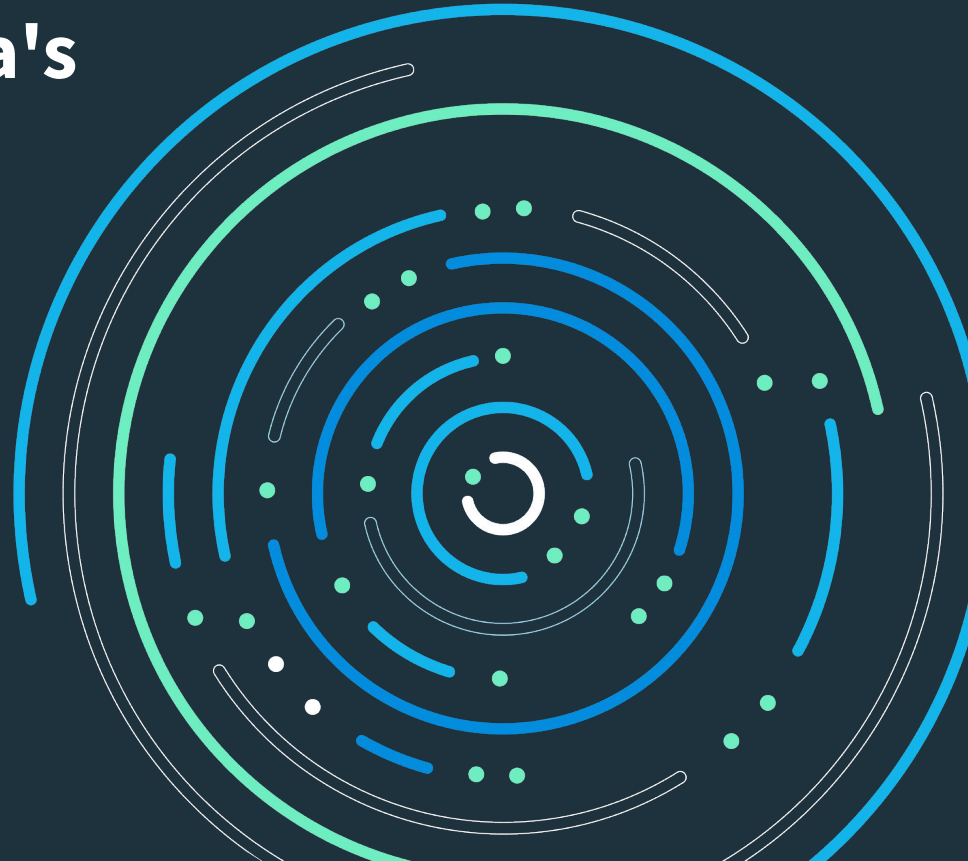


Small business in Canada's provinces

Research note
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In April 2024 the Xero Small Business Insights (XSBI) program expanded its data series to include small business sales and time to be paid measures for three of Canada's provinces - Alberta, British Columbia and Ontario. Combined, these provinces account for two-thirds of the Canadian economy.¹ This paper summarizes the long-term trends in these regions, which started in January 2017.

Province-level XSBI data

XSBI uses anonymized and aggregated data from over 600,000 small businesses across five countries to track the performance of, and improve understanding about, small businesses. The program first launched in Canada and the US in August 2022, after already being well established in Australia, New Zealand and the United Kingdom. The metrics tracked in North America are small business sales growth (year-over-year percentage change) and time to be paid (days).

Initially, XSBI only published national-level data for Canada but, as the program has matured, data is now available for three Canadian provinces - Alberta, British Columbia and Ontario. This paper reviews the performance of these provinces since January 2017, covering three periods - pre-pandemic (Jan 2017 - Feb 2020), during the pandemic when vaccines were not widely available (Mar 2020 - Dec 2021) and post-pandemic (Jan 2022 - Mar 2024).

This extra level of granularity highlights the differences in the performance of small businesses across Canada. Our intention is that this will ultimately result in both better quality policy decisions and advice for small businesses in these provinces.

Key trends

- **Alberta's** reliance on the energy sector could be why there is more volatility in sales performance than other provinces. Payment times actually rose during the pandemic - a trend not generally seen elsewhere in the XSBI data - but has since improved.
- **British Columbia's** exposure to international trade and tourism is one likely reason why its sales were the most impacted of any province during the pandemic lockdown period. British Columbia has had the smallest improvement in payment times over the period XSBI has been tracking this measure.
- **Ontario's** large, diversified economy mostly protects it from the fluctuations seen in the other two provinces. The most recent months of data point to improving sales performance after a weak 2023. Ontario has had the most improvement in payment times over the period XSBI has been tracking this measure.

All the Canada and Provincial data is available to download, for free, [HERE](#)

¹ [Statistics Canada](#)

Alberta

The Alberta economy is dominated by the oil and gas industry. This means the fortunes of small businesses are directly or indirectly aligned to the performance of this industry. It also means the economy can be volatile, impacted in particular by fluctuations in global oil prices. Beyond energy, the Province has significant agriculture and tourism sectors. In recent years, Alberta has been trying to diversify into technology, and renewable energy in an effort to improve resilience amid rising environmental and climate concerns.

Figure 1 highlights this economic volatility. Sales grew 27.7% y/y in June 2018 - after a period of steadily rising oil prices - but then plunged to -1.1% y/y in October 2018 around the same time that oil prices fell sharply. The pandemic caused Alberta small business sales to fall by 25.2% y/y in May 2020 - a record low for this series. Sales rebounded strongly in 2021 but from early 2022 sales growth was on a clear downward trend. Sales have been lower than a year ago for 10 of the past 12 months and averaged a fall of 5.7% y/y in the three months to March. Some of the weakness in March was likely due to the early timing of Good Friday in 2024, which reduced the number of trading days in the month for many small businesses. Excluding March, sales fell 4.9% y/y in January and February.

Figure 2 shows this volatility extends to payment times. Looking through the volatility, payment times averaged a day longer during the pandemic period, compared to the pre-pandemic years, most likely reflecting disrupted cash flows during this uncertain time. In the post-pandemic years there has been a two day improvement, with small businesses in the Province being paid more quickly than the Canadian average in most months.

Figure 1: Small business sales growth

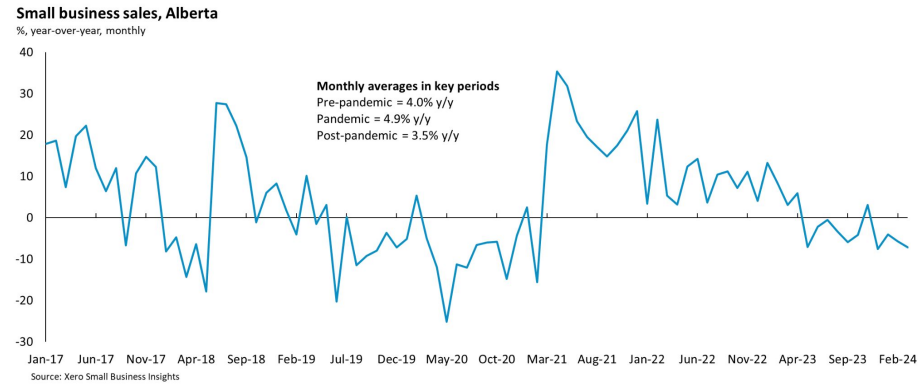
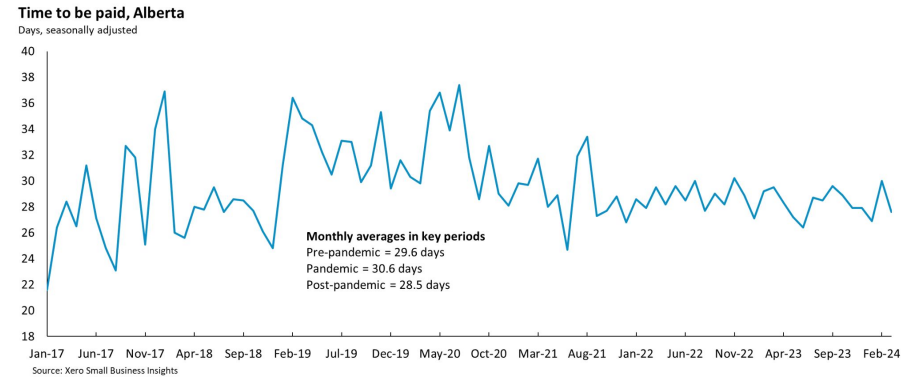


Figure 2: Small business time to be paid



British Columbia

British Columbia has a diversified economy. Primary industries include forestry, fisheries and mining. It is also a major trading hub, with the Port of Vancouver as Canada's largest port. Alongside significant finance and technology sectors, tourism, both domestic and international, is an important contributor to the Province's economy.

Sales growth (Figure 3) for British Columbia small businesses have averaged lower in each subsequent period covered by the XSBI data. Sales averaged 4.7% y/y a month in the period before February 2020 but fell by 24.6% y/y in May 2020 during the early months of the pandemic. Sales rebuilt over late 2020 and into 2021 but since mid-2021 sales growth has been on a steadily slowing trend. Sales have recorded 13 consecutive months of declines in the Province, to be down 6.5% y/y in the first quarter of 2024 (or down 4.8% y/y if you exclude the Good Friday-impacted March result).

The length of time small businesses in British Columbia waited to be paid (Figure 4) trended higher throughout the pre-pandemic period. There was some improvement in payment times in late 2020 and 2021, possibly as more small businesses switched to online payment options during lockdown periods. However, these gains were largely reversed over 2022 and 2023. Looking at the average for each key period, there has been little change in this measure of payment times since the series began.

Figure 3: Small business sales growth

Small business sales, British Columbia

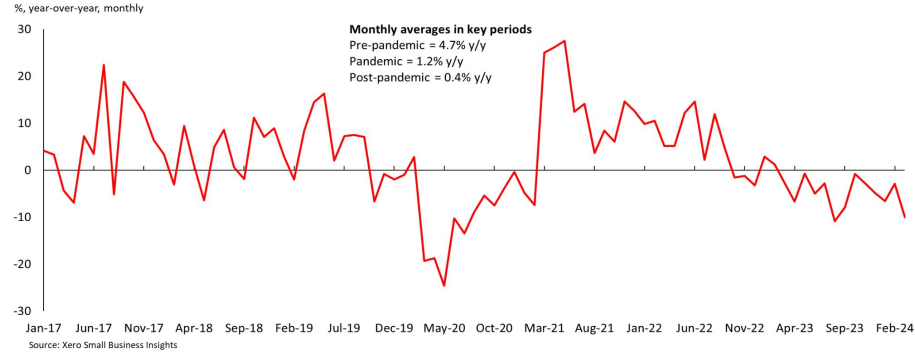
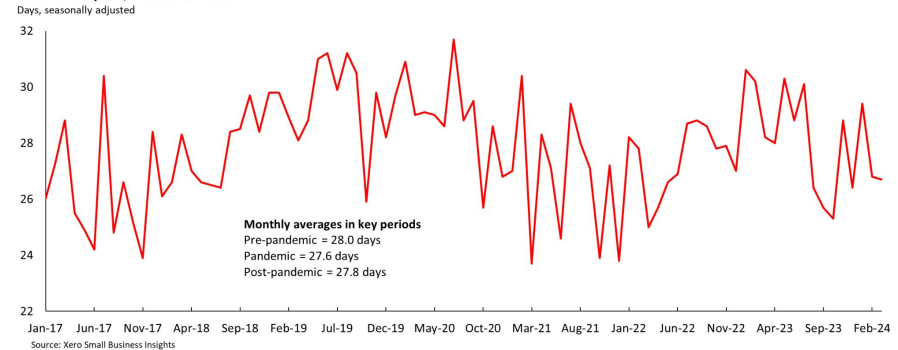


Figure 4: Small business time to be paid

Time to be paid, British Columbia



Ontario

Ontario accounts for almost 40% of the Canadian economy and it is almost twice as big as any other province, ensuring it has a major impact on overall national economic results.² The economy includes a mix of industries such as manufacturing, particularly automotive production, and technology, including AI, biotechnology, and clean energy. There is also a strong services sector encompassing finance, healthcare, and education. Many small businesses have strong links to servicing government and large businesses, given the Province is where both the capital city (Ottawa) and biggest city (Toronto) are located.

Ontario small businesses averaged solid sales growth prior to the pandemic (Figure 5). Sales fell sharply in May 2020, down 20.5% y/y, but made a steady recovery through the remainder of that year. However, sales growth has been on a slowing trend since mid-2021. Sales have been below the same month in the previous year for 13 of the past 14 months. However, there are signs in the most recent data that the trend is starting to improve. Much of the weakness in the March quarter 2024 (-4.3% y/y) was likely due to the Good Friday-impacted March result (-12.1% y/y). Excluding this, sales fell an average of only 0.4% y/y in the first two months of 2024 and even recorded a 1.0% y/y rise in February.

Payment times have broadly improved since the series began (Figure 6). There was a clear improvement in payment times when the pandemic first emerged and most of these gains have been maintained, with the post-pandemic average more than 1.6 days quicker than the pre-pandemic average.

Figure 5: Small business sales growth

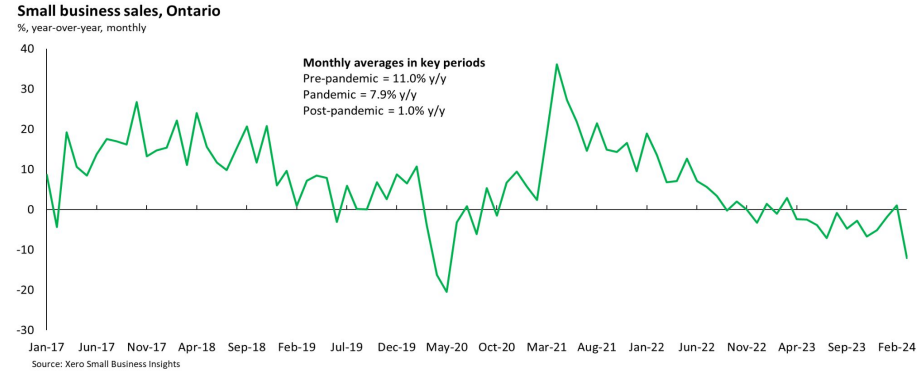
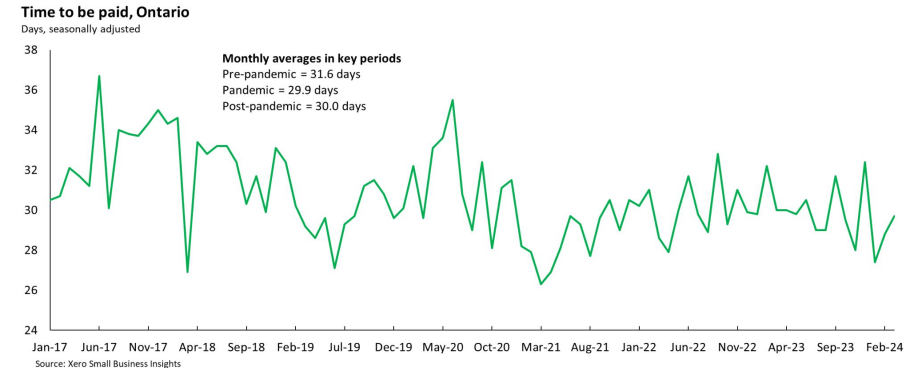


Figure 6: Small business time to be paid



² [Statistics Canada](#)

Province and national comparisons

It can be useful to compare the Provinces against each other and the national result, to understand difference between the Provinces and what's driving national trends.

Figure 7 shows the sales performance of the three Provinces and Canada.

- Ontario had the strongest **pre-pandemic** sales performance (+11.0% y/y) which helped support the national sales performance over this period (+8.4% y/y). British Columbia (+4.7% y/y) and Alberta (+4.0% y/y) had more modest gains.
- During the **non-vaccine pandemic** (Mar 2020 to Dec 2021) period British Columbia had by far the smallest sales growth (+1.2% y/y), likely reflecting this Province's dependence on international trade and tourism, which were both heavily disrupted during this time. In contrast, Ontario (+7.9% y/y) showed a quick rebound, potentially due to its strong links to government which would have helped during this period. Alberta (+4.9% y/y) was in between.
- Sales growth in the **post-pandemic** period has been led by Alberta, likely on the back of higher world energy prices in recent years. Ontario (+1.0% y/y) and British Columbia (+0.4% y/y) have hardly grown during this period.

Figure 8 highlights Canada has only made small improvements in payment times over the time this measure has been tracked by XSBI. The post-pandemic results are only 0.7 days shorter than the pre-pandemic average. These gains have been led by Ontario (-1.6 days), followed by Alberta (-1.1 days) with almost no change in the situation in British Columbia (-0.2 days).

Figure 7: Small business sales growth

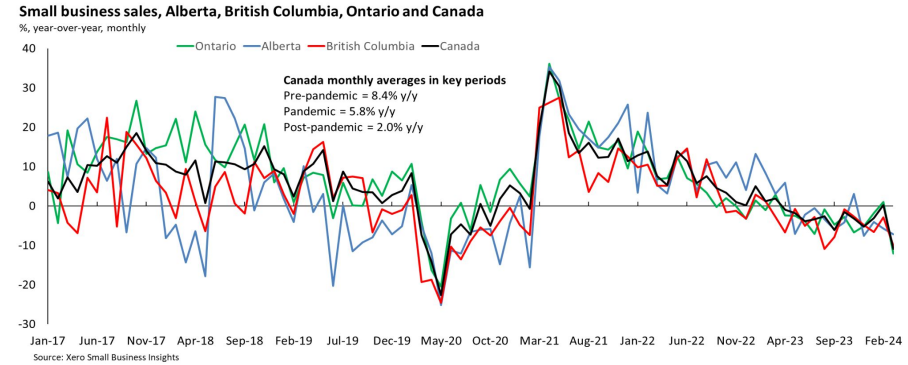
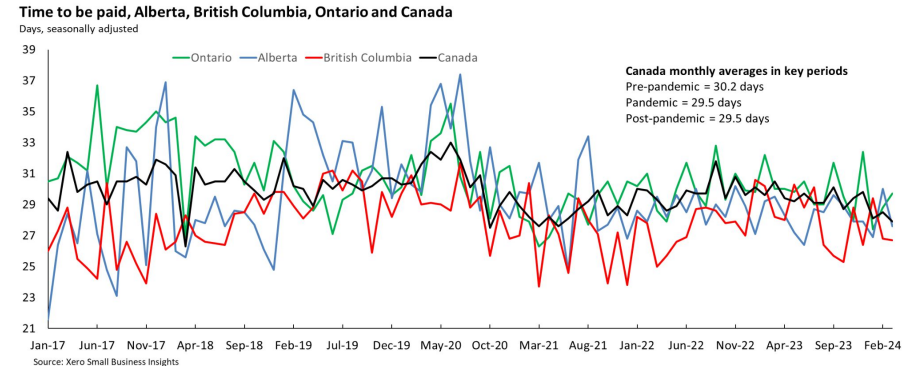


Figure 8: Small business time to be paid



About the data in this report

Sales growth

Sales data is drawn from businesses who use Xero to issue invoices (including via apps linked to a Xero account) to customers. We measure sales growth based on the face value of invoices issued by firms within each month. We also apply a number of filters to both the sample of invoices and the sample of firms to achieve a high quality sample of small businesses which we analyse and draw our insights from. In particular: we exclude trusts, clubs & societies, and other unclassified organizations; and we restrict to small businesses by excluding firms who recorded annual sales greater than each country's small business revenue threshold.

We measure growth as the growth in the face value of invoices issued in the relevant month compared to the same month a year earlier. In doing so, we restrict the sample of firms to those who also appeared in the sample 12 months ago. This approach has two benefits: (1) it allows us to measure sales growth independent of changes in Xero's subscriber base and (2) it removes seasonality in sales by comparing to the same period a year earlier. We adjust the most-recent month of the sales metric to account for sales that may have occurred towards the end of the month but have not yet been recorded. This adjustment is equal to the average degree of late reporting observed in previous months; however, this adjustment is imperfect, and estimates may be subject to revisions in future months.

Base effects

The Covid-19 crisis in 2020 resulted in some very weak outcomes in some months during the year. This inflated estimates of year-on-year growth in 2021 (ie 'base effect') for some submetrics in some months.

Time to be paid

The average time to be paid for small businesses is calculated from a dataset of invoices that were marked as fully paid in the relevant month. We exclude invoices issued without payment terms (ie due / paid the same day as issue) and invoices which are not yet fully paid. A number of filters are applied to the paid invoices dataset. In particular we exclude: trusts, clubs & societies, and other unclassified organizations; and invoices paid more than a year after issue.

How long small businesses are waiting to be paid after issuing an invoice is determined by calculating the weighted average of payment times. In calculating this weighted average, we weight invoices by (1) the value of the invoice (2) a firm-level sample weight, which reweights the Xero sample to match the industry distribution of small businesses within each country. Data on the industry distribution of small businesses come from national statistics agencies. We then seasonally adjust the time to be paid metric to remove seasonal trends.

Regional data

Regional information is an optionally provided field that a subscriber must populate in Xero. If populated, the information [or 'data'] supplied by the subscriber has not been verified by Xero. The underlying sample sizes for the industry and region insights are of sufficient size to be representative, but these are smaller than our headline metrics so could be more likely to fluctuate and/or susceptible to change.

About Xero Small Business Insights

About Xero

Xero is a global small business platform with 4.2 million subscribers. Xero's smart tools help small businesses and their advisors to manage core accounting functions like tax and bank reconciliation, and complete other important small business tasks like payroll and payments. Xero's extensive ecosystem of connected apps and connections to banks and other financial institutions provide a range of solutions from within Xero's open platform to help small businesses run their business and manage their finances more efficiently.

About Xero Small Business Insights

The aim of Xero Small Business Insights is to create insights to help inform decision makers in support of the small business economy as a whole. The principal source of small business insights in this report is customer data from Xero - a small business platform that supports online accounting and a range of other applications. Xero is a responsible custodian of our customers' sensitive data and does not release any data that could identify individual businesses. The data used is aggregated and anonymized to ensure the privacy of Xero subscribers, and their counterparts.

As part of the program, we publish regular blogs and research notes and deep-dive special reports on specific small business topics. These can all be found at xero.com/xerosbi.

Methodology

Full details of the methodology used by Xero Small Business Insights can be found [here](#).

Disclaimer

This report was prepared using Xero Small Business Insights data and publicly available data for the purpose of informing and developing policies to support small businesses.

This report includes and is in parts based on assumptions or estimates. It contains general information only and should not be taken as taxation, financial, investment or legal advice. Xero recommends that readers always obtain specific and detailed professional advice about any business decision.

The insights in this report were created from the data that was available as at the date it was extracted. Data used was anonymized and aggregated to ensure individual businesses can not be identified.