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Analysis in Brief

Analysis on small businesses in Canada, fourth quarter of 2025[c]

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Correction notice

On March 18, 2026, the survey weights applied across all Canadian Survey on Business Conditions tables for the fourth quarter of 2025 were corrected. As a result, many data points have been updated. However, some values remained unchanged. Consequently, updates were made to affected data points throughout this article to reflect the corrected values.

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Introduction

Small businesses contribute to a large portion of the Canadian economy in terms of prevalence and employment. As of 2023, businesses with 1 to 19 employees represent 91.1% of all employer businesses[1] and collectively employ 4.4 million individuals, equivalent to 24.1% of the national employed population. By contrast, businesses with 20 to 99 employees, accounting for 7.5% of businesses, employ 3.8 million individuals, or 20.4% of total employment. Businesses with 100 or more employees make up 1.4% of business and employ 10.1 million individuals, representing 55.4% of the total employed population.

Between October and early November 2025, Statistics Canada conducted the Canadian Survey on Business Conditions, which provides a better understanding of the differences businesses face based on their relative sizes. Based on the survey results, smaller businesses were less likely to expect labour-related challenges, were more likely to be impacted by interest rates and were less negatively affected by Canadian and U.S. tariffs.

Smaller businesses are less likely to expect employment to increase and less likely to expect employment obstacles

Differences between smaller and larger businesses can be observed when looking at expected hiring intentions. Less than one-tenth (6.6%) of businesses with 1 to 19 employees expect their number of employees to increase over the next three months. By contrast, 13.1% of businesses with 20 to 99 employees and 17.1% of businesses with 100 or more employees expect their number of employees to increase over the next three months.

Table 1
Expected change in the number of employees in the next 3 months

	Increase	Stay about the same	Decrease
		percent of businesses	
All employment sizes	7.6	83.3	9.1
1 to 19 employees	6.6	84.3	9.1
20 to 99 employees	13.1	78.1	8.8
100 or more employees	17.1	71.5	11.5

Note: The results in this table are based on the survey that was in collection from October 1 to November 5, 2025, and respondents were asked what their expectations would be over the next three-month period. As a result, those three months could range from October 1, 2025 to February 5, 2026, depending on when the business responded.
Source: Statistics Canada, Canadian Survey on Business Conditions, fourth quarter of 2025 (table 33-10-1059-01).

In addition to employment expectations, vacancies are also an important factor to consider in understanding labour-related challenges businesses expect to face. Over the next three months, 2.6% of businesses with 1 to 19 employees expect an increase in their vacant positions. By contrast, 8.6% of businesses with 20 to 99 employees and 7.7% of businesses with 100 or more employees expect an increase in their vacant positions.

Businesses of different sizes expect to encounter varying levels of labour-related challenges over the next three months.[2] Just under one-third (32.6%) of businesses with 1 to 19 employees expect to face at least one labour-related obstacle over the next three months, while over half of businesses with 20 to 99 employees (53.5%) and businesses with 100 or more employees (53.2%) expect the same.

Expected obstacles differ by size of business

The most common obstacles expected over the next three months by businesses with 1 to 19 employees were inflation (41.3%), cost of insurance (27.9%), cost of inputs (25.6%), recruiting skilled employees (23.5%),

1. Statistics Canada, Centre for Special Business Projects (November 2025).
2. Businesses that expect labour-related obstacles are businesses that expect at least one of the following: shortage of labour force, difficulty recruiting skilled employees, or difficulty retaining skilled employees.

and fluctuations in consumer demand (23.4%). While recruitment of skilled labour and inflation are commonly expected obstacles across all business sizes, smaller businesses with 1 to 19 employees are less likely than larger businesses to expect recruiting skilled employees to be an obstacle. Meanwhile, inflation is more often expected to be an obstacle by businesses with 1 to 19 employees and 20 to 99 employees than by those with 100 or more employees (Table 2).

Table 2
Most common obstacles by employment size

	1 to 19 employees	20 to 99 employees	100 or more employees	All employment sizes
	percent of businesses			
Inflation	41.3	41.6	37.6	41.3
Cost of insurance	27.9	18.1	10.5	26.4
Cost of inputs	25.6	28.1	32.4	26.1
Recruiting skilled employees	23.5	42.4	43.0	26.1
Fluctuations in consumer demand	23.4	24.0	18.7	23.4
Retaining skilled employees	16.4	33.0	29.9	18.6
Shortage of labour force	15.6	23.6	20.6	16.6

Note: The results in this table are based on the survey that was in collection from October 1 to November 5, 2025, and respondents were asked what their expectations would be over the next three-month period. As a result, those three months could range from October 1, 2025 to February 5, 2026, depending on when the business responded.
Source: Statistics Canada, Canadian Survey on Business Conditions, fourth quarter of 2025 (table 33-10-1060-01).

Negative impacts of tariffs vary slightly between business sizes

Both Canada and the United States imposed tariffs on a wide range of products. Businesses were asked the level of impact tariffs had over the last 12 months regardless of whether they exported goods to or imported goods from the United States. Over one-third of businesses with 1 to 19 employees (35.9%) and 20 to 99 employees (36.9%) reported that U.S. tariffs on goods sold by businesses in Canada had a negative impact on their business. By contrast, over two-fifths (44.9%) of businesses with 100 or more employees reported the same.

The proportion of businesses by size that experienced a negative impact from Canadian tariffs on goods purchased from the U.S. varies, with a greater proportion of larger businesses reporting a negative impact. Over one-third (35.1%) of businesses with 1 to 19 employees reported a negative impact from Canadian tariffs on U.S. goods, while over two-fifths (41.2%) of businesses with 20 to 99 employees and nearly half (49.0%) of businesses with 100 or more employees reported the same.

Businesses with 1 to 19 employees more likely to report a high impact from interest rates

Interest rates affect smaller and larger businesses in different ways, from borrowing costs to investment strategies. Businesses with 1 to 19 employees were more likely than larger businesses to report that interest rates had a high impact over the past 12 months, with 15.6% reporting a high impact. Meanwhile, 21.5% reported a medium impact, 24.7% reported a low impact and 25.2% experienced no impact. By contrast, 9.5% of businesses with 20 to 99 employees and 11.9% of businesses with 100 or more employees reported that interest rates had a high impact.

Table 3
Level of impact interest rates had on businesses by employment size

	High impact	Medium impact	Low impact	No impact	Unknown
	percent of businesses				
All employment sizes	14.8	22.5	25.0	23.8	13.9
1 to 19 employees	15.6	21.5	24.7	25.2	13.1
20 to 99 employees	9.5	31.0	26.8	15.3	17.3
100 or more employees	11.9	18.0	26.4	13.6	30.1

Note: The results in this table are based on the survey that was in collection from October 1 to November 5, 2025, and respondents were asked what the business or organization experienced in the last 12-month period. As a result, those 12 months could range from October 1, 2024 to November 5, 2025, depending on when the business responded.
Source: Statistics Canada, Canadian Survey on Business Conditions, fourth quarter of 2025 (table 33-10-1088-01).

Smaller businesses are overall less optimistic

Despite the challenges posed by a turbulent and unpredictable economy, nearly two-thirds (63.6%) of businesses with 1 to 19 employees reported having an optimistic outlook over the next 12 months. By contrast, the majority of businesses with 20 to 99 employees (80.0%) and 100 or more employees (78.3%) report having an optimistic outlook for the next 12 months.

Table 4
Future outlook of businesses over the next 12 months by employment size

	Very optimistic	Somewhat optimistic	Somewhat pessimistic	Very pessimistic	Unknown
			percent of businesses		
All employment sizes	20.5	45.3	17.2	4.8	12.2
1 to 19 employees	19.2	44.4	18.1	5.3	12.9
20 to 99 employees	28.0	52.0	11.4	1.3	7.3
100 or more employees	32.1	46.2	11.5	0.9	9.3

Note: The results in this table are based on the survey that was in collection from October 1 to November 5, 2025, and respondents were asked what their expectations would be over the next 12-month period. As a result, those 12 months could range from October 1, 2025, to November 5, 2026, depending on when the business responded.
Source: Statistics Canada, Canadian Survey on Business Conditions, fourth quarter of 2025 (table 33-10-1094-01).

Methodology

From October 1 to November 5, 2025, representatives from businesses across Canada were invited to complete an online questionnaire about business conditions and business expectations moving forward. The Canadian Survey on Business Conditions uses a stratified random sample of business establishments with employees classified by geography, industry sector and size. Proportions are estimated using calibrated weights to calculate the population totals in the domains of interest. The total sample size for this iteration of the survey is 20,838 and results are based on responses from a total of 9,129 businesses or organizations.