

CEO Confidence Index

A quarterly survey measuring the confidence of Canadian business leaders of small-to-medium enterprises.

Q3 2025

ANALYSIS by

Dr. Peter Andersen

Economist

The TEC Canada CEO Confidence Index serves as a timely indicator of economic sentiment across the country, reflecting changing business dynamics and the outlook of Canada's small and mid-sized enterprises. The Q3 survey was conducted from May 30th to July 1st, 2025, drawing responses primarily from companies with fewer than 100 employees, alongside a meaningful share of mid-sized businesses with up to 500 employees.

With strong participation levels, the survey provides statistically reliable insights, positioning the CEO Confidence Index as a comprehensive and credible assessments of economic confidence in Canada.

The timing of our 3rd Quarter TEC CEO Confidence Survey comes during a global tariff war and a Canadian federal election. The after-effects are not yet determined. We expect some clarification this summer. Our upcoming Fourth Quarter TEC Confidence Survey will be very important.

Survey Respondents

The respondents surveyed for this report are members of TEC Canada, representing a diverse range of Canadian business leaders. This inclusive group comprises of owners, CEOs, and senior executives from small to mid-sized companies across various industries. From manufacturing and engineering to pharmaceuticals, transportation, food, and more, the membership base reflects a broad spectrum of expertise.

This diversity extends beyond industry lines to cover the geographical breadth of the nation, with members situated from coast to coast. This varied representation ensures the formation of TEC groups that draw upon a rich mix of perspectives, enhancing

leadership development, mentorship, and peer advisory collaboration.

TEC Canada leverages this diversity to provide a holistic understanding of the challenges and opportunities faced by business leaders in today's evolving landscape. The collaborative exchange of insights fosters strategic thinking and equips members to navigate the complexities of their industries with agility and resilience. In essence, TEC Canada's diverse and widespread membership base forms a dynamic community where leadership excellence is not only nurtured but celebrated across sectors and regions.

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CEO Confidence Index

Q3 2025

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Tariffs are a major problem for TEC members. If a trade deal is not made with the US, Canada's economy could be pushed over the brink, into a recession.

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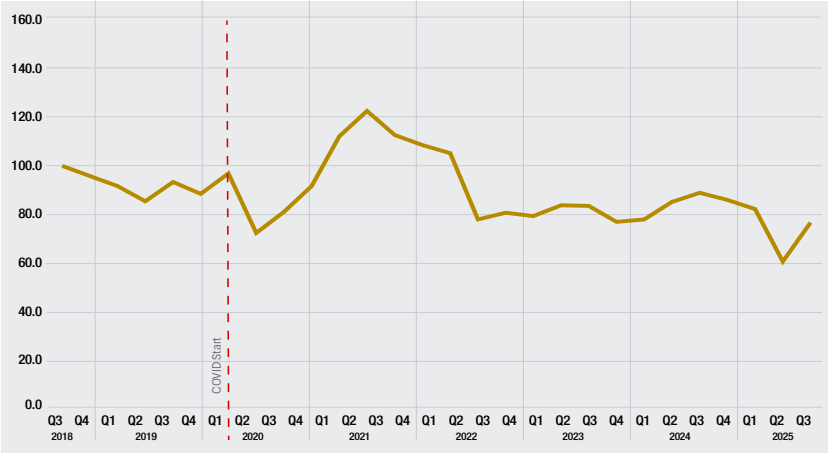


Economic Outlook

Business Sentiment Edges Upward

CEO Confidence Index Score

This edition marks the second release of the CEO Confidence Index score, giving us a clear view of how CEO sentiment is shifting in real time. The Index is a standardized measure based on six survey questions assessing CEO views on current conditions and future expectations. Each component is calculated as the percentage of favourable responses minus unfavourable responses, plus 100, and the combined score is normalized to a baseline of 100 set in Q3 2018. With these data points, we can now begin to observe how CEO confidence responds to changes in the business environment as they unfold.



CEO confidence grew in Q3 2025, with the Index rising to 76.8, a 26% increase from last quarter's 60.8, which had been dampened by escalating tariffs and trade uncertainty. While confidence slightly increased, the degree of disruption from current tariffs remains consistent with last quarter with little to no change, highlighting the continued risk the tariff landscape is for Canadian businesses nationwide.

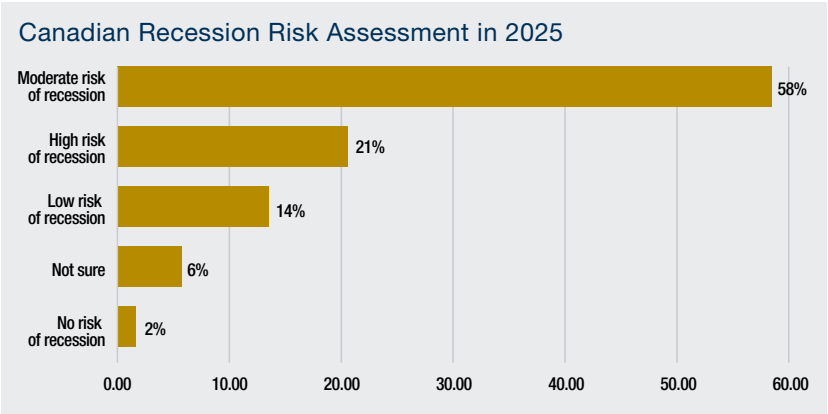
Tariff Headwinds: Impacts Persist Despite Confidence Increase

To what extent are current U.S. tariffs impacting your organizations costs, pricing strategy, or operational performance?

	Q2 '25	Q3 '25
No impact or minimal impact	14%	22%
High impact	33%	14%
Critical impact	8%	2%
Moderate impact	41%	55%
Unsure	3%	8%

From Pressure to Risk: Recession Concerns Mount

With tariff-related disruptions still unfolding and trade negotiations being conducted, many CEOs are growing increasingly concerned about their broader economic impact. A majority now expect at least a moderate risk of recession, with many concerned that prolonged trade tensions could lead to a tariff-induced downturn, particularly in Canada, if a resolution or trade deal fails to materialize.



Questions to Consider

Reflect on these critical questions as you read the report, and discuss them with your organization's Leadership Team.

1 With U.S. trade talks showing signs of progress but still lacking clarity, how is your business planning on balancing the opportunities of a breakthrough with the risks of prolonged uncertainty or the possibility that no deal is ultimately reached?

2 In the face of flat demand and ongoing margin pressure, how is your business navigating the tradeoff between short-term cost discipline and longer term investments, particularly in areas like domestic growth or supply chain realignment?

3 With employment plans remaining steady amid economic uncertainty, how is your organization approaching workforce strategy in a recovery that is expected to be uneven and vary significantly by region?

Trade Conditions & Recession Risk



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The Bank of Canada attempted to quantify how bad it might be. These calculations require assumptions, and the estimated outcome is bound to be imprecise.

However, the bottom line is that a tariff recession could be severe.

On April 2nd President Trump made his reciprocal tariff announcement and Canada was not on the list of countries. However, it raised the possibility of global economic disruption. As an exporting country, Canada would face a serious indirect impact.

Events have been moving quickly, and the latest twist saw Prime Minister Carney rescinding Canada's digital services tax. As a result, trade talks with the U.S. have been revived and prospects for a trade agreement have improved. Our survey does not capture this, as it was completed on July 1st. Hopefully a tariff deal with the U.S. will be in place when we carry out our Fourth Quarter Survey.

The pragmatic approach by Prime Minister Carney is an important new development. He has indicated a target date of July 21st for a trade deal. While this timeline is ambitious and might be extended, the underlying tone has improved. In addition, Canada's role as a reliable energy supplier has been enhanced by what happened in Iran. This could improve Canada's relationship with the United States.

Our next TEC CEO survey three months from now will therefore be a very important one. It will show whether trade negotiations have been successful, and whether business confidence has improved for Canada's small and medium sized businesses.

As it stands, our current Third Quarter Survey shows TEC CEO confidence still at a crisis level low. Almost 60% of our survey respondents currently believe that there is a moderate risk of a recession, and over 20% think there is a high risk of one.

Most TEC CEOs also expect a disappointing year for their own firms. In our Third Quarter Survey, released on July 1st, close to half (47%) believe that overall economic conditions have worsened, compared with this time a year ago. Back then, only 27% expected the economy to worsen.

Some believe that the economy has improved, but not many (only 18%). This is not much better than 3 months ago, when only 9% thought that the economy had improved from a year ago. Looking ahead 12 months, there is a slight improvement in the outlook for the economy, but almost 80% still think that it will stay the same or get even worse. Three months ago, 89% felt that way.

On this economic outlook question, the balance has shifted to "stay the same" (47%) from "get worse" (32%). Three months ago 70% thought the economy would get worse. This is somewhat encouraging but it does not reflect what is happening to TEC company sales.



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Business Confidence



The balance of opinion on the 12-month outlook for the price-adjusted volume of sales is nonetheless positive at 18% (% expecting an increase vs. % expecting a decline). This is down from plus 29% in the First Quarter Survey.

The latest survey reading on members' sales shows that approximately 2 of every 3 survey responses (64%) expect a flat, or a down year for sales volumes. This is slightly worse than three months ago (61%). This means that Canada's economy is in trouble. Small and medium sized companies account for approximately half of Canada's economy.

The balance of opinion on the 12-month outlook for the price-adjusted volume of sales is nonetheless positive at 18% (% expecting an increase vs. % expecting a decline). This is down from plus 29% in the First Quarter Survey. Ontario is the weakest in our latest survey, standing at only a plus 13%.

In our previous survey, the outlook for TEC member firms' profitability was weaker than for sales revenues. This is still the case with 70% of survey respondents not expecting any profit improvement. This compares with 75% expecting profits to be flat to down three months ago.

The answers to the profit question do show a noticeable shift away from the "decline" response to the "no change" response though. This has allowed the balance of opinion on profits to be net zero with 28% expecting an increase and 28% expecting a decline. The profitability outlook is currently the weakest in BC and Ontario. They show negative balances of opinion on profitability of minus 11% and minus 1%, respectively.

In response to weak business conditions, inflation expectations have been downgraded. About two thirds (67%) now expect inflation to run in the 2% to 3% range. The outliers that are either above or below that range are equally divided. The central tendency is therefore for a 2% to 3% inflation outlook.



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Employment and Investment

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The employment outlook is more positive than one would expect, given today's difficult business conditions. For the most part, the layoffs that are either taking place or are planned are minor ones.

Investment intentions have improved somewhat, but remain sub-par.

Only 28% plan to increase fixed investment spending. This is a small improvement from 23% three months ago. Most (48%) expect it to remain the same, and 20% expect it to decline.

The balance of opinion on business investment plans is now moderately positive in all provinces except Quebec where it is net zero.

It is also surprising though to find that the overall outlook for employment has held up as well as it has. This has been a consistent message in previous surveys. Nationally, 36% still expect to increase their employment, with 19% expecting to reduce it. The majority plan to keep their employment levels stable (43%).

The balance of opinion on the outlook on employment levels is still positive in Quebec, Ontario, Alberta, and British Columbia. Ontario stands out though as the province with the largest share of survey respondents (25%) expecting to reduce their payrolls.

The message is that the employment outlook is more positive than one would expect, given today's difficult business conditions. For the most part, the layoffs that are either taking place or are planned are minor ones. Over 60% of the survey respondents have no plan to make any layoffs.



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Tariff Impacts & Strategies

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Personal comments from individual respondents show a range of tariff strategy options. These include international capital investment and growth, Asian parts supplies, mergers and acquisitions in Europe and the U.S., and a focus on government opportunities related to defense and housing.

As pointed out in our previous survey, tariffs are a major problem for TEC firms. A high percentage (70%) of survey respondents are feeling some tariff impact on their costs, pricing strategy or operational performance. At this point, most say that the tariff impact is modest. However, 22% of those who are being impacted by tariffs say that it is either a high, or a critical impact. In Ontario 39% of the firms being impacted by tariffs report a high or critical tariff impact.

The tariff strategy that is being used most frequently, by 40% of the firms responding, is to focus on domestic opportunities. This means strengthening domestic partnerships and markets. Non-US export markets do not get as much attention. Just under 20% plan to expand them. A similar percentage

(19%) will reshore or nearshore parts of their supply chain. The rest (21%) plan no move at all, keeping their reliance on the U.S. market unchanged.

Personal comments from individual respondents show a range of tariff strategy options. These include international capital investment and growth, Asian parts supplies, mergers and acquisitions in Europe and the US, and a focus on government opportunities related to defense and housing.

To summarize, TEC member business confidence has improved somewhat but is still at a very low level. The percentage expecting the general economy to improve over the next 12 months has edged up to 16% from only 7% three months ago, but remains at crisis levels.



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Trade in Transition

CEO Insights on the Future of U.S. and Canada Trade

As global trade dynamics and geopolitical tensions intensify under the Trump administration, the relationship between Canada and the United States is being reshaped. Existing tariffs continue to pressure businesses, and the threat of further measures keeps both sides of the border on edge. Against this backdrop, our comparison of Vistage and TEC Canada CEO surveys reveals how both regions’ business leaders are navigating this evolving environment and preparing for what comes next.

TARIFF IMPACTS		TARIFF STRATEGIES		ECONOMIC EXPECTATIONS		FIRMS SUCCESS	
VISTAGE	TECCANADA	VISTAGE	TECCANADA	VISTAGE	TECCANADA	VISTAGE	TECCANADA
69%	69%	46%	21%	33%	32%	23%	28%
Face a negative impact from tariff and trade policies		Not planning any actions to production		Expect economic conditions to worsen in the next year		Expect their firm’s profitability to worsen in the next year	
26%	22%	43%	40%	31%	16%	41%	28%
Face no impact from tariff and trade policies		Began onshoring or focusing on their local markets		Expect economic conditions to improve in the next year		Expect their firm’s profitability to improve in the next year	

Source:

1. <https://www.vistage.com/research-center/business-financials/economic-trends/20250702-ceo-confidence-cools-q2-vistage-ceo-index/>

Both Canadian and U.S. business leaders clearly recognize the pressures brought on by ongoing tariff challenges, but their responses suggest different timelines and strategic outlooks. Many American businesses appear to be holding off on immediate action while still maintaining confidence in long-term recovery. Their optimistic sentiment and stronger expectations for improved profitability points to a belief that current disruptions may not be permanent. Canadian business leaders, by contrast, are leaning more into resilience by taking proactive steps to action against tariff repercussions and bracing for potential long-term downturn. The difference in sentiments underscores a fundamental shift in the North American business relationship, highlighting not just differing expectations but a critical point that could redefine competitive advantage and expose vulnerabilities in the partnership.

Recalibrating, Not Retreating: The New U.S. and Canada Trade Dynamic

As these dynamics unfold, the broader arc of the U.S. and Canada relationship is not one of decline, but rather redefinition. While negotiations ahead of the trade deal deadline remain focused on short-term tariff adjustments, the long-standing interdependence between the two countries continues to hold². Canada plays a vital strategic role in supplying energy, electricity, uranium, and critical minerals to the U.S., while also supporting American friend-shoring efforts in sectors like EV batteries and semiconductors¹. Even recent concessions such as suspending the digital services tax reflect the pragmatic nature of the relationship and its foundation for continued cooperation⁵. As both sides navigate negotiations, this moment serves as a reminder that while the nature of the partnership may evolve, the countries' relevance to one another holds³. Canada and the U.S. may revisit the terms of their relationship, but whether the path is smooth or strained, they remain by necessity and geography partners in progress⁴.

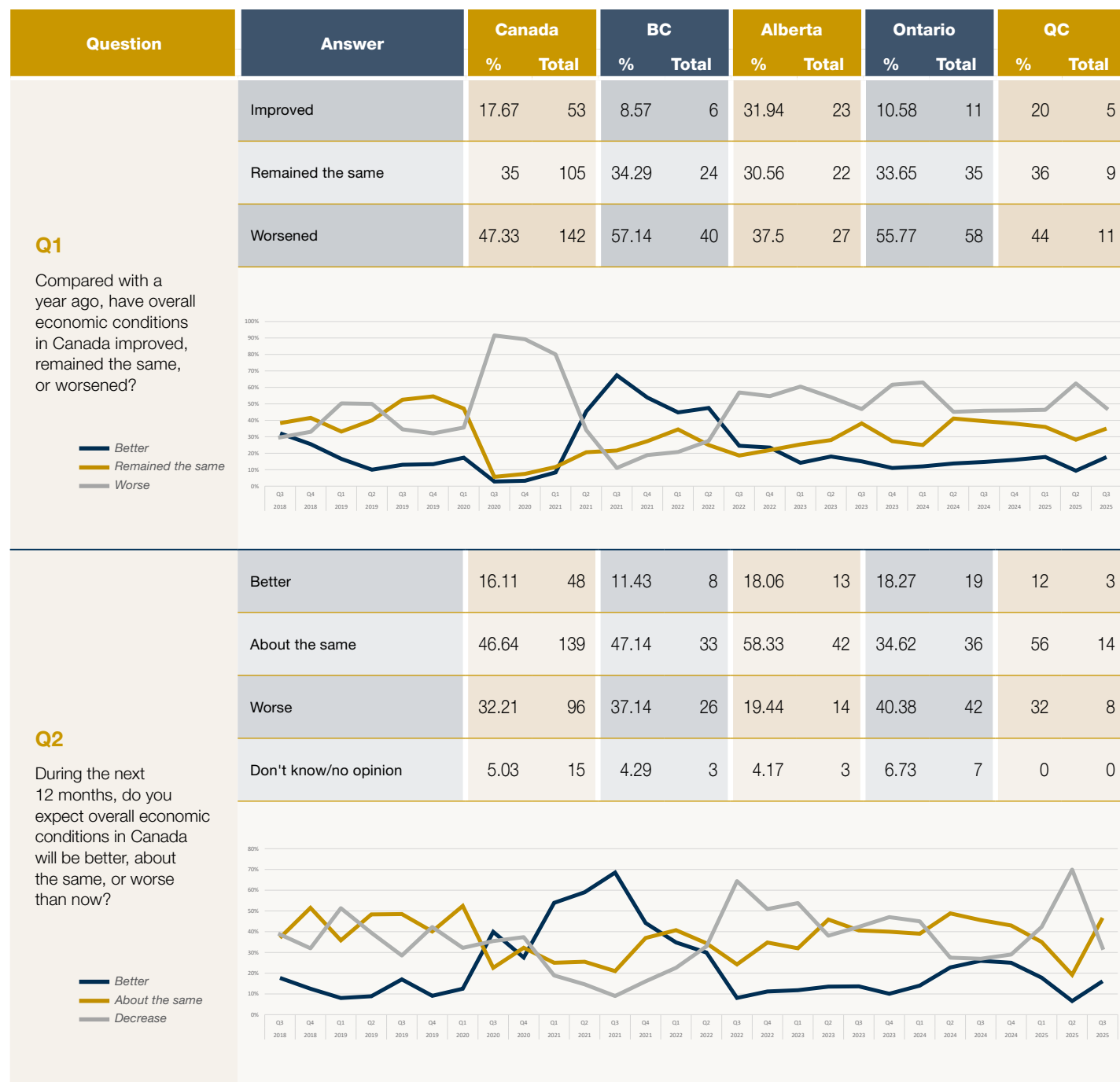
Looking ahead, this period offers a preview of the broader discussions to come particularly with CUSMA's 2026 review on the horizon⁵. Future talks are likely to be shaped less by historical integration and more by new, recalibrated expectations. For Canadian business leaders, this is not a moment to disengage fully with the U.S., but to lead with clarity, adaptability, and foresight. Staying close to trade developments using [TEC's Tariff Resource Page](#) can help anticipate shifts in U.S. policy posture, and regularly assessing risks through a [structured framework](#) can support strategic positioning within evolving supply chains, both of which will be essential. In a more fluid trade environment, resilience will be defined not only by direct reaction but by strategic repositioning that is open to all possibilities.

Source:

1. <https://www.rbc.com/en/thought-leadership/the-trade-hub/trade-zone-waiting-for-9th-of-july-fireworks-or-a-fizzle-out/>
2. <https://www.nytimes.com/2025/07/09/world/canada/tariffs-trump-trade-us.html>
3. <https://financialpost.com/news/economy/where-things-stand-donald-trump-global-tariffs>
4. <https://www.international.gc.ca/country-pays/us-eu/relations.aspx?lang=eng>
5. <https://carnegieendowment.org/emissary/2025/04/canada-us-relationship-over-trump-tariffs-51st-state?lang=en>

Survey Results

The TEC Canada CEO Confidence Index is a quarterly survey measuring the confidence of Canadian business leaders of small-to-medium enterprises. The results provide insight into the challenges and opportunities faced by leaders and their confidence in the Canadian business environment. The TEC CEO Confidence Index Q2 2025 was conducted from May 30th, 2025 to July 1st, 2025 and had 309 Canadian participants in the research.

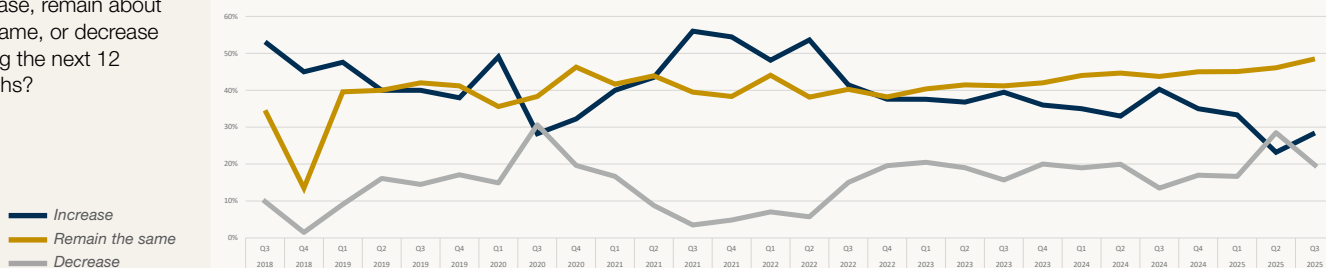


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Question	Answer	Canada		BC		Alberta		Ontario		QC	
		%	Total	%	Total	%	Total	%	Total	%	Total
Q5 Are your firm's total	Increase	28.43	85	25.71	18	27.78	20	29.81	31	24	6
	Remain the same	48.49	145	50	35	54.17	39	46.15	48	48	12
	Decrease	19.73	59	21.43	15	15.28	11	20.19	21	24	6
	Don't know/no opinion	3.34	10	2.86	2	2.78	2	3.85	4	4	1

Q5

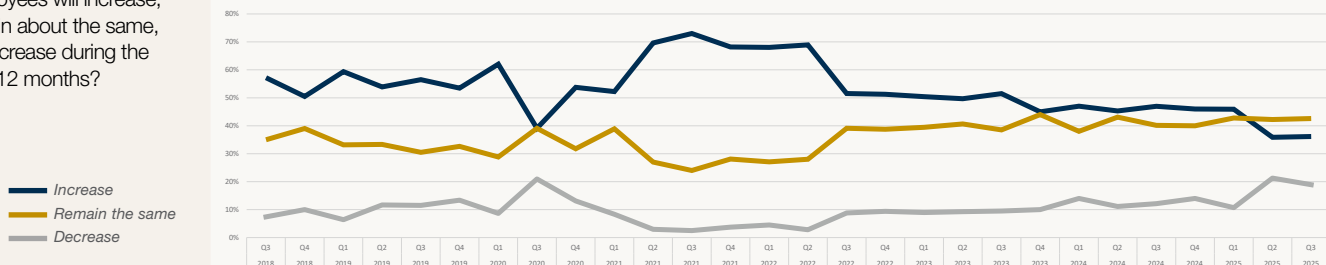
Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?



Increase	36.15	107	31.88	22	34.72	25	37.5	39	44	11
Remain the same	42.57	126	50.72	35	45.83	33	34.62	36	40	10
Decrease	18.92	56	17.39	12	16.67	12	25	26	12	3
Don't know/no opinion	2.36	7	0	0	2.78	2	2.88	3	4	1

Q6

Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?



Question	Answer	Canada		BC		Alberta		Ontario		QC	
		%	Total	%	Total	%	Total	%	Total	%	Total
Q7 Have you started, or are you planning to undertake layoffs?	Yes - I am planning minor layoffs	13.13	39	15.71	11	18.06	13	6.73	7	3.85	1
	Yes - I am planning large layoffs	1.35	4	0	0	0	0	1.92	2	3.85	1
	Yes - I am currently undertaking minor layoffs	10.77	32	12.86	9	9.72	7	12.5	13	11.54	3
	Yes - I am currently undertaking large layoffs	2.36	7	0	0	4.17	3	2.88	3	3.85	1
	No	62.29	185	62.86	44	58.33	42	62.5	65	73.08	19
	Not sure	10.1	30	8.57	6	9.72	7	13.46	14	3.85	1
Q8 What is your 1-year ahead expectation for inflation?	Below 2%	16.89	50	18.84	13	12.5	9	12.5	13	34.62	9
	Between 2% and 3%	66.55	197	60.87	42	72.22	52	65.38	68	65.38	17
	Above 3%	16.55	49	20.29	14	15.28	11	22.12	23	0	0
Q9 What is your assessment of the risk of a recession in Canada by year-end 2025?	High risk of recession	20.61	61	22.86	16	18.06	13	28.16	29	11.54	3
	Moderate risk of recession	58.45	173	65.71	46	59.72	43	49.51	51	69.23	18
	Low risk of recession	13.51	40	10	7	12.5	9	14.56	15	7.69	2
	No risk of recession	1.69	5	0	0	1.39	1	1.94	2	3.85	1
	Not sure	5.74	17	1.43	1	8.33	6	5.83	6	7.69	2
Q10 To what extent are current U.S. tariffs impacting your organization's costs, pricing strategy, or operational performance?	No impact or minimal impact	22.22	66	27.14	19	19.44	14	21.15	22	23.08	6
	Moderate impact	54.55	162	57.14	40	65.28	47	44.23	46	53.85	14
	High impact	13.8	41	10	7	5.56	4	24.04	25	15.38	4
	Critical impact	1.68	5	0	0	1.39	1	3.85	4	0	0
	Unsure	7.74	23	5.71	4	8.33	6	6.73	7	7.69	2

Question	Answer	Canada		BC		Alberta		Ontario		QC	
		%	Total	%	Total	%	Total	%	Total	%	Total
Q11 What steps, if any, is your organization taking to reduce reliance on the U.S. market and diversify trade relationships? (Select all that apply)	Exploring new export markets (e.g., Europe, Asia, Latin America)	18.91	80	16.84	16	18.69	20	19.61	30	24.24	8
	Strengthening domestic partnerships or focusing on Canadian markets	40.19	170	38.95	37	44.86	48	39.22	60	30.3	10
	Reshoring or nearshoring parts of the supply chain to reduce cross-border risks	18.91	80	17.89	17	22.43	24	16.99	26	12.12	4
	Not currently diversifying; our U.S. reliance remains unchanged	20.57	87	26.32	25	12.15	13	22.22	34	33.33	11
	Other (please specify)	1.42	6	0	0	1.87	2	1.96	3	0	0
Q12 What province or territory is your business located in?	British Columbia	23.65	70	100	70	0	0	0	0	0	0
	Alberta	24.32	72	0	0	100	72	0	0	0	0
	Saskatchewan	6.08	18	0	0	0	0	0	0	0	0
	Manitoba	0.68	2	0	0	0	0	0	0	0	0
	Ontario	35.14	104	0	0	0	0	100	104	0	0
	Quebec	8.78	26	0	0	0	0	0	0	100	26
	New Brunswick	1.01	3	0	0	0	0	0	0	0	0
	Nova Scotia	0.34	1	0	0	0	0	0	0	0	0

Question	Answer	Canada		BC		Alberta		Ontario		QC	
		%	Total	%	Total	%	Total	%	Total	%	Total
Q13 What industry best describes your business?	Professional, Scientific, and Technical Services	19.21	29	17.65	6	20.59	7	13.33	8	35.71	5
	Other	7.95	12	8.82	3	5.88	2	11.67	7	0	0
	Manufacturing	24.5	37	11.76	4	14.71	5	36.67	22	21.43	3
	Construction	17.88	27	29.41	10	20.59	7	11.67	7	7.14	1
	Wholesale Trade	10.6	16	0	0	14.71	5	16.67	10	0	0
	Finance and Insurance	2.65	4	5.88	2	0	0	3.33	2	0	0
	Administrative and Support and Waste Management and Remediation Services	0	0	0	0	0	0	0	0	0	0
	Retail Trade	3.97	6	5.88	2	2.94	1	3.33	2	7.14	1
	Information	1.32	2	0	0	2.94	1	0	0	7.14	1
	Real Estate Rental and Leasing	2.65	4	5.88	2	5.88	2	0	0	0	0
	Transportation and Warehousing	5.3	8	8.82	3	5.88	2	0	0	21.43	3
	Health Care and Social Assistance	1.99	3	5.88	2	2.94	1	0	0	0	0
	Educational Services	0	0	0	0	0	0	0	0	0	0
	Public Administration	0.66	1	0	0	0	0	1.67	1	0	0
	Mining	0.66	1	0	0	2.94	1	0	0	0	0
	Arts, Entertainment, and Recreation	0	0	0	0	0	0	0	0	0	0
	Agriculture, Forestry, Fishing and Hunting	0	0	0	0	0	0	0	0	0	0
	Accommodation and Food Services	0	0	0	0	0	0	0	0	0	0
	Utilities	0.66	1	0	0	0	0	1.67	1	0	0
Q14 What is your business's annual revenue?	< \$500k	0.66	1	0	0	0	0	1.67	1	0	0
	\$500k-\$999k	4.64	7	0	0	5.88	2	6.67	4	7.14	1
	\$1M-\$4.9M	19.21	29	26.47	9	26.47	9	8.33	5	28.57	4
	\$5M-\$9.9M	9.27	14	5.88	2	8.82	3	10	6	21.43	3
	\$10M-\$49.9M	43.05	65	44.12	15	35.29	12	53.33	32	14.29	2
	\$50M-\$99.9M	10.6	16	17.65	6	11.76	4	8.33	5	7.14	1
	\$100M+	12.58	19	5.88	2	11.76	4	11.67	7	21.43	3

Dr. Peter Andersen, Economist



Dr. Peter Andersen is an independent consulting economist specializing in economic forecasting. He obtained his doctorate in economics from Harvard University. Early in his career he was Assistant Chief of the Bank of Canada's Research Department where he advised the Governor and Bank of Canada management on economic conditions and the economic outlook.

Later as a partner with a national management consulting firm, Andersen was an economic consultant and advisor to a wide range of companies. He has always emphasized communication and the need to put economic analysis into terms that are useful for business decision-making.

Dr. Andersen also spent several years with several major Bay Street investment dealer firms before founding Andersen Economic Research Inc. His clients are widely distributed across a broad range of corporations and financial institutions throughout North America.

His objective is to act as a filter, separating the signals from the noise, in order to provide clients with the useful information that they really need. In his consulting practice, he provides strategic economic advice to senior management through boardroom meetings, video conferencing, email commentary, conference calls and the monthly Andersen Economic Report.