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## Analysis in Brief

# Impact of tariffs on businesses in Canada: Expectations and strategic responses, third quarter of 2025

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# Impact of tariffs on businesses in Canada: Expectations and strategic responses, third quarter of 2025

by **Shivani Sood**

The Canada–United States trade relationship, long defined by deeply integrated economies and mutual economic benefit, entered a period of heightened tension and uncertainty in 2025. While bilateral trade in goods exceeded \$1 trillion in 2024,<sup>1</sup> recent policy shifts have disrupted long-standing supply chains and challenged the resilience of cross-border commerce between both countries. Since early 2025, a series of escalating tariffs, initially targeting steel, aluminum, energy, and autos, have reshaped the trade landscape, prompting swift countermeasures from Canada.<sup>2</sup>

By mid-2025, the economic effects of these tariffs had begun to materialize. Following tariff announcements in April 2025, goods exports to the United States dropped 15.7% and goods imports from the United States were down 10.8%. As a result, Canada's merchandise trade surplus with the United States narrowed to \$3.6 billion in April 2025, the smallest surplus since December 2020.<sup>3</sup> In June 2025, exports to the United States increased 3.1% on a monthly basis. However, on a year-over-year basis, exports to the United States were 12.5% lower compared with June 2024. Meanwhile, following three consecutive monthly decreases, imports from the United States were up 2.6% in June 2025. The increase in imports in June was in large part the result of the import of a module for an offshore oil project. Canada's merchandise trade surplus with the United States widened from \$3.6 billion in May to \$3.9 billion in June.<sup>4</sup> Meanwhile, businesses in Canada have faced mounting uncertainty, cost pressures, and the need to adjust strategically.

Amid ongoing shifts in tariffs, trade regulations, and U.S. policy, the Canadian Survey on Business Conditions has continued to serve as a vital tool for understanding how businesses are responding to a rapidly evolving economic environment. Building on analysis from the second quarter of 2025<sup>5</sup> which was published in June 2025 and captured the initial wave of reactions to newly imposed tariffs, this paper presents updated findings for the third quarter of 2025 from the survey that was conducted between July 2 and August 6, 2025. It examines anticipated impacts on sales, business uncertainty, and selling prices, while highlighting the strategic adjustments businesses are planning in order to navigate this uncertain environment. To provide a comprehensive analysis of broader trends across the entire business sector, survey findings are examined not only for businesses that export to or import from the United States but also for all businesses in Canada.

## Businesses that export to the United States

In 2024, 53,448 establishments in Canada exported goods, 86.6% of which exported goods to the United States.<sup>6</sup> According to results from the Canadian Survey on Business Conditions for the third quarter of 2025, businesses that exported goods or services to the United States over the last 12 months made an average of 36.8% of their total sales to that market. One-third (33.3%) of businesses that sold goods or services to the United States reported that the specific goods they sell had tariffs imposed on them by the United States. Meanwhile, nearly two-thirds (64.5%) of businesses in wholesale trade and over half (53.2%) of businesses in manufacturing that export to the United States reported the same.

Over half (55.1%) of exporters to the United States expect tariffs imposed by the United States on imports from Canada to have a negative impact on their business. Over two-thirds (69.1%) of businesses exporting to the United States expect to face cost-related obstacles, and 37.2% anticipate challenges related to exporting or selling goods and services outside Canada. Over the next three months, nearly two-fifths of businesses exporting to the United States expect their operating expenses to increase (39.4%) or foresee a decline in their profitability (39.3%), and over one-quarter (25.7%) expect their overall exports to decrease.

1. [International merchandise trade for all countries and by Principal Trading Partners, Balance of Payments basis, monthly.](#)

2. [Canada's response to U.S. tariffs on Canadian goods.](#)

3. [The Daily — Canadian international merchandise trade, April 2025.](#)

4. [The Daily — Canadian international merchandise trade, June 2025.](#)

5. [Impact of tariffs on businesses in Canada: Expectations and strategic responses, second quarter of 2025.](#)

6. [Trade in goods by exporter characteristics, by country of destination.](#)

As businesses anticipate these impacts, nearly three-quarters (74.5%) of those that export to the United States plan to take actions over the next 12 months. Almost one-quarter (24.2%) plan to seek alternative customers outside the United States, and almost one in five (16.5%) plan to delay major investments or expenditures. In 2024, Canada had 17,274 establishments in the manufacturing sector that exported goods to the United States.<sup>7</sup> Among businesses in manufacturing that export to the United States, 90.2% plan to take actions over the next 12 months, with over one-third (33.6%) seeking alternative customers outside the United States.

Businesses were asked how they expect various aspects—such as business uncertainty, sales, input costs and selling prices—to be affected over the next 12 months by the current U.S. administration. Among exporters to the United States, nearly three-fifths (58.4%) expect greater uncertainty over the next 12 months, and nearly two-fifths (37.4%) anticipate a decline in their U.S. sales. At the same time, 8.7% expect their sales to other countries to increase, while 13.9% foresee higher sales in Canada. In terms of cost of inputs, 35.6% of exporters to the United States expect the cost of domestic material inputs to increase while 43.6% expect the costs of imported material inputs to increase. Nearly two-fifths (38.7%) of exporters to the United States expect their selling prices to rise.

Over three-fifths (62.5%) of exporters to the United States reported being either very optimistic or somewhat optimistic about their outlook over the next 12 months, while 23.5% are somewhat pessimistic, 5.1% are very pessimistic and 8.9% are unsure.

## Businesses that import from the United States

In 2023, Canada had 167,050 establishments that imported goods, 69.2% of which imported goods from the United States.<sup>8</sup> Among businesses that imported from the United States over the last 12 months, the average percentage of their total purchases from the United States was 23.8%. Over half (53.7%) of businesses that imported goods or services from the United States reported that over the last three months Canada had imposed tariffs on specific goods they purchase from the United States, led by over four-fifths (82.7%) of importing businesses in retail trade and nearly two-thirds (65.0%) of importing businesses in wholesale trade.

Import tariffs increase the cost of imported products in the country that imposes the tariff. Businesses reliant on these products—whether for raw materials, equipment or inventory—face higher operational expenses, which can reduce profitability and may in turn lead to increased prices for consumers. This inflationary pressure, in turn, reduces consumer purchasing power and affects demand across industries. Among businesses that imported from the United States over the last 12 months, nearly two-thirds (65.4%) expect tariffs imposed by Canada on imports from the United States to have a negative impact on their business. Over one-fifth (20.8%) of businesses that imported from the United States expect their overall imports to decrease over the next three months, and nearly one-third (31.4%) anticipate the selling prices of their goods or services to increase. Meanwhile, nearly half (49.6%) foresee increased operating expenses, and nearly one-third (33.2%) expect a decline in profitability.

Tariff threats can be expected to influence trading patterns. As the Government of Canada implemented countermeasures in the form of tariffs on imports from the United States, over four-fifths (81.4%) of businesses that import from the United States plan to take actions over the next 12 months.<sup>9</sup> Over one-third (35.9%) of businesses in Canada that import from the United States plan to seek alternative suppliers outside the United States, nearly one-third (32.6%) plan to increase domestic sourcing and over one-quarter (28.5%) plan to raise their prices. The vast majority (91.3%) of manufacturing businesses that import from the United States have plans to take actions over the next 12 months, with half (50.0%) planning to seek alternative suppliers outside the United States and nearly half (48.6%) planning to increase domestic sourcing.

Businesses were asked how they expect various aspects—such as business uncertainty, input costs and selling prices—to be affected over the next 12 months by the current U.S. administration. Among businesses that import from the United States, nearly three-fifths (57.0%) expect greater business uncertainty, and nearly half (49.3%) anticipate higher selling prices for their goods or services over the next 12 months. In terms of input costs, 46.9% of importers from the United States expect costs of domestic material inputs to be higher over the next 12 months and 57.3% foresee increased costs of imported material inputs.

7. [Surveys and statistical programs - Trade by Exporter Characteristics - Goods \(TEC\)](#), custom tabulation.

8. [Trade in goods by importer characteristics, by country of origin](#).

9. The most recent survey was conducted from July 2 to August 6, 2025, and respondents were asked about the next 12 months. As a result, this twelve-month period could range from July 2, 2025 to August 6, 2026, depending on when the business responded.

Among businesses that import from the United States, 71.7% reported being either very optimistic or somewhat optimistic about their outlook over the next 12 months, while 18.7% are somewhat pessimistic, 4.3% are very pessimistic and 5.3% are unsure.

## All businesses

Tariffs imposed on imports have broad economic implications for businesses in both countries that extend beyond those engaged in cross-border trade. All businesses, regardless of whether they are engaged in international trade, may be affected by disrupted supply chains, increased costs for equipment or parts, and decreased market stability. Domestic service providers, such as restaurants and construction businesses, can see shifts in costs, wages and consumer spending because of tariff-driven economic fluctuations. Essentially, tariffs shape the economic landscape far beyond trade, influencing employment, investment and overall business strategy in both countries.

Nearly two-fifths (37.3%) of all businesses reported that tariffs imposed by the United States on imports from Canada had a negative impact on their business, led by almost two-thirds (65.5%) of businesses in manufacturing and nearly half of businesses in wholesale trade (46.9%) and retail trade (45.0%). Similarly, nearly two-fifths (39.2%) of all businesses reported that countermeasures in the form of tariffs imposed by Canada on imports from the United States had a negative impact on their business.

One in four (24.9%) businesses reported that they had passed cost increases due to tariffs on to customers over the last six months, led by nearly half (49.1%) of businesses in wholesale trade and over two-fifths of businesses in retail trade (45.2%) and manufacturing (44.3%). Meanwhile, 15.4% of all businesses changed suppliers over the last three months due to tariffs, with over one-quarter of businesses in accommodation and food services (25.6%) and manufacturing (25.5%) doing so. Over one-fifth (20.8%) of businesses changed their marketing practices over the last six months to promote Canadian products, led by 45.5% of businesses in retail trade, 39.3% of businesses in accommodation and food services and 35.6% of businesses in wholesale trade. Overall, 16.0% of businesses experienced an increase in sales of Canadian products over the last six months, led by businesses in retail trade (40.7%), wholesale trade (33.1%) and accommodation and food services (30.2%).

Over the next 12 months, over half (54.0%) of all businesses have plans to take actions in response to tariffs applied by the United States on imports from Canada. Specifically, 15.8% of businesses plan to increase domestic sourcing, 15.0% of businesses plan to raise prices and 14.2% of businesses plan to seek alternative suppliers outside the United States. Meanwhile, 7.8% of businesses plan to delay major investments or expenditures. Furthermore, nearly two-fifths (39.4%) of businesses expect to pass on cost increases due to tariffs to their customers over the next 12 months.

Over three-quarters (76.1%) of businesses in manufacturing plan to take actions over the next 12 months as a result of tariffs imposed by the United States. Nearly one-third of businesses in manufacturing plan to either seek alternative suppliers outside the United States (31.6%) or increase domestic sourcing (31.5%). Furthermore, 29.9% of businesses in manufacturing plan to raise prices.

Businesses were asked how they expect various aspects—such as business uncertainty, input costs and selling prices—to be affected over the next 12 months by the current U.S. administration. Among all businesses, over two-fifths (41.3%) expect greater business uncertainty, and over one-third (34.2%) anticipate the selling prices of their goods or services to rise. Furthermore, 30.6% of businesses expect costs of domestic material inputs to be higher, and nearly one-third (33.2%) foresee higher costs of imported material inputs.

Among all businesses, 2 in 3 (66.7%) reported being either very optimistic or somewhat optimistic about their outlook over the next 12 months, while 15.4% are somewhat pessimistic, 4.6% are very pessimistic and 13.4% are unsure.

**Table 1**  
**Business or organization obstacles over the next three months, third quarter of 2025**

	All businesses	Businesses that	Businesses that
		export to the	import from the
		United States	United States
		percent	
Shortage of labour force	14.8	14.3	17.5
Recruiting skilled employees	24.2	25.1	29.7
Retaining skilled employees	18.4	17.3	20.8
Shortage of space or equipment	6.8	6.5	11.4
Cost of inputs	25.4	31.2	44.1
Costs in real estate, leasing or property taxes	20.9	16.1	24.9
Inflation	45.2	45.4	48.8
Interest rates and debt costs	24.8	23.0	29.6
Difficulty acquiring inputs, products or supplies from within Canada	10.4	17.6	20.0
Difficulty acquiring inputs, products or supplies from abroad	8.6	19.2	28.4
Maintaining inventory levels	7.1	7.8	15.7
Insufficient demand for goods or services offered	16.2	33.9	22.4
Fluctuations in consumer demand	22.6	40.5	37.6
Attracting new or returning customers	21.7	39.2	29.0
Lack of financial resources	14.3	19.7	19.2
Technological limitations	3.8	4.3	5.4
Regulatory constraints	9.6	16.7	15.7
Cost of insurance	24.2	24.7	26.7
Transportation costs	17.4	29.0	23.4
Obtaining financing	10.0	14.7	12.8
Increasing competition	20.3	24.0	27.5
Challenges related to exporting or selling goods and services to customers in other provinces or territories	2.6	11.6	6.3
Challenges related to exporting or selling goods and services outside of Canada	4.5	37.2	16.4
Maintaining sufficient cash flow or managing debt	15.6	24.7	21.3
Attract local investment	3.2	3.5	6.5
Attract foreign direct investment	1.2	4.4	1.7
Other obstacle	2.5	5.5	4.1
None	21.8	10.0	9.7
Labour-related obstacles	32.9	34.8	38.8
Cost-related obstacles	62.2	69.1	74.1
Supply chain-related obstacles	17.7	27.7	38.8

1. The results in this table are based on the survey that was in collection from July 2 to August 6, 2025, and respondents were asked what their expectations would be over the next three-month period. As a result, those three months could range from July 2 to November 6, 2025, depending on when the business responded.

2. Businesses that expect labour-related obstacles include businesses that expect at least one of the following: shortage of labour force, difficulty recruiting skilled employees, or difficulty retaining skilled employees.

3. Businesses that expect cost-related obstacles include businesses that expect at least one of the following: cost of inputs; costs in real estate, leasing or property taxes; inflation; interest rates and debt costs; cost of insurance; or transportation costs.

4. Businesses that expect supply chain-related obstacles include businesses that expect at least one of the following: difficulty acquiring inputs, products or supplies from within Canada, difficulty acquiring inputs, products or supplies from abroad, or maintaining inventory levels.

**Source:** Statistics Canada, Canadian Survey on Business Conditions, third quarter of 2025 (Table 33-10-1019-01).

**Table 2****Planned actions over the next 12 months by business or organization as a result of any tariffs applied by the United States on imports from Canada, third quarter of 2025**

	All businesses	Businesses that	Businesses that
		export to the United States	import from the United States
percent			
Seek alternative customers outside the United States	5.6	24.2	14.2
Seek alternative suppliers outside the United States	14.2	23.8	35.9
Increase domestic sourcing	15.8	23.7	32.6
Delay major investments or expenditures	7.8	16.5	17.9
Delay Canadian investment or expansion plans	4.9	12.5	13.6
Acquire or partner with United States-based businesses as a beachhead strategy	0.9	7.3	3.1
Explore trade-related financial tools	1.0	3.7	3.2
Establish operations in the United States	0.9	8.7	4.2
Increase inventory or stockpiled goods	3.4	5.6	6.8
Invest in technology improvements	3.5	8.9	7.1
Lay off employees	3.3	9.6	6.0
Hire employees	2.9	5.2	3.5
Raise prices of goods or services	15.0	24.5	28.5
Lower prices of goods or services	1.9	7.5	4.3
Other action	0.5	1.8	0.1
None	46.0	25.5	18.6
Unknown	18.3	18.0	11.8

1. The results in this table are based on the survey that was in collection from July 2 to August 6, 2025, and respondents were asked what their expectations would be over the next 12-month period. As a result, those 12 months could range from July 2, 2025, to August 6, 2026, depending on when the business responded.

**Source:** Statistics Canada, Canadian Survey on Business Conditions, third quarter of 2025 (Table 33-10-1029-01).

## Methodology

From July 2 to August 6, 2025, representatives from businesses across Canada were invited to complete an online questionnaire about business conditions and business expectations moving forward. The Canadian Survey on Business Conditions uses a stratified random sample of business establishments with employees, categorized by geography, industry sector and size. Proportions are estimated using calibrated weights to calculate the population totals in the areas of interest. The total sample size for this iteration of the survey was 21,406, and results are based on responses from 9,494 businesses or organizations.

## References

Statistics Canada. 2025. Canadian Survey on Business Conditions, third quarter of 2025.