



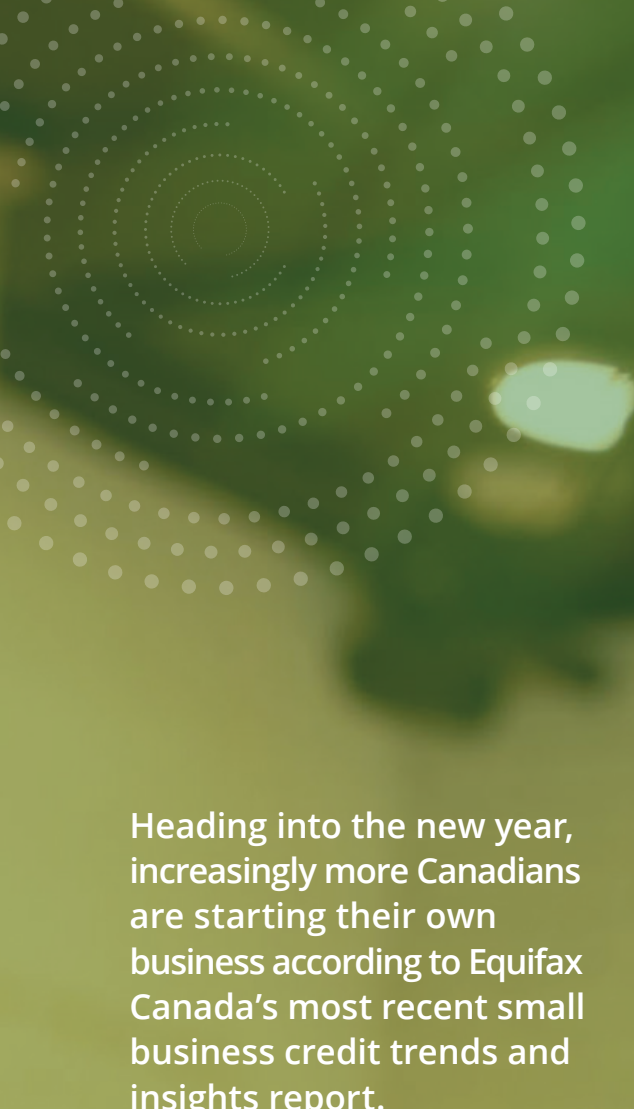
EQUIFAX[®]

Report

Small Business Revival is Underway

Q3 2021 Small Business Credit Trends
and Economic Insights

December 2021



Heading into the new year, increasingly more Canadians are starting their own business according to Equifax Canada's most recent small business credit trends and insights report.



The entrepreneurial spirit is alive and well

While the number of new financially active businesses isn't quite as high as it was prior to the pandemic, a 40 per cent increase nationally is being stoked by Alberta and Atlantic Canada.

New Business growth comparison rates (by province)

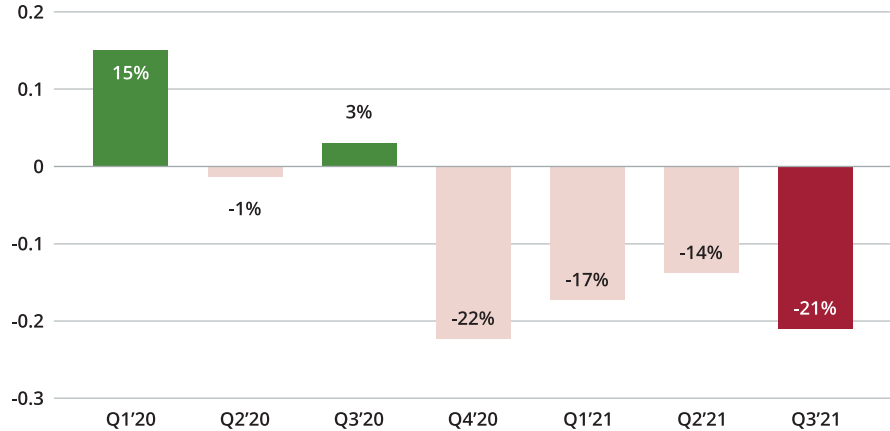
	AB	BC	ON	QC	Prairie	Atlantic	Northern	Overall
Q3 2021 vs. Q3 2020	72%	56%	48%	-5%	56%	62%	55%	40%
Q3 2021 vs. Q3 2019	-27%	-31%	-37%	-37%	-11%	-43%	5%	-34%

“There’s a **small business** revival happening, as we’ve seen tens of thousands of new businesses emerge in 2021,” said Jeff Brown, Small and Medium Business Leader, Equifax Canada. “These numbers bode well for future growth because historically new businesses are twice as likely to start and become financially active in the spring, between May and July. The entrepreneurial spirit is alive and well in Canada.”

Forecast Calls for Increased Demand for New Credit

While consumer spending has increased, it appears that the government’s small business subsidies and credit facilities provided a financial cushion for business owners throughout the third quarter, reducing the need for higher interest credit with lenders.

Business Credit Inquiries (YoY % Change)



Source: Equifax Canada, Commercial Database

Small business credit established with their suppliers was down by 20 per cent year-over-year, in comparison to small business credit established with their banks, which is up 30 per cent year-over-year. Given that this is compared to last year’s COVID lockdowns, pre-vaccine levels, this lower demand for credit is strikingly low, according to Brown.

“Canadian businesses remained artificially supported by government subsidies and credit facilities in Q3, but that’s coming to an end,” said Brown. “With the [reduction of federal small business support programs](#), we anticipate an upcoming resurgence for banks and suppliers in the amount of credit that will be requested by small businesses.

“This upcoming increased credit demand will put stress on lenders and suppliers alike, challenging them with whether or not they know what a successful post-government assistance small business looks like. We anticipate continued risk aversion by credit managers servicing the hospitality industry, as well as those industries struck by supply chain issues like the automotive space. Recovery in those industries will remain slow throughout 2022.”

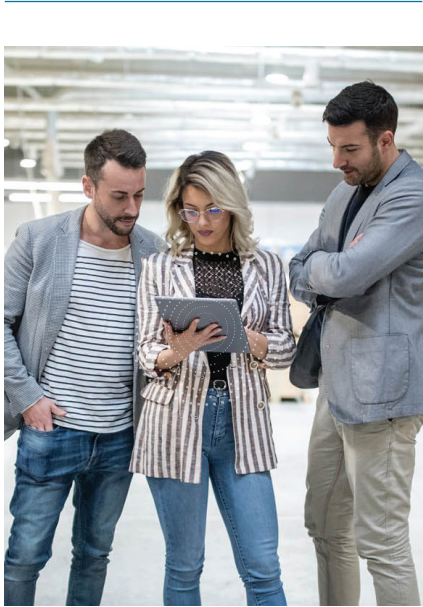
Delinquencies Continue to Decline

Small business delinquencies continued to hit record lows, which means that any credit that small businesses have been establishing during the pandemic has been meeting the expectations of their lenders and suppliers.

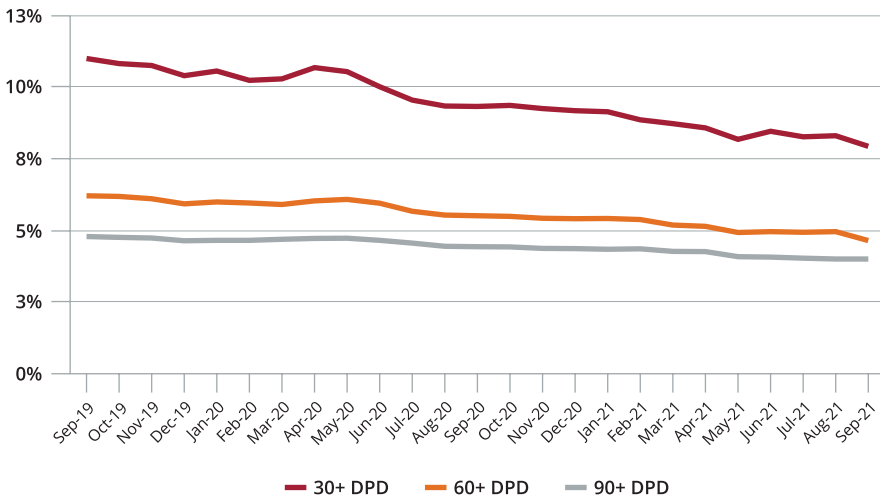
Atlantic Canada and the Prairies had the highest drop in 90-plus day delinquencies, year-over-year, with a 26.2 per cent and 21.1 per cent decline respectively. Both regions are showing a stronger long-term outlook than other provinces where long term debt is concerned.

“Moving forward, small businesses need to lean in and understand their government-based debt obligations,” added Brown. “With over 75 per cent of businesses taking advantage of the interest free, government backed loans, they need to weigh the pros and cons of attempting to pay these loans back before the end of 2022, versus chipping away at them over the next several years.”

Through the Canada Emergency Business Account (CEBA), the federal government has extended over \$49B to over 898K businesses since the beginning of the pandemic. Interest will start to accrue on these loans by the end of 2022, as will the end of forgiveness eligibility if the full amounts aren’t paid back prior to the beginning of the interest accrual period. The federal government will be watching this closely in Q1 to track small business growth and recovery.



Overall Commercial Delinquency rates (volume)



How Equifax can help your small business clients

There are many aspects to [running a small business](#). Is risk management one of your clients' top priorities? Reputational risk, operational risk and financial risk are real concerns for Canadian business owners and all need to be handled with care.

Equifax has a long history of helping small and medium-sized businesses manage their financial and operational risk, while also providing best practices and solutions for maintaining a positive reputation.

Maintaining a healthy business credit profile is important for the reputation and future growth of a business. Regularly checking their [business credit report](#) enables your clients to know what lenders, service providers and potential partners are learning about their business. Let us help improve your business credit portfolio and make it easier to help small businesses grow.

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