

ECONOMIC VIEWPOINT

Business Bankruptcies: How Do Quebec and Ontario Compare?

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HIGHLIGHTS

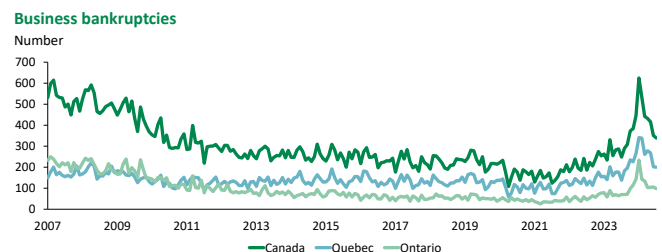
- ▶ In 2024, business bankruptcies spiked across Canada. The Canada Emergency Business Account (CEBA) loan deadline in January certainly played a major role. But businesses have continued to file for bankruptcy well into the year, especially in Quebec.
- ▶ In fact, Quebec has seen persistently higher business bankruptcy rates than other Canadian provinces, notably Ontario. This Economic Viewpoint explores the many reasons for this insolvency gap.
- ▶ There are two reasons that are purely economic: the industry breakdown for each province and the fact that Quebec’s economy has been weaker than Ontario’s recently.
- ▶ But there are other, less tangible factors at play as well. Because even if we adjust for Quebec’s different industrial structure and asynchronous economic cycles, the province still has a higher bankruptcy rate than Ontario, regardless of sector or time period. Something in the business ecosystem is contributing to this gap.
- ▶ It’s also worth pointing out that Quebec has a lower business closure rate than Ontario (and than the Canadian average), suggesting that businesses in Quebec are more likely to officially declare bankruptcy than choose an alternative form of closure.
- ▶ This means that we can’t look at business bankruptcy data in a vacuum. It’s only giving us part of the story. And once you account for total business closures, only a small proportion of which result from bankruptcies, Ontario’s situation loses its lustre—the business closure rate is actually higher than it is in Quebec.

Business Bankruptcies Peaked in Early 2024 before Settling Down

Economists tend to keep an eye on the business bankruptcy rate, and this year is no exception. The last year has been marked by an economic slowdown and the official end of pandemic-era government assistance for businesses. The first repayment deadline for CEBA loans was January 18, 2024: in the months leading up to this date, there was an unprecedented surge in business bankruptcies. (See graph 1 and box 1 on page 2.)

This repayment deadline seems to have been the final straw for many businesses, after four years of constant financial pressures: the pandemic and lockdowns, rising inflation and higher borrowing costs, and the economic slowdown that

Graph 1
Business Bankruptcies Peaked in January 2024 and Have Since Declined



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BOX 1: CEBA – CANADA EMERGENCY BUSINESS ACCOUNT

CEBA provided emergency financing of \$40,000 to \$60,000 to businesses in Canada. The vast majority of CEBA recipients were small businesses and some industries relied heavily on this government assistance, especially accommodation, food services, retail and other services.

Businesses that repaid the non-forgivable portion of their loan in full by January 18, 2024, were eligible for up to \$20,000 in loan forgiveness. They also weren't charged any interest on their initial loan, though it should be noted that some businesses did [borrow from financial institutions](#) to meet this initial deadline. Businesses that failed to repay their loans by this date (approximately 25% of all CEBA recipients) were then faced with interest-bearing debt and a final repayment date of December 31, 2026¹.

For more details, see our [analysis](#).

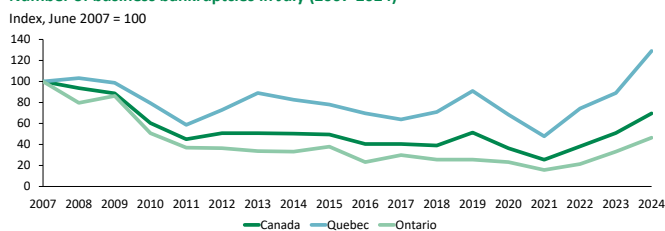
¹According to the most recent survey from [Statistics Canada \(Q3 2024\)](#), 92% of the businesses that received CEBA financing have now repaid it in full.

led to lower demand for goods and services. In January 2024 alone, Canada recorded 625 business bankruptcies, more than double the amount recorded over the same month in 2023 (263) and 2019 (228).

Fortunately, the number of bankruptcies dropped after the peak recorded in January and February. Every province and territory saw their numbers go down. But as of July, this recovery wasn't evenly distributed—while Canada and Ontario have returned to their 2011–2012 levels, Quebec's bankruptcies are still quite high, even surpassing their numbers from the 2009 recession (graph 2).

Graph 2
Quebec's Business Bankruptcies Are Higher than during the 2009 Recession

Number of business bankruptcies in July (2007-2024)



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Small Businesses Face Tougher Conditions

At this point, small businesses seem to be facing more financial pressure than large ones. In its May 2024 [Report on Financial Stability](#), the Bank of Canada (BoC) notes that the 2024 surge in insolvencies was primarily driven by small businesses, which are more likely to struggle financially. The slower economy, higher costs of borrowing and the gradual phasing out of pandemic-related government assistance have all played a role.

The BoC also points out that while business insolvencies have risen in 2024, they also dropped during the pandemic, suggesting that government assistance helped prop up businesses that would have otherwise gone under. The pandemic lockdowns also caused a backlog in the insolvency filing process. Some catchup was therefore to be expected.

While it's true that fewer businesses filed for bankruptcy during the pandemic, corporate exits actually increased in 2020 ([Statistics Canada, 2023](#)). Official insolvency procedures are not the only option for struggling businesses: they can also close without any formal process. Most businesses that exit the market in any given year tend to do so without declaring bankruptcy. The majority of them just close their doors one last time, then liquidate their assets. This means that business bankruptcies don't give us a clear idea of business mortality over time ([Ministère de l'Économie du Québec, 2022](#)). According to Statistics Canada, "the notable increase in business exits during the pandemic raises the possibility that business failures materialized in other informal exit patterns rather than in formal insolvency pathways." (See box 2 on page 3.)

Quebec: 44% Fewer Businesses than Ontario, but Twice the Number of Bankruptcies

For more than a decade, Quebec has had more bankruptcies than Ontario, both in rate and in numbers (table 1 on page 3). On average from 2016–2023, Quebec had 44% fewer businesses than Ontario, but twice as many bankruptcies and insolvencies. What explains this discrepancy?

BOX 2: BUSINESS CLOSURES VS. BANKRUPTCY AND INSOLVENCY

The *Bankruptcy and Insolvency Act* lays out two options for insolvent businesses: They can liquidate their assets through a formal bankruptcy process or work with their creditors to restructure their debt and continue their operations, which is called a “proposal.” The term “insolvency” encompasses both pathways: bankruptcies and debt restructuring proposals. The term “business exit” refers to the permanent closure of a business and its disappearance from the marketplace. Though some exits do involve bankruptcy, those cases are the minority.

Businesses may involuntarily exit due to a failure, without a formal bankruptcy process. Business exits can also happen voluntarily. “Individual owners may close their businesses for idiosyncratic reasons (e.g., retirement, preference, opportunity or change in life circumstances). Owners may sell their businesses or self-liquidate profitable businesses to obtain the equity. Mergers and acquisitions may also be a form of business exit.”

Bankruptcies are included in total exit counts, while proposals that are accepted by creditors are not. On average from 2004–2020, 9.0% of businesses exited the Canadian market, but just 0.22% declared bankruptcy and 0.04% filed insolvency proposals.

Source: [Statistics Canada, 2023](#).

Table 1
Number and Rate of Business Bankruptcies, 1999-2023

YEAR*	QUEBEC		ONTARIO		CANADA	
	NUMBER	RATE (%)	NUMBER	RATE (%)	NUMBER	RATE (%)
1999	3,287	7.5	2,884	4.6	10,033	5.5
2004	1,968	3.8	2,558	3.0	8,136	3.5
2009	1,894	4.1	2,208	2.6	5,420	2.4
2014	1,690	3.1	835	0.8	3,116	1.2
2019	1,620	1.9	652	0.4	2,746	0.7
2020	1,258	1.4	536	0.3	2,108	0.5
2021	1,260	1.4	447	0.3	1,942	0.5
2022	1,624	1.8	658	0.4	2,621	0.6
2023	2,256	2.4	991	0.5	3,702	0.8

* In 2015, Statistics Canada changed the way it counts businesses. This led to an increase of 1 million businesses in 2015, which lowered the business bankruptcy rate.
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Ontario’s Industrial Structure Gives It an Advantage

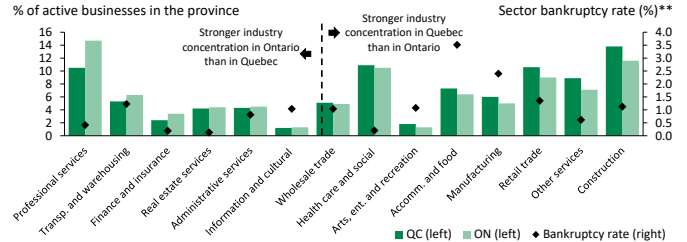
Part of the answer lies in the two provinces’ different industrial structures. Ontario has a higher concentration of businesses in two sectors with low bankruptcy rates: professional, scientific and technical services, and the finance and insurance sector. And Quebec’s situation is the opposite, with greater proportions in sectors with higher-than-average bankruptcy rates: construction, retail, and accommodation and food services (graph 3).

Quebec also has a larger proportion of manufacturing businesses, another industry with high bankruptcy rates. This is because manufacturing companies typically have marketable assets to preserve for creditors, which makes them more likely to opt for a formal process when settling debts and liquidating assets ([Statistics Canada, 2023](#)).

All the same, we can’t attribute the entire Quebec–Ontario gap to their industrial structures. These differences persist even within the same industries: bankruptcy rates are systematically higher in Quebec than in Ontario for each major industry (table 2).

Graph 3
Quebec Businesses Are More Concentrated in Industries with Higher Average Bankruptcy Rates

Business distribution and bankruptcy rates, Quebec and Ontario, 2016-2023 average, by industry*



* Excludes sectors with a proportion of 1% or less. ** Canada (average rate: 0.7)
Office of the Superintendent of Bankruptcy, Statistics Canada and Desjardins Economic Studies

For example, Quebec’s construction industry has a bankruptcy rate of 1.2%, which is three times higher than Ontario’s 0.4%. But this data can’t be analyzed in a vacuum—the closure rate for each industry is actually higher in Ontario than in Quebec (table 2). We’ll be discussing this discrepancy further down.

Table 2
Bankruptcy and Closure Rates by Industry, 2024*

INDUSTRY	BANKRUPTCY RATE** (%)		CLOSURE RATE*** (%)	
	QUEBEC	ONTARIO	QUEBEC	ONTARIO
Agriculture, forestry, fishing and hunting	2.8	1.9	4.1	7.2
Construction	1.2	0.4	3.6	5.6
Manufacturing	1.5	0.7	2.0	3.0
Wholesale trade	1.6	0.5	2.0	2.9
Retail trade	1.7	0.5	2.7	3.8
Transportation and warehousing	2.5	0.5	5.7	8.4
Information and cultural industries	3.1	0.7	3.8	3.8
Finance, insurance and management of companies and enterprises	2.7	0.3	3.3	4.9
Real estate and rental and leasing	1.2	0.2	4.2	5.7
Professional, scientific and technical services	0.9	0.2	3.7	5.3
Administrative and support, waste management and remediation	1.9	0.5	4.3	5.5
Educational services	1.7	0.5	3.7	4.8
Health care and social assistance	0.3	0.1	2.5	3.1
Arts, entertainment and recreation	2.6	0.8	3.4	5.1
Accommodation and food services	3.5	0.9	3.9	4.6
Other services (except public administration)	1.2	0.4	2.9	4.1

* As at May 30, 2024. ** Number of bankruptcies over 12 months divided by the number of active businesses. *** Closures/Active businesses in May
Office of the Superintendent of Bankruptcy, Statistics Canada and Desjardins Economic Studies

Quebec’s Economy Has Slowed More than Ontario’s

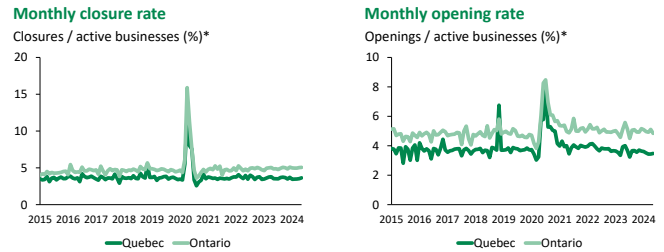
The two provinces have dramatically different economic conditions, which also weighs in the balance—there’s a reason why Quebec’s government aims to catch up to Ontario’s per capita GDP. Ontario’s solid performance in the 2010s has had knock-on effects to this day. We also know that Quebec’s economy struggled in 2023, with three straight quarters of contraction. Ontario experienced no such drop in economic activity. It’s no wonder that Quebec’s businesses have continued to file for bankruptcy in greater numbers up until now. We’ll need to monitor this trajectory over the coming months. But if the past is any indication of the future, we shouldn’t expect Quebec’s bankruptcies to match Ontario’s any time soon. That hasn’t been the case on a lasting basis since 2010. (See graph 1 on page 1.) Even so, we can expect business bankruptcies to slow further in both provinces.

Quebec: The Highest Bankruptcy Rate but the Lowest Rate of Business Closures

If we look back over the years, we can see that there’s still one final component to the current Quebec–Ontario gap. Between 2007 and 2014, the number of business bankruptcies declined 17% in Quebec—but in Canada and Ontario, they fell 50% and 68% respectively. That’s a dramatic difference, that occurred well before Quebec’s economic slowdown in 2023. And the contrast isn’t just between Quebec and Ontario, it’s between Quebec and all the other provinces.

One explanation is that businesses in Quebec simply seem more likely to choose a formal insolvency process, rather than an informal exit. Quebec actually has one of the lowest business exit rates in Canada, but the highest insolvency and bankruptcy rates for businesses (table 3). Graph 4 shows that the business closure rate has been higher in Ontario than in Quebec for the last decade. Quebec also has a lower business opening rate than Ontario.

Graph 4
Business Opening and Closure Rates Are Both Higher in Ontario than in Quebec



*Seasonally adjusted data
Statistics Canada and Desjardins Economic Studies

Less Tangible Factors Affecting Business Dynamics

Having a higher insolvency rate isn’t inherently bad. Declaring bankruptcy is a known risk for business owners. And some sectors tend to have more natural turnover—for example, accommodation and food services is an industry where businesses both open and close down more frequently.

To flesh out our understanding of the situation in Quebec, we need to ask ourselves what incentives there are for businesses to open and stay open. We also need to know why businesses fail, and what drives them to choose bankruptcy instead of a less formal closure pathway. Do Quebec businesses face more severe penalties if they don’t submit to a formal insolvency process? Are there regulatory or administrative barriers that make doing business in Quebec more complicated for some industries? These are questions that can only be answered by examining Quebec’s complex business ecosystem and all of the interacting elements within it.

These include policies that promote business creation, as well as the wide array of government assistance and tax breaks available. For example, we may see higher rates of business openings if the government de-risks startups, or we may see higher Year Two closure rates if startup assistance ends after the first year. Insolvency rates may also be affected by any legislation, taxation (and fiscal authority approaches), or cultural norms that make declaring bankruptcy more or less acceptable. For example, it would be interesting to see if regulators and tax authorities in Quebec are more likely to advise struggling businesses to initiate formal insolvency procedures, than in other provinces. We also know that Quebec handles unpaid sales tax debt differently: Revenu Québec collects GST and QST debt, not the Canada Revenue Agency. If these two authorities take contrasting approaches to collections (deadlines, enforcement), businesses may be more or less inclined to seek protection from these creditors.

And looking beyond public policy, business statistics may also be influenced by the amount of venture capital available, and the level of risk tolerance and support offered by financial institutions and creditors—for example, access to alternative or asset-based

Table 3
Exit Rates and Bankruptcy Rates by Province

PROVINCE	EXIT RATE (%)			BANKRUPTCY RATE (%)		
	2004–09	2010–19	2020	2004–09	2010–19	2020
Canada	9.1	8.8	10.2	0.25	0.21	0.15
Quebec	8.2	7.7	8.1	0.65	0.68	0.50
Ontario	9.1	8.6	10.6	0.20	0.11	0.09
Newfoundland and Labrador	8.8	8	8.7	x	x	x
Prince Edward Island	7.5	7.4	11.6	x	x	x
Nova Scotia	7.6	7.2	7.4	0.13	0.12	0.07
New Brunswick	8.1	7.7	7.5	0.17	0.16	0.07
Manitoba	7.2	7.1	8.1	x	x	x
Saskatchewan	8.3	8.7	10.3	x	x	x
Alberta	10.5	10.4	13.5	0.06	0.05	0.05
British Columbia	9.4	9.2	9.6	0.07	0.05	0.04

x: confidential
Statistics Canada and Desjardins Economic Studies

lending. Finally, other aspects of the business ecosystem may also play a role: the availability and affordability of licensed insolvency trustees and ready alternatives to bankruptcy, such as restructuring proposals, mergers and acquisitions.

Conclusion

The number and rate of bankruptcies are just two of many indicators that measure the financial stability and dynamism of businesses within an economy. They may reveal interesting insights, but they need to be combined with more data to get a clear portrait of any given region or industry.

Our analysis shows that before 2012, Quebec did not always record more business bankruptcies than Ontario in any given year. But this has been the case from 2012 onward. And Quebec's business bankruptcy rate has been systematically higher than in the other provinces since the late 1990s.

The Quebec–Ontario bankruptcy gap has been widened by the two provinces' diverging industrial structures, as well as Quebec's notably weaker economic performance in 2023. But we probably need to look past the numbers to get a clearer understanding of the situation. We need to focus on public policy, the support systems for struggling businesses, and business dynamics within each province. We also need to look at broader business closure trends, instead of analyzing bankruptcies on their own. The pandemic has taught us that a decrease in one area can lead to an increase in another. And while Quebec has the highest business bankruptcy rate in the country, its closure rate is lower than both Ontario's and the Canadian average.

Finally, statistics on [business profitability](#) and debt levels can provide additional insights into corporations' financial health.

In the months ahead, we expect Canada's economy to keep growing, including in Quebec and Ontario. Business bankruptcies should therefore continue to drop from their Q1 peak.