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Survey of Indigenous Firms: A Snapshot of Wages, Prices and Financing in the Indigenous Business Sector in Canada

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Abstract

Attempts to measure and track the Indigenous economy in Canada are limited by data availability and quality. Also, little is known about the business environment on reserves. Filling these information gaps is important to ensure that policy-makers and Indigenous leaders can make well-informed decisions that benefit the long-term prosperity of Indigenous communities. To help narrow these knowledge gaps, the Bank of Canada partnered with the Canadian Council for Aboriginal Business and Global Affairs Canada to conduct a large-scale, national survey of Indigenous-owned firms between May and September 2021. This paper reports findings from the survey results, including Indigenous-owned firms' main sources of financing and their expectations about wages, prices and inflation. These results are compared with those from other Canadian business surveys such as the Bank's quarterly Business Outlook Survey (BOS) to better understand the unique conditions and challenges Indigenous businesses face. Overall, we find that, compared with the average small business in Canada, Indigenous firms were significantly less likely to use financial institutions as main sources of financing. Indigenous businesses also had stronger inflation expectations and weaker wage-growth expectations, on average, than non-Indigenous firms in Canada, based on results from the BOS during the same time frame. The relatively high inflation expectations partly reflect the large share of Indigenous firms located in rural areas compared with the total business population in Canada. Indigenous firms in rural locations tended to expect higher inflation and higher price increases than their counterparts in urban areas.

Topics: Firm dynamics
JEL codes: *C83, D0, J15, G38*

Résumé

Les tentatives pour évaluer et suivre divers aspects de l'économie autochtone au Canada sont limitées par des problèmes de disponibilité et de qualité des données. De plus, on sait peu de choses sur le contexte commercial dans les communautés autochtones. Il est important de remédier à ce manque d'information pour que les décideurs publics et les leaders autochtones puissent prendre des décisions éclairées qui favoriseront la prospérité à long terme de ces communautés. Pour ce faire, la Banque du Canada s'est associée au Conseil canadien pour l'entreprise autochtone et à Affaires mondiales Canada pour mener, entre mai et septembre 2021, une enquête nationale à grande échelle auprès d'entreprises appartenant à des Autochtones. Le présent document expose les résultats de l'enquête, notamment les principales sources de financement de telles entreprises et leurs attentes à l'égard des salaires, des prix et de l'inflation. Afin de mieux comprendre les conditions et les défis particuliers auxquels sont confrontées les entreprises autochtones, nous comparons ces résultats à ceux d'autres enquêtes réalisées auprès d'entreprises canadiennes, dont l'enquête trimestrielle sur les perspectives des entreprises de la Banque du Canada. En gros, nous constatons que comparativement aux petites entreprises canadiennes

moyennes, les entreprises autochtones étaient beaucoup moins susceptibles de se servir des institutions financières comme principales sources de financement. Par ailleurs, en ce qui concerne la croissance des salaires, elles avaient des attentes généralement moins élevées que les entreprises canadiennes non autochtones sondées dans le cadre de l'enquête sur les perspectives des entreprises réalisée au cours de la même période. À l'inverse, leurs attentes d'inflation étaient plus élevées, ce qui s'explique en partie par leur importante présence en milieu rural par rapport à l'ensemble des entreprises au Canada. En effet, les entreprises autochtones exerçant leurs activités dans une région rurale anticipaient en général un taux d'inflation plus élevé et des hausses de prix plus marquées que leurs homologues en milieu urbain.

Sujets : Dynamique des entreprises
Codes JEL : C83, D0, J15, G38

1. Introduction

Attempts to measure and track the Indigenous economy in Canada are limited by data availability and quality, especially with respect to the Indigenous business sector (Chernoff and Cheung 2023; Feir and Hancock 2016). Also, little is known about the on-reserve business environment because reserves are generally not well represented in traditional surveys, including Statistics Canada's consumer price index survey.

Filling these information gaps is important. Doing so will ensure that policy-makers and Indigenous leaders can make informed decisions that benefit the long-term prosperity of Indigenous communities. As described in the First Nations Financial Management Board's *RoadMap Project,* which proposes pathways to Indigenous economic reconciliation, better information would help by "empowering Indigenous decision-makers to set their course and measure progress," and would "promote transparency and accountability at all levels of government" (First Nations Financial Management Board 2022, 5).

To narrow these knowledge gaps, the Bank of Canada partnered with the Canadian Council for Aboriginal Business (CCAB) and Global Affairs Canada (GAC) to launch the Survey of Indigenous-Owned Firms (SIF), a large-scale Canadian project. The project was led by GAC in partnership with CCAB and with support from Big River Analytics, an Indigenous-owned consulting firm. The project had two parts:

- a national survey of more than 2,600 Indigenous-owned businesses, which was conducted by telephone, with a special focus on understanding the experience of Indigenous exporters
- case studies in three Indigenous communities, which included extensive interviews with economic development officers

The consulting firm Environics Research conducted the national survey during the COVID-19 pandemic, between May and September 2021. The survey asked Indigenous businesses to report on their experiences and business performance in 2020. The Bank provided input into the questionnaire design and added some specific questions about expectations for inflation, and wage and output price growth at Indigenous-owned firms.

This paper reports findings from some of the national survey results.[1] Specifically, we focus on Indigenous business sector:

- composition, such as size, location and industry
- main sources of financing
- expectations for wages, prices and inflation

[1] The findings on Indigenous exporting experiences and from the case studies of the three Indigenous communities are not included in this paper but are described in Canadian Council for Aboriginal Business and Global Affairs Canada (2023).

We compare the SIF results with those from other Canadian business surveys, such as the Bank of Canada's quarterly Business Outlook Survey (BOS). The goal of this comparison is to better understand the economic conditions and challenges that Indigenous businesses face, and how this environment may differ from that faced by other Canadian businesses.[2] A better understanding of Indigenous business environments could help inform decision-making in Indigenous organizations and government policies. It would also improve the Bank's understanding of diverse economic conditions within Canada and strengthen its ability to make appropriate policy decisions.

Overall, we find that businesses in the SIF are significantly less likely to use business and personal credit from financial institutions as main sources of financing than the average small business in Canada and are much more likely to use government loans and grants. Businesses are also more likely to tap into financing from banks and other financial institutions when they have employees and higher sales revenues and when they are incorporated. Firms in the SIF had higher inflation expectations and weaker wage-growth expectations on average than non-Indigenous firms in the BOS during the same time frame. Similar factors drive price growth expectations in both surveys: commodity prices and other non-labour input prices. Relatively high inflation expectations reflect, in part, the high share of Indigenous firms located in rural areas compared with the overall Canadian business population. Indigenous firms in rural areas tend to expect higher inflation and higher price increases than their counterparts located in urban areas. This aligns with previous research suggesting that rural areas face stronger inflation than urban areas (Chakrabarti, Garcia and Pinkovskiy 2023; George and O'Trakoun 2022).

2. Methodology

Research ethics

There is a long history of research about Indigenous Peoples being conducted with little input from Indigenous communities and resulting in harmful outcomes (Feir and Hancock 2016). In recognition of this history, CCAB made considerable efforts to design the SIF research process in a way that respected ethical research principles involving Indigenous Peoples. A variety of research principles, informed by different Indigenous principles and frameworks, were used to design the survey and collect survey data. These include the First Nations Principles of OCAP and the principles described in the *Tri-Council Policy Statement: Ethical Conduct for Research Involving Humans*, (specifically in "Chapter 9: Research Involving the First Nations, Inuit and Métis Peoples of Canada").[3]

[2] The Business Outlook Survey is a quarterly survey established in 1997 and conducted by phone, video conference and in-person interviews by Bank staff with leaders of about 100 firms across Canada. It collects information about firms' expectations for sales and demand, their capacity, labour and credit conditions, their intentions for investment, hiring and wages, and their outlook on pricing and inflation. The sample includes small, medium and large firms in roughly equal parts and targets specific shares by industry and region to be broadly representative of Canadian gross domestic product.

[3] The survey also considered the CARE Principles for Indigenous Data Governance, ethical Métis research guidelines by the National Aboriginal Health Organization Métis Centre, and the Inuit Tapiriit Kanatami's National Inuit Strategy on Research.

OCAP refers to the principles of ownership, control, access and possession defined by the First Nations Information Governance Centre. These principles protect First Nations' ownership of and governance over their own information. These principles were interpreted and used in the SIF in the following ways:

- **Ownership** of the collective dataset resided with CCAB, an Indigenous-led, non-partisan, not-for-profit organization. Survey participants owned their individual data and had rights to withdraw their data from the study.
- CCAB had **control** over the aggregated data collected. Survey participants had control over their individual data and rights to withdraw it.
- Survey participants could **access** their own individual data, with CCAB managing access to the entire dataset. Project partners (Global Affairs Canada, Big River Analytics and the Bank of Canada) could access only anonymized data through a secure remote workstation for a limited period of time for analysis related to the project. The final reports were published and are downloadable at no cost.
- CCAB **possessed** and maintained the dataset at the aggregate level. Environics Research maintained the full anonymized respondent-level data on behalf of CCAB but did not analyze or disclose any information about the data unless requested by CCAB.

To incorporate Indigenous perspectives into the research process, including feedback on the design of the project's questionnaire, CCAB established an Indigenous Research Advisory Committee. The six men and women on the committee were business and research leaders from First Nations, Inuit and Métis communities.

Sampling approach and weighting scheme

The national survey was conducted via telephone interviews with 2,603 First Nations, Inuit and Métis business owners across Canada between May 10 and September 22, 2021. CCAB and GAC designed the questionnaire, with input from the Bank of Canada and support from Big River Analytics. Environics Research conducted the telephone interviews. The survey had a response rate of 26%.

To be included in the sample, businesses had to have at least 51% Indigenous ownership, with a head office or principal place of business in Canada. This sample was drawn from CCAB's extensive and regularly updated list of 20,000 Indigenous-owned enterprises, which includes:

- privately owned businesses
- community- and band-owned businesses
- economic development corporations

CCAB also actively recruited firms through its networks on social media and at various events. To fulfill the objective to better understand the experience of Indigenous exporters, deliberate efforts were made to continue recruiting firms until the sample of exporting businesses was sufficiently large. Because such non-probability sampling methods can introduce biases that affect the validity of the results, a weighting scheme was used to reduce the risks of bias.

To be able to draw valid inferences from the survey results that can be generalized to the Indigenous business sector, the sample should be representative of the universe of Indigenous businesses in Canada. Ideally, this would involve weighting the sample to match the national distribution of Indigenous-owned businesses by location, size and sector. However, no data are available on the population of Indigenous-owned businesses in Canada. For this reason, Statistics Canada's Business Register was used as a proxy. More details on the weighting scheme are provided in the Appendix.

The weighting scheme is intended to reduce potential biases in the sample. However, the lack of an Indigenous business register makes it difficult to know how representative the weighted sample is of the true Indigenous business population. This is an important limitation to consider when making inferences that can be generalized to the Indigenous business sector in Canada. The analysis presented should thus be seen as an initial exploration to better understand the wage, price and financing conditions experienced by many Indigenous businesses in Canada. Still, it is worth noting that a broad cross-section of Indigenous-owned firms participated in the survey, and differences between the weighted and unweighted sample results are not large enough to change the conclusions. In late 2022, Statistics Canada published estimates of the number of Indigenous-owned businesses in Canada from 2005 to 2018, by province and by Indigenous identity of ownership (Gueye, Lafrance-Cooke and Oyarzun 2022a, 2022b). Where possible, the SIF sample is compared against the composition of this Indigenous business dataset as of 2018, hereafter referred to as the GLO dataset. Section 3 describes the characteristics of the raw, unweighted sample. All analysis presented in Section 4 uses the weighted sample results.

3. Sample characteristics

The SIF included 2,603 Indigenous-owned businesses—CCAB's largest survey sample to date. The majority ownership of firms in the SIF sample was reported as follows:

- 64% of firms reported having First Nations business owners
- 28% reported having Métis business owners
- 8% reported having Inuit business owners[4]

By comparison, GLO estimates suggest that 47% of Indigenous businesses are First Nations-owned, 47% Métis-owned and only 1.6% Inuit-owned. This suggests that Métis-owned firms may be under-represented in the SIF sample, while First Nations- and Inuit-owned firms are overrepresented.

The distribution of firms by size in the SIF sample also differs considerably from that in the GLO estimates:[5]

[4] By comparison, First Nations individuals represented 58% of the Indigenous population in Canada in the 2021 census, while Métis individuals represented 35% and Inuit individuals 4%.

[5] As described in Chernoff and Cheung (2023), the size distribution of Indigenous businesses does not differ significantly from that of non-Indigenous businesses.

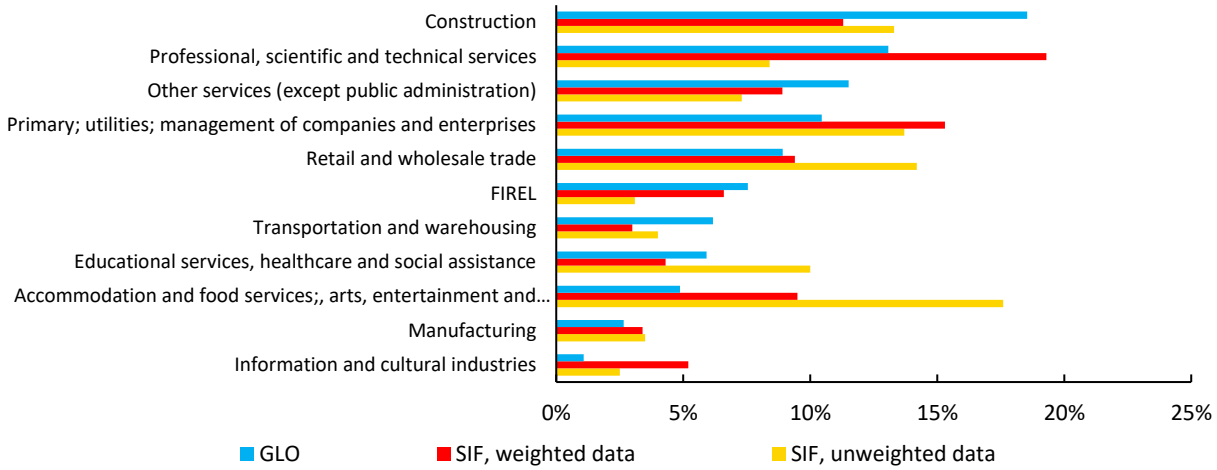
- Firms with no employees represented only about one-third (34%) of the SIF sample, while they accounted for almost 70% of all Indigenous enterprises in the GLO dataset. The oversampling of employer firms in the SIF may have been the result of the deliberate efforts described in Section 2 to include a relatively large number of exporting businesses in the sample.
- For firms with employees, the raw SIF sample had more larger firms than the GLO estimates (**Chart 1**). However, the weighting scheme corrected for some of these differences, as the size distribution of the weighted SIF sample was somewhat closer to that of the GLO.

Chart 1: Distribution of Indigenous businesses by size

Note: GLO refers to Statistics Canada's custom tabulations using data from B. Gueye, A. Lafrance-Cooke and J. Oyarzun, "Identifying Indigenous Business Owners and Indigenous-Owned Businesses," Statistics Canada Analytical Studies: Methods and References Catalogue No. 11-633-X – No. 045 (November 24, 2022). SIF is the Bank of Canada's 2021 Survey of Indigenous-Owned Firms.
Source: Statistics Canada and Bank of Canada calculations
Last observations: GLO, 2018; SIF, 2021

The distribution of firms by industry in the SIF differed quite noticeably from that of the GLO dataset as well. Indigenous businesses in the SIF were most frequently in retail trade, construction, and accommodation and food services, whereas the largest share of firms in the GLO were in construction and professional, scientific and technical services (**Chart 2**). In this case, the distribution of the weighted SIF sample was somewhat closer to that of GLO, but significant differences remain. For example, the accommodation and food services; arts, entertainment and recreation; and information and culture sectors appear to be overrepresented in the weighted SIF sample relative to their prevalence in the GLO dataset for Indigenous businesses.

Chart 2: Industry composition of Indigenous businesses
Share of firms in the SIF
In what industry or sector does this business operate?



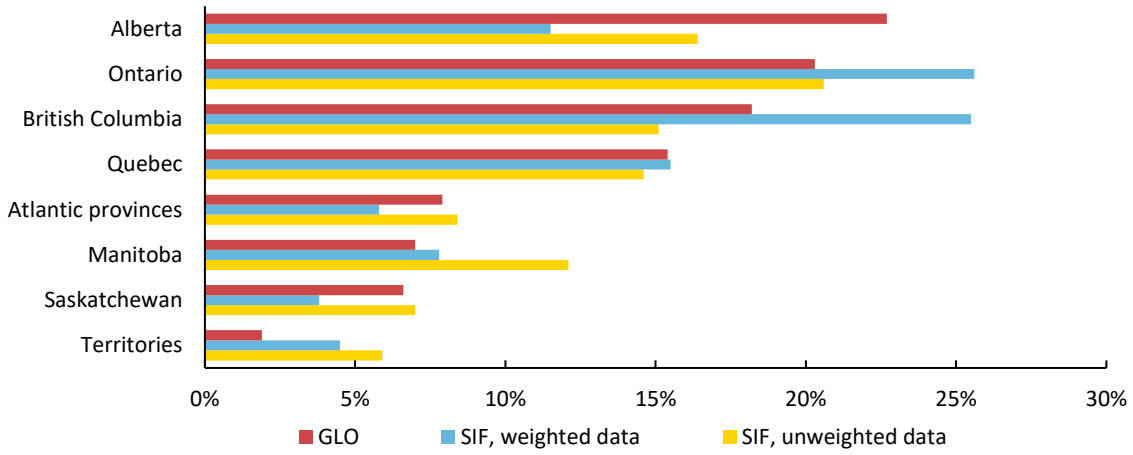
Note: : The primary sector includes agriculture, forestry, fishing, hunting, mining, quarrying, and oil and gas extraction. [FIRE denotes finance, insurance and real estate/FIREL denotes finance, insurance, real estate and leasing]. GLO refers to Statistics Canada's custom tabulations using data from B. Gueye, A. Lafrance-Cooke and J. Oyarzun, "Identifying Indigenous Business Owners and Indigenous-Owned Businesses," Statistics Canada Analytical Studies: Methods and References Catalogue No. 11-633-X – No. 045 (November 24, 2022). SIF is the Bank of Canada's 2021 Survey of Indigenous-Owned Firms. Farrukh/James: I took these definitions from Table A-1 in the Wage-Setting SAN (2022-10). OK?
Sources: Statistics Canada and Bank of Canada calculations
Last observations: GLO, 2018; SIF, 2021

For firms with Inuit, Métis and First Nations owners, differences in industry type were not large among them. All of these firms tended to be concentrated in the construction and retail trade sectors. Some notable differences include:

- a relatively high share of Métis-owned businesses were in mining, oil and gas extraction (8.7%) and in professional, scientific and technical services (9.5%)
- a large concentration of Inuit-owned businesses were in transportation and warehousing (9.7%)

In general, the distribution of businesses by region in the unweighted SIF sample matched fairly well with that of the Indigenous population, based on the 2021 census. It also resembled the regional distribution of Indigenous businesses in the GLO dataset, though with an under-representation of firms in Alberta and British Columbia and an over-representation of firms in the territories and Manitoba (**Chart 3**). In this case, the weighted sample appeared less representative: the weighting scheme led to greater under-representation of Alberta firms and an over-weighting of Ontario and British Columbia firms.

Chart 3: Regional distribution of Indigenous businesses
Share of firms in the SIF



Note: The primary sector includes agriculture, forestry, fishing, hunting, mining, quarrying, and oil and gas extraction. [FIRE denotes finance, insurance and real estate/FIREL denotes finance, insurance, real estate and leasing]. GLO refers to Statistics Canada's custom tabulations using data from B. Gueye, A. Lafrance-Cooke and J. Oyarzun, "Identifying Indigenous Business Owners and Indigenous-Owned Businesses," Statistics Canada Analytical Studies: Methods and References Catalogue No. 11-633-X – No. 045 (November 24, 2022). SIF is the Bank of Canada's 2021 Survey of Indigenous-Owned Firms. Farrukh/James: I took these definitions from Table A-1 in the Wage-Setting SAN (2022-10). OK?
Sources: Statistics Canada and Bank of Canada calculations
Last observations: GLO, 2018; SIF, 2021

Almost 15% of firms in the SIF sample reported having exported goods and services outside of Canada, with less than 10% having done so in 2019 or 2020.[6] Given the deliberate efforts made to recruit exporting firms into the sample (as described in section 2), this percentage may overstate the true share of Indigenous businesses that export. Compared with other Indigenous businesses in the sample, exporters were somewhat more likely to be located outside of Indigenous communities and less likely to have employees, with 54% reporting having no employees. They were also about three times more likely to be in the arts, entertainment and recreation sector or manufacturing industries.

About half (51%) of the businesses in the sample reported being located within an Indigenous community, defined as either a First Nations reserve, a Métis community or a community in Inuit Nunangat.[7] This proportion seems relatively high, considering that only about 20% of the Indigenous population reported

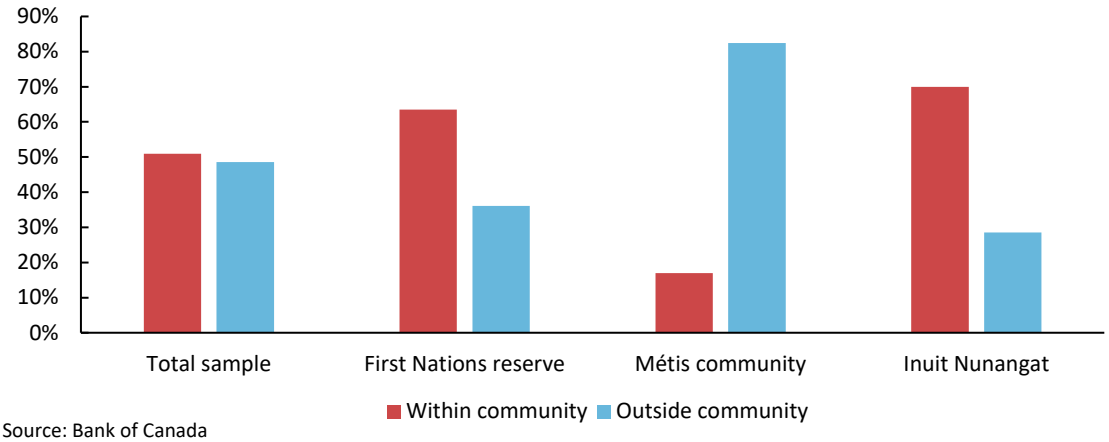
[6] Among small and medium enterprises, about 12% reported having ever exported, a much smaller share than the 24.4% estimated in 2019 based on the CCAB's 2015 Aboriginal Business Survey (Bélanger Baur 2019). As described in Canadian Council for Aboriginal Business and Global Affairs Canada (2023), the discrepancy relative to Bélanger Baur (2019)'s estimates may reflect differences both in the question wording and in the sampling frame of the 2015 survey compared with those used in the SIF. The 2015 survey asked respondents whether they had clients outside of Canada, while the SIF asked if respondents had exported goods and services outside of Canada. The sample from the 2015 survey included 1,101 firms drawn mainly from CCAB's internal list comprised mostly of mature, well-established firms with an online presence that may have been more likely to export. Meanwhile, the sample frame for the SIF supplemented CCAB's internal list with firms recruited from community-based resources, local directories and social media campaigns, reaching a broader range of Indigenous businesses at all stages of development.

[7] This definition is somewhat broader than Statistics Canada's Indigenous census subdivisions (CSDs), which include only First Nations reserves and CSDs in Inuit Nunangat.

living on-reserve or in Inuit Nunangat in the 2021 census.[8] This suggests businesses located in Indigenous communities may be overrepresented in the sample. The share of businesses located within Indigenous communities varies considerably by Indigenous group. While 60%–70% of First Nations- and Inuit-owned businesses are located within Indigenous communities, this is true for only 17% of Métis-owned firms (**Chart 4**).

Chart 4: Share of business located within Indigenous communities versus outside

Is the main office for this business located in one of the following types of communities: a First Nations reserve, a Métis community, or a community in Inuit Nunangat?



Source: Bank of Canada
Last observation: 2021

Businesses in the SIF sample that are located within Indigenous communities differ somewhat in industry composition from those outside. First, while retail trade is one of the most prevalent sectors in both cases, it accounts for almost twice the share of firms located inside Indigenous communities (17.6%) compared with those outside (9.5%). Second, businesses located outside of Indigenous communities are almost twice as likely to be in the mining, oil and gas extraction sector and the professional, scientific and technical services sector than their counterparts located within Indigenous communities.

Firms located within Indigenous communities in the SIF were largely in rural areas, while those located outside of Indigenous communities were mostly urban (**Chart 5**).[9] This may reflect the historical legacy that First Nations reserves were often established on lands far away from major population centres (Royal Commission on Aboriginal Peoples 1996). As a result, the overall sample of Indigenous-owned businesses is almost evenly split between firms in rural and urban locations, with a far greater share of rural firms compared with Canadian firms overall (**Chart 6**).[10] This may explain some of the differences in the distribution of firms by industry between the SIF sample and Canadian businesses overall. For Canada as a

[8] This 20% may underestimate the true share of Indigenous people living in Indigenous communities, given the increased number of incompletely enumerated Indigenous reserves and settlements in the 2021 census (Statistics Canada 2022).

[9] Firms in rural areas are identified as those located in postal codes with a zero as the second digit. This definition is from Canada Post.

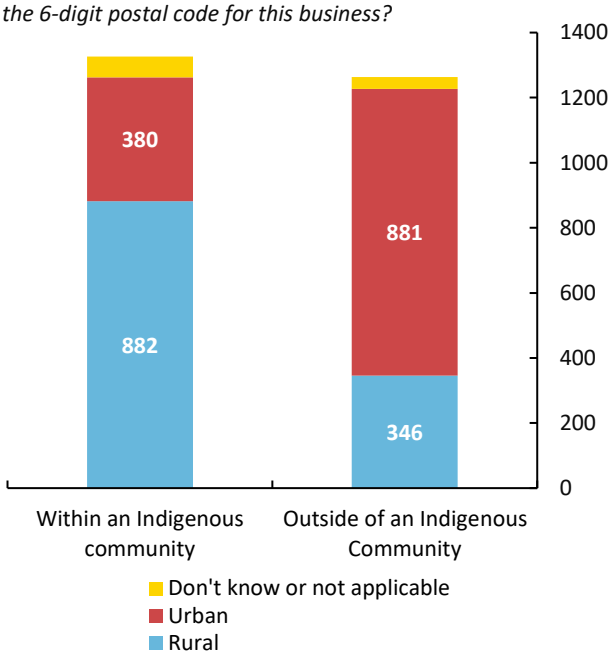
[10] This is similarly the case for the Indigenous population: almost 60% of Indigenous people in Canada live in rural areas, compared to one-third of the non-Indigenous population (Chernoff and Cheung, 2023).

whole, rural firms are much more likely to be in the primary sector (agriculture, forestry, fishing, hunting, mining, quarrying, and oil and gas extraction) and in the construction sector, which may explain why a higher share of firms in the SIF are in these industries.[11]

Overall, applying the weighting scheme appears to bring the composition of the SIF sample by size and industry somewhat closer to that of the GLO dataset, which we believe is the best available approximation to the "true" Indigenous business population that currently exists. For this reason, the results presented in section 4 use the weighted sample.

Chart 5: Urban versus rural location of Indigenous businesses, by community status

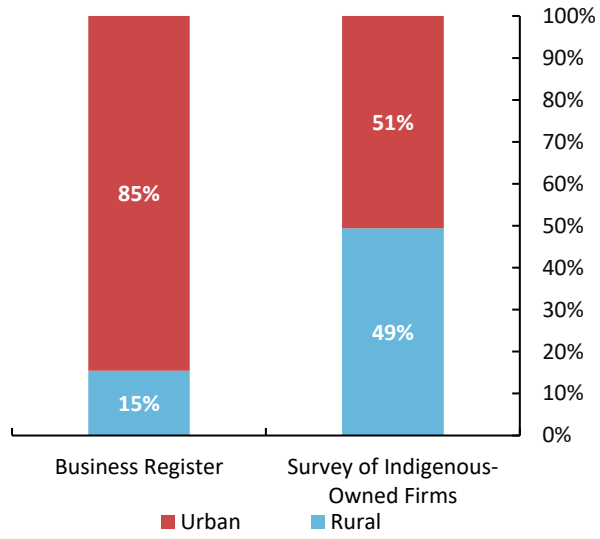
And to better understand how results vary by communities of different sizes, may I please have the 6-digit postal code for this business?



Source: Survey of Indigenous Firms (2021)
Last obsevation: 2021

Chart 6: Urban versus rural location of Indigenous businesses compared with Canadian firms overall

And to better understand how results vary by communities of different sizes, may I please have the 6-digit postal code for this business?



Source: Statistics Canada and Bank of Canada
Last observation: 2021

[11] Based on Statistics Canada's Rural Canada Business Profile, total revenue and other revenue variables of small businesses by industry, location indicator and incorporation status; revenue-based calculations, Table 33-10-0577-01.

4. Results

Sources of financing

A substantial literature indicates that Indigenous businesses in Canada encounter more obstacles to obtaining financing compared with their non-Indigenous counterparts. Studies conducted by CCAB (2016) and Chen et al. (2021, 2022) suggest securing financing is a significant challenge to the expansion of Indigenous businesses. The SIF asked businesses about their main source of financing in 2020, as well as other sources they used.

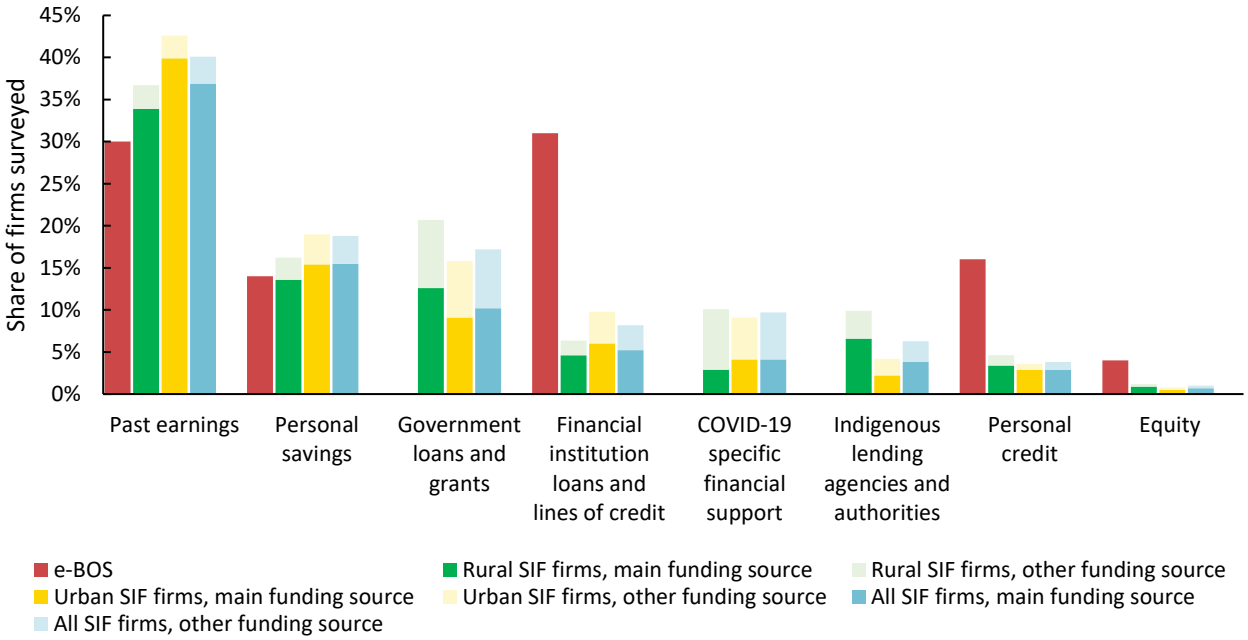
Chart 7 compares the sources of financing cited by SIF firms with those of other Canadian small and micro businesses, based on results from the electronic Business Outlook Survey (e-BOS) conducted by the Bank of Canada in 2018–19 (D'Souza, Fudurich and Suvankulov 2021).[12] The chart displays the distribution of firms' main source of financing as well as the distribution of any other sources of financing for SIF firms. In contrast, firms surveyed in the e-BOS could cite only a single primary source of financing, limiting the comparison to only the results for SIF firms' main source of financing.

Firms in the SIF were most reliant on past earnings, with 36.9% of Indigenous businesses citing it as their main source of financing—somewhat greater than the 30.0% of firms in the e-BOS survey (**Chart 7**). In addition, another 3.2% of SIF firms reported past earnings as additional sources of financing. By comparison, in CCAB's 2016 Aboriginal Business Survey (in which firms could also select multiple important sources of financing), three-quarters of firms cited past earnings as a very or somewhat important source of financing. The gap may be explained by the fact that the SIF survey was conducted in 2021, when many firms' earnings were affected by the COVID-19 pandemic. In addition, differences in question wording in the two surveys could account for the discrepancies in the results. Specifically, SIF firms were asked about their *main* sources of financing, while CCAB's 2016 Aboriginal Business Survey asked about *all important* sources of financing for firms, which could be broader than their main sources. This could explain why CCAB's 2016 survey results showed higher uses of all sources of financing.

[12] There are two reasons we use the e-BOS results as a reference to compare against other Canadian small and micro businesses. First, the sampling frame of the e-BOS was broadly comparable with the SIF. The former included about 500 firms each quarter, targeting mostly micro and small firms. Similarly, most of the SIF businesses are micro and small businesses. In addition, the questions and response options on sources of financing in the e-BOS and SIF were similar, allowing us to compare the findings across these surveys.

Chart 7: Indigenous-owned firms are less likely to access finance from traditional financial institutions

In 2020, what was this business's main source of financing? Did you use any other sources of financing?



Note: e-BOS is the electronic Business Outlook Survey conducted by Bank of Canada staff in 2018–19.
Source: Bank of Canada
Last observation: 2021

Personal savings were the second-most-cited main source of financing by SIF firms. The use of this source of financing is slightly higher among SIF businesses than e-BOS firms, but lower than in CCAB's previous Indigenous business surveys. The timing of the SIF may have contributed to this discrepancy, was as the survey was conducted during the pandemic when government income support programs helped boost household savings.

We find that a significantly smaller share of Indigenous businesses use chartered banks and other financial institutions as a main source of financing compared with the general small business population. In fact, only 8.2% of Indigenous businesses in the SIF cited loans from financial institutions as a main source of financing (5.2% as the first main source of financing and 3% as their second or third main source of financing), compared with 31% among firms in e-BOS.[13] SIF participants located in rural areas are particularly at a disadvantage, with only 6.4% relying on loans from financial institutions, compared with 9.8% of firms in urban areas. Such results are not surprising, as Indigenous communities across the country continue to lack access to chartered banks and other financial institutions. As discussed in Chen et al. (2021, 2022), the geographic remoteness of many Indigenous communities, their small populations, limited infrastructure, and access to reliable internet contribute to their poor access to financial services. In addition, existing literature suggests (Alcantara 2007; Anderson and Parker 2009; Aragón 2015; Cheung and Chernoff 2023)

[13] This compares with 58% of firms in the 2016 Aboriginal Business Survey that cited this as an important source of financing. Given differences in the question wording, the numbers may not be strictly comparable.

that property rights restrictions under the Indian Act are often cited as an important hindrance to economic development and access to financing within First Nations communities as reserve land is communal and cannot be seized by legal process, mortgaged or pledged to non-band members, including as a collateral to access business loans.

Government loans and grants (unrelated to COVID-19) are an important source of financing for Indigenous businesses, used by 17.2% of SIF firms. For 10.2% of SIF firms, it is the first main source of financing. This is a significantly higher share than among the general population of Canadian small and micro firms in the e-BOS (0.3%). Indigenous firms located in rural areas tend to rely somewhat more on government loans and grants. That said, use of government loans and grants among SIF businesses is somewhat lower than found in CCAB's past surveys. For comparison, 39% of businesses in CCAB's 2015 Aboriginal Business Survey cited federal government grants and loans as very or somewhat important sources of financing. In addition to the wording differences discussed earlier, the lower use of government loans and grants among SIF firms could again reflect the survey's timing during the pandemic. Many firms in Canada may have shifted to accessing government support through the COVID-19 Economic Response Plan—in fact, 9.7% of SIF businesses cited the use of such financing sources.

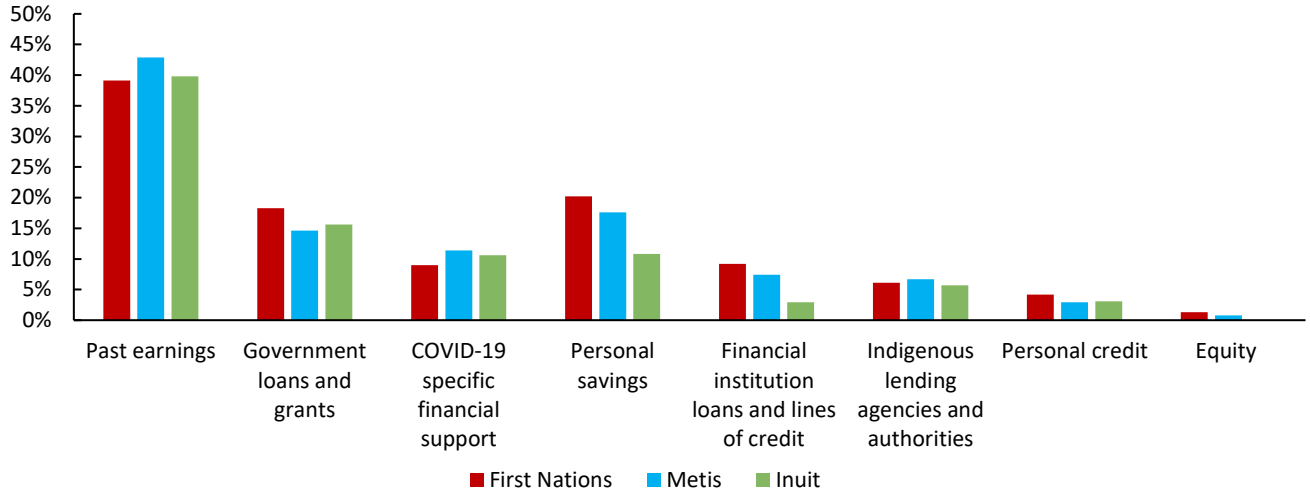
More widespread reliance on government financing among Indigenous-owned firms compared with the general population of small Canadian firms likely reflects a combination of factors. Primarily, a lack of property rights in Indigenous communities and poor socio-economic conditions make it more difficult for Indigenous business owners to access traditional sources of financing. In addition, there are government programs designed to facilitate lending to Indigenous entrepreneurs (Cheung and Chernoff 2023).

Only 6.3% of SIF firms use Indigenous lending institutions as a main source of financing. Once again, SIF businesses in rural locations tend to rely slightly more on Indigenous lending institutions (9.9%) compared with those in urban areas. By contrast, a much higher 42% of Indigenous businesses in the 2015 Aboriginal Business Survey cited Indigenous lending institutions as an important source of financing. The difference suggests that Indigenous lending institutions may provide important financial support to Indigenous firms, but are rarely the main source of capital. Finally, a smaller percentage of SIF participants rely on personal credit with financial institutions—3.0% (2.9% as the first main source of financing and 0.1% as their second or third main source of financing)—compared with 16% among e-BOS firms.

While the main sources of financing are similar across First Nations-, Métis- and Inuit-owned firms (**Chart 8**), Inuit-owned businesses in the SIF are the least reliant on financial institutions (3%). These results suggest that remote communities have more difficulty accessing financial services, as Inuit-owned businesses tend to operate in more remote locations, compared with First Nations- and Métis-owned businesses.

Chart 8: Sources of financing for First Nation, Métis and Inuit-owned firms are fairly similar

In 2020, what was this business's main source of financing?



Note: Chart displays all main sources of financing selected by SIF firms.
Source: Bank of Canada
Last observation: 2021

To explore what factors could explain firms' access to different types of financing in the SIF, we next employ a multinomial logit (MNL) model. MNL models are well-suited to analyzing categorical outcomes with more than two categories as an extension of the binary logistic regression. In our case, we are trying to determine the factors that make firms more or less likely to rely primarily on each of the following types of financing:

- past earnings
- government loans and grants (unrelated to COVID-19)
- government support related to COVID-19
- personal savings
- financial institutions
- Indigenous lending agencies
- personal credit from financial institutions
- equity

To accommodate the empirical framework, we limit the dependent variable to the first main source of financing cited by the firm, ignoring any other main sources that the firm may have subsequently mentioned. The MNL model assumes that the log odds of a firm using a particular type of financing are linearly related to a set of firm characteristics, which we call predictor variables. The model estimates the probabilities of a firm using each type of financing based on its characteristics, allowing us to identify which characteristics make a firm more or less likely to rely on each source of financing.

We denote the dependent variable as Y, representing the first-cited main source of financing and X as a vector of firm characteristics that influence the choice. The probability that an individual or firm chooses category j source of financing given the predictors X is denoted as:

$$P(Y = j\,|X) = \frac{e^{X_j\beta}}{\sum_{k=1}^{8} e^{X_j\beta}}$$

where

- X_j is the vector of firm characteristics for category j
- β is the vector of coefficients associated with the predictor variable

Firm characteristics include firm size, business structure, financial performance, Indigenous identity, community ownership, geographic remoteness and sectoral affiliation. Specifically, the variables in the vector X_j are defined in the regression as follows:

- **Business with no employees**: the variable takes on the value of 1 if the firm has no employees with the exception of the owner, and 0 otherwise
- **Incorporated**: the variable takes on the value of 1 if the firm is incorporated, and 0 otherwise
- **Sales revenue 2019**: the natural logarithm of total sales in 2019 (calendar year)
- **Profitable in 2020**: the variable takes on the value of 1 if the firm reported positive net income in 2020, and 0 otherwise
- **Métis**: the variable takes on the value of 1 if the firm reported majority ownership by Métis persons, and 0 otherwise.
- **Inuit**: the variable takes on the value of 1 if the firm reported majority ownership by Inuit persons, and 0 otherwise
- **Community-owned**: the variable takes on the value of 1 if the firm reported majority ownership by an Indigenous community, and 0 otherwise
- **Rural**: the variable takes on the value of 1 if the firm is located in a rural location, and 0 otherwise
- **Goods**: the variable takes on the value of 1 if the firm is in a goods-producing sector, and 0 otherwise

Table 1 presents the results of the MNL model. For ease of interpretation, we focus on the estimated odds ratios as opposed to estimated coefficients. The base category for the main source of financing is "past earnings," which is compared against the alternative financing categories. For a given type of financing, an odds ratio greater than one indicates that when a firm characteristic is equal to 1 (i.e., firm is rural, as opposed to urban) or is increasing (i.e., a 1% increase in 2019 sales revenue) raises the likelihood of a firm using that type of financing instead of past earnings. Conversely, an odds ratio smaller than one indicates that an increase in the predictor variable raises the likelihood that a firm relies on past earnings as their main source of financing.

The results suggest that the likelihood of accessing loans from financial institutions is greater for firms that have employees, have higher sales revenues and are incorporated. As shown in column 4 of **Table 1**, businesses with no employees exhibited an odds ratio of 0.58 for the "Financial institution loans and lines of credit" funding source. This result suggests that a business with no employees is 42% less likely to rely on financial institution loans and lines of credit as their main source of financing compared with their past earnings. Such results are intuitive, as financial institutions might favour more mature and larger businesses. This could also explain why the SIF had a lower share of firms using financial institutions compared with the e-BOS sample; firms with no employees made up 69% of firms in the weighted SIF sample but only 34% of firms in the e-BOS.

The statistically significant odds ratio of 1.3 on the variable for 2019 sales revenue in column 4 corroborates the importance of firm size. It suggests that every percentage increase in sales revenue a firm generated in 2019 made it 1.3 times more likely to obtain loans or credit lines from financial institutions than to use their past earnings as a main source of financing. By contrast, larger sales revenues are associated with a smaller probability of using personal saving and personal credit from financial institutions as shown in column 3 and column 6 respectively. Firms that are legally incorporated are also 1.8 times more likely to use financial institutions as a main source of financing rather than their past earnings. This provides further evidence that larger and more-established firms are generally viewed by banks and other financial institutions as more creditworthy. Only 54% of firms in the weighted SIF sample were incorporated, compared with 62%–63% of Canadian small businesses that are incorporated (Khodja, Baxter and Jafri 2019). This could also explain why a relatively low share of SIF firms rely on financial institutions.

For most sources of financing, Métis-owned and Inuit-owned firms used similar sources of financing as First Nations–owned firms. The notable exception is that Inuit-owned firms had an odds ratio below 1 for "Financial institution loans and lines of credit," confirming the observation from **Chart 8** and indicating that Inuit-owned firms are less likely to obtain financing from banks and other financial institutions compared with First Nations–owned firms, even after controlling for other variables. Meanwhile, our results suggest that businesses owned by a First Nation or an Indigenous community are 3.6 times more likely to use Indigenous lending institutions as a main source of financing than their past earnings. Such community-owned businesses were also less likely to use personal savings for funding.

Taken together, our analysis revealed significant differences in the financing sources used by Indigenous businesses compared with the small business population in Canada in general. Indigenous businesses accessed chartered banks and financial institutions at a much lower rate compared with their peers in Canada. The MNL model findings suggest that the use of financing sources for Indigenous businesses could be attributed to several factors. Firm size seems to be one of the critical factors, as businesses with employees, with higher sales revenues and that were incorporated were more likely to tap into financing from banks and other financial institutions. Inuit-owned firms were less likely to use financial institutions compared with their First Nations–owned peers, which may reflect factors such as the geographic remoteness of Inuit communities.

Table 1: Odds ratios from the multinomial logistic model of the main source of financing

	(1) **Government loans and grants**	(2) **Government support related to COVID-19**	(3) **Personal savings**	(4) **Financial institution loans and lines of credit**	(5) **Indigenous lending agencies and authorities**	(6) **Personal credit**	(7) **Equity**
Business with no employees	*0.429***	*0.873*	*1.332*	*0.583***	*0.832*	*1.185*	*1.335*
Sales revenue 2019	*1.017*	*1.160*	*0.660****	*1.303****	*0.858*	*0.667****	*1.564*
Profitable in 2020	*0.358****	*0.430****	*0.524****	*0.751*	*0.421****	*0.586*	*0.633*
Métis	*0.809*	*0.830*	*1.021*	*1.179*	*1.177*	*1.068*	*0.219**
Inuit	*0.957*	*0.6027*	*0.847*	*0.487**	*1.177*	*1.635*	*0.00*
Community-owned	*1.391*	*0.680*	*0.325****	*0.806*	*3.562****	*1.239*	*0.184*
Rural	*1.007*	*0.799*	*0.757**	*0.910*	*1.219*	*0.451**	*0.811*
Incorporated	*1.967****	*1.570**	*1.057*	*1.795****	*0.678*	*3.383***	*2.445*
Goods	*0.344****	*0.987*	*1.177*	*1.241*	*0.720*	*2.938****	*2.187*
Observations:	2,603						
Significance levels:	*** 0.01, ** 0.05, * 0.1						
Log-likelihood:	-2,196.9						
McFadden R^2:	0.0795						

Notes: Table 1 presents the estimated odds ratios of the multinomial logit model. The base category for the main source of financing is "past earnings," which is compared against the other financing channels (columns of the table). For a given type of financing, an odds ratio that is greater than one indicates that an increase in the predictor variable raises the likelihood that a firm uses that type of financing instead of past earnings. An odds ratio that is smaller than one suggests that an increase in the predictor variable raises the likelihood that a firm relies on past earnings as their main source of financing. Definitions of the predictor variables are listed on page 16. The values of associated coefficients and *t*-values are available upon request. We use the logarithmic transformation of 2019 sales revenue in our regressions.

Wage, price and inflation expectations

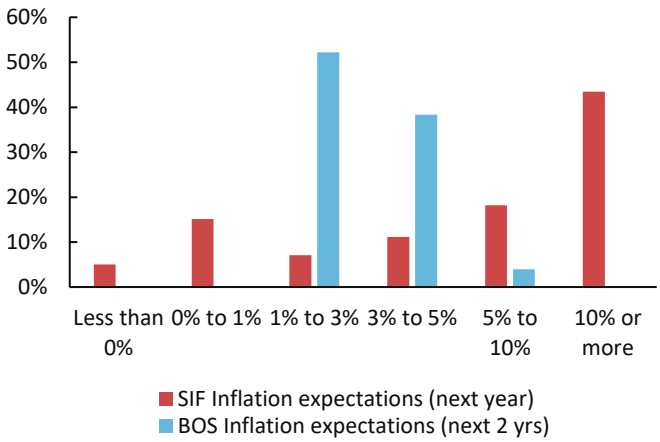
In this section, we explore expectations of price and wage growth as well as overall inflation for Indigenous-owned firms. Firms in the SIF were asked how much they expect prices to change in the next 12 months for the products and services they produce. Similarly, they were asked how much they expect the wages they pay to their employees to change over the same period. Over one-third of Indigenous-owned businesses expected prices for the products and services they produced to increase by more than 10%, while wage-growth expectations were more muted.

They were also asked what they expect overall inflation (i.e., year-over-year growth in consumer prices) in the Canadian economy to be over the next 12 months.[14] 43% of Indigenous-owned firms expected inflation above 10% over the 12-month period following the survey date.

We compare the results to the BOS, a quarterly survey of private sector firms. While not strictly comparable to the BOS, Indigenous businesses had stronger average inflation expectations and weaker average wage-growth expectations than firms in the BOS during the same survey period (**Chart 9** and **Chart 10**).[15, 16]

Chart 9: Indigenous businesses have stronger inflation expectations than other Canadian businesses

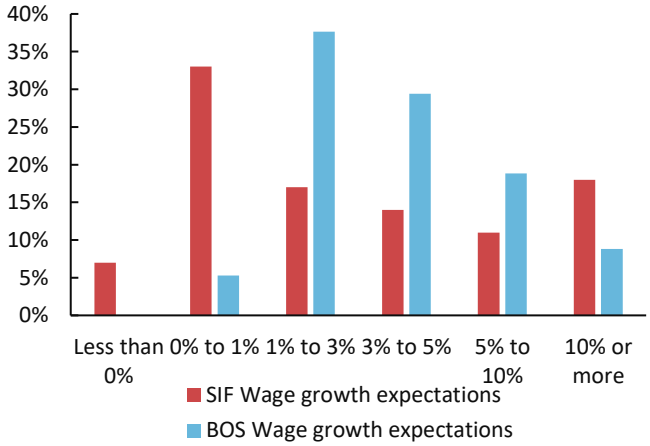
For the economy as a whole, by what percent do you expect average prices to change over the next 12 months, compared to the past 12 months?



Source: Bank of Canada
Last observation: 2021

Chart 10: Indigenous businesses have weaker wage growth expectations than other Canadian businesses

Compared to the past 12 months, by what percent do you expect this business's average wages per hour to change over the next 12 months?



Source: Bank of Canada
Last observation: 2021

[14] For all three questions, firms in the SIF can respond by selecting one of the following options: Less than 0% (decline), between 0% and 1%, between 1% and 3%, between 3% and 5%, between 5% and 10%, 10% or more, don't know/not applicable. See Appendix for question phrasing in both surveys.

[15] Price growth expectations in the SIF are not comparable to those in the BOS as firms in the BOS are not asked for the expected percentage increase in their prices. See Appendix for comparison of question phrasing between the two surveys.

[16] BOS results from 2021Q2 to 2021Q3 are compared to the SIF results, as both surveys were conducted between May and September of 2021.

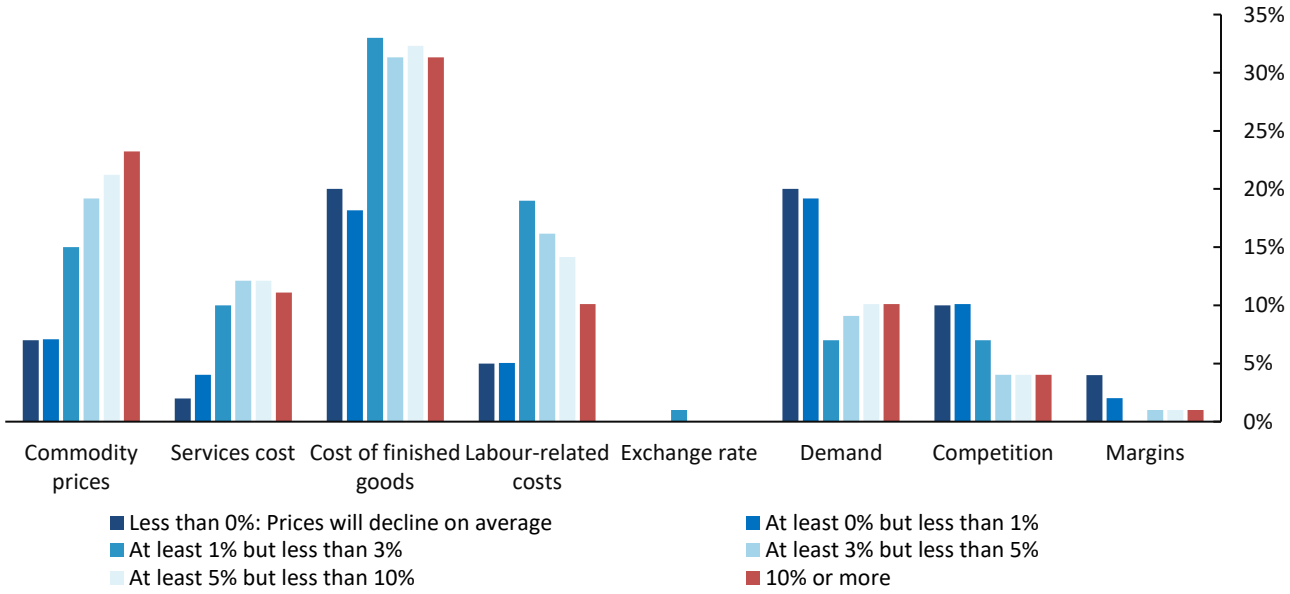
The survey was conducted through the middle of 2021, a period when the Canadian economy experienced various COVID-19 pandemic restrictions, global supply chain challenges and significant government support. This combination of factors led to a surge in consumer demand for goods and unusually widespread inflationary pressures, which likely influenced the wage, price and inflation expectations of the firms surveyed in the SIF (Kryvtsov, MacGee and Uzeda 2023). These unusual conditions would have had varying effects on businesses in different sectors. For example, firms in high-contact services, such as food service and hospitality, may have experienced lower demand, lower employment levels and weaker wage growth relative to normal times. It is thus unclear to what extent the results from the SIF are reflective of wage, price and inflation expectations of Indigenous businesses during normal times.

Strong price growth appears linked to growth in costs, primarily costs for materials such as commodities or other finished goods. **Chart 11** below shows that Indigenous firms with higher price-growth expectations were more likely to cite commodity prices as a driver of those expectations. The importance of increases in material costs as a driver of price-growth expectations is unsurprising, as commodity prices surged throughout the spring and summer of 2021, following the collapse in prices during the spring of 2020 (**Chart 12**). The results could indicate that firms expected to pass on these cost increases through to output prices.

The results also suggest customer demand was a less-important driver of price expectations compared with cost growth. "Demand" was mentioned less frequently as a driver of price increases compared with costs, such as the input prices for commodities and finished goods, and for labour. In addition, the share of firms

Chart 11: Strong price growth in the SIF is primarily linked to growth in commodities and cost of finished goods

Compared to the past 12 months, by what percent do you expect prices you charge for your products or services to change over the next 12 month

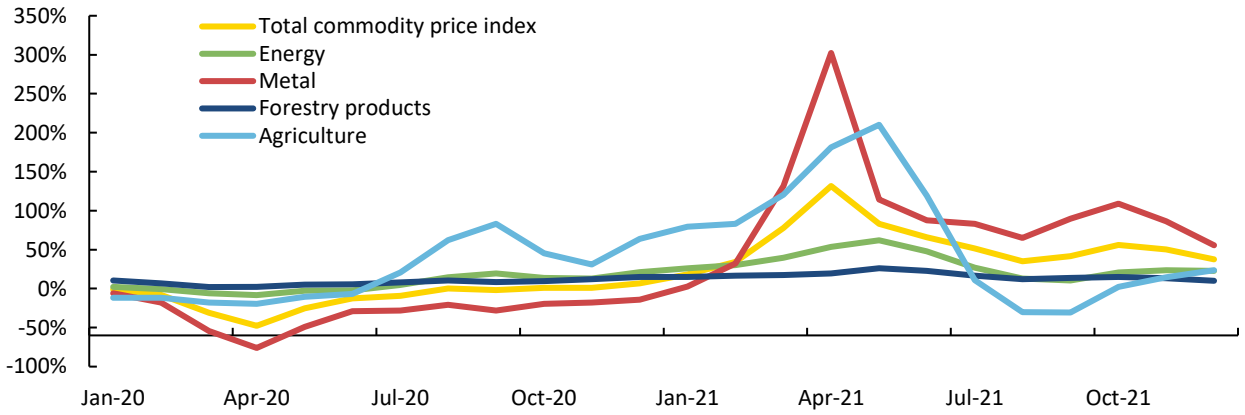


Source: Bank of Canada
Last observation: 2021

reporting demand-related obstacles to growth ("fluctuations in customer demand" and "overall economic conditions") did not vary considerably with firms' expectations for price growth.[17] However, demand was cited more often by firms expecting weaker price growth below 1%. This could indicate that such firms may have been facing weak customer demand that limited their ability to raise their prices. The exchange rate and the desire to improve margins were rarely mentioned as drivers of output-price growth.

Chart 12: Commodity prices increased significantly during the survey period (May - September 2021)

Bank of Canada's Commodity Price Index, year-over-year % growth in commodity prices



Source: Bank Canada
Last observation: 2021

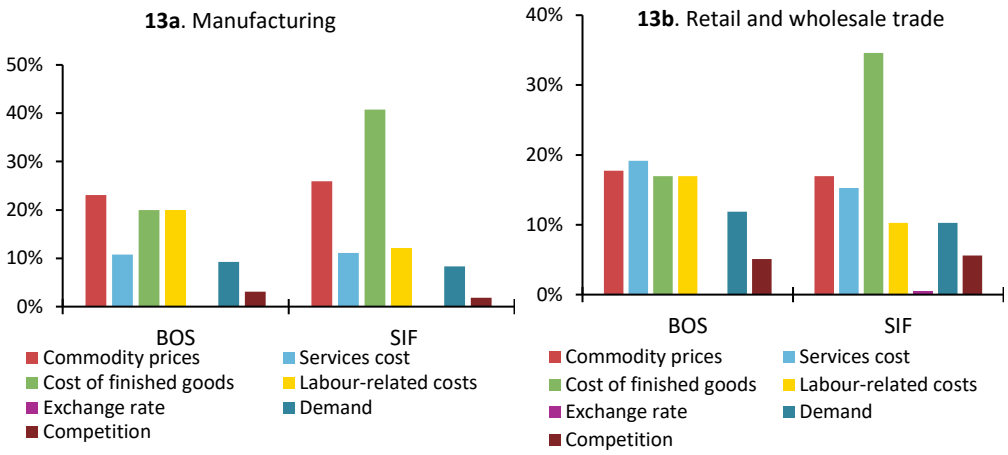
Price-growth and inflation expectations were highest among firms in the manufacturing, retail and wholesale trade, and construction sectors. This is not surprising, as these industries are more exposed to increases in material costs (commodity prices and other non-labour input costs) compared with other industries, particularly services. While not strictly comparable, BOS results during the same period identified similar factors as important for driving firms' price-growth expectations, including when decomposing the results by industry (selected industries are presented in **Chart 13a**, **Chart 13b** and **Chart 13c**).[18] Outside of commodity prices, overall demand was an important driver of price growth for firms in finance, insurance and real estate, while services input costs were relatively important for retail and wholesale trade firms.

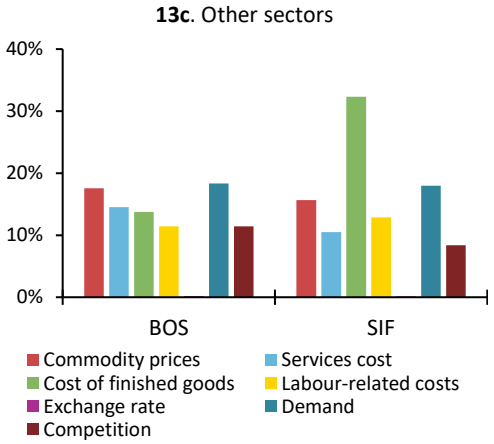
Chart 13: Drivers of price changes by industry are similar among survey respondents

What are the main factors that are currently driving the prices of your goods or services in this direction?
Share of firms reporting selected drivers of price growth, by industry aggregate

[17] A separate question on obstacles to growth is asked to firms in the SIF (see Appendix).

[18] BOS firms are asked what is driving *changes* in price growth (i.e., faster or slower price growth compared to the past year), while the SIF asks firms what is driving price growth.



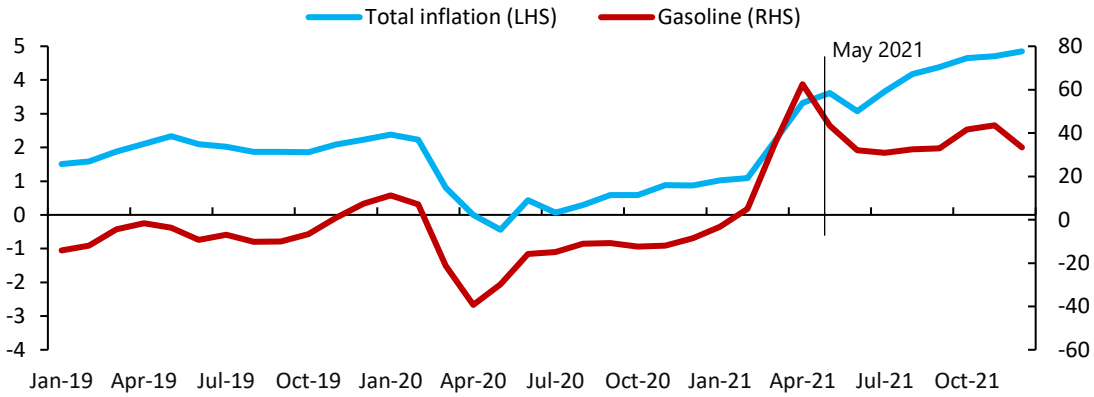


Source: Bank Canada
Last observation: 2021

Along with reporting high price-growth expectations, firms in the SIF also reported high inflation expectations. Previous research (Richards and Verstraete 2016) indicates inflation expectations for firms in the BOS are influenced by recent inflation and gasoline prices, in addition to firm-specific costs. A context of rising inflation and strong growth in gasoline prices through 2021 may have influenced firms' inflation expectations in both surveys (**Chart 14**). Inflation expectations in the SIF were also higher than those of firms in the BOS. This may be partly attributed to differences in question wording. Firms in the BOS are asked their expectation for average inflation over the next two years, while firms in the SIF are asked their expectation over the next year. The longer time horizon in the BOS could have led to lower expectations if firms anticipated the high inflation environment to be temporary.

Chart 14: **Total inflation accelerated between May and September 2021, in large part from higher gasoline prices**

year-over-year % growth in total consumer price index, gasoline



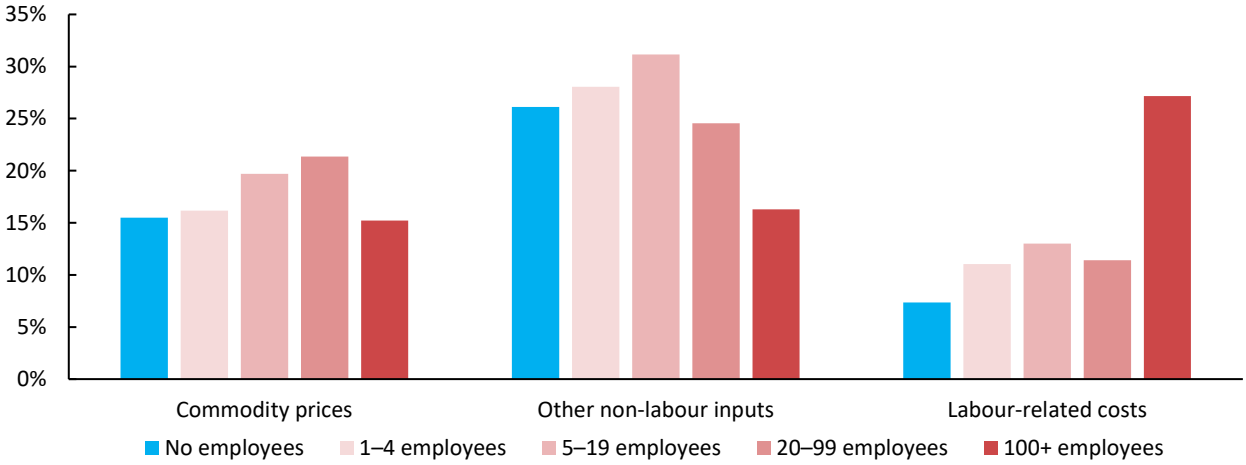
Source: Statistics Canada
Last observation: December 2021

Expectations for wage growth in the SIF were somewhat more muted than those for price growth. While 18% of firms in the SIF anticipated wage growth above 10% for their employees in the next 12 months, 40% of firms expected wage growth below 1% in the same period. Furthermore, cost pressures related to labour were not frequently cited as drivers of output price growth, with little variation by industry. However, firms with 100 or more employees were more likely to cite labour costs as a price driver, with over one-quarter of such firms mentioning wage pressures as a factor contributing to output price growth (**Chart 15**). Firms of this size, however, represented only 3% of the SIF sample.[19]

[19] The distribution of wage expectations shows little variation by region or industry.

Chart 15: Labour costs are a relatively more important cost driver than materials for larger firms

What are the main factors that are currently driving the prices of your goods or services in this direction?



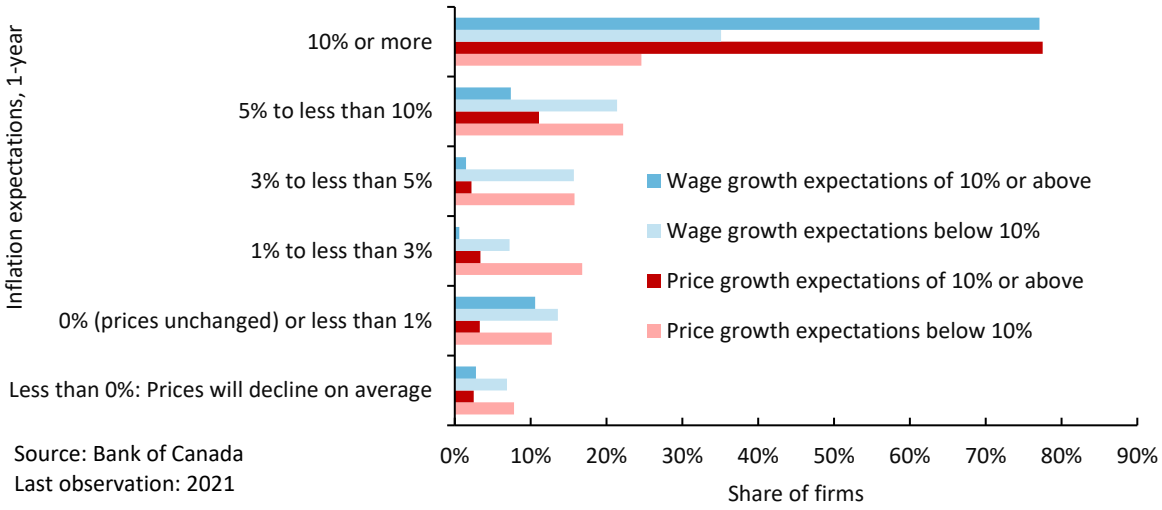
Source: Bank of Canada
Last observation: 2021

Wage-growth expectations of firms in the SIF were more widely distributed than those of firms in the BOS, and lower on average. Over half of Indigenous-owned firms expected wage growth to be less than 3%, of which most expected wage growth to be under 1%. Meanwhile, over half of BOS firms expected to pay more than a 3% increase in wages. However, the share of firms expecting to pay more than 10% wage increases was twice as high in the SIF as the BOS.

The SIF results suggest that skills shortages may contribute to some upward pressure on wage growth. More than two-thirds of firms paying a greater than 1% increase in wages noted "attracting employees with the right skills or qualifications" as an obstacle to growing their businesses, whereas this was mentioned by less than half of firms expecting wage growth to be under 1%.

Survey results also suggest a relationship between high price- and wage-growth expectations and high inflation expectations. Among the one-third of firms in the SIF that expected inflation above 10%, most also expected price growth and wage growth above 10% (**Chart 16**).

Chart 16: Firms expecting high wage and price growth are much more likely to expect high inflation
For the economy as a whole, by what percent do you expect average prices to change over the next 12 months, compared to the past 12 months?
Compared to the past 12 months, by what percent do you expect this business's average wages per hour to change over the next 12 months?
Share of firms citing wage- and price-growth expectations, inflation expectations: 1-year



Source: Bank of Canada
Last observation: 2021

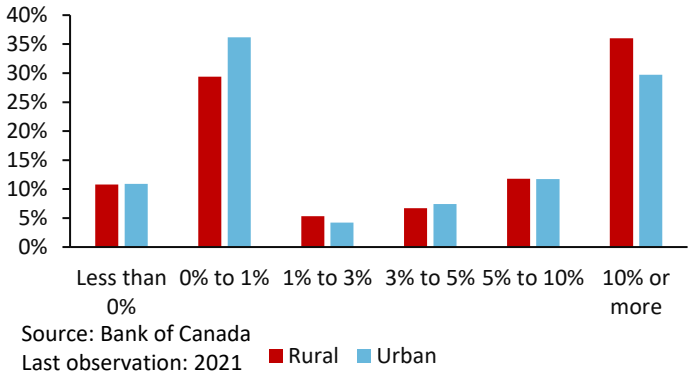
We find differences in wage, price and inflation expectations between firms located in rural regions and those in urban regions.[20] Primarily, rural firms are somewhat more likely to report strong (>10%) price growth and inflation expectations (**Charts 17** and **Chart 19**), while the distribution of wage-growth expectations are similar between rural and urban firms (**Chart 18**). These results are intuitive, as previous research suggests rural areas face stronger inflation than urban areas (Chakrabarti, Garcia and Pinkovskiy 2023; George and O'Trakoun 2022). This may reflect in part a different basket of goods, as rural households tend to spend a higher share of their budget on transportation (including fuel). High increases in gasoline prices during the survey period may have affected firms' costs, leading to stronger expectations for price growth and inflation among rural firms. This composition effect may also be reflected in firms' price drivers, as rural firms were more likely to cite commodity and finished goods inputs as drivers of price growth (**Chart 20**). It is likely that high fuel prices are, in turn, a major driver of material input price growth.

Surprisingly, price-growth and inflation expectations overall were slightly lower for SIF firms located within Indigenous communities compared with those located outside of them. These results are counterintuitive given the stronger price-growth and inflation expectations found among rural firms and the fact that the majority of firms located within Indigenous communities were in rural areas. These findings reinforce the importance of further research to better understand the economic environment of Indigenous-owned firms, especially those located in Indigenous communities. Meanwhile, wage growth expectations were slightly higher for firms located within Indigenous communities compared with those located outside.

[20] We define "rural" versus "urban" firms based on their postal code. Postal codes for "rural delivery areas" as designated by Canada Post have a "0" as the second character of the code. While this overlaps with census "rural" areas, they are not identical, as some census rural areas may have "urban" postal codes if they have an urban mail delivery system. See Canada Post for more details.

Chart 17: Price growth expectations by urban versus rural location

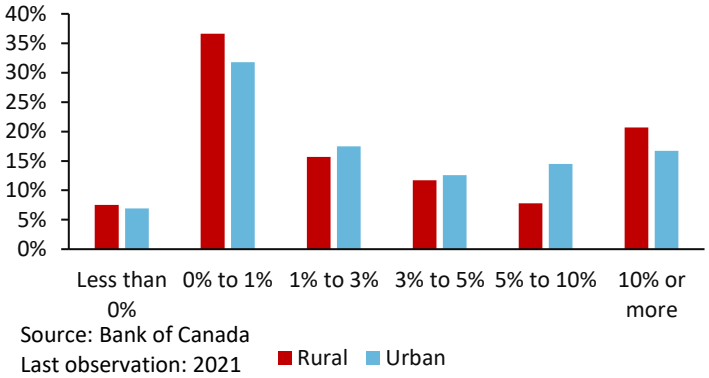
Compared to the past 12 months, by what percent do you expect the prices you charge for your products or services to change over the next 12 months?



Source: Bank of Canada
Last observation: 2021

Chart 18: Wage growth expectations by urban versus rural location

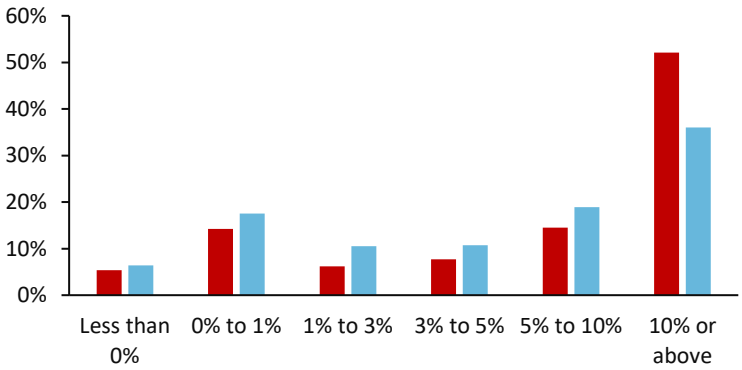
Compared to the past 12 months, by what percent do you expect this business's average wages per hour to change over the next 12 months?



Source: Bank of Canada
Last observation: 2021

Chart 19: Inflation expectations by urban versus rural location

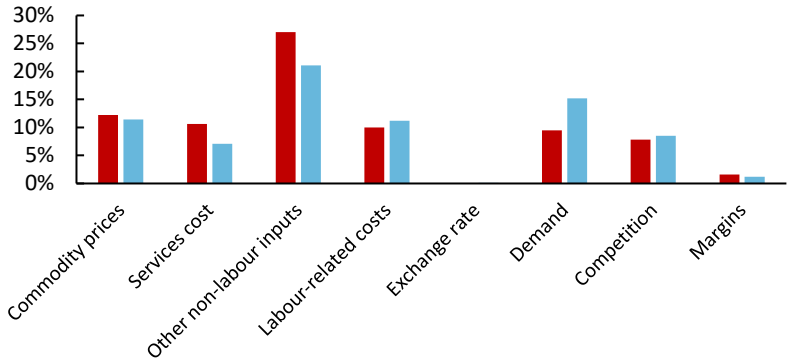
For the economy as a whole, by what percent do you expect average prices to change over the next 12 months, compared to the past 12 months?



Source: Bank of Canada
Last observation: 2021

Chart 20: Drivers of price growth by urban versus rural location

What are the main factors that are currently driving the prices of your goods or services in this direction?
Share of firms reporting selected drivers of price growth



Source: Bank of Canada
Last observation: 2021

5. Conclusion

This survey represents the Bank of Canada's first attempt to survey Indigenous-owned businesses, part of a larger effort to fill information gaps on the Indigenous economy. We focus on sources of financing and expectations for price and wage growth as well as overall inflation for Indigenous-owned businesses, and where possible, compare with results from other surveys of Canadian businesses.

We find that Indigenous-owned businesses rely on different sources of financing compared with non-Indigenous businesses in Canada. Indigenous businesses accessed financing from traditional financial institutions much less frequently than the average small business in Canada. Within our sample, we find

that businesses with employees, with higher sales revenues and that were incorporated were more likely to use banks and other financial institutions as a main source of financing.

In addition, we compared expectations for price and wage growth as well as inflation expectations of firms in the SIF with firms in other business surveys. Compared with firms in the Bank of Canada's Business Outlook Survey, Indigenous-owned firms reported higher inflation expectations but weaker wage growth expectations. The higher inflation expectations may reflect in part the relatively high proportion of rural firms in the SIF sample compared with the Canadian economy overall, as rural firms in the SIF had higher inflation expectations than their urban counterparts. These results are consistent with studies suggesting rural communities tend to face higher inflation because fuel comprises a larger share of the consumer basket. As the majority of firms in Indigenous communities were in rural locations, our assumption was that firms in Indigenous communities would also have higher inflation expectations than those outside of Indigenous communities, but the results do not bear this out.

As the SIF was conducted in 2021 during a global pandemic that brought unprecedented shocks to the economy, it is unclear to what extent the results from the SIF can be generalized to periods with more normal economic conditions. Further research is needed to better understand the discrepancies in sources of financing between Indigenous and non-indigenous firms as well as the pricing and inflation environment in Indigenous communities. Future research could also include identifying the universe of Indigenous-owned firms to ensure representative samples can be compiled, and investigating further why Indigenous-owned businesses are less likely to rely on traditional sources of financing. This data will be useful for future surveys of Indigenous-owned firms by ensuring sound methodology and that results are informative for Indigenous communities, policy-makers and researchers.

Appendix:

A. Survey of Indigenous-owned firms and Business Outlook Survey questionnaires

1. Survey of Indigenous-owned firms

Expectations of price growth

Compared to the past 12 months, by what percent do you expect the prices you charge for your products or services to change over the next 12 months?

- Less than 0%: Prices will decline on average
- At least 0% but less than 1%
- At least 1% but less than 3%
- At least 3% but less than 5%
- At least 5% but less than 10%
- 10% or more
- Don't know/Not applicable

Drivers of price growth

What are the main factors that are currently driving the prices of your goods or services in this direction?

- Cost of fuel
- Cost of utilities such as electricity, water, or internet
- Cost of agricultural input materials
- Cost of commodities such as metals or wood
- Cost of finished goods
- Cost of delivery of goods to my business
- Cost of rent
- Cost of delivery of goods to my customers
- Other non-labour costs such as subcontracting, parts
- Labour-related costs
- Exchange rates
- Demand for my goods and services
- Pressure from my competitors
- Competition among my suppliers
- Changes in productivity
- Actions taken to improve profit margins
- Local regulations
- Provincial regulations

- Federal regulations in Canada
- Regulations in other countries
- Trade barriers and trade agreements
- Directives from a parent company
- Other (specify)_____
- Don't know/Not applicable

Expectations of wage growth

[ASK ONLY IF HAVE EMPLOYEES Q.3=YES] Compared to the past 12 months, by what percent do you expect this business's average wages per hour to change over the next 12 months?

- Below 0%: Prices will decline on average
- 0% to below 1%
- 1% to below 3%
- 3% to below 5%
- 5% to below 10%
- 10% or above
- Don't know/Not applicable

Inflation expectations

Considering the economy as a whole, do you think the annual rate of inflation over the next 12 months will …

- Stay the same
- Increase by less than 3%
- Increase by more than 3%
- Decrease, meaning there will be deflation
- Don't know/Not applicable

Main source(s) of financing

In 2020, what was this business's main source of financing? Did you use any other sources of financing?

- Retained earnings, such as those from this business, or previous or other businesses
- Personal savings
- Business loans or lines of credit from financial institutions
- Provincial or territorial government grants and loans
- Federal government grants and loans (other than COVID-19 specific)
- Indigenous lending agencies and capital corporations
- Personal loans or lines of credit from financial institutions
- Equity financing, from angel investors and/or venture capital providers
- Any support for businesses through Canada's COVID-19 Economic Response Plan
- Funds from a First Nations band or an Indigenous community

- Sale of domestic capital / equity / company shares
- Sale of domestic bonds
- Foreign investment
- Did not access financing or credit
- Other (specify)_____
- DK/NA

Main obstacle(s) for growing the business

Do any of the following present obstacles in growing this business over the next two years?

- Access to financing
- Access to equity or capital
- Attracting employees with the right skills or qualifications
- Competition
- Fluctuations in customer or client demand
- Access to business advisory support
- Cost of doing business, such as input costs
- Overall economic conditions
- Government policy, rules and regulations, including tax law
- Reliable internet access, telephone and other IT technologies
- Other infrastructure such as electricity, water and roads

2. Business Outlook Survey

Expectations of price growth

Compared with the past 12 months, over the next 12 months the prices of the products or services that you **sell** are expected to:

- increase at a lesser rate
- increase at the same rate
- increase at a greater rate
- not applicable / not sure

Drivers of price growth
Most important factors contributing to output price

- commodity and related pass-through
- service provider cost pass-through
- all other non-labour input cost pass-through (specify)
- labour-related cost pass-through
- exchange rate effect (overall effect)

- changes in demand conditions
- changes in competitive environment (firm's product markets)
- action to address margins
- others (regulation, directives from parent or third party)
- supply chain related

Expectations of wage growth

Over the next 12 months, increases in labour costs (wages per hour) are expected to be …

- lower (e.g., 1% versus 2%)
- about the same (e.g., 2% versus 2%)
- higher (e.g., 2% versus 1%)
- NA

Inflation expectations

Over the next two years what do you expect the annual rate of inflation to be based on the Canadian Consumer Price Index?

Include point estimate (if reported): _____

- Deflation
- Below 1%
- Between 1%–2%
- Between 2%–3%
- Above 3%
- NA

If above 3%, please check whether you expect inflation to be:

- between 3%–4%
- between 4%–5%
- between 5%–6%
- between 6%–7%
- between 7%–8%
- above 8%
- NA

Electronic Business Outlook Survey (e-BOS)

Sources of financing

Please select the primary type of funding used by your business in the past six months:

- Past business earnings
- Personal savings

- Equity investments
- Credit cards
- Loans
- Lines of credit
- Trade credit
- Commercial mortgage
- Debt consolidation loan or refinance
- Leasing
- Other, please specify

B. Weighting scheme

To be able to draw valid inferences from the survey results that can be generalized to the Indigenous business sector, it is desirable for the sample to be representative of the universe of Indigenous businesses in Canada. Ideally, this would involve weighting the sample to match the national distribution of Indigenous-owned businesses by location, size and sector. However, there is no available data on the population of Indigenous-owned businesses in Canada, and thus a proxy must be used.

There are two available datasets that could be used as proxies. One is Statistics Canada's Canadian Business Register (BR), which contains enterprise counts for all businesses in Canada by location, firm size and industry according to the North American Industry Classification System (NAICS). The second is a dataset that became available in late 2022 when Statistics Canada published estimates of the number of Indigenous-owned businesses in Canada from 2005 to 2018 (Gueye, Lafrance-Cooke and Oyarzun 2022a, 2022b), hereafter referred to as the GLO dataset. The GLO estimates were obtained by linking the four censuses from 2001 to 2016 and other datasets containing information on Indigenous identity to the administrative Canadian Employer-Employee Dynamics Database. They included only Canadian-controlled private corporations and unincorporated employer businesses for which sex, Indigenous identity, age, province and size could be determined, with imputation for those where Indigenous identity of ownership was unavailable.[21]

The GLO estimates provide the closest approximation to the true Indigenous business sector that is publicly available, but they have important limitations:

- the data were not available beyond 2018
- location inside or outside of Indigenous communities was not available

Moreover, Indigenous identity was imputed for approximately 38% of the 2018 GLO dataset. Furthermore, the GLO only covers private, Canadian-controlled businesses. Meanwhile, the BR contains actual business

[21] The estimates of Gueye, Lafrance-Cooke and Oyarzun (2022a, 2022b) exclude publicly traded and foreign multinational companies, unincorporated businesses without employees, and businesses in the public sector. A custom tabulation was obtained on the distribution of these Indigenous-owned businesses by employment size and industry at the 2-digit NAICs level.

counts, without imputation. From the BR, it was possible to obtain a custom tabulation of enterprise counts as of June 2021 by NAICS industry, firm size and census subdivision (CSD), and categorize each CSD as either an Indigenous community or non-Indigenous community. Indigenous communities were defined as all First Nations reserve CSDs (using Statistics Canada (2021) definitions) and all CSDs in Inuit Nunangat.[22] The ability to exploit information on firm characteristics according to location inside or outside of Indigenous communities favoured the use of the BR as the basis for the weighting scheme. Where possible, however, the SIF sample was compared against the composition of the GLO dataset as of 2018 in Section 3.[23]

To perform the weighting scheme, Big River Analytics employed a raking method to calibrate weights using an iterative process so that the joint distributions by industry, firm size, region and presence inside or outside an Indigenous community matched those in the total business population. Firms located outside and inside of Indigenous communities were weighted separately so that the distributions by region, industry and firm size matched the distributions in the corresponding geographical subsets of the BR. This assumes that the distribution of Indigenous-owned firms matches that of overall Canadian firms found in the BR. The weights for firms in Indigenous and non-Indigenous communities were then combined into weights for the entire sample such that the distribution of firms between Indigenous and non-Indigenous communities matched the distribution in the sample. It was thus assumed that the distribution of Indigenous businesses located inside and outside of Indigenous communities in the sample is the true distribution.

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[22] See Statistics Canada (2021).

[23] To see how the composition of the Indigenous business sector compares with that of the non-Indigenous business sector, see Chernoff and Cheung (2023).

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