

In focus: Businesses at risk of closing



Risk of business closure indicator remained high in Q2 2023

Soft performance expectations over the short and long term, coupled with weak past results, drove the likelihood of business closures this last quarter, according to a new CFIB indicator that weighs these three factors equally to evaluate the risk of closure (Figure 4). About 12% of all firms were at risk of closing in Q2—the fourth consecutive quarter around this mark for the indicator.

Picture by province, sector or business size was mixed

Newfoundland and Labrador, New Brunswick, British Columbia, and Ontario had the highest shares of firms at risk of closing, while Nova Scotia, PEI, and Manitoba have the lowest (Table 3). By sector, the largest shares of SMEs at risk of closing were in retail and agriculture. Generally speaking, the smaller the firm the higher the likelihood of closing.

On a path to slow death

A high share of businesses at risk of closing were also likely to reduce full time employment (42%) and stop investing in their firm (69%) (Table 3).

High costs and lack of demand linked to closure risk

While firms in a precarious state generally seemed more likely to have cost concerns, borrowing costs and product input costs got significantly more mentions, compared to all firms (Figure 5). Insufficient domestic demand was also more likely to get in the way to being back on track: 61% of firms at risk of closing indicate insufficient demand as their main limitation on growth, compared to 33% of all firms (Figure 6).

Sources

(4) CFIB, Your Business Outlook Survey, January 2013-June 2023. Adjusted for seasonality, trended.
 (5) Statistics Canada. Table 33-10-0270-01 released June 27, 2023. Quarterly calculations.

Figure 4 – Businesses at risk of closing^{4,5}

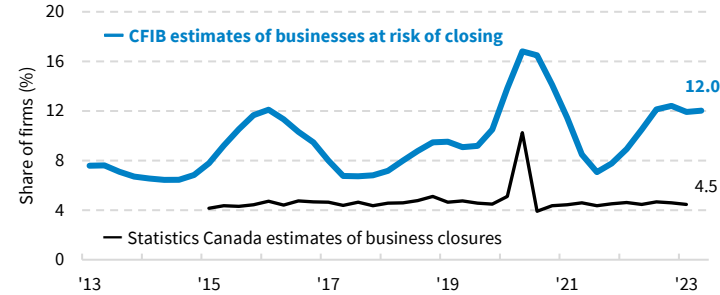


Figure 5 – Business costs weigh more on firms already in a precarious state⁴

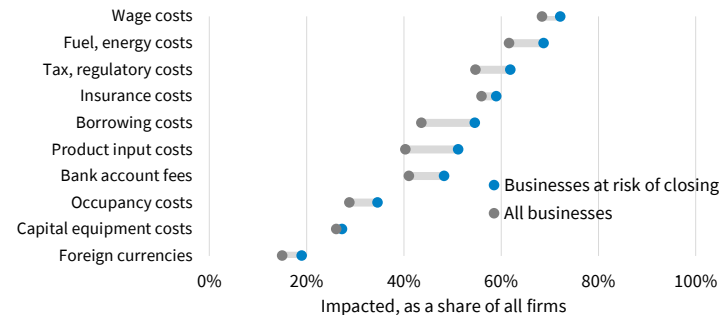


Figure 6 – Businesses at risk of closing are more likely to complain about insufficient demand⁴

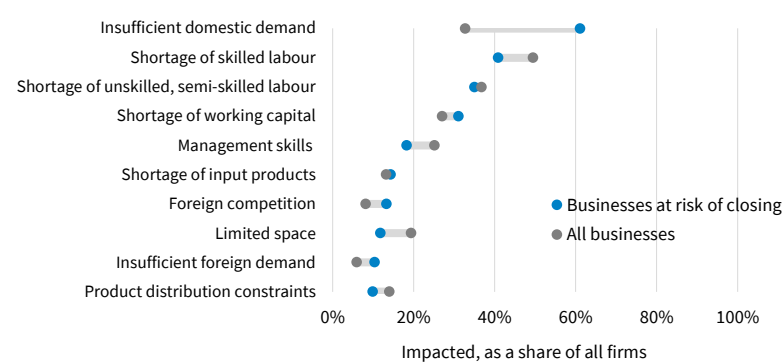


Table 3 – Businesses at risk of closing, 2023 Q2⁴

	Of all businesses (%)	Share planning to reduce full-time staff (%)	Share not planning to invest (%)
Canada	12.0	42	69
Newfoundland and Labrador*	15.0	19	69
New Brunswick	13.2	56	65
British Columbia	13.1	43	72
Ontario	13.1	39	66
Quebec	12.3	44	58
Saskatchewan	11.9	47	72
Alberta	11.3	53	74
Nova Scotia	9.4	48	68
Prince Edward Island*	9.3	50	40
Manitoba	8.3	56	75
Retail	17.4	41	70
Agriculture	14.3	40	56
Finance, insurance, real estate*	13.0	31	62
Natural resources*	12.5	25	58
Enterprise management	12.1	67	70
Wholesale	11.9	33	58
Hospitality	11.9	53	79
Transportation	11.0	58	63
Health, education	10.2	26	63
Manufacturing	10.0	38	61
Professional services	9.5	44	62
Construction	9.1	53	71
Personal services	9.1	50	63
Arts, recreation, information*	6.0	54	57
0-4 employees	13.0	45	71
5-19 employees	12.3	41	67
20-49 employees	9.2	44	63
50+ employees*	14.2	45	32

Note: * Low count of responses.
 Calculations for provincial, sectoral, and size breakdowns use four-quarters moving averages.