

Update #4: Business Barometer®

Special weekly tracking of small business expectations

Ted Mallett, VP Research & Chief Economist

The small business outlook has dimmed further as massive shifts in commodity prices and exchange rates tear through the economy. Optimism is now near the lowest level recorded by CFIB.

Preliminary weekly results show the Business Barometer® index retreating to 85.4, from a revised level of 90.9 last week (see Figure 1). For the first time, the index is now virtually equivalent to its previous record low of 85.2 found in mid-1990. There is no doubt the continuing bad news in international markets has seriously dented small business operating plans.

Usually conducted quarterly, CFIB is running the Barometer survey on a weekly basis for six weeks, beginning October 6. Because published GDP figures pertaining to the current environment are still months away from release, this special Barometer series is meant to fill the information vacuum for business owners and policymakers looking for guidance.

Although there is still a full range of expectations among business owners, the balance of opinion has weakened. Only four per cent expect to perform 'much stronger' in the next 12 months, and 19 per cent expect to be 'somewhat stronger' (see Figure 2). Eight per cent now expect to be 'much weaker' in 12 months, and the largest group of business owners (39 per cent) expect to be 'somewhat weaker'.

Figure 1 :

Business Barometer index

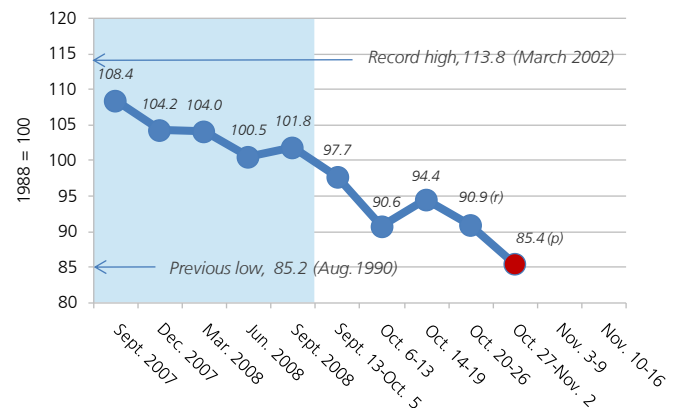
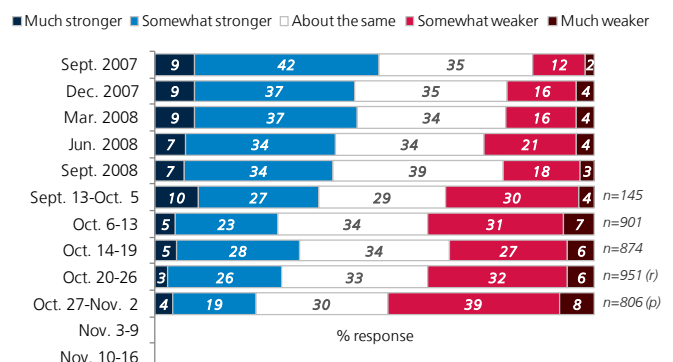


Figure 2 :

Business performance

Expectations for the next 12 months



Despite the scaled-down outlook compared to last week, credit concerns appear to have stabilized. The number of businesses reporting problems accessing bank financing has been held to 25 per cent during the week of October 27, slightly under findings from the previous three weeks, but not enough to be statistically relevant (see Table 1). However, the number of business owners reporting improvements in the availability of credit has all but disappeared.

Employment markets also appear to be getting weaker in light of the outlook. Only 20 per cent of owners expect to be adding to full-time employment levels in the next 12 months, while almost the same number (19 per cent) expect to cut back. These are considerably weaker numbers than recorded as little as six weeks ago.

It should be noted that these perspectives do not yet represent firm plans by business owners. Developments in financial and commodity markets are still too volatile and uncertain to allow business owners to plan effectively. Growth may be paused for the moment, but longer term performance of small and mid-sized enterprises will depend on how markets settle out over the next few months.

Table 1 :

Business conditions to watch

	Access to bank credit, past 3 months		Full-time employment, next 12 months	
	Better	Worse	Increase	Decrease
	% response			
Sept. 2007	8	12	32	7
Dec. 2007	7	13	31	9
Mar. 2008	6	15	30	8
Jun. 2008	7	15	27	10
Sept. 2008	6	18	28	11
Sept. 13-Oct. 5	6	27	34	15
Oct. 6-13	3	26	25	17
Oct. 14-19	3	28	25	15
Oct. 20-26 (r)	3	27	23	16
Oct. 27-Nov. 2 (p)	2	25	20	19
Nov. 3-9				
Nov. 10-16				

(r) = revised full-week results

(p) = preliminary, based on responses early in the week

These findings are based on 806 responses of business owners surveyed on October 27 and 28, 2008. The latest weekly survey was sent to 8,000 randomly selected CFIB members and conducted via a secure web interface. Results can be considered accurate to within +/- 3.5 percentage points 19 times out of 20. The next survey will be sent to a new list of 8,000 members on November 3, and results will be released on November 6.

About CFIB

The Canadian Federation of Independent Business is Canada's largest association of small and mid-sized businesses. Encouraging the development of good public policy at the federal, provincial and municipal levels, CFIB represents more than 105,000 business owners, who collectively employ 1.25 million Canadians and account for \$75 billion in GDP.