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Analysis in Brief

Service industries remain resilient amid economic uncertainty in 2025

by Adam Howe and Benjamin Tobin

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by **Adam Howe** and **Benjamin Tobin**

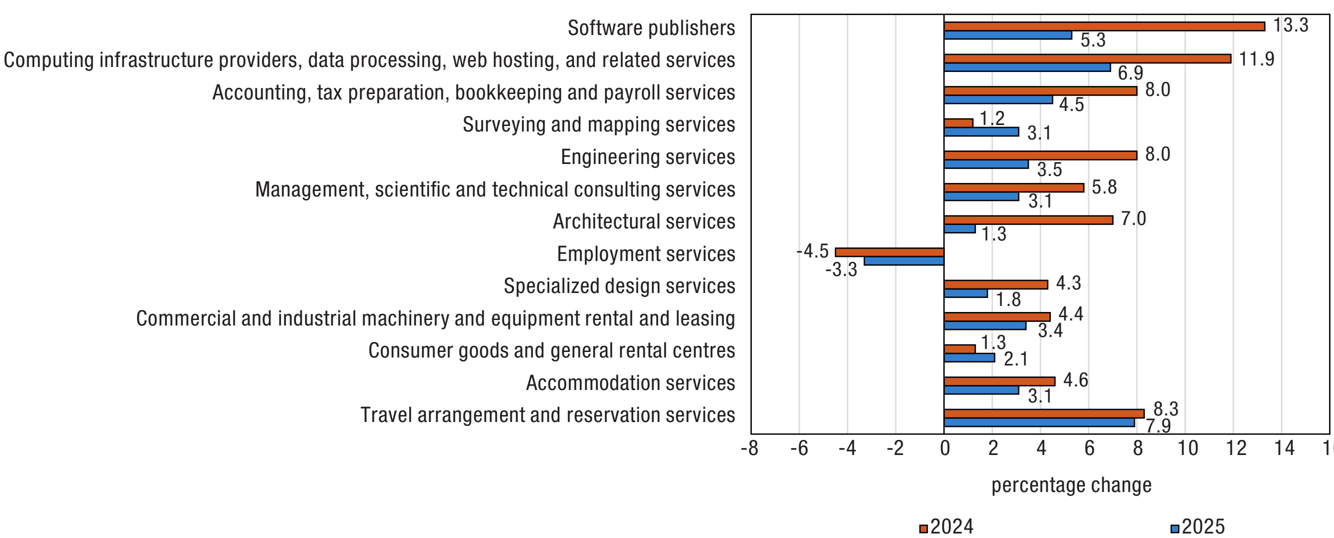
Introduction

Canada's service industries were shaped by evolving economic conditions throughout 2025. The economic rebound in the service industries after the COVID-19 pandemic, which slowed through 2023 and 2024,[1] gave way in 2025 to a period of ongoing economic uncertainty. The year was marked by trade tensions with the United States, lacklustre business investment and a decrease in the Canadian population in the latter half of 2025,[2] a first in nearly 80 years. While inflation eased, prices remained elevated for much of the year,[3] and businesses continued to face sustained cost pressures, including higher raw material prices. As a result, growth among service industries was moderate in 2025.

This study presents advance estimates for key service industries for 2025, leveraging alternative data sources such as goods and services tax revenue, which is used as an indicator for operating revenue. This method provides timely and valuable insights on business performance before annual financial business survey estimates become available.

In general, the service industries included in this study experienced slower revenue growth in 2025. Some industries with robust revenue growth in 2024 saw significant moderation in revenue gains in 2025, including informatics services; accounting, tax preparation, bookkeeping and payroll services; engineering services; management, scientific and technical consulting services; architectural services; and specialized design services. Consumer goods and general rental centres, and surveying and mapping services, were the only two industry groups with a higher rate of revenue growth compared with 2024. The employment services industry group was the only one in the analysis to record a decline in revenue in 2025.

Chart 1
Percentage change in goods and services tax revenue for selected service industries, 2024 and 2025



Source: Statistics Canada, Annual Services Industries Program.

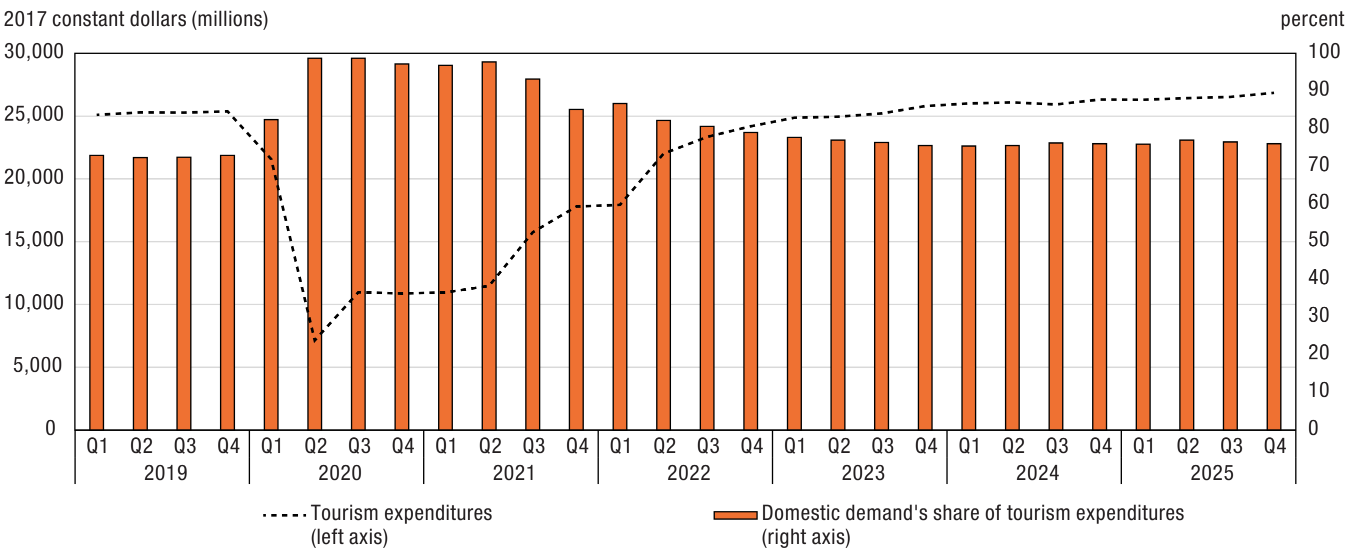
1. Statistics Canada, *Analysis in Brief*, "Easing revenue growth for service industries in 2024."
2. Statistics Canada, Table 17-10-0009-01 Population estimates, quarterly.
3. Statistics Canada, Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted.

Administrative and support services

Domestic demand buoys growth in travel arrangement and reservation services, and accommodation services

Travel demand in Canada continued to expand through 2025, though at a slower pace than in previous years as international tourism softened. Growth was driven by domestic tourism, with travel expenditures of Canadian residents within Canada increasing by 8.7% in 2025.[4] This increase coincided with the introduction of the Canada Strong Pass and ongoing Canada–U.S. trade tensions, which contributed to fewer Canadians travelling to the United States and spending more time in Canada. The domestic visitor share of total tourism expenditures remained elevated in 2025, as international spending continued to lag pre-pandemic levels, while domestic spending expanded further (Chart 2), bolstering growth across tourism-related service industries. As a result, the accommodation services subsector (3.1%) and the travel arrangement and reservation services industry group (7.9%) saw revenue gains in 2025.

Chart 2
Tourism expenditures and domestic demand as a share of total tourism expenditures, Canada, first quarter of 2019 to fourth quarter of 2025



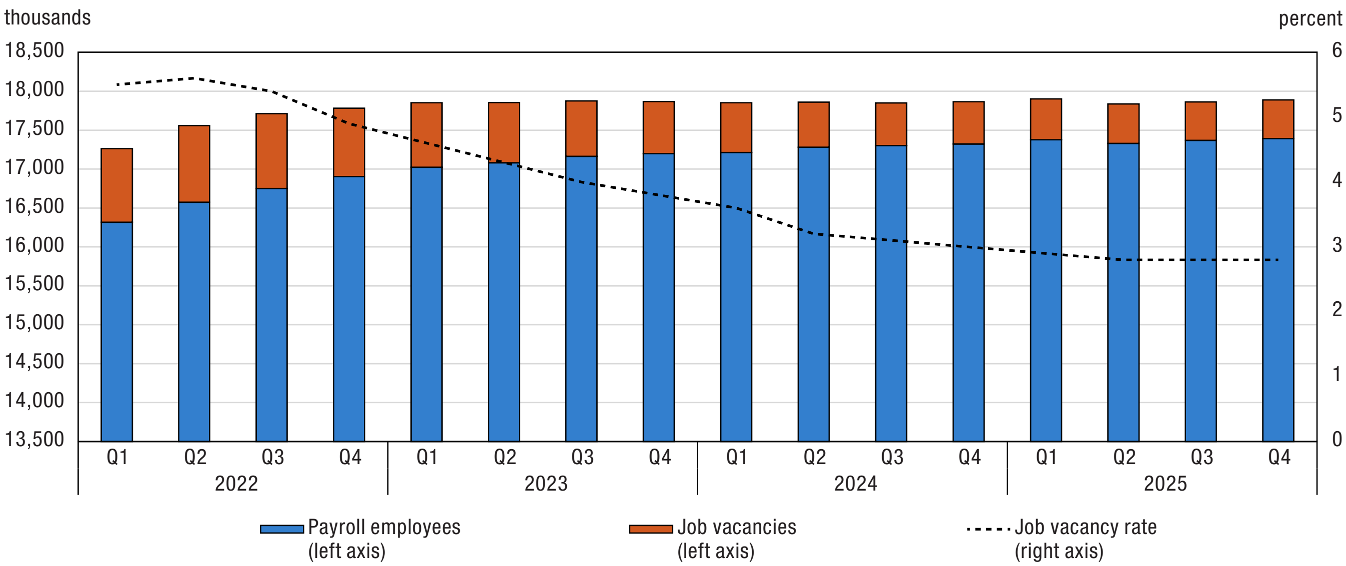
Note: Q1 = first quarter, Q2 = second quarter, Q3 = third quarter and Q4 = fourth quarter.
Source: Statistics Canada, Table 36-10-0230-01.

Employment services constrained by growing slack in labour market

The performance of the employment services industry group is directly related to labour market trends, with the job vacancy rate serving as a key indicator for labour demand pressures in the economy (Chart 3). Businesses in the employment services industry group—which provide expertise in supplying temporary staff, placing applicants and offering human resource management services—support a wide range of sectors, including natural resources, construction, accommodation and food services, and health care. Throughout 2025, a softening labour market, marked by a 12.6% decrease in job vacancies and a vacancy rate that fell to 2.8%—its lowest level since 2017—constrained revenues in the employment services industry group. Employment services revenues declined by 3.3% in 2025, following a larger 4.5% decrease in 2024.

4. Statistics Canada. Table 24-10-0073-01 Total expenditures for Canadian residents travelling in Canada and abroad by geography of expenditures, main trip purpose, visit duration and expenditure category (x 1,000).

Chart 3
Job vacancies, payroll employees and job vacancy rates, Canada, first quarter of 2022 to fourth quarter of 2025



Note: Q1 = first quarter, Q2 = second quarter, Q3 = third quarter and Q4 = fourth quarter.
Source: Statistics Canada, Table 14-10-0400-01.

Rental and leasing services

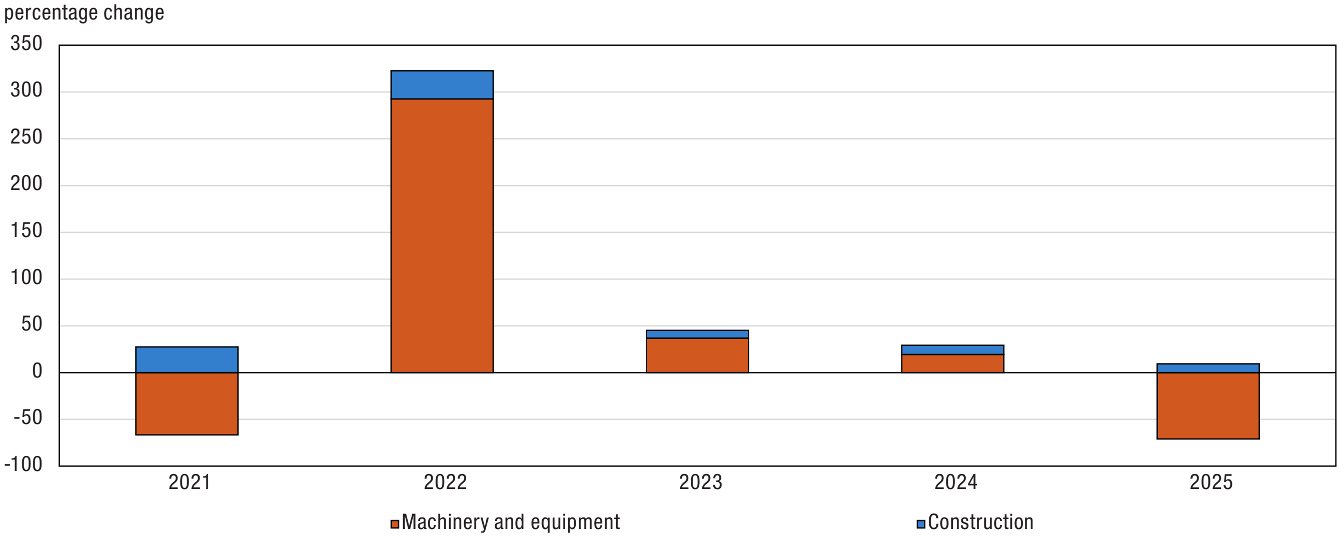
Revenue growth for rental and leasing services slowed in 2025

The commercial and industrial machinery and equipment rental and leasing industry group experienced moderate growth in 2025. While revenues continued to expand (3.4%), the pace of growth slowed compared with 2023 (8.4%) and 2024 (4.4%). Among other factors, the completion of major projects in the oil and gas extraction subsector tempered growth in 2025 (Chart 4).

The consumer goods rental industry group saw revenue growth of 2.1% in 2025, up slightly from 1.3% in 2024, but trailing the 7.0% gain seen in 2023. New housing activity is one of the key factors affecting performance in the industry group, with revenues typically realized once homes are occupied. Housing starts grew by 5.6% in 2025[5] and by 2.0% in 2024,[6] supporting demand tied to construction activity and new home sales. The industry group also benefited from growth in rental goods as substitutes for purchases, which offer a more flexible option to consumers during periods of economic uncertainty.[7]

5. Canada Mortgage and Housing Corporation, Housing starts up 5.6% in 2025 from 2024.
6. Canada Mortgage and Housing Corporation, Housing starts up 2% in 2024 from 2023.
7. Canada Rental Association, Press Release: Q4 2025 – Canadian Equipment Rental Economic Forecast.

Chart 4
Capital expenditures on construction and on machinery and equipment in the oil and gas extraction subsector, Canada, 2021 to 2025



Source: Statistics Canada, Table 34-10-0035-01.

Professional business services

Engineering services build on federal and provincial capital investments

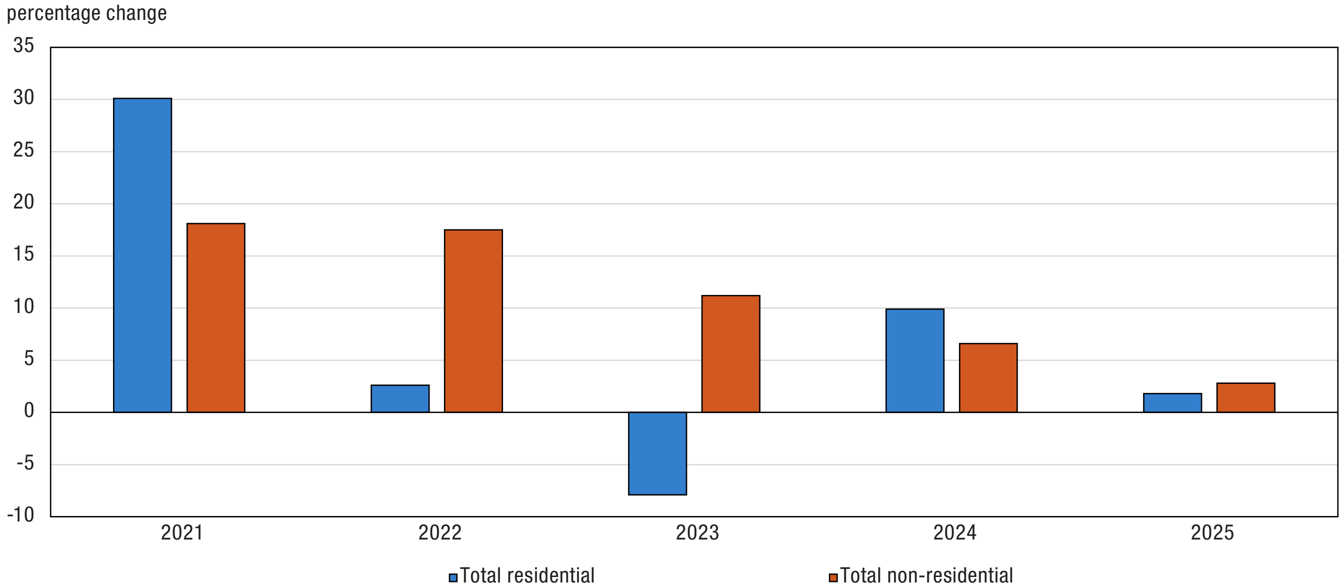
The engineering services industry saw growth of 3.5% in 2025—down from 8.0% in 2024. Industry growth was sustained in part from federal and provincial capital investments in the face of trade tensions.[8] Federal and provincial capital investments, such as Invest in Canada, the Building Ontario plan and the Plan québécois des infrastructures 2025–2035, have generated large projects for transit, roads, hospitals, schools and energy.[9,10] In 2025, many projects were in active design and early construction, driving demand for civil, structural and transportation engineering services. Growth in the industry also benefited from artificial intelligence (AI), which continues to offer opportunities to enhance design efficiency and project outcomes with tools like generative design, further supporting accelerated growth in complex project delivery.[11] Notably, Budget 2025 expanded the Canada Infrastructure Bank's capital envelope and introduced a well-resourced Major Projects Office to streamline approvals for large infrastructure and energy projects,[12] five of which were approved in 2025.

Architectural services grew more slowly

The architectural services industry comprises establishments engaged in planning and designing the construction of residential, commercial and industrial buildings, as well as the development of land for projects such as parks, highways and land subdivisions. Revenue growth for the architectural services industry eased significantly in 2025 (1.3%), compared with 2024 (7.0%) and 2023 (9.8%). The demand for architectural services slowed in 2025 as the growth in residential and non-residential building permits eased in 2025 (Chart 5), with the total value of building permits increasing by 2.2% from 2024 to 2025, down from 8.6% the year before.[13]

8. Association of Consulting Engineering Companies, Canada 2025 Economic Assessment and 5-Year Forecast of the Engineering and Design Services Industry in Canada.
9. Association of Consulting Engineering Companies, Analysis of the 2025 Federal Budget; and Statistics Canada, *The Daily*, "Non-residential capital and repair expenditures, 2024 (revised), 2025 (preliminary) and 2026 (intentions)".
10. Association of Consulting Engineering Companies, Looking back on 2025, moving steadily forward.
11. Association of Consulting Engineering Companies, Artificial Intelligence and Consulting Engineering Practice: White Paper.
12. Association of Consulting Engineering Companies, Analysis of the 2025 Federal Budget.
13. Statistics Canada, Table 34-10-0292-01 Building permits, by type of structure and type of work (x 1,000).

Chart 5
Value of building permits, by type of structure and type of work, Canada, 2021 to 2025



Source: Statistics Canada, Table 34-10-0292-01.

Accounting, tax preparation, bookkeeping and payroll services continue to benefit from the adoption of artificial intelligence

Revenue for accounting, tax preparation, bookkeeping and payroll services increased by 4.5% in 2025, closer to historical growth but lower than the gains experienced in 2024 (8.0%) and 2023 (11.3%). The industry is experiencing a transition away from record keeping and toward strategic advisory services aided by the adoption of AI,[14] which may have helped drive revenue growth in 2025.

Revenue growth in the surveying and mapping services industry gains ground in 2025

Following growth of 1.8% in 2023 and 1.2% in 2024, revenues in the surveying and mapping services industry increased 3.1% in 2025. Nevertheless, labour constraints stemming from an aging labour force and growing difficulties in attracting and retaining young workers have resulted in widespread skill shortages and reduced work capacity for some industry operators. Stronger housing starts (up 5.6% in 2025)[15] and exploration and deposit appraisal activities related to metals, which saw an overall increase of 5% in 2025 based on preliminary estimates, were positive factors for the industry.[16]

Demand cools for management, scientific and technical consulting services

Revenue for management, scientific and technical consulting services increased 3.1% in 2025, slowing from gains of 5.8% in 2024 and 6.8% in 2023. Growing economic uncertainty and federal spending cuts—following the federal government's commitment to reduce spending on management and other consulting services by 20% over three years—are factors affecting demand for consulting services.[17]

14. Fintech.ca, Canadian Accountants Embrace AI and Advisory as Growth Drivers.
15. Canada Mortgage and Housing Corporation, Housing starts up 5.6% in 2025 from 2024.
16. Natural Resources Canada, Exploration and Deposit Appraisal, Canadian Totals by Commodity. The preliminary estimate of growth in metal exploration and deposit appraisal activities for 2025 was 11% when the "other metals" category, which estimated a 30% decline for 2025, was excluded.
17. Department of Finance Canada, Budget 2025.

Specialized design services edge up

The specialized design services industry group comprises interior, industrial, graphic and other specialized design services, and interior design accounts for the majority of revenues. While revenues edged up 1.8% in 2025, growth softened compared with 2023 (3.6%) and 2024 (4.3%). The industrial design services industry was the only one to see declining revenues, while revenues in the interior design services industry remained flat, supported by lower interest rates that eased household budget constraints and facilitated renovation-related demand. The graphic design services and other specialized design services industries posted stronger gains over the period. Ongoing trends, such as increased use of digital design tools, AI integration into workflows and rising demand for web-based services, enhanced efficiency and expanded offerings in the industry group.

Informatics services

Growth slows for informatics services

The informatics services subsector continued to record stronger revenue growth than most other service industries examined in this study. Nevertheless, the pace of growth is slowing. Software publishers saw growth of 5.3%, compared with 13.3% in 2024 and 30.1% in 2023, and the computing infrastructure providers, data processing, web hosting, and related services industry group saw growth of 6.9%, compared with 11.9% in 2024 and 18.7% in 2023. Canadian businesses continued to adopt digital technologies to improve operational efficiency in 2025, driven by the ongoing integration of AI. As in 2024, businesses leading this demand were in information and cultural industries; finance and insurance; and professional, scientific and technical services.[18]

Concluding remarks

Canada's economy faced ongoing uncertainty throughout 2025, grappling with the effects of ongoing U.S.–Canada trade tensions, growing softness in labour markets and generally weaker growth in the broader economy. Despite real gross domestic product increasing by 1.7% in 2025—the slowest pace of annual growth since the decline in 2020—service industries demonstrated resilience.[19] Modest revenue growth was recorded across all industries but one in the study; however, growth slowed in most and declined in one.

Near-term business conditions for service industries may continue to reflect ongoing challenges, including uncertainty surrounding U.S. trade policy, geopolitical developments in the Middle East, inflationary pressures, rising input costs, and trends in domestic business investment and population growth. As operators continue to navigate these pressures, nearterm activity in the service industries is likely to remain constrained, with firms focusing on managing costs and preserving flexibility amid an uncertain economic environment.

18. Statistics Canada, *Analysis in Brief*, "Analysis on expected use of artificial intelligence by businesses in Canada, third quarter of 2025."
19. Statistics Canada, *The Daily*, "Gross domestic product, income and expenditure, fourth quarter 2025".