to 89	89 to 56
Transportation and warehousing	171.1	-51.6	45 to 122	122 to 59
Administrative and support, waste management and remediation services	55.9	-54.7	34 to 53	53 to 24
Manufacturing	34.8	-19.4	46 to 62	62 to 50

Source: Statistics Canada, “Borrowing, repayments and bankruptcies by industry: Results from the Canada Emergency Business Account program “, Latest Developments in the Canadian Economic Accounts (13-605-X), 2025; custom tabulation.

It is helpful to understand the intentions of businesses when it comes to repaying their outstanding CEBA loans. According to Statistics Canada’s Survey on Business Conditions, nearly two-thirds (65.6%) of businesses that had not paid back their CEBA loans anticipated having the liquidity or access to credit available to repay the loan by December 31, 2026.[15] However, one-fifth (19.9%) of businesses reported not knowing if they would have the liquidity or access to credit to repay the loan, and 14.5% of businesses did not anticipate having the liquidity or access to credit needed to repay the CEBA loan by the deadline.[16]

15. See Statistics Canada’s The Daily — Canadian Survey on Business Conditions, fourth quarter 2023.
16. More details on whether a business or organization anticipates having liquidity available or access to credit to repay the loan by December 31, 2026 can be found here: Status of repayment of loan from the Canada Emergency Business Account and if the business or organization anticipates having the liquidity available or access to credit to repay the loan by December 31, 2026, fourth quarter of 2023.

Conclusion

The CEBA program was introduced to help small and medium-sized businesses cover operating costs during the COVID-19 pandemic. Many of the businesses that applied for and received funding were in client-facing service industries, although businesses in the construction industry also received substantial CEBA funding. While most businesses repaid their CEBA loans, nearly 20% of loans remained outstanding after the initial repayment deadline. Meanwhile, there was an increasing number of bankruptcies among CEBA borrowers, although the overall rate of bankruptcy remained lower than that of non-CEBA borrowers. Most of the businesses that had outstanding loans or declared bankruptcy were in the aforementioned industries.

Successive waves of COVID-19 that necessitated recurring public health restrictions, followed by a challenging economic climate characterized by rising inflation, higher input costs, and rising interest rates and debt service costs, all likely contributed to the number of outstanding loans and bankruptcies at the end of the CEBA program. Many of the businesses that declared bankruptcy in the lead up and aftermath of the repayment deadline were likely struggling due to the prevailing economic climate and may have been unable to cope with servicing what would become an interest-bearing CEBA loan. While most businesses, when asked, anticipated repaying their outstanding CEBA loans, roughly a third of businesses indicated that repayment would be challenging.

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