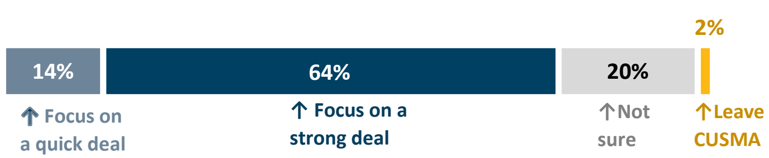
In Focus: Trade uncertainty is reshaping SME strategies

SMEs prioritize a strong CUSMA deal over a quick one

Eighteen months of uncertainty around tariffs and trade have taken a toll on Canadian business confidence: only 41% of them now view the United States as a reliable trading partner.[1] Against this backdrop, the U.S. administration chose not to renew the Canada-United States-Mexico free trade agreement (CUSMA) at the July 1, 2026 review deadline. While the agreement remains in force, it shifts to annual reviews until 2036, giving parties time to reach consensus. About 35% of Canadian SMEs report that it is too soon to determine the impact on their business plans, highlighting the uncertainty surrounding the review process.[2]

Faced with the prospect of continued uncertainty, Canadian SMEs are signalling a clear preference for a stronger agreement over a faster one. Most business owners (64%) believe the government should take the time needed to secure the best possible CUSMA agreement (Figure 3), suggesting they place greater value on long-term trade stability and predictability than on a quick, but potentially less advantageous, deal.

Figure 3 – SMEs think Canada should prioritize a stronger CUSMA agreement over a quicker outcome[3]



Sources

1) CFIB, Your Voice Survey – February 2026, February 5 - 25, 2026, final results.
2) CFIB, Your Business Outlook Survey, July 2026, n=370. Monthly Business Barometer.
3) CFIB, Your Voice Survey – June 2026, June 4 - 29, 2026, final results. Question: *Which of the following best describes your view on the CUSMA review? (Select one)*
4) Statistics Canada. Table 12-10-0175-01: International merchandise trade by province.
5) CFIB, April Your Voice Survey - April 9 - 27, 2026, final results. Question: *What obstacles or barriers has your business encountered when pivoting to new markets outside of Canada? (Select all that apply)*
6) CFIB, The State of Internal Trade: Canada's Interprovincial Cooperation Report Card (2025).

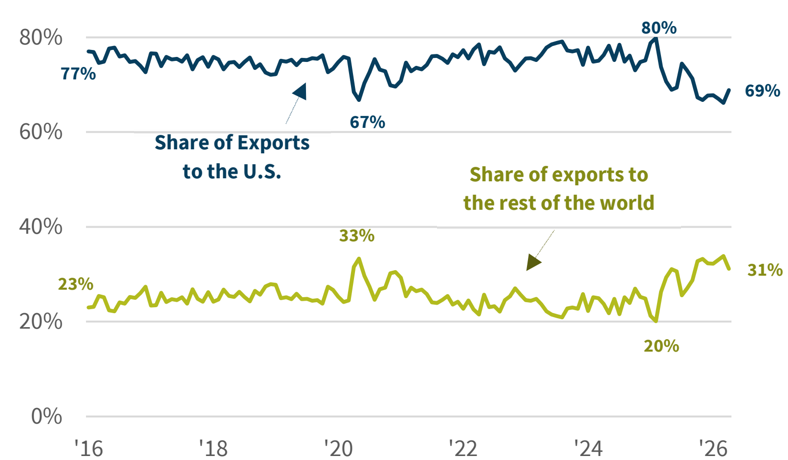
Canada is expanding beyond the U.S. market

The desire for greater trade certainty is also evident in Canada's evolving trade patterns. Although the U.S. remains Canada's largest trading partner, recent trade data point to a broadening of Canada's export markets (see Figure 4). From 2016 to 2024, roughly 75% of Canadian exports went to the U.S. and 25% to the rest of the world. Since the introduction of tariffs in 2025, that mix has shifted to approximately 69% and 31%, respectively.

Importantly, this shift is not being driven by a collapse in exports to the United States. In April 2026, Canadian exports to the U.S. totaled about $46 billion, above the average monthly level recorded between 2022 and 2024. The real story is the strength of exports elsewhere. Exports to the rest of the world rose from an average of roughly $14 billion per month between 2022 and 2024 to $21 billion in April 2026.

Canada's trade diversification is being driven by stronger growth in non-U.S. markets, not by a complete retreat from the U.S. market.

Figure 4 – Canada's trade diversification is gaining momentum[4]



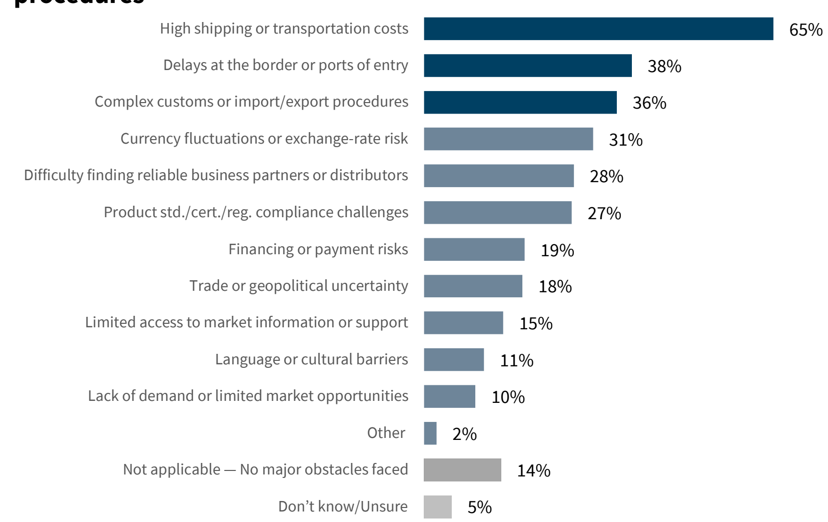
New markets, new opportunities, new challenges

CFIB data from April 2026 shows that nearly half (49%) of businesses trading with the U.S. have shifted toward non-U.S. suppliers or customers over the past year.[5] The most common destinations are Canada (74%), Asia (40%), and the European Union (39%).

However, these opportunities are not without challenges. For firms redirecting activity within Canada, interprovincial trade barriers remain a major hurdle, even as efforts to reduce them continue; notably, 58% of businesses believe removing these barriers would create new opportunities.[6] Beyond Canada and the U.S., the main barriers to expansion are high shipping costs (65%), border delays (38%), and complex customs and trade procedures (38%) (Figure 5).

As more SMEs diversify beyond the U.S., reducing internal trade barriers at home, and expanding access to international markets will be critical to turning diversification efforts into long-term growth opportunities.

Figure 5– Diversification is constrained by cost, delays, and procedures[5]



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