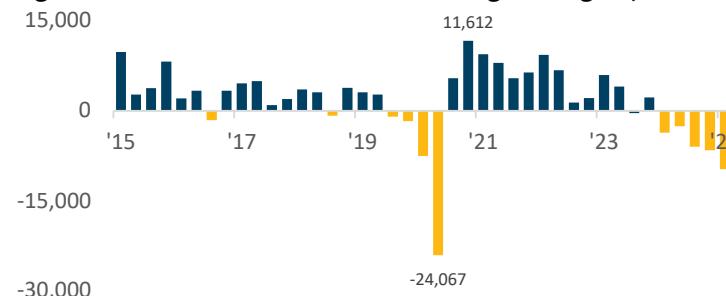


National overview

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.

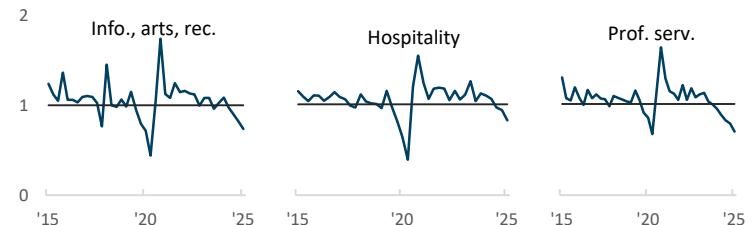
Sectors with resilience followed by normalization

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.

