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MONTHLY BUSINESS CONDITIONS REPORT

JANUARY, 2026

ISSUE 24

Canadian Market Insights You Can Act On



The 2026 Stress Test: Emotional Discipline vs. Strategic Panic

While 2025 was defined by political noise, the underlying economic fundamentals remained remarkably intact. The perceived risk consistently outpaced reality, creating a “panic premium” that punished anyone who reacted to headlines instead of conditions.

In 2026, the noise will hit its peak. We have to assume that, at some point, political theatrics will take over, and the U.S. administration will step away from CUSMA negotiations for anywhere from one to six months. The real test for leadership is simple: **are you ready?**



PROUDLY CANADIAN



IN THIS REPORT

2025 - IN THE REAR-VIEW MIRROR (p4)

- CPI remains contained
- Unemployment increases only in predictable pockets
- Retail sales flat but cautious
- CAD stays in the mid-70s USD range
- CPI edging up to 2.4% (Dec. 2025) due to GST holiday in 2024.

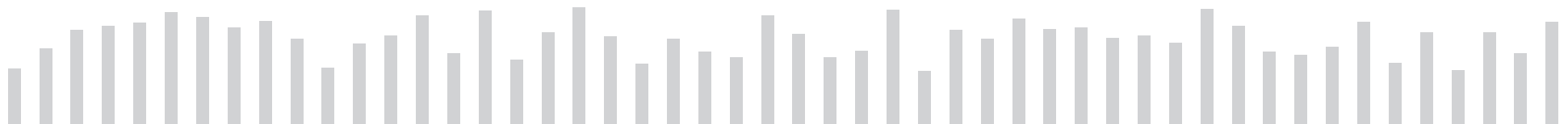
China's diversification lifted global volumes. China's exports actually rose 5%+ YoY through November, despite sharply lower shipments to the US. Asia-North America.

NEWS (p5)

Investments by Microsoft \$7.5 billion, Algoma Steel and close to \$50 billion in the Alberta energy sector.

TARIFF NEWS (p6)

Tariff Remission Extensions (U.S. Imports), Steel TRQ (Tariff Rate Quota), New 25% Global Tariff on Steel Derivative Products



IN THIS REPORT

BUILD A 12 MONTH “FLAT MARKET” PLAYBOOK (p7)

When facing 12+ months of stagnant demand, the most dangerous move is to wait. In a flat market, growth is no longer a tide that lifts all boats—it is a zero-sum game. To win, we must shift from Hunting Volume (*waiting for the market to grow*) to Hunting Share (*taking business from the competition*).

We are using this window to “harden the system”—tightening execution and upgrading talent so that when the rebound hits, we accelerate while competitors are still rubbing their eyes.

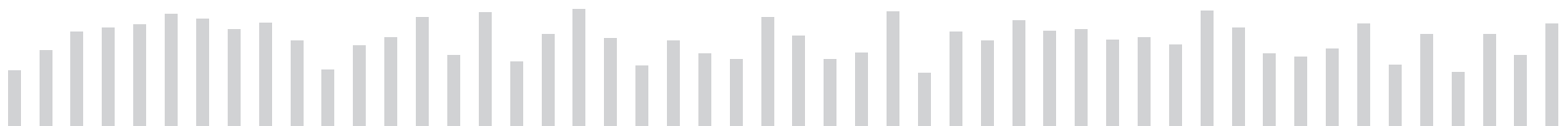
- **Talent as a Strategic Window**
- **Pipeline Integrity**
- **Define Territories By Revenue Potential**
- **\$0.00 AI Capital Budget**

CUSMA RENEGOTIATIONS (p9)

We can't control the politics, but we can control the paperwork. If you're waiting for certainty before you act, you're already behind. Here is how to harden your business against CUSMA volatility:

- **Know Your Numbers:** Calculate the cost of every potential change.
- **Open the Dialogue:** Talk to partners and customers now to understand their fears and needs.
- **Audit Your Contracts:** Move beyond standard terms to include:
 - Tariff pass-throughs and FX adjustments.
 - Volume flexibility and multi-port delivery options.
 - Clear dual-sourcing triggers.

Bottom line: Strategic legal opinions and robust contract architecture are no longer optional. They are the only way to turn unpredictability into a manageable risk.



2025 - IN THE REAR-VIEW MIRROR

The noise was high, but the fundamentals didn't break. Perceived risk was higher than actual economic risk. In 2026, companies that overreact will lose ground.

2025 felt chaotic, but economic indicators didn't collapse. That disconnect is important.

- CPI stayed contained because supply chains normalized and governments targeted support rather than flooding the system.
- Unemployment rose in predictable pockets—mostly where policy intentionally shifted incentives.
- Retail sales softened due to higher consumer debt-service costs and slower discretionary spending. Our “Sourcing Hierarchy” must focus on essential supply chain stability rather than aggressive inventory expansion.
- The CAD remains structurally soft, trading in the mid-70 cents USD. This, combined with upward pressure on the CPI (2.2% as of November 2025), requires a sourcing strategy that protects margins against exchange rate differentials.

The world is already shifting

China's exports were up more than 5% year-over-year through November—even as shipments to the US fell sharply. The pattern is clear: while Asia–North America container flows slipped 2% through October, Asia–Europe demand surged 8.6%, with even faster growth into Africa and Latin America. Global container volumes expanded as China broadened its customer base.

Air cargo has shown similar resilience throughout the trade war, both worldwide and into the US. The US de minimis shutdown for China triggered a steep drop in transpac volumes, but by July demand had already rebounded to 2024 levels, underscoring the sector's adaptability.

POPULATION

41.6 million

Trend: **Slight decline**

Latest period: **Q4 2025**

REAL GDP (EXPENDITURE BASIS)

0.6% (quarterly growth)

Trend: **Moderate expansion**

Latest Period: **Q3 2025**

EXCHANGE RATE (CAD–USD)

Range: **Typically trading in the mid 70 cents USD**

Drivers: **Oil prices, U.S.–Canada rate differentials, global risk sentiment**

Interpretation: **CAD remains structurally soft but stable**

CONSUMER PRICE INDEX (CPI)

2.2% (12 month change)

Trend: **Upward pressure**

Latest Period: **November 2025**

RETAIL SALES

Signal: **Softening**

Drivers: **Slower discretionary spending, higher debt service costs**

UNEMPLOYMENT RATE

6.80%

Trend: **Rising**

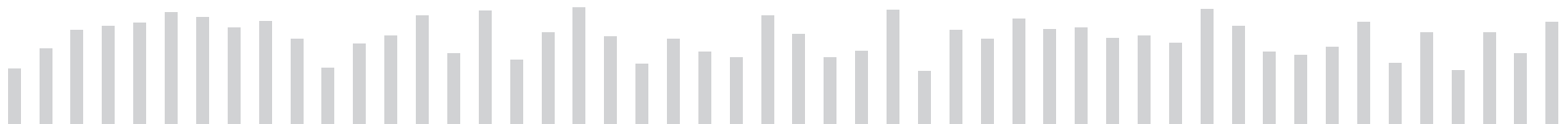
Monthly Change: **+0.3 pts**

Latest period: **December 2025**

MANUFACTURING PMI

Signal: **Hovering near contraction**

Drivers: **Weak new orders, softer U.S. demand, inventory**

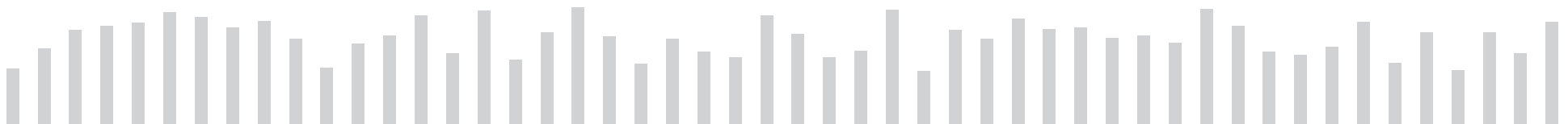


2025 - IN THE REAR-VIEW MIRROR



NEWS

- The Bank of Canada left its target for the **overnight rate unchanged at 2.25%**. The last change in the target for the overnight rate was a 25 basis points cut in October 2025. US: 3.5%, UK:3.75, Australia:3.6%, EU: 2.4%
- Washington State-based **Microsoft announced it was investing more than \$7.5 billion in Canada** in the next two years, including building new digital and AI infrastructure with new capacity beginning to come online in the second half of 2026. Microsoft said its investments in Canada will **total \$19 billion between 2023 and 2027**.
- In early 2026, the United Steelworkers union (USW) reported over 1,000 layoffs at **Algoma Steel in Sault Ste. Marie**, a move driven by a combination of aggressive trade barriers and rapid technological restructuring. The company accelerated its transition to electric arc furnaces—which **produce steel from 100% scrap metal** and require a significantly smaller workforce—
- **2026 Energy Sector Investments:** Despite softening in other areas, Calgary-based energy companies have committed to a total investment of **23.9 billion** for 2026: **Enbridge: 10 billion, Suncor: 5.8 billion, Cenovos: 5.3 billion, Imperial Oil: 2.2 billion, Baytex: 0.6 billion.**



2025 - IN THE REAR-VIEW MIRROR

TARIFF NEWS

DECEMBER CHANGES

- Tariff Remission Extensions (U.S. Imports)
- Steel TRQ (Tariff Rate Quota) Reductions (Global, Non-CUSMA) – Effective Dec 26, 2025
- New 25% Global Tariff on Steel Derivative Products

COST/ RISKS

RISKS

- Tighter TRQs (Dec 26, 2025) create volatility in global steel availability; risk of price spikes from non-CUSMA sources.
- 25% tariff on steel derivatives raises landed costs for downstream components (fasteners, structures, wire/cable, metal furniture).
- U.S. tariff remission expiry mid-2026 increases exposure to U.S. policy swings.

ACTIONS

- Lock in dual-track sourcing (Canada + Europe) with volume-flex clauses.
- Insert automatic price-adjustment mechanisms tied to TRQ-driven cost changes.
- Pre-negotiate contingent supply with EU mills for Q3–Q4 2026.

STRATEGIC INTENT

- Reinforce domestic steel/aluminum capacity.
- Reduce exposure to U.S. tariff volatility.
- Provide **clarity and cost certainty** for Canadian manufacturers during supply chain transition.

BUSINESS CONDITIONS REPORT WEBINAR

Friday, January 30, 2026, at 9:00 a.m. ET

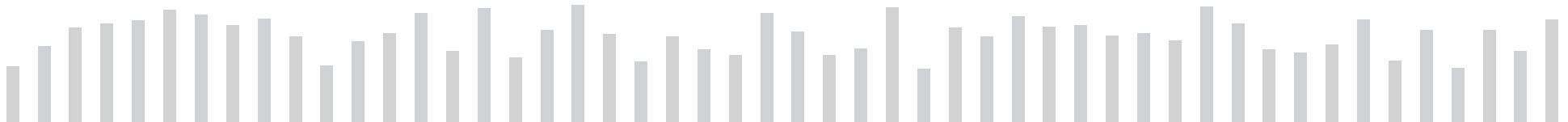
Join us for our monthly discussion, offering a deep dive into Canada's evolving business landscape. This live webinar will focus on the recent **Jan 2026 Business Report**, which outlines critical trends and strategies for navigating the current business environment.

What's on the agenda?

- The impact of political and economic volatility in 2026
 - Strategic responses to CUSMA renegotiations and tariff changes
 - Building resilience in flat markets through operational discipline and talent upgrades
 - The role of AI as a capability upgrade, not just a capital project
 - Practical steps for dual-track supply chain planning and risk management

RESERVE YOUR SPOT

[Click here to register](#) or contact Michael Jorgenson at mjorgenson@centerforconsumerproducts.com



BUILD A 12 MONTH “FLAT MARKET” PLAYBOOK

When a sales organization is staring at **12+ months of flat, cautious demand**, the worst mistake is to sit still and hope for the best. The strongest companies use this period to harden their system—tighten execution, upgrade talent, sharpen discipline—so that when demand rebounds, they accelerate while competitors are still rubbing their eyes.

New business is not going to fall into your lap. **Shift from Hunting Volume → Hunting Share**. When the market isn't growing, the only growth available is taking business from competitors.

TALENT UPGRADE, COACHING AND TRAINING

A flat market represents a strategic window to **intentionally strengthen your human capital**. Use the slower pace to coach and support people who can grow, and make space for new talent where it's clear the fit isn't right. Put a structured 90-day onboarding and coaching program in place so new hires build confidence quickly. Furthermore, transitioning the organization toward **value-based selling** empowers your representatives to move beyond transactions and engage in deeper, more meaningful customer conversations. To become truly indispensable, representatives must **move beyond product features and engage customers on the broader macroeconomic pressures**—such as shifting trade policies, inflationary costs, and the rising cost of living—that directly impact their bottom line. By positioning themselves as consultants who understand the intersection of global economics and local business reality, **reps transition from being mere vendors to becoming high-value strategic resources**.

When the market turns, you emerge with a more capable, more confident bench.

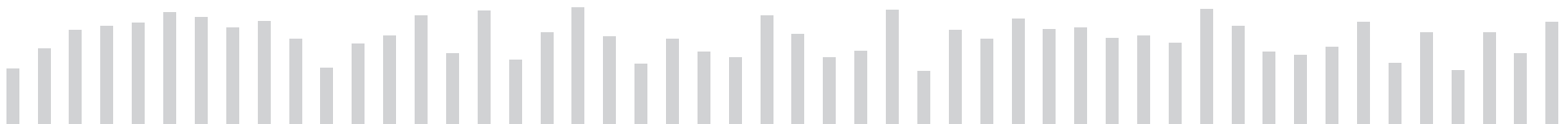
OPERATIONAL DISCIPLINE MUST LEAD THE SALES STRATEGY

Trade out **vague optimism** for a pipeline defined by sharp stage definitions, **uncompromising exit criteria, and explicit next actions** for every opportunity. A pipeline isn't a roster of companies that could buy from you — it's a disciplined system that tracks **real momentum, real commitments, and real probability of conversion**.

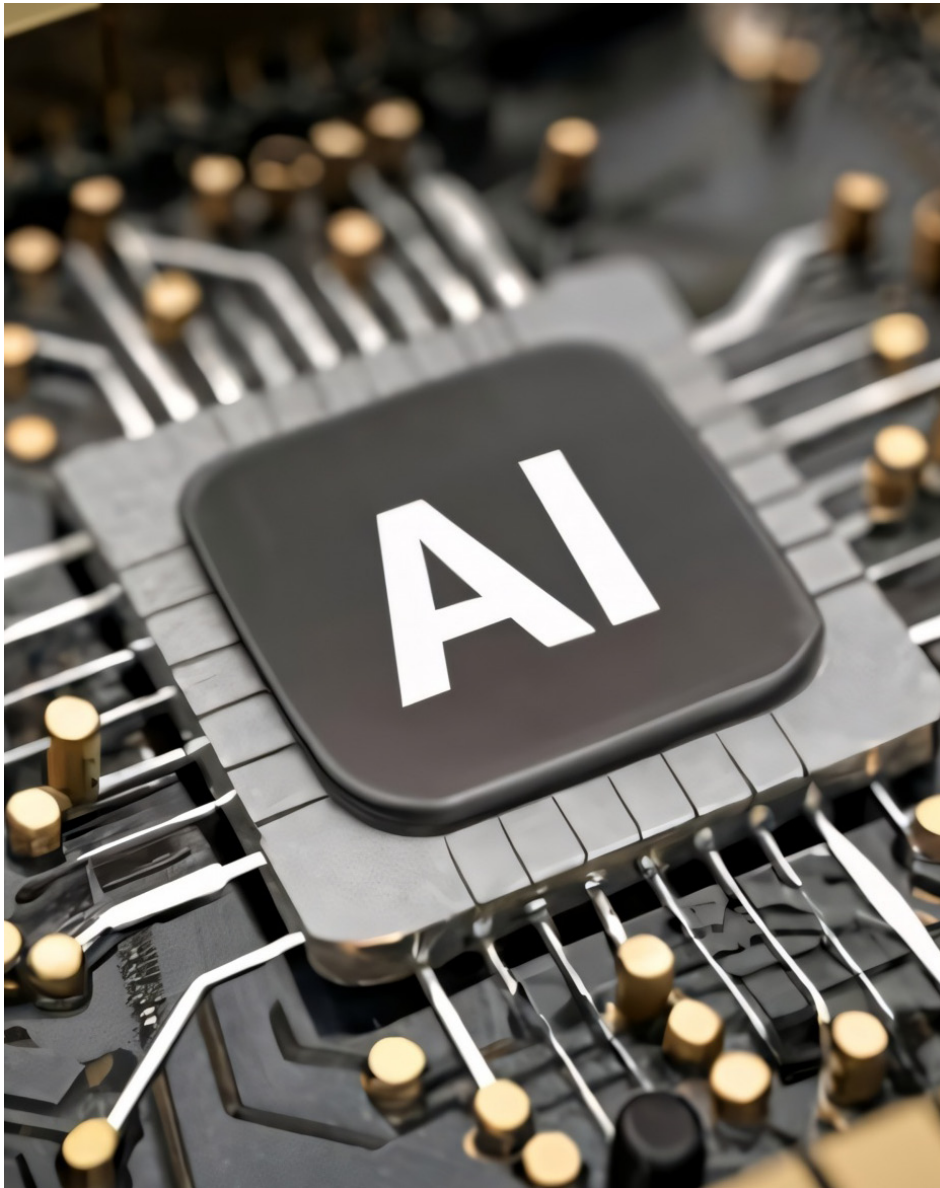
In a flat market, it is essential to realign deployment with value by **shaping territories around revenue potential** rather than traditional geography. This allows lower-value accounts to be managed efficiently through digital or **inside sales channels**, freeing field representatives to focus their expertise on the **highest-value and most complex customer relationships**.

SALES PRECISION FOR 2026

- **Pipeline Integrity:** Move from “casual check-ins” to rigorous, stage-gated deal management.
- **Revenue-First Territories:** Reorganize sales maps based on where the money is, not where the lines are drawn.
- **Tiered Support Models:** Optimize margins by matching the cost of the sales channel to the potential of the account.



BUILD A 12 MONTH “FLAT MARKET” PLAYBOOK



ARTIFICIAL INTELLIGENCE

AI becomes the force multiplier in a flat-demand environment — not by “replacing reps,” but by **compressing cycle time**, sharpening execution, and eliminating waste. In a cautious 12-month market, AI is the difference between a sales org that treads water and one that quietly gains share.

AI deployment can **cost 10 - 50 million dollars or a few hundred dollars** training staff to be more effective.

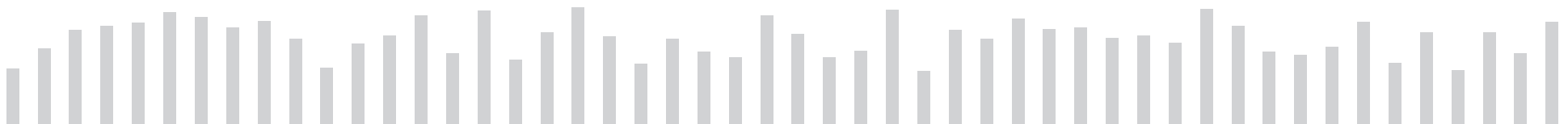
The real strategic divide is; AI as a capital project vs. AI as a capability upgrade. In a flat or cautious market, only one of those paths makes sense — and it’s not the one with the eight-figure price tag.

The problem in a cautious 12-month environment is that **large capital projects are too slow**, too expensive, and too brittle. **By the time it’s deployed, the market has moved.**

What a few hundred or thousands of dollars look like:

- Pick one; Copilot, Google Gemini, ChatGPT. They all have their strengths and weaknesses.
- Build a “sales AI playbook” that everyone uses.
- Train reps, managers, and analysts to use AI as a daily tool.
- Standardize workflows for:
 - Research
 - Proposal writing
 - Focused communications
 - Presentation development
 - Competitive analysis

Slow markets punish passengers and reward builders.



CUSMA RENEGOTIATIONS:

How to protect your company without guessing the outcome

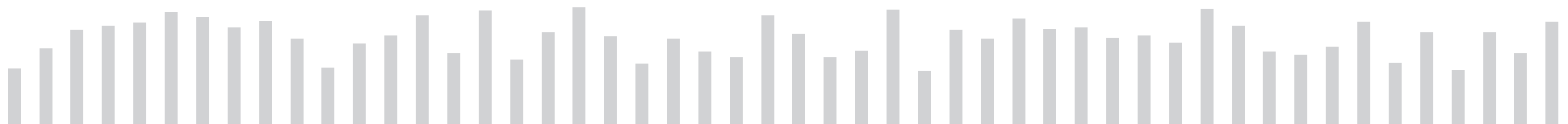
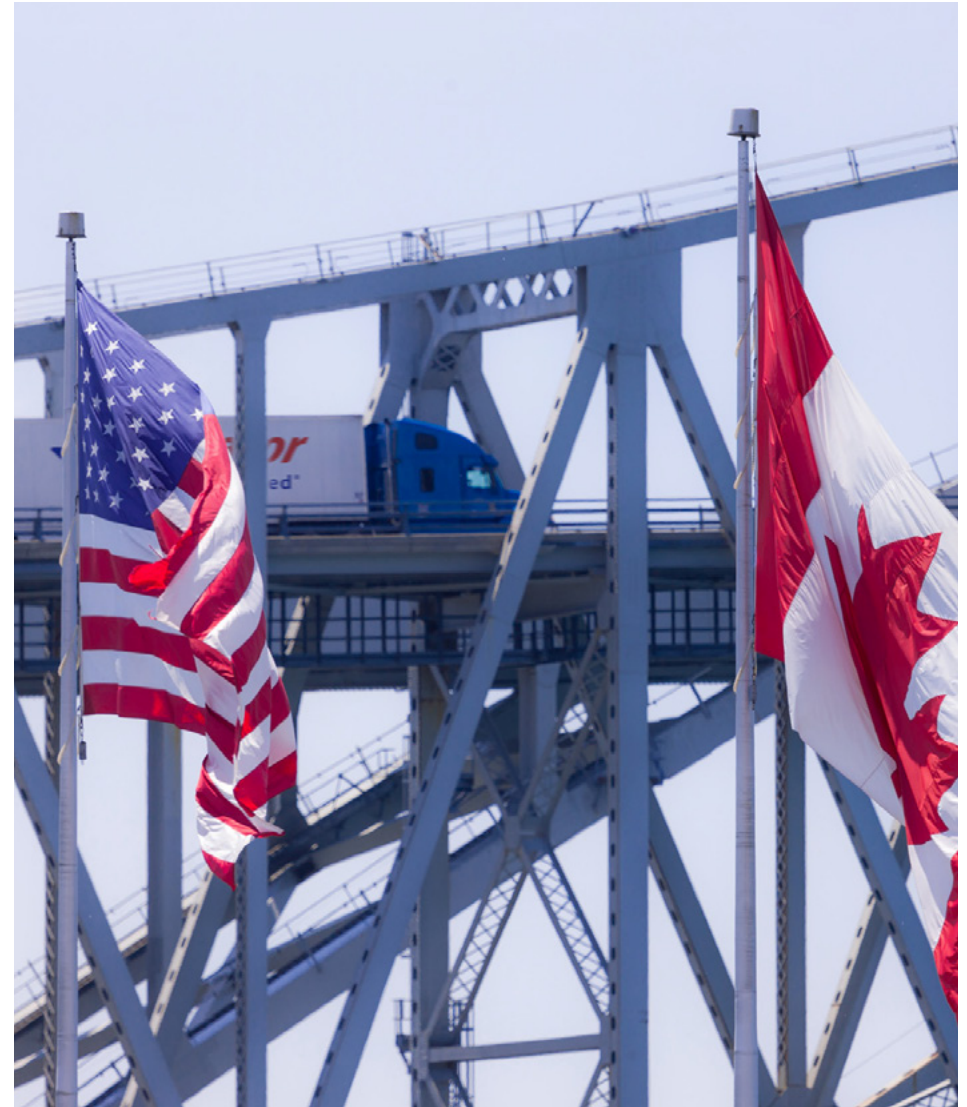
The outcome of the **CUSMA renegotiations remains unpredictable, but your strategy shouldn't be**. Protecting your business isn't about guessing the political weather—it's about knowing your numbers and mastering your options.

To insulate your company without taking sides or making assumptions, you must **harden your contracts**. Every regulatory shift carries a price tag; you need to identify those costs now and define the exact triggers for action. Start the dialogue with your trading partners and customers today to map out their vulnerabilities and build your own leverage.

HARDEN YOUR CONTRACTS

- **FX Adjustment Clauses:** Protect margins against currency volatility.
- **Tariff Pass-Through Mechanisms:** Ensure cost increases don't stall at your door.
- **Volume Flexibility Bands:** Allow for agile scaling as trade flows shift.
- **Multi-Port Delivery Options:** Hedge against logistics bottlenecks.
- **Dual-Sourcing Triggers:** Formalize your "Plan B" before you need it.
- **Get legal opinions** before you negotiate

*These are not "nice to have" in 2026—
they're survival architecture.*



CUSMA RENEGOTIATIONS:

How to protect your company without guessing the outcome

BUILD A DUAL TRACK SUPPLY CHAIN

The “Dual-Track Supply Chain” is often misunderstood as a massive capital expenditure project involving new warehouses and bulk inventory. In reality, it is a **strategic insurance policy**. The goal for 2026 is to move away from “all-or-nothing” sourcing and toward a model where you build the infrastructure on paper long before you commit significant capital.

1. Build on Paper, Not with Cash

The difference between a professional and a gambler is the planning stage.

Professionals understand that execution is the easy part; the hard part is the months (or years) of disciplined financial modeling.

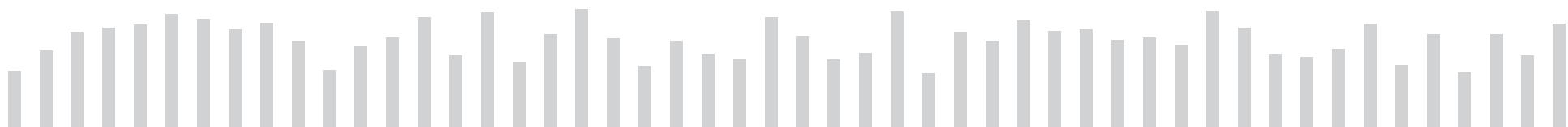
- **Avoid the “Build Now Trap:** Do not open a facility and hope demand appears. That is a fast way to burn through reserves.
- **The “Paper First” Approach:** Prove the economics, identify the suppliers, and map the logistics routes. Only trigger capital investment once the numbers show a clear, profitable path.
- **Hidden Benefit:** Simply having a fully-vetted “Track B” on paper gives you immediate leverage in negotiations with your current “Track A” suppliers.

2. Don't Treat Regions as Monoliths

When looking for alternatives to American markets, don't view “Europe” or “Asia” as a single entity. You must think in clusters to match your specific needs with regional strengths.

European Sourcing Clusters

Region	Core Strength	Primary Risk	Strategic Use Case
Northern Europe	High-end reliability & quality	Higher labor/operating costs	High-spec, precision components
Eastern Europe	Cost-competitiveness	Political/border variability	Mid-spec, high-volume sourcing
Southern Europe	Niche & artisan manufacturing	Complex logistics/Bureaucracy	Specialty goods & custom parts



CUSMA RENEGOTIATIONS:

How to protect your company without guessing the outcome

3. The Power of Small Percentages

You do not need to move 50% of your production to be “safe.” In a volatile trade environment, **diversifying just 5–10% of your capacity** creates a massive safety net.

- **Exposure Reduction:** A 10% “Track B” ensures that if your primary route is hit by tariffs or CUSMA disputes, you already have the legal, logistical, and relational “pipes” laid to scale up quickly.
- **The 2026 Talent Gap:** As you build these tracks, audit your team. If you are hiring this year, look for “Geographic Generalists”—people with experience in the specific regulatory and cultural landscapes of your secondary track.

Modeling Framework

Turn a “paper plan” into a strategy, you need a financial model. In the context of 2026’s trade volatility, generalities are dangerous. You aren’t just looking for an average; you are looking for the “breaking point” of your business.

Before committing a single dollar to a new region or supply route, you must stress-test these six variables:

- **Granular Unit Economics:** Move beyond national averages. Your margins in Ontario will differ significantly from Quebec or BC due to labor costs, provincial taxes, and energy prices.
- **Price Elasticity & Benchmarking:** How much of a “CUSMA tax” can your customers actually absorb before they jump to a competitor?
- **Freight & Duty Scenarios:** Model “worst-case” tariff brackets. If a 10% duty is applied overnight, does the route stay viable?
- **Salesforce Efficiency:** Map the cost of customer acquisition against the revenue ramp. A slow “Track B” launch can bleed working capital if the sales cycle is underestimated.
- **FX Margin Sensitivity:** With currency markets reacting to trade headlines, you must know exactly how a 5-cent shift in the CAD/USD exchange rate impacts your bottom line.
- **Inventory Working Capital:** Dual-tracking often requires higher safety stocks. Model the cash flow impact of carrying 45 days of inventory versus 90.



CUSMA RENEGOTIATIONS:

How to protect your company without guessing the outcome

From Data to Decision

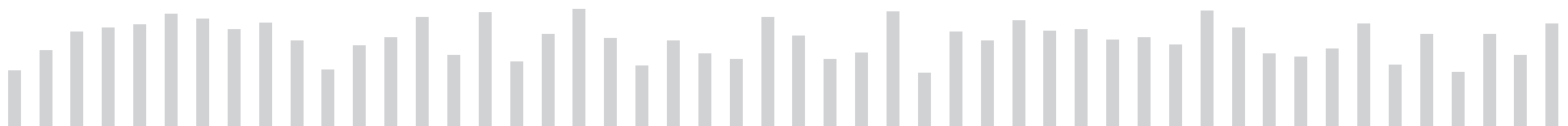
Once the modeling is complete, **the “fog of war” clears**. You shift from guessing to knowing exactly where your boundaries lie:

Key Metric	Strategic Outcome
Target Price	The exact point where you remain competitive while protecting profit.
Net Margin	Your "true" profit after accounting for regional variables and hidden duties.
Break-even Volume	The minimum scale required to justify the overhead of a new supply track.
Risk Threshold	The specific amount of volatility (FX or Tariff) your balance sheet can absorb.

The final step is deciding which risks stay on your books and which are moved elsewhere.

- **Absorb:** If your margins are thick enough, you may absorb small FX fluctuations to maintain price stability for customers.
- **Transfer:** If margins are thin, your hardened contracts (mentioned in step one) must **transfer** tariff and freight spikes directly to the client or the end-user.

If your supply chain is a single point of failure, you aren't running a business; you're placing a bet.





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CFCP 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:

Michael Jorgenson

Manager of Environmental, Regulatory Affairs & Member Groups

mjorgenson@centerforconsumerproducts.com • 416-282-0022 x134

Center for Consumer Products

1335 Morningside Avenue, Suite 101,

Scarborough, Ontario M1B 5M4