

## Economic Engines Idling SMEs and the COVID-19 Pandemic

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### In Brief

- SMEs are Canada's largest private-sector employers, employing most working and active Canadians.
- The public health mandated shut-down has impacted SMEs with temporary business closures, leading to revenue losses and layoffs.
- The path to recovery for SMEs is unclear; many have suffered substantive losses in revenue, and the differentiated impacts on industry sectors remain to be fully understood.

The current Coronavirus pandemic is hindering economies around the world. Canada's economy is no exception. As data is continuously collected on SMEs and the impacts of the pandemic, this primer offers a quick glance on the challenges being faced by these businesses in the last two months.

The majority of Canadians (76%) are employed in the private sector, and most of those employees (90%) worked for a small and medium sized enterprise (SME) in 2018.<sup>1</sup> SMEs are important economic contributors to Canada's economy. With 1.3 million SMEs counted in December 2019 in Canada<sup>2</sup>, the temporary shut-down has had substantive impacts on businesses and their employees. For perspective, the March 2020 Labour Force Survey indicated that private sector employment declined by 6.7%, compared to a decline of 3.7% in the public sector<sup>3</sup>. This worsened in April 2020, with the Labour Force Survey indicating a 16.2% decline in the private sector relative to a 2.0% in the public sector.<sup>4</sup> Subsequently, the proportion of Canadians employed by the private sector declined to 72.4% from 75.5% in March 2020.

In the short-term, the economic environment will continue to be challenging. Preliminary data from Statistics Canada's "Nowcast" estimate of GDP on April 15, suggested a drop of 9% month over month in GDP for March alone, and a drop of 2.6% over the previous quarter.<sup>5</sup> This quarterly drop in GDP, which is one of the largest ever recorded for the Canadian economy, was felt by SMEs.

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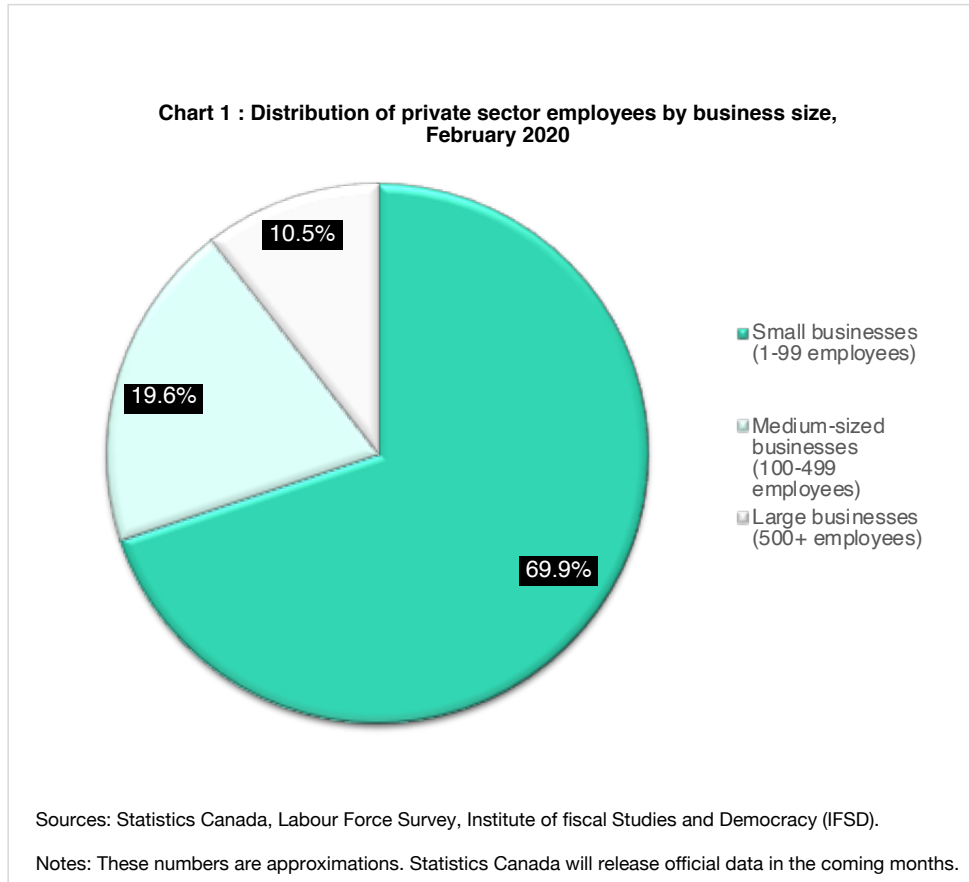
<sup>1</sup> <https://www150.statcan.gc.ca/n1/daily-quotidien/200409/t002a-eng.htm>

<sup>2</sup> <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3310022201>

<sup>3</sup> <https://www150.statcan.gc.ca/n1/daily-quotidien/200409/t002a-eng.htm>

<sup>4</sup> <https://www150.statcan.gc.ca/n1/daily-quotidien/200508/t002a-eng.htm>

<sup>5</sup> <https://www150.statcan.gc.ca/n1/daily-quotidien/200415/dq200415a-eng.pdf>



In March 2020, just over 30% of SMEs were forced to close their doors temporarily by order of public health. In a survey of over 300,000 SMEs, these businesses reported a revenue decrease by 50% or more in March 2020 alone. While these SMEs remain open for now, over 13,000 closed permanently.<sup>6</sup>

SMEs are important economic engines in Canada. As they idle in the face of the pandemic response, buying local has never been so convenient or important.

<sup>6</sup> Calculated based on the proportion from the most recent survey published by Statistics Canada: <https://www150.statcan.gc.ca/n1/daily-quotidien/200429/dq200429a-cansim-eng.htm>