

Business Insights Quarterly

Q3 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* highlights a fragile but resilient Canadian business landscape. While headline confidence has steadied after five consecutive declines, businesses continue to grapple with rising trade frictions, policy uncertainty and tariff pressures.

Exporters, once the most optimistic group, have lost their edge. Goods exporters now trail other firms in confidence, underscoring their exposure to Canada–U.S. relations and tariff risks. By contrast, services exporters remain more stable, reflecting diversification and lighter tariff exposure.

The sharp rise in CUSMA preference utilization to a 20-year high shows that businesses are working harder to minimize costs and preserve margins. Still, 1 in 3 trade-engaged firms reports negative impacts from U.S. tariffs — with manufacturers and retailers hit hardest. While many exporters are diversifying suppliers or delaying investments, most businesses have not yet acted, preferring to “sit tight.” Encouragingly, half of firms believe they could withstand current tariffs and uncertainty for more than a year.

Labour market dynamics are also shifting. A softer hiring environment is emerging. Job vacancies have declined while the number of job seekers has increased, easing tightness. But are challenges structural or cyclical? Sectors such as construction and accommodation and food services continue to struggle with shortages, and youth unemployment remains above pre-pandemic benchmarks. Businesses are adjusting, but pressures persist with long-term implications for competitiveness and growth.

As CUSMA renegotiations approach, and as Canada faces a cooling labour market alongside continuing trade friction, the stakes for business planning are rising. The Business Data Lab (BDL) remains committed to providing timely, data-driven insights that help firms and policymakers navigate this environment.

For more insights — including regional, employment size 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

- **Economy contracts sharply in Q2:** Real GDP shrank by -1.6% annualized, the steepest quarterly drop since the pandemic, driven by an export shock and weak business investment.
- **Growth outlook fades:** BDL's BDLNow model projects just 1.7% annualized GDP growth in Q3 2025, while full-year growth is expected to slow to 1.3%, down from 1.5% in 2024 — underscoring fading momentum.
- **Confidence steady but fragile:** After five consecutive declines, overall business confidence held flat in Q3, signaling that firms remain cautious rather than optimistic.
- **Policy uncertainty weighs heavily:** U.S. tariff threats and looming CUSMA renegotiations continue to cloud the business outlook, especially for trade-exposed sectors.





KEY FINDINGS

Business obstacles

- **Rising costs remain the top barrier:** Input prices, financing and compliance costs are now the number one challenge holding back business growth.
- **Weak demand outpaces labour challenges:** Sluggish consumer demand remains the top concern for the fourth quarter running.
- **Debt constraints ease unevenly:** Smaller firms show improved borrowing capacity, but mid-sized firms remain squeezed.





KEY FINDINGS

Labour market

- **Tightness eases but obstacles persist:** Job vacancies have declined, and the unemployment rate has ticked up, signaling softer conditions. Yet labour challenges remain among the top three business obstacles.
- **Persistent challenges weigh on sectors:** Persistent labour challenges are concentrated in construction, agriculture, and accommodation and food services — industries more reliant on temporary foreign workers (TFWs).
- **Youth unemployment elevated:** The youth jobless rate remains above its pre-pandemic average, raising concerns about long-term workforce integration.
- **Private-sector job creation stalls:** Gains in healthcare and public administration mask weakness across the private economy, highlighting underlying fragility.
- **TFWs not the only driver:** Analysis shows limited correlation between TFW intensity and youth unemployment — pointing instead to broader educational and skills mismatches.





KEY FINDINGS

Trade

- **Exporter sentiment stabilizes:** After slipping below other firms in recent quarters, goods exporters regained some ground in Q3, with sentiment helped by stronger U.S. sales, high CUSMA utilization, and early signs of diversification. Still, overall optimism remains muted, reflecting ongoing tariff risks and policy uncertainty.
- **Small firms drive cross-border trade gains:** Micro-exporters ramped up fastest, pushing sales to U.S. customers higher.
- **Tariff shock spurs action:** The share of firms taking no action dropped 27 points, with more businesses diversifying suppliers and delaying investments.
- **Compliance surges:** CUSMA utilization jumped to 53% in July — a 20-year high — underscoring what's at stake in CUSMA renegotiations.
- **Resilience amid uncertainty:** Half of Canadian firms say they could withstand tariffs and trade uncertainty for more than a year.



Q3 2025

OUTLOOK ACCORDING TO CANADIAN BUSINESSES



A deeper-than-expected Q2 contraction, driven by a historic export shock and weak business investment.

Canadian real gross domestic product (GDP) growth

Chained 2017 dollars, annualized quarterly percent change

Actual *Nowcast estimate



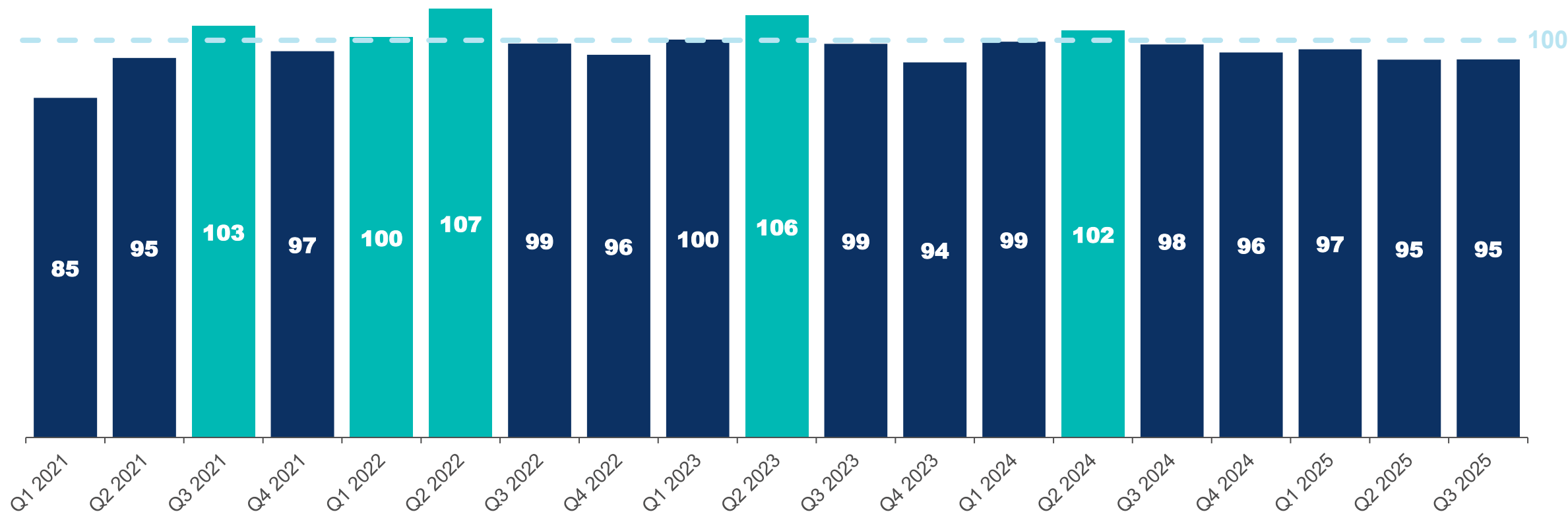
Note: *Powered by 45 economic indicators, [BDLNow](#) is a nowcast tool that delivers a real-time estimate of Canada's GDP growth.
Sources: Statistics Canada's historical data and BDL's nowcast estimate as of September 22, 2025.

Business sentiment remains weak after five consecutive quarters — underscores sustained macroeconomic weakness.

Business Expectations Index

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

■ Deteriorating ■ Improving



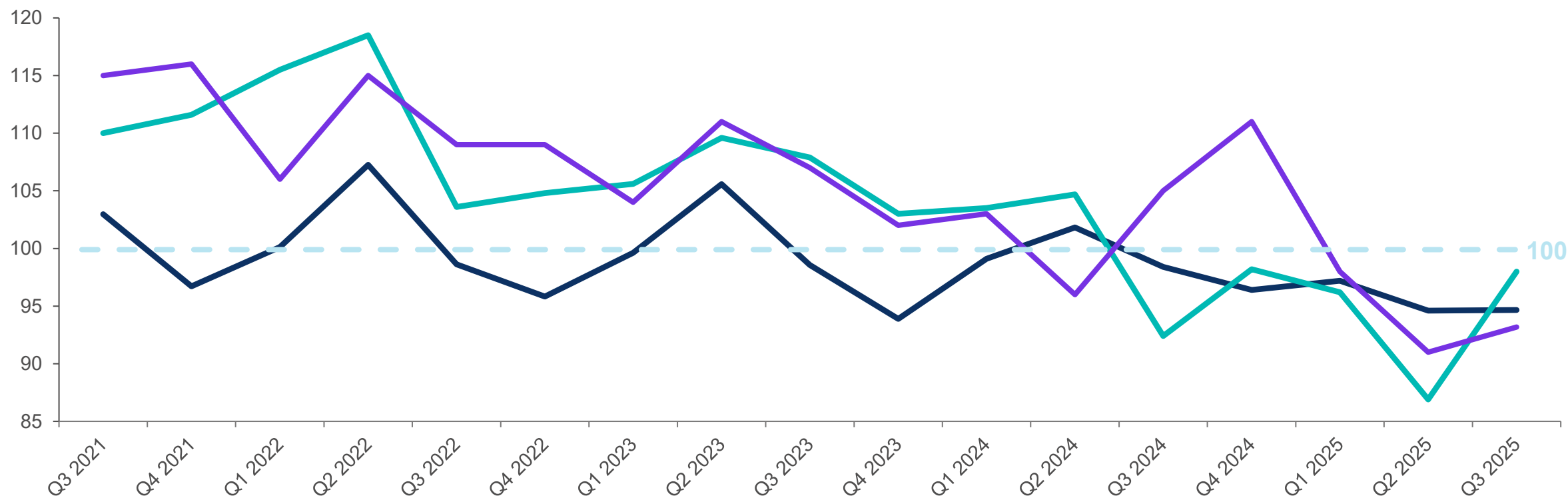
Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.

Exporter sentiment stabilizes, trade frameworks (i.e., CUSMA) and diversification offering glimmer of support.

Business Expectations Index

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

■ All industries ■ Goods exporters ■ Services exporters



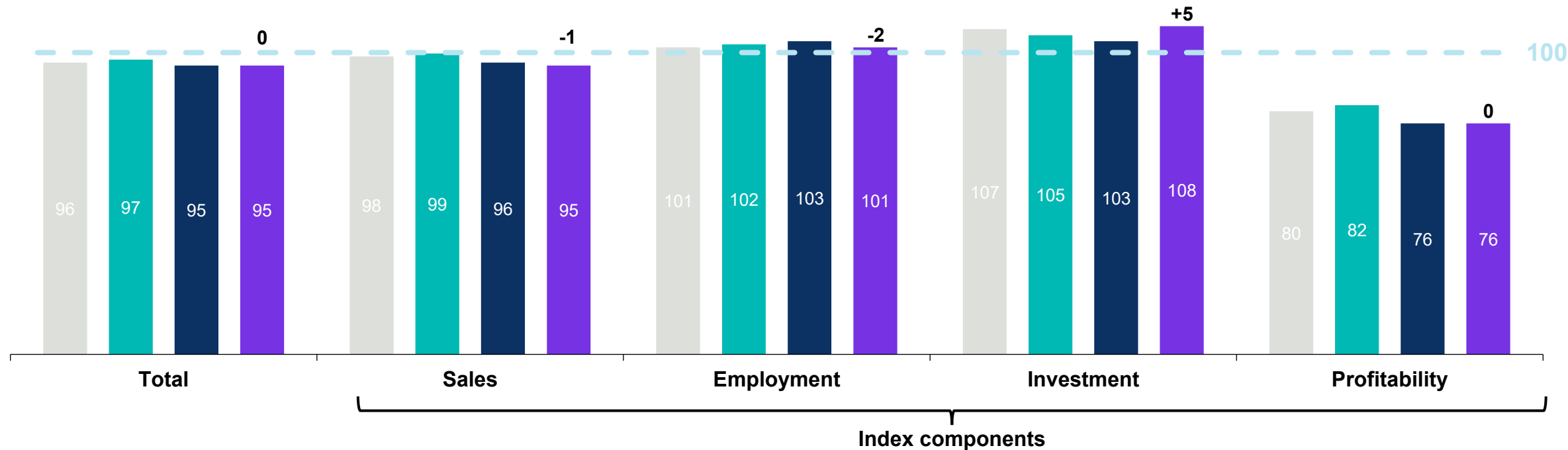
Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.

Businesses signal capital spending boost despite other pressures and flat confidence.

Business Expectations Index, total and components

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

Q4 2024 Q1 2025 Q2 2025 Q3 2025

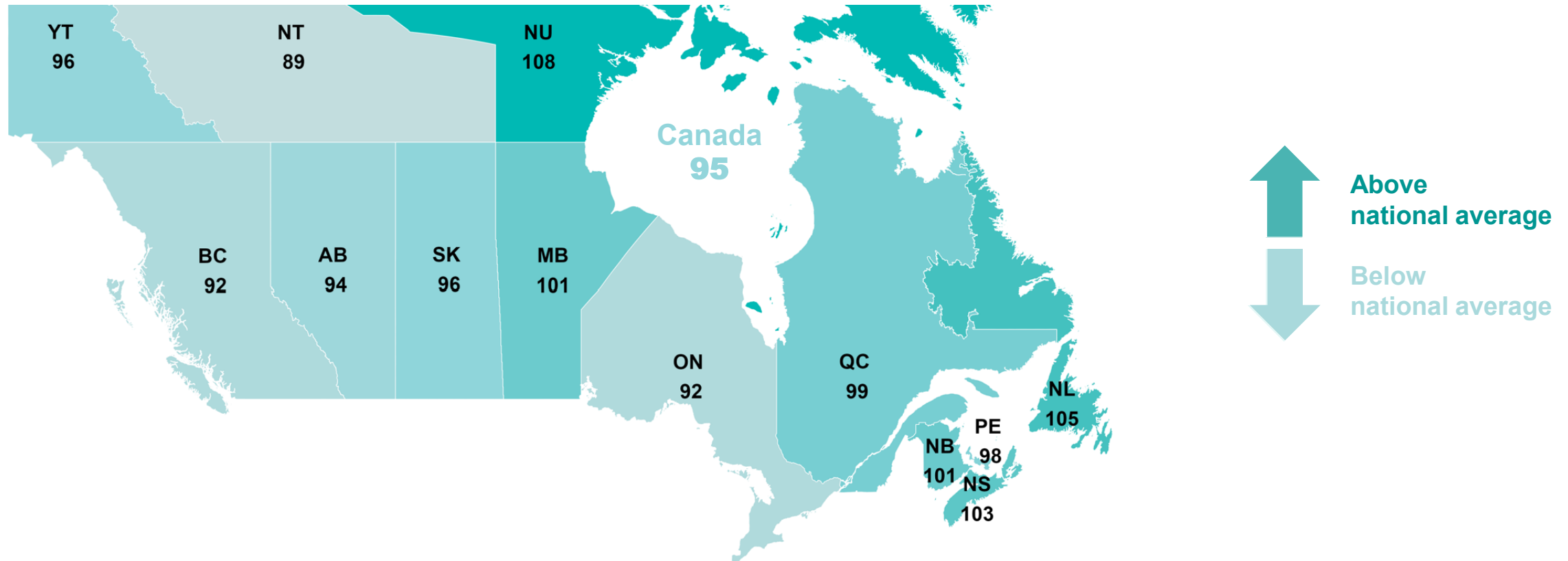


Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.

Confidence holds steady nationwide, led by strength in Atlantic Canada.

Business Expectations Index, provinces and territories

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

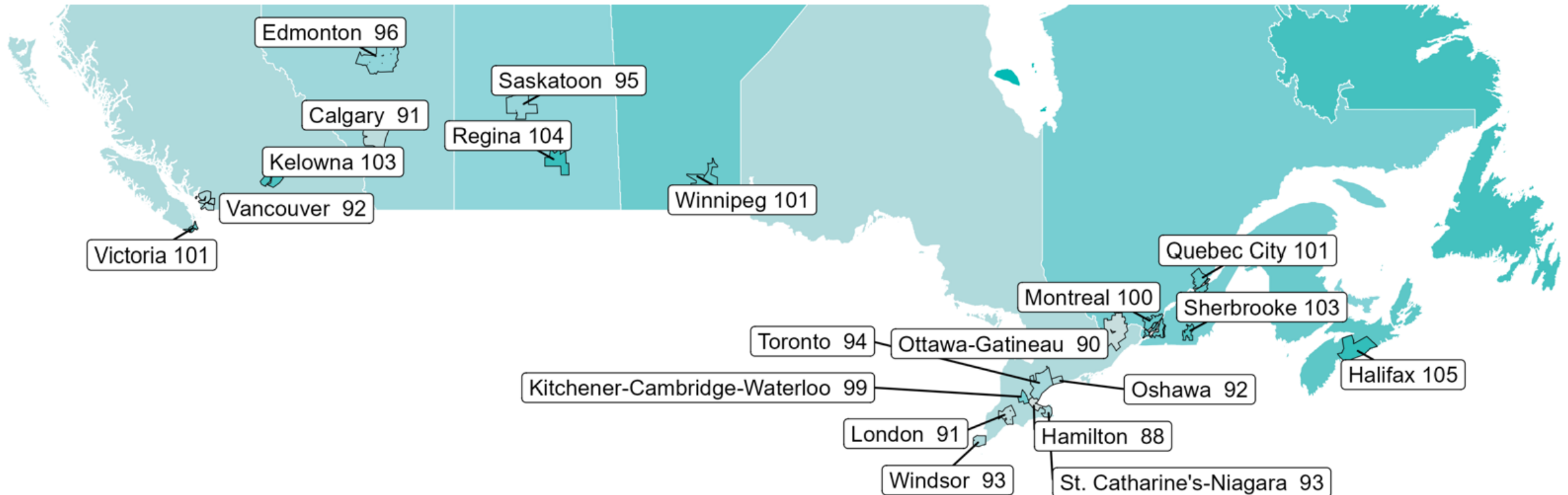


Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 9,494 business responses in July and August 2025.

Business confidence shifts in Q3. Declines of 7–11 points hit Hamilton, Saskatoon, Windsor, and Ottawa-Gatineau amid trade and fiscal headwinds.

Business Expectations Index, census metropolitan areas (CMAs)

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



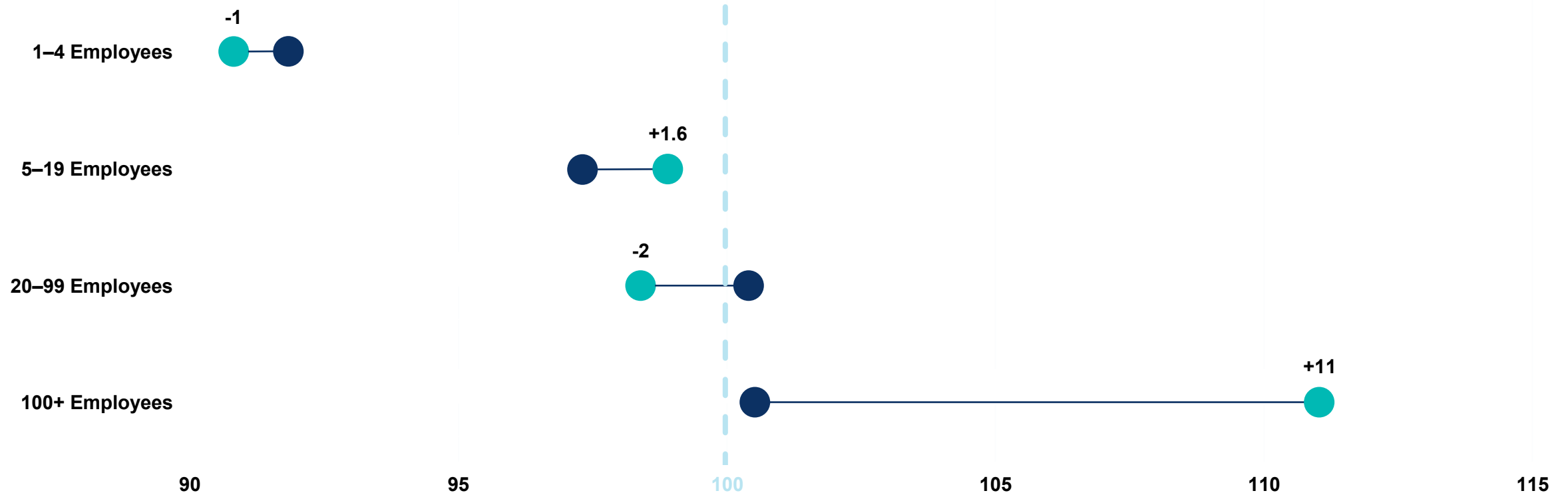
Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 9,494 business responses in July and August 2025.

Small firms hold steady, while large firms' outlook surges — possibly driven by stronger risk management, global reach and capital access.

Business Expectations Index, by firm size

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

■ Q2 2025 ■ Q3 2025

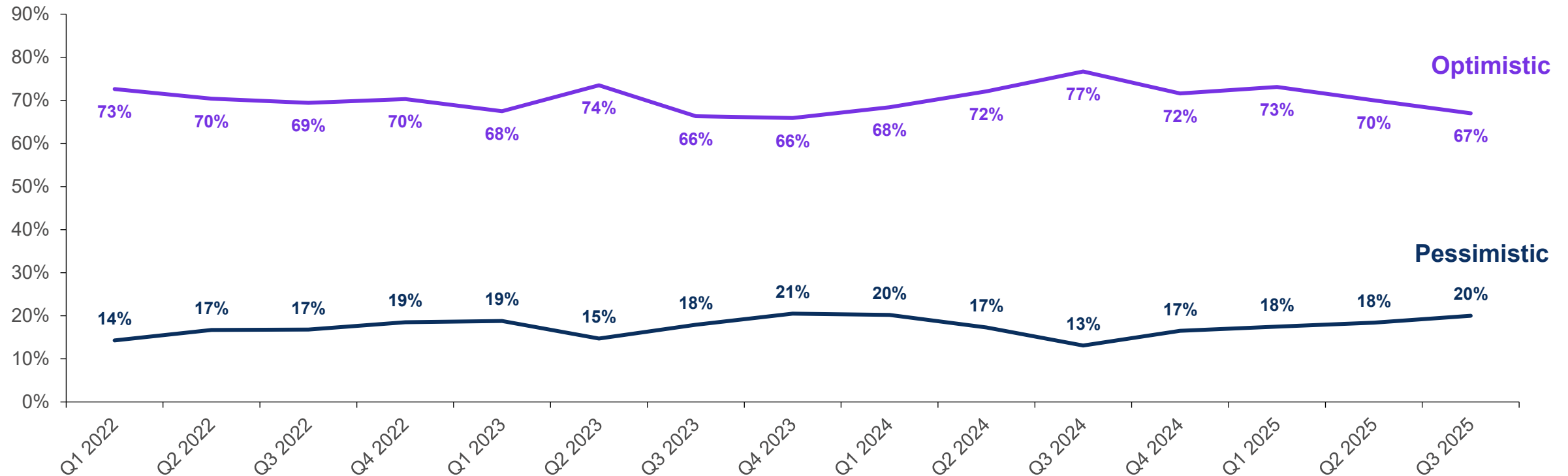


Source: BDL analysis using Statistics Canada's Canadian Business Counts and *Canadian Survey on Business Conditions*; 9,494 business responses in July and August 2025.

Business optimism slips again as pessimism nears recent highs.

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*.

Q3 2025

BUSINESS OBSTACLES

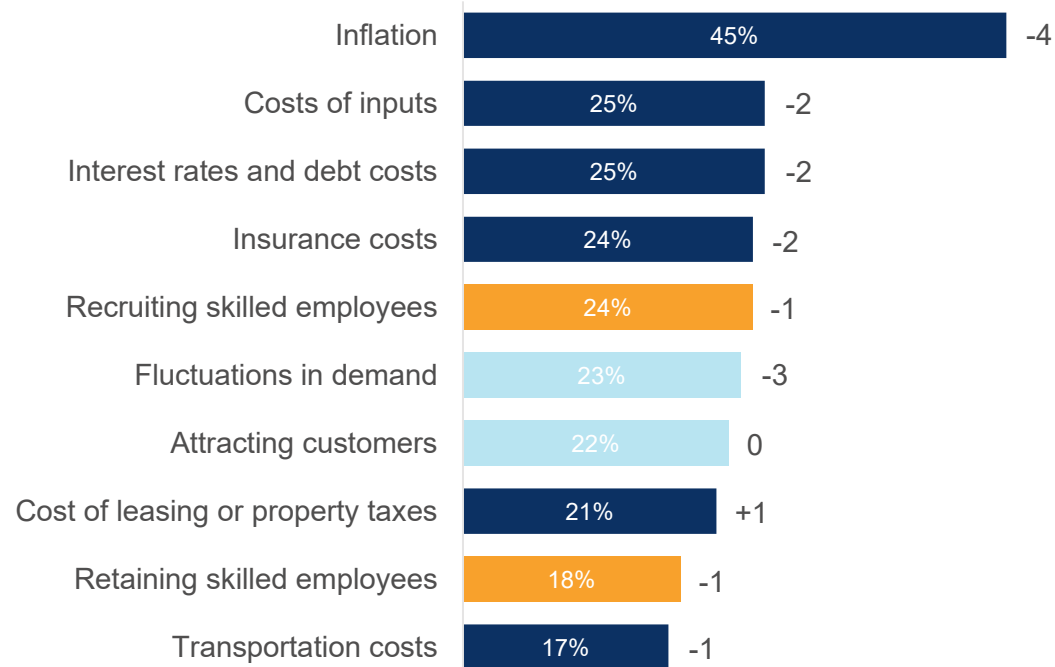


Business pressures ease across the board; customer demand outpaces labour challenges for fourth straight quarter.

Business obstacles expected over next three months

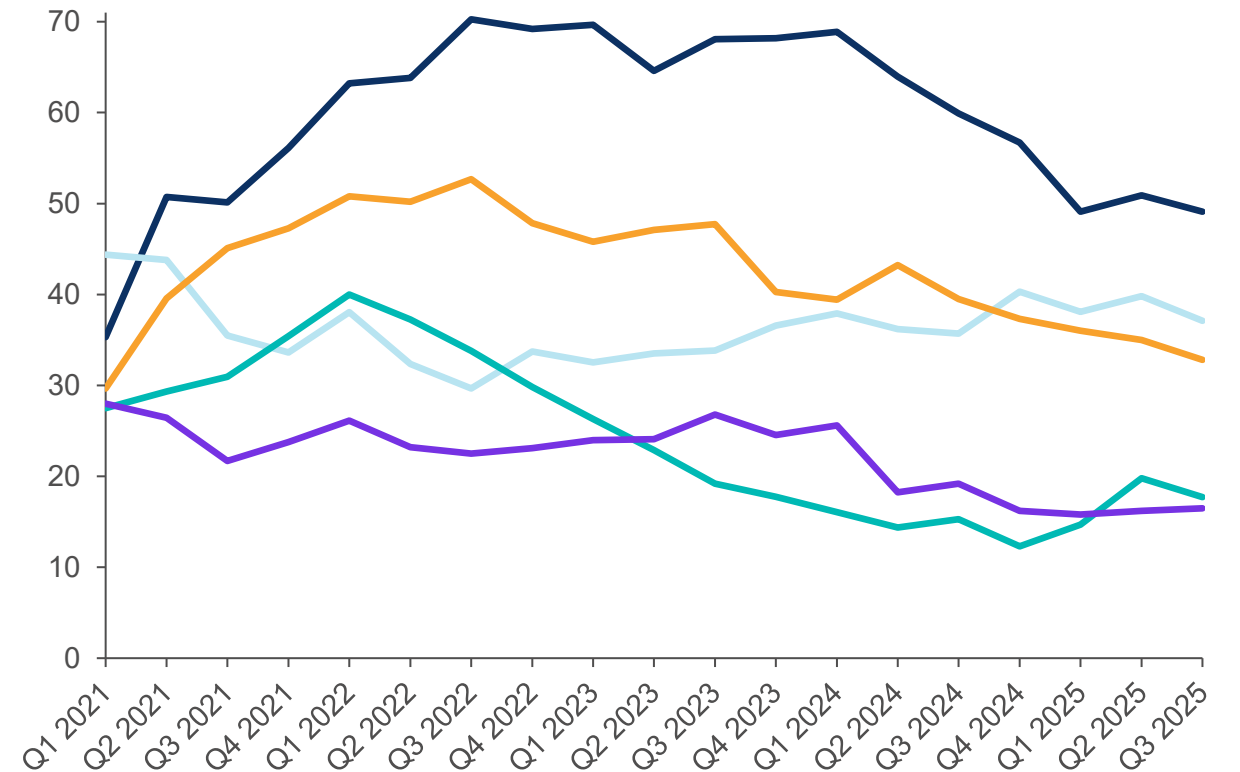
% of all businesses

Top 10 business obstacles in Q3 2025



Costs Demand Labour Financing Supply

Business obstacles by category over time



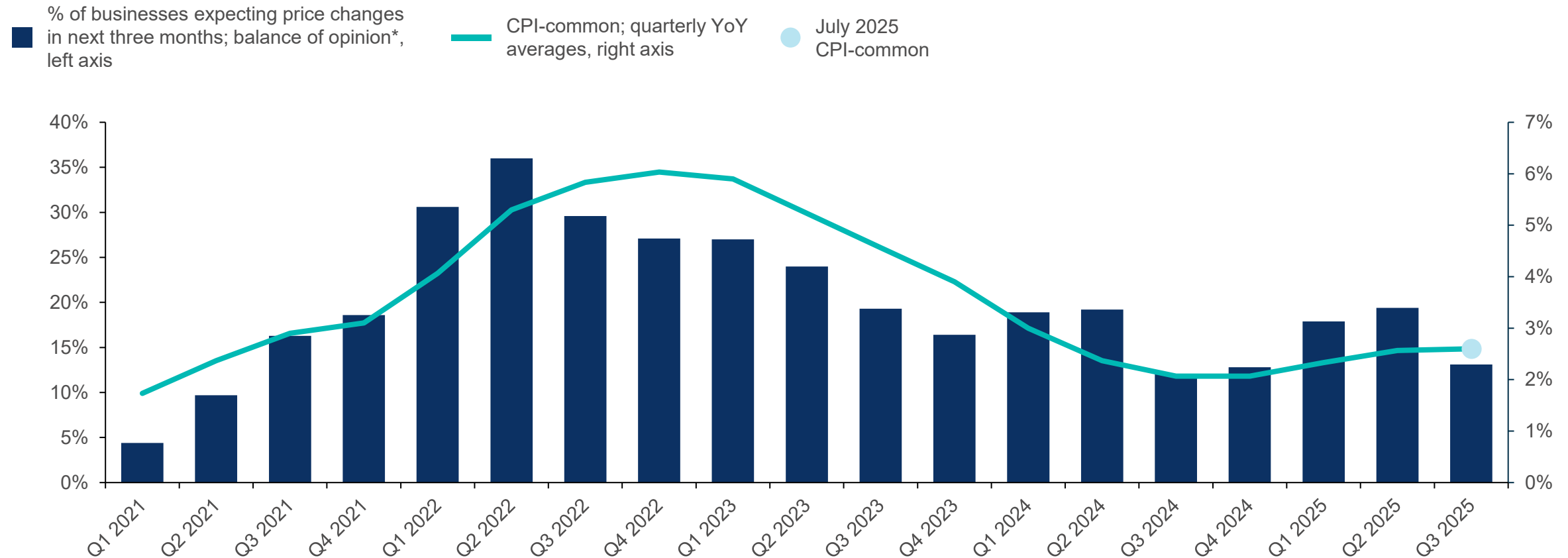
Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 9,494 business responses in July and August 2025.

Q3 2025

INFLATION AND DEBT CONSTRAINTS

Business price expectations cool as inflation signals stabilize.

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

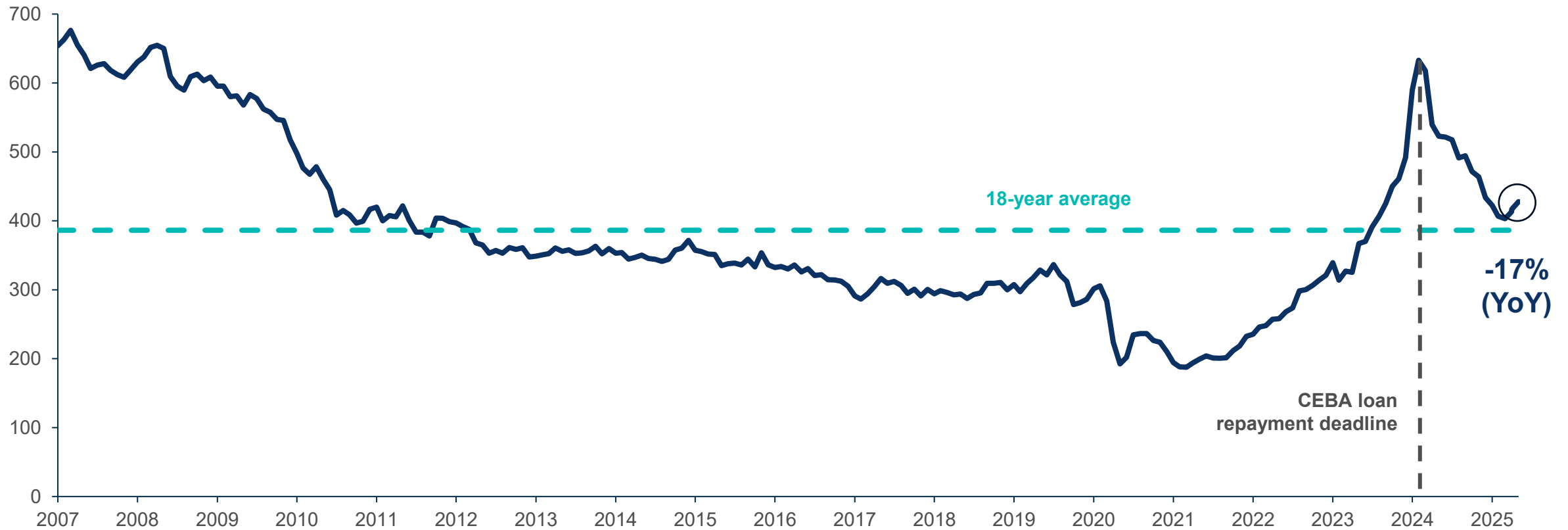


Note: *Balance of opinion = percentage of firms expecting to raise their selling prices minus percentage expecting to lower prices.
Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions* and CPI data.

Bankruptcies have eased from their 2024 peak but are beginning to edge back above historic norms as the economy slows.

Business insolvencies in Canada

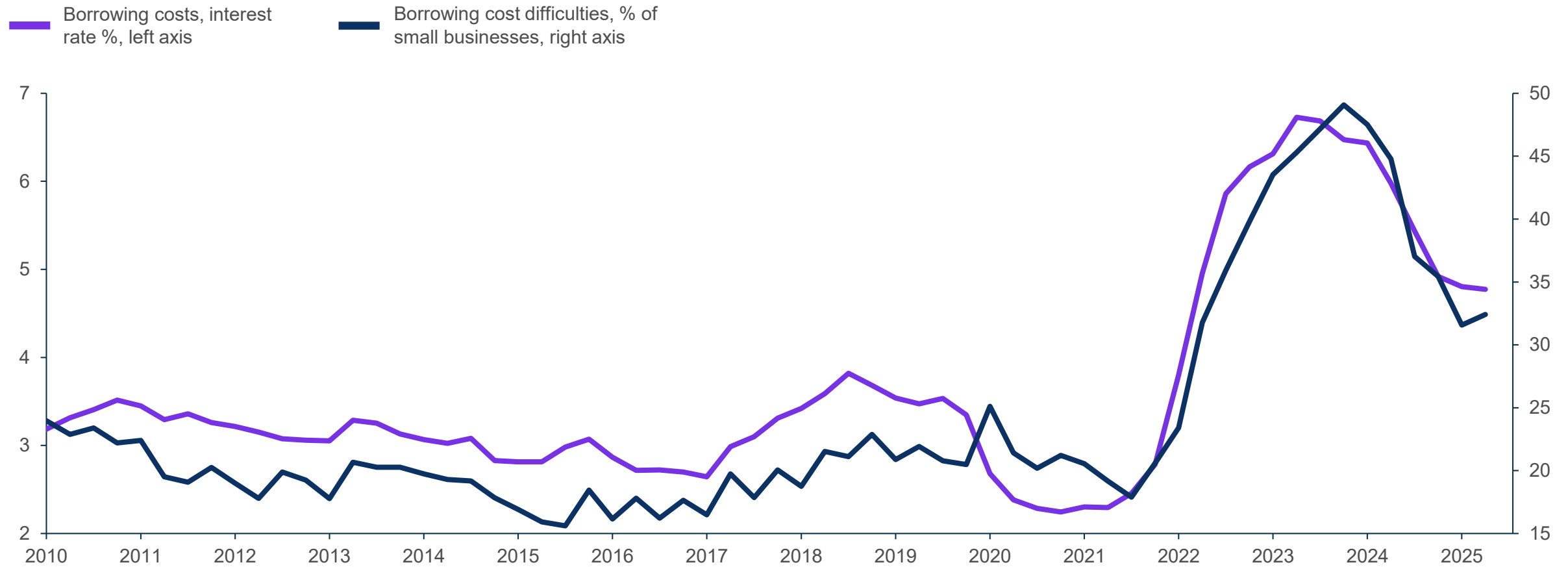
Number of businesses, three month moving average, seasonally adjusted



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

Borrowing pressures ease for small firms as rates stabilize.

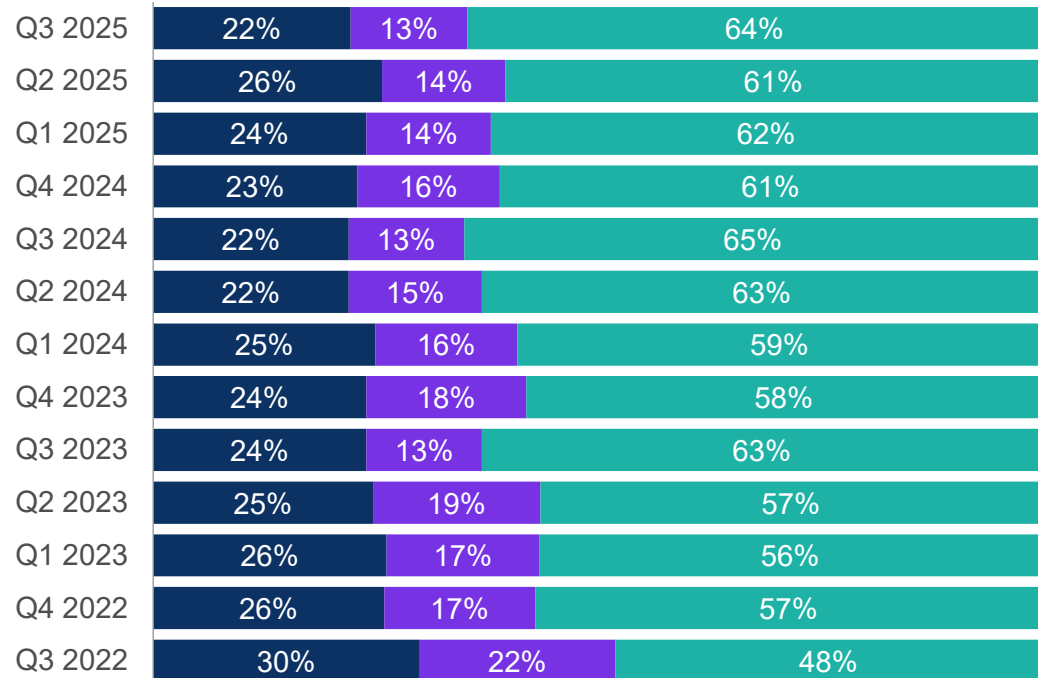
Effective business interest rate vs. share of small businesses reporting borrowing cost difficulties



Business debt capacity strengthens this quarter. Three in four large firms ready to borrow, signaling stronger financial position.

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

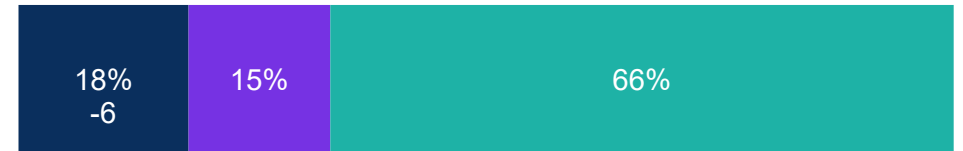
Ability to take on more business debt

% of businesses by firm size (of those reporting that they're not applying for financing)

1–4
Employees



5–19
Employees



20–99
Employees



100+
Employees



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 can take on more debt. If they can't, they are asked the reasons why.

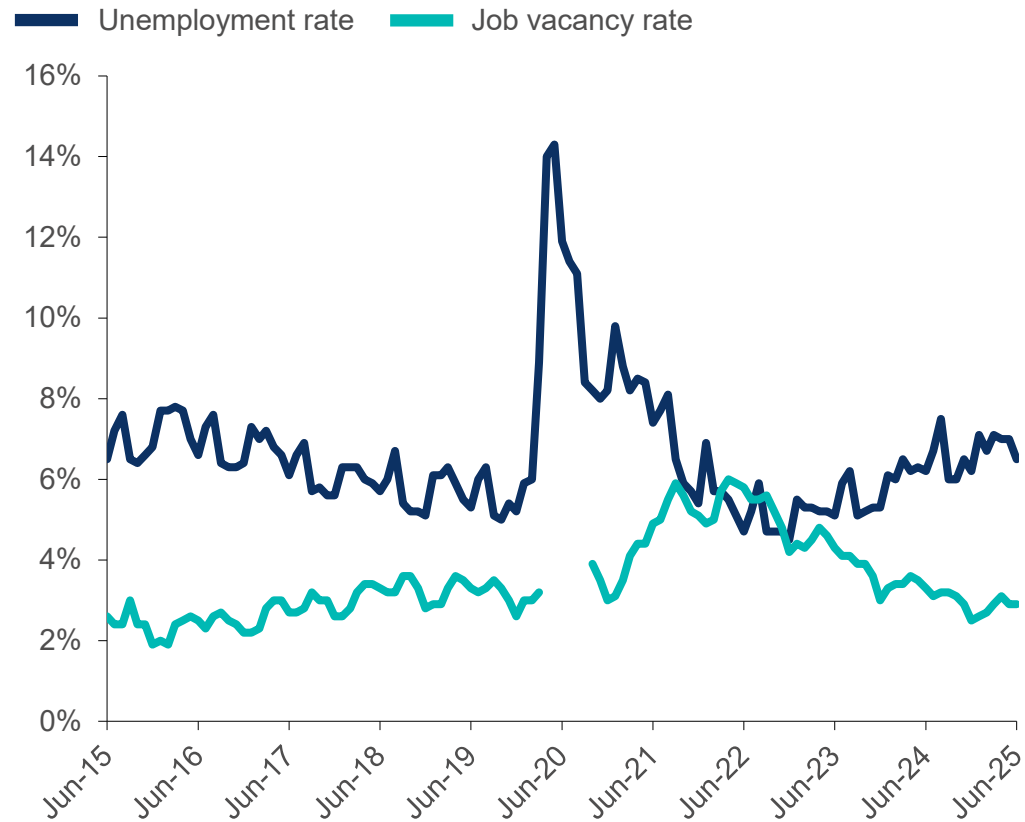
Q3 2025

LABOUR MARKET



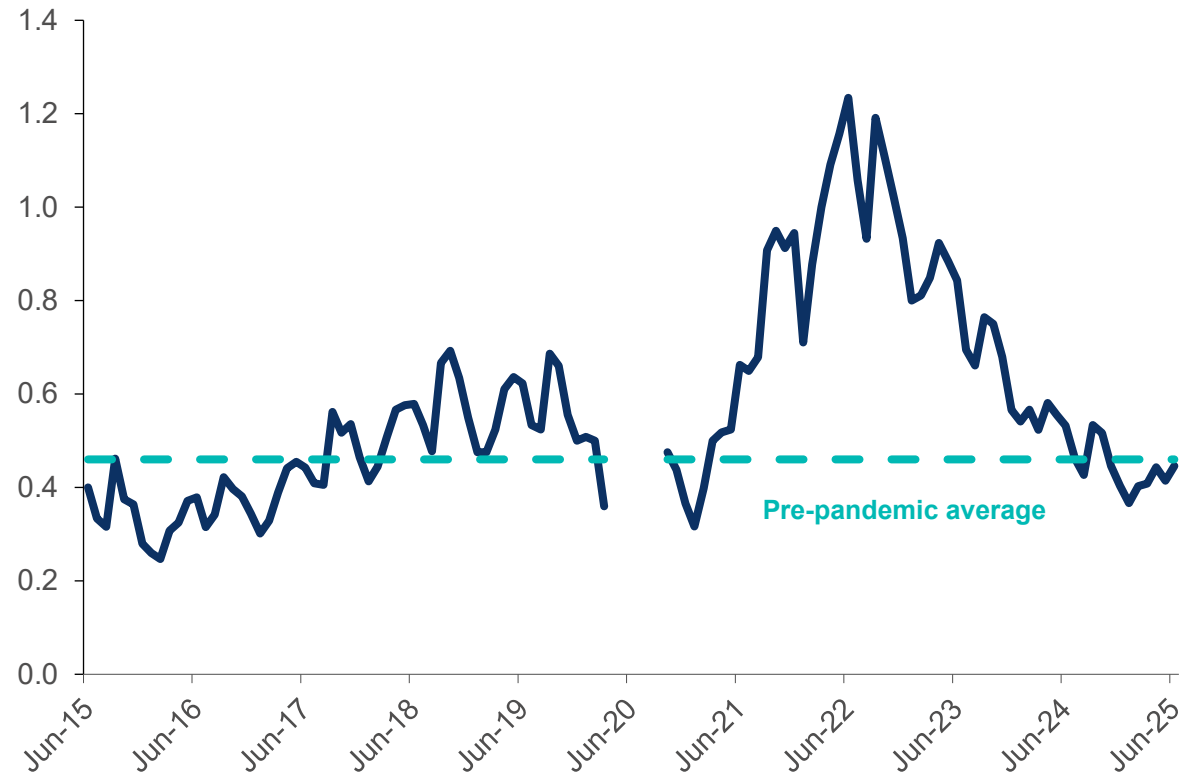
Context: An increase in job seekers amid declining openings signals a softer Canadian labour market.

Unemployment rate vs. job vacancy rate



Labour market tightness

Job vacancies per unemployed person



Labour challenges remain top 3 business obstacle. Ongoing challenges concentrated in TFW-heavy blue-collar sectors.

Labour challenges expected over next three months

% of all businesses by industry

Higher  Lower

	Labour obstacle expected	Recruiting skilled employees	Retaining skilled employees	Labour force shortage
Administrative services	43	32	23	21
Accommodation, food services	42	24	25	23
Construction	41	30	22	23
Wholesale trade	40	28	19	14
Manufacturing	39	34	19	20
Agriculture, forestry, fishing	36	24	16	21
Mining, oil, gas extraction	35	29	15	12
Health care, social assistance	34	26	26	15
All Industries	33	24	18	15
Retail trade	33	25	18	14
Arts, entertainment, recreation	32	26	17	12
Finance, insurance	32	26	24	12
Other services	32	25	18	16
Real estate	26	20	11	12
Information, culture	24	9	17	5
Professional services	21	16	11	4
Transportation, warehousing	20	13	11	7

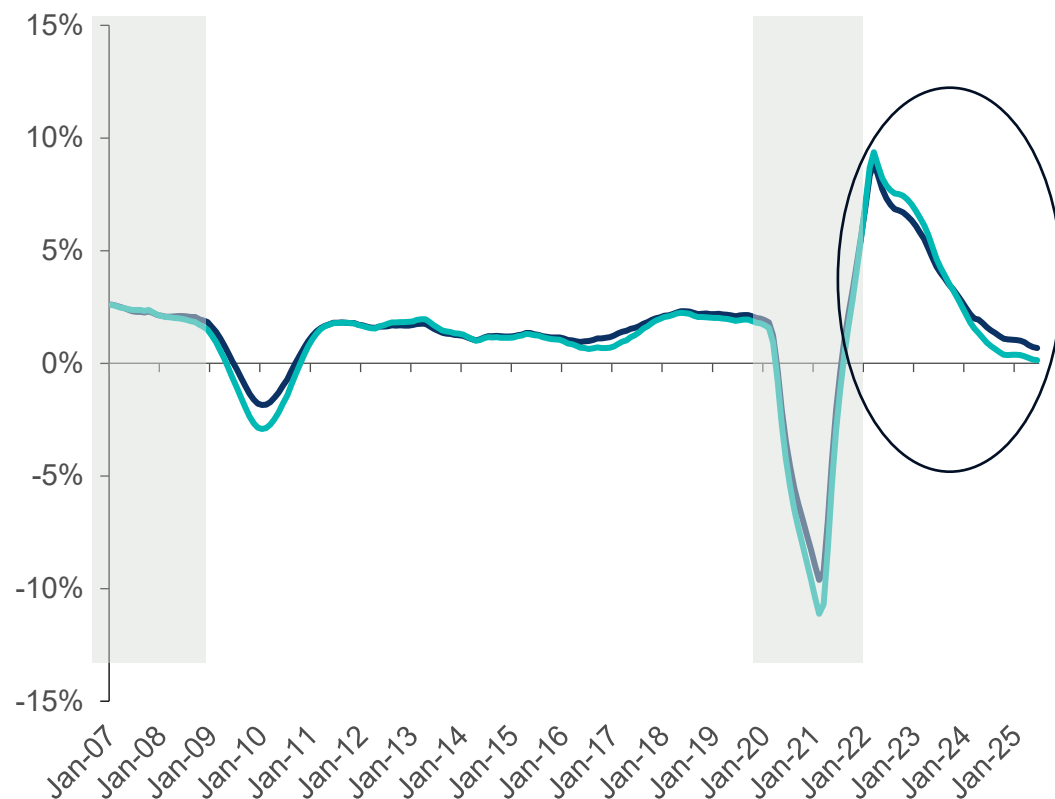


Note: Temporary Foreign Worker (TFW)
Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*;
9,494 business responses in July and August 2025.

Canada's job growth stalls. Public sector masks broader weakness.

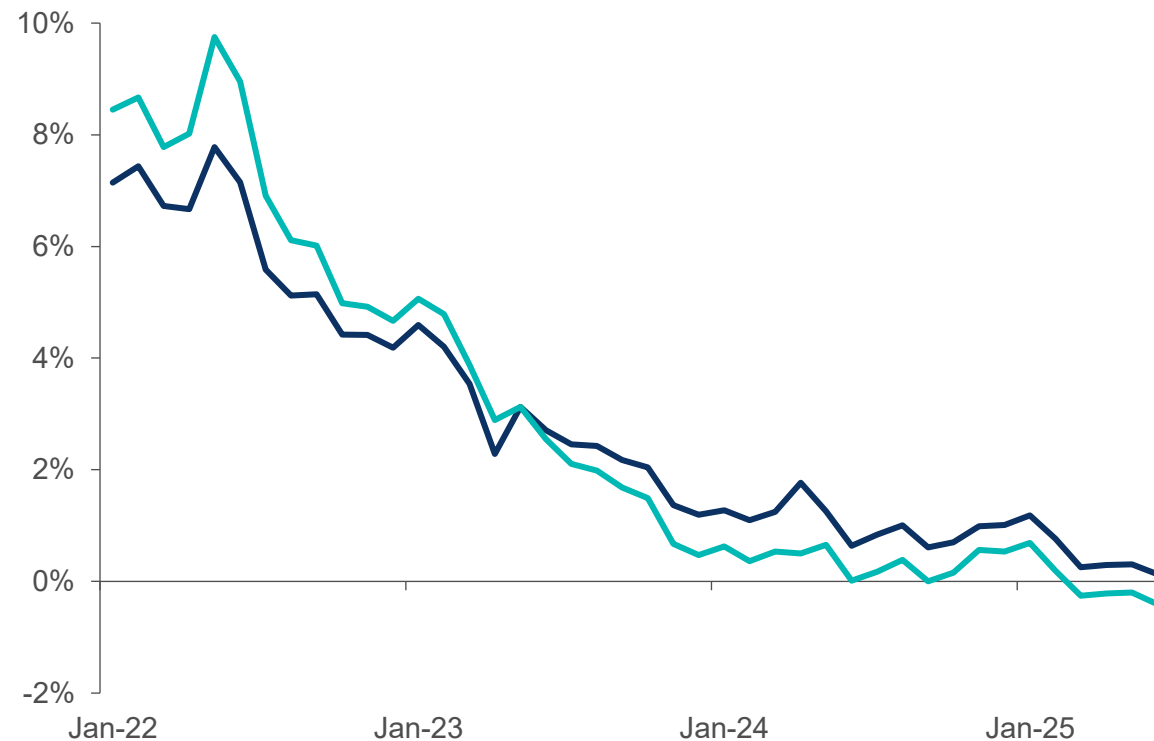
Annual percentage change in employment (2007–2025)

■ All industries ■ Excluding health and public admin ■ Recession



Annual percentage change in employment (2022–2025)

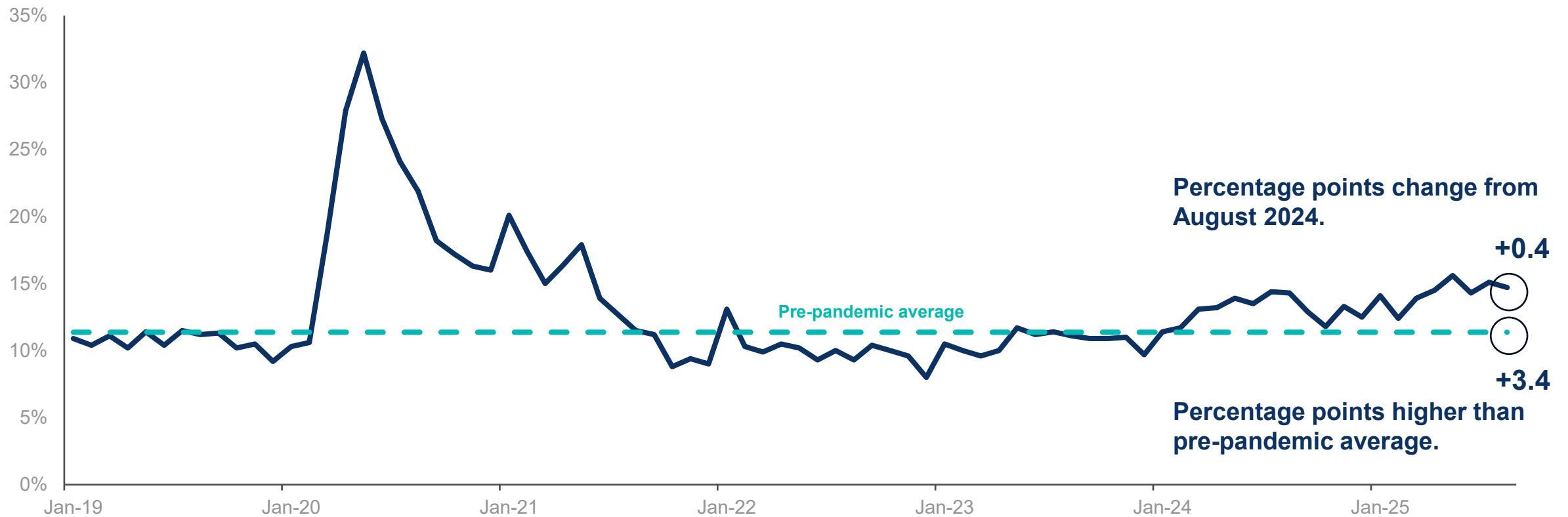
■ All industries ■ Excluding health and public admin



Youth unemployment remains elevated above its pre-pandemic benchmark. Are TFWs the driving force behind youth unemployment?

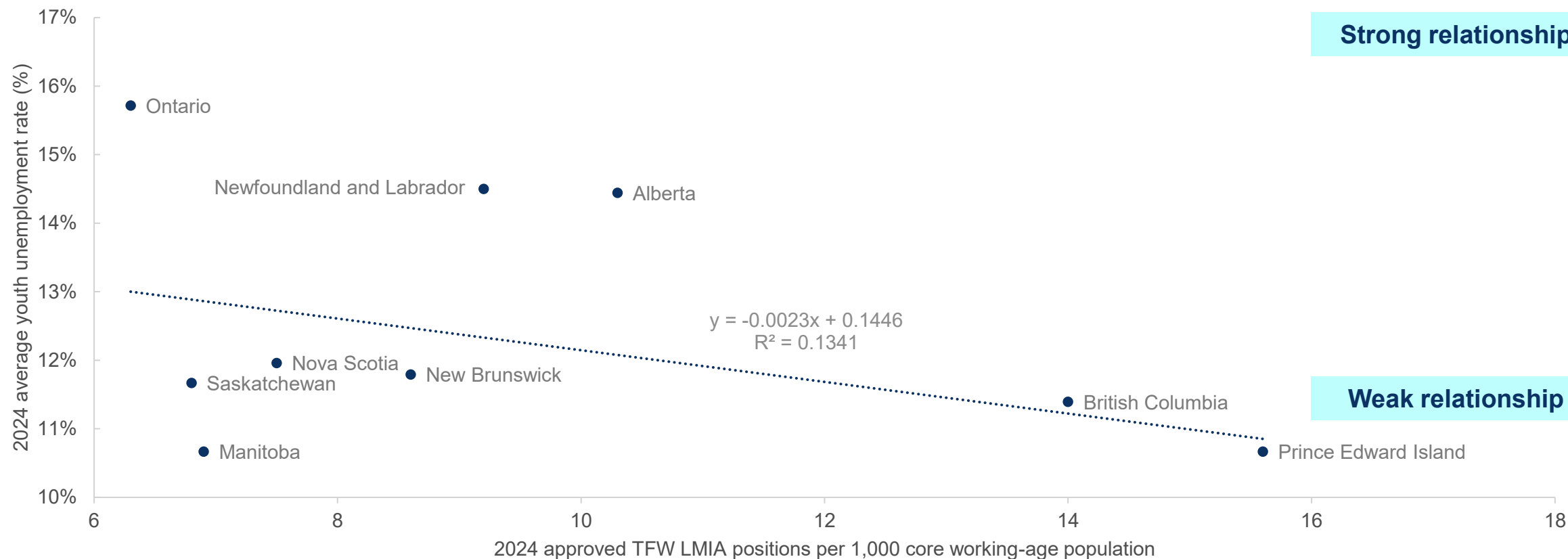
Youth unemployment rate

— All industries



There's a weak link between TFW usage and youth unemployment across provinces.

Youth unemployment vs. TFW intensity by province (2024)



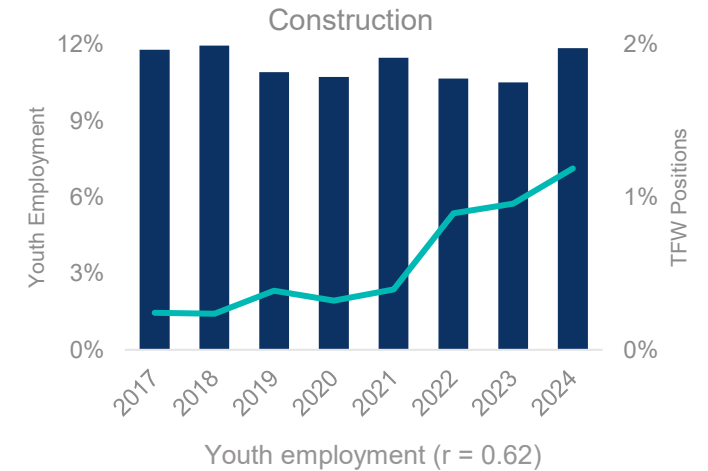
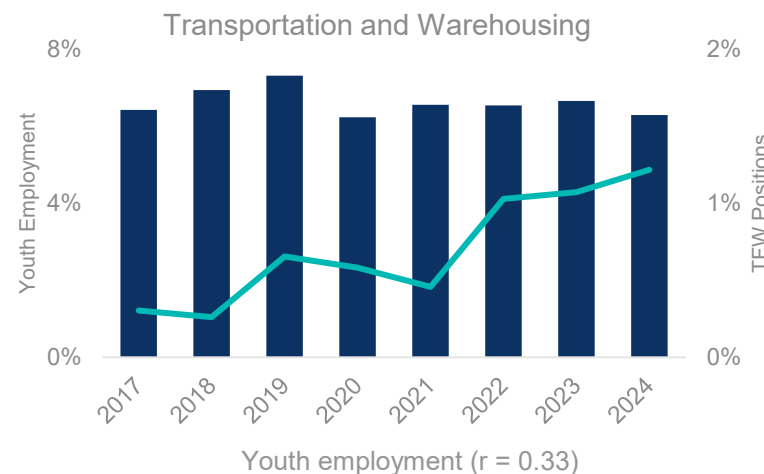
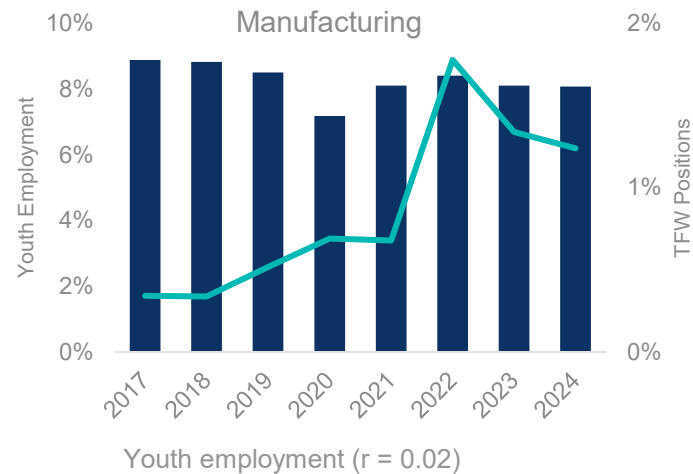
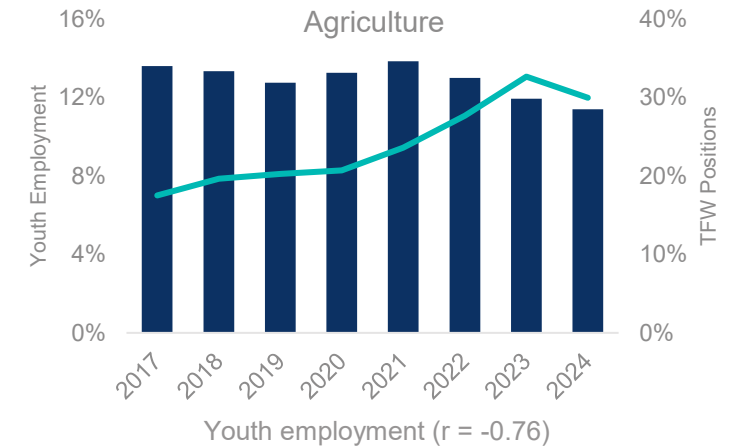
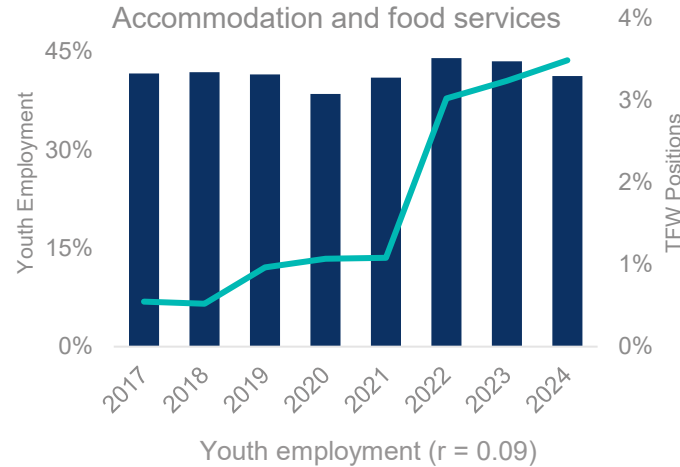
TFW growth shows mixed relationship with youth employment in Canada's largest hiring sectors. In some sectors, they rise together.

Top 5 industries by growth in TFW positions (2017-24)

Industry	Growth
Accommodation & Food Services	+33,091
Agriculture, Forestry & Fishing	+26,690
Manufacturing	+16,884
Construction	+15,672
Transportation & Warehousing	+10,378

■ Share of Youth Employment ■ Share of TFW Positions

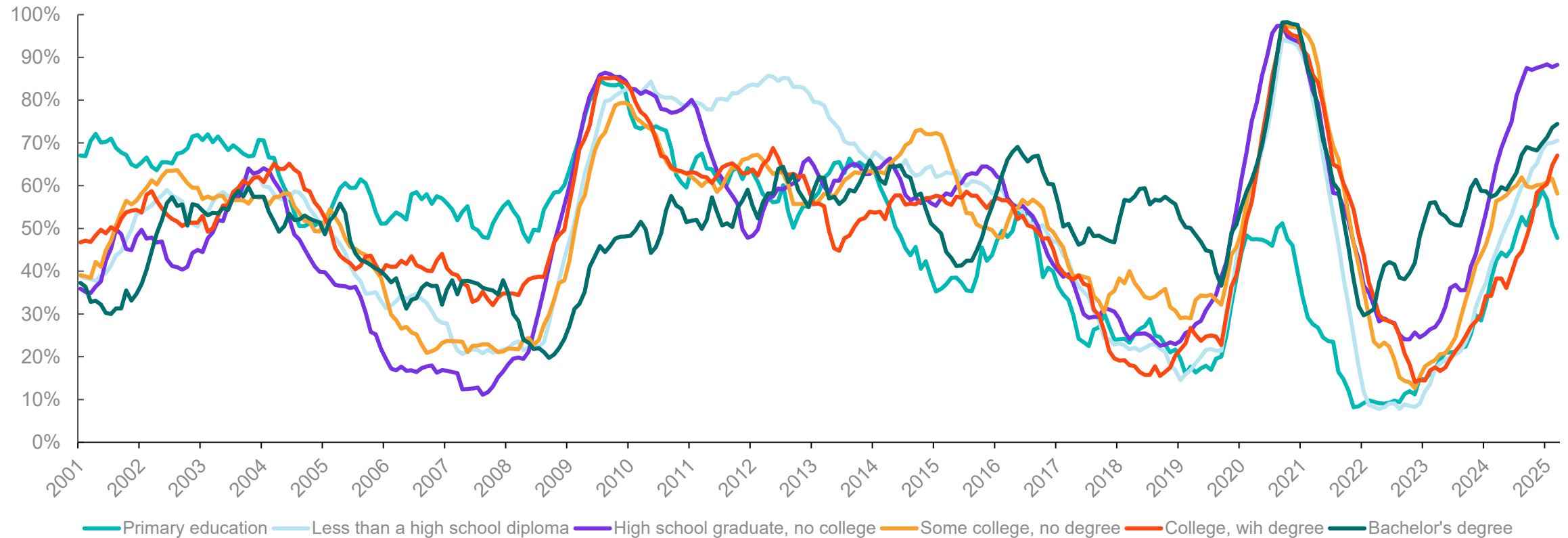
Youth employment vs TFW positions
as a share of total employment, annualized, by industry (2017-24)



Education, not TFWs, is a stronger signal of youth unemployment.

Canadian unemployment rate by educational attainment, 12-month moving average, percentile, 15–24 years

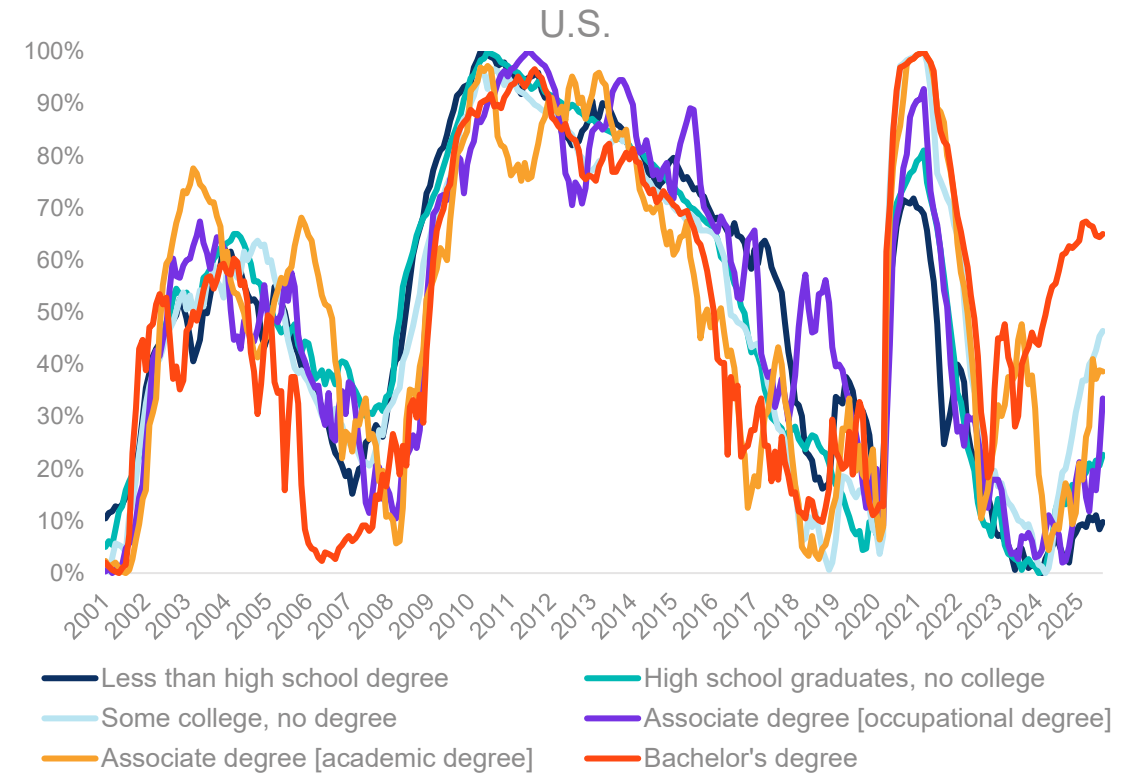
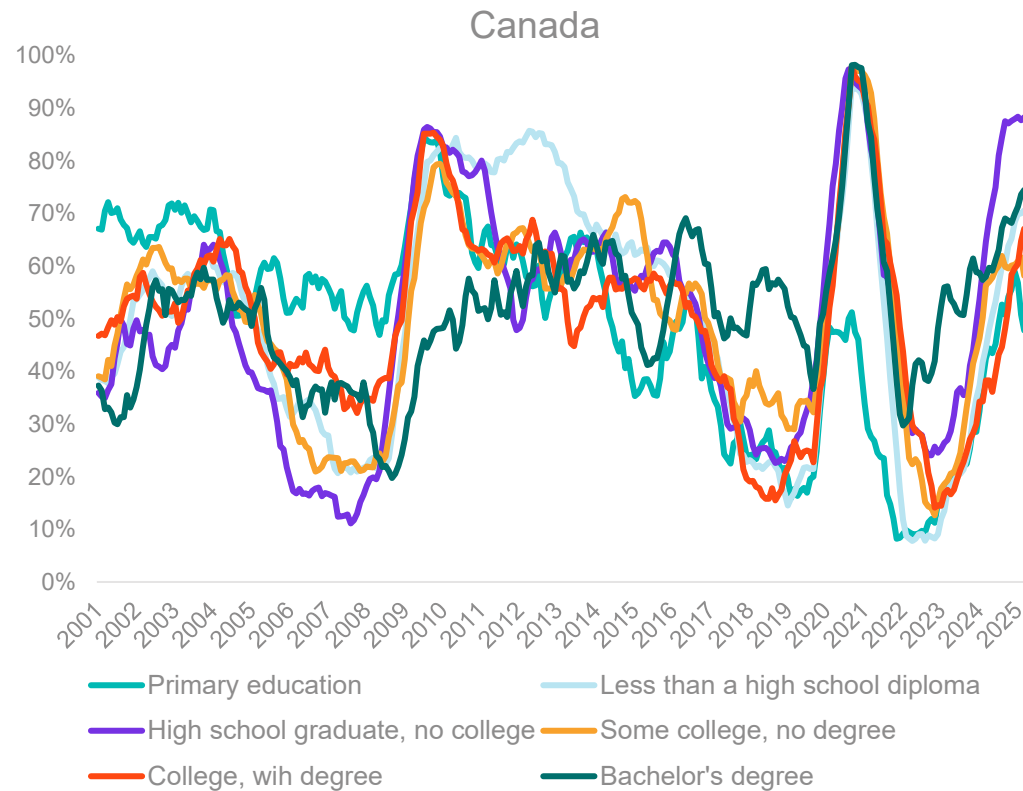
A value of 90 means unemployment rate is higher than in 90% of months since January 2001 for that group.



Canada and the U.S. face similar youth unemployment challenges — level of education deepens the divide.

Canada vs U.S. unemployment rate by educational attainment, 12-month moving average, percentile, 15–24 years

A value of 90 means unemployment rate is higher than in 90% of months since January 2001 for that group.



Sources: BDL and Burning Glass Institute analysis; Statistics Canada, Table 14-10-0019-01. US Bureau of Labour Statistics, retrieved from Federal Reserve Bank of St. Louis (FRED).

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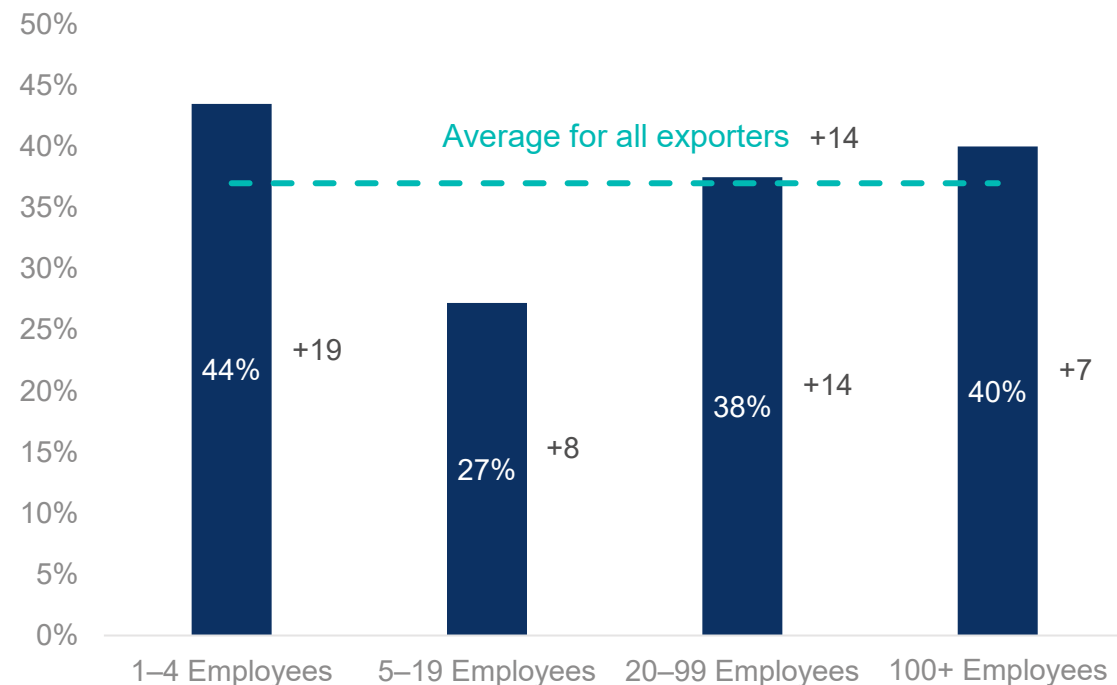
TRADE



Small firms drive surge in Canada–U.S. trade as micro-exporters ramp up fastest.

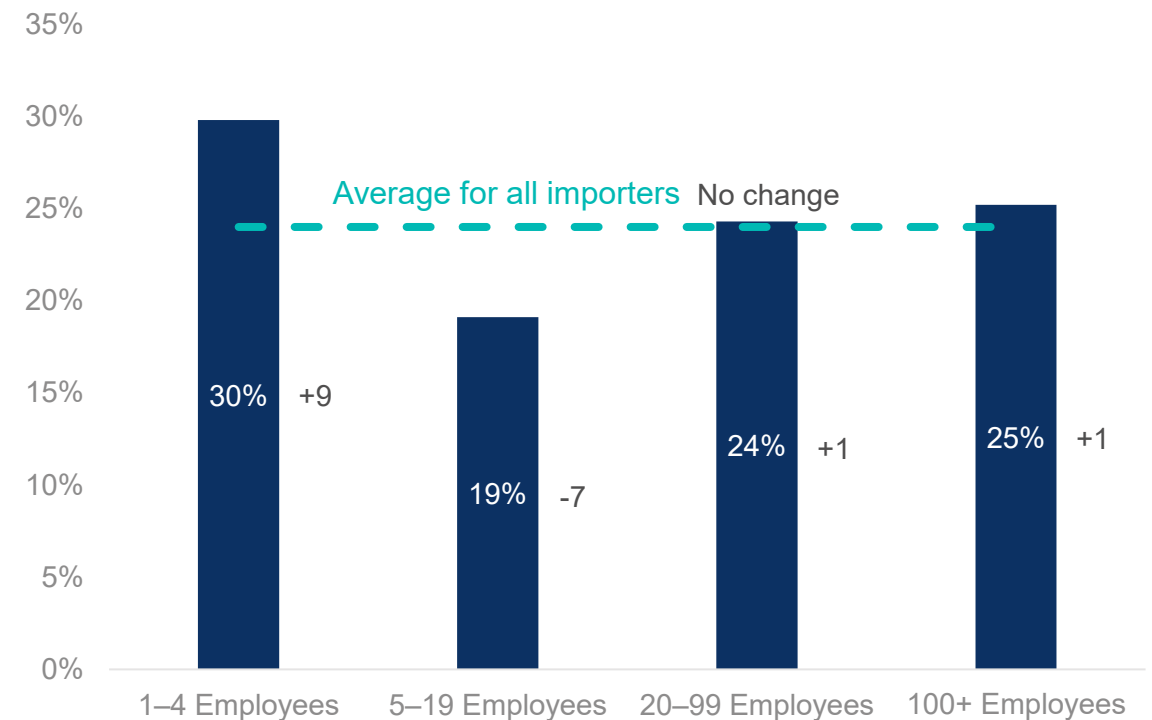
Sales made directly to U.S. customers in past 12 months

Average % of sales; Canadian exporters (goods and services) by firm size;
+/- change in percentage points quarter-over-quarter



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

Average % of purchases; Canadian importers (goods and services) by firm size;
+/- change in percentage points quarter-over-quarter

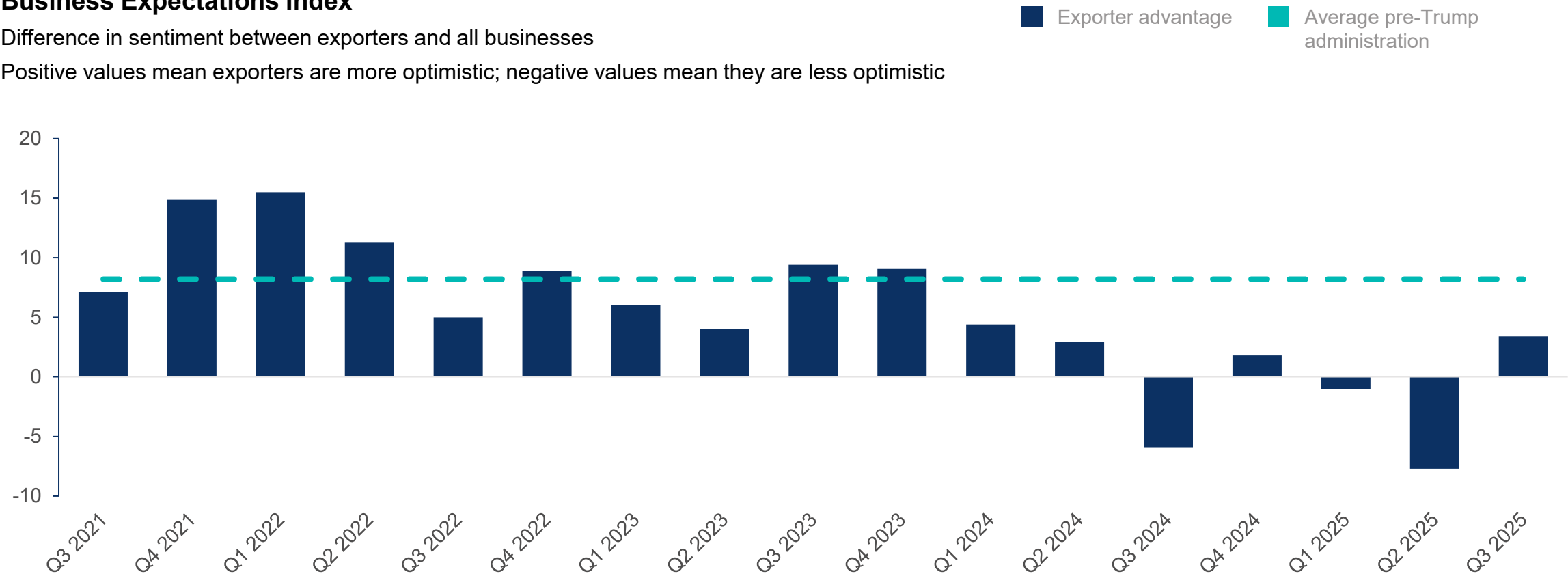


Canadian exporters show signs of resilience despite lingering trade risks.

Business Expectations Index

Difference in sentiment between exporters and all businesses

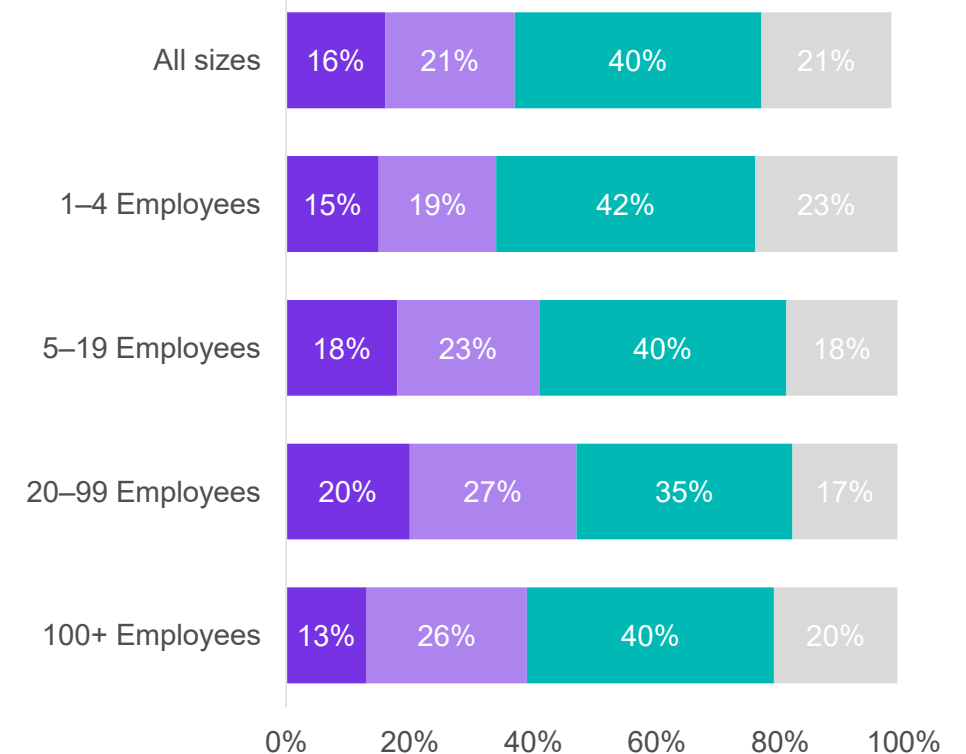
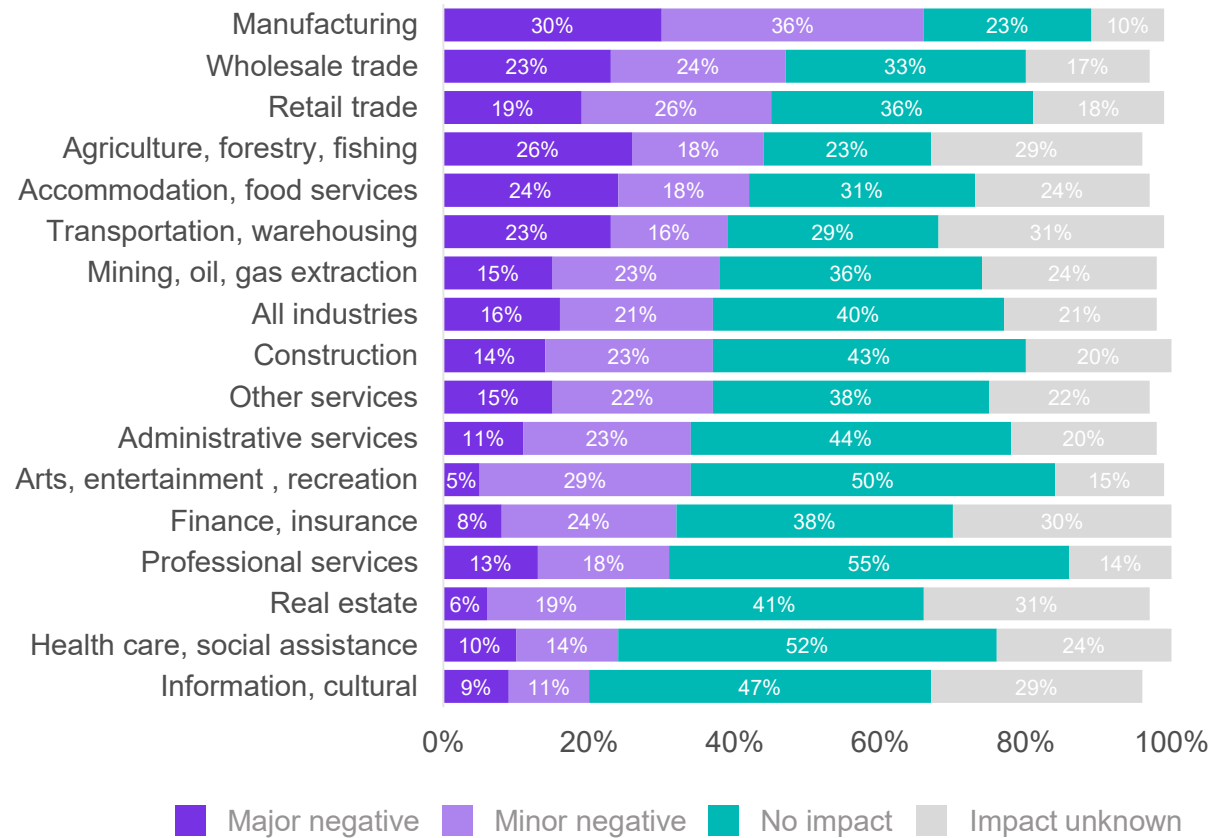
Positive values mean exporters are more optimistic; negative values mean they are less optimistic



1 in 3 Canadian businesses engaged in trade negatively impacted by U.S. tariffs — manufacturers and retailers hit hardest.

Level of impact of U.S. tariffs on goods sold by businesses in Canada

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



Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 9,494 business responses in July and August 2025.

Tariff shock pushes Canadian exporters to diversify and delay spending — but most businesses still sit tight.

Planned actions over the next 12 months because of any tariffs applied by the U.S. on imports from Canada

% of all businesses and exporters (goods and services); *+/- change in percentage points quarter-over-quarter



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.



Raised prices



No actions have been taken

All industries

6% +2

14% +2

8% N.C.

3% -4

5% +1

1% N.C.

15%

46% -27

Goods exporters

27% -1

31% -6

15% -8

8% -14

15% -1

7% +2

32%

19% -16

Services exporters

18% -1

20% +1

15% -2

4% -3

10% N.C.

9% +1

14%

37% -18

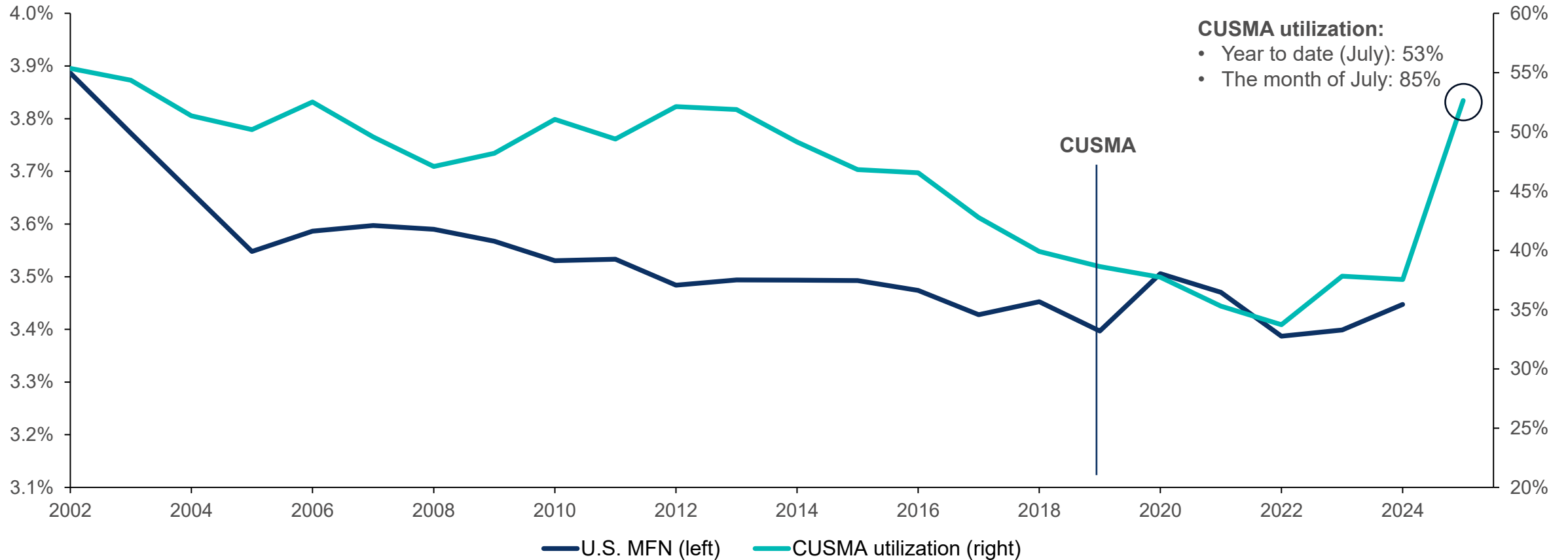


Note: *Q2 2025 questions related to actions taken in the previous three months to mitigate the risk of U.S. tariffs
Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*;
9,494 business responses in July and August 2025.

CUSMA utilization hits 20-year high in July 2025, underscoring what's at stake in renegotiations.

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

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



Source: BDL analysis using U.S. Census Bureau, RBC Economics

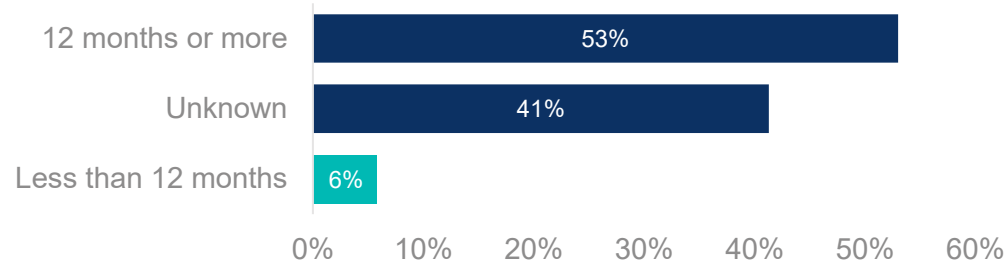
*Note: NAFTA utilization data shown through June 2020; CUSMA utilization data from July 2020 onward.

2025 data is available through July, the most recent month of reporting.

Half of Canadian firms say they can weather tariffs and trade uncertainty for over a year.

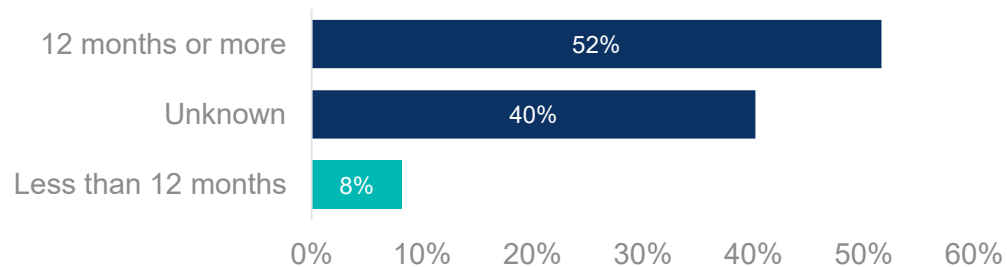
Length of time businesses can continue to operate if U.S. tariffs remained at their current level

% of all businesses



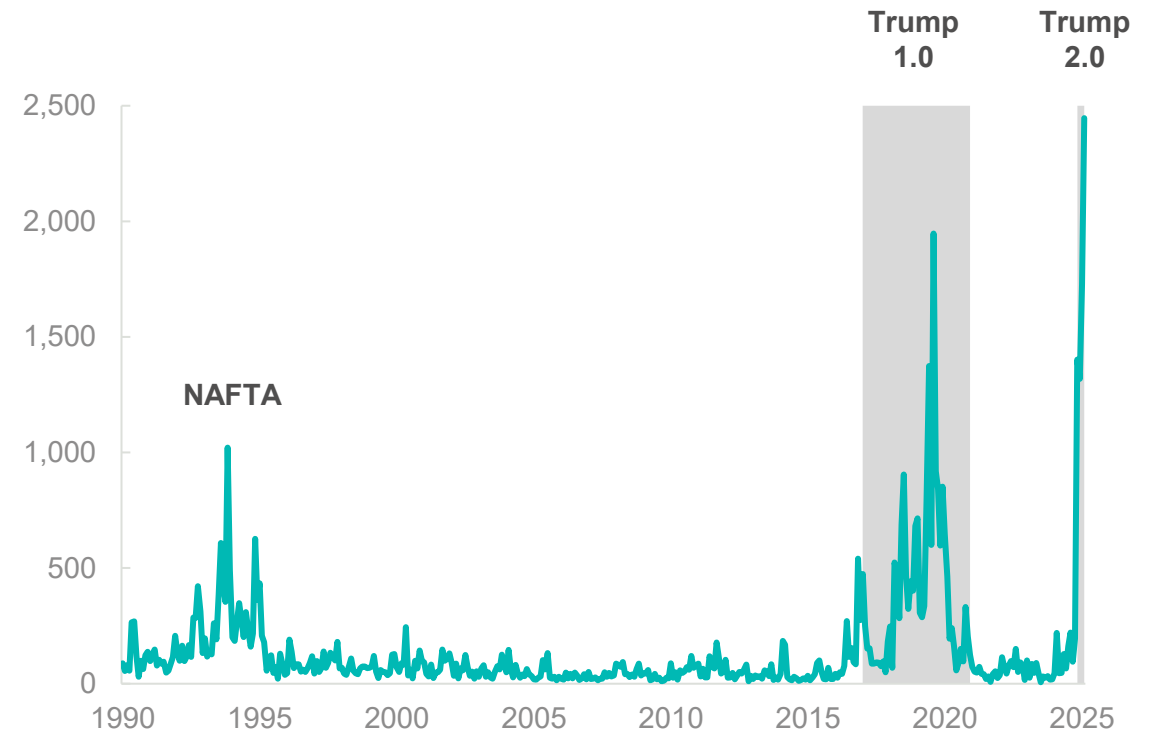
Length of time businesses can maintain current level of staff if U.S. tariffs remained at their current level

% of all businesses



U.S. trade policy uncertainty

1985–2010 = 1,000



Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 9,494 business responses in July and August 2025. Baker, Bloom and Davis via Haver.

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 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 Q3 2025 CSBC data collection period was July 2–August 6, 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 9,494 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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