























Economic Forecasts, Canada

Table 1 – Key macroeconomic variables, historical and forecasted data, Canada, 2024-2025

 ANALYSE STRATÉGIQUE • ANALYTICS	History				Estimate	Forecast	Trends (2024 Q1-2025 Q2)
	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	
GDP by expenditure							
Level, chained \$B (2017)	2,399	2,415	2,429	2,444	2,449	2,415	
Q/Q annualized growth	1.8%	2.8%	2.2%	2.6%	0.8%	-5.6%	
Y/Y growth	0.7%	1.2%	1.9%	2.4%	2.1%	0.0%	
GDP by industry, business sector							
Level, chained \$B (2017)	1,817	1,826	1,829	1,839	1,842	1,812	
Q/Q annualized growth	1.0%	1.9%	0.8%	2.2%	0.7%	-6.4%	
Y/Y growth	0.8%	1.0%	1.4%	1.5%	1.4%	-0.7%	
Retail sales							
Level, \$M	66,363	66,082	66,823	68,520	69,373	68,974	
Q/Q annualized growth	-1.9%	-1.7%	4.6%	10.6%	5.1%	-2.3%	
Y/Y growth	0.7%	0.8%	1.3%	2.8%	4.5%	4.4%	
CPI, total							
Level, index (2002 = 100)	160	161	161	162	163	165	
Q/Q annualized growth	1.7%	2.2%	1.9%	1.8%	3.6%	3.5%	
Y/Y growth	2.9%	2.8%	2.1%	1.9%	2.4%	2.7%	
CPI, excluding food and energy							
Level, index (2002 = 100)	150	151	152	152	154	155	
Q/Q annualized growth	2.0%	2.5%	2.0%	2.1%	3.9%	4.2%	
Y/Y growth	3.0%	2.8%	2.5%	2.1%	2.6%	3.0%	
Private investment							
Level, chained \$B (2017)	409	412	410	420	405	384	
Q/Q annualized growth	-2.7%	2.5%	-1.9%	10.7%	-13.9%	-19.1%	
Y/Y growth	-1.9%	-3.0%	-2.5%	2.0%	-1.0%	-6.7%	
Payroll Employment							
Level, k persons	18,120	18,191	18,227	18,229	18,259	18,084	
Q/Q annualized growth	1.3%	1.6%	0.8%	0.0%	0.7%	-3.8%	
Y/Y growth	1.2%	1.2%	0.9%	0.9%	0.8%	-0.6%	

Source: Modelling and forecasts by AppEco using CFIB's monthly Business Barometer® data.
Note: Forecasts are based on weighted CFIB data. The interpretation of recent dynamics can differ from that of unweighted data. All series are seasonally adjusted.

Canadian economy to see stagnant growth in Q1 2025 and an important contraction in Q2 2025

Economic forecasts based on the most recent monthly Business Barometer® data indicate that GDP growth fell to 0.8% in 2025 Q1 and that an important contraction is to be expected in Q2. This decline comes from a historically low long-term business sentiment in the context of the raging trade war.

Retail sales surpassed expectations in 2024 Q4, growing by 10.6% in nominal terms. While sales maintained some of their strength in Q1, they are expected to contract by 2.3% in 2025 Q2.

After continuous decreases in 2024, CPI inflation picked up to 2.4% in 2025 Q1 and should continue its upsurge to 2.7% in Q2, fuelled by the termination of the GST/HST tax break and the tariffs turmoil. It remains to be seen whether the Bank of Canada decides to look through this uptick or to act by raising rates.

Private investment grew by an exceptional 10.7% at the end of 2024, but current uncertainty is weighing on investment plans, driving the estimate for 2025 Q1 at -13.9% and the forecast for Q2 at -19.1%. Given the low business confidence over the next 12 months, this freeze in capital expenditures is not surprising.

Payroll employment growth came in as expected in 2024 Q4 with a flat reading. Employment increased slightly at the beginning of the year (+0.7%) but is projected to fall by 3.8% in Q2, in line with the overall economic contraction.

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Private sector job vacancies – 2025 Q1



The job vacancy rate holds steady in Q1

The private sector job vacancy rate in Canada remained fairly unchanged at 2.8% in 2025 Q1 (Figure 1), though it is 0.6 percentage points lower than in 2024 Q1.

Vacancy rates show modest movement across provinces

On a yearly basis, Saskatchewan (-1.2 points), New Brunswick (-1.1 points), British Columbia (-0.8 points), and Ontario (-0.7 points) saw the most notable declines. Prince Edward Island was the only province to experience a year-over-year increase in its vacancy rate, rising by 0.3 points.

Personal services and construction sectors lead in vacancy rates

Personal services reported the highest vacancy rate at 4.7%, followed by construction (3.8%) and professional services (3.5%) (Figure 2 and Table 2). On a yearly basis, construction saw the most significant decrease (-1.4), followed by information, arts, and recreation (-1.2), the latter already having the lowest vacancy rate at 1.1%.

Vacancy rates remain inversely related to business size

The vacancy rate stood at 5.6% for micro-businesses (fewer than 5 employees), more than three times that of businesses with more than 100 employees (1.7%) (Figure 3 and Table 2). However, the largest year-over-year drop among all business size categories was recorded among the smallest firms (-1.3).

Sources

(1) CFIB, Your Business Outlook Survey, January 2004-March 2025. Trended.
(2) Statistics Canada. Table 14-10-0398-01. Adjusted for seasonality.
(3) Q/Q (3-month) and Y/Y (12-month) changes are in percentage points.

Figure 1 – Job vacancy rates by province, Canada^{1,2}

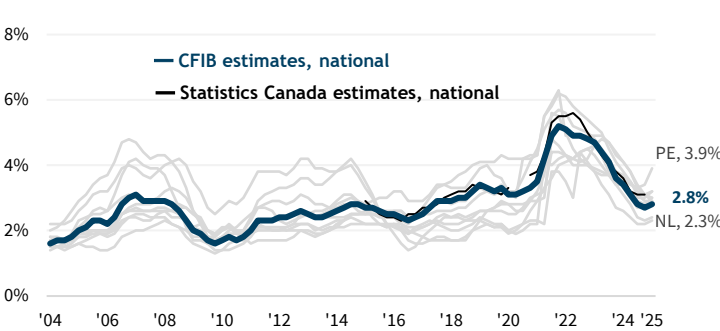


Figure 2 – Job vacancy rates by sector, Canada¹

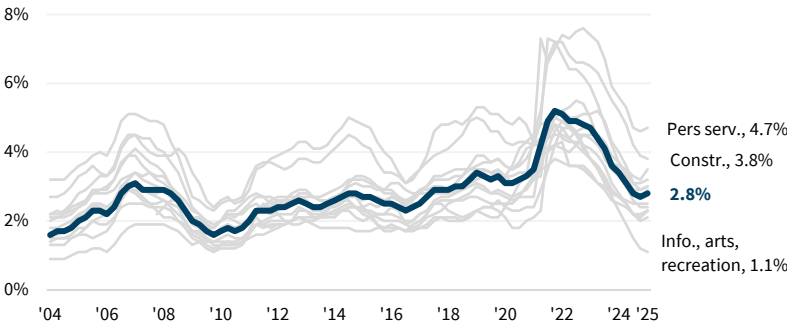


Figure 3 – Total vacancies (in thousands)¹

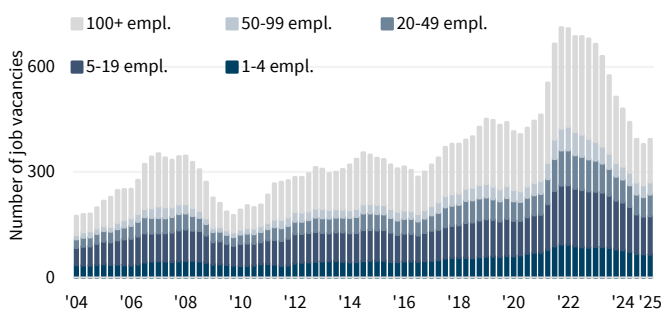


Table 2 – Private sector job vacancies, 2025 Q1

	Vacancy rate (%)	Q/Q change ³	Y/Y change ³	Total vacancies (n)
Canada	2.8	0.1	-0.6	393,400
Prince Edward Island	3.9	0.5	0.3	2,100
Nova Scotia	3.2	0.2	-0.2	10,700
Quebec	3.2	0.1	-0.6	100,100
New Brunswick	3.0	-0.1	-1.1	7,700
Alberta	3.0	0.2	-0.4	53,500
Saskatchewan	2.9	-0.2	-1.2	10,900
British Columbia	2.9	0.0	-0.8	57,900
Manitoba	2.8	0.1	-0.5	13,200
Ontario	2.4	0.1	-0.7	133,900
Newfoundland and Labrador	2.3	0.1	-0.3	3,400
Personal services	4.7	0.1	-0.9	28,800
Construction	3.8	-0.1	-1.4	47,000
Professional services	3.5	0.3	-0.1	43,900
Health, education	3.2	0.1	-0.5	41,000
Agriculture	3.0	0.1	-1.0	5,300
Hospitality	3.0	0.1	-0.7	41,100
Enterprise management	2.9	0.2	-0.6	28,500
Finance, insurance, real estate	2.5	0.0	-0.2	28,700
Transportation	2.4	0.0	-0.9	17,000
Natural resources	2.3	0.2	-0.4	5,100
Manufacturing	2.3	0.1	-0.4	38,000
Wholesale	2.3	0.2	-0.2	19,300
Retail	2.1	0.1	-0.7	43,200
Information, arts, recreation	1.1	-0.1	-1.2	6,700
1-4 employees	5.6	0.0	-1.3	65,300
5-19 employees	4.8	0.1	-1.0	109,100
20-49 employees	3.3	0.3	-0.3	61,700
50-99 employees	2.4	0.0	-0.2	35,200
100+ employees	1.7	0.1	-0.5	122,100

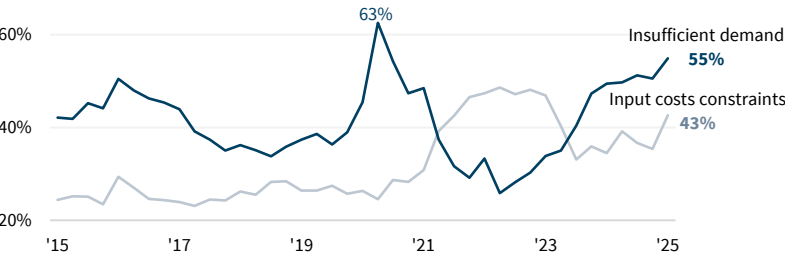
SMEs face demand and cost pressures due to tariffs

Demand for Canadian SMEs' products and services has steadily weakened since mid-2022.¹ By early 2025, over half of SMEs (55%) cited weak demand as their top growth obstacle (Figure 4). The situation worsened with the tariff dispute. Our special surveys on tariffs revealed that between February and March 2025, businesses reporting a drop in demand rose from 26% to 35%, with exporting firms hit hardest (44% to 57%), followed by importing firms (26% to 42%).²

At the same time, input costs are climbing rapidly. In Q1 2025, 43% of SMEs flagged rising costs as a major growth barrier (Figure 4). The tariff dispute exacerbated this, with businesses reporting higher input costs surging from 35% to 43% in one quarter.

With demand dropping and costs rising, more than half of SMEs now struggle to set fair yet profitable prices in an increasingly uncertain market.²

Figure 4 – More Canadian businesses are grappling with weak demand and rising costs, Q1 2015–Q1 2025, Canada¹



Sources

- (1) CFIB, Your Business Outlook Survey, Q1 2015- Q1 2025.
- (2) CFIB, Special survey on the U.S.-Canada tariffs, February 6-13, 2025, n=2,510, and Special survey on the Impact of the U.S.-Canada- trade war, March 13-31, 2025, n=3,937.

Importing firms to pass on costs to consumers

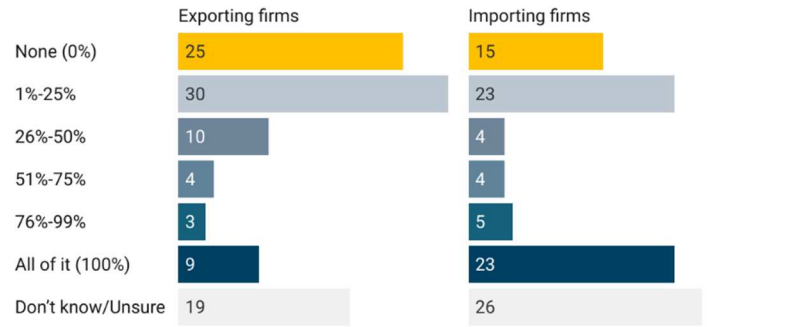
Canadian SMEs face a difficult choice: raise prices and risk losing customers or absorb the additional costs and survive on thinning margins.

Importing SMEs have more flexibility than exporters when adjusting prices. While 25% of exporters say they cannot pass higher costs onto consumers, only 15% of importers face the same constraint. At the other end of the spectrum, 23% of importers can fully transfer cost increases, compared to just 9% of exporters.

For exporters, this challenge is a direct hit to competitiveness. If they absorb the costs, profitability suffers; if they raise prices, they risk being undercut by foreign competitors. Importers, on the other hand, may find it easier to adjust prices, but this also means Canadian consumers bear the weight of rising costs, fuelling inflation.

Figure 5 – Exporting firms are more likely to avoid passing on tariff-related costs

HOW MUCH OF THE ADDITIONAL TARIFF-RELATED COSTS WILL YOUR BUSINESS BE ABLE TO PASS ON TO CUSTOMERS/CLIENTS? (SELECT ONE) (% responses)²



Notes: Exporting firms are exporting products only to the U.S. Importing firms are importing products only from the U.S.

SMEs are adjusting prices, with more to follow

With tariffs in place, most SMEs had no choice but to raise prices. Among various response strategies listed when we surveyed our members, price increases ranked fourth, with 21% of SMEs already implementing them. However, a striking 55% plan to raise their prices, making it one of the top business responses to tariffs in the coming weeks and months.

Many firms must first assess their cost absorption capacity and ability to pass on increases to consumers. So far, 30% of importers and 20% of exporters have raised prices, while 54% of importers and 51% of exporters plan to follow suit.

These adjustments will add further inflationary pressure, particularly in Canada, as exporters must tread carefully to remain competitive in global markets.

Figure 6 – More importers (30%) have already adjusted their prices compared to exporters (20%), and further increases are expected from both

HAS YOUR BUSINESS TAKEN THE FOLLOWING ACTIONS BECAUSE OF THE U.S.- CANADA TRADE WAR? RAISING PRODUCT/SERVICE PRICES (% responses)²



Notes: Not taken/not considering it and don't know/not applicable are not displayed. Responses do not add up to 100.

Sectoral overview: Impacts of U.S. tariffs on Canadian SMEs' prices



Wholesale and manufacturing businesses are more affected by weaker demand due to trade exposure

In CFIB's special surveys on tariffs,¹ wholesale and manufacturing had the highest share of SMEs reporting lack of demand in March, at 49% and 48% respectively, both up from 35% in February (Table 4). These sectors also show a high concentration of importers and exporters.

Input costs remain a significant challenge in Q1 2025, particularly for hospitality (60%), agriculture (56%), manufacturing (56%), and wholesale (56%).² Agriculture, manufacturing, and wholesale firms face mounting pressures due to their strong ties to both exports and imports. Firms in hospitality are indirectly involved in international trade as nearly 58% of businesses purchase from importers, which impacts their costs.

With demand declining and costs rising, two-thirds of manufacturing and wholesale SMEs are now struggling to anticipate prices. Construction firms are also struggling, with 67% reporting difficulties, since 50% buy from importers, adding to pricing pressures.

Table 3 – Lower customer demand by sector (in %)

	March	M/M change
Wholesale	49	15
Manufacturing	48	13
Retail	38	9
Transportation	37	13
Enterprises & admin. mgmt.	36	10
Canada	35	8
Construction	32	9
Natural resources	28	0
Arts, recreation & information	28	10
Personal services	26	3
Finance, insurance, real estate & leasing	26	15
Professional services	26	7
Hospitality	25	4
Agriculture	21	8
Health, education	18	3

Note: Sorted by March data.

Sources

- (1) CFIB, [Special survey on the U.S.-Canada tariffs](#), February 6-13, 2025, n=2,510; and Special survey on the Impact of the U.S.-Canada- trade war, March 13-31, 2025, n=3,937.
- (2) CFIB, Your Business Outlook Survey, January 2025-March 2025.

Businesses in agriculture, hospitality and arts, recreation and information are less able to pass on additional costs

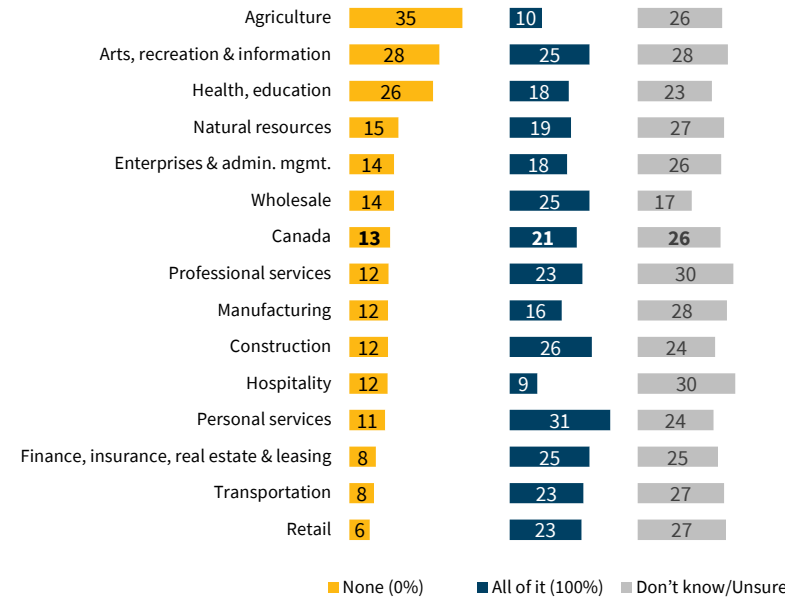
Even though manufacturing and wholesale businesses are more exposed to tariffs, most will absorb costs.¹

Meanwhile, about 35% of agriculture businesses and 28% of arts, recreation and information businesses must absorb all additional costs. For the latter, the challenge is compounded by currency exchange rate volatility, with 59% expressing concern over its impact.

Similarly, only one-tenth of hospitality and agriculture businesses can fully pass on additional costs, underscoring their financial strain.²

Figure 7 – Agriculture firms are more likely to avoid passing on tariff-related costs

HOW MUCH OF THE ADDITIONAL TARIFF-RELATED COSTS WILL YOUR BUSINESS BE ABLE TO PASS ON TO CUSTOMERS/CLIENTS? (SELECT ONE) (% responses)²



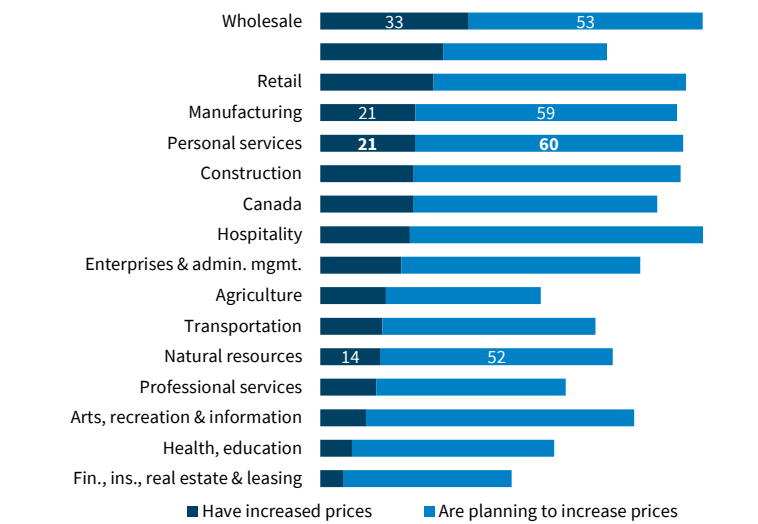
Wholesale firms have already adjusted their prices, while firms in hospitality and construction are planning to do so

Wholesale businesses have already moved ahead with price adjustments, with 33% having increased prices.¹ At the other end of the spectrum, only 10% of arts, recreation, and information businesses have done so, though a much higher share (60%) plan to follow suit.

Hospitality and construction businesses, as indirect importers (the highest share of buyers to importers), are waiting for supplier prices to stabilize before making their own adjustments. While some (20% and 21%, respectively) have already raised prices, many more (66% and 60%, respectively) are considering it soon.

Health and education businesses, however, are less likely to raise prices. Only 7% have implemented price increases, while 24% do not plan to do so at all. Overall, the sector is less exposed to tariffs, so they are less concerned and are experiencing fewer changes in their operations.

Figure 8 – One-third of wholesale firms have already adjusted their prices, while two-thirds of hospitality and construction firms are planning to do so



Methodology

CFIB's research is based on members' views, which are collected through various controlled-access member surveys using a one-member one-vote system. CFIB produces clear, credible, and compelling analysis that supports the success of independent business in Canada.

CFIB membership has good representation across regions, sectors, and business sizes; hence the survey data offers a reasonable estimate of the distribution of economic activity across Canada.

Your Business Outlook is a monthly CFIB tracking survey that covers small business confidence, expectations, and operating conditions. Findings are typically based on several hundred responses from a stratified random sample of CFIB members. Every last Thursday of the month, results are released in our Business Barometer® reports (Canada, provinces and industries), at cfib.ca/barometer.

Special survey on the Impact of the U.S.-Canada- trade war is a CFIB survey that examines the impact of the U.S.-Canada trade war on small businesses. The survey was conducted twice, each time receiving several thousand responses. The results are presented through a series of key charts available at cfib.ca/research/tariffs.

Forecasts are based on CFIB data collected via the Your Business Outlook survey, a data set that is available the same month it is collected. By contrast, most other publicly available economic indicators have a delay, sometimes longer than two months.

Job vacancies estimates are also based on the Your Business Outlook survey. The analysis uses data from the CFIB survey, Statistics Canada's Survey of Employment, Payrolls and Hours as well as custom tabulations from Statistics Canada's Labour Force Survey.

For more information on the methodologies used, visit cfib.ca/research.

About CFIB



The Canadian Federation of Independent Business (CFIB) is Canada's largest association of small and medium-sized businesses with 100,000 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. Learn more at cfib.ca.

CFIB Economics

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About AppEco



[AppEco](http://appeco.ca) is a consulting firm specializing in economic and strategic analysis. It possesses in-depth technical expertise and delivers first-class services in applied economics: economic impact studies, surveys and polls, cost-benefit analyses, modelling, econometrics, pricing, etc. Its mission is to provide useful services that contribute to economic growth and the success of clients' projects. AppEco works with firms of all sizes, from small to multinationals, as well as governments and non-profit organizations. Learn more at appeco.ca/en/.

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