



SMALL

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Business

QUARTERLY

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PERFORMANCE

Trends

Between the third quarter of 2004 and the third quarter of 2005, small businesses (those with fewer than 100 employees) created 48 885 jobs or 27.4 percent of net new jobs in the Canadian economy, up from 12.8 percent in the previous quarter.

There were 2.25 million business establishments in June 2005, a decrease of 4.2 percent from June 2004.

Business bankruptcies numbered 1651 in the third quarter of 2005 (the lowest level in 18 years), a drop of 8.1 percent from the same quarter in 2004.

Total business loans outstanding¹ from chartered banks amounted to \$99.6 billion in the third quarter of 2005, an increase of 7.2 percent from the same quarter of 2004. Business loans of less than \$500 000 accounted for 19.1 percent of the total.

There were 2.54 million self-employed workers in the fourth quarter of 2005, an increase of 3.2 percent from the same quarter of 2004, up from 2.0 percent in the previous quarter.

¹ Excluding non-residential mortgages, agricultural loans and customers' liability under acceptances.

EXPORTING MATTERS:

Job Creation Performance of Exporters, 1993–2002

As part of its ongoing research program on growth firms, Industry Canada's Small Business Policy Branch has recently completed a study that examines the job creation performance of exporters and high-growth firms¹ that export, by firm size. This study used a linked data set from Statistics Canada² to conduct a firm-level analysis of the universe of employer firms³ from 1993 to 2002.

Excluding start-ups, 325 000 employer firms operated between 1993 and 2002 and created 1.0 million net jobs over this period. The churning process (the net effect of firm entry and exit) resulted in an additional 900 000 net new jobs. Of the 325 000 continuing employer firms, 18 000 were exporters, which were responsible for nearly half of net jobs created by continuing employer firms (475 000 net jobs) even though they accounted for less than 6 percent of continuing businesses. Given that Canada's exports more than doubled between 1993 and 2002, it was expected that exporters would increase their job creation, but they created far more jobs than expected in relation to non-exporters over this period.

High-growth firms that export play an even more significant role in job creation. Of approximately 55 000 high-growth firms, only 8 percent were exporters but they were responsible for 38 percent of net new jobs created by high-growth firms.

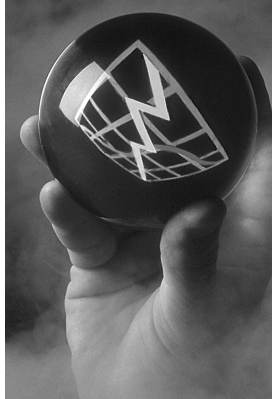
As shown in Figure 1, the average number of net jobs created by high-growth firms was greater for exporters than for non-exporters. Looking

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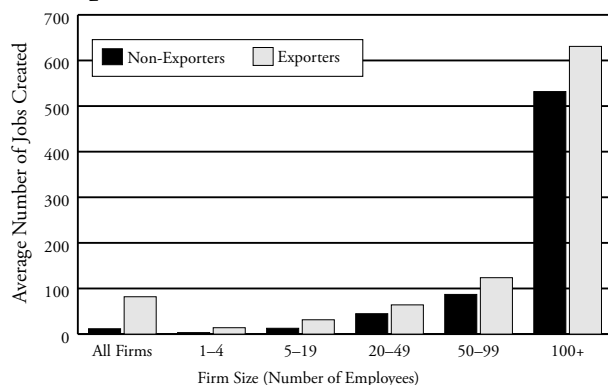
at the number of net jobs created for all sizes of firms, the difference between exporters and non-exporters is larger than the difference within each firm-size category. This is due to the distribution of exporters and non-exporters across firm-size categories: exporters made up a greater proportion of firms with more than 100 employees than non-exporters. However, the gap

between exporters and non-exporters is proportionally the greatest in the smallest firm-size categories. Furthermore, the smallest firms created more jobs per dollar exported than large firms.

These results confirm that exporters play a very important role in the Canadian economy, and indicate that high-growth firms that export are extraordinary job creators. They also suggest that exporting may be a good growth strategy for small businesses, which are under-represented in the exporting population. According to this research, increasing the number of small businesses that pursue exporting and high-growth strategies could result in large payoffs for businesses and for the economy.

Additional results are available from *Exporting Matters: Job Creation Performance of Exporters, 1993–2002* at www.strategis.gc.ca/sbresearch.

Figure 1: Average Number of Jobs Created per High-Growth Firm, by Size of Firm (1993) and Export Status (2002), 1993–2002



Source: Statistics Canada, Linked data from the Exporter Registry and *Longitudinal Employment Analysis Program*, 1993–2002.

¹ High growth is defined as an increase in employment of at least 50 percent over the first four years of the period.

² The linked data set was built from the Exporter Registry and the *Longitudinal Employment Analysis Program* (LEAP). The Exporter Registry is an administrative data file that covers all merchandise (goods) exports; LEAP is a longitudinal file that contains employment data on the universe of employer firms.

³ Employer firms are defined as enterprises that have a payroll account with the Canada Revenue Agency.

BUSINESS Establishments

According to Statistics Canada's *Business Register*, there were about 2 248 000 business establishments¹ in Canada in June 2005, a decrease of 4.2 percent from June 2004. Over this period, the number of businesses in the indeterminate category² dropped by more than 100 000, a decline of 7.4 percent. At the same time, the number of businesses with employees grew by around 1950 over the 1 046 345 registered in June 2004, representing an increase of barely 0.2 percent. This overall change was the result of increases of 0.1 percent in the number of small businesses (those with fewer than 100 employees), 3.9 percent in the number of medium-sized businesses (those with 100–499 employees) and 1.6 percent in the number of large businesses (those with 500 employees or more).

Table 1 shows business establishments by size (number of employees) and economic sector. In June 2005, small businesses accounted for around 98 percent of employer establishments. Of these, microbusinesses (those with fewer than five employees) constituted the largest category, with 56.5 percent of the total

number of employer businesses, while establishments with 5–49 employees accounted for 38.0 percent and those with 50–99 employees, at approximately 32 000 establishments, represented only 3.1 percent of the total.

More than one third of small business establishments were active in the following three sectors: professional, scientific and technical services; construction; and retail trade. These three sectors alone represent more than one third of all micro-businesses. Medium-sized businesses were most heavily concentrated in manufacturing (20 percent) and retail trade (13 percent).

¹ For an individual business establishment to be included in Statistics Canada's *Business Register*, the company to which it belongs must meet one of the following criteria: have at least one paid employee (with payroll deductions remitted to the Canada Revenue Agency), have annual sales revenues of \$30 000, or be incorporated and have filed a federal corporate income tax return at least once in the previous three years. Several business establishments can belong to the same company and each company owns at least one business establishment.

² The indeterminate category consists of incorporated or unincorporated businesses that do not have a Canada Revenue Agency payroll deductions account. The workforce of such businesses may consist of contract workers, family members and/or owners.

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Table 1: Business Establishments by Size of Employment and Industry, June 2005

Industry	Employer Businesses												
	Grand Total	Indeterminate ¹	Number of Employees									Distribution (%)	
			Total	1-4	5-9	10-19	20-49	50-99	100-199	200-499	500+	1-99	100-499
Agriculture, Forestry, Fishing and Hunting	195 039	136 867	58 172	44 184	7 016	3 957	2 182	559	202	63	9	5.7	1.2
Mining and Oil and Gas Extraction	15 712	7 148	8 564	4 957	1 153	929	813	349	195	117	51	0.8	1.4
Utilities	2 037	806	1 231	539	206	168	139	61	42	39	37	0.1	0.4
Construction	259 064	145 290	113 774	72 852	17 953	11 293	7 727	2 482	984	379	104	11.0	6.0
Manufacturing	97 454	36 744	60 710	25 014	9 183	8 209	8 647	4 744	2 900	1 603	410	5.5	20.0
Wholesale Trade	115 232	52 076	63 156	30 837	11 924	9 404	7 449	2 209	933	336	64	6.0	5.6
Retail Trade	216 120	81 917	134 203	60 047	32 101	22 038	12 699	4 283	2 137	794	104	12.8	13.0
Transportation and Warehousing	109 999	63 751	46 248	30 327	5 980	4 197	3 464	1 265	535	352	128	4.4	3.9
Information and Cultural Industries	31 501	17 863	13 638	6 806	2 143	1 757	1 698	635	329	182	88	1.3	2.3
Finance and Insurance	92 052	57 901	34 151	17 009	5 544	4 633	4 875	1 040	541	331	178	3.2	3.9
Real Estate and Rental and Leasing	172 965	131 479	41 486	25 092	6 836	4 566	3 233	1 050	434	205	70	4.0	2.8
Professional, Scientific and Technical Services	313 374	196 285	117 089	81 214	15 843	9 956	6 656	2 012	884	404	120	11.3	5.7
Management of Companies and Enterprises	83 282	65 856	17 426	10 261	2 526	1 892	1 493	621	350	194	89	1.6	2.4
Administrative and Support, Waste Management and Remediation Services	105 568	57 465	48 103	27 141	8 124	5 781	4 189	1 541	742	435	150	4.6	5.2
Educational Services	22 044	10 265	11 779	6 069	1 862	1 450	1 073	417	253	228	427	1.1	2.1
Health Care and Social Assistance	95 605	12 891	82 714	46 607	15 718	9 827	5 948	2 107	1 301	797	409	7.8	9.3
Arts, Entertainment and Recreation	41 930	23 683	18 247	9 422	3 225	2 442	1 926	720	327	141	44	1.7	2.1
Accommodation and Food Services	107 292	33 177	74 115	28 293	14 206	14 010	11 804	4 251	1 177	309	65	7.1	6.6
Other Services (Excluding Public Administration)	163 961	68 346	95 615	63 808	16 460	9 138	4 512	1 098	413	144	42	9.3	2.5
Public Administration	7 930	65	7 865	2 215	1 530	1 092	1 222	656	464	359	327	0.7	3.6
Total All Industries	2 248 161	1 199 875	1 048 286	592 694	179 533	126 739	91 749	32 100	15 143	7 412	2 916	100.0	100.0
Share of Employer Businesses			100%	56.5%	17.1%	12.1%	8.8%	3.1%	1.4%	0.7%	0.3%		

Source: Statistics Canada, *Business Register*, June 2005.¹ The indeterminate category consists of incorporated or unincorporated businesses that do not have a Canada Revenue Agency payroll deductions account. The workforce of such businesses may consist of contract workers, family members and/or owners.



JOB Creation

According to Statistics Canada's *Survey of Employment, Payrolls and Hours*, close to 179 000 net jobs (payroll jobs) were created between the third quarter of 2004 and the third quarter of 2005, representing an increase of 1.3 percent. This year-over-year gain is similar to the 1.2 percent achieved between the third quarters of 2003 and 2004 (159 000 jobs).

As shown in Table 2, large firms (those with 500 employees and more) were responsible for 61.6 percent of net job growth between the third quarter of 2004 and the third quarter of 2005, compared with 27.4 percent for small firms (those with fewer than 100 employees) and 11.1 percent for medium-sized firms (100–499 employees). The contribution of small firms to job

growth was much greater during the more recent period than the contribution recorded between the third quarter of 2003 and the third quarter of 2004.

The bottom part of the table shows a breakdown of the net changes in payroll jobs by province or territory, as well as by firm size. Yukon (4.8 percent), Alberta (3.0 percent) and Nova Scotia (2.7 percent) posted the highest year-over-year job growth rates between the third quarters of 2004 and 2005, while Ontario and Alberta generated the most new jobs (69 540 and 44 052 respectively). In terms of job growth by firm size over the same period, large firms recorded the highest rate of growth at 1.9 percent, compared with 0.9 percent for small and medium-sized firms.

Table 2: Year-Over-Year Change¹ in Payroll Employment,² by Province and Territory, 3rd Quarter 2005

Quarter	Change		% Contribution to Total Change (Number of Employees)								
	%	Jobs	0–4	5–19	20–49	50–99	0–99	100–299	300–499	100–499	500+
Q3 2004	1.2	158 951	-19.1	59.9	-10.2	-30.3	0.3	-9.6	3.1	-6.5	106.3
Q4 2004	1.2	160 950	-12.1	58.6	-13.5	-33.1	-0.2	0.4	-0.7	-0.2	100.4
Q1 2005	1.2	156 058	-7.7	32.9	-21.6	-31.1	-27.6	6.6	11.4	18.0	109.6
Q2 2005	1.2	157 368	-3.9	-6.0	12.4	10.3	12.8	25.0	-20.2	4.7	82.4
Q3 2005	1.3	178 674	3.9	-3.0	14.6	11.8	27.4	18.2	-7.2	11.1	61.6
Province/Territory			Growth Rates (%)								
Newfoundland	-4.3	-8 546	-4.3	-2.3	1.8	-3.0	-1.8	4.5	-6.1	0.9	-7.8
Prince Edward Island	1.6	1 084	0.3	-6.0	8.7	-5.7	-0.9	8.9	-28.9	-2.7	6.1
Nova Scotia	2.7	10 107	0.0	-2.1	0.4	2.0	-0.2	3.5	16.1	6.8	3.8
New Brunswick	-0.8	-2 534	-2.7	-2.6	-2.0	1.7	-1.7	6.8	-3.5	4.1	-1.4
Quebec	0.8	26 656	1.1	0.8	2.3	1.6	1.4	-0.2	-6.4	-2.0	1.3
Ontario	1.3	69 540	-0.1	-0.5	0.9	1.7	0.4	2.3	-3.1	0.7	2.3
Manitoba	0.5	2 756	-1.6	-1.2	1.3	-2.3	-0.8	-1.5	-3.3	-2.0	2.4
Saskatchewan	2.1	8 329	0.2	-0.1	0.9	3.0	0.8	8.7	-3.6	4.7	2.5
Alberta	3.0	44 052	1.7	-0.5	3.0	1.0	-1.7	3.4	9.2	4.9	4.3
British Columbia	1.6	26 328	2.9	0.1	3.2	4.9	-2.2	3.3	0.4	2.4	0.3
Yukon ³	4.8	807	4.7	3.4	-11.8	6.3	0.0	31.5	—	—	—
Northwest Territories ³	0.5	106	4.5	-2.0	-8.0	-15.3	-6.0	17.7	—	—	—
Nunavut ³	-0.1	-10	13.8	-1.4	-6.3	22.2	5.4	13.1	—	—	—
Canada Total	1.3	178 674	0.7	-0.3	1.7	1.8	0.9	2.2	-2.1	0.9	1.9

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours*, December 2005.

¹ Year-over-year change in payroll employment is calculated as the variation between the level of employment in a given quarter and the level in the same quarter a year before.

² *Survey of Employment, Payrolls and Hours* data exclude self-employed workers who are not on a payroll and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. The data breaking down employment by size of firm also exclude unclassified industries.

³ Data for firms with 300 or more employees in the territories are suppressed because of confidentiality restrictions but are included in the size category and territorial totals.

BUSINESS

Bankruptcies

There were 1651 business bankruptcies in the third quarter of 2005, the lowest level in 18 years and reflective of the downward pattern of recent quarters. The number of business bankruptcies dropped by 8.1 percent, down from 1796 in the same quarter of 2004, continuing the downward trend started in 2002. Compared with the second quarter of 2005, business bankruptcies declined 18.2 percent, down from 2018. Four sectors made up more than half of these bankruptcies: construction (282), retail trade (221), accommodation and food services (208) and manufacturing (170).

Liabilities involved in bankruptcies dropped sharply by 34.0 percent compared with the third quarter of 2004, from \$1.034 billion to \$682 million. Similarly, average liability per business bankruptcy dropped by 28.0 percent to \$413 000. The sector that posted the largest average liability was the management of companies and enterprises sector, at \$2.3 million for only 10 bankrupt businesses. Average liability was also high in the manufacturing and wholesale trade sectors, at around \$960 000 per bankrupt business. On the other hand, average liability in the construction sector, which accounted for the largest proportion of business bankruptcies (17.0 percent), was \$246 000, well below the average liability per business bankruptcy.

SELF-Employment

Using data from Statistics Canada's *Labour Force Survey* for 2004, a comparison was made of self-employed workers in 1989 and 2004 on the basis of their normal working hours (Table 3).

Like their employed counterparts, self-employed workers now spend less time working than previously, having reduced their weekly work time by two hours over the last 15 years (compared with a drop of one hour for employees). In 2004, the self-employed worked an average of 41.7 hours per week compared with 43.6 hours in 1989. Although self-employed workers still spend many more hours at work than employees do, the gap between the two groups of workers has narrowed somewhat — from 7.0 hours per week in 1989 to 6.2 hours per week in 2004.

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ECONOMIC

Snapshot

Data as of January 10, 2006

Canada's real Gross Domestic Product (GDP)... increased by 3.6 percent (annualized) in the third quarter of 2005, up from 3.4 percent in the previous quarter. The higher growth reflected a sharp increase in exports (10.4 percent), which resulted in a substantial contribution to growth from net exports. Domestic spending grew by 3.9 percent and continued to be the main contributor to overall growth. On the business side, corporate profits (before taxes) advanced 23.6 percent and were at a record level of 14.4 percent of GDP. On the personal side, real disposable income grew by 4.0 percent, while the savings rate was -0.2 percent, for a third consecutive negative quarter.

Consumer spending... rose by 2.4 percent, down from 3.2 percent growth in the previous quarter. Purchases of durable goods and services led the increase.

Housing investment... rose by 2.8 percent, after rising by 7.8 percent in the previous quarter. Low mortgage rates, rising income and solid consumer confidence continue to support housing activity. Housing starts in the fourth quarter remained strong at an average of 220 000, although this was down from 227 000 in the previous quarter. In 2005, total housing starts were 223 900 units, down 4.1 percent from 2004, but at the second-highest level since 1998.

Business investment in machinery and equipment... grew by 12.5 percent in the third quarter, fueled by record corporate profits and a high capacity utilization rate. The strong growth in the third quarter followed an average quarterly gain of nearly 11.0 percent in the previous four quarters. Strong growth in machinery and equipment investment bodes well for enhancing productivity performance. Non-residential construction grew strongly — by 11.9 percent for the third consecutive quarter — following a year of weak growth.

Corporate profits (before taxes)... have increased 17.6 percent at an annual average rate in the last nine quarters, including a gain of 23.6 percent in the third quarter, leading to a record high both in levels and as a percentage of GDP. Rising energy prices have had a significant impact on corporate profits, particularly for mining and mineral fuel industries. Profits among financial industries also accelerated in the third quarter. Profits among manufacturing industries were mixed. While profits increased in motor vehicles and parts, and in petroleum and coal, weakness was evident across most remaining manufacturing industries as a result of rising fuel prices, increases in other input costs and appreciation of the Canadian dollar.

The current account surplus... was \$37.2 billion (annualized) in the third quarter, \$17.6 billion higher than in the previous quarter. This marked the 25th consecutive quarterly surplus.

Real GDP at industry level (at basic prices¹)... rose by 0.2 percent in October, following no change in September and a 0.6-percent rise in August. The increase in October was mainly due to a rebound in manufacturing output, particularly the production of motor vehicles.

¹ GDP measured at market prices is measured at purchaser's prices, including taxes paid. GDP at basic prices is GDP calculated at market prices less taxes paid on products plus any subsidies on consumption.

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This drop is partly explained by the decrease in the proportion of self-employed workers who work 40 hours or more per week, particularly those who work 50 or more hours. This implies that proportionately fewer self-employed workers are choosing to work more than 40 hours in a normal week.

Although this trend is found in all categories of self-employed workers, the drop in the proportion of those who work 50 or more hours per week was particularly substantial, especially for incorporated businesses that use paid help. Thus, in direct contrast to 1989, in all

categories, the proportion of those who work 50 or more hours per week has now dropped below the 50-percent mark.

It is also noteworthy that, in both 1989 and 2004, self-employed workers with paid help still spend more time at work on average than those that don't use paid help, which may be partly explained by the need to devote time to human resources management. As a result, self-employed workers with paid help are much more likely to work more than 40 hours per week than those without paid help.

Table 3: Self-Employment¹ (Percentage) by Hours Worked per Week, 1989 and 2004

Usual Hours Worked per Week	Employees		Self-Employed		Incorporated				Unincorporated			
					With Paid Help		No Paid Help		With Paid Help		No Paid Help	
	1989	2004	1989	2004	1989	2004	1989	2004	1989	2004	1989	2004
1-14	5.5	5.3	9.5	8.1	2.0	2.6	4.6	5.8	2.7	2.3	15.0	12.3
15-29	10.7	12.8	9.6	12.5	3.7	6.2	8.3	10.6	5.3	7.0	13.6	17.1
30-34	4.7	6.8	6.6	7.6	3.2	4.6	5.9	7.2	4.9	5.8	8.9	9.5
35-39	21.3	24.3	4.7	6.3	4.2	4.8	4.8	6.9	4.1	5.5	5.1	7.1
40	43.9	40.2	22.5	21.3	25.3	23.3	29.7	24.3	23.1	21.4	21.0	19.6
41-49	6.6	6.0	8.0	8.3	9.6	10.6	7.5	9.0	9.6	9.1	6.9	7.0
50 or More	7.3	4.6	39.2	35.8	52.0	47.9	39.2	36.2	50.2	48.9	29.6	27.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average (Hours)	36.6	35.5	43.6	41.7	49.5	47.6	45.2	42.9	49.8	48.0	38.9	37.4

Source: Statistics Canada, *Labour Force Survey*, special tabulation.

¹ Unpaid family workers are not shown in this table due to their small number.

FINANCING

Growing the Businesses of Tomorrow: Challenges and Prospects of Early-Stage Venture Capital Investment in Canada

Since the mid-1990s, Canada's venture capital (VC) industry has experienced increasing growth in the volume of early-stage¹ financing of innovative businesses. Indeed, it appears there has been a fundamental shift in the industry during this time, with a greater focus on early-stage over later-stage activity.

These trends and other key issues are examined in a new study prepared by Macdonald & Associates Ltd. for Industry Canada, "Growing the Businesses of Tomorrow: Challenges and

Prospects of Early-Stage Venture Capital Investment in Canada." This study uses a statistical analysis of market trends and a series of interviews with senior VC professionals to analyze the early-stage VC market.

Key findings indicate that early-stage financing has experienced exceptional growth since 1996, capturing a greater proportion of total companies financed and total VC invested annually. Early-stage financing represented 38 percent of total companies financed and 32 percent of total VC dollars invested in 1996, but increased significantly to 56 percent and 50 percent, respectively, by 2004. Despite these increases, the average capital infusion in early-stage financing in Canada has typically been less than half of the average in the United States.

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Data as of January 10, 2006

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The second phase of the study included interviews with senior VC professionals on the progress of the market and challenges that confront the industry. They linked the shift in focus toward early-stage activity to the emergence of dedicated Canadian early-stage VC funds. While stressing the importance of this development, they also emphasized challenges facing early-stage investors. When asked to rate a list of challenges, Canadian and U.S. VC professionals indicated that the lack of VC fund managers with adequate skills and experience, the small size of VC pools and undercapitalized early-stage VC transactions were key impediments to early-stage financing (see Figure 2).

Professional managers also reflected on the role of federal and provincial governments, noting that public policy needs to better support the development of the market. Specific recommendations included: encouraging more institutional participation in the market; assisting in local angel investor organizations; and removing tax and legal barriers that unnecessarily impair cross-border deal syndications.

For more information and access to this study and others, please visit our website at www.strategis.ic.gc.ca/venturecapital.

¹ Early-stage financing can be described as venture capital or another form of private equity capital provided to a young or emerging company to facilitate its growth and development.

Figure 2: Key Challenges to Undertaking Early-Stage Financing Activity in Canada

Professional Manager Ratings by Importance
(5=Very Important, 1=Not Important)

Too few venture fund managers with adequate skills, experience	4.4
Early-stage venture capital pools are too small	4.3
Early-stage firms are undercapitalized relative to competitors	4.3
Too few capital funds focused on early stage	4.2
Too few experienced business managers for company building	3.9
Too few venture fund managers with sector-specific experience	3.5
Not enough co-investors, particularly for follow-on financing	3.2
Too few seasoned entrepreneurs	3.2
Scope of venture capital liquidity options too narrow	2.8
Early-stage investors operate with overly restrictive criteria	2.8
Insufficient government support at front end of early-stage activity	2.5
Inadequate market infrastructure for sourcing quality deal flow	2.4
Regulatory barriers to advancing intellectual property and prototype testing	1.7

Source: Macdonald & Associates Ltd.

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Employment... was essentially unchanged in December as an increase of 36 000 in full-time jobs offset part-time job losses of 38 000. Employment rose by 223 400 or 1.4 percent in 2005. In December, employment gains in finance, insurance, real estate and leasing, and professional, scientific and technical services were largely offset by losses in other services and health care and social assistance. For 2005, the strongest employment growth was in educational services (89 100 or 8.4 percent) and construction (56 600 or 5.7 percent). Employment in the manufacturing sector fell 4.4 percent in 2005, representing 100 000 job losses. Following a high in November 2002, the manufacturing sector has shed 152 000 jobs. In December, the unemployment rate edged up 0.1 percentage point to 6.5 percent as more people entered the labour market in search of work.

The Consumer Price Index (CPI)... inflation (year-over-year change in prices) was 2.0 percent in November, down from 2.6 percent in October due to the decline in the price of gasoline. Core inflation, which excludes the eight most volatile components and indirect taxes, was 1.6 percent, down from 1.7 percent in October and still below the mid-point of the 1–3 percent official target range.

The economic outlook... remains positive despite rising interest rates and further appreciation of the Canadian dollar. The growth outlook for 2005 remains at around 2.9 percent, and the December *Consensus Forecast* survey expects growth of 3.0 percent in 2006. Despite the dollar's appreciation, strong world demand for commodities and low interest rates have supported growth in the Canadian economy. Strong U.S. economic growth (estimated at 3.6 percent in 2005) has also helped the Canadian economy. The U.S. economy is expected to remain robust and to grow at 3.4 percent in 2006.

The Bank of Canada... increased the target for the overnight rate by 25 basis points to 3.25 percent on December 6. The Bank indicated that developments in the Canadian and world economies are largely in line with its expectations. In the United States, the Federal Reserve continued to raise the federal funds rate; on December 13, it raised the rate by 25 basis points to 4.25 percent, well above the 1.0 percent rate in June 2004, when it started tightening. In its latest statement, the Fed noted that economic expansion in the United States appears solid and alluded to further rate increases to maintain price stability if necessary.

The Canadian dollar... stood at US\$0.86 at noon January 10, 2006, up about 9.0 percent since mid-May 2005. The upward trend in the value of the dollar has been mostly because of higher energy prices.

The "Economic Snapshot" is prepared by the Micro-Economic Policy Analysis Branch of Industry Canada. Please address comments to Jenness Cawthray at 613-952-6401 or at cawthray.jenness@ic.gc.ca.

RECENT *Developments*

Key Small Business Statistics

The sixth edition of *Key Small Business Statistics*, which provides baseline data on the small business sector in Canada, has recently been released. This edition of the publication includes updated data and text in many sections and incorporates results from the 2003 Innovation Survey.

Key Small Business Statistics was launched in 2001 in response to a demand for statistics on the small business sector in Canada. It is updated twice a year and can be found in the “Statistics” section of the Small Business Research and Policy website at www.strategis.gc.ca/sbstatistics.

Small Business Quarterly Small Business Policy Branch

The *Small Business Quarterly* (SBQ) provides a quick and easy-to-read snapshot of the recent performance of Canada's small business sector. The SBQ is published by the Small Business Policy Branch of Industry Canada.

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Global Supply Chains Conference

The Global Supply Chains Conference, hosted by Industry Canada, was held on February 15–16, 2006, in Ottawa, Ontario. The purpose of this conference was to examine the importance of the growth of global supply chains and their use by Canadian firms. The conference brought together knowledgeable academics and business leaders to share their perspectives on the challenges and opportunities that Canadian firms face as they become part of global supply chains, and on the implications for policy development.

The conference provided a comprehensive view of the global supply chain paradigm and covered such topics as:

- Canada's participation in global supply chains and policy implications;
- supply chain management and logistics;
- small and medium-sized enterprises in global supply chains;
- the impact of global supply chains on the commercialization and innovation strategies of firms;
- global supply chains and emerging markets;
- the social impacts of global supply chains on skills and consumers; and
- global supply chains in the aerospace and pharmaceutical industries.

For more information on the conference, please visit www.strategis.ic.gc.ca/epic/internet/ingsc-gcsf.nsf/en/Home.