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Analysis in Brief

Review of business conditions since 2021

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Review of business conditions since 2021

by **Stephanie Tam, Robert Fair and Chris Johnston**

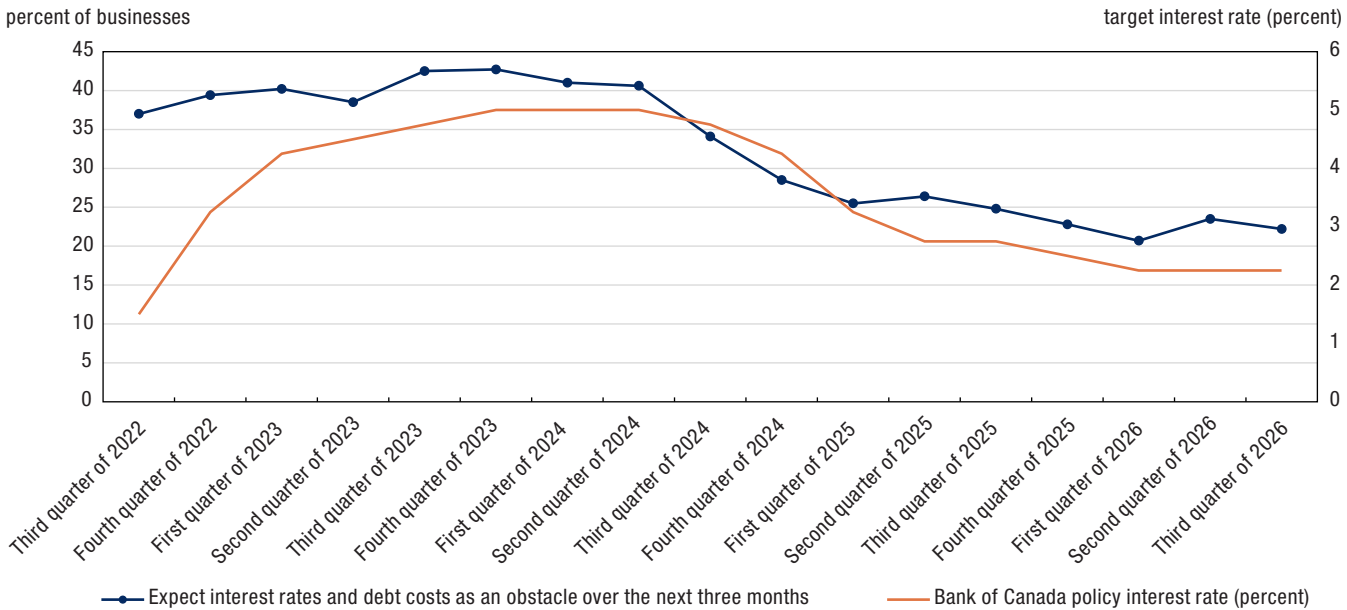
From the first quarter of 2021 to the third quarter of 2026, Statistics Canada conducted the Canadian Survey on Business Conditions (CSBC) to better understand the environment in which businesses in Canada were operating, as well as their business expectations. This timeframe included several major developments, such as the different stages of the COVID-19 pandemic, changes in trade and tariff agreements, shifts in U.S. policy, and geopolitical events.

This article provides insights into key indicators that have been collected over time for the past several quarters, such as business characteristics, expected obstacles and future business outlook, as well as a pulse on inflationary pressures, labour, and supply chain issues.

Impact of interest rates on businesses

Changes in monetary policy have had an impact on the proportion of businesses that perceive interest rates and debt costs as an expected obstacle to their short-term operations. Since this response category was first introduced in the survey in the third quarter of 2022, interest rates and debt costs have regularly been cited as a key expected obstacle over the short term. When the Bank of Canada policy interest rate peaked at 5.0% during the period of July 2023 to June 2024,¹ approximately two-fifths of businesses indicated that they expected interest rates and debt costs would be an obstacle for their business over the next three months. With policy interest rates easing to 2.25% at the start of 2026, the proportion of businesses that indicated interest rates and debt costs as an expected obstacle decreased. Nonetheless, by the third quarter of 2026, interest rates and debt costs were still reported as an expected obstacle by nearly one in four businesses in Canada.

Chart 1
Expected impact of interest rates and debt costs, and bank of Canada policy interest rate, third quarter of 2022 to third quarter of 2026



Note: The policy interest rate for January 1, April 1, July 1, and October 1 or the closest date available were used for the first, second, third, and fourth quarters respectively.
Source: Statistics Canada. Canadian Survey on Business Conditions, third quarter of 2022 to third quarter of 2026; and Bank of Canada, Policy interest rate, 2023 to 2026.

1. Bank of Canada. 2023 to 2025. [Policy interest rate](#).

Impact of inflation, the cost of inputs, and increasing selling prices on business expectations

In the third quarter of 2022, the CSBC introduced a new response category whereby businesses could indicate that they expected inflation would be an obstacle over the next three months. The proportion of businesses that cited inflation as an expected obstacle peaked at 60.0% in the third quarter of 2022, hovering around half of businesses through 2023 up to the third quarter of 2024, and then dropped to less than half of businesses in the fourth quarter of 2024 and throughout 2025. In the third quarter of 2026, 41.6% of businesses anticipated inflation to be an expected obstacle, one of the lowest proportions since the introduction of this category. Notably, once this category was introduced in the third quarter of 2022, it remained as the top expected obstacle cited by businesses each quarter.

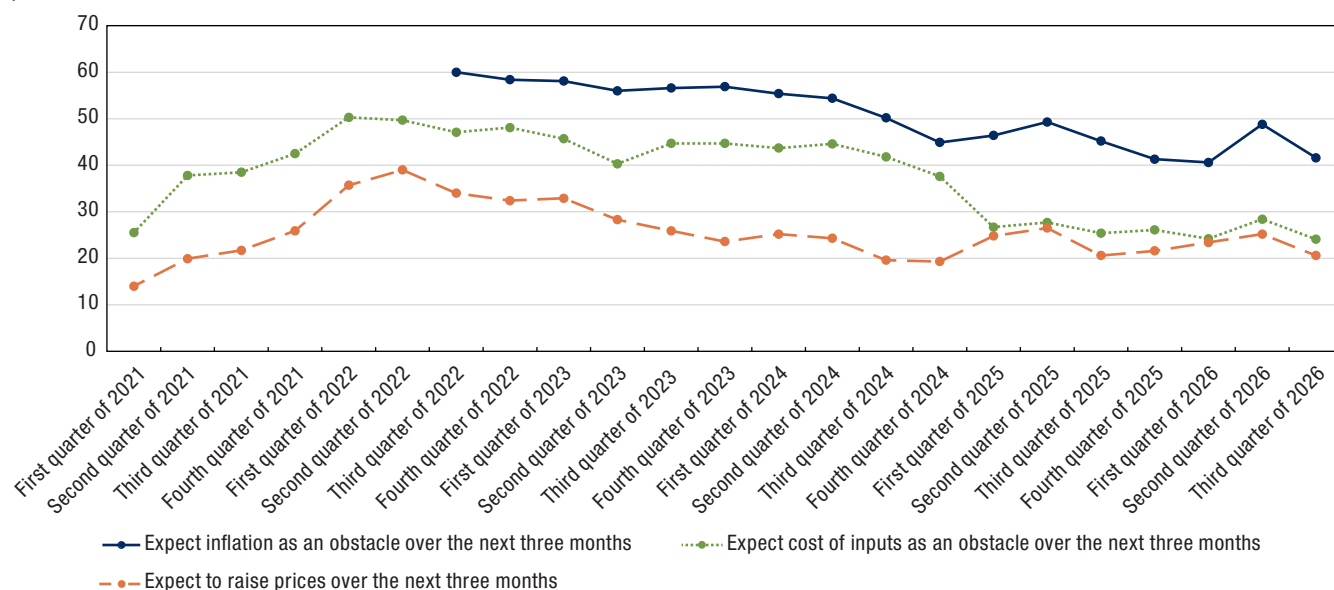
The cost of inputs, which includes the costs of labour, raw materials and energy, as an expected obstacle was included as a response category since the early stages of the survey in the third quarter of 2020 and was commonly the second-most expected obstacle by businesses each quarter. As inflationary pressures intensified during the pandemic, 50.3% of businesses reported the cost of inputs as an expected obstacle in the first quarter of 2022. By the third quarter of 2026, this obstacle had become less prevalent, with the proportion of businesses reporting input costs falling by more than half, to 24.1%. While raw materials and energy prices have remained volatile in recent years, labour cost pressures have eased. The unemployment rate increased from 5.3% in 2022 to 6.3% in 2024 and 6.8% in 2025.²

When businesses anticipate the cost of inputs as an obstacle, some businesses may adapt by increasing the selling price of their goods and services. Similar to the proportion of businesses that expected the cost of inputs to be an obstacle over the next three months, the proportion of businesses that expected to raise the selling price of goods and services offered over the next three months stood at 14.0% in the first quarter of 2021, peaked at 39.0% in the second quarter of 2022, and decreased to around one-quarter throughout most of 2023. For the next three years, the proportion of businesses that expected to raise the selling price of their goods and services has remained relatively stable, ranging between one-fifth to one-quarter of businesses.

Chart 2

Proportion of businesses citing inflation and cost of inputs as expected obstacles, and expecting to raise prices, first quarter of 2021 to third quarter of 2026

percent of businesses



Source: Statistics Canada. Canadian Survey on Business Conditions, first quarter of 2021 to third quarter of 2026.

2. Statistics Canada. 2022 to 2025. [Unemployment rate, participation rate and employment rate by educational attainment, annual](#).

Labour-related obstacles were amongst the leading obstacles expected by businesses in Canada

Canada's labour market has undergone considerable changes in recent years. First, there was the loss of roughly 3.4 million jobs at the outset of the pandemic in 2020.³ The gradual reopening of the economy led to an overheating of the labour market by early 2022, with a total of 337,000 jobs added in February 2022 alone,⁴ and a high of nearly one million (990,325) vacant positions in June 2022. Job vacancy rates have come down from their peak and returned approximately to pre-pandemic levels in September 2024.⁵ While an unemployment rate of 7.1% was observed in August and September 2025,⁶ by July 2026, employment increased by 75,000 (+0.4%) and the unemployment rate declined to 6.4%.⁷

Within this context, labour-related obstacles were amongst the leading obstacles expected by businesses in Canada. Labour-related obstacles consist of challenges related to retaining and recruiting skilled employees, as well as a shortage of labour force. The proportion of businesses that reported at least one labour-related obstacle peaked in the third quarter of 2023 (47.7%). Since then, this proportion has decreased steadily to around two-fifths in 2024, before falling to around one-third in 2025 and 2026.

Businesses also reported expectations related to changes with their workforce and vacant positions. The proportion of businesses that expected the number of employees to increase has remained within a relatively narrow range, peaking at 18.1% in the second quarter of 2022, easing slightly to 16.3% in the second quarter of 2023, then decreasing to around 1 in 10 businesses since 2024. Additionally, regarding businesses that expect an increase in vacant positions, this proportion reached 9.3% in the first quarter of 2022 and has since steadily decreased to 4.7% in the third quarter of 2026, coinciding with the changes in the job vacancy rate over the same time period.

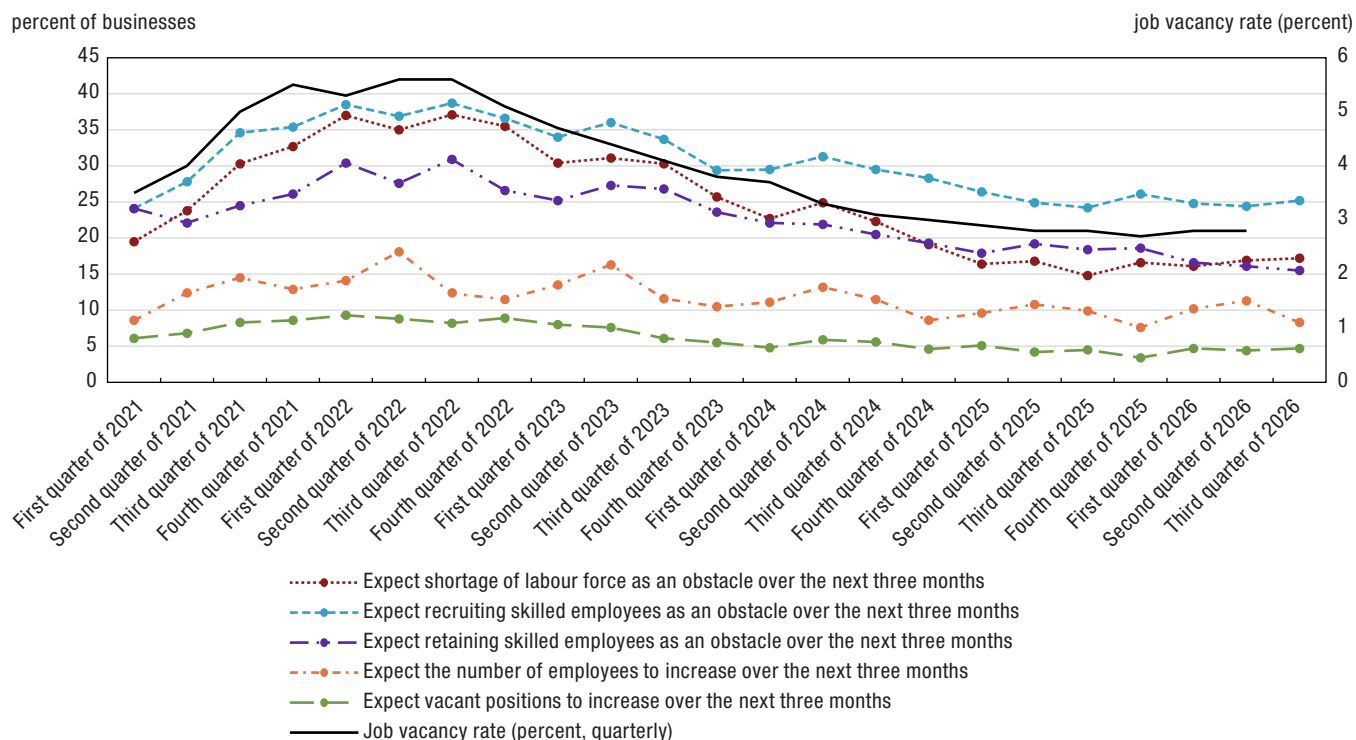
3. Statistics Canada. 2022. [Employment growth in Canada and the United States during the recovery from COVID-19](#).

4. Employment and Social Development Canada. 2022. [Government of Canada announces Workforce Solutions Road Map – further changes to the Temporary Foreign Worker Program to address labour shortages across Canada](#) - Canada.ca.

5. Statistics Canada. 2022. [Job vacancies, payroll employees, and job vacancy rate by industry sector, monthly, adjusted for seasonality](#).

6. Statistics Canada. 2025. [Labour force characteristics, monthly, seasonally adjusted and trend-cycle](#).

7. Statistics Canada. 2026. [Labour force characteristics, monthly, seasonally adjusted and trend-cycle](#).

Chart 3**Job vacancy rate and proportion of businesses citing labour-related obstacles, first quarter of 2021 to third quarter of 2026**

Note: The seasonally adjusted monthly job vacancy rate for January, April, July, and October was used for the first, second, third, and fourth quarters respectively. Additionally, for the first quarter of 2021 only, the CSBC combined recruiting and retaining skilled employees as an expected obstacle into one category. For the purposes of this chart, the same value was used for each category.

Source: Statistics Canada. Canadian Survey on Business Conditions, first quarter of 2021 to third quarter of 2026; and Job vacancies, payroll employees, and job vacancy rate by provinces and territories, monthly, adjusted for seasonality, 2021 to 2026.

Resilience of Canadian supply chains

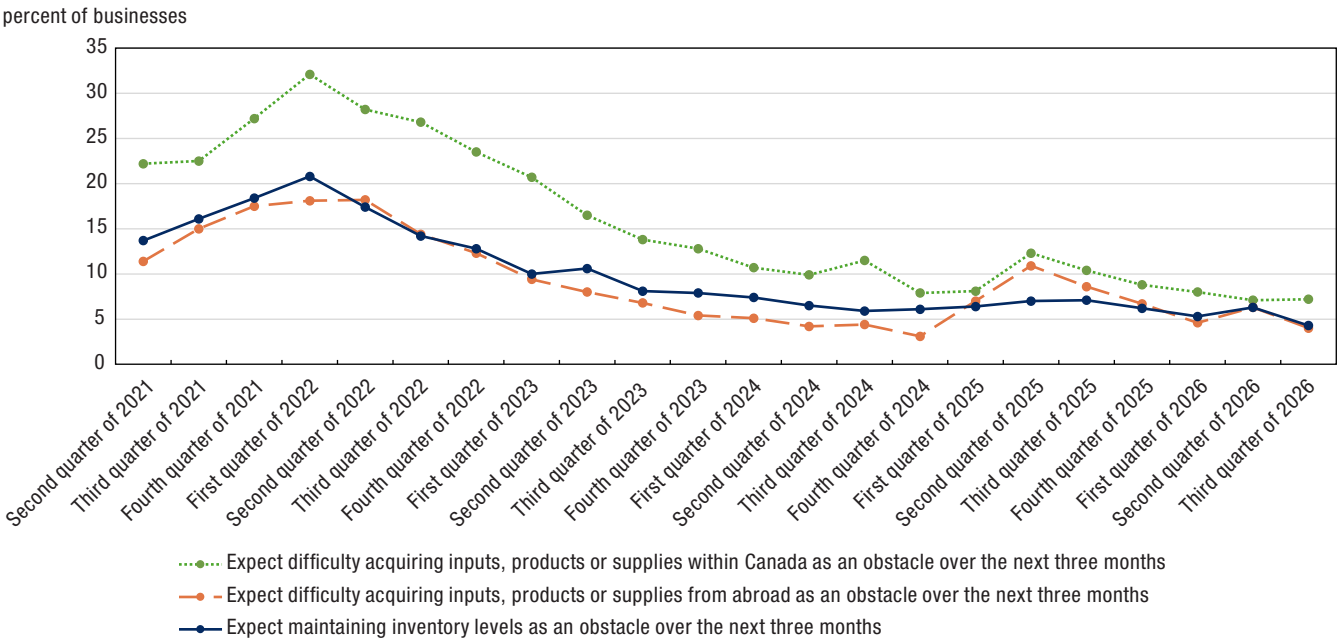
Canadian businesses experienced supply chain challenges due to the COVID-19 pandemic in early 2020.⁸ The tightening and closing of borders, the restrictions on the movement of people and goods, and the closure of businesses as strategies to control the spread of the virus, all had impacts on supply chains. While these challenges have been significant, they have been abating since the second half of 2022. Nonetheless, the resilience of supply chains and the impact supply chains have on the economy remain of interest.

The proportion of businesses that expected difficulty acquiring inputs, products or supplies domestically in the next three months peaked at 32.1% in the first quarter of 2022, up from around one-quarter of businesses throughout most of 2021. Since then, this proportion has decreased gradually to hover around 1 in 10 businesses since the beginning of 2023.

Similarly, the proportion of businesses that expected difficulty acquiring inputs, products or supplies abroad peaked at 18.2% in the second quarter of 2022 but has since declined to 4.0% in the third quarter of 2026. Additionally, the proportion of businesses that expected maintaining inventory levels to be an obstacle over the next three months peaked at 20.8% in the first quarter of 2022 and has since declined to less than 1 in 10 businesses starting from the third quarter of 2023.

8. Transport Canada. 2022. [Final Report of The National Supply Chain Task Force 2022](#).

Chart 4
Proportion of businesses that expected supply chain obstacles, second quarter of 2021 to third quarter of 2026



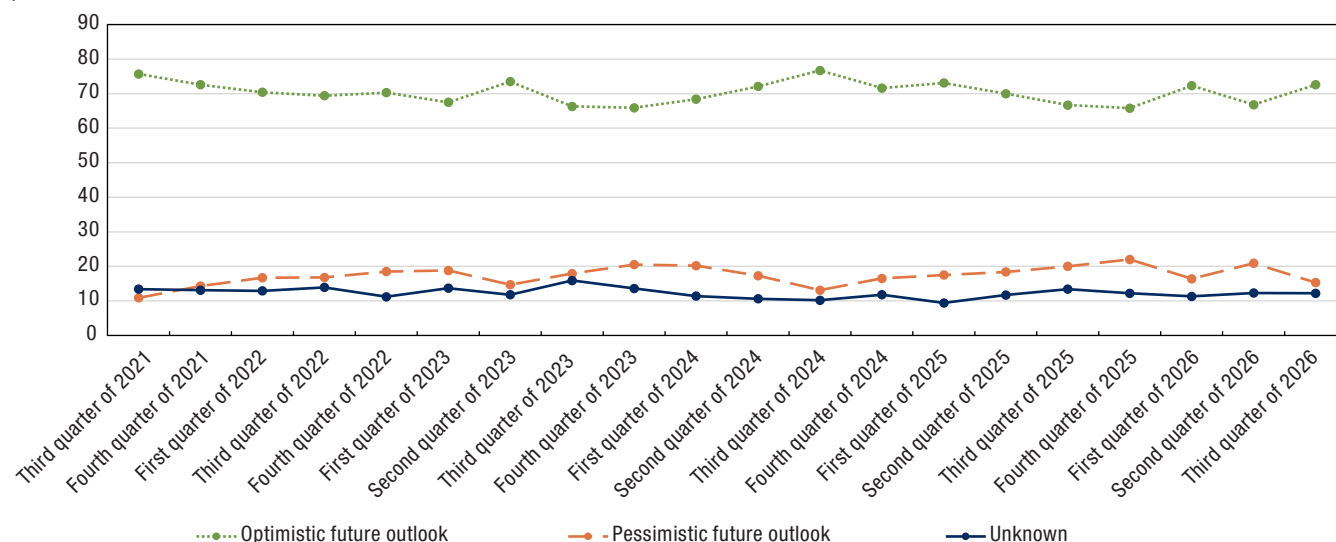
Source: Statistics Canada. Canadian Survey on Business Conditions, second quarter of 2021 to third quarter of 2026.

Future outlook

Since the third quarter of 2021, the CSBC asked businesses to indicate their future outlook over the next 12 months to gauge general business optimism. Despite businesses operating through changing economic conditions and expecting various cost, labour, and supply chain obstacles, business optimism remained generally positive. Consistently throughout most of the survey period, between two-thirds and three-quarters of businesses were not concerned about their future outlook. A smaller proportion of businesses reported a pessimistic outlook.

Chart 5
Future outlook, third quarter of 2021 to third quarter of 2026

percent of businesses



Note: The future outlook data for the second quarter of 2022 is not included in the chart above as it was asked to respondents differently that quarter.

Source: Statistics Canada. Canadian Survey on Business Conditions, third quarter of 2021 to third quarter of 2026.

Methodology

From the first quarter of 2021 to the third quarter of 2026, 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 classified by geography, industry sector and size. Proportions are estimated using calibrated weights to calculate the population totals in the domains of interest. For more information on methodology for various iterations of the survey, please visit [Other reference periods - Surveys and statistical programs - Canadian Survey on Business Conditions \(CSBC\)](#). The most recent release from the CSBC can be found [here](#).

References

Statistics Canada. 2021-2026. Canadian Survey on Business Conditions.