

Economic Forecasts, Canada

Table 1 – Key macroeconomic variables, historical and forecasted data, Canada, 2023-2025

	History				Estimate	Forecast	Trends (2023 Q4-2025 Q1)
	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	
GDP by expenditure							
Level, chained \$B (2017)	2,388	2,400	2,413	2,420	2,439	2,454	
Q/Q annualized growth	0.7%	2.0%	2.2%	1.0%	3.2%	2.5%	
Y/Y growth	1.2%	0.8%	1.1%	1.5%	2.1%	2.2%	
GDP by industry, business sector							
Level, chained \$B (2017)	1,813	1,817	1,825	1,828	1,844	1,856	
Q/Q annualized growth	1.8%	1.0%	1.8%	0.7%	3.4%	2.7%	
Y/Y growth	1.5%	0.8%	1.0%	1.3%	1.7%	2.1%	
Retail sales							
Level, \$M	66,675	66,363	66,082	66,799	67,815	68,094	
Q/Q annualized growth	4.3%	-1.9%	-1.7%	4.4%	6.2%	1.7%	
Y/Y growth	2.1%	0.7%	0.8%	1.2%	1.7%	2.6%	
CPI, total							
Level, index (2002 = 100)	159	160	161	161	162	163	
Q/Q annualized growth	2.5%	1.3%	2.4%	1.8%	2.0%	2.4%	
Y/Y growth	3.2%	2.9%	2.8%	2.0%	1.9%	2.2%	
CPI, excluding food and energy							
Level, index (2002 = 100)	149	150	151	152	152	153	
Q/Q annualized growth	3.4%	1.9%	2.7%	2.0%	1.9%	2.3%	
Y/Y growth	3.4%	3.0%	2.8%	2.5%	2.1%	2.2%	
Private investment							
Level, chained \$B (2017)	412	411	414	411	412	414	
Q/Q annualized growth	-7.6%	-0.9%	3.3%	-3.6%	1.2%	2.2%	
Y/Y growth	-1.6%	-1.4%	-2.3%	-2.3%	0.0%	0.7%	
Payroll Employment							
Level, k persons	18,041	18,114	18,181	18,222	18,227	18,317	
Q/Q annualized growth	-0.5%	1.6%	1.5%	0.9%	0.1%	2.0%	
Y/Y growth	1.6%	1.2%	1.2%	0.9%	1.0%	1.1%	

Source: Modelling and forecasts by AppEco using CFIB's monthly Business Barometer® data.

Note: Forecasts are based on weighted CFIB data. The interpretation of recent dynamics can differ from that of unweighted data. All series are seasonally adjusted.

Canadian economy to see stronger than anticipated growth in Q4 2024 and moderate growth in Q1 2025

Economic forecasts based on the most recent monthly Business Barometer® data indicate that GDP growth jumped to 3.2% in 2024 Q4, supported by a strong performance from the business sector in September and October. Growth should moderate in 2025 Q1 but remain healthy at 2.5%.

Retail sales surpassed expectations in 2024 Q3, growing by 4.4% in nominal terms. This strength spilled over in Q4 as the current estimate sits at 6.2%, supported by robust growth in September and October. However, this is partly due to price increases, with the volume of sales being almost flat in October. For the start of 2025, retail sales growth is forecast at 1.7%, a relatively slow pace by historical standards.

CPI inflation declined significantly in Q3, as expected, and should stabilize around the Bank of Canada's target of 2% year-over-year. With the policy rate in - or closer to - the neutral zone, businesses and consumers should expect a more modest path for rate cuts in 2025.

Private investment rebounded in Q4, and the pace is poised to accelerate in 2025 after a disappointing performance in 2024. Still, the level of private investment is currently about at the same level as it was a year ago.

Payroll employment growth continued to weaken in Q4, posting a mere 0.1% gain. A rebound is nonetheless expected in 2025 Q1, with growth forecast at 2.0% for the quarter.

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Private sector job vacancies –2024 Q4



The job vacancy rate dropped slightly

The private sector job vacancy rate in Canada edged down to 2.7% in 2024 Q4 (Figure 1), down by 0.9 percentage points on a yearly basis.

The vacancy rate remained stable across provinces

On a yearly basis, Manitoba, Saskatchewan, Quebec, and Ontario saw the most notable changes, with Manitoba recording a decline of 1.3 percentage points and the other three provinces decreasing by 1.1 percentage points. With the exception of New Brunswick (-0.3 percentage points), all provinces experienced a slight quarterly decrease of 0.1 percentage points (Figure 1 and Table 2).

Job vacancy rates declined across most sectors

On a yearly basis, construction and hospitality saw the most significant declines (-1.5), followed by personal services (-1.3) and agriculture (-1.3). Nearly all sectors experienced a quarterly decline in job vacancy rates, with the largest decreases observed in construction (-0.3), personal services (-0.2), agriculture (-0.2), hospitality (-0.2), and retail (-0.2) (Figure 2 and Table 2).

Smaller businesses lead in vacancy rate declines

On both a quarterly and yearly basis, businesses with fewer than 50 employees have shown the largest decreases in vacancy rates. However, their rates remain higher compared to larger businesses (Figure 3 and Table 2).

Sources

- (1) CFIB, Your Business Outlook Survey, January 2004-December 2024. Trended.
- (2) Statistics Canada. Table 14-10-0398-01. Adjusted for seasonality.
- (3) Q/Q (3-month) and Y/Y (12-month) changes are in percentage points.

Figure 1 – Job vacancy rates by province, Canada^{1,2}

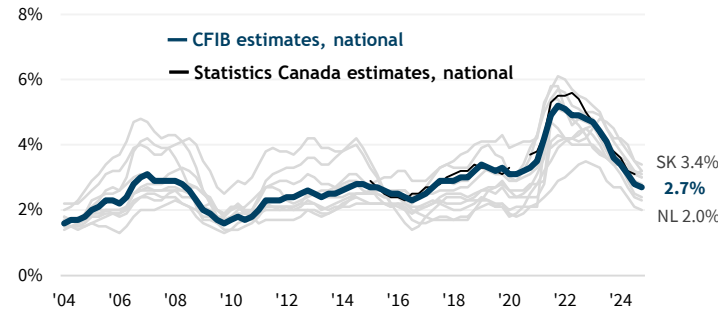


Figure 2 – Job vacancy rates by sector, Canada¹

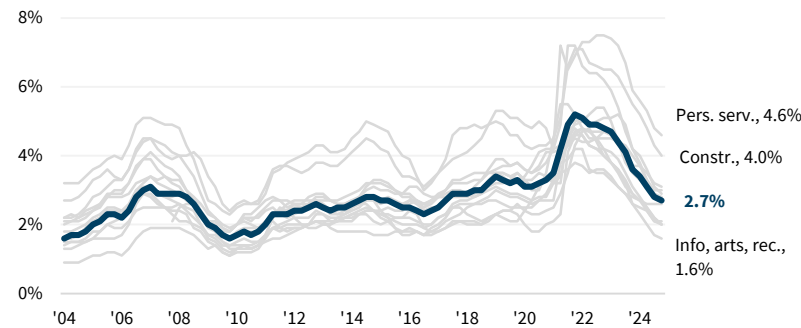


Figure 3 – Total vacancies (in thousands)¹

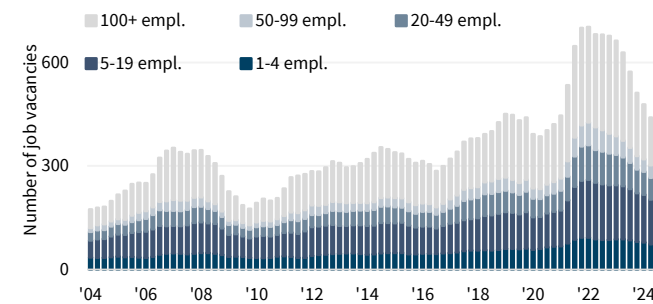


Table 2 – Private sector job vacancies, 2024 Q4

	Vacancy rate (%)	Q/Q change ³	Y/Y change ³	Total vacancies (n)
Canada	2.7	-0.1	-0.9	378,300
Saskatchewan	3.4	-0.1	-1.1	12,600
Prince Edward Island	3.2	0.1	-0.4	1,700
New Brunswick	3.2	-0.3	-1.0	8,400
British Columbia	3.1	-0.1	-0.7	61,200
Nova Scotia	3.0	-0.1	-0.4	9,900
Quebec	3.0	-0.1	-1.1	94,000
Alberta	2.8	-0.1	-0.6	49,100
Manitoba	2.4	-0.1	-1.3	11,300
Ontario	2.3	-0.1	-1.1	127,000
Newfoundland and Labrador	2.0	-0.1	-0.7	3,100
Personal services	4.6	-0.2	-1.3	28,400
Construction	4.0	-0.3	-1.5	50,500
Professional services	3.1	-0.1	-0.6	39,900
Social services	3.0	0.0	-1.0	38,000
Agriculture	2.9	-0.2	-1.3	5,400
Enterprise management	2.8	-0.1	-0.8	26,700
Transportation	2.7	-0.1	-0.8	18,200
Hospitality	2.7	-0.2	-1.5	37,100
Finance, insurance, real estate	2.6	0.0	-0.3	29,200
Wholesale	2.1	0.0	-0.5	17,500
Natural resources	2.0	-0.2	-0.8	4,500
Manufacturing	2.0	-0.1	-0.9	32,800
Retail	2.0	-0.2	-1.1	40,500
Information, arts, recreation	1.6	-0.1	-1.0	9,800
1-4 employees	5.7	-0.2	-1.5	63,400
5-19 employees	4.6	-0.3	-1.4	107,000
20-49 employees	2.9	-0.2	-0.9	53,900
50-99 employees	2.4	0.0	-0.3	34,600
100+ employees	1.6	-0.1	-0.9	119,400

In Focus: Internationally active firms face significant challenges



Canada-US trade: By the numbers

Canada's main trading partner is the United States, due to the interconnectedness between the two countries and the tariff-free provisions of the Canada-United States-Mexico Agreement (CUSMA). Over the past decade, two-thirds of Canada's imports came from the US, while about three-quarters of Canada's exports went to the US.¹

On a quarterly basis, Canadian exports to the US hovered around the \$100 billion mark for most of the decade until the pandemic.² Afterwards, exports exploded in nominal terms, partly due to the high inflation. SMEs contributed about 41% to the overall exports to the US.³ Canadian imports were around \$75 billion, and they increased after 2020 to about \$90 billion on a quarterly basis.²

Figure 4 – Canada-US exports and imports,² Q1 2014-Q3 2024, in \$billion



Sources

- (1) Statistics Canada. [Table 12-10-0127-01](#)
- (2) Statistics Canada. [Table 12-10-0005-01](#)
- (3) Innovation, Science and Econ. Dev. Canada, [Key Small Business Statistics 2023](#). Table 9.
- (4) CFIB, Your Business Outlook Survey, July-December 2024, n = 2,810.
- (5) CFIB, Your Voice Survey, December 5-29, 2024, n = 1,898.

SMEs already facing difficulties with low demand

Since the beginning of 2024, insufficient demand, both domestic and foreign, has been the most important barrier to sales or production growth for small firms. This is even more severe for firms trading internationally. About 68% of exporting firms are affected by insufficient demand, while 59% of importing firms report this as the main limitation on growth (Table 3).

Moreover, importing firms are disproportionately affected by several other specific barriers such as limited physical space (27% vs 21% for firms not active internationally) and distribution constraints (24% vs 11%).

Table 3 – Insufficient demand is a greater barrier to sales or production growth for internationally active firms

WHAT FACTORS ARE LIMITING YOUR ABILITY TO INCREASE SALES OR PRODUCTION? (SELECT ALL THAT APPLY), % RESPONSES⁴

	Firms not active internationally	Exporting firms	Importing firms
Insufficient demand (domestic or foreign)	48	68	59
Shortage of skilled labour	46	28	33
Shortage of working capital	28	22	29
Limited space	21	17	27
Shortage of unskilled, semi-skilled labour	19	15	17
Product distribution constraints	11	13	24
Shortage of input products	8	10	11

Note: The table is sorted by the first column in decreasing order.

Potential impacts of new US-Canada tariffs on Canadian SMEs

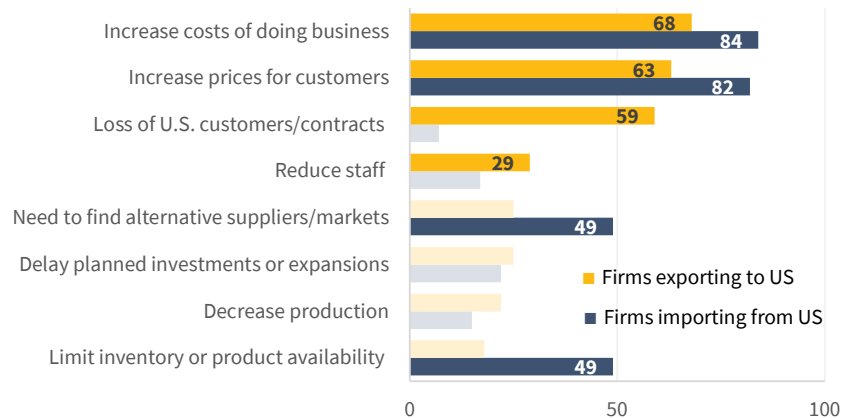
With the looming threat of US tariff impositions on Canadian exports and potential retaliatory measures, a strong majority of Canadian businesses (82%)—both exporters to and importers from the US—anticipate significant impacts on their operations.⁵

Almost two-thirds of businesses exporting to the US expect higher business costs (68%), increased prices for Canadian consumers (63%), and potential loss of US customers or contracts (59%).

Businesses importing from the US fear retaliatory tariffs from Canada. Many importers foresee rising business costs (84%), increases in consumer prices (82%), the need to find alternative suppliers or markets for their products and services (49%), and the possibility of limiting their product offerings (49%).

Figure 5 – Firms that trade internationally anticipate that a US-Canada trade war will have severe impacts on their operations

HOW WOULD A 25% US TARIFF ON CANADIAN PRODUCTS, FOLLOWED BY POTENTIAL CANADIAN RETALIATORY TARIFFS, IMPACT YOUR BUSINESS? (SELECT ALL THAT APPLY), % RESPONSES⁵



Footprint

Table 4a – Financial activities, Canada

	GDP ^{1,2}	Businesses ³	Workforce ⁴
Total	\$455B	1,184,500	1,387,000
Sector's share of the economy	20%	25%	7%
SMEs' share of the sector	46%	99.9%	41%

Table 4b – Professional and business services, Canada

	GDP ^{1,2}	Businesses ³	Workforce ⁴
Total	\$223B	714,300	2,565,000
Sector's share of the economy	10%	15%	13%
SMEs' share of the sector	63%	99.9%	70%

The **financial activities** sector⁵ includes businesses that are engaged in financial transactions or in facilitating financial transactions (finance and insurance). Also included are establishments primarily engaged in renting, leasing, managing real estate for others, selling, renting, and/or buying real estate for others, and appraising real estate.

The **professional and business services** sector⁵ includes establishments that provide professional, scientific, and technical services, plus those engaged in activities that support day-to-day operations of other organizations or in waste management activities. Also included is the management of companies and enterprises sector.

Our analysis focuses only on private small and mid-sized businesses.

Sources

- (1) Statistics Canada. Table 36-10-0434-03.
- (2) Innovation, Science and Econ. Dev. Canada, Key Small Business Statistics 2023. Table 11. Housing and Management of companies and enterprises sectors are missing.
- (3) Statistics Canada. Table 33-10-0717-01, and Table 33-10-0718-01.
- (4) Statistics Canada, Labour Force Survey data, custom tabulations. Workforce data of the Management of companies and enterprises sector is missing.
- (5) Statistics Canada. North American Industry Classification System (NAICS) Canada 2022 Version 1.0.
- (6) CFIB, Your Business Outlook Survey, January 2014 to December 2024, cfib.ca/barometer.
- (7) CFIB, Business Barometer®, Retrospective 2024, cfib.ca/research.

Fitness

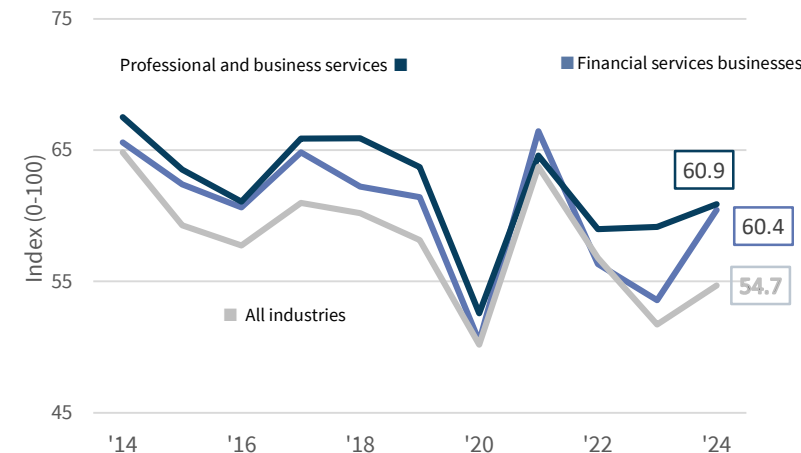
The long-term confidence index for firms providing professional services has always been above the average of all industries and has remained more resilient in the past two years (Figure 6).⁶

The trend for firms providing financial services is a bit different. Their optimism level dropped rapidly between 2021 and 2023 (more than a 10-point drop) but has been trending upwards since.

These two sectors rank in the top three most optimistic sectors among all industries, behind only the information, arts and recreation sector, on an annual basis.⁷

Figure 6 – Firms in professional and business services, or in financial services have become less optimistic in the past two years, but their confidence levels remain well above the all-sector average

CFIB SMALL BUSINESS 12-MONTH CONFIDENCE INDEX⁶, ANNUALIZED



Challenges

A majority of businesses in the professional and financial services sectors report difficulties with insurance costs, taxes/regulations, and wage costs. Large shares also report occupancy and borrowing costs challenges (Tables 5 and 6).

Table 5 – Professional and financial services businesses report the same top types of cost pressures as all firms on average...

KEY COST PRESSURES CITED BY FIRMS, 2024, % RESPONSES⁶

	All firms	Professional	Financial
Insurance costs	68	→ 60	→ 54
Tax, regulatory costs	67	→ 62	→ 70
Wage costs	66	→ 65	→ 58
Fuel costs	53	26	38
Occupancy costs	48	→ 42	→ 49
Borrowing costs	45	→ 40	→ 45
Electricity costs	44	26	40
Product input costs	36	19	18
Capital equipment, technology costs	31	29	26
Other energy costs	20	10	19

Table 6 – ... but shortages of skilled labour are a greater growth barrier

KEY GROWTH LIMITATIONS CITED BY FIRMS, 2024, % RESPONSES⁶

	All firms	Professional	Financial
Insufficient demand	50	36	44
Shortage of skilled labour	45	61	50
Shortage of working capital	29	25	26
Limited physical space	22	16	13
Shortage of un/semi-skilled labour	20	11	13
Distribution constraints	13	4	11
Shortage of input products	9	5	8

Methodology

CFIB's research is based on members' views, which are collected through various controlled-access member surveys using a one-member one-vote system. CFIB produces clear, credible, and compelling analysis that supports the success of independent business in Canada.

CFIB membership has good representation across regions, sectors, and business sizes; hence the survey data offers a reasonable estimate of the distribution of economic activity across Canada.

Your Business Outlook is a monthly CFIB tracking survey that covers small business confidence, expectations, and operating conditions. Findings are typically based on several hundred responses from a stratified random sample of CFIB members. Every last Thursday of the month, results are released in our Business Barometer® reports (Canada, provinces and industries), at cfib.ca/barometer.

Your Voice is a monthly CFIB omnibus survey that covers a wide range of current topics. Results are based on several thousand responses each time and are presented in a few monthly key charts at cfib.ca/research.

Forecasts are based on CFIB data collected via the Your Business Outlook survey, a data set that is available the same month it is collected. By contrast, most other publicly available economic indicators have a delay, sometimes longer than two months.

Job vacancies estimates are also based on the Your Business Outlook survey. The analysis uses data from the CFIB survey, Statistics Canada's Survey of Employment, Payrolls and Hours as well as custom tabulations from Statistics Canada's Labour Force Survey.

For more information on the methodologies used, visit cfib.ca/research.

About CFIB



The Canadian Federation of Independent Business (CFIB) is Canada's largest association of small and medium-sized businesses with 100,000 members across every industry and region. CFIB is dedicated to increasing business owners' chances of success by driving policy change at all levels of government, providing expert advice and tools, and negotiating exclusive savings. Learn more at cfib.ca.

CFIB Economics


Simon Gaudreault
Chief Economist and
Vice-President Research


Andreea Bourgeois
Director, Economics

Laure-Anna Bomal
Economist

Alchad Alegbeh
Research Analyst

 cfib.ca/research

 economics@cfib.ca

 [@CFIB_FCEI_Stats](https://twitter.com/CFIB_FCEI_Stats)

About AppEco




AppEco is a consulting firm specializing in economic and strategic analysis. It possesses in-depth technical expertise and delivers first-class services in applied economics: economic impact studies, surveys and polls, cost-benefit analyses, modelling, econometrics, pricing, etc. Its mission is to provide useful services that contribute to economic growth and the success of clients' projects. AppEco works with firms of all sizes, from small to multinationals, as well as governments and non-profit organizations. Learn more at appeco.ca/en/.

Pierre Emmanuel Paradis
President and Economist

Richard Fahey
Vice-President and Lawyer

Julien Mc Donald-Guimond
Director and Economist

 appeco.ca

 info@appeco.ca

 AppEco