

A man with grey hair, wearing a grey polo shirt, is sitting at a workbench in a workshop. He is looking intently at a silver laptop. The workshop is filled with various tools, including wrenches and sockets hanging on a rack to the right. There are shelves with supplies in the background. A red fire extinguisher is visible on the left. The overall scene is a busy, professional environment.

**EQUIFAX**<sup>®</sup>

Report

# Small Businesses Grapple with Financial Strain, Impacting Customers

Despite Economic Headwinds, New Business Openings on the Rise

Q2 2023 | Equifax<sup>®</sup> Canada Market Pulse Business Quarterly Credit Trends

October 2023



New data from Equifax Canada\* and a recent survey of small and medium-sized business (SMB) owners\*\* signal that significant challenges and concerns may lay ahead for their businesses.



Cash flow management is a pressing concern for 64 per cent of SMBs, with uncertainty about the upcoming holiday season cited as a major factor. Additionally, 53 per cent of SMBs struggle with limited access to business financing, and 18 per cent have faced past bankruptcy or insolvency, highlighting their financial difficulties. This complex financial landscape concerns 42 per cent of SMB owners.

Rising interest rates are also having financial consequences, as 75 per cent have raised their rates or pricing, and 69 per cent believe these rates negatively impact their businesses. Moreover, 57 per cent have customers who are past due on payments or invoices, with 46 per cent expecting this trend to continue in the next 12 months.

Staffing issues weigh heavily on business owners' minds, with 53 per cent expressing worry, while 43 per cent face challenges in recruiting and retaining employees.

## Confidence in the Economy and Upcoming Holiday Season

Business owners' confidence in the economy remains low, with only 10 per cent reporting heightened confidence for Q4 2023 compared to Q4 2022. This represents a significant decline from 24 per cent last year and 33 per cent in 2021. Similarly, only 15 per cent expressed increased optimism about the holiday season compared to the previous year, a notable decline from 25 per cent in 2022 and 36 per cent in 2021.

"Despite the significant financial challenges they face, small and medium-sized businesses are the backbone of our economy and have shown remarkable resilience, even in the toughest economic climates," said Jeff Brown, Head of Commercial Solutions at Equifax Canada. "They're dealing with staffing shortages, rising interest rates, and supply chain disruptions, but they persevere."

"Despite the significant financial challenges they face, small and medium-sized businesses are the backbone of our economy and have shown remarkable resilience, even in the toughest economic climates."

---

**Jeff Brown**

Head of Commercial Solutions, Equifax Canada



## Equifax Q2 2023 Business Credit Trends and Industry Insights

Established businesses are outpacing new businesses in trade growth, according to Equifax Canada data for Q2 2023. Credit card demand accounted for 62 per cent of new financial trade originations in Q1 2023, but rising financial stress is offset by pandemic savings, which is buoying business resilience. Average business debt has surged by 22.3 per cent from a year ago to \$44.7K, and industrial trade delinquencies are nearing pre-pandemic levels, which could be a sign of financial challenges ahead.

“The rising costs of doing business may threaten a wave of insolvencies,” said Brown. “Businesses will be dealing with the dual challenges of high inflation and the elevated cost of borrowing. We anticipate an increase in demand for credit, particularly from enterprises wrestling with existing debt. Additionally, companies impacted by natural disasters could experience extended recovery periods and require government support.”

Across Canada, new business originations surpassed pre-pandemic levels in Q2, driven by seasonal trends. Year-over-year, several provinces saw significant increases: Alberta (27.4 per cent), B.C. (33.6 per cent), Ontario (34.7 per cent), and Quebec (24.1 per cent). Credit utilization for lines of credit (LoCs) and credit cards, which initially dropped during the pandemic, is rebounding. Since January 2022, LoC balances rose by 21 per cent, and credit card balances increased by 22.6 per cent annually, partly due to high rates of new card originations. The emergence of new businesses in Q2 contributed to increased credit demand, though not yet at pre-pandemic levels.



## Government Support and Debt Repayments

Government-backed loans, like CEBA, were crucial for Canadian businesses, with 36 per cent of respondents utilizing them. However, concerns remain, as 36 per cent anticipate negative impacts, 45 per cent aim to clear debts by year-end, and 47 per cent foresee repayments extending into 2024. Simultaneously, 59 per cent of business owners stated that they feel unsupported by the government, with 47 per cent lacking sufficient government credit for Q4 2023. An overwhelming 84 per cent call for increased government intervention to address these challenges and support small businesses.

## Tech Awareness Grows, Credit Score Knowledge Lags

Business owners are increasingly aware of their financial profiles, with 58 per cent recognizing their ability to access business credit reports. However, this awareness does not always extend to credit scores, as only 36 per cent of those familiar with business credit reports know their actual credit scores. Additionally, nearly half of business owners anticipate significant changes due to artificial intelligence (AI), with 49 per cent expecting it to reshape the competitive landscape, 44 per cent foreseeing alterations in the service delivery model, and 46 per cent believing that AI will disrupt their business models.

Equifax Canada continues to monitor the credit landscape closely and [provides crucial data to support businesses and lenders](#) so they can make informed credit decisions during these uncertain times.

\* Based on Equifax data for Q2 2023

\*\* The survey was conducted between August 28 and September 12, 2023, via Leger's online panel. It included 300 Canadian SMB owners in the food, construction, retail, and travel industries.

[Sign up](#) to get the latest quarterly small business data, insights and trends.

---

### Contact your Equifax Account Representative to learn more



1.855.233.9226



[solutions.ca@equifax.com](mailto:solutions.ca@equifax.com)



[consumer.equifax.ca/business/contact-us/](https://consumer.equifax.ca/business/contact-us/)

### Let's stay connected



### About Equifax

At Equifax (NYSE: EFX), we believe knowledge drives progress. As a global data, analytics, and technology company, we play an essential role in the global economy by helping financial institutions, companies, employers, and government agencies make critical decisions with greater confidence. Our unique blend of differentiated data, analytics, and cloud technology drives insights to power decisions to move people forward.

Headquartered in Atlanta and supported by more than 14,000 employees worldwide, Equifax operates or has investments in 24 countries in North America, Central and South America, Europe, and the Asia Pacific region. For more information, visit [Equifax.ca](https://www.equifax.ca).

© Equifax Canada Co., 2023. All rights reserved. Equifax and the Equifax marks used herein are trademarks of Equifax Inc. Other product and company names mentioned herein are the property of their respective owners.

This report is for informational purposes only and is not legal advice and should not be used, or interpreted, as legal advice. The information is provided as is without any representation, warranty or guarantee of any kind, whether express or implied. Equifax Canada will not under any circumstances be liable to you or to any other person for any loss or damage arising from, connected with, or relating to the use of this information by you or any other person. Users of this information should consult with their own lawyer for legal advice.