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Report

Small Businesses Face Pressure as Delinquencies Remain Elevated and Uncertainty Continues in Trade Relations

Q2 2025 | Equifax® Canada Market Pulse
Quarterly Business Credit Trends

September 2025



Canadian small businesses faced continued financial pressures in the second quarter of 2025, driven by a complex mix of macroeconomic factors and uncertain trade relations, as well as shifts in consumer and household spending, according to the latest *Equifax Canada Market Pulse – Quarterly Business Credit Trends Report*. Real GDP fell by 0.4 per cent, impacting the overall business outlook.



The Canadian Small Business Health Index has declined

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 — declined by 1.6 per cent in Q2, driven by shifts in trade tensions and Canada's widening trade deficit. At the same time, lower inflation and interest rate cuts offered some relief, helping certain businesses strengthen their overall credit performance.

"Small businesses are navigating a complex environment," said **Jeff Brown, Head of Commercial Solutions, Equifax Canada**. "We're seeing sectors under stress, particularly those that represent industries tied to international trade and discretionary spending, while others businesses are holding steady or even improving. It's a reminder that depending on your industry, the circumstances seem to be quite different across sectors."

Financial Stress Keeps Credit Performance Down

Over 286K businesses missed at least one credit payment in Q2 2025, 5.6 per cent higher than a year ago. However, at a trade level, credit stress splits, financial credit delinquencies rose 13.5 per cent in Q2, reaching a rate of 3.48 per cent, while industrial trade (B2B) delinquencies declined by 1.7 per cent to 5.55 per cent. This suggests many businesses are keeping up with supplier payments but falling behind on loans and financial obligations — a pattern consistent with firms prioritizing supplier relationships to keep operations moving.

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Trade Tensions: The Uneven Impact on Sectors and Regions

The Manufacturing industry was significantly impacted by recent economic headwinds. While a 1.3 per cent increase in the number of companies with a delinquent trade indicated a rise in overall financial stress, this pressure was not evenly distributed across the manufacturing sub-sectors. Manufacturing showed uneven circumstances, with the volume of delinquent businesses in Heavy Metal Manufacturing spiking 12.1 per cent. By contrast, the Automotive sector remained resilient in the first half of 2025, buoyed by relatively strong sales, though supply chain risks could weigh on performance later in the year.

This uneven influence was also evident at a regional level. In Ontario, the number of businesses that missed a payment went up by 4.3 per cent year over year. As a province with a high concentration of affected small businesses, Ontario was one of the few provinces where both financial and industrial trade delinquencies increased, rising 11.8 per cent and 5.5 per cent respectively.

The number of delinquent businesses rose by 15.6 per cent in Prince Edward Island and by 8.9 per cent in Nova Scotia. By contrast, Alberta saw an improvement, with the number of delinquent businesses 2 per cent lower than last year.

“These regional differences highlight that small business stress is far from uniform,” added Brown. “But when you look closer at the numbers there are signs that the financial strain is likely deepening in critical parts of the economy.”

Consumer-sensitive sectors hit hardest

As seen in the Q2 2025 [Equifax Canada Market Pulse Quarterly Consumer Credit Trends](#) report, the average credit card spend per consumer declined by 0.4 per cent from June 2024, when adjusted for inflation. Pullback in consumer spending seemed to affect businesses that rely on discretionary spending. In consumer-sensitive industries, delinquency levels remain sharply higher year-over-year, with delinquencies in Accommodation and Food Services businesses up 29.5 per cent, Retail Trade up 13.3 per cent, and Arts, Entertainment and Recreation up 7.5 per cent. “Despite headline inflation easing, cost of essentials like grocery and rent continued to climb, impacting household budgets which could potentially leave less room for discretionary spending,” explains Brown. “This shift in consumer spending toward essentials could be causing financial strain and delinquency in businesses that provide non-essential goods and services.”

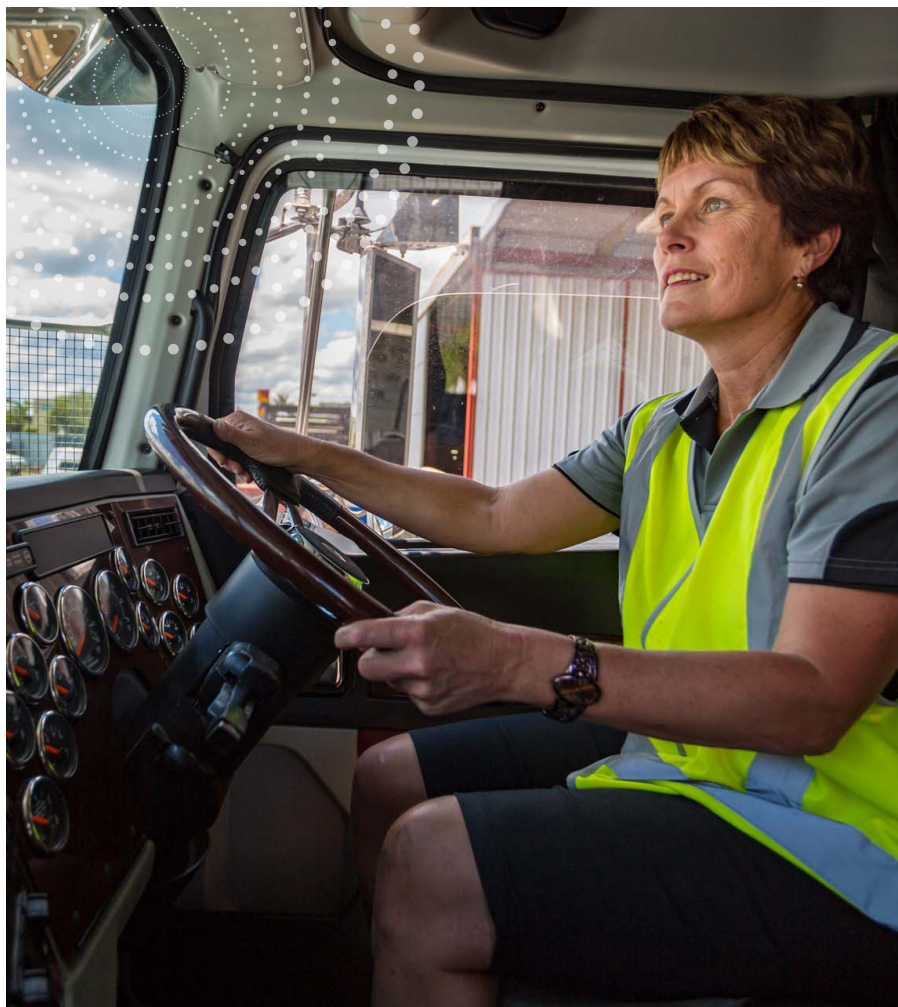


Credit demand rising where job losses mount

Compounding economic pressure and increased caution among both lenders and borrowers in the face of ongoing uncertainty seem to have led to a slowdown in business growth. The Growth Projection component of the Canadian Small Business Health Index dropped by 2.4 per cent year over year, driven by a decline in both credit inquiries and new originations as well as businesses' seeming reluctance to invest.

While overall business credit inquiry dropped by 1 per cent from Q2 2024, business credit inquiries rose 7 per cent from the last quarter, led by Agriculture, Arts, Entertainment and Recreation, and Construction — the same sectors that faced some of the largest job losses in June.

"The true economic impact of today's trade tensions and rising unemployment will not be felt all at once. For many regions and sectors, the full effects may only materialize as the year's economic headwinds continue to unfold," cautions Brown.



Province Analysis

60+ days Delinquency Rates (Account Level)

Province	Delinquency Rate : Financial Trades (Q2 2025)	Delinquency Rate Change: Financial Trades (Q2 2025 vs. Q2 2024)	Delinquency Rate: Industrial Trades (Q2 2025)	Delinquency Rate Change: Industrial Trades (Q2 2025 vs. Q2 2024)
Ontario	3.63%	11.79%	5.51%	5.51%
Quebec	3.22%	4.48%	4.36%	-2.15%
Nova Scotia	2.42%	0.10%	6.09%	7.85%
New Brunswick	3.01%	11.82%	4.57%	-7.95%
PEI	2.54%	11.22%	4.45%	19.54%
Newfoundland	2.81%	4.40%	4.82%	-8.23%
Eastern Region	3.47%	9.91%	5.04%	2.30%
Alberta	3.29%	1.36%	6.92%	-12.87%
Manitoba	3.15%	12.93%	4.41%	1.69%
Saskatchewan	2.83%	2.88%	6.54%	3.78%
British Columbia	2.88%	10.64%	6.49%	-8.27%
Western Region	3.06%	5.91%	6.40%	-8.20%
Canada	3.33%	8.67%	5.55%	-1.70%

* Based on Equifax data for Q2 2025



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