Investment & Financing outlook

SME business investment and
financing outlook survey, wave 18

Research report

Research and Market Intelligence at BDC

July 2023

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Key highlights

CURRENT STATE:
Slight deterioration in the SME landscape

Various signals point to a deterioration in the situation of SMEs:

47% **believe that economic conditions will deteriorate in the next 12 months**
(+5pts)

28% **think that their cash flow situation will improve**
(-2pts)

29% **say that debt repayment is limiting business activities**
(+3pts)

Some points remain positive

59% **Are profitable**
(-1pt)

80% **Stand below full capacity operation**
(-2pts)

29% **Have used or will use significant resources for growth projects**
(unchanged)

Credit tightening is occurring

41% **Say that FIs totally meet their needs**
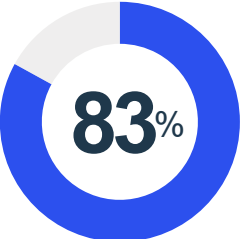(-4pts)

50% **Are deemed bankable**
(-4pts)

57% **Believe that access to financing will be difficult**
(+7pts)

Note: Numbers in parentheses and arrows indicate differences with April 2023. Numbers = differences in percentage points / Arrows = statistically significant differences.

INVESTMENT OUTLOOK:
Although intentions remain quite stable, confidence is down

Investment intentions are holding relatively steady

83%

Plan to invest about the same amount or more

(-4pts)

Plan to invest about the same amount or more:

Non-residential building

81%

(-3pts)

Machinery and equipment

81%

(-3pts)

Intangible assets

84%

(-4pts)

61%

of those planning to invest are **not confident** they will pursue their investment in the next 12 months

(+6pts)

Investment goals are consistent

Increasing efficiency

40%

(+2pts)

Improving sales and marketing

37%

(-1pt)

Adopting new technologies

25%

(+6pts)

What could limit investments?

39% **High economic uncertainty**
(+6pts)

32% **Interest rates**
(+3pts)

25% **High input costs**
(+5pts)

Note: Numbers in parentheses and arrows indicate differences with April 2023. Numbers = differences in percentage points / Arrows = statistically significant differences.

FINANCING OUTLOOK:
Conditions are difficult for those already in a precarious situation, especially micro-businesses*
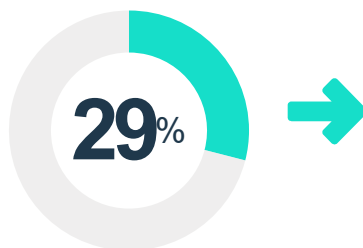
73% of those who requested financing were **approved**

(-9pts)

Financing situation in the past months is stable

29% Requested financing in the last 3 months

(unchanged)

Those who asked for financing turned to:

A financial institution
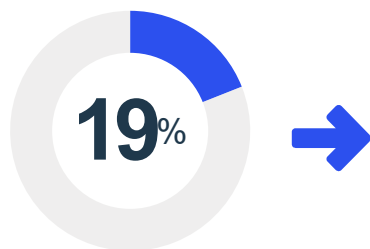**67%**
(+1pt)

A government program or crown corporation
39%
(+2pts)

A large tech or fintech lender
17%
(-2pts)

Financing intentions are stable

19% Plan to request financing over the next 12 months

(-1pt)

73% **Will need short-term financing**
(+2pts)

47% **For growth-related projects**
(+6pts)

44% **To cover expenses**
(+8pts)

Ease is declining

43% of those planning to request financing believe it will be **easy** to obtain

(-7pts)

Note: Numbers in parentheses and arrows indicate differences with April 2023. Numbers = differences in percentage points / Arrows = statistically significant differences.
* Micro-businesses = < 5 employees, sales ≤ $500K.

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Methodology

Methodology

Survey methodology

➜ Online tracking survey.

Respondent profile

➜ Business owners and business decision-makers from the Sago (formerly Schlesinger Group) panel.

Survey dates

➜ July 13th to 25th, 2023.

> Note: Unless otherwise noted, the bases for calculation exclude respondents who chose not to answer the question. Other appropriate exclusions are detailed on the individual slides.

Margin of error

➜ For a probabilistic sample of 1,032 respondents, the maximum margin of error is ± 3.1 percentage points, 19 times out of 20. However, as this survey is based on a non-probabilistic sample, this information is provided for reference only.

Data processing and analysis

➜ Were performed by the BDC Research and Market Intelligence team.

Weighting factors

➜ Results were weighted by region and number of employees to be representative of the Canadian SME population.

3a

SME current state
and expectations

3 out of 5 SMEs indicated that they were profitable in the last year. One quarter said that they broke even, while just under one in five lost money. Micro-businesses* are significantly more likely to be struggling.

Q4aa. Was your business **profitable in the last 12 months**?

We were very profitable
- 12% ⬇
- 15%

We were somewhat profitable
- 47%
- 45%

We broke even
- 25%
- 23%

We lost some money
- 13%
- 14%

We lost a lot of money
- 3%
- 4%

PROFITABLE
59%
vs. **60%** in May 2023

■ July 2023
■ May 2023

Overall optimism regarding economic conditions in Canada has slipped once again in July compared to April 2023. Micro-businesses are by far the most pessimistic.

Q59. When you think about the next 12 months, do you expect the **economic conditions in Canada** to be better, the same, or worse than they were in the last 12 months?

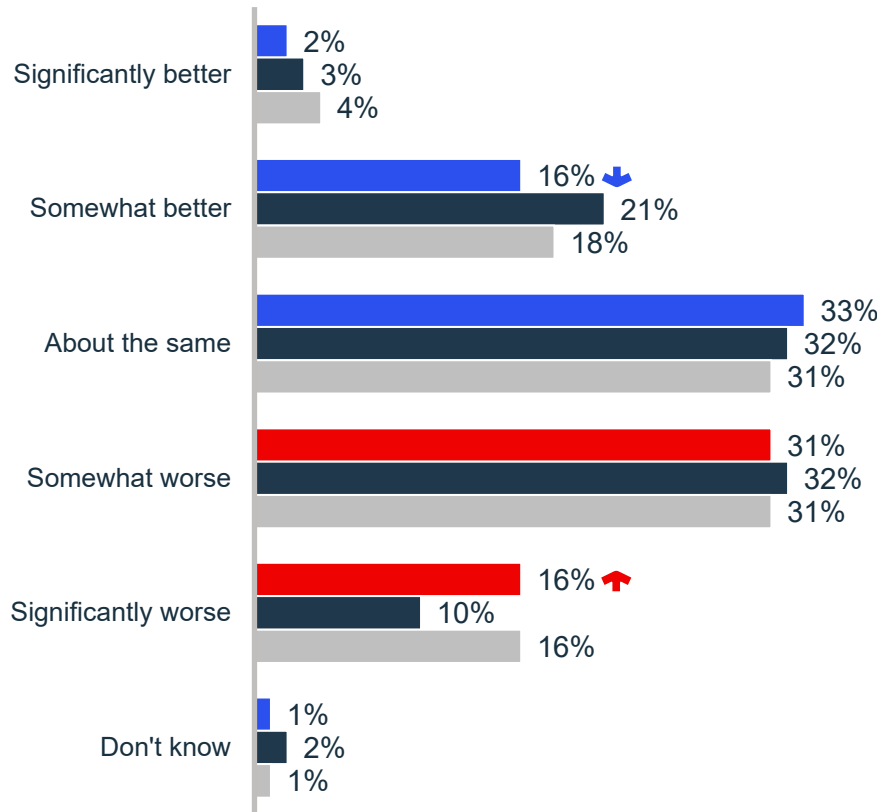| Category	July 2023	Apr 2023	Jan 2023
Significantly better	2%	3%	4%
Somewhat better	16% ⬇	21%	18%
About the same	33%	32%	31%
Somewhat worse	31%	32%	31%
Significantly worse	16% ⬆	10%	16%
Don't know	1%	2%	1%

BETTER

19% ⬇

vs. **24%** in Apr 2023

WORSE

47% ⬆

vs. **42%** in Apr 2023

■ July 2023
■ Apr 2023
■ Jan 2023
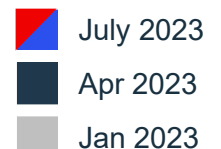
Base: All qualified respondents (n=1,032).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

BDC – Investment and Financing Outlook Survey, July 2023   11

SME expectations regarding their sales for the upcoming year are relatively stable for a third consecutive wave.

Q14. Over the next 12 months, do you expect your company's **total sales or revenue** to increase, remain the same, or decrease compared to the last 12 months?

Increase significantly
- 4%
- 3%
- 4%

Increase somewhat
- 35%
- 34%
- 33%

Remain the same
- 42%
- 42%
- 41%

Decrease somewhat
- 11%
- 13%
- 15%

Decrease significantly
- 4%
- 4%
- 3%

Don't know
- 4%
- 3%
- 4%

INCREASE

38%

vs. **38%** in Apr 2023

DECREASE

16%

vs. **17%** in Apr 2023

- July 2023
- Apr 2023
- Jan 2023
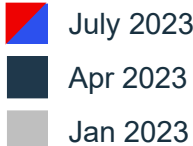
Base: All qualified respondents (n=1,022).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

For the most part, SMEs expect their employee count to remain the same.

Q15. Over the next 12 months, do you expect your company's **number of employees** to increase, remain the same, or decrease compared to the last 12 months?

	July 2023	Apr 2023	Jan 2023
Increase significantly	2%	1%	2%
Increase somewhat	13%	16%	14%
Remain the same	69%	68%	68%
Decrease somewhat	10%	9%	11%
Decrease significantly	3%	2%	2%
Don't know	3%	2%	4%

INCREASE

15%

vs. **18%** in Apr 2023

DECREASE

13%

vs. **11%** in Apr 2023

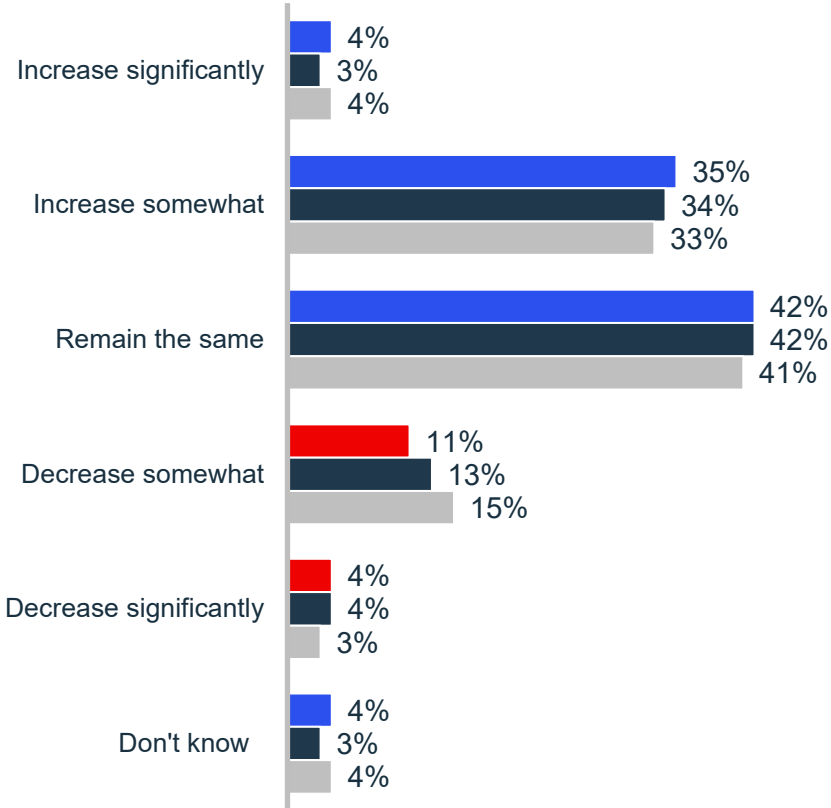■ July 2023
■ Apr 2023
■ Jan 2023

Base: All qualified respondents (n=1,025).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

BDC – Investment and Financing Outlook Survey, July 2023   13

SMEs do not expect significant changes in their cash flow over the next 12 months.

Q40. Over the next 12 months, do you expect your company's **cash flow situation** to improve, remain the same, or deteriorate compared to the last 12 months?

	July 2023	Apr 2023	Jan 2023
Improve significantly	3%	4%	3%
Improve somewhat	25%	27%	20%
Remain the same	52%	50%	52%
Deteriorate somewhat	14%	13%	18%
Deteriorate significantly	4%	2%	2%
Don't know	3%	4%	4%

IMPROVE

28%

vs. **30%** in Apr 2023

DETERIORATE

18%

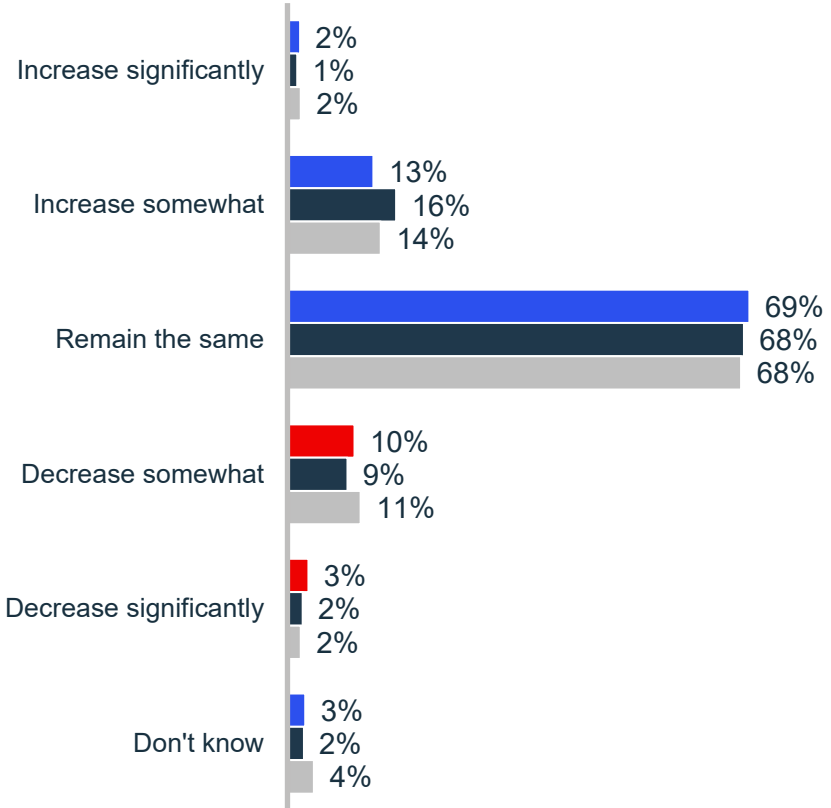vs. **15%** in Jan 2023

July 2023
Apr 2023
Jan 2023
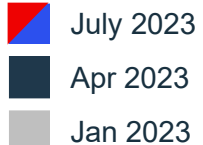
Base: All qualified respondents (n=1,026).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

BDC – Investment and Financing Outlook Survey, July 2023   14

One in ten SMEs is operating beyond capacity.

Q16. How would you assess your company's current **ability to meet an unexpected increase** in demand or sales?

No difficulties, we are operating below capacity
- July 2023: 38%
- Apr 2023: 38%
- Jan 2023: 40%

Some difficulties, we are at or near full capacity
- July 2023: 42%
- Apr 2023: 44%
- Jan 2023: 39%

Significant difficulties, we are operating beyond capacity
- July 2023: 9%
- Apr 2023: 8%
- Jan 2023: 12%

Don't know
- July 2023: 10%
- Apr 2023: 10%
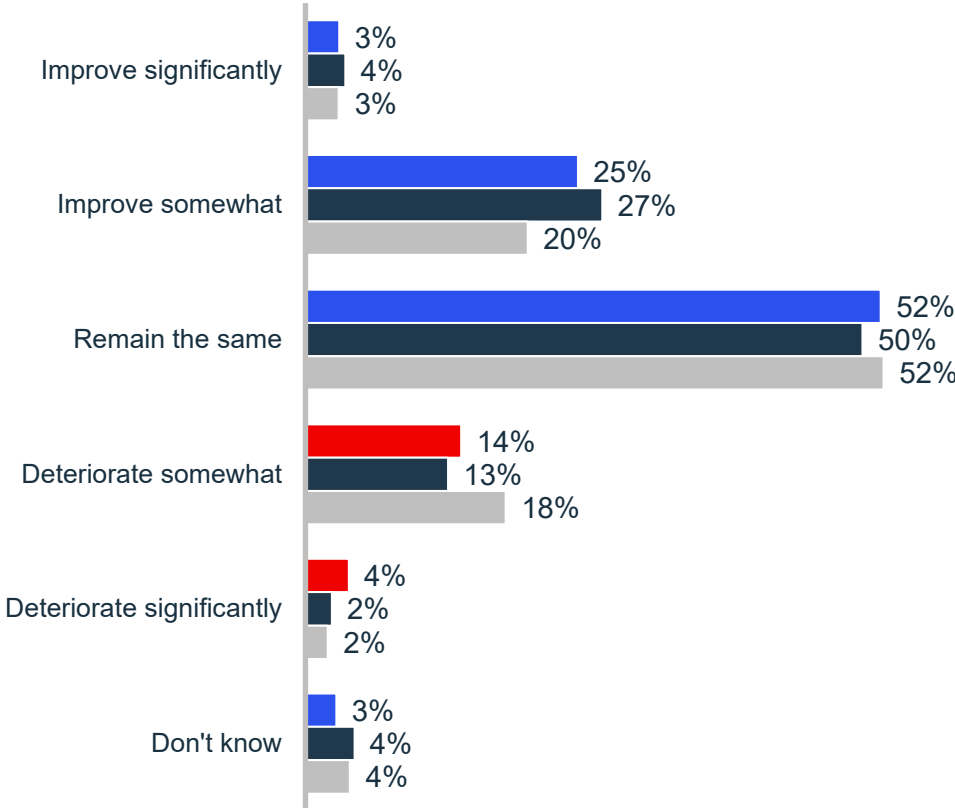- Jan 2023: 9%

Legend:
- July 2023
- Apr 2023
- Jan 2023

Base: All qualified respondents (n=1,014).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

BDC – Investment and Financing Outlook Survey, July 2023   15

While labour concerns seem to have decreased overall, we do note that half of SMEs with 5 or more employees are experiencing some difficulties. However, the situation is not critical.

Q42. How would you assess your company current **ability to hire qualified workers**?

No difficulties, we have all the employees we need
- July 2023: 39% ⬆
- Apr 2023: 32%
- Jan 2023: 37%

Some difficulties, but the situation is not critical
- July 2023: 39%
- Apr 2023: 43%
- Jan 2023: 40%

Significant difficulties, we are missing workers to operate or seize new opportunities
- July 2023: 15%
- Apr 2023: 15%
- Jan 2023: 15%

Don't know
- July 2023: 7%
- Apr 2023: 9%
- Jan 2023: 8%

Legend:
- July 2023
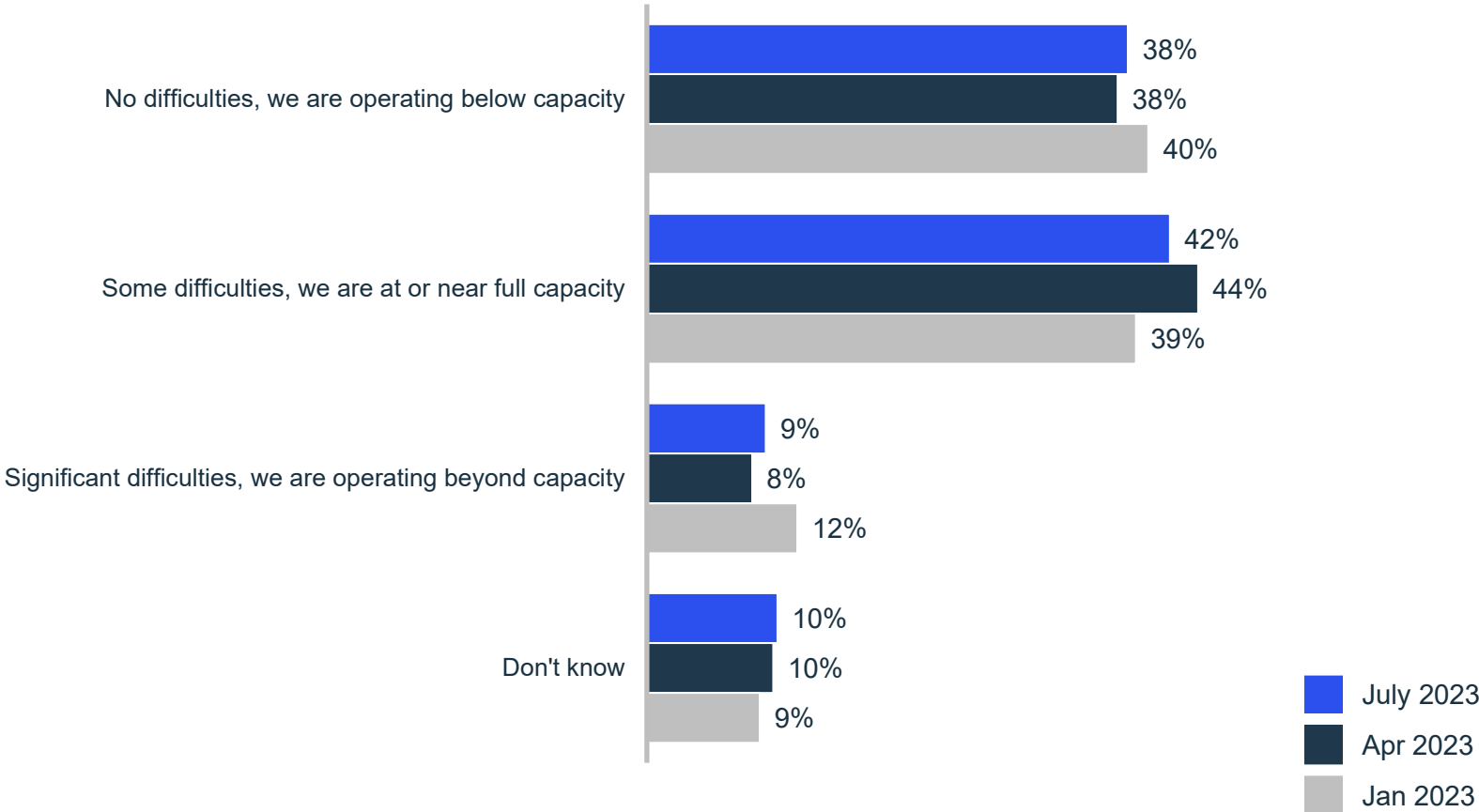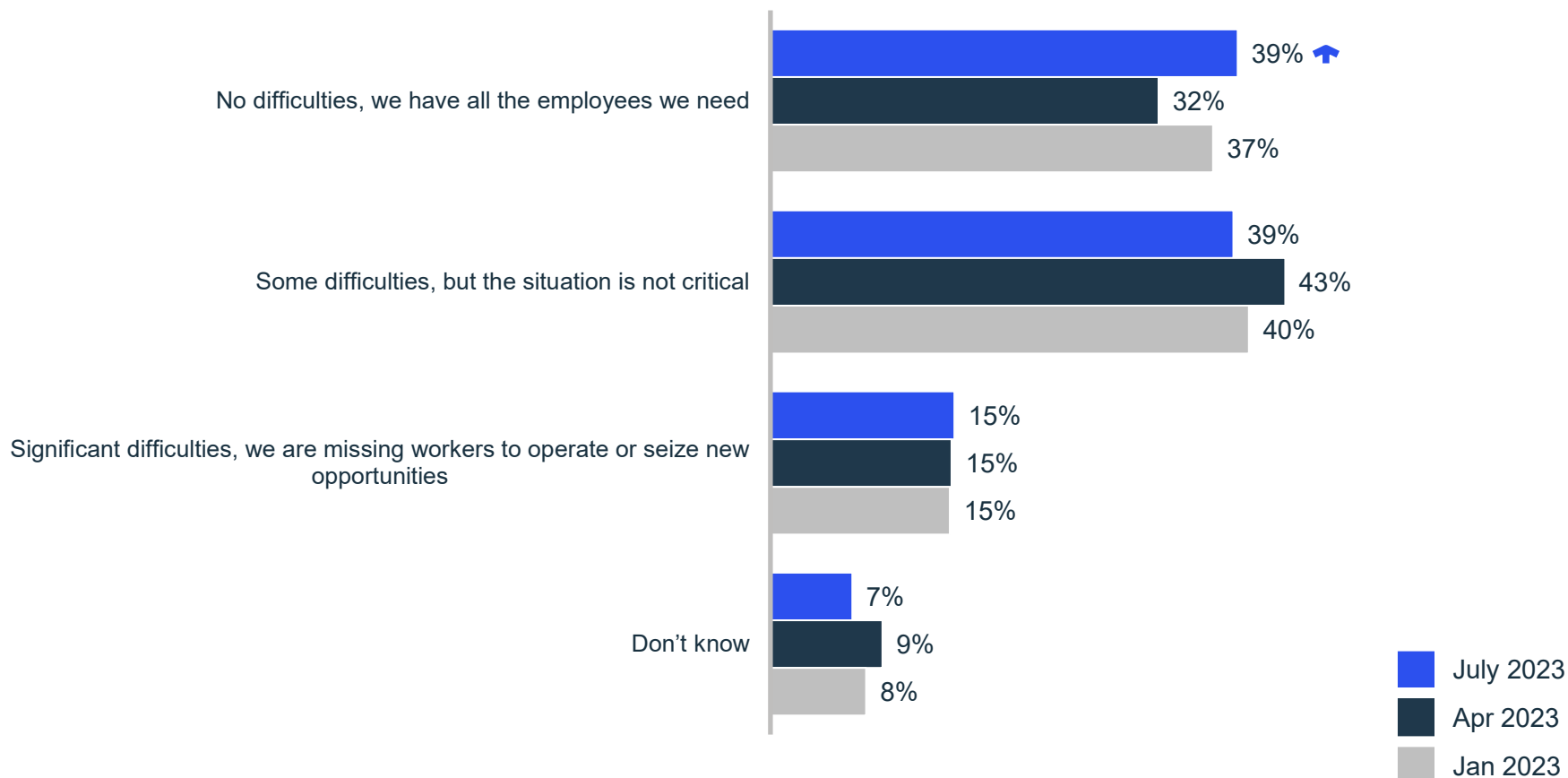- Apr 2023
- Jan 2023

Base: All qualified respondents (n=1,017).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

BDC – Investment and Financing Outlook Survey, July 2023   16

Debt repayment is affecting 3 out of 10 SMEs. SME needs are totally met for fewer than half and trending downwards.

BA1. In the past or next 12 months, has your business used or will use significant resources for growth projects?

BA2. Does the repayment of your company's debts limit its activities, growth or borrowing capacity?

BA3. To what extent do the financial institution(s) you are currently dealing with effectively meet your financing needs in the short -term?
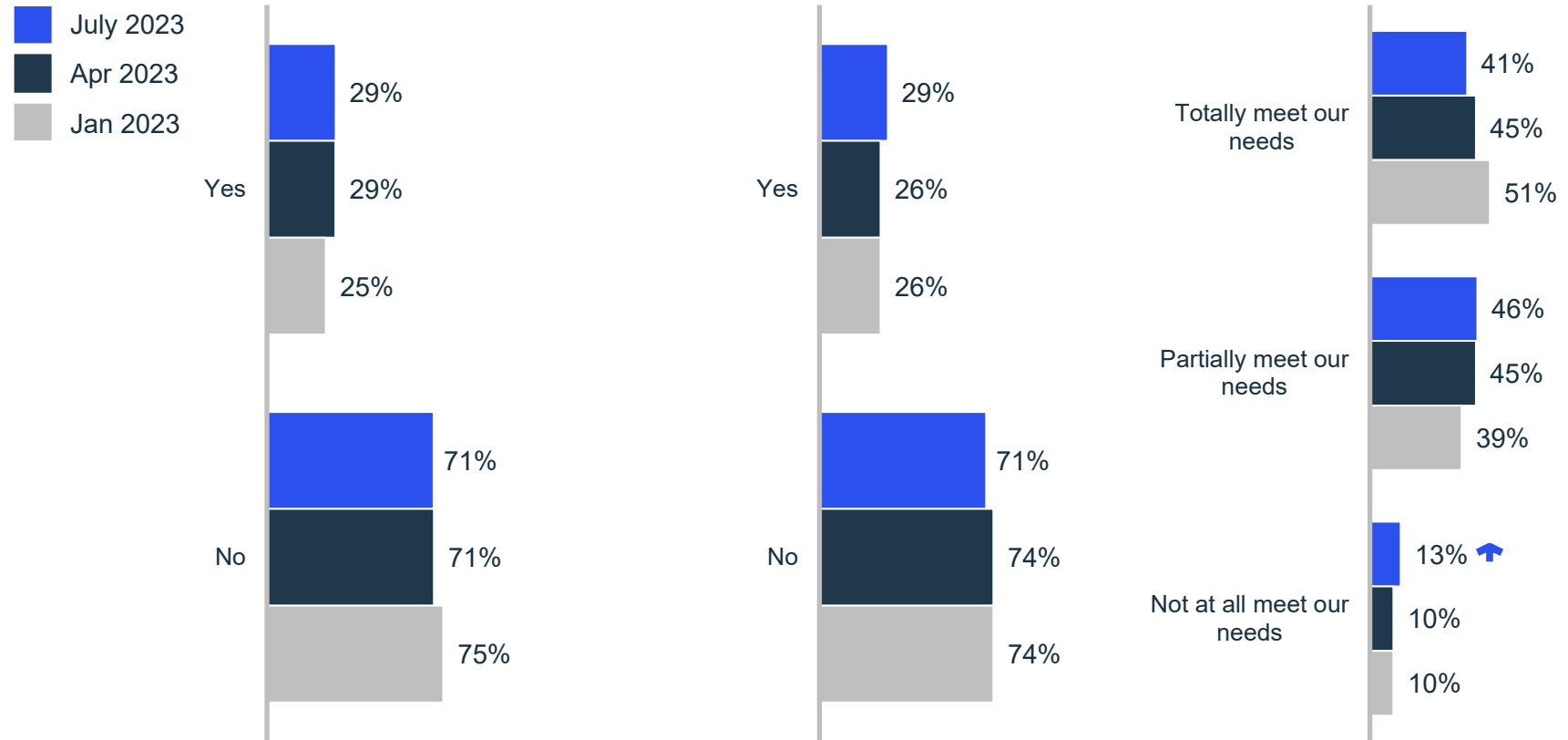
Legend:
- July 2023
- Apr 2023
- Jan 2023

BA1
- Yes: 29% (July 2023), 29% (Apr 2023), 25% (Jan 2023)
- No: 71% (July 2023), 71% (Apr 2023), 75% (Jan 2023)

BA2
- Yes: 29% (July 2023), 26% (Apr 2023), 26% (Jan 2023)
- No: 71% (July 2023), 74% (Apr 2023), 74% (Jan 2023)

BA3
- Totally meet our needs: 41% (July 2023), 45% (Apr 2023), 51% (Jan 2023)
- Partially meet our needs: 46% (July 2023), 45% (Apr 2023), 39% (Jan 2023)
- Not at all meet our needs: 13% ↑ (July 2023), 10% (Apr 2023), 10% (Jan 2023)

3b

Investment outlook

Top investment goals remain consistent: becoming more efficient and improving sales and marketing. Adopting new technologies has risen significantly since April.

Q55. What are your main **investment goals** for the next 12 months?

	July 2023	Apr 2023	Jan 2023
Become more efficient or productive	40%	38%	37%
Improve sales and marketing	37%	38%	38%
Adopt new technologies ⬆	25%	19%	21%
Expand into new markets	23%	26%	22%
Introduce new products or services	20%	21%	20%
Add new capacity	17%	21%	15%
Replace existing capacity	12%	11%	13%
Reduce environmental footprint	11%	11%	12%
Other	2%	2%	3%
I don't know	4%	4%	5%
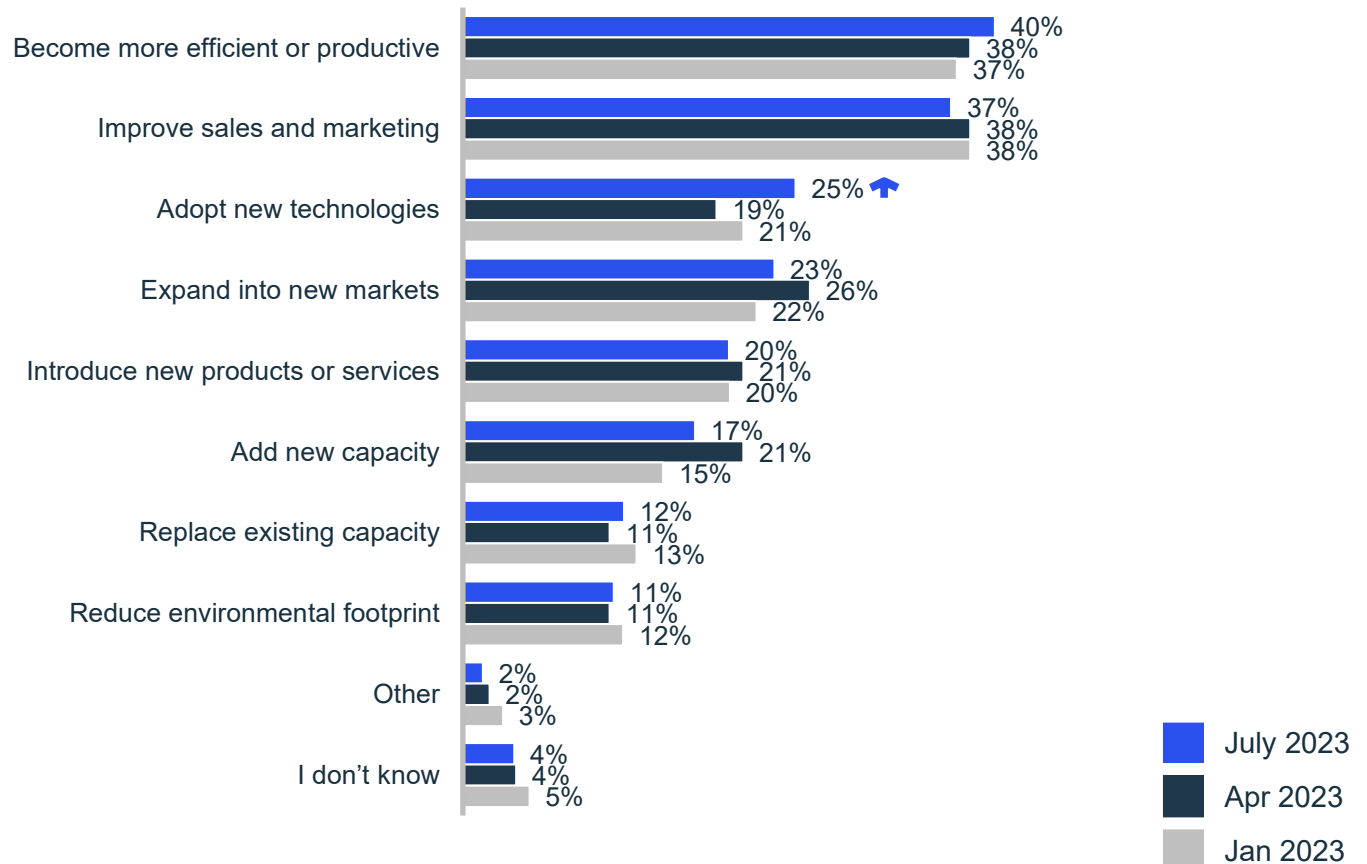
Base: Respondents planning to invest (n=523). Those who preferred not to answer were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. Arrows indicate statistical differences between this wave and the previous one.

19

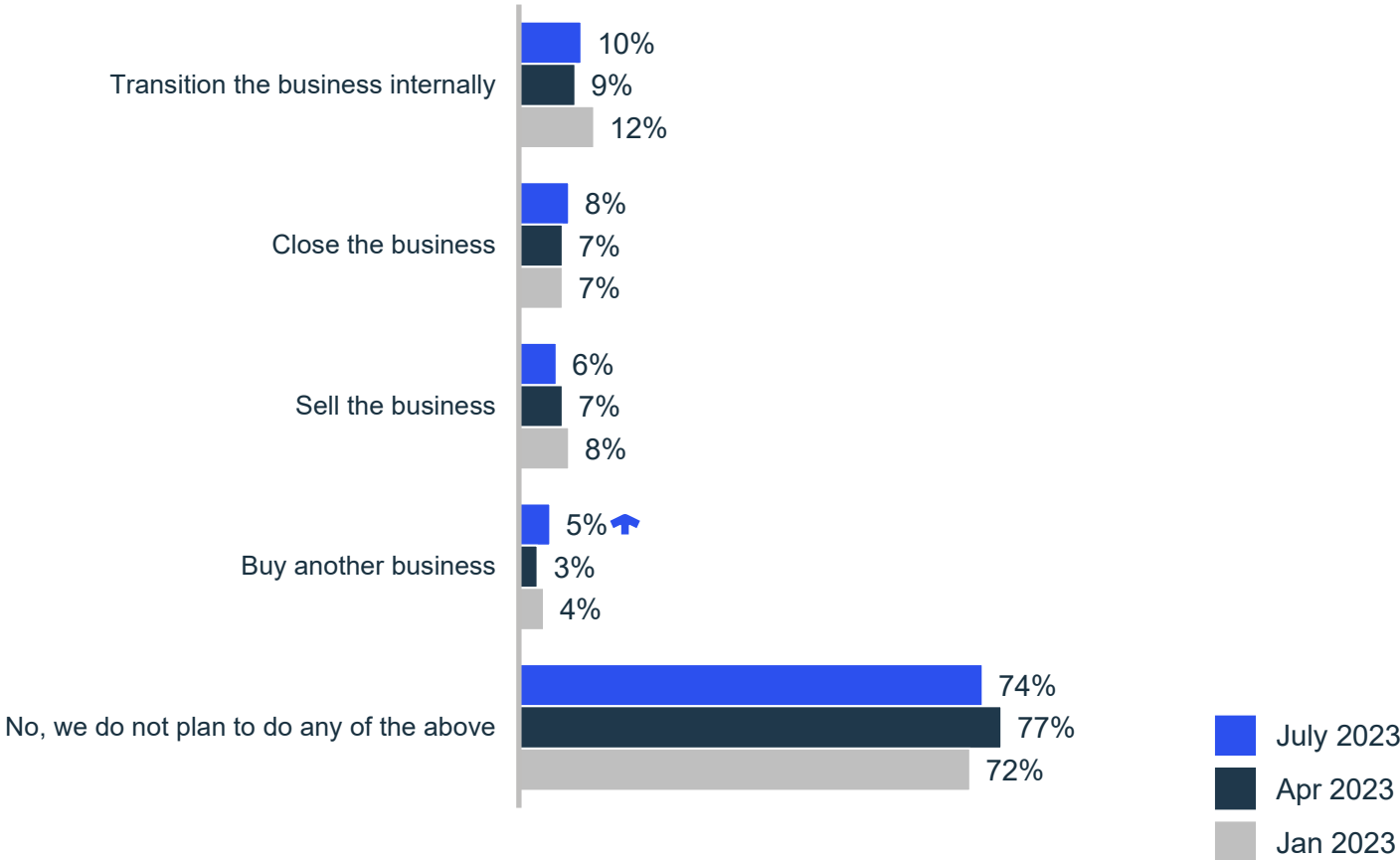# Three quarters of SMEs have no plans to transition, close, sell or buy another businesses.

Q80. Over the next 12 months, do you **plan to pursue any of the following actions**?

Transition the business internally
- 10% (July 2023)
- 9% (Apr 2023)
- 12% (Jan 2023)

Close the business
- 8% (July 2023)
- 7% (Apr 2023)
- 7% (Jan 2023)

Sell the business
- 6% (July 2023)
- 7% (Apr 2023)
- 8% (Jan 2023)

Buy another business
- 5% ⬆ (July 2023)
- 3% (Apr 2023)
- 4% (Jan 2023)

No, we do not plan to do any of the above
- 74% (July 2023)
- 77% (Apr 2023)
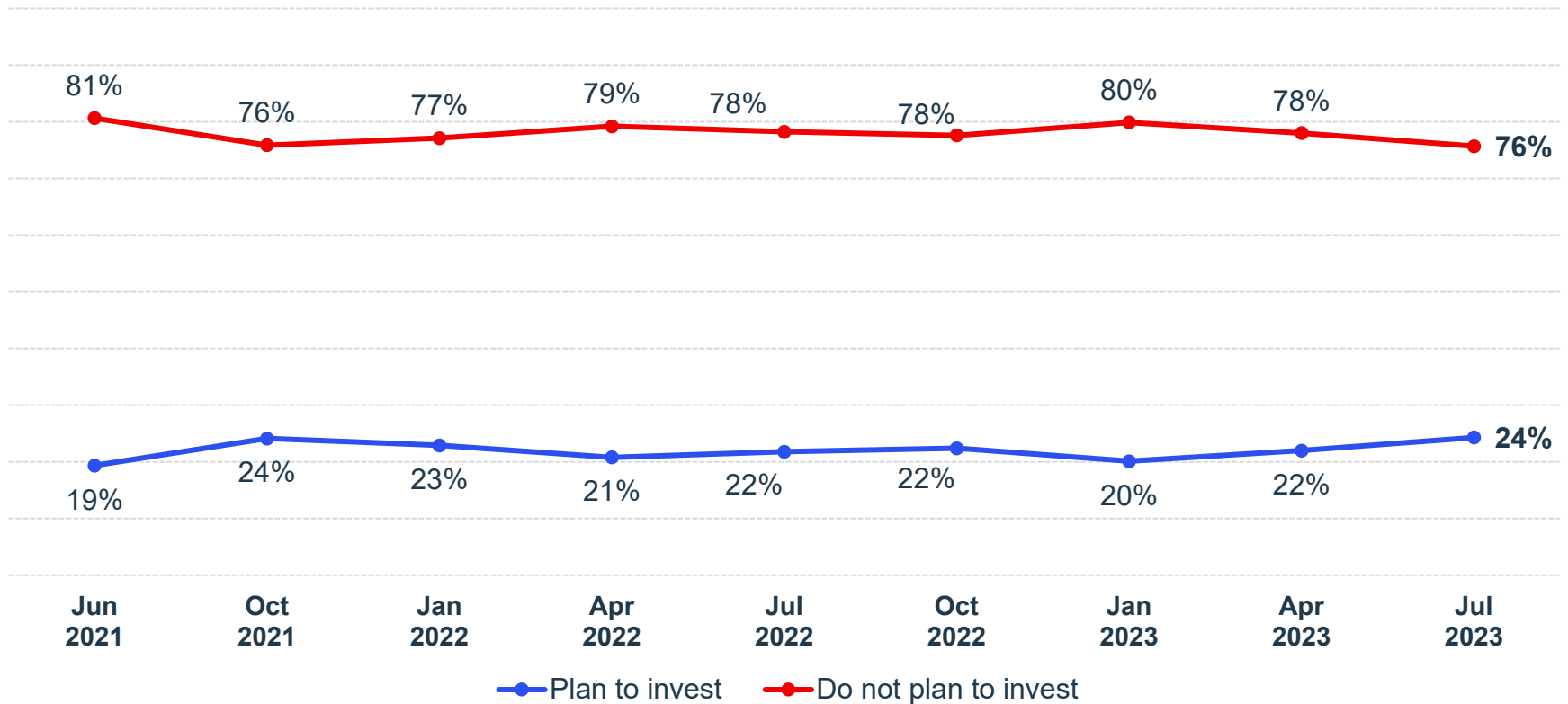- 72% (Jan 2023)

Legend:
- July 2023
- Apr 2023
- Jan 2023

Base: All qualified respondents (n=913). Those who did not know or preferred not to answer were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. Arrows indicate statistical differences between this wave and the previous one.

20

Despite rate hikes in July, investment intentions in non-residential buildings is up.

Q57a. Investment intentions in **non-residential building, including renovations** over the next 12 months.

	Jun 2021	Oct 2021	Jan 2022	Apr 2022	Jul 2022	Oct 2022	Jan 2023	Apr 2023	Jul 2023
Do not plan to invest	81%	76%	77%	79%	78%	78%	80%	78%	76%
Plan to invest	19%	24%	23%	21%	22%	22%	20%	22%	24%

— ● — Plan to invest — ● — Do not plan to invest

Base: All qualified respondents (n=915).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

BDC – Investment and Financing Outlook Survey, July 2023   21

Investment intentions in machinery and equipment are trending upwards.

Q57b. Investment intentions in **machinery and equipment** over the next 12 months.

	Jun 2021	Oct 2021	Jan 2022	Apr 2022	Jul 2022	Oct 2022	Jan 2023	Apr 2023	Jul 2023
Do not plan to invest	67%	59%	57%	59%	61%	62%	67%	65%	**63%**
Plan to invest	33%	41%	43%	41%	39%	38%	33%	35%	**37%**

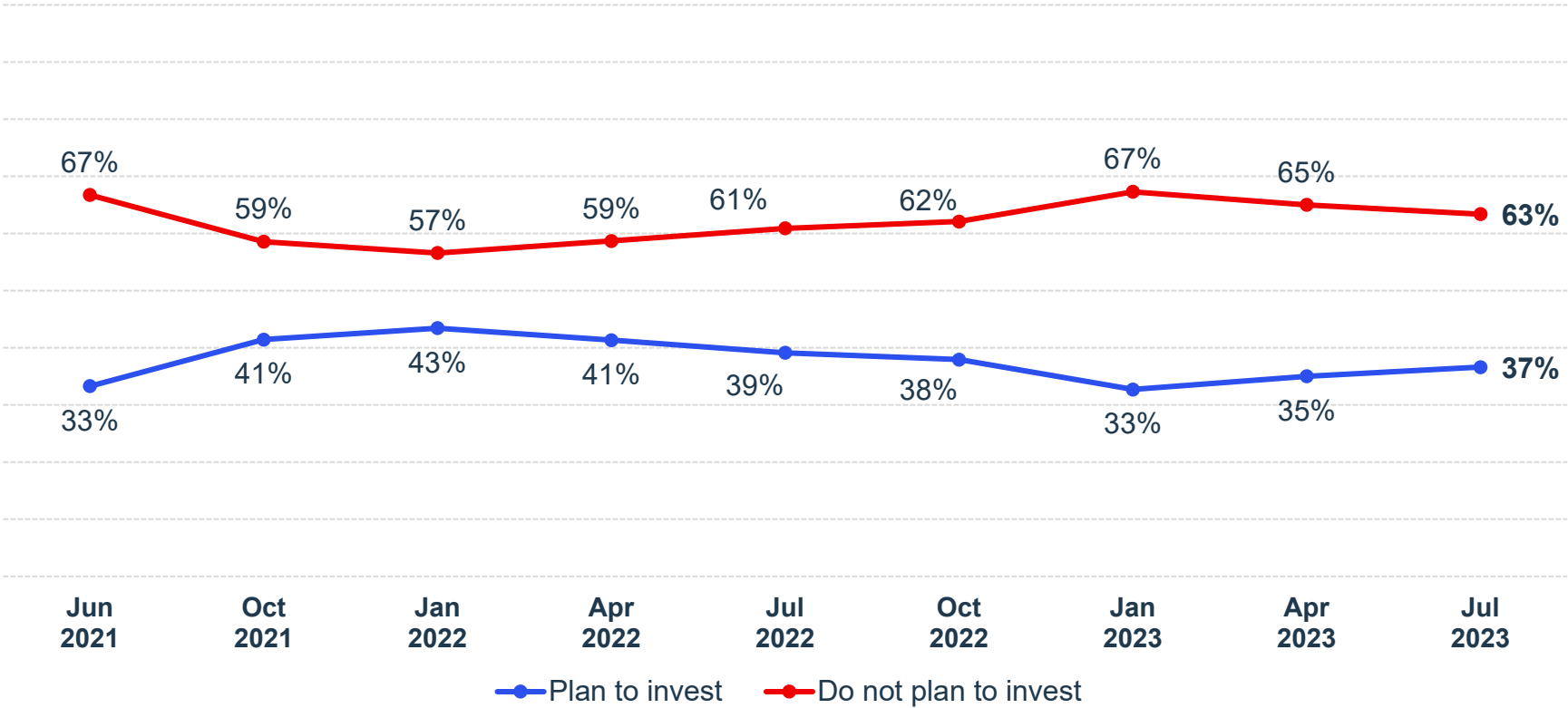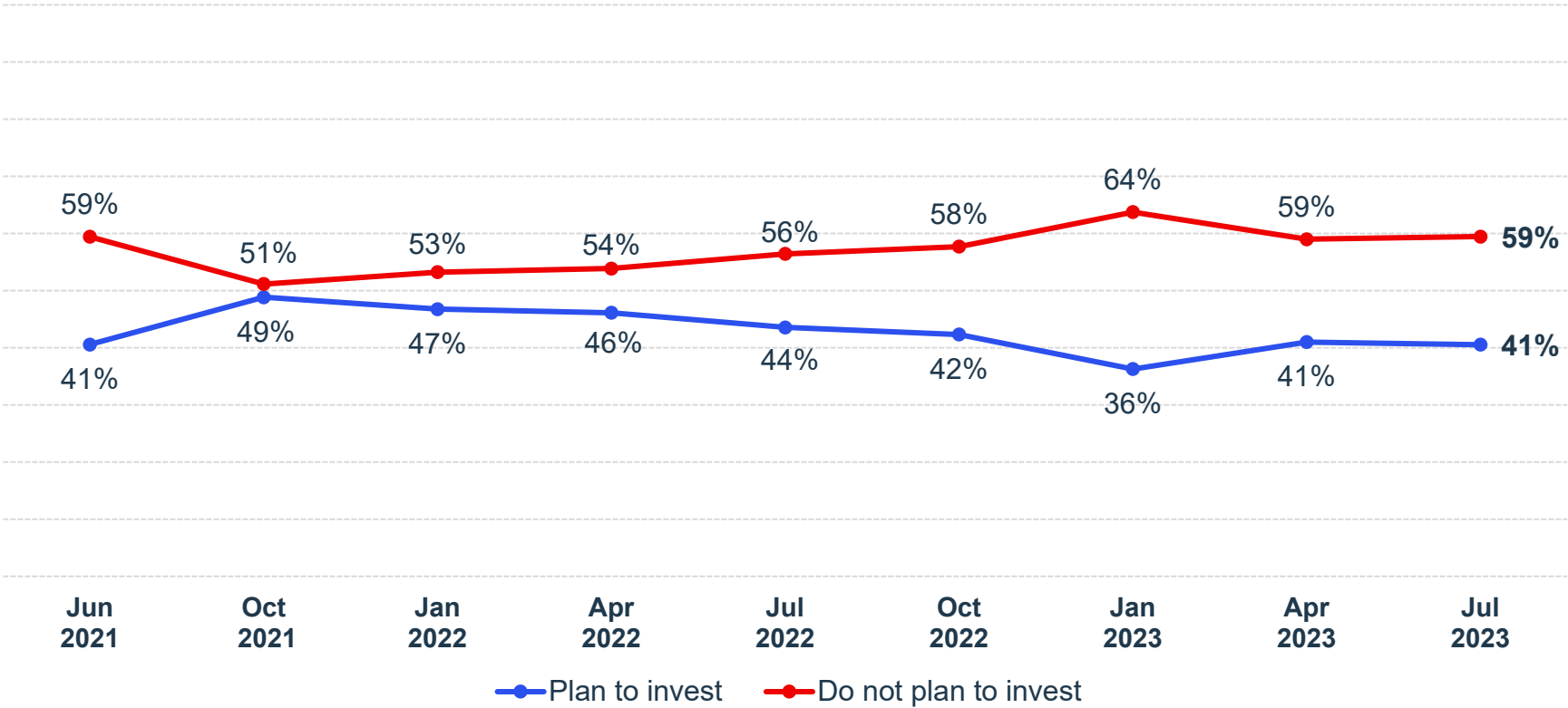**—•— Plan to invest**   **—•— Do not plan to invest**

Base: All qualified respondents (n=915).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

BDC – Investment and Financing Outlook Survey, July 2023   22

Investment intentions in intangibles are holding steady. Intentions are statistically higher among SMEs with 5 or more employees.

Q57c. Investment intentions in **software, IP protection, R&D, marketing, and employee training** over the next 12 months.

Chart — Plan to invest (blue) vs Do not plan to invest (red):

	Jun 2021	Oct 2021	Jan 2022	Apr 2022	Jul 2022	Oct 2022	Jan 2023	Apr 2023	Jul 2023
Do not plan to invest	59%	51%	53%	54%	56%	58%	64%	59%	59%
Plan to invest	41%	49%	47%	46%	44%	42%	36%	41%	41%

— **Plan to invest** — **Do not plan to invest**

Among those planning to invest in intangibles, software investments are the most frequent. Intended R&D investments are up significantly, especially among technology companies.

Q57d. Your company will invest in software, IP protection, R&D, marketing and employee training. More specifically, in which **category will you spend money**?

Software
- 58% (July 2023)
- 56% (Apr 2023)
- 56% (Jan 2023)

Employee training
- 42% (July 2023)
- 40% (Apr 2023)
- 50% (Jan 2023)

Marketing
- 41% (July 2023)
- 42% (Apr 2023)
- 32% (Jan 2023)

Research and development
- 29% ⬆ (July 2023)
- 20% (Apr 2023)
- 18% (Jan 2023)

IP protection
- 25% (July 2023)
- 22% (Apr 2023)
- 20% (Jan 2023)

Legend:
- July 2023
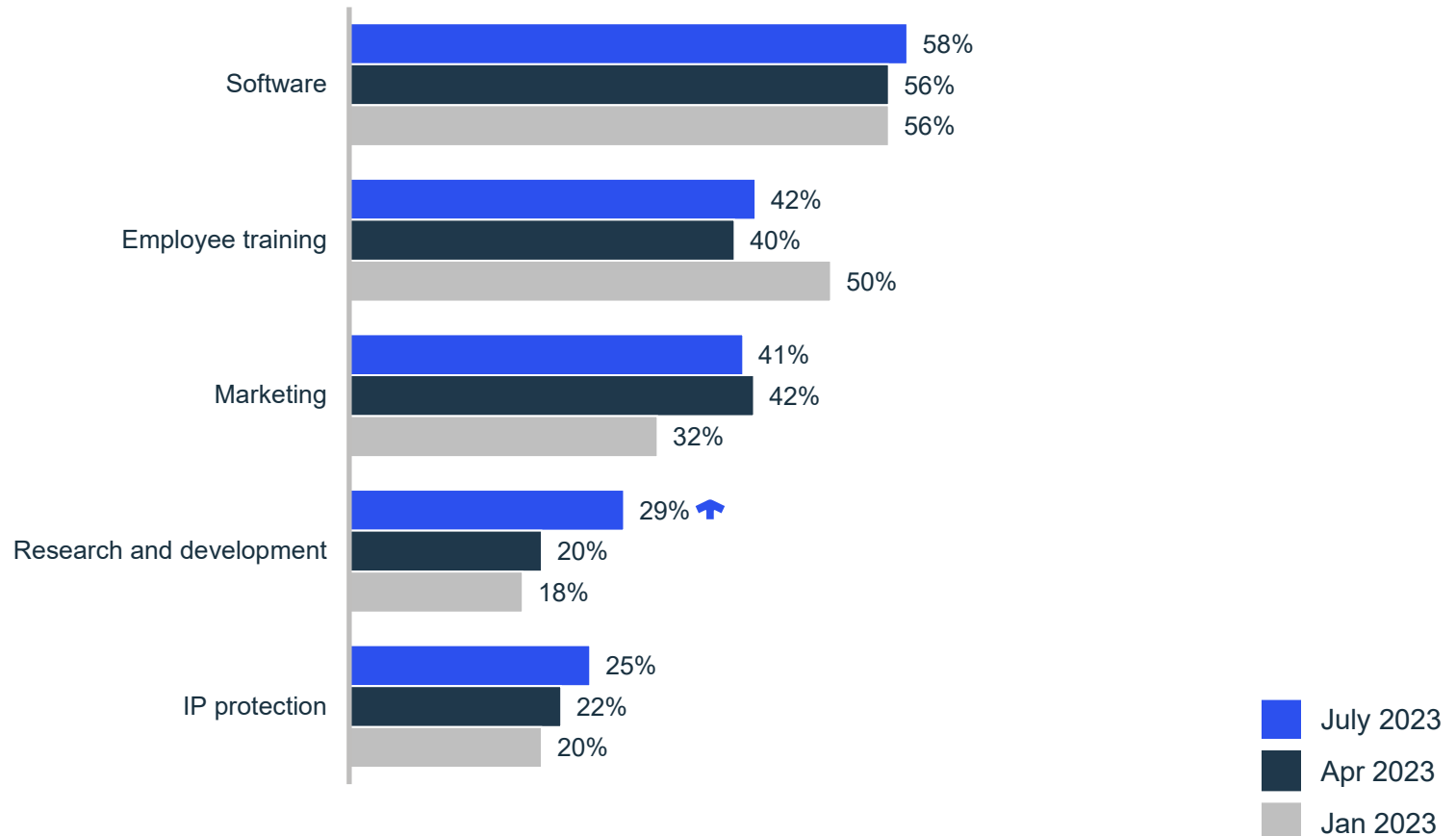- Apr 2023
- Jan 2023

Base: All qualified respondents planning to invest in intangibles (n=436).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.
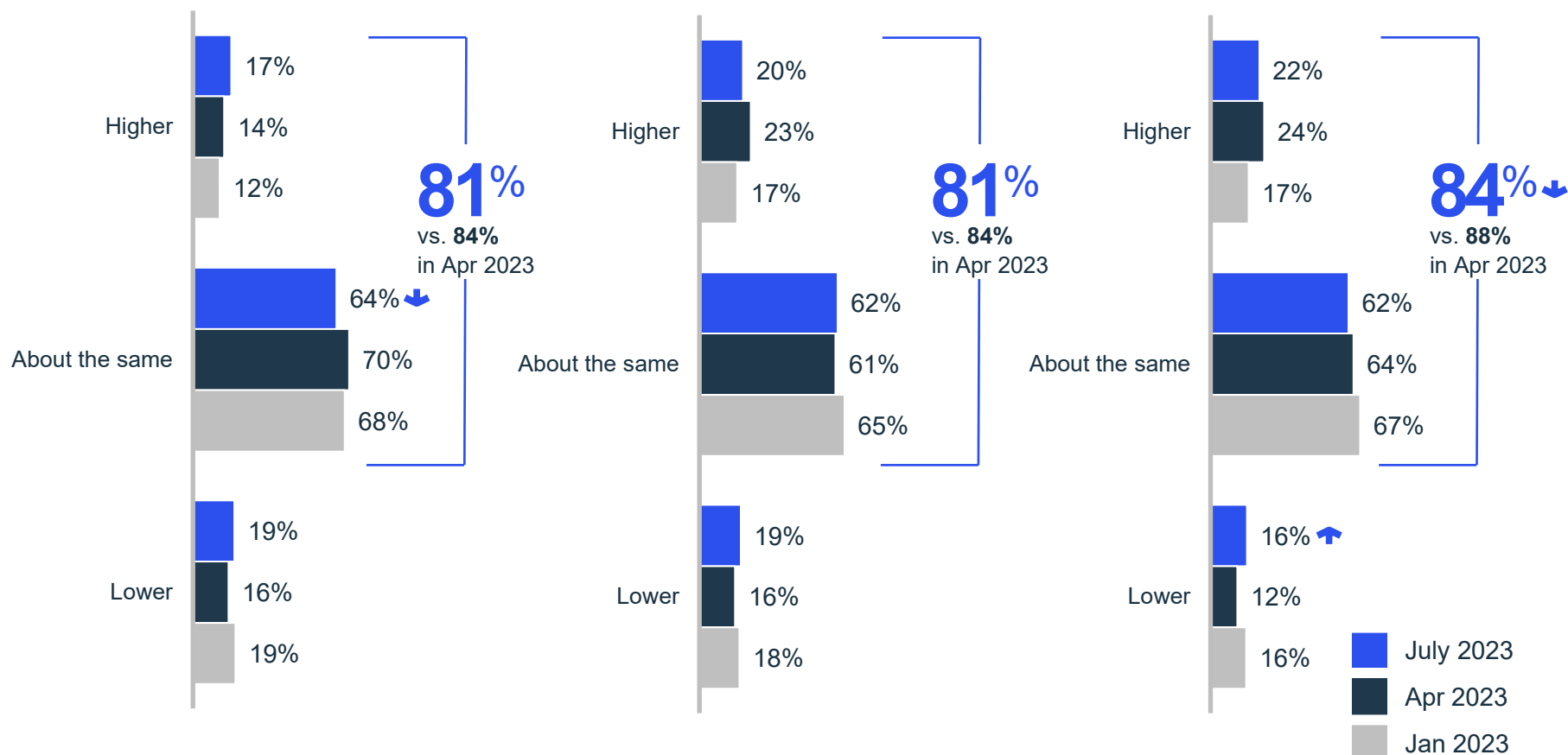Multiple mentions were allowed, therefore total exceeds 100%.

The proportion of SMEs planning to invest in one of the three categories has increased, but fewer plan to invest the same amount or more.

Q58a. Non-residential building, including renovations

Higher	17% / 14% / 12%
About the same	64% ⬇ / 70% / 68%
Lower	19% / 16% / 19%

81% vs. **84%** in Apr 2023

Q58b. Machinery and equipment

Higher	20% / 23% / 17%
About the same	62% / 61% / 65%
Lower	19% / 16% / 18%

81% vs. **84%** in Apr 2023

Q58c. Software, IP protection, R&D, marketing, and employee training

Higher	22% / 24% / 17%
About the same	62% / 64% / 67%
Lower	16% ⬆ / 12% / 16%

84% ⬇ vs. **88%** in Apr 2023
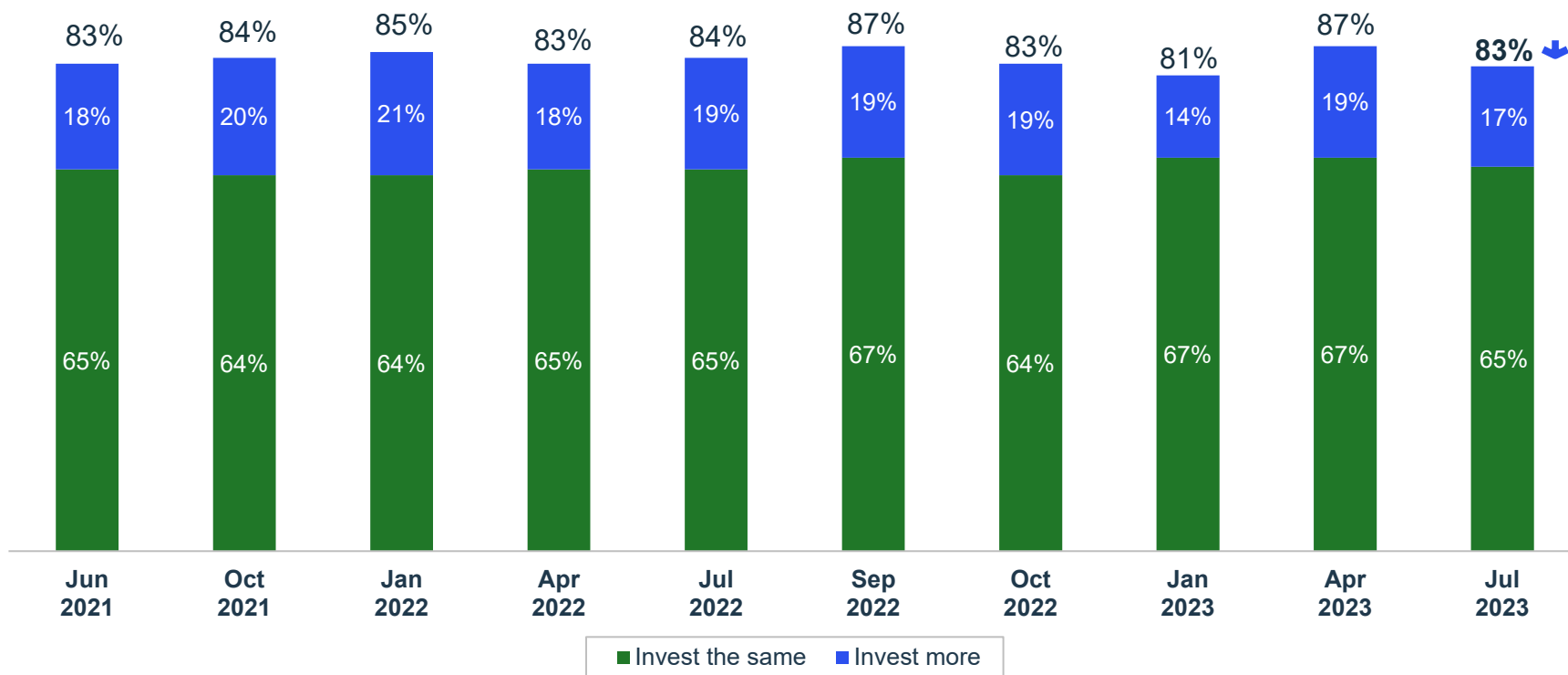
Legend:
- July 2023
- Apr 2023
- Jan 2023

Base: All qualified respondents (n=935-955).
Those who did not know were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

25

Our investment intentions indicator has decreased significantly since April. The fact that fewer SMEs will invest the same amount or more may be compensated by a slight increase in those planning to invest.

Q58. Percentage of SMEs planning to invest **"about the same amount or more"**.
This variable is based on an aggregate average of investment intentions.

Chart data:

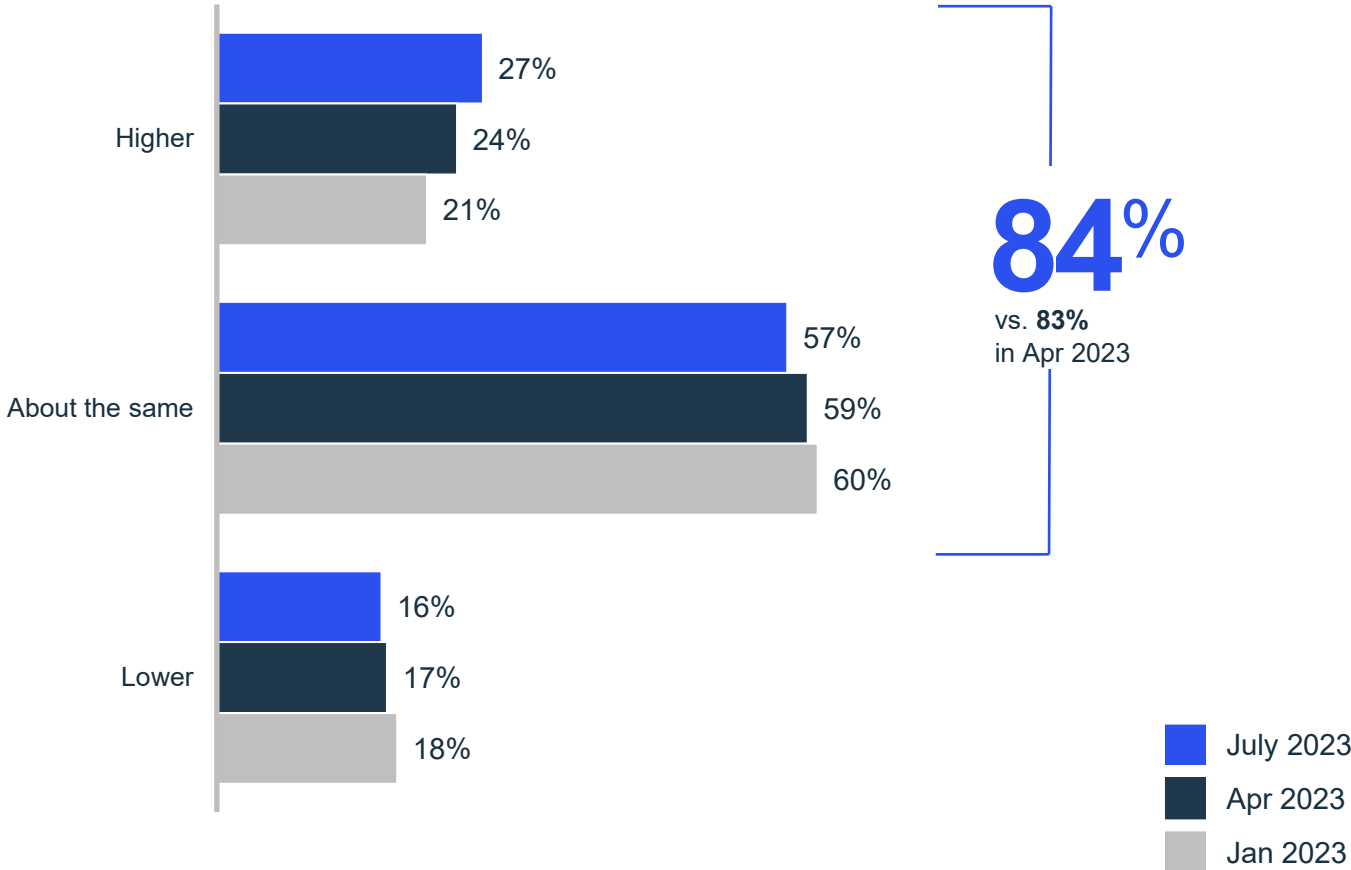|	Jun 2021	Oct 2021	Jan 2022	Apr 2022	Jul 2022	Sep 2022	Oct 2022	Jan 2023	Apr 2023	Jul 2023
Total	83%	84%	85%	83%	84%	87%	83%	81%	87%	**83%** ⬇
Invest more	18%	20%	21%	18%	19%	19%	19%	14%	19%	17%
Invest the same	65%	64%	64%	65%	65%	67%	64%	67%	67%	65%

■ Invest the same   ■ Invest more

Base: All qualified respondents (n=971).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

When asked directly, just over four out of five SMEs say they plan to invest about the same amount or more next year.

Q58b. Overall, over the next 12 months, what do you expect your company's **investment spending** to be compared to the last 12 months?
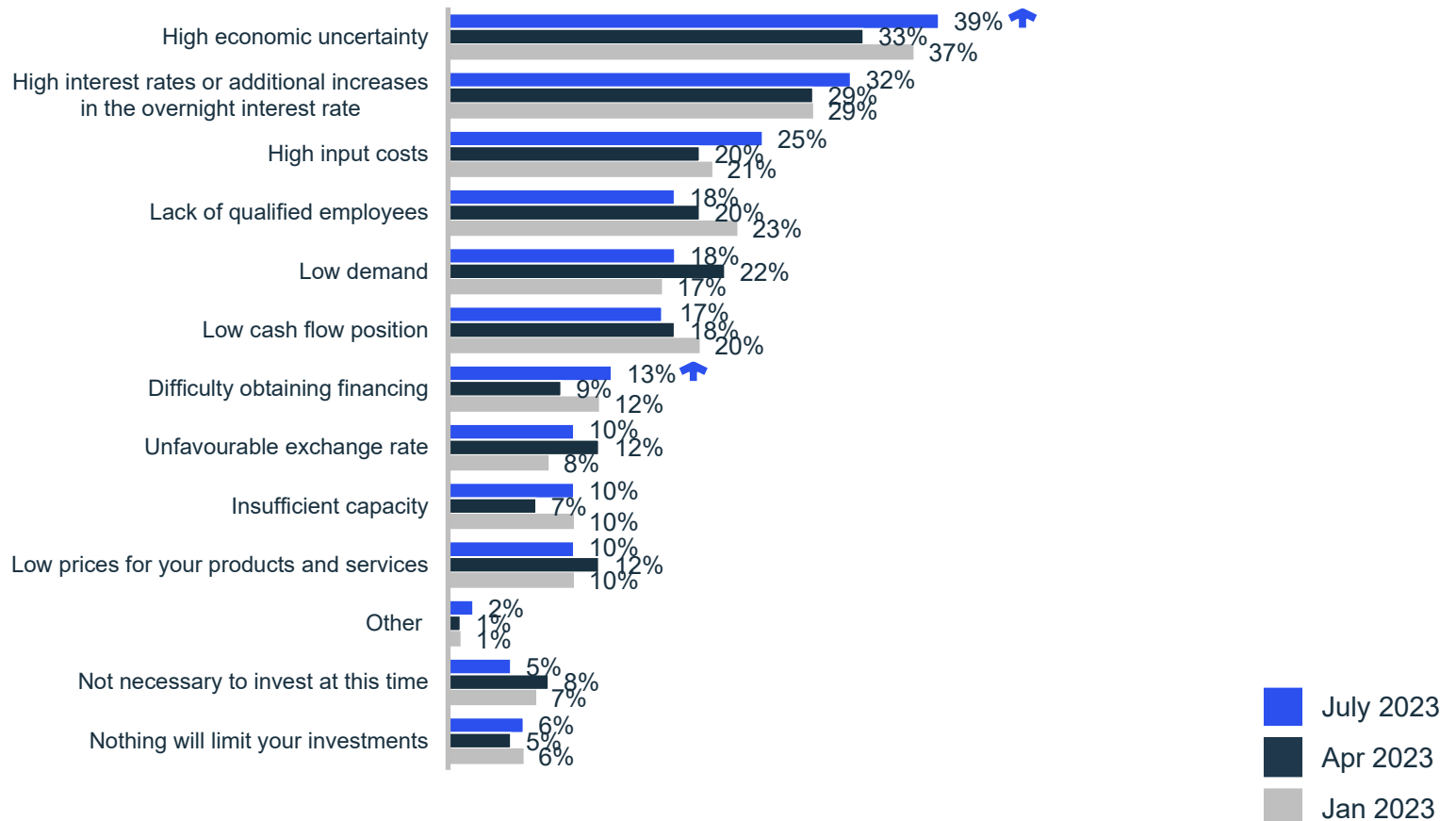

84%
vs. **83%**
in Apr 2023

Higher
- 27%
- 24%
- 21%

About the same
- 57%
- 59%
- 60%

Lower
- 16%
- 17%
- 18%

Legend:
- July 2023
- Apr 2023
- Jan 2023

High economic uncertainty, high interest rates and high input costs are the main factors that could limit SME investments in the next 12 months. Difficulty obtaining financing increased significantly since April.

Q56. Whether or not you plan to invest in the next 12 months, **what could limit your investments** in the current context?

Limiting factors among those planning to invest

| Factor	July 2023	Apr 2023	Jan 2023
High economic uncertainty	39% ⬆	33%	37%
High interest rates or additional increases in the overnight interest rate	32%	29%	29%
High input costs	25%	20%	21%
Lack of qualified employees	18%	20%	23%
Low demand	18%	22%	17%
Low cash flow position	17%	18%	20%
Difficulty obtaining financing	13% ⬆	9%	12%
Unfavourable exchange rate	10%	12%	8%
Insufficient capacity	10%	7%	10%
Low prices for your products and services	10%	12%	10%
Other	2%	1%	1%
Not necessary to invest at this time	5%	8%	7%
Nothing will limit your investments	6%	5%	6%

Base: Those planning to invest (n=517). Those who did not know or preferred not to answer were excluded from the calculation base. A maximum of three mentions was allowed, therefore total exceeds 100%. Arrows indicate statistical differences between this wave and the previous one.

SMEs' confidence has slipped once again. Most are **not** fully confident they will pursue their investments.

Q60. How **confident** are you that your business will pursue its investments in the next 12 months?
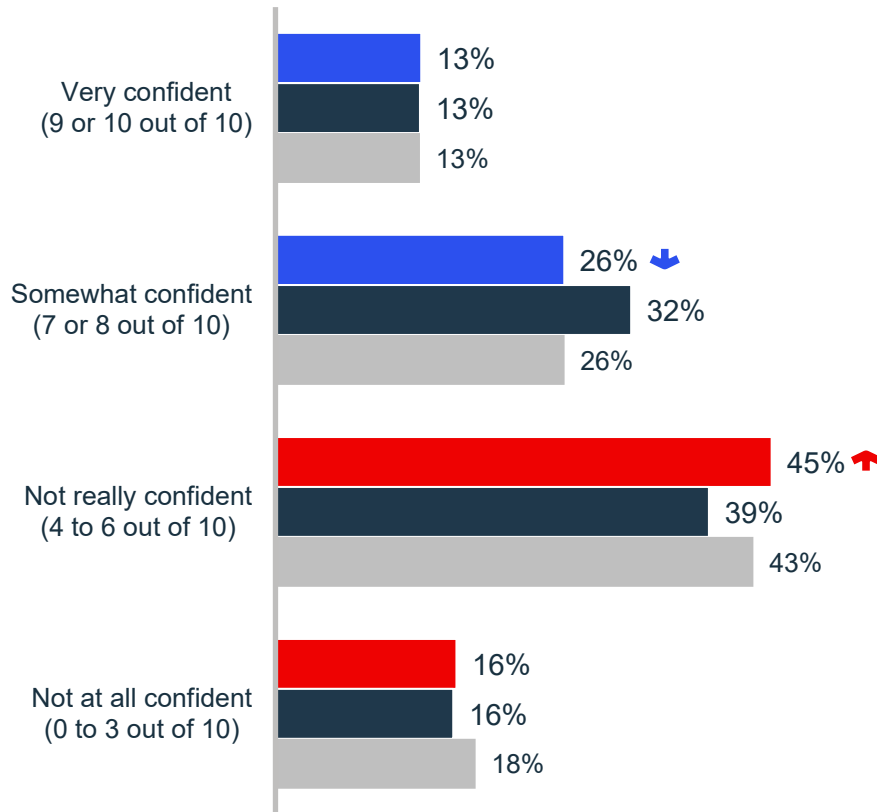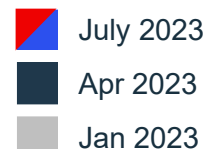

CONFIDENT

39% ⬇

vs. **45%** in Apr 2023

NOT CONFIDENT

61% ⬆

vs. **55%** in Apr 2023

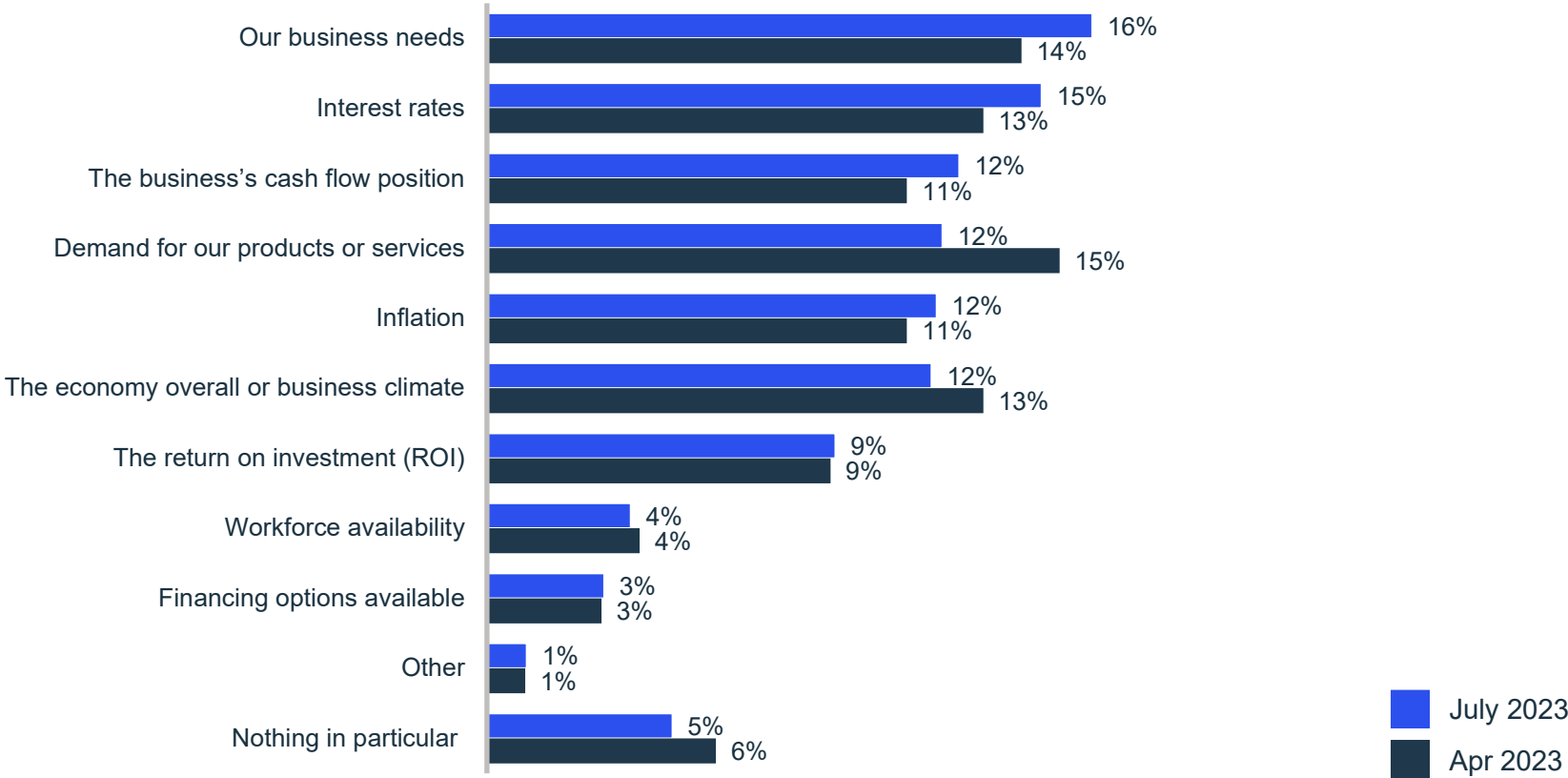■ July 2023
■ Apr 2023
■ Jan 2023

Base: Respondents planning to invest (n=933).
Those who did not know or preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

Both internal (i.e., business needs, cash flow position and demand) and external (i.e., interest rates, inflation and economic context) factors may influence business leaders' decision to invest.

Q61. **On what do you** or **will you primarily base your final decision** to invest or not to invest as you had planned?

	July 2023	Apr 2023
Our business needs	16%	14%
Interest rates	15%	13%
The business's cash flow position	12%	11%
Demand for our products or services	12%	15%
Inflation	12%	11%
The economy overall or business climate	12%	13%
The return on investment (ROI)	9%	9%
Workforce availability	4%	4%
Financing options available	3%	3%
Other	1%	1%
Nothing in particular	5%	6%

■ July 2023
■ Apr 2023

Base: Respondents planning to invest (n=975).
This question has been converted from an open-ended (wave 16) to a single choice question in April 2023.
Those who did not know or preferred not to answer were excluded from the calculation base. Multiple mentions was allowed, therefore total exceeds 100%.
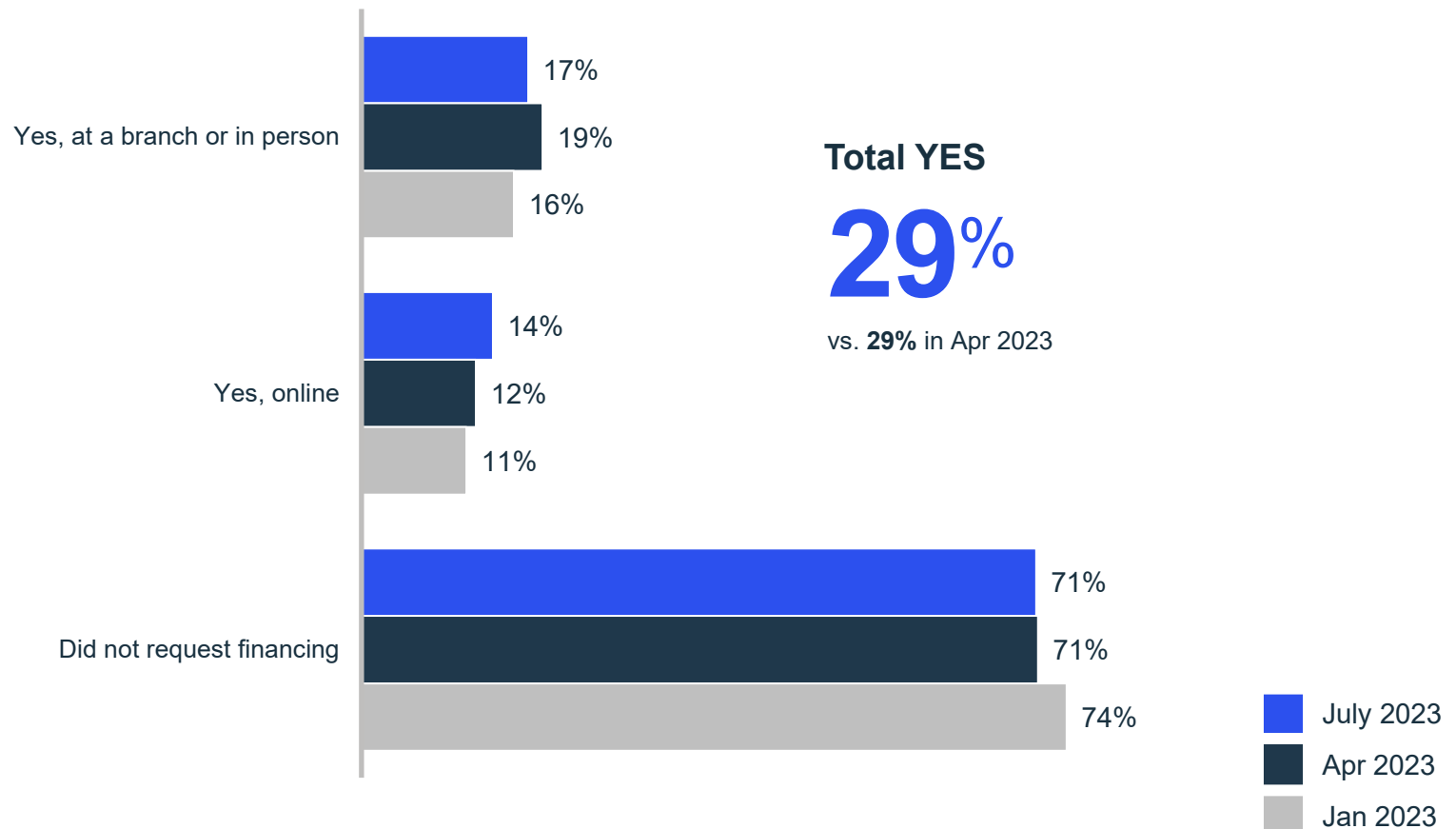
3c

Financing supply

Three out of ten SMEs indicated having requested financing in the last three months (stable). The proportion of SMEs having applied is higher than those intending to do so over the same period*.

Q30. Over the **last 3 months**, has your company **requested financing**?

Total YES

29%

vs. **29%** in Apr 2023

	July 2023	Apr 2023	Jan 2023
Yes, at a branch or in person	17%	19%	16%
Yes, online	14%	12%	11%
Did not request financing	71%	71%	74%

Three quarters of SMEs sought short-term financing. Many SMEs are meeting their financial needs by accessing lines of credit and using business credit, which tend to be easier to access than other options.

Q30a. What **type of financing** did you request?

Type	July 2023	Apr 2023	Jan 2023
Line of credit	53%	47%	48%
Business credit card	32%	28%	21%
Working capital loan	20%	24%	20%
Term loan	19%	19%	20%
Trade credit	16%	16%	10%
Equity (including angel financing and venture capital)	10%	14%	11%
Commercial mortgage loan	10%	11%	10%
Leasing	10%	9%	12%
Other	2%	1%	2%

SHORT-TERM FINANCING

76%

vs. **74%** in Apr 2023

■ July 2023
■ Apr 2023
■ Jan 2023

33

While SMEs continue to turn mainly to banks and credit unions for financing, we see continued use of large tech companies and fintechs.

Q30b. **Who** did you apply to for financing?

A financial institution
- July 2023: 67%
- Apr 2023: 66%
- Jan 2023: 71%

A Crown corporation
- July 2023: 22%
- Apr 2023: 18%
- Jan 2023: 16%

A government program
- July 2023: 16%
- Apr 2023: 19%
- Jan 2023: 18%

A large technology company
- July 2023: 11%
- Apr 2023: 9%
- Jan 2023: 10%

An online lender or "fintech"
- July 2023: 8%
- Apr 2023: 11%
- Jan 2023: 8%

Other
- July 2023: 0%
- Apr 2023: 0%
- Jan 2023: 1%

FINTECH / LARGE TECH

17%

vs. **19%** in Apr 2023
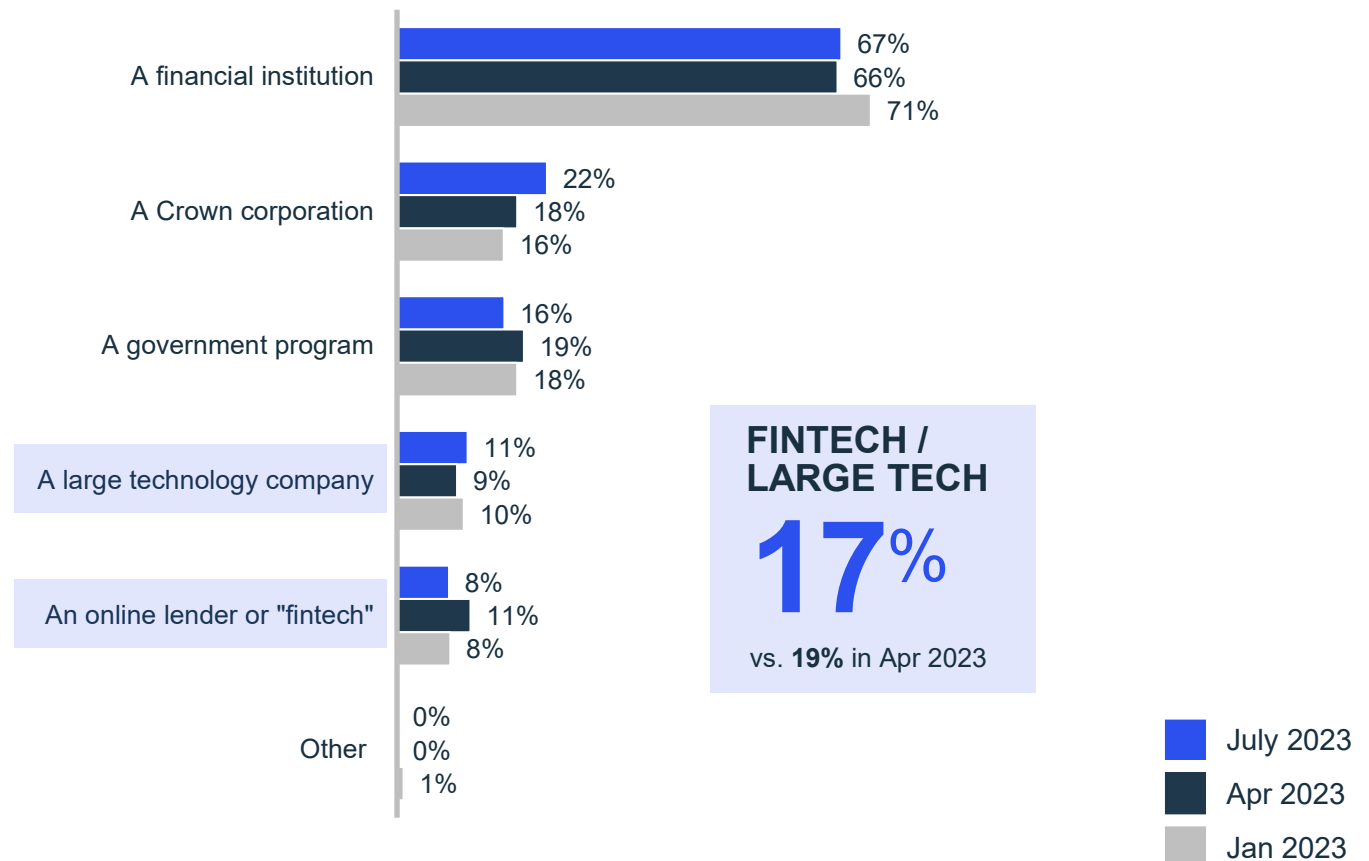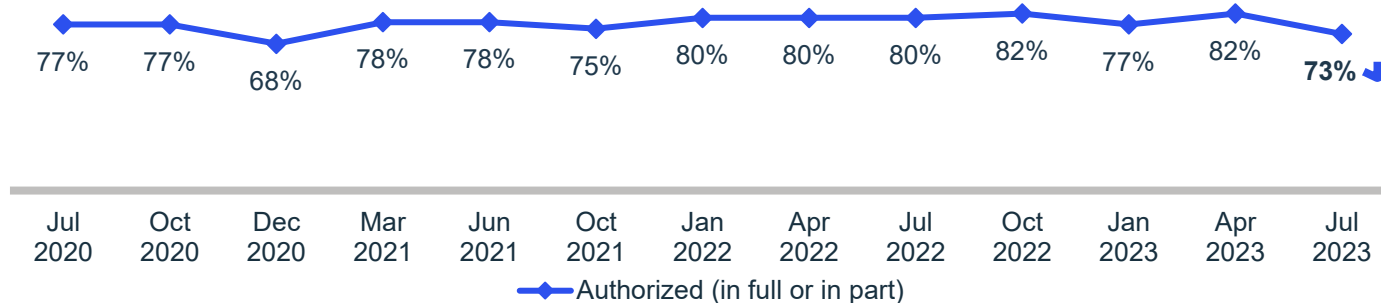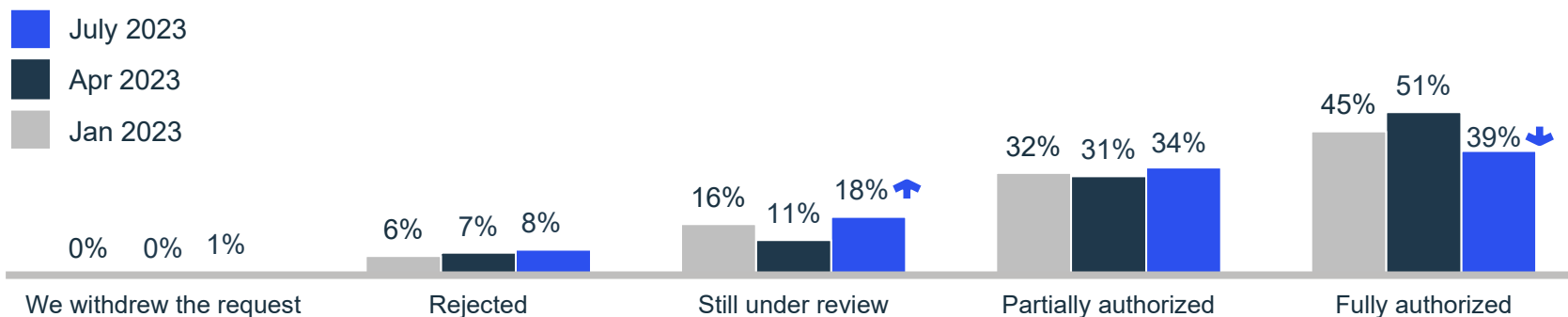
Legend:
- July 2023
- Apr 2023
- Jan 2023

Base: Respondents who requested financing (n=355). Those who did not know were excluded from the calculation base. Multiple mentions were allowed, therefore total exceeds 100%. Arrows indicate statistical differences between this wave and the previous one.

Approval rates have decreased significantly. Important variations in fully authorized and still under review partly explain this drop.

Q31. What was the **outcome** of this financing request?

Legend:
- July 2023
- Apr 2023
- Jan 2023

	We withdrew the request	Rejected	Still under review	Partially authorized	Fully authorized
Jan 2023	0%	6%	16%	32%	45%
Apr 2023	0%	7%	11%	31%	51%
July 2023	1%	8%	18% ⬆	34%	39% ⬇

Authorized (in full or in part):

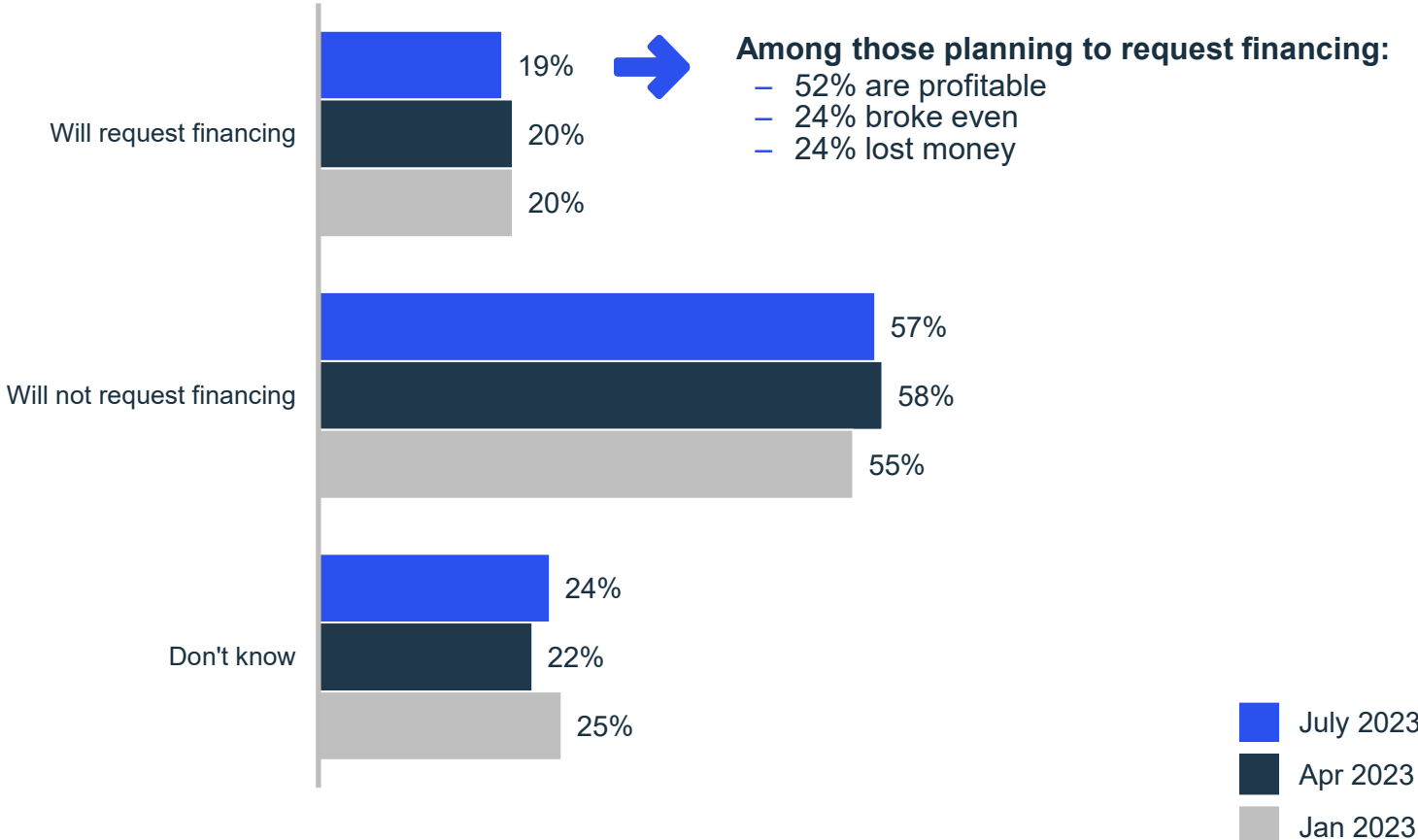| Jul 2020	Oct 2020	Dec 2020	Mar 2021	Jun 2021	Oct 2021	Jan 2022	Apr 2022	Jul 2022	Oct 2022	Jan 2023	Apr 2023	Jul 2023
77%	77%	68%	78%	78%	75%	80%	80%	80%	82%	77%	82%	73% ⬇

APPROVAL RATE

73% ⬇

3d

Financing demand

One in five SMEs plan to request financing, but two different profiles emerge – profitable SMEs and those in a weaker financial position.

Q32. Over the **next 12 months**, is your company planning to **request financing**?

Among those planning to request financing:
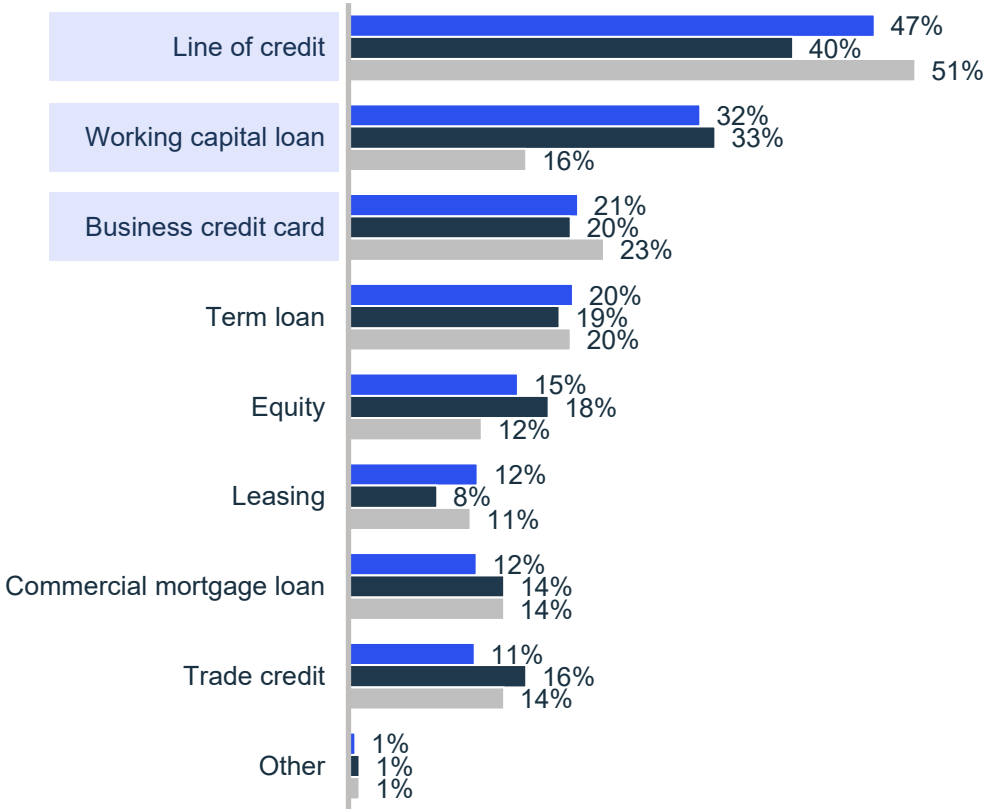- 52% are profitable
- 24% broke even
- 24% lost money

Will request financing
- 19%
- 20%
- 20%

Will not request financing
- 57%
- 58%
- 55%

Don't know
- 24%
- 22%
- 25%

Legend:
- July 2023
- Apr 2023
- Jan 2023

Short-term financing remains the most sought. SMEs continue to access a variety of options to meet their business needs.

Q33. What **type of financing** will you request?

Financing type	July 2023	Apr 2023	Jan 2023
Line of credit	47%	40%	51%
Working capital loan	32%	33%	16%
Business credit card	21%	20%	23%
Term loan	20%	19%	20%
Equity	15%	18%	12%
Leasing	12%	8%	11%
Commercial mortgage loan	12%	14%	14%
Trade credit	11%	16%	14%
Other	1%	1%	1%

SHORT-TERM FINANCING

73%

vs. **71%** in Apr 2023
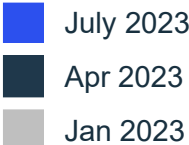
There is a significant increase for loans up to $100K. Once again, the larger the company, the higher the amount sought.

Q34. Approximately, what is the **amount of financing** you are seeking?

	July 2023	Apr 2023	Jan 2023
Less than $100K	44% ⬆	25%	25%
Between $100K and $249,999	18%	23%	27%
Between $250K and $499,999	16% ⬇	25%	24%
Between $500K and $999,999	7% ⬇	15%	10%
Between $1M and $2,999,999	8%	6%	8%
Between $3M and $4,999,999	4%	2%	2%
$5M or more	2%	4%	3%

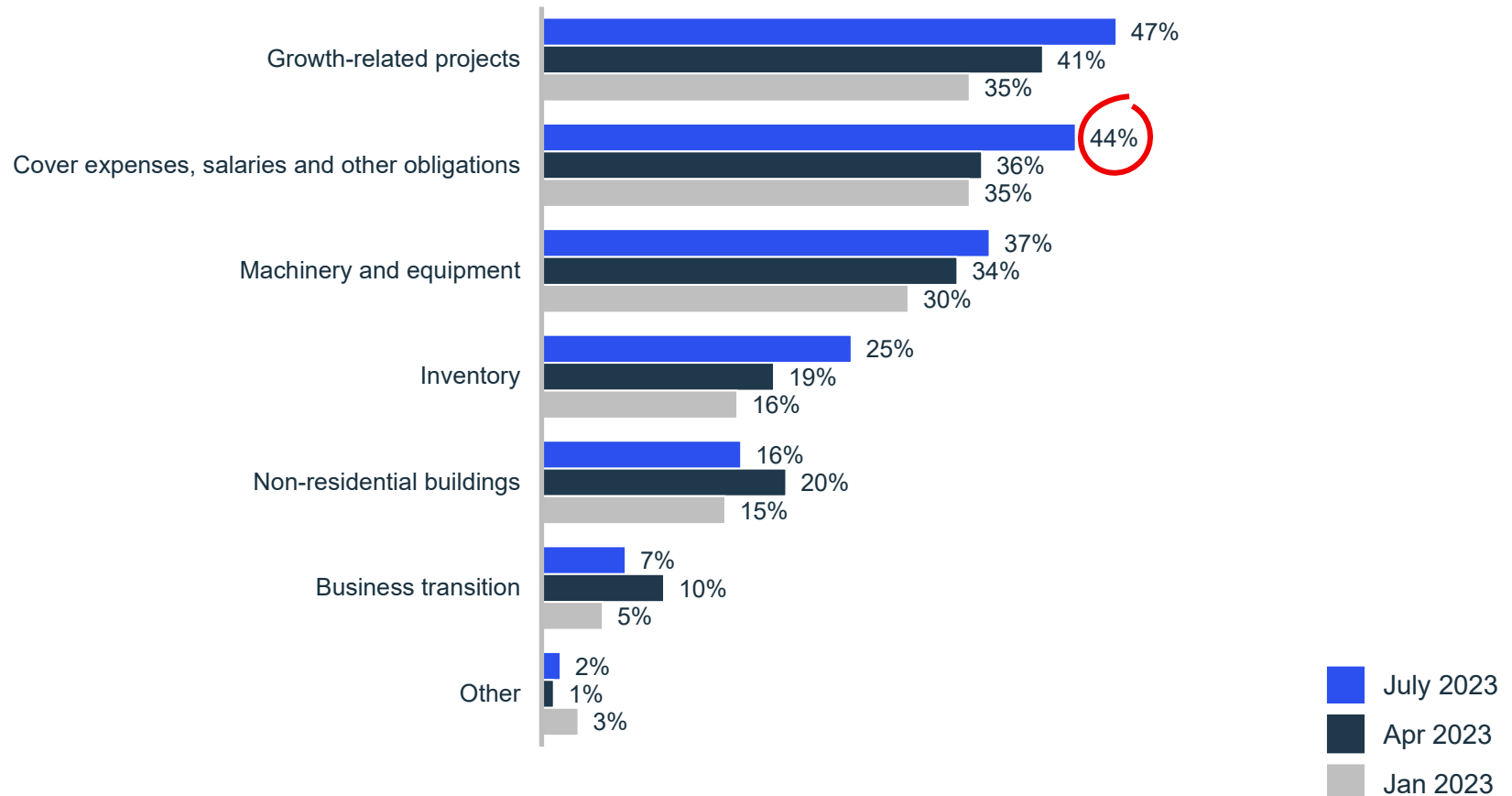|	July 2023
Less than $10,000	2%
Between $10,000 and $49,999	20%
Between $50,000 and $99,999	22%

■ July 2023
■ Apr 2023
■ Jan 2023
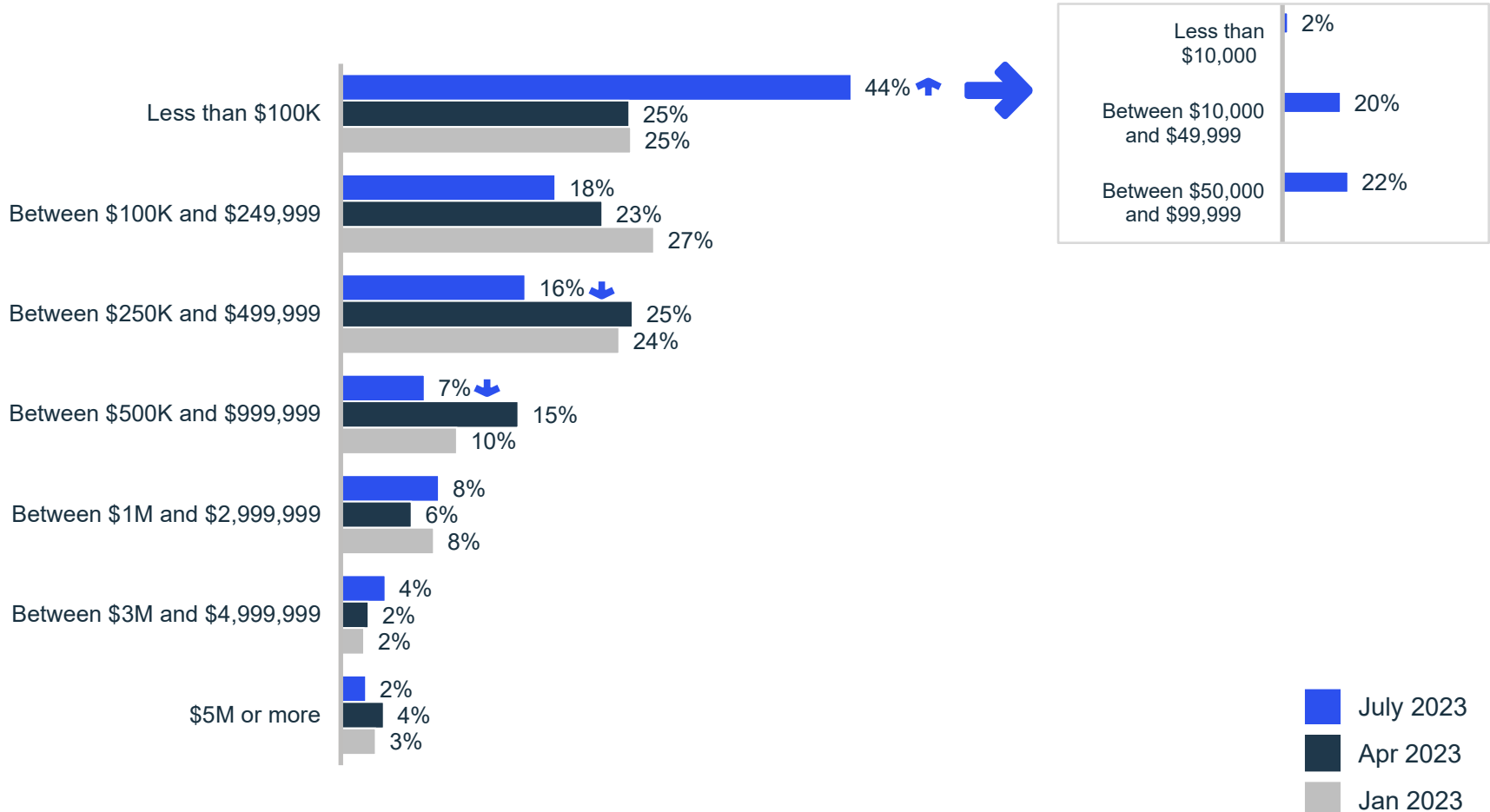
Base: Respondents who will request financing (n=245).
This question was modified in July 2023 to capture smaller amounts under $100,000.
Those who did not know or preferred not to answer are not presented on this slide.
Arrows indicate statistical differences between this wave and the previous one.

SMEs plan to borrow for growth projects, machinery and equipment, and inventory, but a substantial portion plans to borrow to cover expenses, salaries and other obligations.

Q34b. What would this financing be **used for**?

Growth-related projects
- July 2023: 47%
- Apr 2023: 41%
- Jan 2023: 35%

Cover expenses, salaries and other obligations
- July 2023: 44%
- Apr 2023: 36%
- Jan 2023: 35%

Machinery and equipment
- July 2023: 37%
- Apr 2023: 34%
- Jan 2023: 30%

Inventory
- July 2023: 25%
- Apr 2023: 19%
- Jan 2023: 16%

Non-residential buildings
- July 2023: 16%
- Apr 2023: 20%
- Jan 2023: 15%

Business transition
- July 2023: 7%
- Apr 2023: 10%
- Jan 2023: 5%

Other
- July 2023: 2%
- Apr 2023: 1%
- Jan 2023: 3%

Legend:
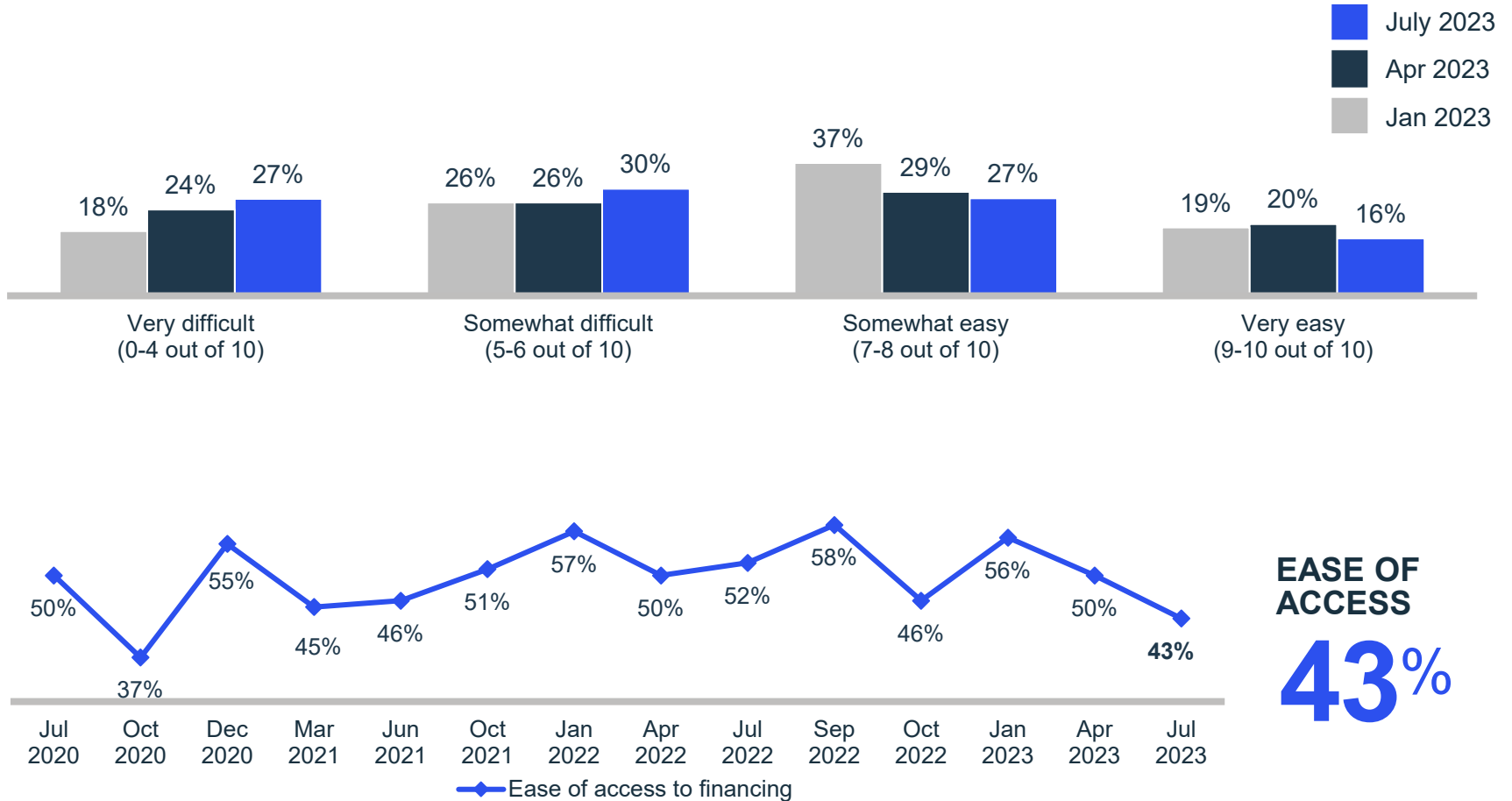- July 2023
- Apr 2023
- Jan 2023

Base: Respondents who will request financing in the next 12 months (n=248). Multiple mentions were allowed, therefore total exceeds 100%.
The respondent base was modified in April 2022. Those who did not know or preferred not to answer are not presented on this slide.

Fewer than half of those planning to request financing now believe it will be easy to obtain.

Q35. How easy will it be to **obtain this financing**?

Legend:
- July 2023 (blue)
- Apr 2023 (dark)
- Jan 2023 (gray)

	Very difficult (0-4 out of 10)	Somewhat difficult (5-6 out of 10)	Somewhat easy (7-8 out of 10)	Very easy (9-10 out of 10)
Jan 2023	18%	26%	37%	19%
Apr 2023	24%	26%	29%	20%
July 2023	27%	30%	27%	16%

Ease of access to financing:

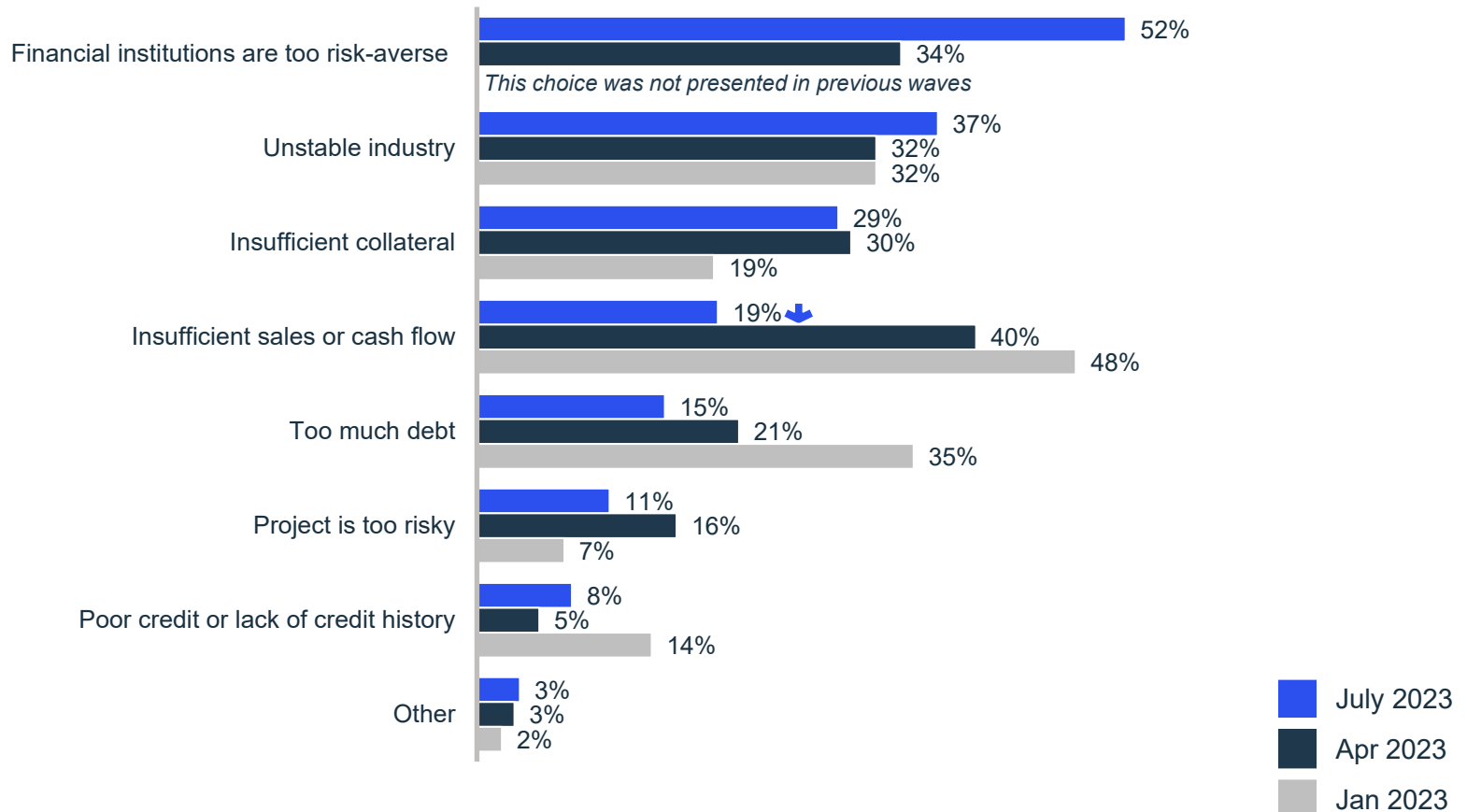| Jul 2020	Oct 2020	Dec 2020	Mar 2021	Jun 2021	Oct 2021	Jan 2022	Apr 2022	Jul 2022	Sep 2022	Oct 2022	Jan 2023	Apr 2023	Jul 2023
50%	37%	55%	45%	46%	51%	57%	50%	52%	58%	46%	56%	50%	**43%**

EASE OF ACCESS

43%

Base: Respondents who intend to request financing in the next 12 months (n=239). Those who did not know or refused to answer were removed from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

FIs' risk aversion is the main reason mentioned by those who believe that obtaining financing will be difficult. Unstable industry and insufficient collateral complete the top answers.

Q36. What makes you believe that it will be **difficult** to obtain financing for your company?

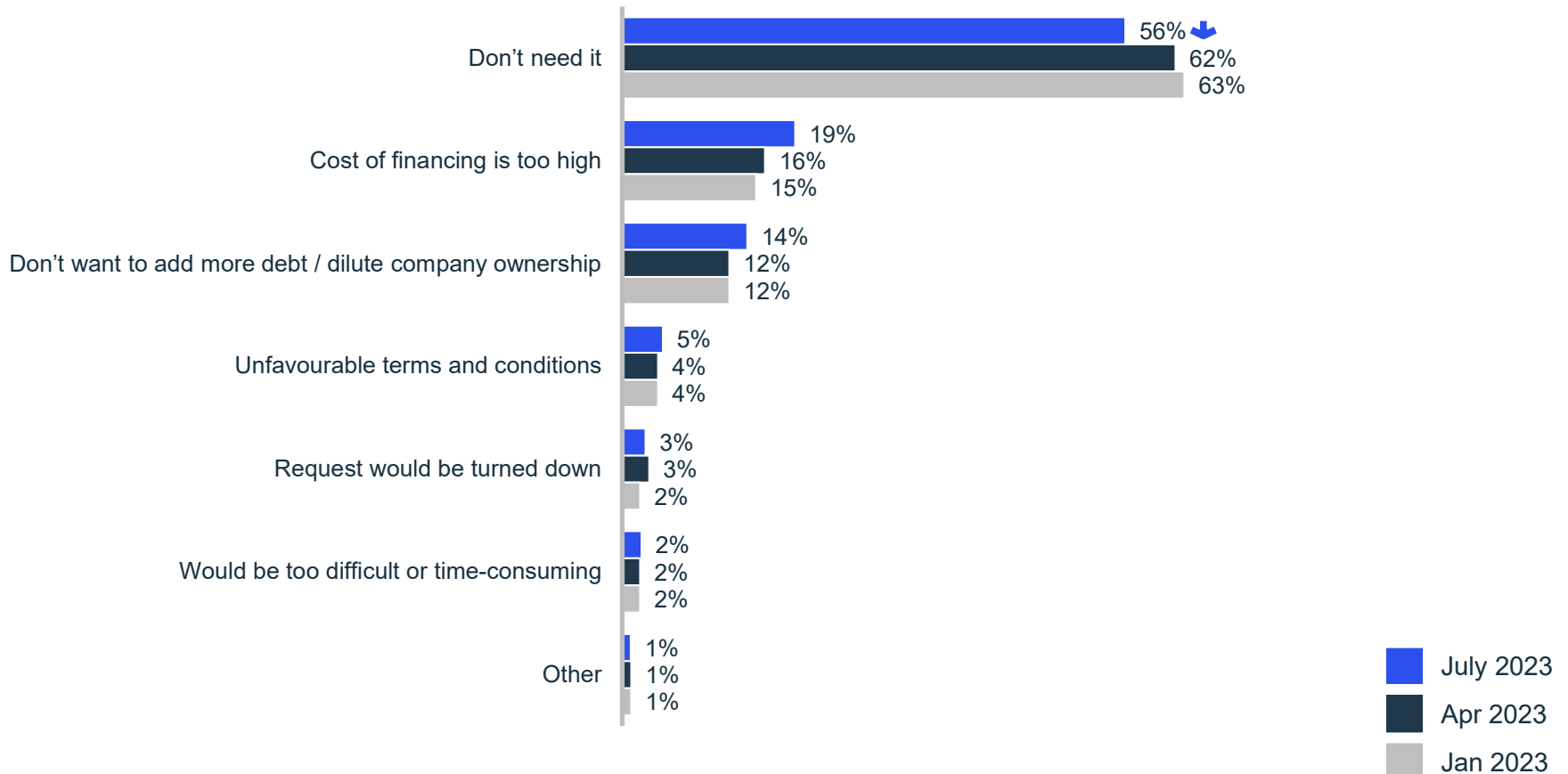|	July 2023	Apr 2023	Jan 2023
Financial institutions are too risk-averse	52%	34%	*This choice was not presented in previous waves*
Unstable industry	37%	32%	32%
Insufficient collateral	29%	30%	19%
Insufficient sales or cash flow	19% ⬇	40%	48%
Too much debt	15%	21%	35%
Project is too risky	11%	16%	7%
Poor credit or lack of credit history	8%	5%	14%
Other	3%	3%	2%

Base: Respondents who believe it will be difficult to obtain financing (n=45). Those who did not know were excluded from the calculation base.
Multiple mentions were allowed, therefore total exceeds 100%. Sample size is small, please interpret with caution.
Arrows indicate statistical differences between this wave and the previous one.

The proportion of SMEs saying they don't need financing has fallen significantly. Overall, one quarter indicated that the cost of financing is too high or that terms and conditions are unfavourable.

Q37. Why do you **not intend to request financing** or **would not request financing** over the next 12 months?
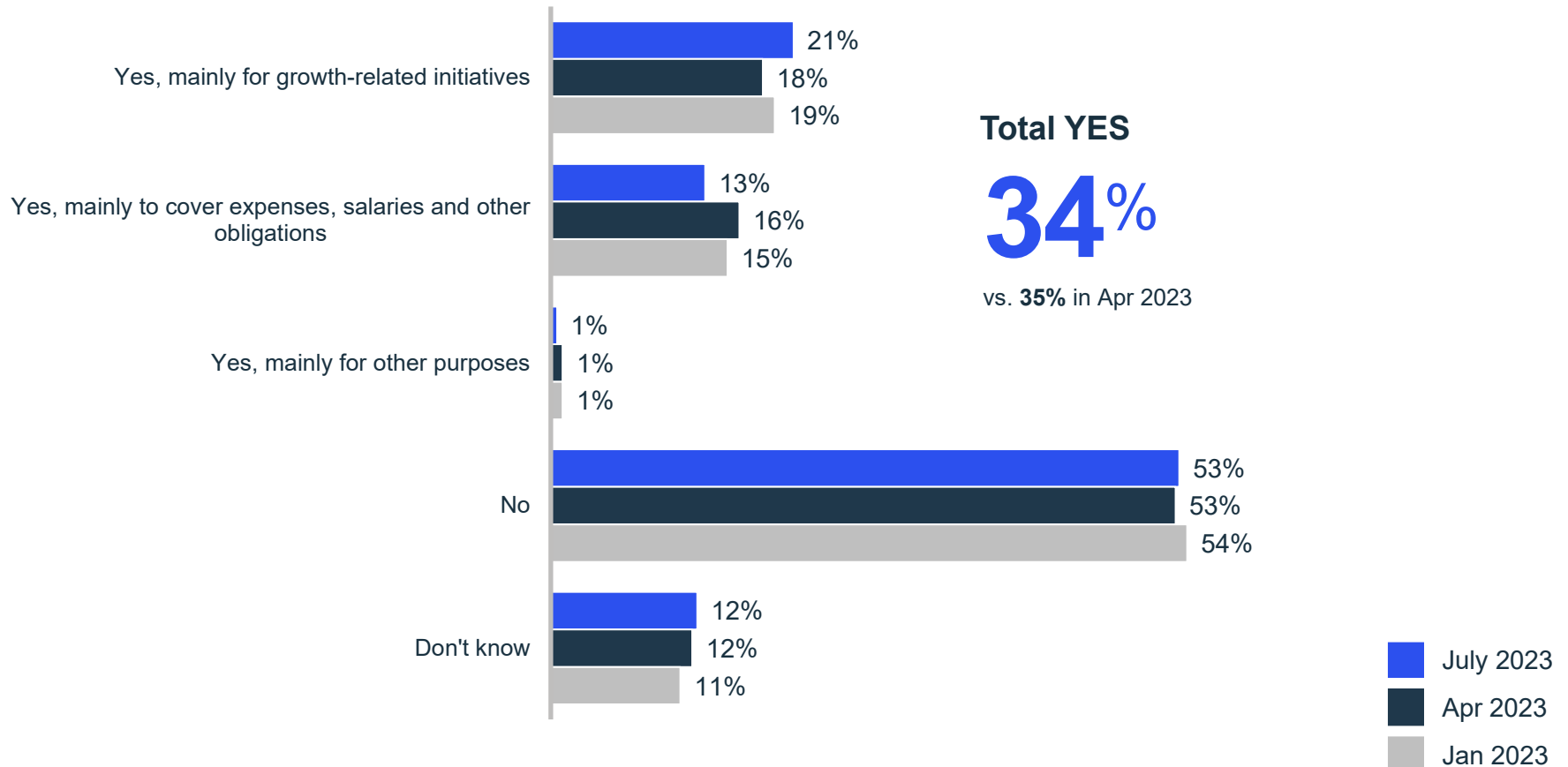

Don't need it
- 56% (July 2023)
- 62% (Apr 2023)
- 63% (Jan 2023)

Cost of financing is too high
- 19% (July 2023)
- 16% (Apr 2023)
- 15% (Jan 2023)

Don't want to add more debt / dilute company ownership
- 14% (July 2023)
- 12% (Apr 2023)
- 12% (Jan 2023)

Unfavourable terms and conditions
- 5% (July 2023)
- 4% (Apr 2023)
- 4% (Jan 2023)

Request would be turned down
- 3% (July 2023)
- 3% (Apr 2023)
- 2% (Jan 2023)

Would be too difficult or time-consuming
- 2% (July 2023)
- 2% (Apr 2023)
- 2% (Jan 2023)

Other
- 1% (July 2023)
- 1% (Apr 2023)
- 1% (Jan 2023)

Legend:
- July 2023
- Apr 2023
- Jan 2023

A third of those who don't know or don't plan on requesting financing said that financing would be helpful.

Q37b. Would it be **helpful** for your company **to obtain financing** over the next 12 months?

Total YES

34%

vs. **35%** in Apr 2023

Yes, mainly for growth-related initiatives
- 21%
- 18%
- 19%

Yes, mainly to cover expenses, salaries and other obligations
- 13%
- 16%
- 15%

Yes, mainly for other purposes
- 1%
- 1%
- 1%

No
- 53%
- 53%
- 54%

Don't know
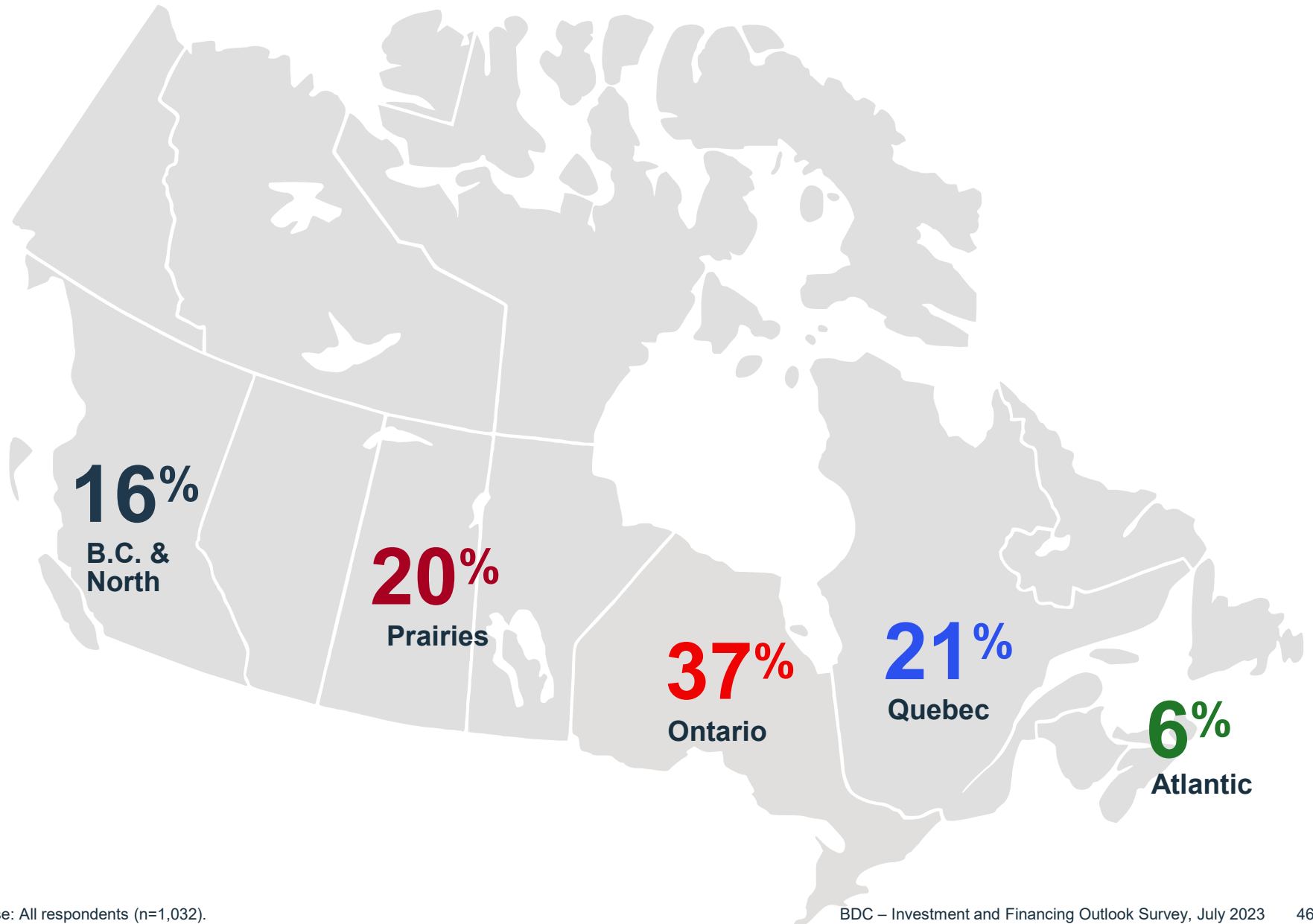- 12%
- 12%
- 11%

■ July 2023
■ Apr 2023
■ Jan 2023

Base: Respondents who will not or don't know if they will request financing in the next 12 months (n=765).
Those who did not know or preferred not to answer were excluded from the calculation base.
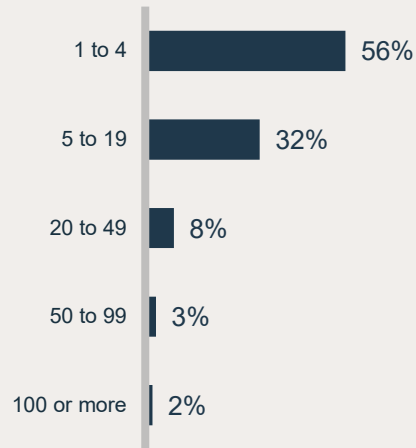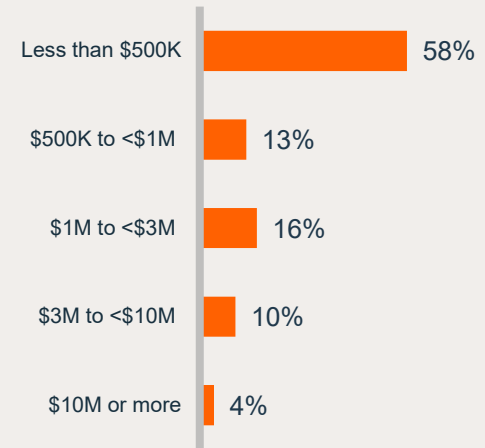
44

4

Respondent profile

Region

16%
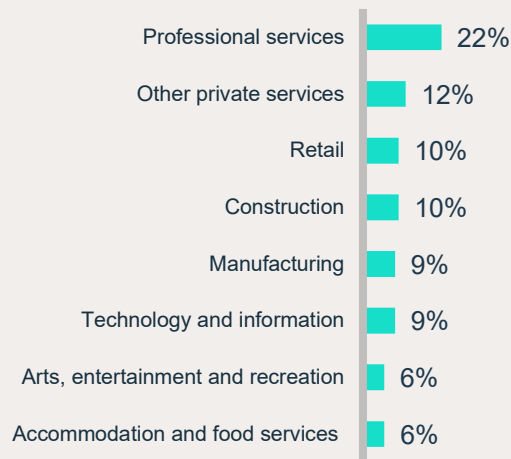**B.C. & North**

20%
Prairies

37%
Ontario

21%
Quebec

6%
Atlantic

SME respondent profile

Number of employees

Category	Percentage
1 to 4	56%
5 to 19	32%
20 to 49	8%
50 to 99	3%
100 or more	2%

Annual sales

Category	Percentage
Less than $500K	58%
$500K to <$1M	13%
$1M to <$3M	16%
$3M to <$10M	10%
$10M or more	4%

Sector of activity

Category	Percentage
Professional services	22%
Other private services	12%
Retail	10%
Construction	10%
Manufacturing	9%
Technology and information	9%
Arts, entertainment and recreation	6%
Accommodation and food services	6%

Revenue growth

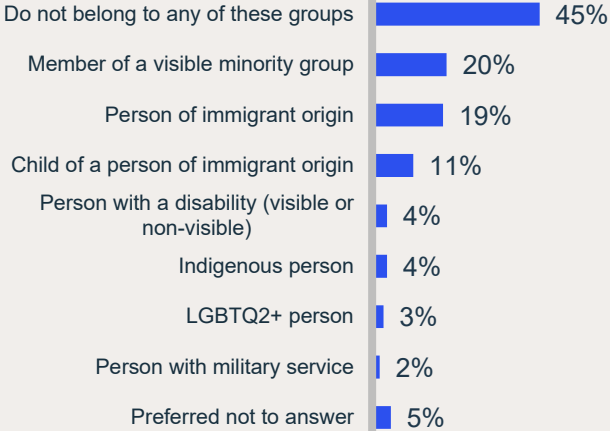| Category	Percentage
Negative growth	13%
0%	15%
>0% to <5%	43%
5% to <10%	19%
10% to <20%	7%
20% or more	3%

Base: Number of employees (n=1,032). For annual sales (n=962). For the sectors (n=1,017) only those with 6%+ respondents are presented. For revenue growth = Respondents for which company existed last year (n=953). Those who didn't know were excluded from the calculation base.
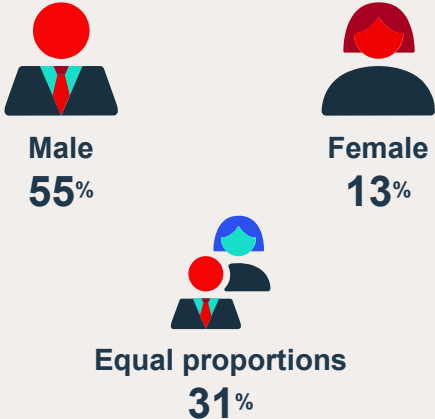
SME respondent profile

Diversity*

Do not belong to any of these groups	45%
Member of a visible minority group	20%
Person of immigrant origin	19%
Child of a person of immigrant origin	11%
Person with a disability (visible or non-visible)	4%
Indigenous person	4%
LGBTQ2+ person	3%
Person with military service	2%
Preferred not to answer	5%

Gender ownership

Male 55%

Female 13%

Equal proportions 31%

Base: For diversity(n=1,032). *Multiple mentions were allowed, therefore total exceeds 100%. For gender ownership (n=992). Those who did not know or preferred not to answer were excluded from the calculation base.

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Thank you

Research and market intelligence team

bdc *