

The Main Street Quarterly

Small business insights into the Canadian economy | 2022 Q3

ECONOMIC FORECASTS, CANADA



Each quarter, CFIB and AppEco present forecasts of key macroeconomic variables, integrating unique data from CFIB's monthly Business Barometer®.

APPECO ANALYSE STRATÉGIQUE • ANALYTICS	History				Forecasts		Trends (2021 Q2-2022 Q3)
	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	
GDP by expenditure							
Level, chained \$B (2012)	2,091	2,125	2,141	2,158	2,160	2,170	
Q/Q annualized growth	5.3%	6.6%	3.1%	3.3%	0.3%	1.9%	
Y/Y growth	3.8%	3.2%	2.9%	4.6%	3.3%	2.1%	
GDP by industry, business sector							
Level, chained \$B (2012)	1,621	1,653	1,669	1,688	1,689	1,698	
Q/Q annualized growth	5.6%	8.0%	4.1%	4.5%	0.3%	2.1%	
Y/Y growth	4.0%	3.9%	3.8%	5.5%	4.2%	2.7%	
Retail sales							
Level, \$M	57,228	58,297	60,218	62,018	61,921	62,227	
Q/Q annualized growth	11.8%	7.7%	13.8%	12.5%	-0.6%	2.0%	
Y/Y growth	6.3%	6.4%	8.5%	11.4%	8.2%	6.7%	
CPI, excluding food and energy							
Level, index (2002 = 100)	136	137	139	141	143	144	
Q/Q annualized growth	4.1%	3.3%	4.8%	7.6%	5.0%	2.8%	
Y/Y growth	3.0%	3.2%	4.1%	4.9%	5.2%	5.0%	
Gross fixed capital formation, business sector							
Level, chained \$B (2012)	369	377	384	375	395	409	
Q/Q annualized growth	-16.1%	10.0%	7.1%	-9.2%	23.5%	14.3%	
Y/Y growth	2.5%	2.5%	-0.4%	-2.6%	7.2%	8.3%	
Employment							
Level, k persons	16,696	16,965	17,200	17,495	17,608	17,668	
Q/Q annualized growth	12.0%	6.6%	5.6%	7.0%	2.6%	1.4%	
Y/Y growth	8.0%	6.4%	7.7%	7.8%	5.5%	4.1%	

Source: Modelling and forecasts by AppEco using CFIB's monthly Business Barometer® data.

Total GDP grew by a mere 0.3% in Q3 2022, dampened by low business sentiment, although a certain rebound is anticipated over Q4.

Retail sales declined in Q3, with a growth rate of -0.6%. Some improvement should be seen in Q4, but growth will remain below average, and likely negative in real terms.

CPI inflation excluding food and energy picked up some steam over the last quarter, at 5.2% year-over-year. Opinions regarding expected price variations remain elevated and suggest that this pace should only moderately recede over Q4 and remain outside the Bank of Canada's target range.

Forecasts for gross fixed capital formation growth remain strong for Q3 and Q4, boosted by high unfilled orders amongst businesses, which have historically increased the incentives to invest in machinery and equipment. Given the current outlook for other segments of the economy, however, this forecast is unlikely to materialize.

Employment growth should finally slow down in Q3, consistent with slower GDP growth and a saturated labour market. The slowdown is expected to spillover to Q4.

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Table 2 - Private sector job vacancies, 2022 Q3¹

	Total vacancies	Vacancy rate (%)	12-month change*	3-month change*
Canada	663,100	4.9	-0.1	0.0
NL	6,700	4.6	0.2	0.6
PEI	2,200	4.6	-0.2	-0.8
NS	12,600	4.0	-0.2	-1.0
NB	11,900	4.8	0.1	-1.0
QC	166,400	5.4	-0.4	-0.3
ON	257,400	4.7	-0.2	-0.2
MB	18,600	4.2	0.1	-0.1
SK	17,700	5.1	0.5	1.3
AB	71,600	4.4	0.2	0.9
BC	98,000	5.1	-0.2	-0.3
Agriculture	8,400	4.9	0.0	0.3
Oil & gas, mining	7,300	3.4	-0.2	-0.3
Construction	76,500	6.4	-0.4	-0.4
Manufacturing	71,500	4.4	0.0	0.5
Wholesale	31,600	3.7	-0.2	-0.4
Retail	85,000	4.1	-0.2	-0.2
Transport	34,900	5.3	0.0	0.5
Information, arts, recreation	25,600	4.5	-0.3	0.8
Finance, insur., real estate	48,400	4.5	-0.3	0.9
Professional services	55,100	4.5	-0.1	-0.2
Enterprise management	40,500	4.2	-0.1	0.2
Health, education	50,200	4.4	-0.5	-1.5
Hospitality	84,900	6.7	0.1	-0.6
Personal services	43,200	7.5	0.1	0.7
1-4 employees	88,000	7.8	-0.1	0.1
5-19 employees	157,400	6.9	-0.2	0.1
20-49 employees	92,000	5.2	-0.3	0.1
50-99 employees	58,800	4.4	-0.3	0.0
100+ employees	266,900	3.8	0.0	-0.1

Job vacancy rates in Canada remain high

Private sector job vacancies in Q3 2022 in Canada remained historically elevated at 663,100 after reaching new highs in previous quarters (Table 2). The **job vacancy rate** hit 4.9%, down from 5.0% in Q2 2022 (Figure 1). This is in line with recent data showing that the unemployment rate also stands at low levels (5.4% in August 2022)¹.

By **province**, Quebec, Saskatchewan and British Columbia had the highest vacancy rates, reaching 5.4%, 5.1% and 5.1% respectively (Figure 1). Nova Scotia and New Brunswick recorded a slight decrease compared to the previous quarter while Saskatchewan saw an increase.

While most **sectors** followed a similar trend over time (Figure 2), personal services, hospitality and construction were more severely affected with vacancy rates of 7.5%, 6.7% and 6.4% respectively. The health, education sector had the strongest quarterly decline.

The difference by **size of business** was significant: the job vacancy rate was 7.8% for firms with fewer than 5 employees and 3.8% for those with 100+ employees.

Businesses with at least one job vacancy were planning to increase **wages** by 3.8% in the next 12 months while those without job vacancies planned wage hikes of 2.5% (Figure 3).

Sources:

(1) Statistics Canada. [Table 14-10-0287-03](#).

(2) CFIB, Your Business Outlook Survey, Jan. 2004–Sept. 2022.

(3) Statistics Canada. [Table 14-10-0398-01](#).

Note: *12-month and 3-month changes are in percentage points.

Figure 1 - Job vacancy rates by province, Canada, 2004-2022^{2, 3}

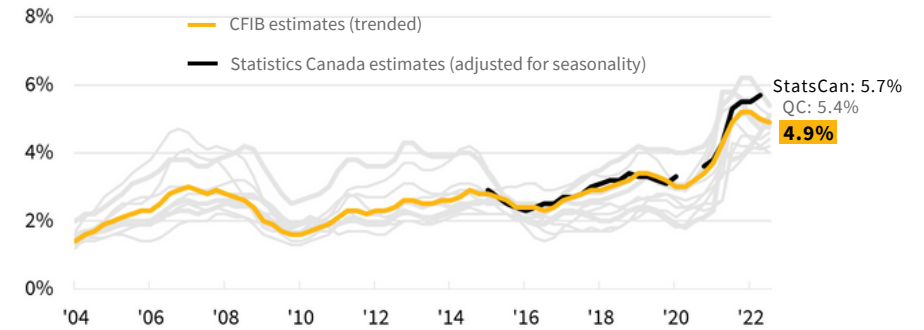


Figure 2 - Job vacancy rates by sector, Canada, 2004-2022²

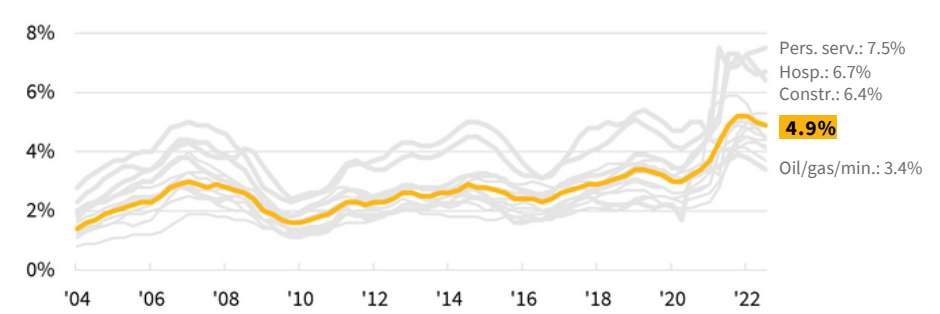


Figure 3 - Average planned wage hike among firms with and without job vacancies, Canada, 2009-2022³



Table 3 – SMEs financial situation, September 2022⁴

	Average pandemic debt (\$)*	SMEs with pandemic debt who have not made any repayments yet (%)**
Canada	143,771	40
NL	108,900	39
PEI	77,000	48
NS	105,000	36
NB	86,740	44
QC	112,756	31
ON	129,271	42
MB	299,155	40
SK	115,122	35
AB	233,521	43
BC	110,318	40
Agriculture	107,556	43
Construction	151,612	31
Manufacturing	243,244	38
Wholesale	161,854	37
Retail	112,490	39
Transport	102,231	33
Information, arts, recreation	159,281	42
Finance, insur., real estate	264,671	29
Professional services	104,117	40
Enterprise management	212,964	42
Health, education	95,707	46
Hospitality	109,549	54
Personal services	139,893	42
1-4 employees	107,825	44
5-19 employees	123,127	41
20-49 employees***	270,427	25

SMEs still under financial stress due to COVID-19

In September 2022, Canadian SMEs that incurred pandemic debt still owed an average of \$143,711. Businesses operating in Manitoba (\$299,155), or Alberta (\$233,521) reported higher levels of debt (Table 3).

Overall, about 40% of all small and mid-sized firms had not yet made any repayments.

Debt structure, rising interest rates adding pressure

Most firms reported taking on loans from the federal government (65%), followed by credit card loans (24%) and additional lines of credit (23%) (Figure 4).

The recent consecutive interest rate increases added even more pressure to the mix. Currently, 1 in 3 report that borrowing costs are among the main cost pressures. Concern over borrowing costs is on an upward trend since April 2022 (Figure 5).

5 in 10 report challenging financial situation

About 55% of SMEs report that their financial situation, including debts taken on due to the pandemic, poses a significant challenge (Figure 6). The economic context is further aggravated by weaker than normal revenues, as reported by 58% of SMEs⁴. This in turn led to significant changes in their business models: for example, 88% are making changes in their business to deal with inflation⁴.

Sources:

(4) CFIB, Your Voice - September 2022 survey

(5) CFIB, Your Voice - March 2021 survey

(6) CFIB, Your Business Outlook monthly survey, October 2019 to Sept 2022

Notes: * Of businesses that still hold pandemic debt

** Of all businesses

*** 50+ employees not displayed due to small number of respondents

Figure 4 – Financing tools used by SMEs during the pandemic, Canada, 2021⁵

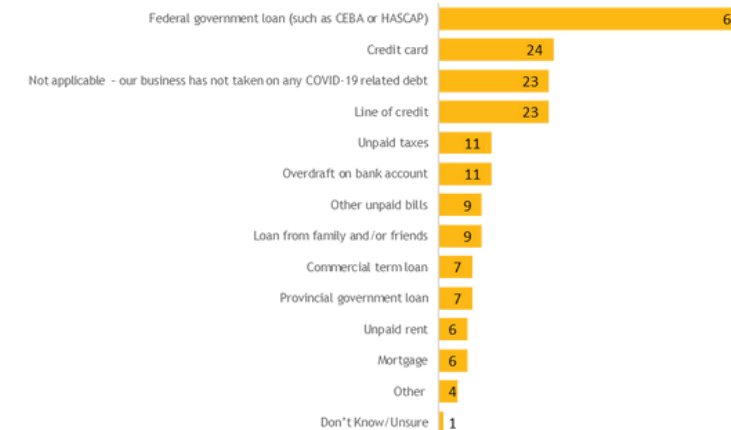


Figure 5 – Share of SMEs under borrowing cost pressure, Canada, October 2019 to September 2022⁶

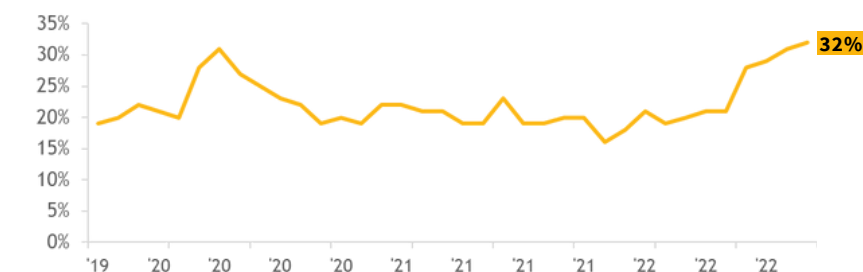
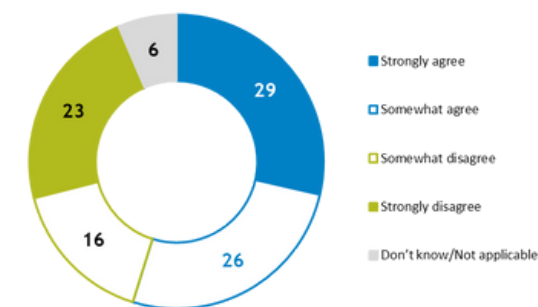


Figure 6 – 'Our financial situation (including debt) is a significant challenge', Canadians SMEs, September 2022⁴



METHODOLOGY

CFIB's research is based on members' views, which are collected through various controlled-access member surveys using a one-member one-vote system. CFIB produces clear, credible and compelling analysis that supports the success of independent business in Canada.

CFIB membership has good representation across regions, sectors and business sizes; hence the survey data offers a reasonable estimate of the distribution of economic activity across Canada.

Your Business Outlook is a monthly CFIB tracking survey that covers small business confidence, expectations and operating conditions. Findings are typically based on several hundred responses from a stratified random sample of CFIB members. Every last Thursday of the month, results are released in our Business Barometer® reports (Canada, provinces and industries), at cfib.ca/barometer.

Your Voice is a monthly CFIB omnibus survey that covers a wide range of current topics, including COVID-19 impacts. Results are based on several thousand responses each time and are presented in a few monthly key charts at cfib.ca/research.

Forecasts are based on CFIB data collected via the Your Business Outlook survey, a data set that is available the same month it is collected. By contrast, most other publicly available economic indicators have a delay, sometimes longer than two months.

Job vacancies estimates are also based on the Your Business Outlook survey. The analysis uses data from the CFIB survey, Statistics Canada's Survey of Employment, Payrolls and Hours as well as custom tabulations from Statistics Canada's Labour Force Survey.

For more information on the methodologies used, visit cfib.ca/research.

ABOUT CFIB



The Canadian Federation of Independent Business (CFIB) is Canada's largest association of small and medium-sized businesses with 95,000 members across every industry and region. CFIB is dedicated to increasing business owners' chances of success by driving policy change at all levels of government, providing expert advice and tools, and negotiating exclusive savings. Learn more at cfib.ca.

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ABOUT APPECO





AppEco is a consulting firm specializing in economic and strategic analysis. It possesses in-depth technical expertise and delivers first-class services in applied economics: economic impact studies, surveys and polls, cost-benefit analyses, modelling, econometrics, pricing, etc. Its mission is to provide useful services that contribute to economic growth and the success of clients' projects. AppEco works with firms of all sizes, from small to multinationals, as well as governments and non-profit organizations. Learn more at appeco.ca/en/.

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