

Outlook of rural businesses, second quarter 2023

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In the second quarter of 2023, businesses in rural and small town (RST) areas expected to encounter various obstacles related to high inflation, high costs and supply chains. Despite these expected challenges, most RST businesses were somewhat or very optimistic about their 12-month outlook, a perspective that has improved from the first quarter.

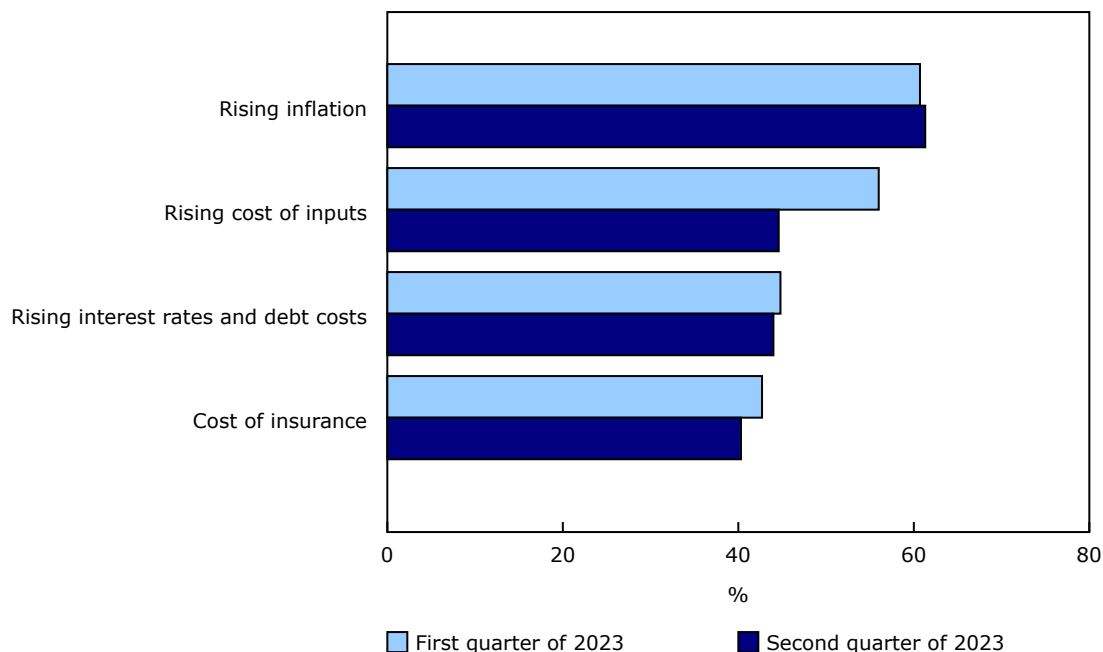
This information is part of an article released today in the [Rural and Small Town Canada Analysis Bulletin](#) that highlights the economic conditions RST businesses in Canada face and these businesses' plans and future expectations. The article is based on the most recent iteration of the Canadian Survey on Business Conditions.

Rural and small town businesses continue to expect rising inflation and costs to be obstacles in the short term

In the second quarter of 2023, rising inflation remained the most anticipated short-term obstacle for RST businesses (61.3%), a proportion that was relatively unchanged from the previous quarter (60.7%). The next three most frequently cited obstacles for RST businesses were the rising cost of inputs (44.6%) (down 11.4 percentage points from the previous quarter), rising interest rates and debt costs (44.0%) and the cost of insurance (40.3%).

Chart 1

Top four obstacles for rural and small town businesses over the next three months, first and second quarters of 2023



Source(s): Canadian Survey on Business Conditions (5318), first and second quarter of 2023.



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Nearly one-quarter (23.7%) of RST businesses expected the sales of their goods and services to increase over the next three months, up 5.9 percentage points from the previous quarter. About 3 in 10 RST businesses (28.2%) expected the demand for their goods and services to rise, up from about 2 in 10 businesses in the previous quarter.

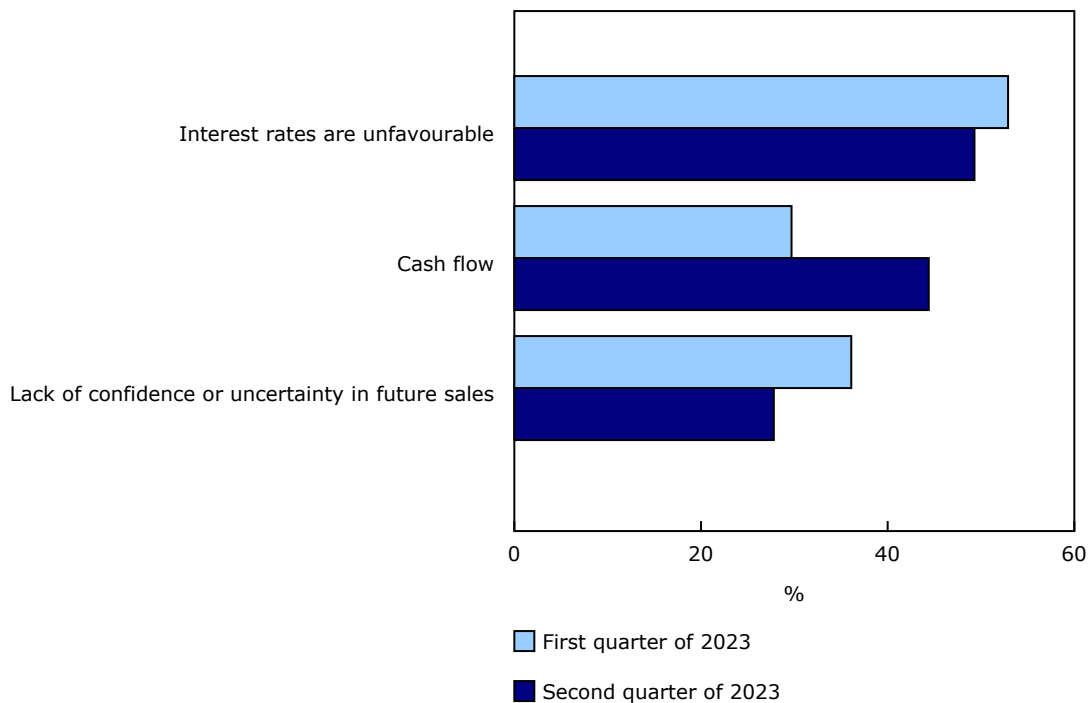
More than half (52.2%) of RST businesses expected their profitability to remain unchanged over the next three months, although 3 in 10 businesses (29.6%) forecasted a decrease.

Majority of rural and small town businesses do not plan to take on more debt

In the second quarter of 2023, the majority (78.1%) of RST businesses did not plan to take on more debt over the short term, up 2.8 percentage points from the first quarter. Of these RST businesses, over one-fifth (21.8%) were unable to take on more debt due to unfavourable interest rates (49.3%), cash flow (44.4%) and lack of confidence or uncertainty in future sales (27.8%).

Chart 2

Most common reasons for rural and small town businesses to not take on more debt, first and second quarters of 2023



Source(s): Canadian Survey on Business Conditions (5318), first and second quarter of 2023.

Most rural and small town businesses are optimistic about their future

The second quarter of 2023 saw more than three-quarters (75.9%) of RST businesses report being somewhat or very optimistic about their 12-month outlook, up 5.6 percentage points from the previous quarter.

RST businesses in construction (85.9%), other services (except public administration) (85.4%) and retail trade (82.9%) were among the most likely to be somewhat or very optimistic about their future outlook.

Note to readers

This analysis focuses on businesses in rural and small town (RST) areas using results from the Canadian Survey on Business Conditions from the second quarter of 2023. Businesses located in census subdivisions classified as either census metropolitan areas or census agglomerations were classified as urban. All businesses in other locations were classified as RST.

This survey was conducted by Statistics Canada from April 3 to May 8, 2023, to develop an understanding of the current practices of businesses and their expectations moving forward. When respondents were asked questions about their expectations over the next three months, that three-month period could range from April 3 to August 8, 2023, depending on when the business responded. Similar date ranges apply to questions pertaining to expectations over the next 12 months. The total sample size for this iteration of the survey is 30,554 and the results are based on responses from a total of 15,401 businesses or organizations.

Definitions, data sources and methods: survey number [5318](#).

The full article "[The outlook of rural businesses, second quarter of 2023](#)," is now available as part of the *Rural and Small Town Canada Analysis Bulletin* ([21-006-X](#)).

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca) or Media Relations (statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca).