

Business Barometer®

July 2020 SME business outlook survey results

Ted Mallett, VP & Chief Economist

Small business sentiment is on the mend in Canada, but the unique nature of this economic shock is complicating the look at traditional measures. CFIB's Business Barometer® Index, which is based on a 12-month forward expectation for business performance, appears to be back closer to historical norms with a reading of 61.3 in July—while other measures are nowhere near normal. It is likely that many business owners have much lower expectations of what good performance means 12 months out, so the index will show a temporary overshoot profile during a recovery.

Another part of the reason for a high index score is an observed *survivor effect*, where it appears a notable number of weaker businesses polled in the spring no longer responded to the survey in July. This suggests an acceleration of business exits between June and July. A look at business' shorter range 3-month outlooks also points to weak performance still on the same level as the 2008-09 recession. Short range expectations usually remain below longer range ones, but the gap in July remains particularly wide.

With month-to-month changes in the national index somewhat high, the provincial picture is a little more difficult to interpret. Ontario has the highest index score of 66.0, followed by Nova Scotia at 62.4. Quebec businesses remain the most pessimistic with an index of 39.6 while those in the remaining provinces remain mostly in the mid-50s.

All other performance measures surveyed remain weak. Businesses are running at less than two-thirds capacity on average this month while staffing, wage and capital investment plans continue to significantly trail historical norms. Only 22 per cent of owners say their businesses are in good shape—still about half the usual proportion.

Figure 1: **Business Barometer Index, 3 and 12-month outlook**

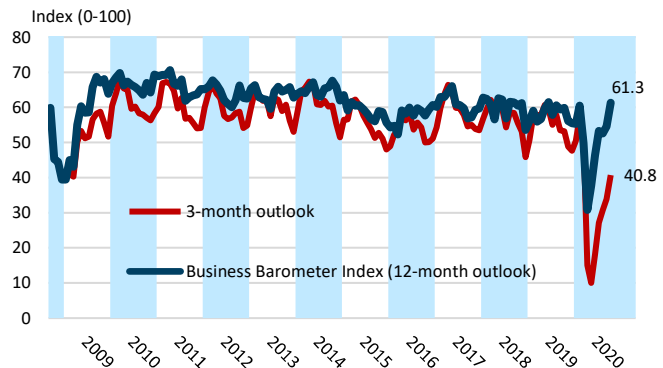


Figure 2: **Index by province***

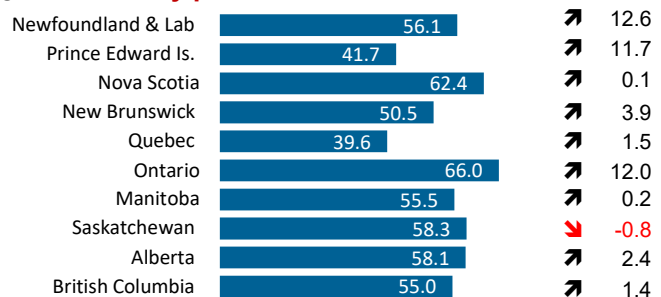
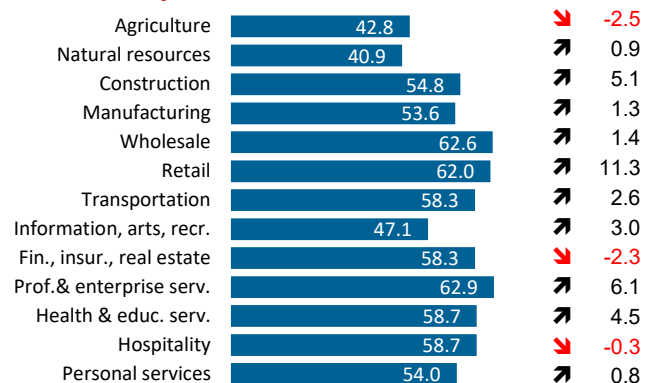


Figure 3: **Index by sector***



* Provincial and sector sub-indexes, with the exception of Ontario and Retail, are calculated as three-period moving averages.

Figure 4: **Full-time staffing plans, next 3 months**

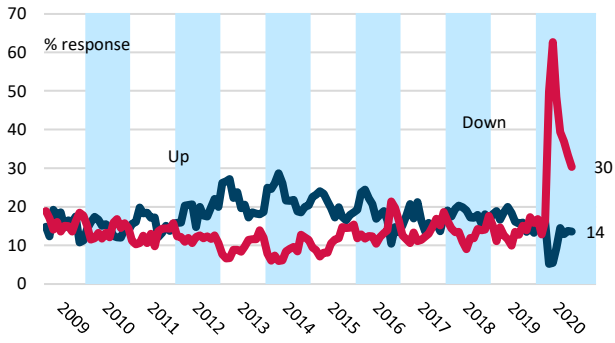


Figure 5: **General state of business health**

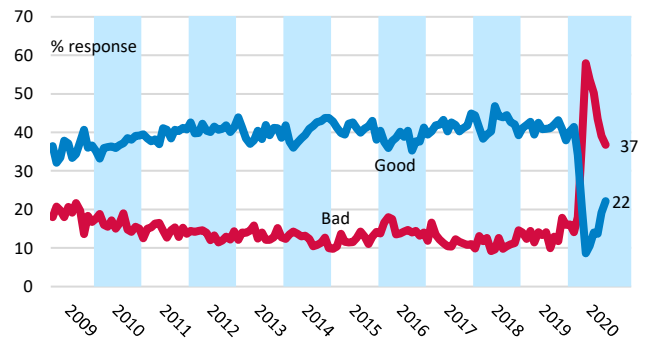


Figure 6: **Future pricing and wage plans**

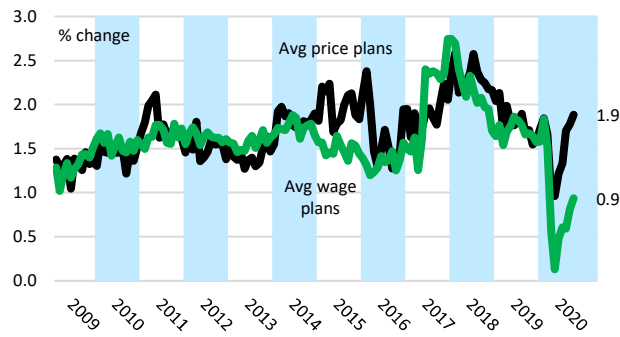


Figure 7: **Business indicators 'normal' or 'better than normal'**

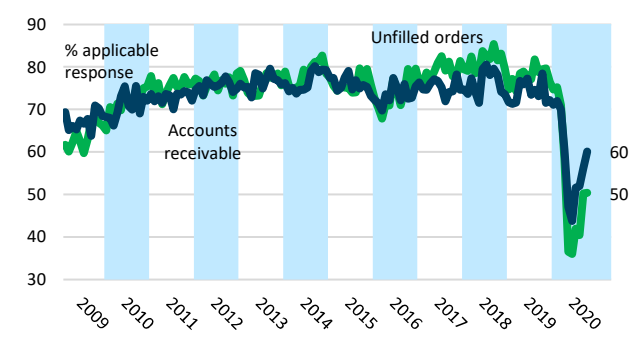


Figure 8: **Trends: limitations on growth**

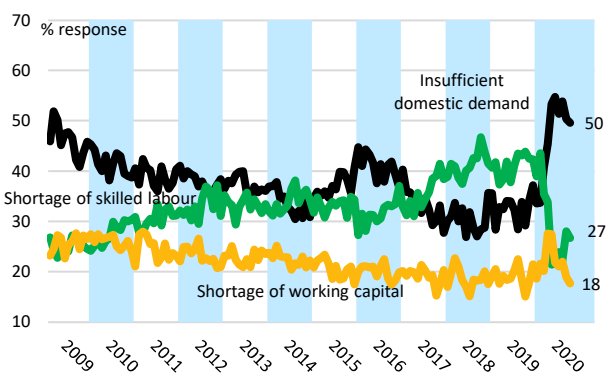


Figure 9: **3-month capital spending plans**

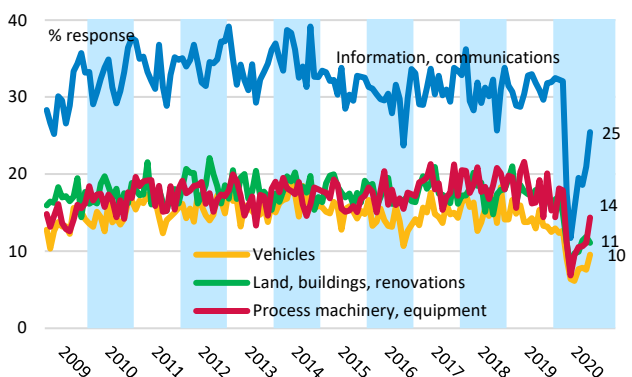


Figure 10: **Limitations on sales or production growth**

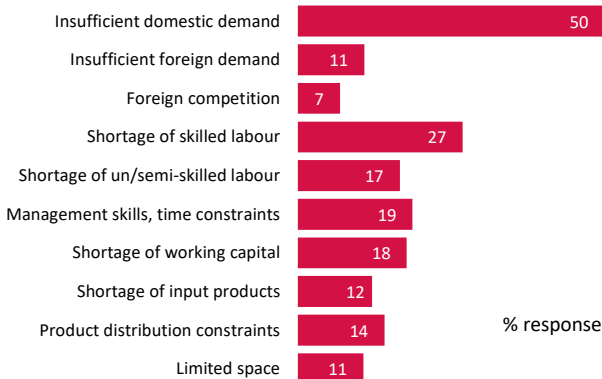


Figure 11: **Major cost constraints**

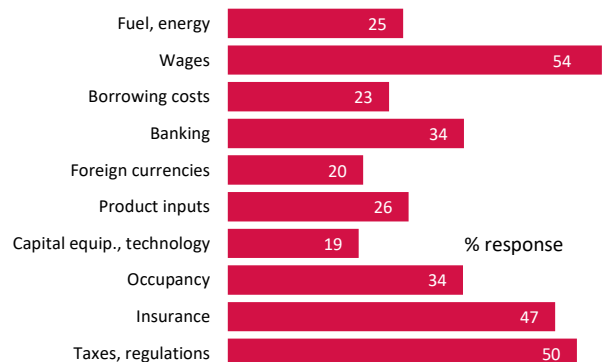


Figure 12: **Capacity utilization, by province**

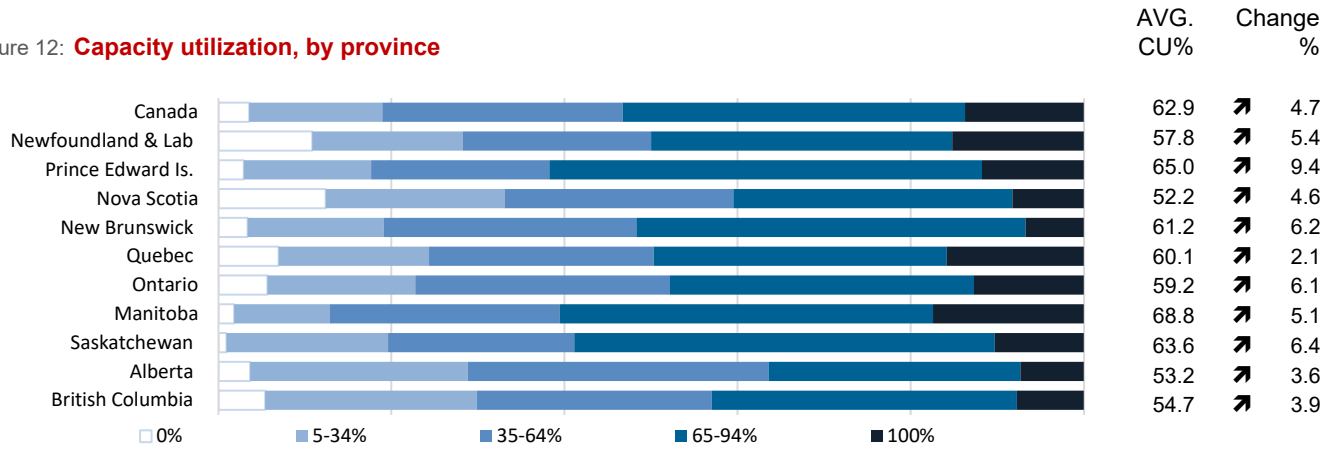
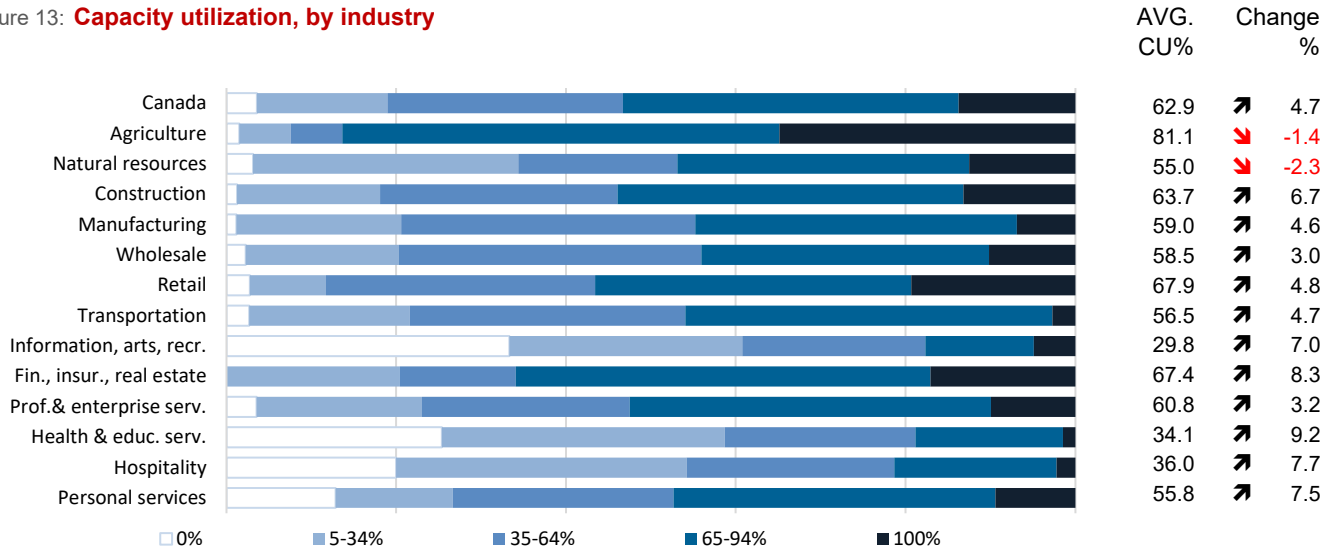


Figure 13: **Capacity utilization, by industry**



The July findings are based on 677 responses from a stratified random sample of CFIB members, to a controlled-access web survey. Data reflect responses received from July 2 to 20. Findings are statistically accurate to +/- 3.8 per cent 19 times in 20.

Ted Mallett, vice-president & chief economist, 416 222-8022
 Andreea Bourgeois, senior analyst, 506 855-2526
 Simon Gaudreault, senior director, national research, 514 861-3234