



EQUIFAX[®]

Report

Debt pressure building up for Canadian businesses—Delinquencies climb, credit demand dips, and regional cracks deepen

Q1 2025 | Equifax[®] Canada Market Pulse
Quarterly Business Credit Trends

June 2025



After a cautiously optimistic end to 2024, Canadian businesses seem to have entered 2025 with trepidation. According to the Equifax® Canada Q1 2025 Business Credit Trends and Insights Report, delinquencies are rising for businesses across the country and credit demand is slowing, while key sectors are showing early signs of distress — especially those tied closely to consumer trends, with delinquency rates not seen since 2009.



The [Canadian Small Business Health Index](#)¹, a benchmark of business credit health and business sentiment, dropped to 99.3 in Q1 2025, a 1.5 per cent decline from the previous quarter. While still slightly above its year-ago level, the dip signals a loss of momentum following gains made late last year.

Alongside rising delinquencies, Equifax data shows a noticeable slowdown in credit demand, as fewer businesses applied for new credit in Q1 2025, a decline of six per cent when compared to the same time period in 2024. Lower new originations and growing balances could signal growing caution among small business owners, many of whom could be choosing to manage existing debt rather than take on new risk, even with interest rates easing and inflation stabilizing.

“The Canadian Small Business Health Index shows that business sentiment is down three per cent in Q1 2025 compared to the previous quarter,” noted **Jeff Brown, Head of Commercial Solutions at Equifax Canada**. “The early months of 2025 are revealing the pressures the business landscape could be facing. Many businesses are caught in a squeeze from both slowing household consumption on one hand and growing business debt stress on the other.”

Credit Warning Signs Widen

In Q1 2025, over 309,000 businesses — 11.3 per cent of credit active businesses — missed at least one credit payment. This marks a 14.6 per cent year-over-year increase in business delinquencies and highlights the growing financial strain across sectors.

Accommodation & Food Services and Retail Sector Missing Payments

The impact is particularly acute in Accommodation & Food Services, where missed payments jumped to 16.9 per cent, and in Retail Trade, where the rate hit 13.2 per cent. Both sectors are likely suffering from weak consumer spending, rising operating costs, and growing household debt levels. Average monthly consumer credit card spend² per cardholder fell by 107 dollars during Q1, dropping to the lowest level since March 2022.

“This seems to be a classic ripple effect,” said Brown. “Equifax data suggests when households pull back, restaurants, retailers and local service providers feel it first — and hardest. This can then travel up the supply chain, where everyone from manufacturers to transport companies feel its effects.”

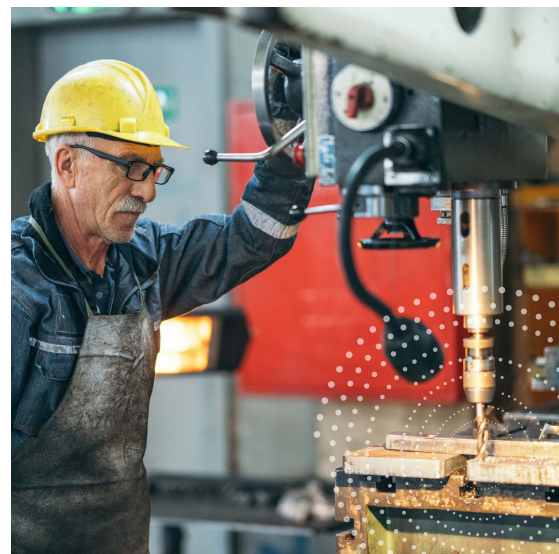
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Jeff Brown

Head of Commercial Solutions, Equifax Canada

¹ The Canadian Small Business Health Index provides a holistic view of Canadian business conditions by combining data collected by Equifax Canada, Business Development Bank of Canada, Statistics Canada and the Bank of Canada.

² Average monthly consumer credit card spend comparisons have been adjusted for inflation.



Businesses Prioritize Suppliers Over Lenders

Delinquency trends suggest a shift in how businesses are managing limited cash flow. The 60+ day delinquency rate for financial trade (loans, lines of credit) rose from 3.0 per cent to 3.4 per cent, a 15.5 per cent increase year-over-year. In contrast, industrial trade delinquencies (typically money owed to suppliers) rose more modestly, from 5.5 per cent to 5.7 per cent.

“Businesses are paying suppliers, but with little to spare, they may be missing banking obligation payments. This may signal that businesses are strategically recalibrating, with many businesses prioritizing supplier relationships to keep operations moving,” added Brown.

Regional Flashpoints in PEI, Quebec, Ontario and British Columbia

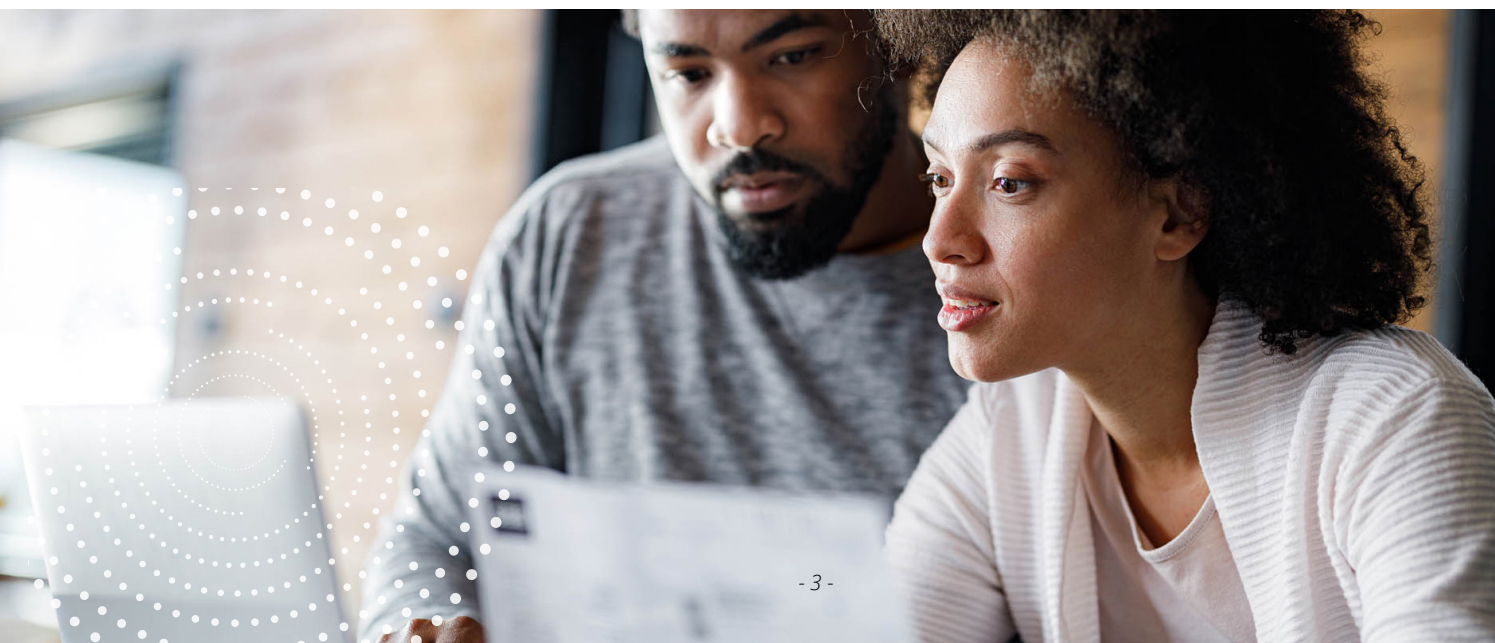
While delinquencies are rising nationwide, some provinces and industries are flashing red:

- Ontario and British Columbia led the country in financial trade arrears, up 18.8 per cent and 19.9 per cent year-over-year, respectively.
- Quebec and Prince Edward Island posted unusually sharp increases in industrial trade delinquencies, up 26.6 per cent and 15.9 per cent year-over-year, respectively, signaling localized stress in supplier-based credit relationships.

Certain sectors are showing strain

Sectors showing double-digit increases in year-over-year missed payments include Agriculture (+19.5 per cent), Transportation & Warehousing (+19.3 per cent), Real Estate (+17.0 per cent), Finance & Insurance (+16.4 per cent), and Manufacturing (+10.2 per cent).

“Businesses across the country and across a variety of industries are showing increased vulnerabilities as broader economic uncertainty continues,” noted Brown. “Businesses will continue to need resilience and careful planning to navigate this economic environment.”



Province Analysis

60+ days Delinquency Rates (Account Level)

Province	Delinquency Rate : Financial Trades (Q1 2025)	Delinquency Rate Change: Financial Trades (Q1 2025 vs. Q1 2024)	Delinquency Rate: Industrial Trades (Q1 2025)	Delinquency Rate Change: Industrial Trades (Q1 2025 vs. Q1 2024)
Ontario	3.71%	18.85%	5.63%	4.97%
Quebec	3.49%	13.31%	4.59%	26.55%
Nova Scotia	2.47%	1.06%	6.19%	8.05%
New Brunswick	2.82%	5.17%	4.73%	-6.22%
PEI	2.37%	0.34%	4.45%	15.90%
Newfoundland	2.71%	-1.15%	4.90%	-12.19%
Eastern Region	3.58%	16.67%	5.21%	12.51%
Alberta	3.49%	8.90%	7.07%	-13.30%
Manitoba	3.10%	16.43%	4.54%	-1.60%
Saskatchewan	2.79%	-0.11%	6.47%	3.36%
British Columbia	2.94%	19.93%	6.56%	-10.66%
Western Region	3.17%	13.00%	6.50%	-9.74%
Canada	3.44%	15.50%	5.69%	3.52%

* Based on Equifax data for Q1 2025



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