

Entrepreneurship falls as long-term confidence declines

Business confidence is moderately strongly correlated with net business formation. The relationship is strongest within the same quarter and becomes weaker when the series are shifted forward or backward, suggesting that variations in business confidence are reflected relatively quickly in business entry and exit decisions.

When confidence is strong, entrepreneurs are more likely to start a business and existing firms are more likely to remain in the market. For example, the periods of relatively strong confidence in 2017 and again in late 2021 and 2022 were accompanied by positive net business formation as entries greatly outpaced exits (Figure 5). When confidence weakens, business creation slows while exits increase. As such, during the early quarters of the pandemic, and also over the past four quarters, business optimism declined sharply and net business formation deteriorated, turning negative for four consecutive quarters.

Figure 5 – Long term optimism and net business entries, Q1 2015 to Q4 2025¹



Sources

(1) Statistics Canada, [Table 33-10-0270-01 Experimental estimates for business openings and closures for Canada, provinces and territories, census metropolitan areas, seasonally adjusted](#), Data extracted on October 6, 2026. Net new business entries = Entries – Exits. Quarterly data. Q4 2025 is the last quarter for which both entries and exits are available.

(2) CFIB, Your Business Outlook Survey, [Monthly Business Barometer](#). Quarterly data. Q1 2015 to Q4 2025.

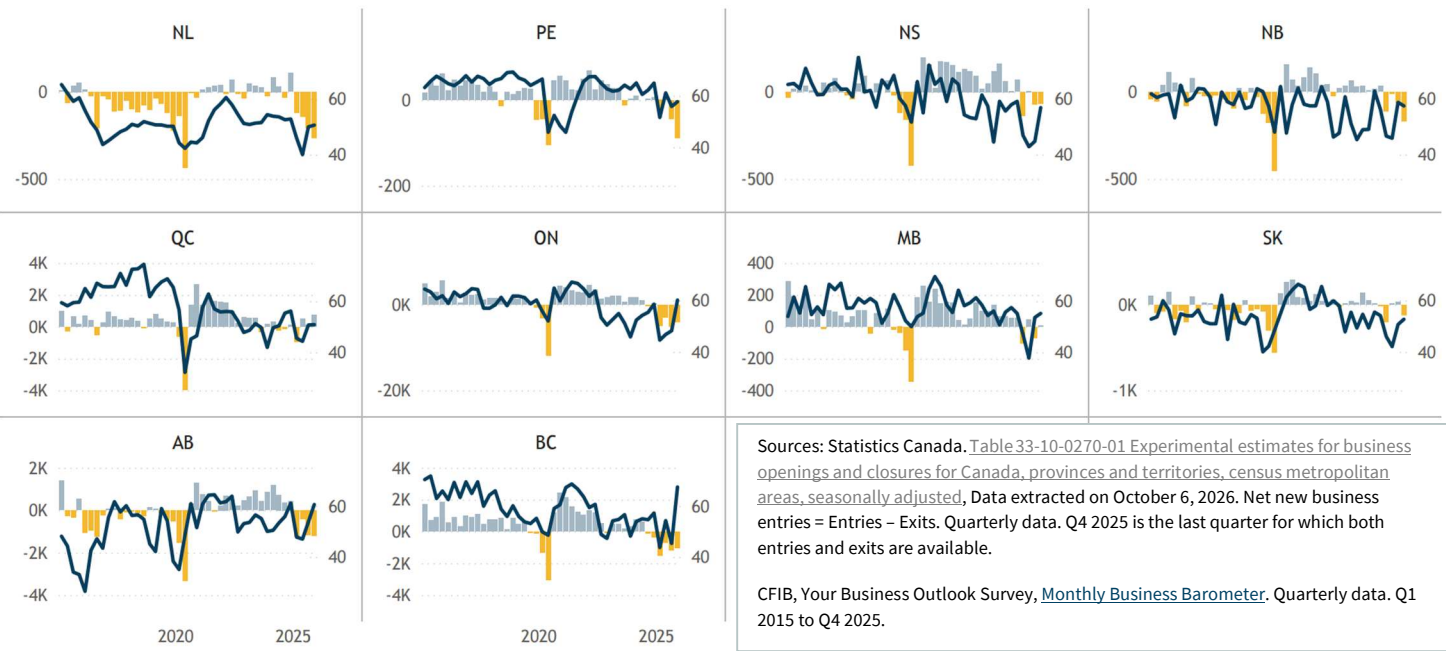
The provincial picture

Across Atlantic Canada, weaker small business optimism has generally been associated with slower net business creation. However, the relationship is less consistent than in larger provinces as local economic factors and greater quarter-to-quarter volatility can sometimes have greater influence on it (Figure 6).

Quebec and Ontario show a clear relation between business confidence and net business creation. In both provinces, declines in optimism have generally been accompanied by weaker net business entries, mainly after the pandemic. In the most recent quarters, optimism has remained well below historical averages, which coincides with below normal net business formation.

Alberta and British Columbia show a strong correlation between business optimism and net business entries, with the two indicators moving largely in the same direction. The relationship in Manitoba and Saskatchewan is slightly less consistent due to greater quarter-to-quarter fluctuations, industry concentrations, and local economic factors.

Figure 6 – Trends in net business entries and optimism, by province



Sources: Statistics Canada, [Table 33-10-0270-01 Experimental estimates for business openings and closures for Canada, provinces and territories, census metropolitan areas, seasonally adjusted](#), Data extracted on October 6, 2026. Net new business entries = Entries – Exits. Quarterly data. Q4 2025 is the last quarter for which both entries and exits are available.

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