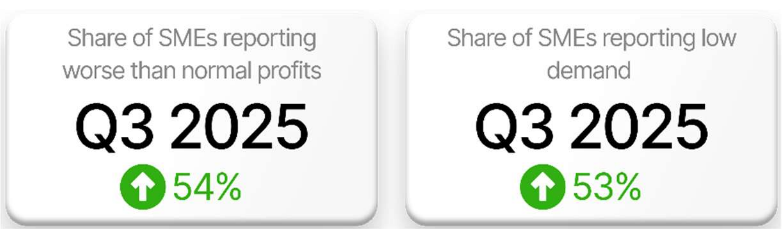
Soft demand, thin profits & higher costs strain SMEs

Small businesses power local economies: 66¢ of every dollar spent with them stays in the community (vs 11¢ at multinationals),[1] supporting jobs, suppliers, and vibrant main streets. However, business owners are facing growing challenges as tariff-related uncertainty dampens demand at home and abroad. In Q3 2025, 54% reported weak demand, compared with a 38% average from 2015–2025 (Figure 4). Profits are deteriorating as well, with 53% reporting worse than normal results,[2] while 63% cited high input, rent, or financing costs.[3] The result is a tightening of margins and difficult decisions—delaying hires, reducing hours, raising prices, or delaying investments.

With tariffs and uncertainty constraining economic activity, the *Buy Canadian/Buy Local* movement should be reinforced and expanded to help SMEs navigate this challenging environment.

Figure 4 – Profit pressures intensify while demand remains subdued[2]



Sources

(1) CFIB, [Small Business, Big Impact: Small Retailers' Local Contributions](#).
(2) CFIB, Your Business Outlook Survey, January 2024-October 2025.
(3) CFIB, Survey on the impact of U.S.-Canada trade war, August 11-September 2, 2025.
(4) Source: CFIB, Your Voice – May 2025 survey, May 6-June 2, 2025.

Buy Canadian is on the rise

Amid ongoing trade tariff tensions, 43% of SMEs launched buy local campaigns. Nearly two-thirds of those reported higher sales of Canadian or local goods and a shift away from U.S. products. However, only 15% saw revenue gains and just 9% reported higher profits (Figure 5), indicating product substitution rather than new demand and continued cost pressures. Demand growth—measured by sales and customer traffic—was strongest in Nova Scotia and PEI; firms in agriculture and retail also saw notable increases. By contrast, manufacturing firms saw little benefit. Across all provinces and sectors, profit gains remain modest at best (Table 3).

The limited improvement in profitability despite stronger sales reflects two factors: customers are substituting with Canadian products rather than expanding overall spending, and elevated input and financing costs are eroding margins. Sustaining the *Buy local* momentum while alleviating cost pressures would help convert increased sales into genuine demand and stronger profitability.

Figure 5 – Sales shift to Canadian goods, but profits do not follow[4]

Since the start of the trade war, what changes have you noticed in the following areas?

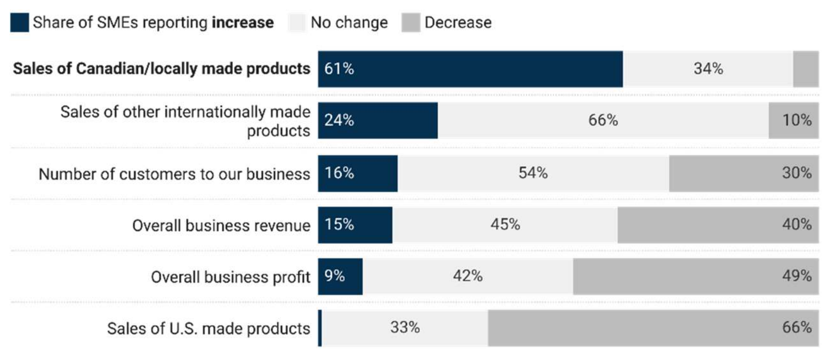


Table 3 – Uplift after *Buy local* promotion (% of SMEs)

	% reporting higher sales of Canadian products	% reporting more clients	% reporting increase in overall profit
Canada	**↓61**	**16**	**9**
Prince Edward Island*	78	33	11
Nova Scotia	72	38	13
Quebec	64	14	6
Ontario	62	13	7
Newfoundland and Labrador*	62	8	0
Alberta	59	12	7
Saskatchewan*	58	25	12
New Brunswick*	58	5	8
British Columbia	57	19	13
Manitoba	52	23	20
Insurance, real estate and finance*	90	30	10
Enterprises & admin. management	86	6	8
Agriculture	69	21	23
Personal services	68	11	7
Construction	63	10	5
Hospitality	62	18	10
Retail	62	20	10
Health, education	60	13	15
Wholesale	59	17	7
Professional services	56	13	9
Transportation and warehousing*	50	22	18
Manufacturing	48	10	8
Information, arts, recreation*	25	8	8
Natural resources*	20	25	0
0-4 employees	63	16	9
5-19 employees	60	16	10
20-49 employees	54	14	10
50+ employees*	70	21	6

Note: *Low count of responses.