



# Canadian Small Business Health Index

Q1 2025 Archive

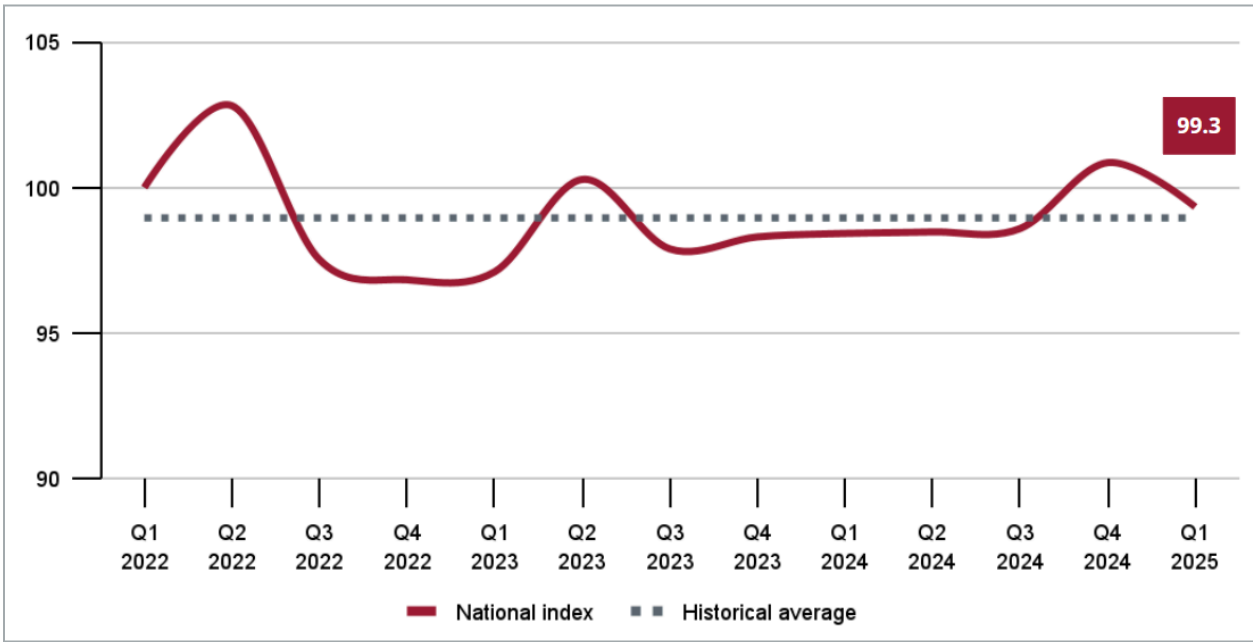
**About the Canadian Small Business Health Index:** The index provides a detailed picture of the resilience and outlook for small- and medium-sized businesses (SMBs). It combines BDC's Investment and Financing Outlook Survey (IFOS), data from Equifax Canada's business credit database and macroeconomic data from Statistics Canada and the Bank of Canada. The index complements existing indices and provides a uniquely novel quarterly snapshot of Canadian business health at the regional and national levels by grouping four main components of business health: credit performance, business growth projection, business confidence sentiment, and business environment. Learn more about the index in the [FAQs](#).

# National Index: Canada

## Uncertainty impeded improvements

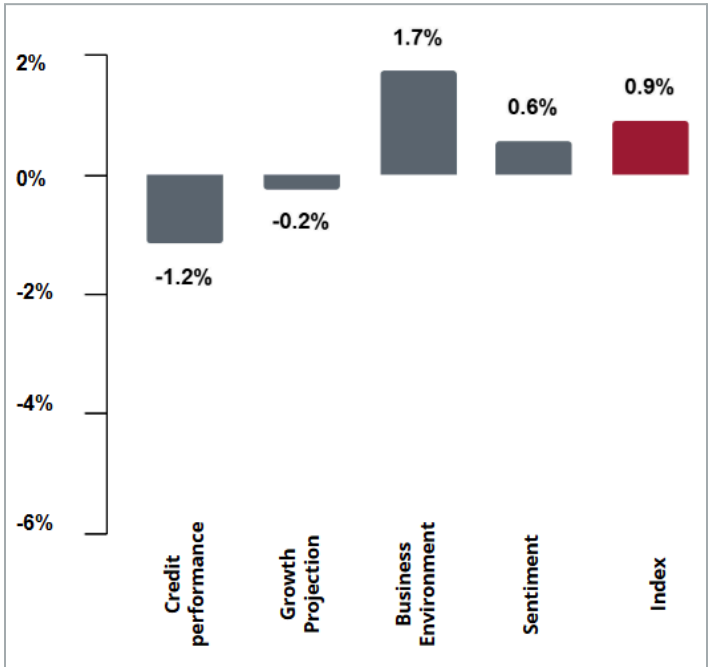
Canadian Small Business Health Index, Q1 2025	Year-over-year difference	Difference over the previous quarter
99.3	+0.9%	-1.5%

The improving economic landscape pushed the national index above 100 at the end of 2024. However, significant economic and market uncertainty has since brought it closer to its historical average. In Q1 2025, the national index dipped to 99.3, down 1.5 per cent from the previous quarter, but still up 0.9 per cent from the Q1 2024 level. Despite a generally better business environment and improved confidence since last year, SMBs are still struggling financially. Economic and market uncertainties are clouding the outlook for the remainder of the year.



Lower interest rates have significantly contributed to the national index’s annual improvement. As a reminder, the Bank of Canada’s policy rate still stood at 5 per cent a year ago and has since dropped to 2.75 per cent. In Q1 2025, the effects of economic

uncertainty were not yet apparent in the business environment. Still, despite the global economy's recent stability, lower interest rates will likely weigh on this component in the next quarter.

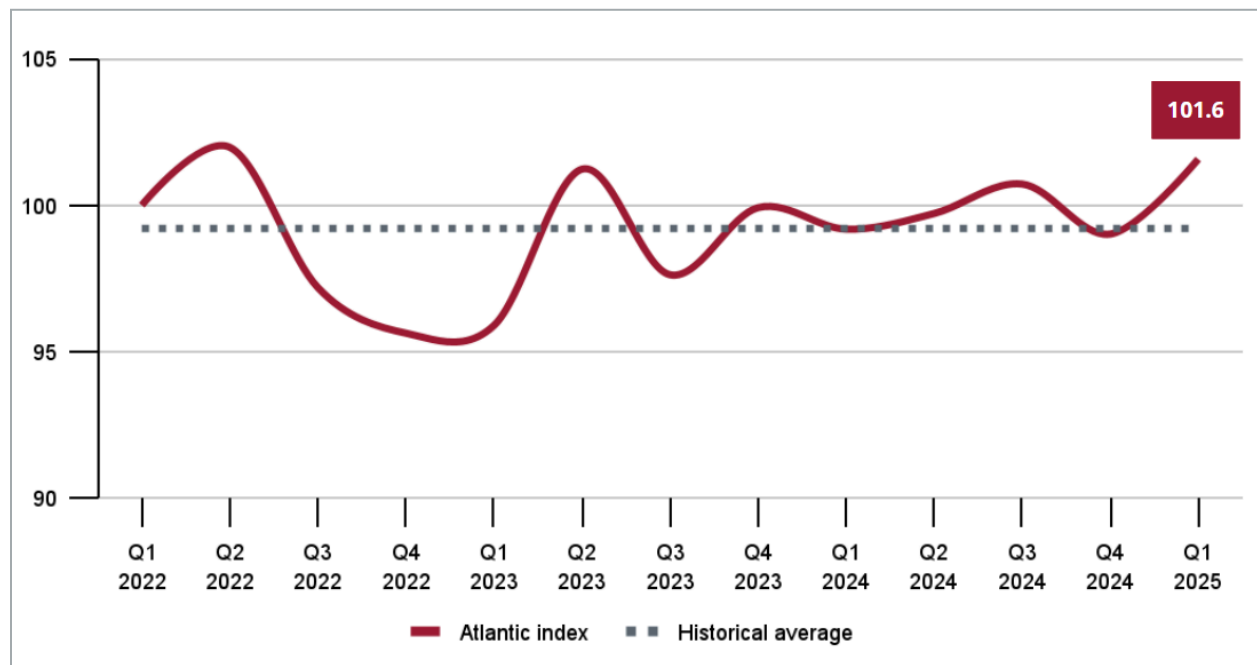


While businesses were more confident year-over-year, they were much more pessimistic than last quarter. A sharp increase in economic uncertainty drove this pessimism, and with much of the uncertainty happening towards the end of the quarter, sentiment could continue to deteriorate further in Q2. The credit market is seeing higher risks with businesses increasing their revolving credit usage: 30-day or longer trade delinquencies and the average amount overdue on loans over the last year continues to rise, putting further pressure on businesses. As

we expect even slower economic growth in 2025, we could observe SMBs' health deteriorate further in the coming quarters.

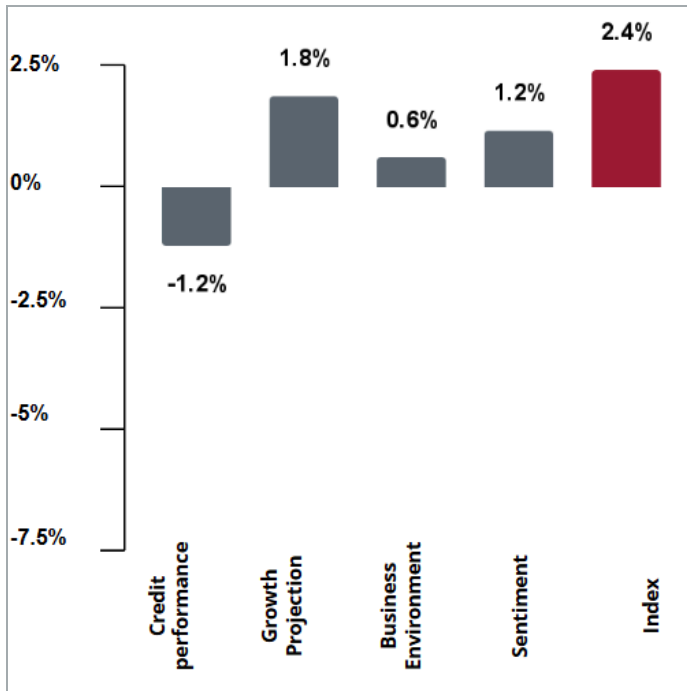
## Atlantic: Starting 2025 with momentum

In the Atlantic region, the index indicates 2025 started positively with a quarter-over-quarter improvement of 2.6 per cent. All components in the Atlantic index rose by over 3 per cent, aside from credit performance, which fell by 0.2 per cent, driven by increasing revolving credit usage, insolvencies, and 90 days or more non-financial trade delinquencies.



Businesses in the Maritimes remained more optimistic than those in other provinces, contributing to a year-over-year improvement in sentiment. In the last quarter alone, their economic outlook rose by 11 per cent, driven by market uncertainty and a more diversified portfolio of trading partners. Nova Scotia leads Canada in interprovincial trade, while New Brunswick's top export of refined petroleum remains stable. Additionally, the region is experiencing a boost from numerous major investment projects, particularly in renewable energy, which enhances its economic vitality.

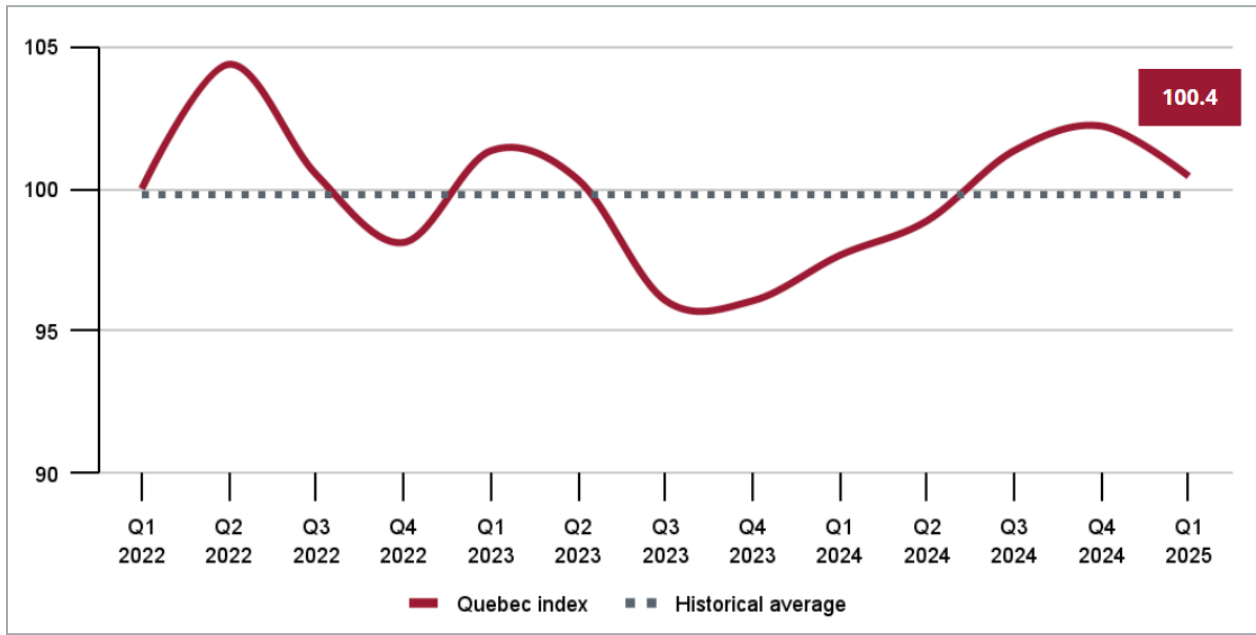
Investment plans and credit card spending improved by 31 per cent last quarter, contributing to the increase in business growth projection, which has remained positive year-over-year. Stronger working capital positions and the ability of financing institutions to meet business needs have boosted sentiment. Lower interest rates and rising wages also created a more favourable economic environment for households in the Maritimes.



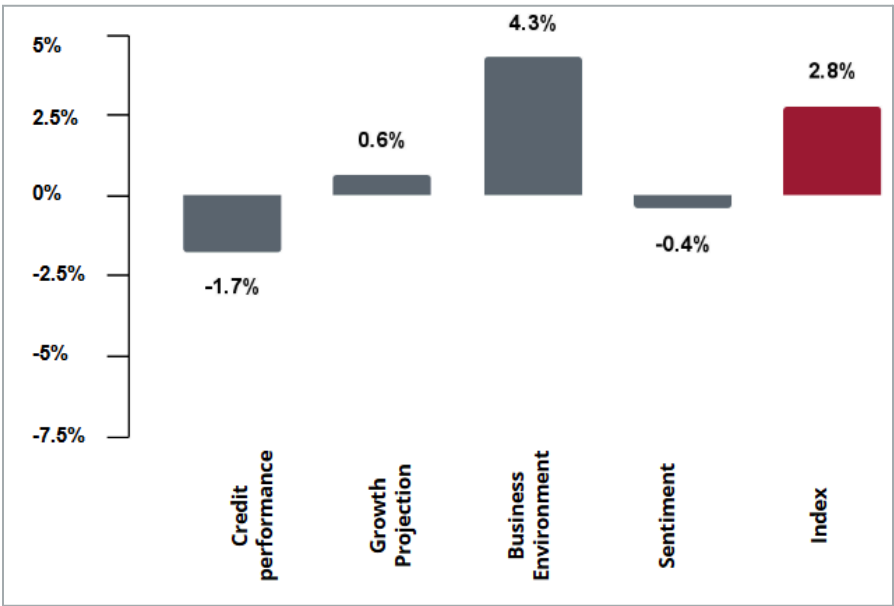
Overall, the Atlantic provinces have started the year with confidence and the capacity to face a more uncertain economic environment. However, any changes in seafood trade could weigh on Atlantic SMBs' health starting next quarter.

# Quebec: Back to average after a year of recovery

Business health in Quebec returned to average levels in Q1 2025. Overall, the Quebec index stood at 100.4, an increase of 2.8 per cent compared to Q1 2024. However, it declined 1.7 per cent from the previous quarter. This suggests that growing economic uncertainty showed its effects early in the year.



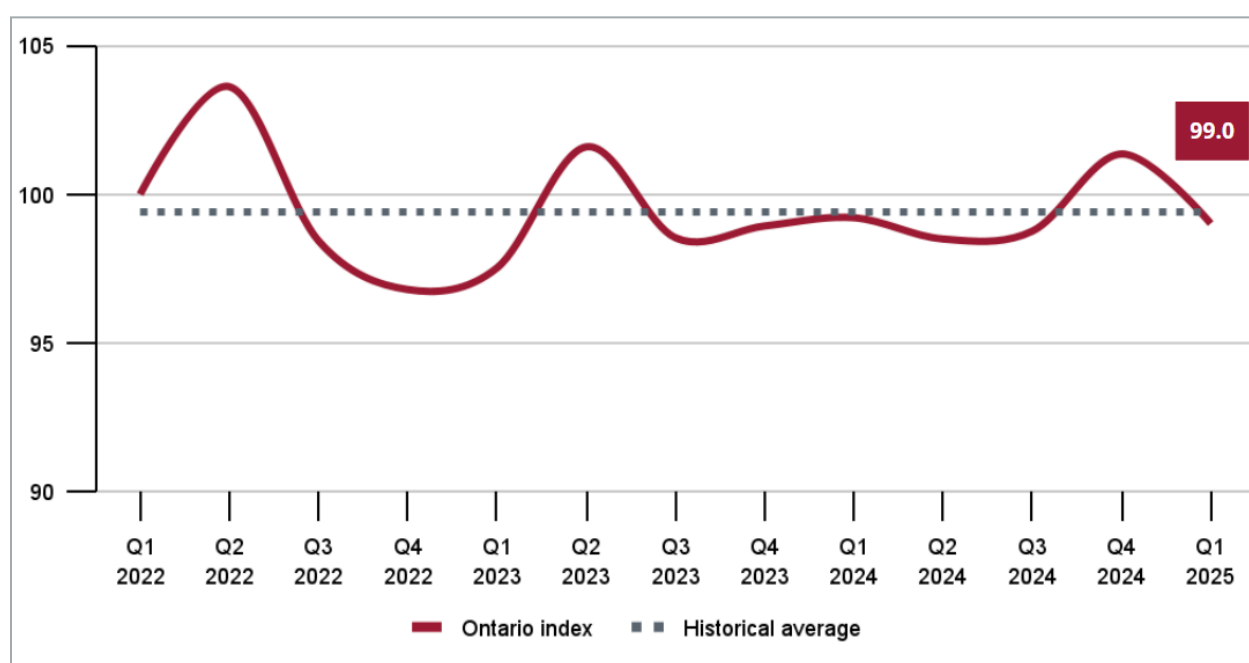
A favourable business environment and growth projections drove the year-over-year growth in the Quebec index, indicating relatively good business health in the province. Normalizing interest-rate curves and inflation within target ranges also provided stability in an otherwise highly uncertain economic environment. Additionally, lower interest rates boosted businesses' working capital and improved their ability to repay more affordable debt.



However, credit performance and confidence dampened the Quebec index compared to last year and last quarter. Delinquencies are increasing for all trade types, and overdue loan balances have risen sharply over the past year. This has only worsened due to last quarter's economic headwinds, which have not helped to reduce businesses' debt. Business sentiment fell 3.2 per cent over the last quarter as SMBs' outlook on the Canadian economy for the year worsened.

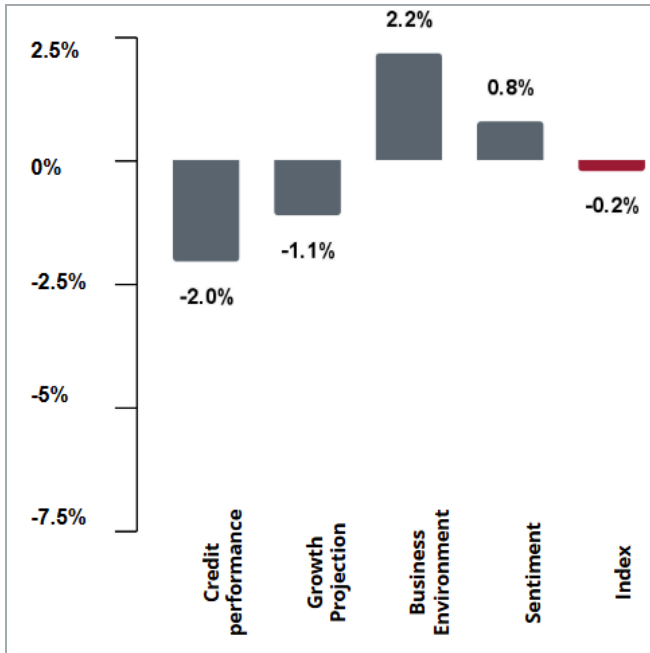
## Ontario: Business environment progress hampered by credit challenges

Despite quarterly and annual improvements in environmental factors, Ontario's index declined to 99.0 in Q1 2025. This marked a 2.3 per cent drop from the previous quarter, primarily driven by weakening credit performance, lower business growth expectations and a decline in overall sentiment. Ontario's economy is particularly exposed to market fluctuations in the automobile sector.



Credit performance weakened in the last quarter and year-over-year. Revolving credit usage and 30-day or more delinquencies on financial and non-financial trades increased. Specifically, 30–60 day financial trade delinquencies rose by 5 per cent quarter-over-quarter, while delinquencies of 90 days or more increased by 5 per cent.



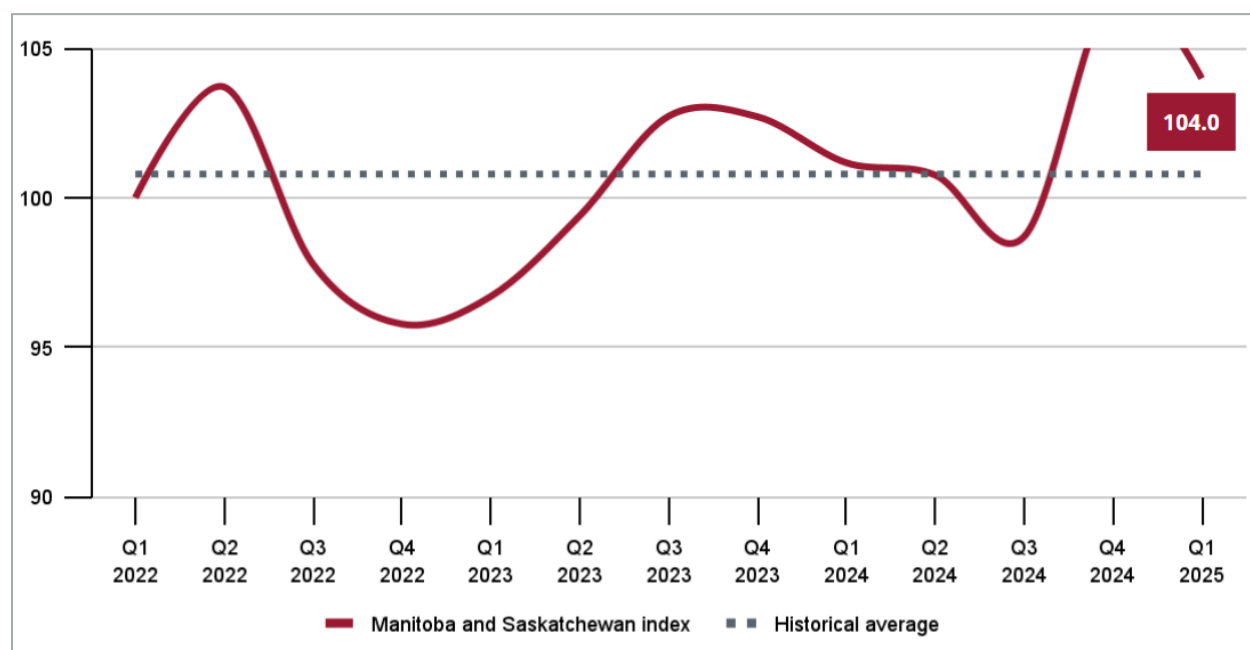


In 2024, Ontario saw better wages alongside declining inflation. The 10-2 Year bond yield spread returned to positive territory, reflecting improved market expectations. Yet confidence in the province's economic outlook fell by 9.9 per cent since the last quarter, highlighting growing uncertainty among businesses.

This uncertainty carried over to business growth expectations, which declined by 4.2 per cent in the last quarter, largely due to a drop in new business openings, declining sales projections, investment intentions and

trade inquiries.

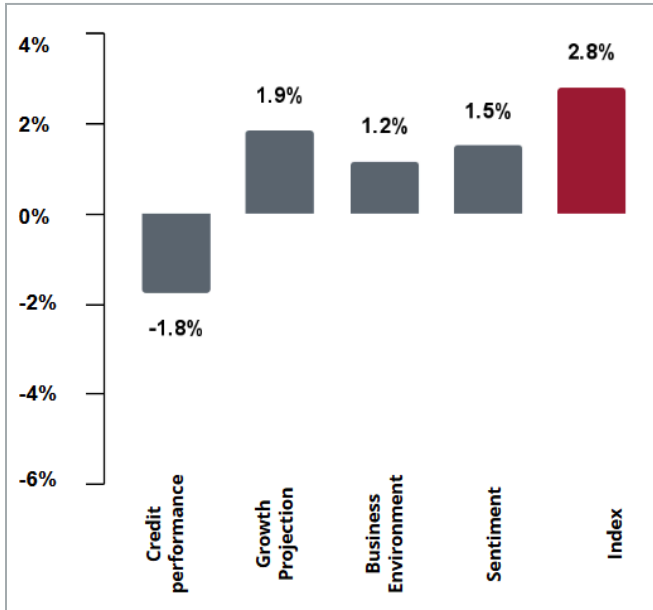
## Manitoba and Saskatchewan: Resilience despite uncertainty



The index for Manitoba and Saskatchewan stood at 104.0, a 2.7 per cent drop from the previous quarter. Tariffs imposed by China on Canadian canola meal and oil are affecting Saskatchewan's exports of farm and fishing products, which fell by 17.5 per cent in Q1 2025. On the other hand, Manitoba's economy is highly exposed to market uncertainty, with 77 per cent of its exports going south of the border. Despite the decline, the index remains relatively high and shows strong growth momentum in the second half of 2024.

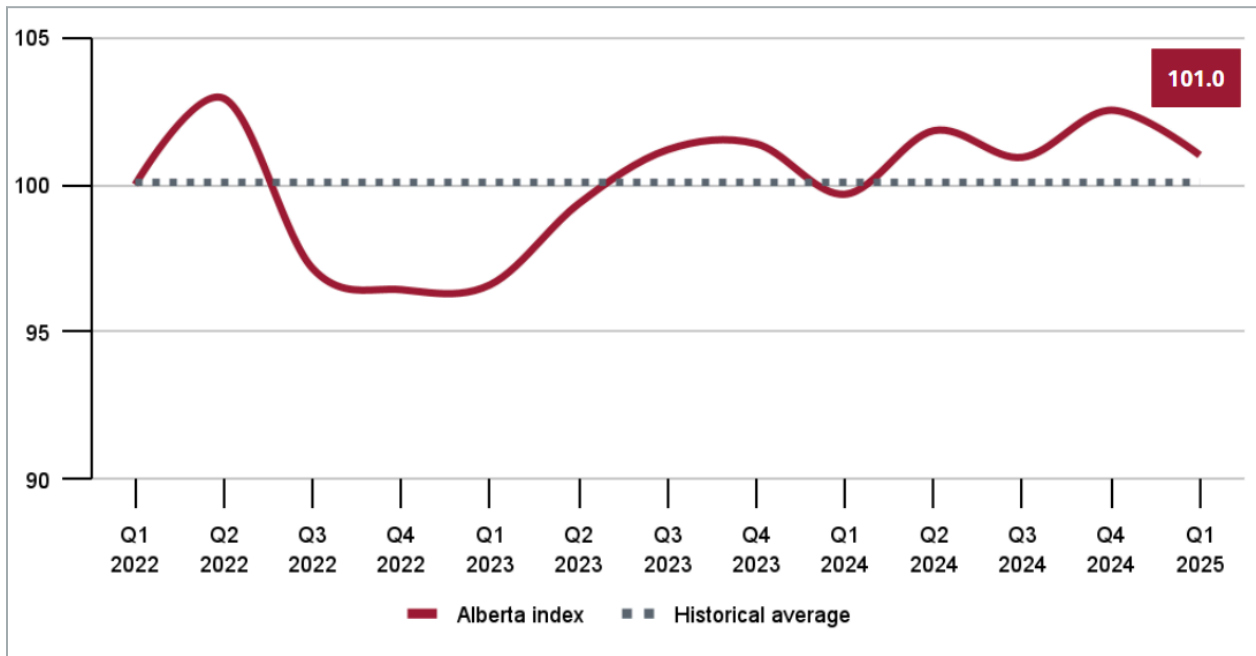
Credit performance declined year-over-year, and continued to fall last quarter, suggesting some financial strain. In particular, 30–60 day non-financial trade delinquencies and overdue loan amounts have increased sharply in the last six months. The debt repayment and cash flow outlook also weakened despite lower interest rates.

Overall, both growth projections and sentiment fell over the last quarter in Saskatchewan and Manitoba. The current economic context is clouding businesses' plans for investment, hiring and sales compared to the previous year's expectations.

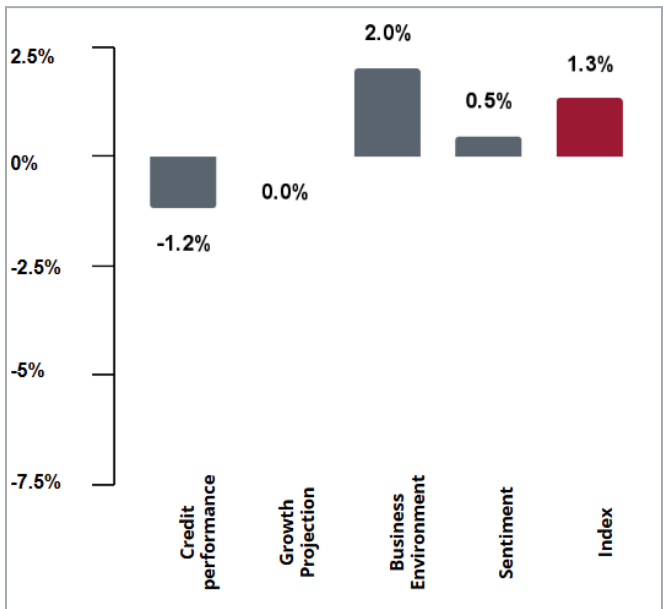


Yet, in Q1 2025, 59 per cent of companies in the region expected to increase their sales in the next 12 months compared to just 35 per cent in Q1 2024, reflecting strong underlying momentum. Ongoing mining projects supported by the federal government in Saskatchewan could continue to support demand for SMBs in the coming months.

# Alberta: Prepared to handle uncertainty



Alberta’s businesses were prepared to tackle the challenges posed by economic and market uncertainty and lower oil prices. The Alberta index has been above the historical average since Q2 2024 and has remained above this mark, evidence of businesses’ strong position in the province. Despite a slight decline in the last quarter (-1.5 per cent), the index stood at 101.0, showing growth of 1.3 per cent over the year-ago level.

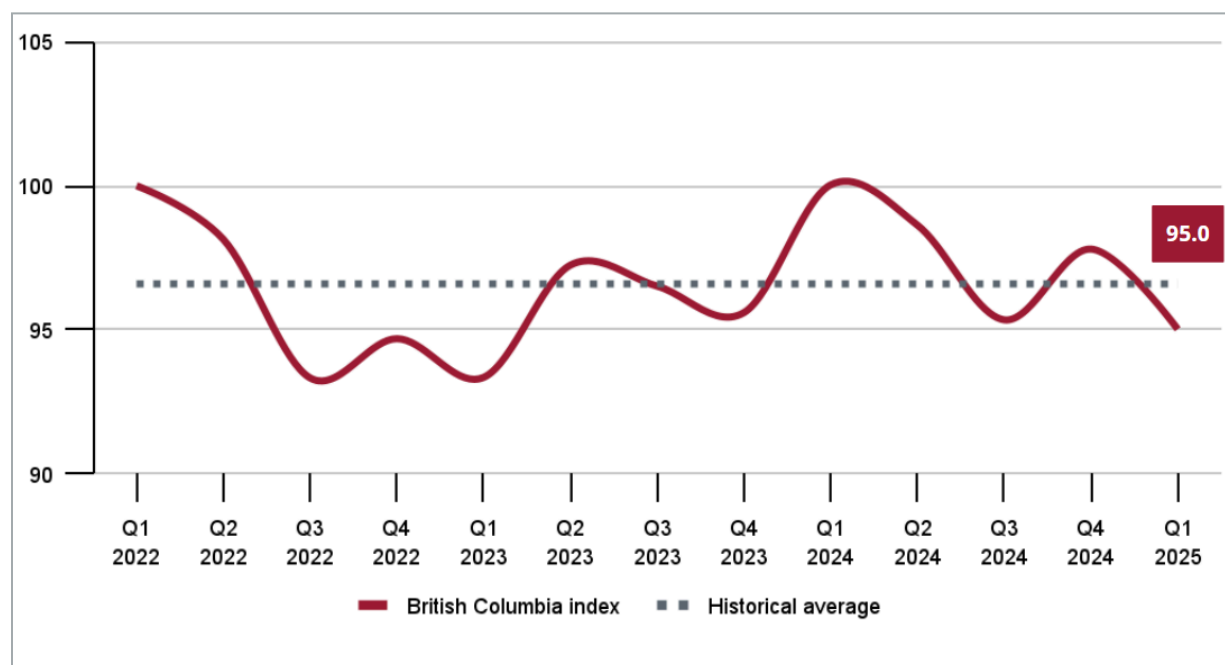


In the last quarter, all components contributed to the decline of the Alberta index, but the most significant impact came from sentiment, which fell by 5.3 per cent. This drop reflected a more pessimistic economic outlook, increased difficulty accessing support from financial institutions and growing challenges with managing debt. While cash flow positions remained relatively strong, the overall environment in the quarter led to heightened uncertainty among businesses.

On the flip side, several factors held the Alberta index back. Businesses were

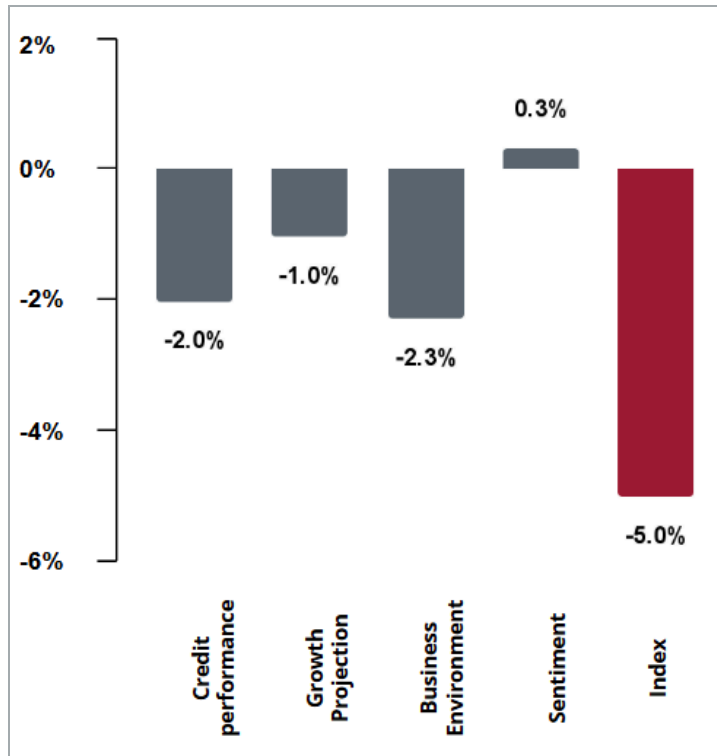
less optimistic about the economy than last year, with a notable decline in the first quarter of 2025. Credit performance also contributed -1.2 per cent to the index's yearly growth. Businesses have significantly increased their revolving credit usage in the last year, leading to more overdue loan amounts and insolvencies.

## British Columbia: Behind the pack



The index in British Columbia was the lowest among the regional indices last quarter. Despite rising slightly at the end of 2024 to 97.8, it has since fallen somewhat below its average, to 95.0.

The decline last quarter was mainly caused by a 7.6 per cent drop in growth projections, as SMBs noted lower investment intentions and reduced sales outlooks for the year ahead. Credit performance was also down, falling about 2.5 per cent last quarter due to a sharp increase in overdue loan amounts and insolvencies. This highlights the financial strain businesses in the province are facing.



The business environment was the main driver of a 5 per cent decline in the British Columbia index from 2024 levels, as the province's economy slowed for most of the year. This was primarily due to high interest rates and elevated debt burdens, constraining businesses and their outlook.

As interest rates continue to fall closer to neutral levels, this should stimulate business activity. B.C. is less exposed to market volatility, providing some relief for SMBs. The provincial government also wants to fast-track major mineral and energy projects while aiming

to grow a more diverse and self-sufficient economy. All these factors should improve the British Columbia index in the year ahead.

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