

Daily Economic Update

June 30, 2017

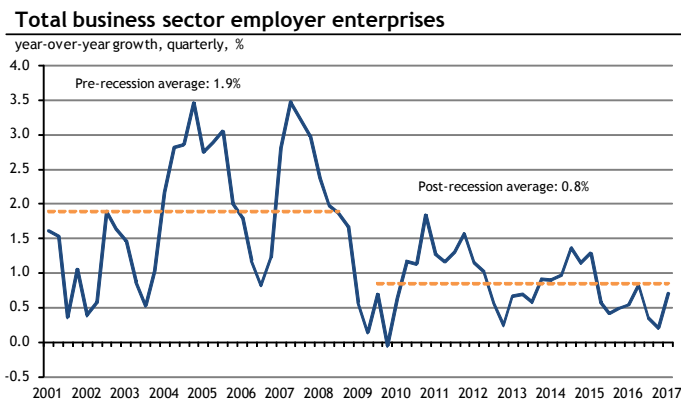
Growth in Canadian firm counts rebounds in Q1

Our Take

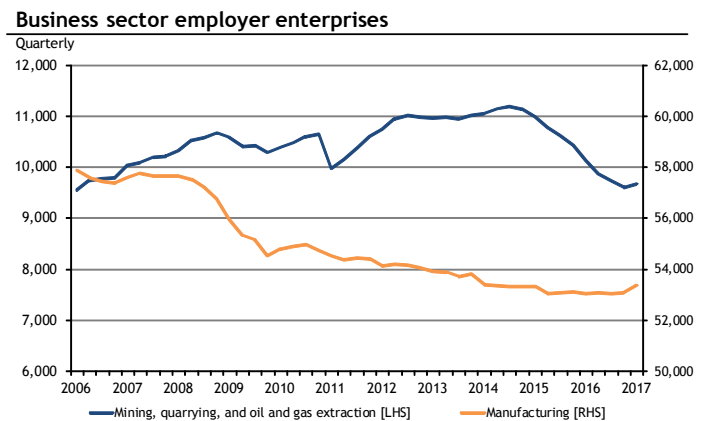
Growth in the number of Canadian businesses rebounded in the first quarter of 2017 with a 0.7% gain. This follows the slowest pace of increase since the recession in Q4 and marks the eighth consecutive quarter of growth below the post-recession average. Fuelling the increase in firm counts was a 14% rise in firm entries compared to a year earlier while the number of firm exits declined modestly. While the overall growth rate remains modest, trends at an industry level support the Bank of Canada’s position that the adjustment to lower energy prices is largely complete. After declining by 14% in the wake of lower energy prices, the number of firms in the mining, oil and gas sector ticked up in 2017 Q1. Furthermore, the manufacturing sector recorded its largest year-over-year growth in firm counts since 2001 which may be linked to rising U.S. industrial production and the recovery in Canada’s capital-intensive energy sector. While firm count data is noisy and revision-prone, today’s report is consistent with our view that stronger economic growth is reducing the economy’s excess capacity and sets the stage for firmer investment activity ahead.

Highlights

- Business enterprise counts expanded 0.7% year over year in Q1, faster than Q4’s revised 0.2% gain.
- The number of business enterprises was 1.12 million in the first quarter of 2017. Two-thirds of the nearly 8,000 net new firms created over the previous year were in transportation and warehousing (28%), construction (21%), and professional, scientific and technical services (18%).
- Construction firms now account for a record 15.2% of all firms, up from 11% in 2000.
- Employment associated with new entries soared to an annualized rate of 202k while employment losses associated with firm exits was up modestly to 157k. According to this measure and including employment gains in incumbent firms, overall business sector employment rose by 0.9% in the first quarter. This contrasts with a 0.5% reading from the Labour Force Survey.



Source: Statistics Canada, RBC Economics Research



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