



CENTER
FOR
CONSUMER
PRODUCTS

MONTHLY BUSINESS CONDITIONS REPORT

MARCH, 2026

ISSUE 26

Canadian Market Insights You Can Act On



DATA

What does online marketing (Digital Marketing) do?
job of online marketer that use digital channels to communicate with customers
The following five interactions with customers must be taken into account.
1. Connections: Changing the way you communicate from the front of the store.
To use digital channels such as live video to use internet channels to build connections
with customers.
2. Interaction (Conversations) create interactions with consumers in the target group
who use products and services. By relying on large-scale research tools (Focus Group)
to learn consumer behavior.
3. Co-creation (Co-Creation) Sharing marketing concept information
from various channels such as educational institutions, agencies, academics,
entrepreneurs to improve online marketing techniques to be up to date, meets
the highest demands of consumers
4. Do-E-Commerce, create a shopping cart system, or ordering on the website
Or place products on websites that support online trading through that channel,
such as Amazon, Ebay.

- CPI & a new kind of inflation
- Employment reversal after several monthly gains
- Foreign Exchange: Time to buy but not USD
- Overhead, Margins and Sourcing



PROUDLY CANADIAN



IN THIS REPORT

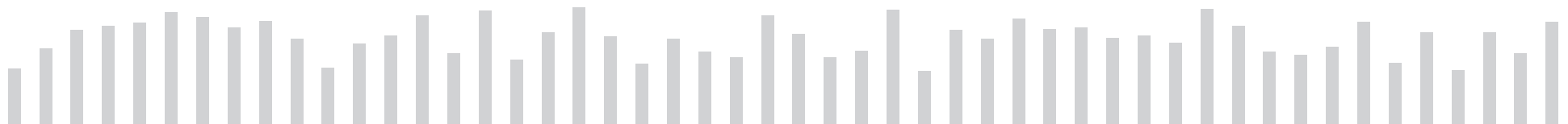
ECONOMIC SUMMARY

- CPI & a new kind of inflation
- Employment reversal after several monthly gains
- Foreign Exchange: Time to buy but not USD

OVERHEAD, MARGINS AND SOURCING

Energy and goods costs exploded in 2022 but quickly retreated by mid-2023 as fuel prices normalized and supply chains finally cleared. **Overhead costs didn't budge.** Overhead costs follow services inflation—wage-driven, slow to unwind, and locked in through **multi-year contracts, leases, and rate resets.** In this report, we examine the pressure points: **Margin Erosion, Borrowing Rates, Transportation, Commercial Leases, and the labor-intensive cost structures that anchor them.**

We also provide **a disciplined process for bringing these overhead costs back in line.** The work starts with recognizing that sourcing services is fundamentally different from purchasing products. Product buying is specification-driven while services are a bundle of activities—each with its own scope, performance expectations, and cost drivers.



ECONOMIC SUMMARY

CONSUMER PRICE INDEX

The Consumer Price Index (CPI) rose 1.8% on a year-over-year basis in February, following a 2.3% increase in January. The slowdown in the all-items CPI on a year-over-year basis was largely driven by a monthly increase in prices in February 2025, when the GST/HST break ended partway through the month.

On a year-over-year basis, there was downward pressure in February from a range of goods including gasoline (-14.2%), natural gas (-17.1%), homeowners' replacement cost (-2.1%), other owned accommodation expenses (-2.6%) and travel tours (-3.1%).

Expect **a significant increase in gas prices and CPI in March** due to the Iran War. Hopefully it will be short lived.

As outlined in February's webinar, **the prices businesses depend on such as raw materials, wholesale goods, and industrial equipment are not captured in Retail Sales or CPI calculations. However, CPI often provide a strong proxy** for underlying business cost pressures, including energy and transportation, rent-like or occupancy expenses, services and office-adjacent goods (such as office products sold to businesses), among others.

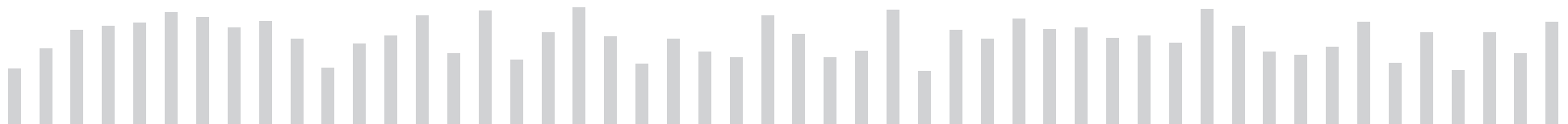
PRODUCT SUBSTITUTION

Analysis from last month's report and webinar suggests that **if product substitution were reflected in Canada's CPI, annual product inflation would be about 0.25–0.30 percentage points lower.**

A NEW KIND OF "INFLATION"

Prices for new cars have soared.

A Reuters review of U.S. industry sales data found a more market-based reason for high car prices. Automakers are offering relatively few budget models, while they've filled showrooms with bigger, more **upscale models, raising the selling price of the average U.S. vehicle to around \$47,000.** The trend toward fancier vehicles on the new-car lot is a stark example of the so-called K-shaped U.S. economy: More **affluent consumers are driving a larger share of spending (and the average cost)**, while middle- and lower-income people struggle. Higher price, higher margin.



ECONOMIC SUMMARY



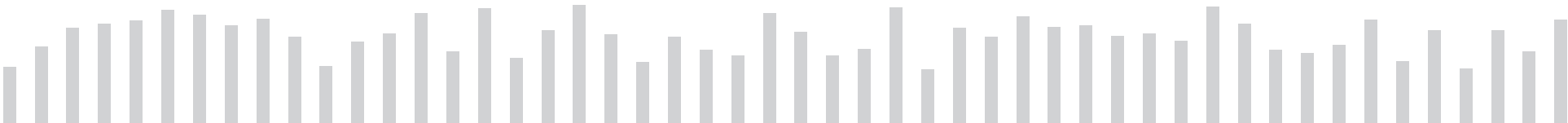
EMPLOYMENT & WAGES

The unemployment rate increased by 0.2 percentage points to 6.7%. Employment declined by 84,000 (-0.4%) in February and the employment rate fell 0.2 percentage points.

Employment mostly fell in the goods and services-producing industries, with 18,000 jobs lost in wholesale and retail trade, 12,000 lost in construction and 9,200 lost in manufacturing.

Employment was down in Quebec, British Columbia, Saskatchewan and Manitoba. Employment in other provinces held steady.

Average hourly wages among all employees was up 3.9% (+\$1.42 to \$37.56) on a year-over-year basis in February, following growth of 3.3% in January (not seasonally adjusted).



ECONOMIC SUMMARY

FOREIGN EXCHANGE

In February 2026, the USD to CAD exchange rate hovered around the 1.36 – 1.37 (.735 - .73) range. The Canadian dollar strengthened slightly during the month, with rates dipping from roughly 1.3700 (.73) in late February toward 1.355–1.36 (.738 - .735) by early March. *Trading Economics*

The Canadian dollar (CAD) is finding itself pulled in two directions. On one hand, rising oil prices are giving the currency some support. On the other, global uncertainty tied to the rapidly expanding Middle East conflict is driving investors toward the U.S. dollar. This is one reason **the Canadian dollar has held up relatively well compared with other major currencies.** While the CAD slipped slightly against the U.S. dollar, other currencies such as the Japanese yen and Swiss franc experienced much larger declines during the same period. In other words, **oil is acting like a buffer for the Canadian dollar.** *Interexchange Financial*

Over the quarter, the Canadian dollar appreciated against the US dollar (+1.6%), the euro (+1.5%), the British pound (+1.5%), and the Japanese yen (+7.2%). *Trading Economics*

TRADE

Exports to the United States decreased 3.8% in January, while imports from the United States fell 3.4%. As a result, Canada's merchandise trade surplus with the United States narrowed slightly from \$5.7 billion in December to \$5.4 billion in January.

BUSINESS CONDITIONS REPORT WEBINAR

FRIDAY, MARCH 27, AT 9:00 A.M. ET

Join us for our monthly discussing deep dive into Canada's evolving business landscape.

This live webinar breaks down the latest Business Conditions Report— the numbers, why they matter, and how they could affect your company.

What's on the agenda:

Overhead costs have been slow to unwind, and locked in through multi-year contracts, leases, and rate resets. We review the pressure points: **Margin Erosion, Borrowing Rates, Transportation, Commercial Leases cost indexes**, and the cost structures that anchor them. We'll review **a disciplined process for bringing these overhead costs back in line.**

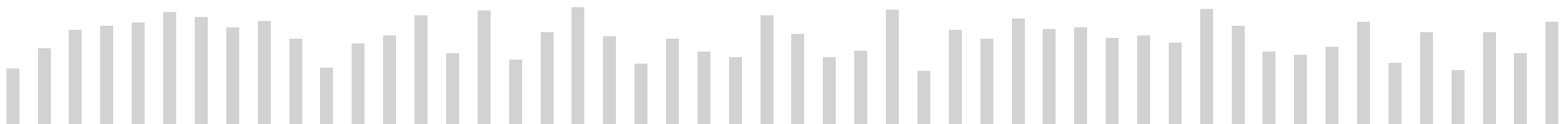
RESERVE YOUR SPOT

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

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

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

EDWIN SCHLOSSBERG



OVERHEAD, MARGINS AND SOURCING

COST OF ENERGY AND GOODS NORMALIZED; OVERHEAD COSTS DIDN'T

All costs: energy, borrowing and commodities, saw significant increases in 2022 due to inflation around the world and the war in the Ukraine. In Canada, headline inflation didn't materially ease until mid-2023, when energy prices normalized and goods supply chains finally caught up.

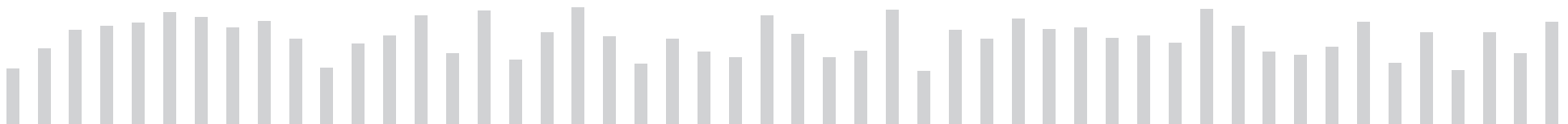
But Overhead Costs Follow a Different Inflation Curve

Most indirect and overhead categories don't track goods inflation at all. They follow services inflation, which is structurally stickier and slower to fall.

EXAMPLES OF OVERHEAD CATEGORIES:

- Goods inflation spiked sharply in 2022 (8.7% annual average), driven by fuel, materials, and supply-chain shocks.
- Services inflation rose more moderately (5.0% annual average), but remained sticky because wages, leases, and contracted services adjust slowly.
- Services inflation is wage-driven, not commodity-driven. Wage indices continued rising through 2025, and wages rarely reverse.
- Contracts reset at 2022 peaks. Many service contracts (financial services, admin support, logistics brokerage) were repriced during the inflation spike and remained fixed for 12–24 months.
- Leases and commercial mortgages reset at 2022 peaks remain fixed for 5 years or more.
- Professional and technical services saw persistent year-over-year increases, even as fuel and freight costs came down.
- Services' inflation decelerated slowly. Many service providers locked in higher pricing structures during 2022–23 and have not reversed them. Even as headline CPI cooled in 2023, service inflation remained in the 3–5% range for much of the year.

This stickiness meant that even when fuel and freight costs began easing in mid-2023, service providers did not reduce prices at the same pace, because their own cost base (labour, rent, insurance) had not fallen. Most indirect costs — rose more slowly but also rarely come down without pressure.

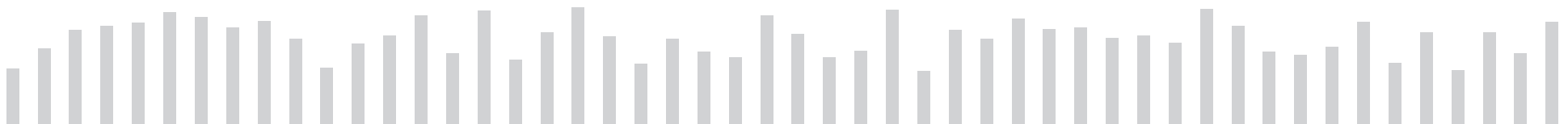


OVERHEAD, MARGINS AND SOURCING

OVERHEAD ISN'T 12–18% ANYMORE — IT'S A MOVING TARGET, AND IT'S TIME TO RESET

If you ask a businessperson what their overhead is they will probably give you a percentage something like 12 or 18% or higher depending on the business. This percentage is roughly used in pricing and infrequently updated. Well, **it's time to update, contracts should be reviewed and if necessary renegotiated.**

Your overhead today is almost certainly higher than the percentage you've been using in your pricing model and could be dramatically affecting your margins.



OVERHEAD, MARGINS AND SOURCING

WHAT THIS MEANS FOR INDIRECT COMMERCIAL SERVICES

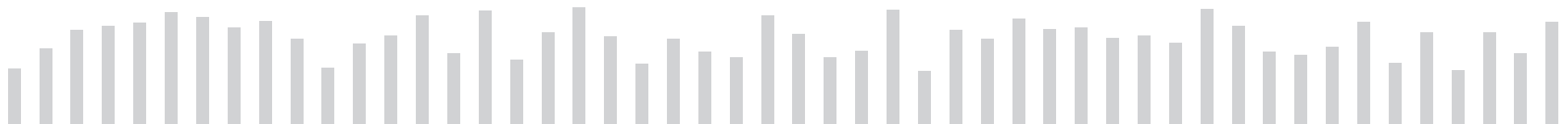
Both the macro data and current supplier pricing behaviour point to a **strategically favorable moment to re-negotiate** as demand is slow.

Providers of indirect services (finance, insurance, admin, IT, logistics brokerage) typically argue:

- “Our labour costs are up.”
- “Inflation is still high.”
- “Our inputs haven’t normalized.”

But the data no longer supports those claims. Service inflation peaked at 5.0% in 2022 and has not returned to those levels. Overall inflation has fallen by more than half.

Their cost base has stopped rising—yet their prices haven’t come down.



OVERHEAD, MARGINS AND SOURCING

BORROWING COSTS

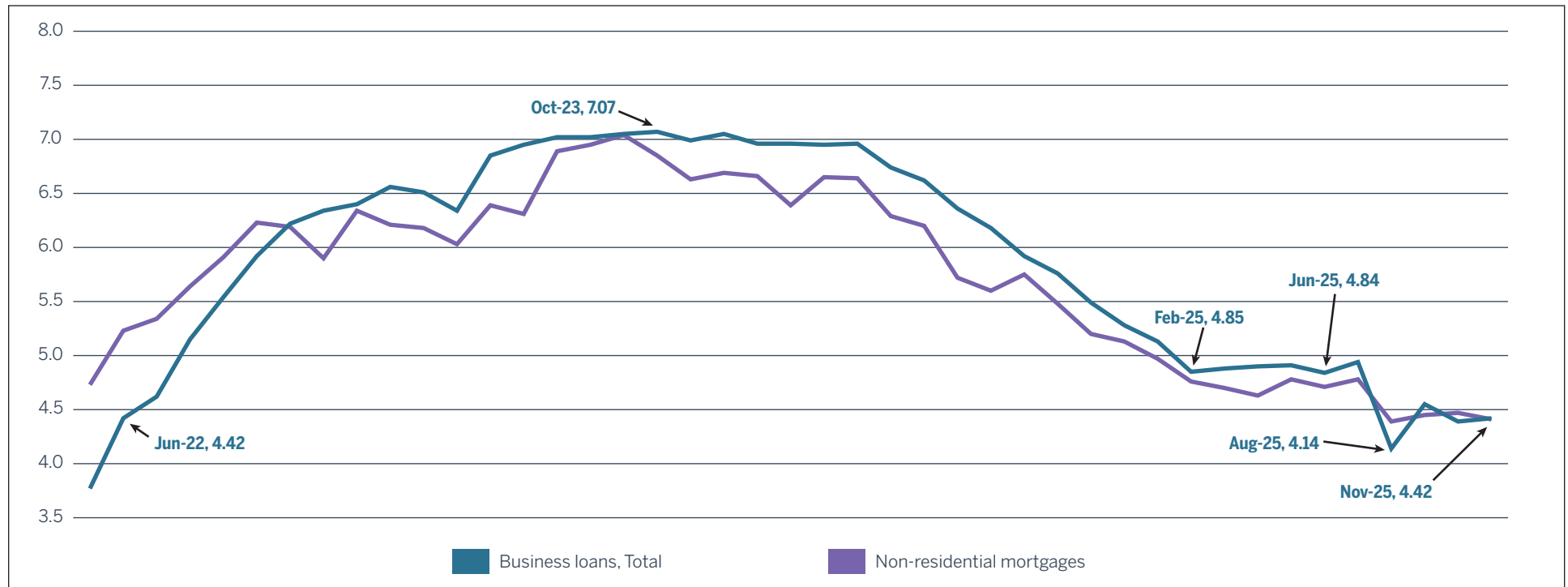
The chart below shows how borrowing costs have evolved over the past four years using Bank of Canada data. While actual commercial lending rates vary by collateral, credit quality, and relationship depth, the trend is unmistakable: borrowing costs began easing sharply in 2024.

Non-residential mortgage rates have followed the same pattern. The common belief is that these loans are “locked in” for 5–10 years—but that assumption deserves scrutiny. Banks, like any business facing declining demand, end up

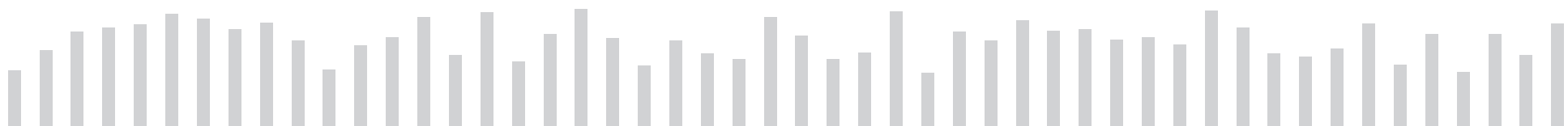
with unused inventory, in this case, money. They are already paying interest on deposits, so they need to lend, ideally to reliable borrowers.

And as with most suppliers, banks rarely lead with their most competitive pricing. Meaningful savings often emerge only when clients create competitive tension or signal credible switching risk.

BORROWING COST (%)



Bank of Canada



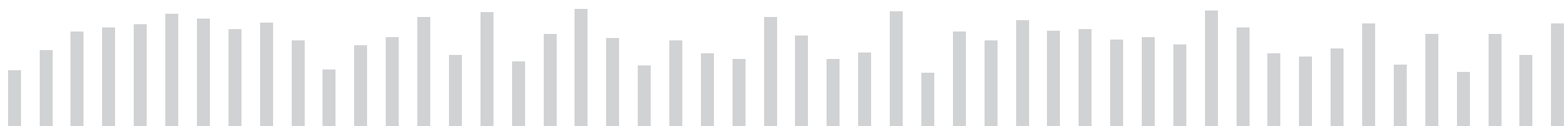
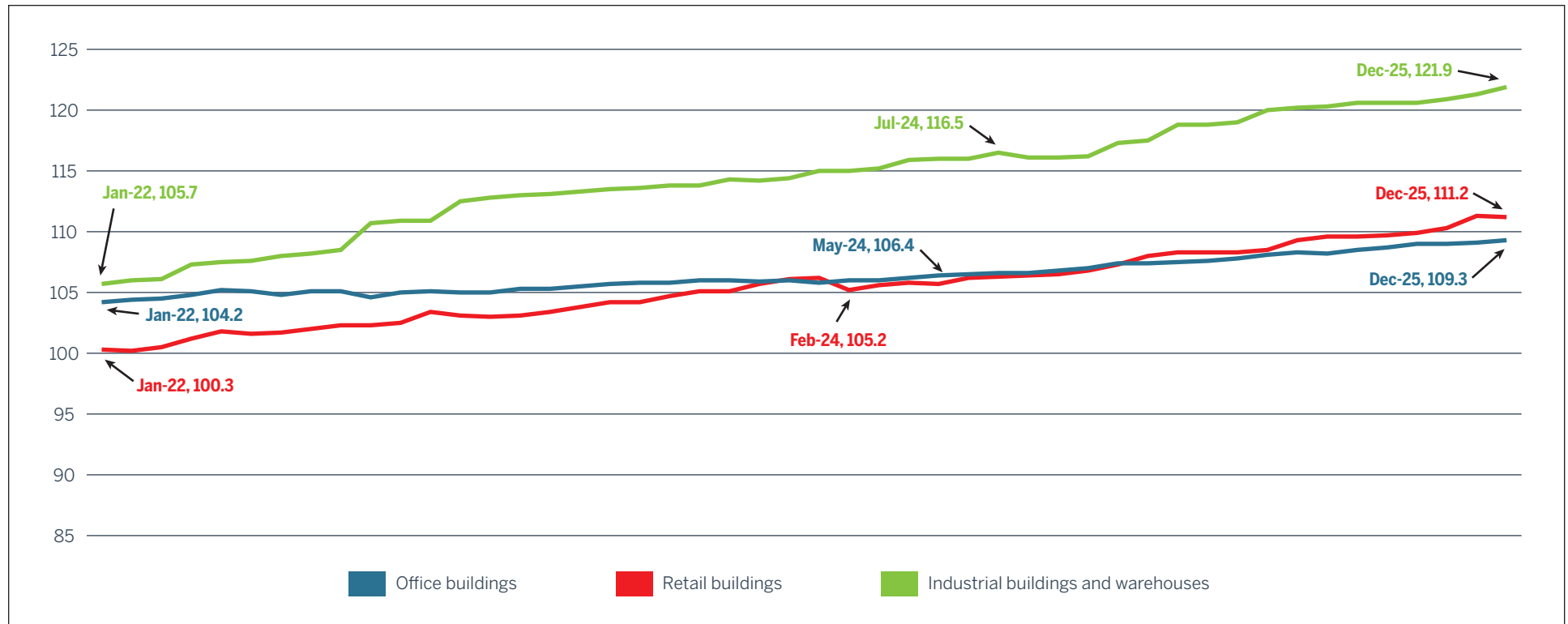
OVERHEAD, MARGINS AND SOURCING

COMMERCIAL RENT (4 YEARS)

Commercial lease rates have continued to rise over the past four years. While leases are typically fixed-term, they are not as rigid as they appear. Most landlords carry mortgages of their own, which makes steady cash flow

essential. Vacancies are expensive, and predictable long-term revenue often matters as much as the headline rent.

That creates leverage. Use it. Negotiate.



OVERHEAD, MARGINS AND SOURCING

TRANSPORTATION

As discussed in previous reports and webinars, transportation costs—especially trucking—do not move in line with diesel or gasoline prices. Carriers carry large, fixed overheads: capital and borrowing costs, maintenance, and labour.

Whether you operate under a fixed contract or use a broker, your transportation rates must reflect current market conditions if you expect to remain competitive.

Have an open discussion with your carrier. They are likely facing the same pressures as your business, and a hybrid agreement may deliver the pricing you need while providing the supplier with stable, predictable revenue.

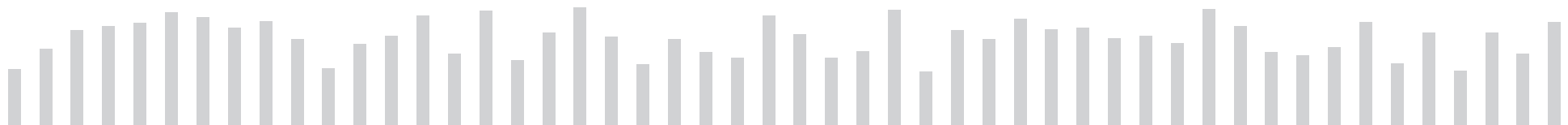
TRUCKING

The trucking cost table below shows a true roller-coaster pattern: a sharp increase in Q1 2023, a drop in 2024, and continued volatility through 2025.

This erratic movement reflects **shifting demand far more than changes in fuel costs**. As noted earlier, trucking companies must cover substantial fixed overheads, which drives their pricing behaviour.

Description	Q1 2022	Q1 2023	Q1 2024	Q1 2025	Q4 2025	% Var
Truck transportation	112.6	123.3	120.8	124.0	122.1	8.4%
General freight trucking	112.7	123.5	118.4	121.8	119.7	6.2%
General freight trucking, local	112.3	121.0	117.1	121.0	120.8	7.6%
General freight trucking, long distance	112.7	123.4	117.9	121.0	118.2	4.9%
Specialized freight trucking	112.7	122.6	125.3	128.2	126.4	12.2%
Used household and office goods moving	110.0	117.0	116.6	121.6	121.1	10.1%
Specialized freight (except used goods) trucking, local	107.1	122.6	125.4	130.1	128.7	20.2%
Specialized freight (except used goods) trucking, long distance	115.0	121.0	123.8	124.8	122.7	6.7%

Stats Can: For-hire motor carrier freight services price index, quarterly



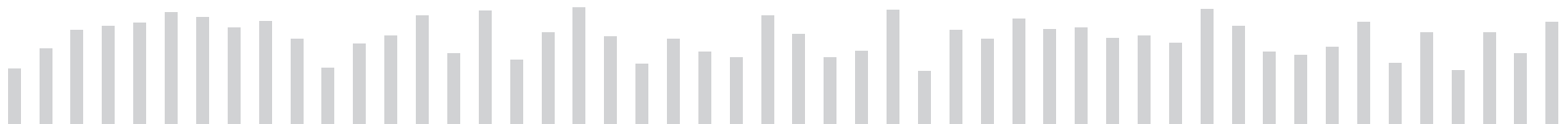
OVERHEAD, MARGINS AND SOURCING

RAIL

Rail costs are far more stable. The sector has fewer providers, and demand is generally consistent, which results in far less volatility than trucking.



Stats Can: Freight Rail Services Price Index, monthly



OVERHEAD, MARGINS AND SOURCING

COURIERS AND MESSENGER SERVICES

The Couriers and Messengers Services Price Index tracks monthly price changes for **delivery services provided to households and businesses in Canada**. The industry is evolving rapidly: what was once dominated by UPS, FedEx, and national postal services is now crowded with gig-based drivers delivering for Amazon, Uber Eats, and similar platforms.

With this structural shift and rising demand, it's no surprise that courier and messenger service costs continue to increase.

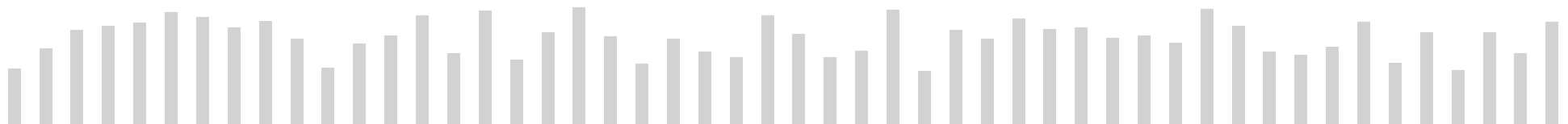
Local delivery is one of the fastest-changing cost. Companies need to stay competitive and treat it as an **actively managed** expense, not a pass-through expense.

Suggestions:

- Benchmark against the current market frequently.
- Right-Size the Service Level (Many businesses pay for speed they don't need.)
- Consolidate Volume Intelligently (Combine deliveries by geography, customer type, or time window.)
- Use Multiple Delivery Channels (The market is no longer just UPS/FedEx/postal.)

North American Industry Classification System	Jan-22	Jan-23	Jan-24	Jan-25	Jan-26	% Var
Couriers and messengers	115.4	133.4	134.1	142.6	143.2	24%
Couriers	116.7	135.9	136.6	146.5	147.3	26%
Local messengers and local delivery	108.4	121.1	121.2	123.2	122.6	13%

Stats Can: Couriers and messengers services price index, monthly



OVERHEAD, MARGINS AND SOURCING

LABOUR

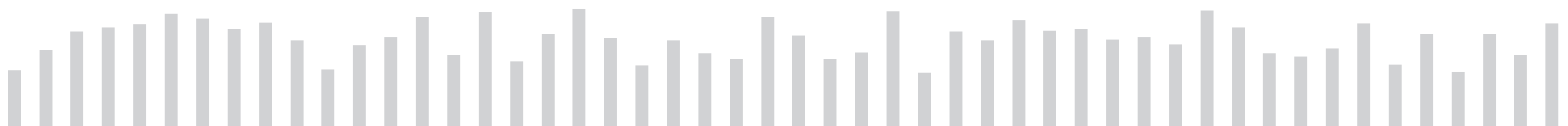
Most businesses focus on their largest labour pool—typically warehouse, distribution or instore staffing, because that’s where the bulk of hours and payroll sit. But they often overlook the rising labour costs in the overhead functions that support those operations. Office staff, accounting, sales

& service, and marketing all experience the same wage pressures, often at higher salaries yet overhead rates are rarely adjusted to reflect those increases.

When overhead isn’t recalibrated, margins erode quietly and persistently.

North American Industry Classification System (NAICS)	Jan-22	Jan-23	Jan-24	Jan-25	Dec-25	Var	%
Office administrative services	28.16	36.61	35.84	29.13	32.28	4.12	14.6%
General freight trucking	28.02	27.89	28.45	29.61	30.97	2.95	10.5%
Specialized freight trucking	28.33	30.10	30.20	30.91	32.10	3.77	13.3%
Warehousing and storage	23.79	25.06	24.85	24.95	27.29	3.50	14.7%
Local messengers and local delivery	20.94	21.95	20.70	22.93	23.31	2.37	11.3%
Couriers	23.38	24.17	25.39	25.55	25.24	1.86	8.0%
Legal services	26.07	32.77	30.71	36.87	33.97	7.90	30.3%
Services to buildings and dwellings	21.54	23.26	23.86	24.58	25.27	3.73	17.3%

Stats Can: Average hourly earnings for employees paid by the hour, by industry, monthly, unadjusted for seasonality



OVERHEAD, MARGINS AND SOURCING

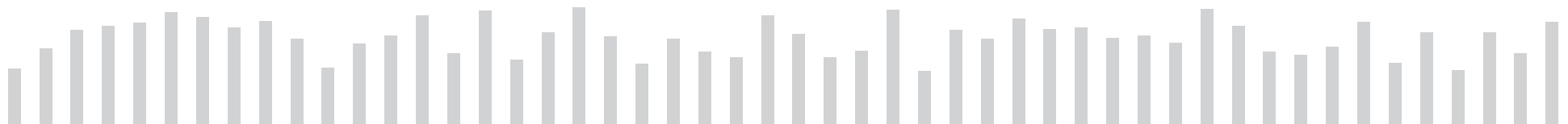
OTHER SERVICES (EXAMPLE: ACCOUNTING)

Inflation never hits just one line item—every cost in a business is affected, from cleaning contracts to legal advice. Commodity and product prices may

have eased from their 2022 highs, but it's unlikely your lawyer or accountant has reduced their hourly rate. Most service-based inputs only move in one direction.

Class of service	2020	2021	2022	2023	2024	Variance	%
Accounting Services Price Index	115.6	116.8	120.5	124.4	127.2	11.6	10%
Audit, review, related services and other assurance services	109.8	110.2	115.4	120.3	122.3	12.5	11%
Bookkeeping, compilation, payroll and general accounting services	120.6	121.9	125.5	129.7	133.6	13.0	11%
Tax preparation services for corporate clients	113.0	114.7	116.2	117.7	119.6	6.6	6%
Tax preparation services for individuals and unincorporated businesses	125.8	128	132.6	137.1	140.9	15.1	12%

Stats Can : Accounting Services Price Index



PRODUCT PURCHASING VS SERVICE SOURCING

Sourcing services is fundamentally different from purchasing products.

When you buy products, you typically know exactly what you need — specifications are fixed, comparable, and quality is fairly easy to measure.

Service sourcing, by contrast, is the acquisition of a bundle of activities, each with its own scope, performance expectations, and cost drivers. Instead of a single defined item, you are evaluating a multi-component delivery model.

In effect, you're purchasing a **coordinated system of deliverables that must operate together to create value.**

SOURCING PROCESS

A service sourcing process must recognize **that services cannot be sourced using the same, specification-driven approach** used for products. Products follow fixed specs and measurable quality standards; services do not. Services require a sourcing model that evaluates **capability, delivery architecture, performance management, and value creation,** not just price.

You are not going to contract with Uber to deliver packages on the other side of the world. Not yet anyway.

You're not instructing the supplier on how to perform the work — you're asking them to design the solution by applying their own systems, processes, and management discipline. In my years in strategic sourcing, I often identified the supplier of choice early in the process. The challenge was that the best-fit supplier was rarely the lowest-cost option.

The real work became getting the preferred supplier to deliver their best price, which required flexibility on both sides. Success depended on creating a relationship where your commercial model and the delivery model can be shaped together.



PRODUCT PURCHASING VS SERVICE SOURCING

THE FIRST STEP IN THE SOURCING PROCESS IS TO CREATE A REQUEST FOR PROPOSAL (RFP)

RFP STRUCTURE

1. Introduction & Background

Sets out the rationale for issuing the RFP by describing the organizational context, the underlying challenge or opportunity, and the **strategic outcomes** the service must support. Moves beyond simple cost concerns to highlight broader performance, quality, or capability gaps. Clearly conveys the vision and business objectives and the value it is expected to create.

2. Scope of Work / Requirements

Defines the required outcomes, activities, deliverables, and performance expectations. Serves as the foundation for supplier proposals and ensures alignment on what must be provided. **Provide details and examples to allow the supplier to respond in kind.**

Early in my Strategic Sourcing career, I met with a potential supplier to walk through the RFP. The meeting went smoothly, but the next day the sales rep asked for a follow-up. This time he brought a consultant. A few minutes in, the rep turned to the consultant and said, "I told you—he wants us to tell him what he should do."

3. Proposal Instructions

Outlines how suppliers must structure their submissions, including required formats, deadlines, and points of contact to facilitate comparison. Requests early confirmation of intent to bid and any initial questions or clarification needs. All information shared in response to supplier inquiries—including clarification meeting should be communicated to all participants to maintain fairness, transparency and a true comparison.

4. Evaluation Criteria

Specifies the framework for assessing proposals, typically including capability, delivery model, pricing, risk management, and overall value.

5. Commercial Terms

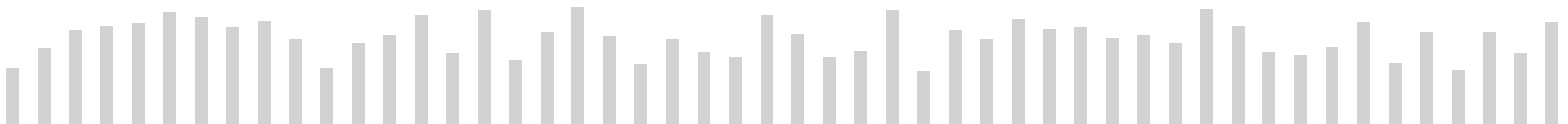
Provides the contractual parameters, including pricing model expectations, term length, service levels, KPIs, and any mandatory legal or policy requirements.

6. Supplier Qualifications

Requests evidence of relevant experience, capacity, certifications, references, and case studies demonstrating the supplier's ability to deliver the required services.

7. Appendices

Includes supporting materials such as templates, spend data, technical specifications, and applicable policies.



PRODUCT PURCHASING VS SERVICE SOURCING



NEXT STEPS:

- **Notify current suppliers of your intention to issue an RFP and provide them with a copy.** In many cases, this alone triggers an immediate and substantial price reduction — a clear indication that further negotiation is possible.
- **If you choose to proceed, develop a shortlist of potential suppliers capable of delivering some or all of the required services.** Include both large and small firms. Smaller suppliers often maintain strong partnerships that allow them to offer a broader, integrated range of services. **It is strongly suggested that interviews and site visits be performed before finalizing the short list.**
- **Issue the RFP.** Expect significant communication activity, **including some attempts to bypass the designated contacts** (e.g., outreach from senior executives or head office). This must be actively managed. Enforce deadlines rigorously, and ensure that any approved extensions are granted to all participants.
- **Once a leading proposal becomes evident, negotiate contract terms before announcing the decision.** Engage affected internal stakeholders to review the implications and confirm alignment before finalizing the award.

Sourcing services is a learning experience. The service sector operates differently from goods—different drivers, different processes. Many providers offer broader capabilities than are immediately visible. Stay open to their suggestions; most will try to win all your business by bundling services for the strongest overall price. Sound familiar.



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Shaping the future of consumer products through education, meaningful connections, industry resources from data-driven insights, and partnerships that deliver real value.

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:

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