

**CFIB**

*In business  
for your business™*



# Canada's Entrepreneurial Drought

## Part 1: The Shrinking Business Landscape

April 2026

## Table of contents

<b>Executive summary .....</b>	<b>2</b>
<b>Key takeaways .....</b>	<b>2</b>
<b>Introduction: SMEs are the foundation of Canada's economy, but are facing an entrepreneurial drought .....</b>	<b>3</b>
<b>The state of entrepreneurship in Canada: Business entry and exit trends .....</b>	<b>4</b>
<b>Why more businesses are exiting &amp; fewer are replacing them .....</b>	<b>7</b>
<b>Entrepreneurial caution: Fewer owners encouraging it .....</b>	<b>9</b>
<b>Conclusion: It is time for Canada to fix the entrepreneurial drought.....</b>	<b>14</b>
<b>Appendix A - Entrepreneurial drought definition .....</b>	<b>15</b>
<b>Appendix B - Business entries and exits, net change, by province .....</b>	<b>19</b>
<b>Appendix C - Business entries and exits, net change, by sector .....</b>	<b>19</b>
<b>Endnotes .....</b>	<b>23</b>

### How to cite:

AUGER, Michelle, BOMAL, Laure-Anna, GALGAY, Jonathan, Canada's Entrepreneurial Drought, Part 1: The Shrinking Business Landscape, Canadian Federation of Independent Business (CFIB), April 2026.

This publication is also available at [cfib.ca/research](http://cfib.ca/research).

Cette publication est aussi disponible en français sur la page [fci.ca/recherche](http://fci.ca/recherche) sous le titre « *La pénurie d'entrepreneurs au Canada - Partie 1 : Un écosystème d'affaires en perte de vitesse* ».

Except as otherwise specifically noted, the information in this publication may be freely reproduced without charge or further permission from CFIB, provided that: 1) due diligence is exercised in ensuring the accuracy of the information reproduced; 2) CFIB is identified as the source; and 3) the reproduction is not presented as an official version or as having been endorsed by CFIB.

For permission to reproduce the information in this publication for commercial purposes, please contact us at [research@cfib.ca](mailto:research@cfib.ca).

## Executive summary

**Canada is experiencing an entrepreneurial drought:** a sustained period when business exits consistently outpace new business starts, leading to a shrinking entrepreneurial base and reduced confidence in the viability of entrepreneurship. Small and medium-sized enterprises (SMEs) are facing one of the most challenging business environments in decades. Escalating input costs, tax burdens, labour shortages, regulatory pressures, and global economic uncertainty are collectively constraining entrepreneurial activity nationwide.

Since early 2024, business exits have consistently exceeded new entries. In the second quarter of 2025, exit rates decreased slightly to 5.6%, while entry rates fell to 4.8% (fourth quarter of 2025), marking some of the highest closure rates and weakest start up activity outside the pandemic. This prolonged imbalance between business exits and new entries places us in an entrepreneurial drought—a trend that threatens Canadian innovation, competitiveness, and business dynamism.

The difficult conditions contributing to the entrepreneurial drought are also eroding entrepreneurial confidence. In fact, one in two business owners say they would not recommend starting a business today, citing financial risk, regulatory barriers, and doubts about long-term viability. When entrepreneurs themselves are reluctant to encourage new business creation, the pipeline of new firms weakens, risking a deeper and more persistent drought.

Reversing Canada's entrepreneurial drought must be treated as a national economic priority. Strengthening the environment for starting and growing a business, while restoring confidence in the viability of entrepreneurship, is critical to rebuilding Canada's economic momentum and prosperity.

### Key takeaways

- ▶ Since early 2024, more businesses have been exiting than entering the market, with the gap widening in 2025, marking one of the worst periods outside the pandemic.
- ▶ Business entry rates have plummeted nearly 50% since the mid-1980s and remain stuck at historic lows.
- ▶ More than half (55%) of Canadian SMEs would not recommend starting a business at this time.
- ▶ Canada's entrepreneurship problem is not due to a lack of interest, approximately 16% of Canadians would consider business ownership, but rather reflects hesitation driven by high costs and regulatory complexity.

## Introduction: SMEs are the foundation of Canada's economy, but are facing an entrepreneurial drought

SMEs are the foundation of Canada's economy, accounting for nearly 99% of all employer businesses, employing over 60% of the private sector workforce, and contributing almost half of private sector GDP.<sup>1</sup> SMEs create jobs, support local families, and sustain communities. Even in difficult times, business owners typically do everything possible to retain employees and stay open.

But that foundation is under strain. SMEs are navigating a difficult environment marked by ongoing trade tensions, rising operational costs, labour shortages, and growing regulatory demands. Business confidence reflects this volatility, with periods of optimism repeatedly followed by sharp downturns driven by economic shocks and uncertainty (figure 1).

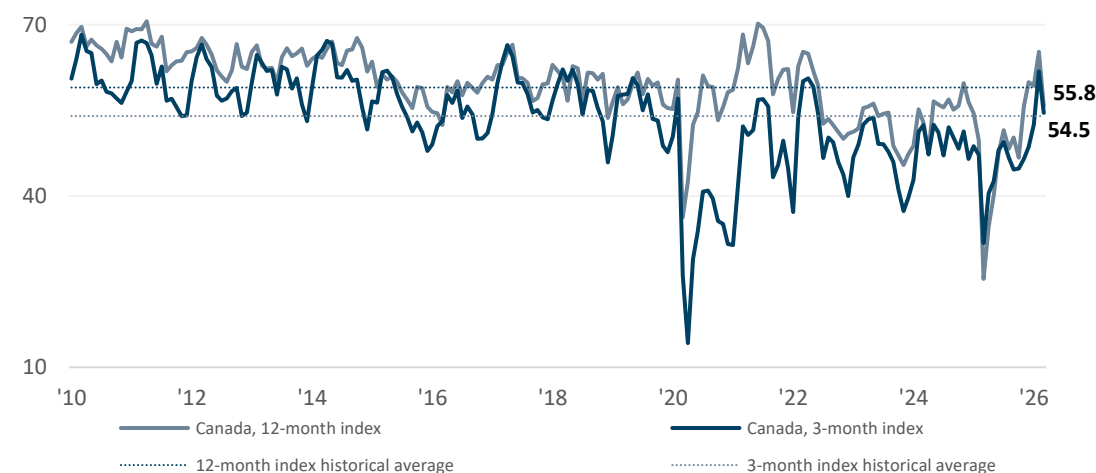
Against this backdrop, a deeper structural issue is taking shape: **Canada is facing an entrepreneurial drought.** New business creation has fallen over the long term, and since early 2024 more firms have closed than opened. This trend points to a weakening business renewal cycle at a time when small firms are already under strain, increasing the likelihood that closures will result in permanent losses rather than new entrepreneurial activity.

The entrepreneurial drought matters: when new business formation slows and existing firms close, the economic ecosystem weakens, reducing productivity and limiting opportunities for communities across Canada. Governments should treat these warning signs seriously. Without a strong foundation of entrepreneurship, the broader economy risks crumbling.

**CFIB's definition of the entrepreneurial drought:** a period where, over a four-quarter period, the average number of business closures exceeds the average number of business start-ups, resulting in a sustained net loss of entrepreneurial strength. Further details are provided in Appendix A.

Figure 1

### 12-month and 3-month small business confidence index, Canada



Source: CFIB, Your Business Outlook Survey, February 2009 to March 2026. <https://www.cfib-fcei.ca/en/research-economic-analysis/business-barometer>.

The Canadian Federation of Independent Business (CFIB) prepared this report to assess the scope and consequences of Canada's entrepreneurial drought. It is the first in a two-part series:

- **Part 1: The Shrinking Business Landscape** – examines the scale and impact of Canada's entrepreneurial drought, analyzing recent business entry and exit trends, why these shifts matter for SMEs and the broader economy, and the barriers that prevent entrepreneurial intentions from becoming reality.
- **Part 2: Fixing Canada's Shrinking Business Landscape** – will provide practical recommendations to strengthen entrepreneurship and support SME growth, competitiveness, and resilience by ensuring policymakers understand and reflect business realities in their decisions.

## The state of entrepreneurship in Canada: Business entry and exit trends

### Recent developments: Exits outpacing entries since early 2024

Canada is in an entrepreneurial drought, marked by declining new business formation and rising firm exits. Statistics Canada data show that since Q1 2024, business exit rates have consistently exceeded entry rates (figure 2A), indicating a net contraction in the business population. This imbalance widened further in 2025, when the exit rate reached 5.6% in Q2 2025, while the entry rate fell to 4.8% in Q4 2025. Outside the pandemic period, these levels rank among the highest exit rates and lowest entry rates recorded over the past 10 years. Together, they suggest a persistent erosion of business dynamism, with far-reaching implications for innovation, labour market dynamism, and economic adaptability.<sup>2</sup>

Figure 2b shows that Canada is now experiencing six consecutive quarters in which exits have surpassed new business creation. For a provincial and sectoral analysis and breakdowns of the net change of businesses (difference between the number of entries and the number of exits), see Appendices B and C.

Figure 2A  
Exits outpacing entries since early 2024, by quarter

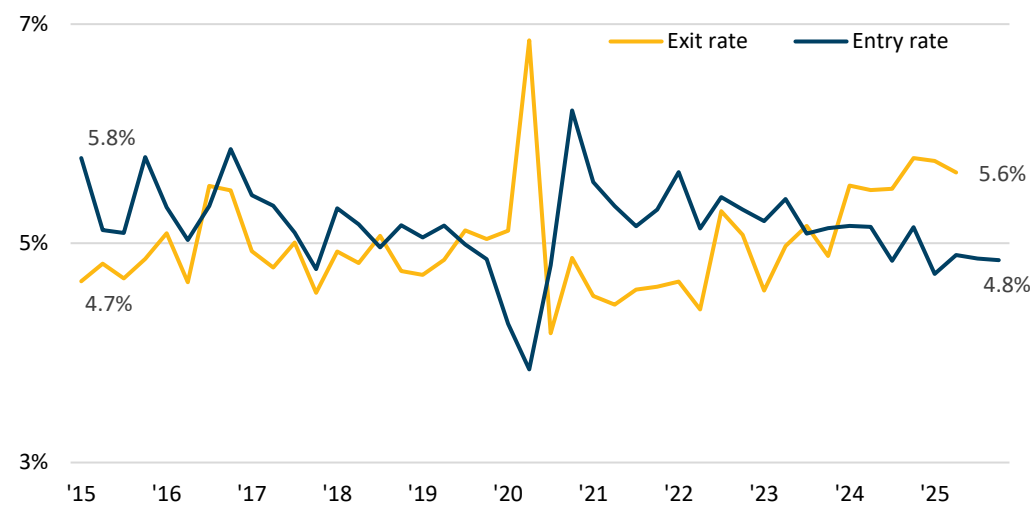
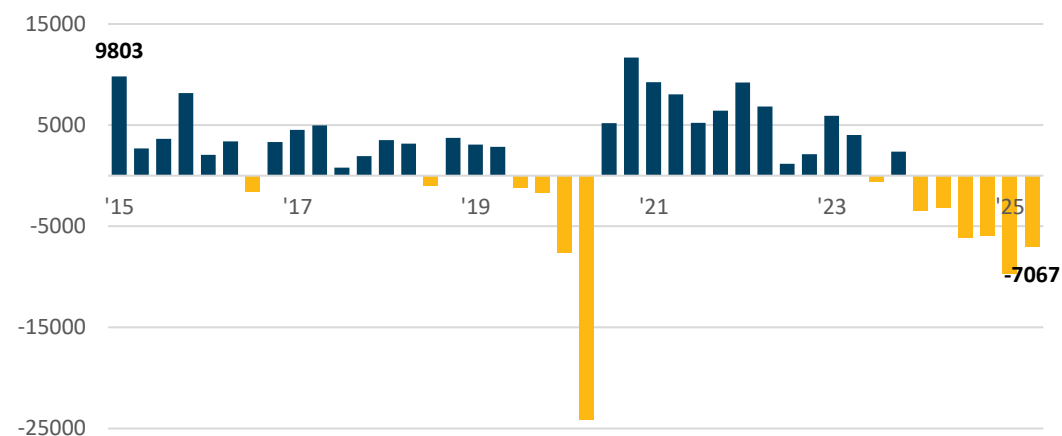


Figure 2B  
Net business entries, quarterly data, Q1 2015 to Q2 2025, Canada



Source: Authors' calculation based on Statistics Canada (Table 33-10-0270-01, Experimental estimates for business openings and closures for Canada, provinces and territories, census metropolitan areas, seasonally adjusted. Data retrieved on March 23, 2026).

Notes:

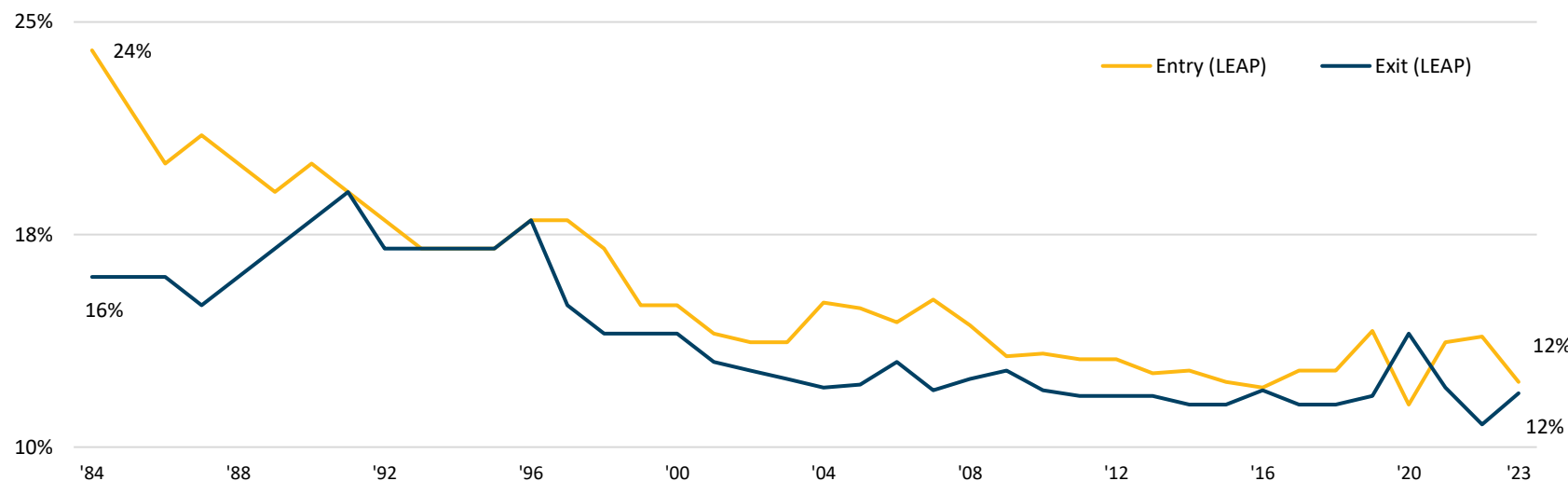
- Figure 2A: Entry rate and exit rate in this chart is the ratio of entries or exits divided by the number of active businesses for a given quarter.
- Figure 2B: Net change = [Business entries] - [Business exits]. Net change data is presented quarterly from Q1 2015 to Q2 2025. November 2018 data is replaced with October 2018 data, as the original table from Statistics Canada is to be used with caution.
- Estimates are based on the most recent Statistics Canada release (data retrieved on March 23, 2026). However, these figures may be adjusted in future reporting cycles.
- The definition of exits is based on the Longitudinal Employment Analysis Program (LEAP) annual exits. Because the LEAP definition can require up to 24 months of data to be counted as an exit, projections of exits using predicted growth rates are implemented using a regression model of exits on closures of more than 6 months. As a result, there are no published exits in the last six months.

## Exit and entry rates have been declining since the 1980s

While these figures capture only one dimension of business dynamism—firm entry and exit rates—the downward trend is clearly structural rather than cyclical, with a notable decline since the 1980s (figure 3). This reflects a fundamental weakness that jeopardizes both productivity and growth potential. Statistics Canada's analysis of trends from 1984 to 2023 shows that entry and exit rates experienced a decline in firm turnover.<sup>3</sup> In 1984, the exit rate was about 16% and the entry rate roughly 24% (meaning that for every 100 businesses already in the market, 24 new ones opened that year). Both rates declined steadily over the following decades. The decline largely stopped in the late 2010s, with annual entry and exit rates both stabilizing around 12% in 2023. Since the mid-1980s, business entry rates have plummeted nearly 50% and remain stuck at historic lows. While there have always been ups and downs, business creation has fallen markedly compared to past decades and the two rates are almost at the same level as of 2023.

Importantly, this slowdown occurred across all sectors and, therefore, cannot be attributable to sectoral shifts. Moreover, neither higher industrial concentration within sectors nor the growing dominance of large firms explains the overall drop in business entry and exit.<sup>3</sup>

Figure 3  
Canada entry and exit rates by year, 1984-2023



Note: LEAP stands for Longitudinal Employment Analysis Program. This figure shows the overall evolution of Canadian business dynamism (business sector) from 1984 to 2023. For the calculation of the entry rate, the set of entering firms consists of firms that are operating in year  $t$  and not found  $t-1$  in the year dataset. The entry rate is the ratio between the number of entering firms and the total number of operating firms (averaged across year  $t$  and year  $t-1$ ). The exit rate is calculated similarly: the set of exiting firms consists of firms that are operating in year  $t-1$  and not found in the year  $t$  dataset. The exit rate is the ratio between the number of exiting firms and the total number of operating firms (also averaged across year  $t$  and year  $t-1$ ).  
Sources: Statistics Canada, Longitudinal Employment Analysis Program (LEAP). 1984 to 2001: Li, Li. 2025. "The long-run evolution of business entry and exit rates in Canada." Statistics Canada. 2002 to 2023: Statistics Canada. Table 33-10-0164-01, Business Dynamics measures, by industry.

## Business dynamism is critical to economic growth

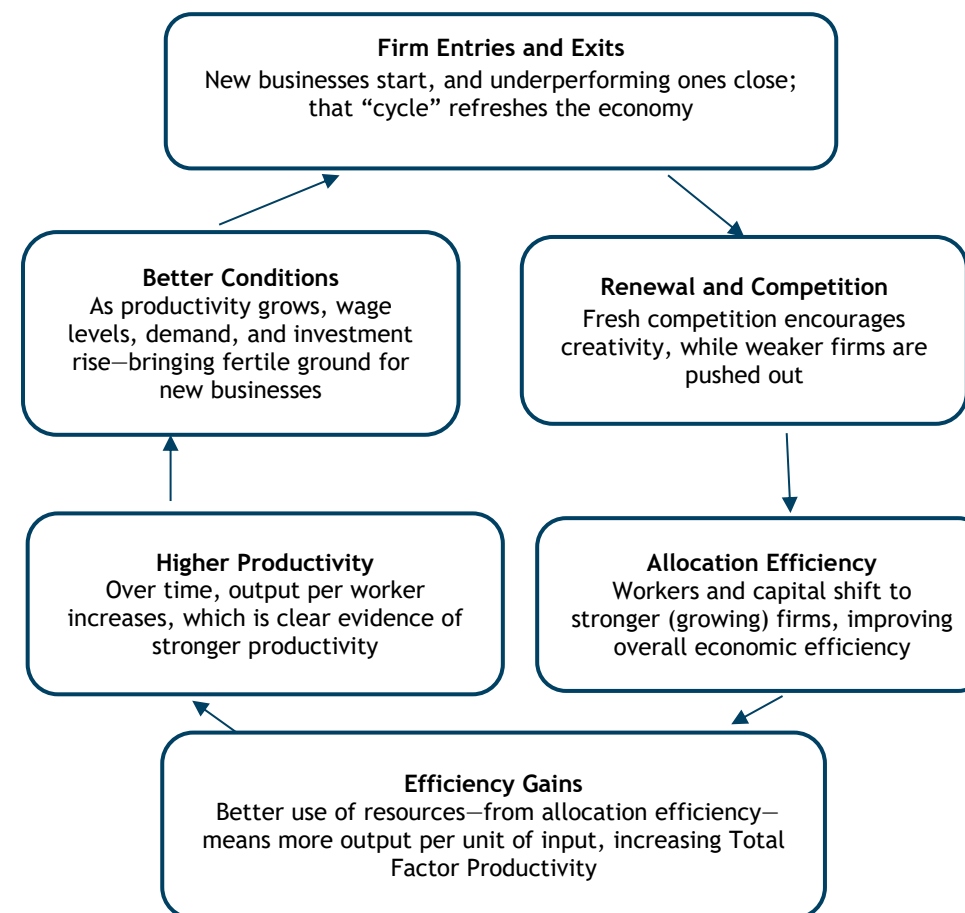
The erosion of business dynamism (notably its firm entry/exit dimension) matters because new and growing firms drive innovation, competition, job creation, and productivity (figure 4). As firm turnover slows, competitive pressure weakens, investment lags, and productivity growth suffers—contributing to Canada's prolonged productivity slump.<sup>4</sup> If these trends persist, Canada risks losing a critical source of resilience and long-term economic growth.

A healthy cycle of business renewal is critical for sustaining productivity. Under normal conditions, firm entry and exit allow capital, labour, and knowledge to flow towards more efficient and innovative enterprises. When this process stalls, as it is in Canada, resources are misallocated, innovation slows, and productivity gains are limited. Combined with rising costs and regulatory pressures that constrain SMEs' ability to invest and adapt, these factors are driving stagnation in productivity and contributing to a more rigid and less responsive business environment—effectively pushing Canada into an entrepreneurial drought.

Strengthening the conditions that help small businesses start, grow, and succeed is essential to rebuilding Canada's productivity, competitiveness and securing long-term prosperity.

Figure 4

### How business dynamism drives productivity growth



**Note:** This framework draws on Schumpeterian growth and firm-level reallocation theories to illustrate how business dynamism supports productivity growth. Firm entry and exit drive creative destruction, strengthening competition and reallocating labour and capital towards more productive firms. This raises aggregate efficiency and total factor productivity. Higher productivity, in turn, improves economic conditions and supports new firm creation, reinforcing a virtuous cycle.  
**Source:** Joseph A. Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper & Brothers, 1942).

## Why more businesses are exiting & fewer are replacing them

### Healthy exits are rising, but succession gaps turn them into closures

Since Q4 2019, business insolvencies in Canada have risen by 24% (Q4 2025), highlighting a tough economic climate for many small businesses.<sup>5</sup> While some business closures are part of a normal lifecycle, the overall trend shows that Canada's entrepreneurial and productivity foundations are under strain. Even "healthy exits," such as retirements, can preserve jobs and maintain stability, provided succession plans are in place. However, CFIB surveys show that while about three-quarters of owners plan to retire within the next decade, only a small fraction (around 9%) have a formal succession plan.<sup>6</sup> This gap means that even healthy exits can lead to disruptions if continuity is not secured.

### Unhealthy exits reflect structural cost pressures

By contrast, "unhealthy exits" are driven by economic stress rather than lifecycle transitions. CFIB's recent data shows that at least 54% identify government regulation and paperwork as major impediments.<sup>7</sup> In 2024, businesses spent an average of 735 hours (equivalent to 32 working days) on compliance, costing the economy roughly \$51.5 billion, with \$17.9 billion attributable to red tape alone.<sup>8</sup> These pressures, combined with rising costs, labour challenges, and an uncertain economic environment, contribute to fewer business entries, slowing the renewal cycle that fuels innovation, job creation, and productivity growth.

---

*"We are heading into retirement and hoping to sell our business in the next couple of years. Of course, we have 27 years of building a solid business in our community and it will be a great investment for someone... but it will be hard to find someone to take over in today's economy."*

— Personal, Misc. Services, SK

---

*"By not supporting new small business startups, we are putting ourselves at risk of large multinational corporations filling sector shortfalls, and money made will flow out of our country. We need to be more self-sufficient."*

— Finance, Insurance, Real Estate & Leasing, BC

---

*"We are retiring and closing our business this year. There is no one to hire and if you manage to get someone to train, they leave as soon as trained to join big corporations. Small independent auto body businesses are closing in masses. Insurance companies are demanding more for less while our fixed costs are going up. None of my 4 kids are in small business. You work excessive hours and it's increasingly hard to make the bottom line work."*

— Personal, Misc. Services, ON

---

*"There will soon be a big shortage of businesses following upcoming retirements. Many of them will just close their doors."*

— Retail, NB



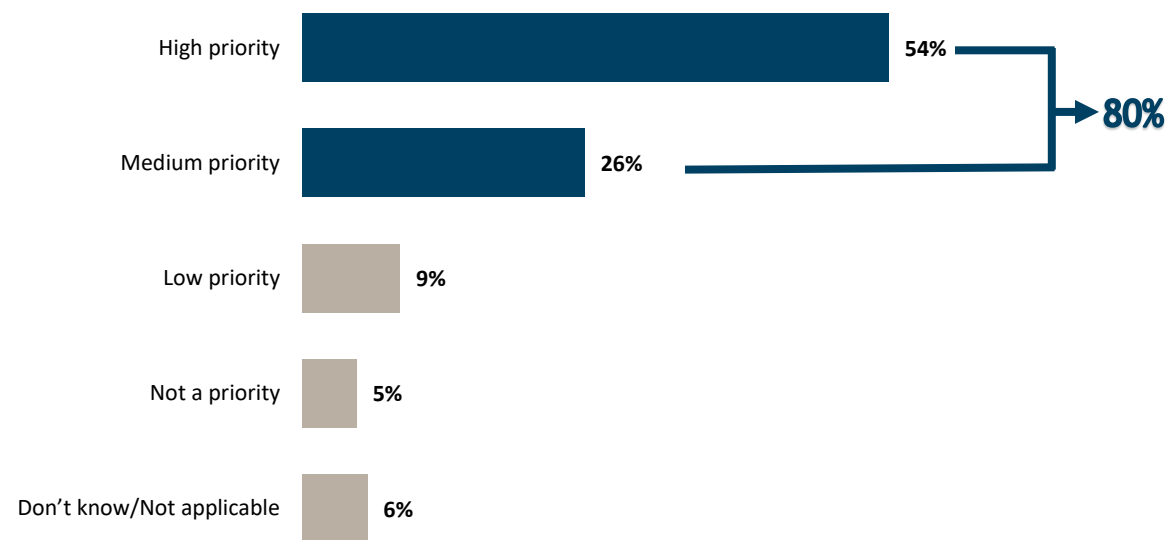
## Rising market concentration is reducing competitive space for SMEs

At the same time, the effects of Canada's entrepreneurial drought and the challenging business environment are contributing to growing market concentration across the economy. This trend is already visible in sectors such as telecommunications, grocery, and banking, with similar patterns emerging in other industries.<sup>9</sup> An investigation by CBC Marketplace and Fifth Estate found that prior to 2010, nearly all veterinary clinics in Canada were independently owned by practicing veterinarians. Today, ownership has shifted significantly: over half of emergency and specialty animal hospitals and more than one-fifth of all veterinary clinics are controlled by just six corporate groups.<sup>10</sup> Similar patterns are reportedly appearing in other sectors, such as dentistry, funeral services, and roofing.<sup>11</sup>

Private equity (PE) buyouts are reshaping Main Street, replacing locally owned SMEs. This strategy, known as a "roll-up," entails a PE firm buying multiple businesses, often in a fragmented market, to create a larger company.<sup>12</sup> While PE can be a useful strategy for businesses seeking growth, efficiency, or an exit plan, the increasing concentration in various sectors has led to fewer competitive options for consumers and SMEs.<sup>13,14</sup> This can also lead to higher prices and increases operational costs, as reduced competition weakens downward pressure in the market. These acquisitions by larger or multinational firms often result in foreign ownership and profits flowing out of local communities, reducing independent local control.<sup>15</sup>

Although consolidation can benefit some firms, a healthy economy depends on preserving room for independent businesses and new entrants. Reflecting these concerns, a recent CFIB survey found that 80% of SMEs believe addressing the growing market dominance of large corporate players should be a high or medium priority for governments (figure 5). This priority is even more pronounced among businesses in retail and arts, recreation, and information, as well as among micro-businesses (0-4 employees).

Figure 5  
80% of SMEs say addressing corporate market dominance should be a government priority



Source: CFIB, Your Voice Survey - February 2026, Feb. 5-25, 2026.

Taken together, high exit rates, declining business creation, and rising market concentration reflect mounting pressure on Canada's entrepreneurial foundation. Market concentration is, in part, a side effect of the entrepreneurial drought and current economic conditions—where fewer new businesses are formed and competitive space narrows. Without action to support entrepreneurship and competitive markets, the conditions for business growth, innovation, and economic dynamism will continue to erode.

## Entrepreneurial caution: Fewer owners encouraging it

### Entrepreneurs caution towards starting a business in current conditions

In today's business environment, many entrepreneurs are reluctant to encourage family or friends to start a business in Canada. As the entrepreneurial spirit weakens, fewer individuals are encouraged to start and grow businesses, making the entrepreneurial drought more difficult to reverse over time.

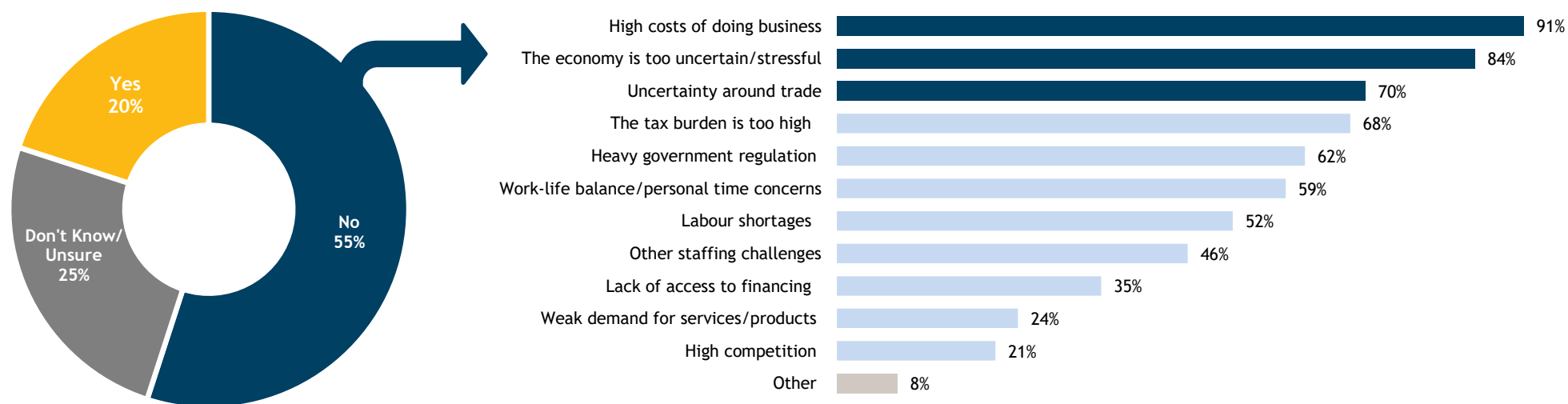
More than half of Canadian SMEs say they would not recommend starting a business at this time (figure 6), with sectors like transportation, hospitality, and manufacturing most likely to advise against it. Rising operating costs, ongoing economic and trade uncertainty, and an increasingly heavy tax burden are among the top reasons cited. Although U.S. trade and

tariff pressures contribute to entrepreneurial hesitation, our 2024 data indicates that the trend was already well established at that time, with 53% of SMEs advising against starting a business.<sup>16</sup>

These findings highlight that it has never been more challenging to be a small business owner in Canada. When small businesses struggle or hesitate to take risks, the entire economy feels the impact. If this trend persists, the challenges of rebuilding entrepreneurial momentum will grow, underscoring the importance of policies and conditions that support business creation and long-term economic vitality.

Figure 6

### Small business owners underscore caution towards starting a business in today's conditions, with 1 in 2 not recommending it



Source: CFIB, Your Voice Survey - October 2025, October 9-24, 2025, n = 2,548 (left), n = 1,386 (right).

SME comments on business conditions and entrepreneurship today:

---

*"There is ZERO support for businesses 1-3 years old, which is likely why no one else is starting a company in Canada anymore. The entry level is too high."*

— Manufacturing, ON

---

*"I have been self-employed in my small business since 1988 and have never seen conditions so hostile to business. All of the other small business owners I know are saying the same thing. Even worse, governments are all taxing the life out of us."*

— Retail, SK

---

*"It is not the best of times to start a new business."*

— Enterprises & Admin. Mgmt., QC

---

*"Federal red tape is out of hand. I have already advised young people to not start a small business in Canada."*

— Retail, SK

---

*"There are significant hurdles to starting and running a business: one of the largest being all the rules, regulations, and things to know that one must follow. It creates a significant barrier for entry, and business owners are expected to get no benefits or tax advantages."*

— Professional Services, BC

---

*"I'm selling my business, too much trouble, too many taxes, not worth the headache and risk!"*

— Enterprises & Admin. Mgmt., AB

---

*"Labour costs have climbed beyond sustainable levels, while consumer spending continues to shrink. Marketing expenses are rising as we work to reach new customers. We're facing entrepreneur exhaustion driven by economic uncertainty, constant regulatory changes, increased taxes, and relentless audits."*

— Agriculture, BC

---

*"Jobs will mostly disappear. Current climate in Canada discourages employing people."*

— Agriculture, NS



## Entrepreneurial interest is present, but barriers persist

In 2023, the Angus Reid Forum conducted a public opinion survey on behalf of CFIB to assess Canadians' interest in entrepreneurship and perceived barriers to starting, purchasing, or taking over a business. The results suggest that while interest in entrepreneurship exists, many Canadians feel that barriers make it difficult to pursue.

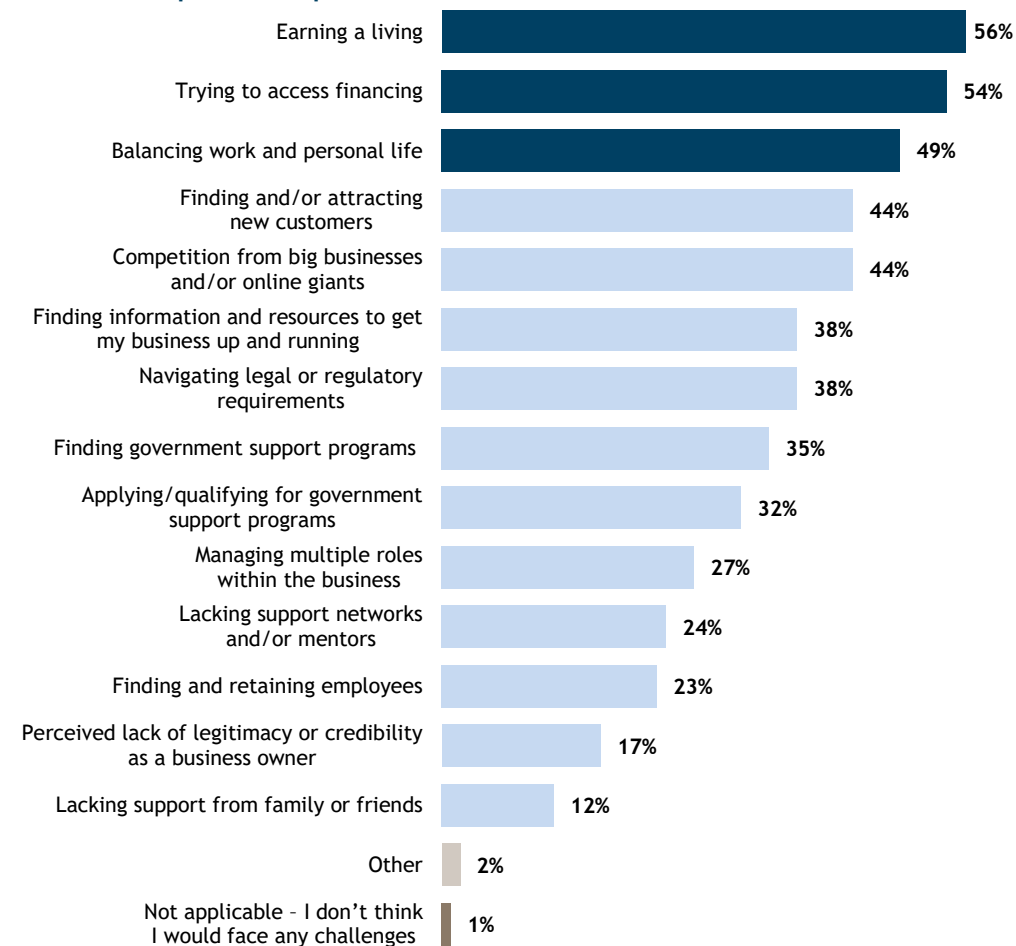
When asked whether Canadians had an interest in starting a business within the next 10 years, just over 16% indicated they did. In contrast, 72% reported no interest in becoming a business owner.<sup>17</sup> While the Global Entrepreneurship Monitor reported an increase in interest in entrepreneurship in 2025 (21%), their 2023 results (14%) are broadly consistent with CFIB's findings (figure 8a).<sup>18</sup>

Among those interested in entrepreneurship, several challenges were highlighted. Overall, the most cited barriers were earning a living (56%), accessing financing (54%), and maintaining work-life balance (49%) (figure 7).

- Gender differences were apparent: for women, earning a living was the top concern (64%), whereas men were more likely to cite access to financing (59%) as their primary challenge.
- Age differences also shaped perceptions of barriers: younger Canadians (18-34) cited earning a living as their top barrier (56%) and were significantly more likely to identify work-life balance as a concern (54%) compared with those aged 35-54 (45%) and 55+ (30%).

<sup>1</sup> Note: The Global Entrepreneurship Monitor (GEM) surveys individuals aged 18-64, while the Angus Reid Forum survey conducted on behalf of CFIB includes respondents aged 18+. As a result, the populations differ in terms of age coverage, which may explain some variation in the results. In addition, the CFIB question asked respondents to consider a 10-year horizon, whereas the GEM focuses on a 3-year horizon. Nevertheless, the findings remain broadly consistent.

Figure 7  
Barriers to entrepreneurship in Canada



Source: About the Angus Reid Forum survey: These are the findings of a survey conducted by CFIB on July 25, 2023, with a nationally representative sample of 1,674 Canadians who are members of the online Angus Reid Forum. The survey was conducted in English and French. The precision of Angus Reid Forum online polls is measured using a credibility interval. In this case, the poll is accurate to within +/- 2.4 percentage points at a 95% confidence level.  
Survey question: What challenges do you think you might face when starting or owning a business?

## Aspiring entrepreneurs held back by fear

Compared with the U.S., Canadians demonstrate a higher level of entrepreneurial interest, but fewer Canadians translate that interest into starting a business. Survey results from the 2025/2026 Global Entrepreneurship Monitor report show that just over one in five Canadians report plans to start a business, compared with a little less than one in seven Americans (figure 8a).<sup>19</sup>

This disconnect suggests that Canada's entrepreneurial spirit is not absent; it is being constrained by fear and barriers. The risks associated with leaving stable employment, taking on personal debt, and navigating complex and costly rules often outweigh the perceived rewards of entrepreneurship. While fear of failure is high in both Canada and the U.S., it is higher in Canada, further suppressing business creation (figure 8b).

Unlocking this latent entrepreneurial potential will require reducing barriers to entry, lowering costs of doing business, and creating a policy environment that encourages experimentation, risk-taking, and second chances. But policy alone is not enough. Canada must also confront a broader cultural challenge: entrepreneurship is not consistently recognized or celebrated in the same way it is in other countries, and business success is too often viewed with skepticism rather than as an achievement to be encouraged. Shifting this narrative, so that building a successful business is seen as a positive and valued contribution, will be an important part of rebuilding the pipeline of future entrepreneurs.<sup>20</sup> By making it simpler and more attractive for Canadians to start and grow businesses, and by fostering a culture that supports and celebrates their success, we can help ensure that entrepreneurship remains a viable and rewarding path, while strengthening the foundation of Canada's economy.

Figure 8a  
Canadians show stronger entrepreneurial intentions than Americans

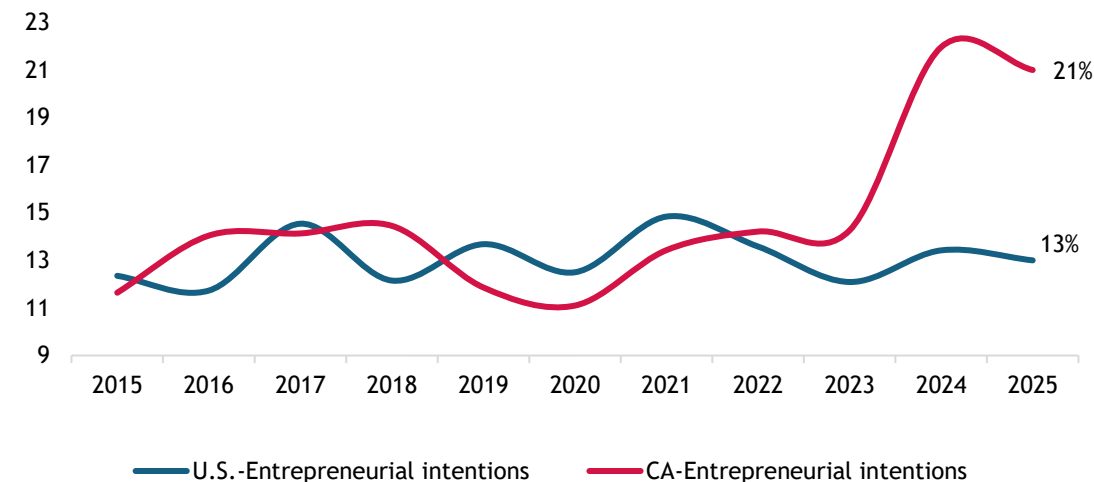
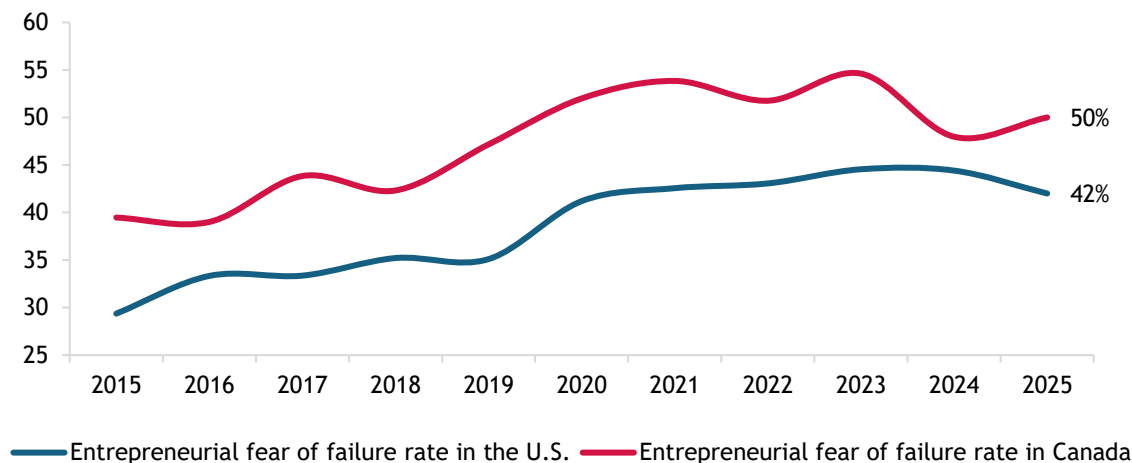


Figure 8b  
Fear of failure is higher in Canada



Source: Global Entrepreneurship Monitor, Global Report: From Uncertainty to Opportunity, 2025/2026,

<https://gemconsortium.org/report/gem-20252026-global-report-from-uncertainty-to-opportunity-3>.

Notes: Entrepreneurial Intentions Rate: Percentage of 18-64 population (individuals involved in any stage of entrepreneurial activity excluded) who are latent entrepreneurs and who intend to start a business within three years. Fear of Failure Rate: Percentage of 18-64 population (individuals involved in any stage of entrepreneurial activity excluded) who indicate that fear of failure would prevent them from setting up a business.

## Survey responses from Canadians on why they would not pursue entrepreneurship

---

*"I like the ease of going to work. Getting a pay cheque and going home. I like my salary job, with vacation and sick days and a good pension."*

— Female, AB

---

*"Too expensive to get off the ground."*

— Male, ON

---

*"I want to leave work behind at the end of the day. Not do vast amounts of paperwork, and not worry about my business's finances alongside my own. I also have no desire to manage employees."*

— Female, ON

---

*"Seems like a lot of work for little reward."*

— Female, AB

---

*"I work in the public service sector with the municipal government and would lose all benefits, good pay, job security, etc. I also don't have money to open up a business."*

— Female, ON

---

*"Not interested in taking on the financial burden."*

— Male, SK

---

*"Haven't witnessed much success in opening new small businesses. Not much support from government agencies."*

— Male, ON

---

*"My line of work is incredibly expensive to start up and the margins are too low."*

— Male, AB

---

*"I have been a freelancer/independent contractor and found it stressful and difficult. In my field, I prefer working for an employer."*

— Male, NS

---

*"Very expensive to own your own brick and mortar store, due to high taxes in our area."*

— Female, BC

---

*"I think that running a retail business would be very challenging. Staffing, hours, competition, cost of rent and other overhead make it very difficult to earn a decent living."*

— Female, NB

---

*"Because entrepreneurship involves a lot of risk and requires a significant investment of time and money. For the sake of my mental health, I cannot afford to leave a stable job to manage a business."*

— Female, QC



## Conclusion: It is time for Canada to fix the entrepreneurial drought

Despite the resilience and ingenuity of Canada's business community, mounting evidence reveals that our country is losing ground against its global peers. The latest CFIB data confirm what many entrepreneurs already feel: operating a business in Canada has never been more difficult. International comparisons echo this concern. The Organisation for Economic Co-operation and Development's (OECD) recent analysis highlights deeper structural weaknesses,<sup>21</sup> and Canada's entrepreneurial momentum is stalling even as other advanced economies gain speed.

If unaddressed, this widening gap risks defining Canada's future as one of sluggish growth, declining competitiveness, and shrinking opportunity. The numbers are stark. The OECD projects that Canada's real GDP per capita will grow by only 0.78% per year through 2060, less than half the rate expected in the U.S. Since 2000, productivity growth in Canada has averaged just 0.86%, trailing far behind the U.S. rate of 1.4%. These figures illustrate a troubling truth; the foundations of our economic vitality are eroding.<sup>22</sup>

Canada's economy still holds immense potential. The entrepreneurial energy is there, but the conditions to convert early success into sustained scale are missing. Although Canadian small and medium-sized businesses demonstrate impressive creativity and drive, only a handful ever evolve into large enterprises.<sup>23</sup> This is not a failure of talent or ambition, but of structure. Fragmented support systems, policy uncertainty, and limited incentives to innovate all impede growth.

Canada's economic future depends on a strong and supportive environment for small and medium-sized businesses. Yet today's decline in business dynamism reveals barriers that make it harder for entrepreneurs to start, operate, and grow. Reversing this trend requires a focused effort from all levels of government to rebuild the foundations of a healthy small and medium-sized business ecosystem where reducing red tape, lowering the cost of doing business, and removing barriers to growth are top priorities. **The path forward is clear: it is time for Canada to fix the entrepreneurial drought.**

## Appendix A - Entrepreneurial drought definition

CFIB has developed a clear threshold to track a sustained decline in entrepreneurship. We define an “entrepreneurial drought” as a period where, over a four-quarter period, the average number of business closures exceeds the average number of business start-ups, resulting in a sustained net loss of entrepreneurial strength.

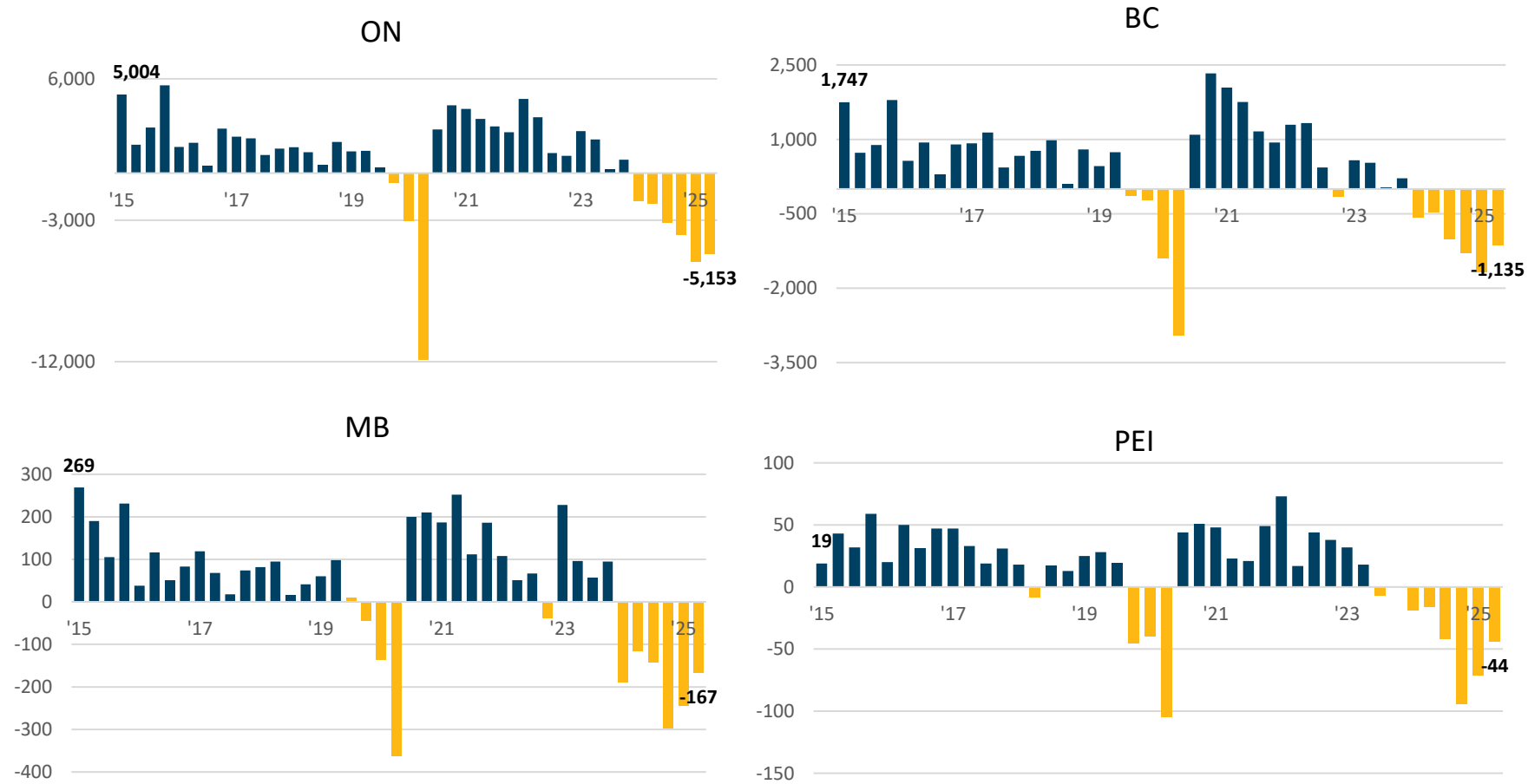
Recovery should be assessed on a sustained, multi-quarter basis, using the same four-quarter average approach. A recovery begins when, over a four-quarter period, the average number of business start-ups exceeds the average number of closures, resulting in net positive entrepreneurial activity. A credible recovery is only established once the four-quarter average turns positive, indicating a sustained return to net business growth. Importantly, after a prolonged period of negative performance, isolated positive quarters should not be interpreted as a full recovery but rather as early signs that conditions may be improving.

Note (May 2026): CFIB updated its definition of both “entrepreneurial drought” and recovery to acknowledge the experimental nature of data from Statistics Canada, which can fluctuate significantly from month to month. Using a four-quarter average helps smooth short-term volatility and better capture underlying trends. Despite periodic month-to-month variation, the overall trend in business entries has continued to weaken relative to exits, indicating that Canada remains in a sustained period of net loss in entrepreneurial strength.

## Appendix B - Business entries and exits, net change, by province

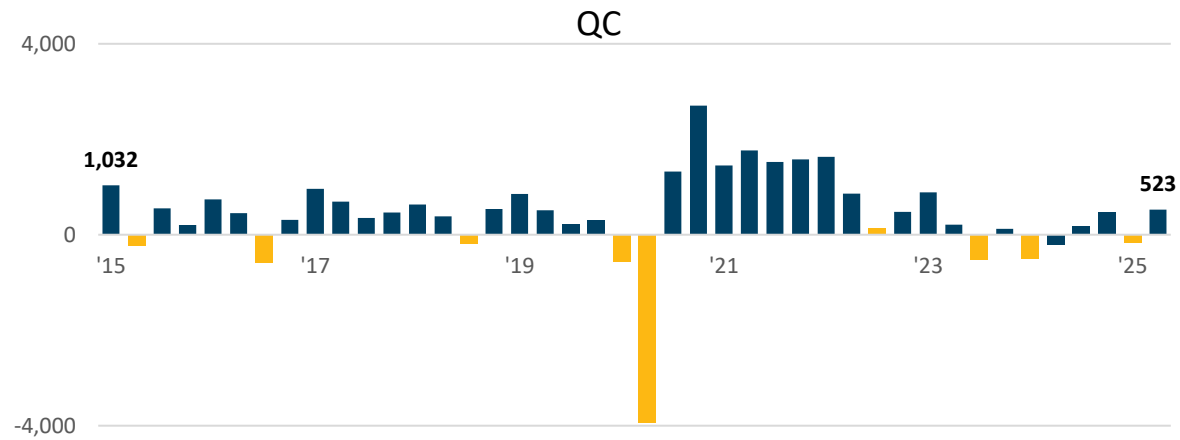
### Provinces with recent drops

Ontario, British Columbia, Manitoba, and Prince Edward Island have followed a similar pattern in business dynamism since 2015. All four provinces showed strong momentum up to 2019, followed by a robust post-pandemic recovery that lasted until mid-2023.

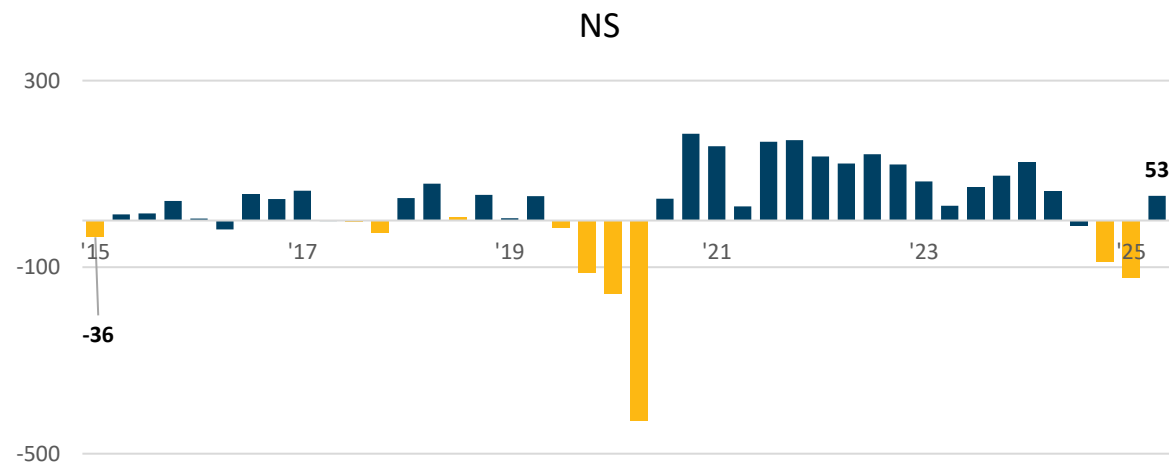


## Provinces to watch

Quebec showed only modest dynamism between 2015 and 2019 and, like other provinces, experienced a downturn during the pandemic. Although its recovery was strong, the province has been facing weak dynamism again since mid-2023.

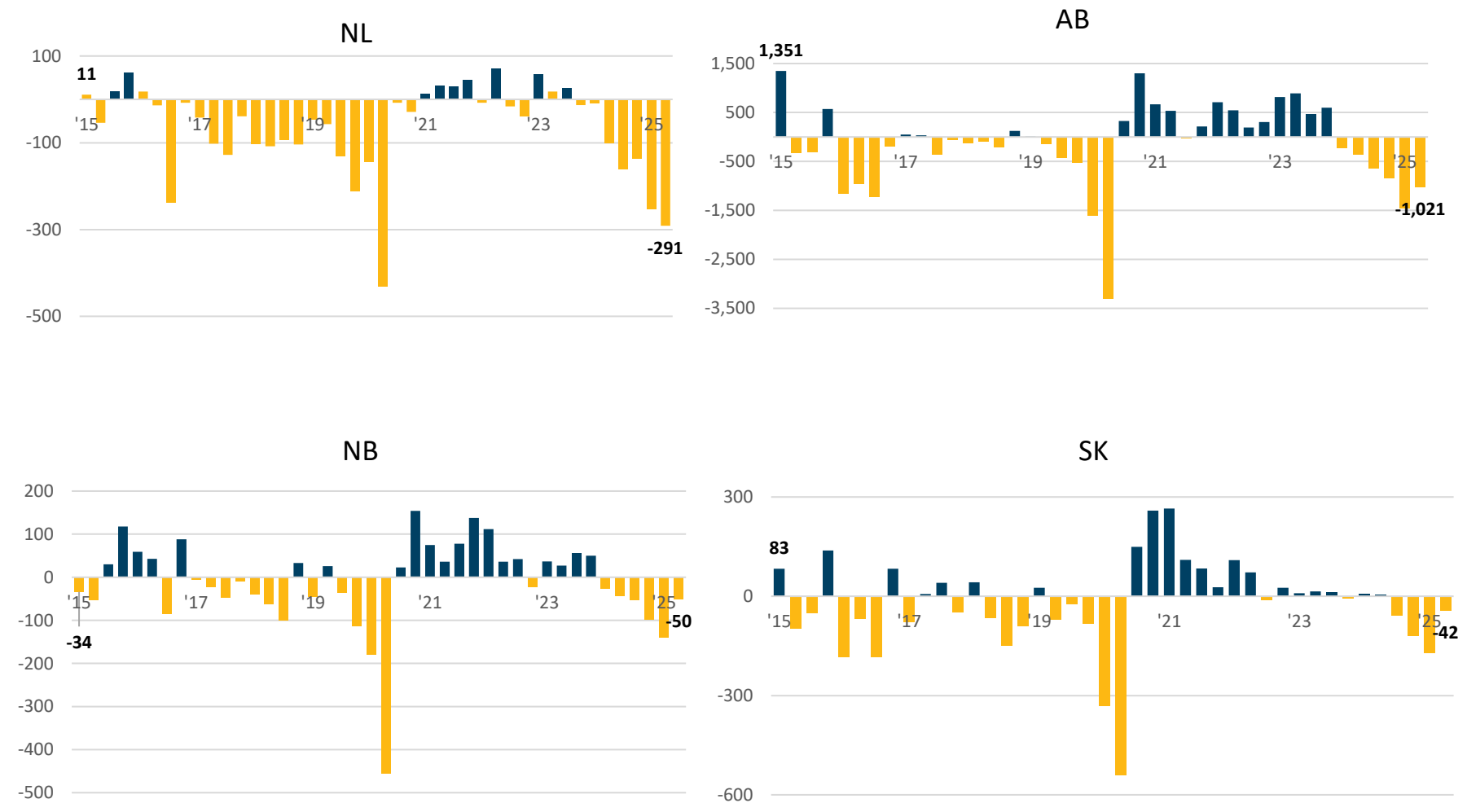


Nova Scotia is the only province that showed modest dynamism between 2015 and 2019. The province experienced a moderately strong recovery after the pandemic and through the end of 2024, but its momentum has since become very subdued.



## Provinces with consistently negative net creation

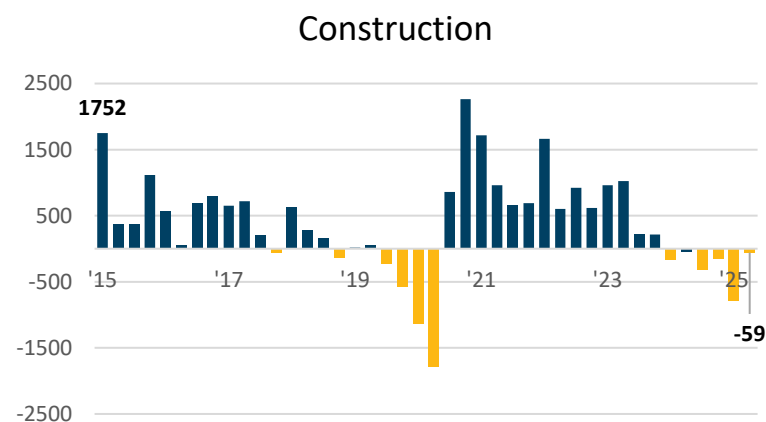
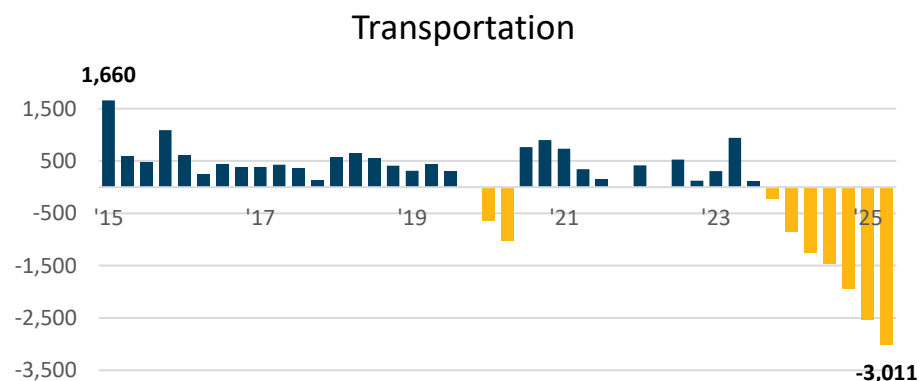
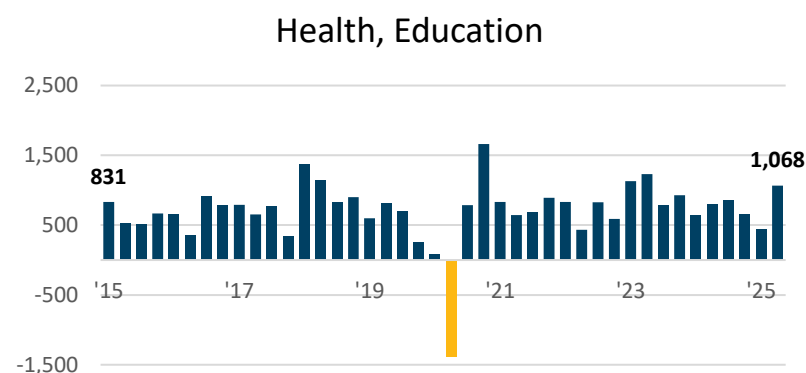
Newfoundland and Labrador recorded the most negative net change over the past decade, with fewer than ten quarters showing positive growth. Alberta also experienced a decline in dynamism after 2015, largely due to global resource price volatility that affected firm survival and discouraged new entrants—especially during the 2014-2016 oil price slump. New Brunswick and Saskatchewan similarly showed persistent weakness, with net business creation remaining below zero for most of the decade.



## Appendix C - Business entries and exits, net change, by sector

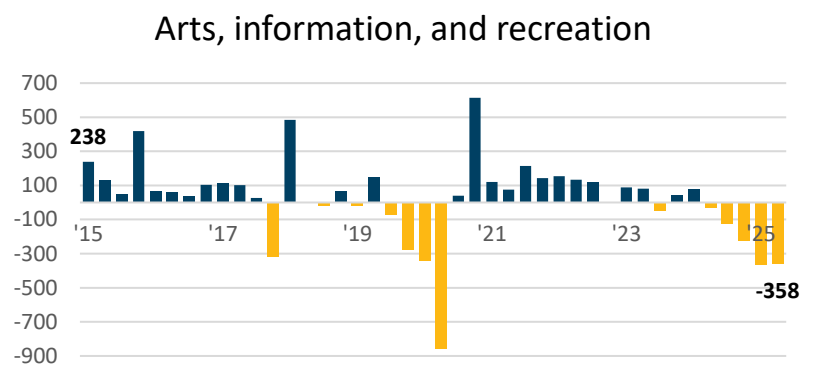
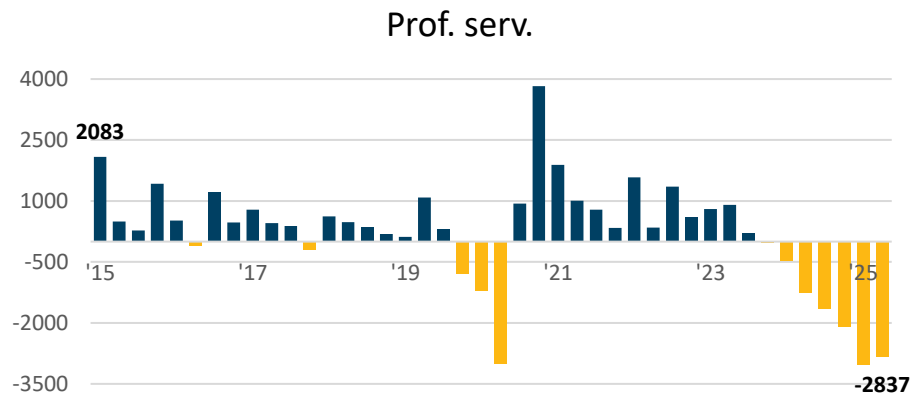
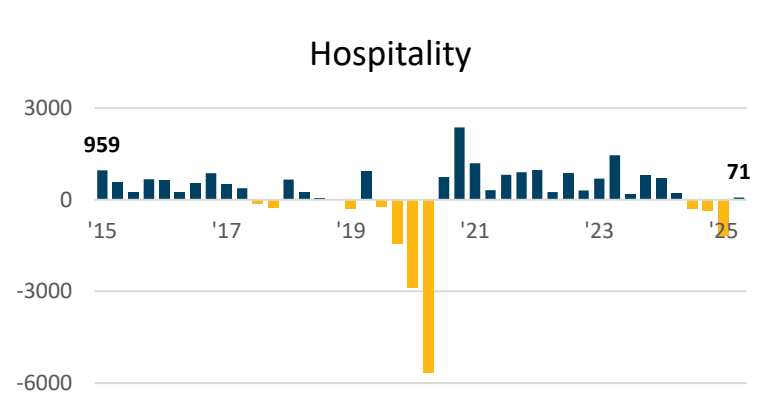
### Sectors with resilience followed by normalization

Health and education stands out as the only sector with a consistently positive net number of entrant businesses (except during the pandemic), reflecting strong performance. Construction also showed strong dynamism from 2015 to 2023, with positive net change in most quarters. In 2024, trends shifted closer to the national pattern, likely reflecting expectations of lower profitability amid interest rate increases, plus high operating and raw material costs. Transportation expanded in the late 2010s but was hit hard by COVID-19, with only a modest recovery through 2023 before exits surged.



Sectors with pandemic shock followed by modest recovery

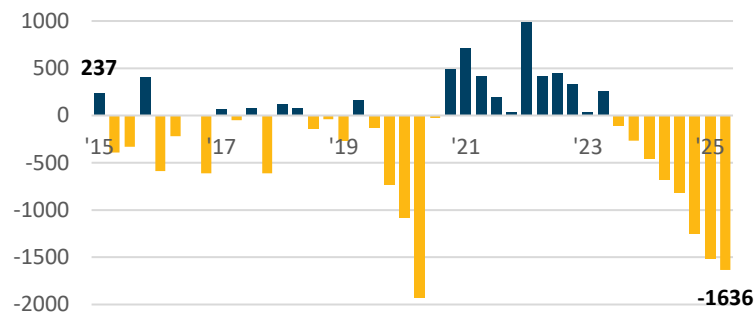
Information, arts, and cultural industries expanded in the late 2010s, but were hit hard by COVID-19, with only a modest recovery through 2023 before exits surged. Hospitality grew slowly in the 2010s and recovered moderately post-pandemic. Professional services had a period of net entries until the late 2010s and rebounded back in 2021-2023, but they have faced sharp exits since 2024.



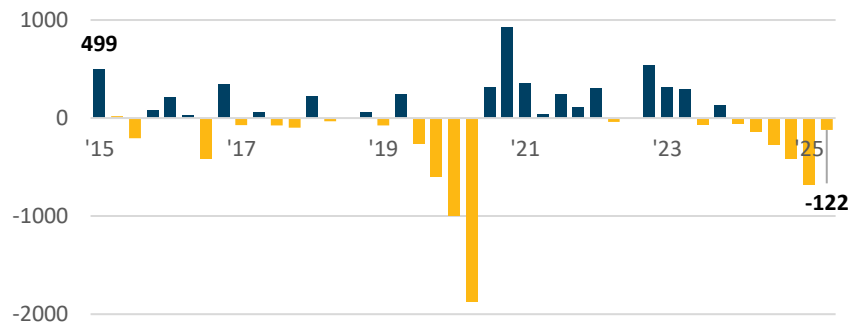
**Sectors with volatile performance followed by persistent weakness after 2023**

Dynamism in the manufacturing sector has been volatile over the past 10 years but has been negative for most quarters since mid-2023. Retail dynamism improved slightly between 2021 and 2023 before falling again. The finance, insurance, real estate, and leasing sector stayed flat after 2016, with exits outnumbering entries after mid-2023. Personal services were flat in the late 2010s, saw a small recovery in 2021-2023, and turned negative by late 2023.

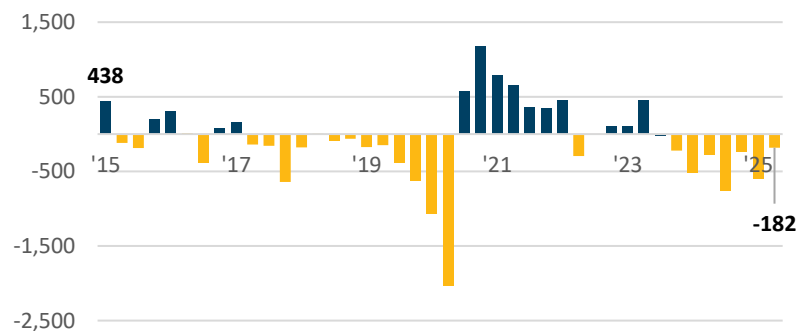
Fin., ins., and real estate



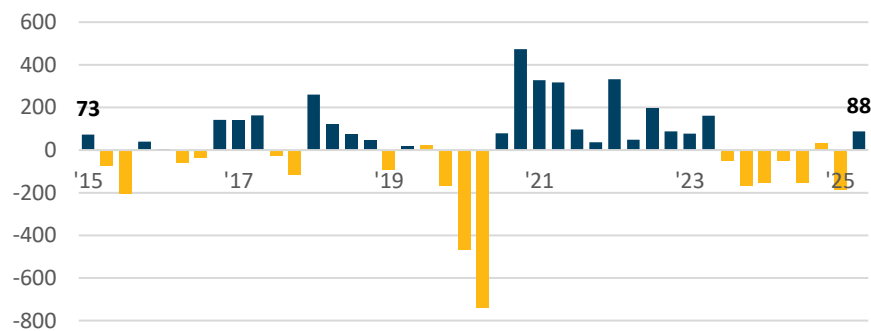
Personal serv.



Retail

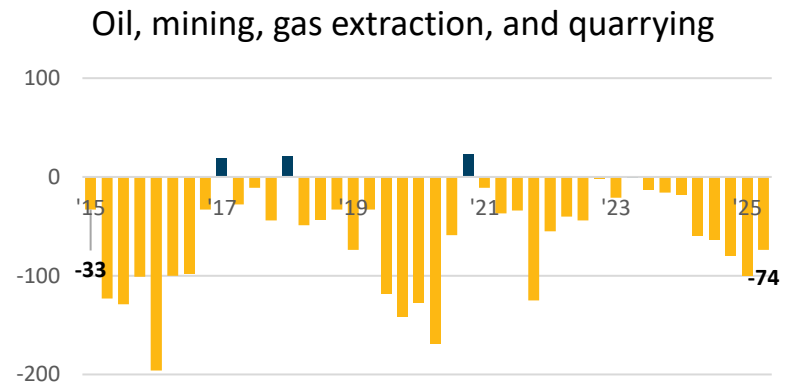
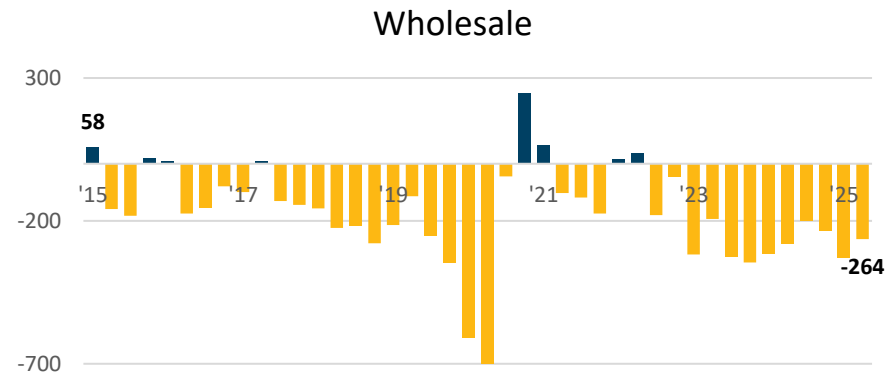
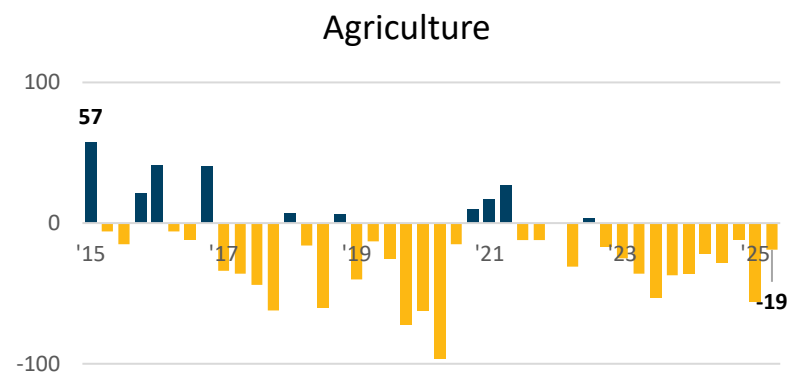


Manufacturing



## Sectors with consistently negative business dynamics

Agriculture saw more exits than entries, largely due to ongoing farm consolidation. Mining, quarrying, and oil and gas extraction have also lost dynamism since 2015, driven by global resource price swings affecting firm survival and deterring new entrants—especially during the 2014-2016 oil price slump. Wholesale has remained weak over the past decade, with net creation almost consistently below 0.



## Endnotes

- <sup>1</sup> Innovation, Science and Economic Development Canada (ISED), Key Small Business Statistics 2025. <https://ised-isde.canada.ca/site/sme-research-statistics/en/key-small-business-statistics/key-small-business-statistics-2025>
- <sup>2</sup> Detailed counts, net changes, and historical trends—available by sector or province, and on a monthly or quarterly basis—can be accessed through CFIB's Enterprise Pulse interactive dashboard: <https://www.cfib-fcei.ca/en/research-economic-analysis/enterprise-pulse>
- <sup>3</sup> Li, Li. 2025. "The long-run evolution of business entry and exit rates in Canada." Statistics Canada.
- <sup>4</sup> Canada's weak productivity: reversing course, Bank of Canada, November 19, 2025. <https://www.bankofcanada.ca/2025/11/canadas-weak-productivity-reversing-course/>
- <sup>5</sup> ISED Canada, Last updated on January 8, 2026. <https://open.canada.ca/data/en/dataset/4444b25a-cd38-46b8-bfb8-15e5d28ba4e7>
- <sup>6</sup> Cruz, Marvin, Bomal, Laure-Anna. Succession Tsunami: Preparing for a decade of small business transitions in Canada, CFIB, 2023. <https://www.cfib-fcei.ca/en/research-economic-analysis/succession-tsunami-preparing-for-a-decade-of-small-business-transitions>
- <sup>7</sup> CFIB, Monthly Business Barometer®, more details available at [cfib.ca/barometer](http://cfib.ca/barometer).
- <sup>8</sup> Cruz, Marvin, Bomal, Laure-Anna. Canada's Red Tape Report, 7<sup>th</sup> edition. CFIB, 2025. <https://www.cfib-fcei.ca/en/research-economic-analysis/canadas-red-tape-report>
- <sup>9</sup> Are Industries Becoming More Concentrated? The Canadian Perspective, March 2019. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3357041](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3357041)
- <sup>10</sup> CBC, How the corporatization of vet clinics is driving up prices across the country, January 2025. <https://www.cbc.ca/news/marketplace/marketplace-vet-corporate-ownership-1.7438239>
- <sup>11</sup> The Globe and Mail, Private equity is swallowing up Canada's mom-and-pop shops. October 2025.
- <sup>12</sup> The Globe and Mail, Private equity is swallowing up Canada's mom-and-pop shops. October 2025.
- <sup>13</sup> Organisation for Economic Co-operation and Development (OECD), Serial Acquisitions and Industry Roll-ups, November 2023. <https://one.oecd.org/document/DAF/COMP/WD%282023%2978/en/pdf>
- <sup>14</sup> Social Capital Partners, The hidden takeover of our economy—and 5 things we can do about it, March 2025. <https://socialcapitalpartners.ca/the-hidden-takeover-of-our-economy-and-5-things-we-can-do-about-it/>
- <sup>15</sup> Are Industries Becoming More Concentrated? The Canadian Perspective, March 2019. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3357041](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3357041)
- <sup>16</sup> CFIB, Your Voice Survey - September 2024, Sept. 5-23, 2024, n = 2,187, final results.
- <sup>17</sup> About the Angus Reid Forum survey: These are the findings of a survey conducted by CFIB on July 25, 2023, with a nationally representative sample of 1,674 Canadians who are members of the online Angus Reid Forum. The survey was conducted in English and French. The precision of Angus Reid Forum online polls is measured using a credibility interval. In this case, the poll is accurate to within +/- 2.4 percentage points at a 95% confidence level.
- <sup>18</sup> Global Entrepreneurship Monitor, Global Report: From Uncertainty to Opportunity, 2025/2026. <https://gemconsortium.org/report/gem-20252026-global-report-from-uncertainty-to-opportunity-3>
- <sup>19</sup> Global Entrepreneurship Monitor, Global Report: From Uncertainty to Opportunity, 2025/2026. <https://gemconsortium.org/report/gem-20252026-global-report-from-uncertainty-to-opportunity-3>
- <sup>20</sup> The HUB, Canada's entrepreneurial exodus: Expert warns of 'wake-up call' as business creation declines. September 2025. <https://thehub.ca/2025/09/24/canadas-entrepreneurial-exodus-expert-warns-of-wake-up-call-as-business-creation-declines/>
- <sup>21</sup> Guillemette, Yvan, and David Turner (2021). The Long Game: Fiscal Outlooks to 2060 Underline Need for Structural Reform. OECD Economic Policy Paper No. 29. [https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/10/the-long-game-fiscal-outlooks-to-2060-underline-need-for-structural-reform\\_93bcf0c3/a112307e-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/10/the-long-game-fiscal-outlooks-to-2060-underline-need-for-structural-reform_93bcf0c3/a112307e-en.pdf)
- <sup>22</sup> Guillemette, Yvan, and David Turner (2021). The Long Game: Fiscal Outlooks to 2060 Underline Need for Structural Reform. OECD Economic Policy Paper No. 29. [https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/10/the-long-game-fiscal-outlooks-to-2060-underline-need-for-structural-reform\\_93bcf0c3/a112307e-en.pdf](https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/10/the-long-game-fiscal-outlooks-to-2060-underline-need-for-structural-reform_93bcf0c3/a112307e-en.pdf)
- <sup>23</sup> Report from Canada's Economic Strategy Tables: Seizing opportunities for growth: September 25, 2018. [Report from Canada's Economic Strategy Tables: Seizing opportunities for growth: September 25, 2018](https://www.cfbif.ca/en/research-economic-analysis/canadas-economic-strategy-tables-seizing-opportunities-for-growth-september-25-2018)

## Authors



**Michelle Auger** is Director, Trade and Marketplace Competitiveness, National Affairs. Since joining CFIB in 2015, Michelle has assisted hundreds of small business owners in resolving complex federal issues. In addition, Michelle has led and managed several national initiatives, including work on international trade, competition, credit cards, insurance, as well as mental health and well-being, among others. Michelle holds a bachelor's degree in Social Sciences with a specialization in Geography and Sociology from the University of Ottawa.



**Laure-Anna Bomal** is a Senior Economist in Montréal. Since joining CFIB in 2021, she has worked on a range of surveys and research reports on issues affecting small business, including business logistics and labour shortages. Laure-Anna holds a Master of Arts in Economics from the University of Ottawa and a Bachelor of Science in Mathematics and Economics from the Université de Montréal.



**Jonathan Galgay** is Director, Newfoundland and Labrador and leads policy, advocacy, and communications for small business. He has over 20 years of experience in public policy and municipal governance, including senior roles with the Government of Newfoundland and Labrador and municipal leadership as CAO in Stephenville, Placentia, and Twillingate, as well as elected service on the council of the City of St. John's. Jonathan studied Political Science and Sociology at Memorial University and has served on boards including the Federation of Canadian Municipalities and Municipalities Newfoundland and Labrador. He is committed to sound public policy and resilient communities.

The Canadian Federation of Independent Business (CFIB) is Canada's largest association of small and medium-sized businesses, with 103,000 members across every industry and region. CFIB is dedicated to increasing business owners' chances of success by driving policy change at all levels of government, providing expert advice and tools, and negotiating exclusive savings.

Questions or data requests: [cfib@cfib.ca](mailto:cfib@cfib.ca)  
X: @CFIBNews

