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Analysis in Brief

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Small businesses play a vital role in the Canadian economy. As of 2024, businesses with 1 to 19 employees represented 91.2% of all employer businesses and collectively employed 4.5 million individuals, equivalent to 24.4% of the national employed population. By contrast, businesses with 20 to 99 employees, accounting for 7.4% of businesses, employed 3.7 million individuals, or 20.3% of total employment. Businesses with 100 or more employees made up 1.4% of businesses and employed 10.3 million individuals, representing 55.3% of the total employed population.[1]

From the beginning of April to early May 2026, Statistics Canada conducted the Canadian Survey on Business Conditions to better understand the current environment that businesses in Canada are operating in and their expectations moving forward. Based on the results of the survey, small businesses[2] were more likely to expect cost-related obstacles while being less likely to expect labour-related obstacles. In addition, small businesses were more likely to expect a decrease in profitability but less likely to hire new employees in the short term. This article provides insights on the expectations of small businesses, as well as the unique conditions faced by these businesses.

Smaller businesses less likely to hire in the short term

Small businesses are not expecting the same labour pressures as larger businesses. The proportion of businesses with 1 to 19 employees (9.9%) that expect their number of employees to increase over the next three months is significantly lower than businesses with 20 to 99 employees (19.5%) or 100 or more employees (24.6%). This trend remains similar to that observed in the second quarter of 2025.

Table 1
Business expectations regarding the number of employees over the next three months, second quarter of 2026 and 2025

	Second quarter of 2026			Second quarter of 2025		
	Increase	Stay about the same	Decrease	Increase	Stay about the same	Decrease
	percent of businesses					
All employment sizes	**11.3**	**81.3**	**7.4**	**10.8**	**81.4**	**7.8**
1 to 19 employees	9.9	82.9	7.2	9.0	83.5	7.5
20 to 99 employees	19.5	71.6	8.9	22.4	67.6	10.0
100 or more employees	24.6	70.1	5.4	20.1	72.6	7.3

Note: Respondents were asked between April 1 to May 6, 2026 how their number of employees was expected to change over the next three months. Therefore, the three month period could range from April 1 to August 6, 2026, depending on when the business responded.
Source: Statistics Canada, Canadian Survey on Business Conditions, second quarter of 2026 (table 33-10-1138-01) and second quarter of 2025 (table 33-10-0980-01).

In addition to employment expectations, job vacancies are also an important factor to consider in understanding labour-related challenges businesses expect to face. Over the next three months, 3.6% of businesses with 1 to 19 employees expect an increase in their vacant positions. By contrast, 9.3% of businesses with 20 to 99 employees and 9.1% of businesses with 100 or more employees expect an increase in their vacant positions.

Expected obstacles differ by size of business

Among businesses with 1 to 19 employees, nearly two-thirds (64.0%) expect at least one cost-related obstacle[3] over the next three months and slightly more than 3 in 10 (30.2%) expect at least one labour-related obstacle[4] over

1. Statistics Canada, Business - Linkable File Environment (B-LFE), based on PD7 payroll deduction remittance data.
2. For the purpose of this article, small businesses are defined as businesses with 1 to 99 employees. Smaller businesses are typically businesses with 1 to 19 employees.
3. Businesses that expect cost-related obstacles include businesses that expect at least one of the following: rising cost of inputs; rising costs in real estate, leasing or property taxes; rising inflation; rising interest rates and debt costs; cost of insurance; or transportation costs.
4. Businesses that expect labour-related obstacles include businesses that expect at least one of the following: shortage of labour force, difficulty recruiting skilled employees, or difficulty retaining skilled employees.

the same period. Specifically, the top three obstacles expected by businesses with 1 to 19 employees over the next three months are rising inflation (48.7%), rising cost of inputs (27.1%), and rising transportation costs (26.0%).

By comparison, while a similar proportion of businesses with 100 or more employees are expecting cost-related obstacles (62.2%), they are more likely to expect labour-related obstacles (49.6%) over the next three months. In particular, the top three obstacles expected by businesses with 100 or more employees over the next three months are rising inflation (43.9%), recruiting skilled employees (39.1%), and rising cost of inputs (30.5%).

Table 2
Selected business obstacles over the next three months, second quarter of 2026

	All employment sizes	1 to 19 employees	20 to 99 employees	100 or more employees
	percent of businesses			
Rising inflation	48.8	48.7	50.0	43.9
Rising cost of inputs	28.4	27.1	37.6	30.5
Rising interest rates and debt costs	23.5	23.4	24.9	18.5
Recruiting skilled employees	24.4	21.4	43.9	39.1
Cost of insurance	23.1	23.8	20.2	9.9
Transportation costs	26.5	26.0	29.5	27.2
Shortage of labour force	16.9	15.2	28.7	21.0
Retaining skilled employees	16.1	14.1	28.8	30.1

Note: Respondents were asked between April 1 to May 6, 2026 about various expected business obstacles over the next three months. Therefore, the three-month period could range from April 1 to August 6, 2026, depending on when the business responded.
Source: Statistics Canada, Canadian Survey on Business Conditions, second quarter of 2026 (table 33-10-1139-01).

Negative impacts of tariffs vary slightly between business sizes

Both Canada and the United States imposed tariffs on various 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. Nearly one-third (32.6%) of businesses with 1 to 19 employees reported that U.S. tariffs on goods sold by businesses in Canada had a negative impact on their business, compared to 42.8% of businesses with 20 to 99 employees and 42.7% of businesses with 100 or more employees.

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 (33.4%) of businesses with 1 to 19 employees reported a negative impact from Canadian tariffs on U.S. goods, while nearly half (47.5%) of businesses with 20 to 99 employees and over two-fifths (41.5%) of businesses with 100 or more employees reported the same.

Smaller businesses more likely to expect a decrease in profitability

Over one-third (34.1%) of businesses with 1 to 19 employees and one-quarter (24.9%) of businesses with 20 to 99 employees expect a decrease in their profitability over the next three months, compared with 18.6% of businesses with 100 or more employees. The profitability expectations trend among businesses with 1 to 19 employees remains consistent with the second quarter of 2025, while profitability expectations have improved for larger businesses.

Table 3
Business expectations of profitability over the next three months, second quarter of 2026 and 2025

	Second quarter of 2026				Second quarter of 2025			
	Increase	Stay about the same	Decrease	Not applicable	Increase	Stay about the same	Decrease	Not applicable
	percent of businesses							
All employment sizes	**11.3**	**52.8**	**32.7**	**3.2**	**9.9**	**53.8**	**33.7**	**2.5**
1 to 19 employees	9.8	53.5	34.1	2.5	9.4	53.9	34.5	2.2
20 to 99 employees	21.3	46.3	24.9	7.5	13.5	53.3	29.1	4.0
100 or more employees	15.7	60.8	18.6	5.0	11.4	56.1	27.4	5.2

Note: Respondents were asked between April 1 to May 6, 2026 how their profitability was expected to change over the next three months. Therefore, the three month period could range from April 1 to August 6, 2026, depending on when the business responded.
Source: Statistics Canada, Canadian Survey on Business Conditions, second quarter of 2026 (table 33-10-1138-01) and second quarter of 2025 (table 33-10-0980-01).

Nearly a quarter (24.3%) of businesses with 1 to 19 employees and almost one-third (31.2%) of businesses with 20 to 99 employees expect to increase the selling price of goods and services offered over the next three months, while 27.4% of businesses with 100 or more employees anticipate doing the same. These proportions are similar to the second quarter of 2025.

Table 4
Business expectations of selling price of goods and services offered over the next three months, second quarter of 2026 and 2025

	Second quarter of 2026				Second quarter of 2025			
	Increase	Stay about the same	Decrease	Not applicable	Increase	Stay about the same	Decrease	Not applicable
	percent of businesses							
All employment sizes	**25.2**	**64.3**	**6.6**	**3.9**	**26.5**	**62.8**	**7.1**	**3.6**
1 to 19 employees	24.3	65.2	7.1	3.5	25.9	63.3	7.5	3.3
20 to 99 employees	31.2	58.0	3.9	7.0	30.2	59.9	4.2	5.6
100 or more employees	27.4	64.4	2.8	5.5	27.3	60.1	7.8	4.8

Note: Respondents were asked between April 1 to May 6, 2026 how their selling price of goods and services offered was expected to change over the next three months. Therefore, the three month period could range from April 1 to August 6, 2026, depending on when the business responded.
Source: Statistics Canada, Canadian Survey on Business Conditions, second quarter of 2026 (table 33-10-1138-01) and second quarter of 2025 (table 33-10-0980-01).

Smaller businesses are less optimistic overall

Despite the challenges posed by economic uncertainty and global geopolitical tensions, nearly two-thirds (65.0%) of businesses with 1 to 19 employees reported having an optimistic outlook over the next 12 months. By contrast, higher proportions of businesses with 20 to 99 employees (78.3%) and 100 or more employees (80.3%) report having an optimistic outlook for the next 12 months.

Table 5
Future outlook of businesses over the next 12 months by employment size, second quarter of 2026

	Very optimistic	Somewhat optimistic	Somewhat pessimistic	Very pessimistic	Unknown
	percent of businesses				
All employment sizes	**22.4**	**44.4**	**15.8**	**5.1**	**12.3**
1 to 19 employees	21.3	43.7	16.2	5.5	13.3
20 to 99 employees	29.0	49.3	13.7	2.5	5.5
100 or more employees	32.2	48.1	8.2	1.7	9.8

Note: Respondents were asked between April 1 to May 6, 2026 what their expectations would be over the next 12-month period. Therefore, the three month period could range from April 1 to August 6, 2026, depending on when the business responded.
Source: Statistics Canada, Canadian Survey on Business Conditions, second quarter of 2026 (table 33-10-1173-01).

Methodology

From April 1 to May 6, 2026, 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 21,105 and results are based on responses from a total of 9,251businesses or organizations.

References

Statistics Canada. 2025. Canadian Survey on Business Conditions second quarter of 2025.

Statistics Canada. 2026. Canadian Survey on Business Conditions second quarter of 2026.