

# In Focus: Insufficient Demand



## Half of small and medium-sized enterprises (SMEs) are affected by insufficient demand, the highest point since the pandemic

Insufficient demand is currently the top limitation on sales or production growth<sup>1</sup>. The share of firms affected by the lack of demand has been trending upwards since Q2 2023. Half of SMEs report insufficient demand, domestic or foreign, which is the highest share since the pandemic and similar to the share registered during the 2015 economic slowdown (Figure 4). As shown from the inverse relationship, insufficient demand affects a business's general situation. Bank of Canada's recent efforts to cool down the overheated demand are paying off, but to the detriment of businesses' situation.

## Price plans differ for businesses with insufficient demand versus those with adequate demand

In general, businesses with insufficient demand have been more cautious with their plans to increase prices. Market conditions and significant cost increases in 2021 and 2022 pushed all firms to raise prices. However, perhaps with the hope of attracting customers, since Q1 2023 firms with insufficient demand have been planning on much lower price increases than those with adequate demand (Figure 5).

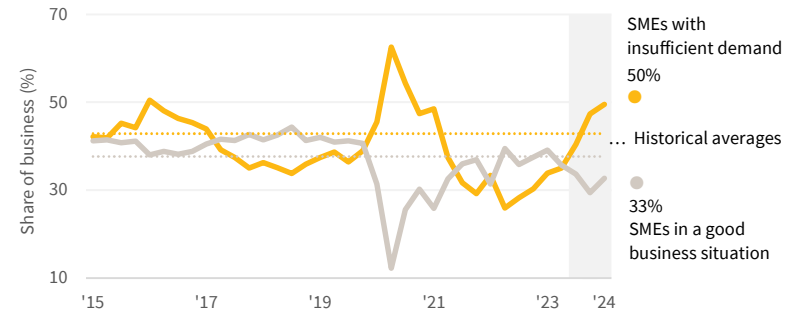
## All industries are impacted by the lack of demand

Some industries are grappling with higher-than-average lack of demand, like retail and hospitality, while others such as professional services are less affected (Table 3). Overall, however, goods- and services-producing industries are equally affected (Figure 6).

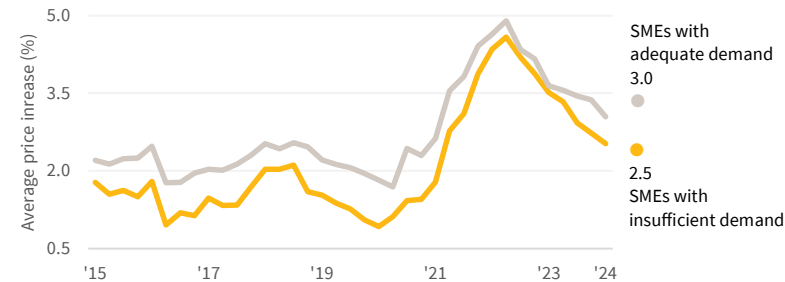
## Sources and notes

(1) CFIB, [Monthly Business Barometer](#) report, March 2024.  
 (2) CFIB, Your Business Outlook Survey, January 2015-March 2024.  
 Question: What factors are limiting your ability to increase sales or production? (select as many as apply). Since January 2024, 'insufficient demand' has replaced the previous options 'insufficient domestic demand' and 'insufficient foreign demand'.  
 Question: Currently, what is the general business situation of your company? (select one). Good, Satisfactory, Bad.  
 Note: Data for the natural resource sector not available due to insufficient responses.

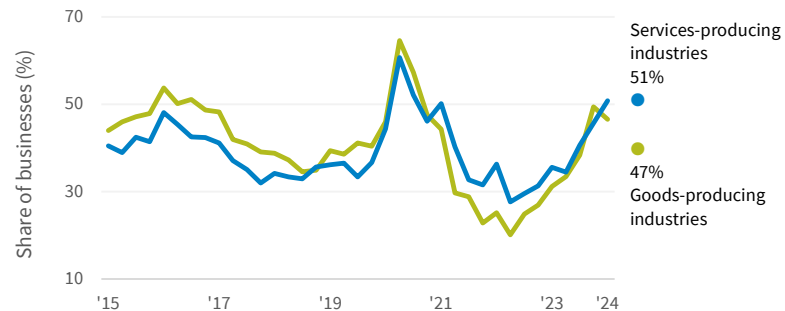
**Figure 4 – A growing share of SMEs are experiencing insufficient demand while fewer firms report being in a good business situation**



**Figure 5 – SMEs experiencing insufficient demand are planning on much lower price increases**



**Figure 6 – Insufficient demand affects equally goods- and services-producing industries**



**Table 3 – Businesses affected by insufficient demand, and in a good business situation<sup>2</sup>**

	Share of firms with insufficient demand		Share of firms reporting they are in a good business situation	
	Q1 2024 (%)	Y/Y change	Q1 2024 (%)	Y/Y change
<b>Canada</b>	<b>50</b>	<b>+16</b>	<b>33</b>	<b>-6</b>
Ontario	53	+18	31	-8
British Columbia	49	+16	31	-2
Alberta	49	+9	27	-3
Manitoba	48	+17	33	-3
Newfoundland and Labrador*	48	+22	31	-4
Quebec	48	+14	42	-9
Saskatchewan	42	+9	27	-13
Nova Scotia	39	+8	36	-9
New Brunswick	34	+9	24	-11
Prince Edward Island*	33	+14	50	-7
Retail	64	+19	27	-5
Hospitality	58	+21	17	-6
Transportation*	58	+31	39	-14
Manufacturing	53	+17	35	-7
Agriculture	53	+17	39	-7
Wholesale	51	+22	37	-19
Enterprise management	49	+9	40	+9
Finance, insurance, real estate	46	+18	43	-2
Information, arts, recreation	42	+8	33	+10
Construction	39	+18	37	-15
Health, education	38	+8	35	-5
Personal services	38	+16	36	-6
Professional services	28	-2	45	-6
1-4 employees	51	+13	29	-2
5-19 employees	49	+17	33	-9
20-49 employees	47	+17	41	-12
50-99 employees	48	+21	50	+5

\* Low count of responses.