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Report

# Despite Rate Cuts and Business Optimism, Credit Challenges Seem to Persist for Small Businesses

Q3 2025 | Equifax<sup>®</sup> Canada Market Pulse  
Quarterly Business Credit Trends

December 2025



Canada's economy is showing clear signs of stabilization, buoyed by easing inflation and strategic interest rate cuts. This improving environment has sparked a wave of business confidence and investment, evidenced by a rebound in new credit activity. Despite headwinds like the August trade deficit, businesses are leveraging this newfound stability to grow: average business debt rose 19.6 per cent year-over-year to \$30,855, driven largely by an 83 per cent surge in balances for newly established firms. This willingness to take on capital — particularly the 26 per cent jump in industrial trade originations — suggests that new ventures are positioning themselves for future growth.



## The Canadian Small Business Health Index has improved

The Canadian Small Business Health Index — a joint initiative between Equifax Canada and Business Development Bank of Canada that provides a quarterly snapshot of the health of Canadian Small and Medium Businesses — rose by 2.83 per cent compared to the previous quarter, largely driven by the improvement of business sentiment in the outlook. Recent interest rate cuts and the approaching holiday season have potentially instilled a renewed sense of optimism among small business owner.

“Small business owners are walking into the holiday season with cautious optimism,” said **Jeff Brown, Head of Commercial Solutions, Equifax Canada**. “Lower interest rates and improving business sentiment seem to be helping, but many owners are still relying on credit to manage higher costs and keep shelves stocked,” noted Brown.

## Soaring Raw Material Costs Drive Manufacturing Credit Demand

The Manufacturing sector emerged as a key driver in the recent surge in business credit demand, directly correlating with intense cost pressures despite broader economic moderation. An extraordinary 13.8 per cent jump in gold and metal ores contributed to a 1.6 per cent month-over-month rise in the Raw Materials Price Index (RMPI), alongside a 6.0 per cent year-over-year rise in the Industrial Product Price Index (IPPI). This environment of soaring input costs fueled the sector’s contribution to the overall 8.83 per cent year-over-year increase in credit demand inquiries, as manufacturers sought financing to stabilize inventory and maintain production levels, offsetting the cautious decline seen in other industries. This proactive financing need is further set against the backdrop of a challenging year for the sector, which posted a 1.5 per cent quarterly and 2.1 per cent annual decline in its health index in Q3 2025.



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**Jeff Brown**

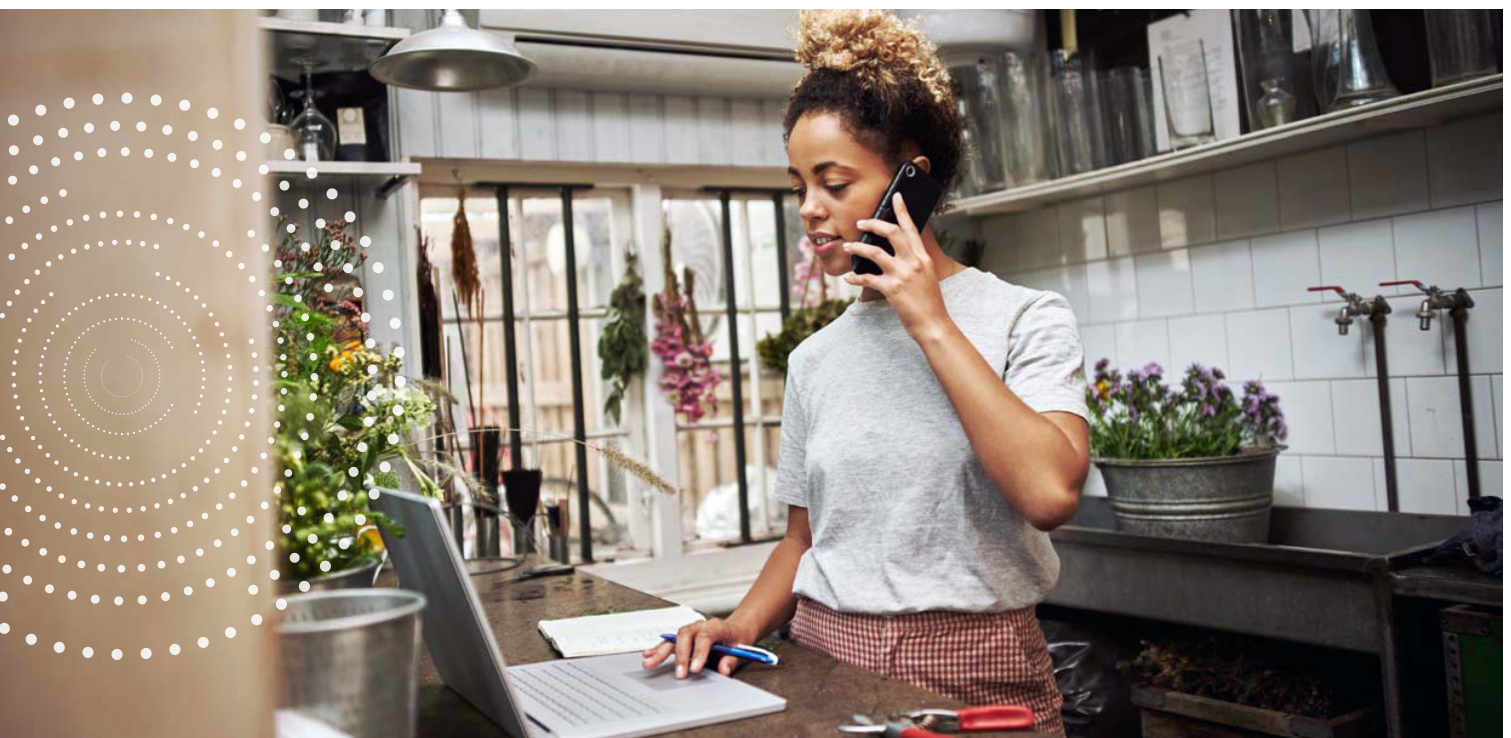
Head of Commercial Solutions, Equifax Canada

## Sustained Divergence in Payment Priorities and Regional Performance

The shift in payment priorities observed in the previous quarter has solidified in the third quarter, with businesses favouring supplier payments over financial debts. Overall, 60+ day delinquency rates for financial trades rose to 3.5 per cent in Q3, up 7 per cent compared to last year. Conversely, the rate for industrial trades fell to 4.92 per cent, marking a 18.7 per cent improvement year-over-year. This opposing trajectory indicates that businesses are prioritizing essential supplier invoices to secure inventory for the holiday season, leaving financial trade obligations vulnerable to elevated delinquency rates.

While this financial stress is visible nationally, regional disparity is most outstanding in Ontario, where the economic strain on small businesses has become increasingly concentrated. Ontario continues to drive the highest financial trade delinquencies, reaching 3.86 per cent in Q3 — a significant increase of 10.5 per cent year-over-year and 6.5 per cent quarter-over-quarter. This underperformance is potentially attributed to the province's heavy exposure to the manufacturing sectors and financial services sectors, which have been disproportionately impacted by recent trade tensions, high operating costs, and high financial challenges for consumers. On one hand, the financial and insurance industry is seeing one of the steepest increases in 60+ day delinquency rates, surging 17.5 per cent year-over-year. On the other hand, the manufacturing component of the Canadian Small Business Health Index indicated that business sentiment in the sector stands at 80.2 per cent in Q3, down by 11.2 per cent compared to last year.

"The next few weeks will be critical. Strong holiday demand can give businesses the momentum they need to start 2026 on firmer ground, but elevated debt levels mean the margin for error remains thin," concluded Brown.



# Province Analysis

## 60+ days Delinquency Rates (Account Level)

| Province         | Delinquency Rate :<br>Financial Trades<br>(Q3 2025) | Delinquency Rate Change:<br>Financial Trades<br>(Q3 2025 vs. Q3 2024) | Delinquency Rate:<br>Industrial Trades<br>(Q3 2025) | Delinquency Rate Change:<br>Industrial Trades<br>(Q3 2025 vs. Q3 2024) |
|------------------|---|---|---|--|
| Ontario          | 3.86%   | 10.49%  | 4.69%   | -19.83%  |
| Quebec           | 3.30%   | -2.30%  | 4.21%   | -10.38%  |
| Nova Scotia      | 2.6%  | 5.43%   | 5.53%   | -11.30%  |
| New Brunswick    | 2.88%   | 5.86%   | 4.29%   | -19.68%  |
| PEI              | 2.72%   | 21.63%  | 4.51%   | 2.61%  |
| Newfoundland     | 3.09%   | 12.17%  | 4.72%   | -17.51%  |
| Eastern Region   | 3.67%   | 7.75%   | 4.54%   | -15.90%  |
| Alberta          | 3.40%   | -1.58%  | 5.89%   | -27.96%  |
| Manitoba         | 3.36%   | 10.85%  | 3.99%   | -14.67%  |
| Saskatchewan     | 3.09%   | 7.96%   | 5.79%   | -16.72%  |
| British Columbia | 3.09%   | 11.29%  | 5.65%   | -21.06%  |
| Western Region   | 3.24%   | 5.03%   | 5.56%   | -22.78%  |
| Canada           | 3.53%   | 7.00%   | 4.92%   | -18.74%  |

\* Based on Equifax data for Q3 2025



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