

# Investment & Financing outlook

SME business investment and  
financing outlook survey, wave 24

Research report

Research and Market Intelligence at BDC



January 2025

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Key highlights

## Current state of the situation:

There is a greater sense that economic conditions will deteriorate over the course of 2025. The good news is that we note some stability and, in some cases, improvements regarding the financial position of SMEs.



Nearly half of SMEs expect economic conditions to deteriorate over the next 12 months, which negatively affects investment intentions.



**47%** believe that economic conditions will deteriorate in the next 12 months  
(+7pts↑)



**33%** think that their cash flow situation will improve  
(unchanged)



**25%** say that debt repayment is limiting business activities  
(-5pts)

More SMEs are operating below capacity and growth projects are being reevaluated

**79%**

Stand below full capacity operation  
(-6pts↓)

**64%**

Are profitable  
(-1pt)

**29%**

Have used or will use significant resources for growth projects  
(-9pts↓)

Access to financing is now below the 50%-mark, despite other elements improving

**55%**

Are deemed bankable  
(+1pt)

**50%**

Say that FIs totally meet their needs  
(+2pts)

**46%**

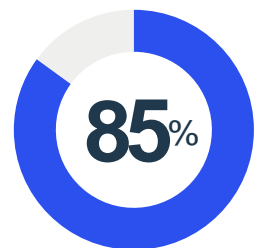
Believe that access to financing will be difficult  
(+10pts)

# Investment outlook:

The uncertainty and economic context is affecting the proportion of SMEs planning to invest, which has significantly dropped from 54% to 45%. However, those planning to invest expressed greater confidence in their ability to pursue their investments.



## Investment intentions decreased statistically in January



**Plan to invest about the same amount or more**  
(unchanged)



Type of investment	Plan to invest	Same amount or more
Non-residential building	<b>23%</b> (-6pts↓)	<b>86%</b> (+1pt)
Machinery & equipment	<b>35%</b> (-8pts↓)	<b>84%</b> (-2pts)
Intangible assets	<b>42%</b> (-6pts)	<b>84%</b> (-2pts)

# 59%

of those planning to invest are **confident** they will pursue their investment in the next 12 months  
(+4pts)

## SMEs' main investment goals:



Increasing efficiency  
**42%**  
(+8pts↑)



Improving sales and marketing  
**39%**  
(+2pts)



Introducing new products or services  
**26%**  
(+2pts)

## What could limit SMEs' investments?

# 37%

**High economic uncertainty**  
(+8pts↑)

# 26%

**High interest rates**  
(+4pts)

# 20%

**Low demand**  
(-2pts)

## Financing outlook:

Fewer SMEs requested financing and more of them turned to alternative lenders. Demand for financing remains healthy, despite economic concerns. Half of SMEs are seeking up to \$100,000, most via short-term financing (i.e., LOC, credit cards and WC loans).

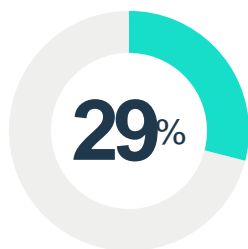


# 80%

of those who requested financing were **approved**

(+1pt)

## Fewer SMEs requested financing in the past months



**Requested financing in the last 3 months**

(-5pts↓)

Those who asked for financing mainly turned to:



A financial institution

**74%**

(+3pts)



A government program or crown corporation

**29%**

(-3pts)



A large tech or fintech lender

**21%**

(+2pts)

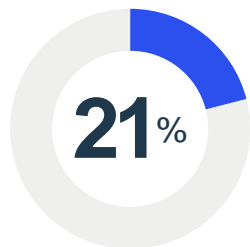


Private lenders / family offices

**14%**

(+4pts)

## Planned financing requests are back to historical trends



**Plan to request financing over the next 12 months**

(-4pts)



**75%** Will need short-term financing  
(+5pts)

**47%** For growth-related projects  
(+3pts)

**49%** Will request up to \$100,000  
(+7pts)

**33%** To cover expenses  
(-1pt)

## Perceived ease of access has decreased

# 54%

of those planning to request financing believe it will be **easy** to obtain  
(-10pts)

Note: Numbers in parentheses and arrows indicate differences between this wave and the previous one. If there is an arrow next to the percentage, it means that the difference is statistically significant.

2

Methodology

# Methodology



## Survey methodology

- ➔ Online tracking survey.

## Respondent profile

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

## Survey dates

- ➔ January 8<sup>th</sup> to 21<sup>st</sup>, 2025.

**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 1,027 respondents, the maximum margin of error is  $\pm 3.1$  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<sub>a</sub>

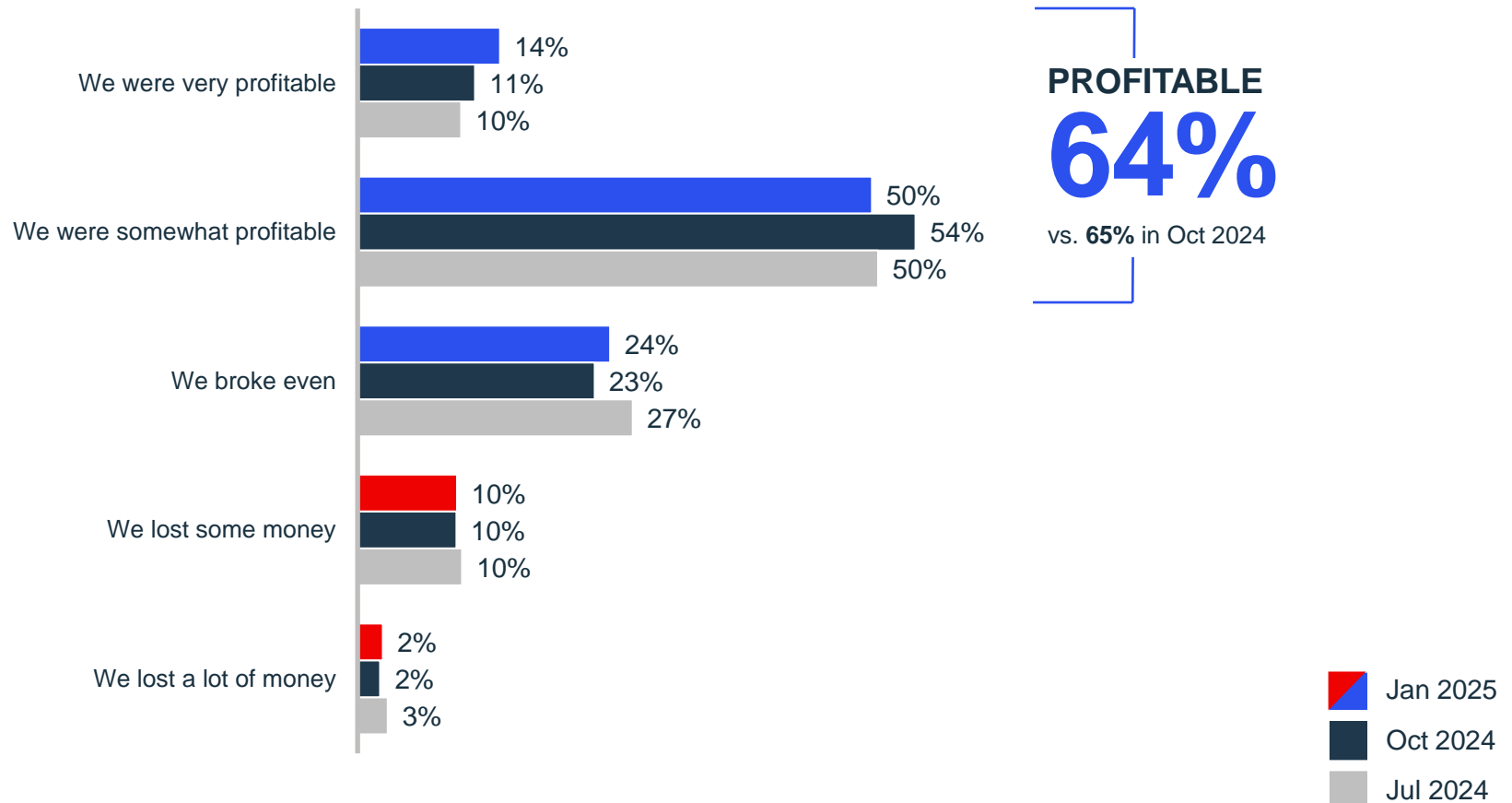
SME current state  
and expectations

# Business profitability profile

While the situation has remained relatively stable or improved for most SMEs, we note that certain segments (e.g., SMEs in accommodation and food services, some SMEs operated by members of a visible minority) are struggling more than their peers.



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

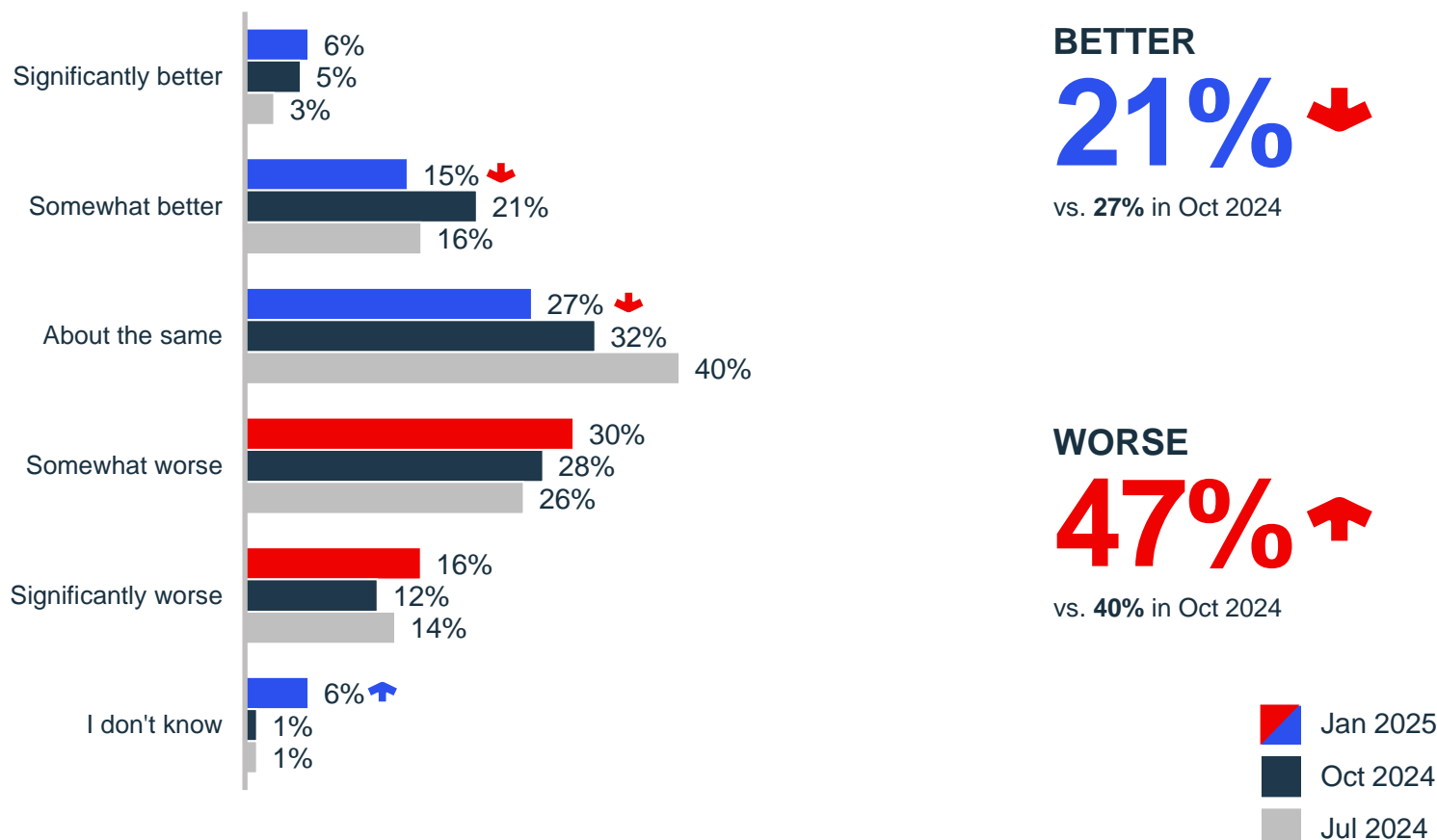


# Economic condition forecasts

The looming threat of tariffs has brought about increased economic uncertainty. This uncertainty, combined with a weakened Canadian dollar, brings many SME leaders to expect economic conditions to get worse over the next 12 months.



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?



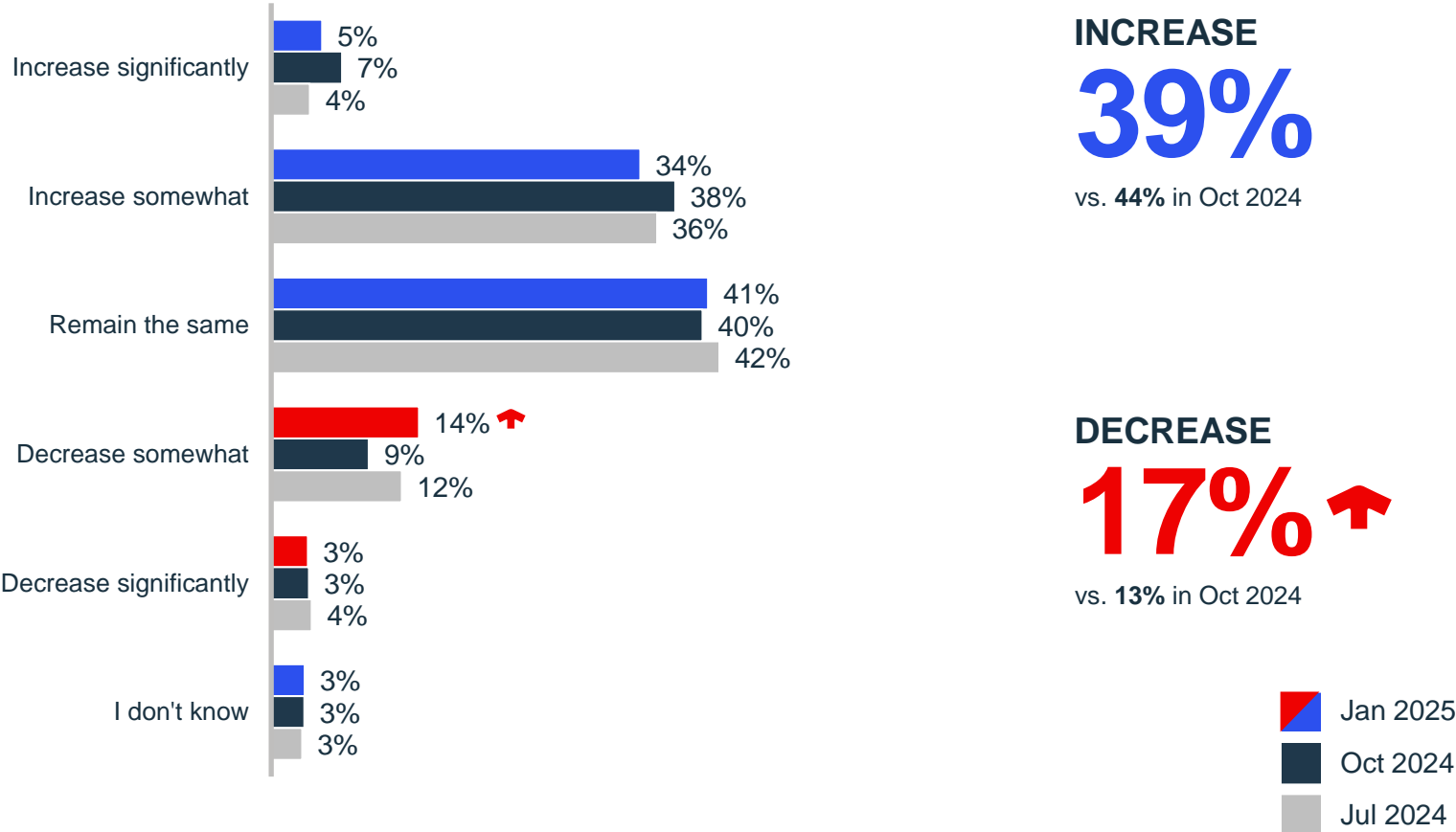
Base: All qualified respondents (n=1027).  
Those who preferred not to answer were excluded from the calculation base.  
Arrows indicate statistical differences between this wave and the previous one.

# Sales and revenue forecasts



For the last two years, sales expectations were trending upwards. These latest results have halted this trend. We are now in a situation where statistically more SMEs expect a sales decrease over the course of 2025, including larger SMEs.

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?



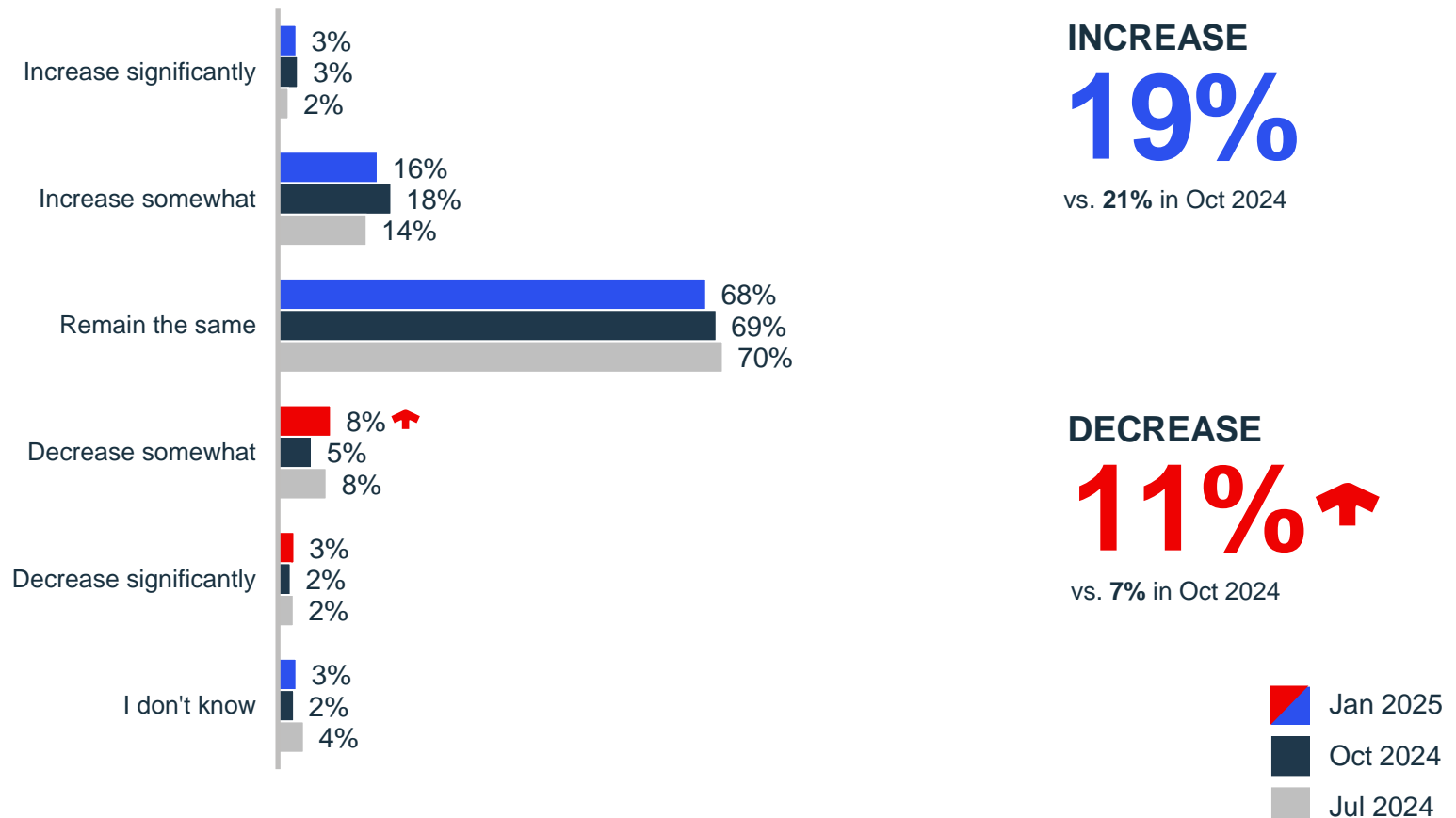
Base: All qualified respondents (n=1013).  
Those who preferred not to answer were excluded from the calculation base.  
Arrows indicate statistical differences between this wave and the previous one.

# Forecasted employee count

With the expectation of decreased economic activity, more SMEs think they may reduce their employee count to better weather the year ahead.



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?



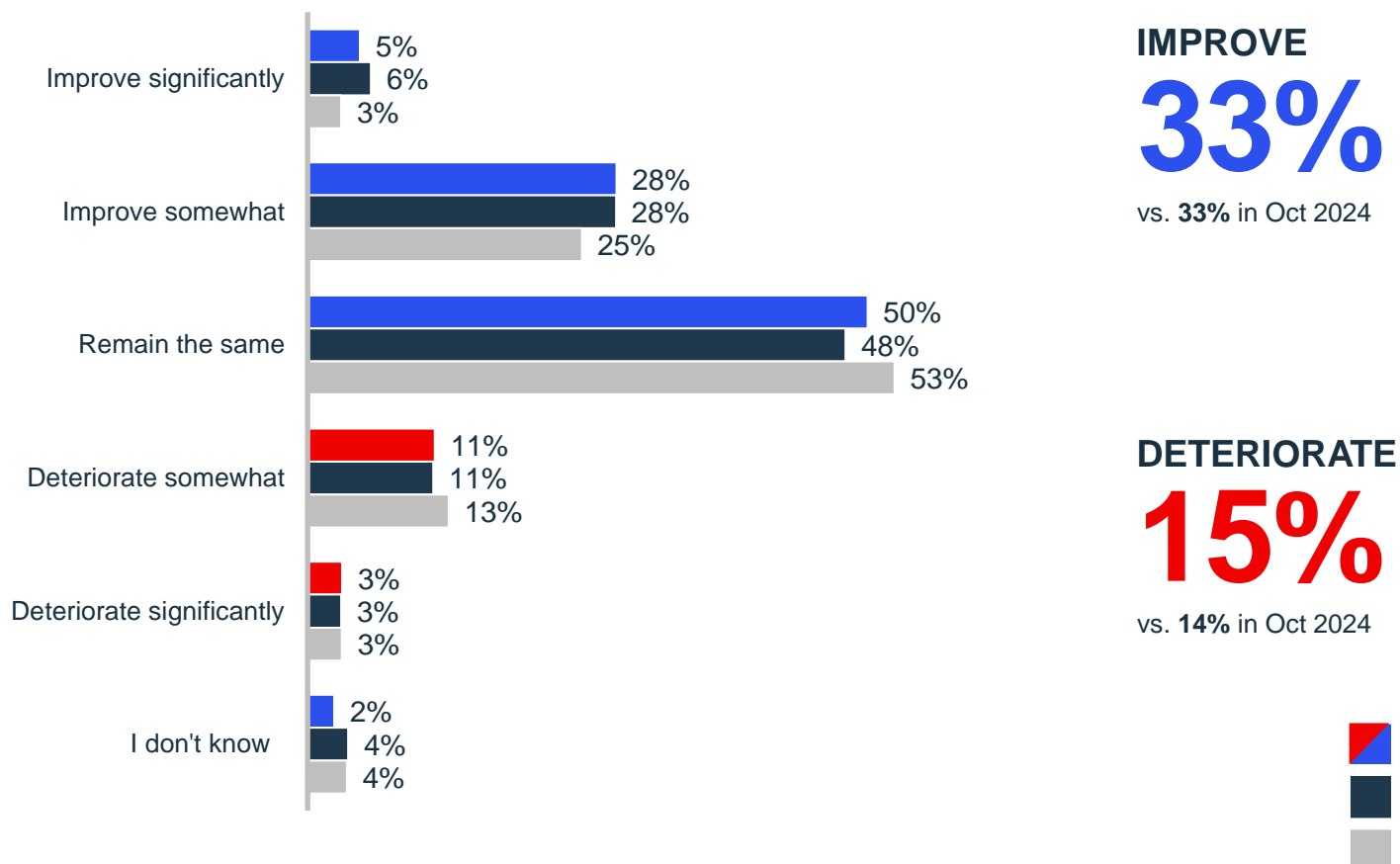
Base: All qualified respondents (n=1015).  
Those who preferred not to answer were excluded from the calculation base.  
Arrows indicate statistical differences between this wave and the previous one.

# Cash flow situation forecasts

Results remain relatively stable. Despite a more negative outlook, SMEs seem to believe they will be able to protect their cash flow situation.



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?



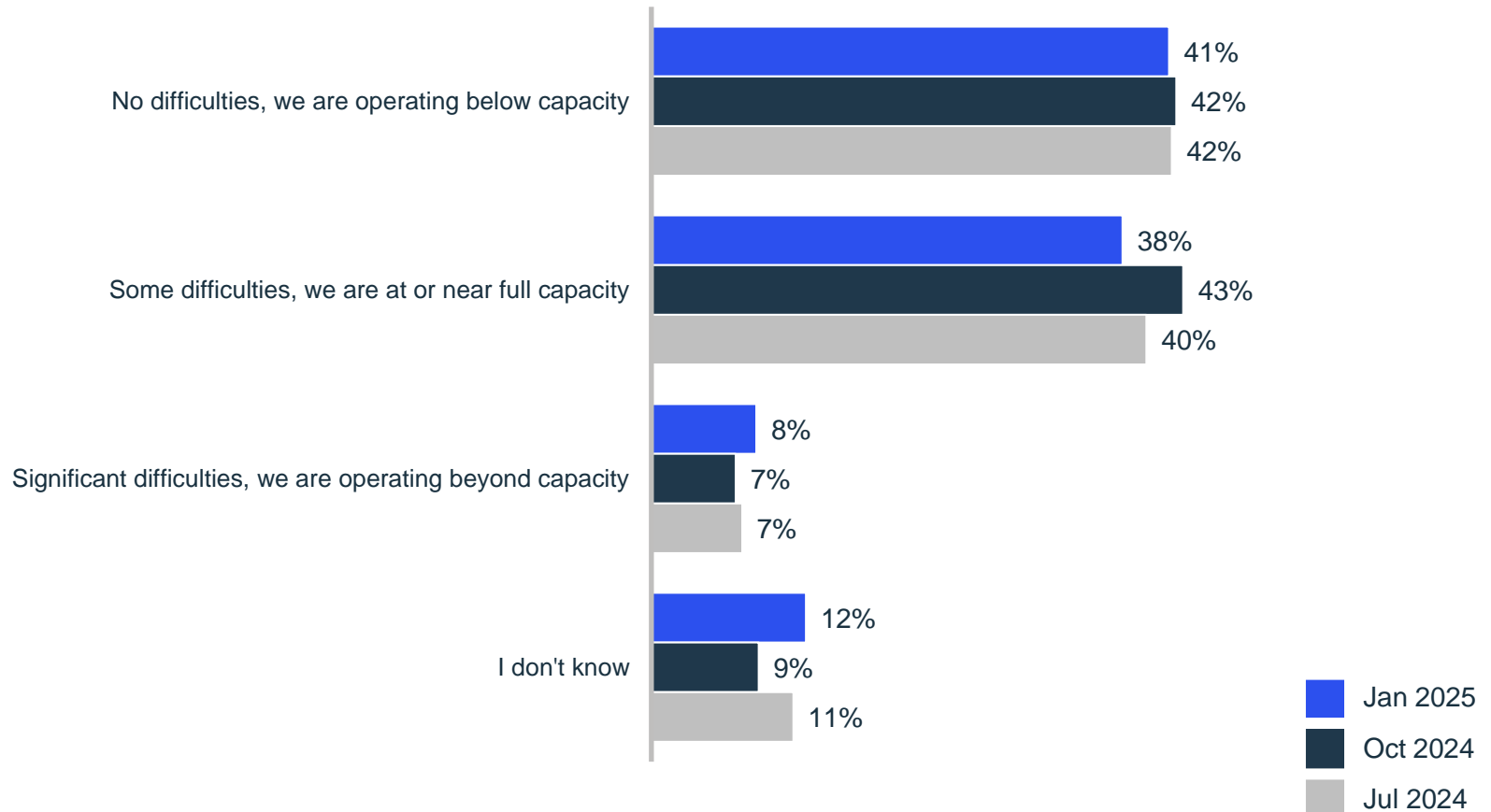
Base: All qualified respondents (n=1014).  
Those who preferred not to answer were excluded from the calculation base.  
Arrows indicate statistical differences between this wave and the previous one.

# Ability to meet unexpected demand

Most SMEs are operating below or near full capacity. Interestingly, a high proportion of unprofitable SMEs are operating beyond capacity. This reiterates the need for them to right-size their operations to move towards profitability.



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



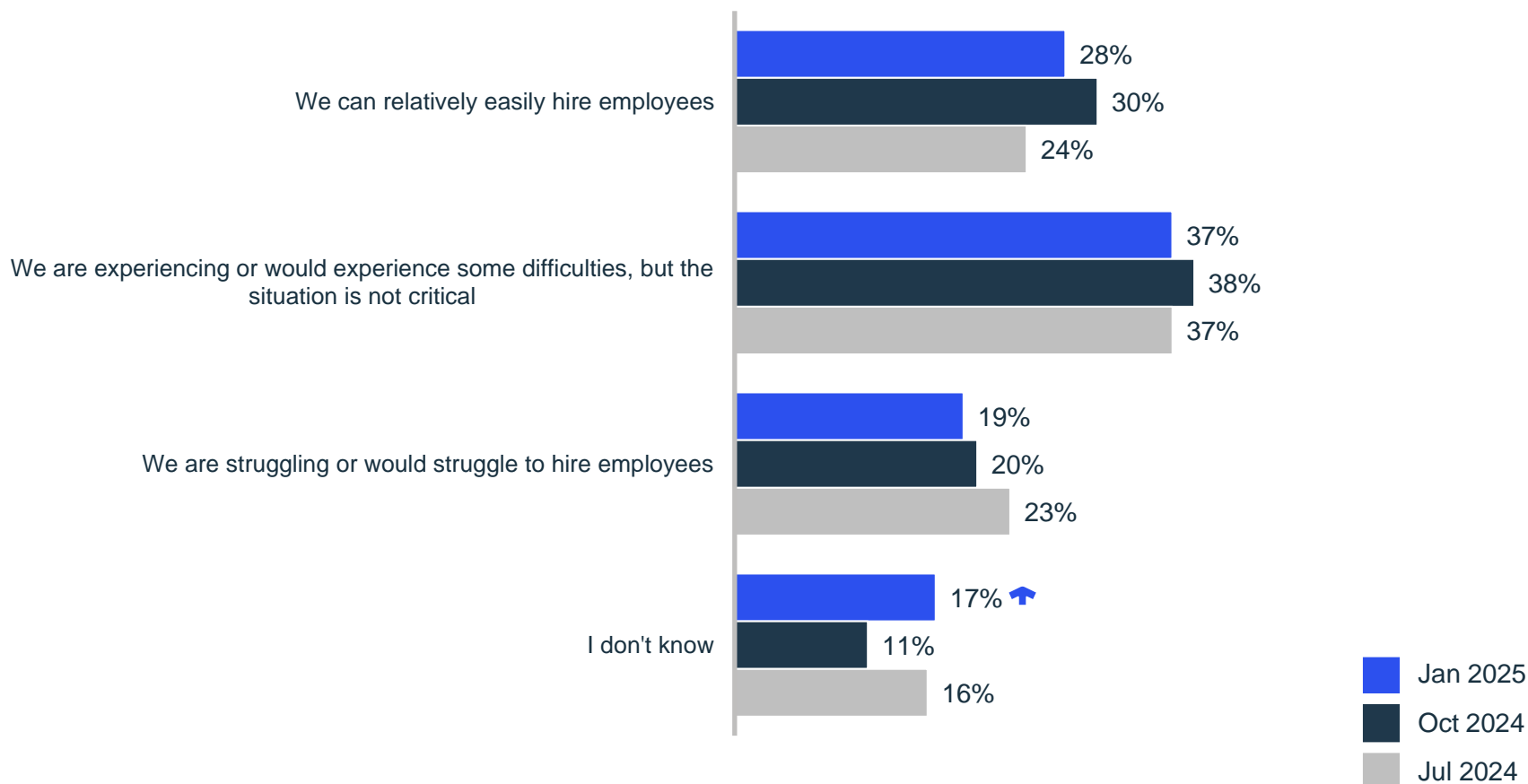
Base: All qualified respondents (n=1004).  
Those who preferred not to answer were excluded from the calculation base.  
Arrows indicate statistical differences between this wave and the previous one.

# Ability to hire qualified workers

While most SMEs say they can hire relatively easily or with minimal difficulty, SMEs in small and rural population areas are significantly more likely to say they are struggling or would struggle to hire.



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



Base: All qualified respondents (n=1008).  
Those who preferred not to answer were excluded from the calculation base.  
Arrows indicate statistical differences between this wave and the previous one.



# Current financial and project situation

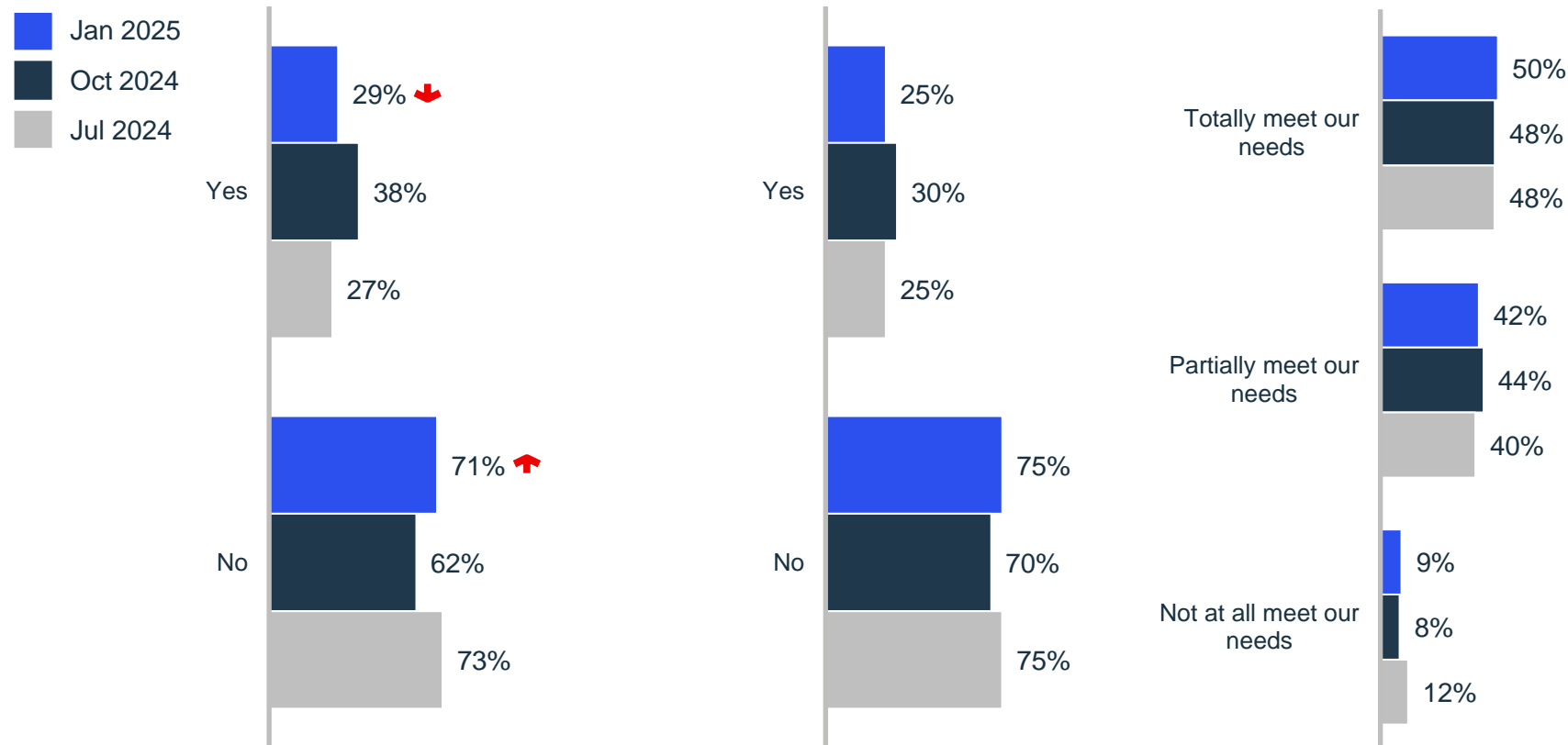
SMEs are treading carefully. Significantly fewer indicated having used or planning to use significant resources for growth.



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<sub>b</sub>

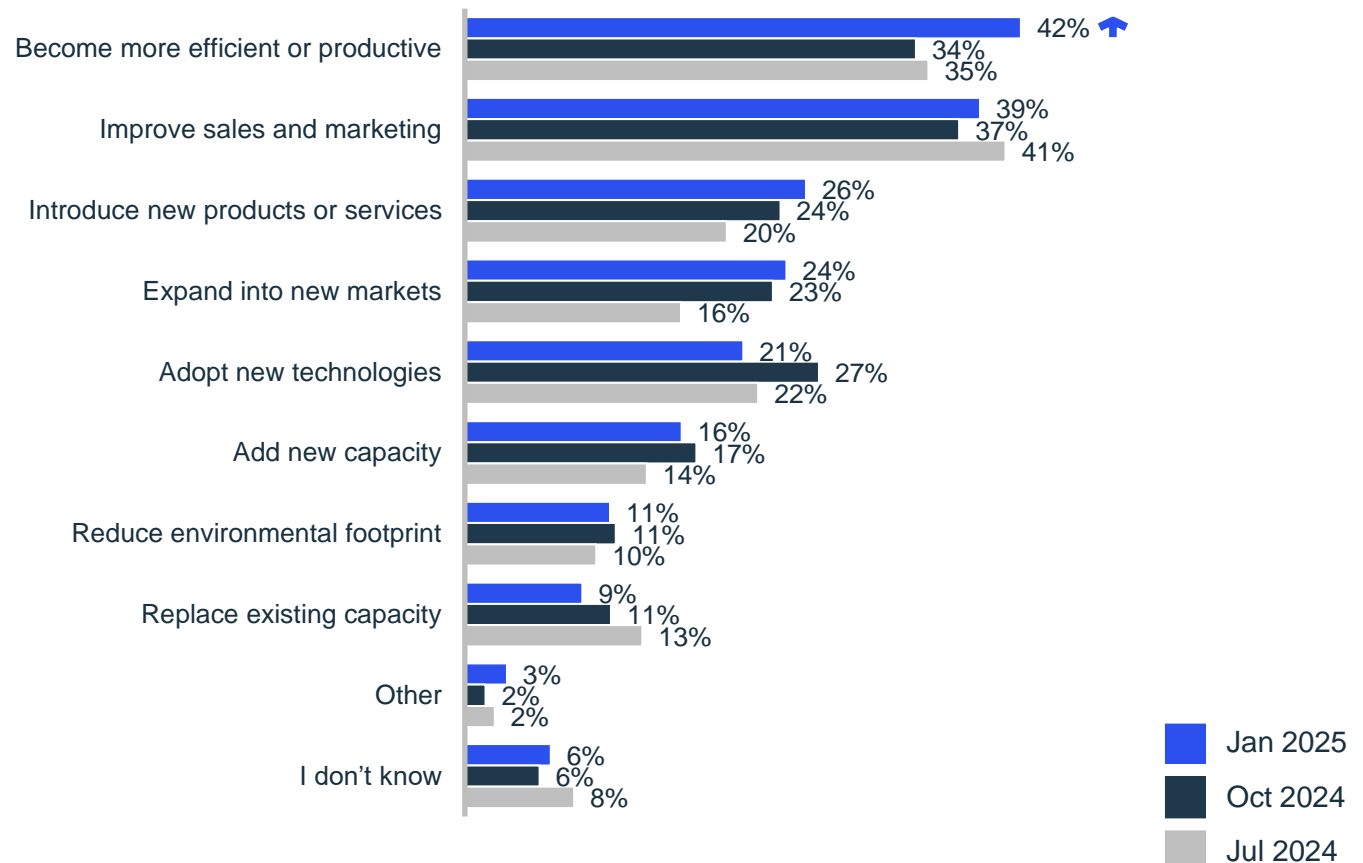
Investment outlook

# Investment goals for the next 12 months

To protect and strengthen their bottom line, SMEs are prioritizing efficiency and improvements to their sales and marketing. Furthermore, one in four plans to introduce new offerings and/or expand into new markets.



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



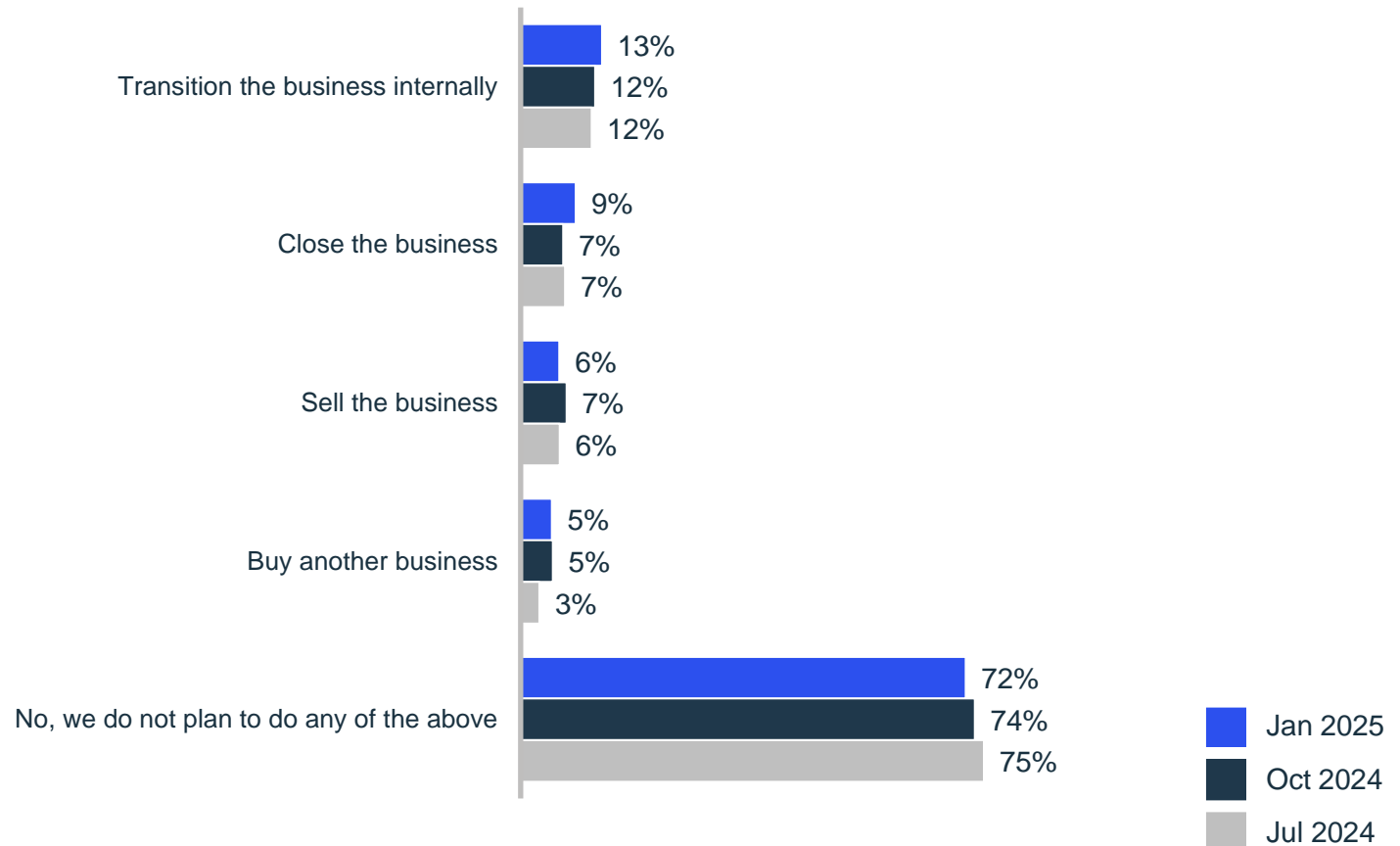
Base: Respondents planning to invest (n=519). Those who preferred not to answer were excluded from the calculation base. Multiple mentions were allowed; therefore, total exceeds 100%. Arrows indicate statistical differences between this wave and the previous one.

# Transition plans

Results are relatively stable, but with an aging population we can expect to see more business transition activity.



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

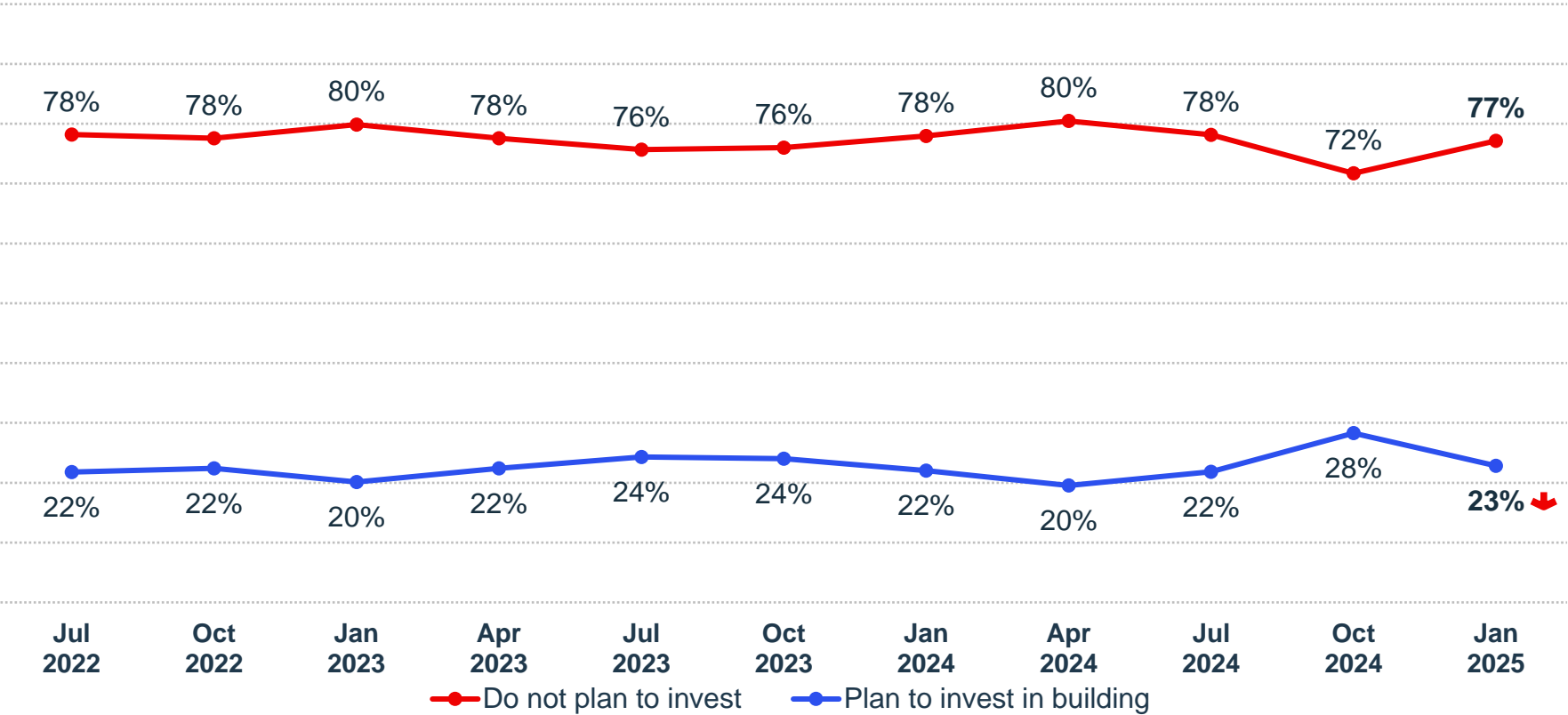


# Investment intentions in non-residential building

The economic outlook and uncertainty are negatively impacting investment intentions. Nearly one quarter of SMEs plan to invest in non-residential buildings.



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



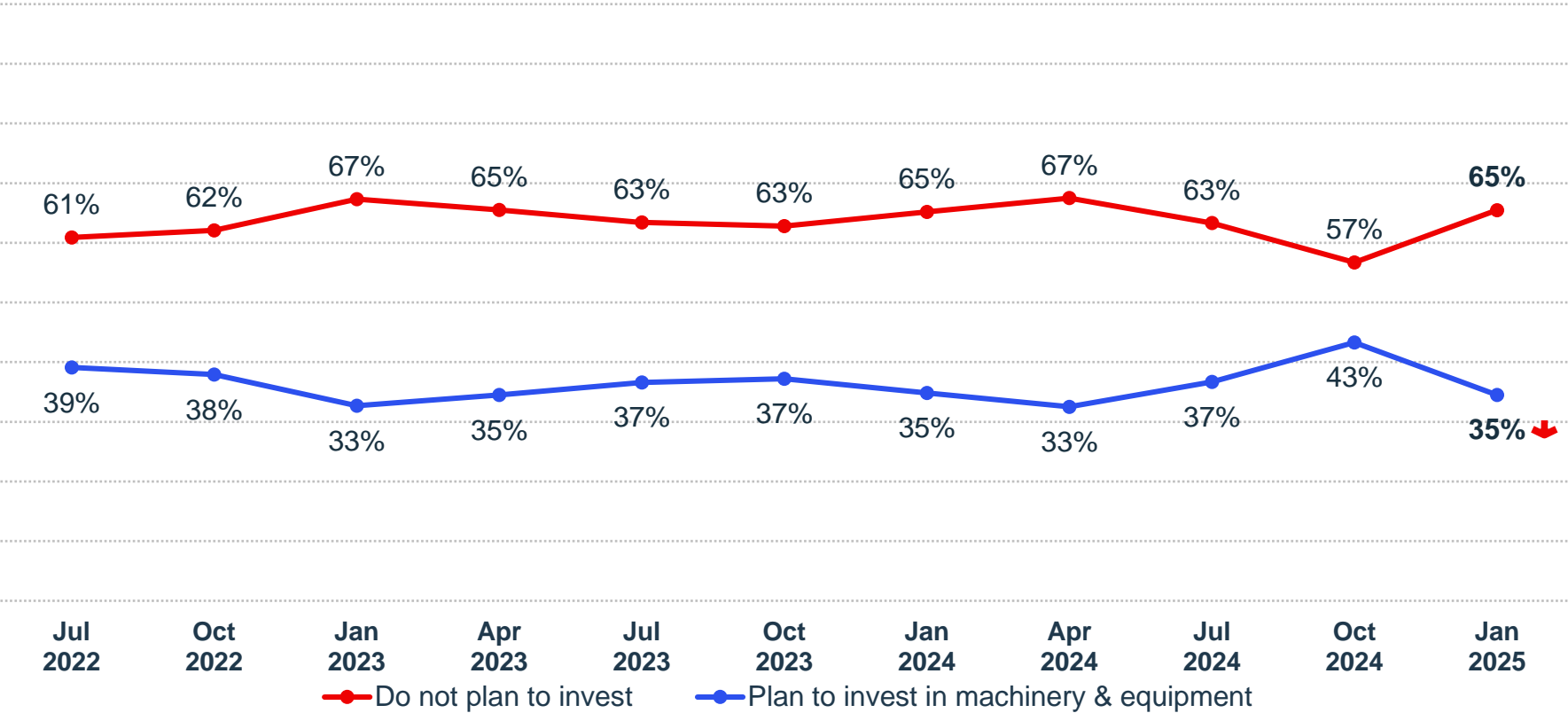
Base: All qualified respondents (n=911).  
Those who preferred not to answer were excluded from the calculation base.  
Arrows indicate statistical differences between this wave and the previous one

# Investment intentions in machinery and equipment

Investment intentions in machinery and equipment (M&E) have also decreased. M&E is often imported, and the drop in investment intentions may be partly explained by a weaker Canadian dollar.



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



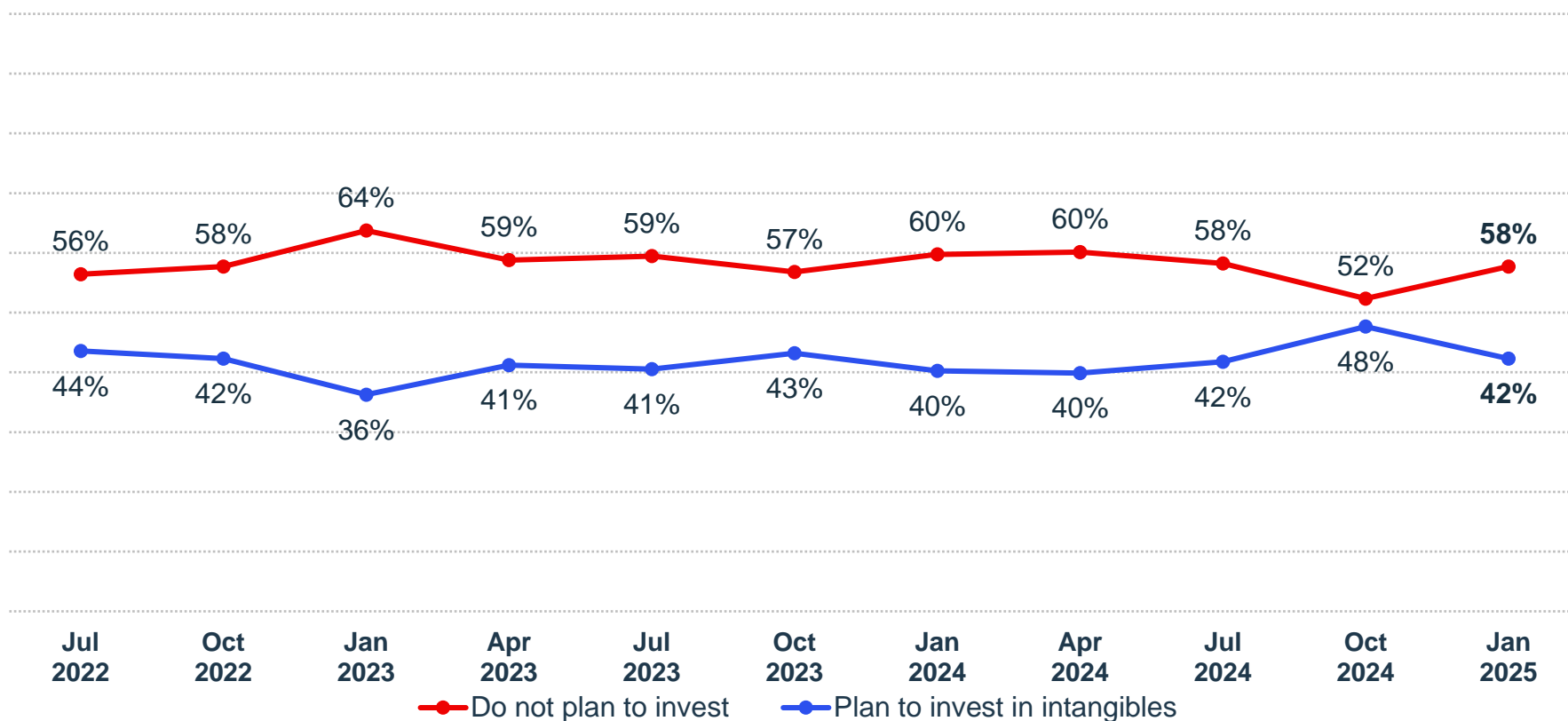
Base: All qualified respondents (n=901).  
Those who preferred not to answer were excluded from the calculation base.  
Arrows indicate statistical differences between this wave and the previous one

# Investment intentions in intangibles

Despite having decreased, investment intentions in intangibles remain on point with the historical trend.



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



Base: All qualified respondents (n=882).  
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

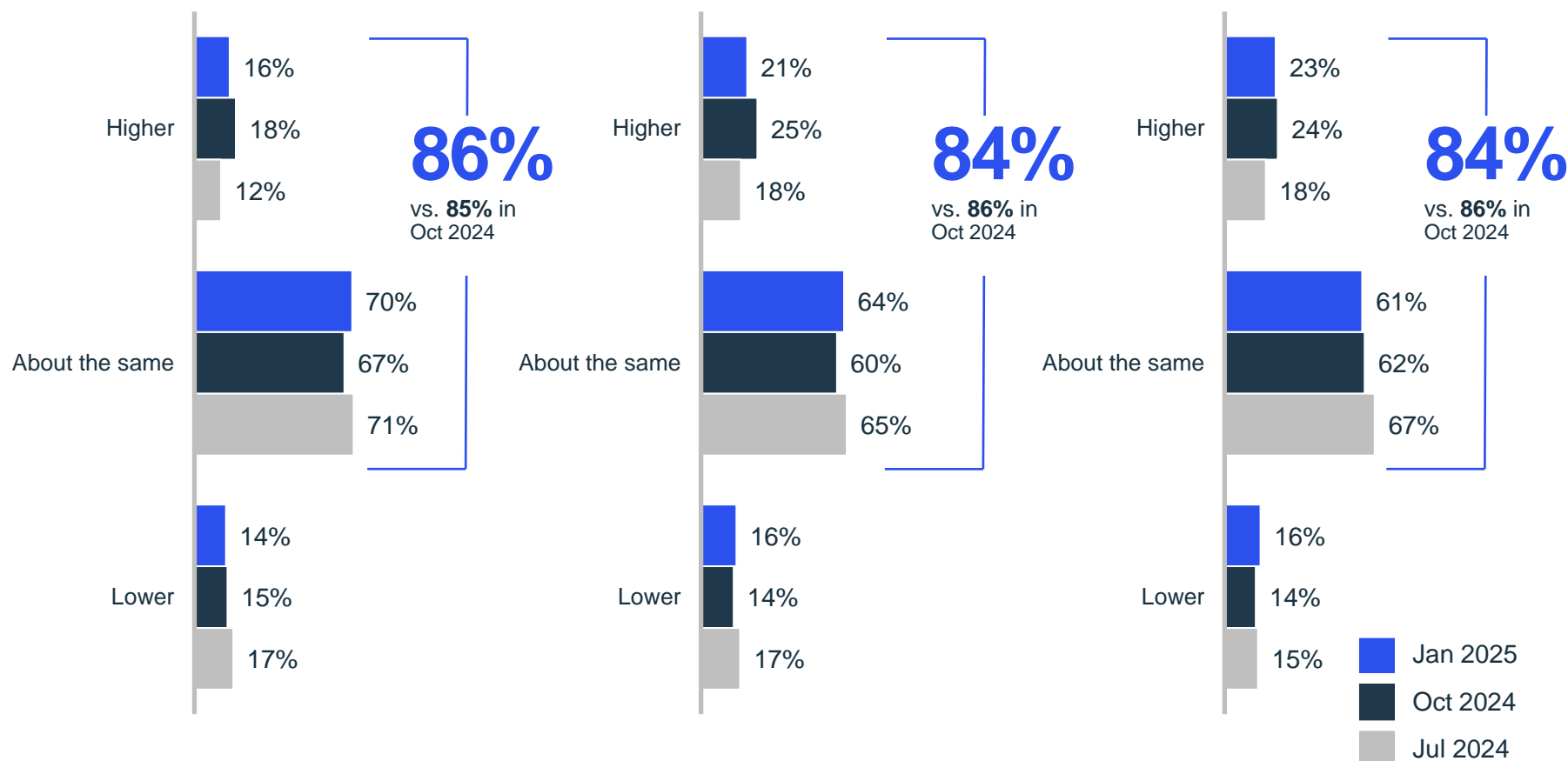
While fewer SMEs plan to invest over the course of the year, amounts to be allocated by those who plan on investing are comparable to last year's investment amounts.



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=921, n Q58b=947 and n Q58c=945). Those who did not know were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one.

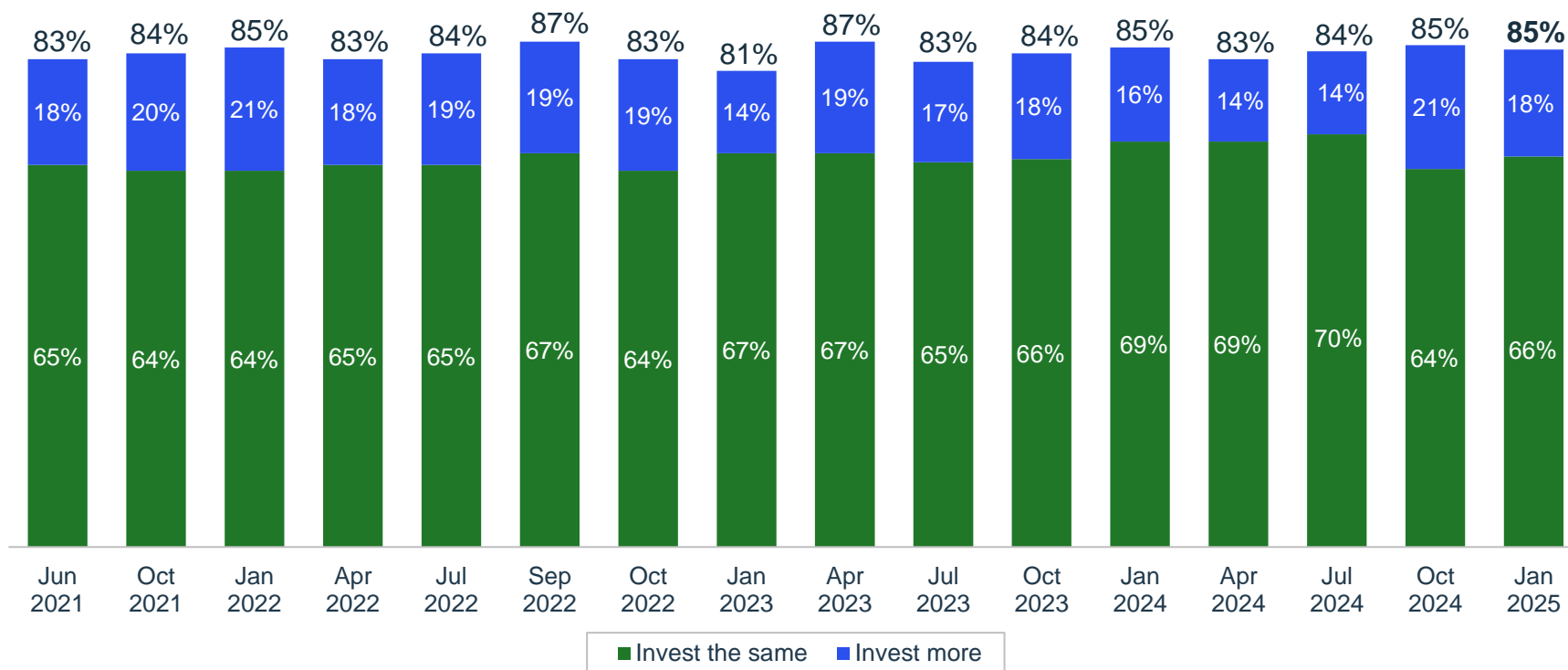


# Investment plans (aggregate average)

Aggregate results are relatively stable. Despite lower interest rates, the uncertain economic environment is prompting many to adopt a wait and see approach.



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



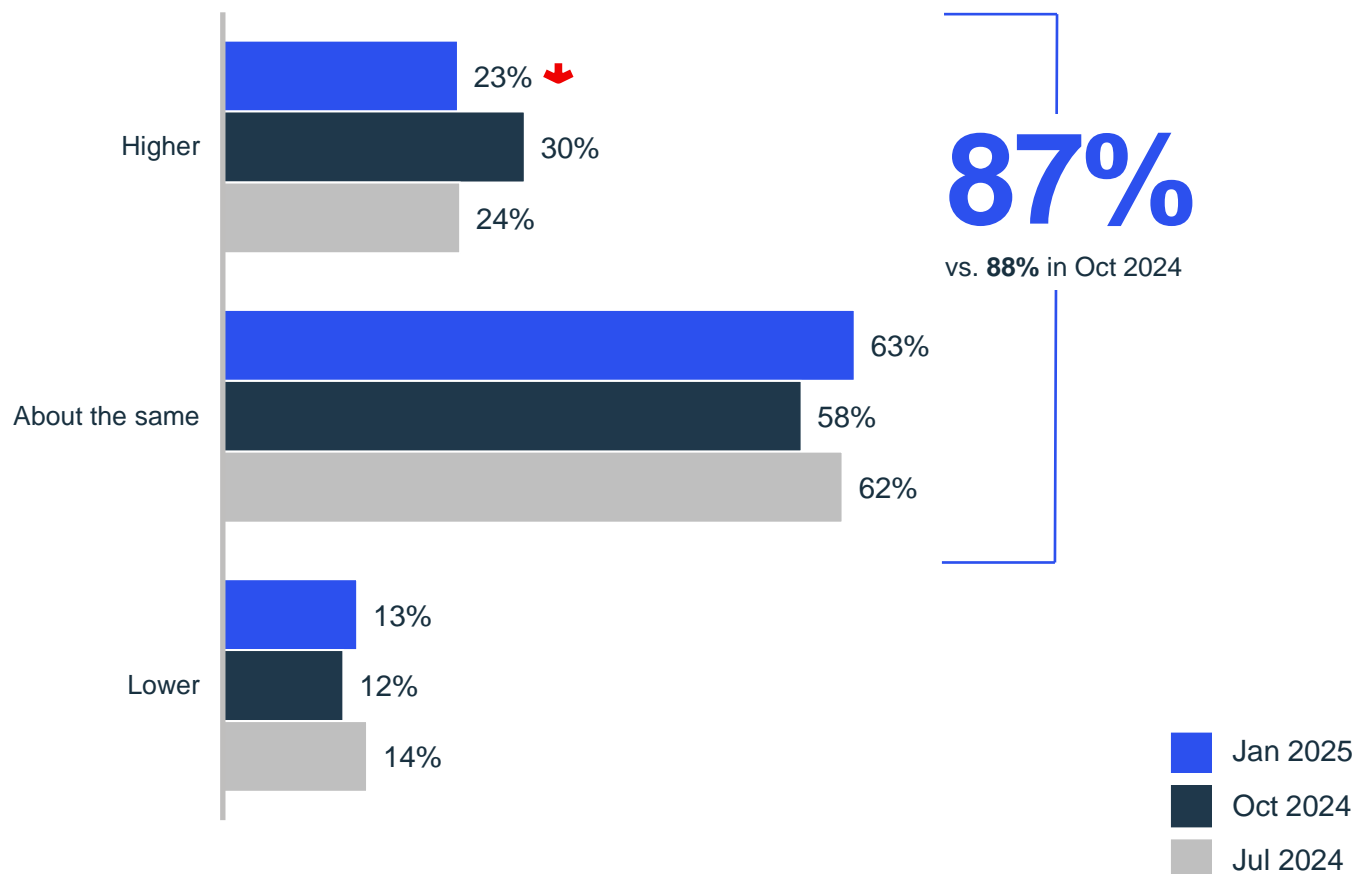
Base: All qualified respondents (n=967).  
Those who preferred not to answer were excluded from the calculation base.  
Arrows indicate statistical differences between this wave and the previous one.

# Investment plans (direct question)

When asked directly, just under one quarter of SMEs expect to invest more than in the last 12 months, which is slightly higher than the aggregated result. However, this result has decreased significantly since October 2024.



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



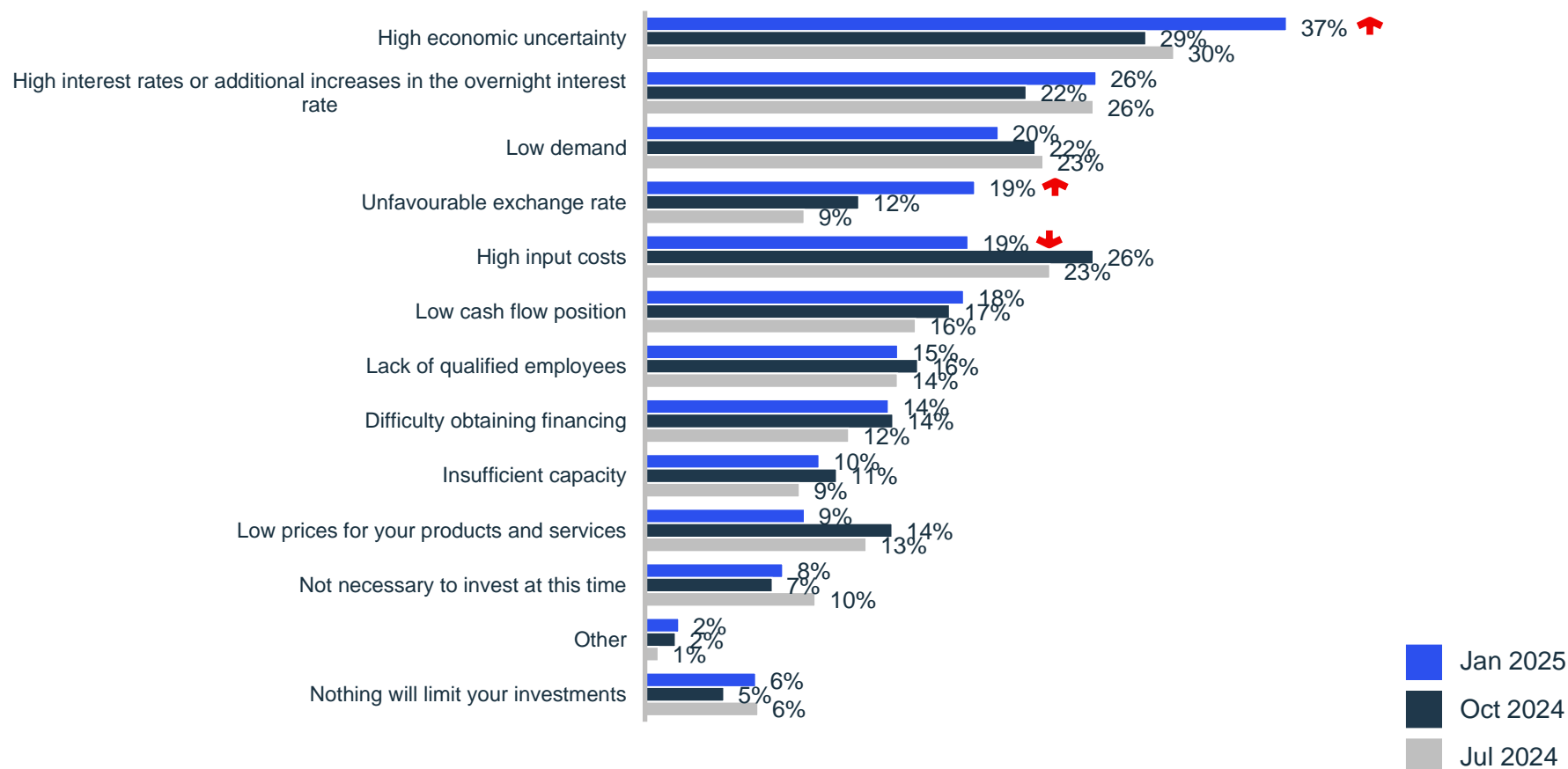
# Limiting factors of those who plan to invest

High economic uncertainty is the main factor which could limit business investments, significantly more than in the last wave. To a lesser extent high interest rates and low demand could change SMEs' investment plans.



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



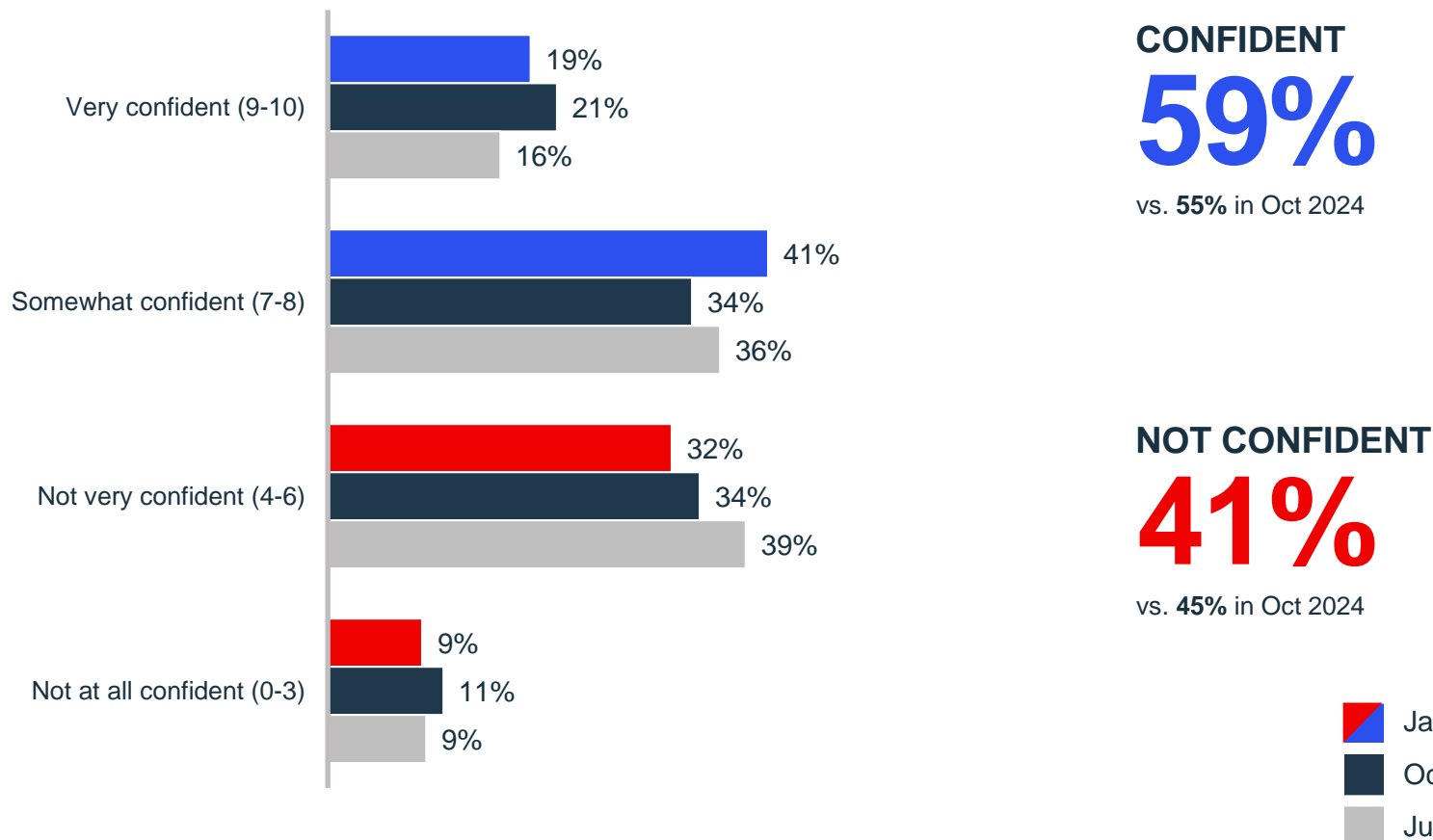
Base: Those planning to invest (n=509). Those who did not know or preferred not to answer were excluded from the calculation base. A maximum of three mentions was allowed, therefore total exceeds 100%. Arrows indicate statistical differences between this wave and the previous one.

# Confidence in pursuing investments

Although there is a decrease SMEs planning to invest in 2025, those who are planning to invest are more confident about their ability to pursue their intended investments than they were 3 months ago.



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

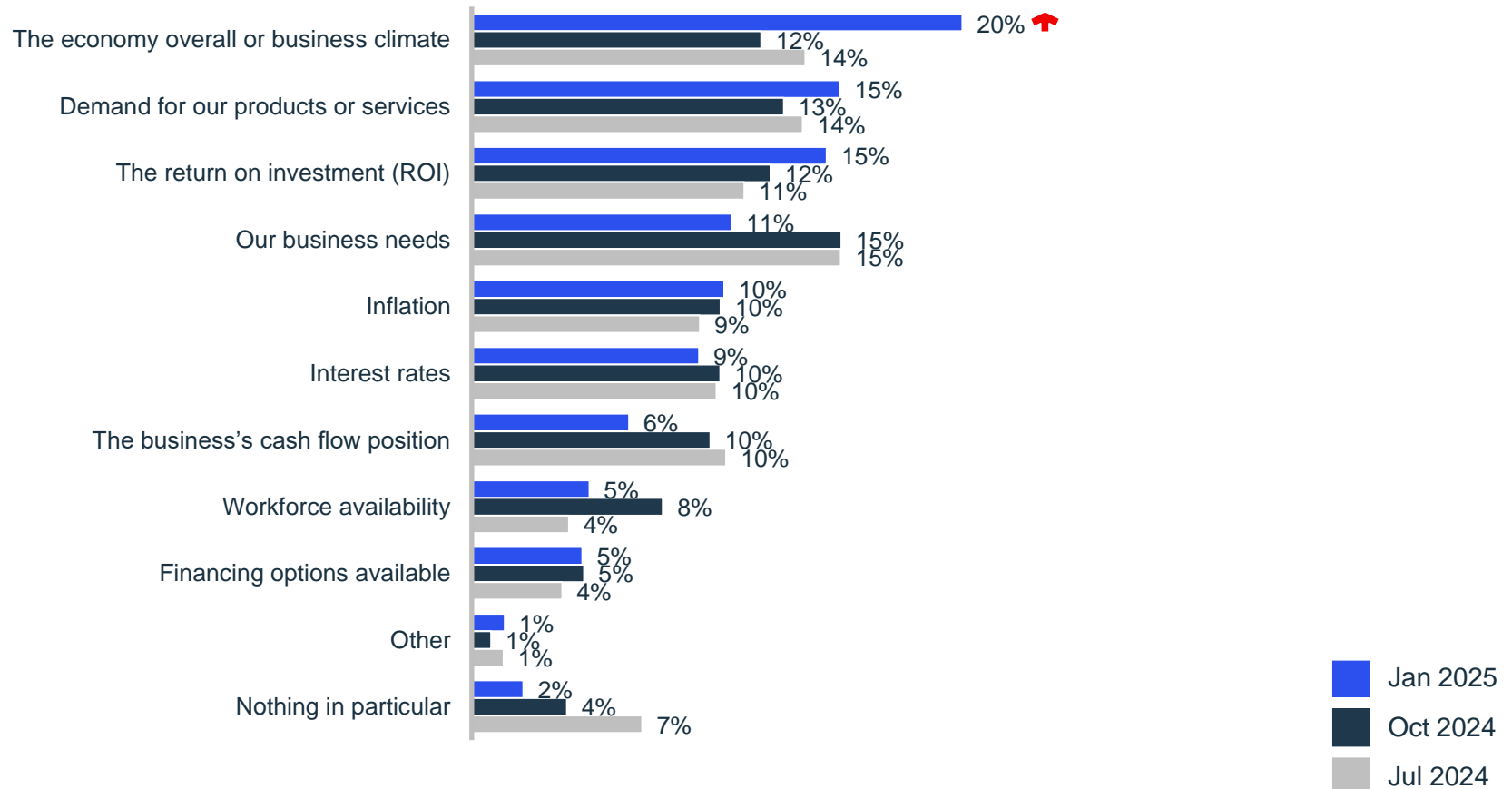


# Investment decisional factors

The economy overall or business climate is the main factor upon which most SMEs will base their decision to move forward with their investment plans, significantly more than in October. Demand for offering and return on investment are also key factors.



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=515).

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%.

$3_c$

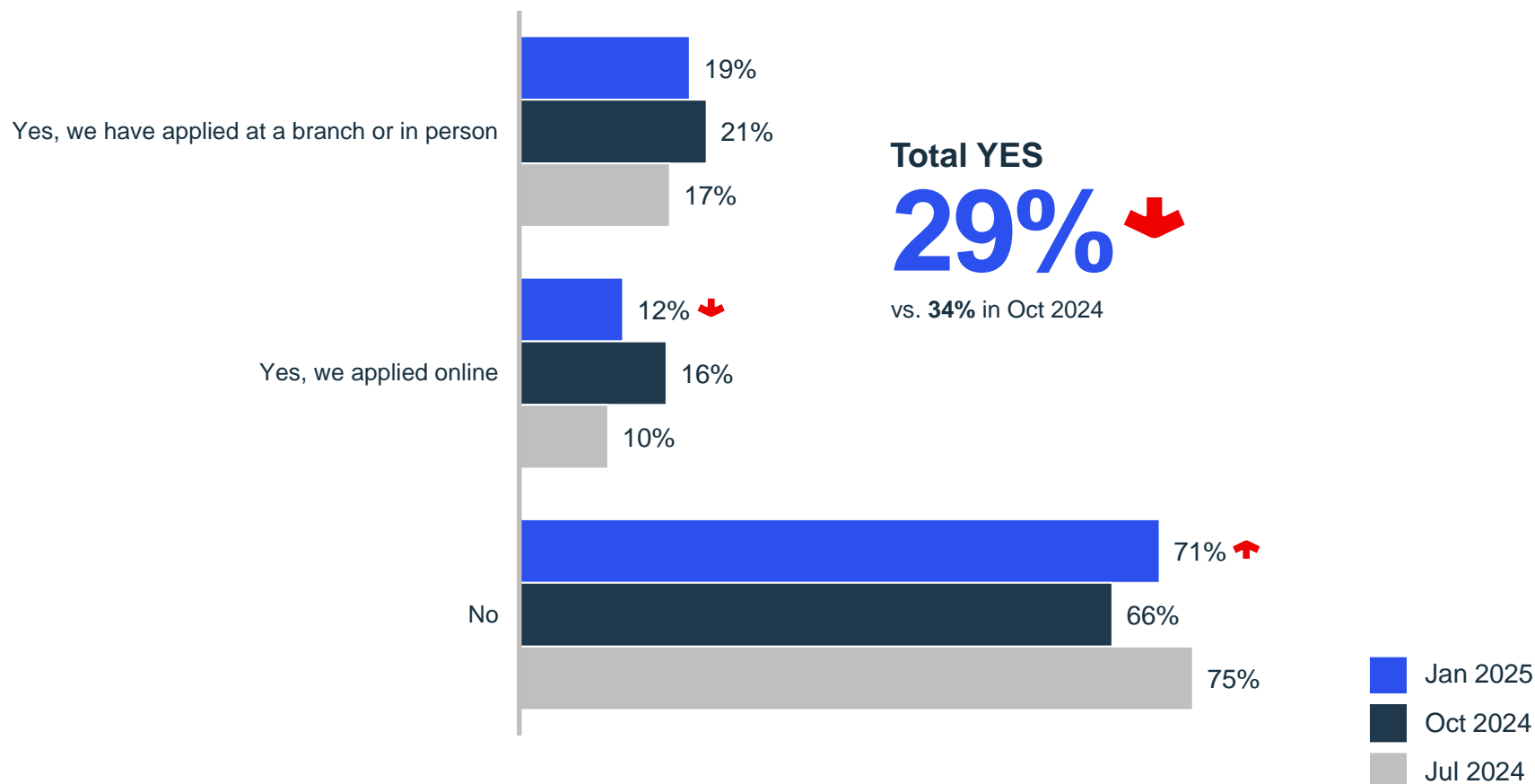
Financing supply

# Past financing requests

In June 2024, with inflation under control, the BoC started reducing its policy rate, prompting many SMEs to move forward with their financing demand. The recent arrival of a new U.S. administration and ensuing uncertainty seem to have cooled demand.



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



Base: All qualified respondents (n=995).

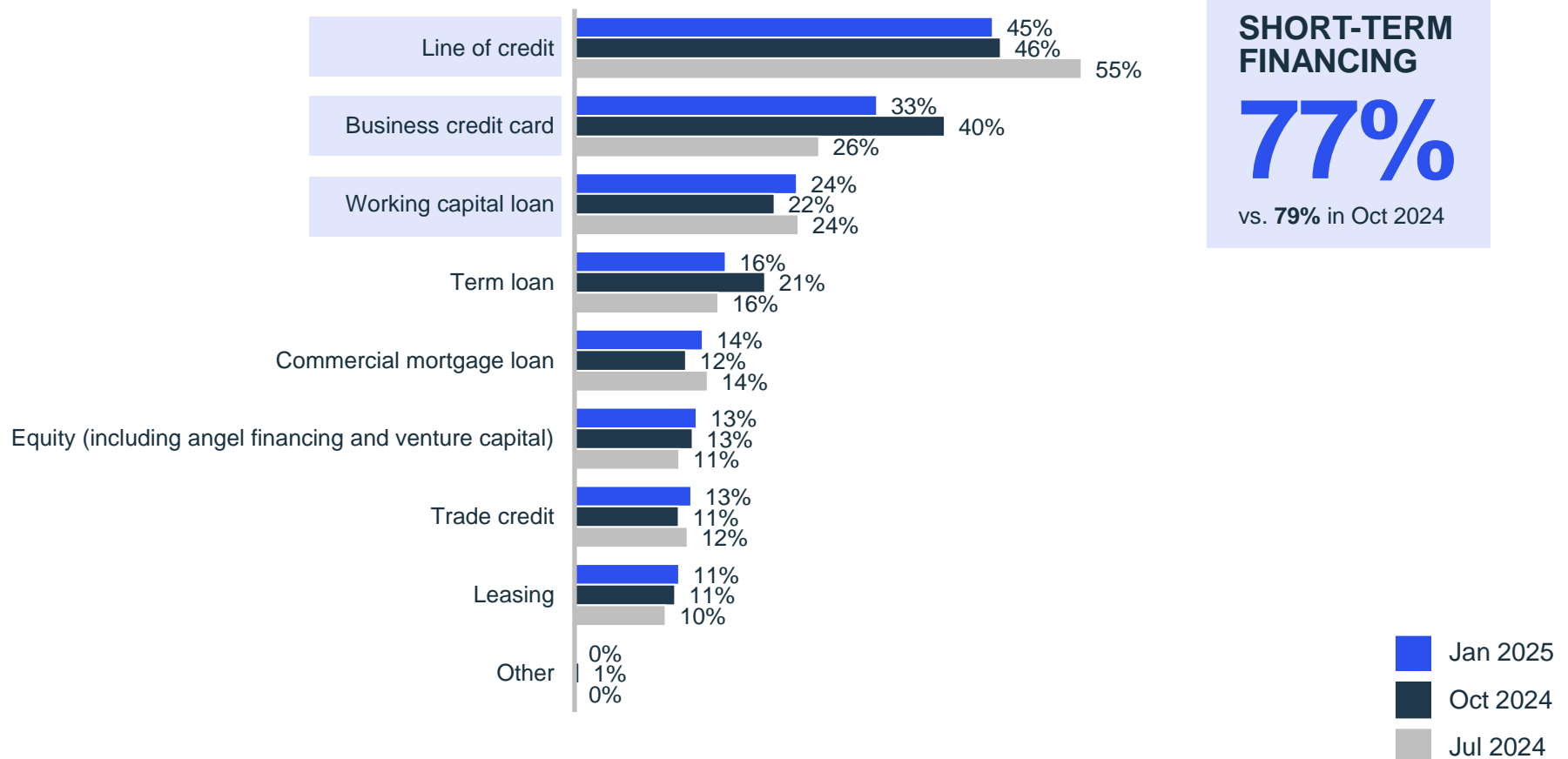
Those who did not know were excluded from the calculation base. Multiple answers allowed for the "Yes" response.

# Type of financing requested

Demand for short-term financing remains the most sought-after. Small and growing SMEs are significantly more likely to have requested short-term financing to support their business needs.



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



Base: Respondents who requested financing (n=396). 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.

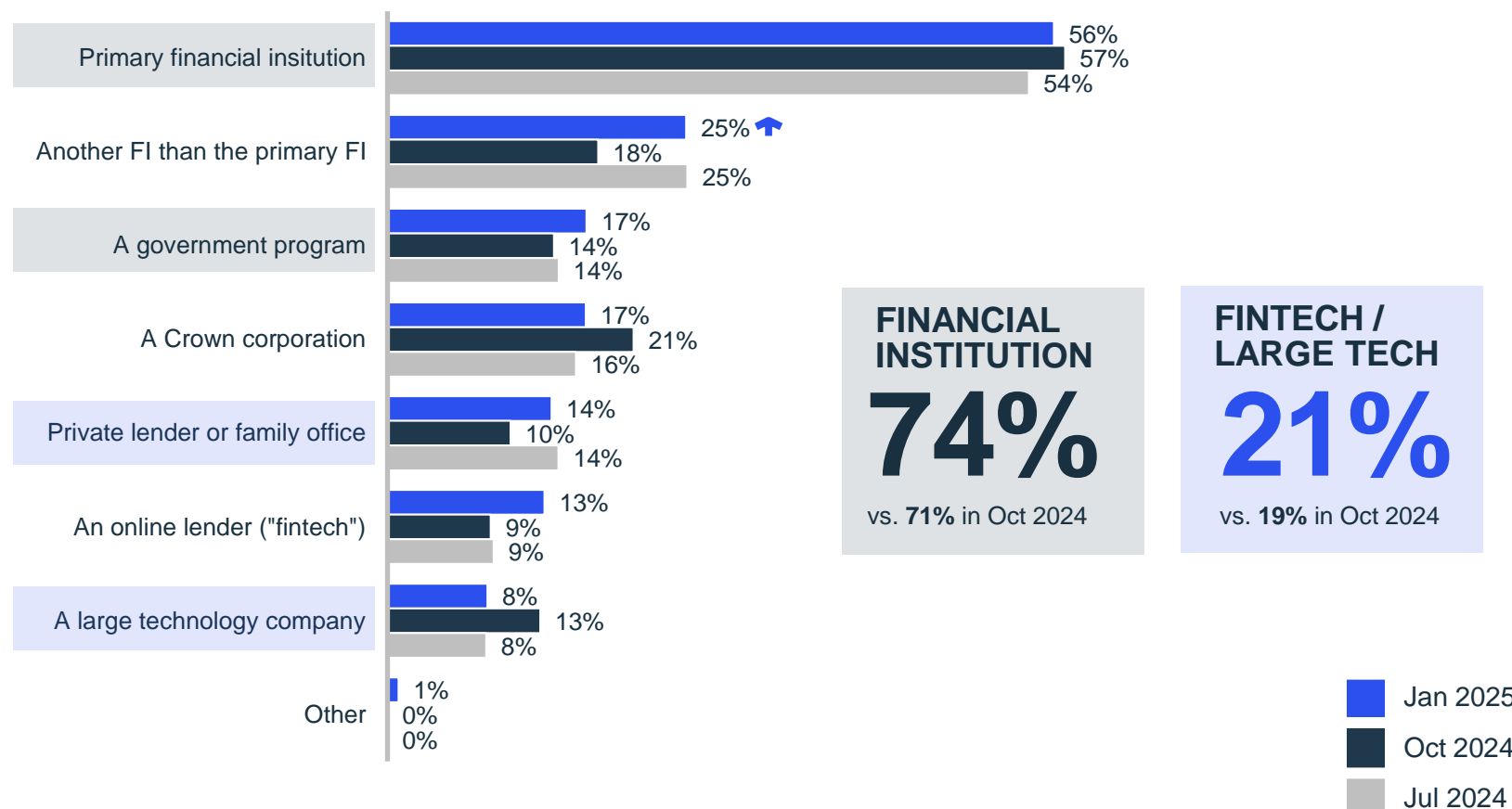


# Sources of financing

While more than half of SMEs turned to their primary FI for financing, a quarter of them also indicated turning to another FI. Use of alternative lenders (fintechs and large tech companies) continues to progress, with one in five SMEs turning to them.



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



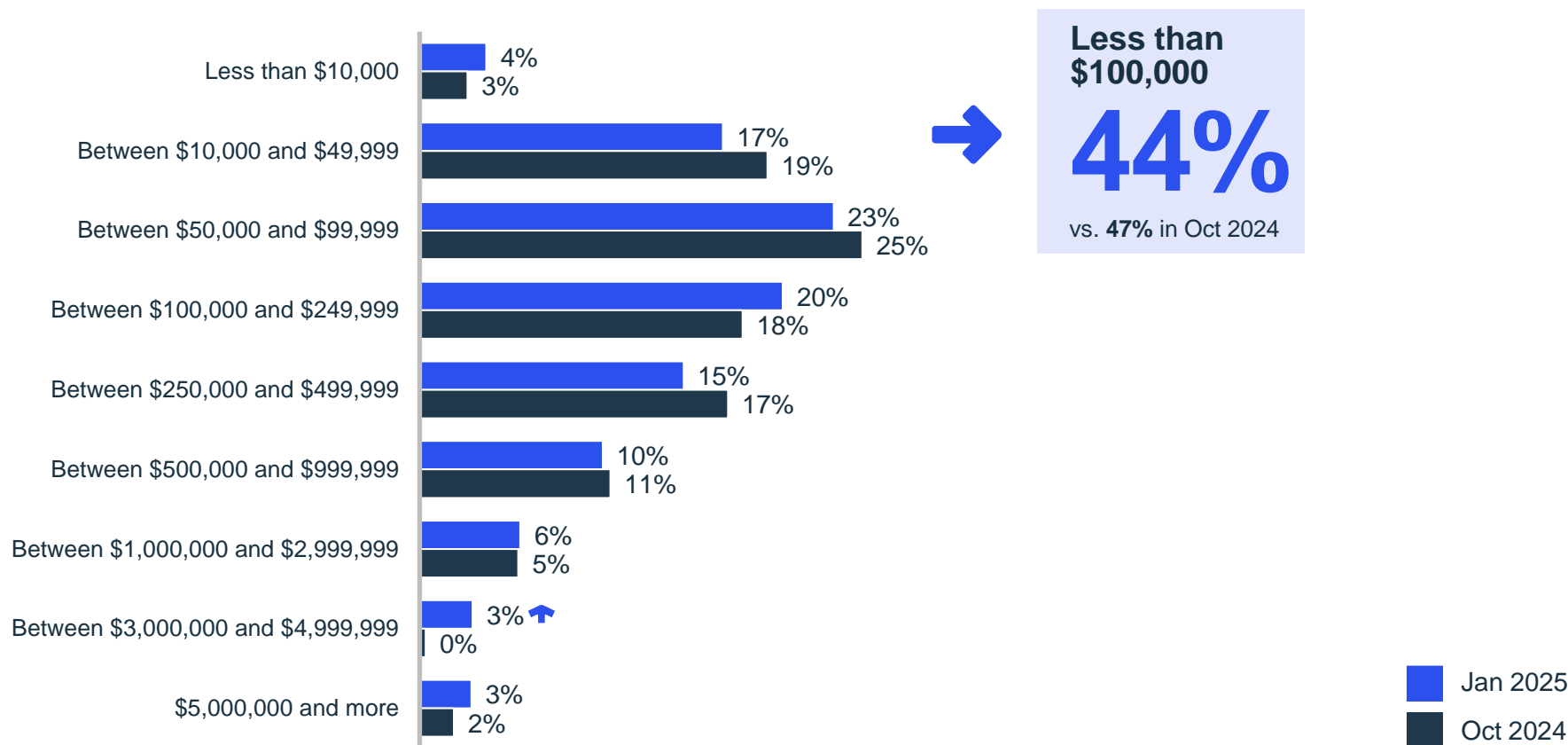
Base: Respondents who requested financing (n=393). Those who did not know were excluded from the calculation base. Multiple mentions were allowed; therefore, total exceeds 100%. Arrows indicate statistical differences between this wave and the previous one.

# Amount of financing SMEs requested

There was a small decrease in the proportion of SMEs requesting up to \$100,000. Conversely, we saw an increase in those seeking larger amounts, which coincided with reductions in the overnight policy rate set by the Bank of Canada.



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



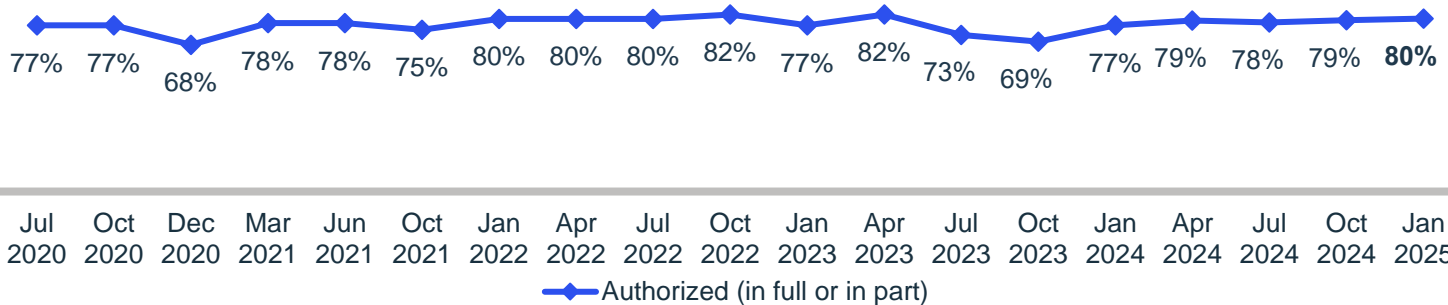
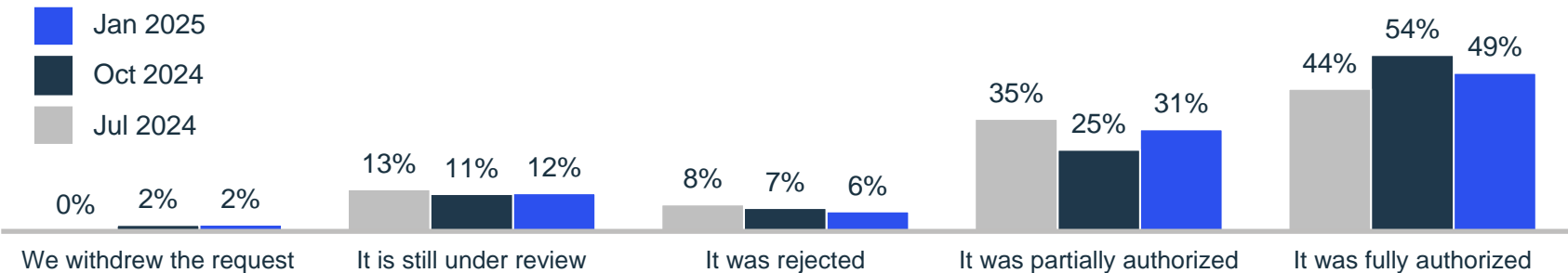
Base: Respondents who requested financing (n=390).  
Those who did not know or preferred not to answer are not presented on this slide.  
Arrows indicate statistical differences between this wave and the previous one.  
This question was added in October 2024.

# Financing request outcome

Four out of five SMEs saw their request approved at least in part.



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



APPROVAL  
RATE  
**80%**

Base: Respondents who requested financing (n=397).  
Those who did not know were excluded from the calculation base.

3<sub>d</sub>

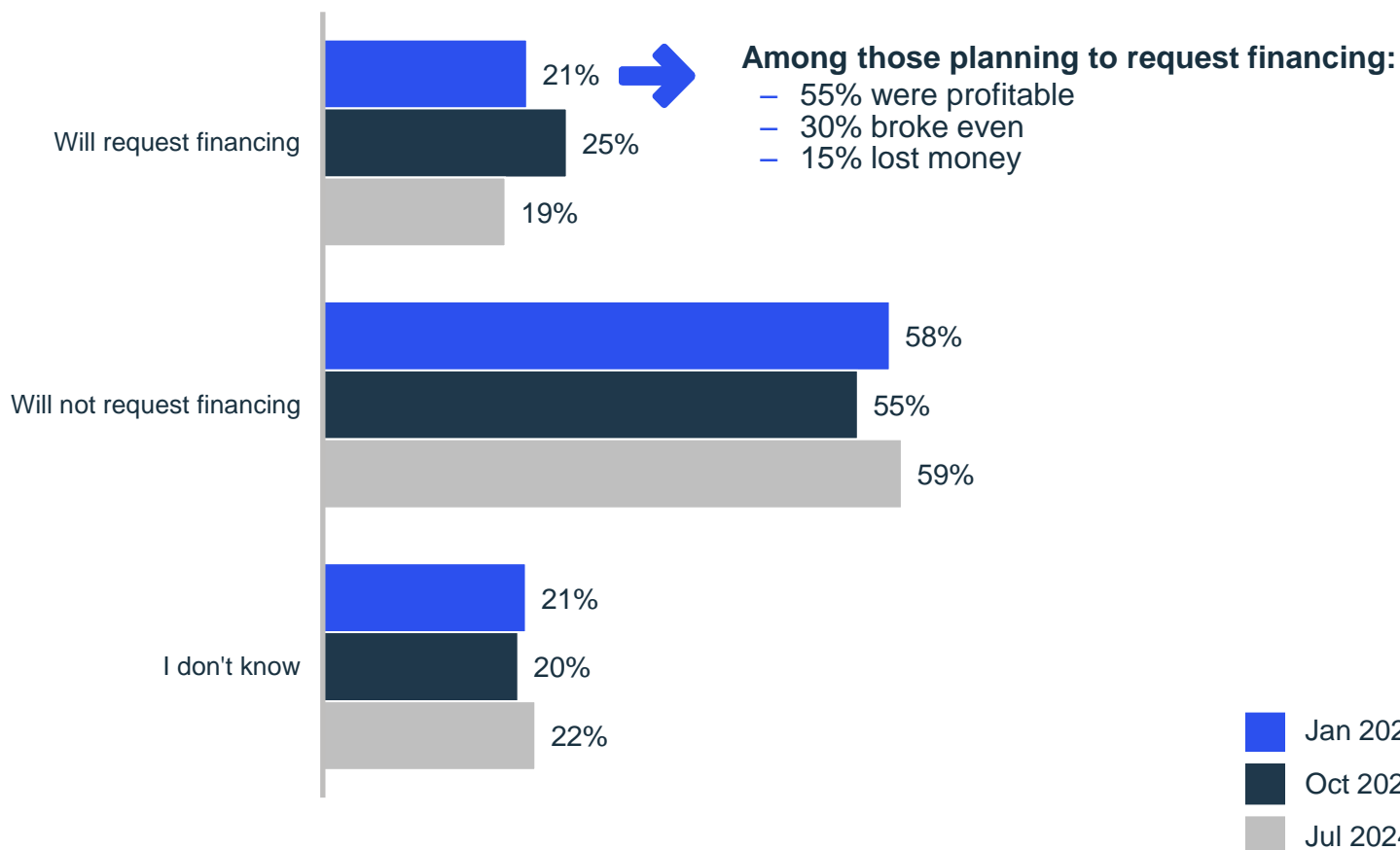
Financing demand

# Planned financing requests

Despite the uncertainty, demand remains relatively healthy with one in five SMEs planning to request financing.



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

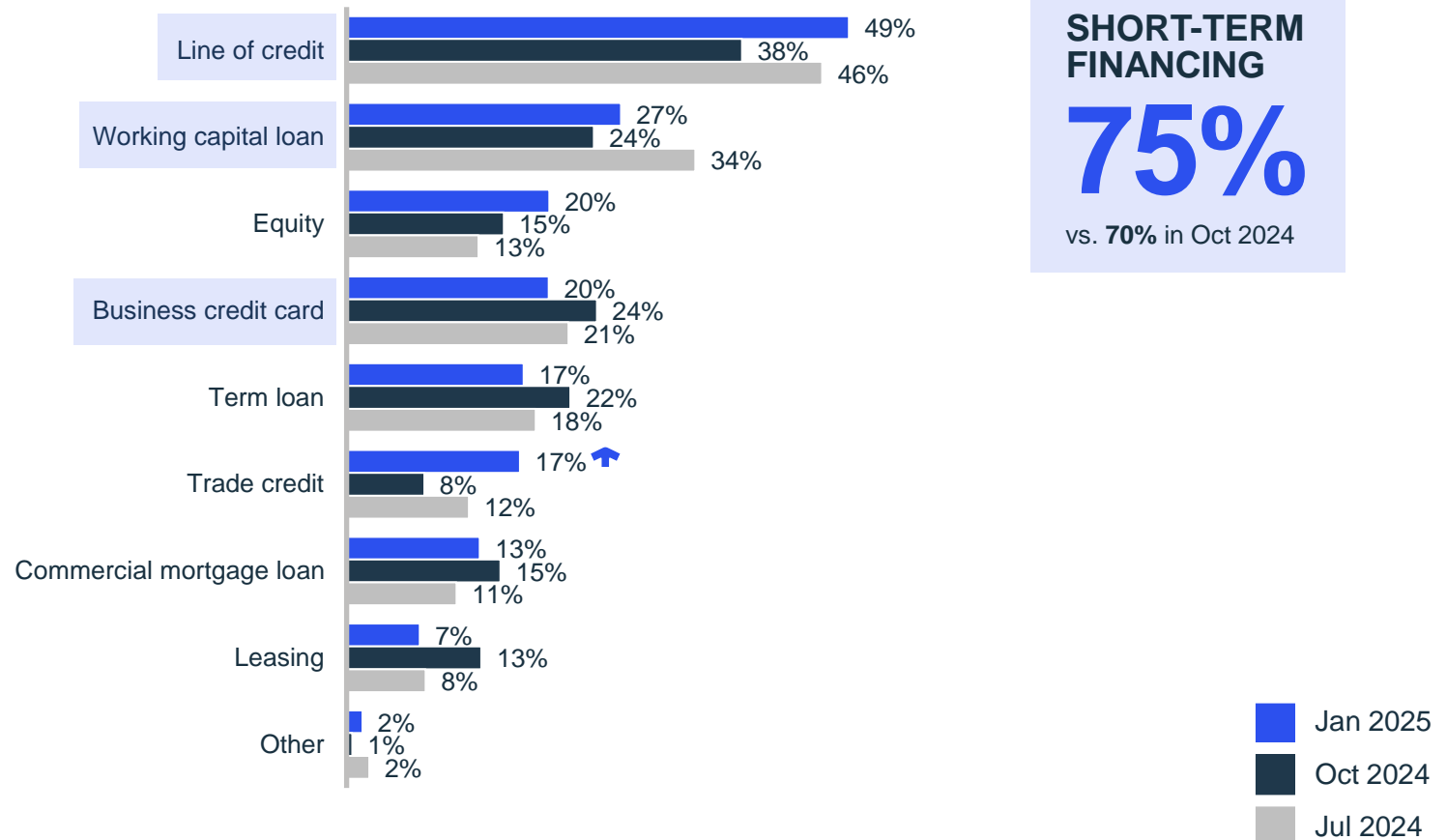


# Type of financing SMEs will request

Three quarters of SMEs seeking financing need short-term financing. New lines of credit or increases to existing ones are by far the most desired financing option. We note that equity injections are trending upwards.



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



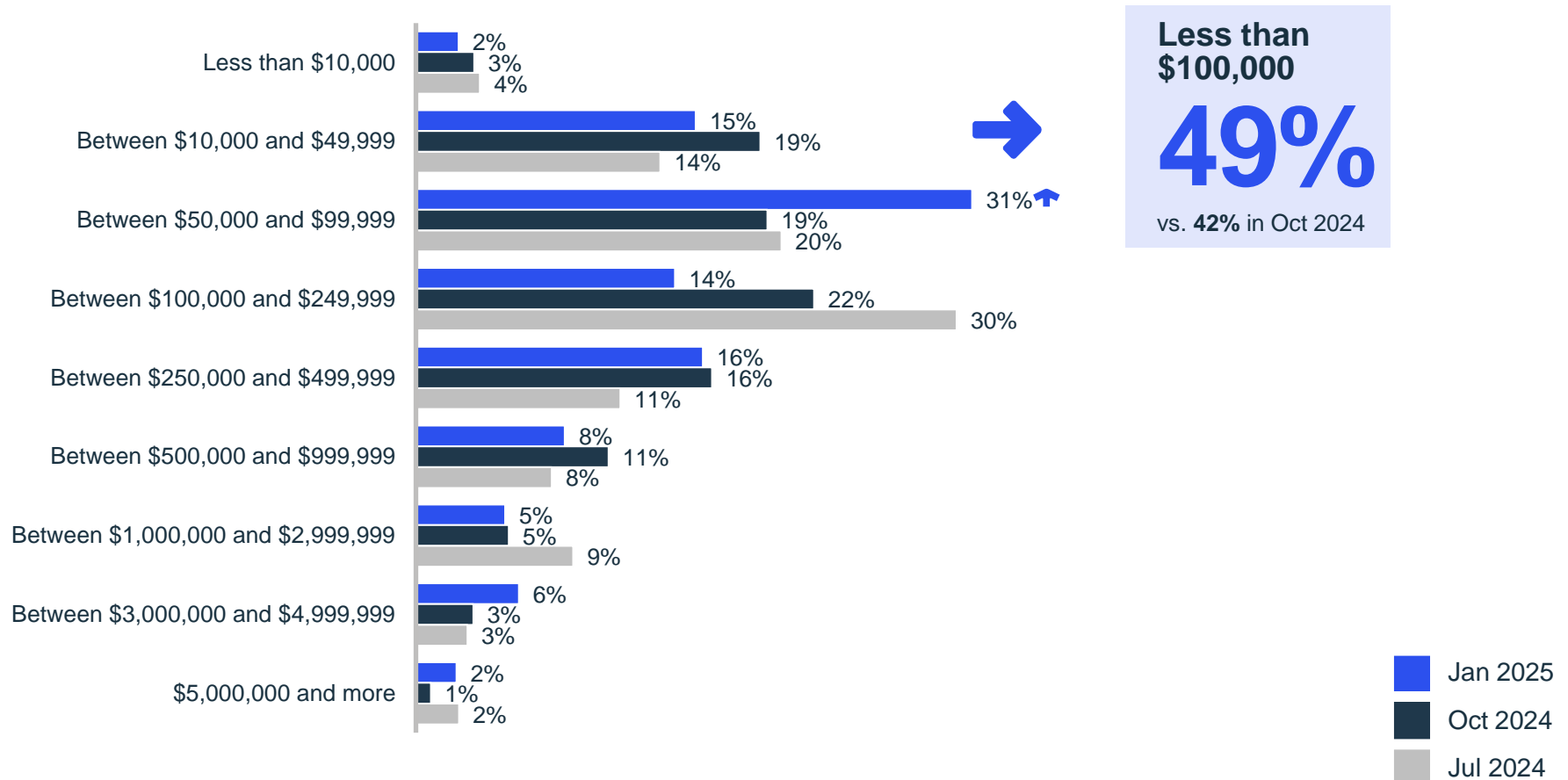
Base: Respondents who will request financing (n=278). Those who did not know were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one. Multiple mentions were allowed; therefore, total exceeds 100%. In this graph, short-term options are highlighted in blue.

# Amount of financing SMEs will request

There is an increase in demand at both ends of the spectrum. The proportion of SMEs seeking up to \$100,00 is up to nearly half and, at the other end, there is an increase for amounts of \$1M or more.



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



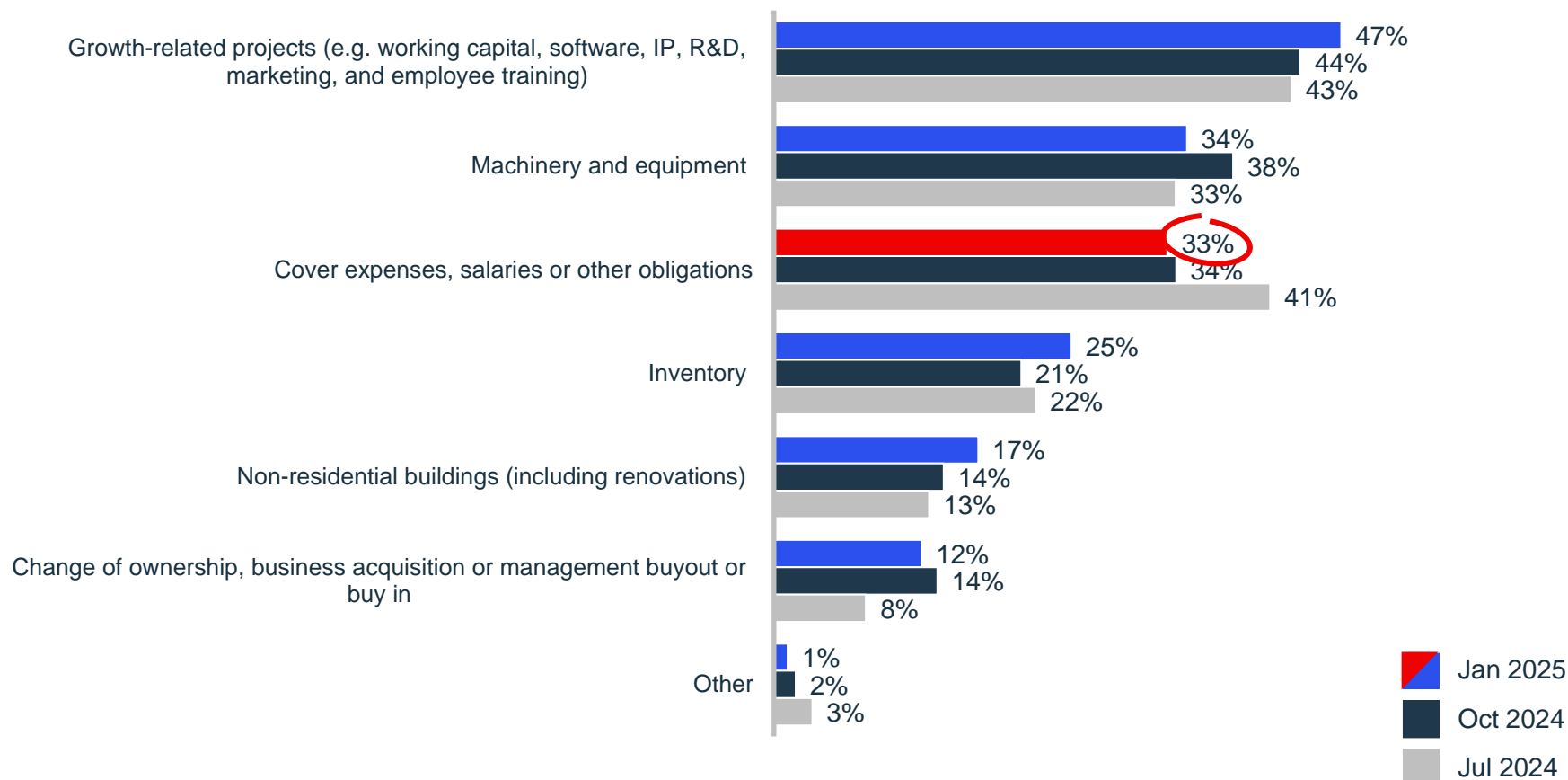
Base: Respondents who will request financing (n=276).  
Those who did not know or preferred not to answer are not presented on this slide.  
Arrows indicate statistical differences between this wave and the previous one.

# Usage of financing SMEs will request

These survey results were captured prior to the U.S. presidential inauguration and a formal threat of tariffs. We suspect that SMEs may pause until they have more clarity and focus on right-sizing their business to weather any potential economic slowdown.



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



Base: Respondents who will request financing in the next 12 months (n=274). Multiple mentions were allowed; therefore, total exceeds 100%. 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.

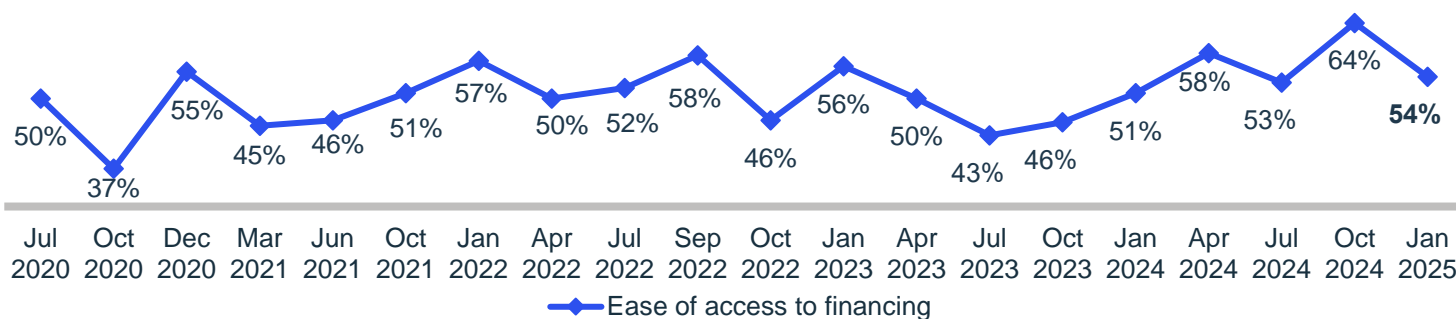
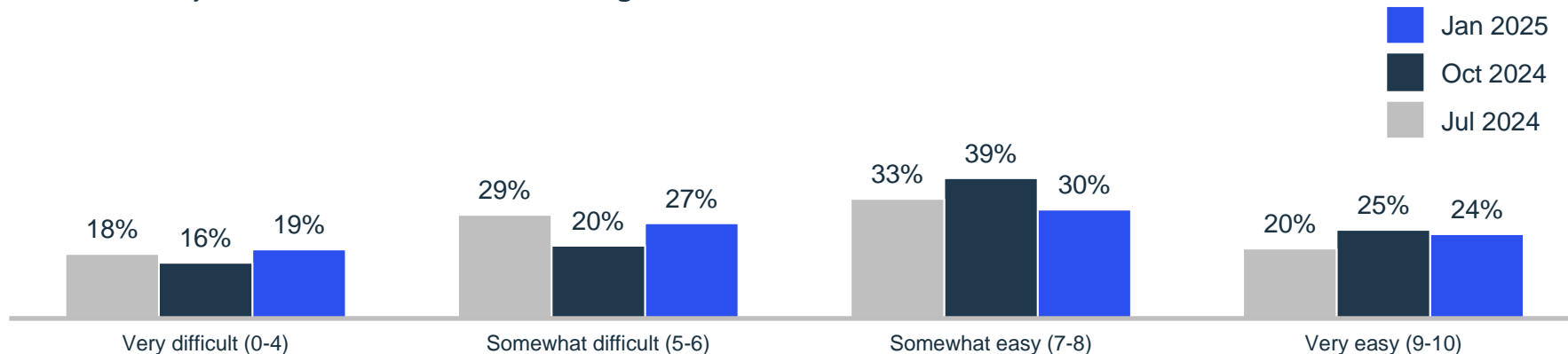


# Predicted ease of getting financing

After peaking in October 2024, perceived ease of access to financing has gone back down.



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



**EASE OF ACCESS**  
**54%**

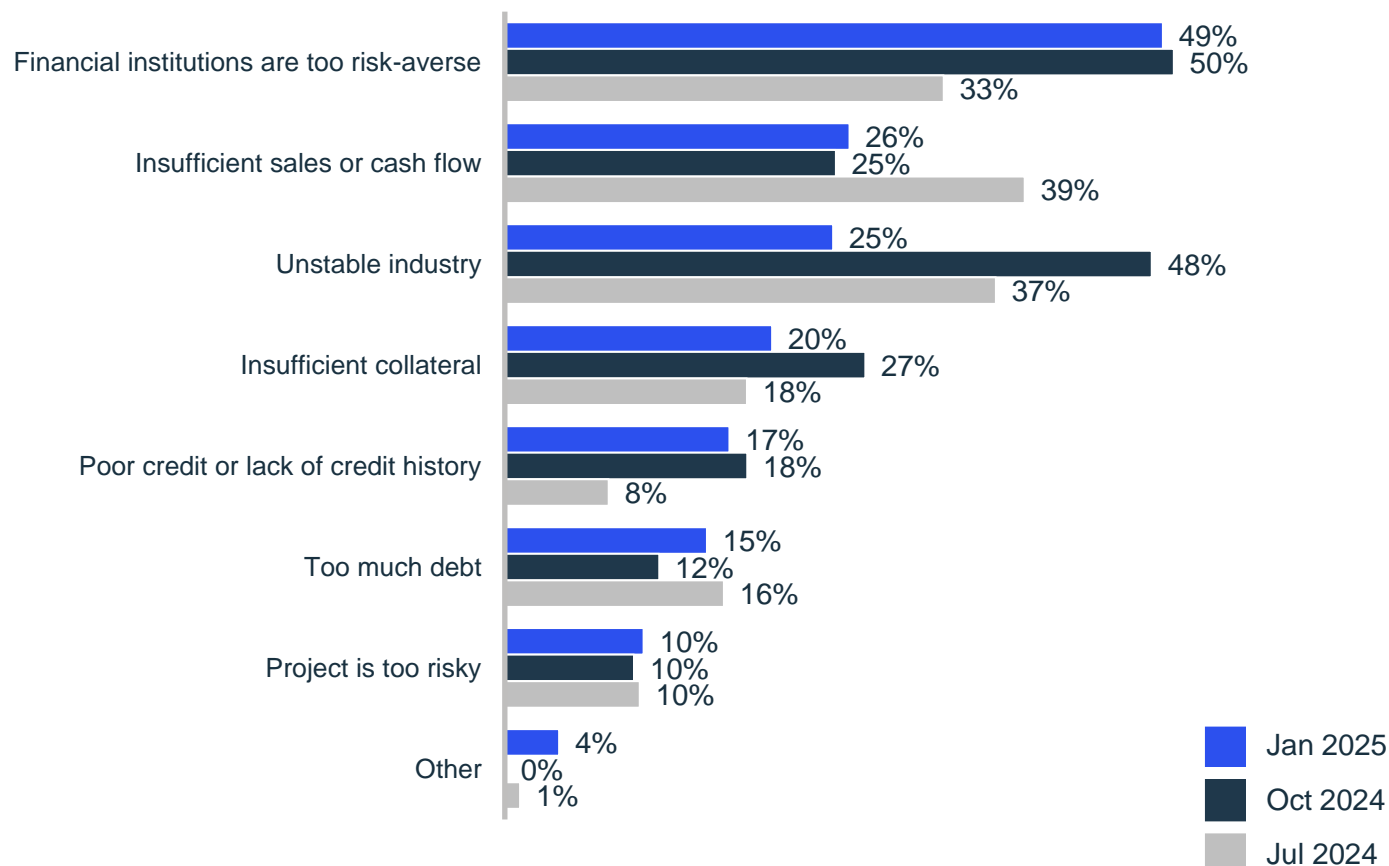
# Reasons explaining a perceived difficult access

FIs' perceived risk aversion remains the primary reason evoked by those who believe access to financing will be difficult. SME sales or cash flow and unstable industry complete the list of main factors selected to explain their perception.



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

Small sample, interpret with caution



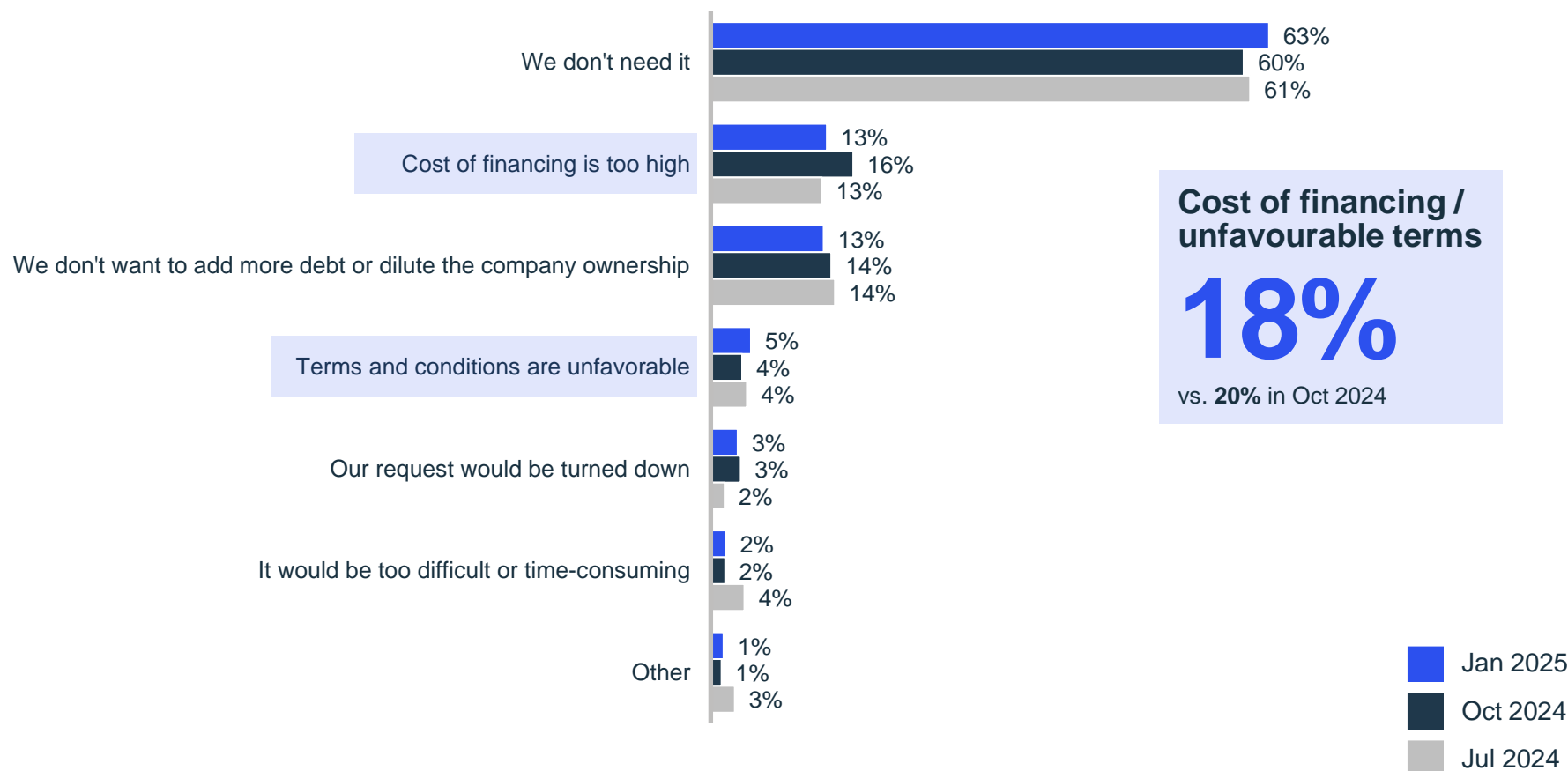
Base: Respondents who believe it will be difficult to obtain financing (n=37). Those who did not know were excluded from the calculation base. Multiple mentions were allowed; therefore, total exceeds 100%. Arrows indicate statistical differences between this wave and the previous one.

# Reasons for not requesting financing

While most SMEs just don't need additional funding, a higher proportion of mid-size SMEs indicated that the cost of financing and unfavourable terms and conditions were still deemed too high for them to move forward with a financing request.



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



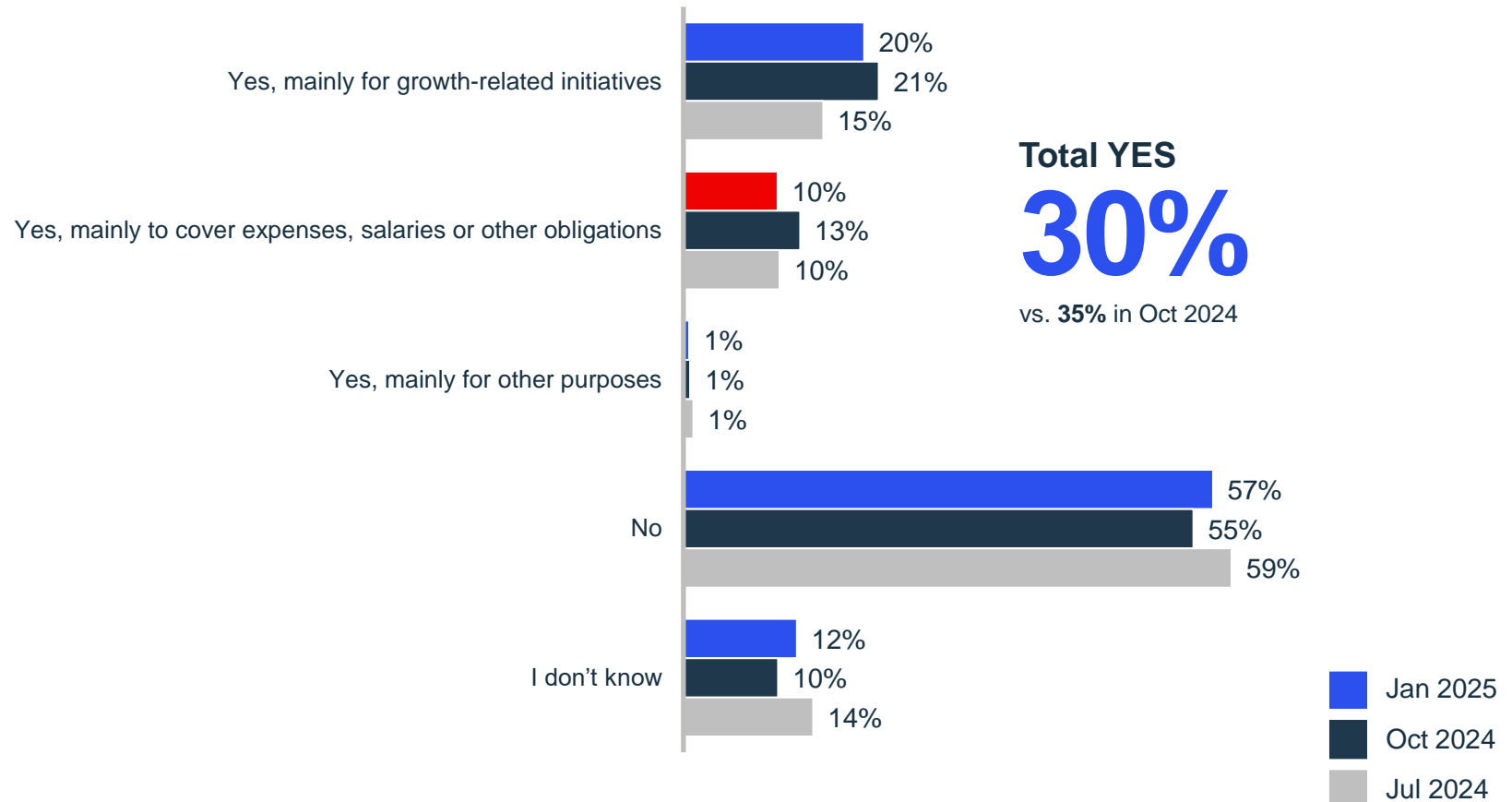
Base: Respondents who will not or who don't know if they will request financing in the next 12 months (n=685). Those who did not know or preferred not to answer were excluded from the calculation base. Arrows indicate statistical differences between this wave and the previous one. Multiple mentions were allowed; therefore, total exceeds 100%.

# Helpfulness of obtaining financing

Directionally fewer SMEs indicated that financing would be useful.



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

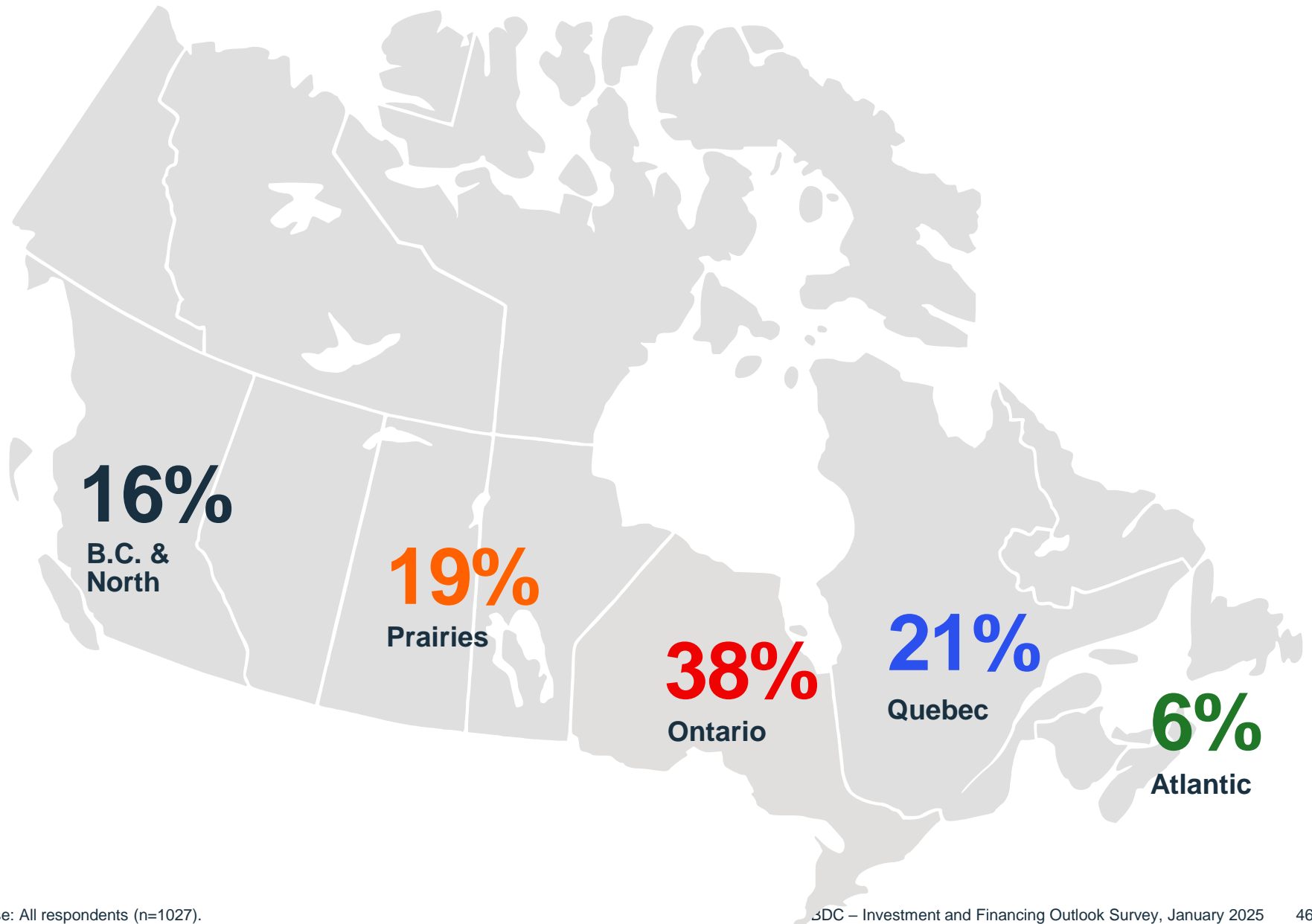


Base: Respondents who will not or don't know if they will request financing in the next 12 months (n=730). Those who preferred not to answer were excluded from the calculation base.

4

Respondent profile

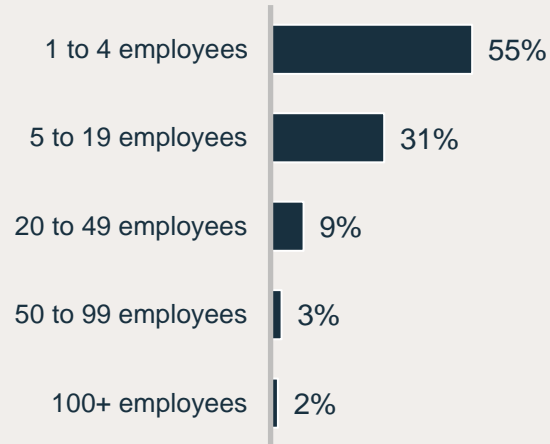
# Region



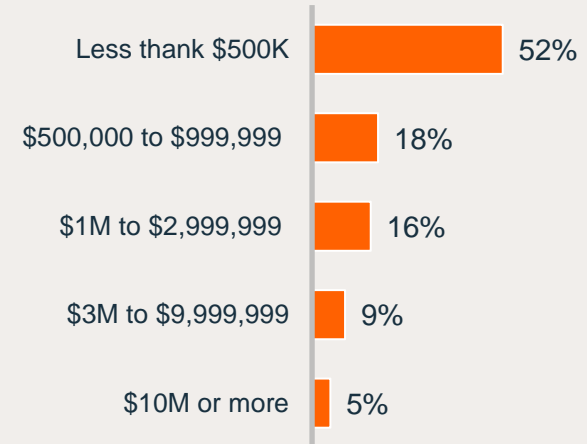
# Respondent profile



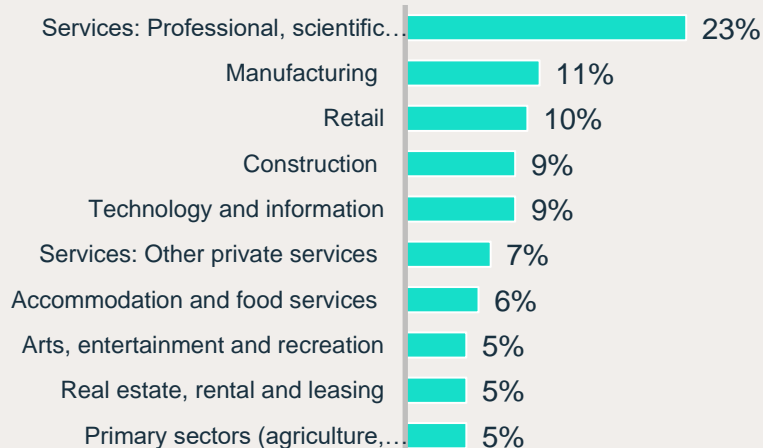
## Number of employees



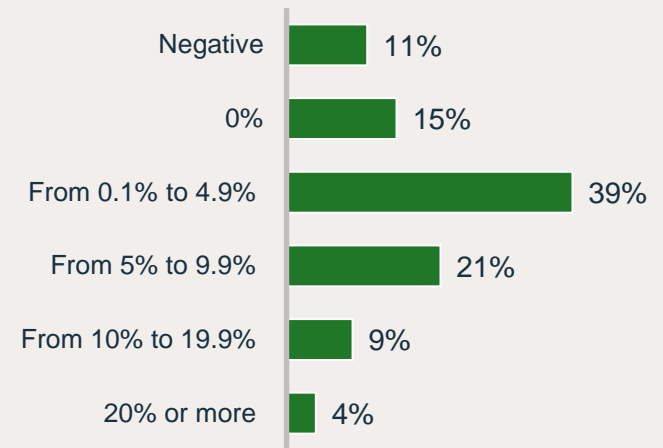
## Annual sales



## Sector of activity



## Revenue growth

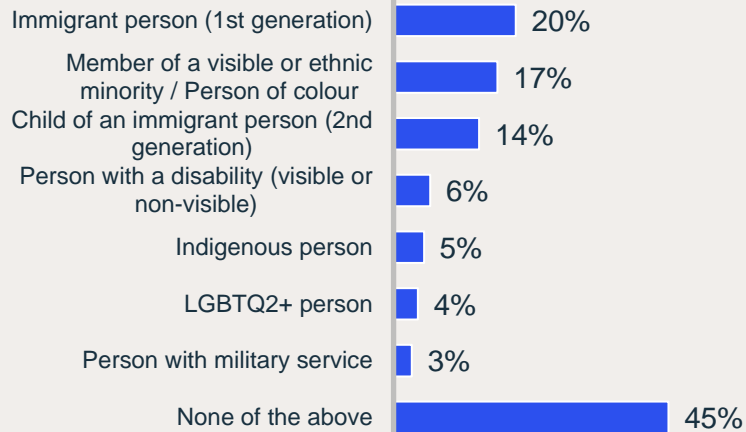


Base: Number of employees (n=1027). For annual sales (n=964). For the sectors (n=1011) only those with 5%+ respondents are presented. For revenue growth = Respondents for which company existed last year (n=947). Those who didn't know were excluded from the calculation base.

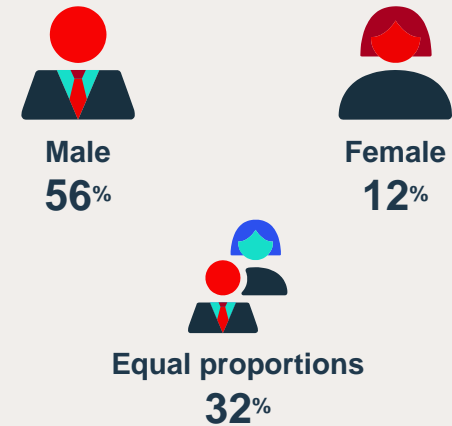
# Respondent profile



## Diversity\*



## Gender ownership





# Thank you

Research and market intelligence team

