

Still in uncertain waters... how does the path forward look for Canada's entrepreneurs?

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Canadian economic outlook

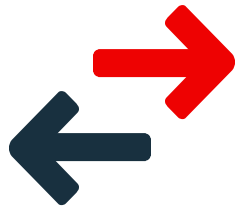
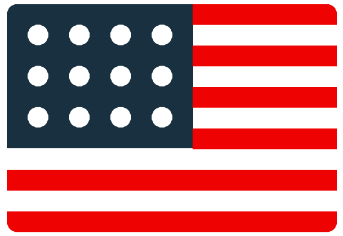
Is “uncertainty” the word of the year?



Economic Uncertainty Index, Canada



The tariffs just keep coming



U.S. tariffs on Canada:

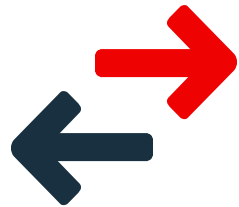
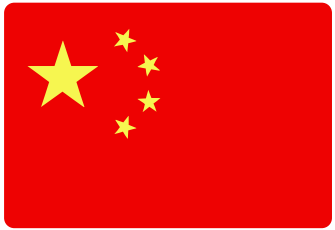


- 50% on aluminum, steel and copper
- 25% on cars, heavy trucks, 10% on buses*
- 45% on softwood lumber
- 25% on kitchen cabinets and bathroom vanities (50% Jan 1st)
- 25% on upholstered furniture (30% Jan 1st)
- Removal of “de minimis” provision

And more announced but not yet implemented (pharmaceuticals, movies, etc...)

* non-US content only

Chinese tariffs not to be ignored



Chinese tariffs on Canada:

- 100% canola oil, flour and peas
- 25% on seafood and pork
- 75.8% on canola seed imports in addition to existing 100% tariffs



Export volumes have stabilized at a lower level



Exports, (\$M)

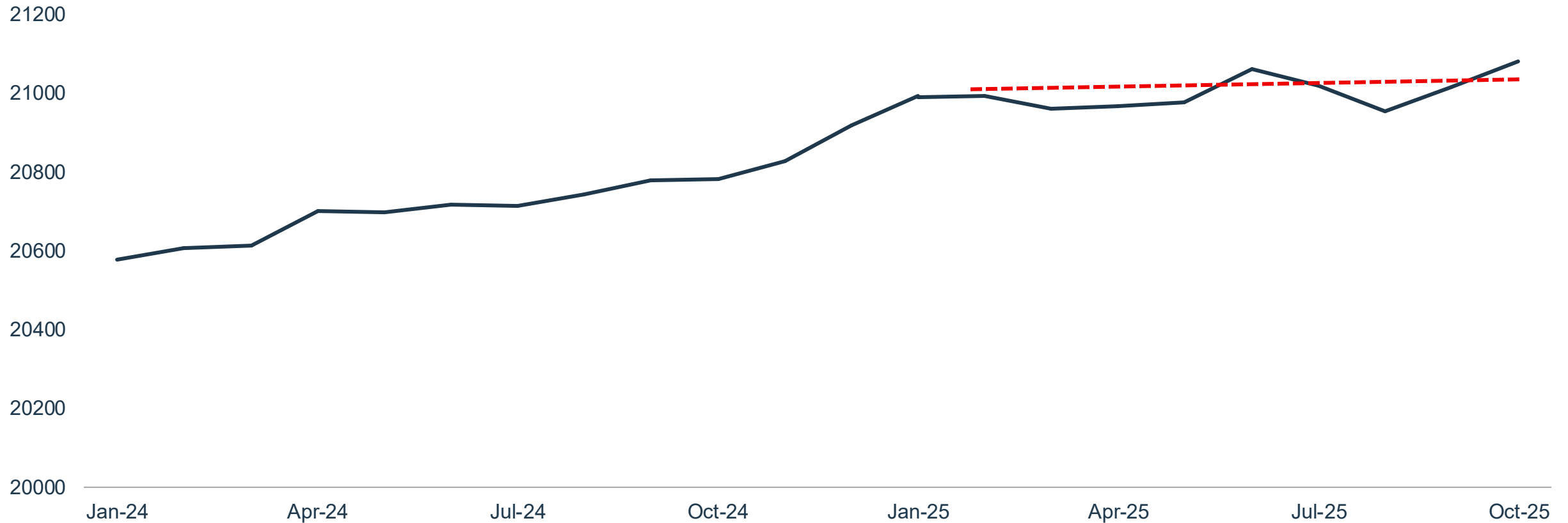


Source: via Haver Analytics, BDC.

Employment has slowed this year...



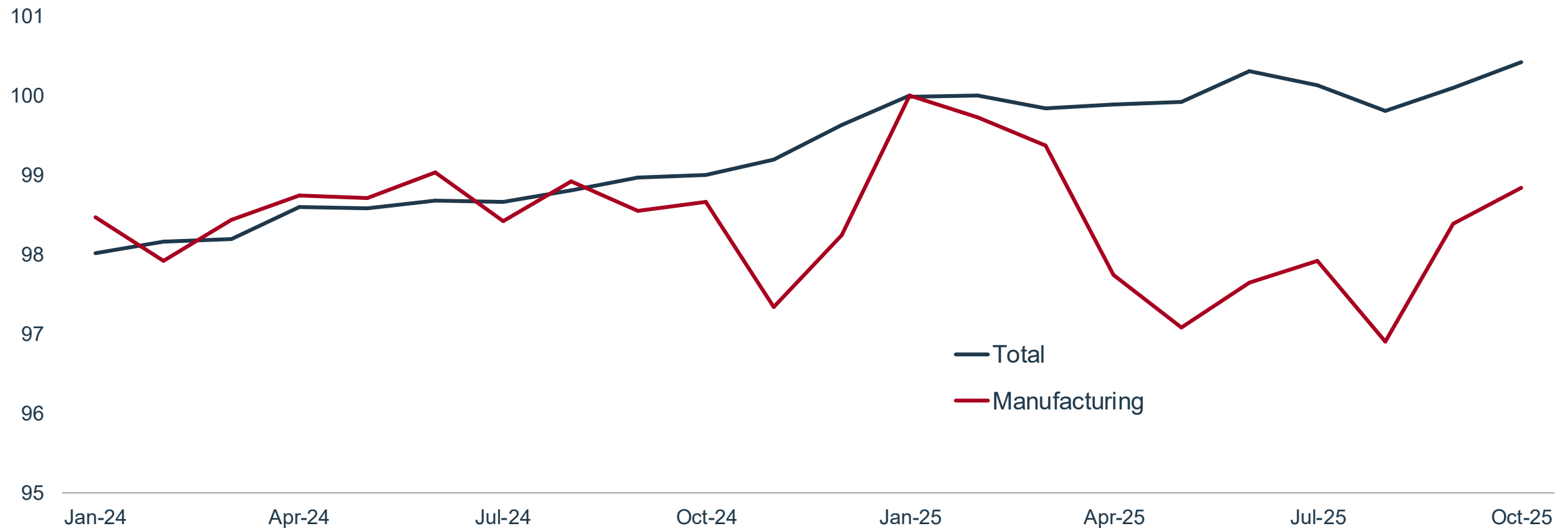
Employment, in thousands



Source: via Haver Analytics, BDC.

... but manufacturing has borne most of the weakness *

Employment, Jan. 2025=100



Source: via Haver Analytics, BDC.



Some sectors
will support
economic
growth



Consumption keeping Canada's economy afloat



+ 3.4%

Real retail sales increased 3.4% in the first half of the year vs last year's same period average levels.

Source: via Haver Analytics, BDC.

New major projects will create opportunities

- ➔ Phase two of LNG Canada in Kitimat, B.C., doubling its production of liquefied natural gas
- ➔ The Darlington New Nuclear Project in Clarington, Ont., which will make small modular reactors
- ➔ Contrecoeur Terminal Container Project to expand the Port of Montreal
- ➔ The McIlvenna Bay Foran Copper Mine Project in Saskatchewan
- ➔ The expansion of the Red Chris Mine in northwestern B.C.

More projects announced in budget 2025

Port of Churchill Plus aims to transform the port, expanding diversification options

Arctic Security Corridor, dual-use infrastructure investments contributing to national defense and economic development

Pathways Plus, carbon capture and storage network

Wind West Atlantic Energy, first offshore wind power project in Canada

Alto High-Speed Rail, about 1000km between Toronto and Québec, 51 000 jobs over 10 years

...and more to come!



Tariffs show limited impact on
inflation *so far*



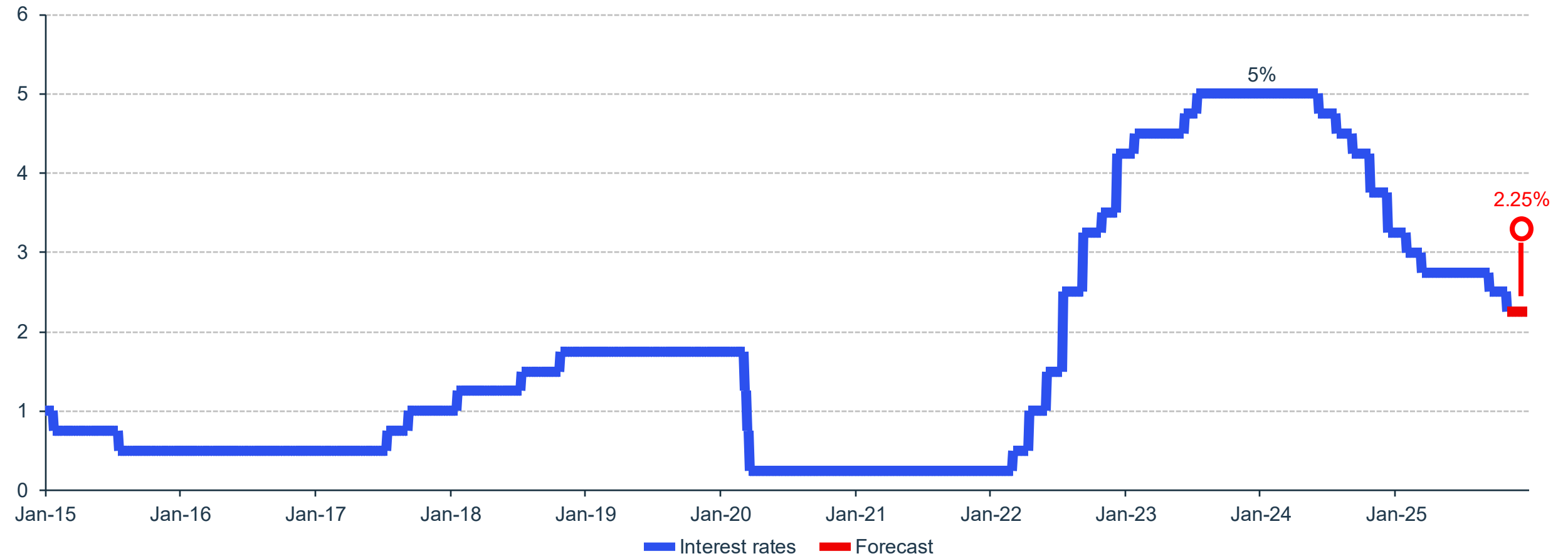
2.4%

Inflation level in September 2025

Source: Bank of Canada, BDC.

Interest rates now on the lower end of the neutral rate *

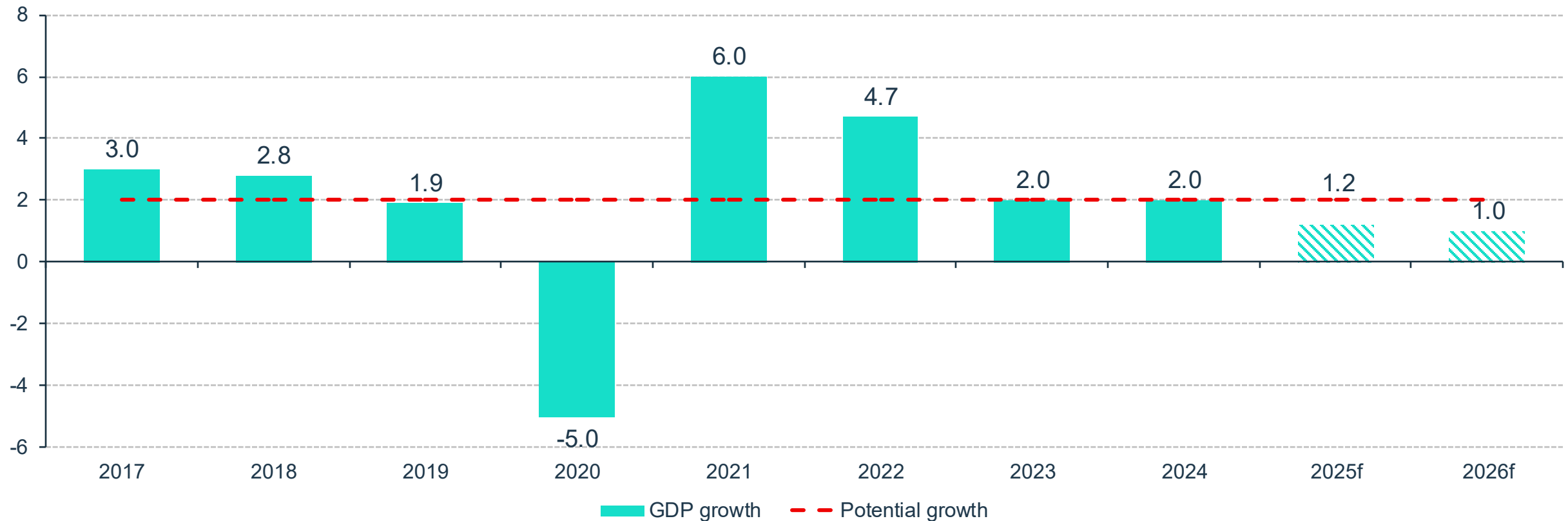
Policy rate (%), Canada



While growth prospects remain weak, we do not foresee a recession



Annual growth in Canadian real GDP (%)





Ontario's economic outlook

Dutied goods are taking the hit



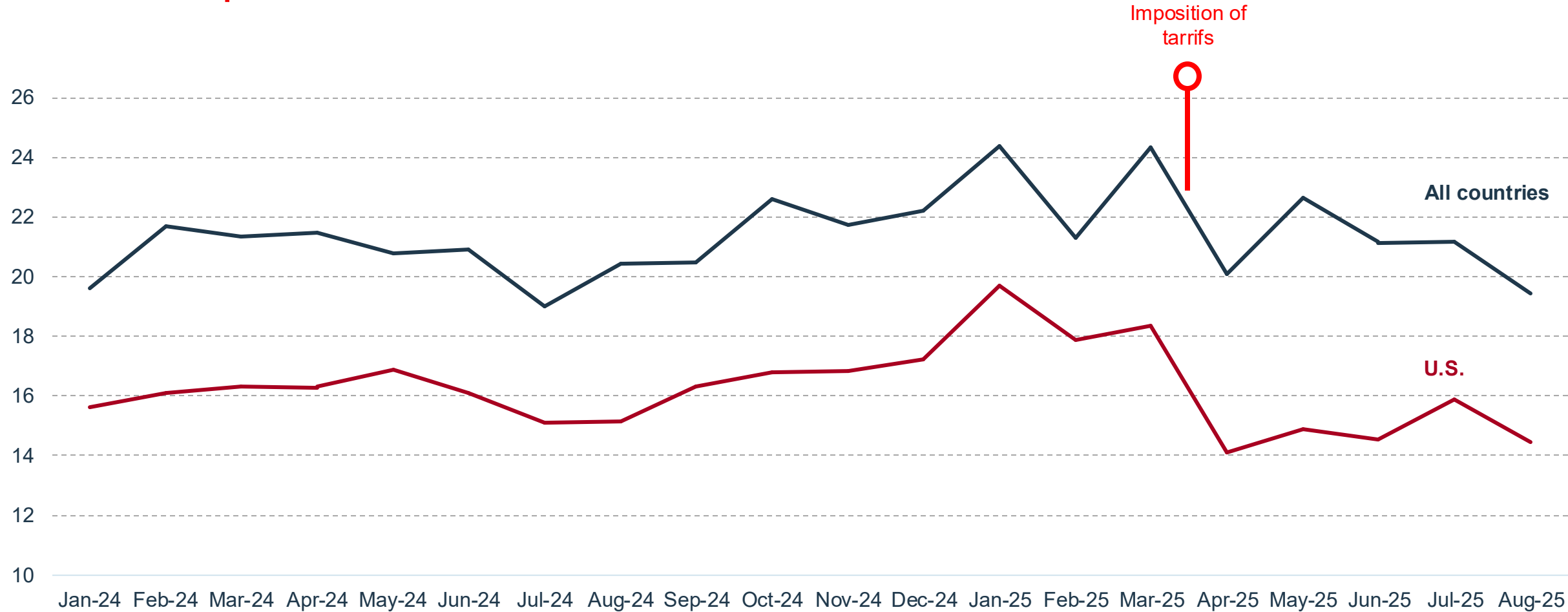
Change in exports, year-over-year, (%)



Ontario's exports sector has moved down this year



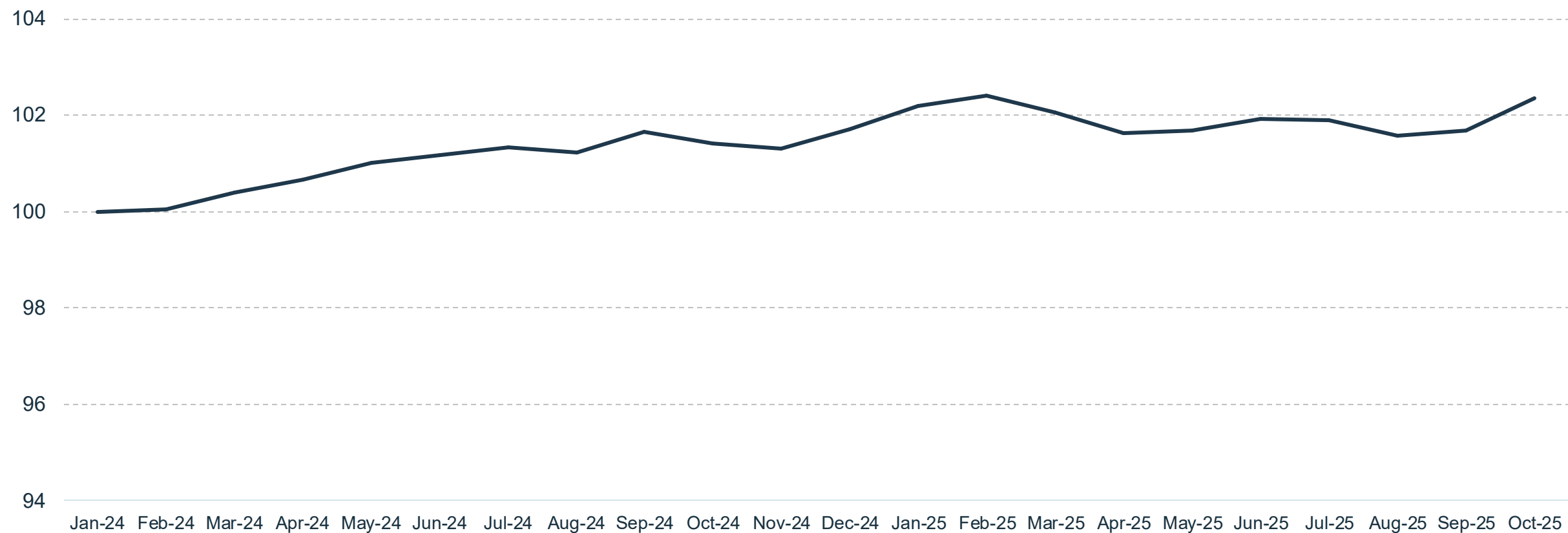
Ontario exports, total and to U.S., in dollar billions



Ontario jobs market showing life in Sep-Oct



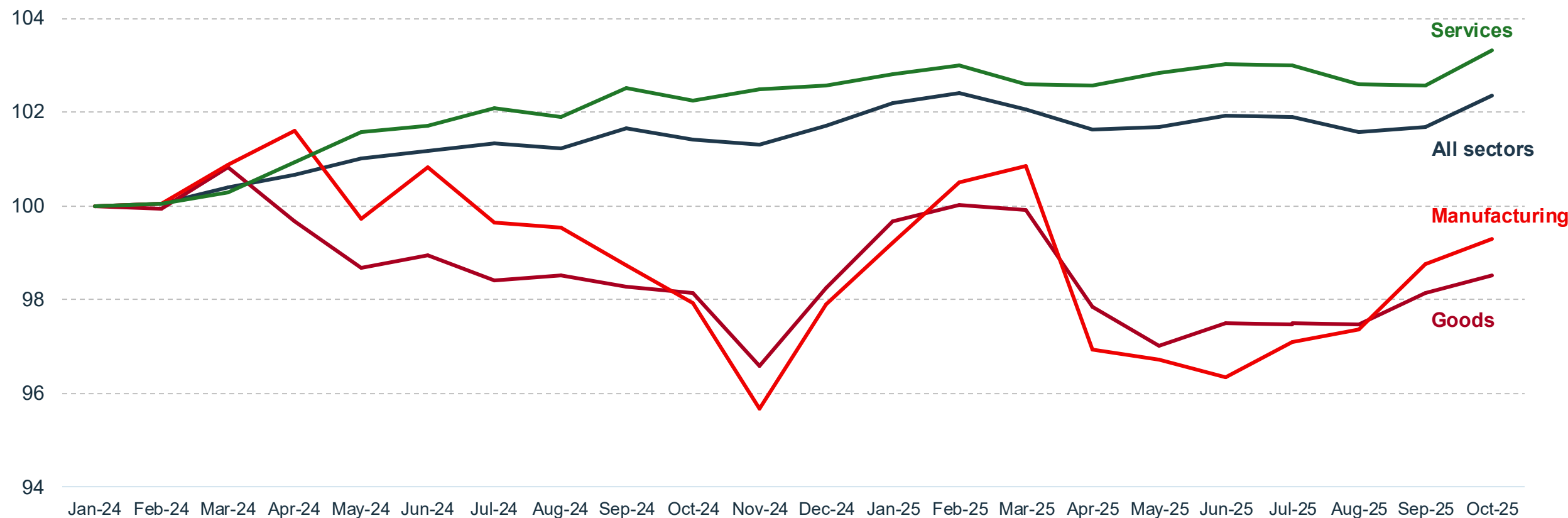
Employment, index Jan 2024=100, Ontario



Goods-producing jobs still under pressure



Employment, index Jan 2024=100, Ontario



Source : via Haver Analytics, BDC.

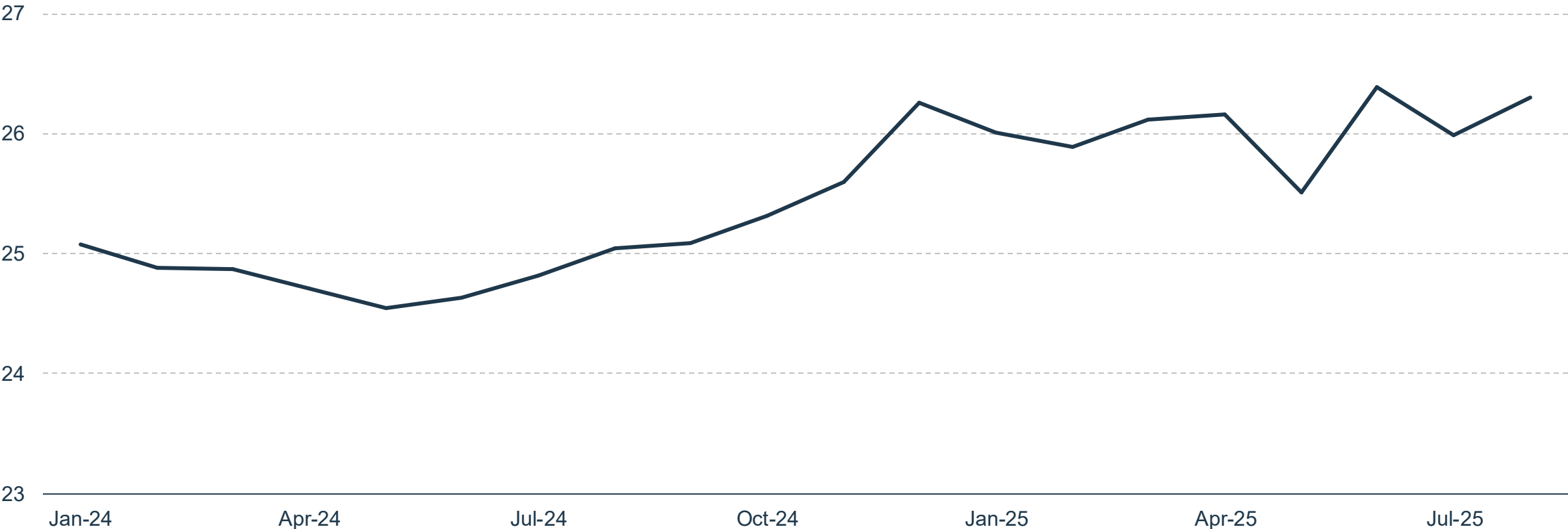


Where do we
go from here?

Spending is up but not strong



Retail sales, in billions, Ontario

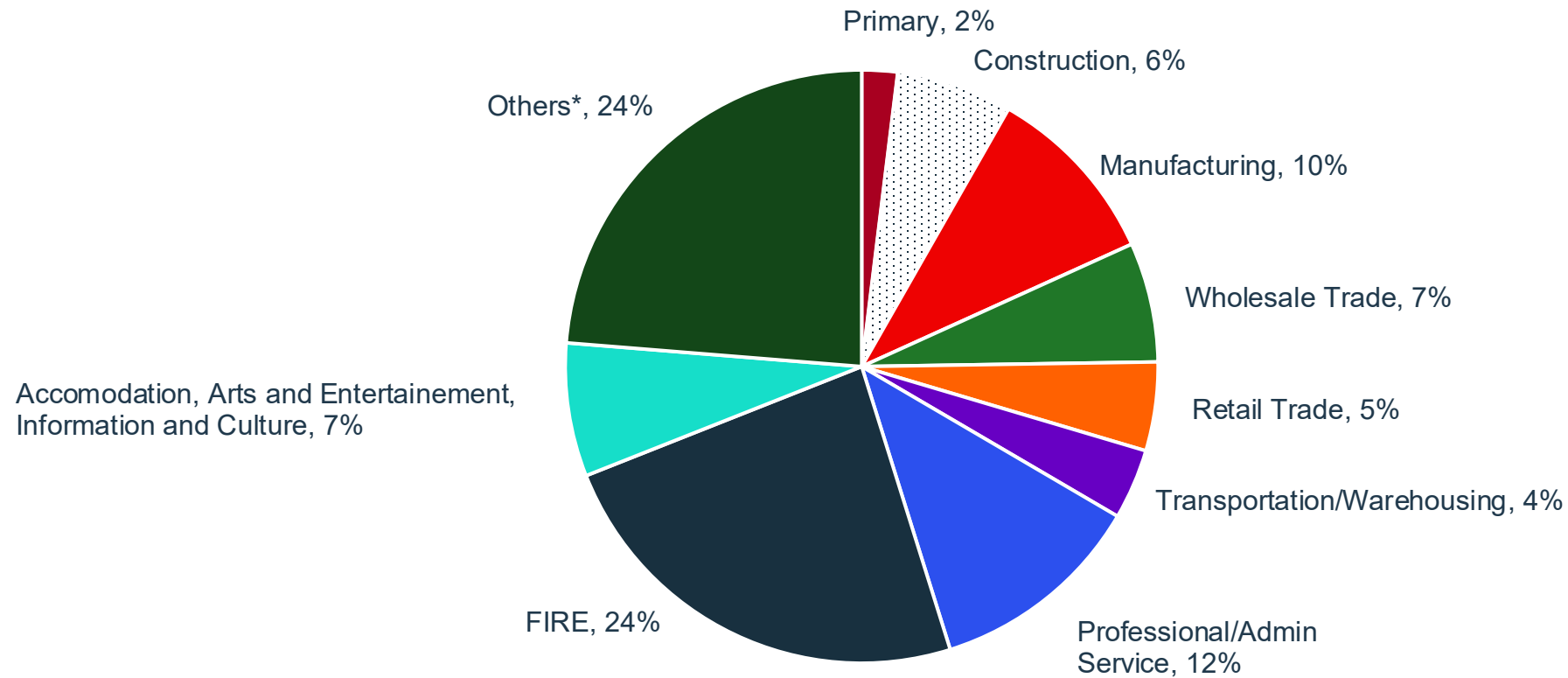


Source: Statistics Canada, BDC.

Ontario's economy heavily into services (80% of GDP in 2024)



Contribution to real GDP by industry, (%), 2024



Source : via Haver Analytics, BDC.

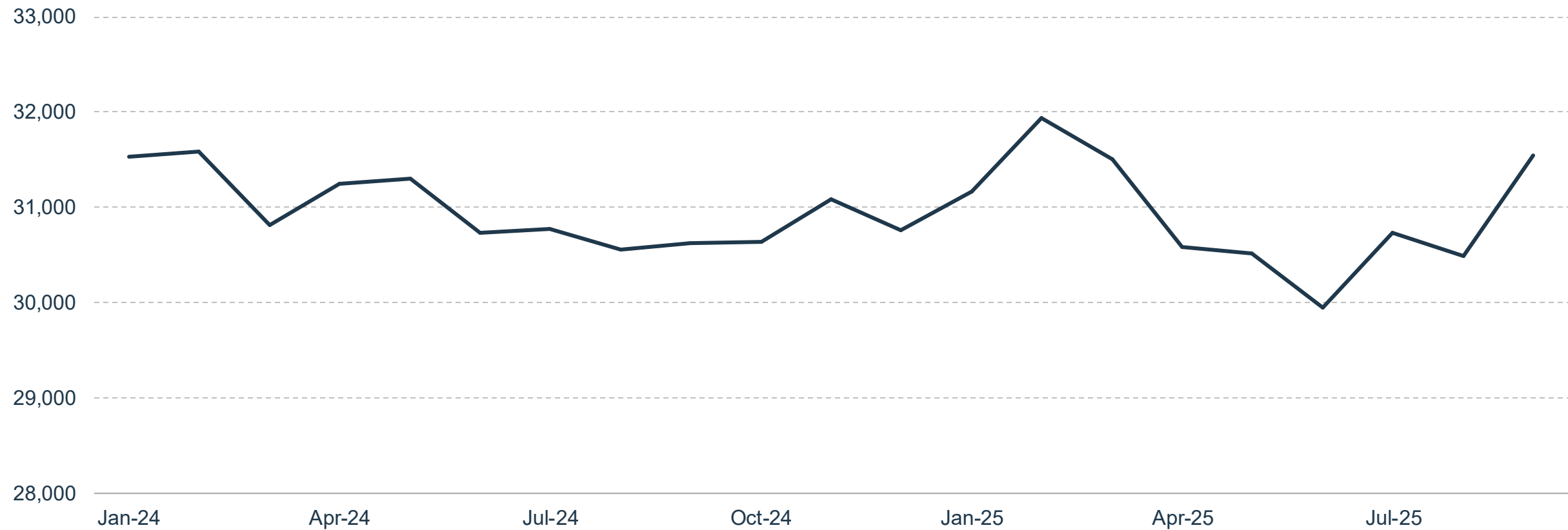
FIRE: Finance, Insurance and Real estate

* Public administration, health care, education, utilities

Manufacturing sales keep on trucking in September

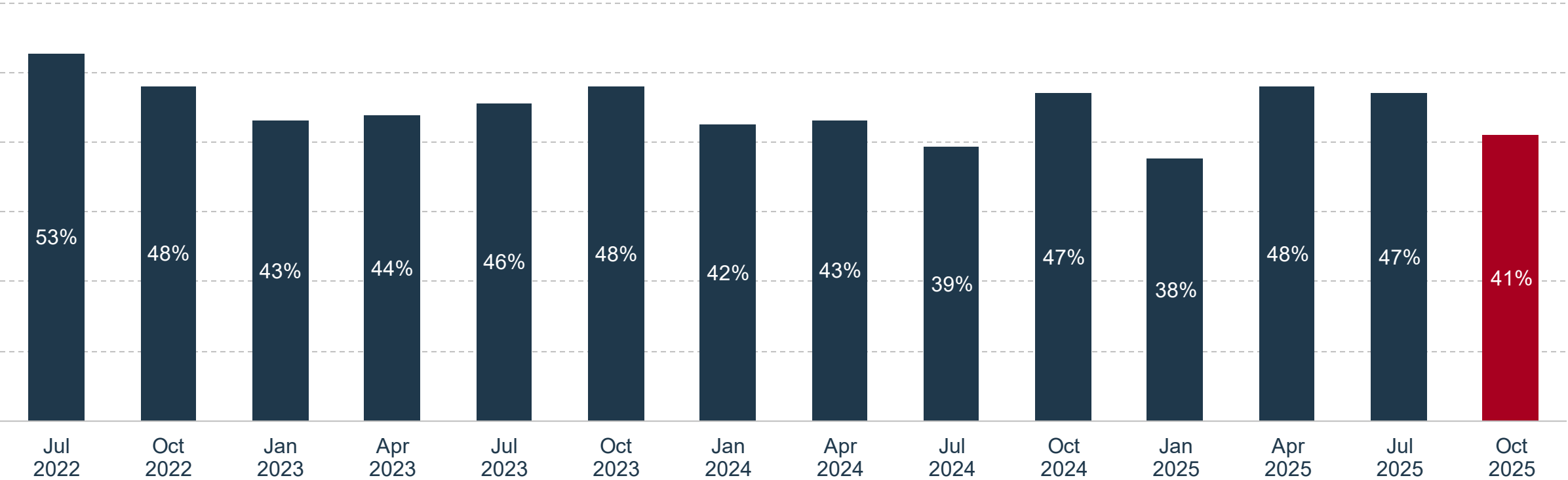


Manufacturing sales, (SA, millions C\$)



Still, Ontario businesses remain the most pessimistic

Percentage of SMEs planning to invest in the next 12 months, Ontario

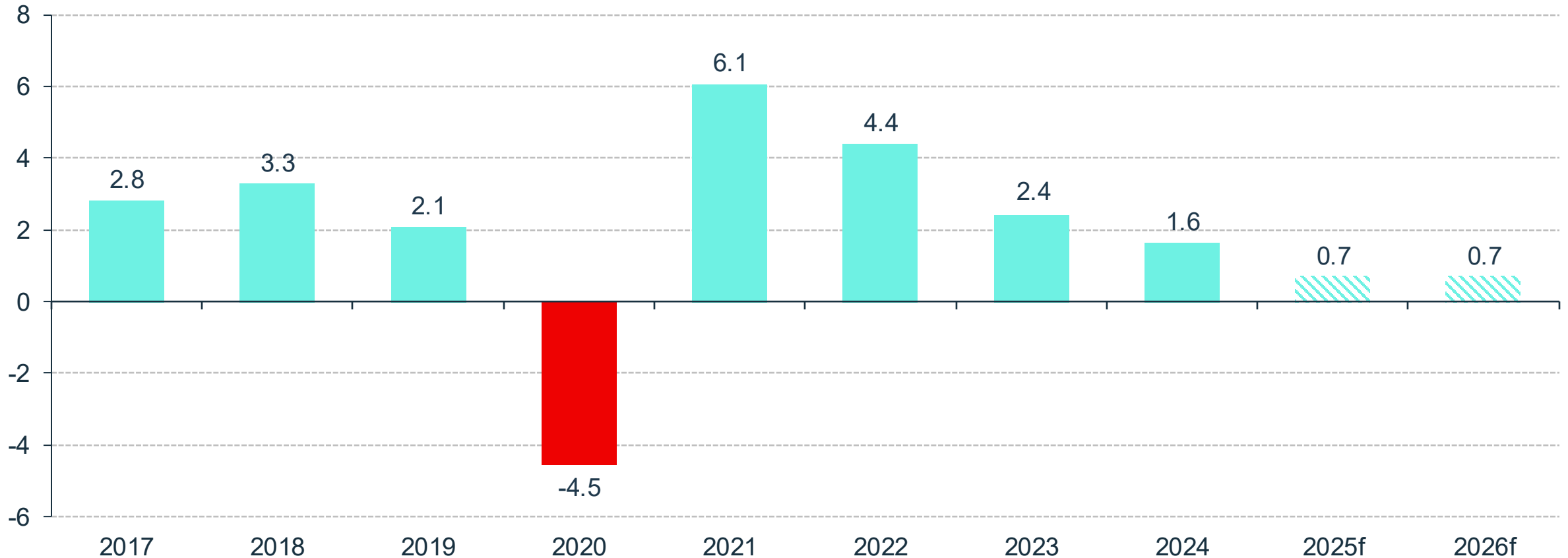


Source : Investment and Financing Outlook Survey, October 2025, BDC.

No recession expected but growth prospects are dim



Annual real GDP growth (%), Ontario





Get your
business ready
for the
economic
revolution

October 2025

bdc*
Small Business
Week™ _____ Oct. 19-25

Uncertainty and geopolitics will shape the future



1. The tariff situation is still evolving

2. Is CUSMA going to survive 2026?

3. Geopolitical tensions and upheaval of the world order

Top business challenges



27%

Increased costs
of inputs or
raw materials



29%

Decreasing
demand for goods
and services



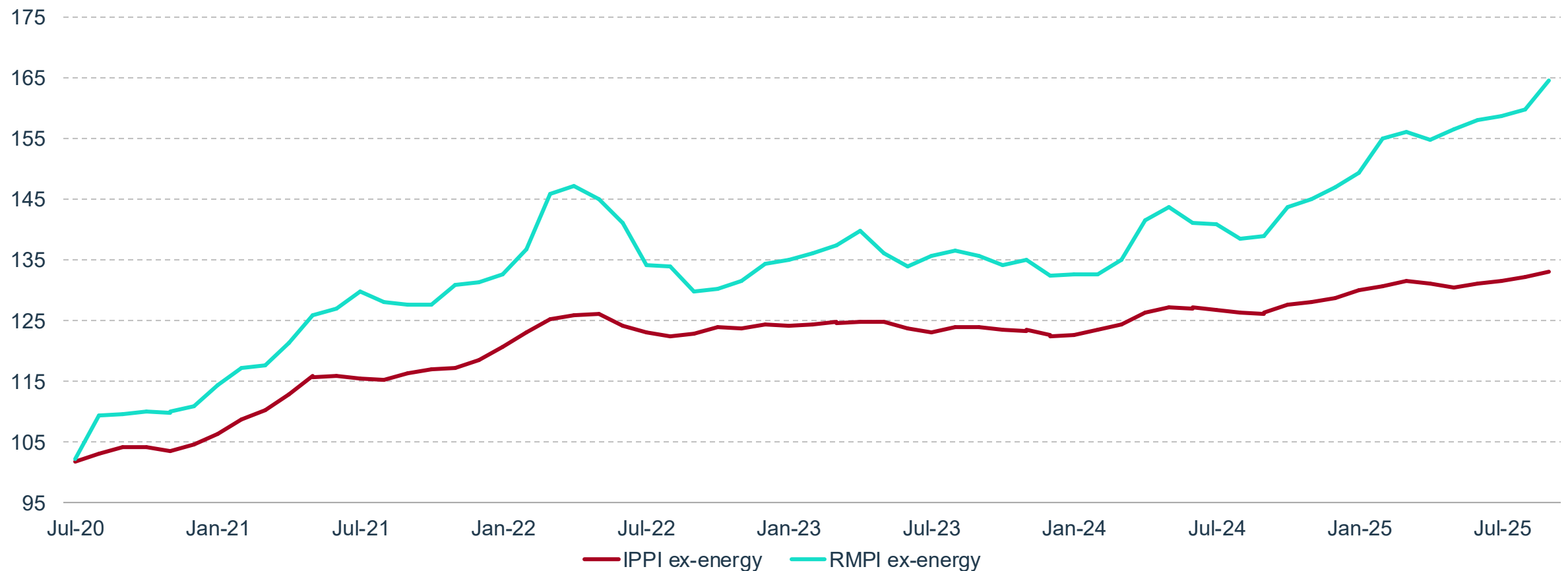
25%

Increased
competition

Industrial products + raw materials prices rising again



Industrial Product Price Index (IPPI) and Raw Materials Price Index (RMPI), ex-energy, Canada

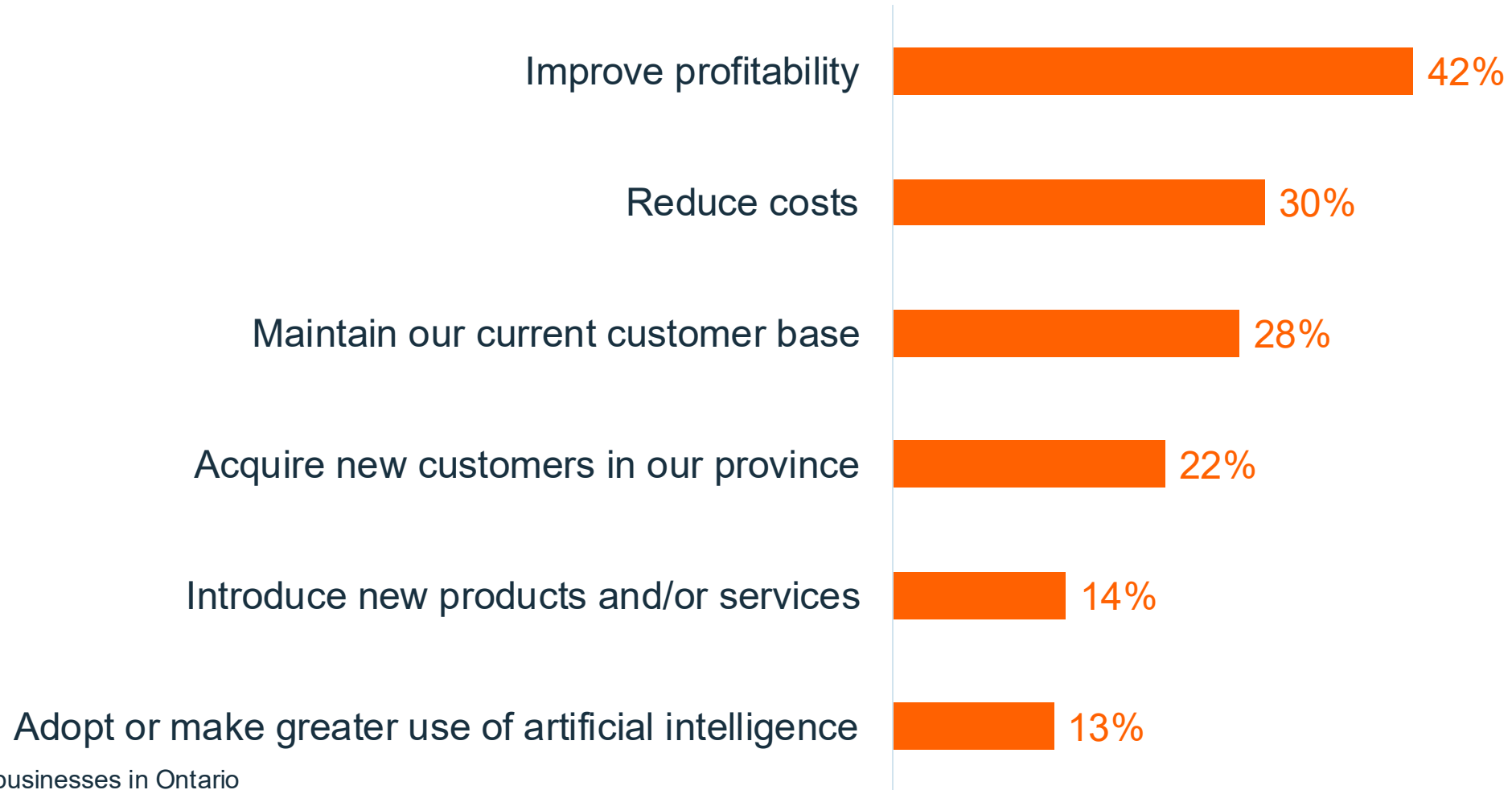


Source : Statistics Canada table 18-10-0265-01 and 18-10-0268-01

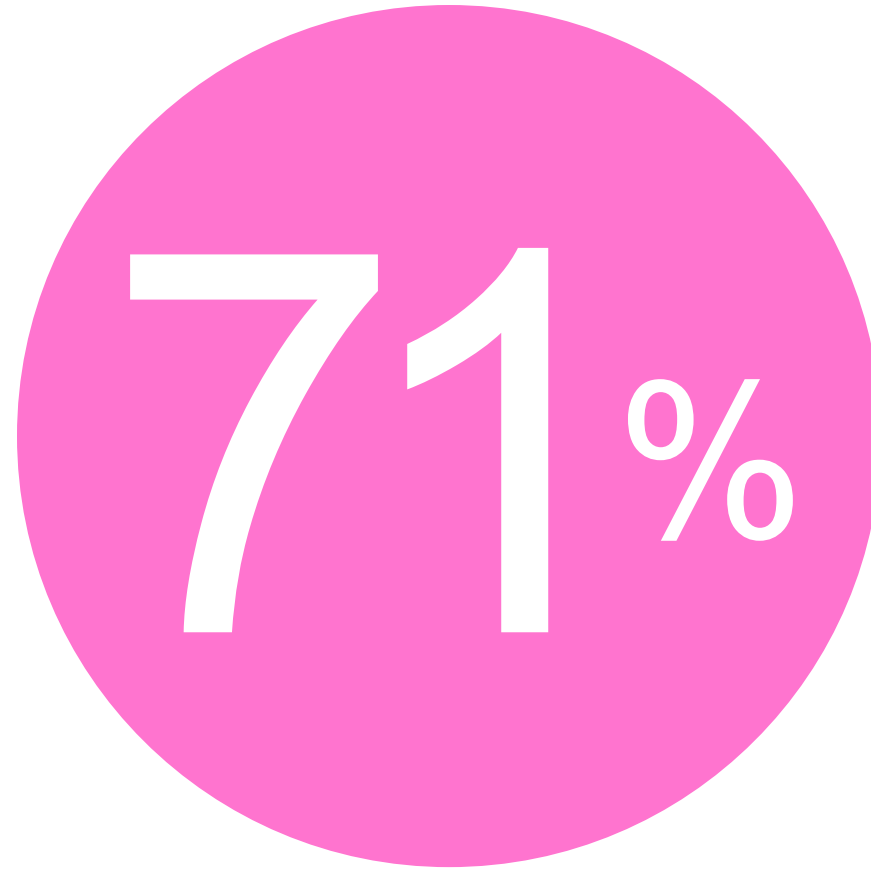
Entrepreneurs want to improve their profitability before embarking on growth projects



What are your company's main priorities for the next 12 months?



Note: Data for businesses in Ontario

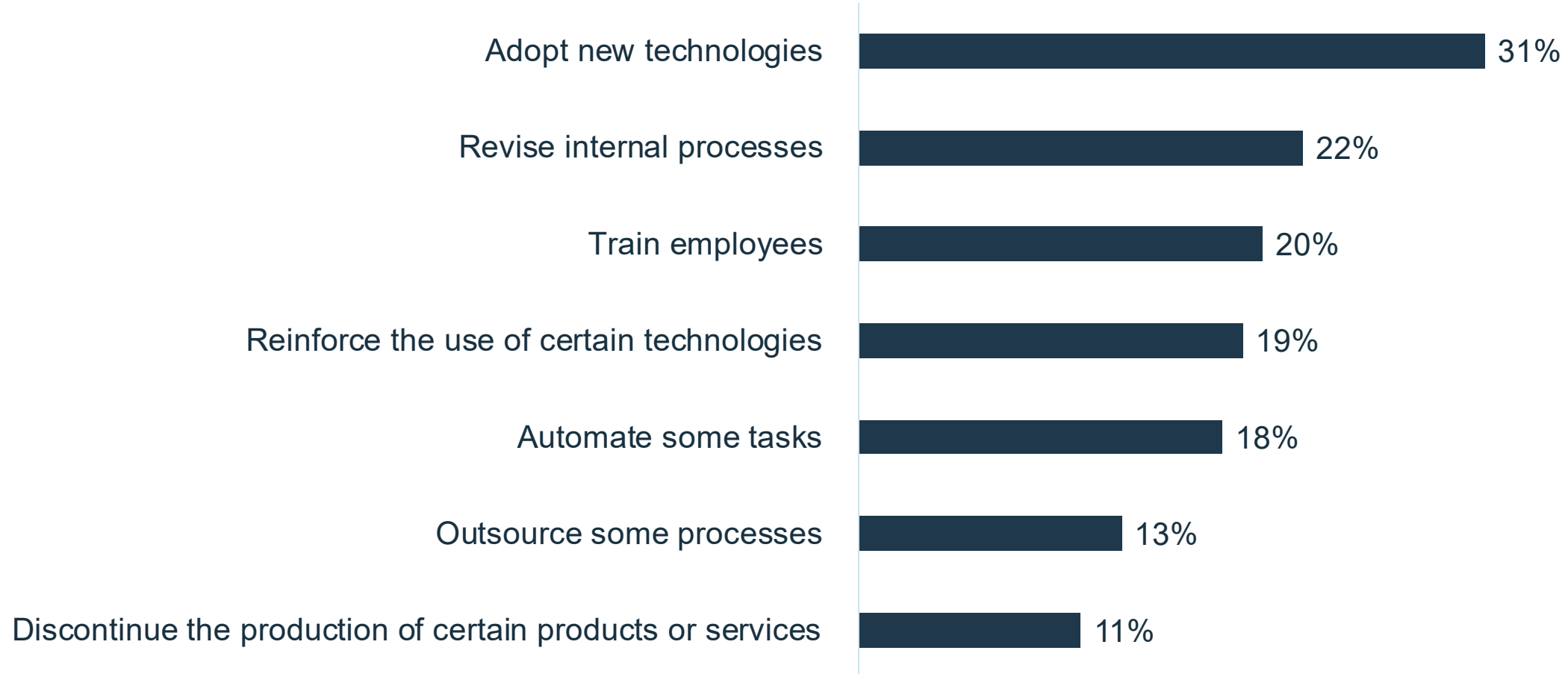


of SMEs have taken action to improve their productivity over the past 12 months.

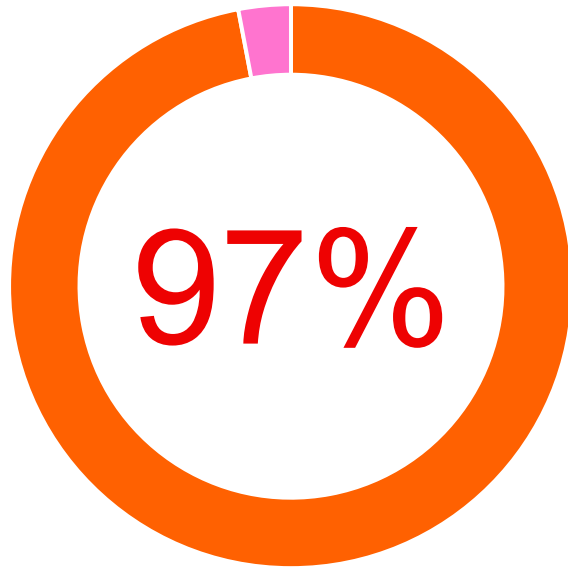
Entrepreneurs are looking for improvements in their business



What actions have you taken over the last 12 months to improve your company's productivity?



Tech innovations and AI are rewriting the productivity playbook



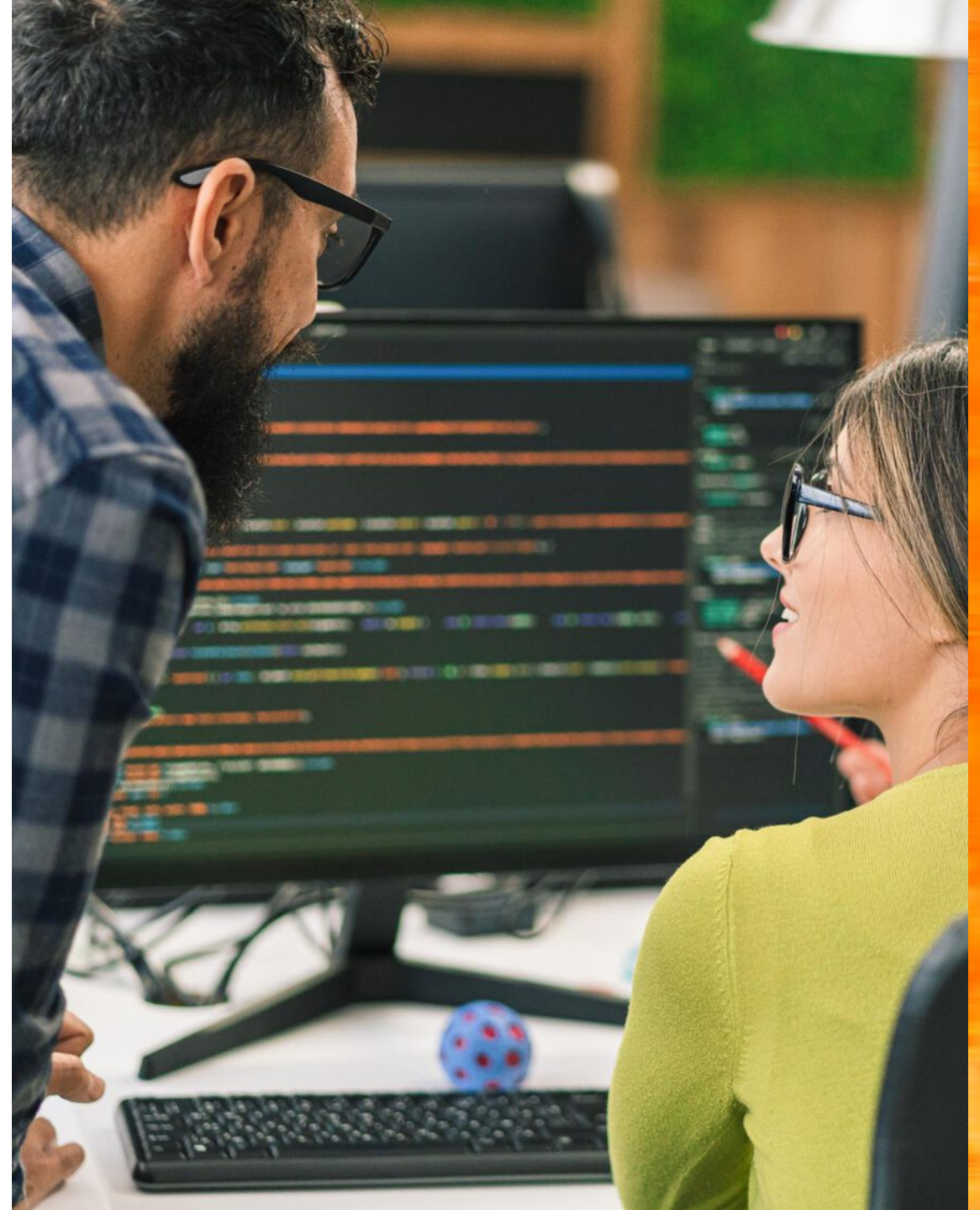
of companies using AI said that it helped their business

- Saved time/increased efficiency
- Improved customer service
- Increased sales/growth
- Facilitated forecasting

AI is like giving every employee an intern

AI can also help with more complex issues:

- | | |
|----------------------|--|
| Control costs | <ul style="list-style-type: none">- Automate repetitive tasks- Improve productivity- Predict breakdowns |
| Increase sales | <ul style="list-style-type: none">- Generate leads- Contact prospects- Tailor recommendations |
| Ease labour shortage | <ul style="list-style-type: none">- Reduce redundant tasks- Increase engagement- Facilitate recruitment |
| Navigate uncertainty | <ul style="list-style-type: none">- Improve forecasting- Monitor inventory- Optimize resource allocation |



Cut costs, keep inefficiencies to a minimum



Review operations



Overproduction
High inventory levels
Poor quality and rework
Idle machines or staff
Inefficient processes
Wasted time
Poor use of resources
Underperforming staff

Profitability

Sales growth

Customer experience
(and loyalty)

Speed to market



A boom in business transitions is coming



142,000

Entrepreneurs plan to close, transfer or sell their business in the next 5 years.



1 in 6

Small and medium-sized businesses in Canada.

Well-run businesses are better positioned to acquire others—or be acquired

Key elements that affect business valuation:

Tangible valuation factors

- Strong financial performance
- Recurring revenues
- No excessive dependencies
- Strong cash flow

Intangible valuation factors

- Strength of the financial function
- Market positioning
- Operational excellence
- A strong management team, effective management of skilled resources

BDC is here to help



→ Loans

To make your business more resilient

→ Advisory services

To build a leaner, more profitable company.

92%

of entrepreneurs would still choose
entrepreneurship if they could start over again.

Conclusion



- ➔ Uncertainty isn't going away. Tariffs are hurting Canada's economy, but we could still avoid a recession this year
- ➔ The business environment is facing new challenges in the form of rising input costs and evolving trade conditions.