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## Rural and Small Town Canada Analysis Bulletin

# The outlook of rural businesses, fourth quarter of 2024



by Jacqueline Ha

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# The outlook of rural businesses, fourth quarter of 2024

by **Jacqueline Ha**

In October 2024, the Consumer Price Index rose by 2.0% year over year.<sup>1</sup> Prices of Canadian manufactured products increased by 1.1% from the previous year, while the cost of raw materials purchased decreased by 2.8% during the same period.<sup>2</sup> Average hourly wages saw a notable increase of 4.9% year over year,<sup>3</sup> indicating upward pressure on labour costs.

In rural and small town (RST)<sup>4</sup> areas, employment—unadjusted for seasonality—rose by 14,500 (+0.5%) in October 2024 compared to the previous month, while the unemployment rate remained stable at 4.2%.<sup>5</sup>

Against this backdrop, businesses in RST and functional urban areas faced a range of economic challenges in the fourth quarter of 2024, including rising input costs, labour shortages, and increasing debt burdens. These pressures created a complex economic environment shaping business outlooks, in particular regarding labour- and cost-related obstacles.

This analysis, based on [Canadian Survey on Business Conditions](#) results, shows businesses<sup>6</sup> current operating conditions and their future expectations. Focusing on RST businesses, the findings are drawn from the Canadian Survey on Business Conditions, fourth quarter of 2024, conducted from October 1 to November 4, 2024.

## Key highlights

- RST businesses identify cost-related challenges such as inflation, rising cost of inputs, insurance costs, and interest rates and debt costs as key obstacles to their operations.
- Over the past year, many RST businesses have reported medium or high impacts from interest rates, especially on their existing debt and borrowing plans. Uncertainty in projected sales and unfavourable interest rates are cited as reasons to not take on more debt.
- RST businesses anticipate difficulties in recruiting skilled employees, addressing labour shortages and retaining staff over the short term. Wage adjustments are expected over the next year, with increases driven by inflation and the need to retain talent.
- Despite various challenges, the majority of RST businesses maintain a positive outlook about their prospects over the next 12 months.

## Cost-related obstacles present challenges for rural and small town businesses

In the fourth quarter of 2024, cost-related obstacles<sup>7</sup> prevailed as the most anticipated challenge faced by businesses in RST areas (66.7%) and functional urban areas (65.4%), with inflation and rising cost of inputs expected to exert pressure on operations. In particular, inflation was the most frequently reported short-term<sup>8</sup> obstacle by RST businesses (44.3%), followed by the rising cost of inputs (e.g., labour, capital, energy and raw materials) (39.8%), the cost of insurance (36.4%), and interest rates and debt costs (30.9%).

Urban businesses also identified inflation (45.0%) and rising cost of inputs (37.1%) as their leading concerns over the next three months. However, for these businesses, the rising cost in real estate, leasing or property taxes (28.0%), interest rates and debt costs (28.0%) and recruitment of skilled employees (28.0%) were also weighed heavily as challenges over the short term.

1. Statistics Canada. (2024). [The Daily — Consumer Price Index, October 2024](#).

2. Statistics Canada. (2024). [The Daily — Industrial product and raw materials price indexes, October 2024](#).

3. Statistics Canada. (2024). [The Daily — Labour Force Survey, October 2024](#).

4. Based on Statistics Canada's Standard Geographical Classification 2021, businesses located in either census metropolitan areas or census agglomerations are classified as part of functional urban areas, while all others are categorized as rural and small town areas. See [Standard Geographical Classification \(SGC\) 2021 - Volume I, The Classification](#).

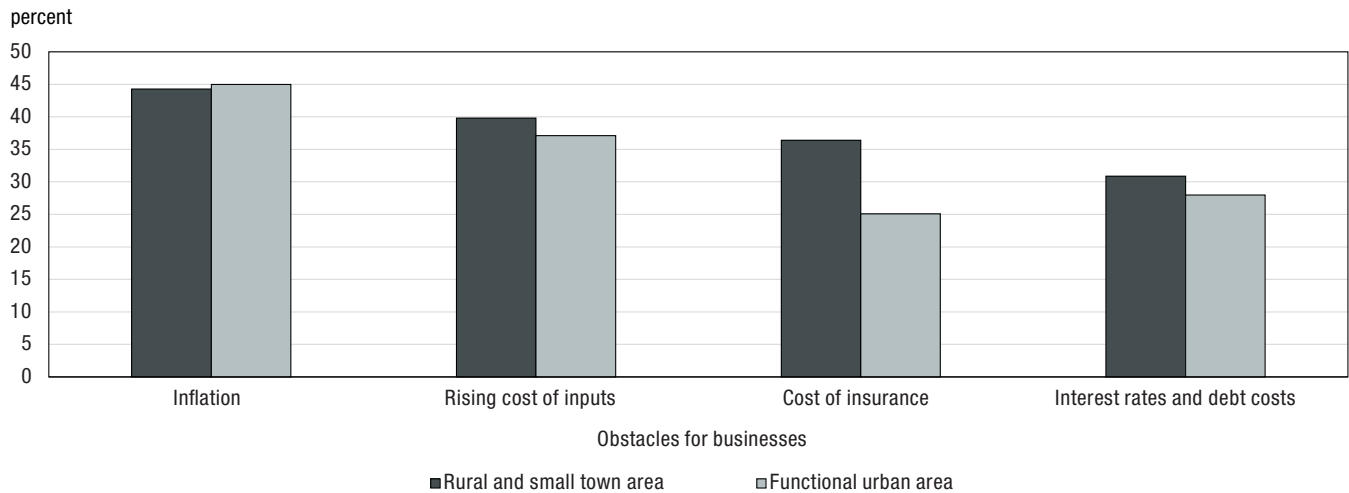
5. Statistics Canada. (2024). [Employment and unemployment rate, monthly, unadjusted for seasonality](#).

6. The target population for the [Canadian Survey on Business Conditions](#) is all active business establishments on the Business Register, which have an address in Canada, and have employees.

7. Cost-related obstacles include inflation, the cost of inputs, interest rates and debt costs, the cost of insurance, costs in real estate, leasing or property taxes, and transportation costs.

8. When respondents were asked questions about their expectations over the next three months (referred to in the text as "short term"), that three-month period could range from October 1, 2024, to February 4, 2025, depending on when the business responded. For questions about expectations over the next 12 months, that period could range from October 1, 2024 to November 4, 2025.

**Chart 1**  
**Top four obstacles for businesses over the next three months, by rural and small town area and functional urban area**



**Note:** Figures for businesses in functional urban areas are provided for comparison only. These businesses do not have the same top obstacles as those in rural and small town areas. The top obstacles for urban businesses included inflation (45.0%), rising cost of inputs (37.1%), interest rates and debt costs (28.0%), rising costs in real estate leasing or property taxes (28.0%) and recruiting skilled employees (28.0%).

**Source:** Canadian Survey on Business Conditions, fourth quarter of 2024.

In the fourth quarter of 2024, RST and urban businesses anticipated notable changes in prices, profitability, and expenses, driven by increasing costs and operational challenges. Nearly one in five (19.9%) RST businesses expected to raise the prices of their goods and services over the next three months, and a similar proportion of urban businesses (19.2%) expected to do the same.

Just over one-fifth (21.8%) of RST businesses expected their operating income to decrease, with 33.7% projecting rising operational expenses. This financial pressure was also reflected in the expectations of over one-quarter (27.4%) of RST businesses, who forecasted reduced profitability, along with declining cash reserves (27.8%). Urban businesses reported comparable pressures, with 22.6% anticipating a drop in operating income and 36.8% expecting operating expenses to rise. One-third (33.0%) of urban businesses also predicted shrinking profit margins, highlighting shared financial challenges across regions.

Rising costs in inputs, such as labour and raw materials, were anticipated to be the top concerns for RST and urban businesses in the fourth quarter of 2024. Among RST businesses, 57.7% identified rising labour costs as a major obstacle, compared with 65.3% of urban businesses. Conversely, RST businesses reported greater challenges with the rising cost of raw materials, with nearly half (48.9%) of these businesses citing it as a primary concern compared with 39.5% of urban businesses.

In the fourth quarter of 2024, 11.7% of RST and 12.4% of urban businesses expected supply chain obstacles<sup>9</sup> over the next three months. Among these businesses, the majority of RST (66.5%) and urban (64.2%) businesses expected supply chain challenges to remain about the same over this period, while more than one-quarter of RST (25.6%) and urban (28.3%) businesses expected them to worsen in the short term. For RST businesses struggling to maintain inventory levels, 25.9% of these businesses anticipated supply chain issues to persist over the next 12 months or more. Of the RST businesses involved in exporting or importing goods and services, 27.8% anticipated trade disruptions caused by international events over the next 12 months. Urban businesses reported similar concerns, with nearly one-quarter (23.5%) anticipating trade disruptions attributable to global events.

9. Businesses that expect supply chain-related obstacles include businesses that expect at least one of the following: difficulty acquiring inputs, products or supplies from within Canada, difficulty acquiring inputs, products or supplies from abroad, or maintaining inventory levels.

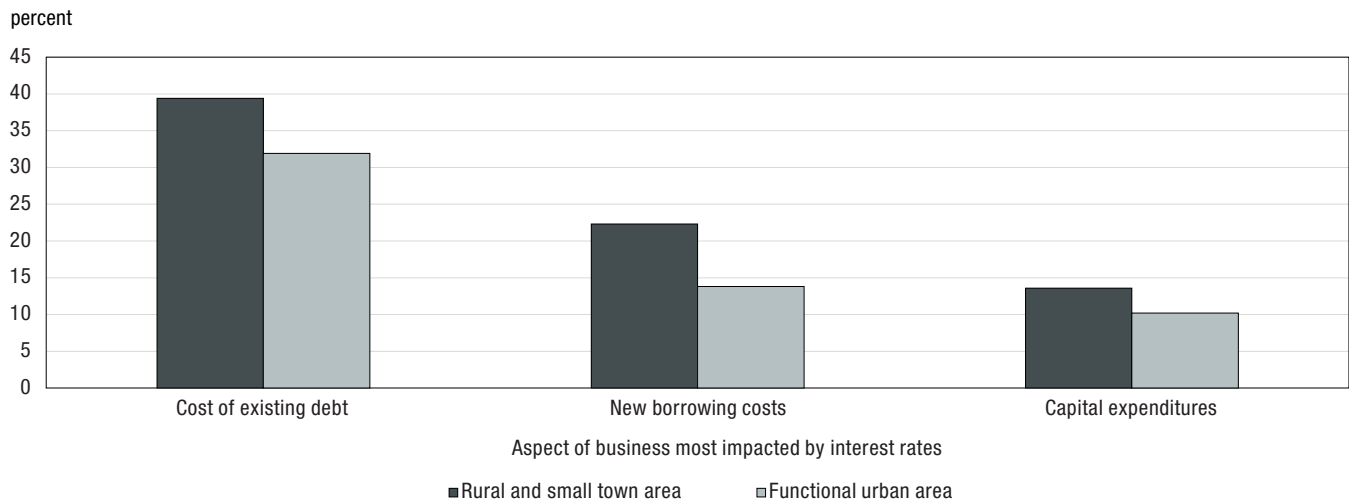
## Impacts of interest rate felt by rural and small town businesses

While most RST businesses (73.9%) reported having sufficient cash or liquid assets to maintain operations in the short term, 47.6% stated that interest rates have had a medium or high impact on their firms over the past year, especially those in the wholesale trade (68.0%), finance and insurance (67.0%), and retail trade (64.2%) industries. Nearly half (48.2%) of urban businesses reported interest rates to have had a medium or high level of impact, with those in the real estate and rental and leasing (60.2%) and agriculture, forestry, fishing and hunting (56.9%) industries being most affected.

Among RST businesses affected by interest rates, nearly two-fifths (39.4%) identified the cost of existing debt and, to a lesser extent, new borrowing costs (22.3%) as the most affected aspects of their operations. In functional urban areas, the cost of existing debt (31.9%) and sales of products and services (19.6%) were the key business components most influenced by interest rates.

**Chart 2**

**Aspect of business most impacted by interest rates, by rural and small town area and functional urban area**



**Note:** Figures for businesses in functional urban areas are provided for comparison only. These businesses do not share the same operational elements most affected by interest rates as those in rural and small town areas. The key business factors influenced by interest rates for urban businesses included the cost of existing debt (31.9%), sales of products and services offered by the business (19.6%) and new borrowing costs (13.8%).

**Source:** Canadian Survey on Business Conditions, fourth quarter of 2024.

Debt management further highlights the shared challenges of RST and urban businesses. The majority of RST (73.5%) and urban (72.5%) businesses did not plan to take on additional debt in the short term. Among those businesses that did not plan to borrow, 22.4% of RST businesses and 23.7% of urban businesses did not have the ability to take on more debt. RST and urban businesses cited a lack of confidence or uncertainty in future sales (51.1% and 44.2%, respectively) and unfavourable interest rates (41.3% and 39.6%, respectively) as key barriers.

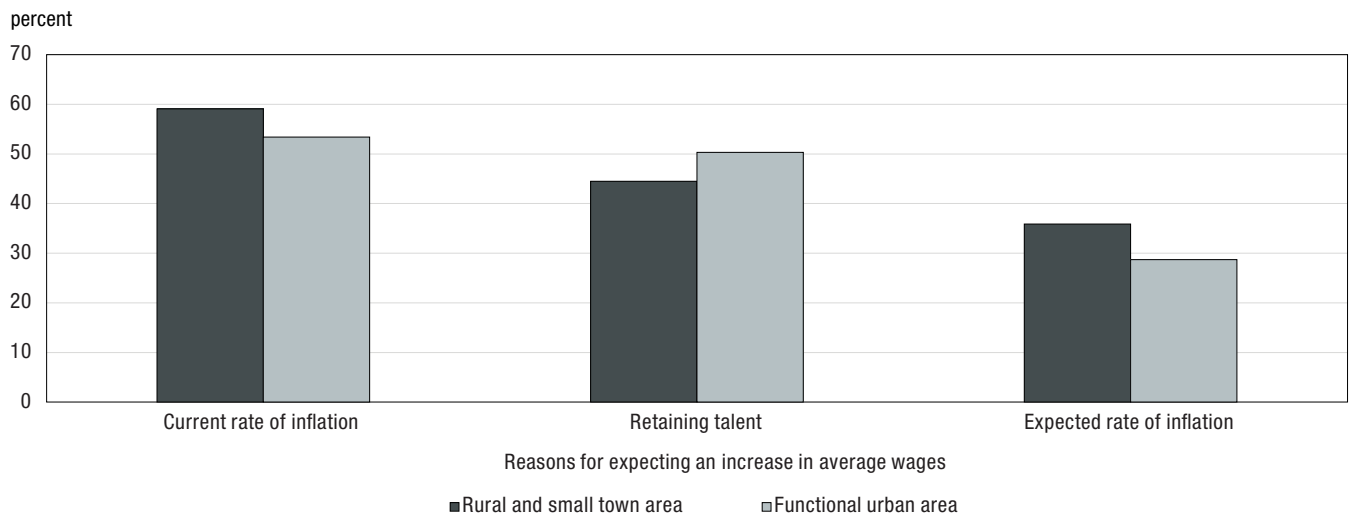
## Labour-related obstacles pose challenges for rural and small town businesses

In the fourth quarter of 2024, labour-related obstacles<sup>10</sup> were expected to be a key concern for RST and urban businesses in the short term. While the majority of both groups anticipated stable employee numbers and vacancies, over two-fifths (42.0%) of RST businesses and more than one-third (36.3%) of urban businesses projected labour-related difficulties over the next three months. Among RST businesses, 29.8% expected challenges in recruitment, 24.2% cited labour shortages, and 20.3% highlighted employee retention as a concern. Similarly, 28.0% of urban businesses anticipated recruitment challenges, 18.0% forecasted labour shortages and 19.1% identified employee retention as an obstacle.

10. Labour-related obstacles consist of challenges pertaining to recruiting and retaining skilled employees and shortage of labour force.

### Chart 3

#### Top three reasons for expecting an increase in average wages over the next 12 months, by rural and small town area and functional urban area



**Note:** Figures for businesses in functional urban areas are provided for comparison only.

**Source:** Canadian Survey on Business Conditions, fourth quarter of 2024.

Plans for wage adjustments also reveal parallels in RST and functional urban areas. A similar proportion of RST (42.5%) and urban (42.6%) businesses anticipated an increase in average wages over the next year, of which the majority of RST (59.7%) and urban businesses (57.1%) expected wage increases to match last year’s rate. For RST businesses that expected to increase average wages over the next 12 months, the current rate of inflation (59.1%) and the need to retain talent (44.5%) were the primary driver for these anticipated wage increases. Urban businesses reported greater pressures to retain talent (50.3%) as a reason for average wage increases compared with RST businesses, although most urban businesses identified the current rate of inflation (53.4%) as the primary factor influencing these adjustments.

### Rural and small town businesses show optimism about their future outlook

Overall, 75.3% of RST businesses are somewhat or very optimistic about their outlook over the next 12 months. RST businesses in the professional, scientific and technical services (92.2%) were among the most optimistic, while those in retail trade (27.4%) and construction (22.3%) were the least likely to share this outlook.

Similarly, 70.8% of urban businesses express optimism about their future. Urban businesses in mining, quarrying, and oil and gas extraction (84.0%) and arts, entertainment and recreation (82.4%) had the highest levels of optimism, while businesses in transportation and warehousing (27.8%) and retail trade (25.8%) were the least optimistic about their 12-month prospects.

### Bilingual employment needs in rural and small town Canada

Across Canada, the requirements for bilingualism in English and French varied between RST and urban businesses in the fourth quarter of 2024. On average, 7.4% of RST businesses required employees to be bilingual, with 4.6% requiring that all employees meet this standard. RST businesses in Quebec and New Brunswick had the highest percentages, at 12.3% and 12.1% respectively, where all employees were required to be bilingual in English and French.

Among urban businesses, an average of 8.7% across Canada reported a requirement for bilingual employees, with 5.3% indicating that all employees must be bilingual. In Quebec, 20.9% of urban businesses require full bilingualism, followed by 11.8% of urban businesses in New Brunswick.

## Methodology

The Canadian Survey on Business Conditions uses a stratified random sample of business establishments with employees classified by geography, industry sector and size. Proportions are estimated using survey weights ensuring that the survey results are representative of all employer businesses in Canada. Businesses were classified based on their geographic location. Businesses located within census metropolitan areas or census agglomerations were classified as part of functional urban areas. All businesses in other locations were categorized as part of RST areas. The most recent iteration of this survey was conducted from October 1 to November 4, 2024. The total sample size for this iteration of the survey is 20,955 and results are based on responses from a total of 9,420 businesses or organizations.

## References

Statistics Canada. (2024, November 25). [Canadian Survey on Business Conditions](#).

## Related products

[Business Conditions in Rural and Small Town Canada: Interactive Dashboard](#)

[Rural Canada Statistics Portal](#)