

Are Canadian small businesses headed for an L-shaped recovery?

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Current business conditions

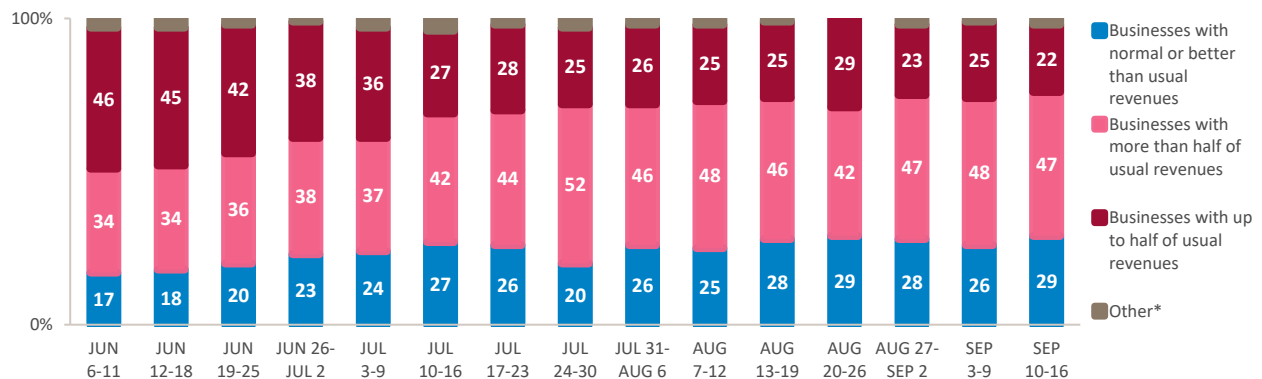
Since mid-March, governments across Canada have imposed severe restrictions on business/economic activity as part of their plans to fight COVID-19. Many restrictions have since been relaxed, but small businesses have not returned to normal activity. Business and consumer confidence, plus operational challenges seem to be getting in the way of a full recovery. The latest [small business recovery dashboard](#) shows that while seven out of ten businesses are currently fully open, only four out of ten are at/above normal staffing capacity and **barely three out of ten Canadian independent businesses are currently at/above normal revenues.**

Business revenues

Since mid-July, the share of businesses back to normal revenues has only marginally increased, with the majority of businesses still below their pre-COVID revenue (see Figure 1).

Figure 1

Distribution of Canadian independent businesses, by 2020 revenues compared to their usual (same time of year) revenues



Source: CFIB, "Your Business and COVID-19" surveys, controlled-access online surveys, <https://www.cfib-fcei.ca/en/research/survey-results/investigating-the-impact-of-covid-19-on-independent-business>.

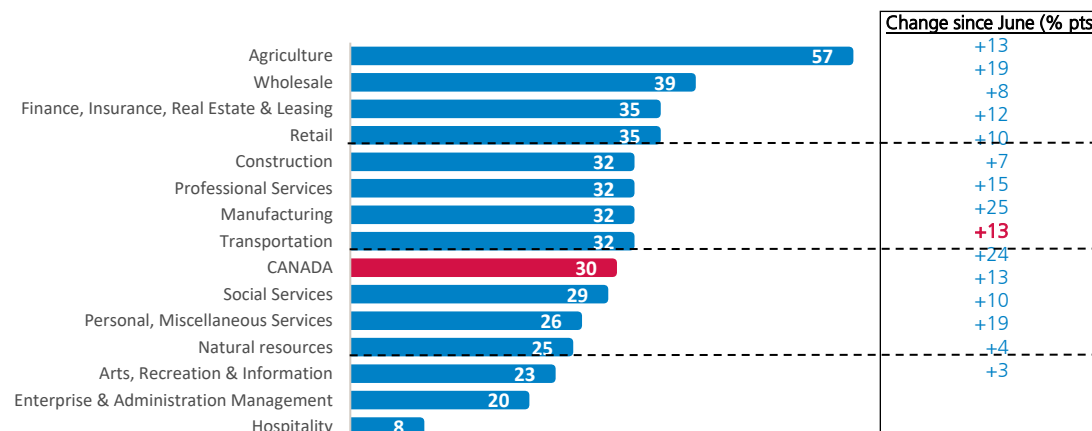
* Note: "Other" includes the "Not applicable – Did not have revenues at this same time in previous years (new business, seasonal business)" and "Don't know/Unsure" categories.

An uneven recovery among sectors

We now know that the COVID-19 emergency and associated business restrictions impacted different sectors in different ways. Figure 2 shows how independent businesses are currently recovering in the different economic sectors.

Figure 2

Percentage of Canadian independent businesses with 2020 revenues comparable to their usual (same time of year) revenues – by sector, as of mid-September 2020



Sources:

CFIB, final results for Your Business and COVID-19 – Survey #12, results from June 6 to June 11, 2020, n = 5,961. For comparison purposes, a probability sample with the same number of respondents would have a margin of error of +/-1.3%, 19 times out of 20.

CFIB, preliminary results for Your Business and COVID-19 – Survey #20, results from September 10 to September 14, 2020, n = 1,807. For comparison purposes, a probability sample with the same number of respondents would have a margin of error of +/-2.3%, 19 times out of 20.

Over a 14-week period, some of the lost ground has been won back across sectors, but at a pace that cannot remotely make us hope for a full recovery by independent businesses anytime soon. The fact that the sector that is in the “best shape”, agriculture, has only 57% of business at normal revenues compared to previous years, and only somewhat improved over three months, says a lot.

Recovery projections, at current pace

CFIB estimated the time it would likely take for most businesses to get back to normal revenues if recovery continued at its current pace. Recovery spans for each sector are calculated by using the share of businesses that are already at normal revenues as of mid-September as a starting point, then applying the progress rate registered for each sector between June and September, in a linear forward fashion, until most businesses can reach normal revenues again.

Detailed results are shown in Table 1. The sectors that would get back to a more normal situation more quickly (Social Services and Transportation) would do so in about nine months, while the slowest sector to catch up (Hospitality) would take more than eight years to fully

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recover at the current pace. The average full recovery time for all sectors is one year and five months.

TABLE 1

Projected time needed for most businesses to be at normal revenues again, Canada, mid-September 2020

	Time needed for most businesses to be at normal revenues (as of now, at current constant pace)
Hospitality (restaurants, hotels)	8 years 3 months
Enterprise & Administration Management (such as staffing or building management agencies)	5 years 4 months
Professional Services (such as law or accounting firms)	2 years 7 months
Finance, Insurance, Real Estate & Leasing	2 years 2 months
Natural Resources	2 years
Construction	1 year 10 months
Personal, Miscellaneous Services (such as dry cleaners, mechanics)	1 year 6 months
Retail	1 year 5 months
Average for all sectors	1 year 5 months
Manufacturing	1 year 2 months
Arts, Recreation & Information (such as golf courses, gyms)	1 year 1 month
Agriculture	10 months
Wholesale	10 months
Social Services (such as dentists, chiropractors)	9 months
Transportation	9 months

Conclusion

This theoretical projection helps understand the current pace of the economic recovery underway among Canadian independent businesses. It shows that if nothing is done in the short term to kick their recovery into higher gear, they are likely headed for the dreaded “L-shaped” recovery, meaning that the steep recession of the last few months would be followed by an extended period of depressed employment, investment, production and sales among Canadian independent businesses, plus of course closures. It also shows how far we are from normal and can help assess what level of support is still needed from governments, consumers and communities so our local economies can get through this economic crisis.