



Canadian Small Business Health Index

Q3 2025 Archive

In 2025, we have introduced industry indices for three major sectors: construction, manufacturing, and retail and wholesale trade. In addition to informing business decisions on strategy and investments, the Canadian Small Business Health Index provides a deeper look into sectoral differences between businesses.

Global trade tensions have taken a toll on Canadian small and medium businesses. While exports have slowed due to tariffs, they have stabilized, although at a lower level than at the start of 2025. The effects of tariffs have not been felt equally across all sectors and regions. Manufacturing, especially in metal industries which are predominantly concentrated in Ontario and Quebec, were directly impacted by tariffs. Employment in sectors exposed to U.S. trade have seen losses, but these were offset by gains in other sectors.

Overall, consumer spending continues to drive growth in Canada, however demand conditions are slowing due to mounting economic uncertainty.

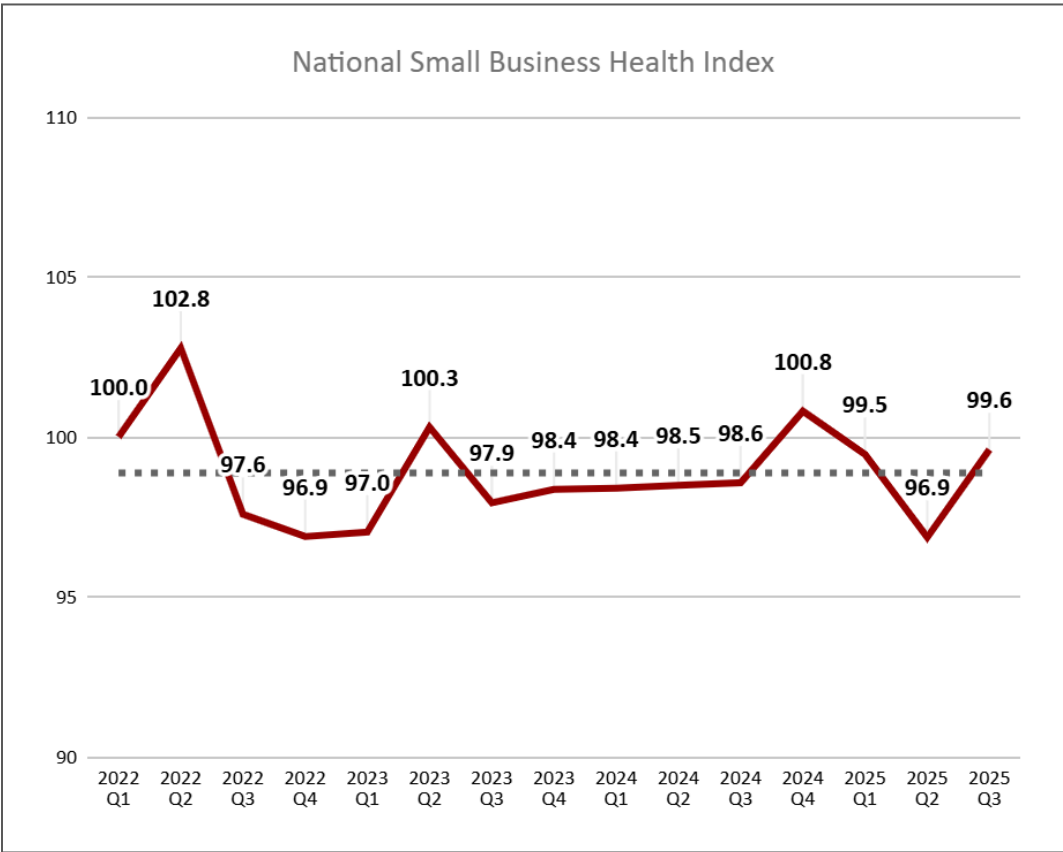
About the Canadian Small Business Health Index: The index provides a detailed picture of the resilience and outlook for small- and medium-sized businesses (SMBs). It combines BDC's Investment and Financing Outlook Survey (IFOS), data from Equifax Canada's business credit database and macroeconomic data 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

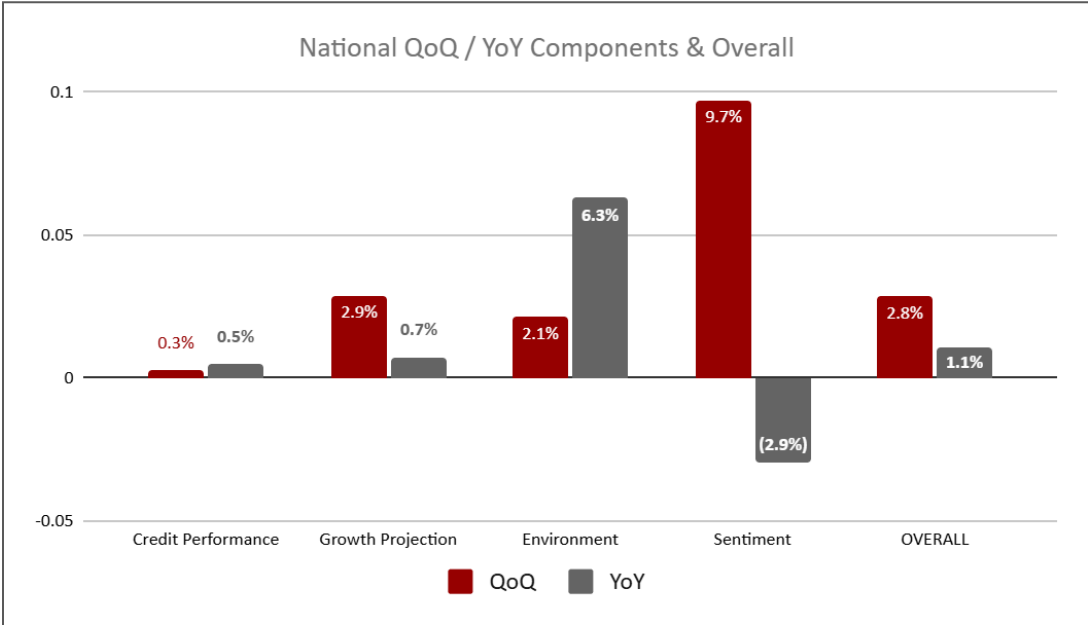
Canada: At an economic crossroads — will recovery follow?

Canadian Small Business Health Index, Q3 2025	Year-over-year difference	Difference over the previous quarter
99.6	1.1%	2.8%

In the Canadian Small Business Health Index, the National index rose to 99.6 in Q3 2025, a 2.8% increase from the previous quarter. While uncertainty remained high, consumer spending and jobs held up despite weakness in the manufacturing sector.



According to the index, the Canadian economy also showed some resilience to tariffs, which helped restore some confidence among SMBs. However, trade tensions reignited in the fall, and economic recovery continues to be on the minds of many businesses.



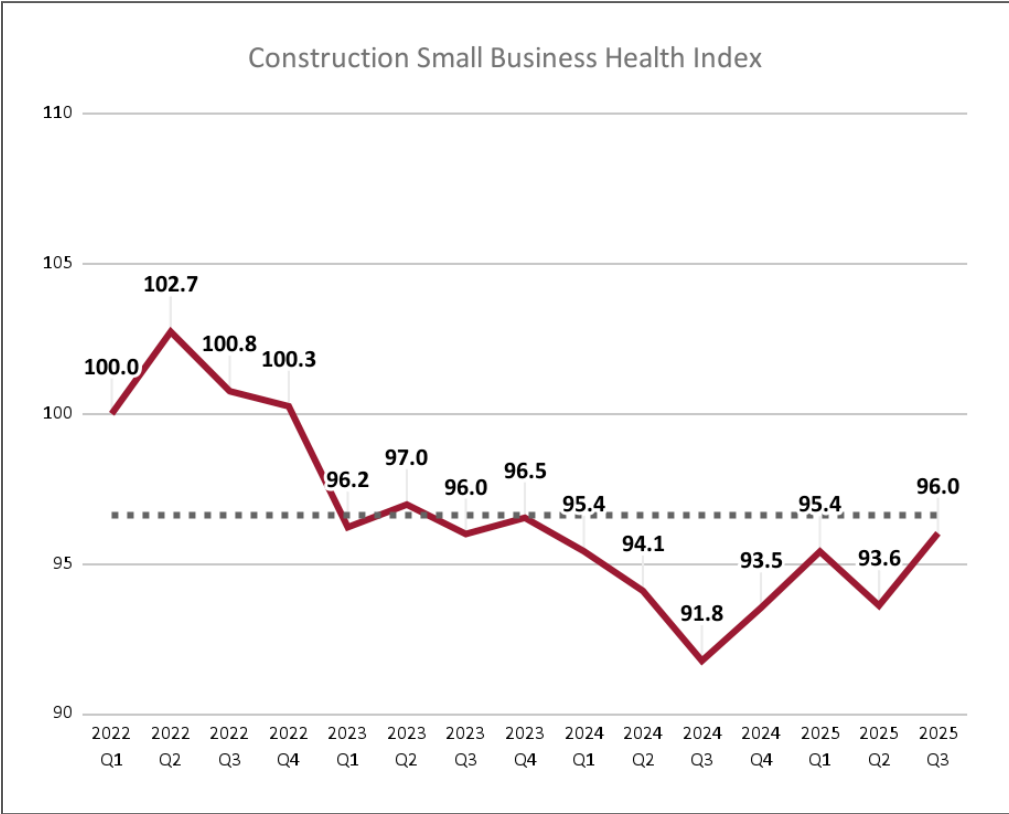
The quarterly rebound was driven by a 9.7% surge in sentiment and a 2.9% rise in growth projections, possibly indicating an increased optimism. General economic conditions for businesses improved as the effect of interest rate cuts were felt throughout the economy.

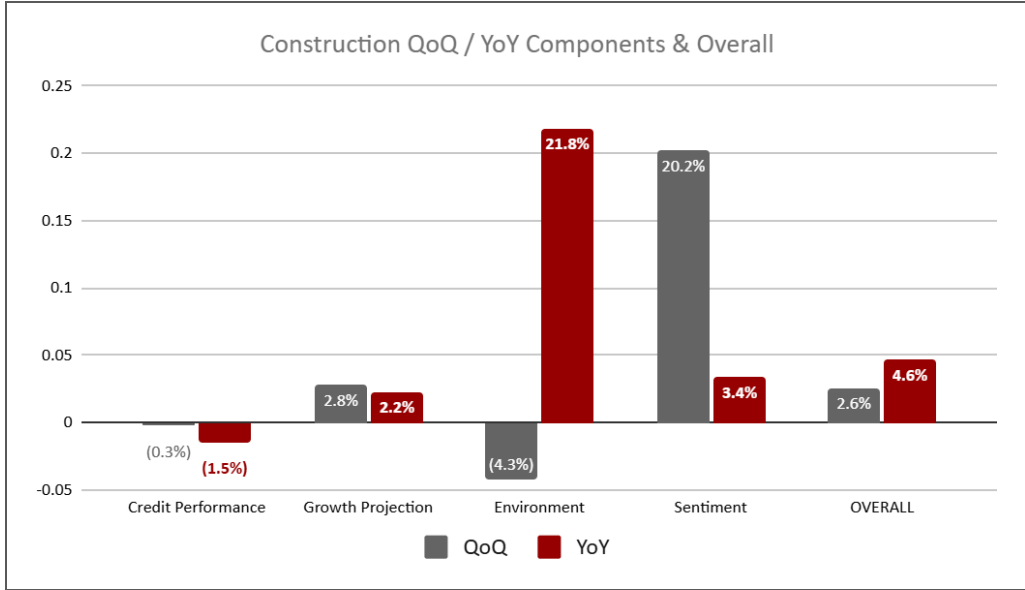
Industries:

The current economic context has impacted certain sectors more than others. Manufacturing has struggled this year, as the sector that has been most directly impacted by U.S. tariffs. In Q3 2025, the manufacturing index posted a 2.1% annual decline, and a 1.5% quarterly decline. Meanwhile, the construction, and retail and wholesale trade sectors posted gains in the index. The construction index rose 2.6% quarterly and 4.6% annually. Stronger sentiment and growth projections among construction SMBs compensated for weaker employment in the sector versus Q2 2025. Meanwhile, the retail and wholesale sector benefited from resilient consumer spending as retail sales continued to grow. In recent quarters, SMBs in the sector showed stronger confidence and higher employment rates, bringing the index 6.2% higher than Q2 2025.

Construction

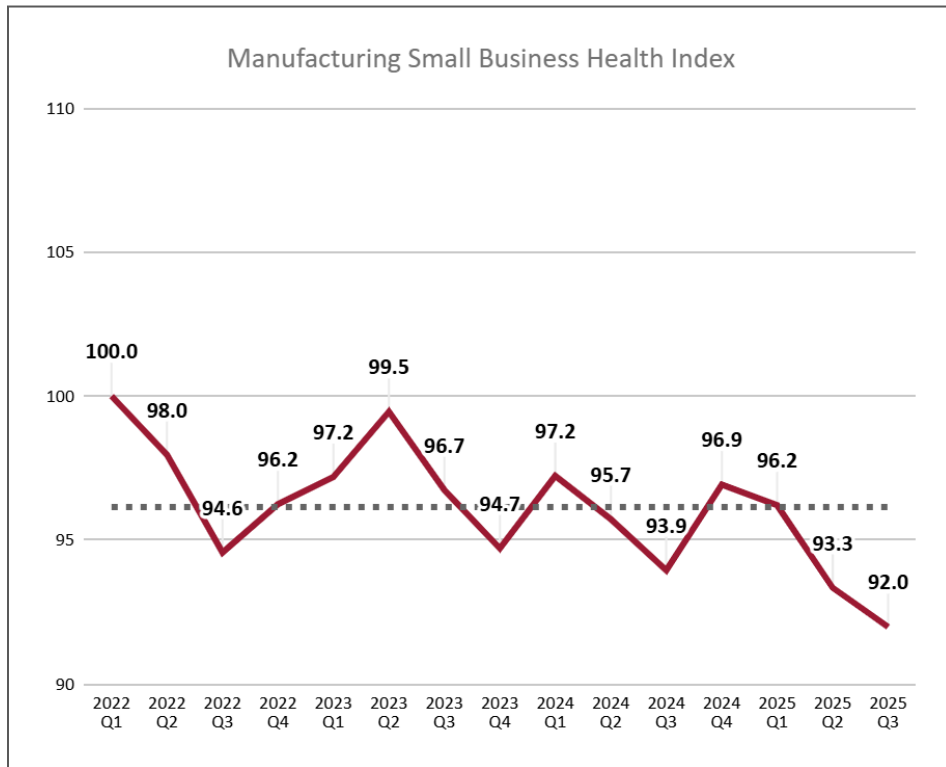
The construction index stands at 96.0 in Q3 2025. It rose 2.6% quarterly and 4.6% annually.

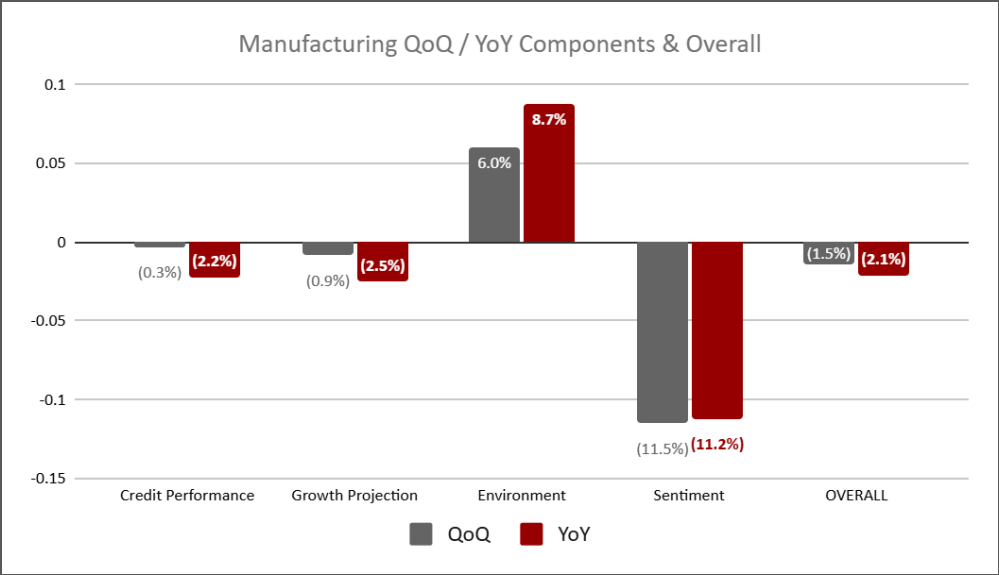




Manufacturing

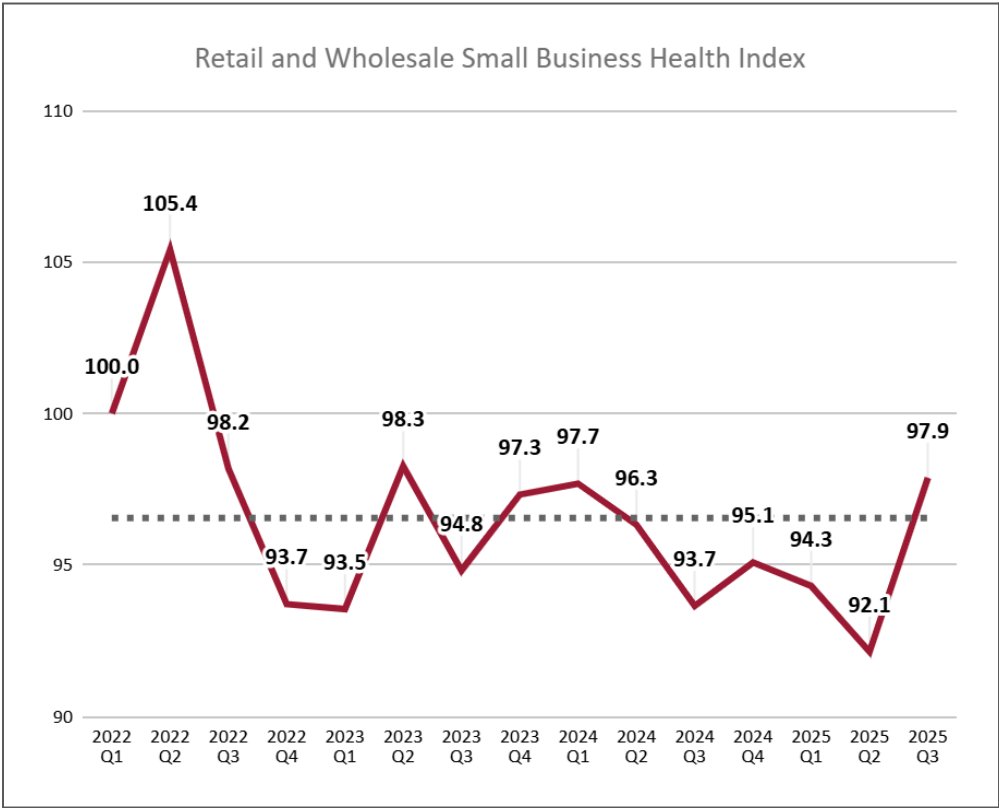
The manufacturing index stands at 92.0 in Q3 2025. It declined by 2.1% quarterly and 1.5% annually.

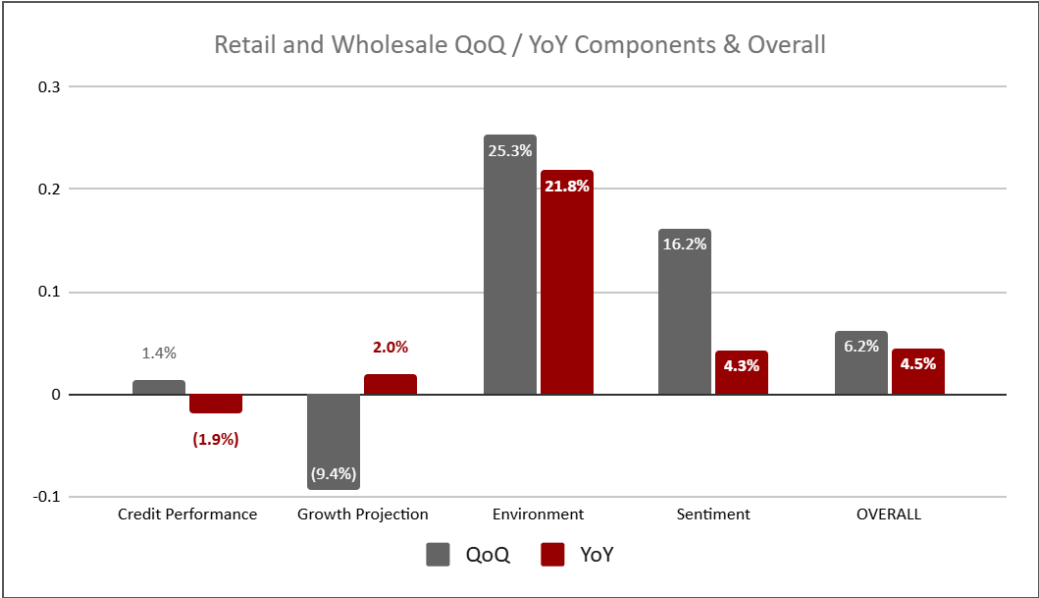




Retail and wholesale trade

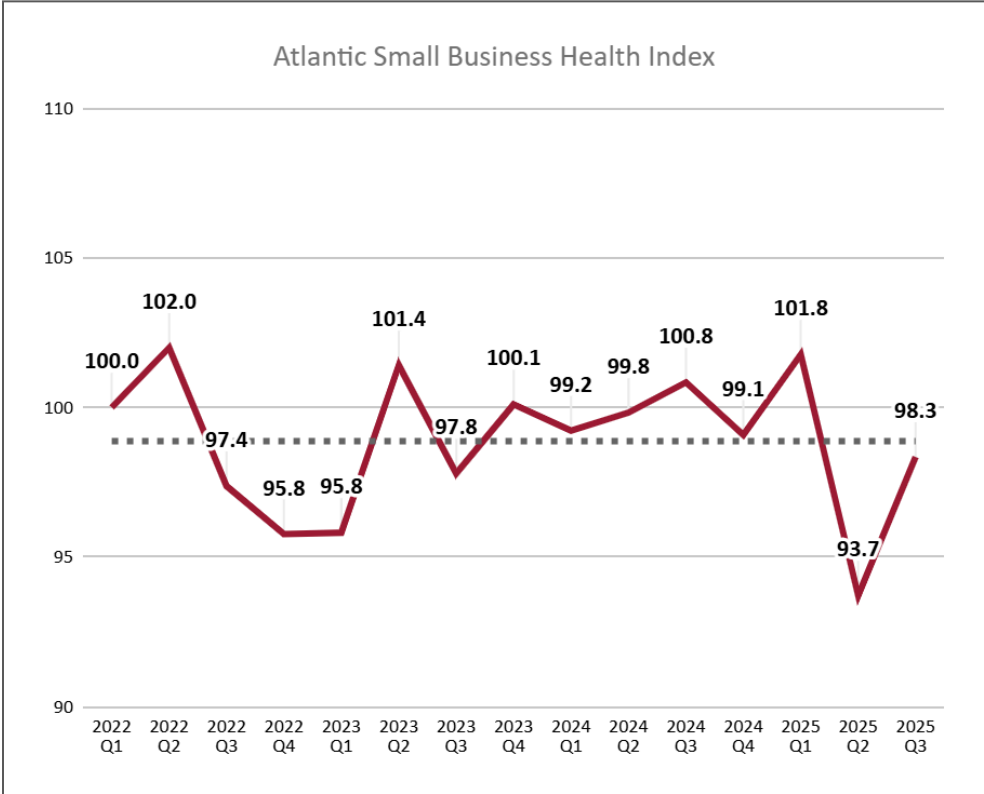
The retail and wholesale sector performed best at 97.9 in Q3 2025, up by 4.5% quarterly and 6.2% annually.



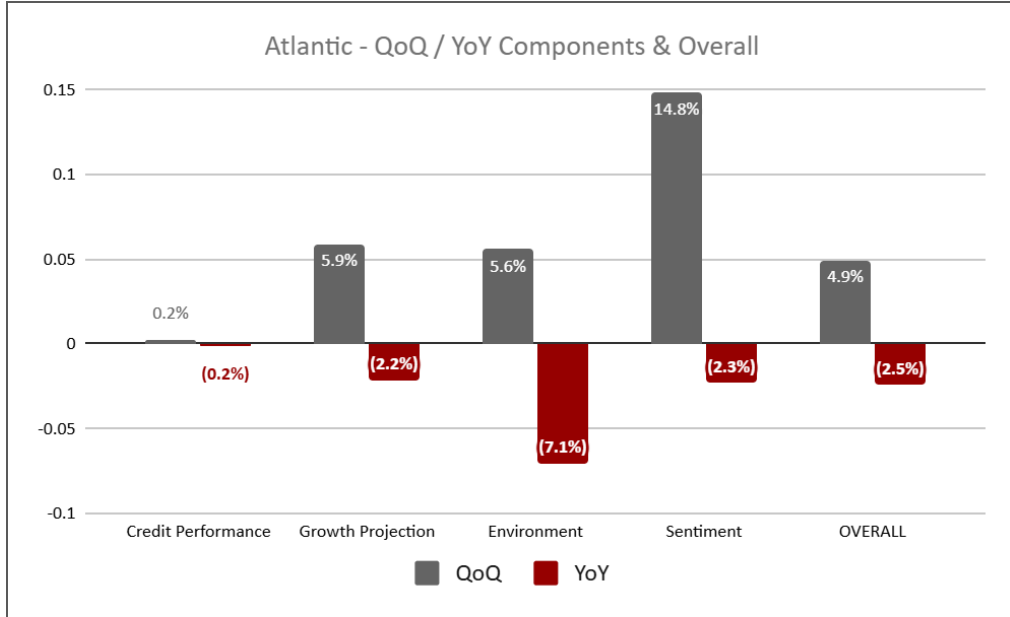


Regions

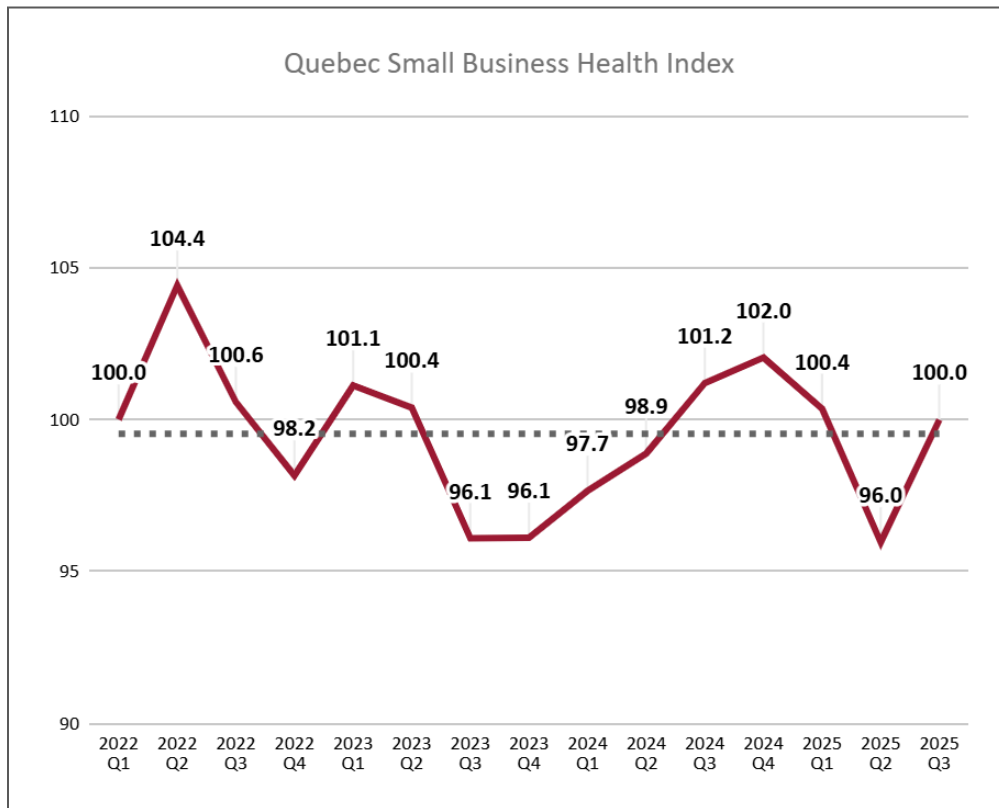
Atlantic: Rebound amid strained economic environment



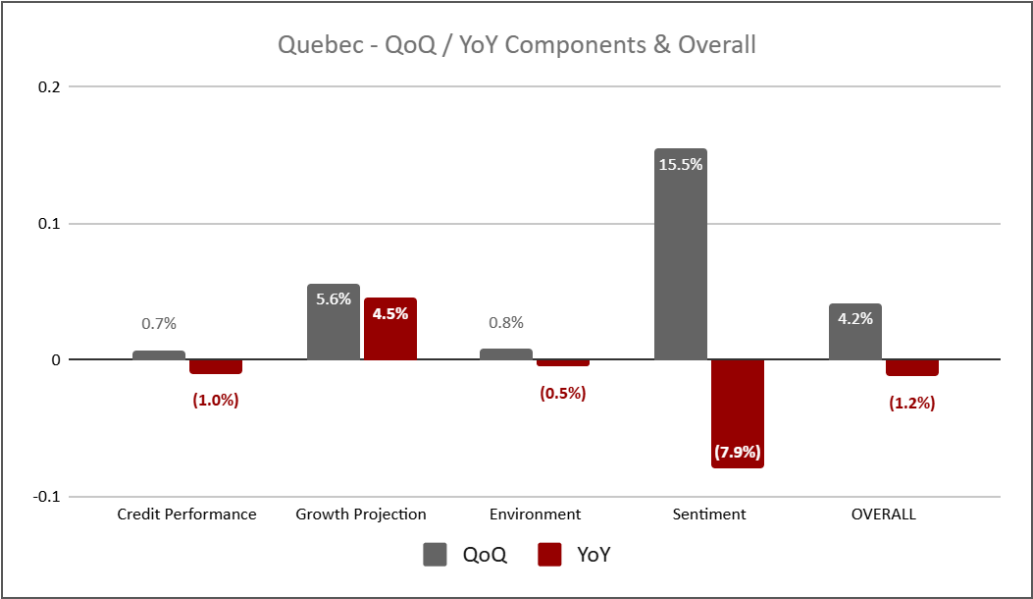
The index for the Atlantic region rebounded in Q3 2025 after hitting the lowest levels last quarter. While the level remains 2.5% weaker than a year ago, we've seen significant improvement when compared with Q2 2025. This signals that the impact from the U.S. tariffs has been relatively mild, and the employment rate and consumer spending has been favourable.



Quebec: Recovering from peak uncertainty, but still cautious

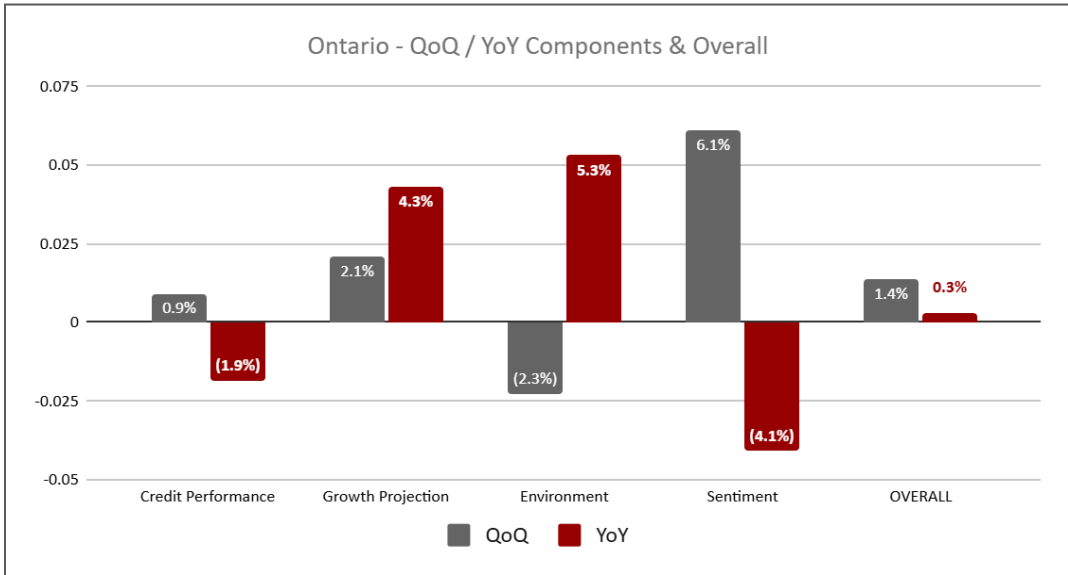
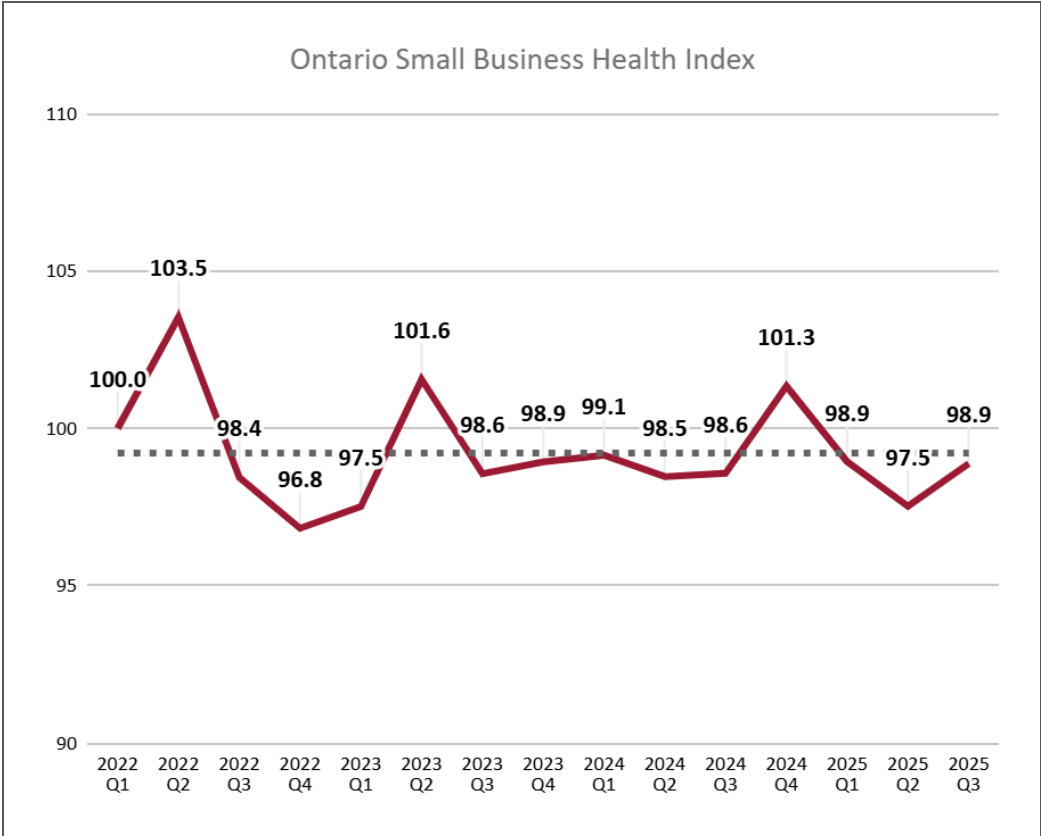


The Quebec index stood at 100 in Q3 2025, reflecting a 4.2% quarterly increase, but a 1.2% decline compared to last year. Quebec remains directly exposed to tariffs, particularly on the aluminum and softwood lumber fronts. While the current outlook and financial health of SMBs improved compared to Q2 2025 when uncertainty peaked, the outlook remains weaker than last year. Businesses continued to face headwinds and business confidence remained tepid.

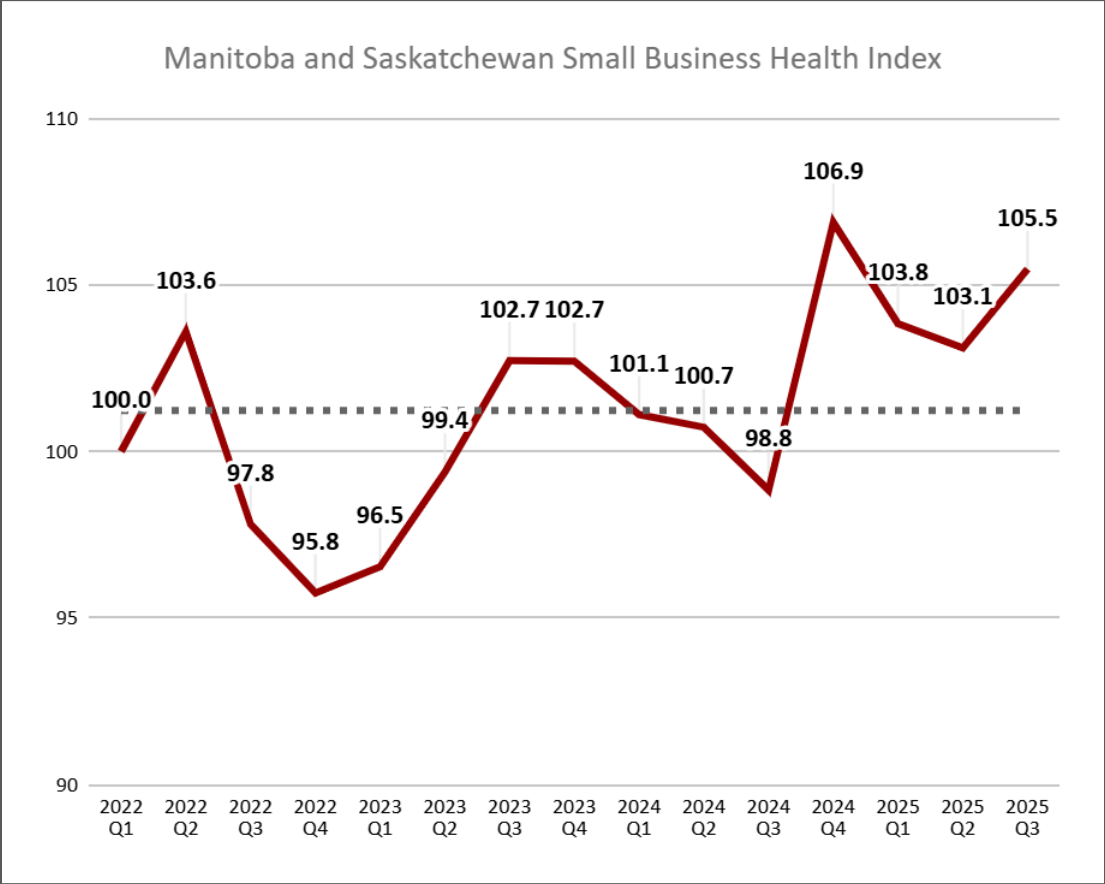


Ontario: A solid and healthy bounceback despite continued tariff pressures

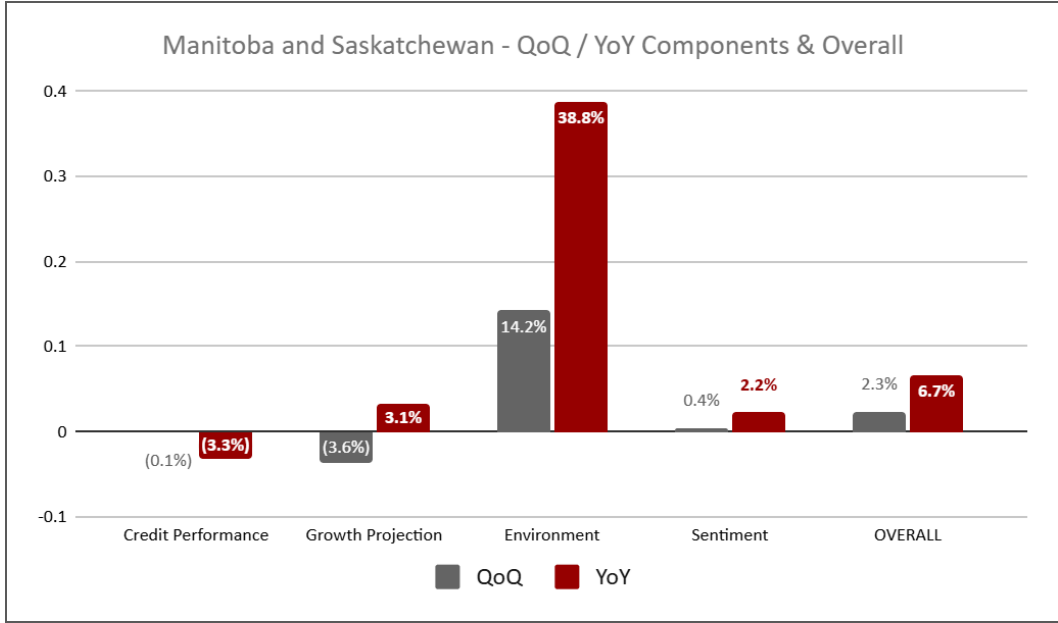
Ontario’s index rose to 98.9 in Q3 2025, a modest improvement of 1.4% quarter-over-quarter and 0.3% year-over-year. In Ontario, tariffs have had a large impact and are still putting pressure on wages, interest rates and consumer spending. Despite this, sentiment has improved over the last quarter, with a less pessimistic outlook on the economy and cashflows. The growth projection component also increased on a quarterly basis returning to its level at the start of the year as hiring, sales and investment expectations improved.



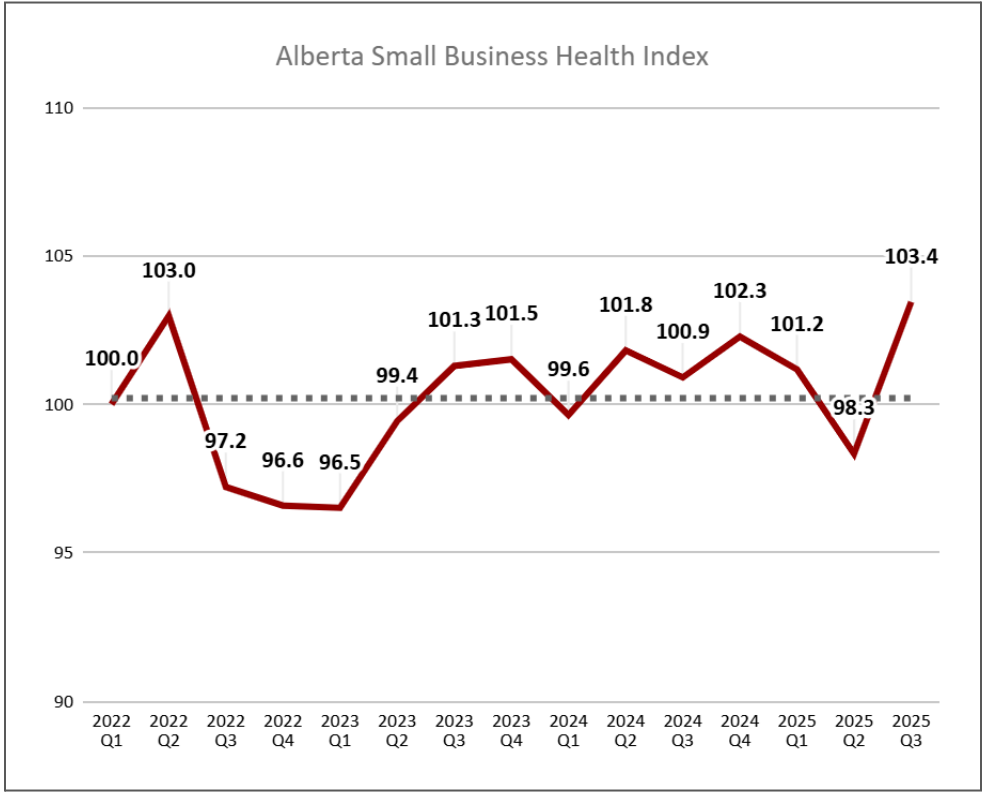
Manitoba and Saskatchewan: Leading the pack, but financial strains remain



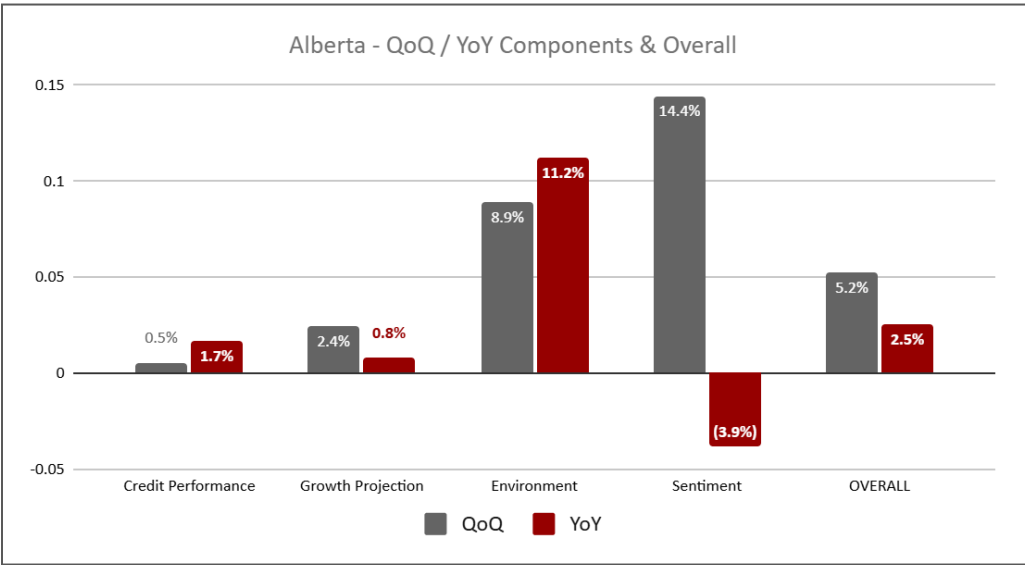
At 105.5, the Manitoba-Saskatchewan index was the best-performing region in Q3 2025. It posted growth both on a quarterly (+2.3%) and an annual basis (+6.7%), driven by positive labour market trends. However, credit performance showed signs of weakness in Q3 2025. The growth projection component also fell 3.6% quarter-over-quarter, as businesses anticipate that they will invest and hire less over the next year. This may point to mounting pressure on SMBs despite continued growth in employment and wages.



Alberta: Strong economic performance and improved outlook

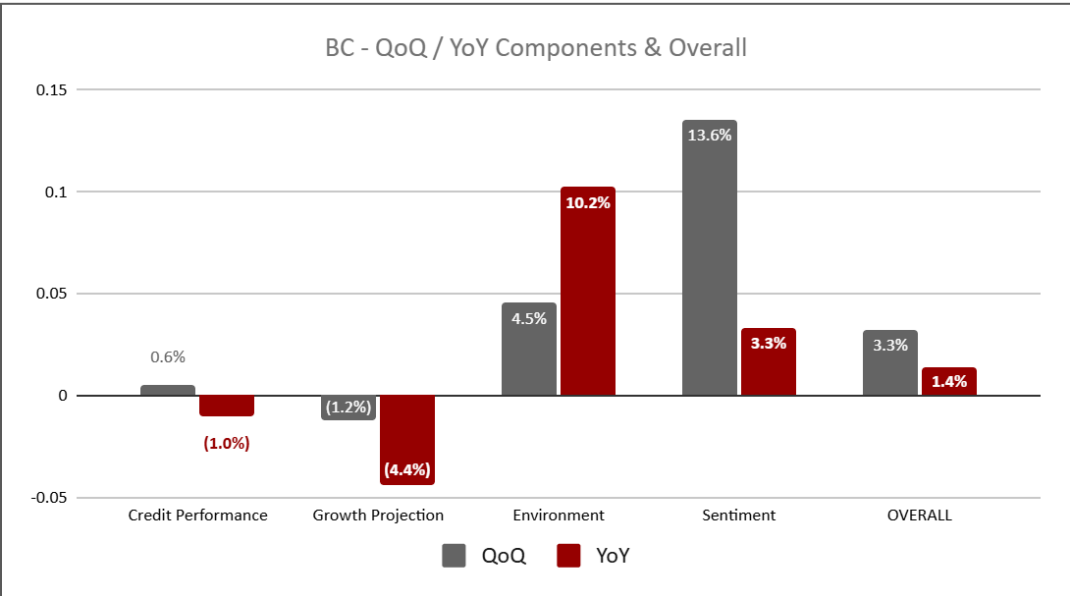
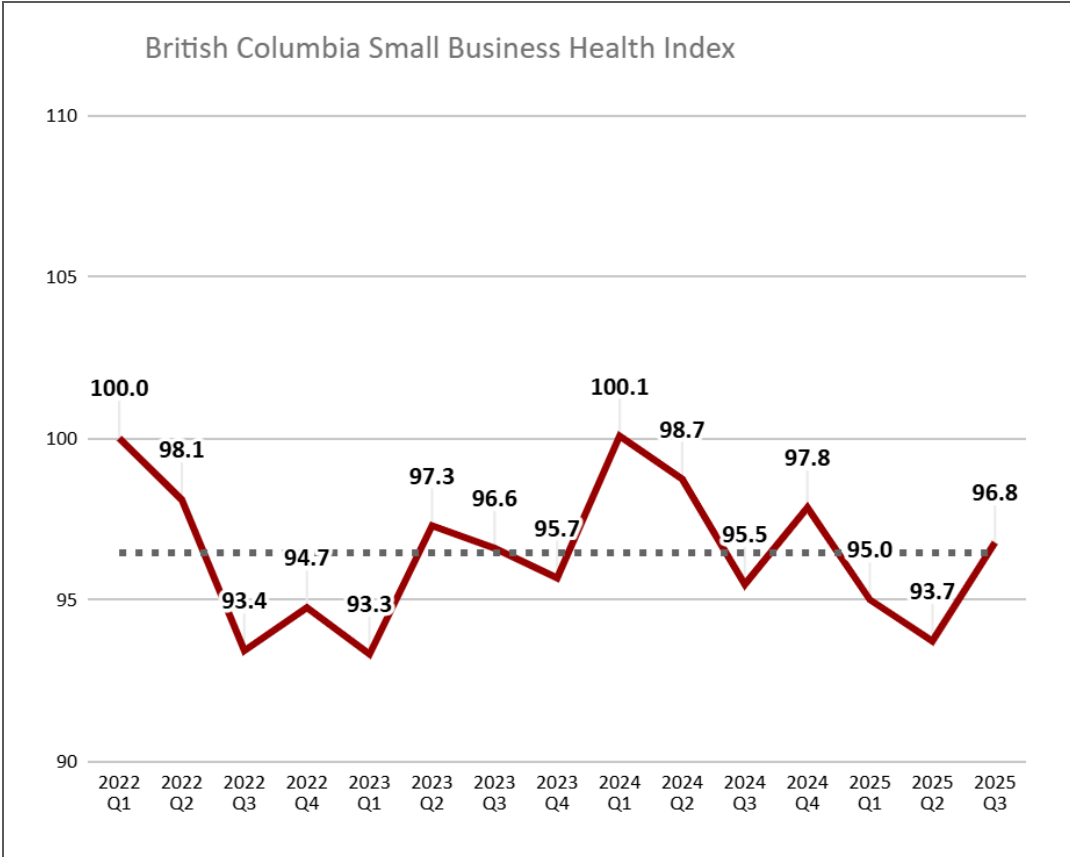


The Index for Alberta rose to 103.4, a marked increase of 5.2% quarter-over-quarter and the largest uptick of any region in Q3 2025. This marked the highest level for the Alberta index since the start of recording in Q1 2022. Alberta is expected to have one of the strongest GDP growths in 2025 driven by a focus on investments in natural resource projects, and a relatively mild impact from tariffs. This has led to substantial improvements in business environment and sentiment components on a quarterly level. Credit performance also remained stable although at its lowest level compared to all other regions.



British Columbia: Improving sentiment, weak outlook

The index in British Columbia reached 96.8 in Q3 2025, the lowest among all regions, but still 3.3% above last quarter, and 1.4% higher than a year ago. A lower exposure to U.S. trade and declining interest rates contributed to a more optimistic sentiment among SMBs. Retail sales in British Columbia were among the most robust in the country. However, growth projections and credit performance continue to lag, and with uncertainty still high, SMBs in British Columbia are scaling back investment plans in anticipation of weaker sales over the next year.



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