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FINANCIAL SERVICES SECTOR PLAYS KEY ROLE IN HELPING CANADA'S SMALL- AND MEDIUM-SIZED BUSINESSES PROSPER AND GROW

Ottawa, November 23, 2017– Small and medium enterprises (SMEs) make up 99.7 per cent of all businesses in Canada and they often rely on financial institutions to provide additional services beyond core banking and insurance functions to help them expand their markets, reduce volatility, manage costs and reduce risks, according to the Conference Board of Canada's [fifth annual report card](#) on the financial services sector released today.

“Small- and medium-sized businesses are important drivers of growth and employment for the Canadian economy,” said Michael Burt, Director, Industrial Trends, The Conference Board of Canada. “However, because of their limited scale, SMEs often require additional services from the financial sector that help in their day-to-day operations, as well as future growth.”

Highlights

- Small and medium enterprises are the backbone of the Canadian economy and they rely on financial institutions for an array of services, ranging from risk mitigation to succession planning.
- Toronto's financial services sector directly employed more than 272,000 people, accounting for 8.5 per cent of the metro area's total employment in 2016. In addition, the sector indirectly supported another 115,224 jobs in the metro area.
- Nationally, the sector has grown by 28 per cent in the last decade and employment has risen by 10.5 per cent over the same period, outpacing the

average for all sectors. In 2016, the sector accounted for 4.5 per cent of Canadian employment, at 808,100 jobs, and 7.2 per cent of Canadian GDP.

Financial firms play a critical role in helping SMEs to raise the capital they need to operate their businesses. Available credit for SMEs has steadily expanded in recent years reaching \$243 billion at the end of 2016. Although equity financing is far less frequently sought by SMEs, the amounts raised tend to be much larger than credit. Combined, private equity, the TSX venture exchange, and venture capital supplied \$21 billion in equity financing to Canadian SMEs in 2016.

Another key service that financial institutions provide to SMEs is insurance, which allows firms to assess and mitigate their risks from damages and loss of business. Beyond standard property and liability coverage, benefits provided by insurance firms -- such as life and health insurance and group RRSPs—help SMEs attract and retain the workers they need to stay competitive. Transaction processing, trade facilitation, hedging, and succession planning are some of the other services that are important to the success of SMEs.

In addition to its role as a facilitator in the economy, the financial services sector has been a major source of growth for the Canadian economy. Nationally, the sector has grown by 28 per cent in the last decade and employment has risen by 10.5 per cent over the same period, outpacing the average for all sectors. It directly accounted for close to 810,000 jobs and 7.2 per cent of Canada's GDP in 2016. Meanwhile, the financial services have been Canada's largest and fastest growing source of services exports and accounted for 48 per cent of Canada's outward foreign direct investment in 2016.

With Toronto's share of financial services employment rising from 29.8 per cent in 2006 to 33.7 per cent in 2017, the sector has become increasingly concentrated in Toronto over the past decade. At the same time, the sector's importance to Toronto's economy is also growing. Financial services made up 8.5 per cent of the metro area's

employment in 2016 and close to 14 per cent of Toronto's gross domestic product (GDP)—second only to the public services sector. In total, Toronto's financial services sector generated a combined \$18.1 billion in revenues for federal, provincial, and municipal governments in 2016.

Not only is Toronto the largest financial centre in Canada, it is globally recognized as a financial hub. In fact, Toronto was the second most important financial centre in North American in two recent global rankings.

The report, [*SMEs and Financial Institutions, Partners in Growth: 2017 Report Card on Canada and Toronto's Financial Services Sector*](#), was sponsored by the Toronto Financial Services Alliance and is available from the Conference Board's e-Library.

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