

Growth continues, but at a slower pace through late 2026

GDP grew at an annualized rate of 3.3% in the second quarter of 2026. Economic forecasts based on the latest monthly Business Barometer® data (September 2026) point to continued growth but at a more moderate pace, with increases of 2.0% in the third quarter and 1.4% in the fourth quarter, amid uncertainty surrounding trade with the United States.

Retail sales increased by 9.0% and 8.8% in the first two quarters and are expected to rise by 0.9% and 2.7% in the following two quarters, with higher energy costs potentially weighing on consumer spending.

CPI inflation rose from 2.1% year-over-year in the first quarter of 2026 to 3.0% in the second quarter. It is expected to remain at 3.0% in the third quarter, then drop slightly to 2.9% in the fourth quarter. Excluding food and energy, inflation is expected to reach 2.1% year-over-year in the third quarter and 2.2% in the fourth quarter. Tensions in the Middle East and tariffs remain upside risks to inflation.

After three consecutive quarters of decline, including a 5.0% contraction in the first quarter of 2026, **private investment** rebounded by 9.5% in the second quarter, recovering the losses recorded over that period. Growth is expected to continue over the following two quarters, with increases of 5.2% in the third quarter and 1.6% in the fourth quarter. Some firms may also bring forward investment spending in anticipation of potential tariff increases, although trade uncertainty could weigh on overall investment.

Payroll employment rose slightly in the first quarter of 2026, increasing by 0.3%, before growth accelerated to 1.9% in the second quarter. Estimates and forecasts point to continued gains of 1.6% in the third quarter and 1.0% in the fourth quarter.

 ANALYSE STRATÉGIQUE • ANALYTICS	History				Estimate	Forecast	YTD*	
	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2025	2026 ^p
GDP by expenditure								
Level, chained \$B (2017)	2,508	2,502	2,504	2,524	2 536	2 545	2,502	2,527
Q/Q annualized growth	1,9%	-1,0%	0,3%	3,3%	2,0%	1,4%		
Y/Y growth	1,7%	0,7%	0,1%	1,1%	1,1%	1,7%	1,5%	1,0%
GDP by industry, business sector								
Level, chained \$B (2017)	1,900	1,899	1,901	1,920	1 928	1 931	1,893	1,920
Q/Q annualized growth	3,4%	-0,1%	0,4%	4,0%	1,8%	0,5%		
Y/Y growth	1,9%	1,2%	0,7%	1,9%	1,5%	1,7%	1,5%	1,4%
Retail sales								
Level, \$M	70,325	70,602	72,144	73,681	73 851	74 340	70,303	73,504
Q/Q annualized growth	0,7%	1,6%	9,0%	8,8%	0,9%	2,7%		
Y/Y growth	3,6%	1,3%	2,9%	5,0%	5,0%	5,3%	3,2%	4,6%
CPI, total								
Level, index (2002 = 100)	164	166	167	168	169	170	164	169
Q/Q annualized growth	2,3%	3,0%	2,5%	4,1%	2,3%	2,6%		
Y/Y growth	2,0%	2,2%	2,1%	3,0%	3,0%	2,9%	1,8%	2,7%
CPI, excluding food and energy								
Level, index (2002 = 100)	155	156	157	157	159	160	155	158
Q/Q annualized growth	1,8%	2,3%	1,3%	1,4%	3,4%	2,8%		
Y/Y growth	2,5%	2,5%	2,0%	1,7%	2,1%	2,2%	2,2%	2,0%
Private investment								
Level, chained \$B (2017)	426	424	418	428	433	435	426	429
Q/Q annualized growth	-1,3%	-1,7%	-5,0%	9,5%	5,2%	1,6%		
Y/Y growth	1,0%	-2,0%	-2,2%	0,2%	1,8%	2,7%	0,0%	0,6%
Payroll Employment								
Level, k persons	18,295	18,304	18,319	18,405	18 481	18 528	18,286	18,433
Q/Q annualized growth	0,6%	0,2%	0,3%	1,9%	1,6%	1,0%		
Y/Y growth	0,2%	0,2%	0,2%	0,8%	1,0%	1,2%	0,2%	0,8%

* YTD stands for “Year-to-Date” and represents the average of quarters since the start of each year.
p Preliminary based on estimate and forecast.
Source: Modelling and forecasts by AppEco using CFIB’s monthly Business Barometer® data.
Notes: Forecasts are based on weighted CFIB data. The interpretation of recent dynamics can differ from that of unweighted data. All series are seasonally adjusted.

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In Focus: Tariffs and Business Price-Setting Plans

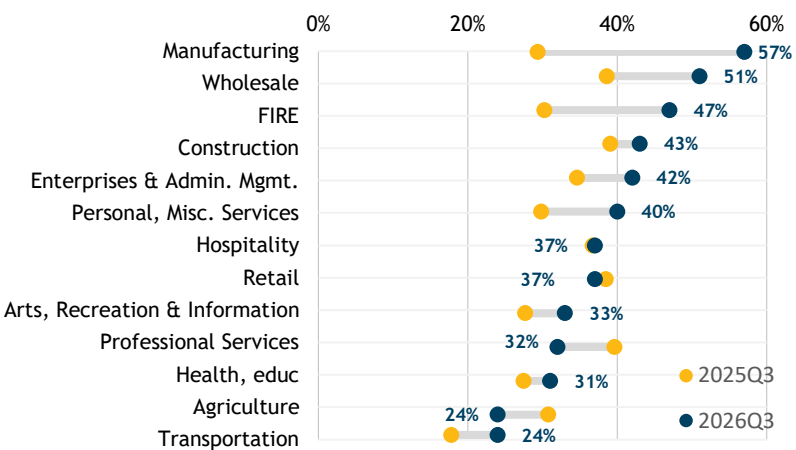


Amid rising cost pressures, business price-setting behaviour exceeds inflation target

Two out of five businesses (39%) plan to increase their unit selling prices by more than 3% over the next 12 months, exceeding the Bank of Canada's 1% to 3% inflation target range (Table 1). A further 35% expect price increases within the target range. High costs and economic uncertainty continue to shape pricing plans, with businesses more likely to expect price increases above the inflation target than within it.

Compared to 2025 Q3, the share of businesses planning price increases of over 3% increased on average by 4.3 percentage points (Figure 1). This increase was especially pronounced in tariff-exposed industries such as manufacturing (+27 pp), and wholesale trade (+12 pp), where more than half of businesses report increases above inflation targets in the coming year. This lower willingness to keep prices steady reflects ongoing cost pressures facing businesses, including those stemming from the U.S.-Canada trade war and higher fuel prices.

Figure 1 – The share of businesses planning on increasing prices by more than 3% has increased in almost all sectors¹



Canada-U.S. trade war contributed to ongoing business cost pressures

Nearly two-thirds of businesses (65%) report moderate to major negative impacts from the U.S.-Canada trade war.² The escalation of Canada-U.S. trade tension in recent months, which saw the introduction of U.S. tariffs on a broad range of Canadian goods and subsequent retaliatory measures by Canada, has heightened concerns about the impact of increased costs and uncertainty surrounding cross-border trade.

Tariff pass-through is divided between modest and substantial increases. Most businesses expect to pass at least some tariff-related costs on to customers (Figure 2). About 28% plan to pass through the full amount, with only 18% prepared to the full cost. Businesses are less likely to anticipate a partial pass-through, suggesting many see limited room between absorbing costs and raising prices. 18% have not yet determined their pricing approach, pointing to widespread uncertainty.

Figure 2 –About 37% of firms expect to pass none or a small part of the additional costs caused by tariffs on to customers, while 28% expect to pass all tariff costs on to customers

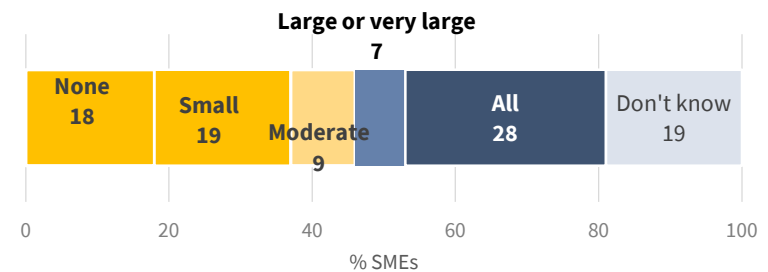


Table 1 - Businesses' price setting plans for the next 12 months⁴

	Share of businesses planning on increasing prices by 1%-3%		Share of businesses planning on increasing prices by more than 3%	
	2026Q3 (%)	YOY Change (p.p.)	2026Q3	YOY Change
Canada	35%	-2.1 pp	39%	+4.3 pp
Manitoba	35	1.8	43	4.6
Ontario	33	-4.2	40	5.6
Quebec	39	-1.3	39	6.3
Alberta	29	-8.2	38	6.5
British Columbia	37	4.6	36	1
Newfoundland & Labrador*	43	7.6	36	6.3
Nova Scotia	40	-0.8	35	4.2
New Brunswick	28	-3	33	-9.1
Saskatchewan	45	12.8	31	-2.9
Prince Edward Island*	36	-25.8	21	-17
Manufacturing	27	-11.9	57	27.6
Wholesale	25	-14.9	51	12.3
Natural Resources*	25	-12.1	50	24.3
FIRE*	13	-14.6	47	16.4
Construction	32	-6.2	43	4.1
Admin & Mgmt.	28	-6.8	42	7.1
Personal Services	35	-3.6	40	9.7
Hospitality	47	5.4	37	0
Retail	43	6.6	37	-1.1
Arts & Info	24	-3.9	33	5.7
Professional Services	43	9.5	32	-7.9
Social Services	36	-0.4	31	3.3
Agriculture	24	-6.4	24	-6.4
Transportation	36	-19.6	24	6.2
0-4 employees	34	+0.5	36	+0.6
5-19 employees	35	-4.4	41	+6.9
20-49 employees	38	+0.7	39	+4.5
50-99 employees	48	-5.2	35	+15.0

*Small sample size (n<20), interpret with caution.

Sources

- (1) & (4) CFIB, Your Business Outlook Survey, [Monthly Business Barometer](#), Q 3, 2026. n = 1,292.
- (2) CFIB, Special survey on the U.S.-Canada trade war. [Preliminary results as of August 31, 2026](#).
- (3) CFIB, [Your Voice Survey](#), U.S.-Canada Trade War: Impact on Your Business. Aug 28 – Sep 8. n=1,394.

In Focus: Rising Fuel Costs are Squeezing SMEs’ Margins



Higher fuel prices are another dimension of high business costs across provinces and industries

In addition to the tariff costs and uncertainty introduced by the trade war, **fuel cost pressures have become significantly more widespread among SMEs in 2026** (Table 2). After remaining relatively stable through 2024 and 2025, the share of businesses reporting substantial fuel cost pressures increased sharply beginning in Q1 2026, reaching its highest level since the indicator was introduced (Figure 3). This trend aligns with rising gasoline and diesel prices and suggests that fuel has become a growing source of cost pressure for many businesses.

Despite these additional pressures, about 70% of small businesses expect to pass on to customers only a very small part of their higher fuel costs (Figure 4). On average, businesses expect to pass on to customers only about one-fifth (21%) of these higher costs through price increases³. One-third do not expect to be able to pass anything to customers, and another third expect to pass on only a very small part. At the opposite end, a very small minority expect to fully pass these additional costs on to customers.

Sources

(1) CFIB, Your Business Outlook Survey, January 2024-September 2026. Quarterly data. For more details, please visit [Monthly Business Barometer](#).
(2) Statistics Canada, [Table 18-10-0001-01](#), Monthly average retail prices for gasoline and fuel oil, by geography. The chart shows average quarterly costs for diesel fuel, and for regular unleaded gasoline at self service filling station.
(3) The average pass through was calculated by applying the midpoint of each response range and weighting it by the proportion of businesses selecting that option.

Figure 3 – The share of SMEs reporting fuel costs pressures has increased drastically since Q1 2026^{1,2}

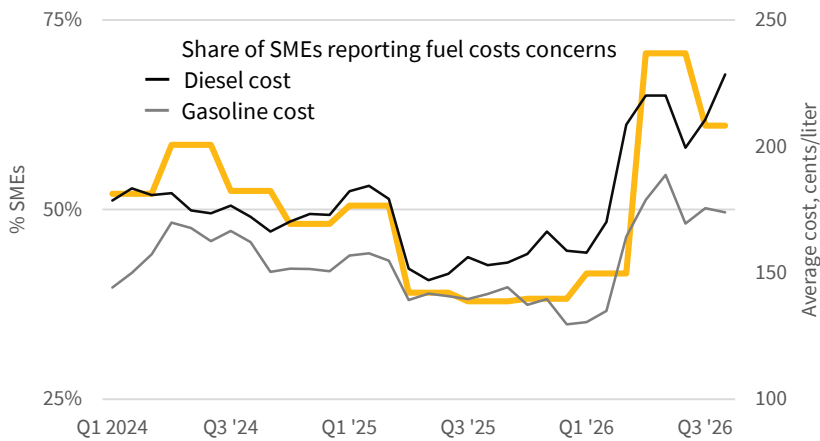
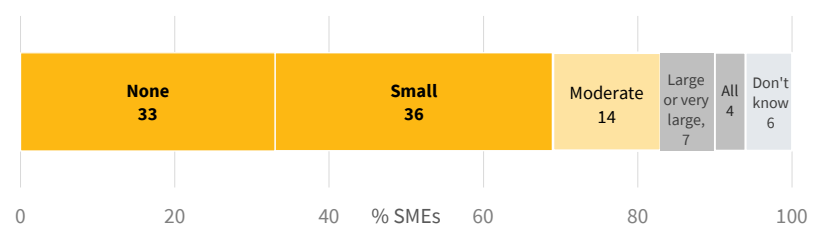


Figure 4 – About 70% of small businesses expect to pass on less than half of the higher fuel costs to customers¹



Note:
Small part represents 1% but less than 25% of the costs. Moderate represents 25% to 49%. Large represents 50% to 74% of the fuel costs. Very large represents 75% to about 99%. And all represents 100% of the fuel costs. The question offered ‘not applicable’ as answer choice, but it gathered no responses.

Table 2 – Fuel costs burden businesses across the country¹

	Share of Businesses (%) identifying fuel costs causing difficulty	y/y change
Canada	64	+30
Newfoundland & Labrador*	85	+5
Alberta	67	+28
Ontario	67	+32
Manitoba	66	+27
British Columbia	65	+35
New Brunswick	63	+21
Saskatchewan	62	+25
Prince Edward Island	62	+25
Nova Scotia	59	+15
Quebec	54	+27
Natural Resources*	88	+56
Transportation	84	+17
Construction	83	+27
Agriculture	80	+30
Hospitality	69	+43
Manufacturing	68	+39
Wholesale	67	+35
Arts & Info	64	+28
Retail	62	+29
Admin & Management	61	+30
Personal Services	59	+25
FIRE	54	+15
Health and education	42	+20
Professional Services	36	+18

Note: * denotes a small number of responses.

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.

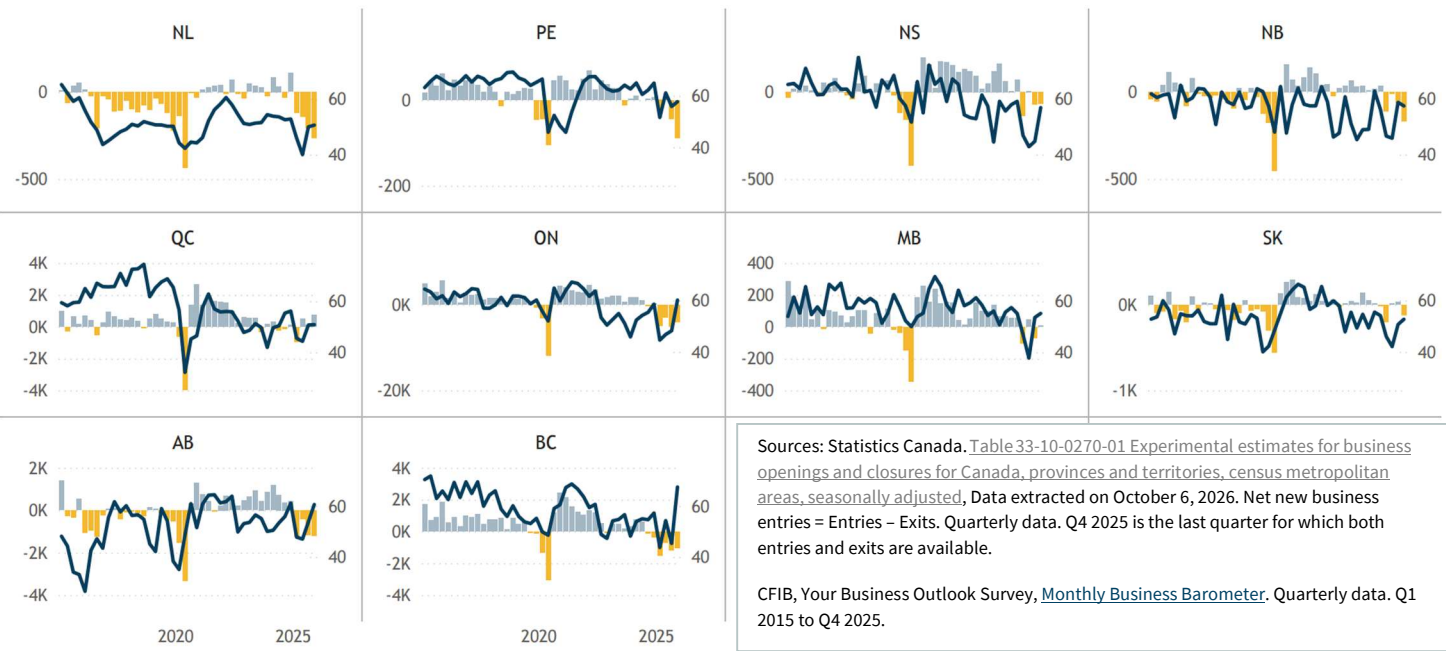
The provincial picture

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



— Long term small business optimism — Negative net business entries. Entries < exits. — Positive net business entries. Entries > exits.

The private sector job vacancy rate in Canada decreased slightly to 2.6% in 2026 Q3 (Figure 7). Vacancy rates dropped a little across most provinces and sectors compared to the previous quarter. Year-over-year changes were generally modest, with most provinces, sectors and business size categories recording variations of less than one percentage point.

Vacancy rates continue to ease in most provinces

Prince Edward Island (-1.2), Saskatchewan (-0.5), and Manitoba (-0.4) experienced the largest year-over-year decreases in vacancy rates. Alberta (+0.1) and British Columbia (0.0) were the only province recording an increase or no changes (Figure 7 and Table 3).

Health and education posts the largest decline in vacancy rates

On a yearly basis, health and education (-0.8) other services (-0.5), and construction businesses (-0.5) recorded the largest declines in vacancy rates. Information, arts and recreation (+0.8), professional services (+0.1), accommodation and food services (+0.1), agriculture (+0.1), transportation and warehousing (+0.1), and enterprise management (+0.1) were the only sectors posting yearly increases in vacancy rates (Figure 8 and Table 3).

Smaller businesses lead the decline in vacancy rates

On a yearly basis, businesses with fewer than 20 employees recorded the largest declines in vacancy rates, while vacancy rates increased slightly among mid-sized businesses with 50 to 99 employees (Figure 9 and Table 3).

Sources

(1) CFIB, Your Business Outlook Survey, January 2004-September 2026. Trended. For more details, please visit the [interactive webpage](#).
(2) Statistics Canada. [Table 14-10-0398-01, adjusted for seasonality](#).
(3) Q/Q (3-month) and Y/Y (12-month) changes are in percentage points.

Figure 7 – Job vacancy rates by province, Canada^{1,2}

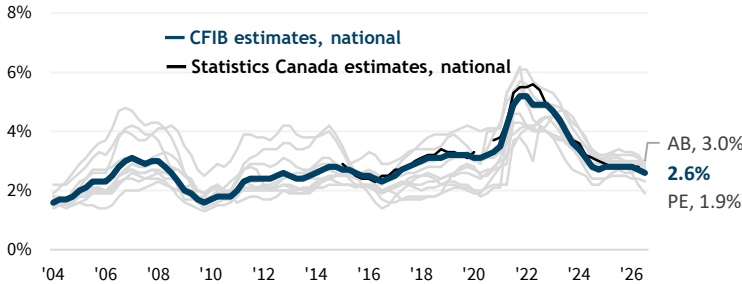


Figure 8 – Job vacancy rates by sector, Canada¹

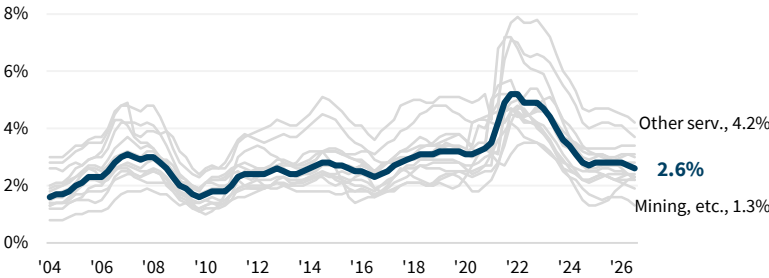


Figure 9 – Total vacancies, Canada (in thousands)¹

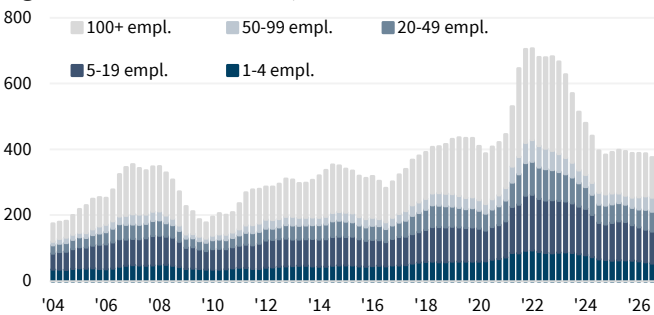


Table 3 – Private sector job vacancies, 2026 Q3

	Vacancy rate (%)	Q/Q change ³	Y/Y change ³	Total vacancies (n)
Canada	2.6	-0.1	-0.2	375,000
Alberta	3.0	0.1	0.1	53,300
New Brunswick	2.9	-0.1	-0.1	7,500
Quebec	2.9	-0.2	-0.3	89,200
Saskatchewan	2.9	-0.3	-0.5	10,900
British Columbia	2.8	-0.1	0.0	55,200
Nova Scotia	2.7	0.0	-0.2	9,000
Manitoba	2.7	-0.1	-0.4	12,500
Newfoundland & Labrador	2.6	-0.1	-0.1	4,000
Ontario	2.3	-0.1	-0.2	132,400
Prince Edward Island	1.9	-0.3	-1.2	1,000
Other Services	4.2	-0.2	-0.5	25,700
Construction	3.7	-0.2	-0.5	45,300
Professional Services	3.4	0.0	0.1	43,700
Accom. and Food Services	3.1	0.0	0.1	41,900
Agriculture	3.0	-0.1	0.1	5,000
Transportation and Warehousing	2.8	0.0	0.1	20,200
Enterprise Management	2.4	0.0	0.1	23,500
Retail	2.3	-0.1	-0.1	46,400
Info., Arts, Recreation	2.3	0.1	0.8	12,900
Ins., Real Estate, Fin.	2.3	-0.1	-0.3	26,200
Manufacturing	2.2	0.0	-0.1	35,600
Health and Education	2.2	-0.2	-0.8	29,300
Wholesale	1.9	-0.1	-0.4	16,300
Mining, Quarrying, and Oil and Gas Extraction	1.3	-0.2	-0.3	3,000
1-4 employees	4.9	-0.4	-0.9	53,200
5-19 employees	4.3	0.0	-0.7	97,600
20-49 employees	3.3	0.0	0.4	59,900
50-99 employees	2.9	0.1	1.0	42,600
100+ employees	1.6	-0.1	-0.2	121,600

Methodology

CFIB's research is based on members' views, which are collected through various controlled-access member surveys using a one-member one-vote system. CFIB produces clear, credible, and compelling analysis that supports the success of independent business in Canada.

CFIB membership has good representation across regions, sectors, and business sizes; hence the survey data offers a reasonable estimate of the distribution of economic activity across Canada.

Your Business Outlook is a monthly CFIB tracking survey that covers small business confidence, expectations, and operating conditions. Findings are typically based on several hundred responses from a stratified random sample of CFIB members. Every third Thursday of the month, results are released in our Business Barometer® reports (Canada, provinces and industries), at cfib.ca/barometer.

Your Voice is CFIB's omnibus survey that covers a wide range of current topics. Results are based on several thousand responses each time and are available at cfib.ca/yourvoice.

Forecasts are based on CFIB data collected via the Your Business Outlook survey, a data set that is available the same month it is collected. By contrast, most other publicly available economic indicators have a delay, sometimes longer than two months.

Job vacancies estimates are also based on the Your Business Outlook survey. The analysis uses data from the CFIB survey, Statistics Canada's Survey of Employment, Payrolls and Hours as well as custom tabulations from Statistics Canada's Labour Force Survey. For more details, please visit our [interactive webpage](#).

The business dynamics section is based on the experimental estimates for business openings and closures data from [Statistics Canada](#). The data is analyzed on a quarterly basis. Exits data lags by six months, as they are predicted on closures of more than six months using a regression model.

For more information on the methodologies used, visit cfib.ca/methodology.

About CFIB



The Canadian Federation of Independent Business (CFIB) is Canada's largest association of small and medium-sized businesses with 103,000 members across every industry and region. CFIB is dedicated to increasing business owners' chances of success by driving policy change at all levels of government, providing expert advice and tools, and negotiating exclusive savings. Learn more at cfib.ca.

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