

MONTHLY BUSINESS CONDITIONS REPORT

DECEMBER, 2025

ISSUE 23

Canadian Market Insights You Can Act On



IN THIS REPORT

Executive Summary — 2025-2026 The Global Recalibration

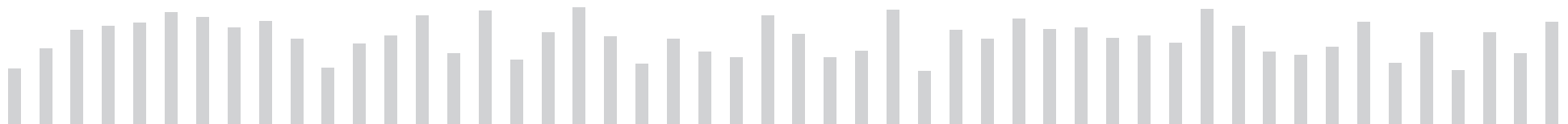
What happened and what to expect.

Monthly Business Conditions Report 2025

This section provides a summary of the 2025 Monthly Business Reports, with direct links to the full versions available in the COPA and CHPTA libraries for those who wish to catch up or revisit specific topics.

Traditional models no longer explain why prices move — or fail to move — the way textbooks predict.

The impact of tariffs and exchange-rate on consumer prices (CPI) is neither immediate nor proportional. It's not economics, it's market dynamics: Pass-Through, Lag-time and Substitution.



ECONOMIC SUMMARY - ICYMI

PRICES

CONSUMER PRICE INDEX – OCTOBER 2025

The Consumer Price Index (CPI) rose 2.2% on a year-over-year basis in October, down from a 2.4% increase in September. Excluding gasoline, the CPI rose 2.6% in October, matching the increase in September. Slower growth in grocery prices further contributed to the deceleration in the CPI in October.

INDUSTRIAL PRODUCT PRICE INDEX & RAW MATERIALS – OCTOBER 2025

In October, prices of products manufactured in Canada, as measured by the Industrial Product Price Index (IPPI), increased 1.5% month-over-month, and gained 6.0% year-over-year. Meanwhile, prices of raw materials purchased by manufacturers operating in Canada, as measured by the Raw Materials Price Index (RMPI), increased 1.6% month-over-month, and rose 5.8% year-over-year.

RETAIL TRADE – SEPTEMBER 2025

Retail sales decreased 0.7% to \$69.8 billion in September. Sales were down in six of nine subsectors, led by decreases at motor vehicle and parts dealers.

Core retail sales — which exclude gasoline stations and fuel vendors and motor vehicle and parts dealers — were relatively unchanged in September. The largest decrease to core retail sales in September came from building material and garden equipment and supplies dealers (-2.0%), which fell for the third month in a row. Lower sales were also recorded at general merchandise retailers (-0.5%).

In volume terms, retail sales decreased 0.8% in September.

LABOUR – NOVEMBER 2025

Employment increased by 54,000 (+0.3%) in November, driven by gains in part-time work. The employment rate rose 0.1 percentage points to 60.9%, while the unemployment rate fell 0.4 percentage points to 6.5%.

Average hourly wages among employees increased 3.6% (+\$1.27 to \$37.00) on a year-over-year basis in November, following growth of 3.5% in October (not seasonally adjusted).

TRADE – AUGUST/SEPTEMBER 2025

Because Canada and the United States have, since 1990, operated under a bilateral data-sharing arrangement in which each country uses the other's import data to compile its own export statistics, the recent shutdown in the US has a direct effect on Canada's statistical system.

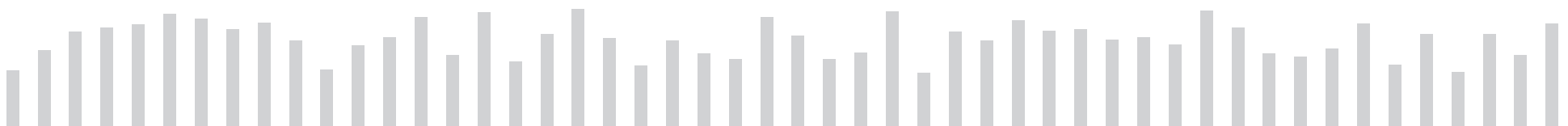
Statistics Canada has already confirmed that the September 2025 trade release, originally planned for November 2025, cannot proceed as scheduled, and subsequent releases will also be delayed until the USCB resumes normal operations.

BUSINESS CONDITIONS REPORT WEBINAR

“We’re guessing most people have better plans than tuning into economics and markets on New Year’s Eve

Our webinars will take a short break and resume in January. Wishing you a joyful holiday season!”

—Bob & Mike



EXECUTIVE SUMMARY — 2025-2026 THE GLOBAL RECALIBRATION

BUSINESS STRATEGY = POLITICAL STRATEGY

- Geopolitics is now a core business variable shaping investment, supply chains, and market access.

MACRO ENVIRONMENT

- Not a crisis, not a boom — a structural reset.
- Sticky inflation, persistent wage pressures.
- Governments tightening fiscal policy; central banks avoiding overtightening.

PRICE DYNAMICS HAVE SHIFTED

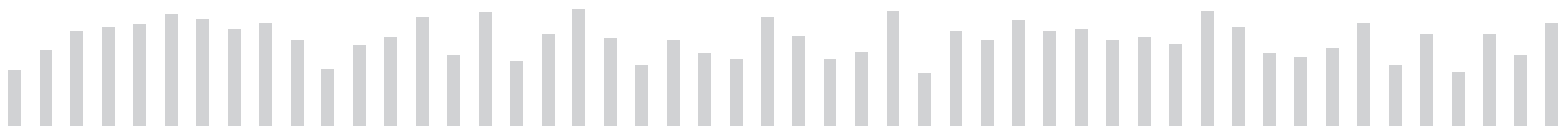
- Traditional models no longer explain price behaviour.
- Firms now rely on FX passthrough, lag structures, and market frictions to understand pricing.

SUPPLY CHAINS: THE NEW OPERATING MODEL

- 2020–23: Survival → 2024: Diversification → 2025: Execution.
- Nearshoring, dual sourcing, regulatory-aware operations, digital logistics at scale.

CANADA'S COMPETITIVENESS DEBATE

- Strategy, economics, and politics now inseparable.
- Focus on productivity, regulatory drag, investment leakage, talent, and tax competitiveness.



MONTHLY BUSINESS CONDITIONS REPORT 2025



ABOUT THE MONTHLY BUSINESS CONDITIONS REPORT

The Monthly Business Report is designed to update members on market, price, and cost developments that could affect their business.

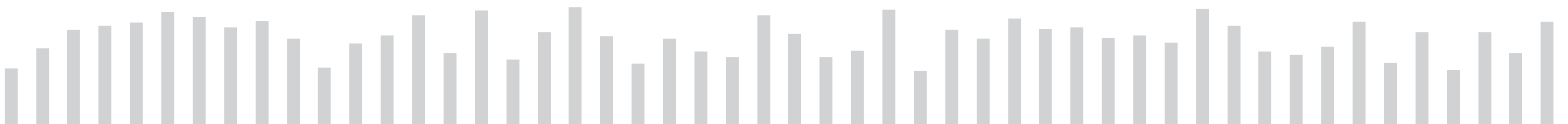
These reports are dynamic, continuously evolving tools, shaped by member input and changing business conditions. Each month highlights a current topic, supported by annual and semi-annual market reviews. Coverage includes Retail, Wholesale, International Trade, and key indicators such as the Consumer Price Index, Industrial Product Price Index, Raw Materials, Labour, and Wages.

We also host monthly webinars that expand on the report's themes and provide an open forum for discussion with participants.

Our members are the experts in their products and markets. Our role is to provide the global and national context that helps inform their decisions.

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

EDWIN SCHLOSSBERG

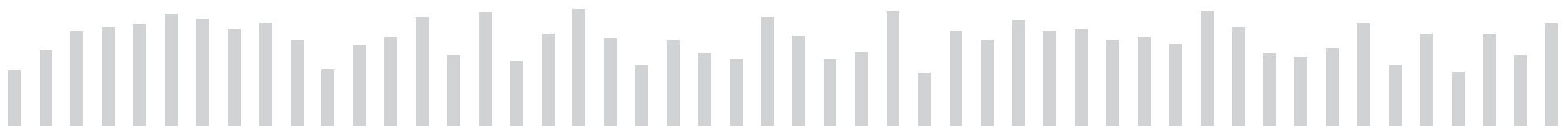


SUMMARY OF 2025 MONTHLY BUSINESS REPORTS

This section provides a summary of the 2025 Monthly Business Reports, with direct links to the full versions available in the COPA and CHPTA libraries for those who wish to catch up or revisit specific topics.

For each month, Tariff announcements, Consumer Price Index (CPI), FX rates, and Retail Sales figures are included for the month-end in question.

2025 actually started in November 2024 when “Trump said Canada should be the “51st state” and warned of tariffs if Canada resisted.



SUMMARY OF 2025 MONTHLY BUSINESS REPORTS

JAN 2025 ISSUE 13 ([LINK TO REPORT IN LIBRARY](#))

CONSUMER PRICE INDEX: 1.9

FX USD-CAN MONTH END: .695

RETAIL SALES: \$69.6B

NEWS

- **January 6, 2025: Justin Trudeau resigns and prorogued parliament.**
- **January 20, 2025: Trump takes office**

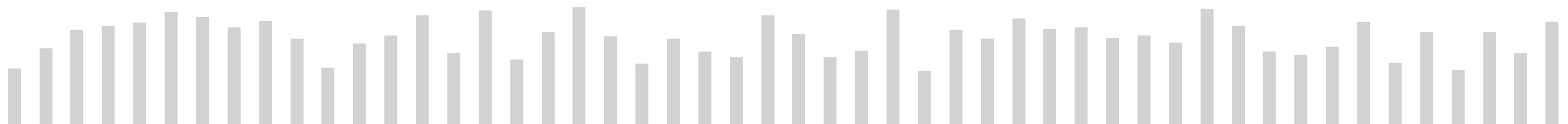
IN THIS REPORT

TARIFFS, EXCHANGE RATES, AND ANTI-AMERICAN SENTIMENT

NEW TRADE PARTNERS

The best place to start — or expand — is with countries that already have trade agreements with Canada. These agreements, supported by preferential or zero tariffs, ensure fair rules, predictable customs procedures, and faster, cheaper movement of goods. They also make it easier to scale into other markets within the same trade bloc.

CANADA EUROPEAN UNION COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT (CETA) TRANS-PACIFIC PARTNERSHIP (TPP)



SUMMARY OF 2025 MONTHLY BUSINESS REPORTS

FEBRUARY 2025 ISSUE 14 ([LINK TO REPORT IN LIBRARY](#))

CONSUMER PRICE INDEX: 2.6

FX USD-CAN MONTH END: .699

RETAIL SALES: \$69.2B



NEWS

- **February 1, 2025: Trump announces 25% tariffs on most Canadian goods and 10% on energy/critical minerals**
- **February 27, 2025: Ontario election**



IN THIS REPORT

“ONE PERSON’S CRAZINESS IS ANOTHER PERSON’S REALITY”

Let’s begin by removing the word “Free” from “Free Trade Agreement.” True free trade does not exist! Every country prioritizes protecting its national interests, industries, and jobs, while politicians focus on securing re-election.

TRADE WAR PHASE 2

True free trade doesn’t exist anywhere in the world. The true merit of trade agreements lies in creating efficient mechanisms for resolving disputes and streamlining processes. If a business partner isn’t trustworthy, it’s best to seek out new ones

CANADA’S MERCHANDISE TRADE SURPLUS WITH THE U.S. EXPANDED

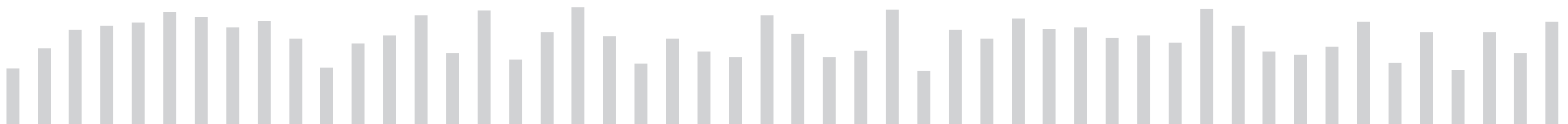
from \$12.3 billion in December to an unprecedented \$14.4 billion in January. Its total trade surplus, including services, surged from \$984 million in December to \$3.2 billion in January. Recognizing the absence of absolute Free Trade should not deter us from pursuing agreements. The true strength of trade agreements lies in providing mechanisms to effectively resolve disputes and establish streamlined, shared processes. However, it remains essential to conduct business on an equal footing and to avoid overreliance on a single partner — diversification is key!

NON-TARIFF BARRIERS (NTB)

The insidious nature of NTBs lies in their subtlety and complexity. Unlike tariffs, which are straightforward and transparent, NTBs can be hidden in the fine print of regulations, standards, and procedures.

INTER-PROVINCIAL TRADE

There are currently more than 80 federal & provincial agricultural marketing boards in Canada. Examples: Canadian Dairy Commission, Farm Products Council of Canada, Egg Farmers of Canada (EFC), Turkey Farmers of Canada (TFC), Chicken Farmers of Canada (CFC), Canadian Hatching Egg Producers (CHEP)



SUMMARY OF 2025 MONTHLY BUSINESS REPORTS

MARCH, 2025 ISSUE 15 ([LINK TO REPORT IN LIBRARY](#))

CONSUMER PRICE INDEX: 2.3

FX USD-CAN MONTH END: .696

RETAIL SALES: \$69.8B

NEWS

- **March 4, 2025: US tariffs take effect exemption for CUSMA-compliant products, covering ~90% of Canadian exports**
- **March 12, 2025: 25% tariffs on Canadian steel and aluminum. Rising to 50% by June 4, 2025**
- **March 14, 2025: Mark Carney becomes Liberal leader & called an election on March 24, 2025**

IN THIS REPORT

TRUMP TARIFFS—WHAT HAPPENS NOW?

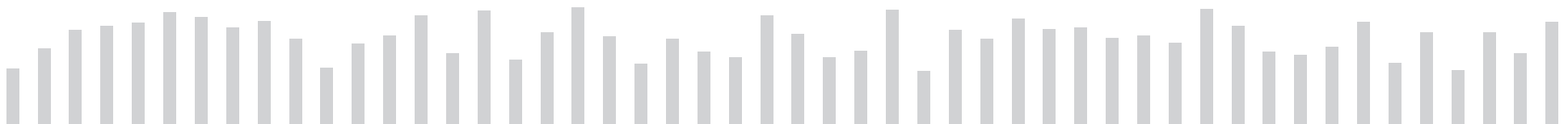
A fascinating breakdown of outcomes that captures the complexity and ripple effects of trade policy. The scenarios show how every move in the global economy triggers a chain reaction — and yet none of the shifts would meaningfully reduce the U.S. budget or trade deficit, underscoring how limited tariffs are as a tool for real economic reform.

By now it's clear that Trump's tariffs are not really about specific products. They represent a broad, if clumsy, effort to reshape global trade in America's favour while addressing issues like the U.S. budget deficit, exchange-rate pressures, Non-Tariff Barriers, Chinese offshoring, the Digital Services Tax, and the Global Minimum Tax. What's missing is any sign that the strategy includes boosting U.S. exports.

ECONOMICS: AMERICAN BUDGET DEFICIT, EXCHANGE RATE CHALLENGES

CHINESE OFFSHORING

DIGITAL SERVICE TAX AND THE GLOBAL MINIMUM TAX



SUMMARY OF 2025 MONTHLY BUSINESS REPORTS

APRIL 2025 ISSUE 16 ([LINK TO REPORT IN LIBRARY](#))

CONSUMER PRICE INDEX: 1.7

FX USD-CAN MONTH END: .715

RETAIL SALES: \$70.0B

NEWS

- **April 1, 2025: Carbon Tax eliminated**
- **April 2, 2025: Trump's announces sweeping package called the "Declaration of Economic Independence."**
- **April 3, 2025: Trump levied 25% tariffs on Canadian auto imports**
- **April 28, 2025: Canadian Federal election**

IN THIS REPORT

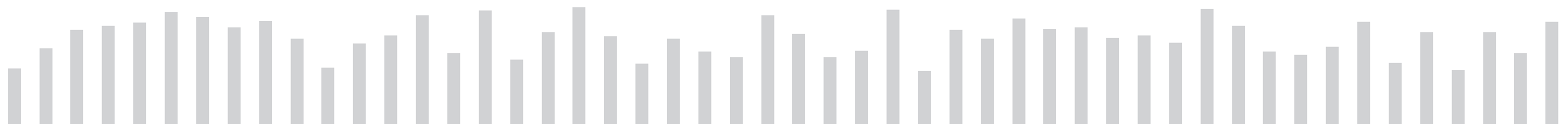
INTRODUCTION: U.S.-U.K. TRADE AGREEMENT & FUTURE IMPLICATIONS

Once ratified, the newly established U.S.-U.K. trade agreement offers valuable insights into the direction of future trade deals with the U.S. Note that the 10% baseline tariff remains intact, reinforcing long-term trade policies. To support American manufacturing and supply chain expansion, quota systems will be strategically applied — particularly for motor vehicles, aluminum, and steel, with phased-in reductions over time.

Update Dec. 2025: *The trade deal announced by the US and UK was supposed to reduce tariffs on steel from 25% to 0%, but its implementation was put on hold over US concerns about the UK becoming a backdoor for cheap steel imports from other countries.*

CANADIAN DOLLAR RISES DESPITE ECONOMIC HEADWINDS

THE USE OF QUOTAS IN THE US-UK TRADE AGREEMENT APPEARS TO BE A NEW ARGUMENT.



SUMMARY OF 2025 MONTHLY BUSINESS REPORTS

MAY 2025 ISSUE 17 ([LINK TO REPORT IN LIBRARY](#))

CONSUMER PRICE INDEX: 1.7

FX USD-CAN MONTH END: .722

RETAIL SALES: \$69.2B



YOU ARE EITHER AT THE TABLE OR YOU'RE ON THE MENU!

CANADA'S ECONOMIC EXPANSION AND INDEPENDENCE. Major infrastructure projects, interprovincial trade expansion, and military procurement initiatives present significant opportunities for businesses across various sectors. This increased economic activity fuels higher consumer spending, stimulates investment, and fosters market expansion. It's a long game, not a quick fix. Companies navigating supply chain shifts or supplier diversification have to balance urgency with sustainability. Rushing can lead to inefficiencies or risks, while taking too long can hinder competitiveness.

MILITARY PROCUREMENT AND SPENDING

MAJOR PROJECTS: HOW TO GET INVOLVED

JUNE 2025 ISSUE 18 ([LINK TO REPORT IN LIBRARY](#))

CONSUMER PRICE INDEX: 1.9

FX USD-CAN MONTH END: .731

RETAIL SALES: \$70.1B

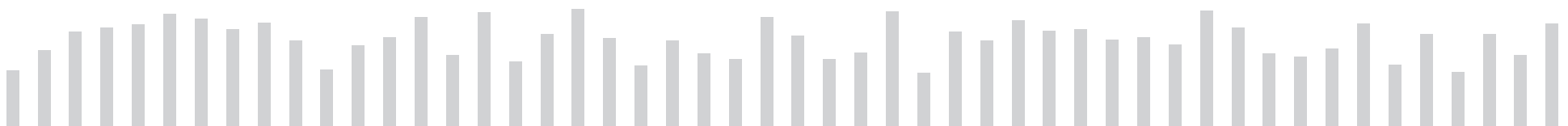


EXTERNAL DATA ISN'T JUST "EXTRA"— IT'S A COMPETITIVE EDGE WHEN USED WISELY

CANADA HAS A PLAN. MAKE IT YOURS

STRATEGIC PLAYBOOK FOR CANADIAN COMPANIES

GETTING STARTED WITH APPLYING FOR GOVERNMENT CONTRACTS IN CANADA



SUMMARY OF 2025 MONTHLY BUSINESS REPORTS

JULY 2025 ISSUE 19 ([LINK TO REPORT IN LIBRARY](#))

CONSUMER PRICE INDEX: 1.7

FX USD-CAN MONTH END: .730

RETAIL SALES: \$69.6B



CANADIAN ECONOMIC & MARKET OVERVIEW

In Q2 2025, the Canadian economy and inflation remained stable at 1.8%, and job growth in June offered a glimmer of resilience amid broader economic softness. Canada's retail sector remained resilient despite rising trade tensions. Wholesale markets also saw a modest national growth of 0.1%, driven by strong sales in personal and household goods.

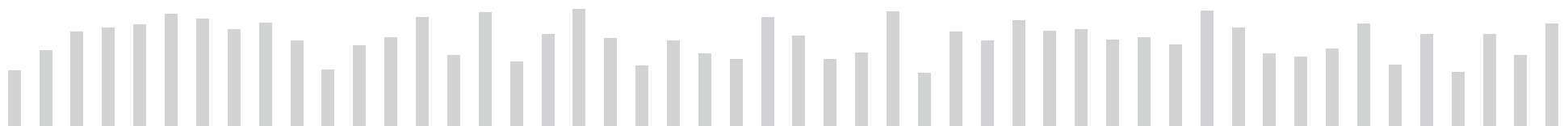
TRADE CHALLENGES AHEAD: 2025 – 2026

Canada is bracing for the 2026 CUSMA review amid U.S. trade pressures while enforcing a new 25% surtax on Chinese-origin steel and aluminum, signaling a strategic effort to protect domestic industries and maintain market access.

THE CANADIAN DOLLAR (CAD)

appreciated 3.5% against the U.S. dollar during Q2 2025, reversing much of its 2024 decline. This rebound was largely driven by weakness in the U.S. dollar which stemmed from investor concerns, erratic trade policies, and a pivot away from U.S. assets.

CANADIAN SURTAX ON CHINESE STEEL & ALUMINUM



SUMMARY OF 2025 MONTHLY BUSINESS REPORTS

AUGUST 2025 ISSUE 20 ([LINK TO REPORT IN LIBRARY](#))

CONSUMER PRICE INDEX: 1.9

FX USD-CAN MONTH END: .725

RETAIL SALES: \$70.3B



NEWS

→ **August 1, 2025: U.S. imposed 50% tariffs on copper imports**



IN THIS 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

BLAME IT ON TRUMP

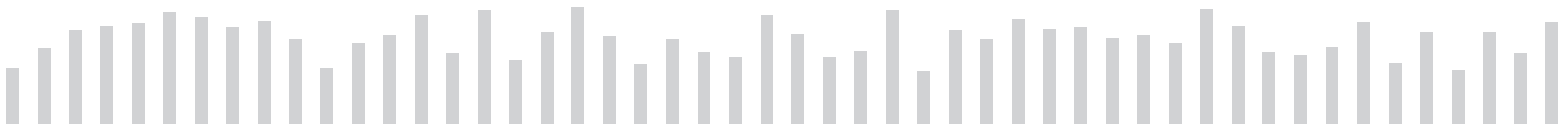
“CANADA'S RETAIL SECTOR REMAINED RESILIENT DESPITE RISING TRADE TENSIONS.”

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).

TRANSPORTATION PRICE INDEXES AND COST COMPONENTS

Multi-Factor Cost Pressures. Statistics Canada collects monthly average oil and diesel prices from major suppliers. Fuel prices have experienced sharp fluctuations over the past 12 months. In contrast, the Trucking Price Index has remained relatively stable.



SUMMARY OF 2025 MONTHLY BUSINESS REPORTS

SEPTEMBER 2025 ISSUE 21 ([LINK TO REPORT IN LIBRARY](#))

CONSUMER PRICE INDEX: 2.4

FX USD-CAN MONTH END: .723

RETAIL SALES: \$69.8B



NEW TRADING PARTNERS AND COUNTRIES

Trading in US dollars with American counterparts is straightforward. But once you step outside that comfort zone, things get interesting — and sometimes treacherous.

“HALF-PRICE SALE IN ARGENTINA” ISN’T EXPLOITATION — IT’S ECONOMICS IN ACTION. THE NEW BENCHMARKING REALITY IN GLOBAL TRADE

You don’t need to engage directly with these economies to feel the impact — their lower prices can reset global benchmarks.

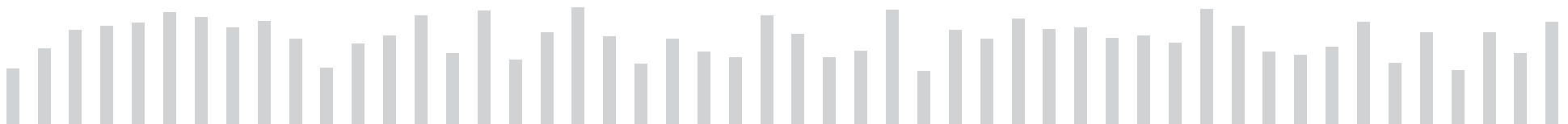
PRIME RATE

Effective September 18, 2025, the Bank of Canada lowered its prime rate by 0.25 percentage points to 4.70%.

LABOUR & WAGES REPORT (2020-2025) PERFORMANCE MATTERED MORE THAN INFLATION

Linking wages to the cost of living might appear reasonable, but it often overlooks a more fundamental principle: compensation, like any cost, is shaped by supply and demand. Pay should align with the value of one’s contribution — not merely a response to inflation.

BEYOND TRADE: THE REAL BATTLEGROUND IS COST CONTROL



SUMMARY OF 2025 MONTHLY BUSINESS REPORTS

OCTOBER 2025 ISSUE 22 ([LINK TO REPORT IN LIBRARY](#))

CONSUMER PRICE INDEX: 2.2

FX USD-CAN MONTH END: .715

RETAIL SALES: TBA



→ **October 14, 2025: Trump added 10% tariffs on softwood lumber and 25% on furniture/cabinets**



BUDGET 2025

FRAMING FISCAL RESPONSIBILITY: DEFICIT-TO-GDP VS. DEBT-TO-GDP

WHOLESALE TRADE

What Is Wholesale? Not-A-Straight forward Question

THE FUTURE OF WHOLESALE TRADE: FROM INVENTORY TO INTELLIGENCE

NOVEMBER/DECEMBER 2025 NO LINK, THIS IS IT

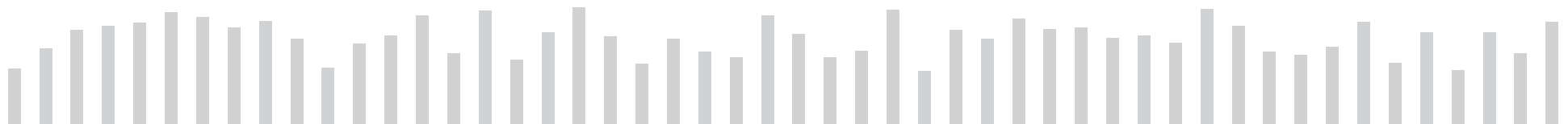
CONSUMER PRICE INDEX: TBA

FX USD-CAN MONTH END: .711

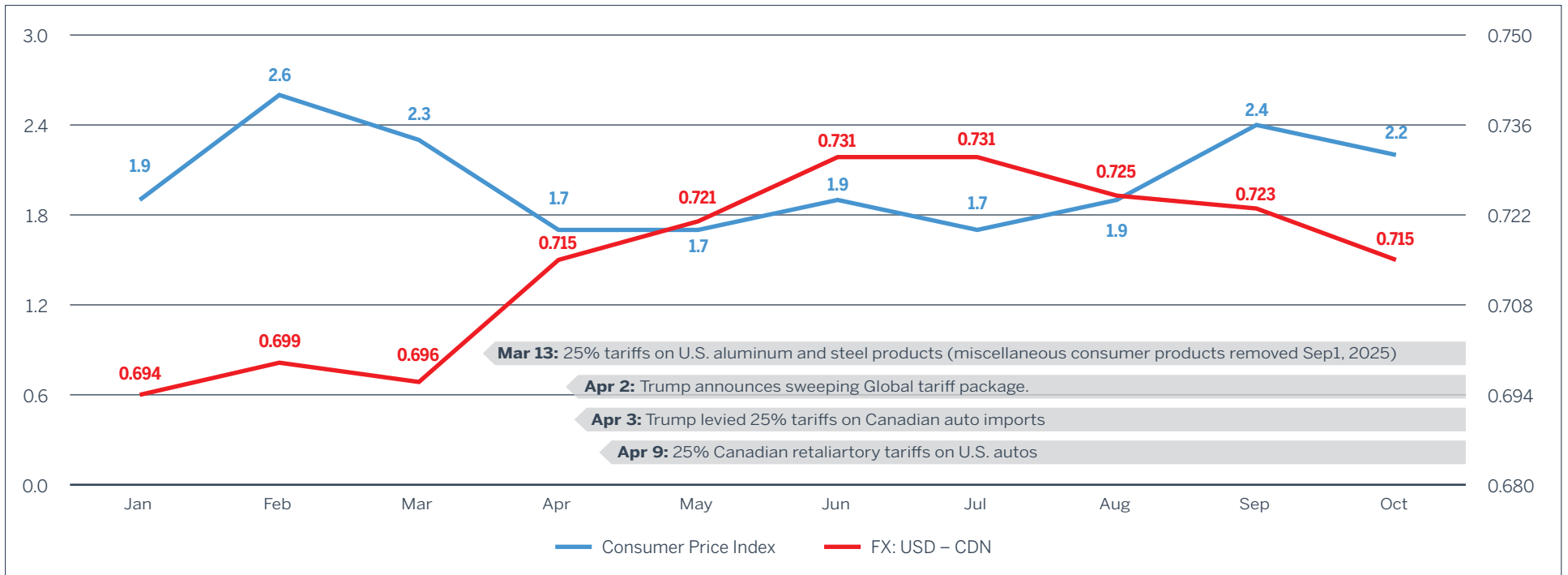
RETAIL SALES: TBA



→ **November 2025: Trump threatened an extra 10% tariff after Ontario aired anti-tariff ads, but held off enforcement**



TRADITIONAL MODELS NO LONGER EXPLAIN WHY PRICES MOVE — OR FAIL TO MOVE — THE WAY TEXTBOOKS PREDICT.



→ Despite escalating tariffs in March and April, CPI eased to 1.7% in April, even though higher consumer prices would normally be expected.

→ Tariffs typically reduce exports and lower USD-denominated sales, which should put downward pressure on FX rates — yet the Canadian dollar strengthened mid-year even as tariffs intensified.

→ This suggests additional forces were influencing outcomes, including:

- Lower-than-expected pass-through rates
- Lag times between tariff implementation and price effects
- Product substitution that softened inflationary pressure

The impact of tariffs and exchange-rate on consumer prices (CPI) is neither immediate nor proportional. In 2025, elevated wage growth, supply-chain restructuring, and regulatory complexity have further slowed and diluted pass-through in many economies, including Canada.



TRADITIONAL MODELS NO LONGER EXPLAIN WHY PRICES MOVE — OR FAIL TO MOVE — THE WAY TEXTBOOKS PREDICT.

KEY POINTS

1. PASS-THROUGH TO CPI IS SLOW AND INCOMPLETE

- Tariff and FX effects move through the economy in stages:
(1) border prices → (2) manufacturer/wholesale prices → (3) consumer prices.
- Each stage introduces delays and dampening effects due to contracts, competition, and supply-chain frictions.

Canada:

→ **Pass-through rate: less than 50%**

→ **Lag-time: 2-6 months**

Note: Though interesting, the above estimates have not been validated.

2. STRUCTURAL FACTORS REDUCED PASS-THROUGH IN 2025

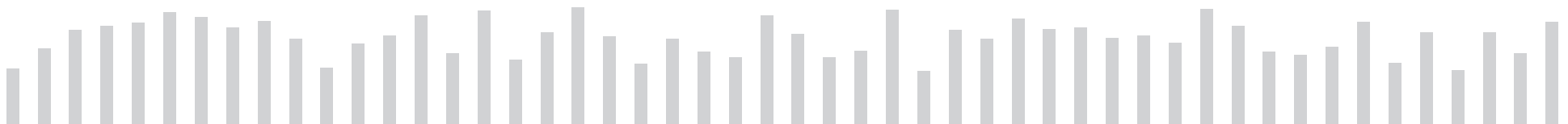
- Strong wage growth increased firms' focus on cost control, limiting their ability to raise prices further.
- Supply-chain restructuring — including diversification away from tariff-affected suppliers — reduced exposure to higher import costs.
- Regulatory complexity added administrative burdens that slowed pricing adjustments.

3. RESULT: CPI DID NOT RESPOND AS EXPECTED

- Even with higher tariffs and currency movements, consumer prices rose more slowly than standard models would predict.
- The combination of frictions, delays, and substitution effects diluted the inflationary impact.

IMPLICATIONS

- Businesses should avoid assuming a direct or immediate link between tariffs, exchange rates, and CPI.
- Forecasting models must incorporate lag times, partial pass-through, and behavioural adjustments by firms and consumers.





MARKET INTELLIGENCE • SALES REACH • PROFESSIONAL DEVELOPMENT

Providing value to our members by expanding their sales reach, increasing their growth and profitability, accessing industry intelligence and supporting professional development.

CHPTA 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:

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