

Study – October 2025

Measuring BDC's Impact on Clients During the Pandemic

bdc*

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It is based on data and public information that has been analyzed and interpreted by BDC. Any error or omission is the sole responsibility of BDC. All figures in this study have been rounded. Reliance and use of the information herein is the reader's responsibility.



March 24, 2025

Dear Readers,

Statistics Canada's Economic Analysis Division had the pleasure of collaborating with the Business Development Bank of Canada (BDC) to estimate the impact of BDC's services on firm performance and survival. This report was produced in accordance with Statistics Canada's Directive on Record Linkage (www.statcan.gc.ca/eng/record/policy4-1), which describes the requirements for linking the BDC's client information with confidential business microdata at Statistics Canada to ensure the confidentiality of private information is maintained.

In adherence with Statistics Canada's Directive on Record Linkage, a list of firms in the BDC portfolio was linked to data on firm performance and survival at Statistics Canada to create the analytical database used to produce the non-confidential aggregate statistical outputs in this report. Record linkages at Statistics Canada are carried out for statistical purposes only, after satisfying a prescribed review and approval process (www.statcan.gc.ca/eng/record/gen). The quantitative analysis for the report was carried out by members of the Economic Analysis Division at Statistics Canada based on a research design developed in consultation with BDC. The Economic Analysis team from Corporate Development at the BDC authored this report based on the quantitative information derived from the analysis. Any error or omission is the BDC's sole responsibility. Reliance on and use of the information herein is the reader's responsibility.

Kind regards,

A handwritten signature in black ink, appearing to read "Ryan Macdonald".

Ryan Macdonald
Director
Economic Analysis Division
Statistics Canada

Highlights

This report compares the performance of small and medium-sized enterprises (SMEs) that received financing and advisory services from the Business Development Bank of Canada (BDC) with that of similar businesses that did not. Statistics Canada conducted this analysis using data gathered between 2015 and 2022. The report provides an objective and quantifiable assessment of BDC's impact on its clients during the pandemic.

Here are the report's highlights:

- BDC clients who received financial support in 2020 outperformed non-clients with similar characteristics between 2020 and 2021.

(pp = percentage points)

+7.1 pp

Higher revenue growth

+5.3 pp

Higher employment growth

+3.8 pp

Higher productivity growth

- Results also show that good advice is key. BDC clients who received both financial and advisory support in 2020 outperformed non-clients with similar characteristics between 2020 and 2021.

+9.8 pp

Higher revenue growth

+11.3 pp

Higher employment growth

- SMEs who received support from BDC—whether financial, advisory or both—had a slightly better survival rate than similar ones who did not.

- BDC clients in the following underserved markets performed better than non-clients with similar characteristics:

- woman
- immigrant

- BDC clients in the following sectors—accounting for nearly 60% of our portfolio in 2020—performed better than non-clients with similar characteristics:

- retail and wholesale
- manufacturing
- professional services
- construction

Introduction

The global COVID-19 pandemic, which was declared on March 11, 2020, had a significant impact on the physical and mental health of the Canadian population. More than 50,000 deaths were attributed to this health crisis in Canada.

The economic consequences were also significant

In 2020, real GDP in Canada fell by 5% as governments worldwide implemented physical distancing restrictions to contain the spread of the virus. These measures led to historically sharp declines in economic activity, including the temporary closure of more than 110,000 businesses.

Fortunately, coordinated government action to compensate workers and companies for lost income helped the economy rebound quickly. However, the supply chain disruptions and inflationary pressures that followed led to sharp interest rate increases, hampering private and business investments in the following years.

The purpose of this study is to present an overview of BDC's impact on the economy and the financial performance of its clients during this unusual period. To provide relevant context, we'll start by sharing the broad macroeconomic developments that occurred during the early years of the COVID-19 pandemic.

BDC is one of many government actors that helped Canadian businesses through this major health crisis. During challenging economic periods, BDC can support entrepreneurs with loans and capital when other players pull out of the market. In this way, it has a crucial counter-cyclical role to play. BDC clients performed better than their peers during this period, just as they did during the 2008 financial crisis¹ and the 2014 energy shock.²

1. BDC, *Measuring BDC's Impact on Its Clients*, 2019
2. BDC, *Measuring BDC's Impact on Its Clients*, 2016



Macro-economic environment during the pandemic

Health restrictions impacted GDP and employment

Widespread closures due to COVID-19 in the spring and summer of 2020 resulted in a 5.0% drop in real GDP and a 5.3% employment reduction that year. The curious outcome of this unique set of circumstances was an artificial boost in productivity of 8% (Graph 1).

Service sectors were hit the hardest

Virtually all sectors of the economy were affected, but high-contact sectors, primarily services, were more significantly impacted. For example, the following sectors experienced a drop of more than one-third of their GDP contribution in 2020 compared to the year before:

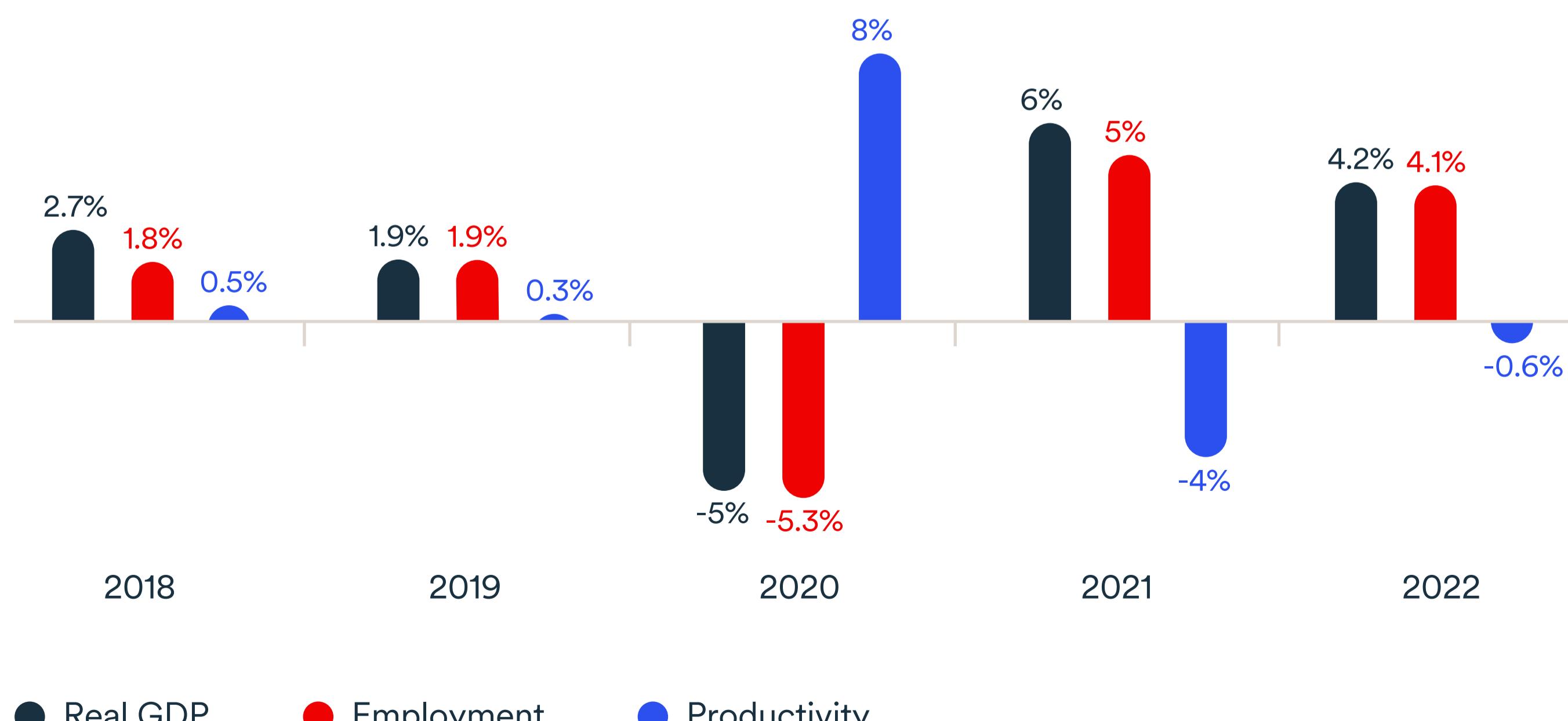
- arts, entertainment and recreation
- accommodation and food services

GDP and employment rebounded, but not productivity

With the easing of mobility restrictions, Canadian GDP and employment rebounded in 2021. However, productivity growth was negative, partly due to COVID-19 variant outbreaks and weak business investment.

Most COVID-19 restrictions were eased or lifted in early 2022.

Graph 1: Variations in real GDP, employment and productivity (2018-2022)



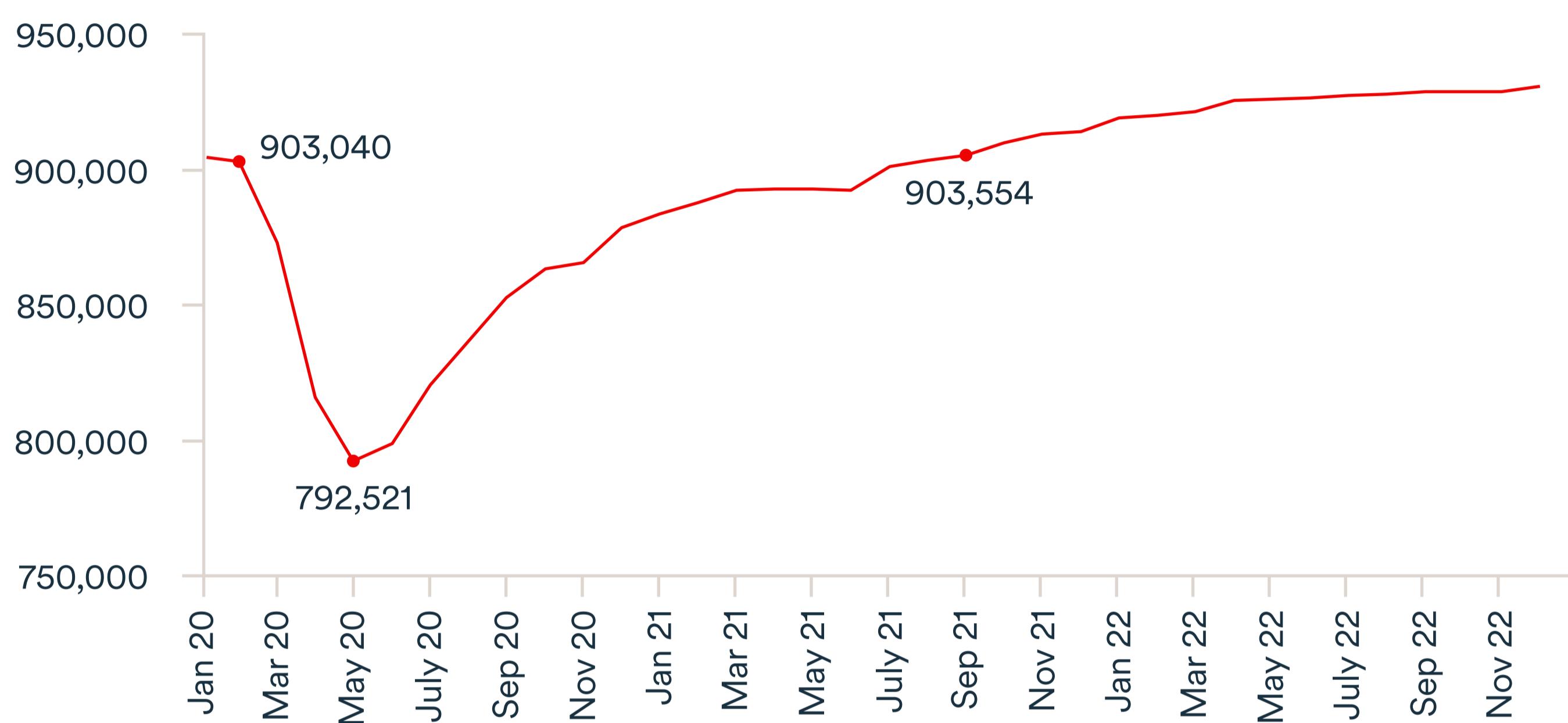
The number of businesses operating in Canada declined sharply

Public health restrictions led to more than 110,000 businesses closing in the second quarter of 2020 (Graph 2). While many of these eventually reopened, it took a year and a half for the number of operating businesses in Canada to return to previous levels. It took twice as long for the number of companies in the

accommodation and food services, and the arts, entertainment and recreation sectors to return to previous levels.

Business revenues dropped by more than 9% in the second quarter of 2020 and business confidence deteriorated.

Graph 2: Number of active businesses in Canada (2020 – 2022)



Source: Statistics Canada.

The beginning of an inflation cycle

Easing health restrictions increased consumer demand

Consumption rebounded strongly after the first year of the COVID-19 pandemic. Despite a drop in disposable household income due to job losses during lockdowns, government support programs more than made up for it. Household savings reached an unprecedented \$180 billion while people postponed spending on leisure and travel. When restrictions eased, pent-up demand boosted consumption.

Labour shortages and supply chain issues limited capacity

The pandemic worsened labour shortages, making it hard for businesses to meet growing demand as the economy reopened, which increased production costs. At the same time, global and local supply chains faced multiple problems.

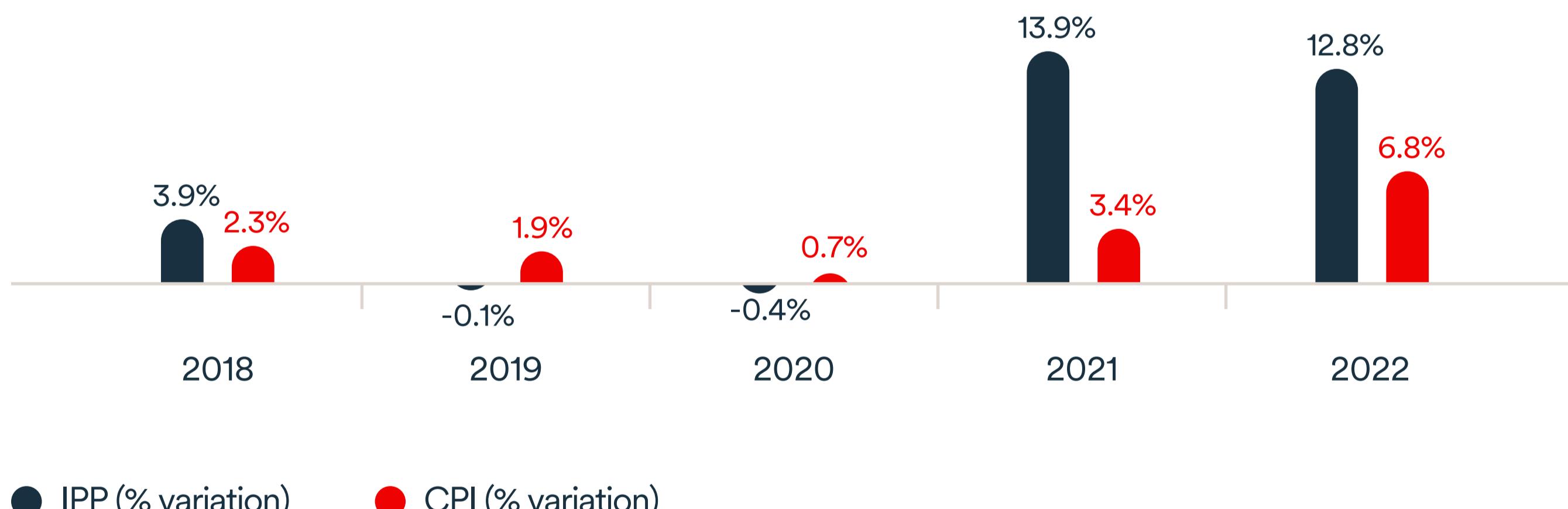
Some issues stemmed from the pandemic, while others emanated from the invasion of Ukraine in 2022 and local climate events, such as the Vancouver port flooding in 2021. These issues led to higher prices for food, energy and materials.

High demand and short supply impacted costs

The combination of strong demand, supply chain issues and higher costs led to significant inflation. In 2021, many countries entered an inflation cycle, with the Canadian economy experiencing an average inflation for consumers of 6.1% that year.

Food prices and housing affordability became pressing issues as the Consumer Price Index (CPI) rose. Meanwhile, businesses saw the cost of inputs such as energy, materials and wages soar. Industrial production prices (IPP) grew by 13.9% in 2021 (Graph 3).

Graph 3: Increases in CPI and IPP (2018-2022)



Source: Statistics Canada.

A deterioration of favourable credit conditions

The Bank of Canada cut its policy rate to 0.25% in March 2020 to stimulate the economy at the pandemic's start. Governments also provided financial support to businesses in need. These efforts created favourable credit conditions for businesses in 2020 and 2021.

However, business credit from financial institutions decreased in the latter half of 2020. Credit conditions deteriorated toward the end of 2021 as the market expected higher interest rates. In March 2022, the Bank of Canada began raising rates to address the mounting costs of inputs, labour and consumer staples.

BDC's pandemic support and its impact on clients

One of BDC's most important roles is to support entrepreneurs during difficult times, as it has done through several recessions and other crises. During the COVID-19 pandemic, BDC stepped up to provide extraordinary assistance to entrepreneurs in a time of great need.

Facilitating access to financial support

BDC complements and collaborates with other institutions to fulfill its mission toward Canadian SMEs. In the early weeks of the COVID-19 crisis, this meant participating in a whole-of-government response.

Working with private-sector financial institutions, BDC contributed to designing and implementing the Business Credit Availability Program (BCAP).

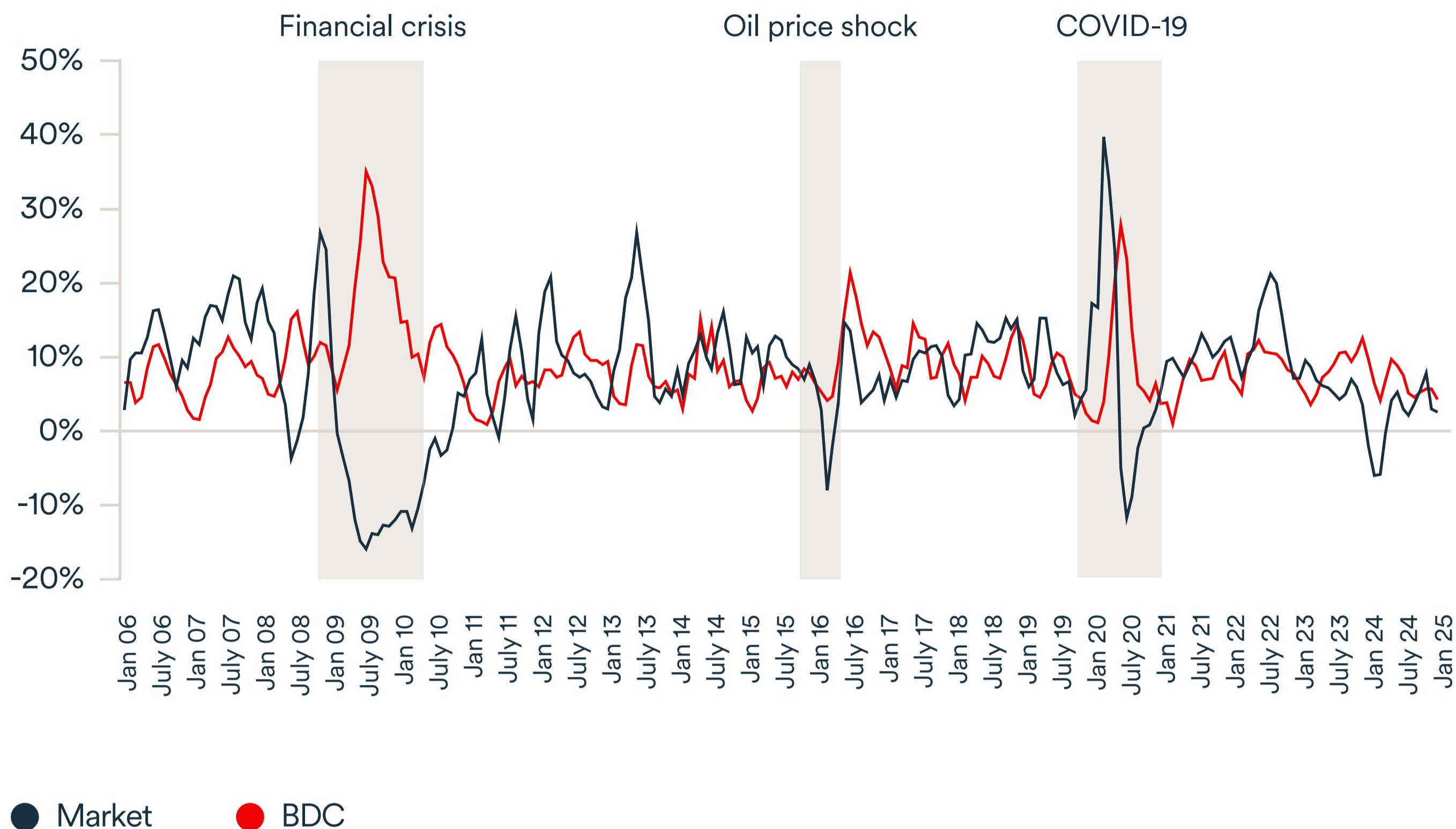
This program aimed to provide quick financial support to as many business owners as possible. With all the initiatives undertaken in 2020, BDC nearly doubled the number of loans it disbursed compared to the previous year.

Stepping in when needed

BDC plays a counter-cyclical role in the market, meaning we generally step in when other players pull out, usually during disruptive events or periods of economic instability.

In keeping with this pattern, BDC's financing commitments increased in 2020 while total business loans from financial institutions decreased. We see a similar pattern during other business cycle contractions (Graph 4).

Graph 4: BDC's total financing commitment versus the market's (3-month % change, annualized)



Source: Bank of Canada and BDC.

To understand BDC's impact on Canadian SMEs at the onset of the pandemic, we worked with Statistics Canada. They used a rigorous impact assessment methodology to compare the performance of BDC clients to that of non-clients with similar characteristics.³

³ More information on the methodology can be found at the end of this study.

Impact assessment results

Based on Statistics Canada's analysis, we can conclude that BDC clients who received financial and/or advisory support in 2020 generally outperformed similar non-clients in several categories between 2020 and 2021 (Graph 5).

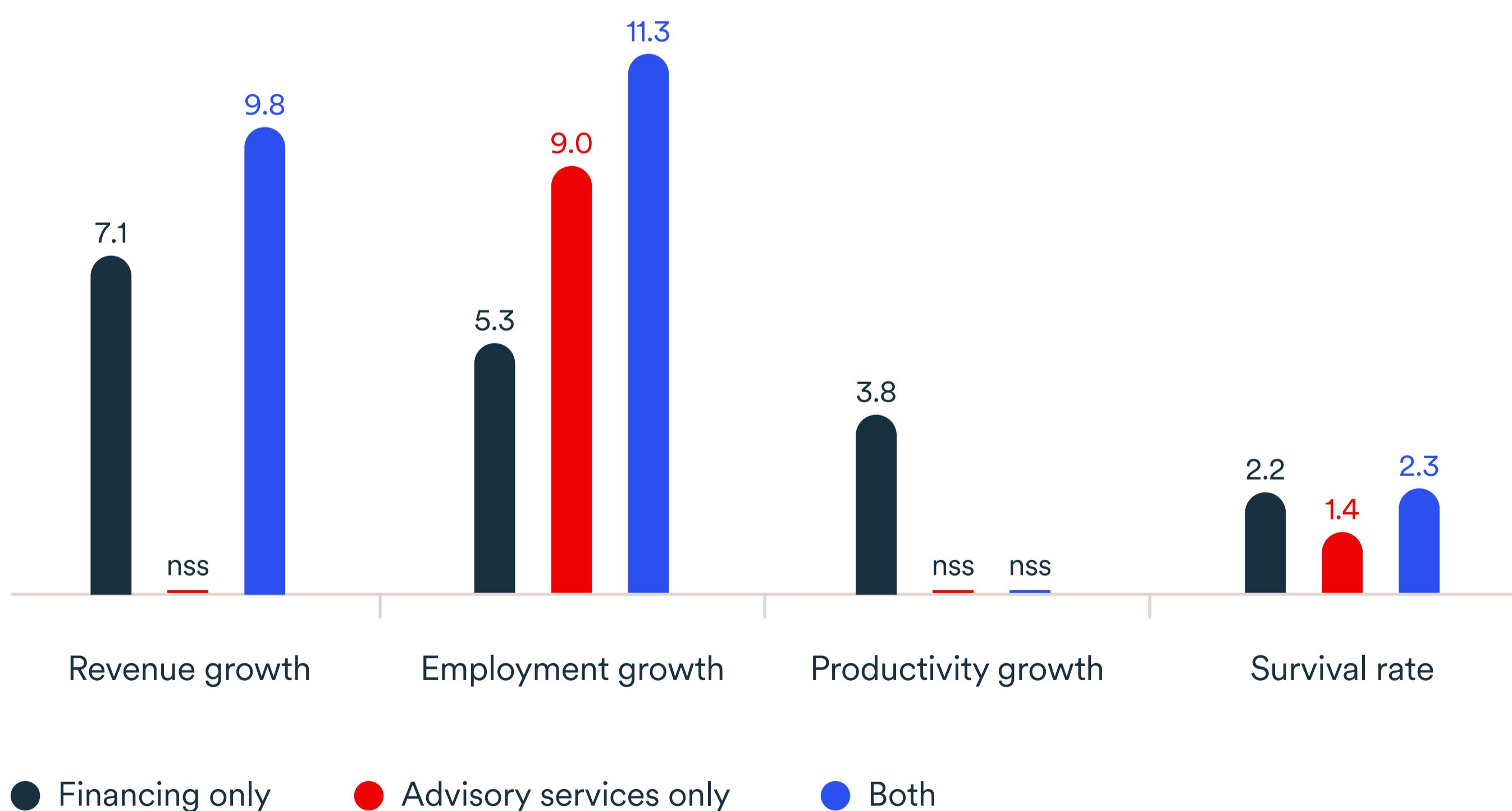
Performance of BDC clients who received support in 2020 compared to non-clients, by support type

Support received	Revenue growth	Employment growth	Productivity growth	Survival rate
Financial only	+7.1 pp higher	+5.3 pp higher	+3.8 pp higher	+2.2 pp higher
Advisory only	nss	+9.0 pp higher	nss	+1.4 pp higher
Both financial and advisory	+9.8 pp higher	+11.3 pp higher	nss	+2.3 pp higher

pp = percentage points

nss = not statistically significant

Graph 5: Performance of BDC clients supported in 2020 vs. non-clients with similar characteristics (difference in percentage points)



Source: Statistics Canada.

nss = not statistically significant

BDC's impact by industry

The impact of BDC's support varied by industry. While sample sizes did not allow us to observe results for all industries, we had enough data for a few sectors, some of which were severely impacted by the pandemic.

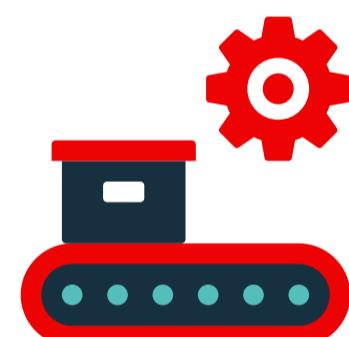
Performance of BDC clients in certain sectors who received support in 2020 compared to non-clients



Retail and wholesale

Clients in this sector accounted for 19% of BDC clients in 2020.

Support received	Revenue growth	Employment growth	Productivity growth
Financial only	+9.6 pp higher	+5.8 pp higher	+5.6 pp higher
Both financial and advisory	+15.1 pp higher	+11 pp higher	nss

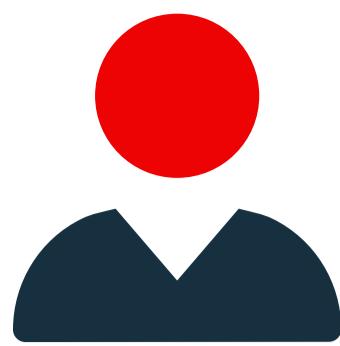


Manufacturing

Clients in this sector accounted for 15.3% of BDC clients in 2020.

Support received	Revenue growth	Employment growth	Productivity growth
Financial only	+6.9 pp higher	+3.2 pp higher	+4.6 pp higher

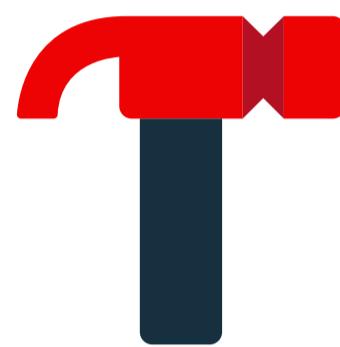
This is a notable result, given that sector productivity dropped by 1.3% from 2020 to 2021



Professional services

BDC's impact was also noticeable in the professional services sector, which accounted for 13.1% of clients in 2020.

Support received	Revenue growth	Employment growth
Financial only	+7.3 pp higher	+6.1 pp higher
Advisory only	nss	+13.9 pp higher
Both financial and advisory	+18.1 pp higher	+14.6 pp higher



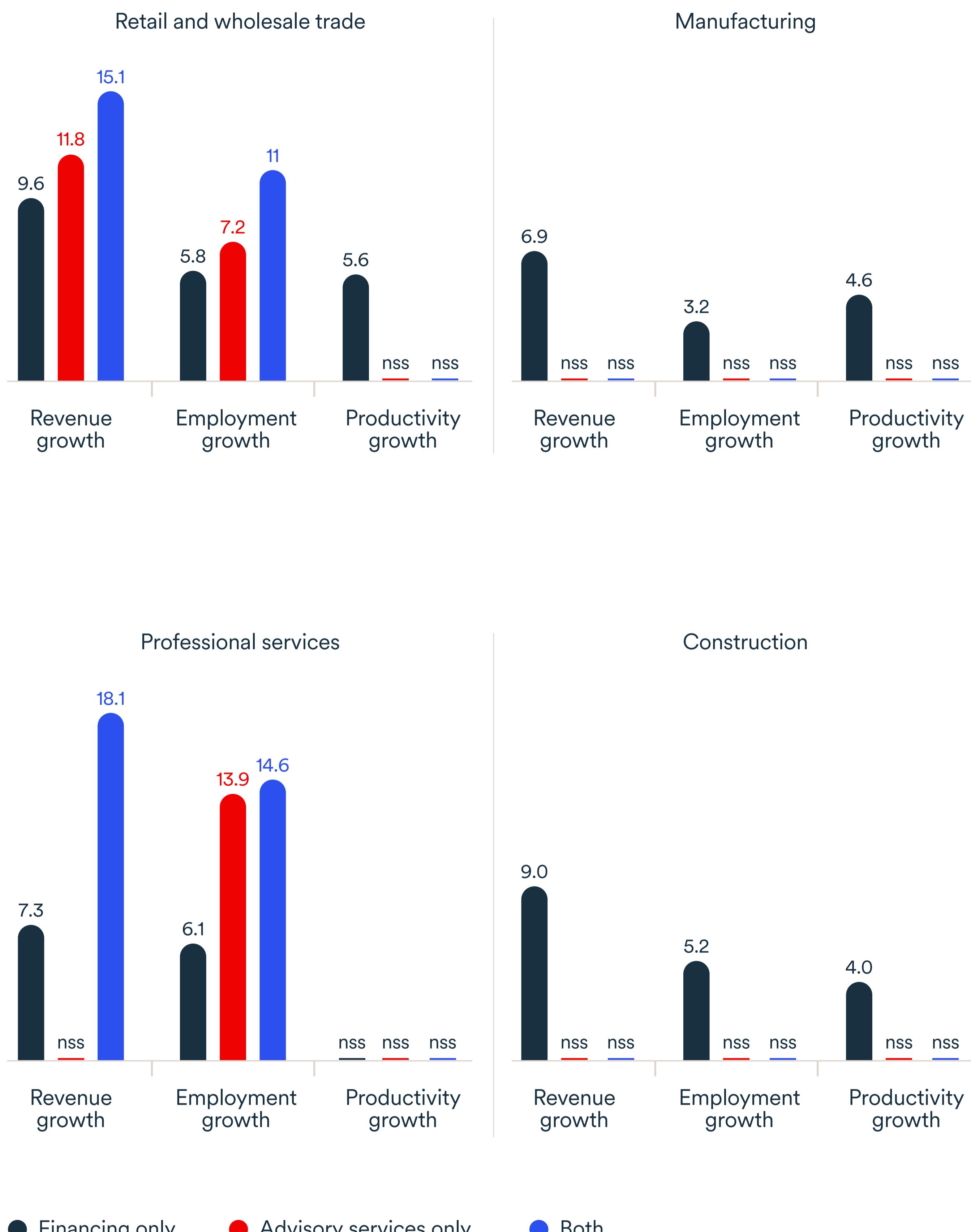
Construction

Another key sector for BDC, construction businesses accounted for 11.3% of the bank's portfolio in 2020.

Support received	Revenue growth	Employment growth	Productivity growth
Financial only	+9.0 pp higher	+5.2 pp higher	+4.0 pp higher

This is a notable result, given that sector productivity dropped by 9.5% percent from 2020 to 2021

Graph 6: Performance of BDC clients supported in 2020 vs. non-clients with similar characteristics in selected industries (difference in percentage points)



Source: Statistics Canada.

BDC's impact on underserved markets

The impact of BDC's support varied slightly by type of client. While sample sizes did not allow us to observe results for all socio-demographic characteristics, we had enough data for some groups significantly impacted by the pandemic, such as [women](#) and [immigrant](#) entrepreneurs.

Women

Performance of women entrepreneurs who received BDC support in 2020 compared to non-clients

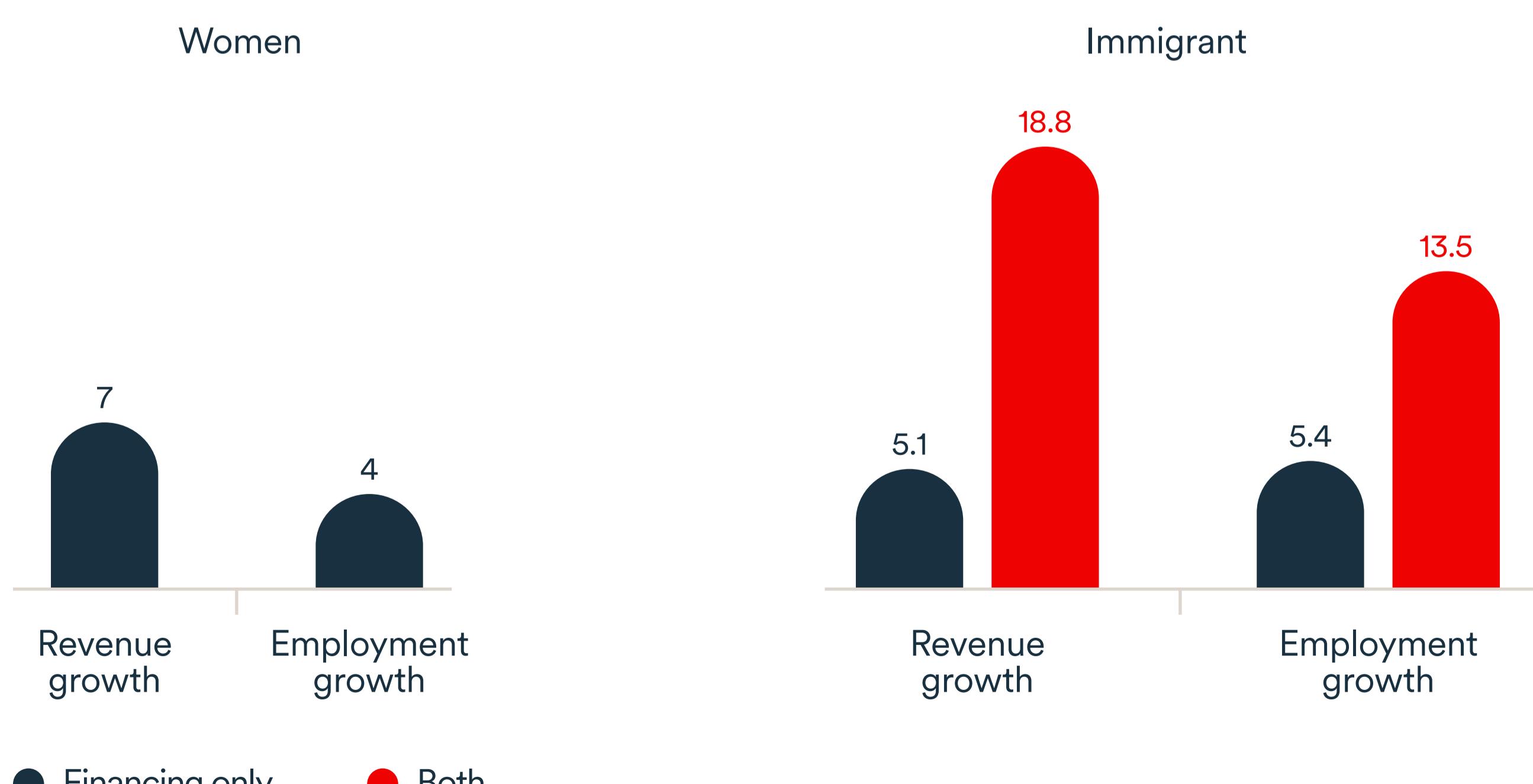
Support received	Revenue growth	Employment growth
Financial only	+7.0 pp higher	+4.0 pp higher

Immigrant

Performance of immigrant entrepreneurs who received BDC support in 2020 compared to non-clients

Support received	Revenue growth	Employment growth
Financial only	+5.1 pp higher	+5.4 pp higher
Both financial and advisory	+18.8 pp higher	+13.5 pp higher

Graph 7: Performance of BDC clients supported in 2020 vs. non-clients with similar characteristics in underserved markets (difference in percentage points)



Conclusion

The pandemic was a challenging time for all Canadians, and entrepreneurs were no exception. They were forced to adjust to lockdowns, physical distancing, remote work and unprecedented shifts in global supply chains. Fortunately, most found ways to maintain their financial health and reorganize their businesses. Many took advantage of the time their firm paused operations to identify new opportunities, especially by investing in technology.⁴

The government stepped in and provided significant support to help Canadian businesses weather the storm and adapt to the new reality. In 2020, BDC stepped up, as we always do in challenging times, nearly doubling the number of disbursements compared to the previous year.

Most important is our positive impact on our clients' performance during this period, as evidenced by the results of this report. Thanks to Statistics Canada's collaboration and rigorous analysis, we saw how clients BDC helped in 2020 generally outperformed their peers in revenue, employment and productivity growth, as well as survival rate, putting them in a better position the following year. These results highlight BDC's important role in supporting Canadian SMEs, especially during difficult times.

4 BDC, *The Response: How Entrepreneurs are Adapting to the Pandemic*, October 2022.

Methodology

This report presents key findings of a recent analysis conducted by Statistics Canada's Economic Analysis Division (EAD) on the performance of BDC clients around the time of the pandemic.

Statistics Canada created a longitudinal database of BDC clients by matching our clients with the Business Register, tax and employment records, and an administrative database of socio-demographic characteristics. Nearly 49,000 clients form the basis of the impact analysis for the years 2018 to 2022.

The quantitative analysis compares firms that received services from BDC (the treatment group) and those that did not (the matched control group) on several key business performance outcomes. Each BDC client was compared to a pool of non-clients with similar characteristics, such as: age, revenue level, revenue growth, assets, liabilities, employees, industry and region.

Clients were divided into three mutually exclusive client groups: clients who receive only financing services, clients who receive only advisory services, and clients who receive both types of services. Outcomes included revenue, employment, labour productivity and survival. Difference-in-difference (DiD) analysis was used to compare the evolution of several performance-related outcomes between the treatment group and the matched control group before and after treatment.



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