Sectoral profile: Diverging paths for goods versus services firms

Background

Our analysis examines small and mid-sized firms at the firm level, dividing them into two self-identified categories: goods-producing and service-offering. Firms providing a mix of both were excluded to present a clearer picture, as their indicator readings generally fall between the two extremes.

While Statistics Canada conducts similar analyses, its focus is at the industry level rather than the firm level.

Roughly 70% of goods-producing firms operate in retail, manufacturing, and wholesale. About two-thirds of service-offering firms are found in professional and business services, personal services, construction, health and education, transportation, and hospitality. Mixed firms appear across all sectors but are most common in retail, construction, and manufacturing.

The composition of the two categories varies slightly by firm size and age. We observe somewhat more micro-businesses (0–4 employees) and younger firms among service providers, while goods producers include a slightly higher share of medium-sized firms (20+ employees).

Source

(1) CFIB, Your Business Outlook Survey, July 2024-September 2025, cfib.ca/barometer.

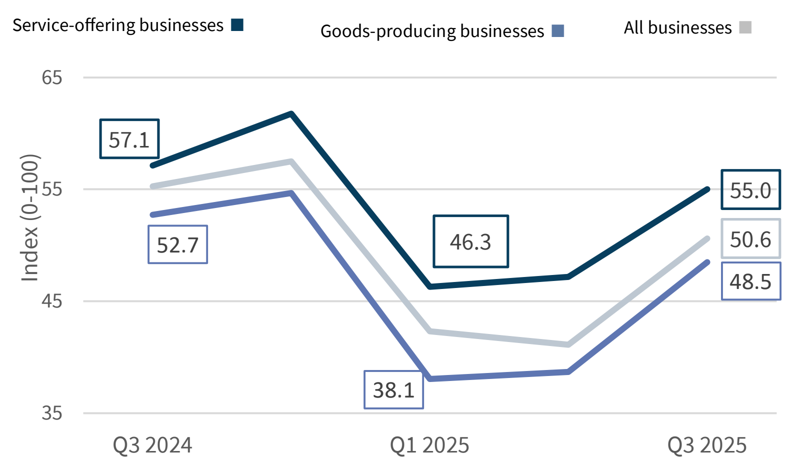
Fitness

The long-term confidence index for SMEs offering mostly services has been above the average for all industries while optimism for firms providing mostly goods has been slightly below the reading for all industries. The gap in optimism only became wider since the trade war started in Q1 2025 (Figure 8).

While confidence among all firms dropped significantly in Q1 2025, goods-producing businesses lost the most momentum (-14 points). Service-offering firms have recovered some of the drop in optimism more quickly; their current reading sits close to where it was in Q3 2024.

Figure 6 – Goods-producing and service-offering businesses have become significantly less optimistic since Q1 2025; however, businesses offering mostly services have recovered faster and their confidence level surpasses the all-industries average

Small business 12-month confidence index



Challenges

Taxes/regulations are the top cost pressures among all firms, yet businesses offering mostly services are more impacted by insurance and wage costs than goods-producing firms. The latter are more concerned by product input costs and electricity costs (Tables 5 and 6). Insufficient demand and distribution constraints affect goods-producing firms more dramatically. On the other hand, skilled labour shortages are the top limitation on growth for service-offering firms.

Table 4 – Specific cost pressures for services vs goods firms

Q3 2025, % responses	All firms	Services	Goods
Tax, regulatory costs	65	63	67
Insurance costs	65	**67**	60
Wage costs	63	**67**	60
Occupancy costs	49	47	50
Product input costs	43	25	**53**
Electricity costs	39	31	**44**
Fuel costs	37	35	34
Capital equipment, technology costs	35	**40**	32
Borrowing costs	32	31	32
Other energy costs	16	12	15

Table 5 – Specific limitations on growth affect each type of firm

Q3 2025, % responses	All firms	Services	Goods
Insufficient demand	53	43	**61**
Shortage of skilled labour	42	**49**	30
Shortage of working capital	26	25	23
Limited physical space	23	22	25
Distribution constraints	19	9	**26**
Shortage of un/semi-skilled labour	18	17	19
Shortage of input products	10	5	**13**