

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

