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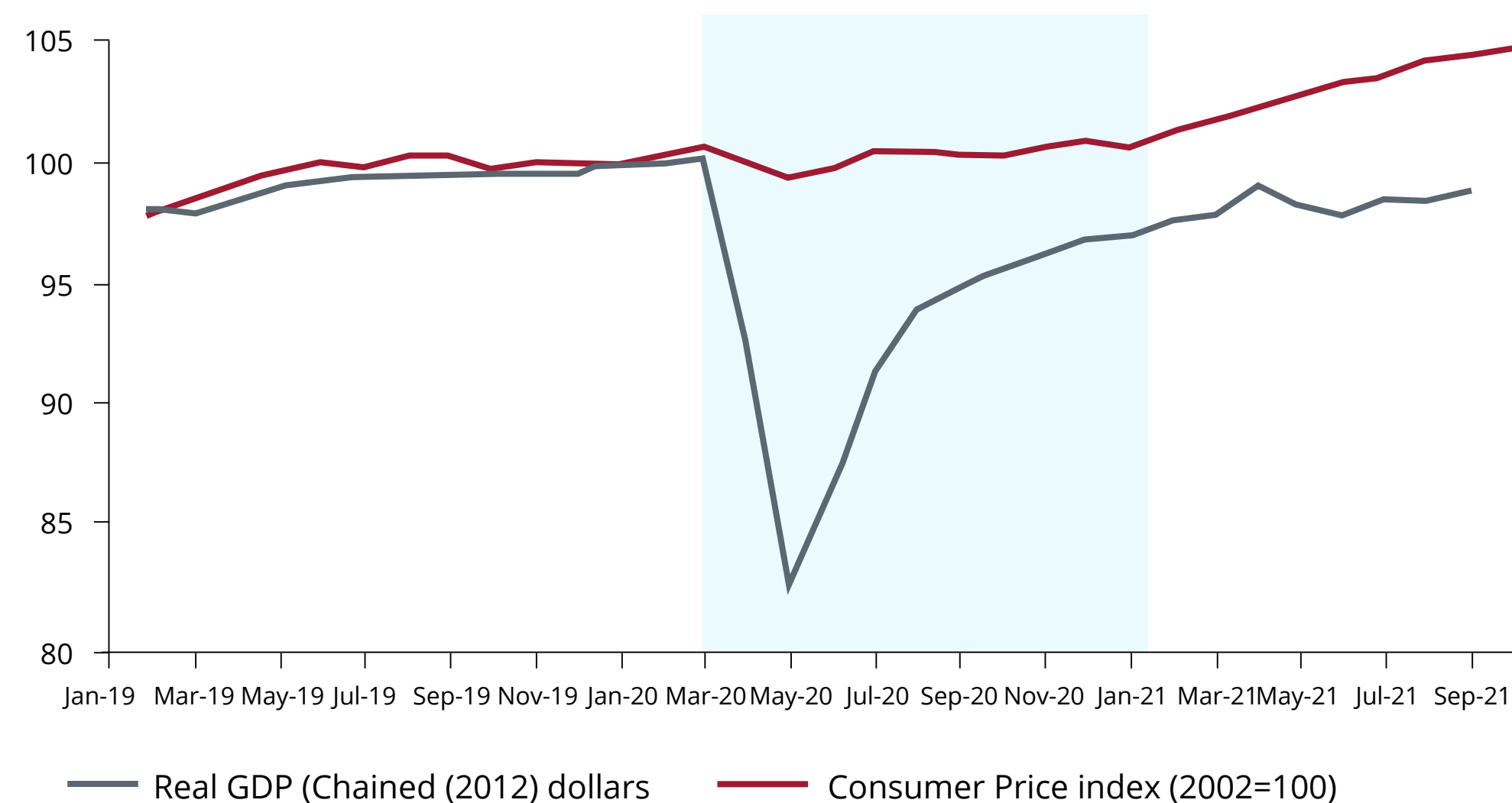
Pandemic recovery: Canadian small businesses

Q3 2021 Commercial credit trends and industry insights
December 2021

GDP has yet to reach pre-pandemic levels but inflation has started to rise

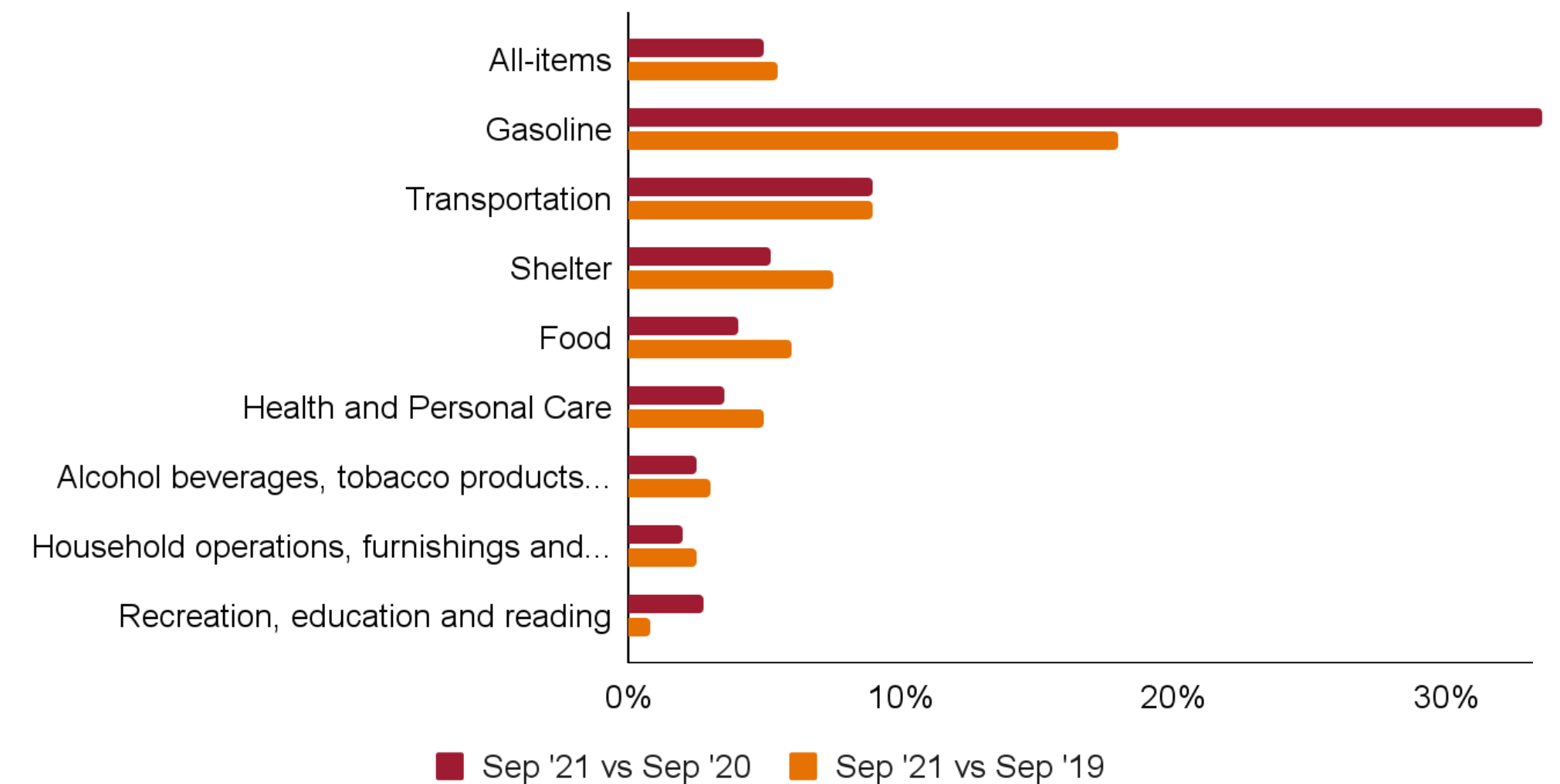
Pent up consumer demand along with a strong housing market contributing to the **rise in inflation**

Indexed Dec 2019=100



Inflation jumped 4.4% in September 2021 when compared to last year and prices are going up across key industries

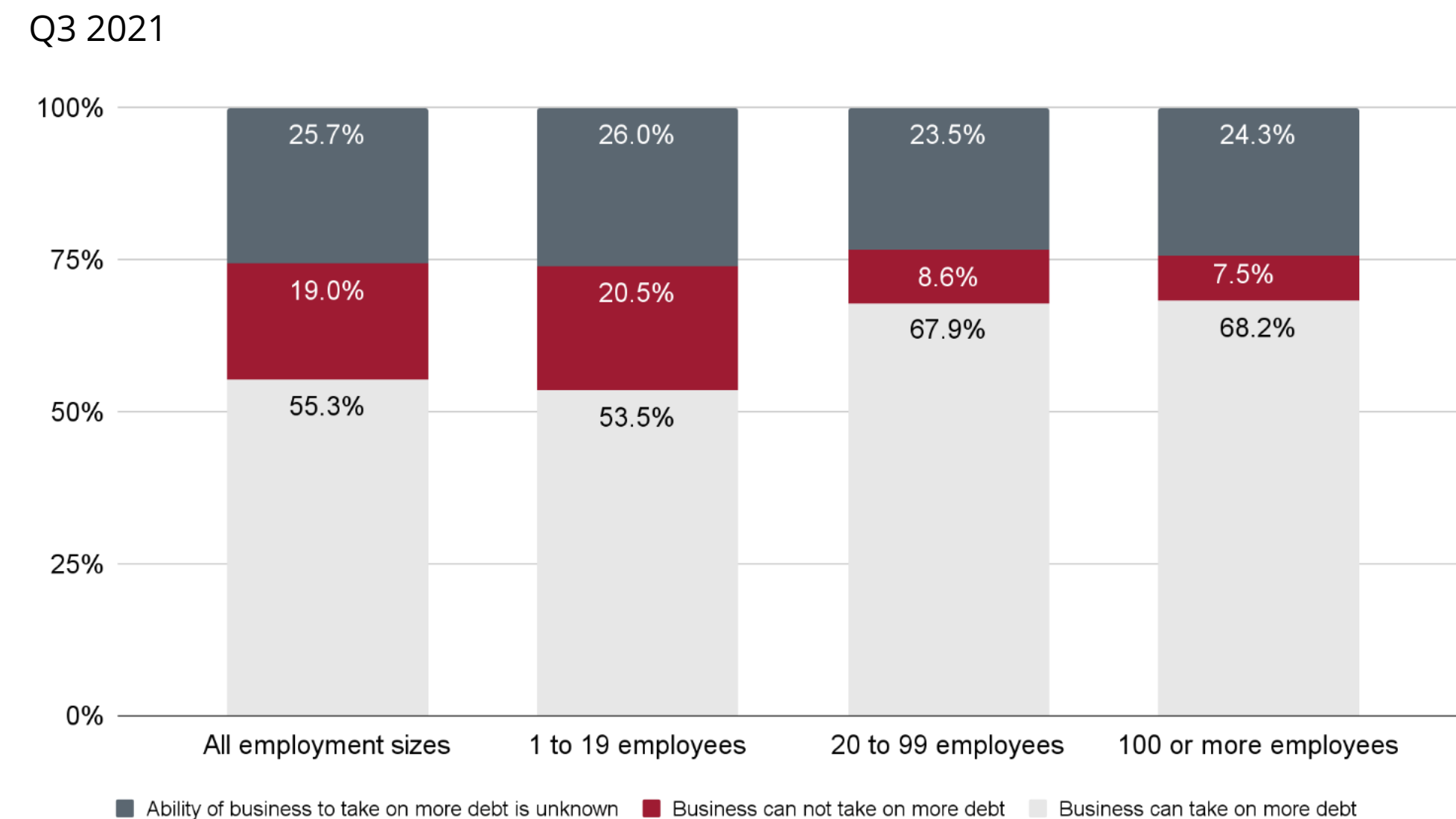
Consumer Price Index (2002=100)



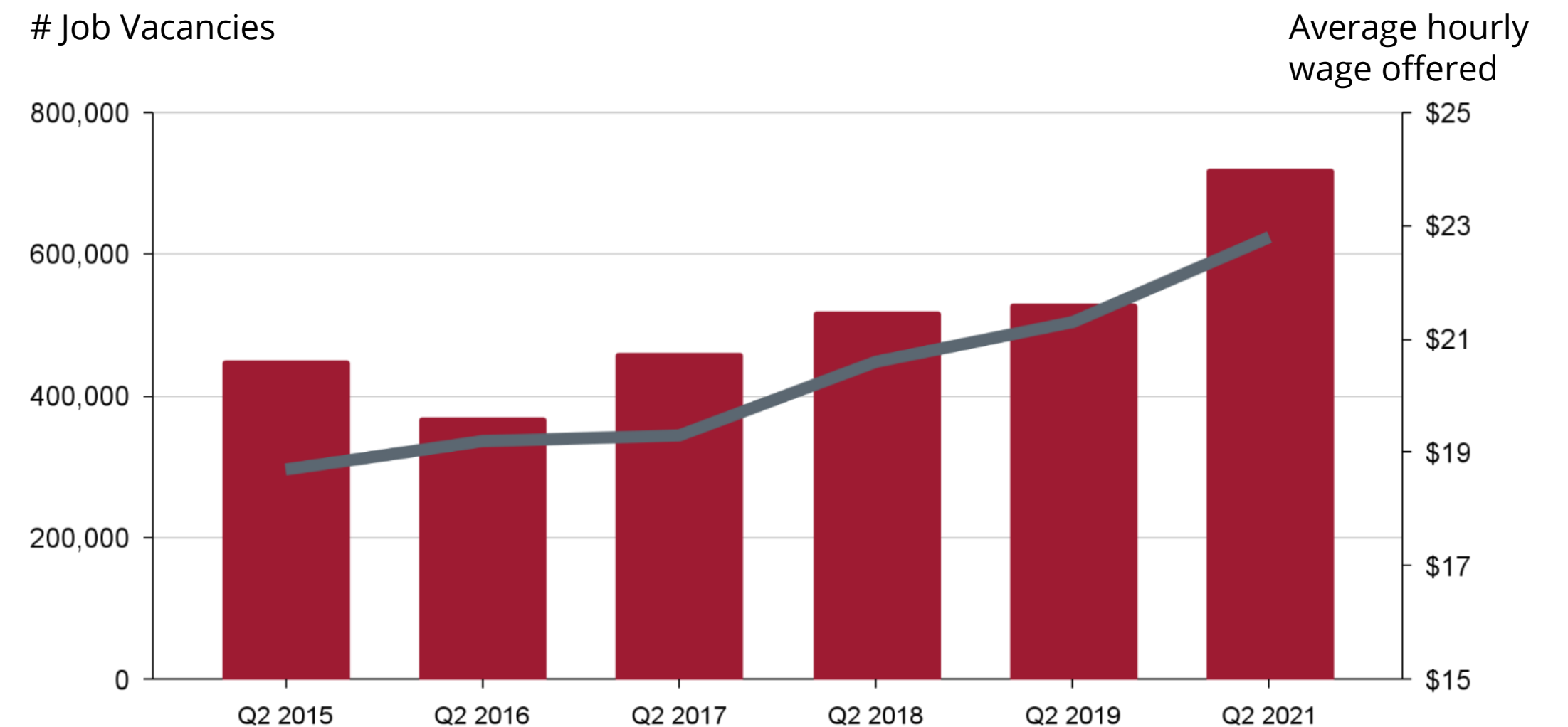
Source: Statistics Canada; [Table 36-10-0434-01 Gross domestic product \(GDP\) at basic prices, by industry, monthly \(x 1,000,000\)](#); [Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted](#)

Small businesses may take longer to recover from the pandemic

Many small businesses which are heavily leveraged will find it difficult to take on more debt



Over 700,000 job vacancies created in Q2 2021, 26% higher than Q2 2019 while average hourly wage offered increased by 7% when compared to pre-pandemic period

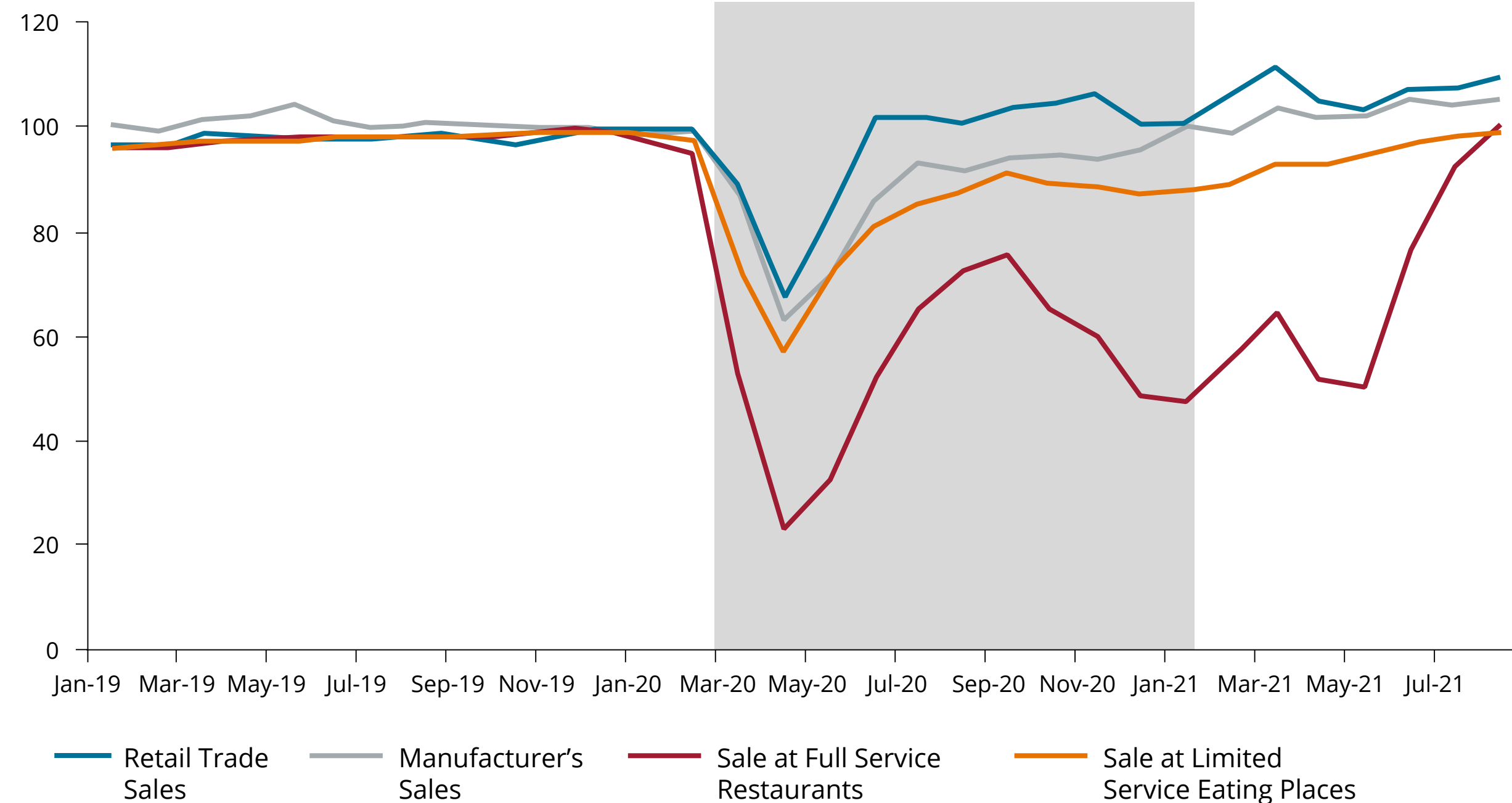


Source: Statistics Canada; (Table 33-10-0386-01) Canadian Survey on Business Conditions, third quarter of 2021

Source: Statistics Canada; [Table 14-10-0325-01](#) Job vacancies, payroll employees, job vacancy rate, and average offered hourly wage by provinces and territories, quarterly, unadjusted for seasonality

Not all is doom and gloom as sales pick up with some sectors tracking higher than pre-pandemic levels

Indexed Dec 2019=100



Lockdowns ended and COVID restrictions eased across all provinces



Pent up consumer demand can boost sales and help small businesses

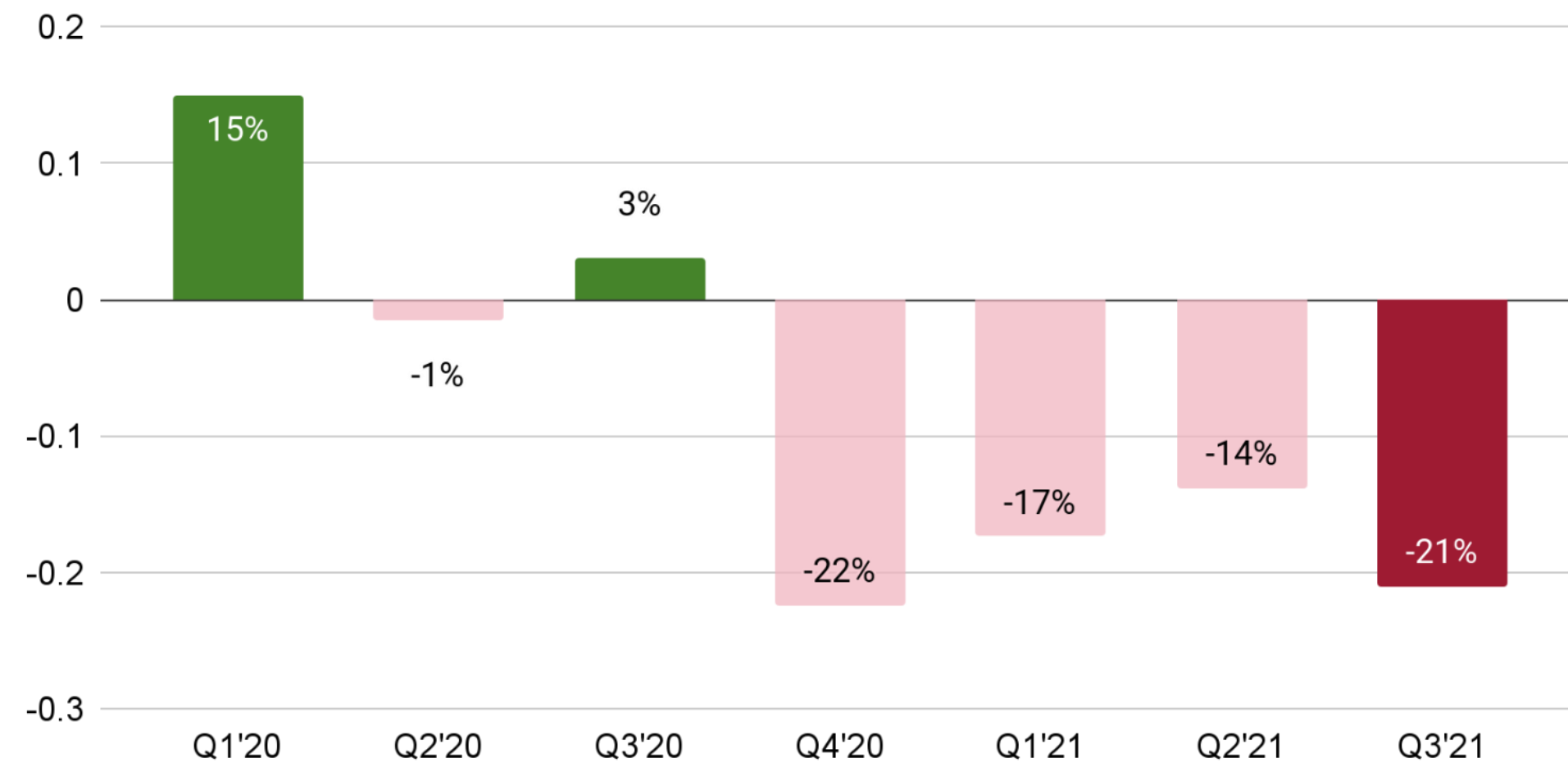
Source: Statistics Canada; Table 20-10-0008-01 Retail trade sales by province and territory (x 1,000); Table 16-10-0047-01 Manufacturers' sales, inventories, orders and inventory to sales ratios, by industry (dollars unless otherwise noted); Table 21-10-0019-01 Monthly survey of food services and drinking places (x 1,000)



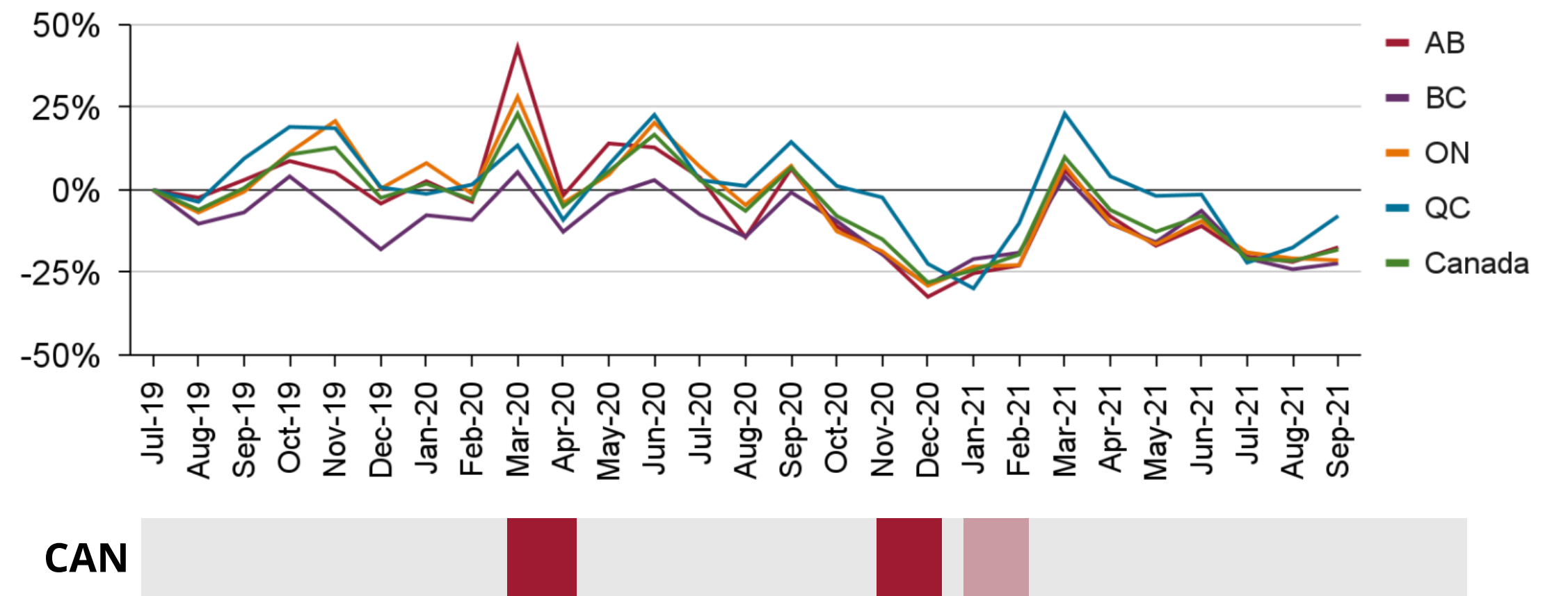
Small Business Credit Trends Back in business ?

New Credit Inquiries continues to remain lower YoY indicating a long road to recovery

Business Credit Inquiries (YoY % Change)



Inquiries across Key Provinces (indexed to Jul'19)



Overall Business Credit Inquiries for Q3'21 are still down by -21% YoY when compared to the same time last year

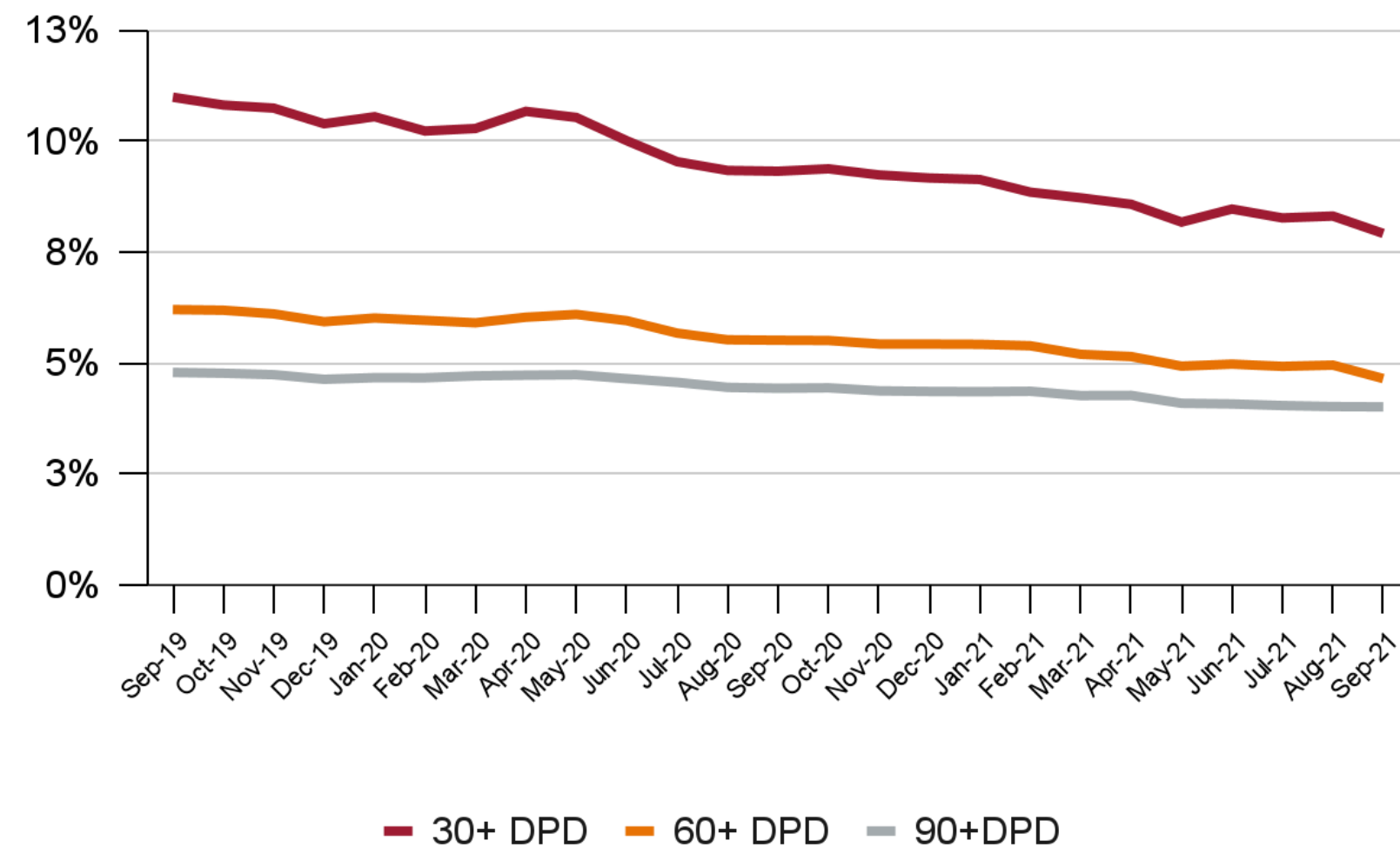
Quebec has led the demand for new business credit as we emerge from the pandemic

* Source: Equifax Canada, Commercial Database

Continued federal support has helped commercial delinquencies trend down from previous quarters

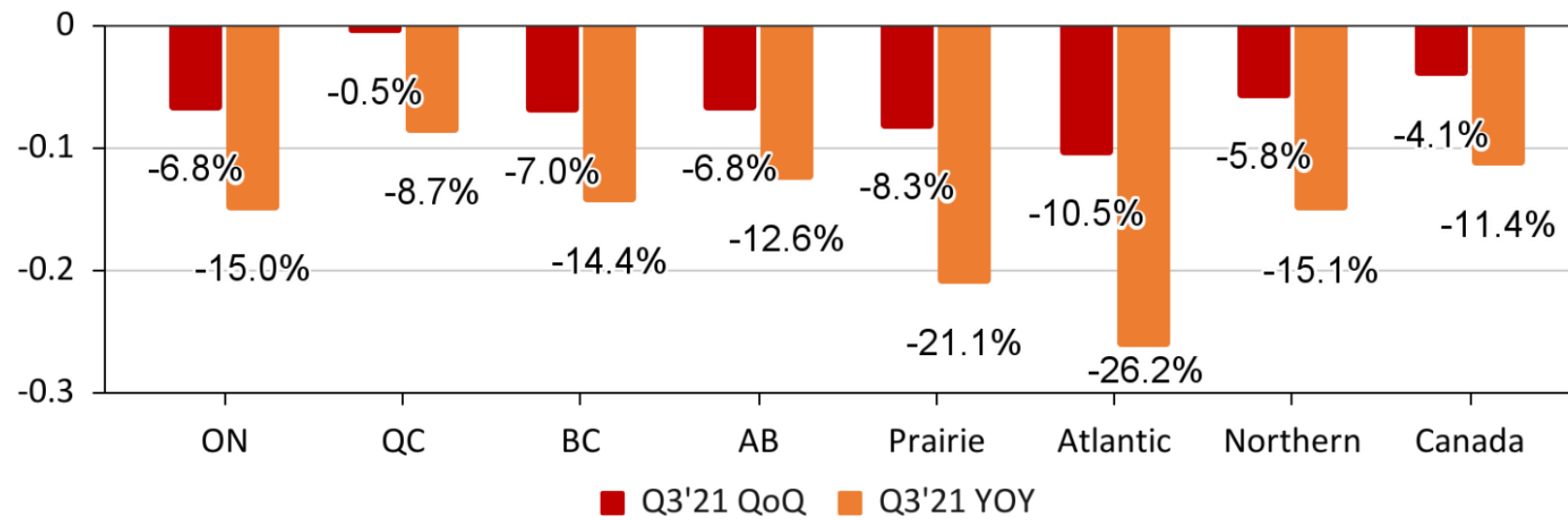
Delinquencies went up early on in COVID, but it stabilized later with the government emergency response and has been trending down in the recent months

Overall Commercial Delinquency rates (volume)



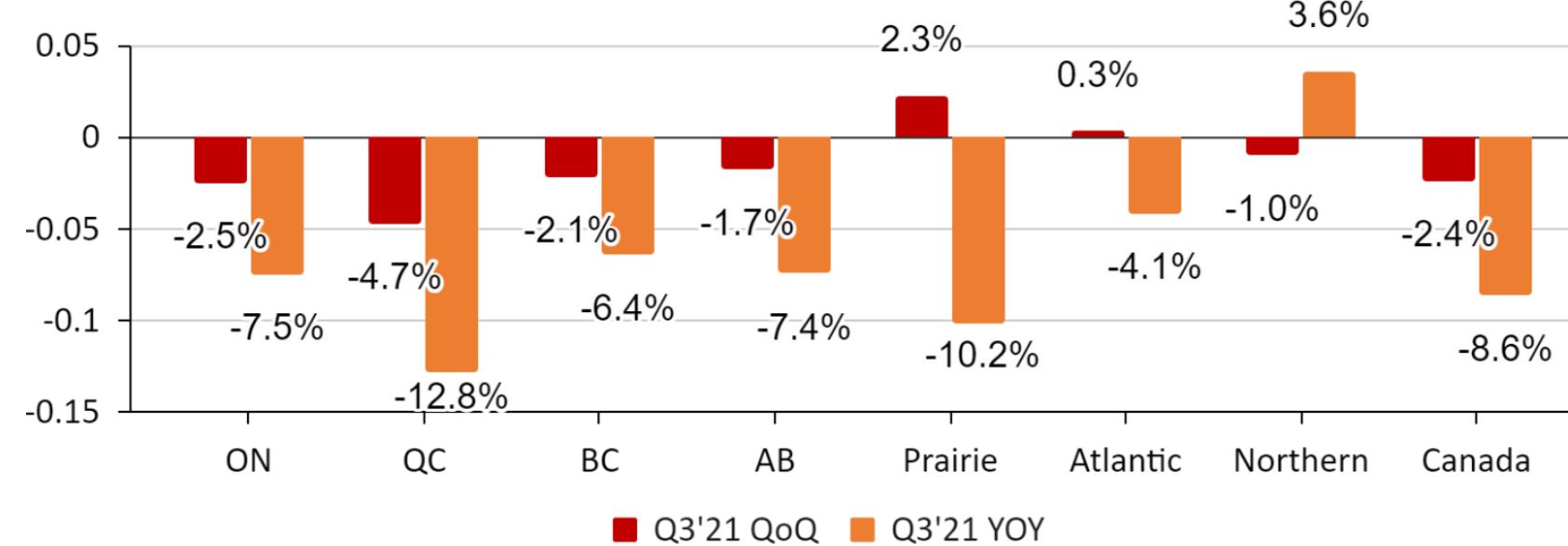
Drop in delinquencies is consistent with some regional variations

90+ Financial Trade Delinquency Rate Change (volume)



Atlantic & Prairies had the highest drop in financial delinquencies, while QC had the least variation

90+ Industrial Trade Delinquency Rate Change (volume)



Industrial delinquencies dropped **8.6%** YoY across Canada

Bankruptcies have continued to remain low until now

Bankruptcy rate remained lower YOY and lower than the pre pandemic levels and but shows some regional variations

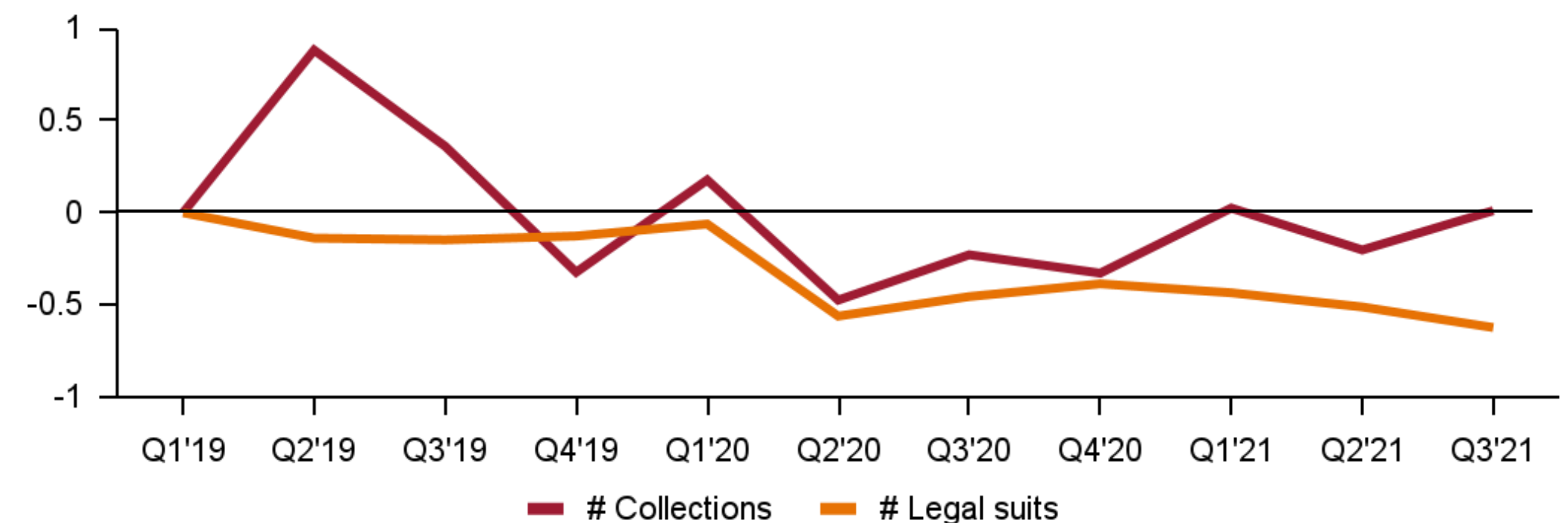
Federal support has helped keep bankruptcies low

	% BK rate	% YoY (Q3' 20)	% QoQ	% YoY (Q3' 19)
AB	0.001%	9.4%	-47.6%	-52.6%
BC	0.001%	-48.8%	-38.3%	-40.0%
ON	0.002%	-2.4%	4.7%	7.0%
QC	0.008%	-23.6%	-21.5%	-38.2%
Prairie	0.001%	159.3%	164.2%	-3.1%
Atlantic	0.0005%	-73.4%	-57.5%	-83.9%
Northern	0.000%	-	-	-
Canada	0.000%	-18.2%	-17.0%	-31.4%

Collections & Legal suit filings remained lower than the pre-pandemic level but has risen from the lows of Q2 2020

Lockdowns had a direct impact on business activities including collections & legal suits

of Collections & Legal Suits (indexed to Q1'19)



Bottom Graph: Details of lockdown periods since 2020

■ Lockdown
 ■ Partial Lockdown
 ■ Open

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