

Business Insights Quarterly

Q2 2025



Canadian
Chamber of
Commerce

Chambre de
Commerce
du Canada



Business
Data Lab

Laboratoire de données
sur les entreprises





MESSAGE FROM THE BUSINESS DATA LAB

This edition of *Business Insights Quarterly* marks a pivotal moment for Canadian businesses, as rising trade tensions and persistent economic uncertainty converge to test their resilience. After stronger economic performance in Q1 2025, confidence has slipped again. Business sentiment deteriorated in Q2, driven by weakening consumer demand, escalating supply chain pressures and growing anxiety over Canada–U.S. trade relations.

Exporters — historically among the most optimistic Canadian businesses — are now sounding the alarm. Confidence within this group has dropped to its lowest level in years, driven by heightened policy uncertainty, rail and port disruptions, and the re-emergence of tariff threats.

Across firm sizes, mid- to large-sized businesses saw the steepest drop in sentiment. These companies — which employ a significant share of the Canadian workforce and anchor major supply chains — are increasingly exposed to both demand- and cost-side pressures.

After months of more stable inflation expectations, the share of businesses anticipating higher selling prices is climbing again. This shift suggests that external shocks — including tariffs and supply constraints — are increasingly filtering into cost structures and may soon show up at the consumer level.

While most firms have yet to take concrete action in response to tariff risks, some exporters are adjusting course. Many are proactively diversifying suppliers, building inventory buffers and expanding into non-U.S. markets. The sharp rise in USMCA preference utilization signals that businesses are also working harder to navigate compliance rules and minimize tariff exposure.

Despite the headwinds, Canadian businesses continue to demonstrate resilience. But they now face a more complex landscape — one defined by higher uncertainty, higher costs and rising trade friction. The need for smart, responsive planning and data-driven decision-making has never been greater.

The Business Data Lab (BDL) remains committed to providing businesses and policymakers with clear, timely insights that help them navigate today's evolving economic terrain.

For more insights — including regional and sector-level trends — explore our interactive *Business Insights Tracker* on the BDL website.

Patrick Gill

Vice President,
Business Data Lab, Canadian Chamber of Commerce



KEY FINDINGS

Business Outlook

- **Confidence declines for fourth straight quarter:** BDL's index remains below 100, signaling weak short-term confidence, particularly in Ontario and among trade-exposed industries. Businesses with 5–19 employees experienced the largest decline in sentiment, followed by those with 20+ employees.
- **Exporter outlook hits lowest level in years:** Exporters, usually among the most optimistic, now trail other firms in sentiment. This drop reflects supply chain disruptions, tariff anxieties, higher costs and softening demand.
- **Confidence gap grows by region and city:** Ontario, especially Southwestern Ontario, saw sharp declines, while Atlantic Canada remained more resilient. Calgary posted the steepest drop among census metropolitan areas (CMAs), while Oshawa had the weakest outlook overall.





KEY FINDINGS

Business Obstacles

- **Weak consumer demand remains a top concern, outpacing labour challenges:** For the third consecutive quarter, businesses rank weak consumer demand as a greater obstacle than attracting and retaining workers. This sustained shift signals ongoing concerns over softening consumer confidence and spending.
- **Inflation concerns resurface as cost pressures mount:** One in four businesses cite inflation as the primary growth barrier. More businesses expect to raise prices — a reversal after months of easing — pointing to tariff-related cost pass-through risks.
- **Debt constraints rising, particularly for mid-sized firms:** While interest rates are easing, many businesses, especially in the mid-market segment, report limited ability to take on new debt due to high costs and repayment capacity concerns.
- **Labour challenges persist, but nature of problem shifts:** While labour market tightness has softened to normal levels, labour-related obstacles now appear structural in sectors such as construction, accommodation, food services, and healthcare.
- **Exporters report mounting supply chain strain:** Exporters saw a 32-point increase in supply chain obstacles, driven by trade disruptions. This was the second consecutive quarter in which supply chain obstacles rose for all businesses.





KEY FINDINGS

Trade

- **Trade uncertainty drives sharp sentiment reversal:** Large exporters remain highly exposed to U.S. markets, but trade tensions and tariff threats have eroded their optimism advantage. Services exporters are feeling better than goods exporters.
- **Rising compliance and diversification efforts take hold:** More exporters are using USMCA tariff preferences and shifting business strategies. While most firms haven't acted on tariff threats, exporters are adjusting aggressively.
- **Businesses brace for more uncertainty ahead:** Trade policy uncertainty has surged to its highest level since NAFTA renegotiations. Businesses expect higher costs and elevated risk under a new U.S. administration — underscoring the need for agility.
- **The cure bites back:** Canada's counter-tariffs are hitting businesses harder than the U.S. measures they answer. A higher share of Canadian businesses report medium-to-high exposure to Canada's retaliatory tariffs (37%) than to U.S. tariffs (35%).



Q2 2025

OUTLOOK ACCORDING TO CANADIAN BUSINESSES

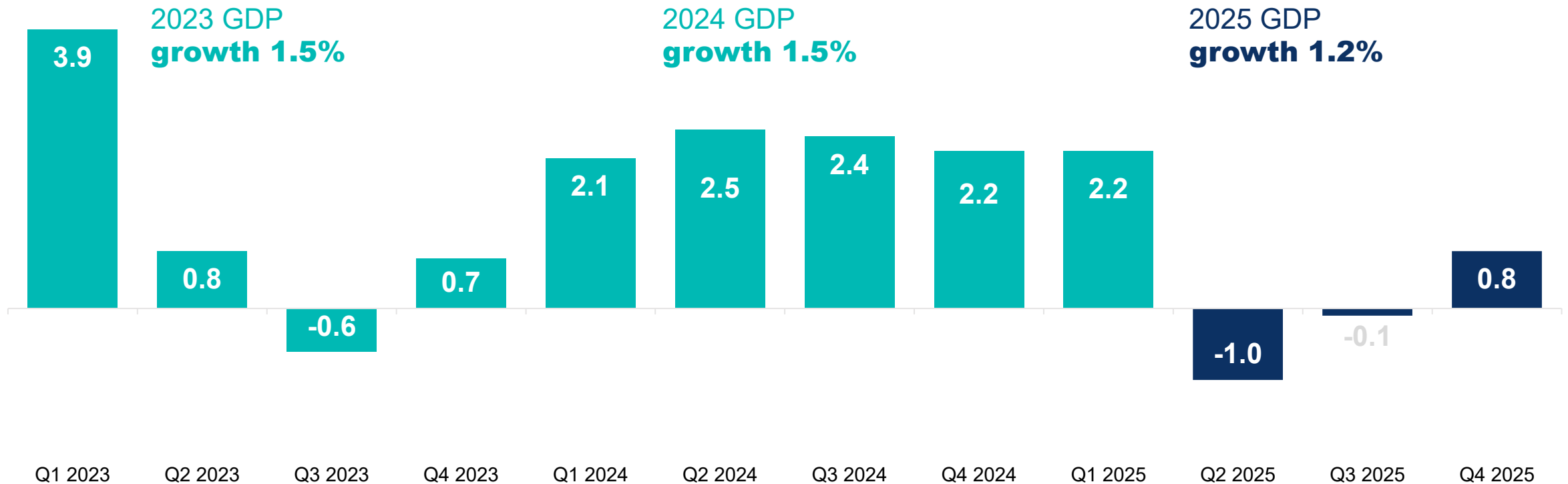


Q1 bounce gives way to likely Q2 contraction.

Canadian real gross domestic product (GDP) growth

Chained 2017 dollars, annualized quarterly percent change

Actual Forecast



Sources: Statistics Canada's historical data and Bloomberg consensus forecast as of June 2, 2025.

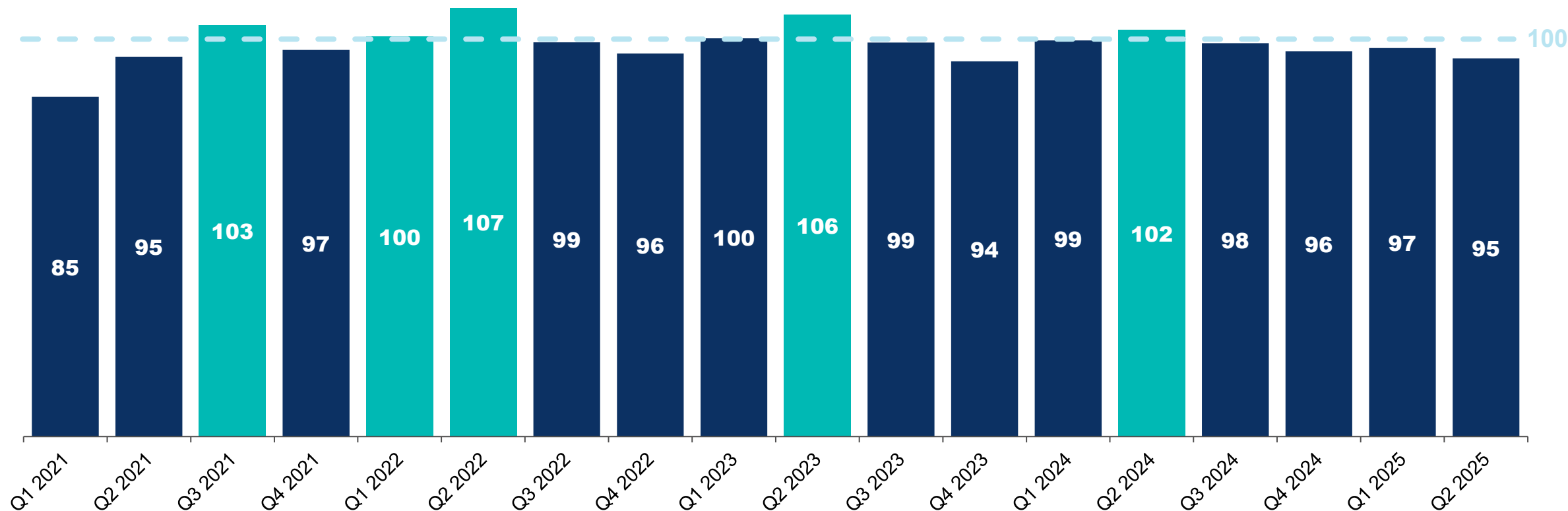
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Business sentiment remains weak after four consecutive quarters.

Business Expectations Index

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment

■ Deteriorating ■ Improving

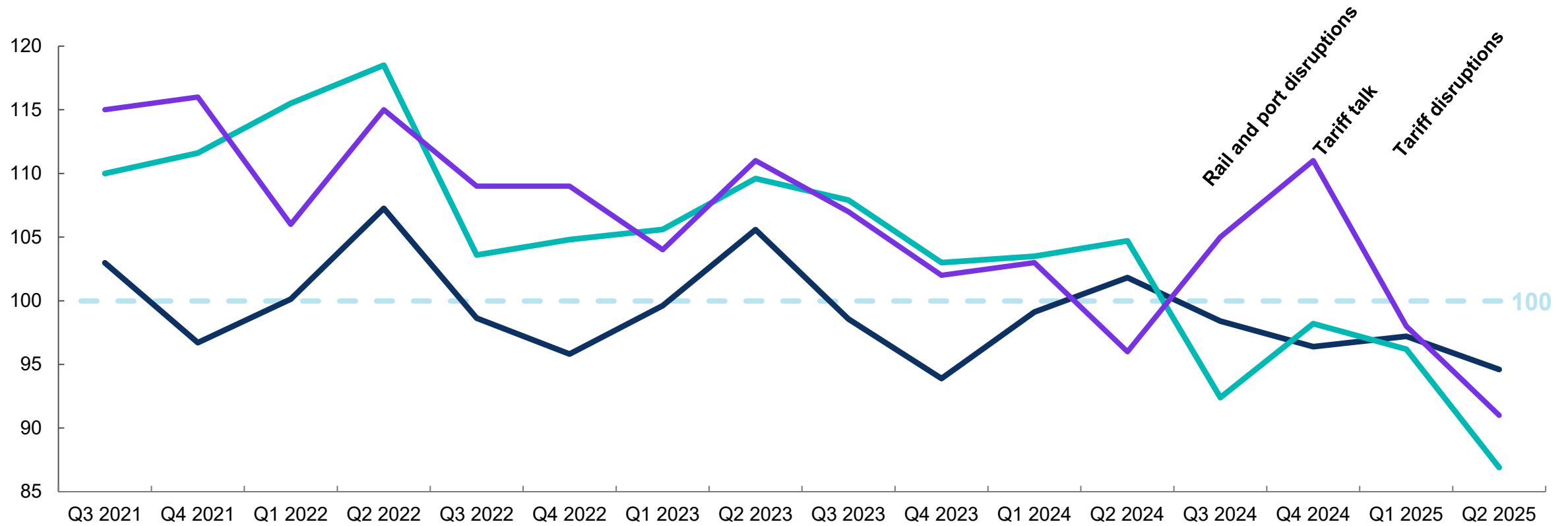


Tariff trouble drags exporter outlook to lowest level in years.

Business Expectations Index

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment

All industries Goods exporters Services exporters



Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.

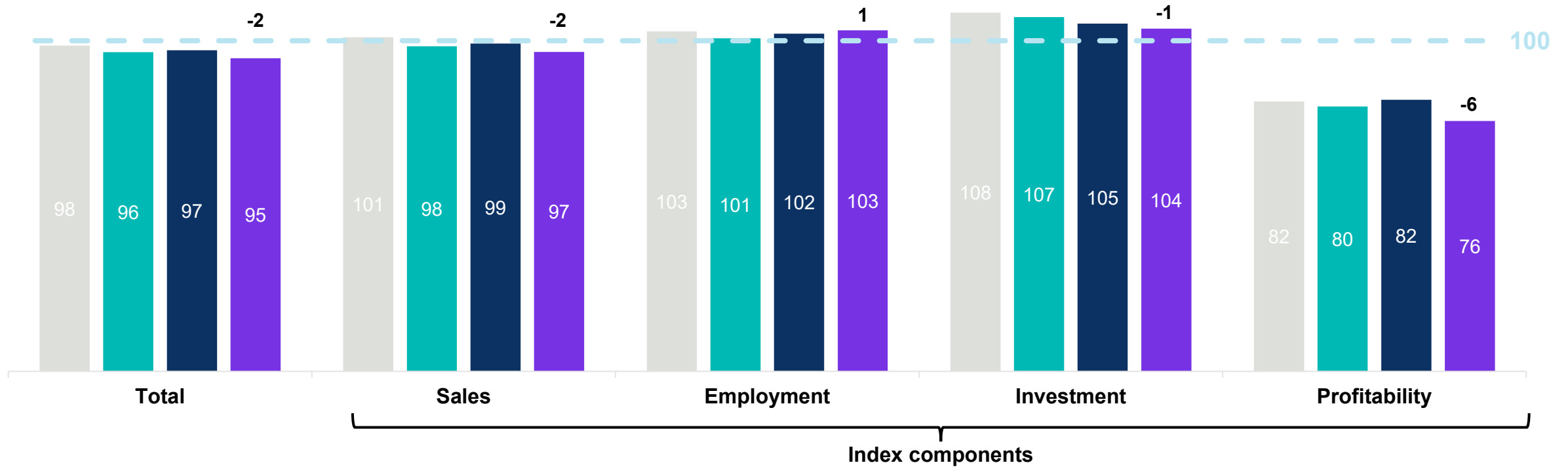
Business Data Lab

Lower sales and profit expectations keep confidence down.

Business Expectations Index, total and components

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment

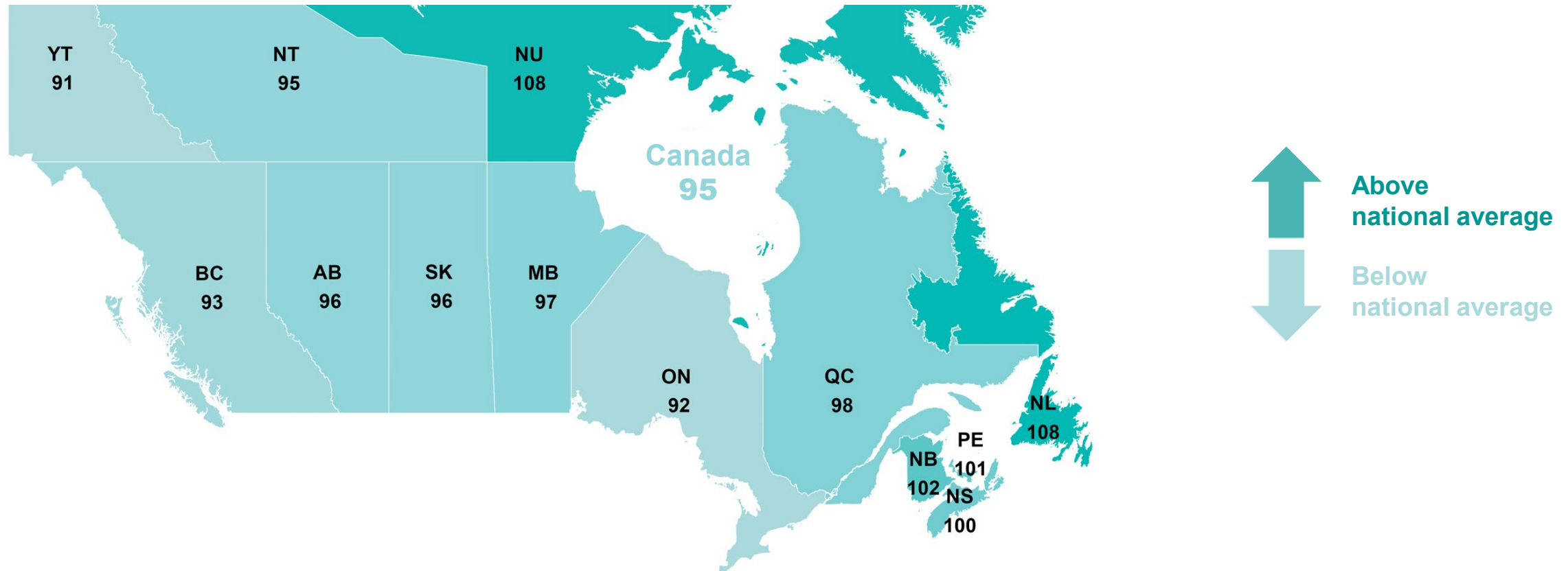
Q3 2024 Q4 2024 Q1 2024 Q2 2025



Confidence weakens nationally but remains resilient in Eastern Canada.

Business Expectations Index, provinces and territories

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment

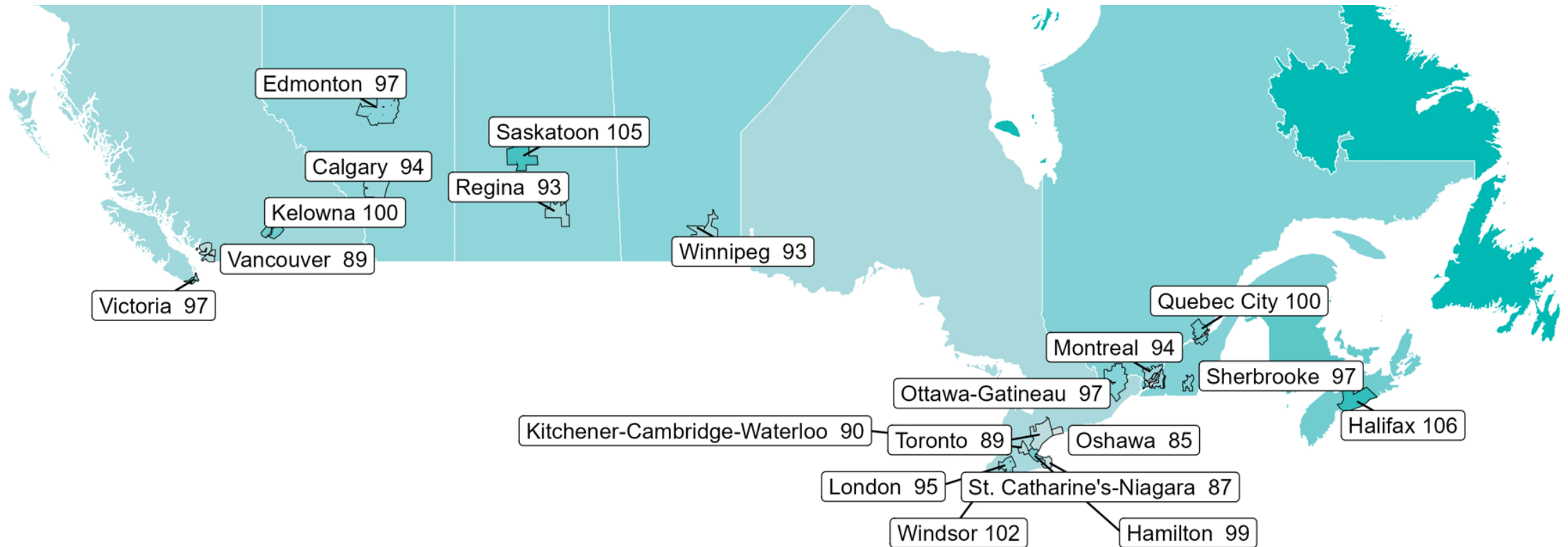


Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 9,103 business responses in April and May 2025.

While Oshawa had the lowest sentiment among CMAs in Q2, Calgary had the steepest decline in outlook (-14 quarter over quarter).

Business Expectations Index, census metropolitan areas (CMAs)

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment



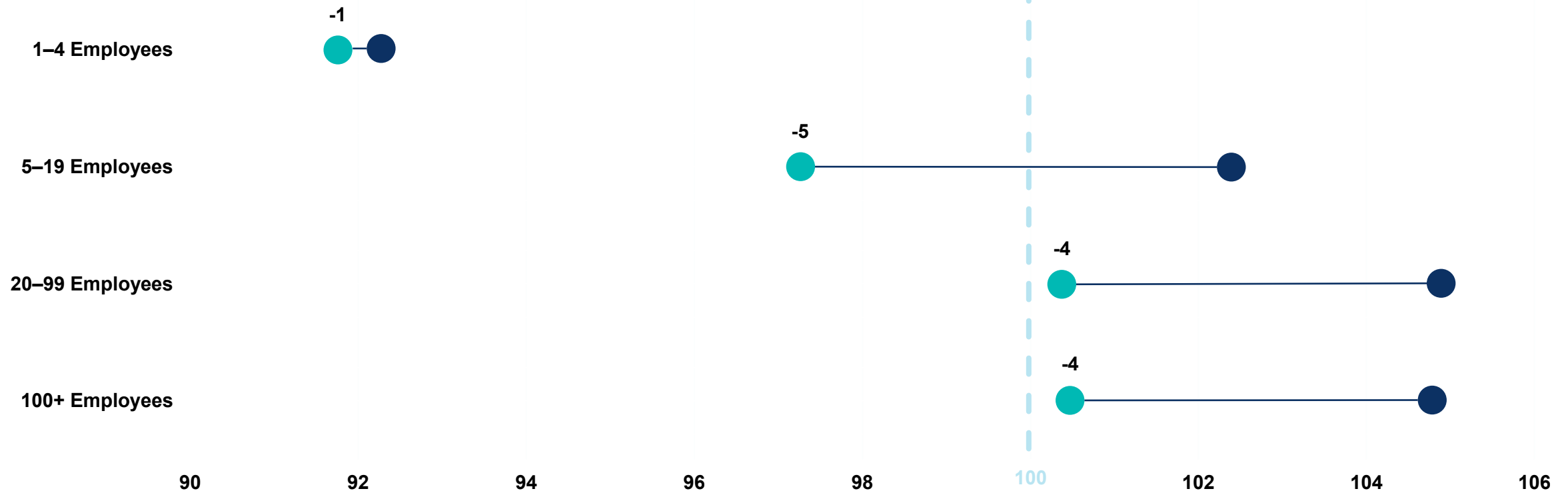
Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 9,103 business responses in April and May 2025.

Mid-to-large enterprises saw biggest drop in outlook. Such firms account for ~40% of businesses in Canada.

Business Expectations Index, by firm size

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment

■ Q1 2025 ■ Q2 2025

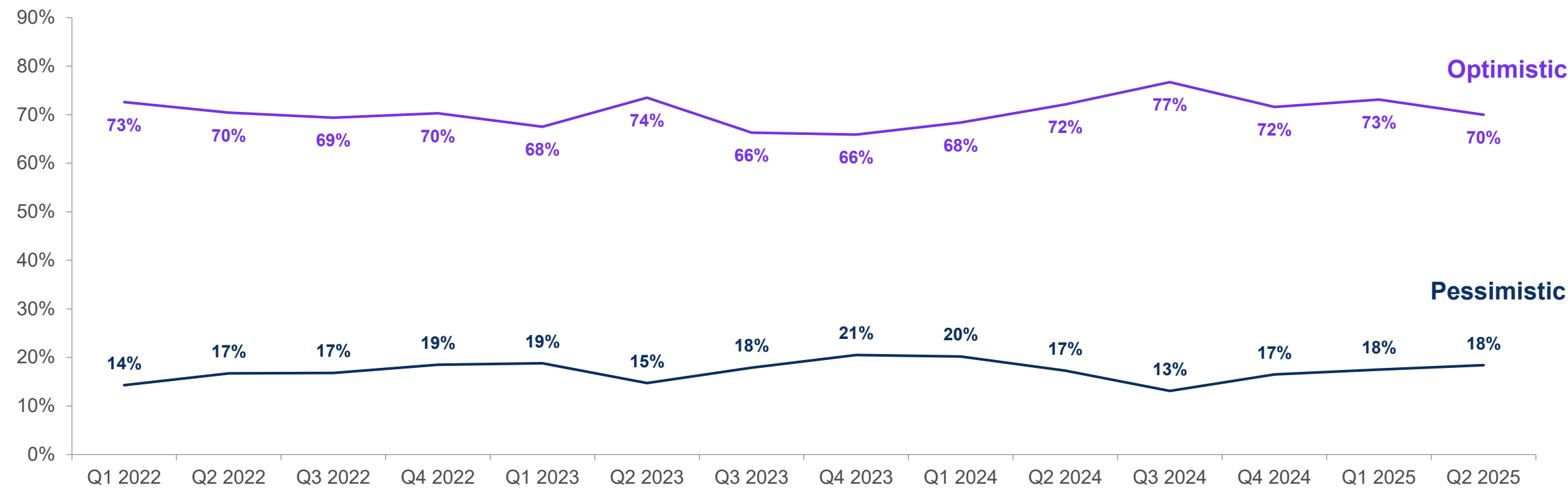


Source: BDL analysis using Statistics Canada's Canadian Business Counts and *Canadian Survey on Business Conditions*; 9,103 business responses in April and May 2025.

Business outlook holds steady, but pessimism creeps up this quarter.

Future outlook for businesses

Next 12 months; % of all businesses



Note: Optimistic includes “somewhat optimistic” and “very optimistic”; pessimistic includes “somewhat pessimistic” and “very pessimistic”.
Reponses do not sum to 100% because of “unknown” responses.
Source: BDL analysis using Statistics Canada’s *Canadian Survey on Business Conditions*.

Q2 2025

BUSINESS OBSTACLES



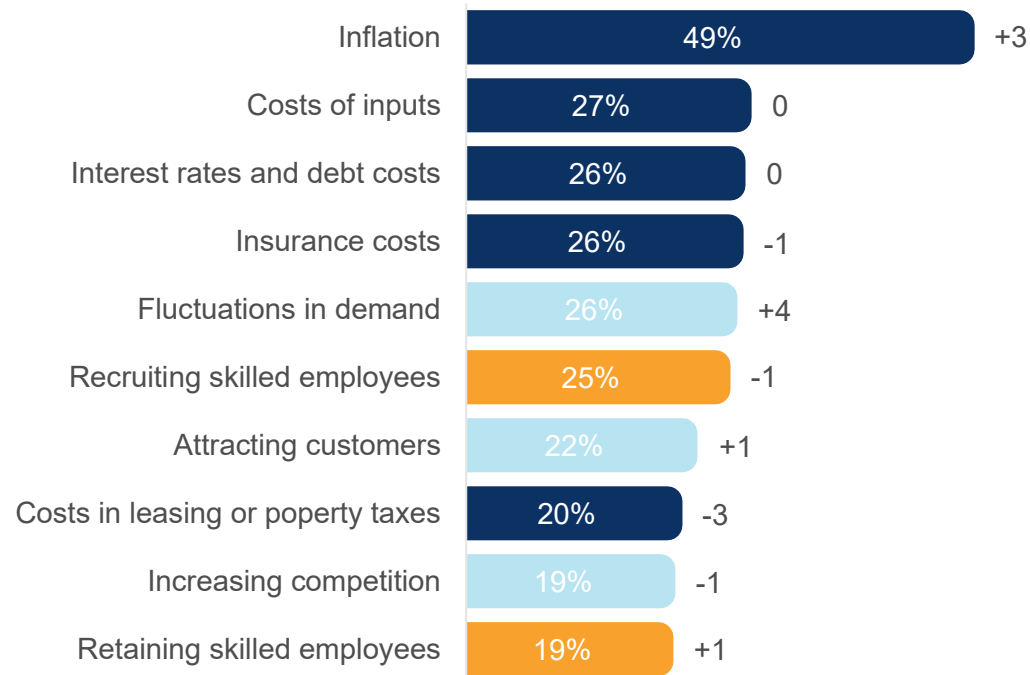
Inflation tops business concerns again as demand pressures intensify.

1 in 4 firms now say high costs are primary factor limiting growth.

Business obstacles expected over next three months

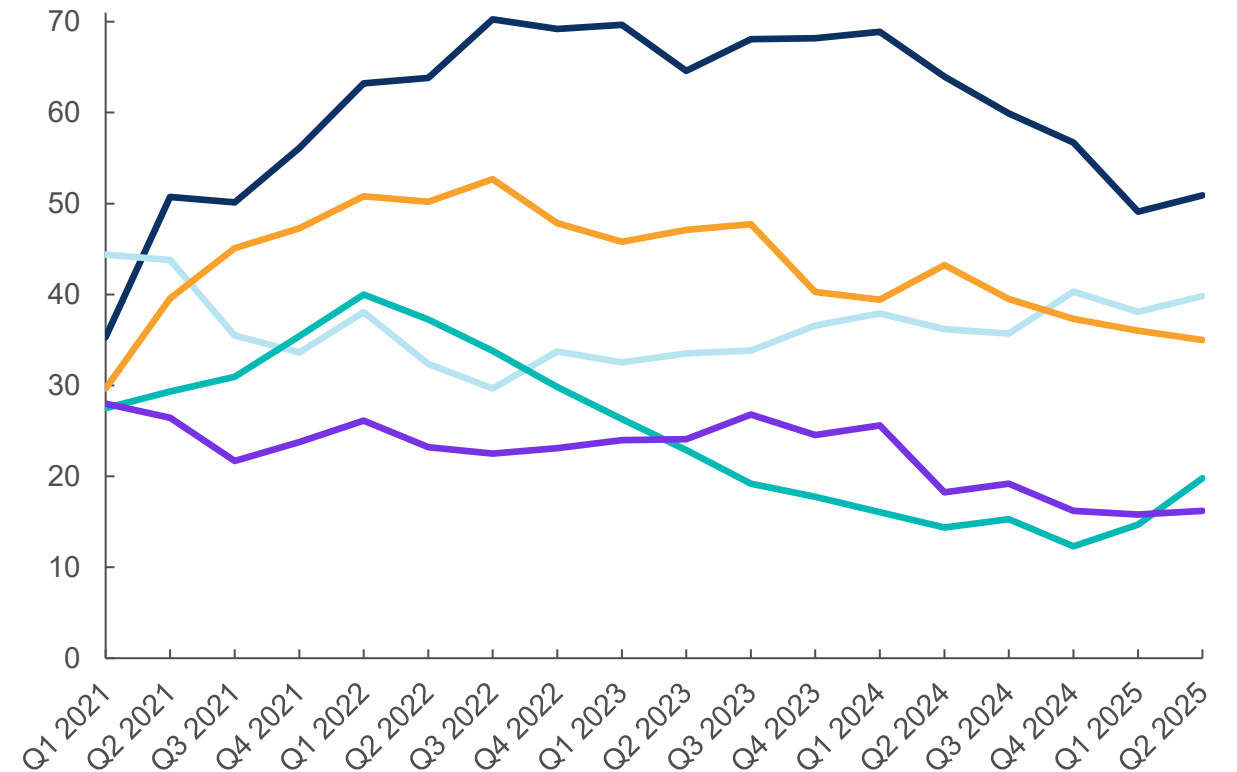
% of all businesses

Top 10 business obstacles in Q2 2025



Costs Demand Labour Financing Supply

Business obstacles by category over time



Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 9,103 business responses in April and May 2025.

Q2 2025

INFLATION AND DEBT CONSTRAINTS



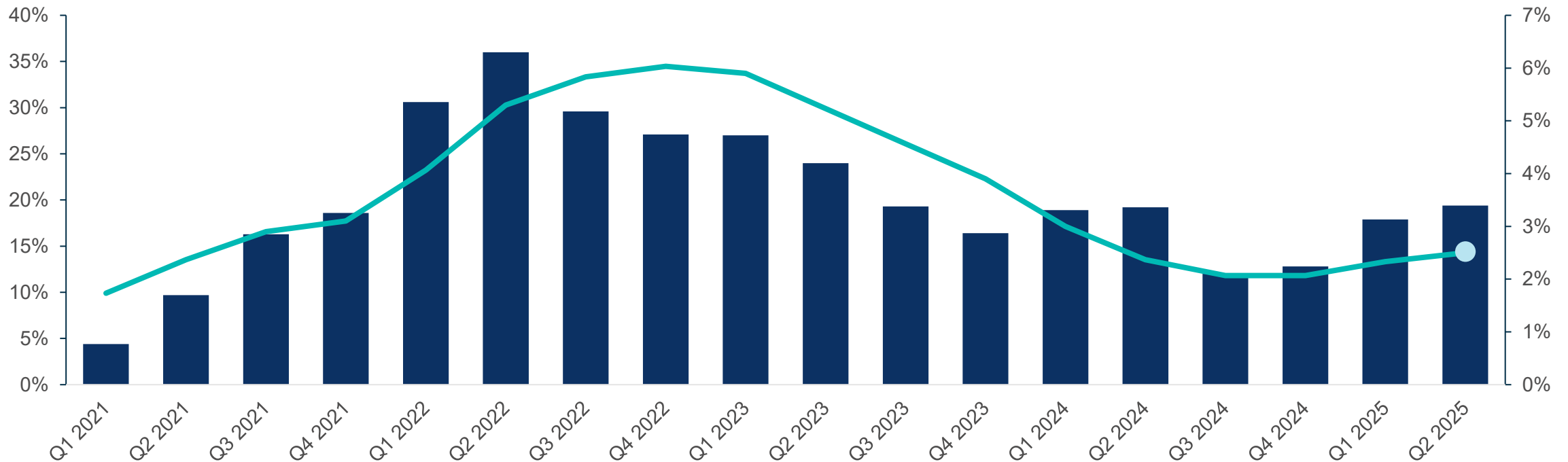
Businesses signal fresh wave of price increases. Inflation expectations hold firm.

Businesses expecting to raise their prices over next three months vs. quarterly CPI-common

■ % of businesses expecting price changes in next three months; balance of opinion*, left axis

— CPI-common; quarterly YoY averages, right axis

● April 2025 CPI-common



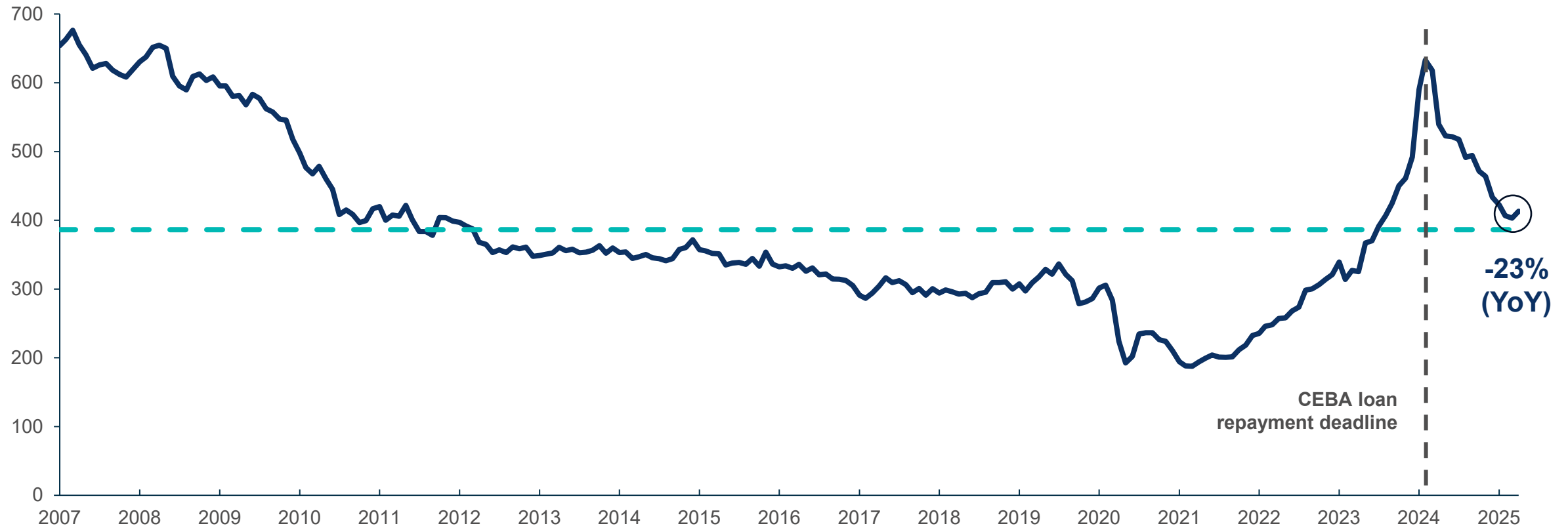
Note: *Balance of opinion = percentage of firms expecting to raise their selling prices minus percentage expecting to lower prices.
Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions* and CPI data.

Bankruptcies are down from their 2024 peak — now near 20-year average. Early signs show tariffs and a slowing economy could change things.

19

Business insolvencies in Canada

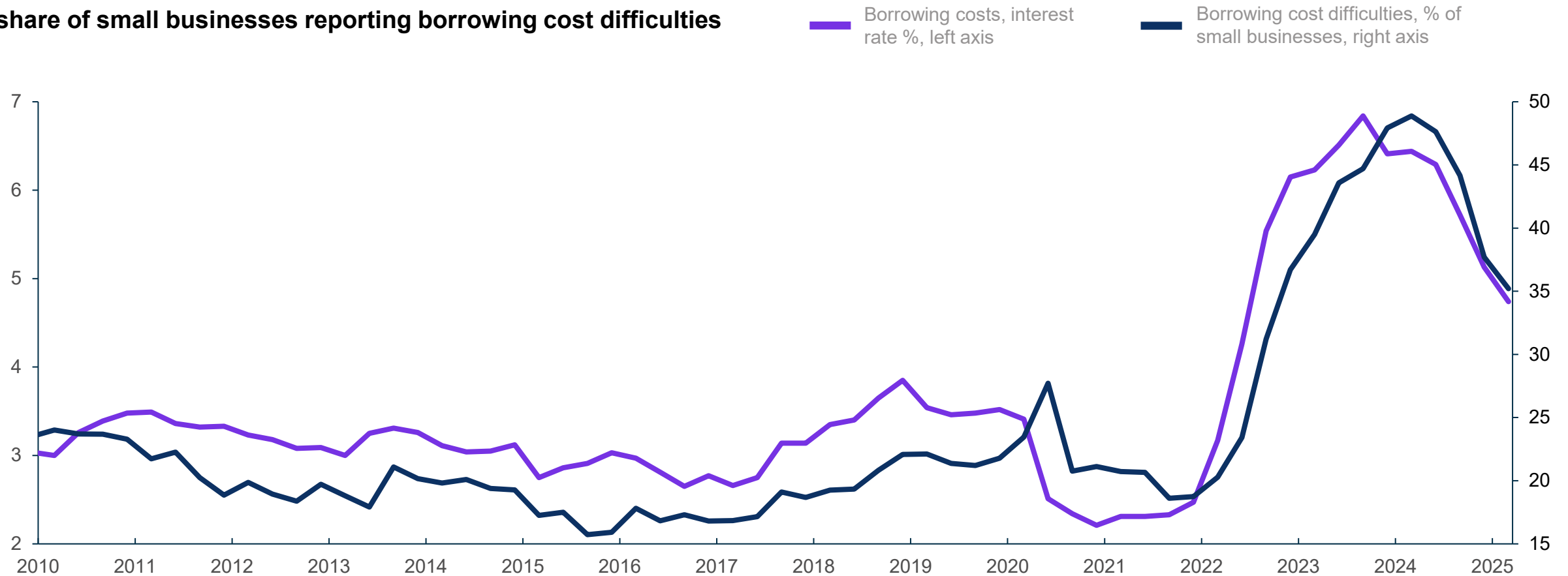
Number of businesses, three month moving average, seasonally adjusted



Note: CEBA = Canada Emergency Business Account
Source: BDL calculations using ISED data.

Businesses are still struggling with borrowing costs, but the situation has improved alongside interest rate cuts.

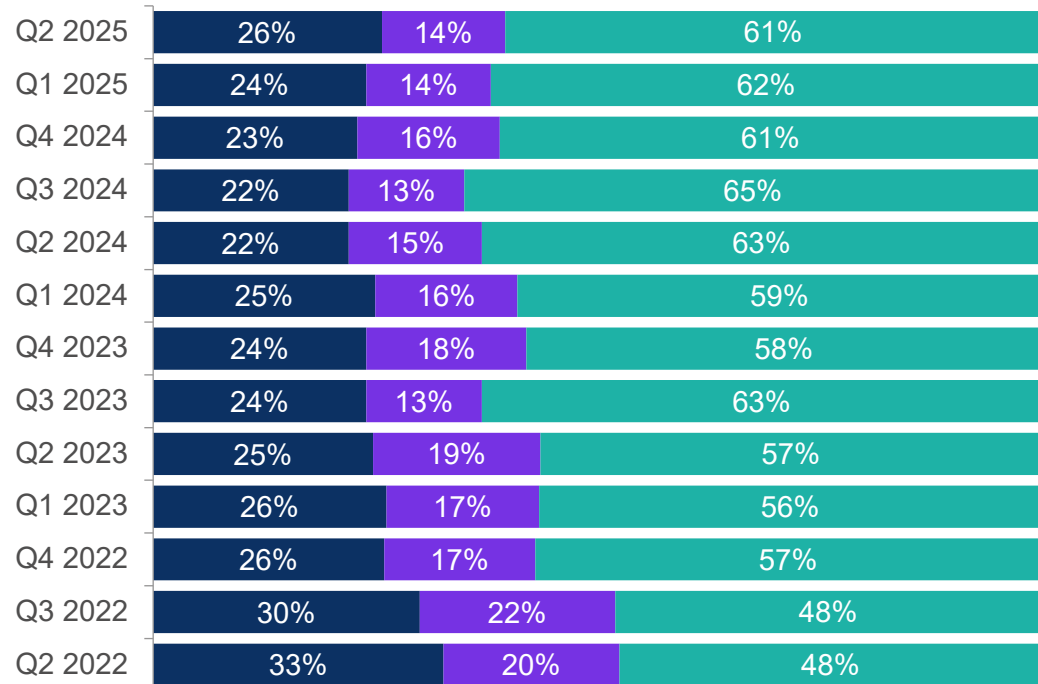
Effective business interest rate vs.
share of small businesses reporting borrowing cost difficulties



Debt constraints gradually increasing each quarter. Mid-market enterprises saw biggest jump in debt constraints.

Ability to take on more business debt

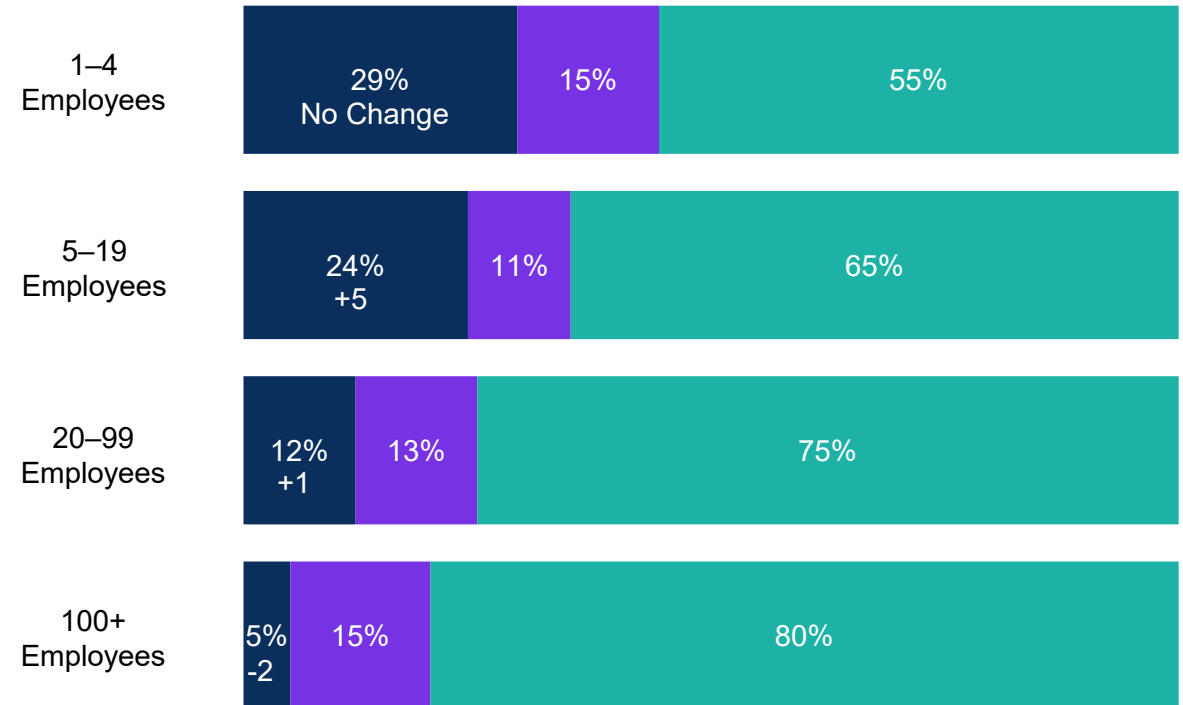
% of businesses; of those reporting that they're not applying for financing*



■ Can't take on more debt ■ Unknown ■ Can take on more debt

Ability to take on more business debt

% of businesses by firm size; of those reporting they're not applying for financing



Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*

Note: *Businesses are asked if they plan to apply for debt financing in the next three months. If they report "No", they are asked if the business has the ability to take on more debt. If they do not, they are asked the reasons why.

Q2 2025

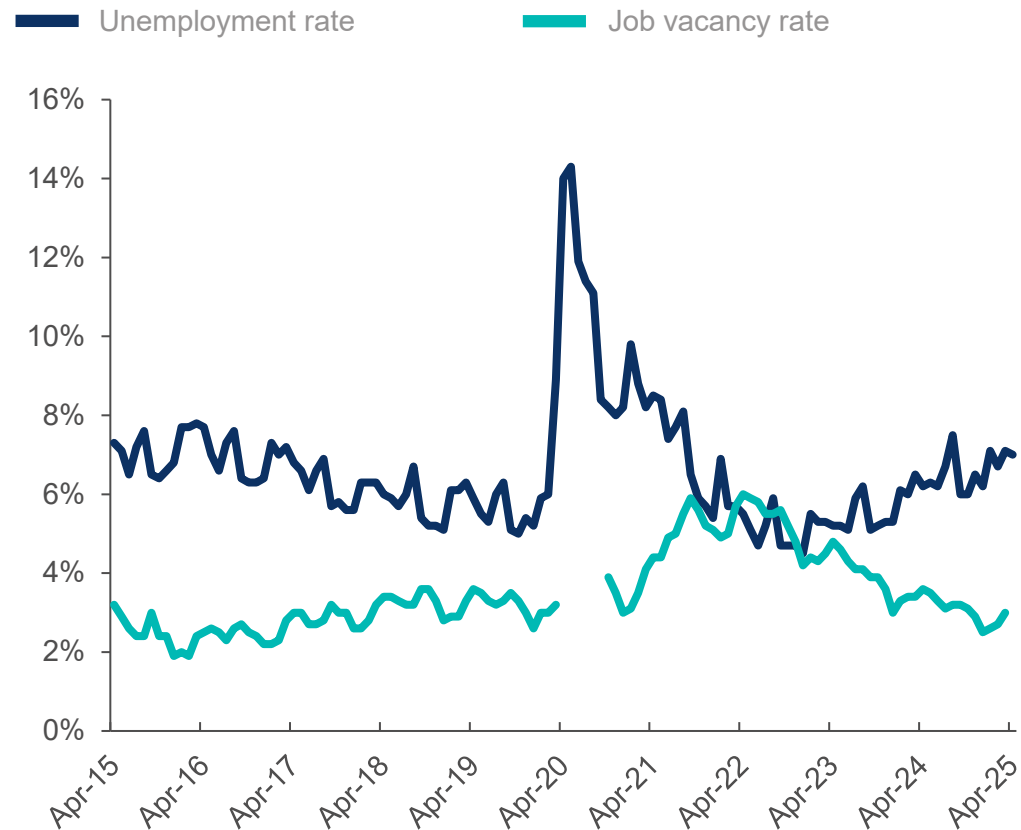
LABOUR MARKET



Context: More job seekers and fewer job openings means Canada's labour market is softening.

23

Unemployment rate vs. job vacancy rate



Labour market tightness

Job vacancies per unemployed person



24

Labour challenges remain top 3 business obstacle, but on a downward trend

Ongoing challenges are concentrated in a handful of sectors.

Labour challenges expected over next three months

% of businesses by industry

Higher  Lower

	Labour obstacle expected	Recruiting skilled employees	Retaining skilled employees	Labour force shortage
Accommodation, food services	48	27	27	28
Administrative services	45	28	26	23
Agriculture, forestry, fishing	24	19	12	14
All Industries	35	25	19	17
Arts, entertainment, recreation	35	24	19	17
Construction	45	32	24	24
Finance, insurance	34	29	15	11
Health care, social assistance	38	32	18	20
Information, culture	24	19	15	7
Manufacturing	37	25	23	17
Mining, oil, gas extraction	23	19	13	9
Other services	33	20	22	15
Professional services	30	24	16	8
Real estate	21	13	10	9
Retail trade	37	29	22	22
Transportation, warehousing	27	16	13	14
Wholesale trade	25	13	16	10

Q2 2025

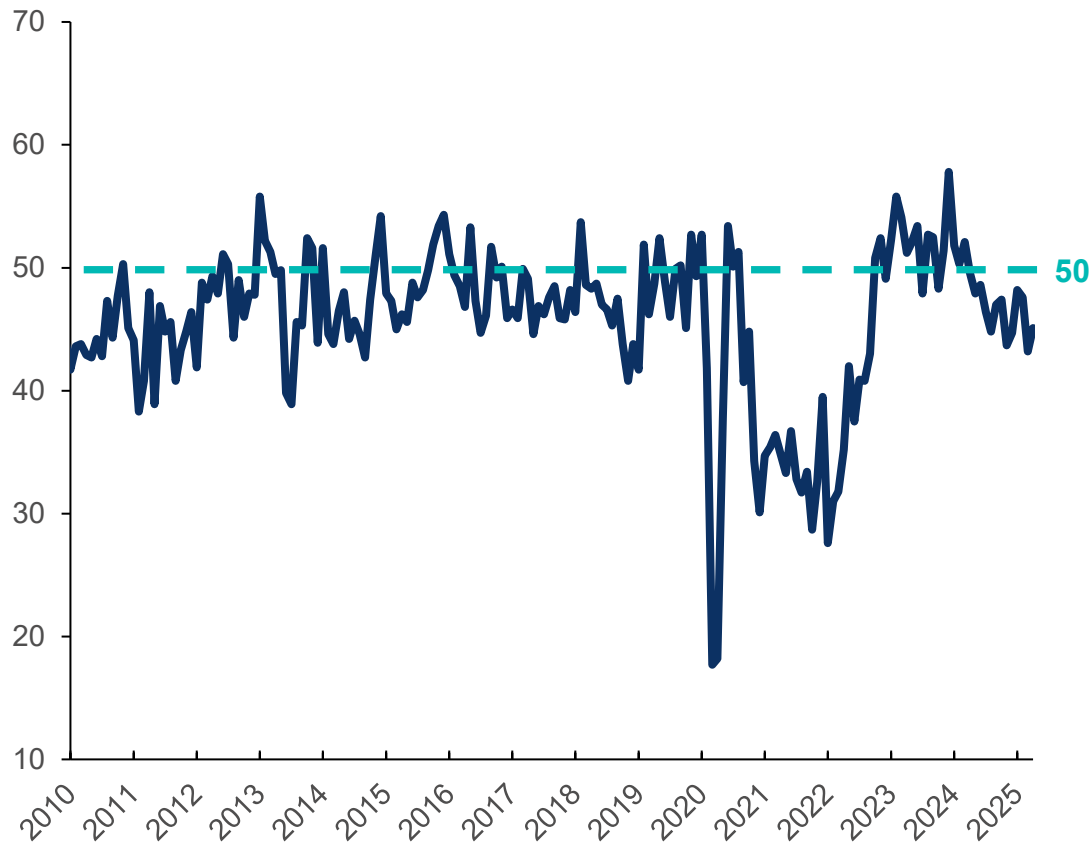
**SUPPLY
CHAINS**



Delivery times have improved since last year's rail, port and postal disruptions, but shipping rates worsen amid trade tensions.

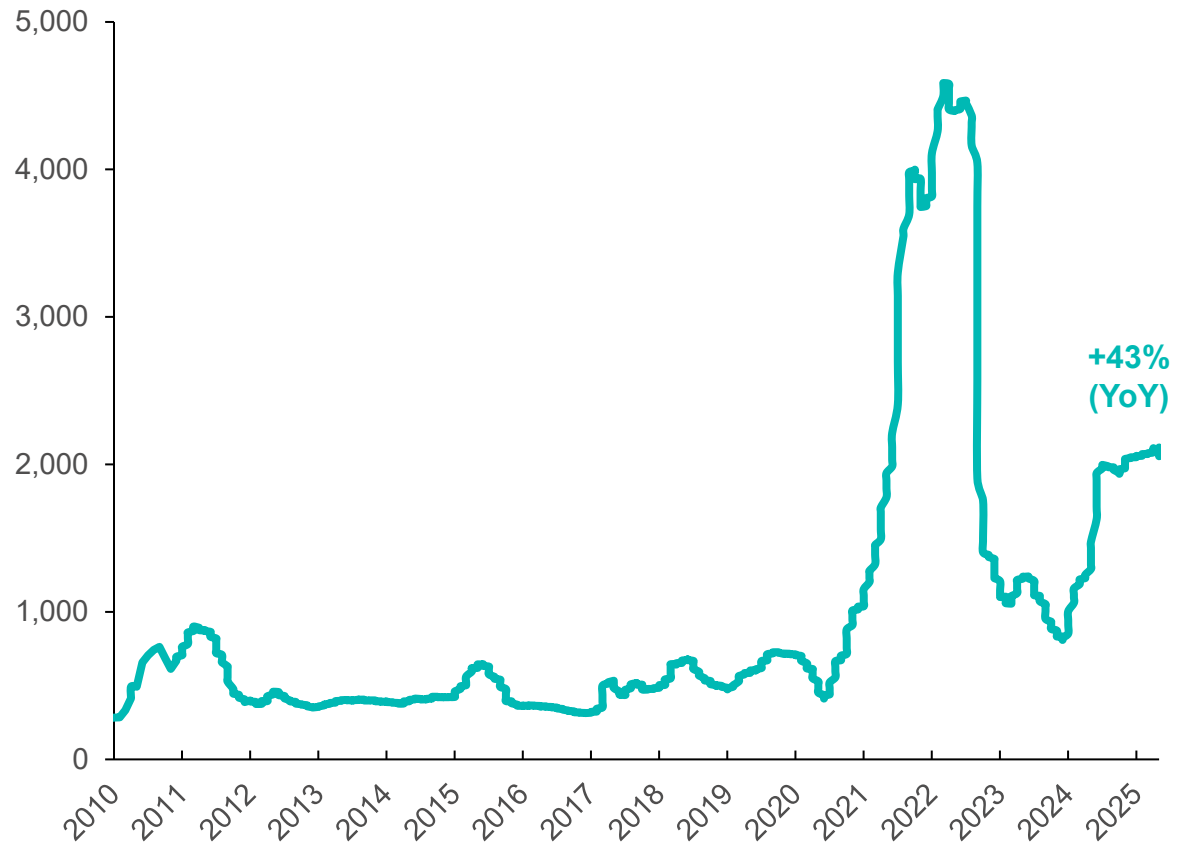
Canadian supplier delivery times

Index; below 50 means deliveries were faster than the previous month



Global shipping rates

Index; measure of the weekly changes in container shipping rates



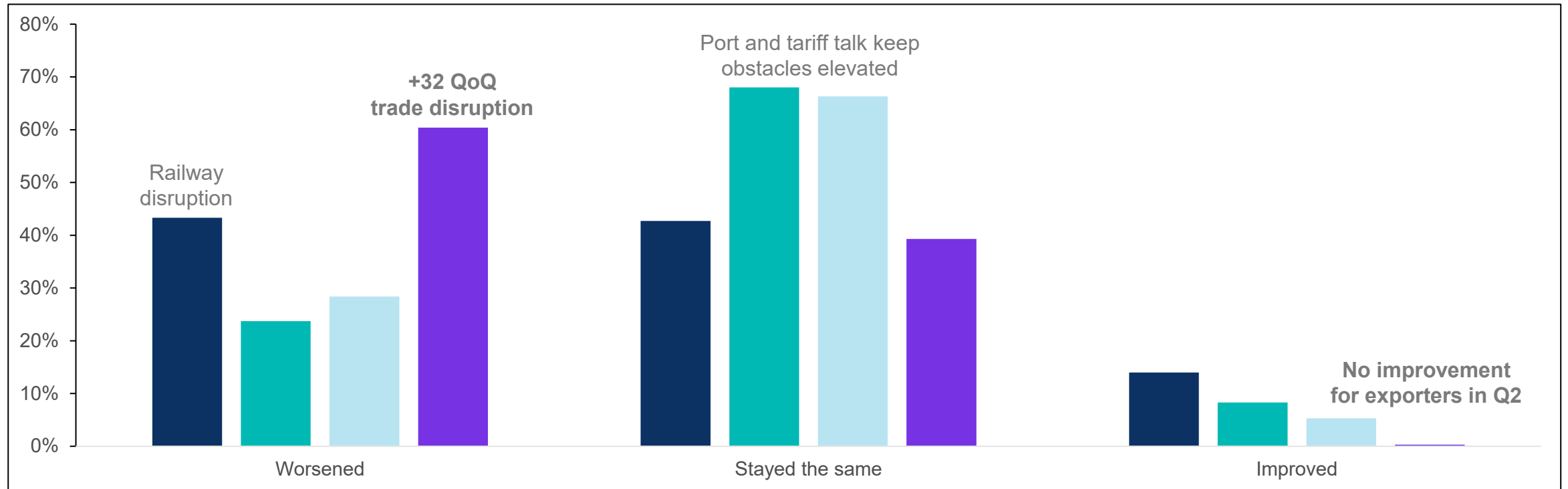
Source: BDL analysis using Ivey Purchasing Managers Index. Source; HARPEX Shipping Index.

Trade disruptions drive 32-percentage point increase in supply chain woes for exporters.

Supply chain obstacles experienced over last three months

% of goods exporters; of those experiencing supply chain obstacles

■ Q3 2024 ■ Q4 2024 ■ Q1 2025 ■ Q2 2025



Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 9,103 business responses in April and May 2025.

Q2 2025

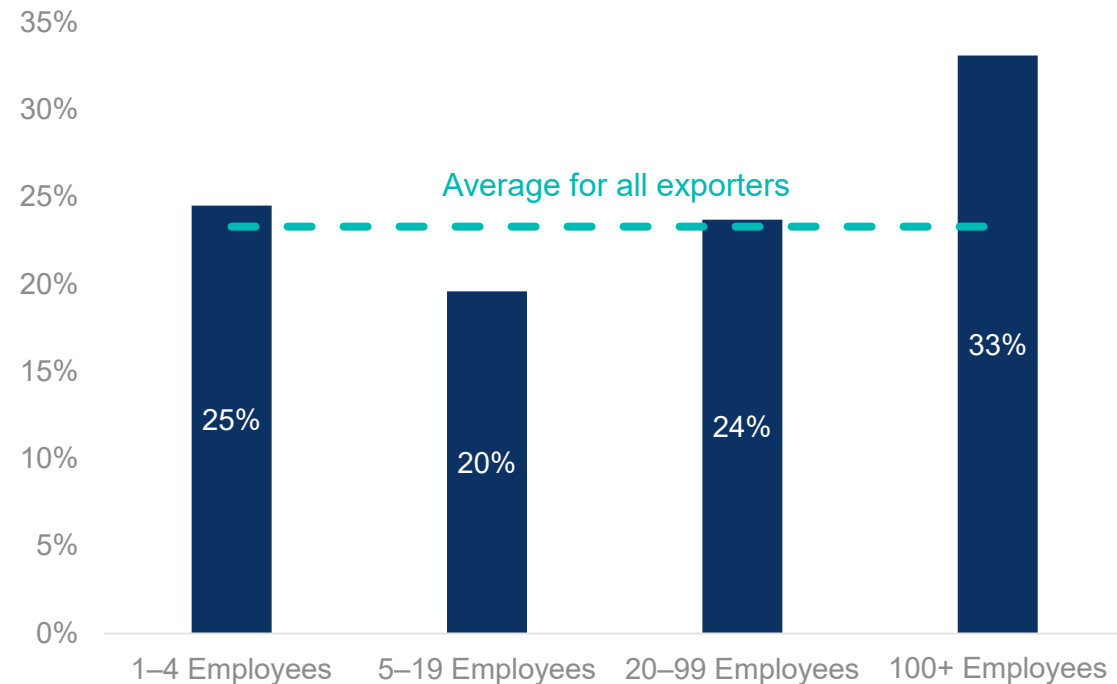
TRADE



Large exporters lead Canada–U.S. trade activity — and exposure.

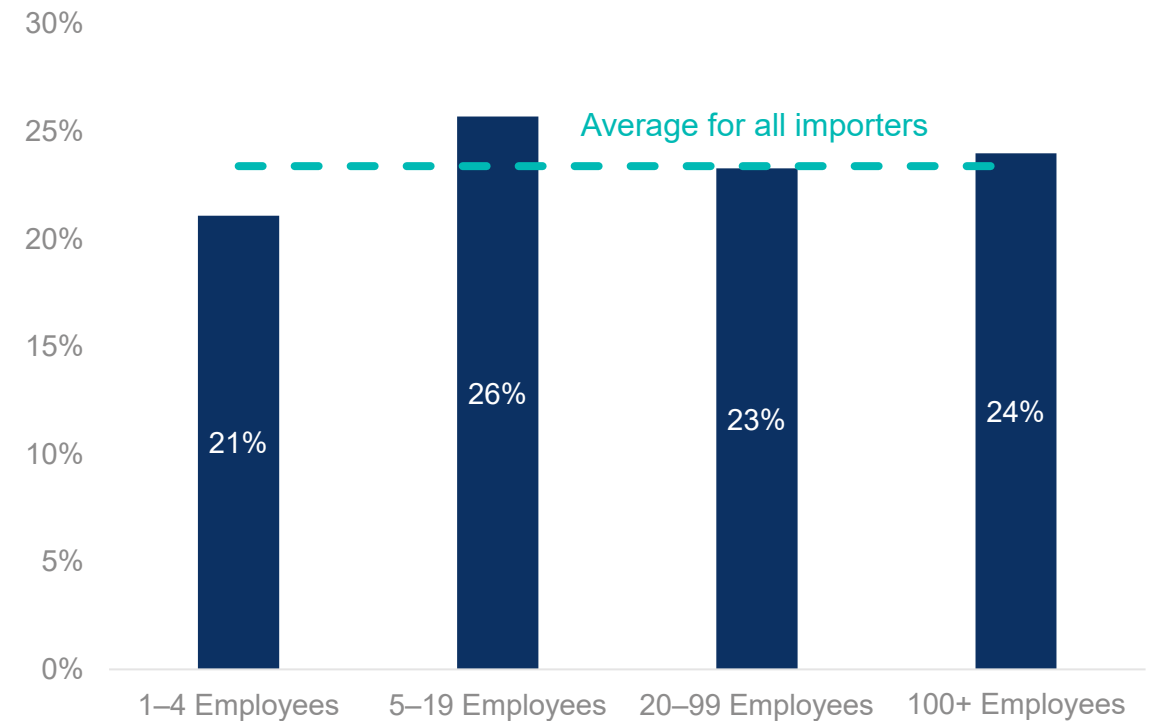
Sales made directly to U.S. customers in past 12 months

Average % of sales; Canadian exporters (goods and services) by firm size



Purchases made directly from U.S. suppliers in past 12 months

Average % of purchases; Canadian importers (goods and services) by firm size



Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 9,103 business responses in April and May 2025.

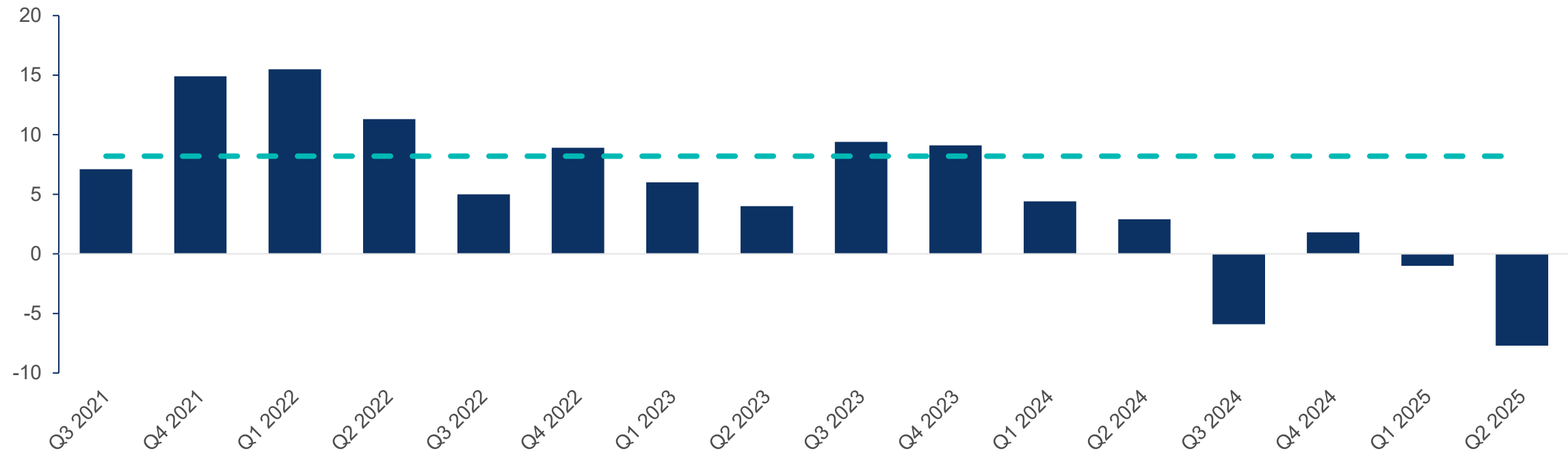
Canadian exporters lose optimism edge as trade uncertainty grows.

Business Expectations Index

Difference in sentiment between exporters and all businesses

Positive values mean exporters are more optimistic; negative values mean they are less optimistic

■ Exporter advantage ■ Average pre-Trump administration

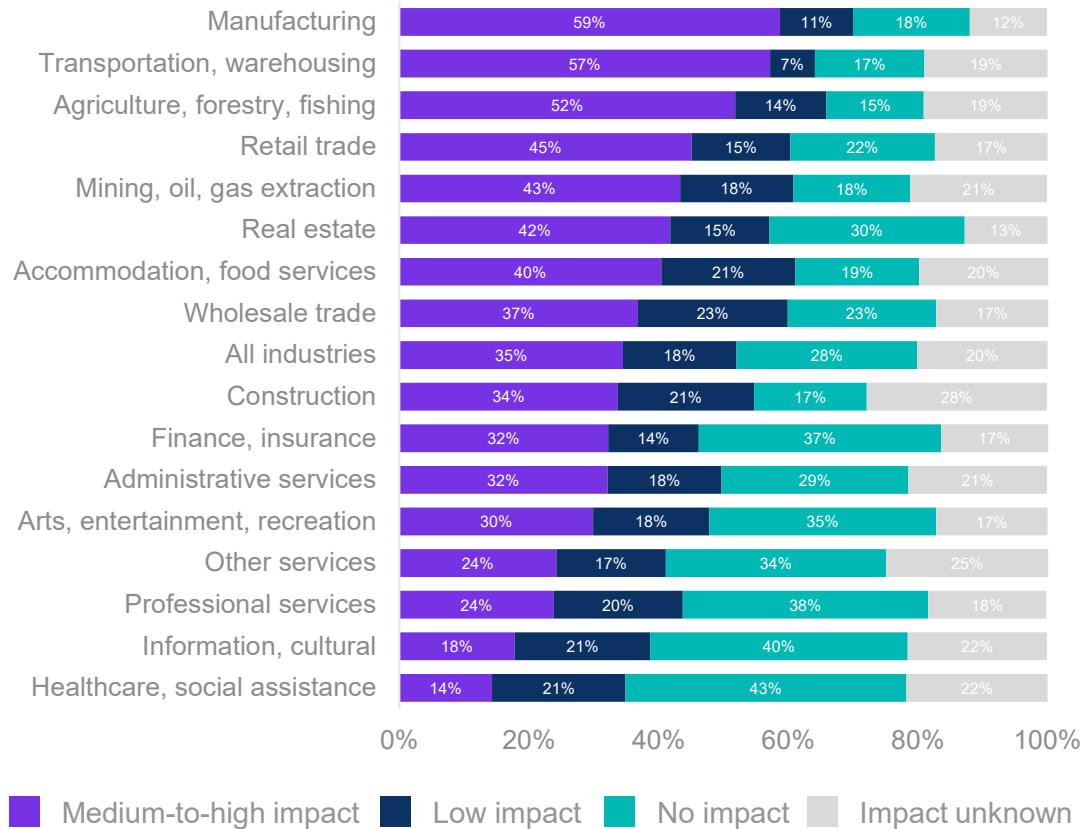


Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*;

Manufacturers and retailers most exposed to cross-board tariff pressures. Counter-tariffs having wider impact than U.S. tariffs.

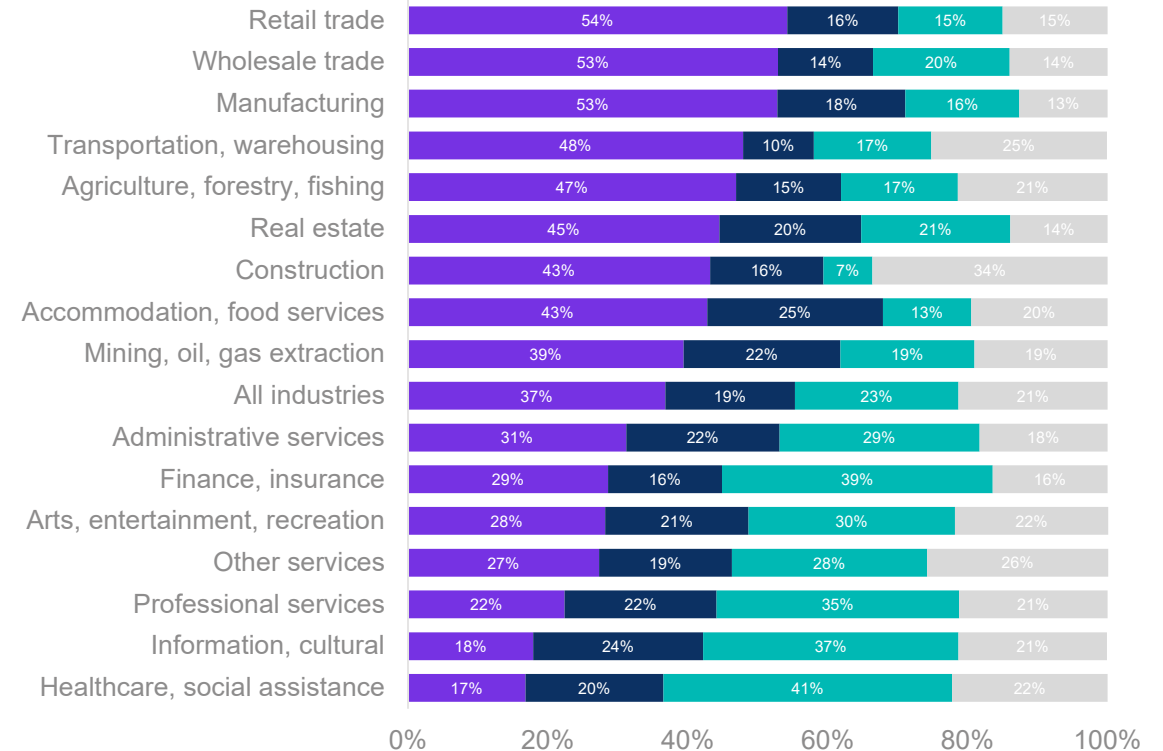
Impact of U.S. tariffs on Canadian imports

% of Canadian businesses engaged in trade (goods, services, exports, imports)



Impact of Canadian tariffs on U.S. imports

% of Canadian businesses engaged in trade (goods, services, exports, imports)



Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 9,103 business responses in April and May 2025.

Most Canadian enterprises sit tight despite rising U.S. tariff noise — exporters act decisively.

Actions taken over last three months to mitigate risks associated with U.S. tariffs on Canadian imports

% of all businesses and exporters (goods and services)



Diversified sales outside of the U.S.



Diversified suppliers outside of the U.S.



Delayed major investments



Increased inventories



Delayed Canadian expansion



Established operations in the U.S.



No actions have been taken

All industries

4%

12%

8%

7%

4%

<1%

73%

Goods exporters

28%

37%

23%

22%

16%

5%

35%

Services exporters

19%

19%

17%

7%

10%

8%

55%

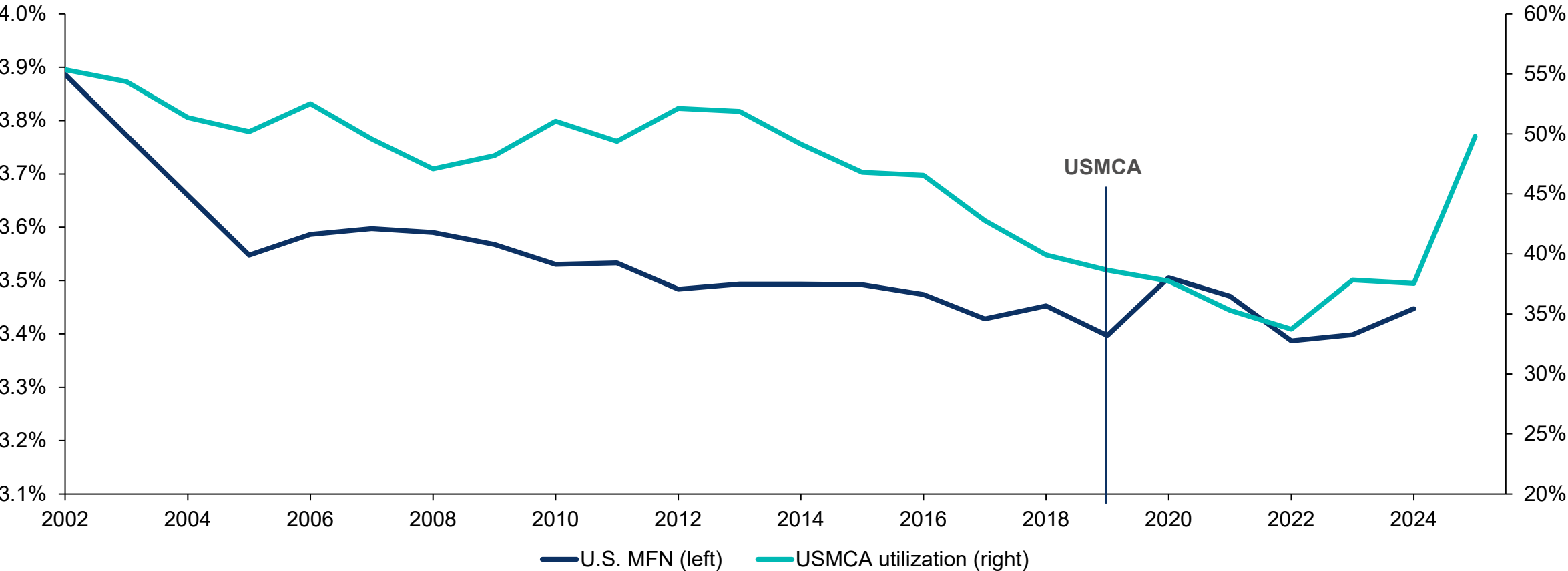


Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 9,103 business responses in April and May 2025.

USMCA utilization surges in 2025 — the cost (stick) of compliance is now worth the effort.

Share of goods exports to the U.S. claiming NAFTA/USMCA tariff preferences* vs. U.S. MFN rate

MFN rate (left axis), NAFTA/USMCA preferences (right axis)



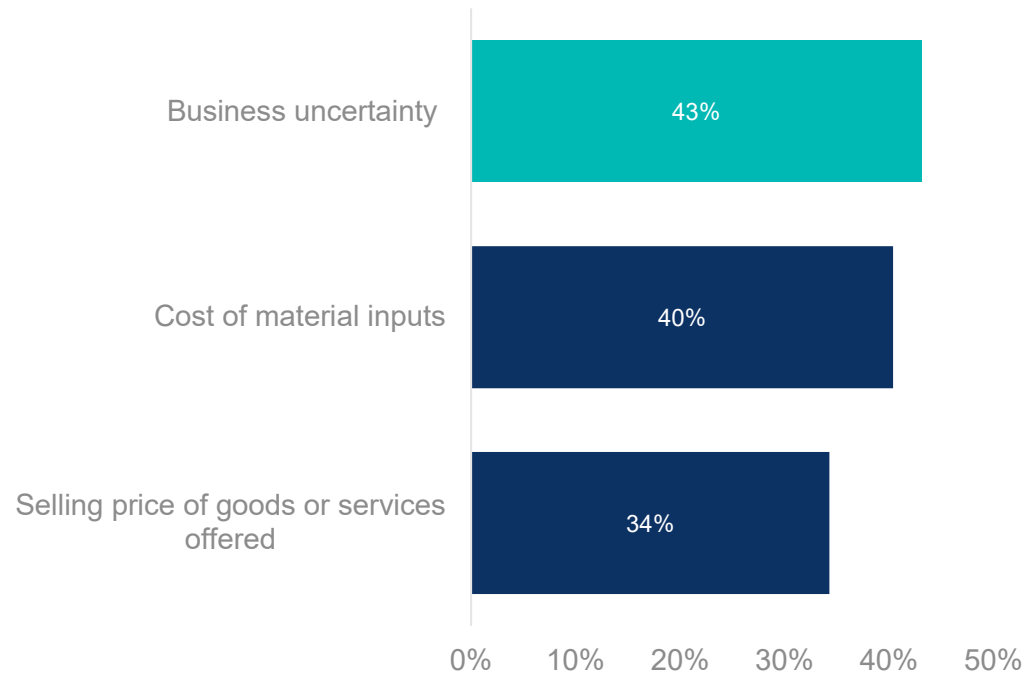
Source: BDL analysis using U.S. Census Bureau, RBC Economics
*Note: NAFTA utilization data is used until 2020. 2025 data is monthly up to April.

Businesses brace for higher uncertainty, costs and prices in the year ahead.

34

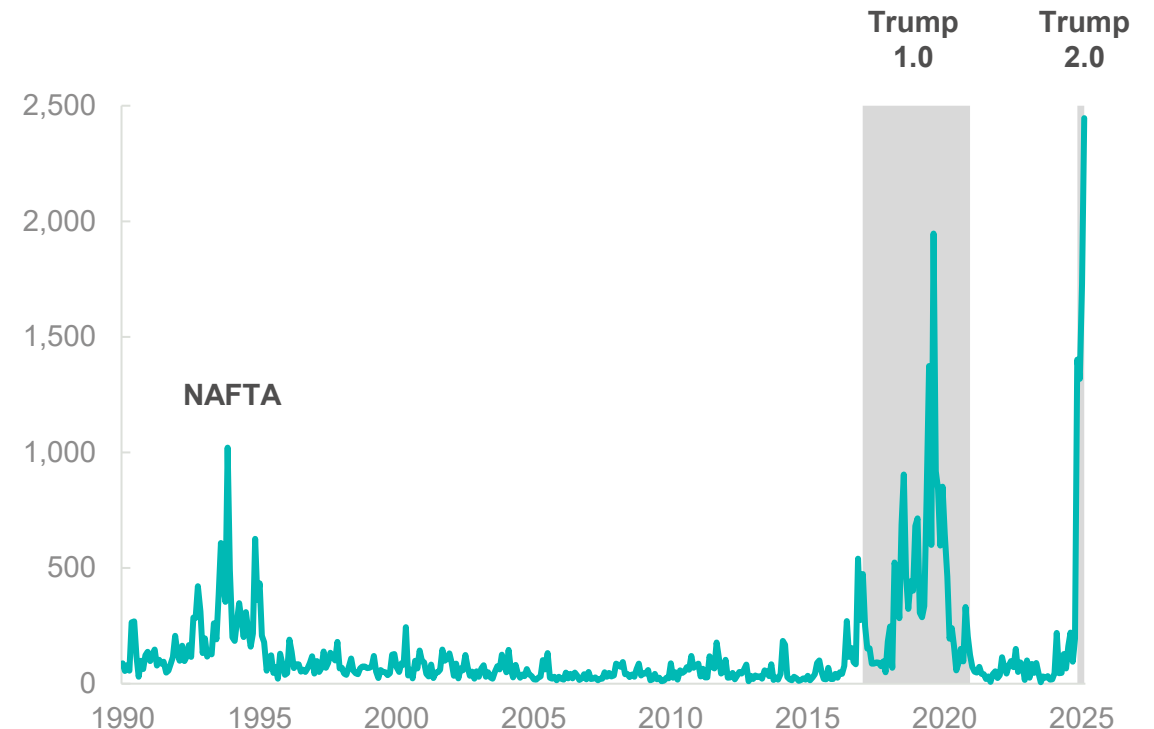
Expected impacts of new U.S. administration

% of all businesses expecting higher impacts in next 12 months



U.S. trade policy uncertainty

1985–2010 = 1,000



Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; Baker, Bloom and Davis via Haver.

Business Data Lab

Appendix



Business Expectations Index methodology

Objectives: The Business Expectations Index captures the near-term outlook according to Canadian businesses. The index is timely, forward-looking and useful for a wide variety of business contexts.

Methodology: The BDL leverages Statistics Canada's *Canadian Survey on Business Conditions* (CSBC) as a key input to construct quantitative business sentiment indicators for Canada and many business sub-populations. The index uses a diffusion methodology commonly applied to business surveys, constructed as follows:

$Index_i = 100 * (2 * P_{I,i} + 1 * P_{NC,i} + 0 * P_{D,i})$, where

$P_{I,i}$ = % of businesses who expect series i to "increase";

$P_{NC,i}$ = % of businesses who expect in series i to "stay about the same";

$P_{D,i}$ = % of businesses who expect series i to "decrease".

Where i = sales, employment, investment and profitability. "Not applicable" responses are removed by re-weighting each component series separately. The headline composite index is calculated by applying equal weights to firms' expectations over the next three months for these four components. Results are available for the following 71 business contexts:

- 36 regions (national, provincial, territorial, rural and urban, as well as 20 major cities).
- 16 industries (at the NAICS two-digit level, e.g., manufacturing, construction) as well as private-sector businesses.
- Six business ownership groups (including women, Indigenous, immigrant and visible minorities).
- Four firm sizes (by employment: 1–4 employees, 5–19 employees, 20–99 employees, 100+ employees).
- Four firm ages (2 years or less, 3–10 years, 11–20 years, 20+ years).
- Three firm trade statuses (goods exporters and importers, and not globally engaged).

Interpreting the index: Index scores range from a minimum of zero (if all businesses expect a decrease/deterioration) to a maximum of 200 (if all businesses expect an increase/improvement). A value of 100 indicates "no net change" in business expectations relative to last quarter. Values above 100 indicate an improving outlook, while values below 100 signal a deteriorating outlook.



Survey methodology

Survey objectives: The *Canadian Survey on Business Conditions* (CSBC) was created in spring 2020 by Statistics Canada in partnership with the Canadian Chamber of Commerce to provide timely, relevant data on business conditions in Canada, as well as businesses' expectations and views on emerging issues. These surveys are used by governments, business associations and analysts to monitor evolving business conditions and devise policies to support Canadian business.

Survey period: The Q2 2025 CSBC data collection period was April 1–May 5, 2025.

Survey approach: The survey was conducted by Statistics Canada via electronic questionnaire, using a stratified random sample of business establishments with employees, classified by geography, industry sector and size. Population totals are estimated using calibration weights. The survey is based on responses from 9,103 businesses or organizations.

Note: Charts may not sum to 100% due to rounding.

Contact: This report presents CSBC analysis conducted by the Canadian Chamber of Commerce's Business Data Lab. For questions, comments or inquiries, contact Patrick Gill, Vice President of the Business Data Lab, (PGill@Chamber.ca).





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