

RESEARCH SNAPSHOT
JUNE 2021

The Logistics Impact of COVID-19 on Small Businesses

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More than a year after the start of the pandemic, logistics-related concerns have increasingly been added to other small business worries. COVID-19 forced the shutdown of operations, disrupted production lines and workforces and generated numerous delivery delays. Across certain European countries and the United States, 94% of companies experienced supply chain disruptions in 2020.¹ In March of this year in the U.S., nearly 44% of small businesses reported experiencing temporary shortages and supply chain issues.²

In September 2020, HSBC estimated that 93% of Canadian businesses had concerns about their supply chains.³ Statistics Canada reported that, in the first quarter of 2021, 25% of private sector companies anticipate supply chain challenges in the next three months.⁴

With the current logistics difficulties worldwide, it is important to understand the extent of their impacts on the supply chain. It would appear from the above U.S. data that small businesses have not been spared, but what is the real extent of the problem on Canadian SMEs? CFIB presents exclusive data to answer this question and shed light on these disruptions and their consequences going forward.

¹ Euler Hermes, "Global Supply Chain Survey: In search of post-Covid-19 resilience," December 10, 2020, https://www.eulerhermes.com/en_global/news-insights/economic-insights/Global-Supply-Chain-Survey-in-search-of-post-Covid-19-resilience.html. The survey was conducted among 1,181 small, medium and large businesses located in France, Italy, Germany, the United Kingdom and the United States. Six industries were involved: technology, telecommunications, machinery and equipment, chemicals, energy, automotive and food processing.

² *The Wall Street Journal*, "Snarled Supply Chain Trips Up Small Businesses," April 21, 2021, <https://www.wsj.com/articles/snarled-supply-chain-trips-up-small-businesses-11618997400>

³ HSBC Canada, Navigator 2020, <https://www.business.hsbc.ca/en-ca/future-of-business/resilience>. 501 small, medium and large enterprises were surveyed.

⁴ Statistics Canada, [Table 33-10-0308-01 Business or organization obstacles over the next three months, by business characteristics, first quarter of 2021](https://www150.statcan.gc.ca/n1/pub/28-263-x/2021001/article/00001-eng.htm)



Logistics disruptions which have been a key concern for Canadian small businesses since the outbreak of the pandemic, are now widespread and concern is on the rise.



41%

of Canadian small business owners were concerned about logistics challenges in May 2021

Source: CFIB, *Your Voice – May 2021* survey, preliminary results, n = 3,420

“Suppliers are experiencing material shortages and, due to the need to keep workers apart, staff shortages. This is creating shortages and delaying the production of materials that we need.”

—Retail company, Gibsons, British Columbia

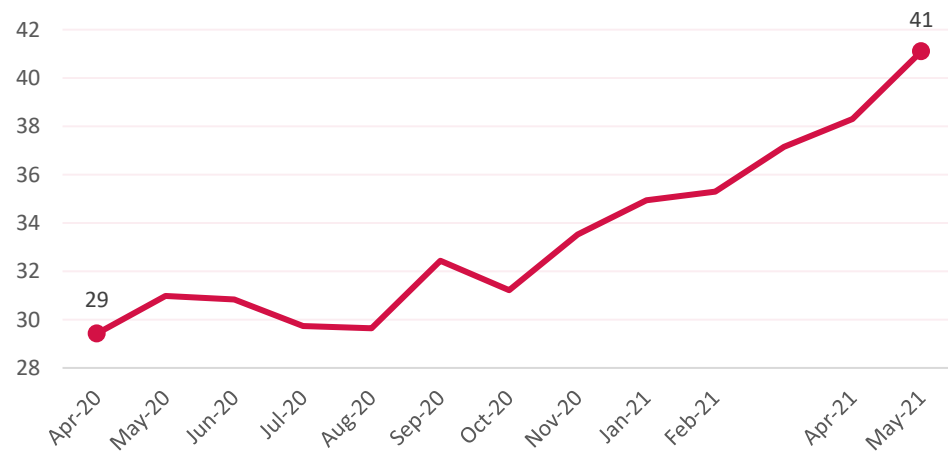
Small business logistics concerns peak in May 2021

Since April 2020, CFIB has been measuring the share of small business owners concerned about logistics issues.⁵ These include difficulties associated with receiving and shipping products, as well as inventory management. Despite being stable at the outset of the crisis, this anxiety has continued to grow since last fall.

Figure 1 shows that the share of Canadian small businesses concerned about logistics challenges rose from 29% to 41% from April 2020 to May 2021, a year-over-year increase of just over 10 percentage points. At the provincial and sector level, this increase is also observable, with similar rates (for details see Appendix). As discussed in the next section, this current figure may underestimate the proportion of businesses affected by delays.

Figure 1

Share of Canadian small business owners concerned about logistics challenges, April 2020 to May 2021 (% of responses)



Source: CFIB, *Your Voice* monthly surveys, more details available at cfib.ca/research.

⁵ The question was: “What worries you most about COVID-19?” Survey respondents could select more than one answer from among some 15 choices, including “Business logistics (getting and shipping products, managing inventories).”



55%

of Canadian small business owners are experiencing delays

Source: CFIB, *Your Voice – April 2021 survey*, April 8-30, n = 5,646

The domino effect of delays: issues affecting specific players impact everyone else

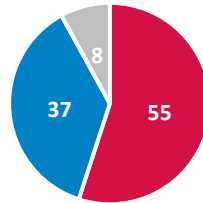
In April 2021, building on a U.S. report,⁶ CFIB sought to better understand the issue of logistics disruption by asking its members about the delays they are experiencing.⁷ As shown in Figure 2a, 55% of small businesses reported having experienced delays in the 30 days prior to the survey.⁸ It is also important to note that a single weak link can disrupt the entire chain: for example a supplier delay can cause product delays, with the latter affecting delivery times.

As Figure 2b shows, of the 55% of owners experiencing delays, 9 out of 10 indicated that they occurred with their suppliers. About 4 out of 10 reported delivery or production as the origins of the delays.

Figure 2a

Small businesses experiencing some delays (% of responses)

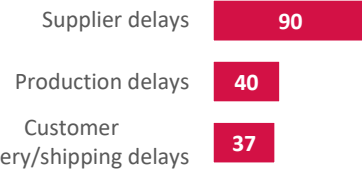
- Delays (production, delivery and suppliers)
- None of the delays mentioned
- Not applicable



Source: CFIB, *Your Voice – April 2021 survey*, April 8-30, n = 5,646.

Figure 2b

Origin of delays (% of responses)



Source: CFIB, *Your Voice – April 2021 survey*, April 8-30, n = 3,108.

“It’s a bit of a chain reaction, with delays from suppliers for material availability resulting in production delays and delayed deliveries to customers.”

—Manufacturer owner, Sherbrooke, Quebec

⁶ Federal Reserve Bank of Atlanta, “Inflation Expectations Reflect Concerns over Supply Disruptions, Crimped Capacity,” <https://www.atlantafed.org/blogs/macroblog/2021/03/22/inflation-expectations-reflect-concerns-over-supply-disruptions-crimped-capacity>

⁷ The question was: “Please indicate if any of the following delays significantly impacted your business in the past 30 days.” Survey respondents could select more than one answer, except “None of the above” and “Not applicable (seasonal business, new business, does not apply to business model, etc.),” which cannot be combined.

⁸ It is possible that the difference between 55% and 38% (Figure 1, April 2021) shown in the previous section resulted from some owners experiencing these delays without being concerned about them.

Top 5

sectors most affected by delays:



Wholesale



Construction



Manufacturing



Retail



Agriculture

Source: CFIB, *Your Voice* – April 2021 survey, April 8-30, n = 5,906

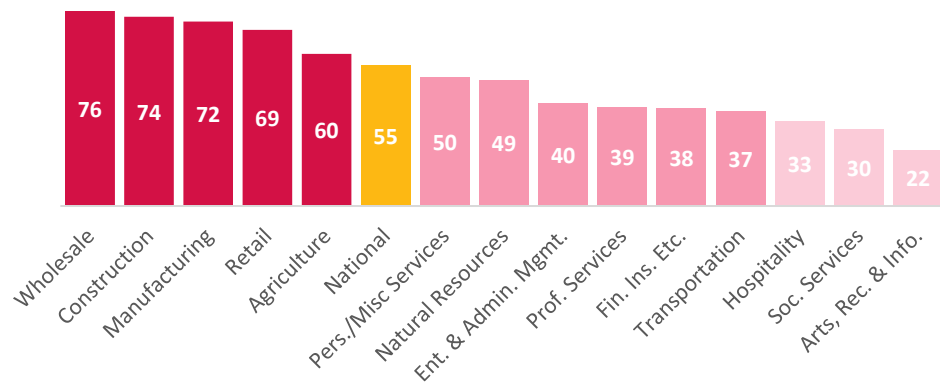
“Shortage of steel on the marketplace causing extreme price hikes and shortages of certain products and sections. This will affect our sales for 2021 and hence possibly reduce employment as we will not be able to fill potential contracts.”

—Construction company, Oldcastle, Ontario

As shown in Figure 3, five sectors are more affected by delays than the average. In fact, 6 out of 10 or more businesses experienced delays in wholesale, construction, manufacturing, retail and agriculture. The hospitality, social services, and arts/recreation/information sectors are the least affected by delays, at 33%, 30% and 22%, respectively. However, across sectors, there is a similar distribution to the national average (Figure 2b) of production, delivery, and supplier delays among affected SMEs.

Figure 3

Proportion of small businesses experiencing delays by industry (% of responses)



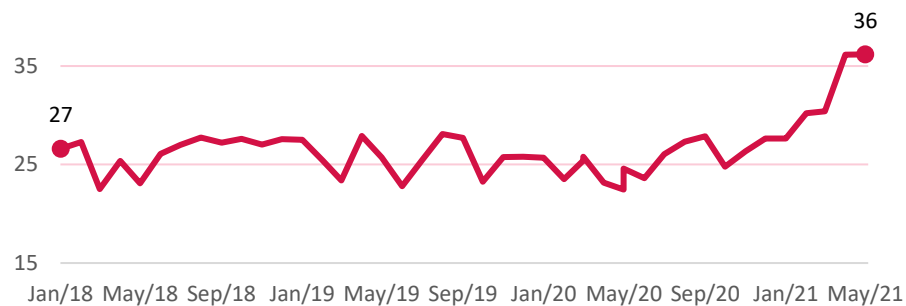
Source: CFIB, *Your Voice* – April 2021 survey, April 8-30, n = 5,906.

Logistics issues also affect prices

Shortages, scarcity and delays have pushed up prices for some goods. Raw materials and metals are particularly hard hit. Since January 2020, the price of lumber, for instance, has soared by more than 100%, with tin and iron prices spiking over 50%.⁹ More generally, according to Statistics Canada, 26% of businesses expect to experience an increase in input costs in the next three months.¹⁰ In comparison, CFIB’s Business Barometer[®] reported in May 2021 that 36% of SMEs had production input cost issues (Figure 4).¹¹ It is an important recent progression, as this indicator was typically in the mid-20s in previous (including pre-pandemic) years.

Figure 4

Share of small businesses experiencing input cost issues (% of responses)



Source: CFIB, Monthly Business Barometer[®], January 2018 to May 2021, more details available at cfib.ca/barometer.

Note: Respondents could choose more than one answer.

These price increases across the board, probably due in part to delays, have serious consequences on small businesses, thereby undermining their production chain and revenues. In addition, higher input costs are likely to be reflected in the prices of goods and services provided by SMEs. Owners have no latitude, as they are already dealing with fierce competition, restrictions and closures, which limit their profitability. Despite the risk of a loss of competitiveness, they may resort to price increases to amortize this cost. Not surprisingly, according to the latest Business Barometer[®] findings, in May 2021, small businesses anticipated increasing their average prices by 3.3% over the next year, an historical high for that indicator.¹²

⁹ Desjardins, “What to Make of Current Inflationary Pressures?” – April 20, 2021,

<https://www.desjardins.com/ressources/pdf/pv210420-e.pdf?resVer=1618936656000>

¹⁰ Statistics Canada. [Table 33-10-0308-01 Business or organization obstacles over the next three months, by business characteristics, first quarter of 2021](https://www150.communiqués/statcan.gc.ca/33-10-0308-01)

¹¹ CFIB, Business Barometer[®] – May 2021, [Questionnaire](#). Multiple answer question: “What types of input costs are currently causing difficulties for your business?”

¹² CFIB, Business Barometer[®] – May 2021, [Questionnaire](#). Multiple answer question: “In the next year, how much do you expect average prices to change?”



36%

of Canadian small business owners are experiencing input cost issues

Source: CFIB, *Your Business Outlook Survey*, May 2021, n = 993

“Steel prices and availability is in flux with our suppliers. That directly impacts our ability to hold a price for our catalogue companies and a guaranteed price for our direct customers. That uncertainty impacts our profit margin! (which is shrinking).”

— Manufacturing company, Guelph, Ontario

Recommendations

Until the economy is fully reopened, one solution aimed at alleviating logistical challenges would be to make rapid testing available more widely to small business owners. Greater access to these tests could allow businesses to increase the number of employees on assembly lines and in distribution locations. This could meaningfully contribute to making supply chain issues and delays less significant. Given this unprecedented situation, both in scope and magnitude, governments should also be particularly concerned about the costs of taxes and regulations (such as internal trade barriers) they impose on small businesses affected by logistics difficulties.

Appendix

Tables A1 and A2 show the share of Canadian small business owners concerned about logistics challenges from April 2020 to May 2021, at the sectorial and provincial levels, respectively.

Table A1

Proportion of Canadian small business owners concerned about logistics challenges, April 2020 to May 2021, by sector (% of responses)

Year	2020								2021			
	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Jan.	Feb.	April	May
Agriculture	46	37	30	27	26	34	32	39	39	44	44	49
Natural Resources	21	25	23	19	13	27	25	31	33	28	39	52
Construction	32	32	33	37	31	38	39	47	45	44	55	57
Manufacturing	33	31	29	31	30	31	30	36	38	40	46	55
Wholesale	41	40	41	43	38	42	44	45	49	53	57	57
Retail	37	40	41	42	39	47	45	48	49	47	52	57
Transportation	15	18	12	16	3	14	18	18	15	20	18	22
Arts, Rec. & Info.	16	20	20	20	26	18	13	16	16	19	17	18
Fin. Ins. Etc..	14	15	15	18	8	10	14	19	16	13	20	19
Prof. Services	21	22	18	19	21	15	15	15	20	21	20	28
Ent. & Admin Mgmt.	20	20	18	14	32	17	21	15	24	21	24	21
Soc. Services	15	21	19	15	15	13	17	20	19	17	18	17
Hospitality	19	24	20	23	17	21	18	21	19	17	23	23
Pers./Misc. Services	22	24	23	25	27	27	28	27	30	27	33	35
Canada	29	31	31	30	30	32	31	34	35	35	38	41

Source: CFIB, *Your Voice* monthly surveys, more details available at cfib.ca/research.

Note: The highest percentage for each industry during the period is in red bold.

Table A2

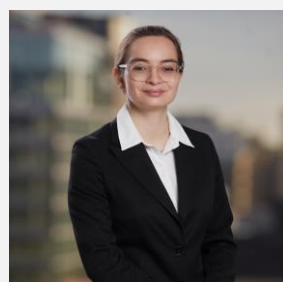
Proportion of Canadian small business owners concerned about logistics challenges, April 2020 to May 2021, by province (% of responses)

Year	2020									2021		
Month	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Jan.	Feb.	April	May
BC	29	30	28	28	28	31	33	36	32	36	39	43
AB	29	31	29	29	30	31	32	34	31	35	41	46
SK	33	35	31	36	31	36	33	34	38	39	36	38
MB	34	33	35	34	35	35	37	39	37	33	42	46
ON	27	30	29	31	30	31	31	34	36	34	40	41
QC	21	21	24	24	22	24	22	24	26	24	31	32
NB	30	28	30	29	29	35	36	38	30	35	36	38
NS	29	32	31	23	29	31	29	35	36	36	34	45
PEI	31	39	39	39	18	33	21	26	39	33	44	61
NL	31	32	32	25	43	37	38	35	44	46	35	51
CA	29	31	31	30	30	32	31	34	35	35	38	41

Source: CFIB, *Your Voice* monthly surveys, more details available at cfib.ca/research.

Note: The highest percentage for each province during the period is in red bold.

About the Author



Laure-Anna Bomal is a research analyst with the Canadian Federation of Independent Business (CFIB). She is based in Montreal.

She holds a Bachelor of Science (B. SC.) from the University of Montreal, with concentrations in mathematics and economics, and a Master of Arts (MA) from the University of Ottawa in economics.

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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.

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