In Focus: Capital equipment and technology costs soar

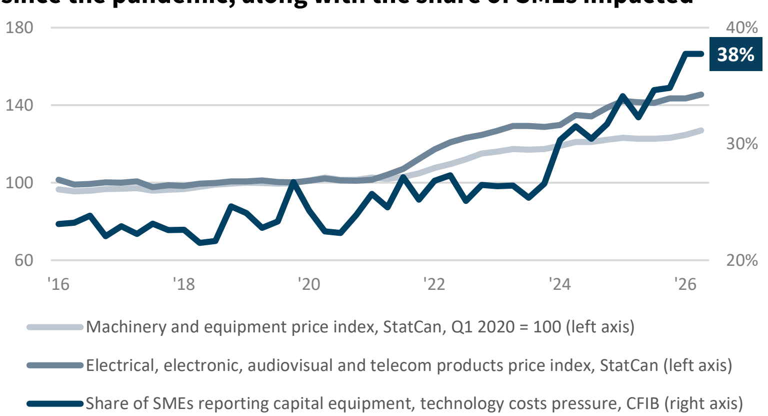
More SMEs facing capital equipment and technology costs

Replacing, upgrading and expanding productive assets has become more expensive since the pandemic. Statistics Canada data show steady price increases for machinery and equipment, as well as electrical, electronic and telecommunications products (Figure 1). CFIB data reflects these pressures, with 38% of SMEs reporting challenges related to capital equipment and technology costs in Q2 2026, on an upward trend.

Cost pressures are particularly acute in capital-intensive industries and among larger firms (Table 1). In Q2 2026, 60% of transportation and utilities businesses reported these costs as a challenge, and the share also rises with firm size. More broadly, reported cost pressures remain above historical averages across most sectors and business sizes, indicating that rising equipment, technology and financing costs are affecting more SMEs.

Despite rising costs, investment intentions remain strong, with many firms planning machinery and equipment investments in the next 12 months.[3] This suggests businesses still view capital spending as critical to productivity, operational efficiency and long-term competitiveness.

Figure 1 – Capital equipment and technology costs have soared since the pandemic, along with the share of SMEs impacted[1,2]

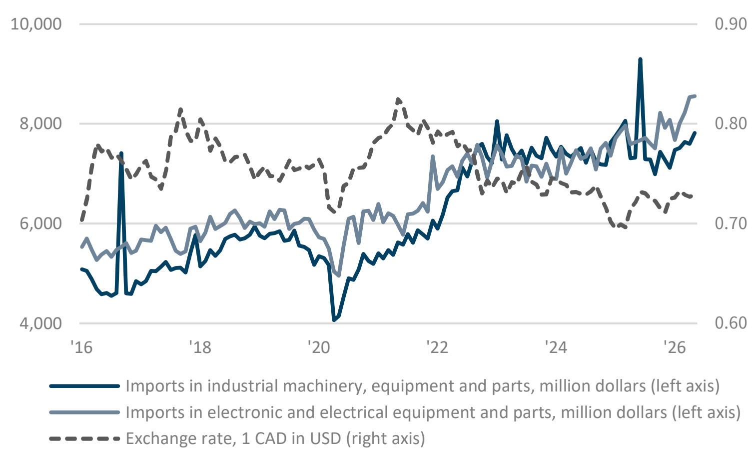


A more costly environment for capital investment

Between 2020 and 2023, inflationary pressures, elevated interest rates (through financing), global supply chain disruptions, shortages of key inputs such as semiconductors, and transportation bottlenecks raised the cost of acquiring equipment and technology. While many of these pressures have since eased, prices remain above their pre-pandemic levels. More recently, from 2024 to 2026, tariff measures, heightened economic uncertainty, geopolitical tensions and exchange rate fluctuations have continued to add pressure onto the costs.[4]

For example, the loonie was weakening as Canada was ramping up its imports of technology (Figure 2). Based on May 2026 import levels, a one-cent decline would increase annualized import costs for industrial machinery, equipment and parts and electronic and electrical equipment and parts by an estimated $2.7 billion, all else being equal. This underscores the need for greater cost-of-doing-business relief and measures to help SMEs manage exchange rate volatility.

Figure 2 – Capital equipment and technology are costing more with a weaker Canadian dollar[5,6]



Note: Data (imports) is on a balance-of-payments basis and are seasonally adjusted.

Table 1 – Capital equipment and technology costs

	SMEs reporting capital equipment & technology cost pressures (% share)	
	Q2 2026	*2009-2026 average*
Canada	**38**	**24**
Manitoba	52	28
Newfoundland and Labrador	46	21
Alberta	42	26
New Brunswick	41	25
Ontario	38	22
Nova Scotia	38	21
Quebec	34	25
British Columbia	33	21
Saskatchewan	26	28
Prince Edward Island*	25	26
Transportation and Utilities	60	33
Arts, Recreation & Information	48	24
Enterprises & Admin. Mgmt.	46	23
Accom. and Food Services	46	23
Mining, Quarrying, etc.*	43	28
Agriculture	42	38
Insurance, Real Estate, Finance	41	23
Other services	41	28
Professional Services	39	23
Construction	39	22
Manufacturing	35	25
Health & Education	33	27
Wholesale	31	18
Retail	30	19
1-4 employees	34	22
5-19 employees	37	24
20-49 employees	44	26
50-99 employees	56	27
100+ employees	56	27

**Less than 20 responses.*

Sources

1) Statistics Canada. Table 18-10-0265-01, Industrial product price index, by major product group, monthly
2) CFIB, Your Business Outlook Survey, Monthly Business Barometer®.
3) Bank of Canada, Business Outlook Survey—Second Quarter of 2026.
4) BDC, Monthly Economic Letter, April 2026.
5) Board of Governors of the Federal Reserve System (US), Canadian Dollars to U.S. Dollar Spot Exchange Rate [EXCAUS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/EXCAUS, July 9, 2026.
6) Statistics Canada. Table 12-10-0163-01, International merchandise trade by commodity, monthly (x 1,000,000).