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Analysis in Brief

Impacts of tariffs on businesses in Canada: Expectations and strategic responses, fourth quarter of 2025

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Impacts of tariffs on businesses in Canada: Expectations and strategic responses, fourth quarter of 2025

By **Samantha Menardi, Shivani Sood** and **Chris Johnston**

In 2025, the economic ties between Canada and the United States, once marked by stability and close integration, entered a period of increased tension. Decades of cooperation and shared supply chains gave way to uncertainty as trade tensions and policy shifts challenged one of the world's most significant bilateral trade relationships. Tariff measures and policy shifts introduced uncertainty for businesses and policy makers on both sides of the border.

Since the second quarter of 2025, the Canadian Survey on Business Conditions has included a series of tariff-focused questions to gauge the expectations and strategic plans of businesses across Canada. Amid ongoing shifts in tariffs, trade regulations and U.S. policy, the Canadian Survey on Business Conditions has remained an important tool for understanding the impact of tariffs on businesses in Canada. Building on analysis from the second¹ and third² quarters of 2025, which captured the introduction of newly imposed tariffs, followed by reactions to countermeasures, this paper presents updated findings for the fourth quarter of 2025 from the survey that was conducted from October 1 to November 5, 2025.

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.³ According to the results from the Canadian Survey on Business Conditions for the fourth quarter of 2025, businesses that exported goods or services to the United States over the last 12 months made an average of 36.7% of their total sales to that market.

Over one-third (35.9%) of businesses that export to the United States expect that tariffs imposed on goods sold by businesses in Canada to the United States have a major negative impact on their businesses. Over one-third (36.8%) of exporters to the United States reported that they were subject to tariffs on goods and services that they sold over the last three months.

Businesses were asked how they expect various aspects—such as their profitability, sales and prices—to change over the next three months as well as what obstacles they expect to face. Over two-fifths (41.5%) of businesses exporting to the United States foresee a decline in their overall profitability and over one-third (34.4%) anticipate challenges related to exporting or selling goods and services outside of Canada over the next three months. Furthermore, 39.1% of businesses that export to the United States expect their operating expenses to increase, 22.9% expect their sales to decrease, and 17.2% expect that their overall exports will decrease. As businesses expect to make fewer sales over the next three months, over one-quarter (26.6%) of exporters to the United States anticipate an increase in the selling price of their goods and services. Overall, 64.8% of businesses that export goods or services to the United States reported an optimistic outlook over the next 12 months while over one-quarter (26.9%) reported a pessimistic outlook.

Businesses were asked how likely they are to pass cost increases caused by tariffs onto their customers over the next 12 months. Half (50.9%) of businesses that exported to the United States reported being either very or somewhat likely to pass costs onto their customers. Businesses that were most likely to pass costs onto customers over the next 12 months were exporters to the United States in retail trade (84.6%), wholesale trade (81.1%), and manufacturing (69.9%).

Businesses were asked whether they plan to take any actions over the next 12 months as a result of the tariffs that have been applied by the United States to goods that are being imported from Canada. Nearly one-quarter (22.7%) of businesses that export to the United States plan to raise the prices of their goods and services, led by over half (53.0%) of those in wholesale trade and nearly two-fifths (38.5%) of those in retail trade. Over one-fifth (21.9%) of exporters to the United States plan to seek alternative customers outside the United States.

1. [Impact of tariffs on businesses in Canada: Expectations and strategic responses, second quarter of 2025.](#)
2. [Impact of tariffs on businesses in Canada: Expectations and strategic responses, third quarter of 2025.](#)
3. [Trade in goods by exporter characteristics, by country of destination.](#)

Businesses that import from the United States

In 2023, Canada had 167,050 establishments that imported goods, more than two-thirds (69.2%) of which imported goods from the United States.⁴ 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 24.4%. Over half (56.6%) of businesses that import from the United States reported that Canada had imposed tariffs on the goods they had purchased from the United States over the last three months, and this was most common for businesses in manufacturing (74.8%), administrative and support, waste management and remediation services (73.7%) and accommodation and food services (71.6%).

Among businesses that imported from the United States over the last 12 months, one-third (33.3%) anticipate tariffs imposed by Canada on goods purchased from the United States to have a minor negative impact on their businesses, while nearly one-quarter (24.9%) expect a major negative impact.

Over the next three months, nearly two-fifths of businesses that import from the United States expect an increase in their operating expenses (39.2%), the selling price of their goods or services (37.8%) and a decline in their profitability (37.1%).

Over the next 12 months, to mitigate risks associated with tariffs applied by the United States on goods sold from Canada, nearly two-fifths (38.4%) of businesses that currently import from the United States plan to seek alternative suppliers, 31.4% plan to raise prices of their goods or services and 26.1% plan to increase domestic sourcing. About half (48.4%) of importers from the United States in retail trade plan to seek alternative suppliers outside of the United States.

Nearly 7 in 10 (69.1%) businesses that import goods or services from the United States have either a very or somewhat optimistic view over the next 12 months, and just over one-quarter (26.7%) of businesses have either a very or somewhat pessimistic outlook.

All businesses

The broad economic implications of tariffs on Canadian businesses extend far beyond those directly engaged in trade with the United States. From suppliers to customers and across entire supply chains, virtually all businesses feel the ripple effects. Tariffs shape the economic landscape far beyond trade, influencing employment, investment and overall business strategy of all businesses in both countries.

Over one-third of all businesses said that tariffs imposed by Canada on goods purchased from businesses in the United States (36.1%) and tariffs imposed by the United States on goods sold by businesses in Canada (35.9%) impact their business in a negative way.

Over the next three months, 14.7% of businesses expect supply chain challenges to be an obstacle. Among these businesses, over three-fifths (61.4%) reported that their supply chain challenges had worsened over the previous three months. These businesses were asked to identify the factors that contributed to worsened supply chain challenges. Increased prices of inputs, products or supplies was the most common reason reported for worsened supply chain challenges (84.3%), followed by increased delays in deliveries of inputs, products or supplies (60.3%).

Under two-fifths (36.8%) of all businesses reported that they have been subjected to tariffs imposed by the United States on goods or services they sell over the last three months led by nearly two-thirds of all businesses in wholesale trade (65.5%) and manufacturing (65.4%). Two-fifths (39.9%) of all businesses reported that they are likely to pass cost increases caused by tariffs onto their customers over the next 12 months led by nearly two-thirds of those in wholesale trade (65.2%), manufacturing (63.9%) and retail trade (63.0%).

Over the next 12 months, 16.6% of all businesses plan to raise the prices of their goods or services, as a result of tariffs applied by the United States on Canadian imports while 14.9% plan to increase domestic sourcing and 12.1% plan to seek alternative suppliers outside of the United States.

Among all businesses, almost half (45.6%) reported being somewhat optimistic about their outlook over the next 12 months, just over one-fifth (20.7%) reported being very optimistic, while 17.0% reported being very pessimistic, 4.9% were somewhat pessimistic and 12.0% were unsure.

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

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

	All businesses	Businesses that	Businesses that
		export to the United States	import from the United States
	percent		
Shortage of labour force	17.1	10.7	15.6
Recruiting skilled employees	26.4	26.9	31.5
Retaining skilled employees	18.8	19.3	24.8
Shortage of space or equipment	5.3	6.8	9.0
Cost of inputs	26.3	39.5	45.4
Costs in real estate, leasing or property taxes	20.4	15.4	20.6
Inflation	41.1	37.4	47.1
Interest rates and debt costs	22.9	20.4	25.4
Difficulty acquiring inputs, products or supplies from within Canada	8.8	8.2	12.3
Difficulty acquiring inputs, products or supplies from abroad	7.0	15.2	16.4
Maintaining inventory levels	6.5	6.9	7.1
Insufficient demand for goods or services offered	17.2	22.9	18.9
Fluctuations in consumer demand	23.4	30.5	38.3
Attracting new or returning customers	21.5	27.8	28.4
Lack of financial resources	14.8	13.1	16.0
Technological limitations	6.1	8.1	5.7
Regulatory constraints	10.8	13.4	16.1
Cost of insurance	26.2	24.6	29.9
Transportation costs	16.9	16.8	24.4
Obtaining financing	9.7	6.2	8.8
Increasing competition	20.9	21.7	17.8
Challenges related to exporting or selling goods and services to customers in other provinces or territories	2.5	4.3	3.4
Challenges related to exporting or selling goods and services outside of Canada	5.3	34.4	17.5
Maintaining sufficient cash flow or managing debt	16.4	16.4	20.0
Attract local investment	3.7	4.7	2.4
Attract foreign direct investment	1.2	3.3	2.0
Other obstacle	2.2	1.9	0.9
None	20.7	12.9	6.9
Labour-related obstacles	35.9	36.2	42.9
Cost-related obstacles	61.2	64.9	72.5
Supply chain-related obstacles	14.7	22.2	24.9

Notes: The results in this table are based on the survey that was in collection from October 1 to November 5, 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 October 1, 2025 to February 5, 2026, depending on when the business responded.

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.

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.

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, fourth quarter of 2025 (Table 33-10-1060-01).

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, fourth 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	4.2	21.9	11.7
Seek alternative suppliers outside the United States	12.1	19.7	38.4
Increase domestic sourcing	14.9	14.4	26.1
Delay major investments or expenditures	6.1	14.5	11.9
Delay Canadian investment or expansion plans	4.9	9.3	9.5
Acquire or partner with United States-based businesses as a beachhead strategy	1.0	6.8	1.4
Explore trade-related financial tools	0.8	4.5	1.2
Establish operations in the United States	1.0	5.6	1.0
Increase inventory or stockpiled goods	2.7	3.7	7.2
Invest in technology improvements	3.3	6.9	6.0
Lay off employees	3.0	5.5	3.1
Hire employees	2.4	1.9	3.0
Raise prices of goods or services	16.6	22.7	31.4
Lower prices of goods or services	0.7	1.0	1.2
Other action	0.3	1.1	0.1
None	49.4	35.3	26.7
Unknown	16.9	13.2	15.2

Note: The results in this table are based on the survey that was in collection from October 1 to November 5, 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 October 1, 2025, to November 5, 2026, depending on when the business responded.

Source: Statistics Canada, Canadian Survey on Business Conditions, fourth quarter of 2025 (Table 33-10-1070-01).

Methodology

From October 1 to November 5, 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 20,838 and results are based on responses from 9,129 businesses or organizations.

References

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