

Small- and medium-sized Canadian businesses are well-positioned to cope with economic uncertainty: TD Economics

TORONTO, October 13, 2011 /CNW/ - A TD Economics report released today shows cautious optimism over the long-term for the future of Canadian small- and medium-sized enterprises (SMEs). Despite being at a very vulnerable stage in the global recovery process, SMEs appear to be well-positioned to weather the economic storm.

“Like all Canadian businesses, SMEs must travel a long and winding road toward the economic recovery,” says Craig Alexander, Chief Economist, TD Bank Group. “The good news is their journey to date has been impressive. What’s more, they have the key elements in place to manage bumps and adjust to a new environment.”

Recent survey data suggests that during the 2008-09 recession, SMEs displayed three key characteristics that helped them address the economic headwinds. First, SMEs have an inherent nimbleness and resourcefulness, which are on their best display when times get tough. Second, expectations, sentiment and confidence levels among SMEs seem to be well grounded. This suggests that business owners are braced to address possible future economic turbulence. Third, most SME businesses are oriented toward the domestic economy and, as a result, are shielded in part from the volatile nature of the global recovery.

Small- and medium-sized enterprises will need to continue to benefit from these characteristics in an uncertain global financial and economic landscape. After a series of shocks on the global economic stage in the past few months, consumer and business confidence has edged noticeably lower. All signs point to SME confidence being in line with national sentiment.

“The downgrade to the near-term picture for the Canadian economic outlook will be felt by nearly all small- and medium-sized enterprises,” says Mr. Alexander. “This is by no means surprising, given how important a contributor these firms are to overall national growth as well as the broad spectrum of industries in which SMEs participate.”

However, beyond their immediate obstacles, SMEs must also contend with a number of medium-term challenges that serve as barriers to long-term business prosperity. Topping this list is financial management. Credit accessibility appears to be still tighter than pre-recession levels. This means that SMEs need to be aware of all of their financial options. They also should strive to enhance their cash flow management as much as possible.

Attracting and retaining staff and regulatory burdens also remain barriers for success for SMEs. However, muted employment growth and little movement in the national jobless rate may give SMEs the opportunities to secure skilled workers. Still, the challenge is to retain top staff with compensation packages based on more

than just salary. The next concern surrounds government bureaucracy, the compliance burden and red tape. Industry Canada estimates that SMEs spend roughly 30 million hours every year to comply with obligations at all levels of government, which has become a national issue for debate and resulted in the formation of the Red Tape Commission to reduce this regulatory burden.

“There is enormous economic uncertainty at the moment, but businesses still have to build for the future. This means having realistic expectations and being flexible to adjust with a changing economic climate. The good news is that SMEs appear to be pragmatic about prospects, and they demonstrated considerable nimbleness during the last recession,” says Mr. Alexander. “The modest national growth picture will have important implications for SMEs including their profitability, growth strategies and business prospects.”

The TD Economics special report “Nimble and Armed with Realistic Expectations, Small Businesses Look to the Future” is available at: www.td.com/economics

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