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For Love or Money? A Study of Entrepreneurship in Canada

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Entrepreneurship is alive and well in Canada. But why have 2.5 million Canadians become small business owners? Our findings suggest that lifestyle considerations outweigh financial motivations. Even though entrepreneurs may work longer hours for less pay, they tend to stay in their positions longer than those who work for someone else. Self-employment is not static, as the nature of these small businesses has evolved over time, perhaps adding to their longevity. Love for the entrepreneurial lifestyle has also found expression in the number of "serial entrepreneurs", or self-employed Canadians who have owned or currently own more than one business.

The recent small business expansion has had a positive impact on the Canadian economy. In addition to the 80,000 jobs that entrepreneurs have generated for themselves this year, they have created one-quarter of the paid employment positions in the year ending March 2005, providing a boost to the labour market.

While the vast majority of entrepreneurs say that starting a business was the best decision they have ever made, entrepreneurship is not without its challenges. In the past year, small business owners have had to deal with the soaring value of the Canadian dollar and the rapid increase in oil and gas prices, both of which have had an impact on their cash flow. Despite these challenges, we expect 150,000 Canadians to become self-employed in the next two years.

EXECUTIVE SUMMARY

- The strong expansion in Canada's entrepreneurial sector continued in 2005. Since the beginning of the year, self-employment has been responsible for more than two-thirds of the private sector positions created in the economy — or approximately 80,000 jobs.
- Women entrepreneurs are leading the way in small business growth. Canada is now home to more than 800,000 women entrepreneurs and this figure has been growing at an average annual rate of 3.3% since 1989, which is 60% faster than the growth in the number of small businesses run by men during the same period.
- One-person operations continue to shine, seeing their number rising by a strong 3% during the year ending June 2005.
- Canadian entrepreneurs are more educated than ever. The number of small business owners with a university degree rose by 5.5% in the year ending June 2005, while the number of those with less than a high-school education fell by close to 2%.
- Entrepreneurs age 55+, or "seniorpreneurs", continue to drive small business growth, with their number rising by a dazzling 7.6% during the past year.
- Close to six-in-ten small business owners (57%) consider themselves to be "lifestylers", who use their business as a means of generating income while balancing other commitments or lifestyle choices.
- When asked about their primary reason for opening up shop, the most popular response from entrepreneurs was to do something they loved, which was cited by close to three-in-ten small business owners (29%).
- However, responsibility for one's livelihood comes at the expense of longer working hours. On average, those who are self-employed report that they work 56 hours per week — 15 hours more than paid employees.

EXECUTIVE SUMMARY, CONTINUED

- Generally, self-employed people earn less than paid employees. As of 2004, a paid employee earned, on average, \$43,000, while a self-employed person earned, on average, close to \$38,000.
- When comparing the stability of self-employment to paid-employment, somewhat surprisingly, the average tenure of self-employed positions rose by more than 10% since 1997 and it is now at its highest level in 30 years. Furthermore, at an average tenure of approximately 135 months (or more than 11 years), self-employed positions last 35% longer than those in paid-employment.
- A large number of small business owners are “serial entrepreneurs”, with one-in-three entrepreneurs (33%) having owned, or currently owning, more than one business. The growth in the number of serial entrepreneurs is expected to continue.
- During the past 18 months, paid-employment in small firms (companies with fewer than 20 employees) rose by 2%. At the same time, employment in large firms (companies with more than 20 employees) rose by 1.6%. In fact, during the year ending March 2005, small business generated one-quarter of all new paid-employment positions in the economy.
- The direct impact of the rising dollar on small businesses is limited, given that, on average, two-thirds (66%) of their business comes from inside the small business owners’ city and 20% from elsewhere in their province. Only a small proportion of their business comes from outside the small business owner’s province within Canada (6%), from the US (6%) or from international sources (3%).
- Overall, we expect the Canadian dollar to trade at the \$0.80-\$0.85 (US) level in the foreseeable future. While at this valuation many small firms will hardly be impacted, one should not ignore the significant damage of

EXECUTIVE SUMMARY, CONTINUED

the dollar appreciation on sectors and regions that rely heavily on manufacturing and on exports to the US. Heavy machinery, the auto sector and primary industries are some examples.

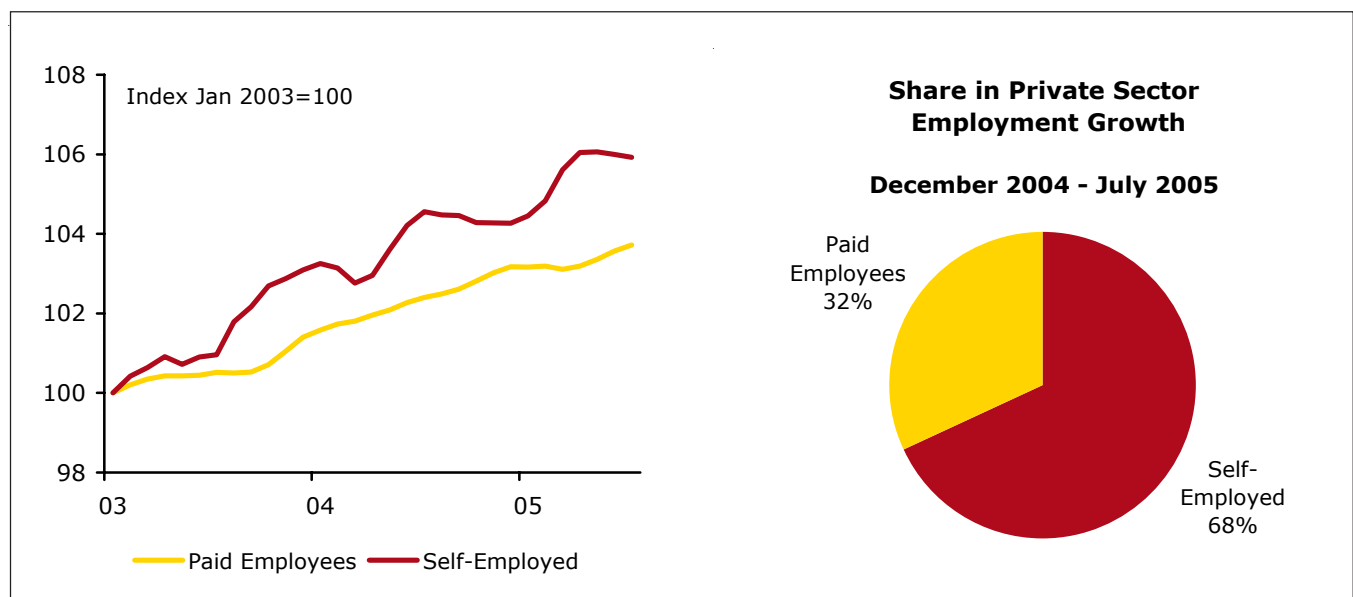
- Not surprisingly, 70% of entrepreneurs indicate that the increase in gasoline prices has had an impact on their businesses. The majority (64%) report that rising gas prices have had a negative impact on their business, while 6% report a positive impact. Those who say that gas prices have had a negative impact on their business report an average revenue decrease of 15%.
- The most significant improvement in small business activity in 2004 was in British Columbia, with the number of establishments with less than 20 employees rising by a strong 4.1%.
- Ontario has seen the second fastest pace of small business formation in 2004, with the number of firms with less than 20 employees rising by 3.8%.
- Alberta, home to nearly 15% of Canadian small businesses, also showed strong growth in business formation, which was 2.5% in 2004, reflecting the positive spin-offs from the energy sector as well as robust consumer spending.
- Most of the growth in small business formation during 2004 was in large urban centres, with the number of firms in rural areas rising by only 1.8% during the year.
- Recent challenges have not disrupted the forces driving small business formation. We expect 150,000 Canadians to become entrepreneurs in the next two years. Nearly one in four Canadians (24%) say they will be self-employed at some point in the next five years.

RECENT TRENDS IN SELF-EMPLOYMENT

The strong expansion in Canada's entrepreneurial sector continued in 2005. Since the beginning of the year, self-employment has been responsible for more than two-thirds of the private sector positions created in the economy — or approximately 80,000 jobs. The number of self-employed Canadians has risen by 7% since 2003 — double the rate of growth in the number of paid employees. Resuming its traditional late cycle behaviour, self-employment activity is now working to mask a softening Canadian labour market, with private sector employers creating an average of 4,000 new positions per month so far this year.

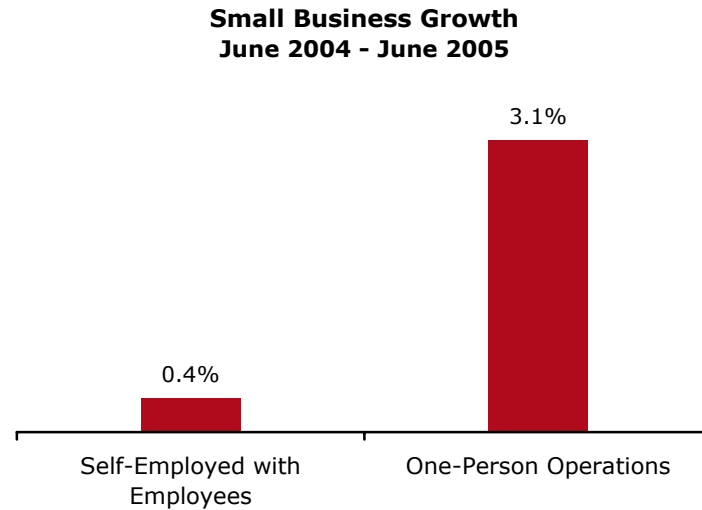
Women entrepreneurs are leading the way in small business growth. Canada is now home to more than 800,000 women entrepreneurs and this figure has been growing at an average annual rate of 3.3% since 1989, which is 60% faster than the growth in the number of small businesses run by men during the same period.

CHART 1
Self-Employment Continues To Outperform Paid-Employment



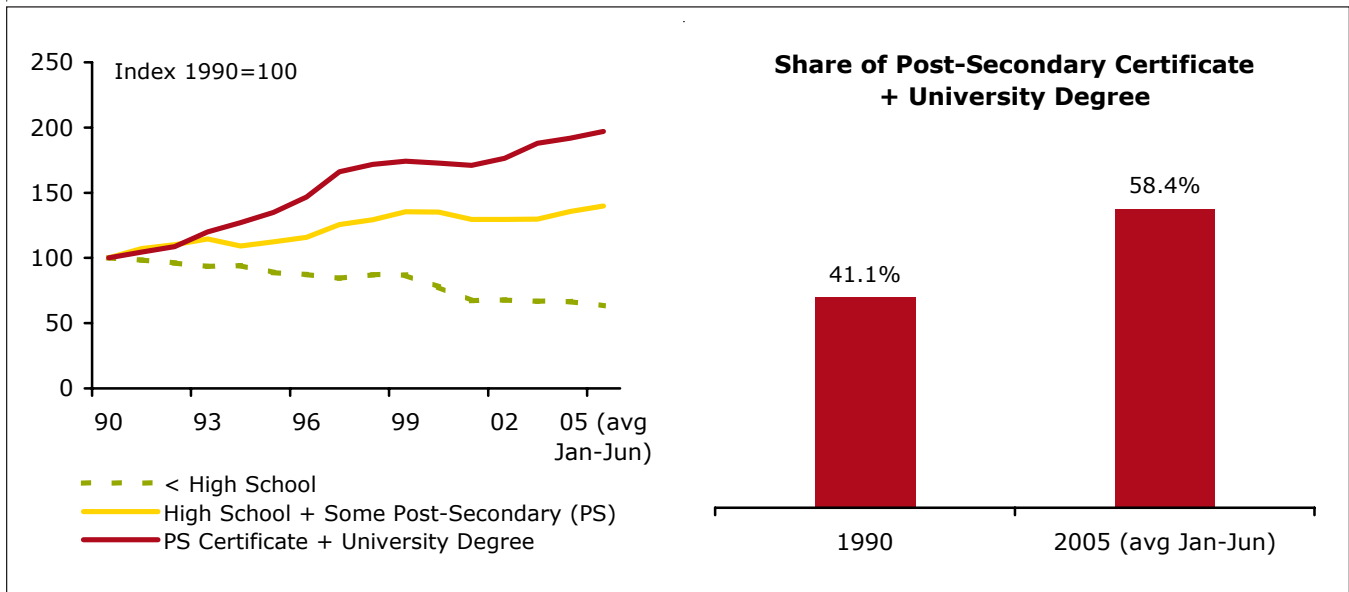
In recent years, small business formation has been dominated by micro businesses — and this year is no exception. One-person operations continue to shine, seeing their number rising by a strong 3% during the year ending June 2005.

CHART 2
One-Person Operations Shine



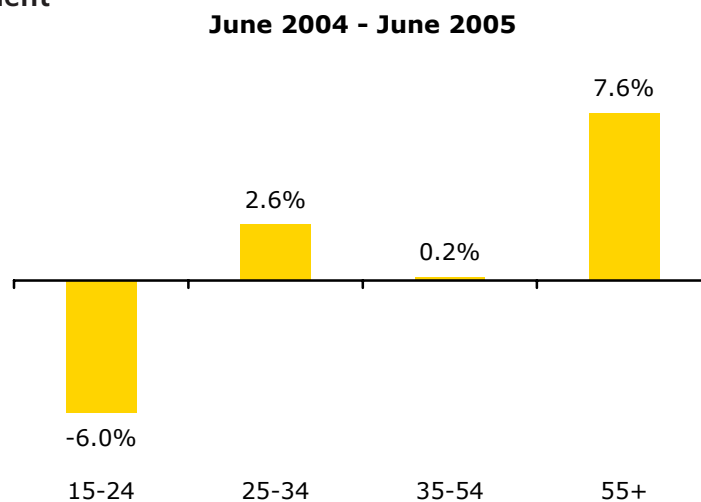
Furthermore, Canadian entrepreneurs are more educated than ever. The number of small business owners with a university degree rose by 5.5% in the year ending June 2005, while the number of those with less than a high-school education fell by close to 2%. But this trend is not new. During the past fifteen years, the number of small business owners with a post-secondary education and/or a university degree more than doubled, currently accounting for nearly 60% of all self-employed Canadians — up from 40% in 1990. At the same time, the number of entrepreneurs with less than a high school education dropped by 50%. Rising education levels are not unique to self-employed Canadians, as this development is also evident in the paid-employment sector. In this sense, well-educated Canadian business owners may be trying to keep pace with the rest of the labour market.

CHART 3
Rising Education Level Among Self-Employed



Entrepreneurs age 55+, or “seniorpreneurs”, continue to drive small business growth, with their number rising by a dazzling 7.6% during the past year. We identified this trend in last year’s report, *Canadian Small Business: Back in High Gear*, and noted that the number of firms run by individuals age 55 or over has risen by 30% since early 2001, four times faster than the growth in firms with owners who are between the ages of 18 and 54. Given this demographic shift in entrepreneurship, we expect that 500,000 small business owners will retire by 2010 and a total of \$1.2 trillion in business assets will change hands — the largest turnover of economic control in generations.

CHART 4
Growth in Self-Employment
By Age



THE QUALITY OF SELF-EMPLOYMENT

What about the quality of self-employment? Of course, there are different aspects of job quality. The more subjective measure is job satisfaction. And here there is little doubt that those who are self-employed have the upper hand. In fact, more than eight in ten entrepreneurs (83%) say that starting a business was the best decision they've ever made. This level of satisfaction with their decision to become self-employed may be due to their motivation to open a business. Close to six-in-ten small business owners (57%) consider themselves to be "lifestylers", who use their business as a means of generating income while balancing other commitments or lifestyle choices. As well, nearly three-in-four self-employed Canadians (74%) say they became entrepreneurs to have the flexibility to take care of their family commitments.

Doing What They Love

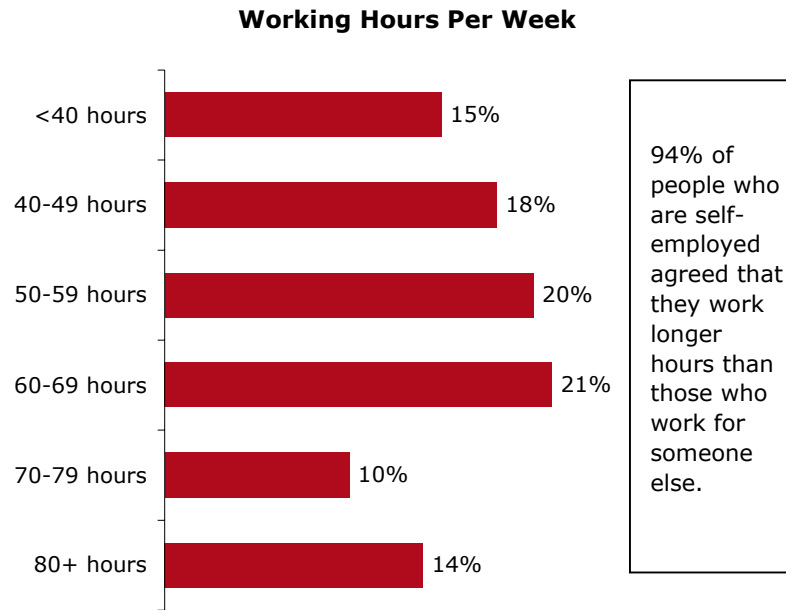
When asked about their primary reason for opening up shop, the most popular response from entrepreneurs was to do something they loved, which was cited by close to three in ten small business owners (29%). The career choice has worked out for many of them. Nearly eight in ten small business owners (79%) say life is better as an entrepreneur.

However, responsibility for one's livelihood comes at the expense of longer working hours. On average, those who are self-employed report that they work 56 hours per week — 15 hours more than paid employees. Only 15% work less than 40 hours per week, while 24% report working 70 or more hours per week.

Employment quality can also be measured more objectively and quantifiably by looking at compensation and job stability.

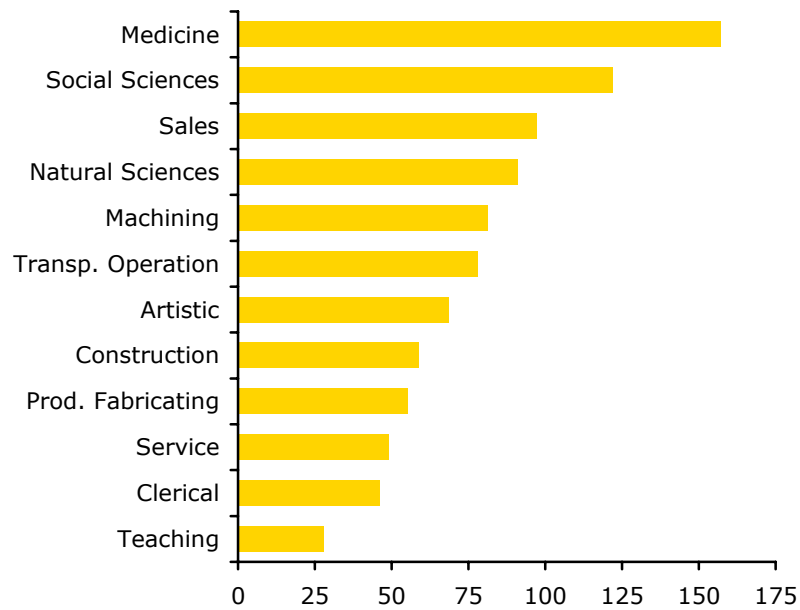
When it comes to compensation, the reality is that, generally, self-employed people earn less than paid employees. As of 2004, a paid employee earned, on average, \$43,000, while a self-employed person earned, on average, close to \$38,000. However, within the self-employment category, small business owners with employees earned roughly double the income of sole proprietors.

CHART 5
Average Hours Worked By Small Business Owners



By industry, with the exception of financial services and health and social services, sole proprietors earn less than both paid employees and entrepreneurs with employees in all other industries. By occupation, those running one-person operations in natural and social science-related occupations, such as doctors and lawyers, tend to enjoy above average earnings, while those in teaching, clerical and personal service occupations earn the least. There is also a wide variation in the income distribution of different categories of self-employment. About two-thirds of sole proprietors earn less than \$30,000 a year, significantly more than the 36% observed for paid employees and 41% for self-employed with employees. At the same time, only 6% of entrepreneurs running one-person operations earn more than \$70,000 a year, significantly lower than the 10% and 17.5% observed for paid employees and entrepreneurs with employees respectively.

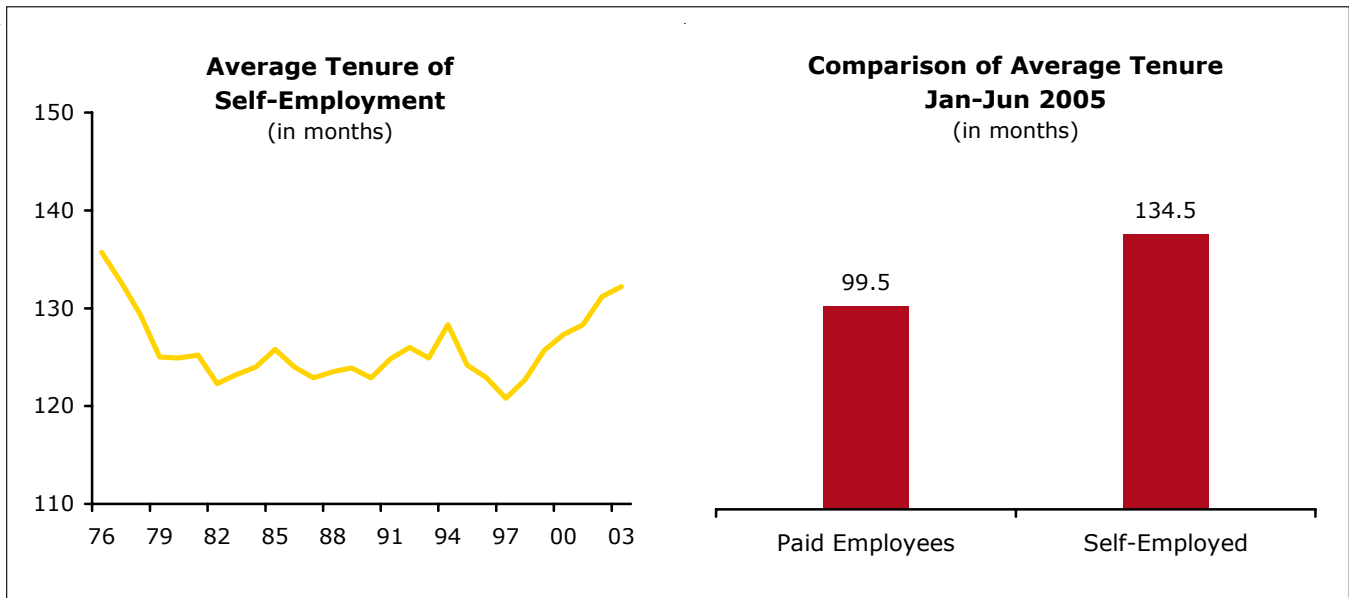
CHART 6
One-Person Operations
Earnings By Occupation (Percentage of Paid Employees' Earnings)
December 2000



Since 1989, earnings of both small business owners with employees and sole proprietors fell in relation to paid employees. This can be explained, to an extent, by the greater proportion of one-person operations in the small business marketplace and the fact that the average number of hours a self-employed person worked per week fell relative to the number of hours worked by paid employees.

When comparing the stability of self-employment to paid-employment, somewhat surprisingly, the average tenure of self-employed positions rose by more than 10% since 1997 and it is now at its highest level in almost 30 years. Furthermore, at an average tenure of approximately 135 months (or more than 11 years), self-employed positions last 35% longer than those in paid-employment. As expected, the tenure of self-employed positions with employees is longer (close to 160 months, or more than 13 years), but even one-person operations last, on average, 20% longer than paid-employment jobs.

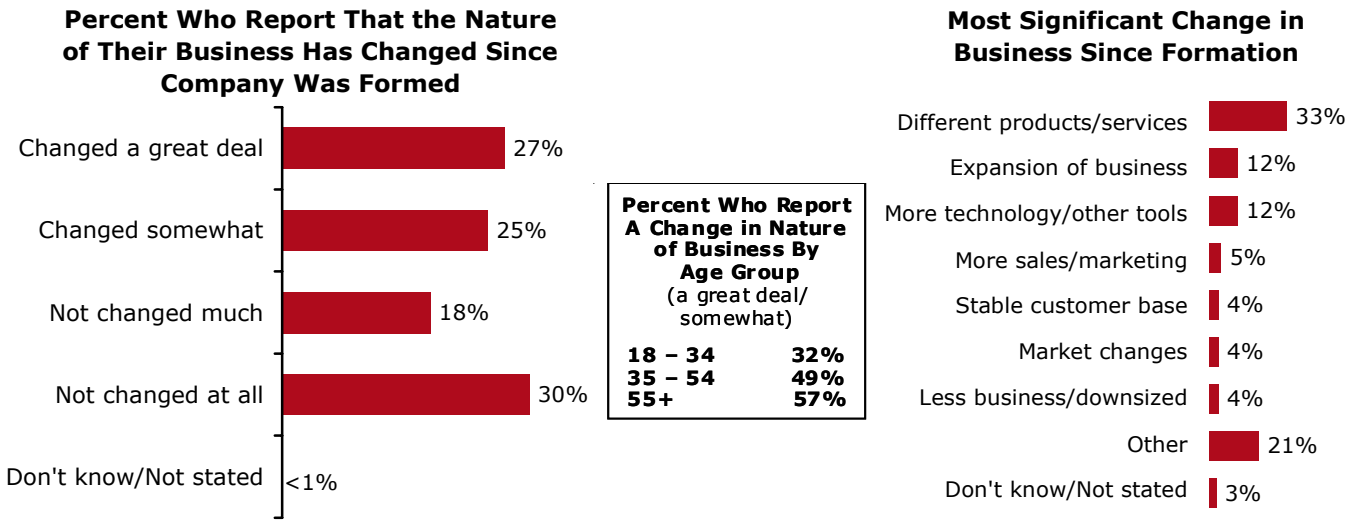
CHART 7
Self-Employment Positions Last Longer



What is behind this relative stability among Canadian self-employed? Forces including the increased propensity for self-employment given the aging labour force, increased immigration and increased demand for personalized skills are creating the right conditions for self-employment not only to rise in number, but also to survive longer.

Furthermore, increased availability and lower cost of technology, the Internet and the power of e-commerce continue to be strong factors supporting self-employment activity and improving survival rates. In fact, not only does technological advancement impact the very decision to become self-employed, but also the changing nature of a given business. For example, increased Internet usage strengthens the connectivity between entrepreneurs and other entities. Alliances of self-employed individuals, small firms and large companies are formed through advanced computer and telecommunication technologies, which are increasingly allowing geographically diverse entities to co-operate. More small businesses are becoming virtual entities, stopping and starting on a project-by-project basis. This means that self-employment is becoming even more diverse and heterogeneous.

CHART 8
Nature of Business Changed Since Inception

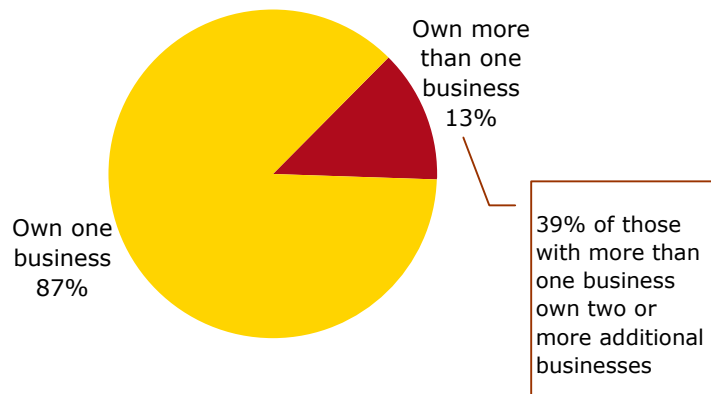


The flexibility of entrepreneurs also extends to the nature of the small business operation. In fact, more than half of business owners (52%) report that the nature of their businesses has changed since inception, and more than one-quarter (27%) say that their businesses have changed a great deal. The most common difference in the business is a changing product or service line, with one-third of all owners identifying this as the way in which their businesses have changed. This finding suggests that small business owners are able to adjust to an evolving marketplace by shifting products or services to keep up with changing tastes, needs or target groups.

SERIAL ENTREPRENEURS

A surprisingly large number of small business owners are “serial entrepreneurs”, with one-in-three entrepreneurs (33%) having owned, or currently owning, more than one business. Fully one-quarter (25%) of current small business owners report that they have owned a previous business that is no longer in operation. Interestingly, more than two-thirds of those with a previous business (69%) report that the previous enterprise was not the same type of business as the one they own today. Clearly, these entrepreneurs exhibit significant flexibility and nimbleness in being able to switch from one type of business to another. More than one-in-ten (13%) of all owners surveyed currently own an additional business or businesses. In fact, the findings show that four-in-ten (39%) of those with an additional business own two or more additional businesses.

CHART 9
Entrepreneurial Sequels



The growth in the number of serial entrepreneurs is expected to continue, as almost one-quarter (22%) of those with one business report that they have seriously considered opening another business in addition to their current enterprise.

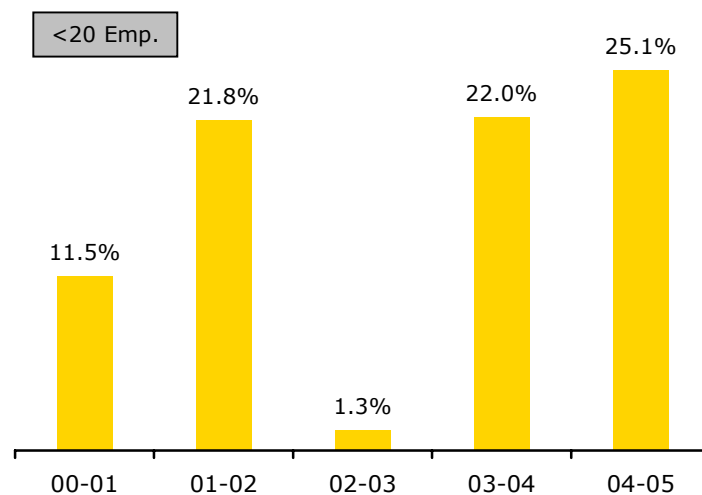
The ability of entrepreneurs to adapt to changing circumstances is also reflected in the improved survival rate of small businesses. Business bankruptcies have been falling over the past two years, with the cumulative number of business bankruptcies down by more than 7% year over year, as of July 2005. With the exception of Atlantic Canada, all provinces continue to experience declining business bankruptcies, with Alberta leading the way.

SMALL BUSINESSES CREATING JOBS

During the past 18 months, paid-employment in small firms (companies with fewer than 20 employees) rose by 2%. At the same time, employment in large firms (companies with more than 20 employees) rose by 1.6%. In fact, during the year ending March, 2005, small business accounted for one quarter all jobs created in the economy.

What is behind the increased hiring by small business? There are two main reasons to consider. First, small business activity is cyclical in nature. During an economic downturn, small business activity tends to under-perform the overall economy, while during the early stages of economic recovery, small business activity tends to outperform the economy as a whole. During the year ending June 2005, our *Small Business Economic Activity Index* rose by 3.5% — outperforming the 2.75% rate of growth observed for the economy as a whole.

CHART 10
Share of Employment Growth
By Firm Size

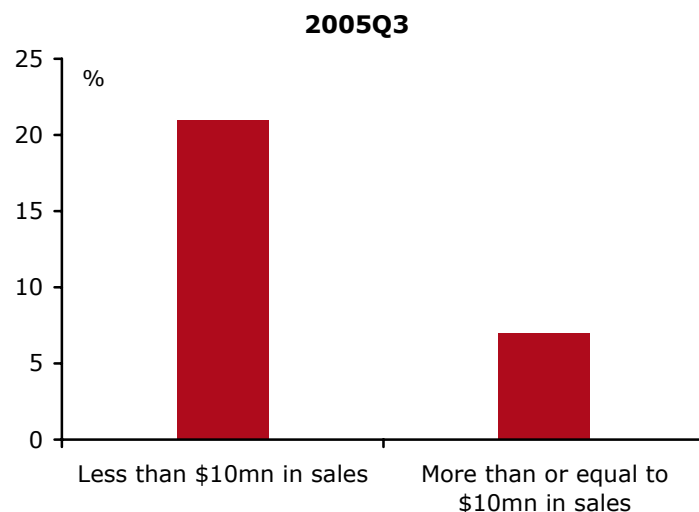


The second reason for the increased hiring by small businesses is that entrepreneurs are compensating for their inability to find employees in the past. This pent-up demand emerged during the economic boom years of 1999 and 2000, which was a time when small businesses were unable to compete with large firms in attracting suitable workers. In 2000, for example, employment in small businesses rose by only 0.1%, compared to 4.5% among large firms. In fact, the increased number of paid-employment opportunities during 2000 resulted in many micro-business owners closing their operations and taking regular paid-employment positions. As a result, 2000 was the first year since 1984 that saw a decline in the absolute number of self-employed in the economy.

More recently, with large firms not hiring as enthusiastically as earlier in the decade, small firms have a better opportunity to tap into the pool of available workers. Still scarred by the not-too-distant difficulties in finding suitable workers, small business owners have been capitalizing on these prospects. This is especially the case among highly skilled workers who are still in high demand among small business owners.

The retail trade industry witnessed a notable increase in small business hiring in the past 18 months, largely reflecting the dominance of small businesses in this industry and the fact that consumer spending was the main force

CHART 11
Firms Reporting Skilled Labour Shortage



keeping the economy afloat. Interestingly, the recent growth in small business employees was limited almost exclusively to young workers (between the ages of 15 and 24) and those over the age of 45.

Small businesses have traditionally been an important source of employment for young Canadians, so it is hardly surprising that there has been a recent increase in small business employment among the age group 15-24. The strong increase in the number of people age 45+ working in small businesses is more interesting. This may well be connected to recent changes in the labour market, with small businesses capitalizing on the increased supply of experienced workers. Regardless of the reason, the fact that small businesses are now able to hire high-skilled and experienced workers is a positive sign for their growth prospects.

FACING CHALLENGES

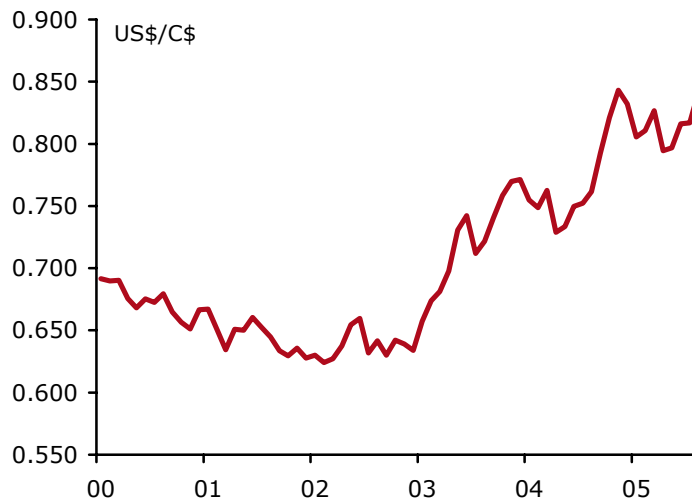
Small business owners in Canada have had to withstand a number of shocks in recent years. With SARS and Mad Cow disease in the not too distant past, small business owners have had to deal with the Canadian dollar continuing to soar, along with oil prices. The impact of these challenges has varied regionally and by sector, but small businesses continue to show resiliency.

THE SOARING CANADIAN DOLLAR

The sharp appreciation of the Canadian dollar over the past few years has raised concerns about its potential negative impact on the Canadian economy in general, and the manufacturing sector in particular. These concerns are justifiable given the speed and the magnitude of the dollar's appreciation. A strong dollar is particularly harmful to small businesses that export their products to the US market and to those firms that have direct links to larger exporting firms. Having said that, the direct impact of the rising dollar on small businesses is limited, given that, on average, two-thirds (66%) of their business comes from inside the small business owners' city and 20% from elsewhere in their province. Only a small proportion of their business comes from outside the small business owner's province within Canada (6%), from the US (6%) or from international sources (3%). Vulnerability to increased import penetration and reduced tourism are also important negatives for the small business sector. At the same time, the increase in the value of the dollar means cheaper imports — a clear positive for small firms that import raw materials and finished goods.

Approximately one in four small firms in Canada are in sectors that are directly impacted by a stronger dollar. But one should not lose sight of the indirect impact of a stronger currency (for example, a lawyer experiencing less business from their main client, an exporting firm). All of this is consistent with our survey results. Two-thirds (66%) of the small business owners polled say that the rising Canadian dollar has had no real impact on their business. This is consistent with the fact that only 9% of small business

CHART 12
The Canadian Dollar Is Riding High



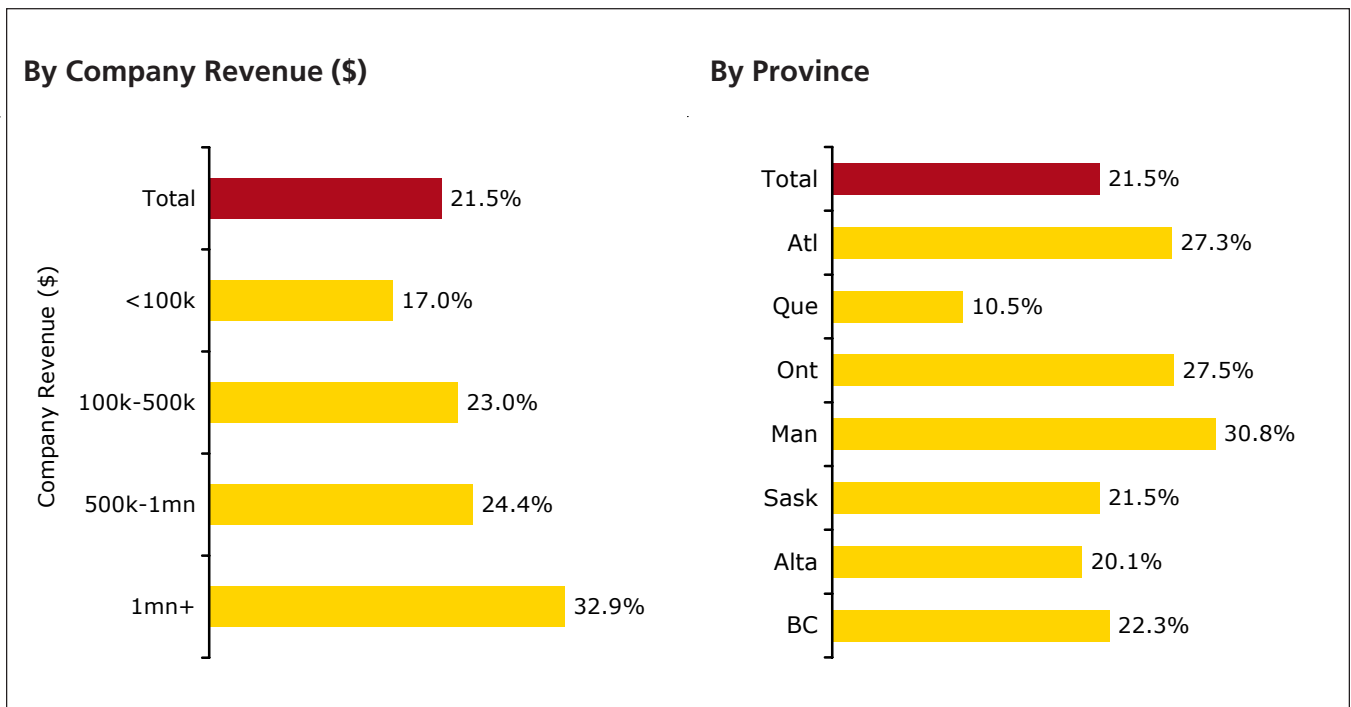
owners report sales outside of Canada. However, more than one-in-five (21%) report that the rising dollar has had a negative impact on their businesses. On average, these small business owners report a revenue decrease of 18% as a result of dollar fluctuations. The revenue drop was more substantial for businesses with more than \$1 million in annual revenue.

Regionally, entrepreneurs in Ontario and Manitoba are more likely than average to report a negative impact of the rising Canadian dollar on their businesses (28% and 31% respectively), while Quebec business owners are more likely to report that it has had no real impact (78%) and are less likely to report negative impact (11%).

On a macro-economic level, the indirect benefit of a stronger dollar is that a higher dollar reduces the need to increase interest rates, and, in fact, might limit the magnitude of potential interest rate hikes. This positive effect is much more broadly-based, as it impacts the entire small business sector, not just those firms that are affected by the value of the dollar.

Overall, we expect the Canadian dollar to trade at the \$0.80-\$0.85 (US) level in the foreseeable future. While at this valuation many small firms will hardly be impacted, one should not ignore the significant damage of the dollar appreciation on sectors and regions that rely heavily on manufacturing and on exports to the US. Heavy machinery, the auto sector and primary industries, such as forestry, are some examples. The tourism industry is another casualty of a strong dollar. Reduced tourism and its negative impact on transportation, accommodation, food and beverage services and other related services might cost the economy close to \$5 billion over the next twelve months. With small businesses accounting for two-thirds of the tourism industry, the fallout will be significant.

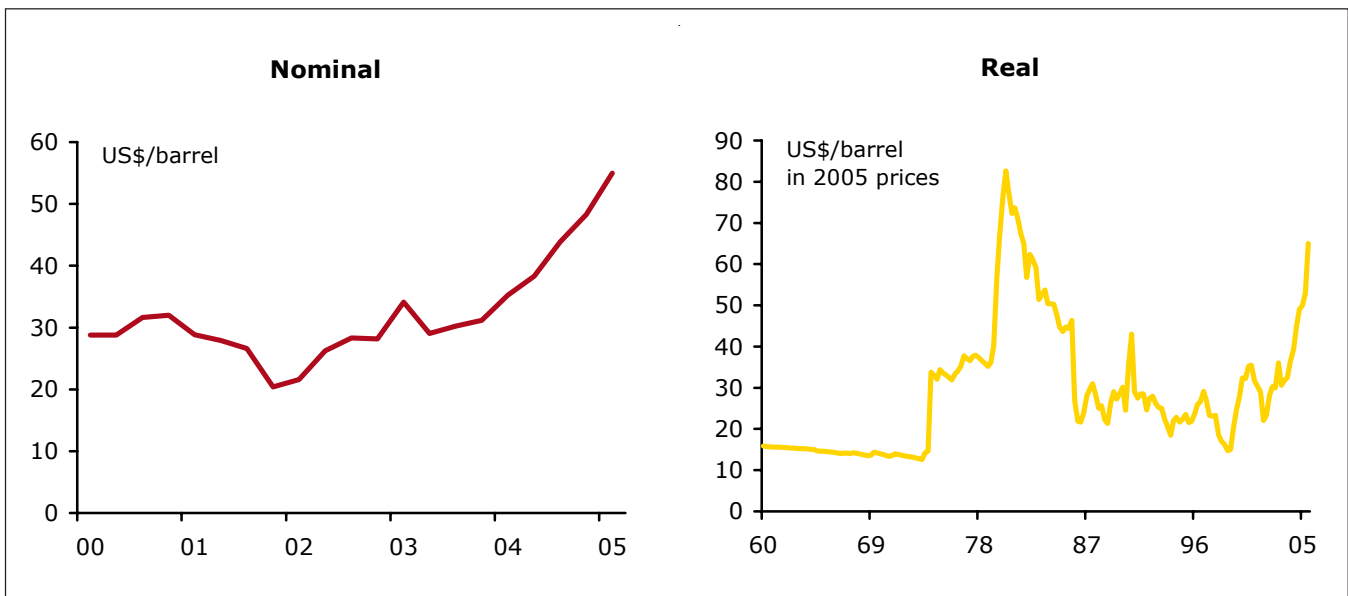
CHART 13
Small Businesses Reporting Negative Impact of Canadian Dollar Appreciation on Revenues



RIISING OIL AND GAS PRICES

The real story about oil prices is not that they are elevated now, but that they will remain elevated 12 months from now. Hurricanes Katrina and Rita, as well as geopolitical events have no doubt contributed to the recent upswing in energy prices, but what really makes them market movers is the fact that today's hikes are not triggered by sudden supply disruptions like the 1973 or 1979 oil shocks. Instead, they follow from the collision between surging global crude oil demand and accelerating depletion of conventional crude oil supply.

CHART 14
Oil Prices Continue To Climb



Granted, Canada is a large exporter of energy. More than half the country's production of oil and natural gas is exported, almost entirely to the US, but Canada is also an oil importer — mostly from North Sea sources — to satisfy its own refinery feedstock requirements. Add all this up and you end up with an energy trade surplus of roughly 5% of GDP.

Against the backdrop of the economic lift from higher oil prices, due to strong energy exports and investment, the downside potential is probably more sizeable. Canada, after all, is a major consumer of energy. It's cold here,

distances between major urban centres are relatively large, and the country's resource sectors use a lot of energy. Indeed, per capita energy consumption in Canada is double that of the G-7 average and roughly 20% higher than in the US.

The structure of the Canadian non-energy manufacturing sector makes it highly energy-intensive. Heavy energy-utilizing industries, such as paper products, primary metals and wood products, account for more than half the sector's energy-weighted output. And with the manufacturing sector five times larger than the energy sector in Canada, higher energy prices will constrain growth in aggregate industrial production.

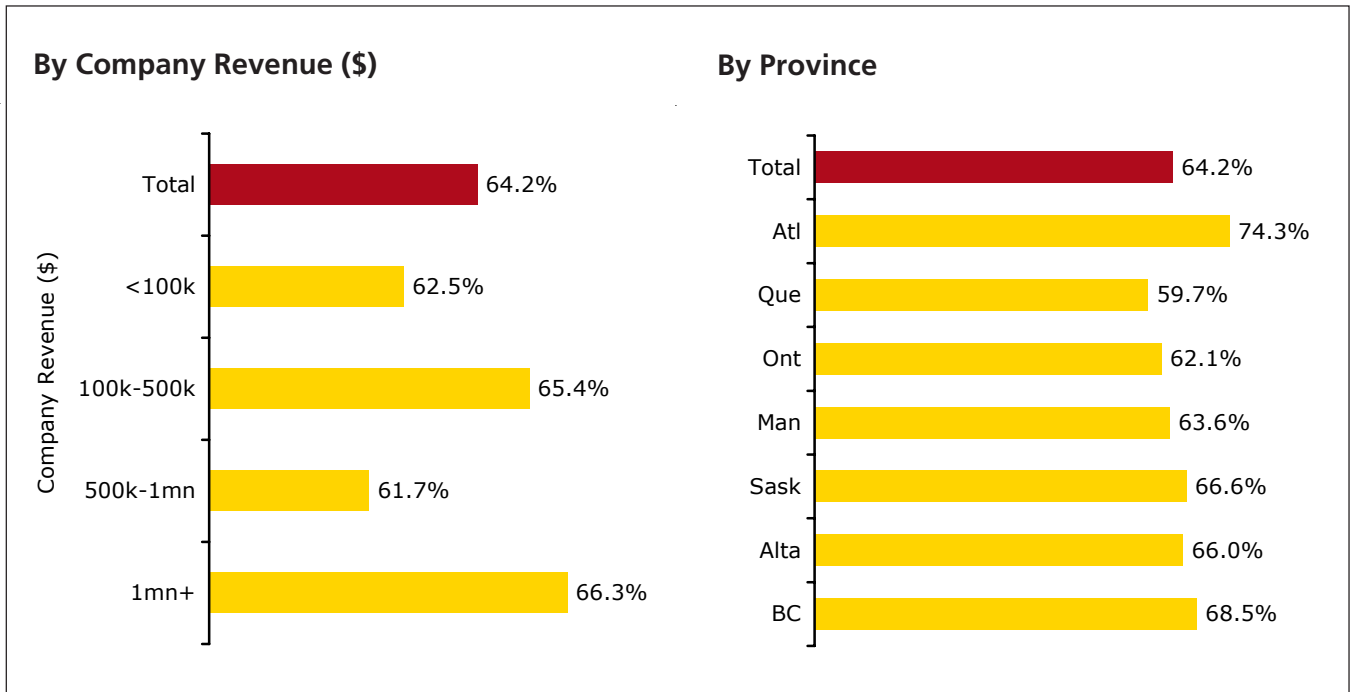
That damage, however, is only secondary to the cost endured by Canadian households where the pain is immediate and largely unavoidable. During the first nine months of the year, Canadians spent more than \$8 billion of extra cash just to fill their gas tanks — an amount that taxed away one-third of their wage growth. If oil prices average \$60 per barrel, drivers would be forced to increase their spending on gasoline by an additional \$6-7 billion in the coming twelve months, with reduced buying elsewhere, including small business products and services. Overall, we expect higher oil prices to trim GDP growth by more than half a percentage point, which would largely neutralize the combined benefit derived from rising energy exports, royalties and investment, leaving the economy, on balance, exposed to the damaging blow of an oil-driven slowdown in the American economy.

Not surprisingly, in a survey conducted in mid-summer 2005, 70% of entrepreneurs indicate that the increase in gasoline prices has had an impact on their businesses. The majority (64%) report that rising gas prices have had a negative impact on their business, while 6% report a positive impact. Those who say that gas prices have had a negative impact on their business report an average revenue decrease of 15%.

Business owners in the Atlantic provinces are more likely than average to report a negative net impact of rising gas prices (74%) and those in Quebec are more likely to report that it had no real impact (34%).

CHART 15

Small Businesses Reporting Negative Impact of High Gas Prices on Revenues



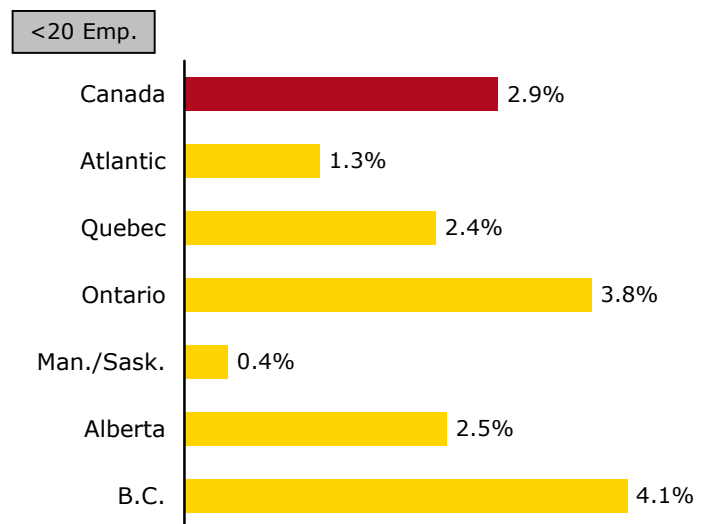
Cash Flow Worries

Nearly seven in ten small business owners (69%) say their biggest challenge as an entrepreneur is managing their cash flow. Overall, 48% report the rising cost of gas as having the greatest impact on their cash flow over the past year. This is especially significant since only 14% cited the rising Canadian dollar as having the greatest impact on their cash flow.

A REGIONAL PERSPECTIVE

The most significant improvement in small business activity in 2004 was in **British Columbia**, with the number of establishments with less than 20 employees rising by a strong 4.1%. This performance is consistent with the fact that British Columbia led the nation in overall economic growth in 2004. The province has 16% of Canadian small businesses. With overall GDP projected to grow by close to 4% in both 2005 and 2006, small business activity in British Columbia is expected to remain strong — supported by strong consumer spending and wholesale trade activity, as well as healthy construction sector. Look for even stronger activity in the 2007-2010 period, as the preparations for the 2010 winter games will provide small businesses in the province with ample opportunities for growth. Despite the impact of the strong dollar, **Ontario** has seen the second fastest pace of small business formation in 2004, with the number of firms with less than 20 employees rising by 3.8%. In many respects, this strong performance reflects the expanding service sector and strong retail performance in the province. Currently, 36% of all small firms in the country are located in Ontario. **Alberta**, home to nearly 15% of Canadian small businesses, also showed strong growth in business formation, which was 2.5% in 2004, reflecting the positive spin-offs from the energy sector as well as robust consumer spending. With oil wealth starting to benefit a growing number of Albertans, small business activity in the province is set to improve measurably in the coming two to three years, and Alberta could challenge the small business leadership of British Columbia and Ontario.

CHART 16
Growth In Business Formation By Province
December 2003 - December 2004

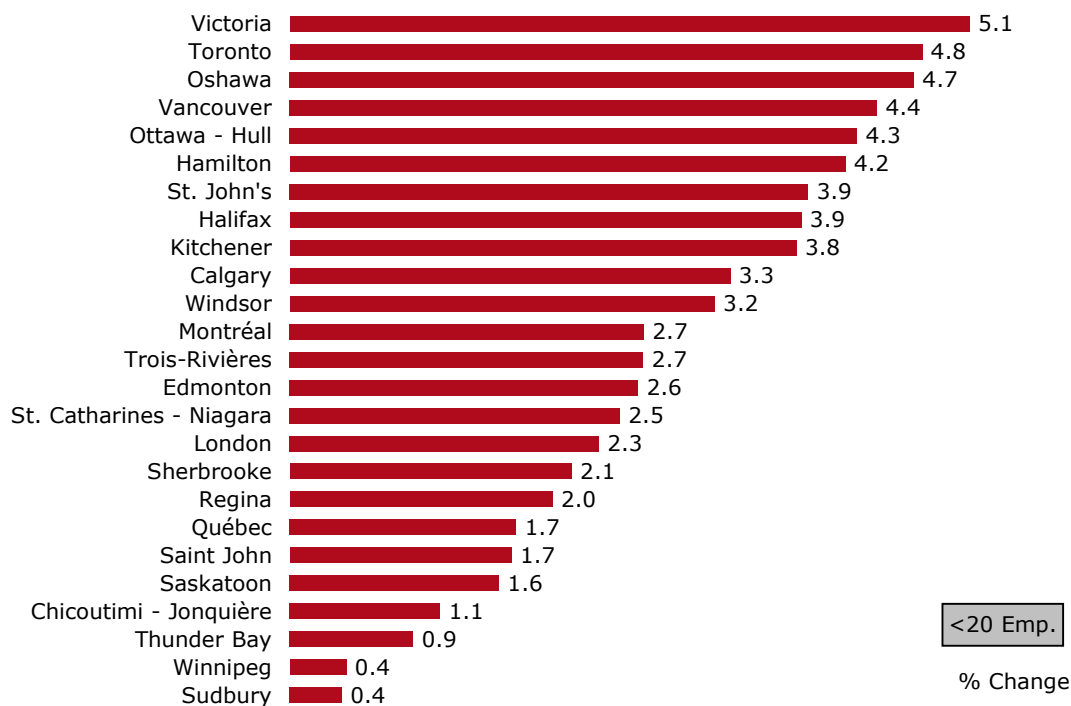


Most of the growth in small business formation during 2004 was in large urban centres, with the number of firms in rural areas rising by only 1.8% during the year. This trend is not new and has been observed over the past five years. Currently 63% of Canadian small firms are located in large urban centres with the largest proportion (76%) being in Ontario. The fastest rate of small business formation in 2004 was in Victoria, followed by Toronto.

TABLE 1
Business Formation By Province

< 20 Employees	Growth		Share	
	December 2004		December 2004	
	Large Urban Centres	Small Cities & Rural Areas	Large Urban Centres	Small Cities & Rural Areas
CANADA	3.6%	1.8%	62.9%	37.1%
ATLANTIC	3.5%	0.4%	29.0%	71.0%
QUEBEC	2.5%	2.1%	62.7%	37.3%
ONTARIO	4.3%	2.2%	75.9%	24.1%
MANITOBA	0.4%	0.7%	50.1%	49.9%
SASKATCHEWAN	1.8%	-0.3%	29.7%	70.3%
ALBERTA	3.0%	1.6%	59.3%	40.7%
BRITISH COLUMBIA	4.5%	3.6%	60.9%	39.1%

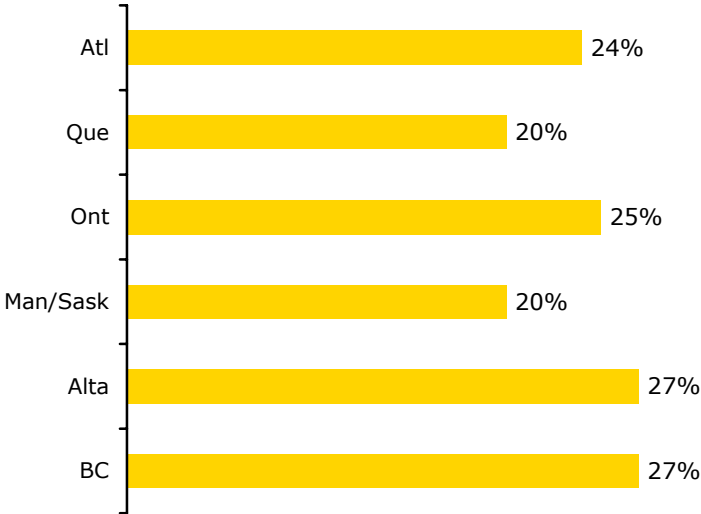
CHART 17
Growth In Business Formation By Major Cities
December 2003 - December 2004



A LOOK AHEAD

Recent challenges have not disrupted the forces driving small business formation. We continue to expect 150,000 Canadians to become entrepreneurs in the next two years. Recent survey results validate this prediction. Nearly one in four Canadians (24%) say they will be self-employed at some point in the next five years. Looking ahead, the fundamentals are positive for small business formation and survival.

CHART 18
Likelihood Of Being Self-Employed At Some Point In The Next 5 Years
By Province



SMALL BUSINESS STATISTICS

EMPLOYMENT

'000	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 (avg. Jan-Jun)
Total Employment	13271.0	13391.6	13676.5	14019.2	14389.8	14758.6	14946.7	15307.9	15665.1	15949.7	15994.8
Self-Employment	2023.0	2117.7	2289.0	2360.3	2407.1	2343.1	2245.6	2286.6	2366.1	2422.3	2459.7

Business Formation By Size Of Firm

December 2004

BY MAJOR CITY

	Number of Employees							
	0-4	5-9	10-19	20-49	50-99	100-199	200-499	500+
Calgary	85,945	7,703	5,791	4,184	1,513	758	374	125
Chicoutimi - Jonquière	6,450	712	433	331	115	41	30	15
Edmonton	63,150	7,520	5,327	3,883	1,357	680	296	102
Greater Sudbury	6,300	784	569	441	140	52	25	15
Halifax	17,180	2,103	1,590	1,298	494	222	99	50
Hamilton	32,950	3,187	2,400	1,785	632	282	149	54
Kitchener	22,362	2,278	1,696	1,357	522	248	128	45
London	22,518	2,206	1,664	1,258	470	190	90	38
Montréal	214,163	17,837	11,602	8,843	3,241	1,588	765	337
Oshawa	11,983	1,028	766	528	189	102	35	24
Ottawa - Hull	59,262	5,136	3,838	2,855	1,033	471	226	133
Québec	35,048	3,561	2,394	1,799	599	261	135	91
Regina	9,603	1,330	1,018	816	246	121	53	38
Saint John	4,805	691	465	365	123	60	28	17
Saskatoon	12,748	1,667	1,299	896	261	102	67	21
Sherbrooke	8,891	846	502	365	119	37	29	10
St. Catharines - Niagara	17,596	1,904	1,408	1,033	361	176	86	29
St. John's	7,999	1,229	826	593	208	102	52	34
Thunder Bay	5,133	745	529	374	119	59	22	18
Toronto	348,278	25,754	20,151	16,484	6,381	3,232	1,669	612
Trois-Rivières	6,676	702	438	310	101	39	15	15
Vancouver	150,695	14,032	10,004	7,068	2,485	1,129	556	212
Victoria	20,042	2,211	1,561	1,059	334	149	85	43
Windsor	13,309	1,382	1,128	970	331	167	78	29
Winnipeg	29,345	3,817	3,074	2,360	891	416	208	87

Source: Statistics Canada

Business Formation By Size Of Firm

December 2004

BY PROVINCE

	Number of Employees							
	0-4	5-9	10-19	20-49	50-99	100-199	200-499	500+
Newfoundland and Labrador	20,200	3,098	1,795	1,217	387	181	99	56
Prince Edward Island	7,614	1,229	847	564	167	63	33	11
Nova Scotia	40,849	5,388	3,769	2,652	946	445	180	84
New Brunswick	34,983	4,558	3,052	2,162	690	313	147	60
Quebec	433,399	38,373	23,422	16,777	5,868	2,772	1,370	624
Ontario	708,830	60,502	45,486	34,850	12,637	6,168	3,083	1,169
Manitoba	60,729	6,546	5,005	3,582	1,232	544	281	113
Saskatchewan	81,035	7,267	4,886	3,192	918	399	209	69
Alberta	254,077	24,463	17,254	11,948	4,112	1,949	883	309
British Columbia	278,501	28,127	19,371	12,962	4,204	1,885	906	360
Yukon Territory	2,155	303	223	165	43	19	12	2
Northwest Territories	1,740	349	321	248	81	39	15	2
Nunavut	456	142	130	117	38	14	5	1
Canada	1,924,568	180,345	125,561	90,436	31,323	14,791	7,223	2,860

Source: Statistics Canada

Business Formation : Urban vs. Rural

December 2004

BY PROVINCE & CATEGORY

	Number of Employees			
	0-4	5-9	10-19	20-49
CANADA	1,924,568	180,345	125,561	90,436
Large Cities	1,212,431	110,365	80,473	61,255
Small Cities	712,137	69,980	45,088	29,181
ATLANTIC	103,646	14,273	9,463	6,595
Large Cities	29,984	4,023	2,881	2,256
Small Cities	73,662	10,250	6,582	4,339
QUEBEC	433,399	38,373	23,422	16,777
Large Cities	271,228	23,658	15,369	11,648
Small Cities	162,171	14,715	8,053	5,129
ONTARIO	708,830	60,502	45,486	34,850
Large Cities	539,691	44,404	34,149	27,085
Small Cities	169,139	16,098	11,337	7,765
MANITOBA	60,729	6,546	5,005	3,582
Large Cities	29,345	3,817	3,074	2,360
Small Cities	31,384	2,729	1,931	1,222
SASKATCHEWAN	81,035	7,267	4,886	3,192
Large Cities	22,351	2,997	2,317	1,712
Small Cities	58,684	4,270	2,569	1,480
ALBERTA	254,077	24,463	17,254	11,948
Large Cities	149,095	15,223	11,118	8,067
Small Cities	104,982	9,240	6,136	3,881
BRITISH COLUMBIA	278,501	28,127	19,371	12,962
Large Cities	170,737	16,243	11,565	8,127
Small Cities	107,764	11,884	7,806	4,835

Source: Statistics Canada

Sources:

CIBC World Markets

Statistics Canada

2005 CIBC Small Business Outlook Poll, conducted by The Strategic Counsel

The Self-Employment Study, conducted by Maritz Research

The 2005 CIBC Small Business Outlook Poll was conducted by The Strategic Counsel between July 18th and August 1st, 2005 and was based on a sample of 1,400 Canadian small business owners (defined as those businesses having between one and fifteen employees including the owner and having revenues under \$5 million for the year 2004). With a sample of this size, the results are considered accurate to within ± 2.6 percentage points, 19 times out of 20, of what they would have been had the entire Canadian population of businesses with 1-15 employees been polled. The margin of error will be larger within regions and for other sub-groupings of the survey population. The sample of respondents is representative of the region, CMA and employee size of Canada's small businesses according to the December 2004 Business Register data produced by Statistics Canada.

The Self-Employment Study was conducted by Maritz Research amongst a nationally representative sample of 2,000 Canadian adults between July 14th and 19th, 2005. With a sample of this size, the results are considered accurate to within ± 2.19 percentage points, 19 times out of 20, of what they would have been had the entire Canadian adult population been polled. The margin of error will be larger within regions, Census Metropolitan Areas, and for other sub-groupings of the survey population. The results are weighted to reflect age, gender and regional composition of the Canadian population according to the 2001 Canadian census. Percentages may not sum to one hundred due to rounding or the acceptance of multiple mentions.

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