



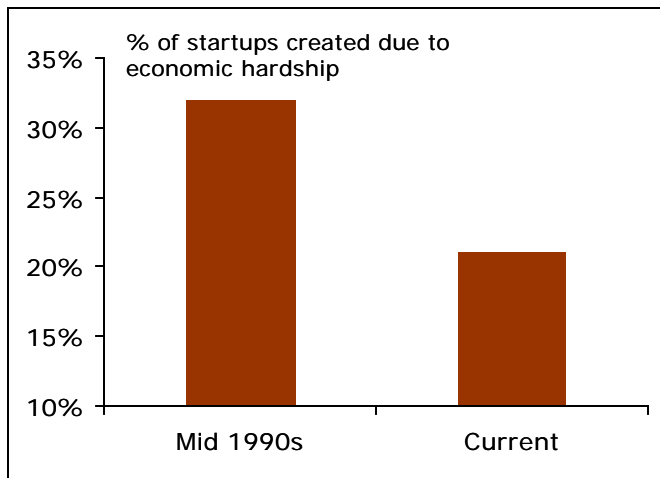
Start Me Up: A Look at New Entrepreneurs in Canada

Over the past two years, more than 25,000 small businesses began operations — an impressive performance considering it occurred along with robust labour market activity. Almost half of those entrepreneurs will stay in business for more than five years. Regionally, British Columbia has had the greatest startup growth in the past two years, followed by Alberta. Looking at the types of businesses created, science and health-related, financial services and sales and service fields have been the most popular sectors for new entrepreneurs.

More people are choosing self-employment

The increase in startup businesses despite a strong labour market indicates that a significant number of new entrepreneurs chose self-employment as a career rather than being forced to open a business due to a lack of employment opportunities. In fact, only 20% of those who started their own business in the past two years indicated that harsh employment conditions led them to start their own business. This is a notably lower proportion than observed among those who started their business during the jobless recovery of the mid-1990s.

Starting a Business: Choice vs Necessity



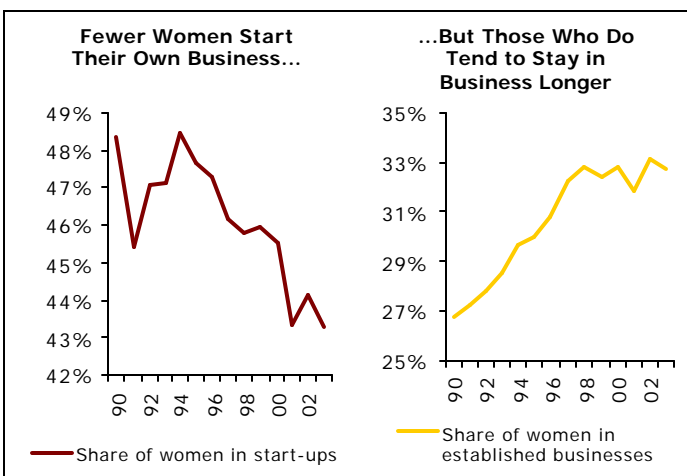
Many entrepreneurs jump in with both feet

Almost half (48%) of those who started a business in the past two years are the main breadwinners, while close to 8% opened their business as a secondary source of income. At the same time, one in four people who started operations in the past two years did so on a part time basis. This rate is much higher than the rate of observed among regular employees. One in five of those newly self-employed chose to work part-time due to family reasons such as childcare, while 45% indicated other lifestyle related reasons.

Women are in business for the long haul

Startup activity is still dominated by men, who accounted for just under 60% of total startups in 2003. In fact, the share of startups run by women among total startups fell from 48% in 1990 to 43% in 2003. However, there is more to the story. Among established businesses (non-start ups), the percentage of female entrepreneurs rose from 27% to 33%. This suggests that when women decide to start a business, they stay in business longer. In other words, on average, their survival rates are higher.

Women Are More Committed to their Business



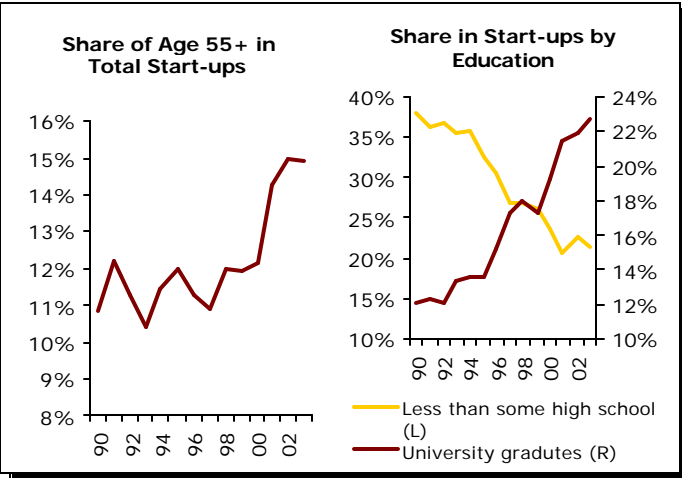
More university graduates are becoming entrepreneurs

The newly self-employed tend to be more educated. Almost one in four of those who have opened up shop in the past two years have a university degree. That is double the rate seen in 1990. At the same time, the share of startups with less than high school education fell from 38% in 1990 to 21% in 2003.

Boomer businesses are booming

By far the fastest growing segment of the startup market is the 55 and over age group. This group now accounts for 15% of total startups, compared to 11% in 1990. This trend represents not only an aging Canadian society, but also increased tendency toward early retirement. The affordability and availability of technology such as computers and the Internet enables older Canadians to provide consulting services from home. They are also able to use their well-developed skills and take advantage of their wide business network and connections more effectively.

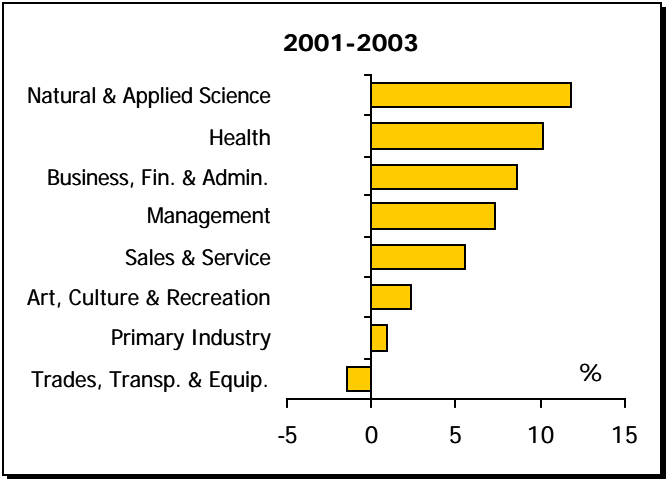
Newly Self-Employed Are Older and More Educated



Science and health-related fields are growing quickly

The fastest growing segment of the newly self-employed are those in natural and applied science-related fields. The number of new entrepreneurs in this category has risen by almost 12% over the past two years. This finding is consistent with increased education level among new business owners.

Growth In Start-ups by Occupation

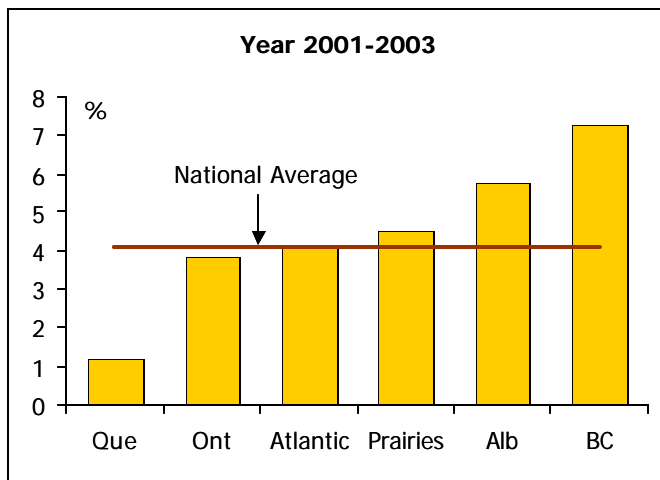


The recent focus on health care is also generating both regular employment (total employment in the sector rose by a strong 175,000 in the past two years) and the creation of startups in the industry, which are up 10% over the same period. The aging population is likely another factor in the robust startup growth in health care. Outsourcing by corporate Canada is likely fueling the growth in startups in business and financial services, where the number of startups rose by more 8.5% in the past two years, more than double the national average. Another strong group of new entrepreneurs are those in sales and services. This is not surprising given the strong consumer spending over the past two years and the growing demand for personal services, such as spas and catering, being driven by the aging baby boomers.

The Regional Picture

By province, British Columbia is leading the country in startup growth, particularly those in sales and services, with newly formed small businesses rising by almost 8%, nearly double the national average over the past two years. Alberta follows close behind, where there is concentration of startups in business services. The strong performance of startups in Western Canada is consistent with the overall economic environment in this part of the country, which has performed quite well. Startups in Ontario are growing at a rate consistent with the national average. In Quebec, there has been no growth in startups, which could reflect the development over the past few years of a strong demand for regular employees in the province. This may have deflated entrepreneurial intentions in Quebec.

Growth In Start-Ups by Region



A Look Ahead

The average age of those who start a business is gradually increasing (currently, more than 33% of startups are over the age of 45, compared to 20% among regular employees). Consequently, as the Canadian population ages, startup growth is expected to be strong. Given these realities, and with technology and the Internet making self-employment more feasible, we expect that over the next five years, more than 100,000 Canadians will be setting up shop.

Sources:

Statistics Canada
CIBC/Decima Small Business Poll
CIBC World Markets

Notes:

This report was written by CIBC World Markets.

Startups are defined as businesses that are in operation for less than two years.

Some of the data included in this report was derived from the CIBC/Decima Small Business Poll. This poll was conducted in September, 2003, and was based on a randomly selected sample of 1,351 Canadian small business owners (defined as those businesses having between 1-15 employees including the owner and having revenues under \$5 million for the year 2002). With a sample of this size, the results are considered accurate within ± 2.7 percentage points, 19 times out of 20, to what they would have been had the entire Canadian population of businesses with 1-15 employees been polled. The sample of respondents is representative of the regional distribution and employee size of Canada's small businesses according to the Small Business Profile 2002 produced by Statistics Canada. Note that "Did Not Know" or "Not Stated" (DK/NS) responses were excluded).

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