

Investment & Financing outlook

SME business investment and
financing outlook survey, wave 23

Research report

Research and Market Intelligence at BDC



October 2024

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Key highlights

Current state of the situation:

More SMEs are profitable and expect improvements in their sales in the next 12 months. Despite issues with debt repayment, most indicators have improved for SMEs.



SMEs' expectations regarding their sales and cash flow has improved, but debt repayment remains a concern



40% believe that economic conditions will deteriorate in the next 12 months
(unchanged)



33% think that their cash flow situation will improve
(+5pts↑)



30% say that debt repayment is limiting business activities
(+5pts)

More SMEs are profitable, and growth projects are on the agenda

85%

Stand below full capacity operation
(+4pts)

65%

Are profitable
(+5pts)

38%

Have used or will use significant resources for growth projects
(+11pts↑)

Access to financing has improved considerably over the last year and months

54%

Are deemed bankable
(-3pts)

48%

Say that FIs totally meet their needs
(unchanged)

36%

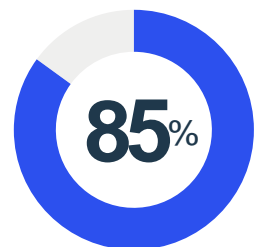
Believe that access to financing will be difficult
(-11pts)

Investment outlook:

Confidence among SMEs planning to invest continues to increase. More than half of SMEs plan to invest, but some external factors could limit investments.



Investment intentions increased statistically since the last wave



Plan to invest
about the same
amount or more
(+1pt)



Type of investment	Plan to invest	Same amount or more
Non-residential building	28% (+6pts↑)	85% (+2pts)
Machinery & equipment	43% (+6pts↑)	86% (+3pts)
Intangible assets	48% (+6pts↑)	86% (+1pts)

55%

of those planning to invest are **confident** they will pursue their investment in the next 12 months
(+3pts)

SMEs' main investment goals:



Improving sales
and marketing

37%
(-4pts)



Increasing
efficiency

34%
(-1pt)



Adopting new
technology

27%
(+5pts)

What could limit SMEs' investments?

29%

High economic uncertainty
(-1pt)

26%

High input costs
(+3pts)

22%

Low demand
(-1pt)

Interest rates
(-4pts)

Note: Numbers in parentheses and arrows indicate differences between this wave and the previous one. If there are no arrows next to the percentage, it indicates that the difference is not statistically significant.

Financing outlook:

Approval rates continue to rise and have improved considerably over a one-year span, so does perceived ease of access to financing.

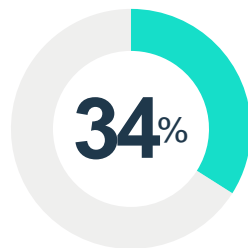


79%

of those who requested financing were **approved**

(+1pt)

A greater proportion of SMEs requested financing in the past months



Requested financing in the last 3 months

(+9pts↑)

Those who asked for financing mainly turned to:



A financial institution

71%
(-2pts)



A government program or crown corporation

32%
(+6pts)



A large tech or fintech lender

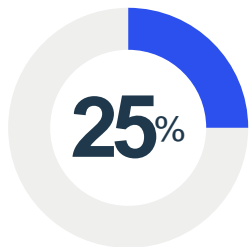
19%
(+3pts)



Private lenders / family offices

10%
(-4pts)

Planned financing requests also have increased significantly



Plan to request financing over the next 12 months

(+6pts↑)



70% Will need short-term financing
(-5pts)

44% For growth-related projects
(+1pt)

42% Will request up to \$100,000
(+5pts)

34% To cover expenses
(-7pts)

Perceived ease of access has improved

64%

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

(+11pts)

Note: Numbers in parentheses and arrows indicate differences between this wave and the previous one. If there are no arrows next to the percentage, it indicates that the difference is not statistically significant.

2



Methodology

Methodology



Survey methodology

- ➔ Online tracking survey.

Respondent profile

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

Survey dates

- ➔ October 3rd to 18th, 2024.

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 1,018 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.

3_a



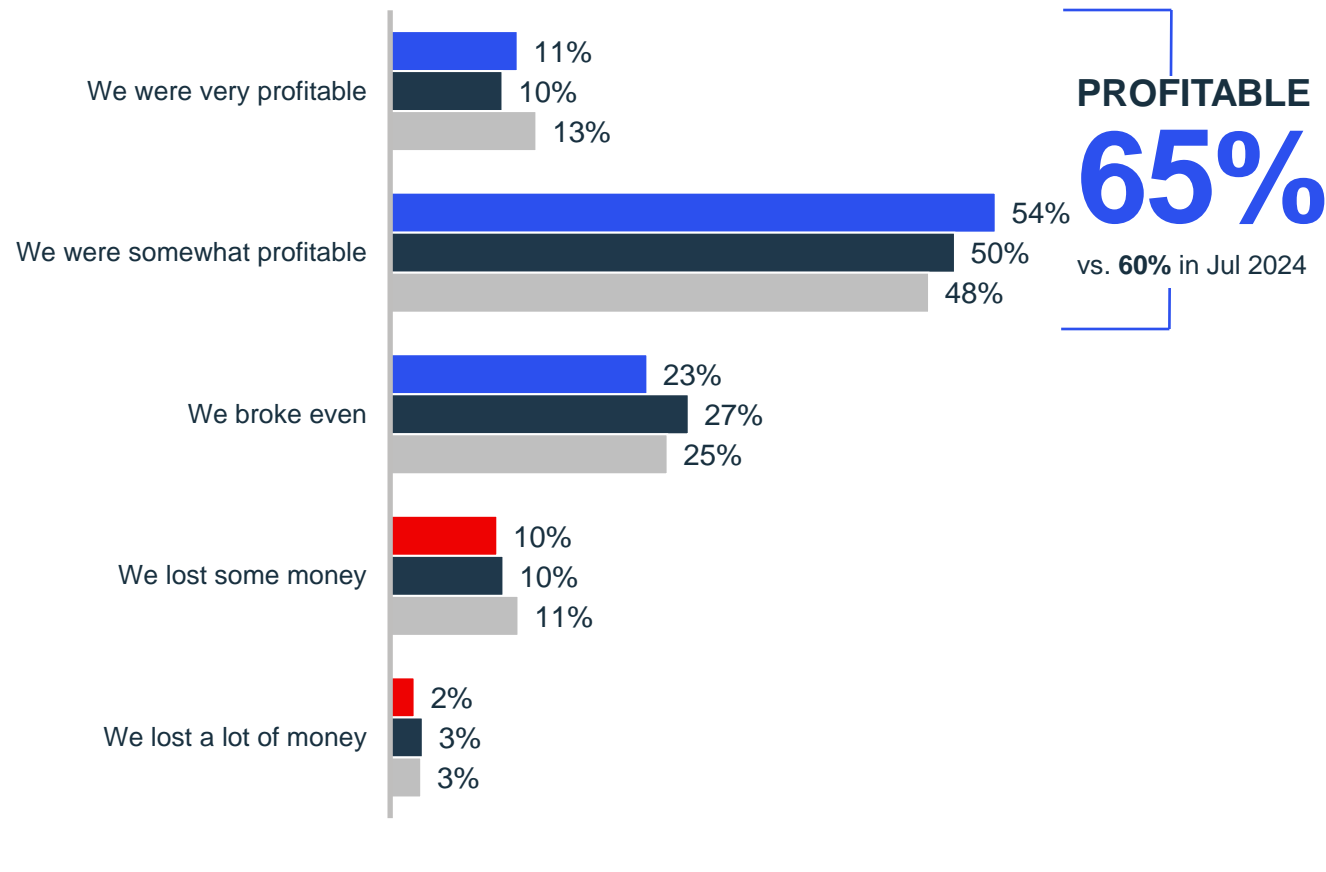
SME current state
and expectations

Business profitability profile

The proportion of SMEs who indicated being profitable is trending upwards, thanks to an increase in the “somewhat profitable” and fewer SMEs that broke even.



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



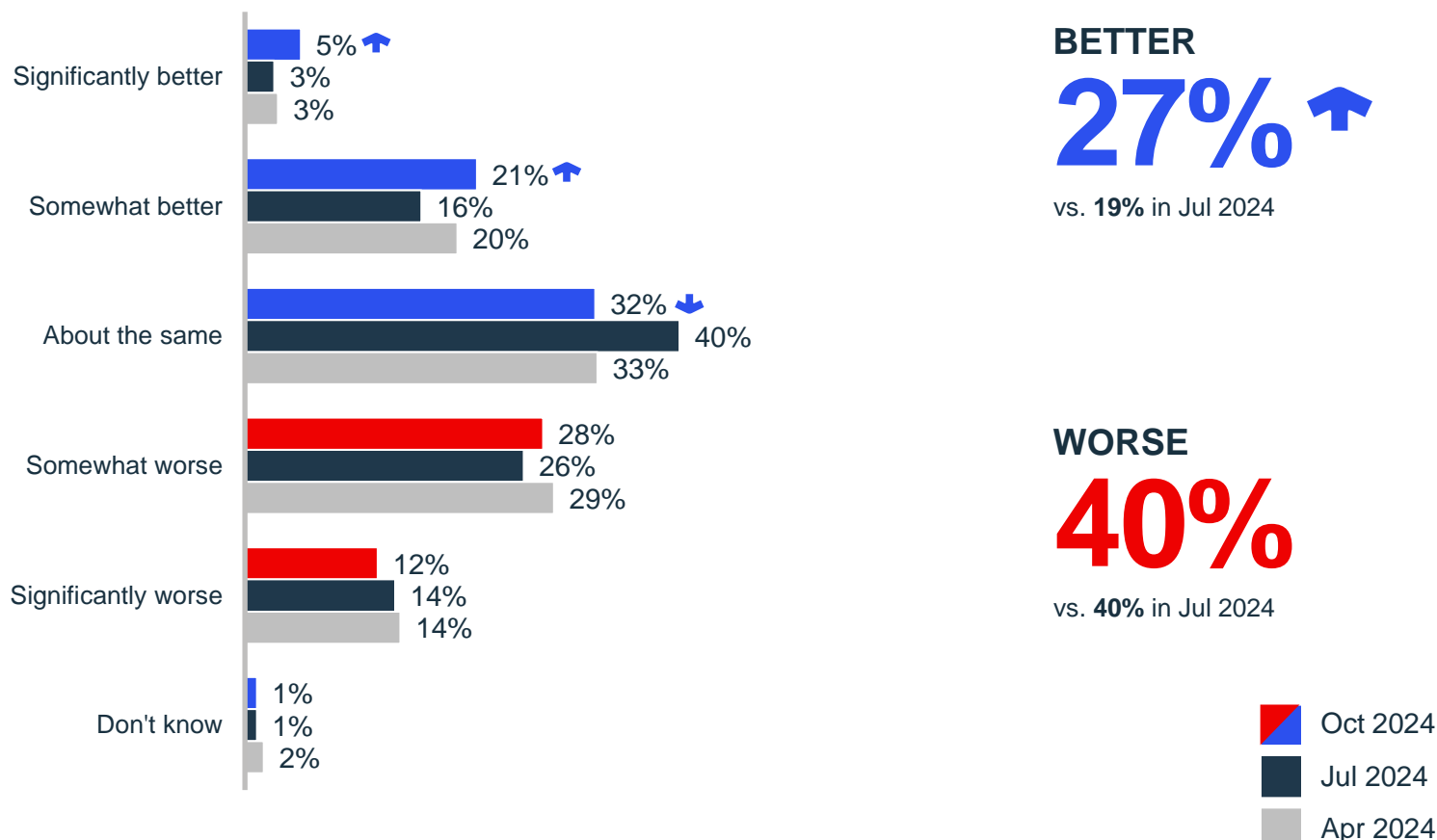
Base: All qualified respondents (n=987).
Those who did not know or preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

Economic condition forecasts

A significantly greater proportion of SMEs expect economic conditions to improve, especially those with 5 or more employees.



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?



Base: All qualified respondents (n=1018).

Those who preferred not to answer were excluded from the calculation base.

Arrows indicate statistical differences between this wave and the previous one.

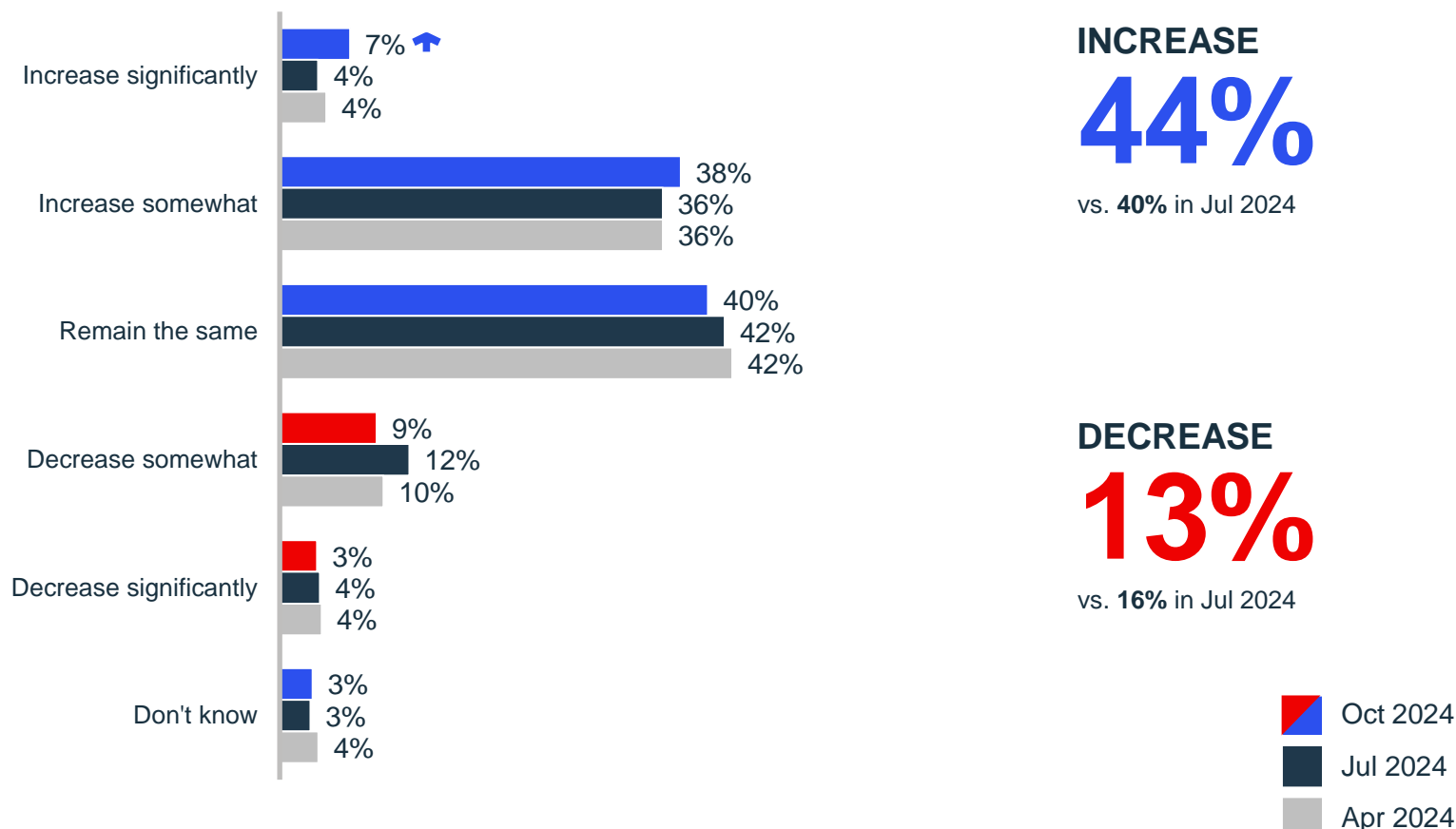
* Micro-businesses are SMEs with fewer than 5 employees and sales under \$500,000.

Sales and revenue forecasts

There is an improvement in SMEs' sales outlook for the year, especially among growing SMEs. Conversely, many micro-businesses* do not share that level of optimism.



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?



Base: All qualified respondents (n=1009).

Those who preferred not to answer were excluded from the calculation base.

Arrows indicate statistical differences between this wave and the previous one.

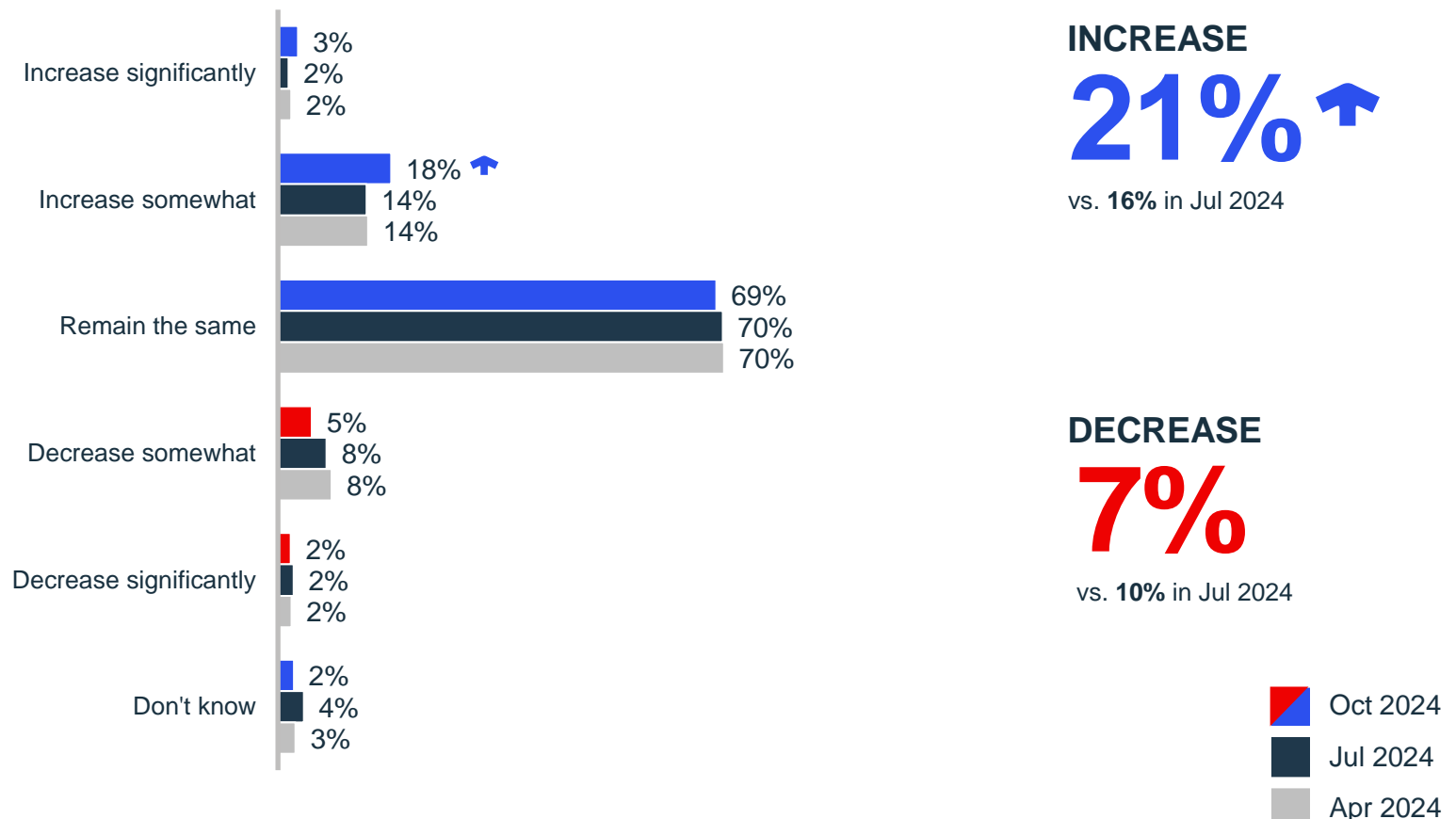
* Micro-businesses are SMEs with fewer than 5 employees and sales under \$500,000.

Forecasted employee count

With improved economic optimism, one in five SME plans to increase its personnel.



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?



Base: All qualified respondents (n=1010).

Those who preferred not to answer were excluded from the calculation base.

Arrows indicate statistical differences between this wave and the previous one.

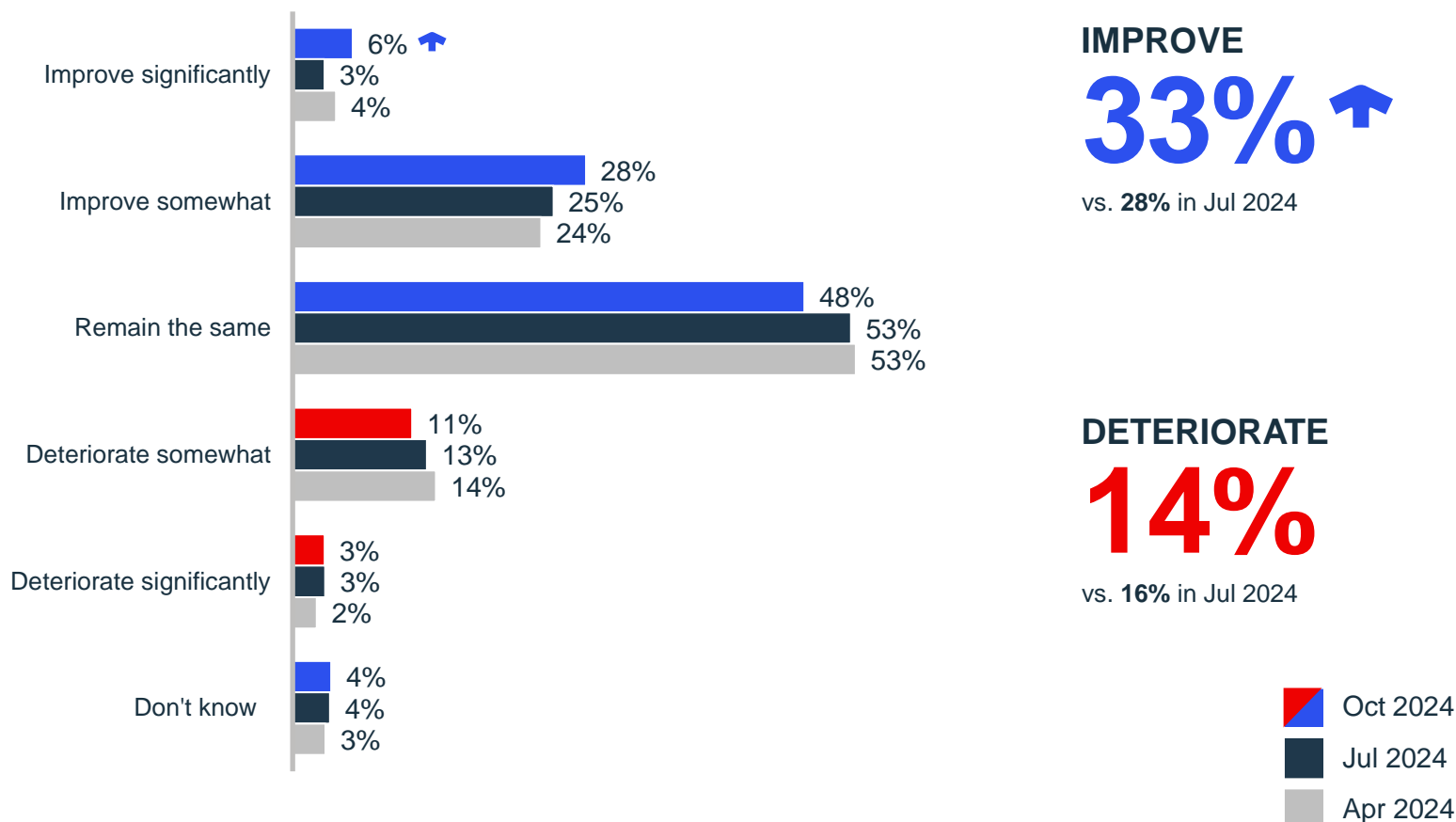
* G&TC's target market is defined as SMEs with \$5M or more in sales or Tech and \$3M or more in sales.

Cash flow situation forecasts

Not only are more SMEs optimistic about the year ahead, one third now expect improvements in their cash flow. SMEs with 5 or more employees are statistically more likely to expect cash flow improvements.



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?



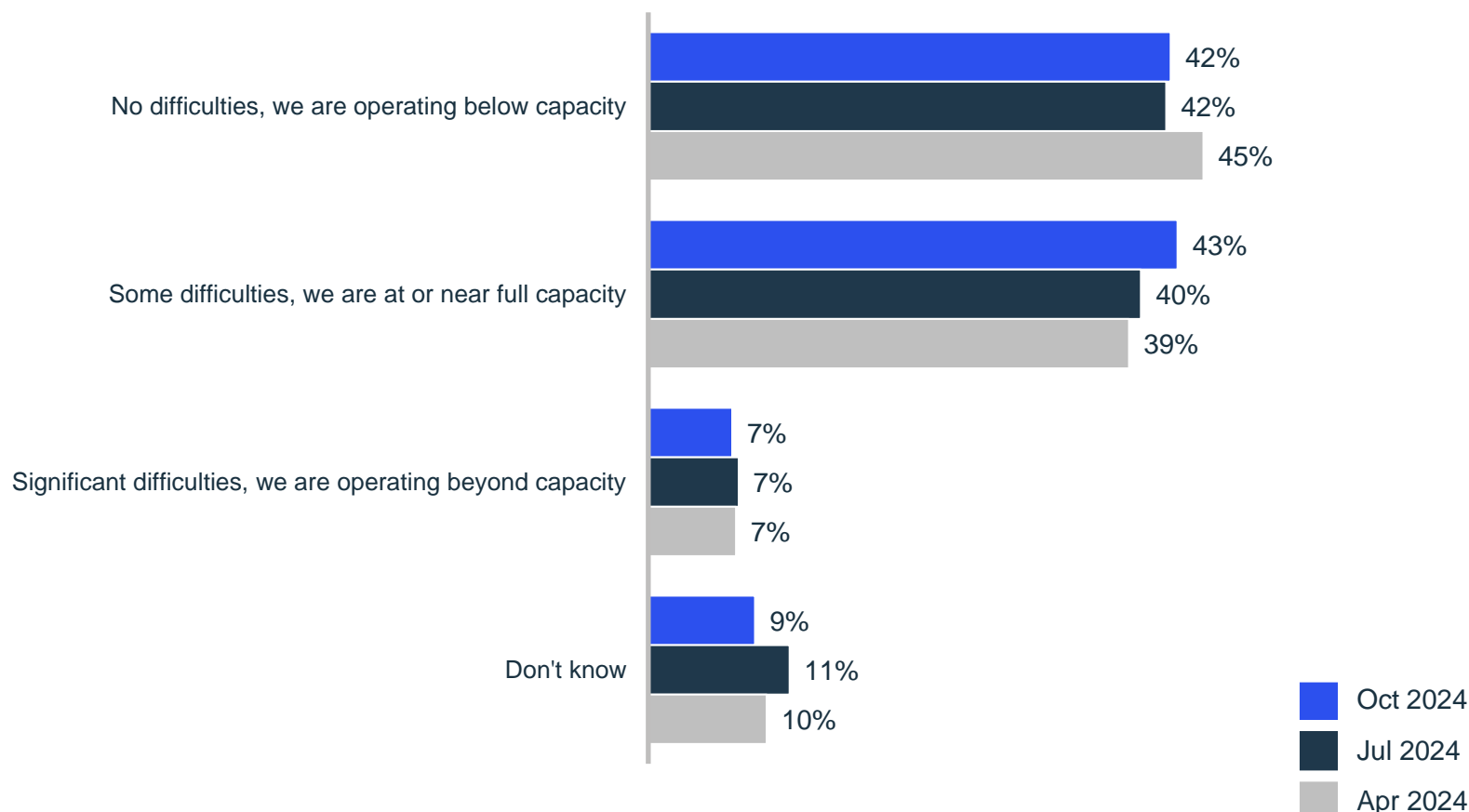
Base: All qualified respondents (n=1009).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

Ability to meet unexpected demand

Few SMEs are operating beyond capacity, which should enable them to service clients effectively. However, the proportion of SMEs operating at or near full capacity is trending upwards, a sign that labour concerns loom in the background.



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



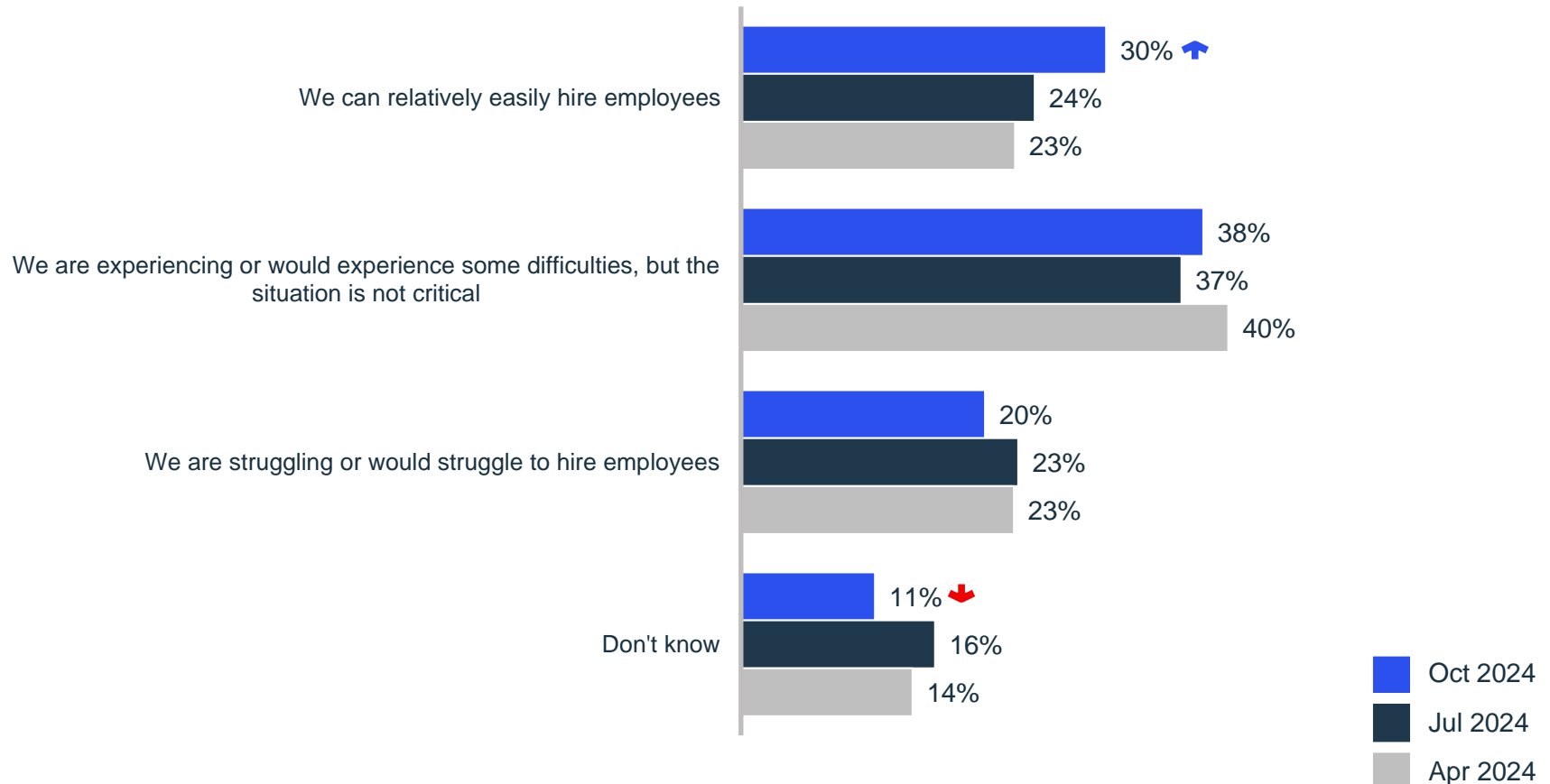
Base: All qualified respondents (n=1000).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

Ability to hire qualified workers

Despite looming labour concerns, a growing percentage of SMEs believe they can hire relatively easily. Micro-businesses*, however, are significantly more likely to express concerns regarding their ability to hire additional workers.



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



Base: All qualified respondents (n=993).

Those who preferred not to answer were excluded from the calculation base.

Arrows indicate statistical differences between this wave and the previous one.

*Micro-businesses are SMEs with fewer than 5 employees and sales under \$500,000.

Current financial and project situation

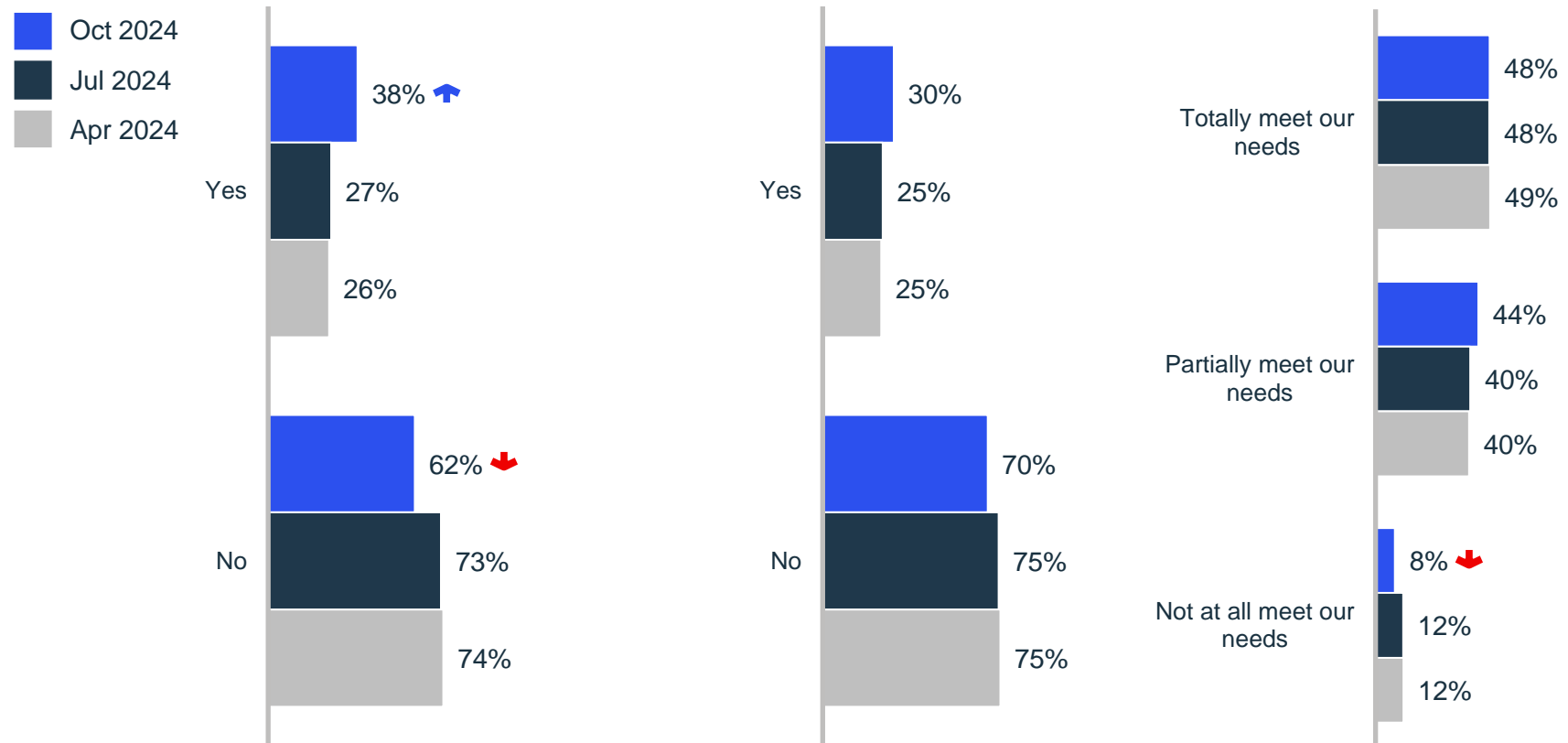


The proportion of SMEs who has or plans to use resources for growth projects has increased significantly, which is good news from an economic point of view. The proportion of SMEs considering that their FI does not meet their needs has dropped significantly.

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**?



3_b



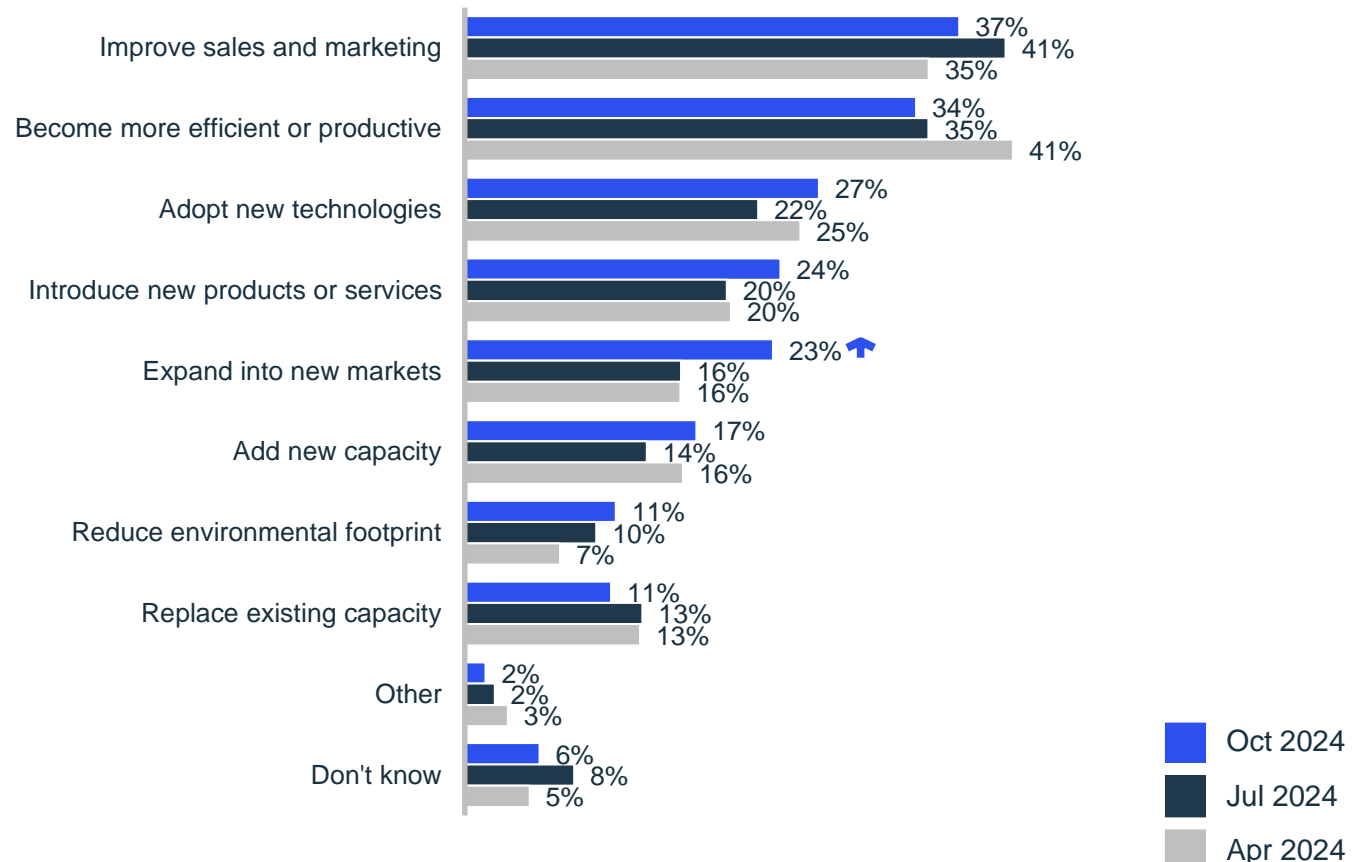
Investment outlook

Investment goals for the next 12 months

SMEs continue to prioritize sales and marketing improvements and efforts to become more efficient and productive, although to a lesser extent. Worth noting that adopting new techs, introducing new products and expanding into new markets are all on the rise.



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



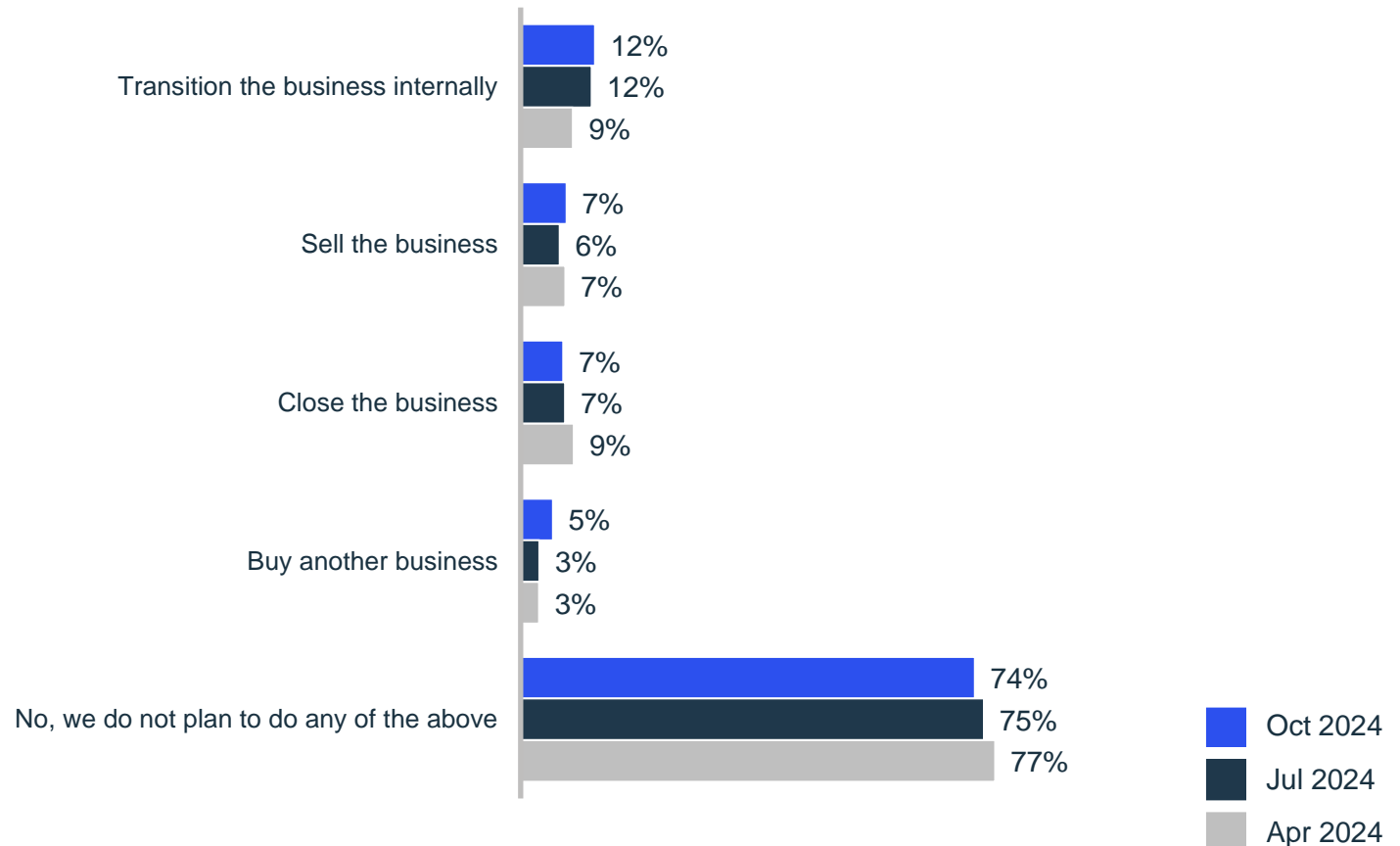
Base: Respondents planning to invest (n=616). Those who preferred not to answer were excluded from the calculation base. Multiple mentions were allowed; therefore, total exceeds 100%. Arrows indicate statistical differences between this wave and the previous one.

Transition plans

One quarter of SMEs have some sort of plan for their business over the next 12 months. There are some positive initiatives such as transitioning the business internally or buying another business, but some SMEs are facing a harsh reality which may lead to closure.



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

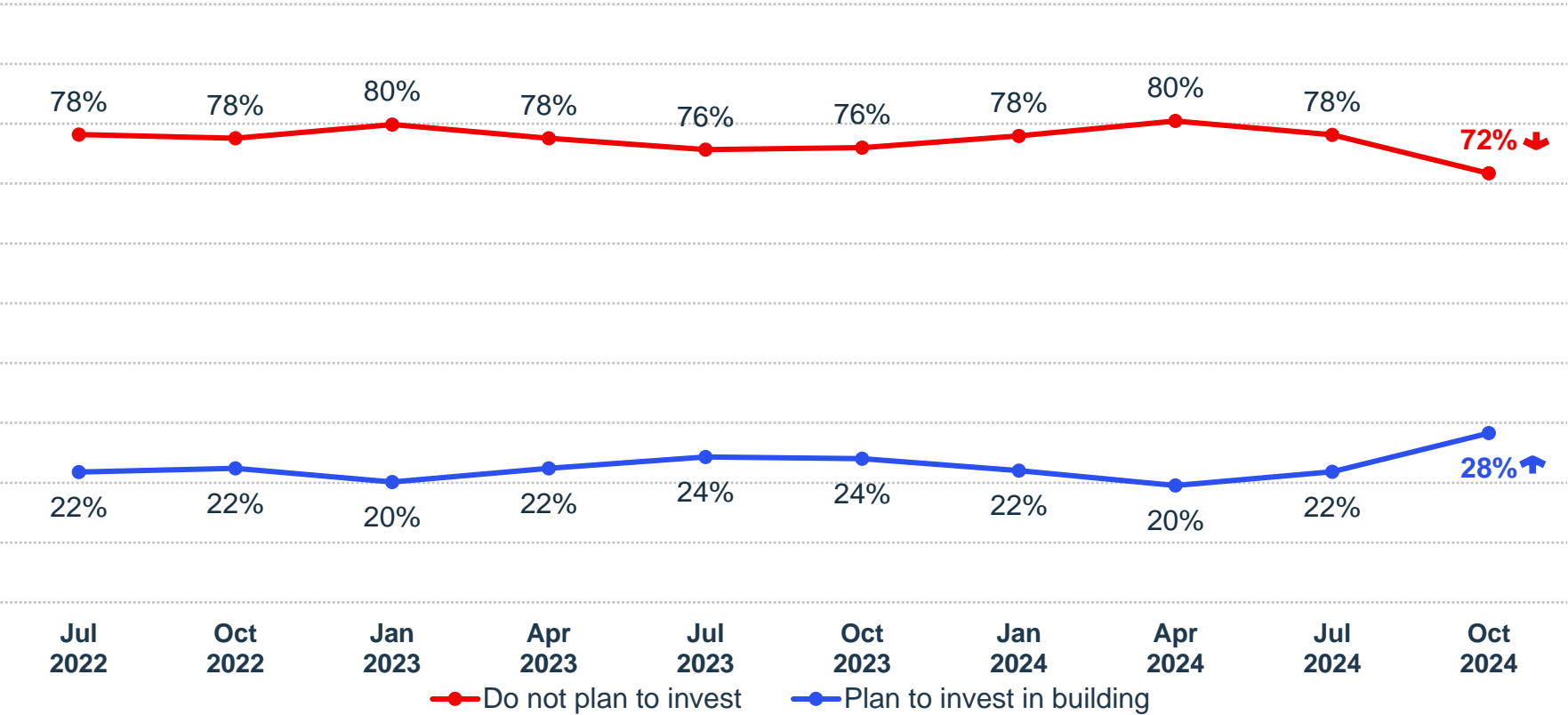


Investment intentions in non-residential building

There is a significant uptick in the percentage of SMEs planning to invest in non-residential buildings.



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



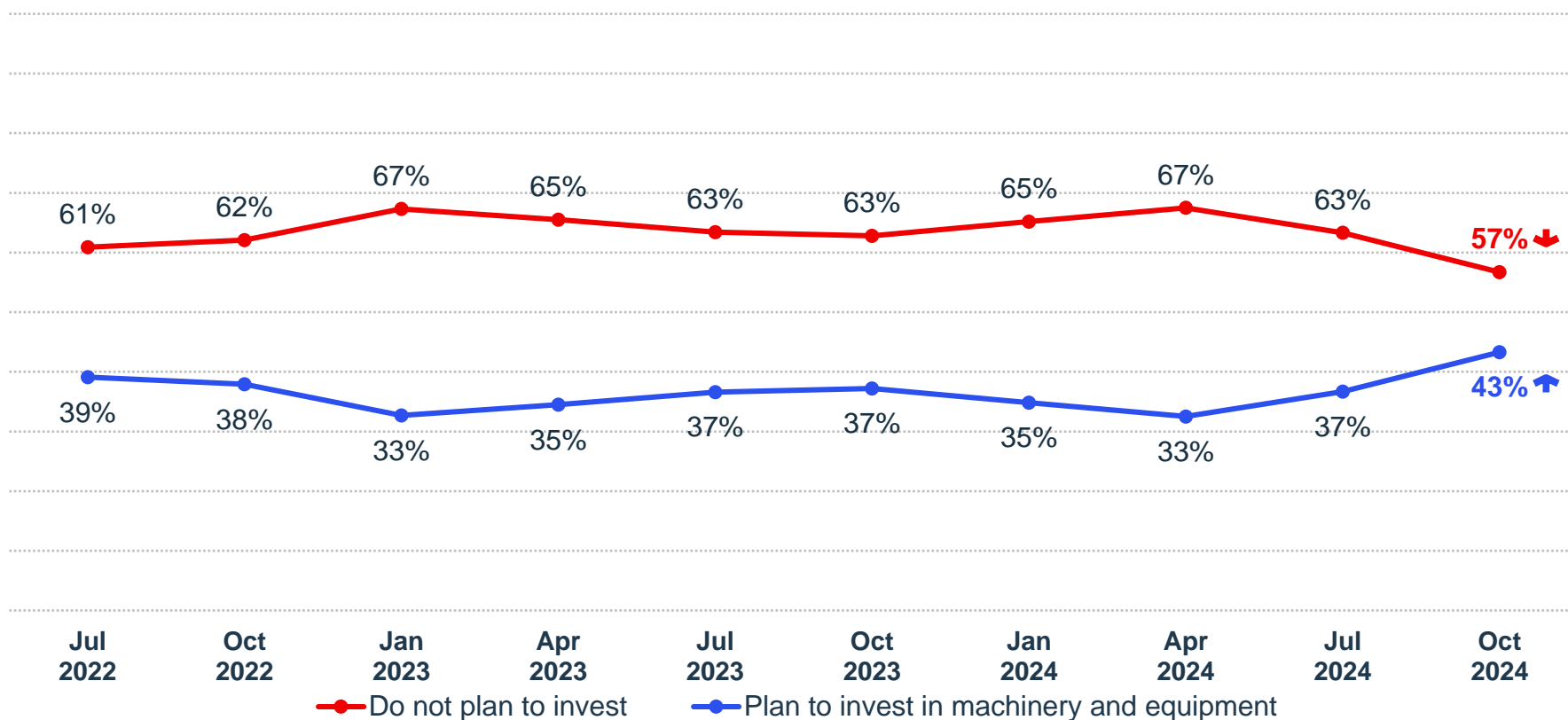
Base: All qualified respondents (n=917).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

Investment intentions in machinery and equipment

Investment intentions in machinery and equipment are on the rise and pulled upwards by SMEs with 5 or more employees.



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



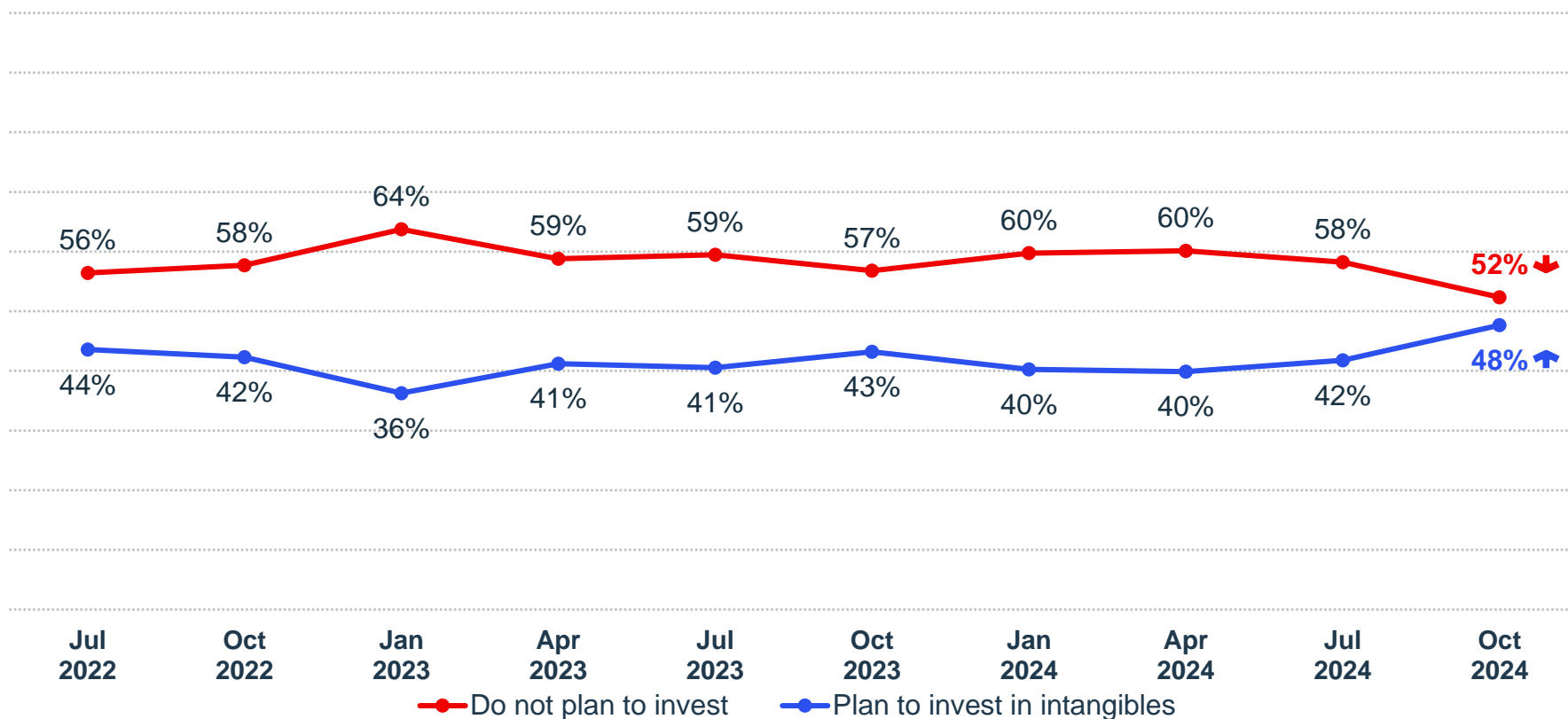
Base: All qualified respondents (n=922).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

Investment intentions in intangibles

Investment intentions in intangibles are also on the rise. The fact that the Bank of Canada has continued reducing rates has prompted many to get off the sidelines.



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



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.

Amounts to be invested

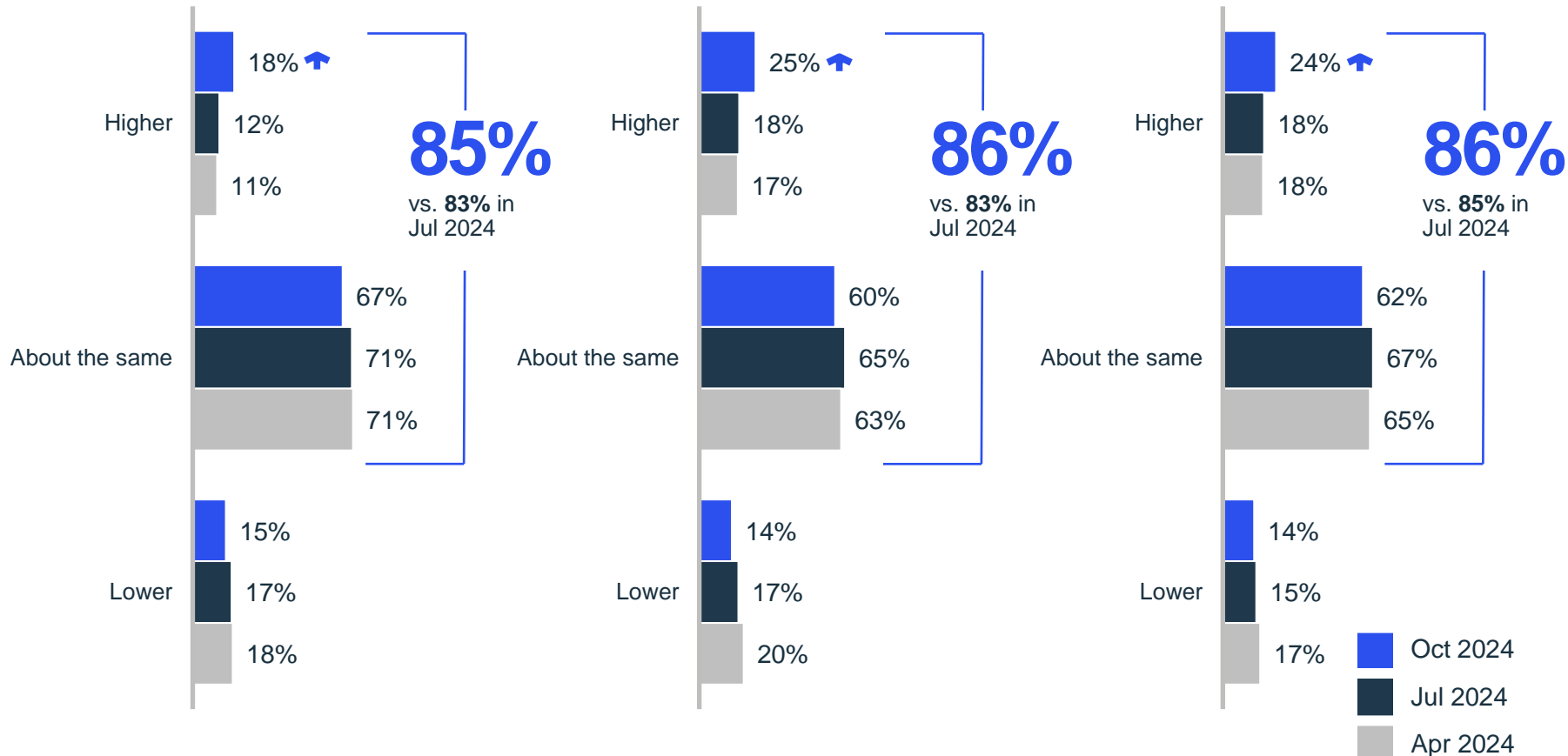
Significantly more SMEs plan to invest more this year than they did last year, and this is the case for all three categories of investments measured.



Q58a. Non-residential building, including renovations

Q58b. Machinery and equipment

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



Base: All qualified respondents (n Q58a=934, n Q58b=956 and n Q58c=965). Those who did not know were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

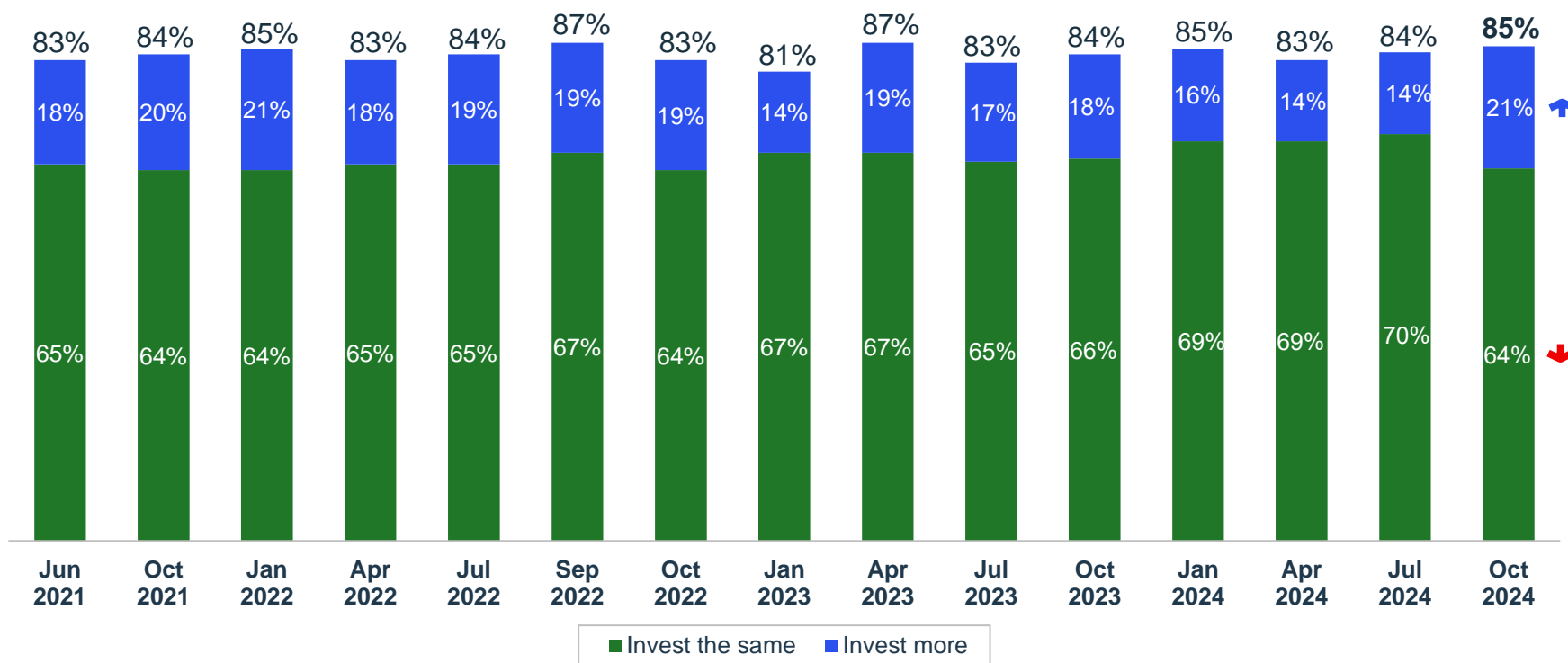
Investment plans (aggregate average)

There is a significant increase in the percentage of SMEs planning to invest more.



Q58. Percentage of SMEs planning to invest **“about the same amount or more”**.

This variable is based on an aggregate average of investment intentions.



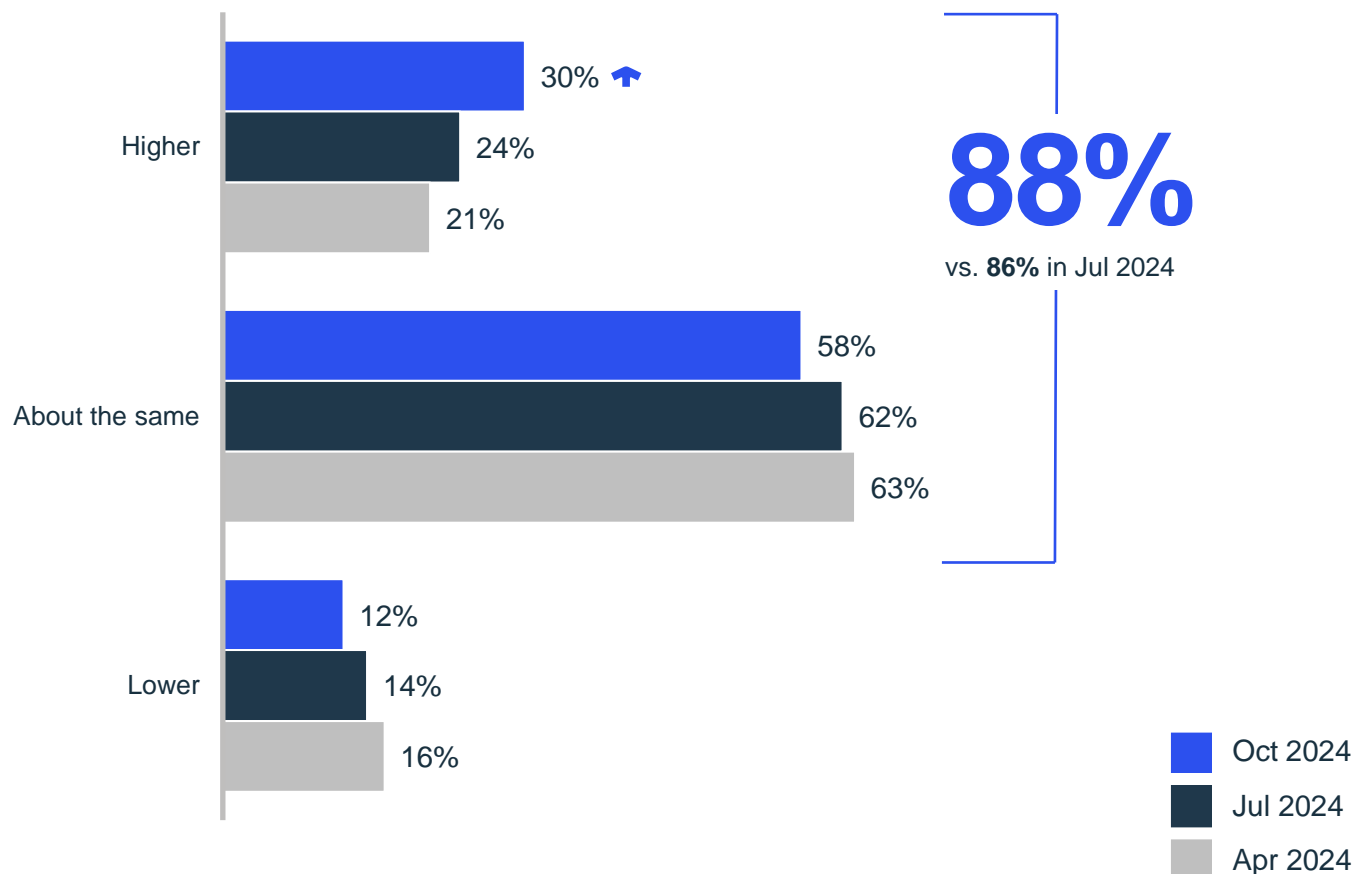
Base: All qualified respondents (n October 2024 =976).
Those who preferred not to answer were excluded from the calculation base.
Arrows indicate statistical differences between this wave and the previous one.

Investment plans (direct question)

When asked directly, three out of ten SMEs expect to invest more next year than in the last 12 months. Results have been trending upwards since the spring.



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



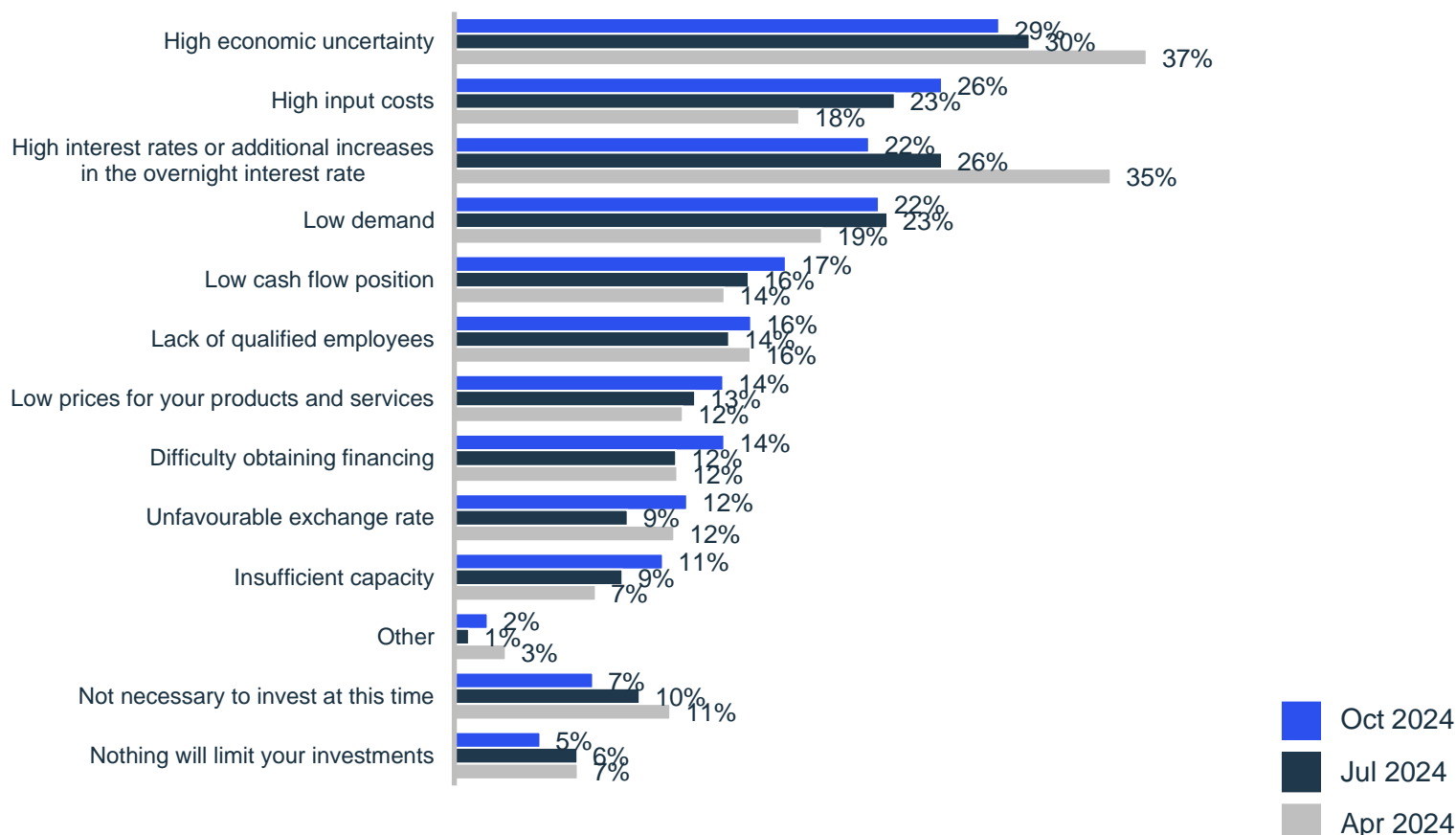
Limiting factors of those who plan to invest

Factors such as economic uncertainty and high interest rates are trending downwards but could still limit business investments. High input costs and low demand are among the factors that could become entrenched and adversely affect business investment.



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

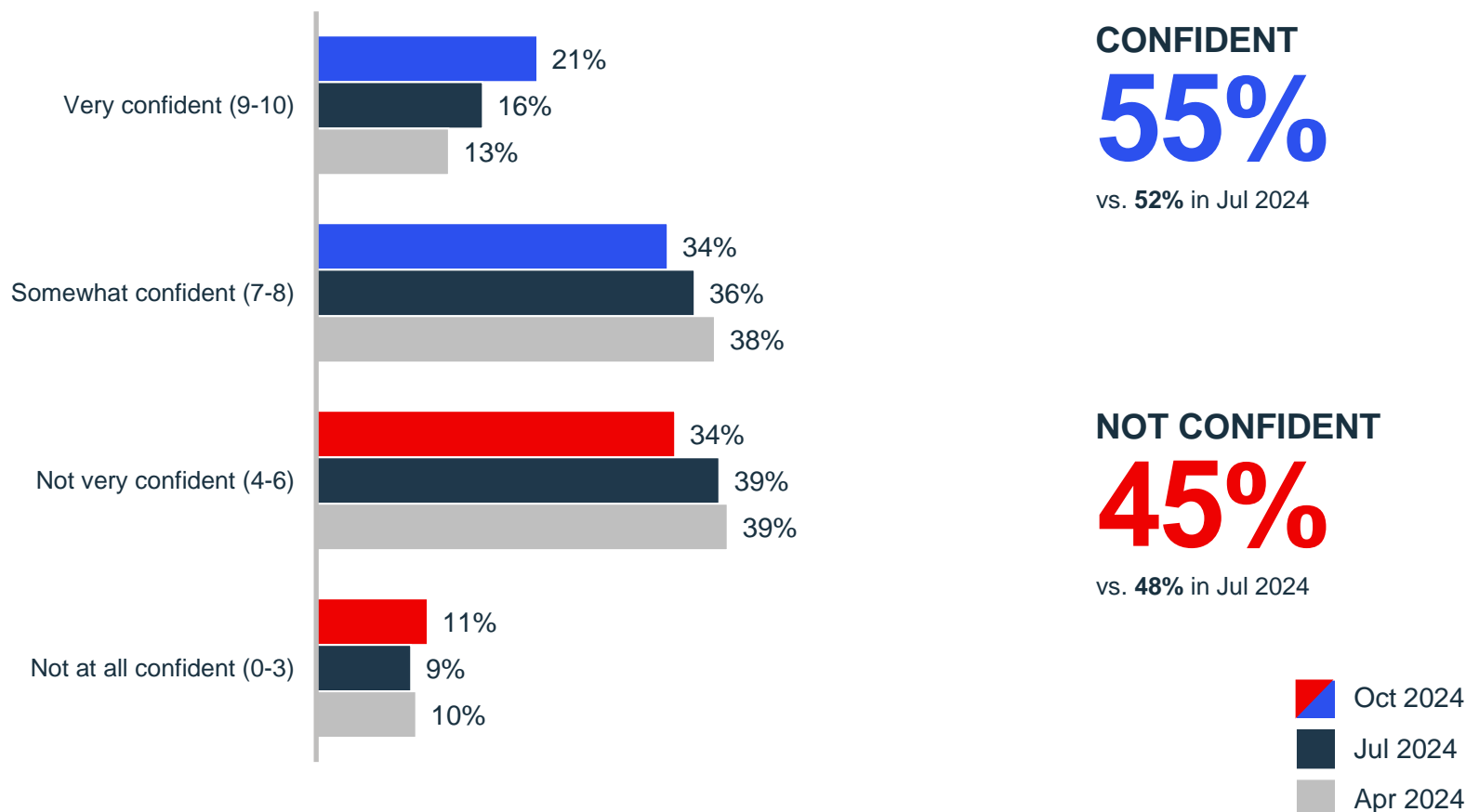


Confidence in pursuing investments

More SMEs expressed confidence in their ability to pursue intended investments, especially larger SMEs. Business investments are a key aspect to improve Canada's lagging productivity issues.



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



Base: Respondents planning to invest (n=609).

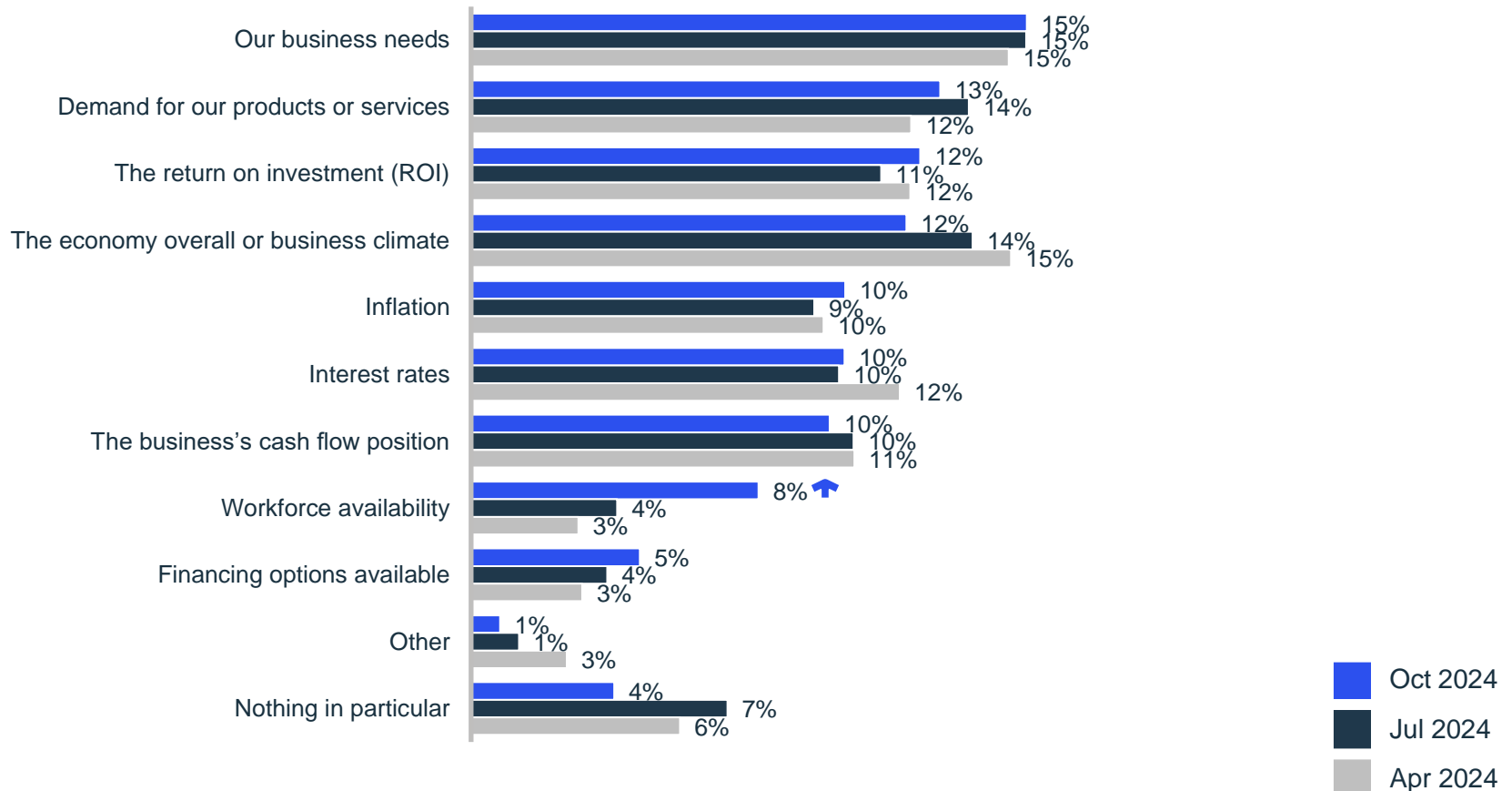
Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one. A correction to results of the previous waves was made in July 2024.

Investment decisional factors

Interest rates and inflation impacted investment intentions in the last couple years. Now, most SMEs say that they will focus primarily on their business needs, demand for their products and services and the ROI to finalize their decision to pursue their investments.



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



Base: Respondents planning to invest (n=610).

Those who did not know or preferred not to answer were excluded from the calculation base. Multiple mentions was allowed; therefore, total exceeds 100%.

3_c



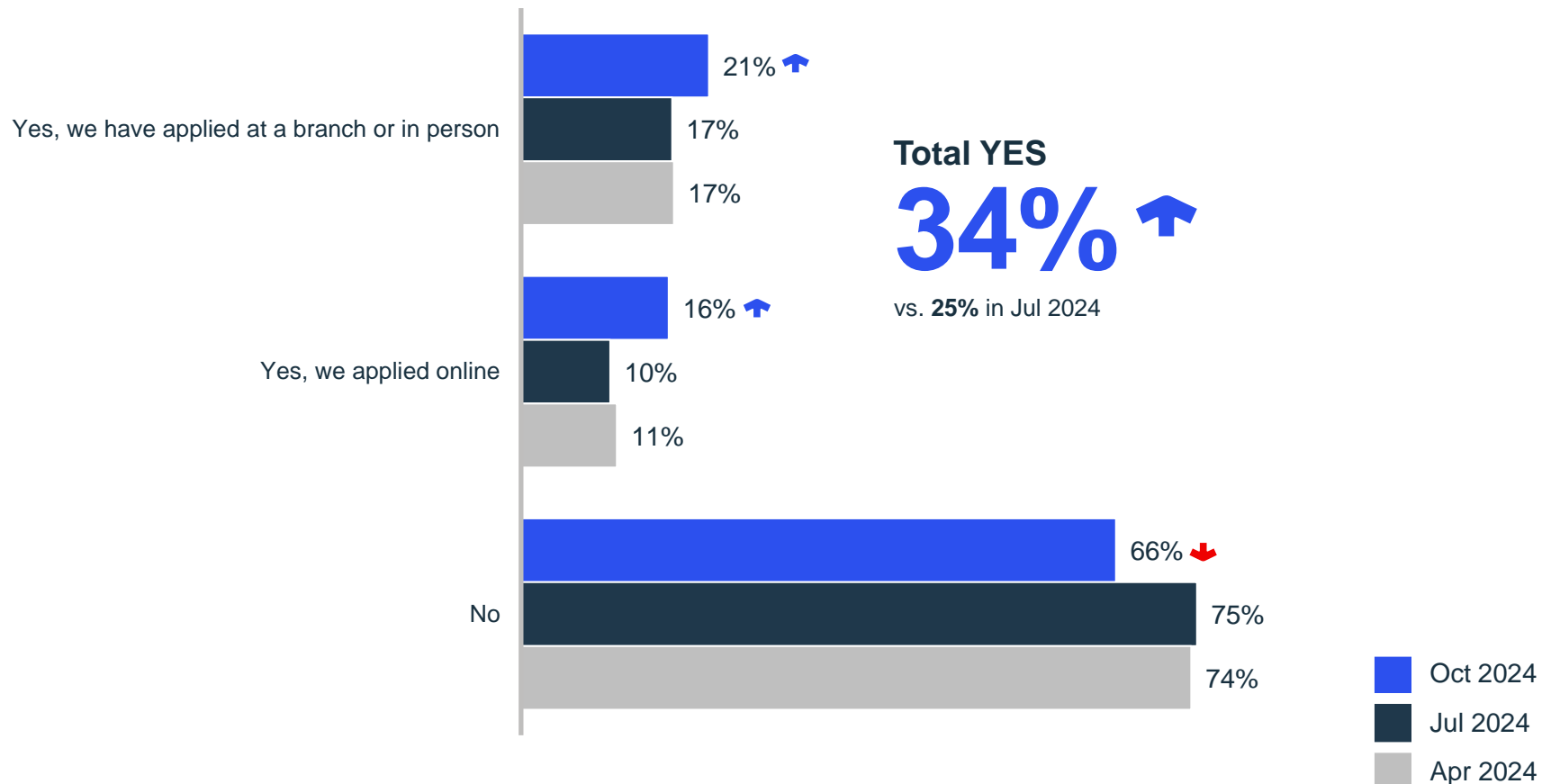
Financing supply

Past financing requests

A third of SMEs say they requested financing in the months leading to the survey. Both online and in person requests increased significantly over the summer months.



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



Base: All qualified respondents (n=995).

Those who did not know were excluded from the calculation base. Multiple answers allowed for the "Yes" response.

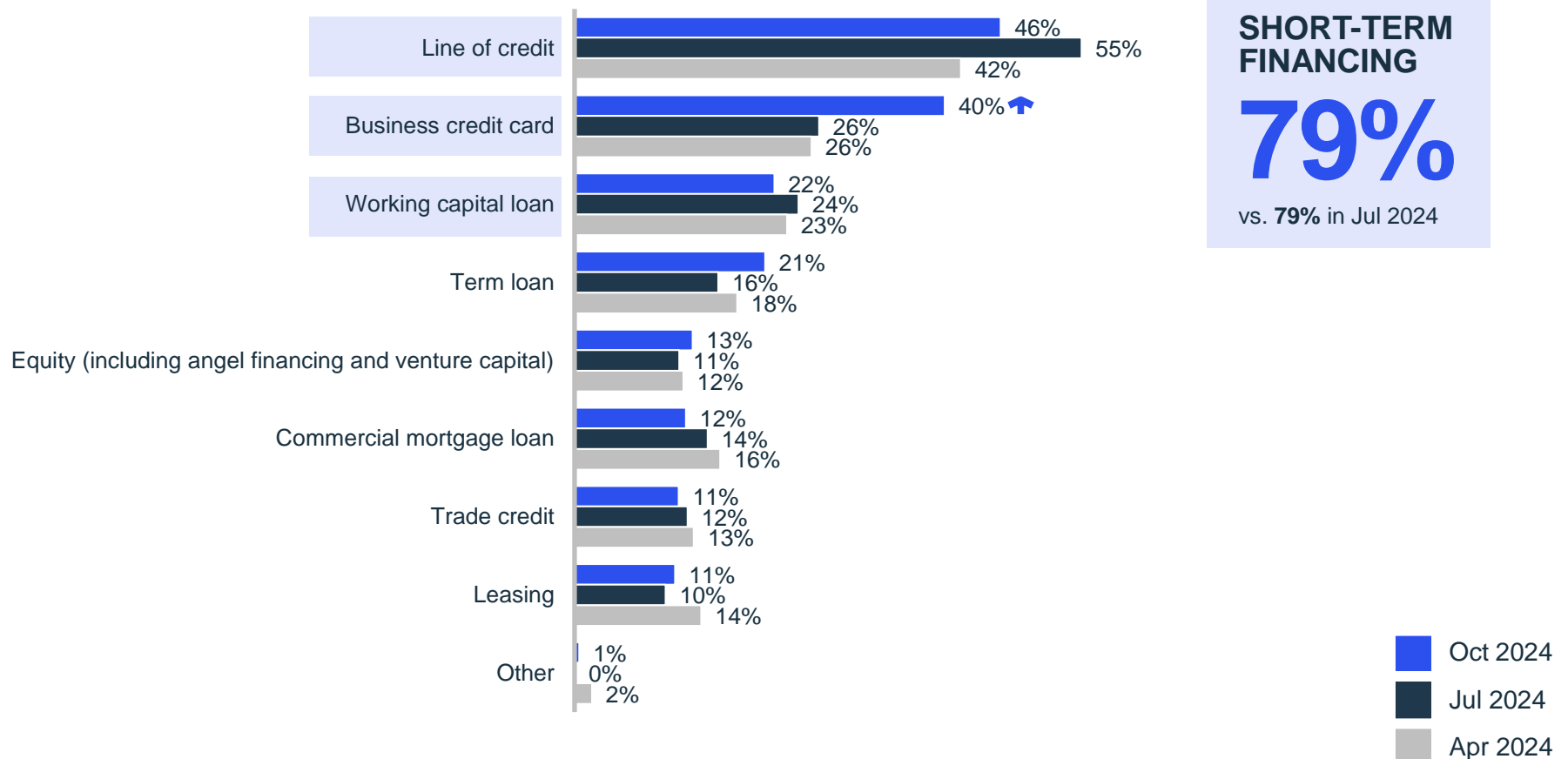
BDC – Investment and Financing Outlook Survey, October 2024

Type of financing requested

Most SMEs requested some form of short-term financing. Among them, business credit cards saw the greatest (significant) increase.



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



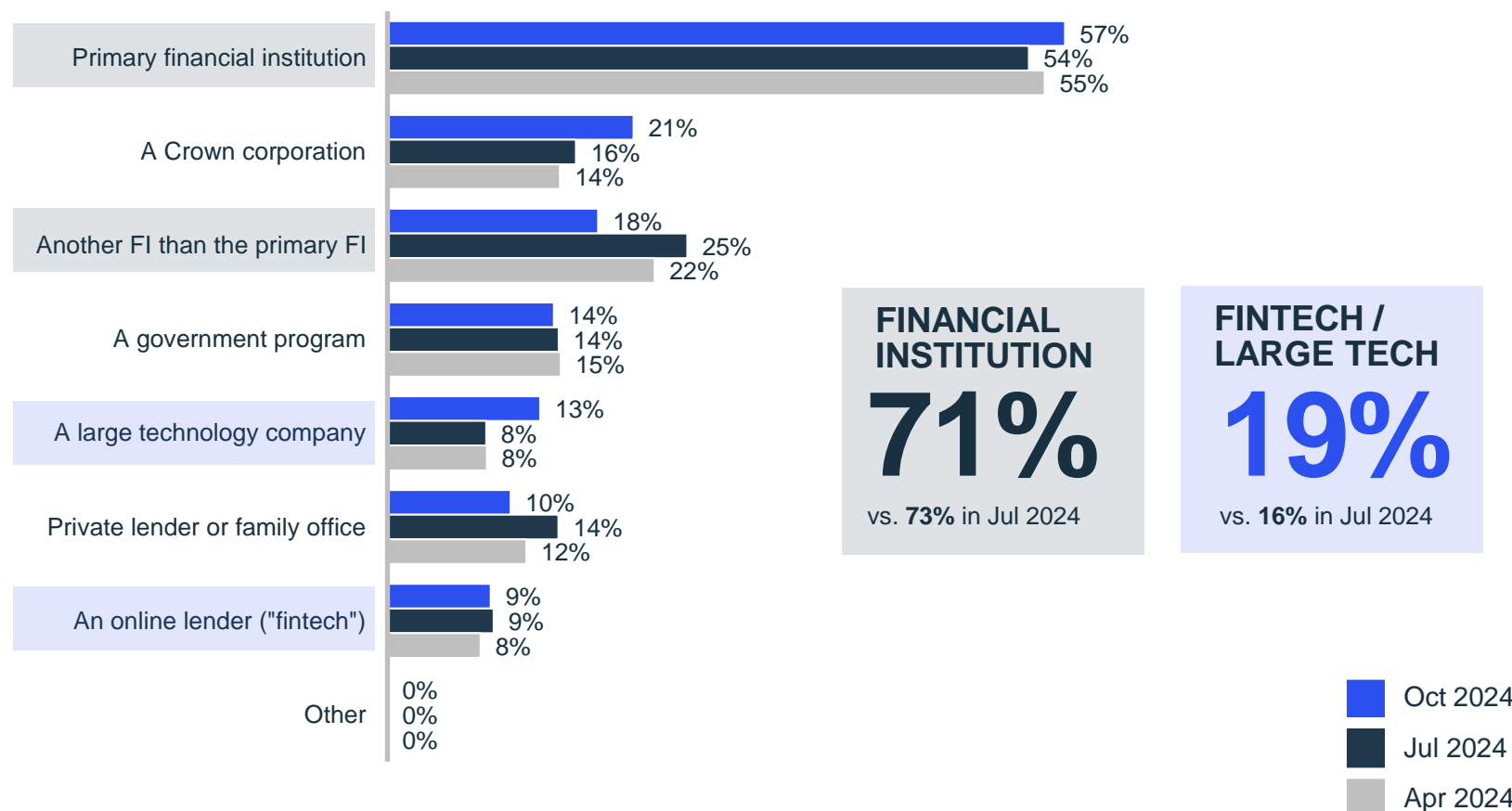
Base: Respondents who requested financing (n=497). Those who did not know were excluded from the calculation base. Multiple mentions were allowed; therefore, total exceeds 100%. Short-term options are highlighted in blue in the graph. Arrows indicate statistical differences between this wave and the previous one.

Sources of financing

While there are no statistical changes since the last wave, we do notice an uptick in the use of Crown corporations, as well as large technology companies.



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



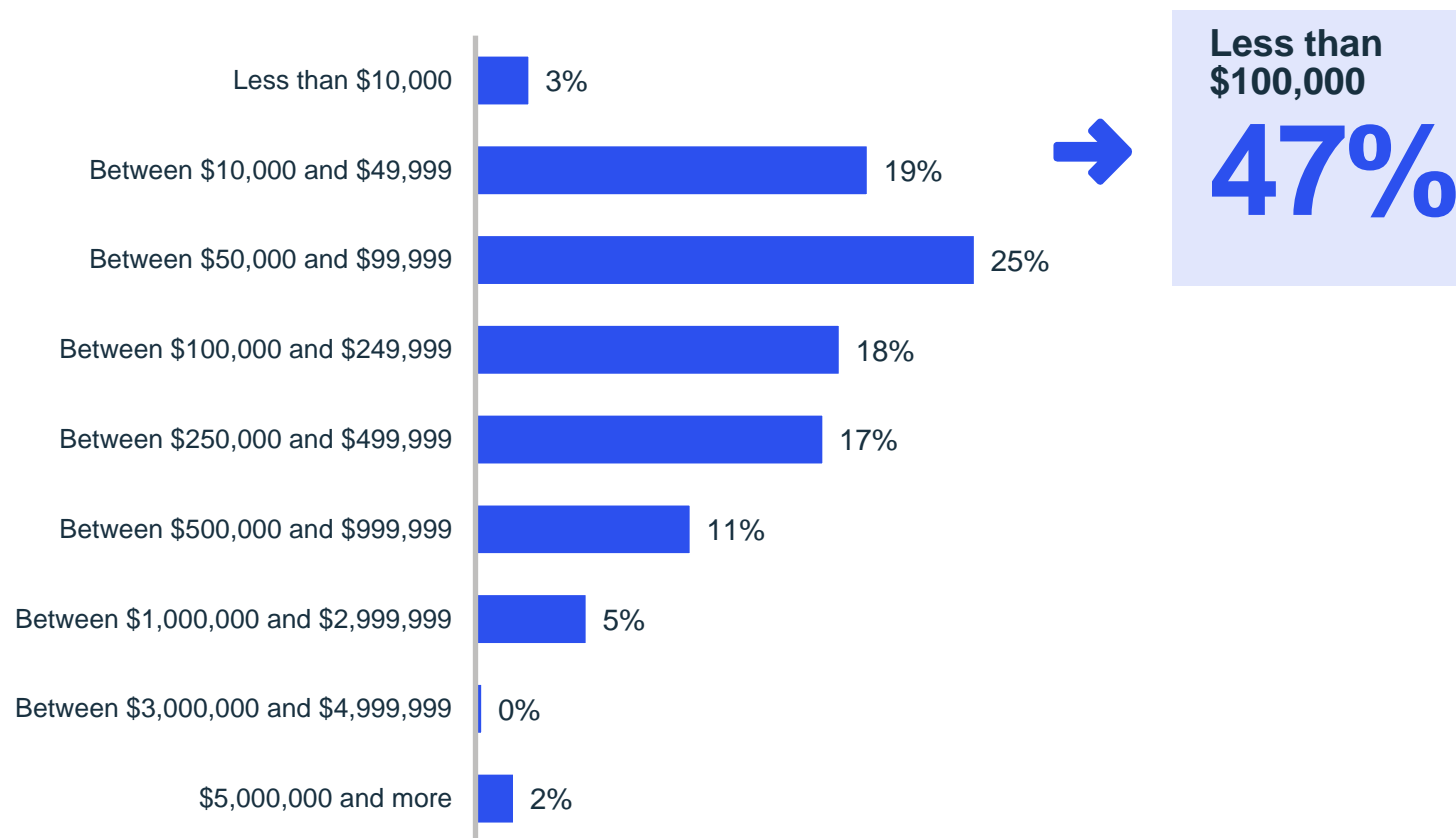
Base: Respondents who requested financing (n=497). Those who did not know were excluded from the calculation base. Multiple mentions were allowed; therefore, total exceeds 100%. Arrows indicate statistical differences between this wave and the previous one.

Amount of financing SMEs requested

Most of the financing demand for less than \$100K was made by smaller SMEs, especially those in accommodation and food services, as well as those in arts, entertainment and recreation.



Q30c. What was the **amount** of financing **requested**?



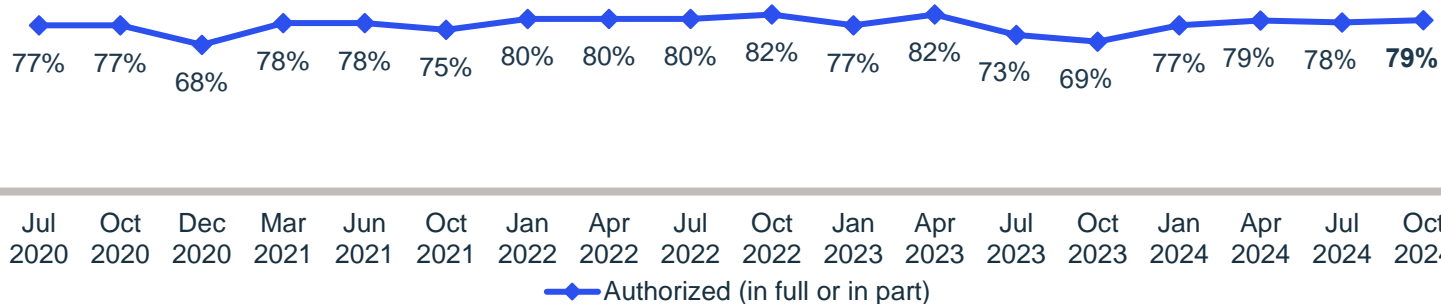
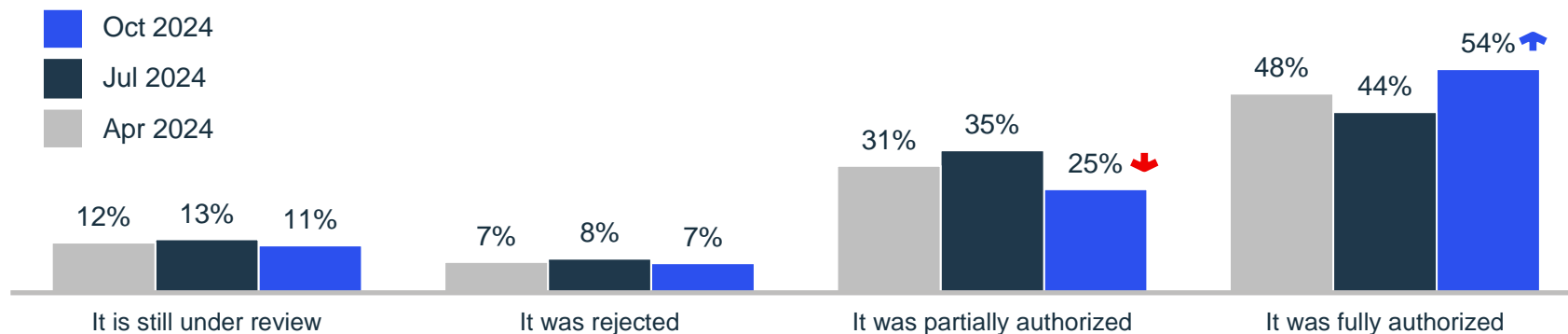
Base: Respondents who requested financing (n=492).
Those who did not know or preferred not to answer are not presented on this slide.
This question was added in October 2024.

Financing request outcome

Over the course of the last wave, a greater proportion of SMEs were fully authorized for financing. Compared to a year ago, approval rates have increased significantly.



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



APPROVAL
RATE

79%

3_d



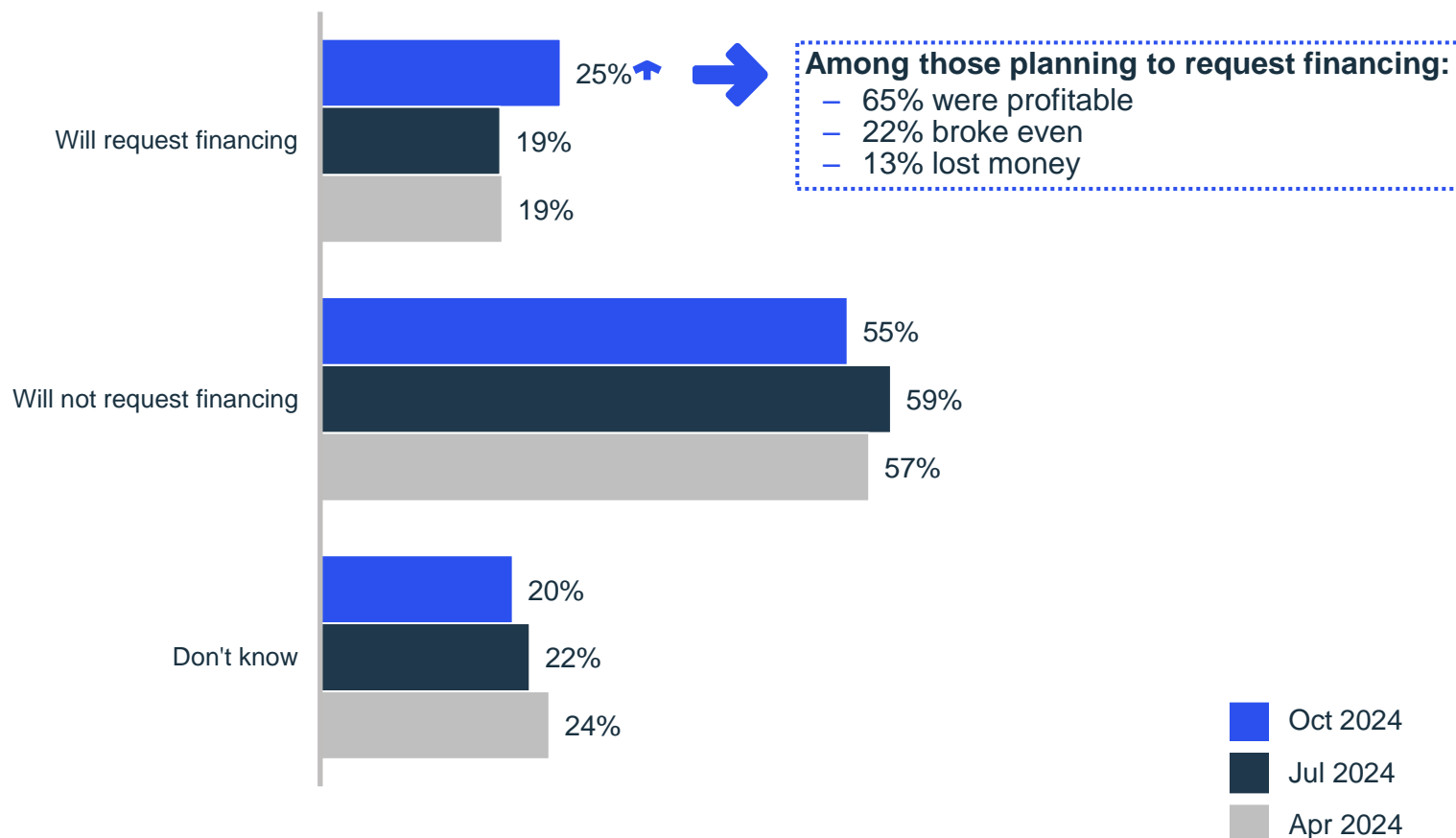
Financing demand

Planned financing requests

Planned demand for financing has increased significantly. The profile of those planning to request financing has also improved.



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

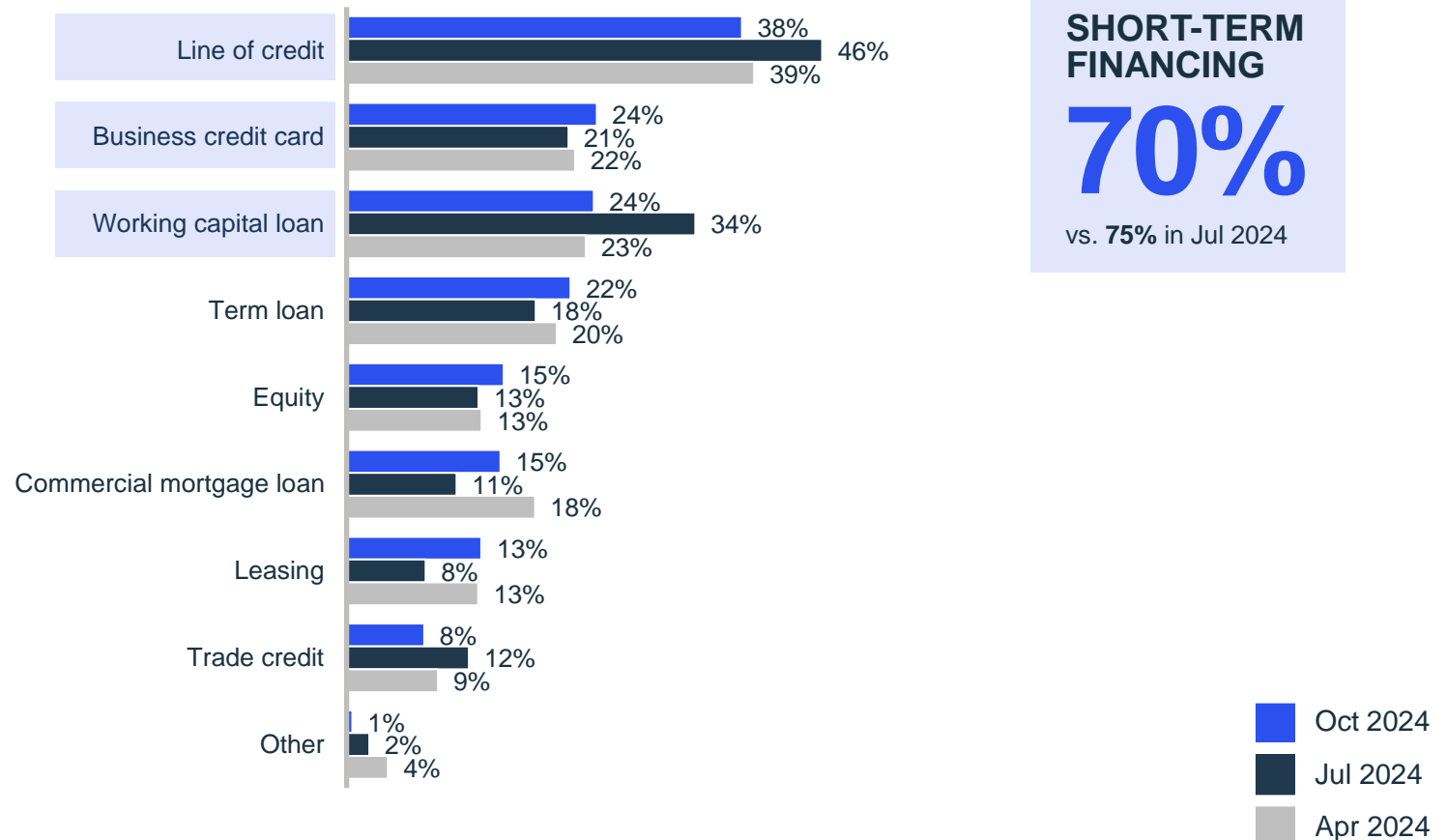


Type of financing SMEs will request

There is a slight decrease in SMEs seeking short-term financing.



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



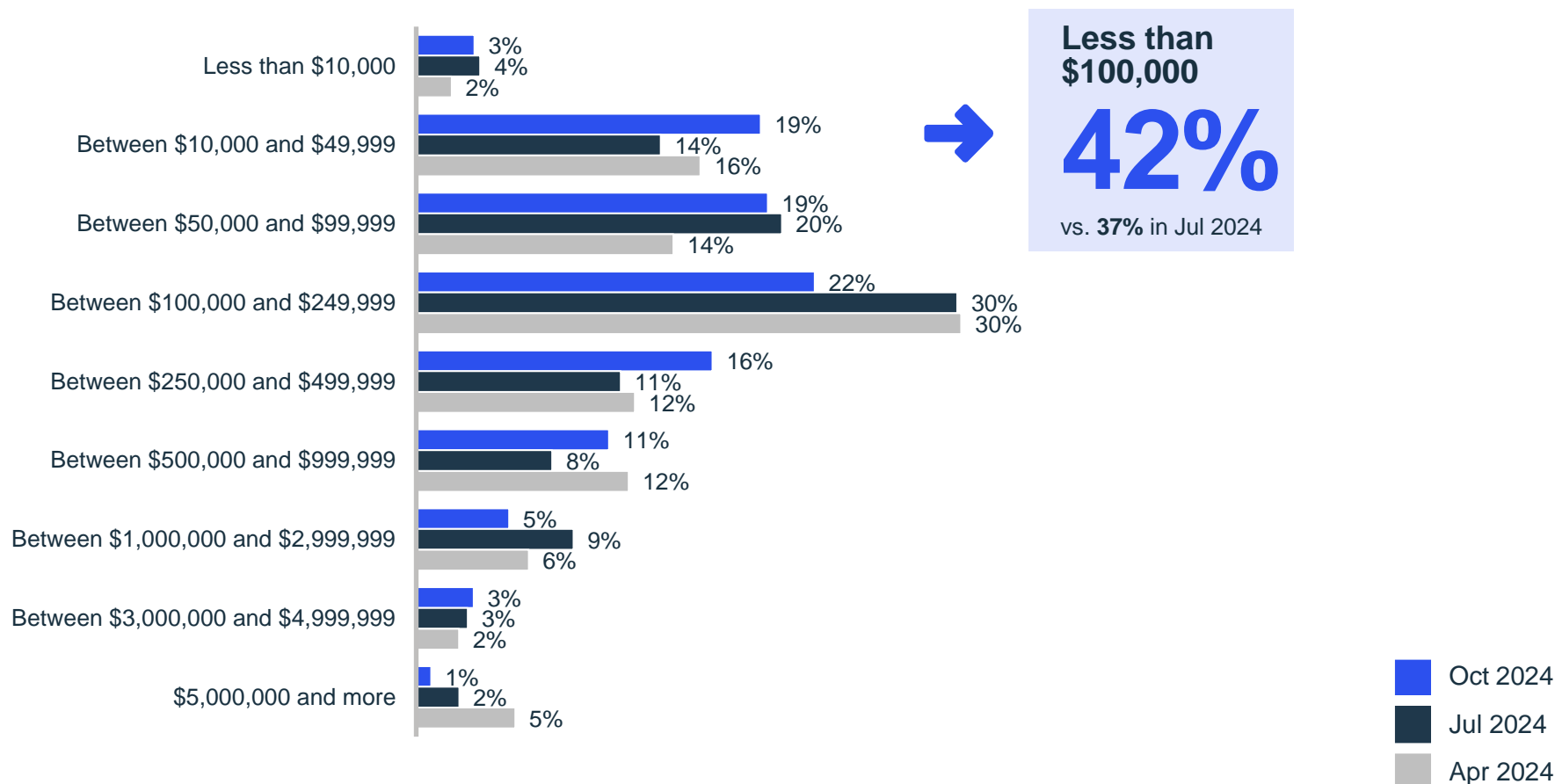
Base: Respondents who will request financing (n=350). Those who did not know were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one. Multiple mentions were allowed; therefore, total exceeds 100%. In this graph, short-term options are highlighted in blue.

Amount of financing SMEs will request

Demand for less than \$100K is up again. It represents twice as many SMEs than those seeking \$500K or more.



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



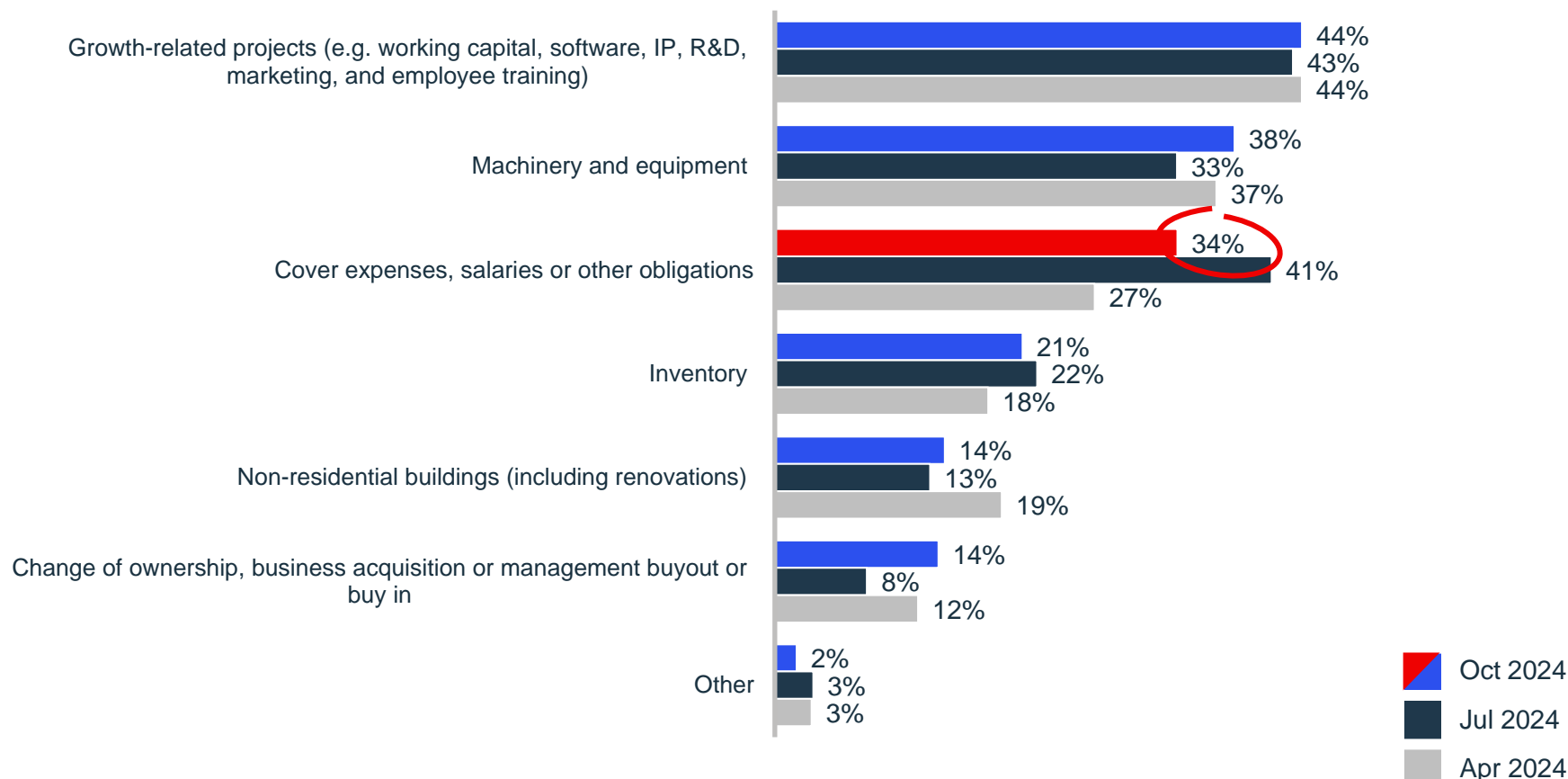
Base: Respondents who will request financing (n=346).
Those who did not know or preferred not to answer are not presented on this slide.
Arrows indicate statistical differences between this wave and the previous one.

Usage of financing SMEs will request

The fact that SMEs plan to borrow mainly for growth and machinery and equipment is good news. Nonetheless, there is still one third of SMEs who plan to borrow to cover expenses, salaries and other obligations.



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

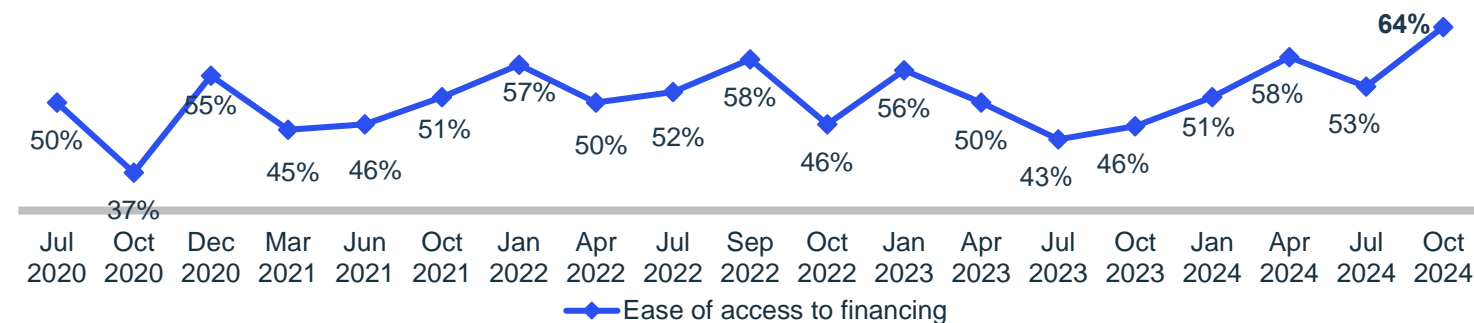
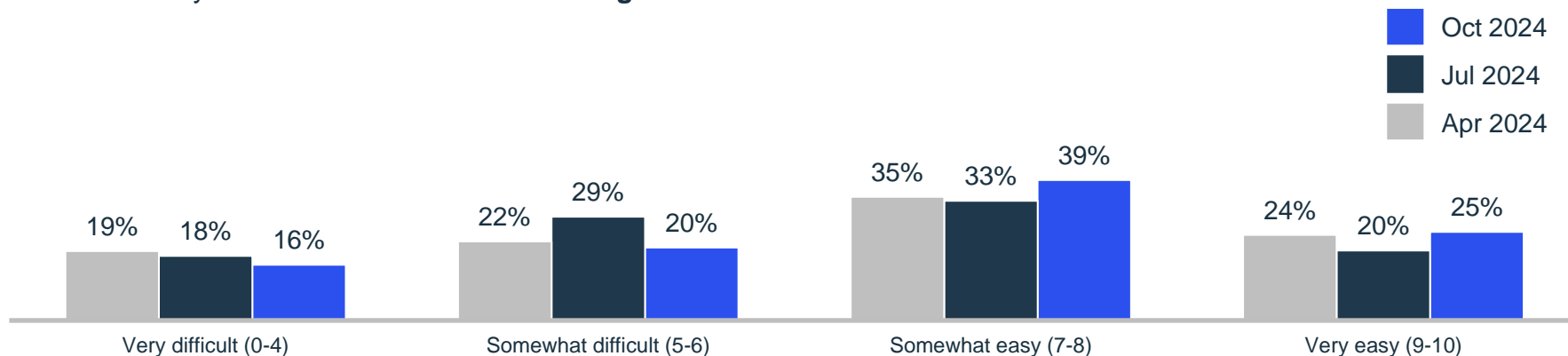


Predicted ease of getting financing

Access to financing is perceived to have improved. The better financial position of SMEs enables them to make a request for financing from a more favourable standing, which may also have positively impacted their perception.



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



**EASE OF
ACCESS**
64%

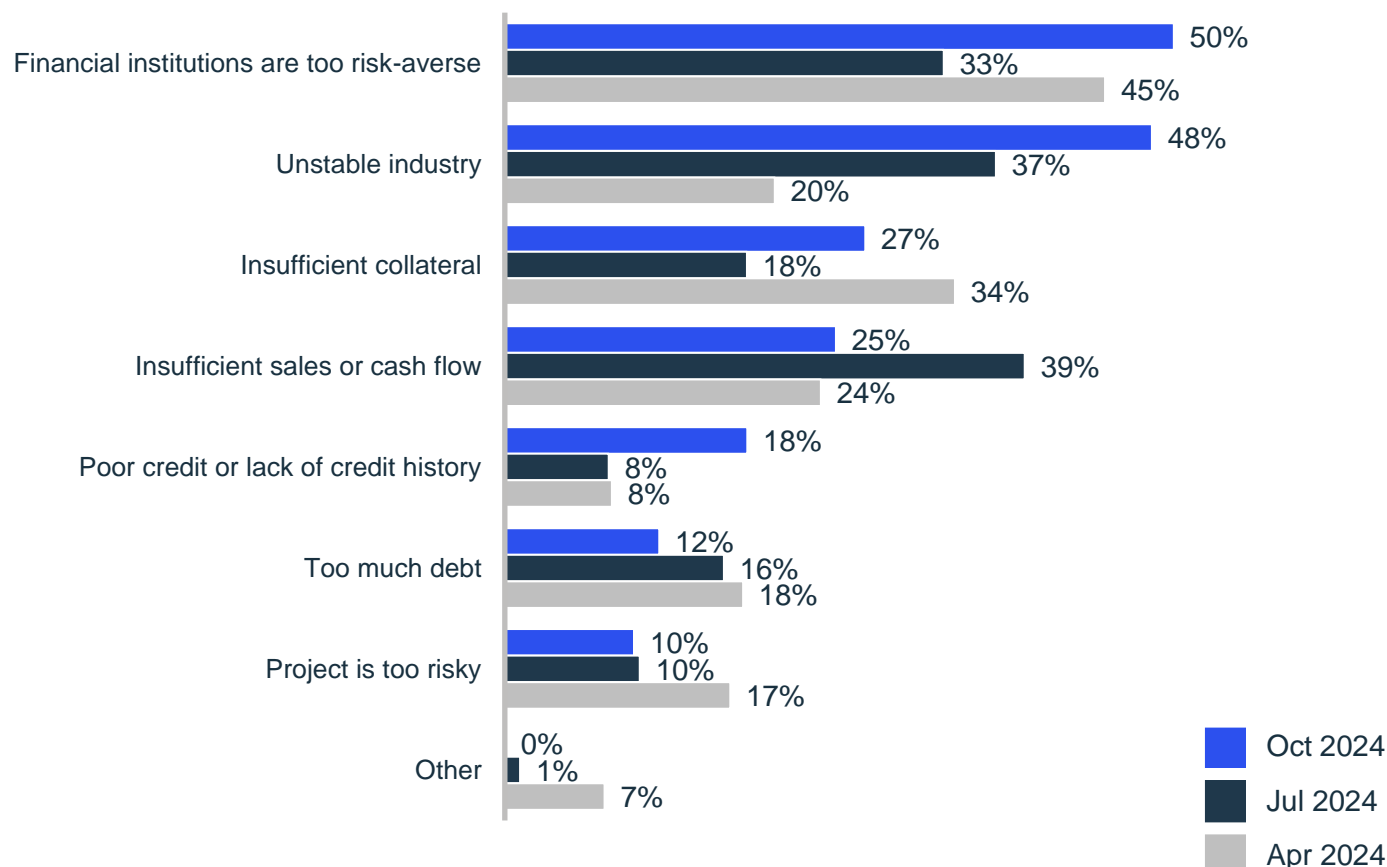
Reasons explaining a perceived difficult access

FIs' perceived risk aversion is once again the main reason evoked by those who believe that access to financing will be difficult, but it only narrowly edges unstable industry. Insufficient collateral and sales or cash flow complete the list of main reasons selected.



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

Small sample, interpret with caution

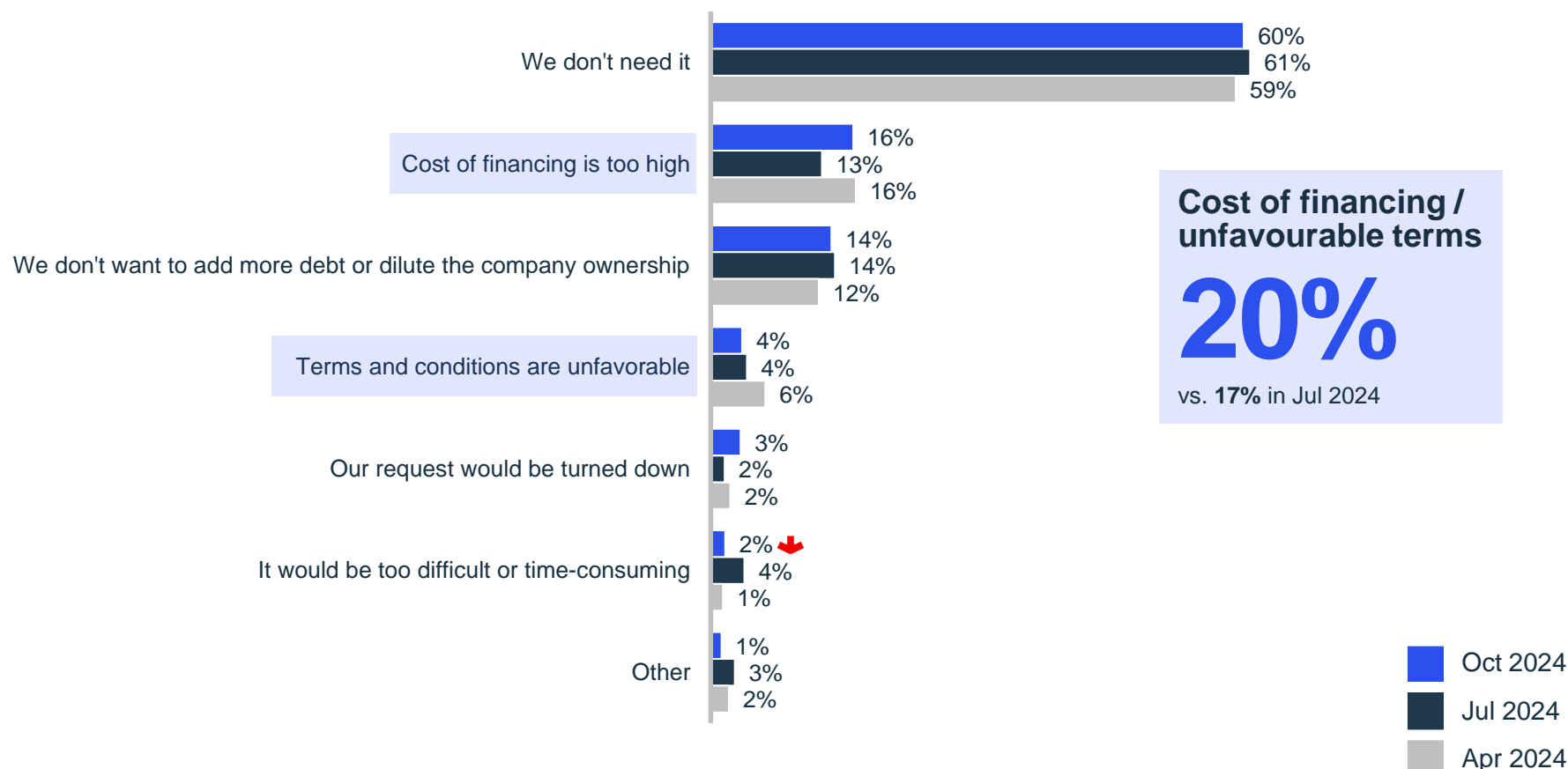


Reasons for not requesting financing

Results are stable for this question. Aside from not needing funds, cost of financing is still considered too high for those who don't know or don't plan on requesting financing. Others feel that adding more debt or diluting the ownership would not be a wise option.



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



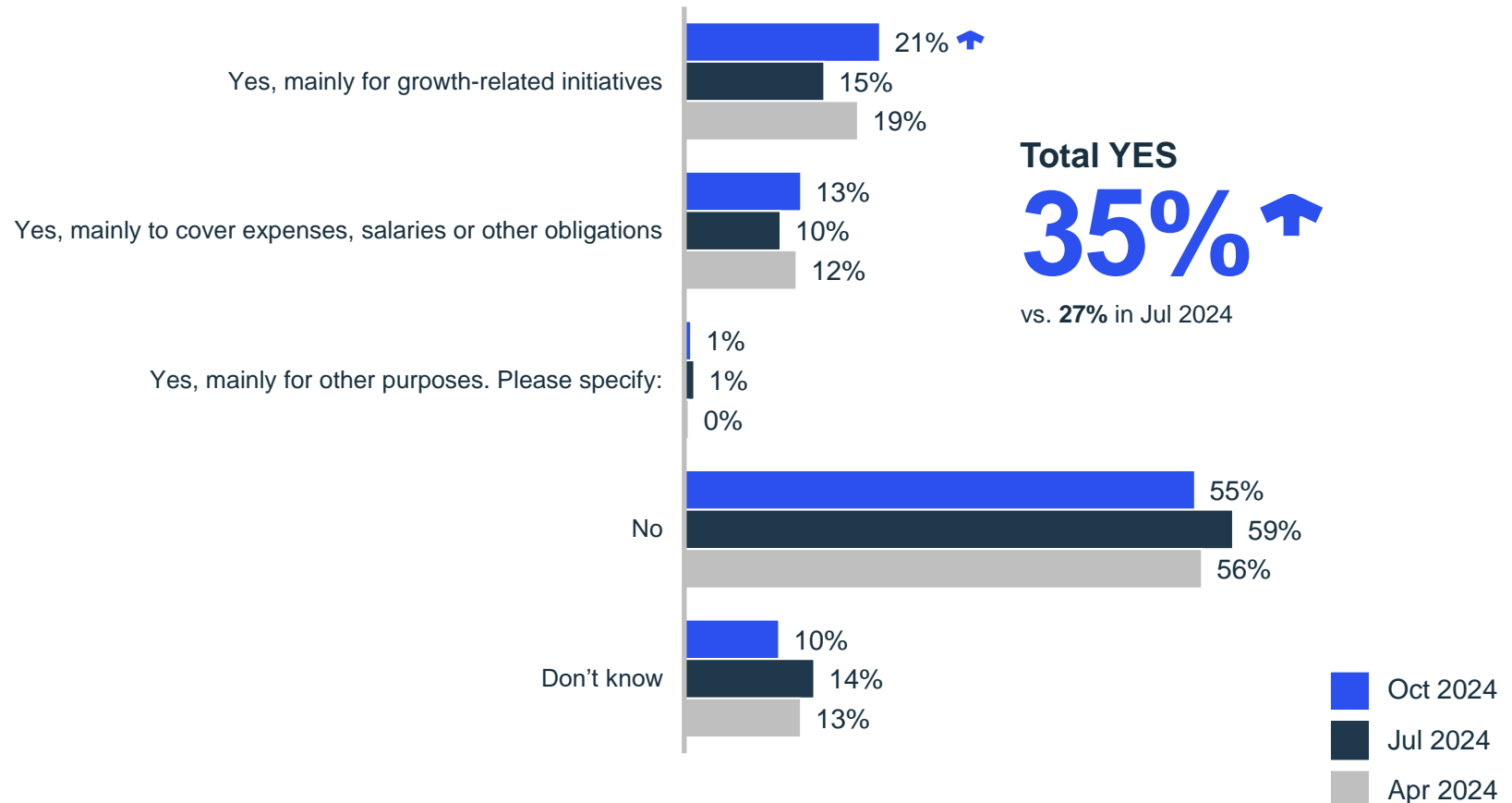
Base: Respondents who will not or who don't know if they will request financing in the next 12 months (n=619). Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one. Multiple mentions were allowed; therefore, total exceeds 100%.

Helpfulness of obtaining financing

Over one third of those who don't know or don't plan on requesting financing said that it would be helpful, especially for growth-related initiatives.



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



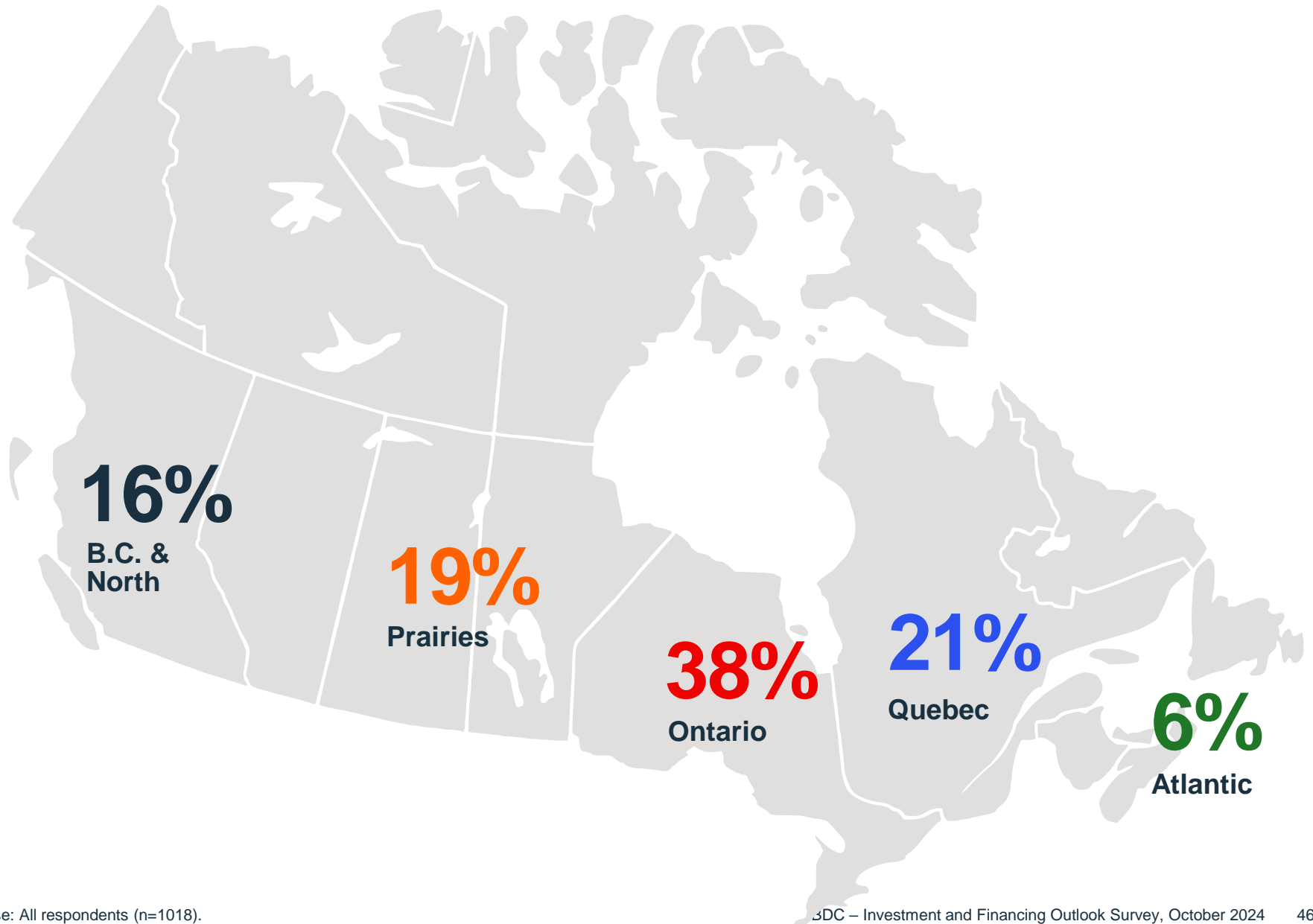
Base: Respondents who will not or don't know if they will request financing in the next 12 months (n=651). Those who did not know or preferred not to answer were excluded from the calculation base.

4



Respondent profile

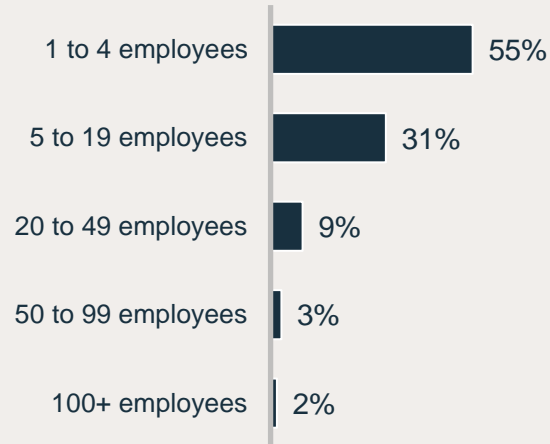
Region



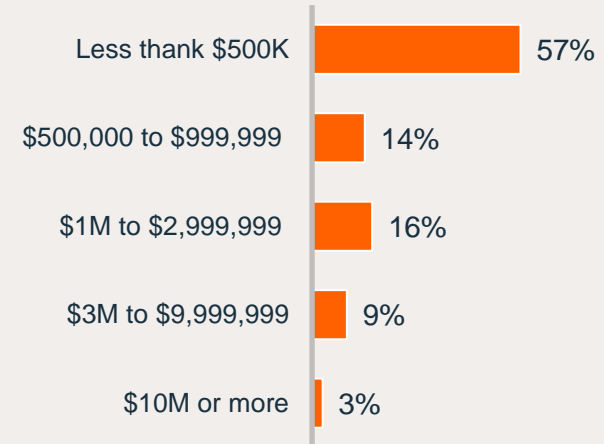
Respondent profile



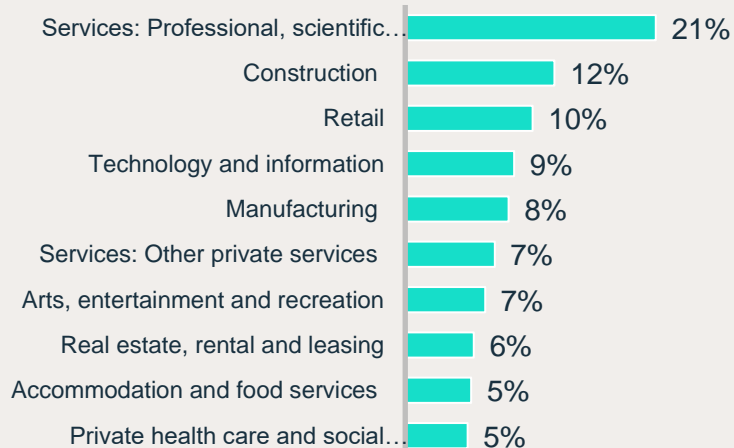
Number of employees



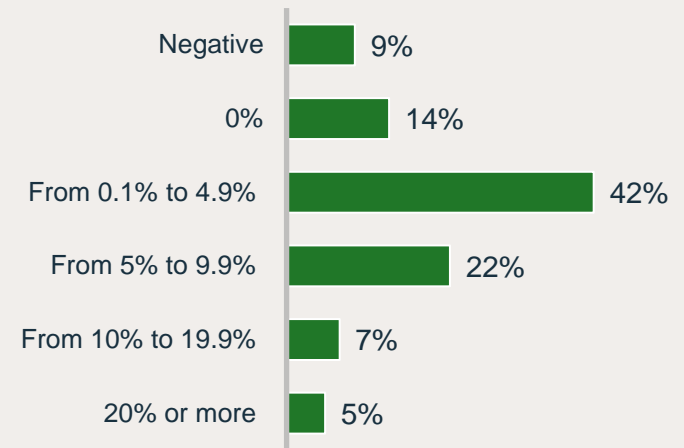
Annual sales



Sector of activity



Revenue growth

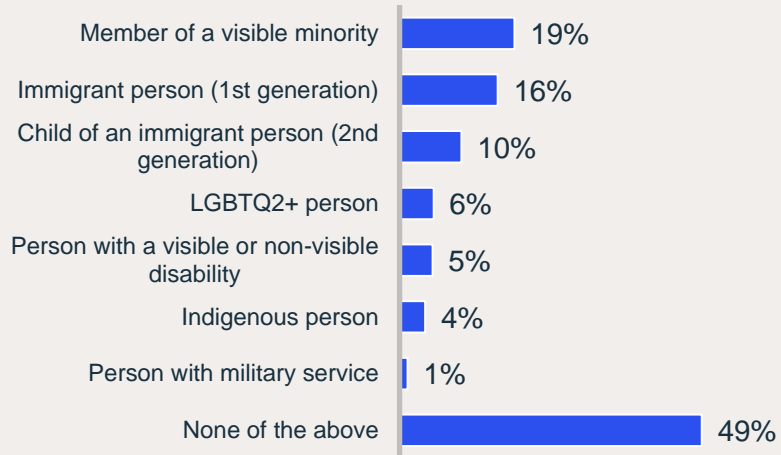


Base: Number of employees (n=1,018). For annual sales (n=972). For the sectors (n=996) only those with 5%+ respondents are presented. For revenue growth = Respondents for which company existed last year (n=959). Those who didn't know were excluded from the calculation base.

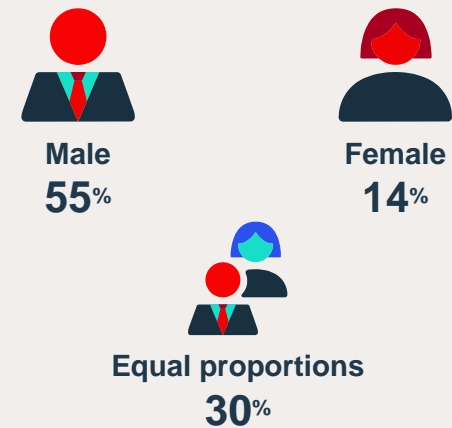
Respondent profile



Diversity*



Gender ownership



Thank you

Research and market intelligence team

