



How the U.S.-Canada Trade War is Affecting Small Businesses

CFIB survey results

March 20, 2025

About this report

Assessing Business Impact: U.S.-Canada Trade War

Purpose and context

CFIB is examining the impact of the U.S.-Canada trade war on small businesses through insights gathered directly from its members via surveys. This report highlights their challenges, responses, and the broader effects on operations, providing a clear picture of how businesses are managing these pressures.

Survey participation and methodology

1. *U.S.-Canada Trade War Survey* – Launched March 13, 2025 (ongoing). Results as of March 20, based on **2957** CFIB member responses ($\pm 1.8\%$ margin of error).
2. *Business Outlook Survey* – Conducted March 5–7, 2025, with 1,065 CFIB member responses ($\pm 3.0\%$ margin of error).

Notes

For this presentation, unless otherwise specified, "importers" and "exporters" refer to businesses engaged in trade with the U.S., whether directly or indirectly, including those involved in both importing and exporting. In some instances, responses may not add up to 100% due to rounding.



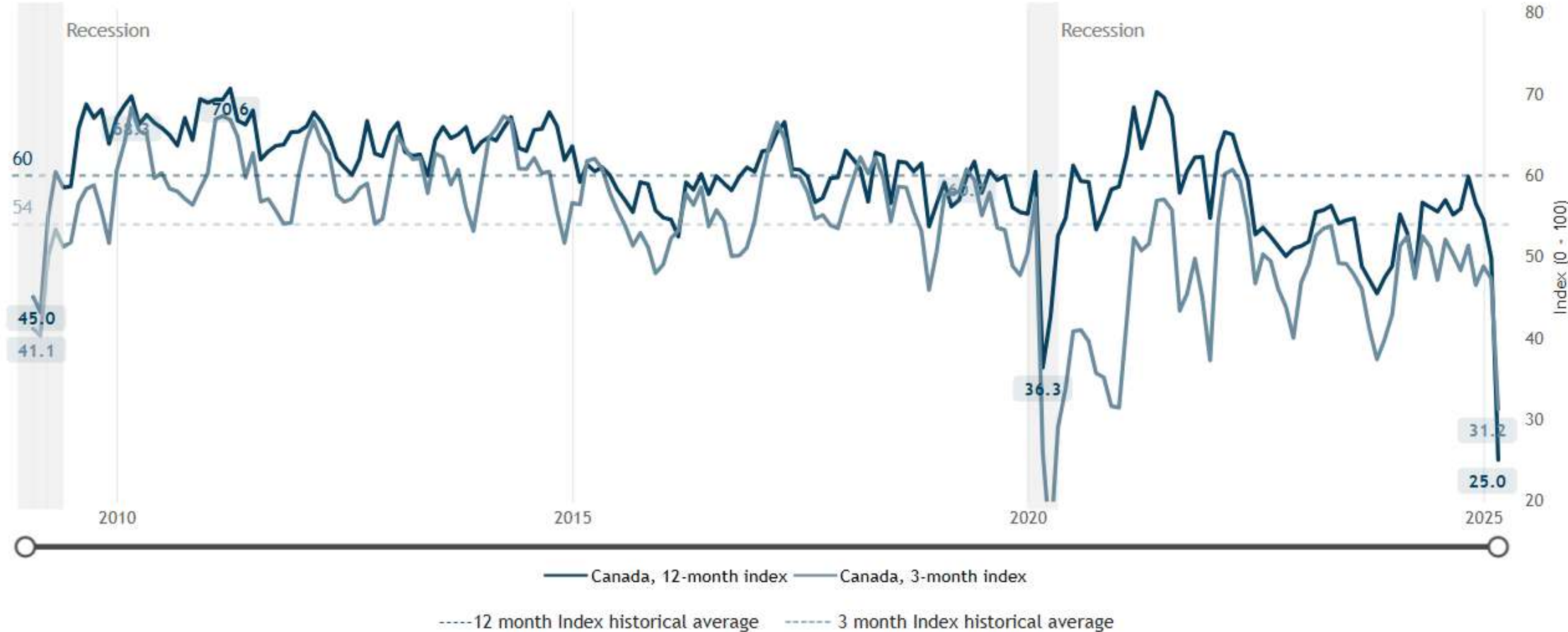
Key Takeaways

1. Small business **confidence drops** to all-time low as U.S.-Canada trade war ramps up
2. Widespread business **disruption** due to the trade war
3. Businesses are **shifting focus** to domestic and non-U.S. markets
4. High **uncertainty, stress, and diminished trust** in the U.S. as a trading partner
5. Half of businesses have **CUSMA-compliant goods**, many need paperwork help

Small business optimism in Canada

Small business confidence, both in the short and long-term, has dropped to its lowest levels since the pandemic

Business Barometer®: 12-month and 3-month small business confidence index, Canada



Survey questions:

How do you expect your firm to be performing in **12 months** compared to now?
 Allowing for normal seasonal influences, what are your business performance expectations for the next **3 or 4 months**?

Sources : CFIB, Your business outlook survey, February 2009 - March 2025. 1065 responses received from March 5-7.

C.D. Howe Institute Business Cycle Council (Recession dates)

Note: Index < 50 = more businesses expecting weaker performance than stronger performance



All provinces have seen large drops in confidence. The largest declines in the long-term index were recorded in Nova Scotia (-37.6 points), Alberta (-33.2 points), and Ontario (-30.2 points)

Business Barometer®: Small business confidence index, provinces



Survey question: How do you expect your firm to be performing in **12 months** compared to now?
Survey question: Allowing for normal seasonal influences, what are your business performance expectations for the next **3 or 4 months**?
Source: CFIB, Your business outlook survey, February 2009 - March 2025. 1065 responses received from March 5-7.
Note: ● Historical averages. *Number of responses under 20. Index < 50 = more businesses expecting weaker performance than stronger performance

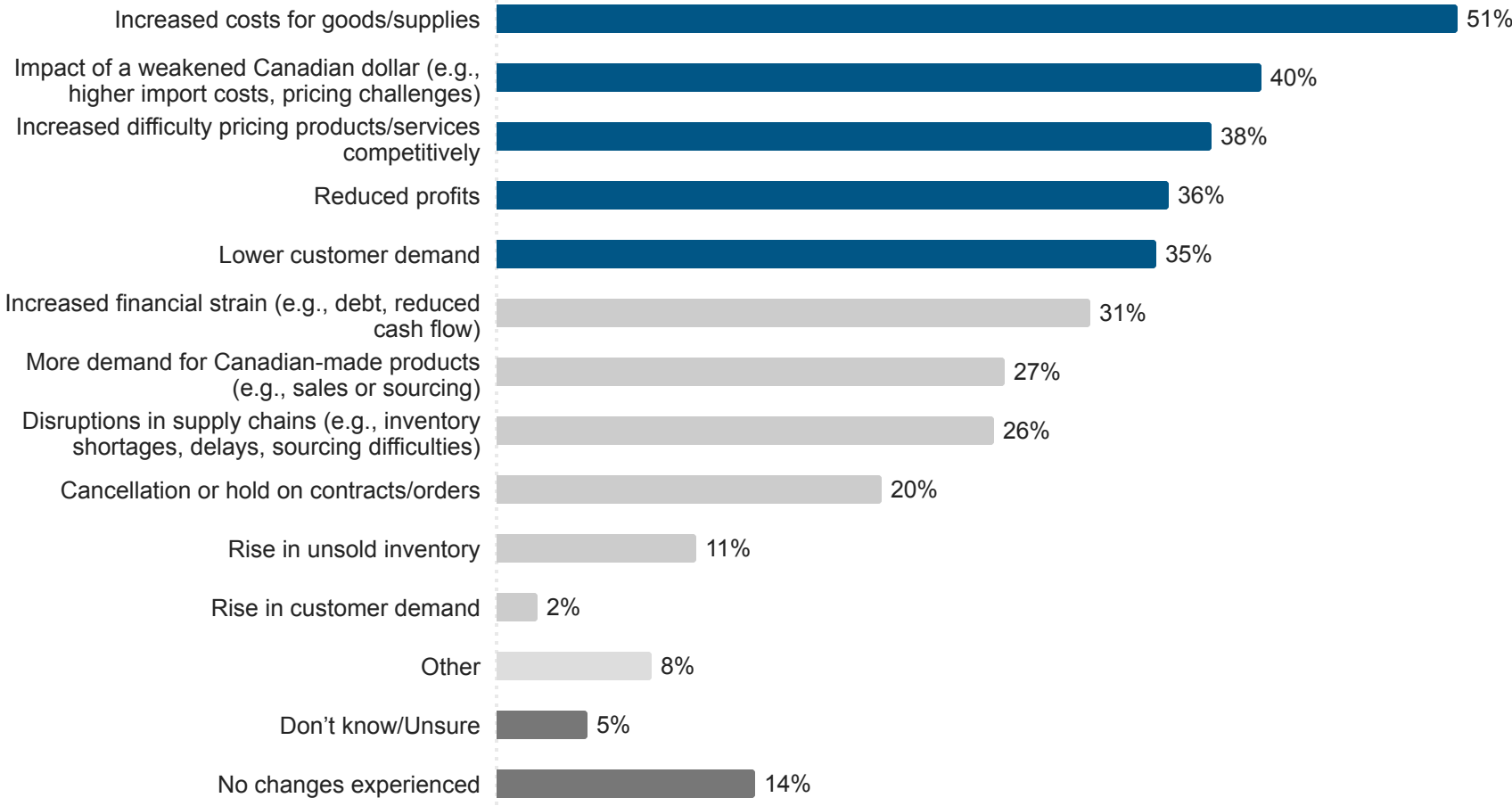


Impact of U.S.-Canada trade war

4 in 5 businesses have seen changes resulting from the U.S.-Canada trade war—Key changes include higher costs, weaker Canadian dollar, pricing challenges, reduced profits, and lower demand.

Changes experienced due to the U.S.-Canada trade war

2952 Responses



Differences: February to March

- Increased costs for goods/supplies: +18 percentage points (pp)
- Lower customer demand: +9 pp
- No changes experienced: -15 pp

Source: CFIB, Survey on the impact of U.S.-Canada trade war, March 13 - 19, 2025 preliminary results.
 Question: What changes has your business experienced due to the U.S.-Canada trade war? (Select all that apply)

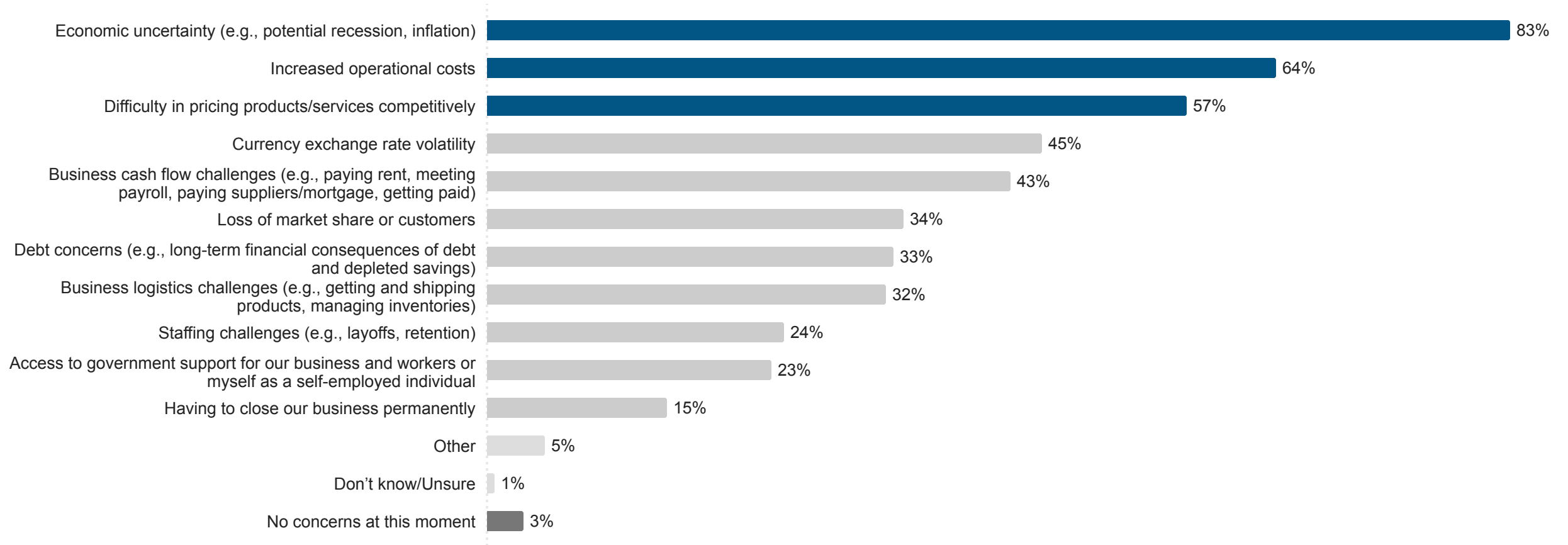


Nearly all business owners show concerns about the U.S.-Canada trade war, with their main worries being **economic uncertainty, rising operational costs, and difficulty in pricing products/services competitively.**

The top three worries are shared by exporters, importers, and even businesses with no U.S. trade ties.

Top worries about the U.S.-Canada trade war

2945 Responses



Source: CFIB, Survey on the impact of U.S.-Canada trade war, March 13 - 19, 2025, preliminary results.

Question: What are you most worried about with respect to the U.S.-Canada trade war? (Select all that apply)



“

The new counter-tariffs on U.S. steel imports, implemented today (March 13), will severely impact our manufacturing business. We are facing a 25% tax on raw materials (various types of steel we use), and starting April 2, our American customers will also be taxed on exports —creating a double impact. This will have massive negative consequences and put our company, which employs 57 people, at serious risk.

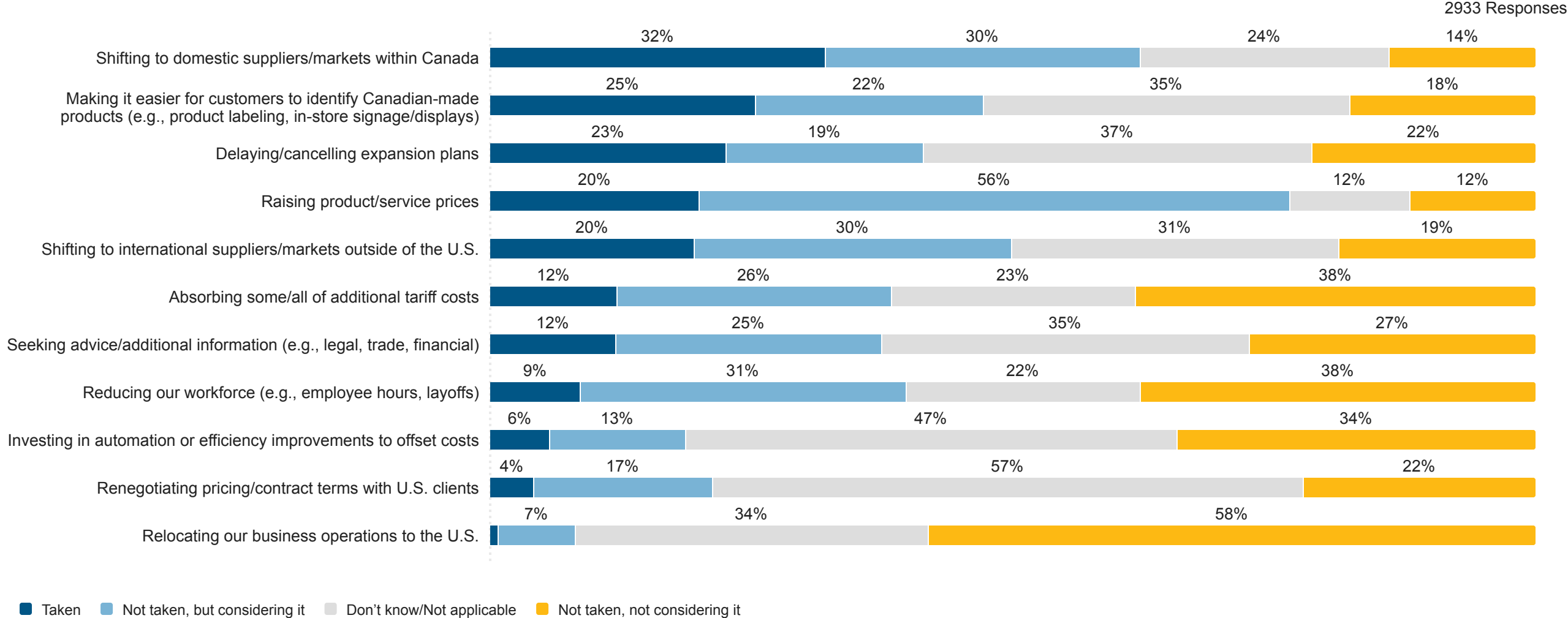
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QC, Manufacturing

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Business action plan

Key actions business owners are taking to offset the trade war include shifting to domestic markets, promoting Canadian-made products, delaying expansion, raising prices, exploring non-U.S. markets, and reducing workforce

Small businesses actions as a result of U.S.-Canada trade war

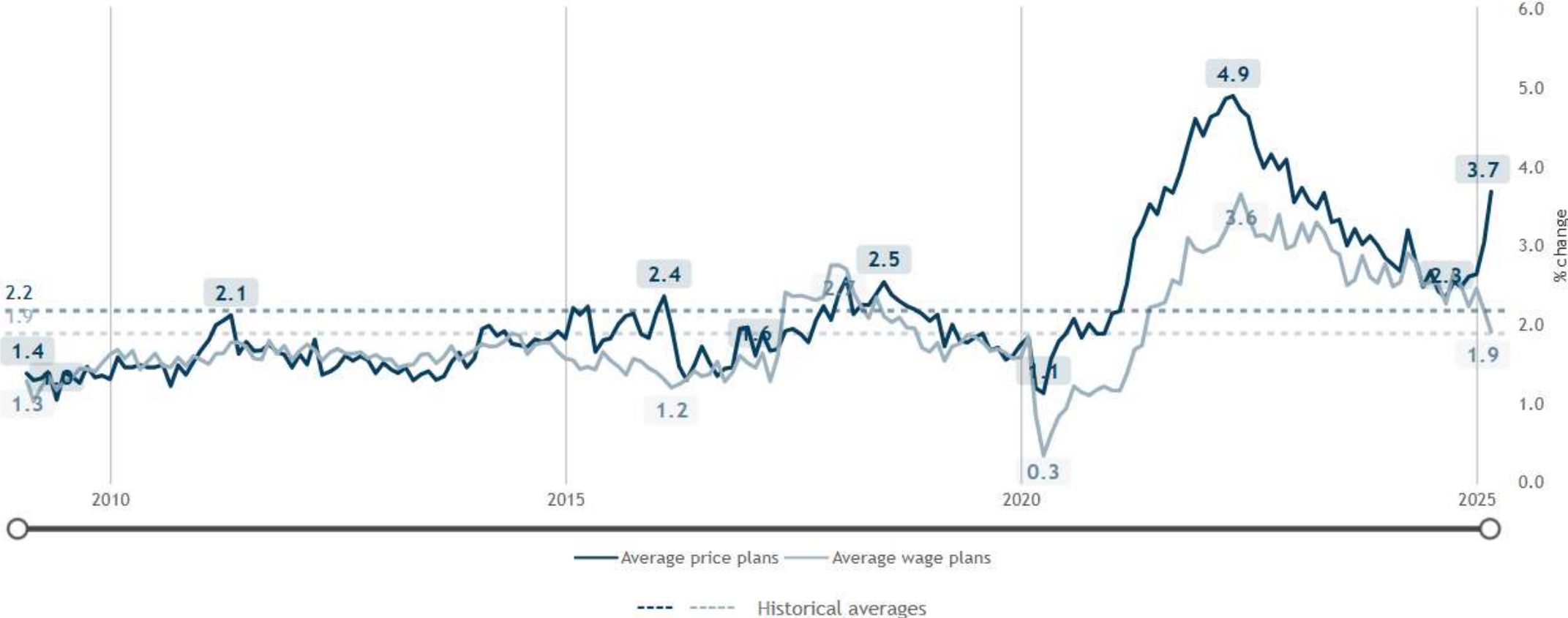


Source: CFIB, Survey on the impact of U.S.-Canada trade war, March 13 - 19, 2025, preliminary results.
 Question: Has your business taken the following actions because of the U.S.- Canada trade war? (Select one for each line)



Small businesses plan to raise prices to 3.7%, up from 3.0% in February—the largest monthly jump since the pandemic. Wage increase plans fell to 1.9% from 2.2%.

Business Barometer®: Future price and wage increase plans



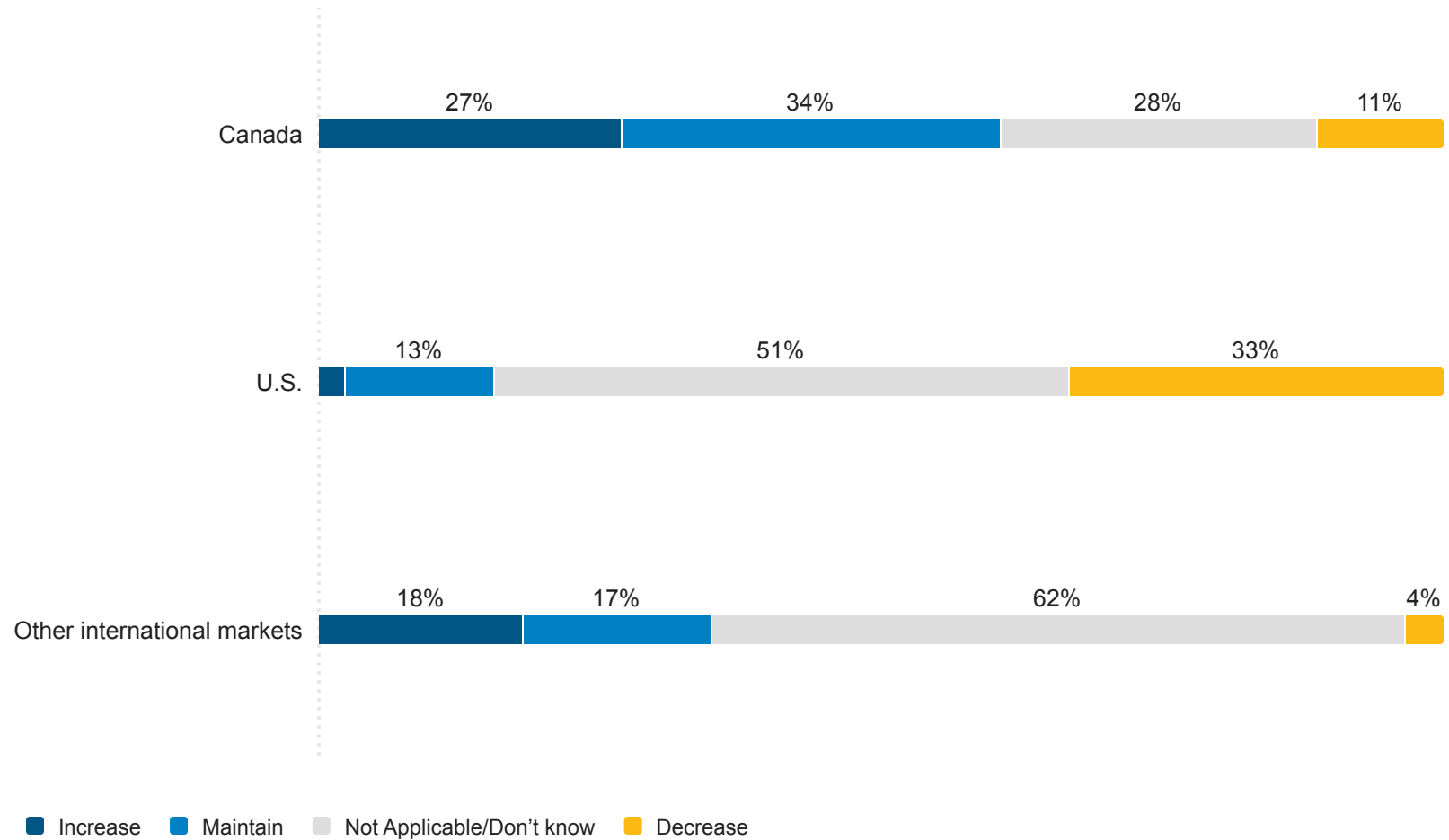
Survey questions:
 In the next year, how much do you expect **average prices** to change?
 In the next year, how much do you expect **average wages** to change?
Source: CFIB, Your business outlook survey, February 2009 - March 2025. 1065 responses received from March 5-7.



The trade war is prompting Canadian business owners to **shift their investments** from the U.S. to Canadian and international markets over the next six months.

Business adjustments in investment over the next six months

2927 Responses



Compared to the national average, exporters are more likely to invest in Canada (**68% increase/maintain**) and international markets (**51%**), while importers are more focused on international markets (**37%**).

Source: CFIB, Survey on the impact of U.S.-Canada trade war, March 13 - 19, 2025, preliminary results.

Question: How do you plan to adjust your investments (e.g., capital/operational expenditures, research and development, market expansion) in the following markets over the next six months?

(Select one for each line)

“

We are increasingly focused on goods made in Canada & Europe and on building our Canadian customer base. We expect to lose about 1/2 and maybe all of our USA business which is about 20% of our business. We have reduced our advertising in the USA and will reduce the trade shows we do there.

Customs preparation both in and out of Canada is a mess right now. We import about 30% - 40% of what we sell from the USA. About 25% of the inputs of the products we manufacture are from the USA. Prices are going up. We hope our customers can absorb the increase.

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ON, Wholesale business

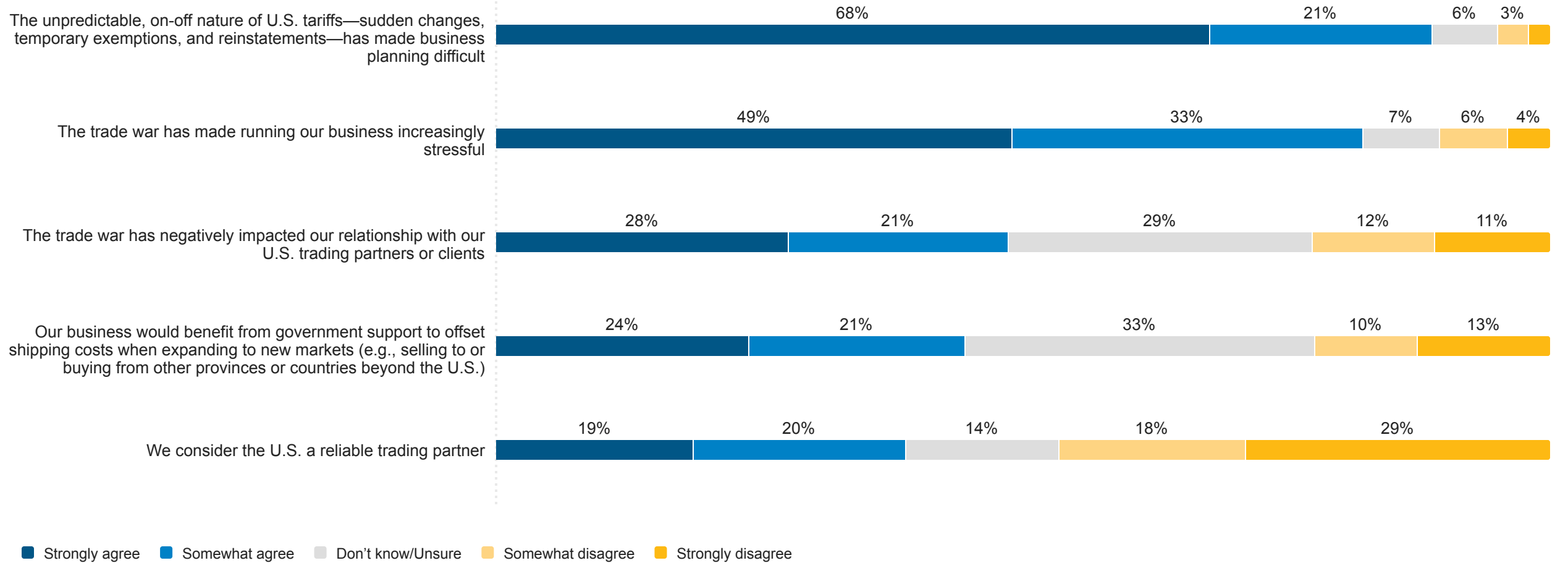
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Business owners perspectives on the U.S.-Canada trade war

Business owners are struggling to plan ahead amid the trade war, with many supporting Canada’s retaliatory tariffs but finding the uncertainty stressful. Additionally, half of businesses do not consider the U.S. a reliable trading partner.

Perspectives on US- Canada trade war

2942 Responses



Source: CFIB, Survey on the impact of U.S.-Canada trade war, March 13 - 19, 2025, preliminary results.

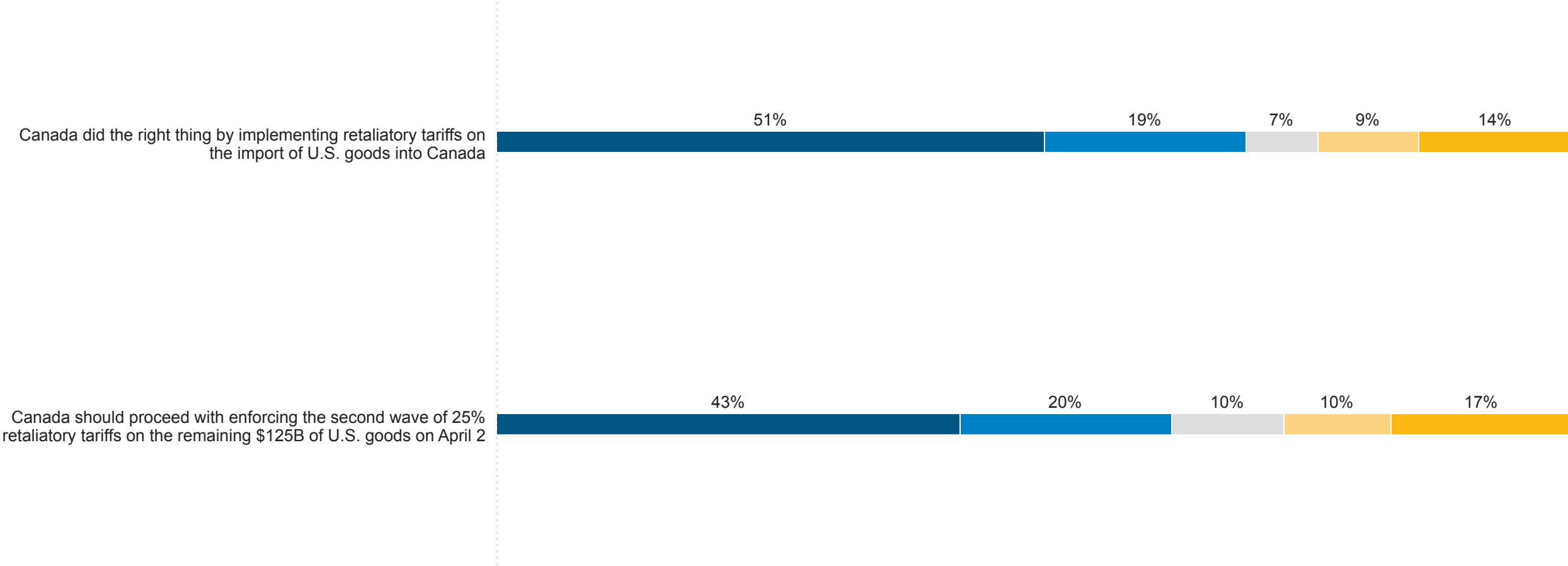
Question: To what extent do you agree or disagree with the following statements about the U.S.-Canada trade war? (Select one for each line)



7 in 10 businesses support Canada's retaliatory tariffs, with slightly lower backing for the second wave.

Business support for Canada's retaliatory tariffs on U.S. goods

2934 Responses



■ Strongly agree
 ■ Somewhat agree
 ■ Don't know/Unsure
 ■ Somewhat disagree
 ■ Strongly disagree

Source: CFIB, Survey on the impact of U.S.-Canada trade war, March 13 - 19, 2025, preliminary results.
 Question: To what extent do you agree or disagree with the following statements about the U.S.-Canada trade war? (Select one for each line)



“

Unpredictable

-

ON, Manufacturing Business

The unpredictability of the current situation is extremely stressful. It is making surviving covid a walk in the park.

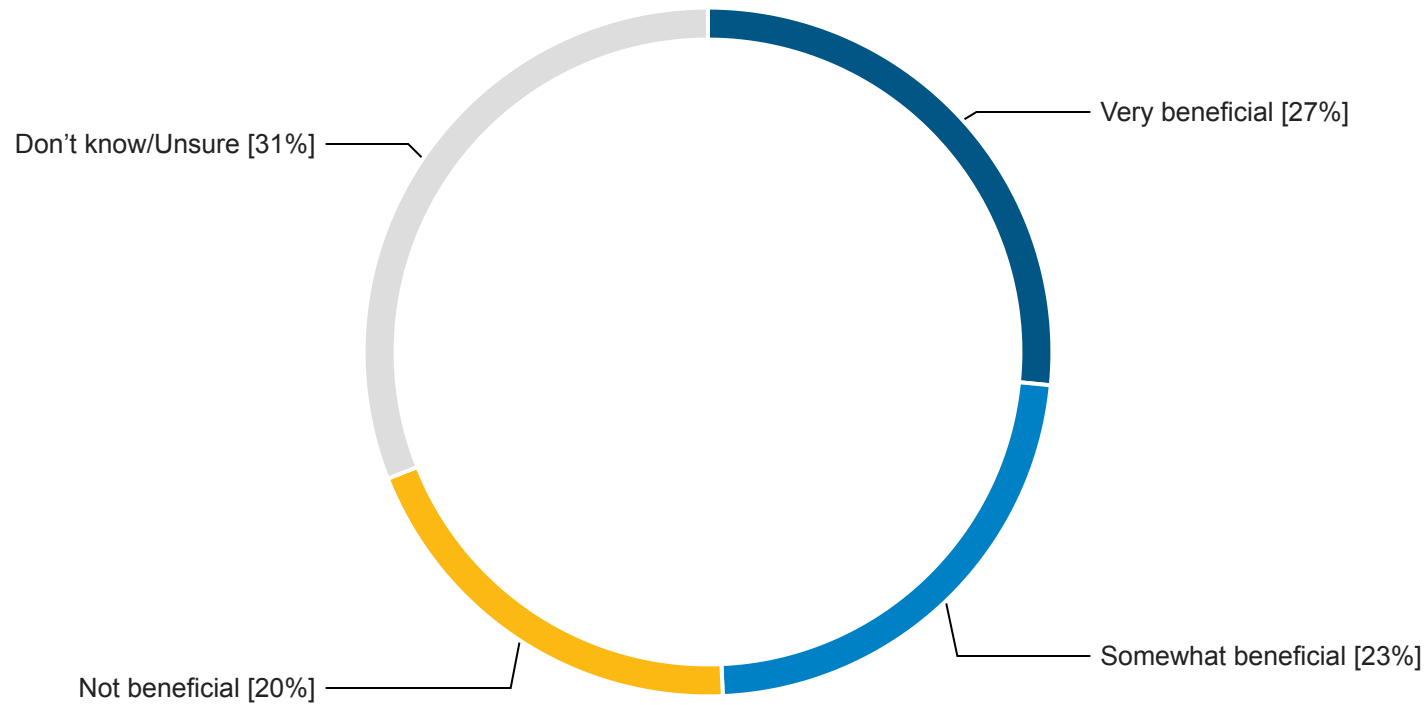
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ON, Retail

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Compliance with CUSMA regulations

More than half of businesses would find government support helpful in completing the necessary paperwork for CUSMA compliance.

584 Responses



On CUSMA-compliance*:

- Half of businesses exporting to the U.S. have CUSMA-compliant goods.
- Over 30% are unsure.

Source: CFIB, Survey on the impact of U.S.-Canada trade war, March 13 - 19, 2025, preliminary results.

Question: How beneficial would government support be in helping your business complete the necessary paperwork to comply with CUSMA regulations? (Select one)

*Question: What best describes your business's compliance with CUSMA regulations for goods exported to the U.S.? (Select one)

“

We work in a niche market. One component of our core business is labelled as electronic, and it's not covered under CUSMA- even though that partial component is used only for the automotive industry. The tariff is 25%, without this product, the rest of our manufactured components don't work.

Switching to another manufacturer isn't quite an option. Our business runs on quotes that were submitted and approved over 1 year ago. There is not enough time to recoup the tariff impact.

-
ON, Manufacturing business

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Calls for government action

Recommendations:

Tariffs have already hit many small businesses hard. Our governments need to respond so we urge them to:

- Ensure any counter tariffs do not have a broad impact on Canadian SMEs.
- Focus business supports on the needs of small businesses – not just large exporters.
- Quickly reinject any money collected through counter tariffs back into the economy.
- Reduce taxes and red tape to make sure Canadian small businesses are better equipped to stay competitive with their American and global counterparts.
- Implement a “mutual recognition” agreement to bring down interprovincial trade barriers.
- Provide support for businesses experiencing challenges in pivoting their operations (e.g., help with shipping costs, rules of origin compliance, and logistics).

Questions or data requests

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Additional information

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CFIB Research Publications and Business Stats



Monthly Business Barometer®

Our monthly survey tracks small business confidence, expectations and operating conditions in Canada.



Enterprise Pulse

Entrepreneurship in Canada is improving, but still not fully back to pre-pandemic strength.



Private Sector Job Vacancies in Canada

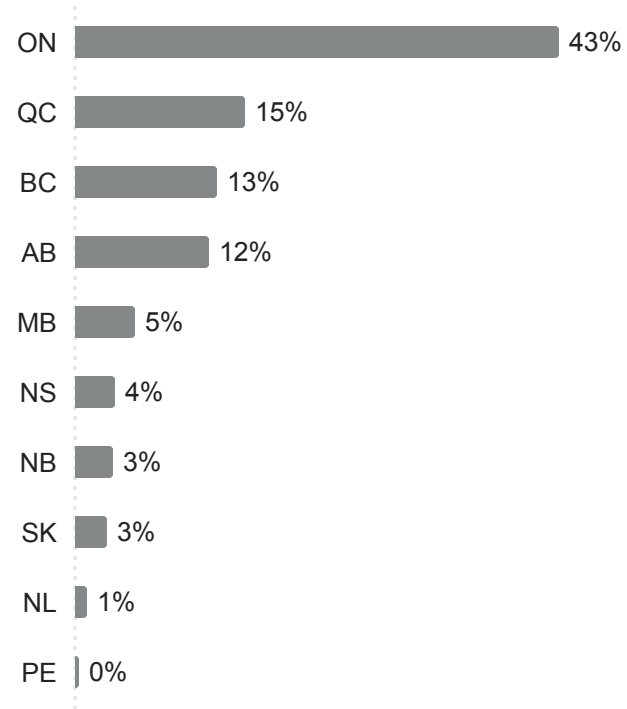
The private sector job vacancy rate in Canada edged down to 2.7% in 2024 Q4, down by 0.9 percentage points on a yearly basis.

APPENDIX

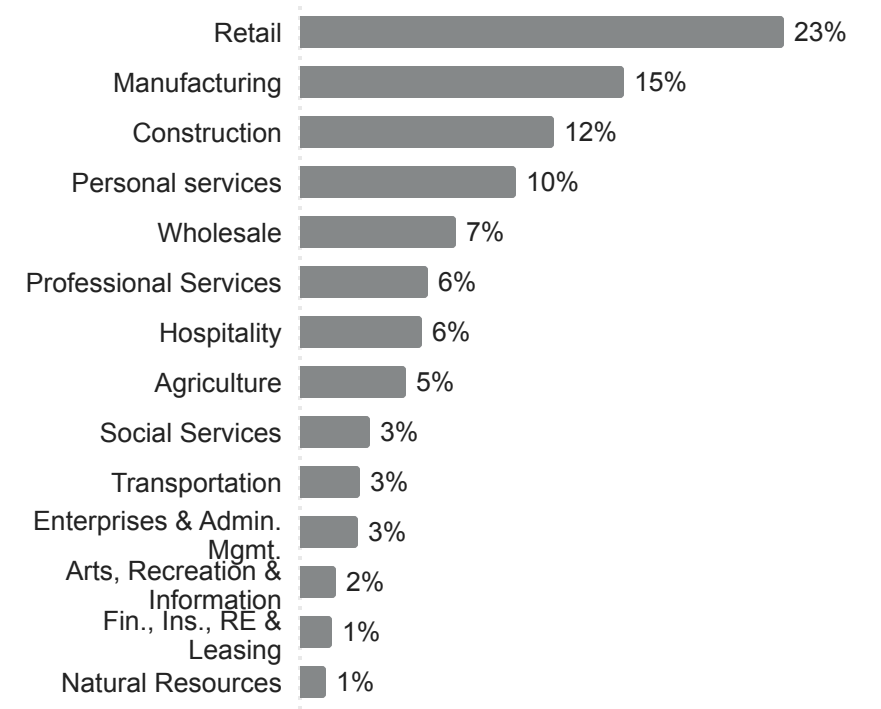
Respondent Profile

2957 respondents

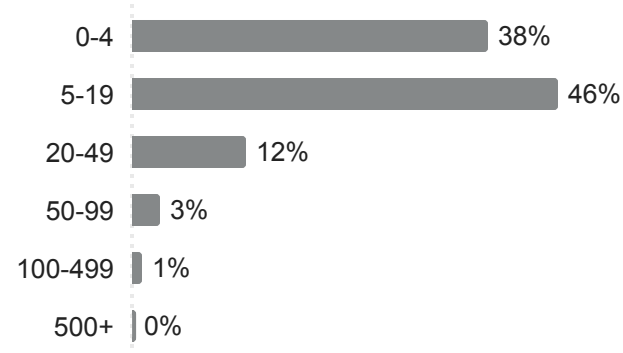
Province



Sector



Business size



Age of business

