

# **Xero Small Business Insights**

## **Canada Update**

October - December 2025

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# Small business sales suffer amid tough trading environment

Average results for three months to December 2025



**Sales**  
-4.1% y/y



**Late payments**  
9.7 days

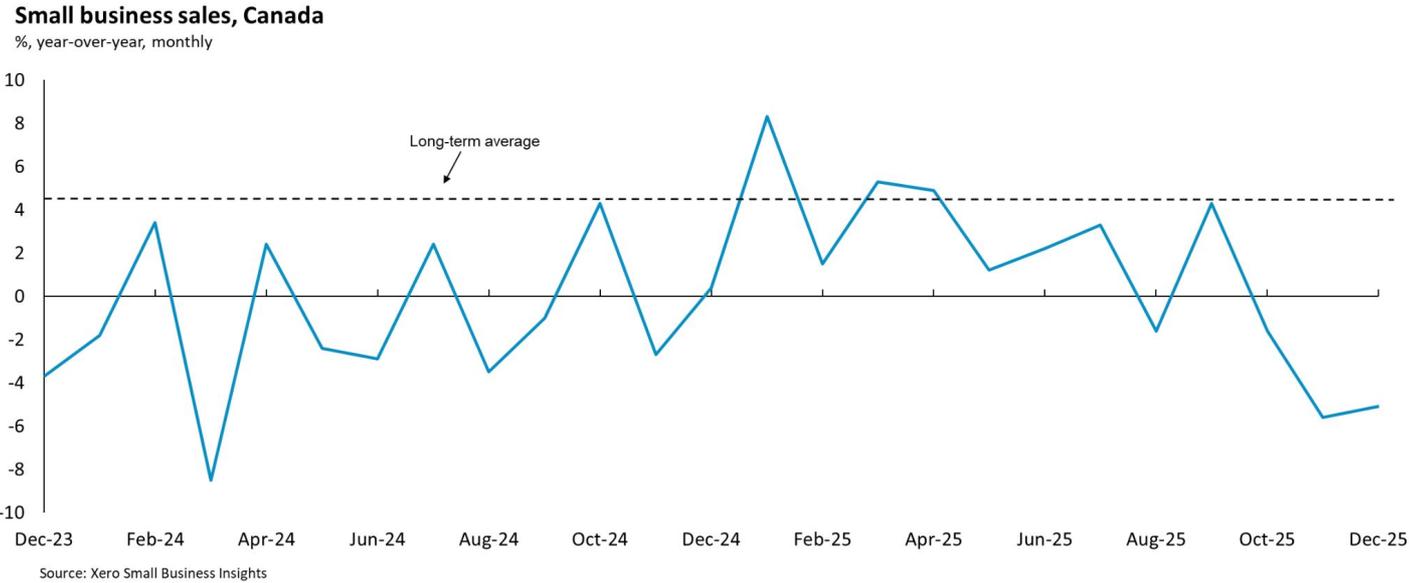


**Time to be paid**  
26.8 days

The latest Xero Small Business Insights (XSBI) data shows 2025 was a tough year for Canadian small businesses. Sales growth averaged 1.4% year-over-year (y/y) over the entire year, well below the long-term average for this series of 4.5% y/y. The year started well, with sales growing 5.0% y/y in the first three months of the year. However, sales growth slowed each quarter and actually declined by 4.1% y/y in the December quarter. Payment times were volatile and mixed during the year. After a difficult 2025, this year is likely to be another year of adjustment, as small businesses deal with ongoing changes in upstream supply-chains and as exporters seek out new markets.

**The past year was a difficult one for small business sales as owners, and their customers, responded to heightened uncertainty and heavily disrupted supply-chains amid frequent shifts in US trade policy.** There were positive results in some months - most notably in January (8.3% y/y), March (5.3% y/y) and September (4.3%) immediately following cuts in the policy interest rate by the Bank of Canada. But the general trend was for slowing sales growth over the year as the impact of the new economic relationship with the US weighed on the Canadian economy.

Sales started the year growing at an above-average pace of 5.0% y/y in the March quarter. But this slowed to 2.8% y/y in the June quarter and just 2.0% in the September quarter. The important end of year period for small businesses was particularly soft - sales fell 1.6% y/y in October, 5.6% y/y in November and 5.1% y/y in December, to record a 4.1% y/y decline for the December quarter overall. This is the largest quarterly decline in sales since the September quarter 2020 and well below the long-term average for this series of 4.5% y/y.

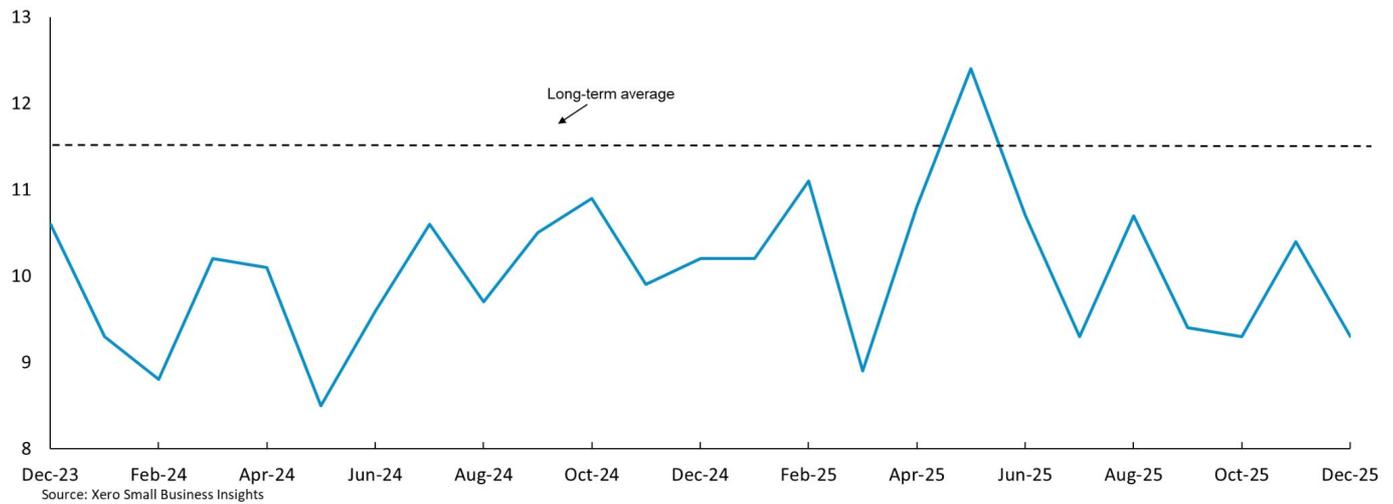


### The late payments data showed some improvement over 2025, mainly in the second half of the year.

Payments averaged 10.1 days in the March quarter, 11.3 days in the June quarter but then improved again to 9.8 days in the September quarter and 9.7 days in the December quarter. This latest result is the shortest late payment period since the June quarter 2024 and two days below the long-term average of this series (11.7 days).

#### Average late payments, Canada

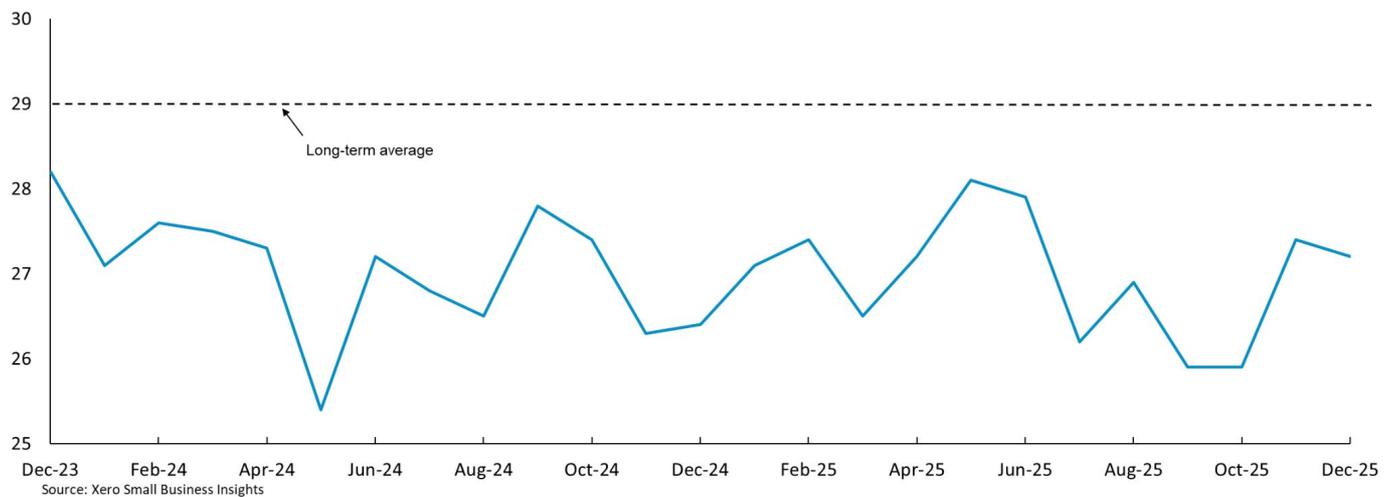
Days, seasonally adjusted



There was less change over the year in the length of time small businesses waited to be paid after they issued an invoice. This averaged 27.0 days in the March quarter, 27.7 days in the June quarter but then improved again to 26.3 days in the September quarter and finished at 26.8 days in the December quarter.

#### Time to be paid, Canada

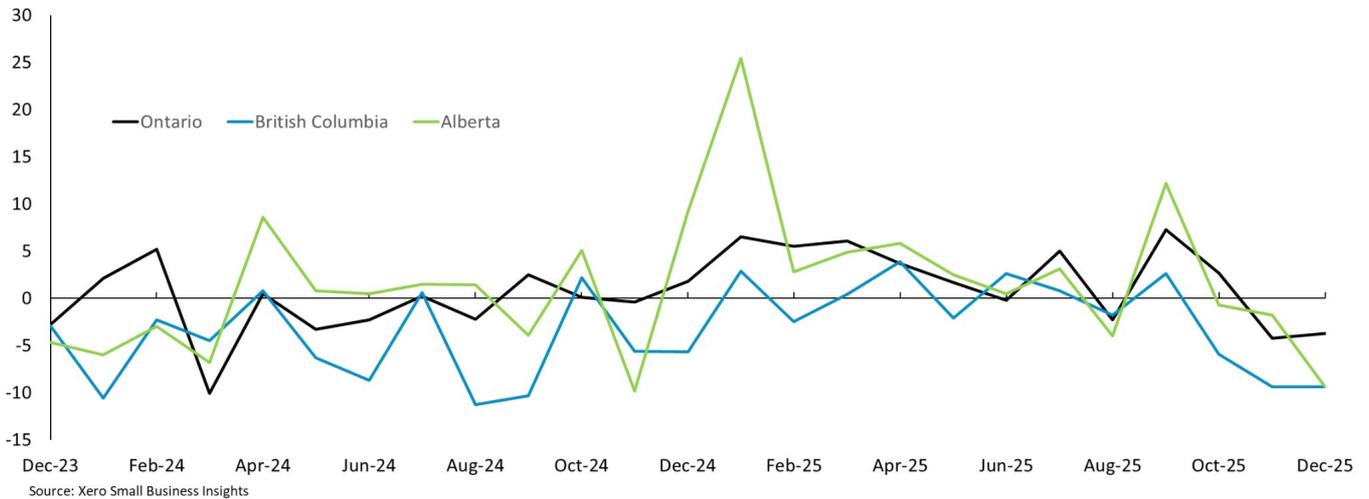
Days, seasonally adjusted



Looking at the three provinces tracked by XSBI (Alberta, British Columbia and Ontario) a mixed sales picture emerges for 2025. Over the first three quarters of the year Alberta was the stand-out performer and lodged results well above the Canadian average. Sales grew an impressive 11.0% y/y in the March quarter, before slowing to 2.9% y/y in the June quarter and 3.8% y/y in the September quarter. This could reflect Alberta's oil exports, which were less disrupted by changes in trade policy than other goods. Meanwhile British Columbia was the weakest province over these quarters, with 0.3% y/y, 1.5% y/y and 0.5% y/y respectively. British Columbia was also the weakest Province in the December quarter, where sales fell 8.2% y/y. In this quarter sales were down 4.0% y/y in Alberta and 1.7% y/y in Ontario.

### Small business sales, Canada selected provinces

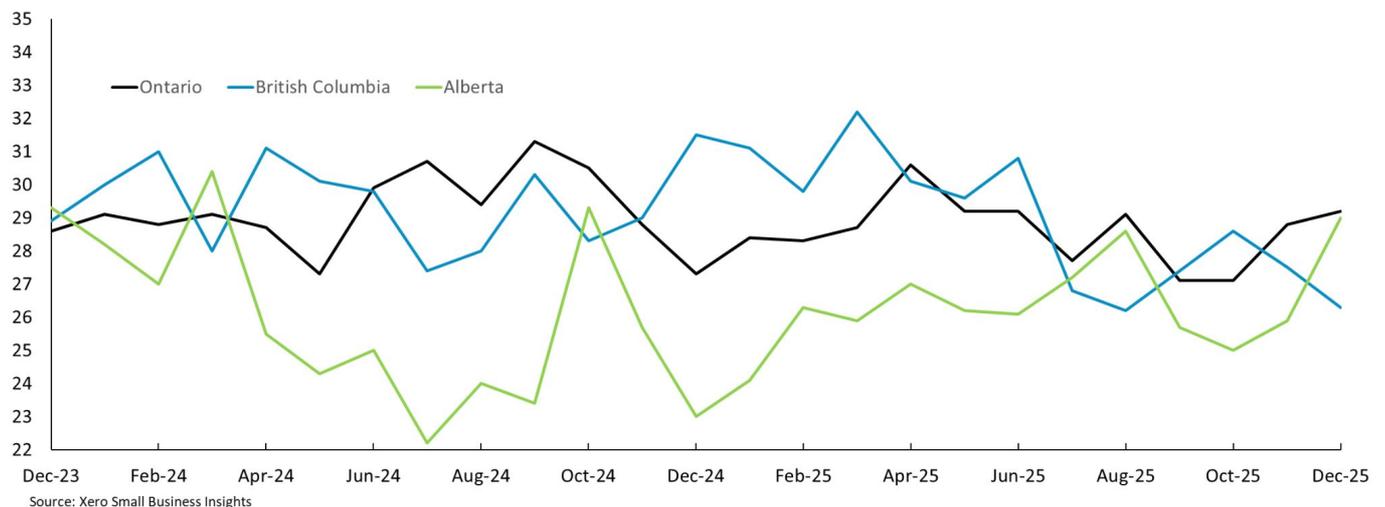
% , year-over-year, monthly



In terms of time to be paid, there was considerable volatility in all the provinces from quarter to quarter and between each other. The December quarter results were 28.4 days in Ontario, 27.5 days in British Columbia and 26.6 days in Alberta.

### Small business time to be paid, Canada selected provinces

% , year-over-year, monthly



**Overall**, these latest XSBI results highlight how difficult running a small business is in Canada right now. Indeed, the sales outcomes recorded in the first half of 2025 are impressive considering the significant instability and headwinds business owners were dealing with.

**Looking ahead**, 2026 is likely to be another year of adjustment, as small businesses deal with ongoing changes in upstream supply-chains and as exporters seek out new markets. Following its January Governing Council meeting, the Bank of Canada [noted](#) "US trade restrictions and uncertainty continue to disrupt growth in Canada" and that "the outlook is vulnerable to unpredictable US trade policies and geopolitical risks".

In these circumstances it's important that small business owners stay focused on the elements of their business that they can control. This includes keeping on top of late payments, doing what you can to attract customers to your business (and not your competitors) and focusing on productivity enhancing investments, such as digital tools, to help you run your business more effectively.

# Additional details about Xero Small Business Insights

## About Xero

[Xero](#) is a global small business platform that helps customers supercharge their business by bringing together the most important small business tools, including accounting, payroll and payments — on one platform. Xero's powerful platform helps customers automate routine tasks, get timely insights, and connects them with their data, their apps, and their accountant or bookkeeper so they can focus on what really matters. Trusted by millions of small businesses and accountants and bookkeepers globally, Xero makes life better for people in small business, their advisors, and communities around the world.

## About Xero Small Business Insights

The aim of Xero Small Business Insights is to create insights to help inform decision makers in support of the small business economy as a whole. The principal source of small business insights in this report is customer data from Xero - a small business platform that supports online accounting and a range of other applications. Xero is a responsible custodian of our customers' sensitive data and does not release any data that could identify individual businesses. The data used is aggregated and anonymized to ensure the privacy of Xero subscribers, and their counterparts.

As part of the program, we publish regular blogs and research notes and deep-dive special reports on specific small business topics. These can all be found at [xero.com/xerosbi](https://xero.com/xerosbi).

## Methodology

Changes were made to the XSBI methodology in 2025. This includes changing the definition used for a small business and the way we identify region-based businesses. Full details of the methodology used to construct Xero Small Business Insights can be found [here](#).

## Disclaimer

This report was prepared using Xero Small Business Insights data and publicly available data for the purpose of informing and developing policies to support small businesses.

This report includes and is in parts based on assumptions or estimates. It contains general information only and should not be taken as taxation, financial, investment or legal advice. Xero recommends that readers always obtain specific and detailed professional advice about any business decision.

The insights in this report were created from the data that was available as at the date it was extracted. Data used was anonymized and aggregated to ensure individual businesses cannot be identified.