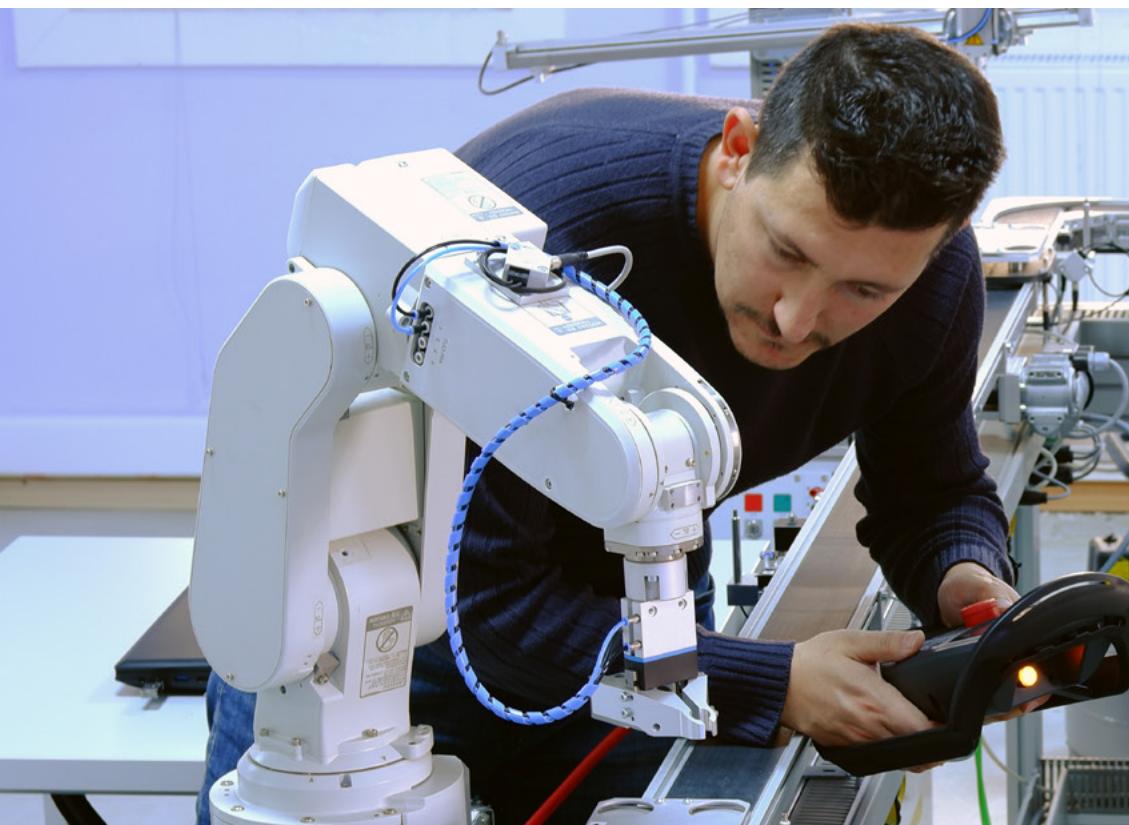




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PROUDLY CANADIAN

MONTHLY BUSINESS CONDITIONS REPORT

AUGUST, 2025

ISSUE 20

Canadian Market Insights You Can Act On

IN THIS REPORT

Economic Summary: Canada's economy is amid a significant transformation, marked by monthly fluctuations in trade, employment, and GDP.

Special Report: The Chicken Little Report: Bad news is the media's bread and butter.

Market & Business Analysis: Transportation Price Indexes and Cost Components - Analysis reveals a core challenge in pricing analysis - relying on a single cost component.

Retail Trade: Canada's retail sector is showing resilience, but it's not consistently outpacing inflation across the board.

IN THIS REPORT

ECONOMIC SUMMARY

Canada's economy is amid a significant transformation, marked by monthly fluctuations in trade, employment, and GDP as it responds to shifting global dynamics and domestic realignment.

SPECIAL REPORT

The Chicken Little Report: Bad news is the media's bread and butter—it grabs eyeballs and drives clicks. Canada's latest economic numbers fell short of forecasts, fueling the usual handwringing.

MARKET & BUSINESS ANALYSIS

We have revisions to the Business Conditions sections of the Monthly Report. Specifically, tables have been replaced by graphs and commentary.

- **Transportation Price Indexes and Cost Components**

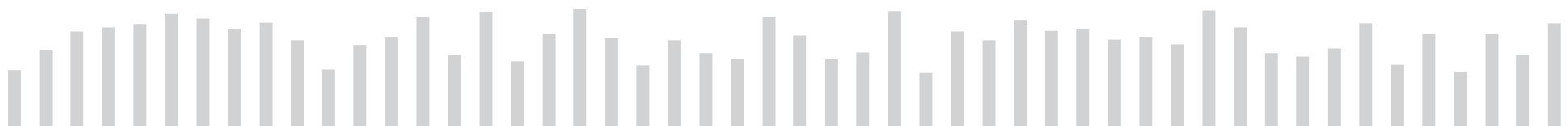
Analysis reveals a core challenge in pricing analysis: relying on a single cost component.

- **Retail Trade**

Canada's retail sector is showing resilience, but it's not consistently outpacing inflation across the board.

“CREATING A CONTEXT IN WHICH OTHER PEOPLE CAN THINK.”

EDWIN SCHLOSSBERG



ECONOMIC SUMMARY

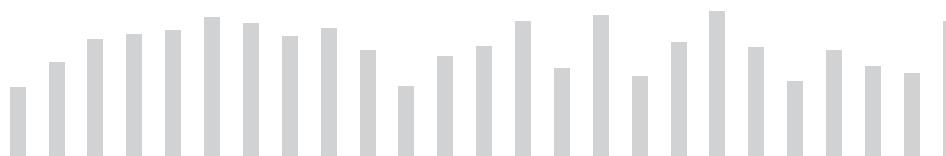


CANADIAN ECONOMY

Canada's economy is navigating a **period of transition**, with **dynamic fluctuations occurring** simultaneously in trade, employment, and GDP. Additionally, tariffs from the U.S. and China on key exports like steel, autos, and agriculture have created short-term challenges, but Canada's infrastructure investments and industry shifts are positioning the country for further diversification and tapping into new markets. While volatility may persist, these changes lay the groundwork for long-term resilience and growth.

GDP

Real gross domestic product (GDP) declined 0.4% in the second quarter of 2025, following a 0.5% gain in the first quarter. The contraction in the second quarter was driven by significant **declines in the export of goods**, as well as **decreased business investment** in machinery and equipment. These declines were **tempered by higher household spending and lower imports of goods**.



MERCHANDISE TRADE

In July, Canada's **merchandise exports rose 0.9%**, while **imports were down 0.7%**. As a result, Canada's merchandise **trade deficit** with the world **narrowed** from **\$6.0 billion in June to \$4.9 billion in July**.

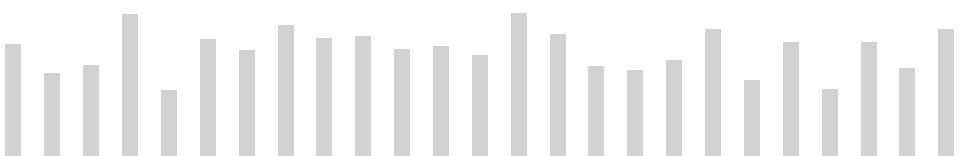
Exports of energy products (+4.2%) posted the largest increase in July following five consecutive monthly declines.

After increasing 0.8% in June, **total imports were down 0.7% in July**. The June spike was largely due to a one-off import of an oil drilling platform off the coast of Newfoundland. Aside from a handful of journalists, no one expected this to be repeated in July.

Exports to the United States increased 5.0% in July, in part because of higher exports of crude oil and passenger cars.

Imports from the United States fell 2.2% in July 2025, a fourth decrease in five months. As a result, **Canada's trade surplus** with the United States widened from \$3.7 billion in June to **\$6.7 billion in July**, the largest surplus since March 2025.

Exports to countries other than the United States were **up 14%** in July 2025, while **imports** from countries other than the United States **increased 1.3%** during the same period.



ECONOMIC SUMMARY



EMPLOYMENT

Employment **remains vulnerable** to the economy's monthly mood swings, with August's changes erasing many of the gains made earlier in the year.

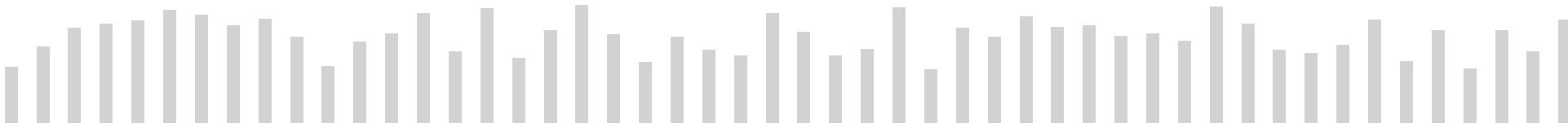
In August, the **unemployment rate rose by 0.2** percentage points to 7.1%, largely due to an **employment decline of 66,000 jobs (-0.3%)**.

Job vacancies fell in the first quarter of 2025 to 524,300 (-20,600; -3.8%), which followed little change in the fourth quarter of 2024.

Despite the decrease in job vacancies, **total labour demand** (the sum of filled and vacant positions) **rose by 42,200** (+0.2%) in the first quarter of 2025, due to an increase in payroll employment (+62,800; +0.4%). Even when job vacancies exist, unemployment rates can remain high due to **skills mismatch, geographic mismatch, wage expectations, and structural shifts such as industries declining while others grow**.

To clarify:

- Unemployment Rate: The share of the labour force actively seeking but not currently holding employment.
- Employment Rate: The proportion of the entire working-age population that is employed, regardless of job-seeking status.



ECONOMIC SUMMARY

DETAILS

Professional, Scientific & Technical Services

Employment fell by **26,000 (-1.3%)**, ending a five-month period of stability. Despite this dip, the sector remains **up 36,000 (+1.8%)** compared to August 2024.

Transportation & Warehousing

Lost **23,000 jobs (-2.1%)**, effectively reversing July's gains.

Manufacturing

Declined by **19,000 jobs (-1.0%)** in August. Since its peak in January 2025, the sector has shed **58,000 jobs (-3.1%)**.

Construction

Gained **17,000 jobs (+1.1%)** in August, recovering most of July's losses (**-22,000; -1.3%**).

Average Hourly Wages

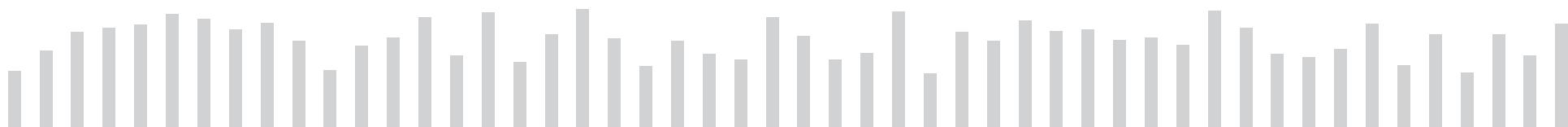
Increased **by 3.2%** over the past year, **up \$1.12 to \$36.31** per hour, suggesting wage resilience despite employment fluctuations.

CONSUMER PRICES

The Consumer Price Index (CPI) rose **1.7%** on a year-over-year basis in July, down slightly from a 1.9% increase in June.

Prices for gasoline led the slowdown in the all-items CPI, falling 16.1% year-over-year in July, following a 13.4% decline in June specifically. **Excluding gasoline, the CPI rose 2.5%** in July, matching the increases in May and June.

What does the consumer price and retail value increase really mean? See the **Retail Trade** section of the MARKET & BUSINESS ANALYSIS section of this report. [\(p13\)](#)



BUSINESS CONDITIONS REPORT WEBINAR

Friday, September 26, at 9:00 a.m. ET

Join us for our monthly deep dive into Canada's evolving business landscape. This live webinar offers analysis of the latest Business Conditions Report, unpacking the data and sparking meaningful discussion.

What's on the agenda?

We'll go beyond the numbers to explore:

- **Is it the economy—or the forecasters?**
- **Why price shifts stem from a complex web of factors—not just one input cost.**

Plus, get an exclusive preview of next month's report covering the Quarterly Salary Review and Supplier's FX Risk.

Reserve your spot today

[Click](#) to register or contact Sam Moncada at smoncada@copa.ca.

Change is constant—let's make sense of it together.

SPECIAL REPORT

THE CHICKEN LITTLE REPORT

A classic fable where the protagonist—an easily frightened chicken—spreads panic by misinterpreting a small event as a sign of impending doom.

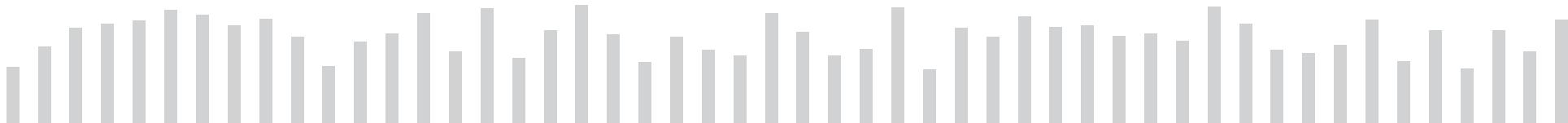
“ON THE VERGE OF RECESSION’: TRUMP TARIFFS SLAM CANADA, NEW GDP NUMBERS SHOW”

While multiple news outlets have reported on Canada's economic challenges, the Toronto Star headlines the impact of Trump-era tariffs with particular intensity.

FACTS:

- **“The economic contraction was deeper than anticipated, though resilient domestic spending helped cushion the impact.”** Is it the economy or the forecasters? Attempting to forecast Trump's moves through economic indicators alone is a fool's errand—did analysts miss the memo: “Shop Canadian”?
- The latest figures show that Canada's economy grew at an annualized rate of 0.4% in the first six months of the year.
- Exports were mainly responsible for sinking the economy in the second quarter, as they **declined 7.5%** during that period, even though **auto exports dropped 24%**.

- The GDP for the quarter that ended June 30 slowed by 1.6% on an annualized basis, while first-quarter **growth was revised to 2%**.
- **Domestic demand grew by 3.5%, indicating health in the domestic economy.** The boost came from household spending, which jumped by 4.5% on an annualized basis; residential investments, which rose 6.3%; and government spending on goods and services, which surged by 5.1%, according to Statistics Canada.



SPECIAL REPORT

BLAME IT ON TRUMP

This year saw a wave of Canadian retailers undergoing insolvency proceedings, with many citing Trump's tariffs as a factor behind their struggles.

SSENSE

Montreal-based e-commerce fashion brand Ssense (*) said it was filing for creditor protection this week as Trump killed a widely used customs exemption for international shipments. Note: Ssense sells luxury casual wear. A hoodie can cost \$300 plus.

But its recent struggles are “not surprising,” as luxury sales have trended downward due to inflation squeezing people’s wallets for years, noted Charles de Brabant, School of Retail Management at McGill University in Montreal



HUDSON'S BAY

Earlier this year, the iconic Hudson's Bay department store also **blamed trade war tensions** with the U.S. as a challenge that eventually led to its demise.

Starting in the 1990s, two big shopping trends aided the demise of the traditional department store: the growth of e-commerce options and the development of specialty shops. Was Hudson Bay sleeping?

LUMBER

Facing **decades of vulnerability** to U.S. anti-dumping duties—now totalling up to 35%—the federal government has launched a \$1.25 billion support package aimed at transforming the sector.

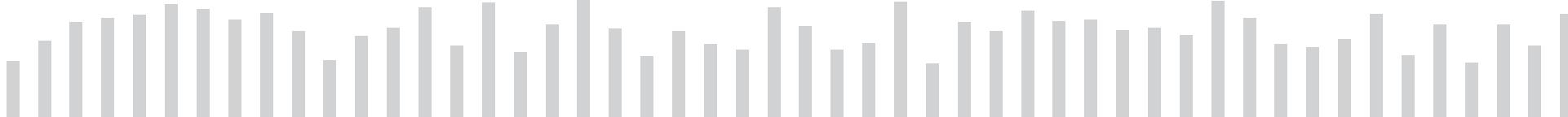
CANOLA

Canada's canola industry—worth \$44 billion—is reeling from China's 75.8% duty on Canadian canola seed. This move, a response to Canadian tariffs on Chinese goods, has blocked access to China, its largest market. **This is the 3rd such tariff hike or import suspension in 5 years.**

TARIFFS

Tariffs often **act like a match tossed into dry grass: they ignite tensions.** But the underlying vulnerabilities were already there. Media often frames tariffs as the villain; however, the deeper story is about how economies respond.

- **Tariffs don't create weaknesses**—they reveal them!
- For some businesses, **tariffs become the catalyst for overdue changes:** diversifying supply chains, reshoring production, or investing in automation.



MARKET & BUSINESS ANALYSIS

The data tables formerly featured in the Monthly Business Conditions Report have been replaced by the new **Market & Business Analysis** section. This updated format offers commentary and visual charts that cover the same key indicators while emphasizing emerging trends, notable events, and year-over-year comparisons.

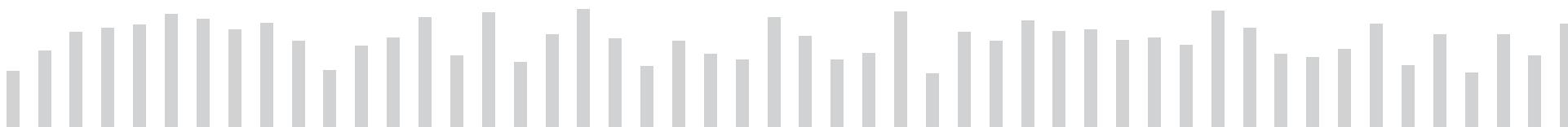
The previous tables, which were often tied to varying timeframes and released at different points throughout the year, occasionally led to confusion. If you still require access to the original table data, please contact the author directly.

TRANSPORTATION PRICE INDEXES AND COST COMPONENTS

Transportation is a prime example of how price fluctuations stem from a complex web of factors rather than just a single input source. Costs can be influenced by oil and diesel prices, labour rates, or a combination of other variables. In recent years, rising transportation prices have been attributed to inflation, surging ocean freight rates, currency exchange shifts, and evolving tariffs. But when prices go up or down, can we truly isolate one input as the sole driver? **It is rarely that simple!**

- **Multi-Factor Cost Pressures:** It's not just raw materials affecting product cost. Labour costs, energy prices, transportation, packaging, and regulatory compliance all contribute. Even if one component spikes, other costs usually quietly rise too. It's not because of greed, but because the combined value of the delivered product far exceeds the cost.
- **Inflationary Environment:** In times of inflation, the general price levels across the economy increase. That means businesses face higher costs across the board—not just in one area like fuel or wages.
- **Cumulative Cost Pressure:** Inflation rarely hits just one input. It's a slow burn across raw materials, labour, logistics, utilities, and even compliance costs. Businesses often absorb these increases to stay competitive, but each absorbed cost trims margins.

- **Delayed Price Response:** Many firms hesitate to raise prices immediately—fearing customer backlash or loss of market share. Instead, they trim expenses, delay investments, or accept lower profits. But this can't go on forever.
- **Breaking Point Dynamics:** Eventually, one cost spike—say, a sudden jump in fuel or wage demands—becomes the proverbial straw that breaks the camel's back. At that point, a price increase isn't just strategic; it's necessary for survival.

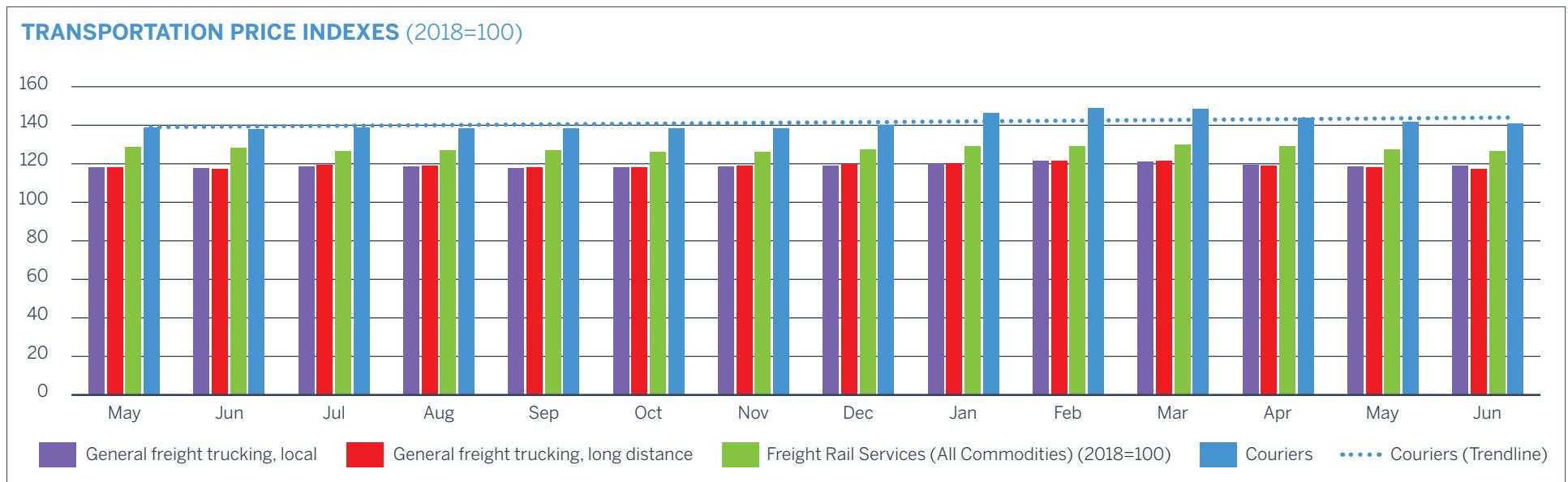


MARKET & BUSINESS ANALYSIS

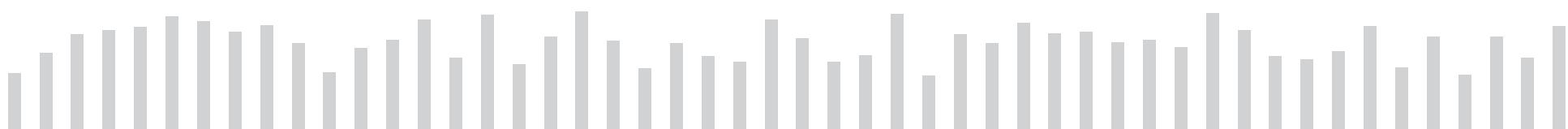
Price indexes measure actual transaction prices—what buyers are paying. A price index reflects this strategic pricing behaviour, while cost tracking misses it entirely. In contrast, **cost tracking** offers only a snapshot in time, often influenced by short-term fluctuations in inputs like raw materials or labour. It fails to account for how pricing evolves in response to changing conditions, making it an incomplete lens for understanding pricing and market behaviour.

Instead of tracking dozens of fluctuating cost inputs, a price index rolls it all into a single, digestible metric—making it easier to monitor trends and make more accurate decisions.

TRANSPORTATION PRICE INDEXES



| Transportation | 2024 | | | | | | | | 2025 | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
| General freight trucking, local | 118.3 | 117.7 | 118.4 | 118.4 | 117.7 | 118.3 | 118.7 | 118.8 | 120.3 | 121.4 | 121.2 | 119.5 | 118.6 | 119.0 |
| General freight trucking, long distance | 118.1 | 117.5 | 119.6 | 119.2 | 118.3 | 118.2 | 118.8 | 120.0 | 120.1 | 121.5 | 121.4 | 118.9 | 118.1 | 117.2 |
| Freight Rail Services (All Commodities) (2018=100) | 128.6 | 128.2 | 126.7 | 127.1 | 126.8 | 126.3 | 126.7 | 127.6 | 129.1 | 129.1 | 130.1 | 129.3 | 127.4 | 126.5 |
| Couriers | 138.7 | 138.1 | 138.9 | 138.2 | 138.5 | 138.5 | 139.1 | 140.1 | 146.5 | 148.7 | 148.6 | 143.8 | 141.6 | 141.1 |



MARKET & BUSINESS ANALYSIS

The **Transportation Price Index** on the previous page is made up of indexes for **trucking both long and short haul, rail services, and couriers**.

The index is a simple tool that tracks how prices change over time. A price index compares the cost of that basket today to what it cost in the past. If the basket costs more now, the index goes up. If it costs less, the index goes down.

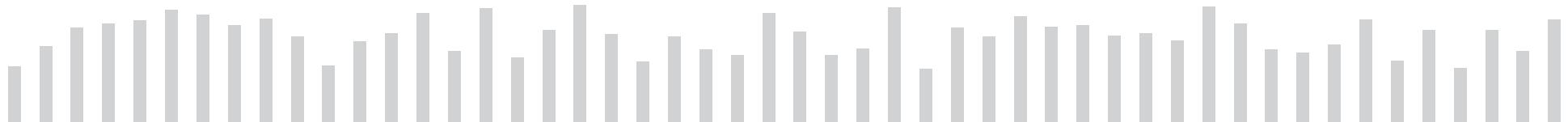
Example:

In January 2021, a standard basket of long-distance freight trucking services cost \$100 CAD. By June 2025, that same basket rose to \$117, an increase of approximately 17% over 4½ years. Local freight trucking saw a slightly steeper rise, reaching \$119 over the same period.

This means that **freight trucking prices**, both long-distance and local, **outpaced general inflation**. While CPI rose by roughly 13%, freight costs jumped 17–19%.

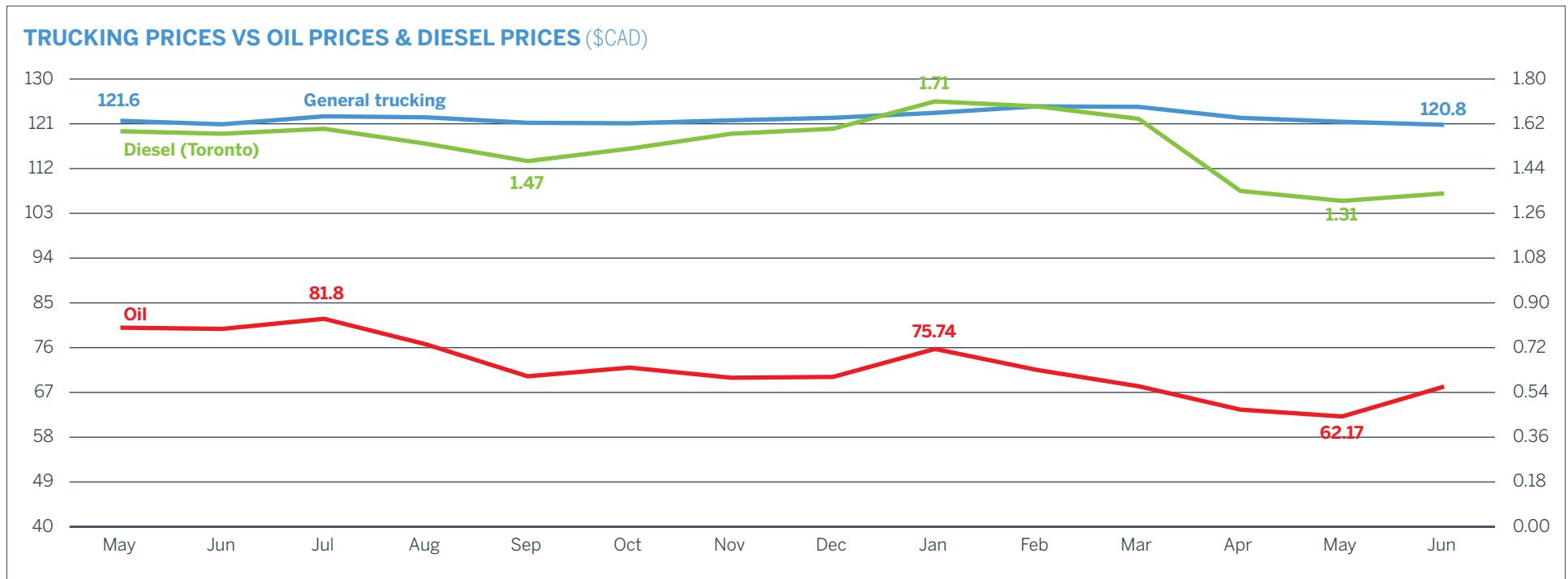
Courier costs were **up 41%** over 6½ years, and **rail was up 26.5%** over 7½ years.

How many businesses have pointed to trucking, rail costs, or couriers to support price increases?



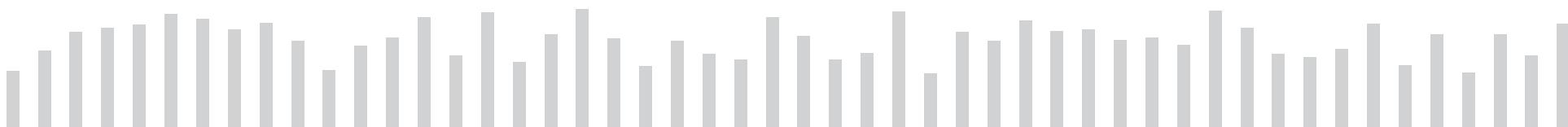
MARKET & BUSINESS ANALYSIS

COST COMPONENTS



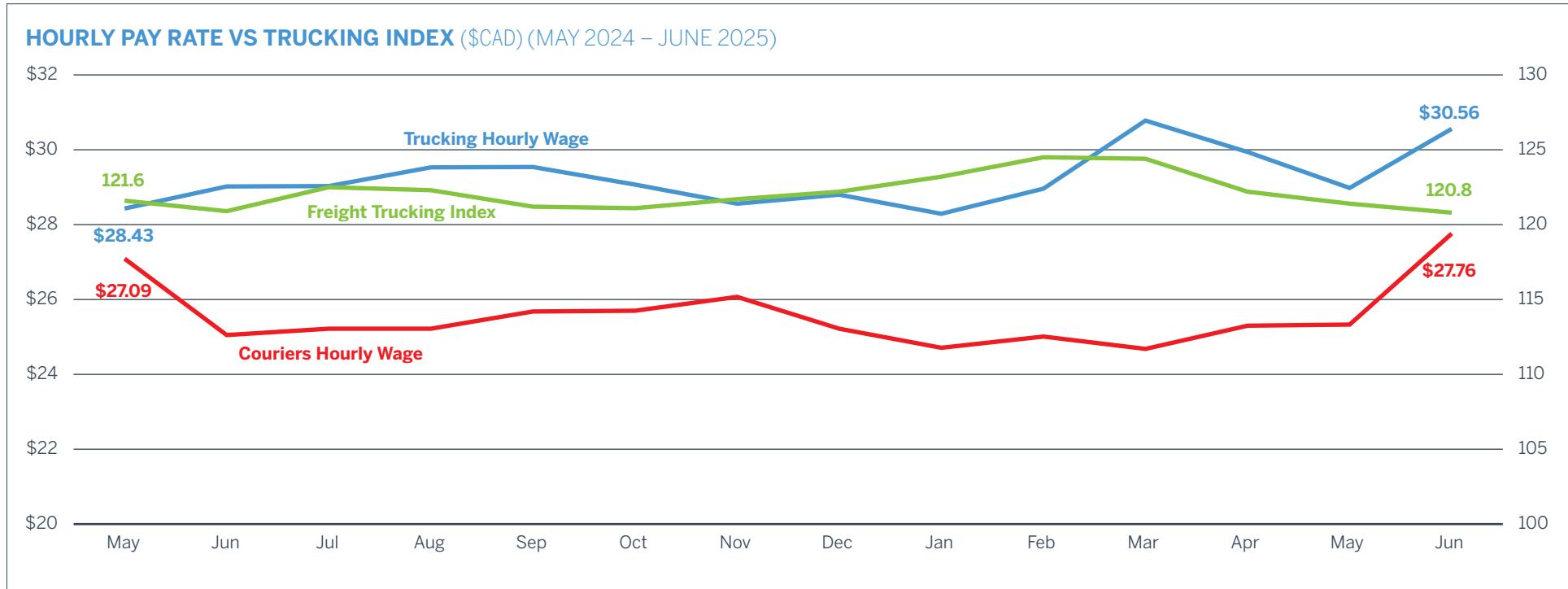
Statistics Canada collects monthly **average oil and diesel prices** from major suppliers. As shown in this chart, these fuel prices have experienced **sharp fluctuations** over the past 12 months. In contrast, the **Trucking Price Index has remained relatively stable**. Even in April 2025, when diesel prices fell significantly following the removal of the carbon tax in most provinces, the index declined by less than a single percentage point.

This highlights a core challenge in pricing analysis. Relying on a single, cost component like fuel or foreign exchange rates as the main driver of price changes can lead to oversimplified conclusions. While cost inputs often interact, **each follows its own rhythm**. Some, such as fuel, can fluctuate dramatically in a matter of days, while others like wages or capital equipment — adjust slowly over months or even years. **Pricing decisions rarely hinge on one variable.** Instead, **they reflect a strategic mix of market forces**, long-term planning, and competitive positioning.



MARKET & BUSINESS ANALYSIS

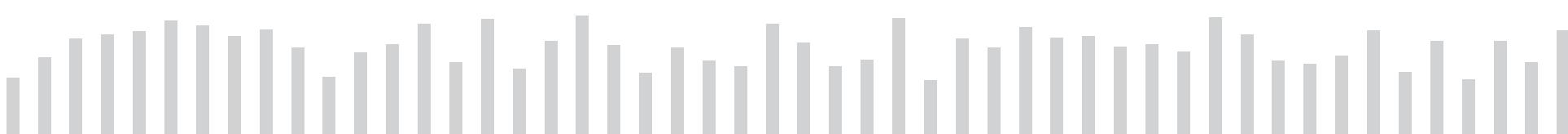
COST COMPONENTS



Note: Statistics Canada obtains wage data from the CRA and are based on business's monthly income tax submissions.

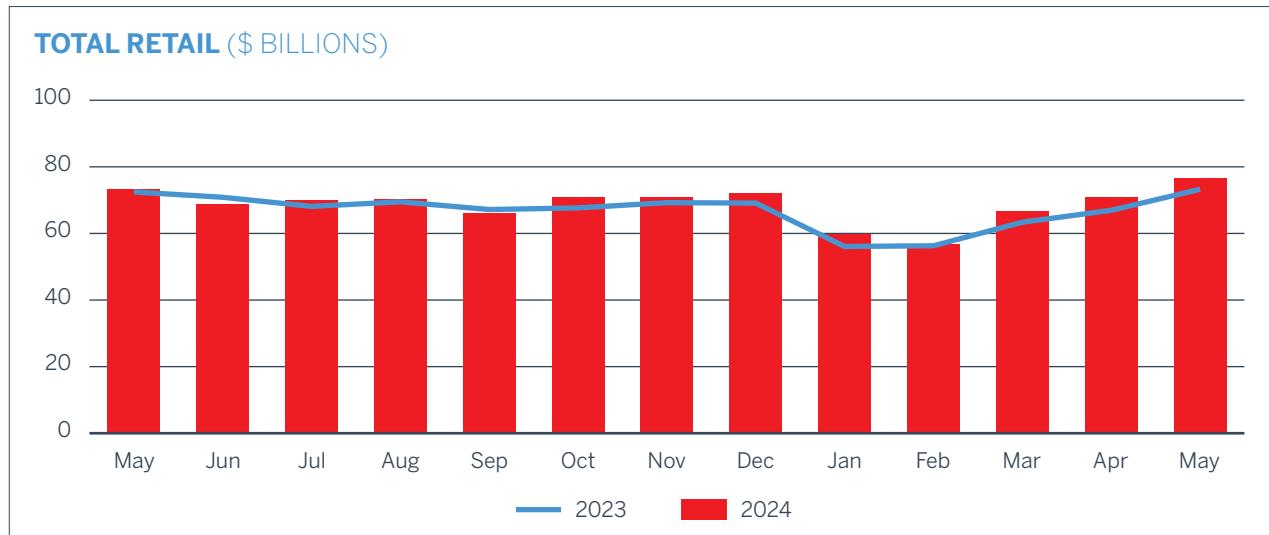
Although monthly changes in hourly pay rates for truckers are relatively modest — typically less than \$2.00, their fluctuations are still more pronounced than those seen in the Trucking Price Index. At times, **the index appears to track alongside wage movements, but not consistently**. For example, in May and June 2025, wages rose while the index remained flat. These wage **increases were likely driven by union “catch-up” agreements**, which can take months or even years to ripple through the broader industry.

This further illustrates the **challenge of attributing price changes to a single input cost** at any given moment. Wages, for example, don't shift overnight — they tend to build gradually in response to broader cost-of-living pressures. Additionally, isolating one component **like fuel or labor** oversimplifies the complex, strategic nature of pricing, which often reflects long-term trends, market conditions, and negotiated agreements rather than short-term fluctuations.



MARKET & BUSINESS ANALYSIS

RETAIL TRADE



| RETAIL TRADE (\$ MILLIONS) | |
|----------------------------|------------|
| May 2023-24 | \$ 870,100 |
| May 2024-25 | \$ 893,033 |
| Increase (\$) | \$ 22,932 |
| Increase (%) | 2.60% |
| | |
| CPI | +2% |
| CPI Food | +3.3% |

“CANADA’S RETAIL SECTOR REMAINED RESILIENT DESPITE RISING TRADE TENSIONS.”

STATISTICS CANADA, CBC, CTV

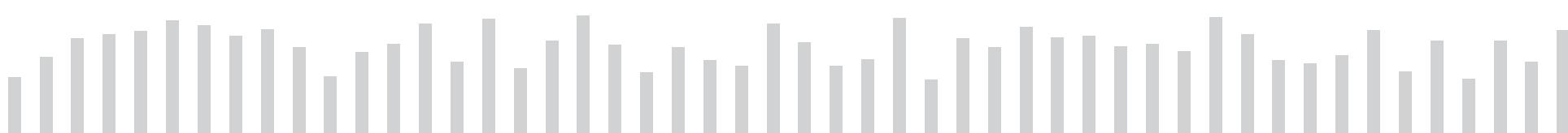
Resilient may be an overstatement. For the 12-month period ending May 2025, Total Retail rose by just 2.6%, only marginally above the Consumer Price Index (CPI). It's important to note that these figures reflect Total Retail values, which are significantly impacted by categories like **Grocery, Auto Dealers and Gas Stations**. A spike in any one of these major sectors can easily skew the overall results, making the headline number less indicative of underlying consumer strength.

Other factors:

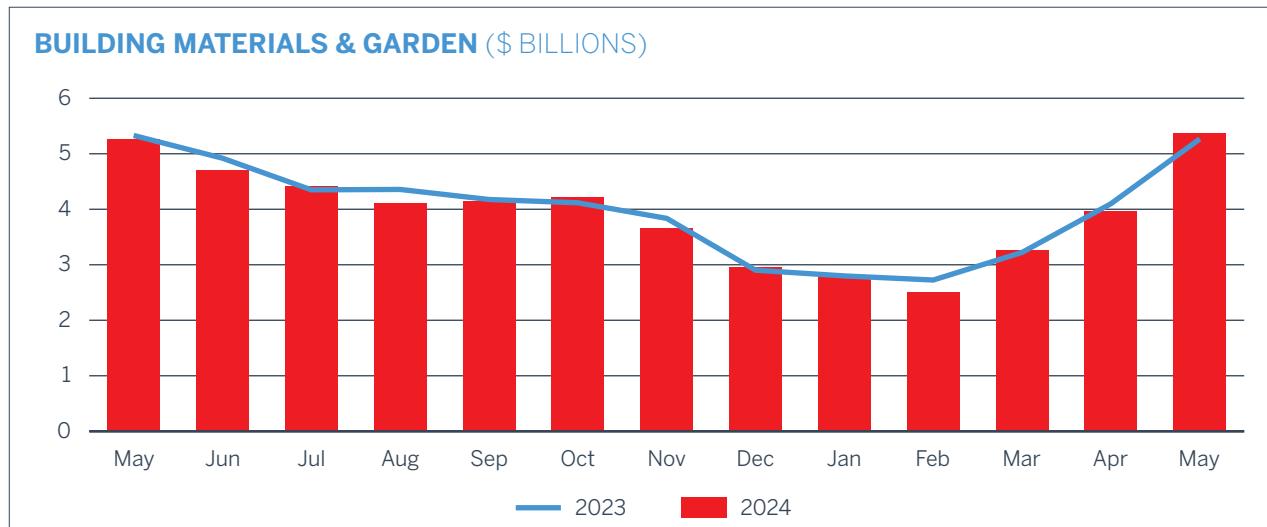
- When CPI rises, consumers may reduce spending due to higher prices, which can lead to **lower retail sales volumes**.
- If prices rise (higher CPI), nominal sales might increase even if the actual quantity sold **remains flat or declines**.
- Consumers may shift spending **toward essentials** and away from discretionary items, affecting the retail **sales composition**.

Example Imagine CPI increases by 5% year-over-year, and retail sales also rise by 5%. On the surface, it looks like growth but in real terms, sales may have stagnated because the increase is purely due to higher prices, not more goods sold.

Fortunately, Stats Can provides a break down of **other major groups**.



MARKET & BUSINESS ANALYSIS

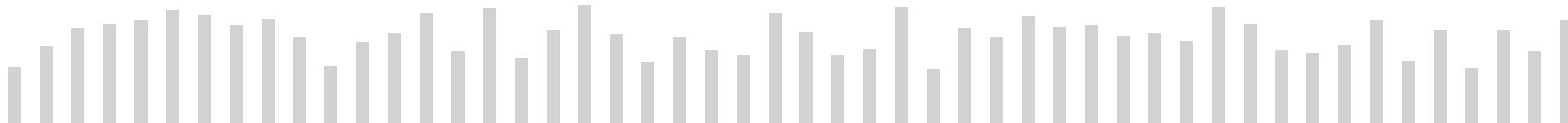


The Building Materials and Garden category tells a **different story**. While sales values were reported to be down 1% year-over-year, the decline may not reflect a drop in demand. Consumer prices for many items in this group fell significantly — between 1% and 4% — and only three of the twelve months showed actual decreases in sales. (See [a breakdown of related Consumer Price product groups](#) ([link](#))) This suggests that the dip in value is likely driven by **lower prices and promotions rather than reduced volumes**.

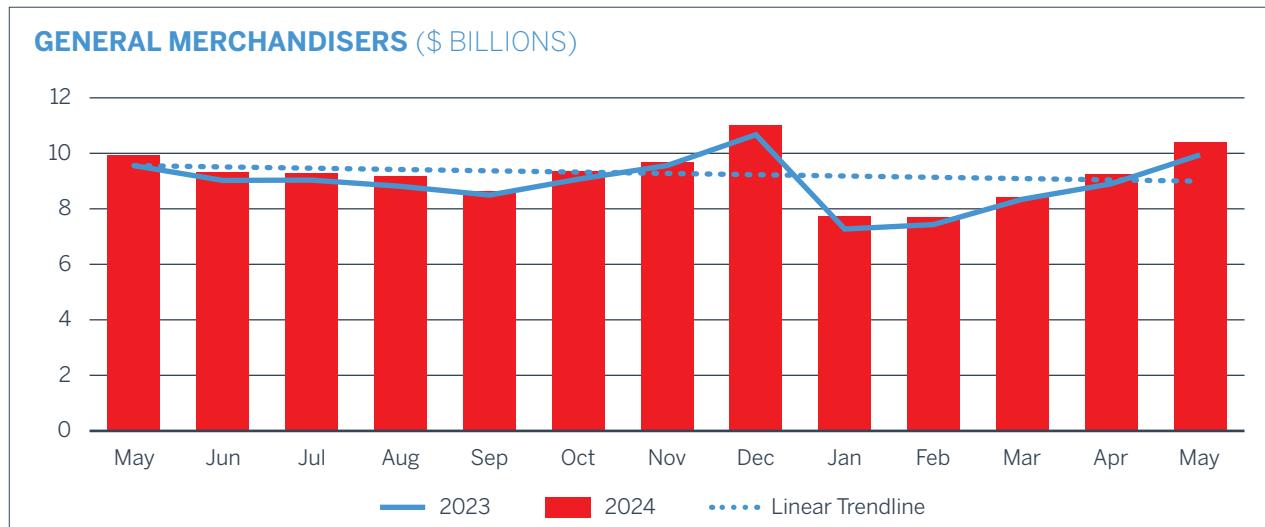
This interpretation is reinforced by **Home Depot's** stance. Despite missing their sales targets in the first two quarters of 2025, the company has reaffirmed its full-year forecast. With access to more granular data, Home Depot's confidence implies that **underlying demand remains stable**, and the headline decline may be **more about deflation than a consumer retreat**.

| BUILDING MATERIALS & GARDEN (\$ MILLIONS) | | |
|---|----|---------------|
| May 2023-24 | \$ | 52,113 |
| May 2024-25 | \$ | 51,398 |
| Increase | | -\$715 |
| Increase | | -1.00% |

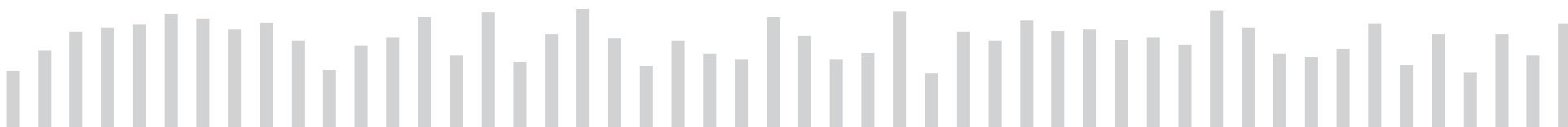
Note: In an unexpected move, **Home Depot** announced plans to raise prices in both the U.S. and Canada in response to new tariffs. Interestingly, the company emphasized that Canadian price increases are intended to discourage **cross-border shopping**, ensuring price alignment between the two markets.



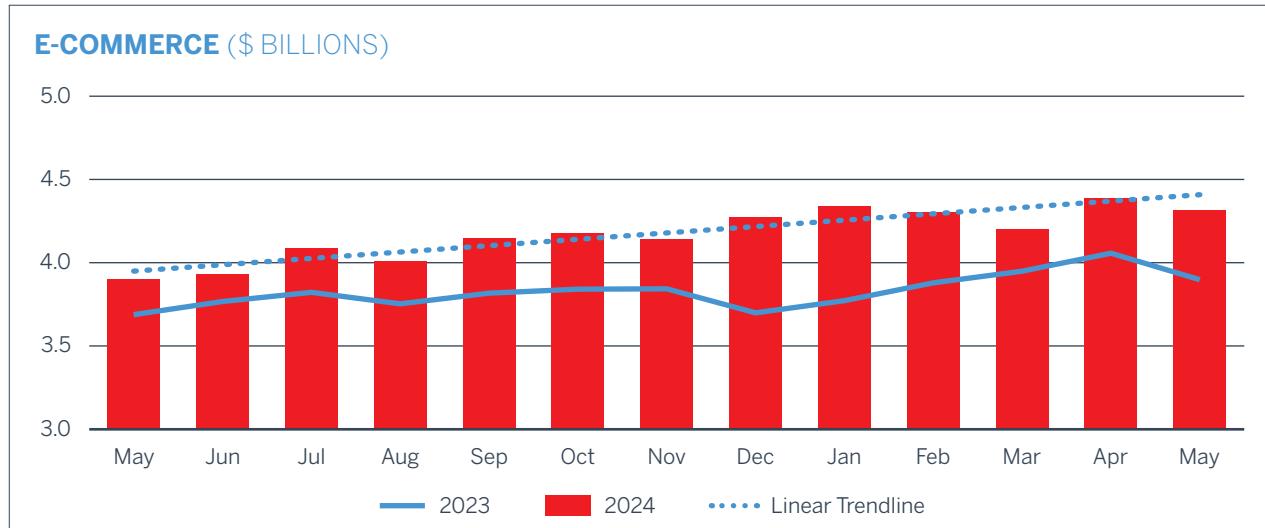
MARKET & BUSINESS ANALYSIS



General Merchandisers remain the fourth-largest retail category, trailing only Grocery, Auto Dealers, and Gas Stations. Given that the dominant player in this group — **Walmart** — sells a substantial volume of food at steadily rising prices and has made significant investments in e-commerce, it's surprising to see **General Merchandisers'** sales trending downward. The disconnect suggests that other forces may be at play, possibly offsetting the expected gains from inflation and digital expansion.



MARKET & BUSINESS ANALYSIS

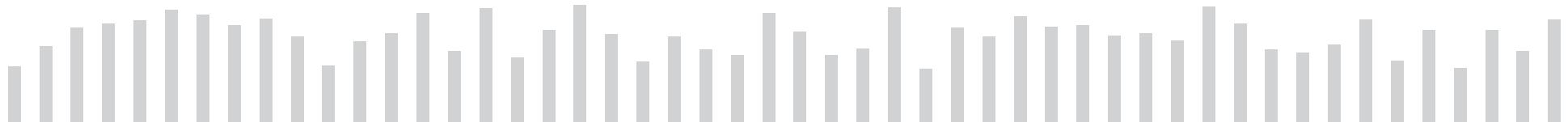
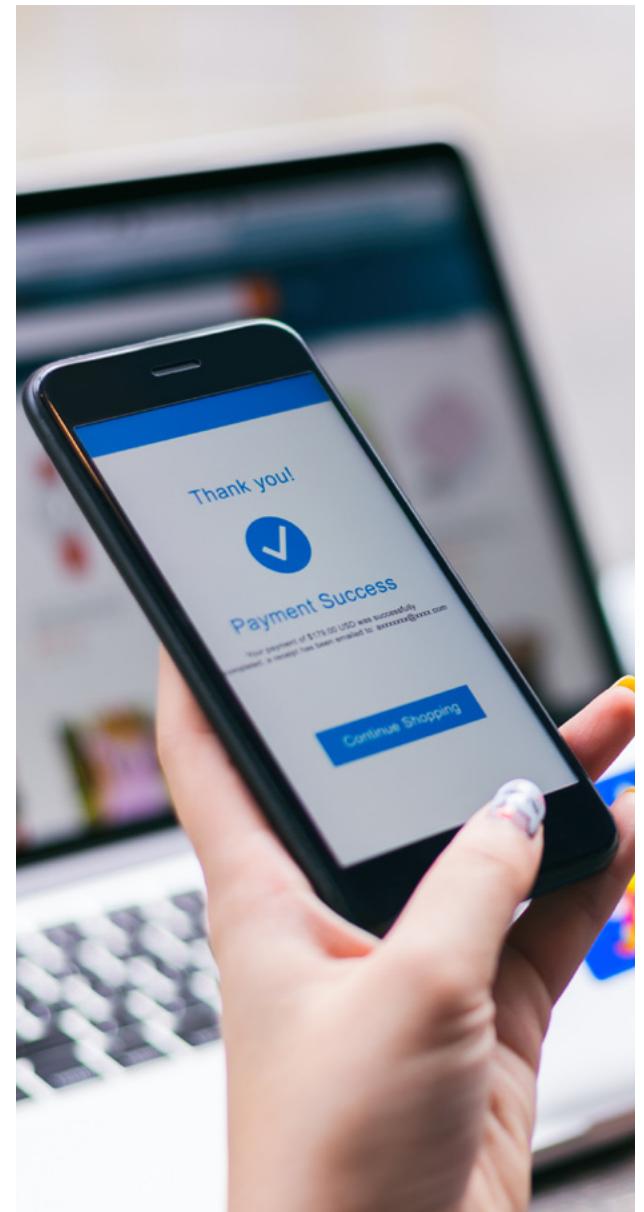


It's no surprise that e-commerce continues to trend upward, **but the path hasn't been smooth**. Monthly gains seen in previous years are often followed by declines in the same month the following year, **highlighting volatility** rather than consistent growth. Some increases also **raise questions** — such as a spike in e-commerce sales in January, even as most other retail categories reported declines. These anomalies suggest that the headline growth may mask **underlying fluctuations or shifts in consumer behavior**.

Retail e-commerce encompasses both traditional **store-based retailers and pure online players**. That means the figures above reflect sales from General Merchandisers as well as e-commerce-only giants like Amazon. With **Amazon** now

commanding over **40% of Canada's retail e-commerce** market and continuing to grow, it raises a critical question: **how effective are other retailers** whose sales remain flat in this shifting landscape?

One possible explanation is that traditional retailers often carry their in-store product mix into their e-commerce platforms, which may not resonate as strongly with online shoppers. In the U.S., for example, over **55% of Walmart's sales are tied to food** (less in Canada) a category that's less dynamic online — and yet its share of the e-commerce market remains in the single digits. This suggests that simply going digital isn't enough; aligning product strategy with online consumer preferences is key to driving growth.

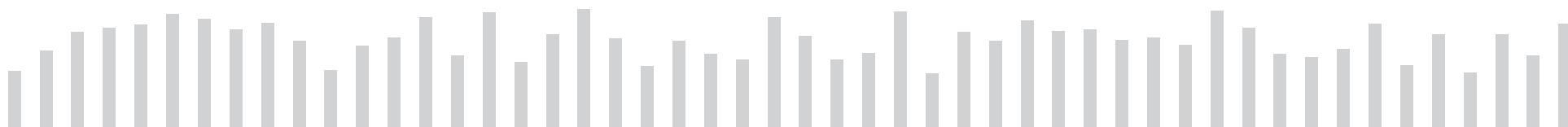


MARKET & BUSINESS ANALYSIS

This Consumer Price Index table is provided to support comments and references in other parts of this report

CONSUMER PRICE INDEXES (INDEX: JAN. 2019 = \$100) (CAD \$)

| | | July | May | June | Variance | |
|---|-------|-------|-------|------|-------------|-------------|
| | | | | | YOY | MOM |
| Communications | 74.7 | 73.1 | 72.4 | | -0.7 | -0.6 |
| Cooking appliances | 118.9 | 119.1 | 119.1 | 0.0 | 0.0 | |
| Digital computing equipment and devices | 70.8 | 68 | 66.9 | | -4.5 | -1.1 |
| Household tools (including lawn, garden and snow removal equipment) | 109.4 | 110.9 | 108.5 | | -1.0 | -2.4 |
| Laundry and dishwashing appliances | 109.7 | 116.9 | 117.2 | 5.0 | 0.4 | |
| Non-electric kitchen utensils, tableware and cookware | 113 | 111.2 | 110 | | -3.0 | -1.2 |
| Other household appliances | 122.7 | 122.7 | 117.8 | | -4.8 | -4.8 |
| Other household equipment | 109.3 | 110.8 | 108.4 | | -1.0 | -2.4 |
| Other recreational equipment | 108.2 | 108.6 | 110.6 | 2.3 | 2.0 | |
| Refrigerators and freezers | 117.7 | 119.8 | 120.3 | 2.2 | 0.5 | |
| Sporting and exercise equipment | 108.9 | 112.3 | 112.6 | 5.4 | 0.4 | |
| Stationery (2013=100) | 144.7 | 146.6 | 147.8 | 2.9 | 1.2 | |
| Tools and other household equipment | 109.3 | 110.8 | 108.4 | | -1.0 | -2.4 |
| Video and audio subscription services | 113.6 | 120.5 | 120.5 | 6.7 | 0.0 | |
| Video equipment | 77.9 | 74.3 | 75.7 | | -1.3 | 1.3 |





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COPA MARKET INTELLIGENCE REPORT

If you have questions about this report or would like to explore some areas more in-depth
or get more information on these and other reports, please contact:

Sam Moncada

President

smoncada@copa.ca • 416-282-0022 x125

Canadian Office Products Association

1335 Morningside Avenue, Suite 101,
Scarborough, Ontario M1B 5M4