Business Insights Quarterly

Q2 2026

Canadian Chamber of Commerce
Chambre de Commerce du Canada

Business Data Lab
Laboratoire de données sur les entreprises

MESSAGE FROM THE BUSINESS DATA LAB

Canada's economy has proven resilient over the past year. Inflation has largely returned to target, interest rates have eased and economic growth, while modest, has stabilized. Yet one question continues to underpin Canada's economic outlook: **why aren't businesses investing?**

This edition of *Business Insights Quarterly* suggests the answer lies less in financing conditions than in confidence. Businesses are operating in an environment marked by persistent uncertainty, subdued demand and limited expectations for stronger growth. Rather than expanding capacity, many firms are postponing investment, replacing existing assets rather than making productivity-enhancing investments, and waiting for greater certainty before committing capital.

The data also reveal an increasingly uneven business landscape. Larger firms continue to expand and hire, while many small businesses remain cautious. Business confidence has remained below neutral for eight consecutive quarters, business dynamism continues to weaken, and Canada has now recorded seven consecutive quarters of net business losses. Together, these trends point to an economy that is stable but not yet generating the confidence needed to support stronger private-sector investment.

Trade uncertainty continues to shape business behaviour, though perhaps not in the way many assume. Rather than relocating production to the United States, most businesses are responding by delaying investment decisions. Manufacturing firms have adjusted most aggressively, while relatively few businesses report plans to establish U.S. operations. The immediate consequence of tariff and CUSMA uncertainty appears to be delayed investment, not widespread capital flight.

Perhaps most concerning is that Canada's investment challenge extends well beyond the current economic cycle. Businesses continue to prioritize replacement spending over productivity-enhancing investment. Investment per worker remains well below that of both the United States and many OECD peers, while weaker business formation and declining competitive pressure continue to weigh on long-term productivity growth.

What we've consistently heard from businesses in this quarter's data is that **Canada's economy is doing okay, but business investment is not.** Without stronger confidence, improved market opportunities and renewed incentives to invest, today's resilience risks giving way to a prolonged period of slower productivity, weaker competitiveness and lower long-term prosperity.

Since this report's survey period concluded, the U.S. administration has also imposed a 50% tariff on a broad range of Canadian exports, adding another layer of uncertainty to an already cautious investment environment. While these developments are not reflected in the survey results presented here, they reinforce the report's central finding: businesses are more likely to delay investment when the economic outlook becomes increasingly uncertain.

The Canadian Chamber of Commerce's Business Data Lab (BDL) will continue to monitor these developments, including through its new Business Investment Momentum Index (BIMI) — a forward-looking measure of business investment intentions — and provide timely, evidence-based analysis to help businesses and policymakers better understand the forces shaping Canada's economy.

Patrick Gill

Vice President, Business Data Lab, Canadian Chamber of Commerce

KEY FINDINGS

Business outlook

- **Economic growth has stabilized, but businesses still lack a compelling reason to invest.** While Canada has avoided a downturn, weak demand and persistent uncertainty continue to weigh on investment decisions.
- **Business confidence remains subdued.** Expectations have now remained below neutral for eight consecutive quarters, reflecting continued caution across much of the business community.
- **A widening confidence gap is emerging.** Large firms continue to expand while many small businesses remain cautious, pointing to increasingly uneven business resilience.
- **Consumer demand is finally improving, but only modestly.** After more than two years of declining real per-capita spending, household demand is showing early signs of recovery, though not yet enough to materially change business sentiment.

KEY FINDINGS

Business investment

- **Canada's long-term investment gap continues to widen.** Canadian businesses invest substantially less per worker than their international peers, limiting future productivity growth and competitiveness.
- **Canada's investment challenge is increasingly structural rather than cyclical.** Weak confidence, subdued demand and declining business dynamism continue to restrain private-sector investment.
- **Investment intentions remain positive, but businesses are prioritizing capabilities over capacity.** The Business Data Lab's new Business Investment Momentum Index (BIMI) shows firms continue to invest in workforce training, customer development and technology, while capital investment remains comparatively subdued.
- **Service industries are driving Canada's strongest investment momentum.** Health care and social assistance, arts, entertainment and recreation, and accommodation and food services rank highest on the BIMI, while wholesale trade, manufacturing and construction continue to lag.
- **Tariff uncertainty is delaying investment, not driving widespread relocation.** Most businesses plan to postpone investment decisions, while relatively few intend to establish operations in the United States.
- **Manufacturers are responding to tariff uncertainty with caution rather than relocation.** The sector reports the highest rates of delayed investment and postponed Canadian expansion, yet relatively few firms plan to establish operations in the United States, suggesting uncertainty is slowing investment rather than shifting it south.

KEY FINDINGS

Business conditions

- **Cost pressures are re-emerging even as inflation remains near the Bank of Canada's target.** Rising concerns about inflation, transportation and input costs suggest businesses continue to face meaningful operating cost pressures.
- **Weak demand remains a key constraint on business growth.** Customer acquisition and demand uncertainty continue to rank among the most frequently cited business obstacles.
- **Businesses continue to expect price increases despite moderating inflation.** Selling-price expectations remain above pre-pandemic norms, suggesting firms continue to pass through higher operating costs where possible.
- **Businesses generally retain financial capacity to invest, but investment remains restrained.** Most firms report they could take on additional debt, indicating that uncertainty — not financing capacity alone — is limiting investment.
- **Canada's labour market continues to rebalance.** Employment growth has recovered from a weak start to the year, hiring has become more balanced across the public and private sectors, and labour shortages continue to ease. Youth unemployment, however, remains elevated, highlighting persistent challenges for new labour market entrants.

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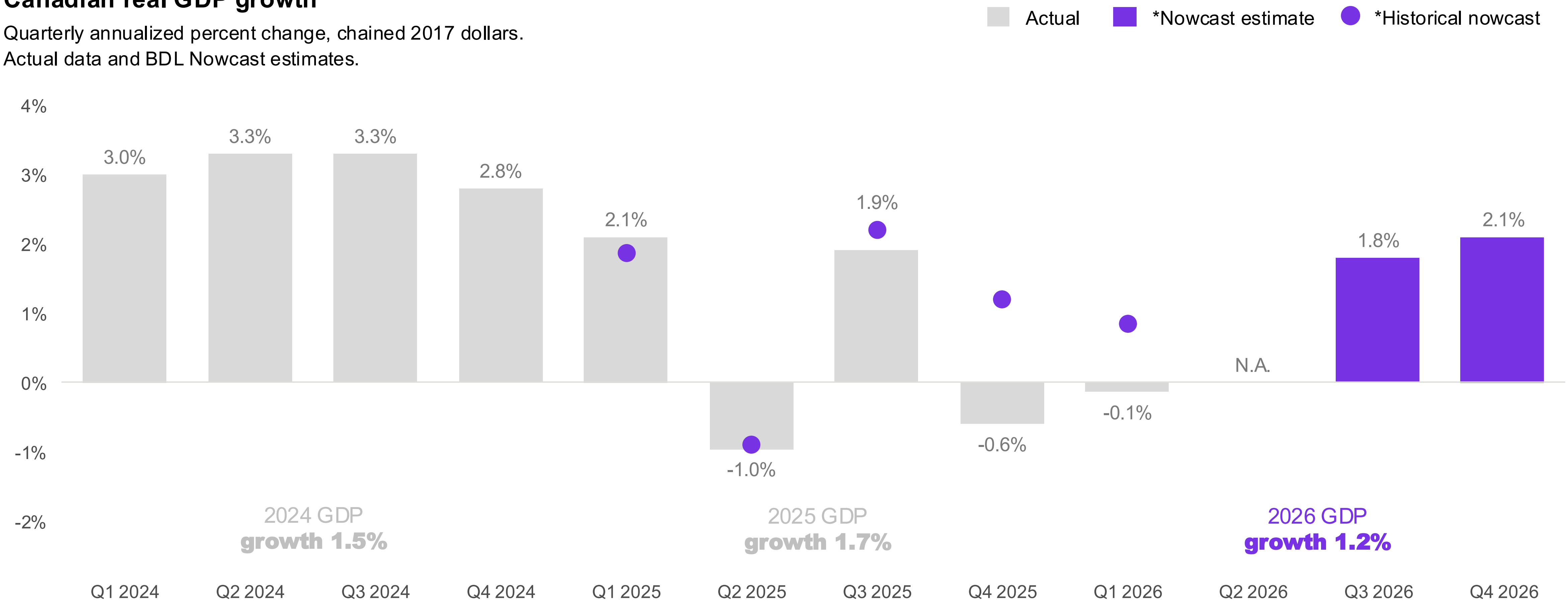
BUSINESS OUTLOOK

Economic growth has stabilized, but businesses still lack a compelling reason to invest.

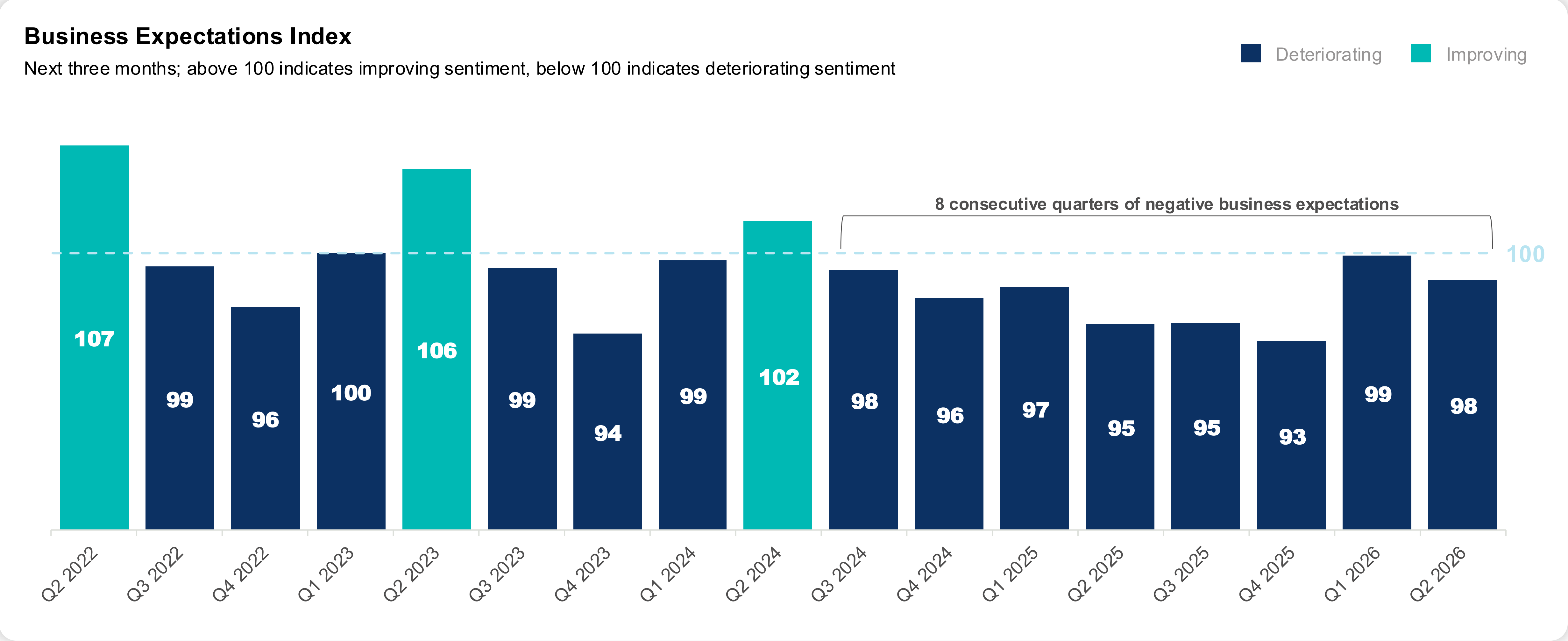
Canadian real GDP growth

Quarterly annualized percent change, chained 2017 dollars.
Actual data and BDL Nowcast estimates.



Note: *Powered by 45 economic indicators, [BDL *Now*] 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 July 6, 2026.

Persistent business pessimism continues to weigh on investment decisions.

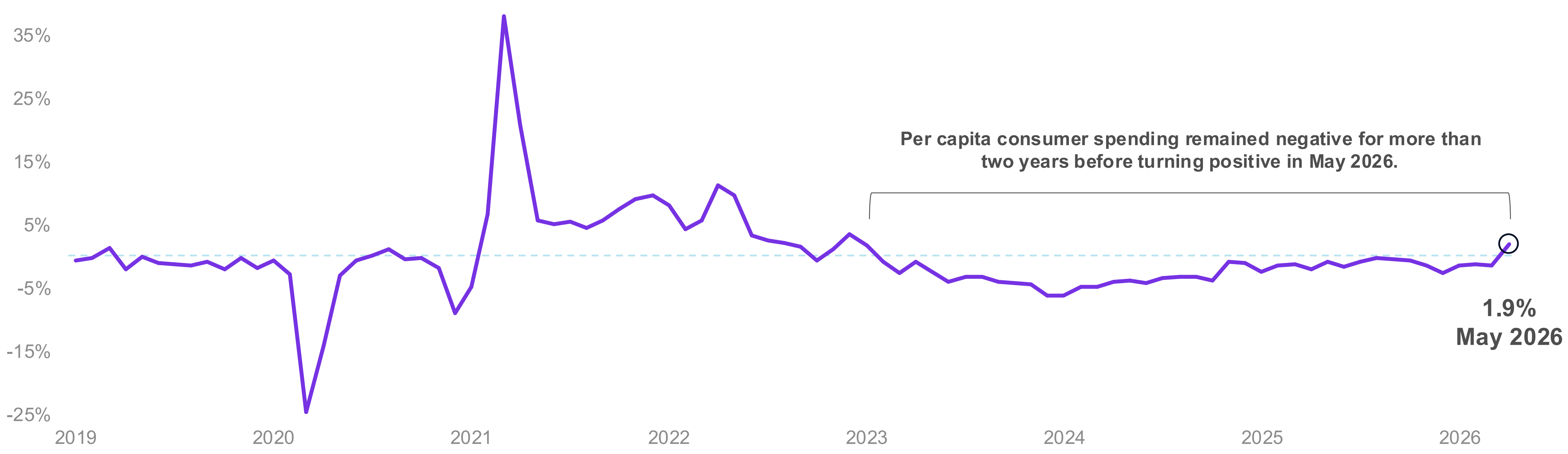


Source: BDL analysis using Statistics Canada's Canadian Survey on Business Conditions; 9,251 business responses April-May 2026.

Weak consumer demand helps explain why businesses have remained reluctant to invest.

Real consumer spending per person

Year-over-year % change in real consumer spending per person, Canada

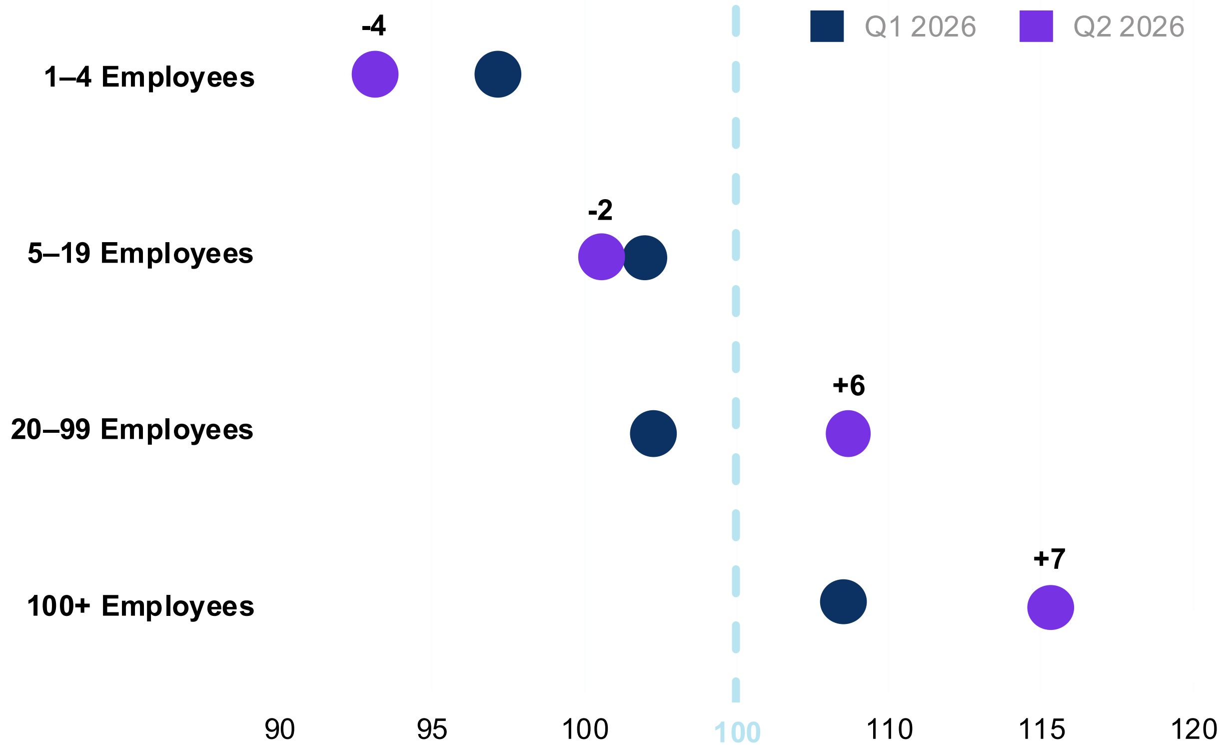


Sources: BDL analysis based on BDL's [Business Sales Tracker](), which monitors the health of Canadian consumer spending using Moneris payments data.

A widening confidence gap: Large firms push ahead while small businesses remain cautious.

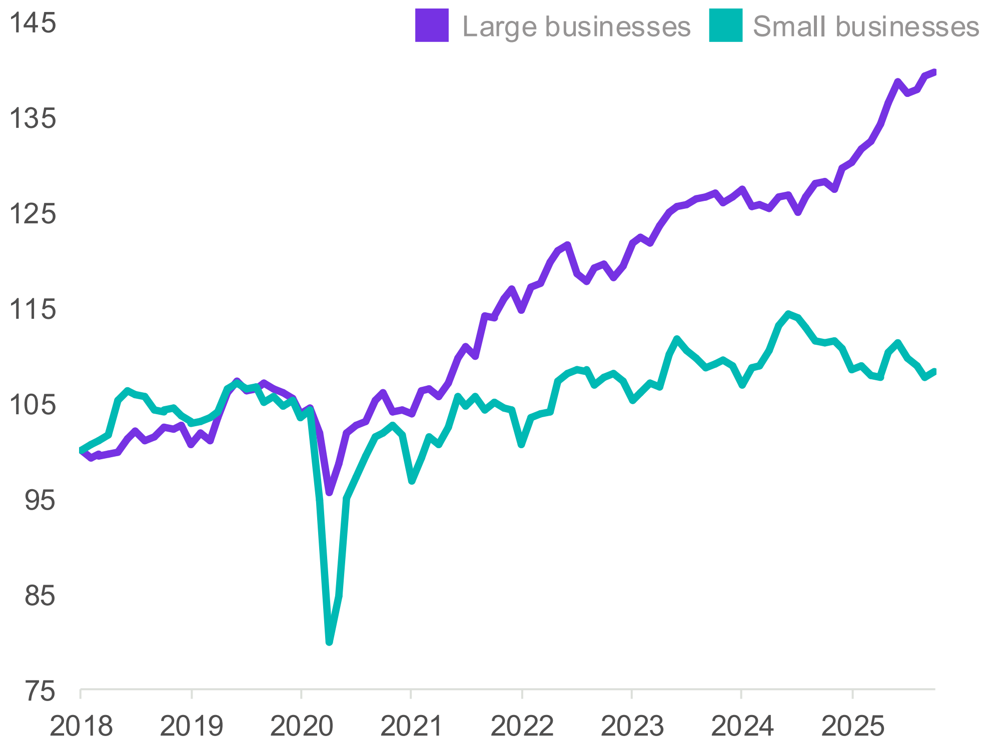
Business Expectations Index, by firm size

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



Employment by establishment size

Index, 100 = January 2018



Note: Large businesses have 100+ employees. Small businesses have between 1–99 employees.
Source: BDL analysis using Statistics Canada’s Canadian Survey on Business Conditions; 9,251 business responses April-May 2026; and Table: 14-10-0068-01.

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BUSINESS INVESTMENT

Canadian workers receive barely half the business investment of U.S. workers.

Business investment per available worker

Canada compared with the OECD (excluding the United States) and the United States, 2024

Canada vs. OECD

82¢

Per $1 invested per worker across the OECD (2024)

Canada vs. U.S.

55¢

Per $1 invested per worker in the U.S. (2024)

Canada 2006-2021

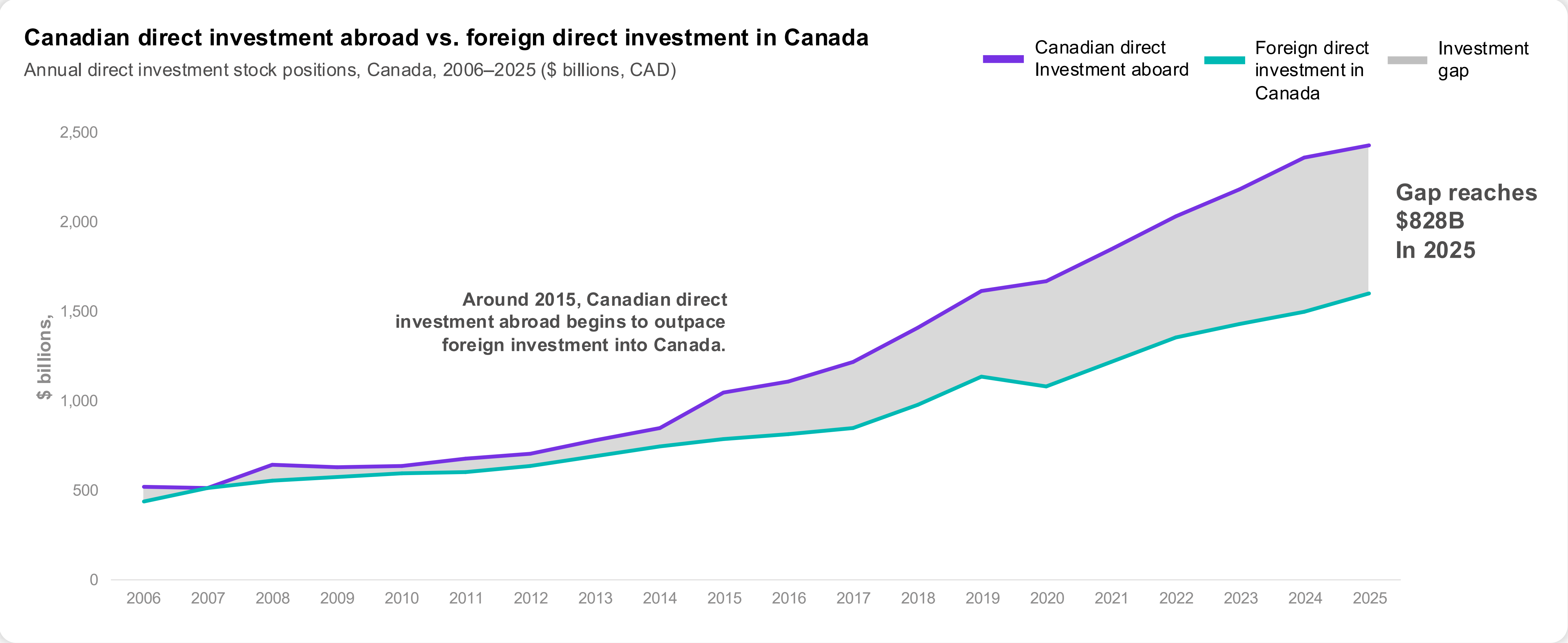
⬇ 15%

Investment per worker (Business Sector)

Lower business investment per worker limits productivity growth, wage growth and global competitiveness.

Notes: Business investment per available worker is estimated by dividing business gross fixed capital formation by the available labour force.
Sources: BDL analysis based on *Canada's Investment Crisis*, (C.D. Howe Institute, 2025); *Investment Slowdown in Canada After the Mid-2000s*, (Statistics Canda 2024).

Canada now exports significantly more investment capital than it attracts.

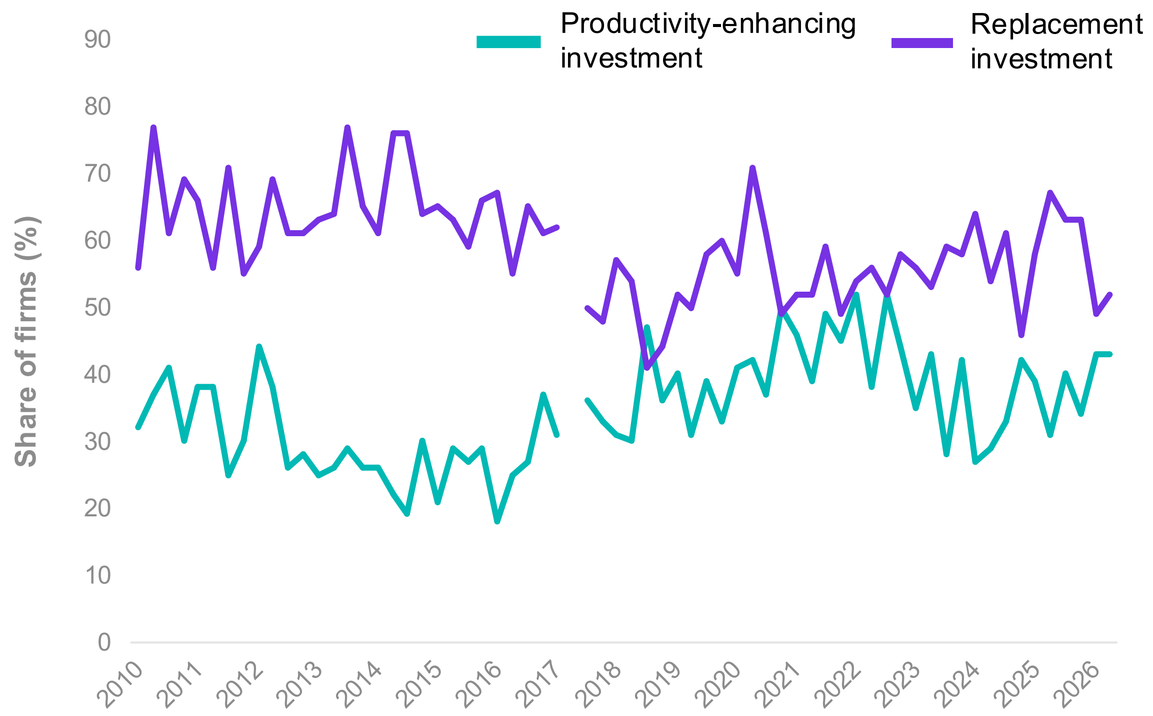


Note: Values represent Canada's stock of direct investment abroad and foreign direct investment in Canada at year-end. The shaded area represents Canada's net outward direct investment position.
Sources: BDL analysis using Statistics Canada data (Table 36-10-0008-01).

Canadian businesses are investing to maintain operations, not to expand productive capacity.

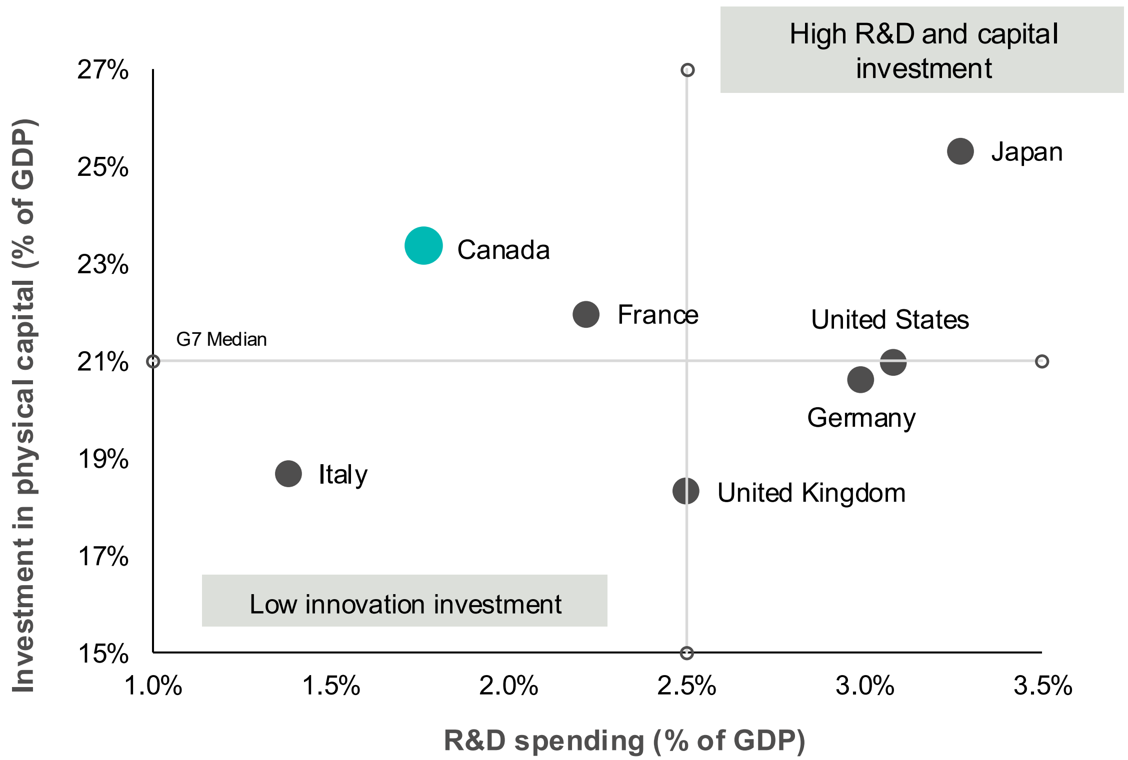
Objectives of investment spending

Share of Canadian firms, quarterly, Q1 2010–Q2 2026



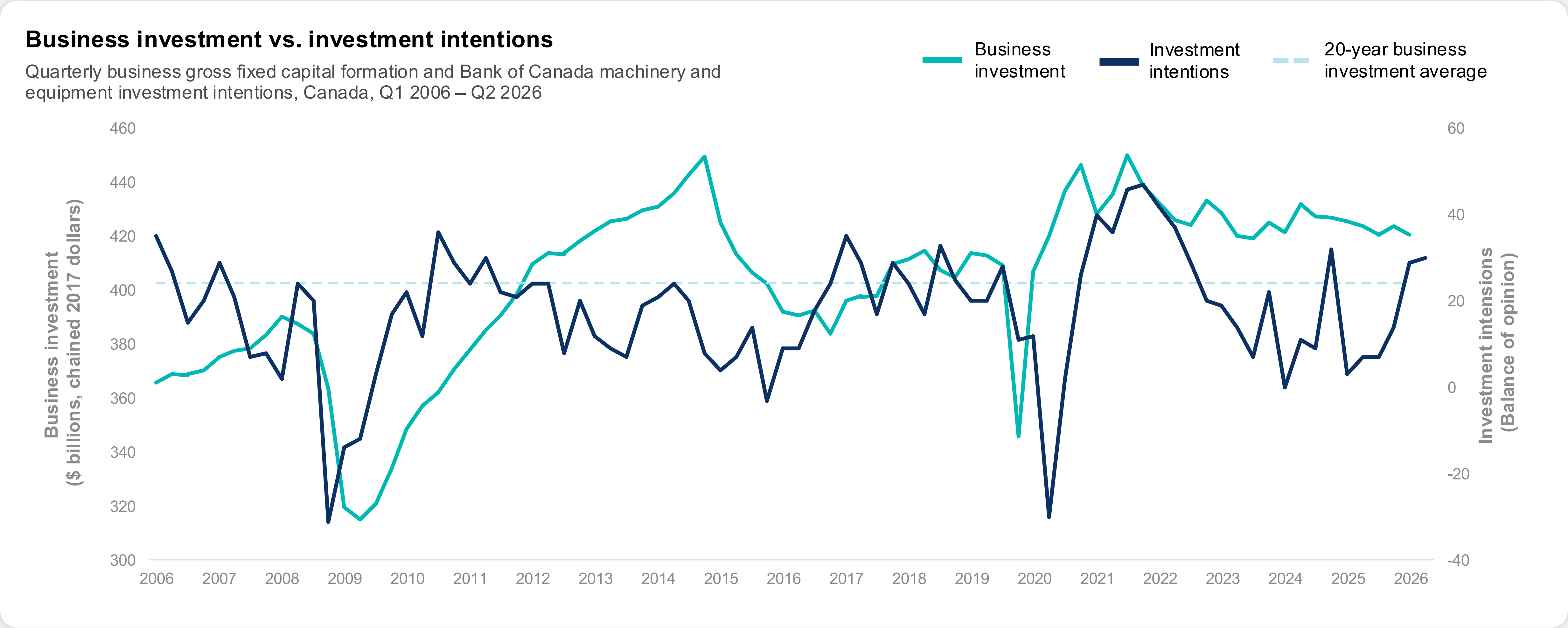
Investment mix across G7 economies

Gross fixed capital formation and R&D spending, share of GDP, G7 median, 2013–2023



Note: Respondents could select multiple objectives, so shares do not sum to 100%. The survey question was revised in 2017Q2, creating a break in the series.
Sources: BDL analysis using Bank of Canada's Business Outlook Survey; OECD.

Weak investment intentions are a key factor in holding back investment.



Note: Investment intentions show the balance of opinion: firms expecting higher M&E investment minus firms expecting lower M&E investment over the next 12 months.
Sources: BDL analysis using Statistics Canada Table 36-10-0108-01 and Bank of Canada Business Outlook Survey.

Canada's investment slowdown reflects weaker business dynamism and reduced investment by large and foreign-owned firms.

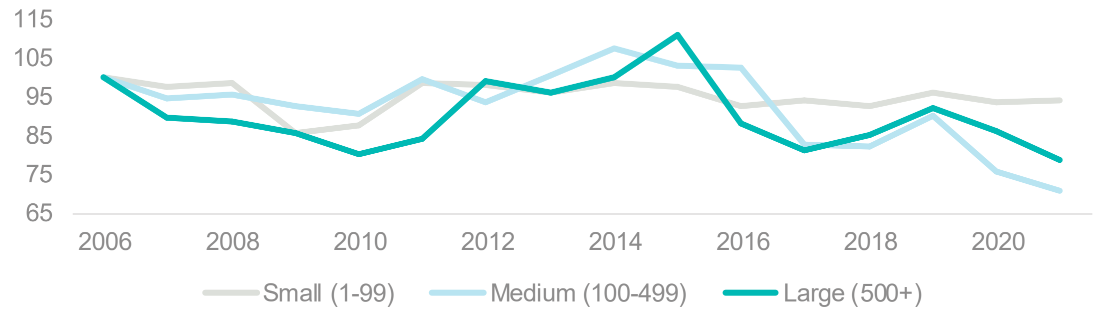
What explains Canada's investment slowdown?

Reasons	StatCan Insights
Fewer new firms are entering the Canadian market.	Falling business entry rates explain roughly 30% of Canada's decline in business investment per worker between 2006 and 2021.
Businesses are investing more in intangible assets.	The share of firms' assets held as intangibles increased from about 6% to 17%, reducing measured investment in physical capital such as machinery and equipment.
Investment remained weak despite strong profitability.	Business investment remained weak despite historically high returns on capital, suggesting factors beyond financing costs constrained investment.
Investment fell most sharply among large and foreign-controlled firms.	The decline in investment was concentrated among large firms and foreign-controlled firms, historically Canada's biggest investors in machinery, equipment and intellectual property.
Weak business dynamism reduced competitive pressure.	Slower firm entry, fewer high-growth firms and less competitive pressure reduced incentives for incumbent firms to expand capacity and invest in productivity-enhancing capital.

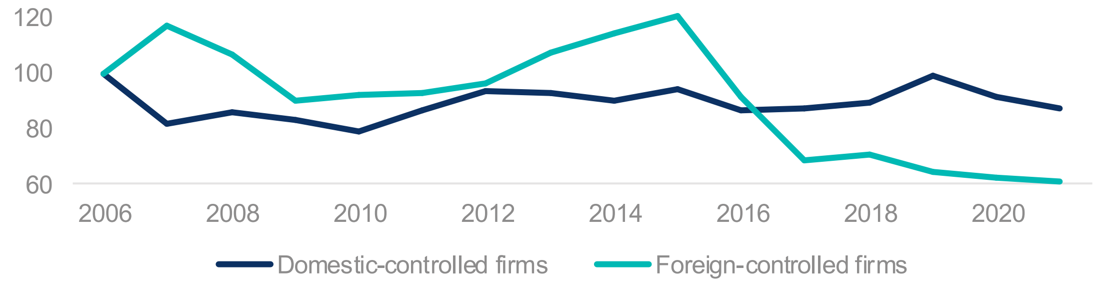
Business investment per worker by firm size and ownership

Index (2006 = 100), Canada

Large firms reduced investment per worker by 21% between 2006 and 2021.

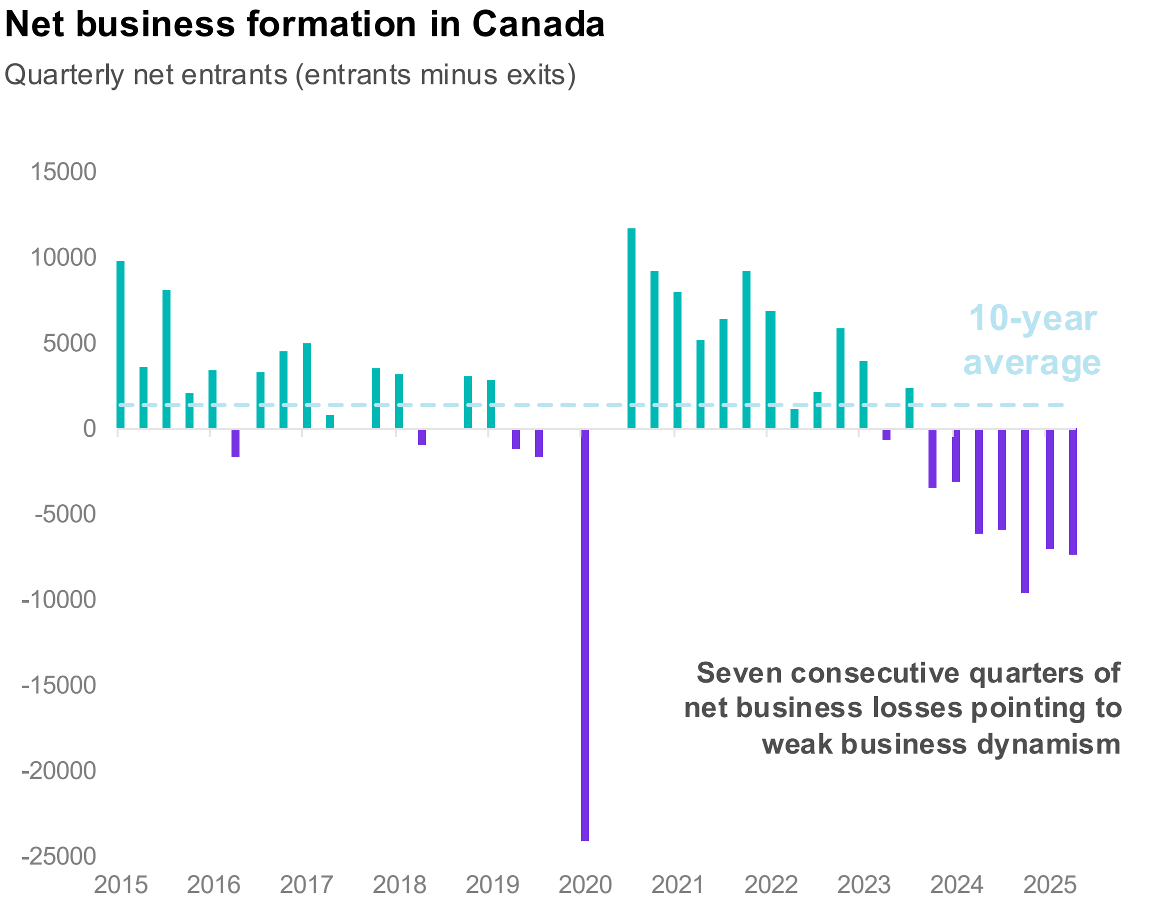


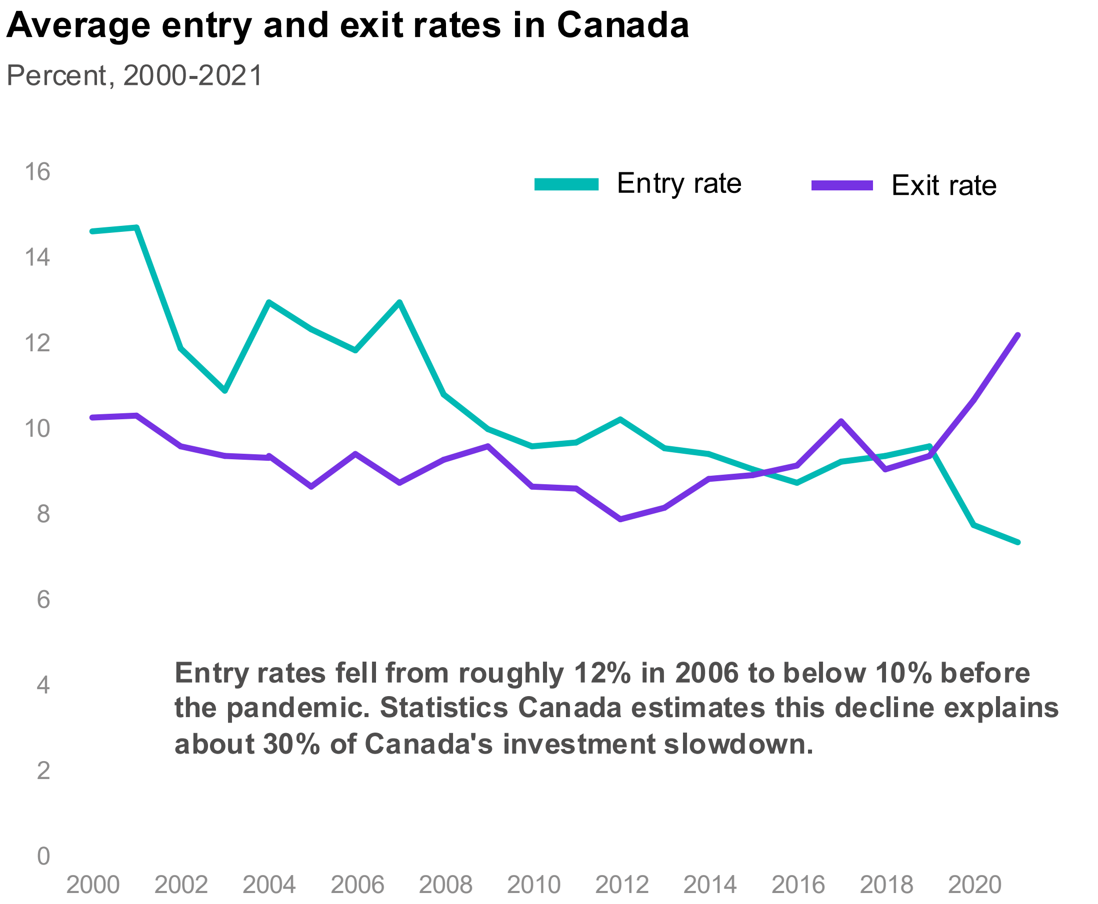
Foreign firms reduced investment per worker by nearly 50% from their 2015 peak to 2021.



Sources: BDL analysis based on *Investment Slowdown in Canada After the Mid-2000s,* (Statistics Canada, 2024).

Weak business dynamism is weighing on competition, investment and productivity.





Source: BDL analysis based on Statistics Canada Table 33-10-0270-01; *Investment Slowdown in Canada After the Mid-2000s* (2024); CFIB.

Who’s planning to invest in Canada's future?

BDL’s Business Investment Momentum Index (BIMI)

Average business investment intentions over the past six quarters (Q1 2025–Q2 2026). Values show net balances (increase minus decrease, percentage points).
Business Investment Momentum Index (BIMI): 40% capital, 30% innovation, 20% workforce and 10% customer investment.

Business Characteristic	Capital (CapEx)	Workforce (Training)	Customers (Marketing)	Innovation (R&D)	Business Investment Momentum Index
All businesses	5.2	7.0	5.7	1.4	**4.5**
Top 3 Industries					
1) Health care, social services	11.0	15.2	10.5	4.4	**9.8**
3) Arts, entertainment, recreation	11.5	8.9	12.5	4.5	**9.0**
2) Accommodation, food services	13.4	12.2	10.4	-0.2	**8.8**
Bottom 3 Industries					
2) Wholesale trade	0.1	3.0	1.5	-1.6	**0.3**
4) Manufacturing	-0.3	1.2	3.2	0.6	**0.6**
3) Construction	0.5	2.8	1.6	-0.9	**0.6**
Firm Size					
1 to 4 employees	4.1	5.1	4.6	2.0	**3.7**
5 to 19 employees	6.6	9.0	7.4	0.7	**5.4**
20 to 99 employees	5.9	10.4	6.9	0.4	**5.2**
100 or more employees	9.7	7.4	2.7	1.5	**6.1**
Trade Orientation					
Goods exporters	-2.9	0.8	2.5	-2.4	**-1.5**
Service exporters	0.8	3.2	7.9	4.9	**3.2**

Key Insights:

- Investment intentions remain strongest in service industries, while goods exporters are the only major business group with negative overall investment momentum.
- Most businesses are staying put, while only a relatively small share plan to meaningfully increase investment.

Note: The Business Investment Momentum Index (BIMI) summarizes investment intentions across four business investment pillars.
Source: BDL calculations using Statistics Canada’s Canadian Survey on Business Conditions, Q1 2025–Q2 2026.

The immediate impact of tariff uncertainty is investment delay – not widespread business relocation.

Planned investment-related responses to U.S. tariffs over the next 12 months

% of businesses

Business Characteristic	Defensive Responses		Strategic Actions		
	Delay Major Investment	Delay Canadian Expansion	Invest in Technology	Acquire/Partner with U.S. Firm	Establish U.S. Operations
All businesses	5%	3%	3%	0%	1%
Top 3 Industries					
1) Manufacturing	10%	9%	7%	2%	2%
2) Mining, oil & gas extraction	9%	3%	1%	0%	1%
3) Agriculture, forestry, fishing	9%	3%	3%	0%	1%
Firm Size					
1–4 employees	4%	2%	3%	1%	1%
5–19 employees	7%	5%	3%	0%	0%
20–99 employees	7%	5%	4%	0%	1%
100+ employees	4%	3%	4%	1%	1%

Key Insights:

- Manufacturing is responding most aggressively to tariff uncertainty, recording the highest rates of delayed investment (10%), postponed expansion (9%) and technology investment (7%).
- Tariffs appear to be delaying Canadian investment more often than it is encouraging relocation to the United States. Fewer than 1% of businesses overall plan to establish U.S. operations, while only 0.4% plan to acquire or partner with a U.S. business.

Notes: Table highlights selected industries and firm-size categories. Values represent the percentage of businesses planning each action over the next 12 months. Percentages are rounded to the nearest whole number.
Source: BDL analysis using Statistics Canada's Canadian Survey on Business Conditions; 9,251 business responses April-May 2026

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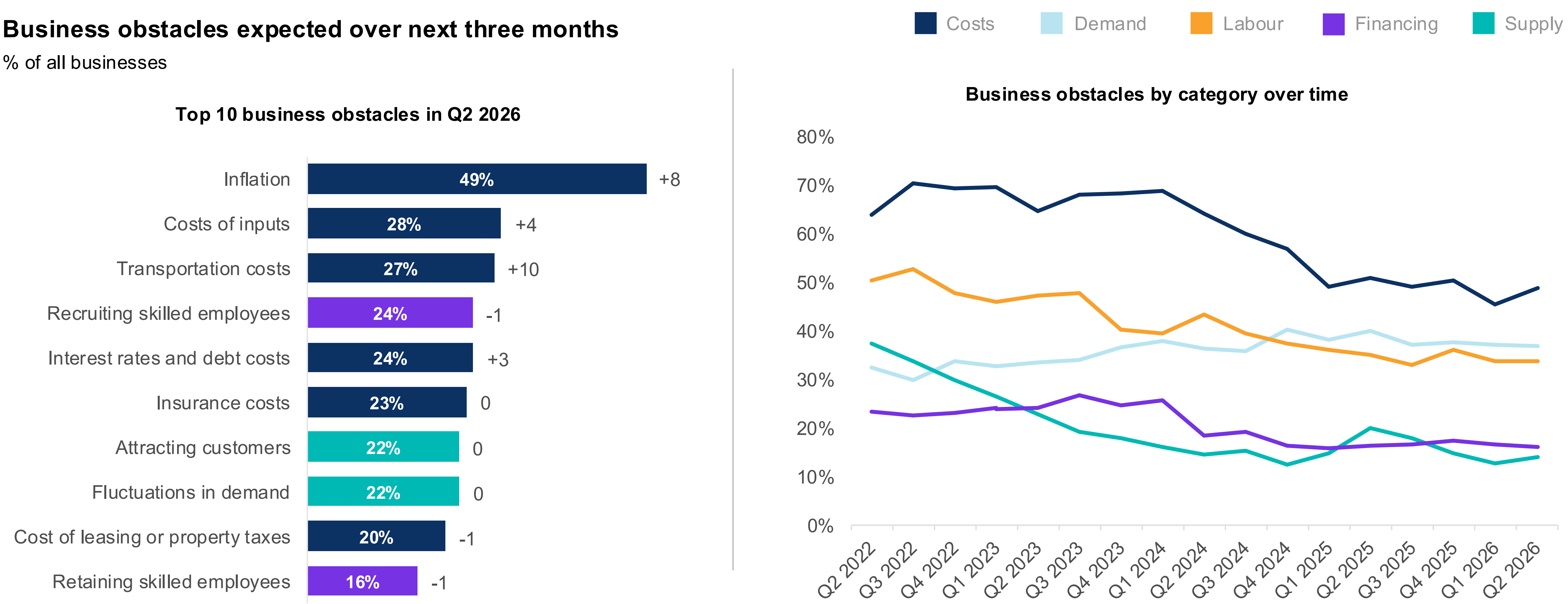
BUSINESS CONDITIONS

Obstacles, Pricing, Labour

Cost pressures are re-emerging as demand concerns remain elevated – creating headwinds for business investment.

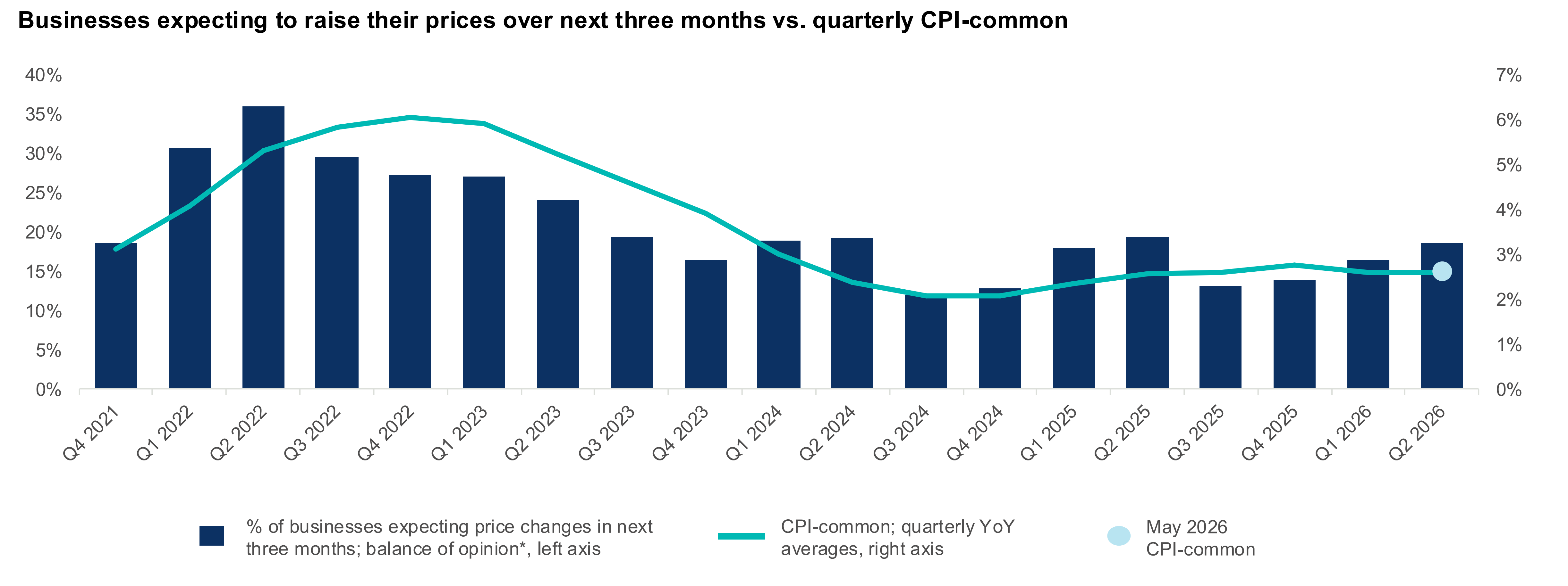
Business obstacles expected over next three months

% of all businesses



Source: BDL analysis using Statistics Canada's Canadian Survey on Business Conditions; 9,251 business responses April-May 2026.

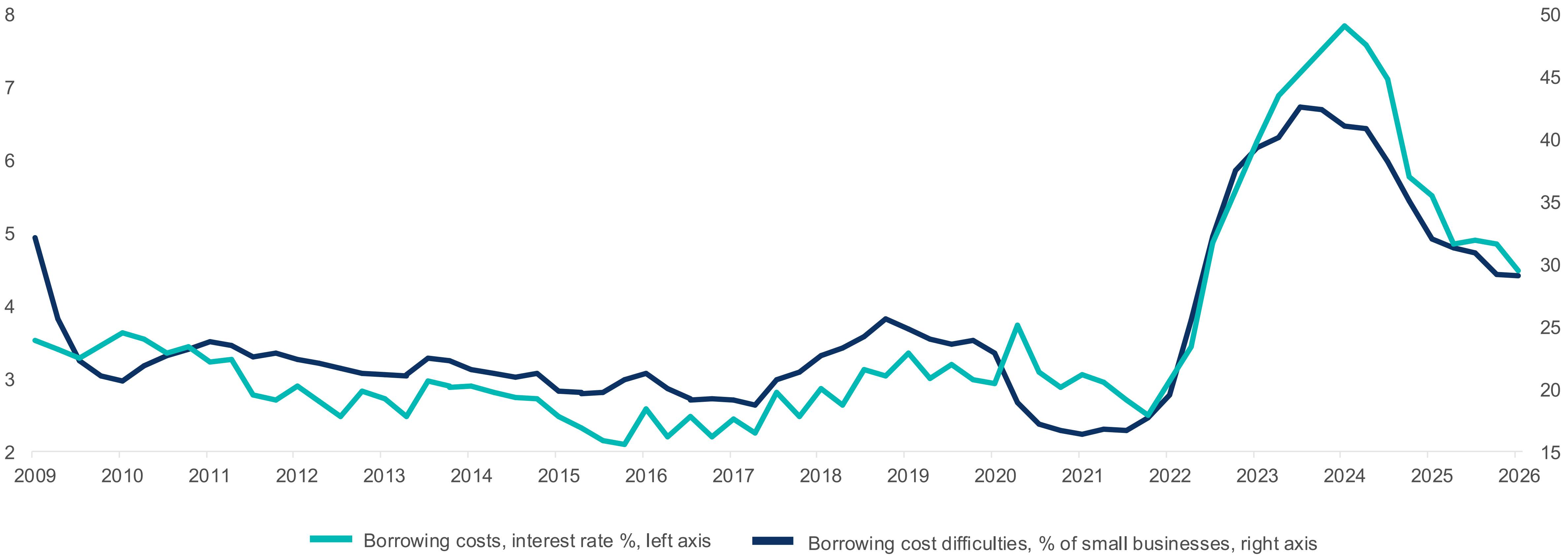
Business continue to expect price increases as cost pressures re-emerge.



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.

Borrowing conditions are easing, but credit remains restrictive for small businesses.

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

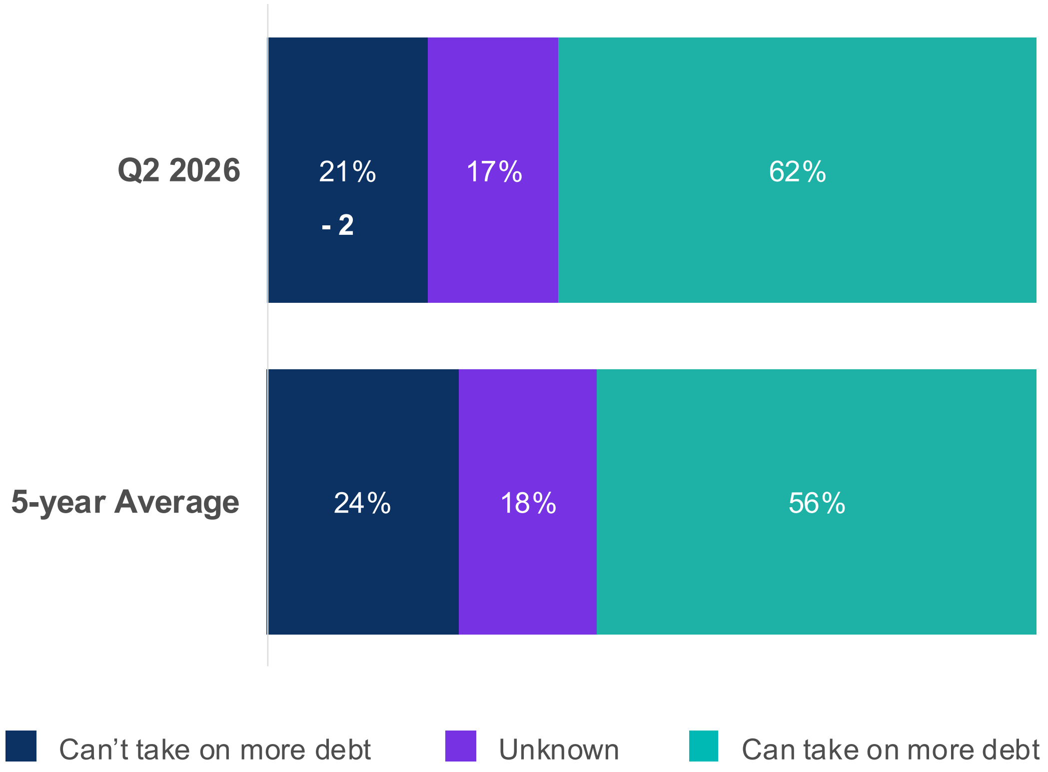


Sources: BDL analysis using Bank of Canada and CFIB Business Barometer

Business debt capacity remains healthy, providing room for future investment.

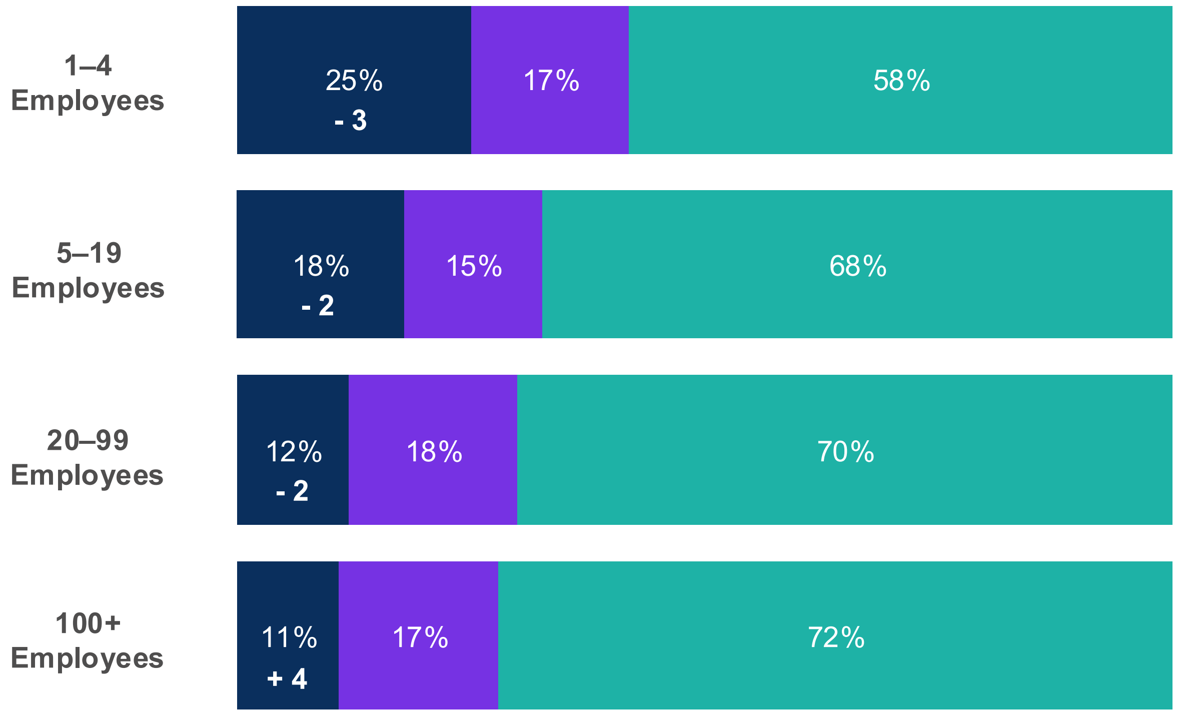
Ability to take on more business debt

% of businesses of those reporting that they're not applying for financing. 5-year PP change indicated.



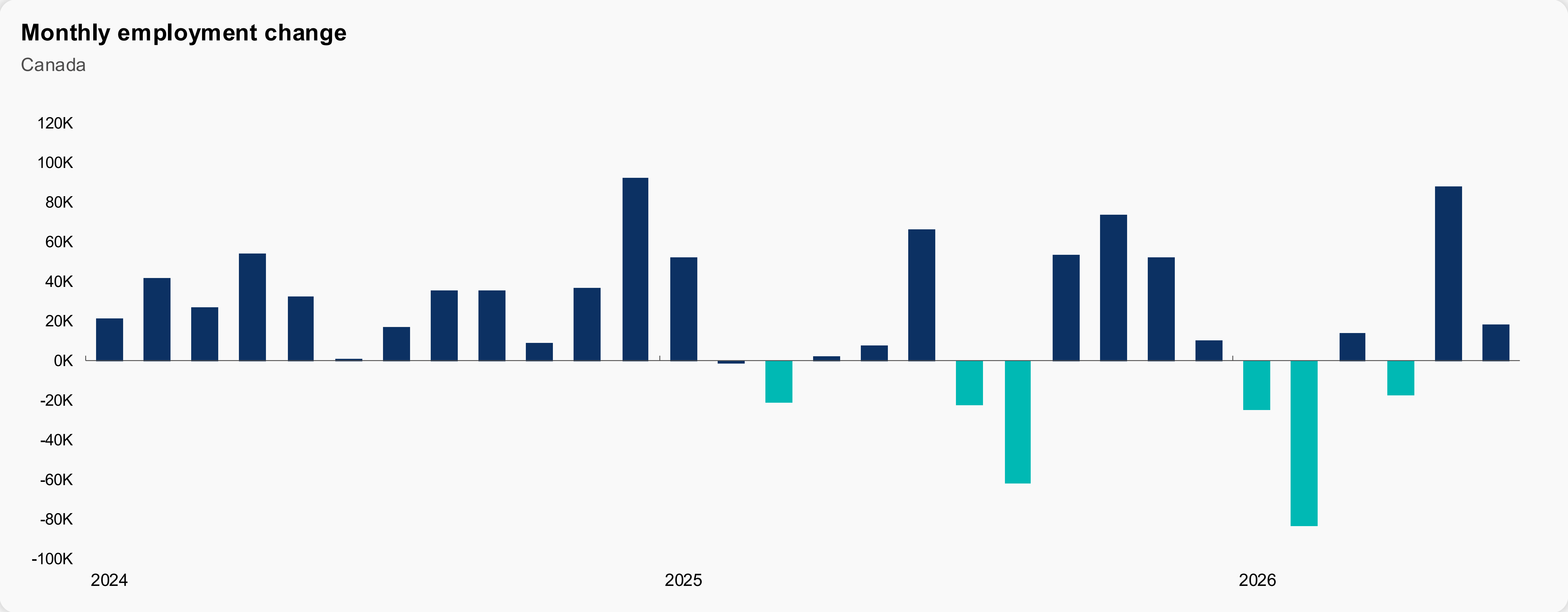
Ability to take on more business debt

% of businesses of those reporting that they're not applying for financing by firm size. Quarterly PP change indicated.



Source: BDL analysis using Statistics Canada's Canadian Survey on Business Conditions; 9,251 business responses April-May 2026.
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. Percentage point change

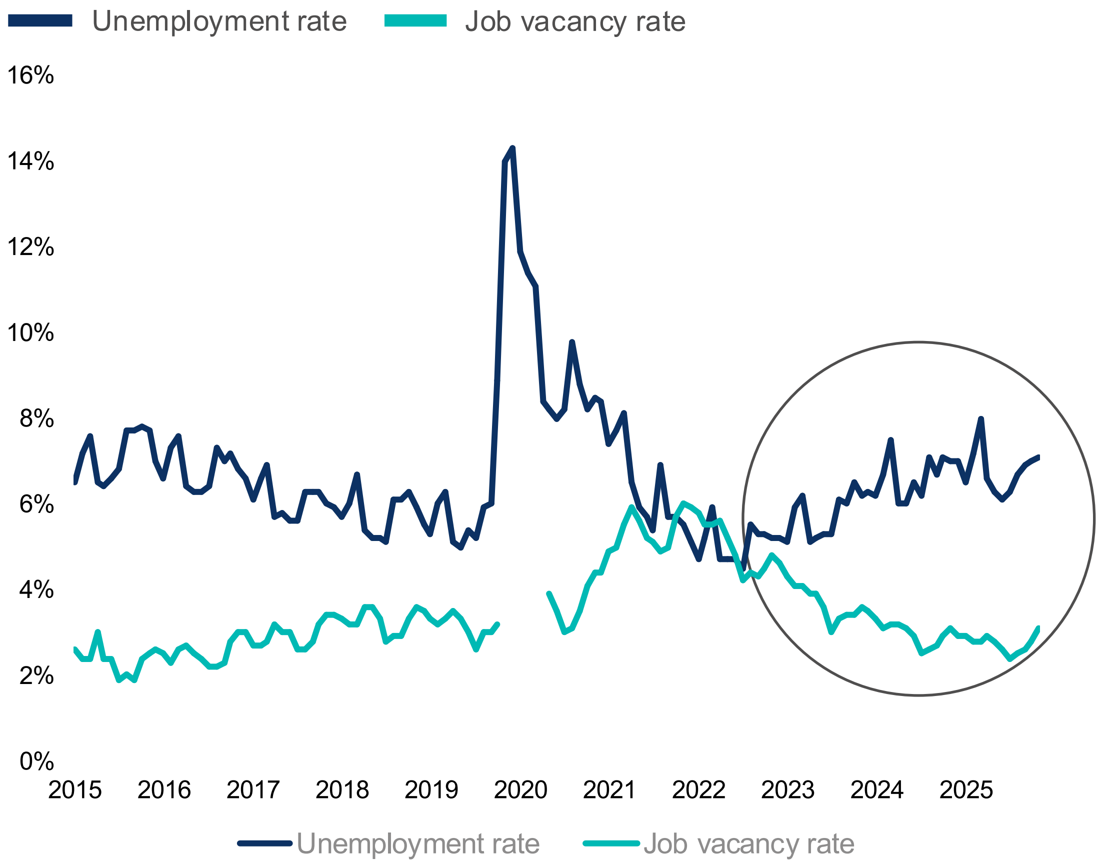
Canada's labour market has regained momentum after a weak start to 2026.



Sources: BDL analysis of Statistics Canada’s Labour Force Survey; Globe and Mail.

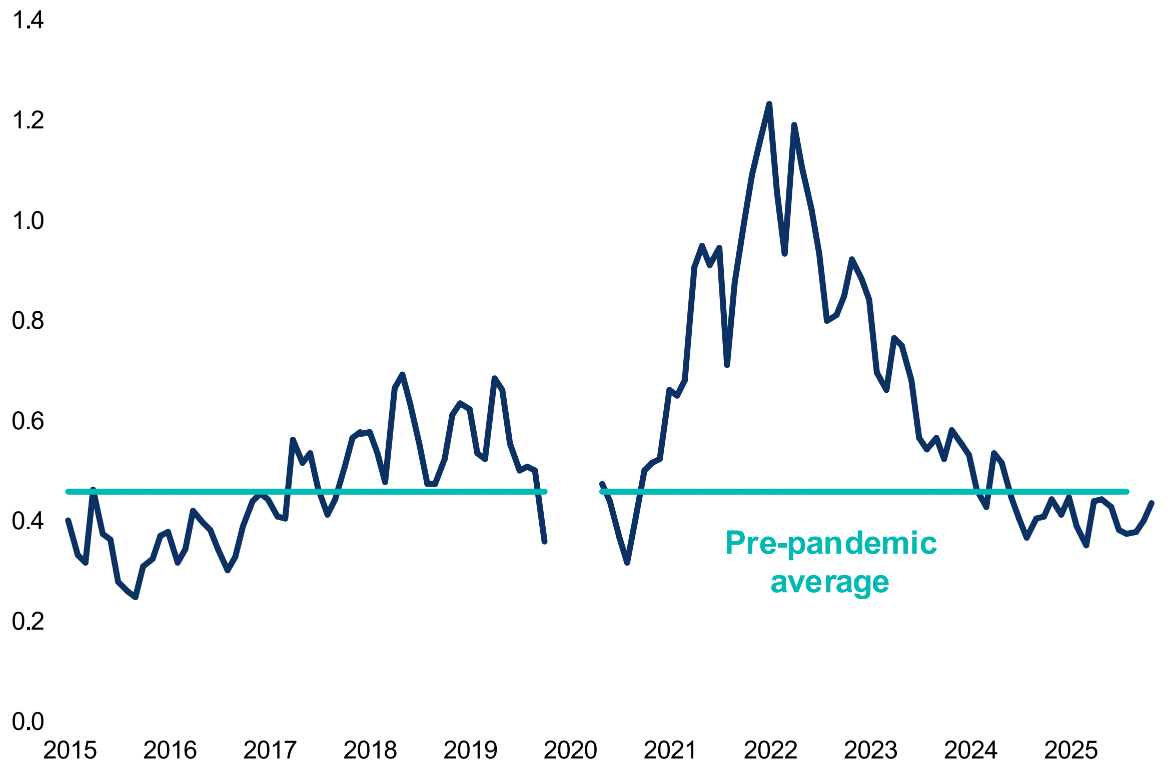
More job seekers, fewer openings: Canada's labour market has softened.

Unemployment rate vs. job vacancy rate



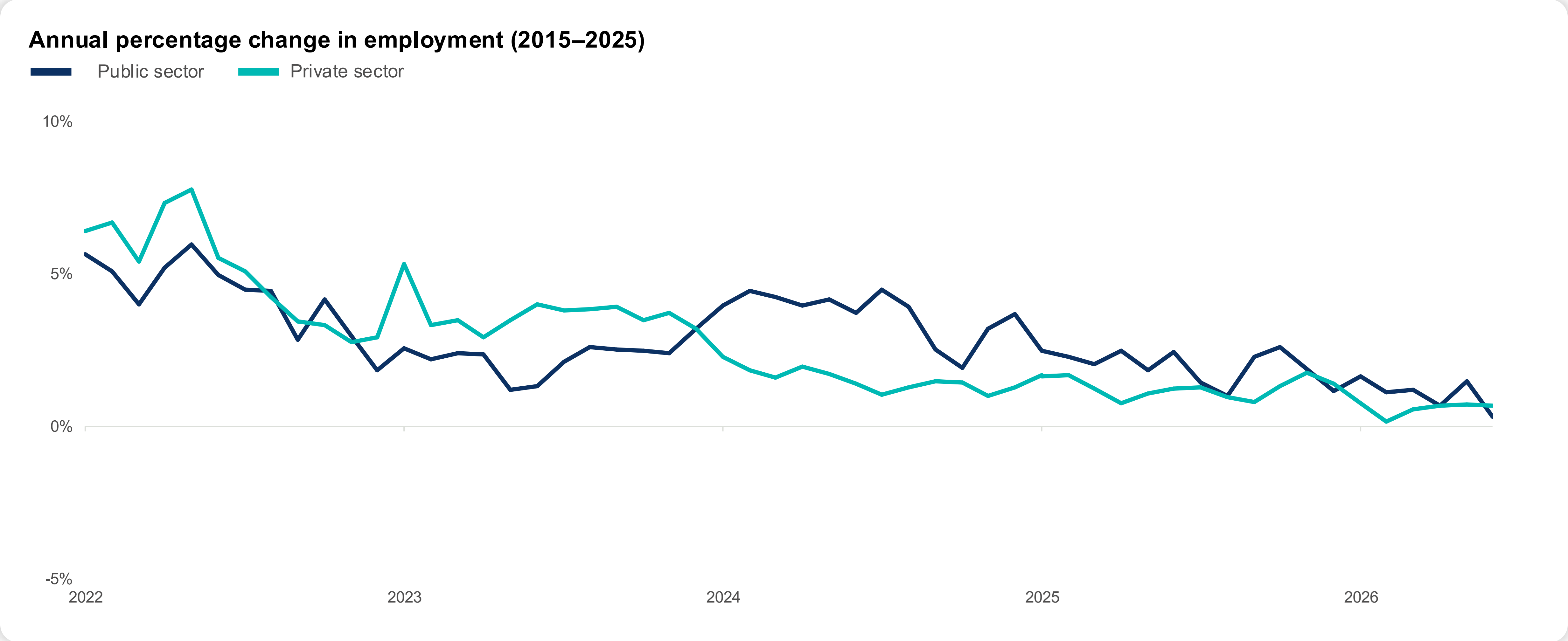
Labour market tightness

Job vacancies per unemployed person



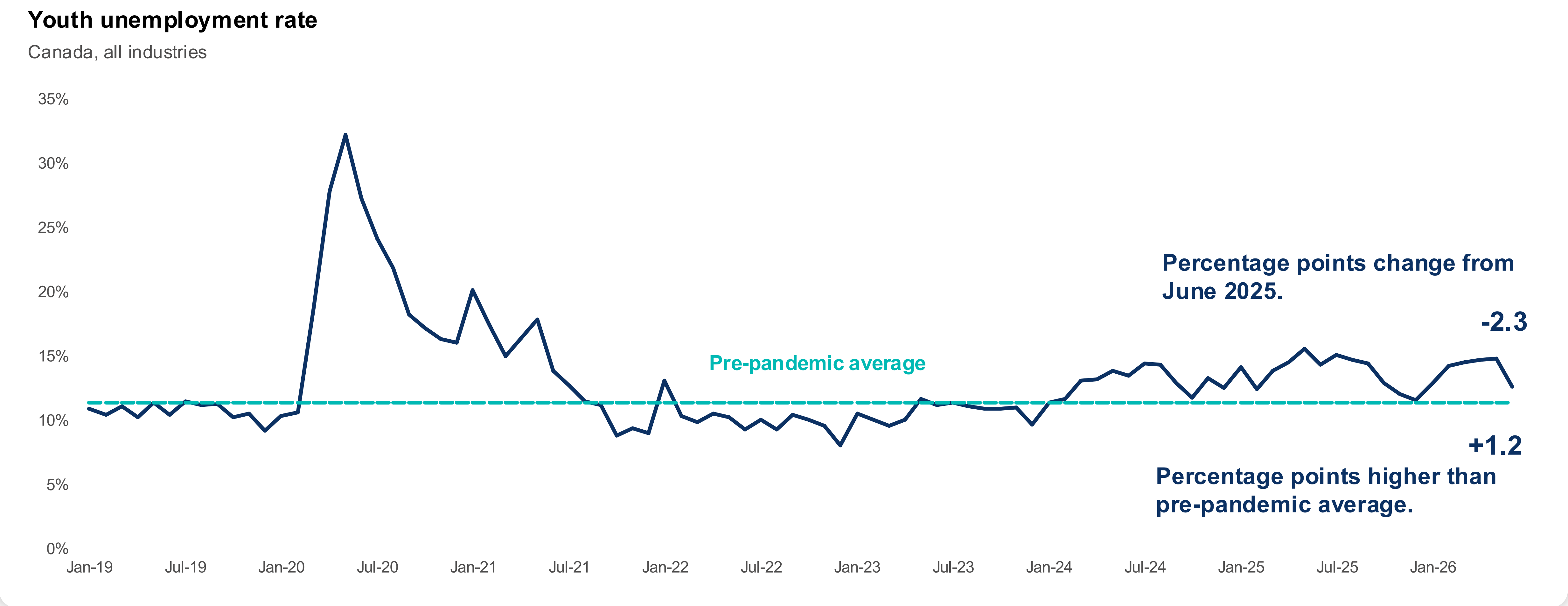
Sources: BDL and Globe and Mail analayis; Statistics Canada data (Tables: 14-10-0017-01, 14-10-0371-01).

Public and private-sector employment growth has returned to similar rates.



Sources: BDL of analysis of Statistics Canada's Labour Force Survey (Table: 14-10-0288-01).

Youth unemployment remains above pre-pandemic levels, though recent trends point to some easing.



Sources: BDL analysis using Statistics Canada data (Table: 14-10-0022-01).

APPENDIX

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. This survey is used by governments, business associations and analysts to monitor evolving business conditions and devise policies to support Canadian business.

Survey period: The Q1 2026 CSBC data collection period was April 1 to May 6, 2026.

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 9,251 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).

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:

$Index_i = 100 * \left(2 * P_{I,i} + 1 * P_{NC,i} + 0 * P_{D,i}\right)$, where
$P_{I,i}$ = % of businesses that expect series i to "increase";
$P_{NC,i}$ = % of businesses that expect in series i to "stay about the same";
$P_{D,i}$ = % of businesses that 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, goods 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.

Business Investment Momentum Index (BIMI) methodology

Objectives: The Business Investment Momentum Index (BIMI) measures the strength of Canadian businesses' planned investment over the next 12 months. Rather than focusing on capital spending alone, the index captures investment across four key drivers of future business growth and competitiveness.

Methodology: The BIMI is constructed using Statistics Canada's Canadian Survey on Business Conditions (CSBC).The index combines businesses' planned investment intentions across four investment pillars:

Investment pillar	Weight
Capital investment (CapEx)	40%
Innovation (R&D)	30%
Workforce investment (training)	20%
Customer investment (marketing)	10%

Each pillar is calculated as the net balance of businesses expecting to increase investment minus those expecting to decrease investment over the next 12 months. The BIMI is calculated as: BIMI = (0.40 × Capital) + (0.30 × Innovation) + (0.20 × Workforce) + (0.10 × Customer)

Interpreting the index:

- Positive values indicate businesses are, on balance, planning to increase investment.
- Higher values indicate stronger overall investment momentum.
- Negative values indicate investment intentions are weakening.
- The BIMI summarizes the direction and strength of investment intentions – it is not a measure of actual investment spending.

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