

In focus: Soaring costs of doing business



The costs of doing business have surged in the past years

The overall business costs, measured by unit cost, are currently at a very high level—26% higher than in 2017 (our analysis period) (Figure 4). The total unit cost index remained stable until the pandemic. It then spiked rapidly in 2022 and remains elevated to this day. The total costs include expenses for raw materials excluding crude energy products, wages and labour, fuel and energy, non-residential rent, and business borrowing costs, but exclude insurance costs.

Input costs, wages, and energy costs register top increases

The rise in overall business costs is mainly due to increased prices for raw materials, followed closely by higher labour costs and fuel and energy price hikes. These concurrent cost pressures are straining SMEs, which are already dealing with revenue losses from pandemic-related restrictions, further challenging their profitability and competitiveness.

SMEs are grappling with steep cost increases simultaneously

Based on recent CFIB survey data,⁵ a record number of businesses (69% in 2024 Q2) have identified insurance costs as the primary barrier to business or production growth (Figure 6). Similarly, 68% of SMEs report wage and labour costs as their main constraint. These trends are consistent across provinces, with New Brunswick, British Columbia, and Alberta experiencing the highest pressures. Businesses in transportation, construction, and personal services are also more likely to report cost pressures (Table 3).

Sources

(4) Statistics Canada. Tables 36-10-0206-01; 18-10-0001-01; 18-10-0268-01; 18-10-0262-01; 18-10-0255-01.
 (5) CFIB, Your Business Outlook Survey. January 2017-June 2024.
 Note: *Small sample size (<40)

Figure 4 – Total unit costs were stable before the pandemic, but spiked by 26% during 2022 and have remained elevated since

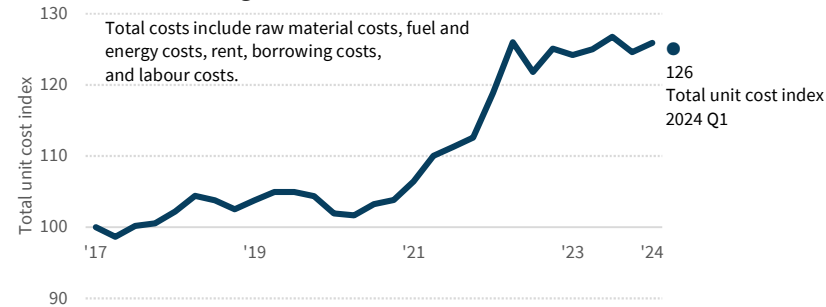


Figure 5 – Input costs, labour costs, and fuel and energy costs are the main culprits of the soaring business costs⁴

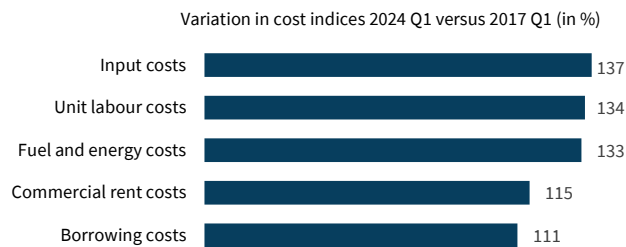


Figure 6 – More SMEs are complaining about rising costs, notably about insurance costs⁵

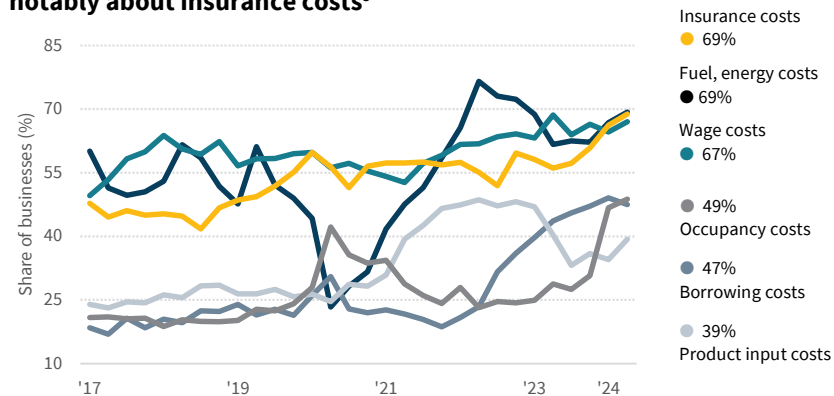


Table 3 – Businesses facing cost challenges, 2024 Q2⁵

Share of firms (in %):	Insurance (%)	Fuel and energy (%)	Wages (%)	Occupancy (%)	Borrowing (%)	Product inputs (%)
Canada	69	69	67	49	47	39
New Brunswick	76	89	70	52	52	31
Newfoundland and Labrador*	75	69	63	38	44	31
British Columbia	74	65	76	59	48	41
Alberta	73	83	64	58	48	47
Manitoba	68	69	73	40	48	37
Ontario	68	72	67	47	47	40
Saskatchewan	67	78	58	42	51	58
Prince Edward Island*	67	71	62	19	24	19
Quebec	65	57	65	45	50	31
Nova Scotia	63	76	65	49	41	41
Transportation	81	72	70	45	45	21
Construction	76	84	73	32	48	31
Personal services	74	76	66	52	50	42
Health, education	73	54	69	59	37	24
Natural resources*	73	85	58	35	38	50
Information, arts, recreation	71	68	76	41	44	24
Hospitality	70	80	79	57	54	49
Enterprise management	68	70	63	46	46	37
Retail	67	73	69	57	53	43
Manufacturing	67	66	63	52	44	43
Wholesale	67	63	57	54	45	45
Agriculture	63	77	59	23	52	73
Professional services	60	42	63	41	42	23
Finance, insurance, real estate	56	60	55	60	40	16
1-4 employees	67	69	54	52	52	41
5-19 employees	72	72	72	50	44	39
20-49 employees	63	67	82	40	49	39
50-99 employees	64	74	72	40	49	36

Note: The lines are sorted by the percentage indicated in the first column in a decreasing order. The columns are sorted by the percentage indicated on the first line in a decreasing order.