

Economic Forecasts, Canada

Table 1 – Key macroeconomic variables, historical and forecasted data, Canada, 2024-2026

	History				Estimate	Forecast	Annual Average		
	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2010-2019	2024	2025
GDP by expenditure									
Level, chained \$B (2017)	2,484	2,498	2,486	2,502	2,506	2,526	2,044	2,456	2,498
Q/Q annualized growth	2.8%	2.2%	-1.8%	2.6%	0.6%	3.4%			
Y/Y growth	3.1%	2.9%	1.6%	1.4%	0.9%	1.2%	2.3%	1.6%	1.7%
GDP by industry, business sector									
Level, chained \$B (2017)	1,877	1,884	1,877	1,890	1,892	1,909	1,537	1,860	1,886
Q/Q annualized growth	2.7%	1.6%	-1.5%	2.7%	0.4%	3.6%			
Y/Y growth	2.2%	2.2%	1.1%	1.4%	0.8%	1.3%	2.6%	1.3%	1.4%
Retail sales									
Level, \$M	68,789	69,546	69,771	69,785	69,493	70,273	45,461	67,083	69,649
Q/Q annualized growth	10.0%	4.5%	1.3%	0.1%	-1.7%	4.6%			
Y/Y growth	3.5%	5.1%	5.4%	3.9%	1.0%	1.0%	4.2%	1.6%	3.8%
CPI, total									
Level, index (2002 = 100)	162	163	163	164	166	167	126	161	164
Q/Q annualized growth	1.8%	3.1%	0.6%	2.4%	2.9%	3.3%			
Y/Y growth	1.9%	2.3%	1.8%	2.0%	2.2%	2.3%	1.7%	2.4%	2.1%
CPI, excluding food and energy									
Level, index (2002 = 100)	152	154	155	155	156	157	121	151	155
Q/Q annualized growth	2.1%	3.3%	2.9%	1.8%	2.1%	2.5%			
Y/Y growth	2.1%	2.5%	2.6%	2.5%	2.5%	2.3%	1.6%	2.6%	2.5%
Private investment									
Level, chained \$B (2017)	432	427	426	427	427	431	406	425	427
Q/Q annualized growth	10.7%	-5.0%	-0.3%	0.2%	0.7%	3.5%			
Y/Y growth	2.9%	1.7%	0.3%	1.2%	-1.2%	1.0%	2.7%	-1.4%	0.5%
Payroll Employment									
Level, k persons	18,229	18,249	18,245	18,274	18,322	18,442	15,785	18,192	18,273
Q/Q annualized growth	0.0%	0.4%	-0.1%	0.6%	1.0%	2.6%			
Y/Y growth	0.9%	0.7%	0.3%	0.3%	0.5%	1.1%	1.5%	1.0%	0.4%

Source: Modelling and forecasts by AppEco using CFIB's monthly Business Barometer® data.

Note: Forecasts are based on weighted CFIB data. The interpretation of recent dynamics can differ from that of unweighted data. All series are seasonally adjusted.

Canadian economy expected to grow in Q4 2025 and Q1 2026

Economic forecasts based on the most recent Monthly Business Barometer® data (December) indicate that GDP grew by 0.6% in Q4 2025, following a rebound in Q3. Year-over-year growth slowed to 0.9%. Overall, GDP growth settled at 1.7% in 2025, up from 1.6% in 2024, and remains relatively resilient given persistent geopolitical tensions and global trade uncertainty. Looking ahead, GDP growth is expected to accelerate in the first quarter of 2026.

Retail sales declined in Q4 2025, with nominal growth of -1.7%, marking the first contraction following several quarters of decelerating growth. On a year-over-year basis, growth fell to 1.0%. This downturn is expected to be temporary, with retail sales rebounding by 4.6% in Q1 2026. Despite a late-year slowdown, nominal retail sales growth averaged 3.8% in 2025, surpassing 2024 and supported by lower inflationary pressures.

CPI inflation rose to 2.2% year over year in Q4 2025 and is expected to edge up slightly to 2.3% in Q1 2026. Core inflation, excluding food and energy, remained stable at 2.5% in the fourth quarter, and is expected to fall slightly to 2.3% in early 2026. With total inflation close to the Bank of Canada's target, these numbers suggest that monetary policy has achieved its objective, although inflation dynamics remain sensitive to external shocks.

Private investment steadied in Q4 2025, posting modest growth of 0.7% while lingering uncertainty continues to weigh on business plans. However, year on year, investment declined by 1.2%. Investment is expected to recover more meaningfully in Q1 2026, with growth forecast at 3.5%.

Payroll employment increased by 1.0% in Q4 2025, following modest growth earlier in the year. Year-over-year employment growth reached 0.5%, bringing total employment growth for 2025 to a modest 0.4%. Employment growth is predicted to accelerate to 2.6% in Q1 2026.

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Job vacancies persisted at the same rate throughout 2025

The private sector job vacancy rate in Canada remained unchanged, at 2.8% in 2025 Q4 (Figure 1). Vacancy rates showed little to no change quarter-over-quarter across most provinces and sectors. Year-over-year variations were minimal—under 0.5% for all provinces, sectors, and business sizes, with the exception of agri-businesses.

Little changes in vacancy rates across provinces

British Columbia (-0.3) and New Brunswick (-0.2) were the only provinces recording a yearly decline. Manitoba (+0.3), Saskatchewan (+0.2), and Newfoundland and Labrador (+0.2) experienced the largest year-over-year increases.

Highest vacancy rates in personal services and construction

On a yearly basis, agriculture (-0.6), and enterprise management businesses (-0.4) saw the biggest drops in their vacancy rates. Construction (+0.3) and retail (+0.3) posted the largest yearly increases in vacancy rates.

Smaller businesses continue leading in vacancy rate

On a yearly basis, businesses with fewer than 20 employees have shown a small increase in vacancy rates, while mid-size businesses under 100 employees recorded a decline (Figure 3 and Table 2).

Sources

(1) CFIB, Your Business Outlook Survey, January 2004-December 2025. Trended.

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

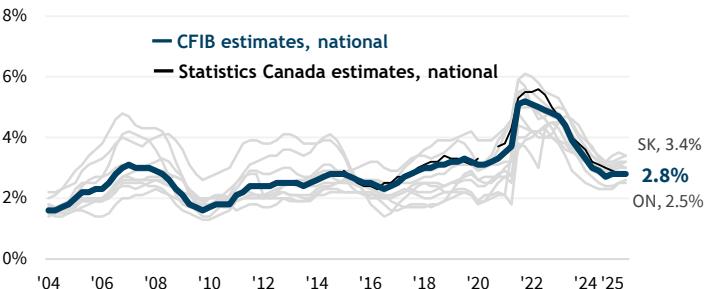


Figure 2 – Job vacancy rates by sector, Canada¹

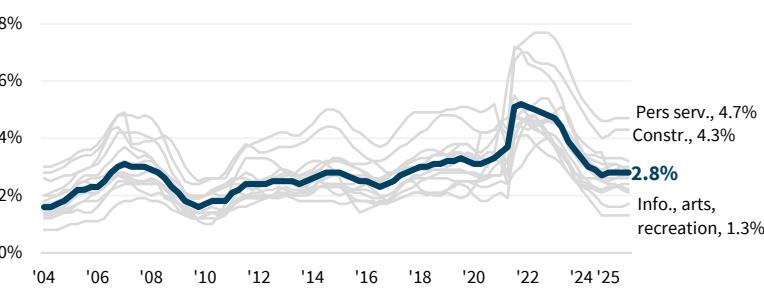


Figure 3 – Total vacancies, Canada (in thousands)¹

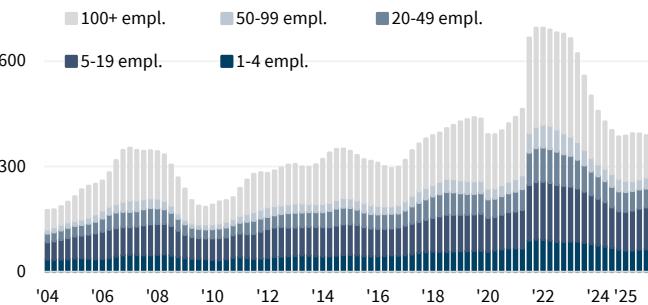


Table 2 – Private sector job vacancies, 2025 Q4

	Vacancy rate (%)	Q/Q change ³	Y/Y change ³	Total vacancies (n)
Canada	2.8	0.0	0.1	387,600
Saskatchewan	3.4	0.0	0.2	12,400
Prince Edward Island	3.2	-0.2	0.0	1,600
Quebec	3.2	0.0	0.1	97,900
Manitoba	3.1	-0.1	0.3	14,500
Nova Scotia	2.9	-0.1	0.0	9,700
New Brunswick	2.9	-0.1	-0.2	7,400
Alberta	2.9	-0.1	0.0	50,800
British Columbia	2.7	-0.1	-0.3	53,000
Newfoundland and Labrador	2.5	-0.1	0.2	3,700
Ontario	2.5	0.0	0.1	136,600
Personal services	4.7	0.0	0.1	28,800
Construction	4.3	0.0	0.3	54,400
Professional services	3.2	-0.1	-0.1	40,800
Health, education	3.0	0.0	-0.1	37,200
Agriculture	2.9	-0.1	-0.6	5,100
Hospitality	2.8	-0.2	-0.1	37,700
Transportation	2.7	0.0	0.1	18,900
Insurance, real estate, finance	2.6	0.0	0.1	29,600
Retail	2.4	0.0	0.3	49,100
Manufacturing	2.2	-0.1	0.0	35,600
Wholesale	2.2	-0.1	0.0	18,900
Enterprise management	2.1	-0.1	-0.4	19,900
Natural resources	1.7	0.1	0.0	3,900
Information, arts, recreation	1.3	0.0	0.0	7,700
1-4 employees	5.9	0.1	0.2	64,600
5-19 employees	5.1	0.1	0.3	119,800
20-49 employees	2.9	-0.1	-0.2	53,000
50-99 employees	2.1	0.1	-0.3	31,500
100+ employees	1.6	0.1	0.0	118,800

In Focus: B2C versus B2B firms – optimism and challenges

Background

This analysis examines small and mid-sized firms serving mostly consumers (B2C) versus firms serving mostly other businesses (B2B). Firms serving a mix of both consumers and businesses were excluded to present a clearer picture, as their indicator readings generally fall between the two extremes.

Statistics Canada conducts similar analyses; however, it classifies firms by inferring B2B based on the industry. For example, wholesale, manufacturing, and professional services often serve businesses (B2B). Retail, and personal services typically serve individuals (B2C).

According to CFIB member survey data:

- **36%** of SMEs are **B2C**
- **31%** are **B2B**
- **33% serve both** individuals and businesses.

At least half of firms in manufacturing, wholesale, transportation, professional services, and agriculture are B2B. Construction and finance, insurance, leasing and real estate are rather a mix of B2B and B2C (almost 50% of firms) and, to some extent, professional services firms (38%). B2C firms are concentrated in health and education (83%), hospitality, arts and recreation, and retail (all about 60%).

The composition of the two categories varies by firm size and age. In general, smaller businesses (0-4, 5-19 employees) are more likely to serve individuals (B2C), while larger firms are more likely to deal with other businesses (B2B). Younger firms are more prone to be B2C, and more established firms tend to be B2B.

Source

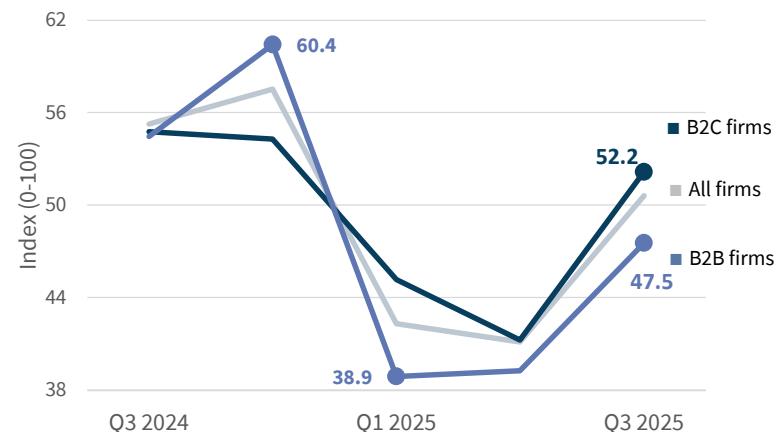
(1) CFIB, Your Business Outlook Survey. July 2024 to September 2025, Quarterly data. Number of responses: 1,329 (Q3 2024), 1,740 (Q4 2024), 2,147 (Q1 2025), 1,208 (Q2 2025), 1,413 (Q3 2025). From June 2024 to September 2025, the survey included a new section about each firm's characteristics such as main customers, offering mostly goods or products, seasonality patterns, location of its main activities, etc. As of October 2025, these extra questions have been made into a stand-alone survey about the Business Profile. Visit cfib.ca/barometer for more details.

Optimism

Initially, B2B firms were more optimistic than B2C firms, with the Business Barometer optimism index peaking at 60.4 in Q4 2024, well above the all-industries average. However, optimism collapsed after tariffs and trade tensions escalated in Q1 2025, dropping B2B confidence to 38.9—lower than both B2C and the overall index. While B2C firms also declined, they rebounded faster and surpassed the all-industries average by Q3 2025 (52.2 versus 50.6), whereas B2B firms lagged at 47.5, signalling a slower recovery (Figure 4).

Figure 4 – Confidence dropped for both B2C and B2B firms in early 2025, but B2C bounced back faster and is now above the overall industry average

CFIB's 12-month small business confidence index¹



Challenges

While taxes, regulations and insurance are the top cost pressures among all firms, B2C businesses are impacted more by wage, energy, and occupancy costs, and B2B businesses are more concerned by capital equipment and technology costs (Table 3).

Table 3 – Specific cost pressures for B2C versus B2B firms

Q3 2025, % responses	All firms	B2C	B2B
Tax, regulatory costs	65	63	65
Insurance costs	65	64	64
Wage costs	63	67	62
Occupancy costs	49	55	44
Product input costs	43	43	43
Electricity costs	39	42	35
Fuel costs	37	31	33
Capital equipment, technology costs	35	28	40
Borrowing costs	32	31	34
Other energy costs	16	17	12

Limited physical space affects B2C firms more considerably, while insufficient demand, shortage of skilled labour, and distribution constraints affect B2B to a higher degree (Table 4).

Table 4 – Specific limitations on growth affect each type of firm

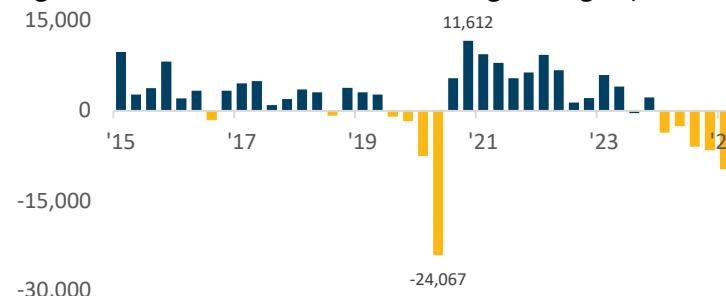
Q3 2025, % responses	All firms	B2C	B2B
Insufficient demand	53	52	62
Shortage of skilled labour	42	33	44
Shortage of working capital	26	25	22
Limited physical space	23	27	19
Distribution constraints	19	15	19
Shortage of un/semi-skilled labour	18	17	16
Shortage of input products	10	9	9

National overview

Entry and exit rates in Canada have been declining since the 1980s as new firm creation became increasingly rare.¹ This section focuses on the past decade, a period of heightened volatility.

From 2015 to 2019, business dynamics were positive, with entries exceeding exits. The pandemic in 2020 disrupted this trend, causing exits to spike and entries to collapse to historic lows (Figure 5). Between 2021 and 2023, entries rebounded above their long-term average while exits stayed unusually low—a temporary but notable shift. However, by mid-2022, entry growth slowed, and exits began rising steadily from mid-2021, coinciding with a surge in insolvencies that peaked in Q1 2024.² Net entries³ have since turned negative, with the gap widening each quarter. Current patterns reflect factors such as the end of pandemic support programs (e.g., Canada Emergency Business Account), high inflation, and rising interest rates.

Figure 5 – Net business creation turns negative again, Canada



Source

- (1) Li, Li, *The long-run evolution of business entry and exit rates in Canada*, Economic and Social Reports, Vol.5, no.9, September 2025, Catalogue no. 36-28-0001, Statistics Canada.
- (2) CFIB, Enterprise Pulse, Q1 2025. <https://www.cfib-fcei.ca/en/research-economic-analysis/enterprise-pulse>.
- (3) <https://www150.statcan.gc.ca/n1/en/pub/11-626-x/11-626-x2020014-eng.pdf?st=T-gnnC7>. Consulted on December 18, 2025. Net business creation is defined as the difference between business entries and business exits.
- (4) The ratio is calculated by dividing the number of entries by the number of exits. When entries are higher than exits, the rate will be greater than 1.
- (5) Statistics Canada. Table 18-10-0268-01. Raw materials price index, monthly.

Sectors with resilience followed by normalization

Health and education stands out as the only sector with a consistently positive entry-to-exit ratio⁴ (except during the pandemic), reflecting strong performance. Construction also showed strong dynamism from 2015 to 2023, with positive net change in most quarters. In 2024, trends shifted closer to the national pattern, likely reflecting expectations of lower profitability amid interest rate increases, plus high operating and raw material costs.⁵ Transportation expanded in the late 2010s, but were hit hard by COVID-19, with only a modest recovery through 2023 before exits surged.



Sectors with pandemic shock followed by modest recovery

Information, arts and cultural industries expanded in the late 2010s, but were hit hard by COVID-19, with only a modest recovery through 2023 before exits surged. Hospitality grew slowly in the 2010s and recovered moderately post-pandemic. Professional services had a period of net entries until the late 2010s and rebounded back in 2021-2023, but they have faced sharp exits since 2024.



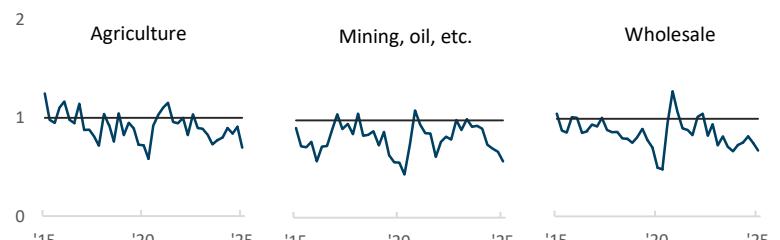
Sectors with volatile performance followed by persistent weakness after 2023

Dynamism in the manufacturing sector has been volatile over the past 10 years but has been negative since mid-2023. Retail dynamism improved slightly between 2021 and 2023 before falling again. The finance, insurance, real estate, and leasing sector stayed flat after 2016, with exits outnumbering entries after mid-2023. Personal services were flat in the late 2010s, saw a small recovery in 2021-2023, and turned negative by late 2023.



Sectors with consistently negative business dynamics

Agriculture saw more exits than entries, largely due to ongoing farm consolidation. Mining, quarrying, and oil and gas extraction also lost dynamism since 2015, driven by global resource price swings that affect firm survival and deter new entrants—especially during the 2014–2016 oil price slump. Wholesale remained weak over the past decade, with a ratio almost consistently below 1.



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 a monthly CFIB omnibus survey that covers a wide range of current topics. Results are based on several thousand responses each time and are presented in a few monthly key charts at cfib.ca/research.

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 information on the methodologies used, visit cfib.ca/research.

About CFIB



The Canadian Federation of Independent Business (CFIB) is Canada's largest association of small and medium-sized businesses with 100,000 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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About AppEco



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