

Canadian economic forecast – GDP expected to rebound in 2026 Q1 and 2026 Q2

CFIB/AppEco economic forecasts based on the most recent monthly Business Barometer® data indicate that **GDP** declined by 0.6% in 2025 Q4 (annualized rate). Despite this challenging end to the year, the forecasts show a good recovery for the first half of 2026, with increases of 1.6% in both Q1 and Q2. This strength stems from strong oil and gas production amid geopolitical tensions, as well as sustained construction activity.


Retail sales growth continued to slow in 2025 Q4, reaching only 0.2%. However, forecasts point toward a strong rebound in early 2026, with projected increases of 6.8% in Q1 and 2.0% in Q2. Year-over-year, this puts sales growth just in line with inflation.

CPI inflation rose to 2.2% in 2025 Q4 and remained at a similar level for 2026 Q1. Excluding food and energy, inflation remained at 2.5% at year-end before decreasing to 2.1% in 2026 Q1. The uptick forecast in total CPI inflation for 2026 Q2 (2.9%) is consistent with geopolitical tensions in Iran, maintaining medium-term pressure on prices.

Private investment continued to decline with a 0.2% drop in 2025 Q4, closing the year with an overall contraction of 1.7%. However, forecasts indicate a trend reversal for 2026, with a recovery in investment of 3.1% in Q1 and 2.9% in Q2.

Payroll employment grew by 0.2% in 2025 Q4, bringing year-over-year growth to 0.2%. This pace is expected to strengthen at the start of 2026, with projected growth of 1.4% for Q1. This acceleration in hiring is consistent with GDP growth forecasts for the same period, signalling a certain recovery in economic activity.

Table 1 - Key macroeconomic variables, historical and forecasted data, Canada, 2025-2026

	History				Estimate	Forecast	YTD**	
	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1*	2026 Q2	2025	2026 ^p
GDP by expenditure								
Level, chained \$B (2017)	2,497	2,491	2,506	2,502	2,512	2,522	2,494	2,517
Q/Q annualized growth	2.1%	-0.9%	2.4%	-0.6%	1.6%	1.6%		
Y/Y growth	2.9%	1.8%	1.6%	0.7%	0.6%	1.2%	2.3%	0.9%
GDP by industry, business sector								
Level, chained \$B (2017)	1,887	1,882	1,899	1,898	1,906	1,914	1,885	1,910
Q/Q annualized growth	2.3%	-1.1%	3.6%	-0.2%	1.6%	1.6%		
Y/Y growth	2.3%	1.4%	1.9%	1.2%	1.0%	1.7%	1.9%	1.3%
Retail sales								
Level, \$M	69,546	69,771	69,836	69,880	71,041	71,390	69,658	71,215
Q/Q annualized growth	4.5%	1.3%	0.4%	0.2%	6.8%	2.0%		
Y/Y growth	5.1%	5.4%	4.0%	1.6%	2.1%	2.3%	5.2%	2.2%
CPI, total								
Level, index (2002 = 100)	163	164	164	166	167	168	163	167
Q/Q annualized growth	2.9%	0.8%	2.3%	3.0%	2.5%	3.7%		
Y/Y growth	2.3%	1.8%	2.0%	2.2%	2.1%	2.9%	2.0%	2.5%
CPI, excluding food and energy								
Level, index (2002 = 100)	154	155	155	156	157	158	154	157
Q/Q annualized growth	3.0%	2.8%	1.8%	2.3%	1.4%	2.5%		
Y/Y growth	2.5%	2.6%	2.5%	2.5%	2.1%	2.0%	2.6%	2.0%
Private investment								
Level, chained \$B (2017)	427	426	425	425	428	431	426	430
Q/Q annualized growth	-5.0%	-0.5%	-0.9%	-0.2%	3.1%	2.9%		
Y/Y growth	1.7%	0.3%	0.9%	-1.7%	0.4%	1.2%	1.0%	0.8%
Payroll Employment								
Level, k persons	18,281	18,266	18,295	18,304	18,367	18,379	18,273	18,373
Q/Q annualized growth	0.3%	-0.3%	0.6%	0.2%	1.4%	0.3%		
Y/Y growth	0.6%	0.2%	0.2%	0.2%	0.5%	0.6%	0.4%	0.5%

Source: Modelling and forecasts by AppEco using CFIB's monthly Business Barometer® data.

* Q1 2026 CPI estimate reflects its actual value as of April 20, 2026.

** YTD represents the average of all quarters since the start of each year.

^p Preliminary based on estimate and forecast.

Notes: Forecasts are based on weighted CFIB data. The interpretation of recent dynamics can differ from that of unweighted data. All series are seasonally adjusted.

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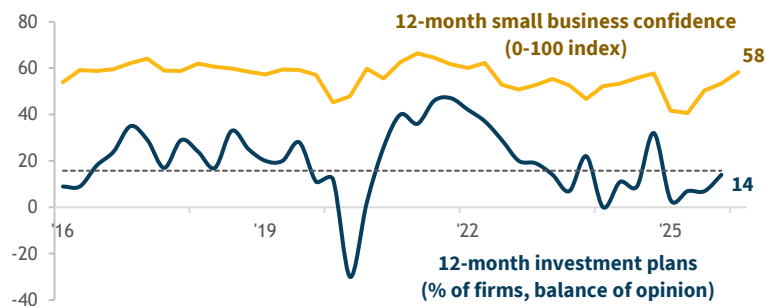
About CFIB and our methodology

Recent investment outlook modestly positive, reflects caution

After a sharp contraction in early 2025—the steepest quarterly drop since the COVID-19 shock—business investment intentions remained below their historical average through most of the year, weighed down by uncertainty and weak demand (Figure 1). Expectations turned modestly positive in 2025 Q4 with a balance of opinion of +14%, signalling an emerging recovery.

That fragile momentum might hold, based on recent business confidence. While new geopolitical tensions in early 2026 have reintroduced uncertainty and pushed up costs, CFIB’s long-term monthly Business Barometer®, a reflection of entrepreneurs’ mood, fluctuated considerably in 2026 Q1 and hovered around the modestly positive 58-point mark, still indicative of cautious optimism.

Figure 1 – SME investment plans approaching historical average with rising business confidence indicating cautious optimism



Investment plans: Bank of Canada, Business Outlook Survey.

Question: Over the next 12 months, is your firm’s investment spending on machinery and equipment expected to be higher, lower or the same as over the past 12 months?

Balance of opinion: [% higher] - [% lower]

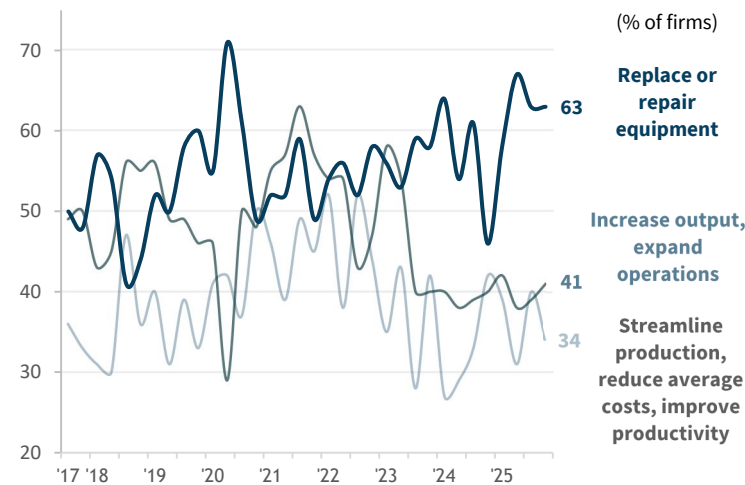
Confidence index: CFIB, Your Business Outlook Survey, [Monthly Business Barometer®](#).

Investment priorities favour upkeep over expansion

The structure of business investment has shifted decisively toward maintenance rather than growth. Bank of Canada data show that spending on equipment replacement has pulled well ahead of both expansion and productivity-enhancing investments since late 2022, a gap that widened through 2025 (Figure 2).

This sustained divergence signals a structural shift toward maintaining existing operations rather than expanding capacity or boosting productivity, reflecting a more cautious, risk-averse stance amid higher costs, uncertainty, and softer demand.

Figure 2 – Business owners keep prioritizing upkeep over expansion projects



Source: Bank of Canada, Business Outlook Survey

Question: What is the primary objective for your investment spending? (Multiple response options, share of firms)

Note: Shares sum to more than 100% as multiple responses were allowed. Results for 2017 Q2 are excluded due to a change in response options.

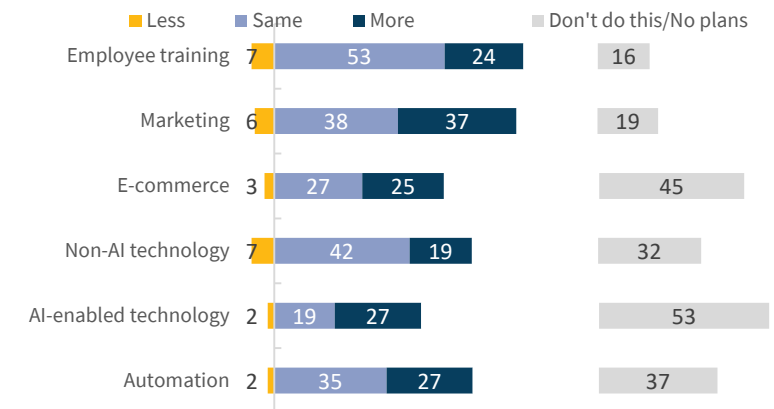
Investment plans for 2026 are focused on skills and marketing

CFIB data show that small firms’ investment plans for 2026 remain largely defensive and concentrated in areas where they have already been investing. Most firms expect to maintain or increase investment levels, with relatively few planning reductions (Figure 3).

Among the more traditional investment categories, employee training and marketing continue to be the main areas of focus and are still growing. Marketing stands out with the highest share of firms planning increased spending, reflecting efforts to protect or stimulate demand in an uncertain environment.

On the technology side, non-AI technology and equipment remain the top investment priority, followed by automation, with both largely planned to proceed at a similar pace rather than at increased levels. This signals a focus on maintaining existing capabilities rather than expanding them further. AI-enabled technology continues to lag, with just over half of SMEs reporting no investment plans. However, firms that have already adopted AI are more likely to invest further.

Figure 3 – Today’s investment priorities persist into future growth



Source: CFIB, Your Voice Survey – February 2026, February 5-25, 2026, final results.

Question: In 2026 does your business intend to do more or less of the following compared to 2025? (Select one for each line)

Small business investment outlook – by sector



■ **Employee training** is the most common investment priority; at least two-thirds of firms in every sector plan to invest at the same level or more over the next 12 months compared to 2025. Professional and business services (86%), construction (83%), manufacturing (81%), and agriculture (81%) stand out, though businesses across both service and goods-producing sectors continue to prioritize human capital and skills development to varying levels.

■ **Marketing and promotion** are also a major growth area, with 75% of firms looking to invest. Arts, recreation and information firms stand out, with 97% planning the same or higher spending, followed by retailers (83%) and wholesalers (82%). For these three sectors, this strong focus on promotion aligns with their efforts to expand **e-commerce and online sales**, led by arts, recreation and information (86%), wholesale (68%), and retail (64%).

For wholesale firms, this reflects efforts to pivot toward new suppliers and customers amid recent trade tensions. In arts, recreation, and retail, higher online investment aligns with the nature of their sales, as tourism, entertainment, and consumer goods increasingly depend on digital visibility. With both softer demand and ongoing trade tensions, firms in these sectors appear to view visibility, customer engagement, and online channels as effective ways to support sales and reach new markets.

■ **Investments in non-AI technology or equipment** involve at least 50% of firms across all sectors (except transportation). Professional and business services (78%), and arts, recreation and information (71%) lead these investments, reflecting their relatively high degree of digitization. Manufacturing (68%) and agriculture (64%) also stand out, as these sectors are traditionally capital-intensive and therefore more inclined to upgrade equipment.

■ **Automation investments** are mostly concentrated in manufacturing (74%), wholesale (73%), and agriculture (71%). These sectors are particularly exposed to trade tensions and appear to be seeking productivity gains through process improvements.

■ **AI investments** are strongest in service-oriented sectors, with arts, recreation and information (69%), professional and business services (65%), and finance and insurance (61%) reporting a higher share of firms planning to maintain or increase spending. These industries are usually more digitized, which facilitates the adoption and integration of AI tools into their operations.

■ **Table 2 – Share of firms planning the same or higher investment levels, by sector and investment type (% responses)**

	Skills, Marketing Investments			Technology, Process Investments		
	Employee Training	Marketing & Promotion	E-commerce	Non-AI tech. or equip.	Automation	AI tech. & equip.
Canada	77	75	52	61	61	45
	Investment intensity: ■ Strong ■ Good ■ Above average					
Fin., Ins., R. Est., & Leasing	67	76	62	65	57	61
Prof. and Bus. services*	86	73	51	78	68	65
Arts, Rec. & Info.	69	97	86	71	47	69
Retail	69	83	64	50	54	36
Wholesale	79	82	68	62	73	52
Manufacturing	81	79	53	68	74	46
Construction	83	69	28	58	64	44
Agriculture	81	62	49	64	71	45
Transportation	71	46	26	46	56	32
Other services*	77	72	48	61	53	42

Source: CFIB, Your Voice February 2026 survey, n = 1,195-1,215.

*Notes: Professional and Business Services include Professional Services and Enterprises & Admin. Mgmt., and Other Services includes Health and Education, Hospitality, and Personal Services.

Job vacancy rates unchanged for five consecutive quarters

The private sector job vacancy rate in Canada remained unchanged at 2.8% in 2026 Q1 (Figure 4), marking the fifth consecutive quarter at this level. Vacancy rates showed little to no change quarter-over-quarter across most provinces and sectors. Year-over-year variations were minimal—under 0.5% for all provinces, sectors, and business sizes, except for businesses employing 5 to 19 workers (-0.7).

Limited changes in vacancy rates across provinces

Most provinces recorded slight year-over-year declines in vacancy rates. Saskatchewan (+0.3), Quebec (+0.2), New Brunswick (+0.1), and Newfoundland and Labrador (+0.1) were the only provinces to post increases, and these gains remained modest.

Little changes in vacancy rates across sectors

Mirroring provincial trends, most industries experienced year-over-year stagnation or decline in vacancy rates. Only information, arts and recreation (+0.5), retail (+0.3), finance, insurance, and real estate (+0.1), and transportation (+0.1) registered annual increases.

Smaller businesses continue to report higher vacancy rates

On a yearly basis, businesses with 49 employees or less saw slight declines in vacancy rates, while those with 50 employees or more recorded small increases (Figure 6 and Table 3).

Sources

- (1) CFIB, Your Business Outlook Survey, January 2004-March 2026. 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 4 – Job vacancy rates by province, Canada^{1,2}

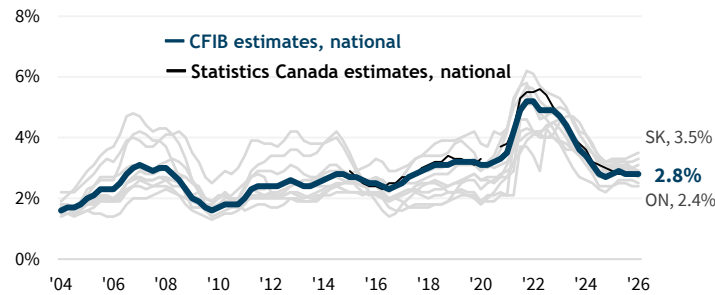


Figure 5 – Job vacancy rates by sector, Canada¹

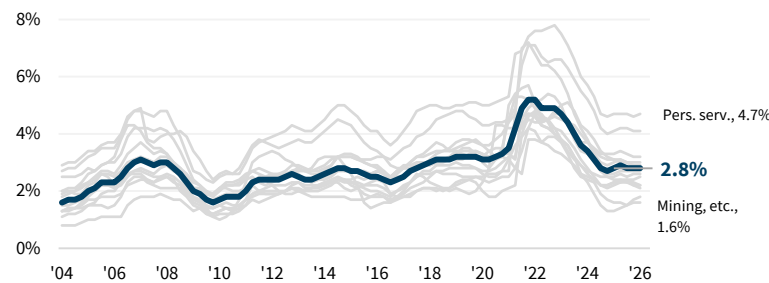


Figure 6 – Total vacancies, Canada (in thousands)¹

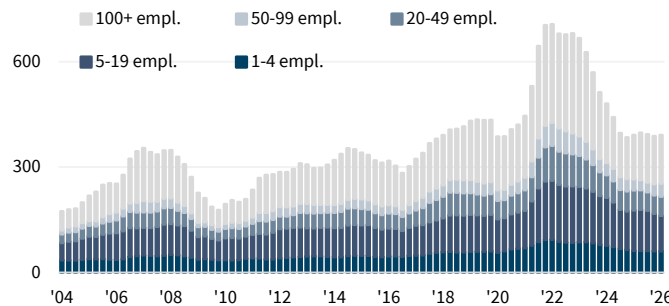


Table 3 – Private sector job vacancies, 2026 Q1

	Vacancy rate (%)	Q/Q change ³	Y/Y change ³	Total vacancies (n)
Canada	2.8	0.0	0.0	391,300
Saskatchewan	3.5	0.1	0.3	12,700
Quebec	3.3	0.1	0.2	102,300
New Brunswick	3.1	0.1	0.1	7,900
Prince Edward Island	2.9	-0.1	-0.4	1,500
Manitoba	2.9	-0.1	-0.1	13,500
Nova Scotia	2.8	0.0	-0.2	9,400
Alberta	2.8	-0.1	-0.2	49,600
British Columbia	2.7	-0.1	-0.2	53,800
Newfoundland and Labrador	2.5	-0.1	0.1	3,800
Ontario	2.4	0.0	0.0	136,800
Personal services	4.7	0.1	0.0	29,300
Construction	4.1	0.0	0.0	52,100
Professional services	3.2	0.0	-0.1	40,800
Agriculture	3.0	0.0	-0.1	5,300
Hospitality	2.9	0.0	-0.1	40,000
Health, education	2.8	0.0	-0.3	35,600
Transportation	2.7	0.0	0.1	20,400
Insurance, real estate, finance	2.6	0.0	0.1	30,300
Retail	2.5	0.1	0.3	50,500
Wholesale	2.2	-0.1	-0.1	18,500
Enterprise and management	2.2	0.0	-0.2	21,000
Manufacturing	2.1	-0.1	-0.2	33,300
Information, arts, recreation	1.8	0.1	0.5	10,700
Mining, quarrying, and oil and gas extraction	1.6	0.0	0.0	3,600
1-4 employees	5.5	-0.1	-0.1	60,400
5-19 employees	4.3	-0.3	-0.7	101,000
20-49 employees	2.9	0.0	-0.3	54,600
50-99 employees	2.5	0.3	0.3	36,900
100+ employees	1.9	0.0	0.2	138,400

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 third Thursday of the month, results are released in our Business Barometer® reports (Canada, provinces and industries), at cfib.ca/barometer.

Your Voice is a monthly CFIB omnibus survey that covers a wide range of current topics. Results are based on several thousand responses each time and are presented in a few monthly key charts at cfib.ca/research.

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. Estimates undergo quarterly revisions based on updates from Statistics Canada and CFIB.

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 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. Learn more at cfib.ca.

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