



TRADE CONFIDENCE INDEX

**The outlook according to Canada's
exporters**

Export Development Canada's
mid-year survey

September 2025

Canada



CHALLENGES ABOUND FOR CANADIAN EXPORTERS...

- Global trade momentum has stalled, with trade-to-GDP ratio remaining relatively flat over the past decade. A range of structural and geopolitical challenges have made international trade more complex and less predictable.
- For Canadian exporters, the post-pandemic landscape has been particularly difficult. Export Development Canada's *Trade Confidence Index* (TCI) has dropped 3.3 points since the year-end 2024 survey, currently sitting at 65.7—below its long-term historical average. This marks one of the lowest readings on record, with the TCI falling below this level only during the Global Financial Crisis (GFC), the COVID-19 pandemic and the post-COVID-19 inflation surge.
- Canadian exporters' subdued outlook is largely driven by expectations of declining export sales and a weakening global economic environment, exacerbated by ongoing trade uncertainty and tariff negotiations.
- **U.S. orders decline sharply:** Export sales are being notably impacted by falling U.S. orders. Forty percent of respondents exporting to the U.S. reported a decline in orders over the past six months—a significant increase from 16% in the year-end 2024 survey. Looking ahead, 36% anticipate further declines in U.S. orders over the next six months.
- **Tariffs and trade uncertainty weigh on outlook:** Concerns about global economic conditions are intensifying, with tariffs and trade uncertainty cited as key factors. Sixty-three percent of the respondents expect tariffs to negatively impact their international sales, while 40% foresee spillover effects on domestic sales.
- **Financing conditions tighten:** Financing is emerging as a growing concern. Thirty-four percent of the respondents anticipate worsening financing terms and conditions in the next six months, up from 22% in the previous survey. Cash flow management, rising business expenses and profitability challenges are top issues, pointing to a strained funding environment.
- **Strategic responses and diversification:** Despite the headwinds, Canadian exporters and ready-to-export businesses are actively managing tariff impacts through strategies such as boosting domestic sales and sourcing locally.

...WILL THIS PROVE TO BE A WATERSHED MOMENT FOR CANADIAN TRADE?

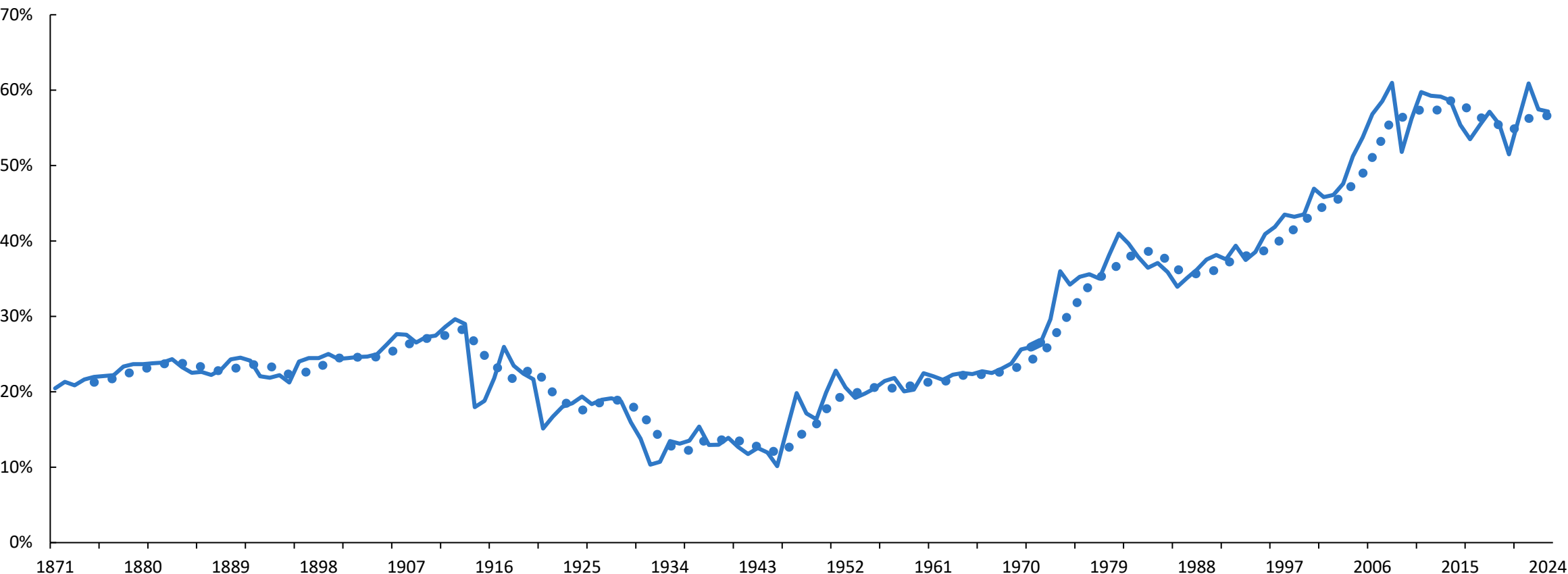
- Diversification remains a key priority, though exporters are now identifying fewer target markets within chosen regions—suggesting a more concentrated approach that continues to emphasize non-U.S. destinations. There’s a clear opportunity to help exporters sharpen their markets of focus and gradually reduce their reliance on the U.S.
- Among goods exporters, 72% plan to enter new markets within the next two years, with Europe emerging as the top non-U.S. destination. However, advanced Asian economies such as South Korea and Japan are notably absent from their plans, indicating a need for more support to help exporters identify high-potential markets.
- **Investment and funding needs rise:** Exporters are increasingly turning to international investment to build resilience. In the year-end 2024 survey, 46% reported current or planned direct investments abroad over the next two years. That figure has now risen to 55%, signalling a significant shift in strategy. While this is a positive development, it underscores the importance of Canada continuing to attract investment and foster a stable trade environment.
- Sixty percent of those planning to enter new markets say they’ll require funding to support their efforts. Given the challenges around cash flow and profitability, there’s a clear need to better align working capital solutions and financing with exporters’ growth ambitions.
- **Underutilized trade agreements:** While most respondents report using at least one free trade agreement (FTA), usage remains uneven. Among those exporting to the U.S., 58% leverage the Canada-United States-Mexico Agreement (CUSMA). However, 42% do not, primarily due to sector or product ineligibility. This highlights the need for tailored support for businesses not covered under CUSMA and vulnerable to tariff impacts.
- Usage of other FTAs is even lower: Only 34% of eligible exporting respondents use the Comprehensive Economic and Trade Agreement (CETA) and just 14% leverage the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). As Canada seeks to diversify trade, increasing FTA utilization among qualifying exporters presents a clear opportunity.

Following a rapid rise in the 1990s and early 2000s, global trade momentum has slowed over the past decade

Challenges to global trade growth have become especially evident since the Great Financial Crisis of 2008

World trade to GDP

%, Nominal (solid line) and five-year moving average (dotted line)

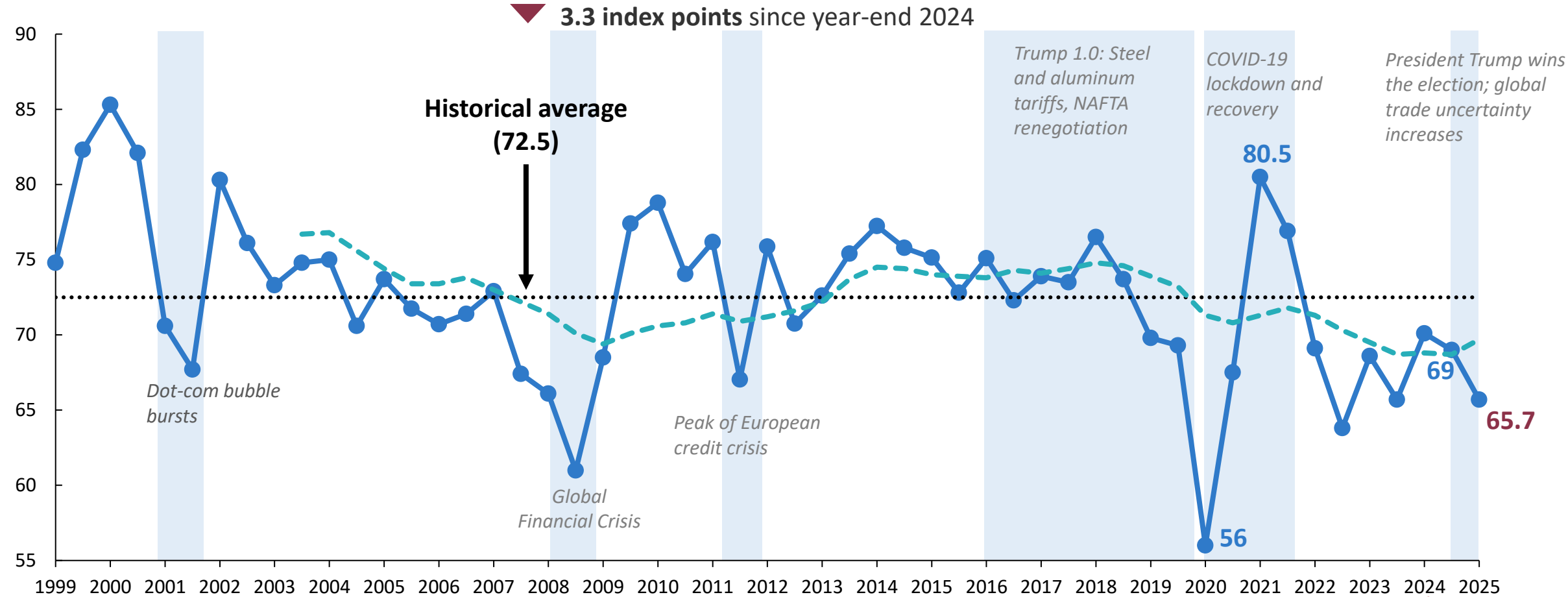


For Canadian exporting respondents, trade confidence continues to decline—TCI scores have trended below the historical average since 2022

In the mid-year 2025 survey, the Trade Confidence Index fell by 3.3 points, as exporting respondents faced challenges on multiple fronts.

Trade Confidence Index score

Index score—solid blue line; five-year moving average score—dashed teal line; historical average score—dotted black line

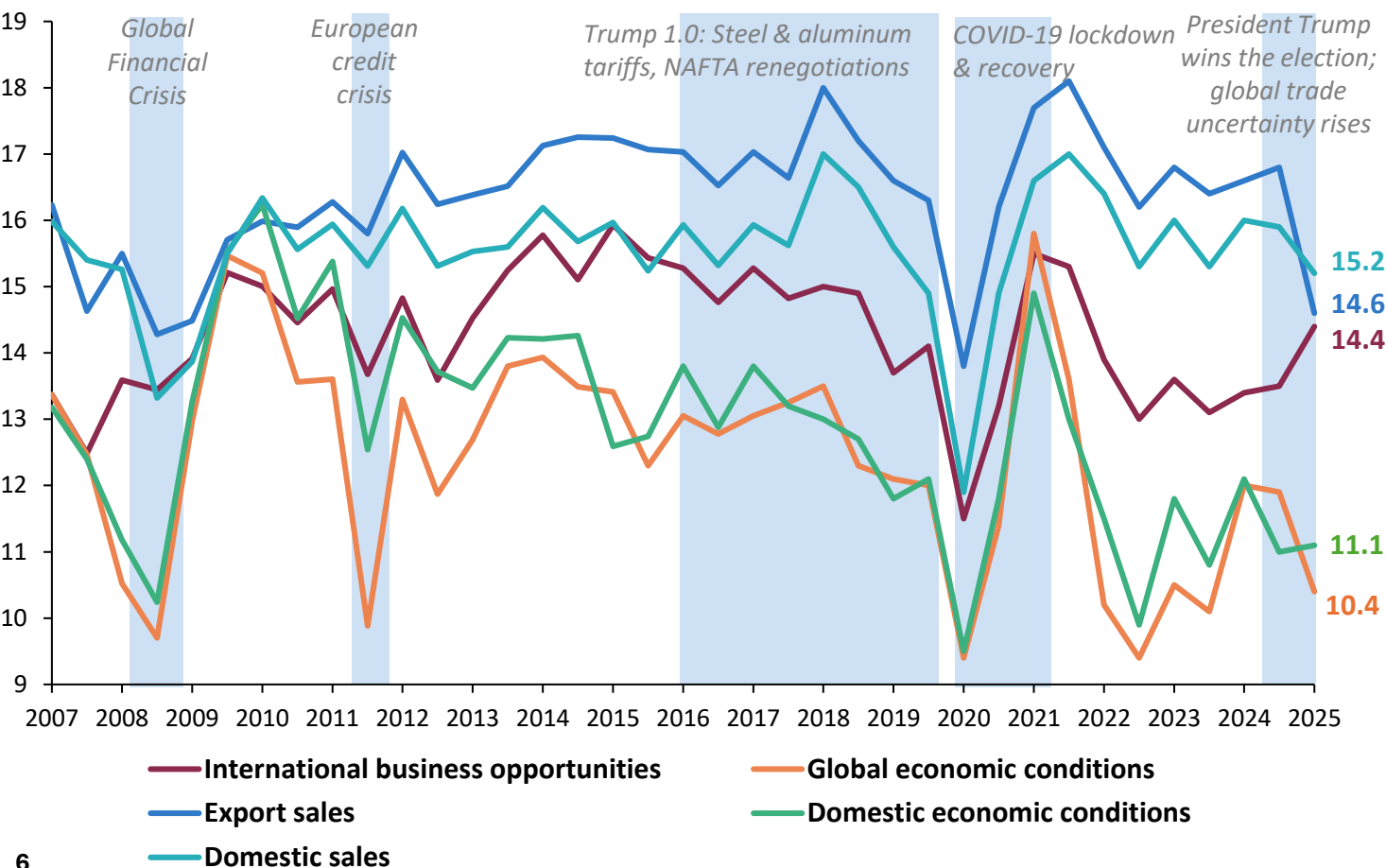


Perceived challenges around export sales and global economic conditions are the primary drivers behind the decline in near-term sentiment

The drop in near-term export sales expectations is among the steepest on record—28% of respondents now anticipate a decline, more than double the 12% reported in the year-end 2024 survey.

Contributions to overall TCI

Levels



Qualitative responses

“Our export sales are to the U.S., and we expect a drop in sales due to tariff uncertainty, buy U.S. sentiment, a worsening economy.”

“Again, with the strained business relations between Canada and U.S. it’s going to be more difficult making financial decisions.”

“I expect a decrease due to financial turmoil and unrest that’s going on in the world. The uncertainty south of the border as well as the whole tariff situation makes some people uneasy about big purchases and investing in some markets.”

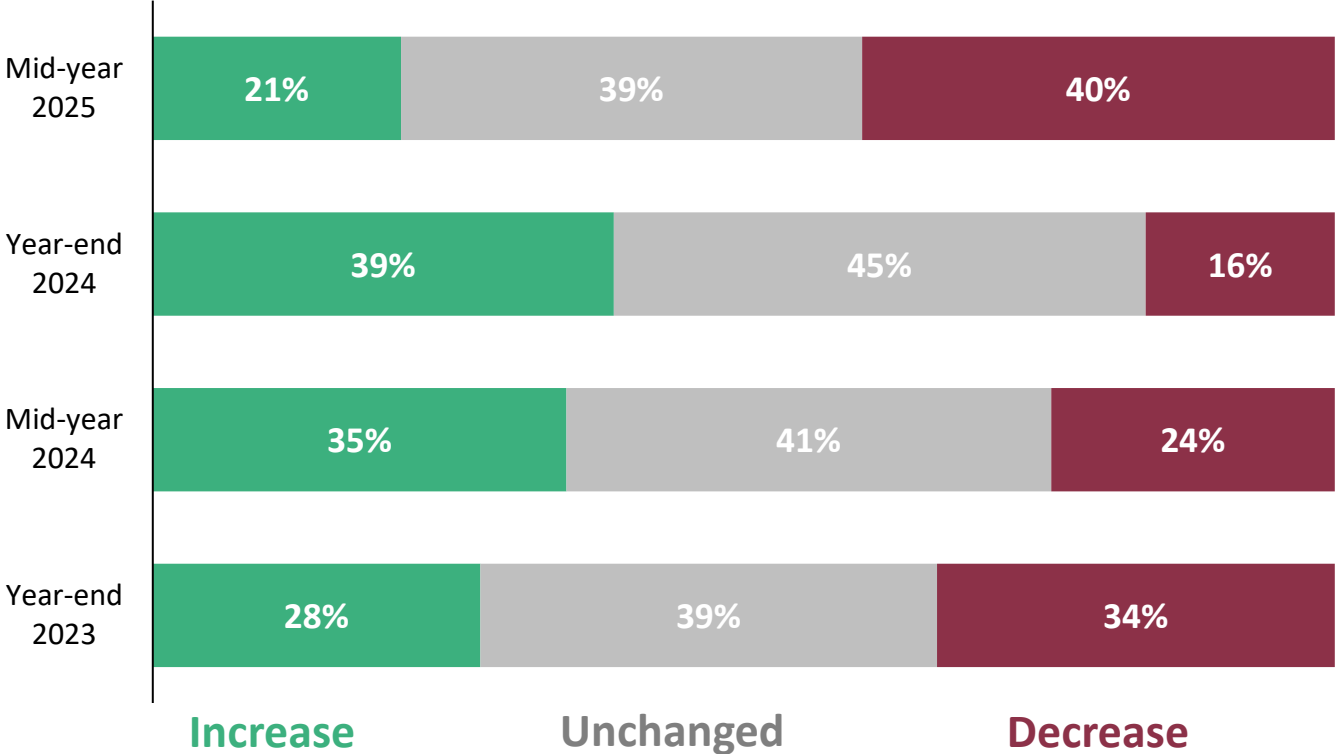
Respondents exporting to the U.S. report a statistically significant drop in orders over the past six months

Ongoing tariffs and trade uncertainty are also dampening future expectations—36% anticipate a decrease in U.S. orders over the next six months.

79% exporting respondents currently export to the U.S.

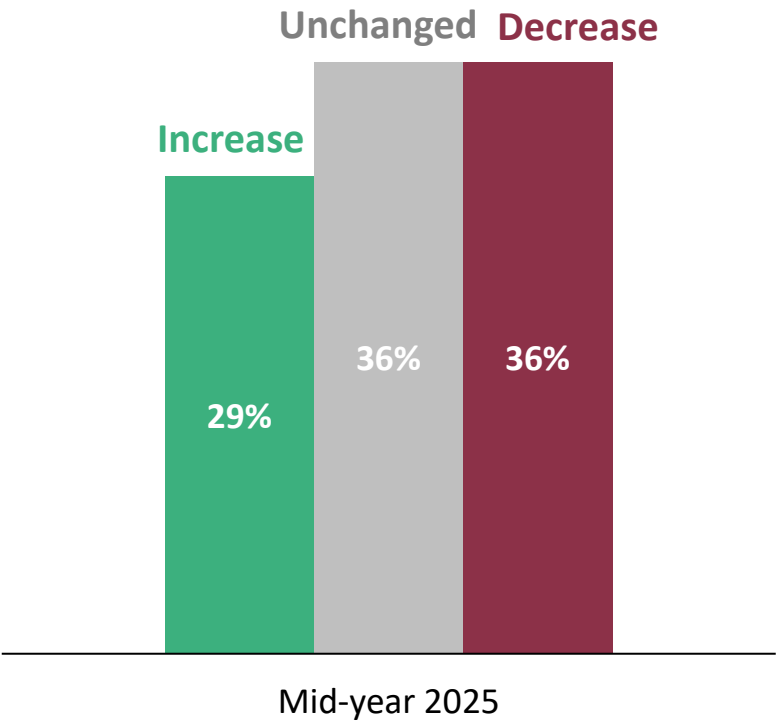
Past U.S. orders

% of exporting respondents currently exporting to the U.S.*



Future U.S. orders

% of exporting respondents currently exporting to the U.S. **



7 Note: Excludes “don’t know” responses. *Outlook from the past six months.
Source: EDC Market Research, EDC Economics

**Outlook for the next six months.

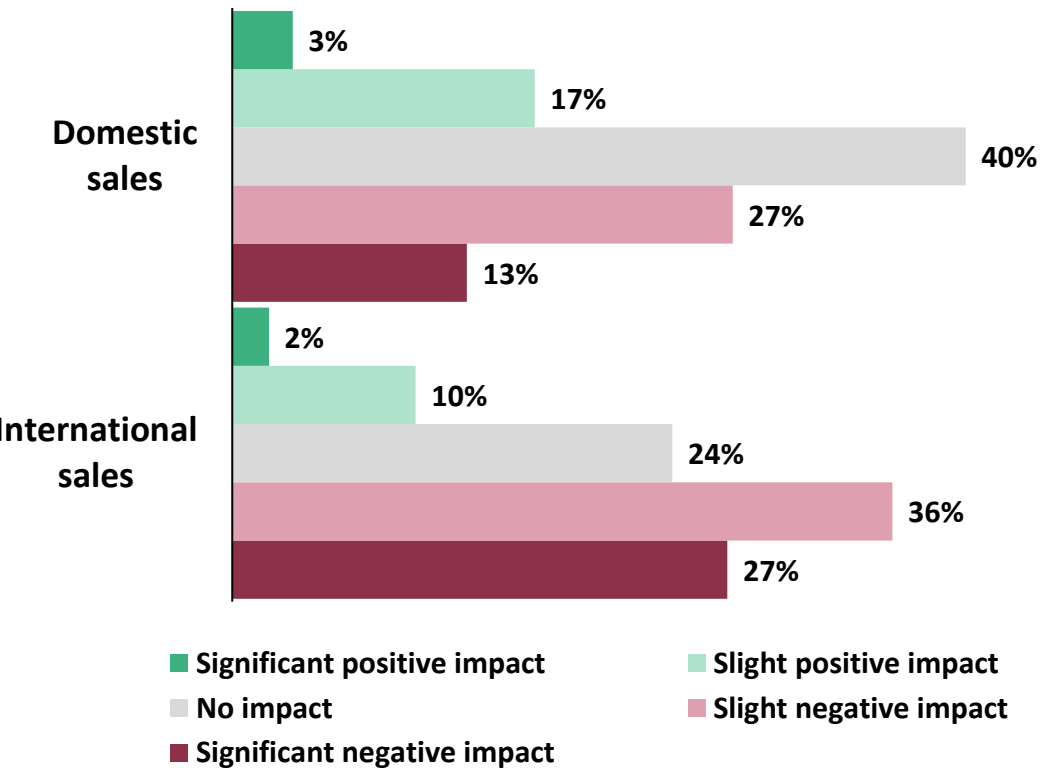


While tariffs are dampening the sales outlook, respondents are actively managing the impacts through a range of strategies

Respondents are lowering profit margins, boosting domestic sales, exploring new export markets and sourcing locally to stay competitive.

Impact of tariffs on international & domestic sales

% of exporting respondents



Actions taken to mitigate tariffs (Top 5)

% of exporting respondents



Exporters continue to show interest in diversifying trade. This time, however, exporting respondents selected fewer markets within each region—suggesting a more targeted approach to diversification.

There’s growing interest in Europe, Asia and Oceania, and Latin America and the Caribbean, signalling a clear intent to reduce reliance on the U.S. market.

71% of exporting respondents are planning to export to new regions in the next two years

Top current export destinations

% of exporting respondents

1. U.S. (79%)



2. Europe (42%)



3. Asia and Oceania (30%)



4. Mexico (20%)



5. Latin America and the Caribbean (19%)



6. Middle East and Africa (16%)



Top planned export destinations

% of exporting respondents

1. Europe (32%)



2. Asia and Oceania (18%)



3. Latin America and Caribbean (15%)



4. U.S. (15%)



5. Middle East and Africa (13%)



6. Mexico (12%)



9 Note: Totals don’t add up to 100% because multiple responses are permitted.
Source: EDC Market Research, EDC Economics

Goods-exporting respondents are prioritizing North American and advanced European markets for expansion

While Europe presents ample opportunities, advanced Asian economies such as Japan and South Korea aren't currently top-priority markets for Canadian goods-exporting respondents.

66% of exporting respondents' international sales are primarily derived from goods or goods and services

Top planned export destinations in the next two years











% of goods exporters

1. United States	
2. France	
3. Germany	
4. United Kingdom	
5. Mexico	
6. Italy	
7. Netherlands	
8. Brazil	
9. Spain	
10. Australia	

72% of goods exporters are planning to export products or services to new countries in the next two years

Markets of opportunities for Canadian goods exporters

EDC analysis*

1. U.S.	
2. China	
3. U.K.	
4. Japan	
5. South Korea	
6. Netherlands	
7. Germany	
8. Mexico	
9. Switzerland	
10. France	

*Based on a gravity model of international trade, several markets have been identified as offering high potential for Canadian goods exporters over the next 10 years.

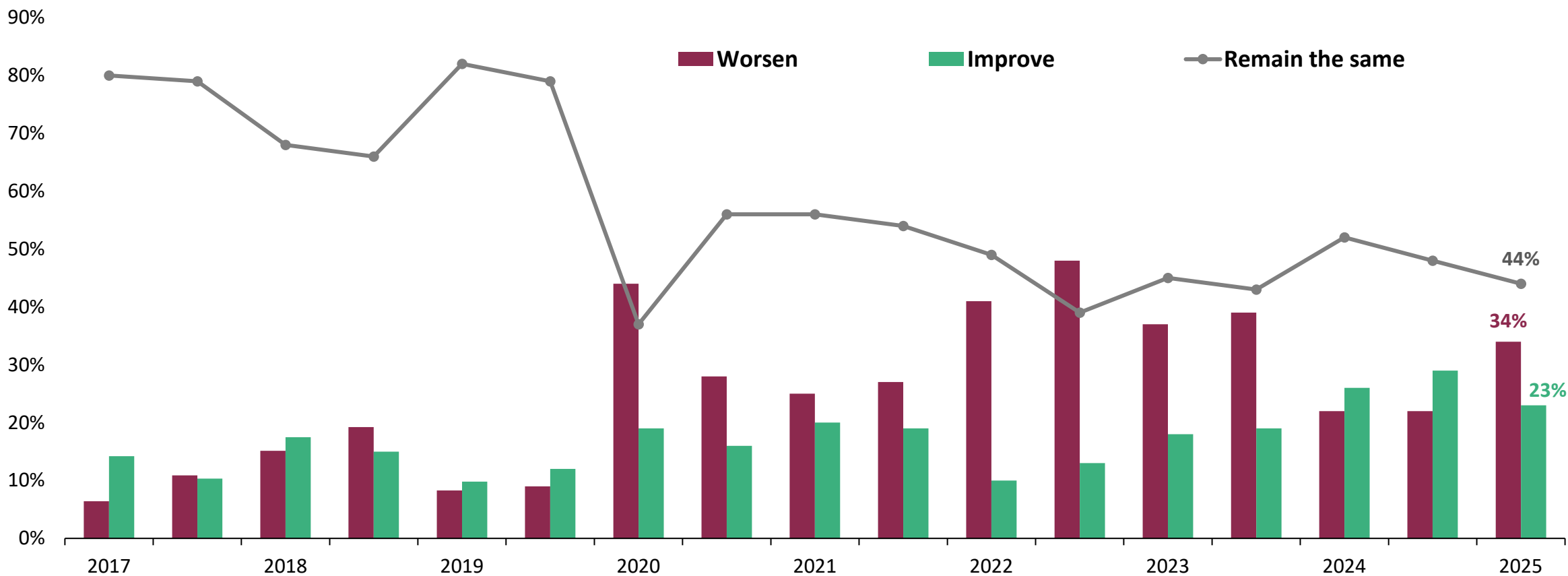
Source: EDC Market Research, EDC Economics

The need for funding is rising—just as the financing environment begins to tighten under the cloud of tariff uncertainty

34% of the respondents expect financing terms and conditions to worsen, a statistically significant increase from 22% in the year-end 2024 survey.

Expectations of financing terms and conditions over the next six months

% of respondents













The need for funding is also evident, as respondents report cash flow issues, rising expenses and challenges in maintaining profitability.

On the non-financial front, respondents are experiencing negative impacts from ongoing tariffs and trade uncertainty—potentially contributing to broader concerns about global economic growth.










What international business non-financial challenges is your company experiencing?

% of respondents

	Foreign tariffs	30%	 5%
	Global economic conditions	29%	 5%
	Identifying and connecting with potential customers	29%	 1%
	Identifying and connecting with potential suppliers	23%	 1%
	Political/business climate risks	23%	 2%

What international business financial challenges is your company experiencing?

% of respondents

	Maintaining sufficient cash flow	36%	 1%
	Rising business expenses	35%	 5%
	Maintaining profitability	33%	 5%
	A volatile Canadian dollar	27%	 4%
	Access to/obtaining financing	26%	No change

The majority of respondents use some form of free trade agreements, with CUSMA being the most frequently cited

42% of respondents who export to the U.S. don't use CUSMA—and most of them cite the agreement's non-applicability to their business as the key reason.

Free trade agreements (FTAs) use

58%

Of exporting respondents that currently export to the U.S. use CUSMA*

34%

Of exporting respondents that currently export to the European Union use CETA**

14%

Of exporting respondents that currently export to the Asia-Pacific region use CPTPP***

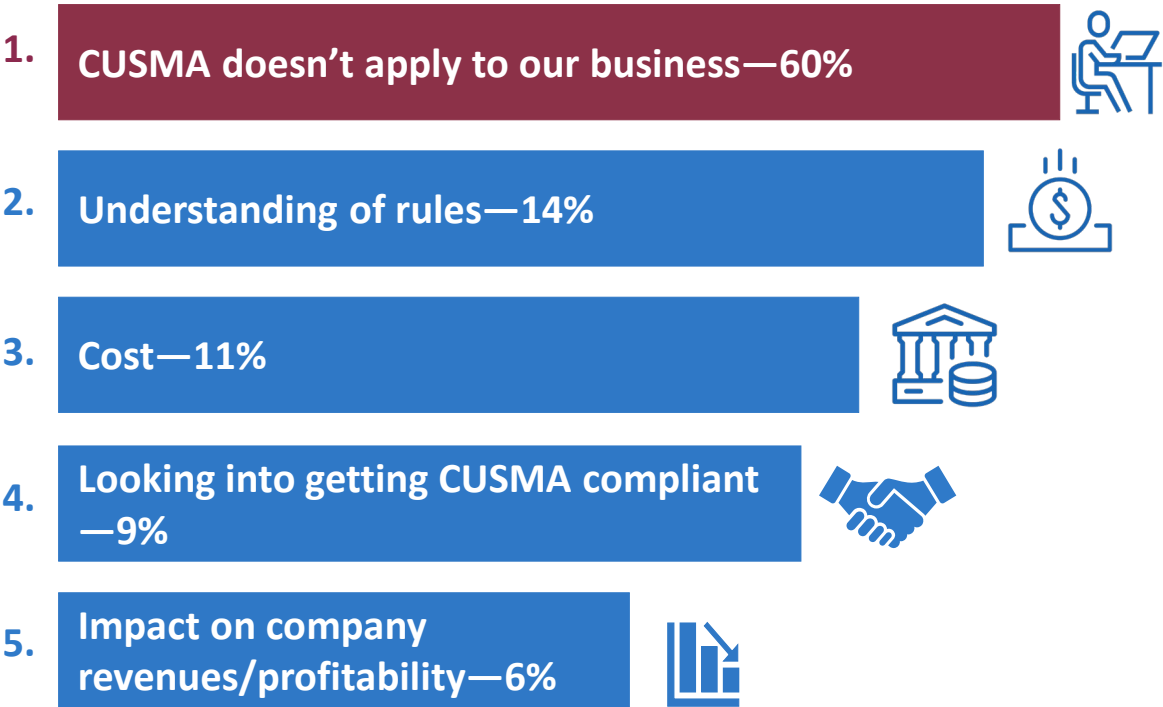
40%

Of exporting respondents don't use any FTA

*CUSMA=Canada-United States-Mexico Agreement. **CETA=Comprehensive Economic and Trade Agreement. Only ratified countries are included, excluding Estonia, Lithuania, Luxembourg and Malta. ***CPTPP=Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Only ratified countries included, excluding Chile and Peru.

Reasons for not using CUSMA

% of respondents that are exporting to the U.S. & not using CUSMA

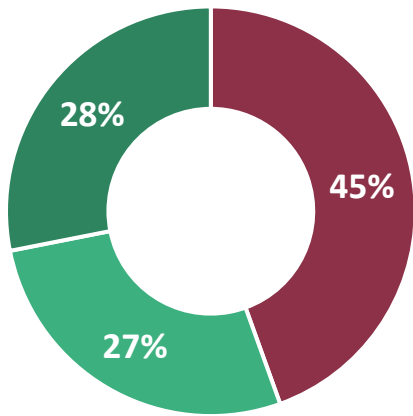


More than half of exporting respondents already are or plan to engage in direct investment abroad

The share of exporters reporting current or planned direct investments abroad has risen notably since the year-end TCI 2024 survey—a strong signal of Canadian exporters adapting and building resilience through diverse trade strategies.

Investment activities of exporters

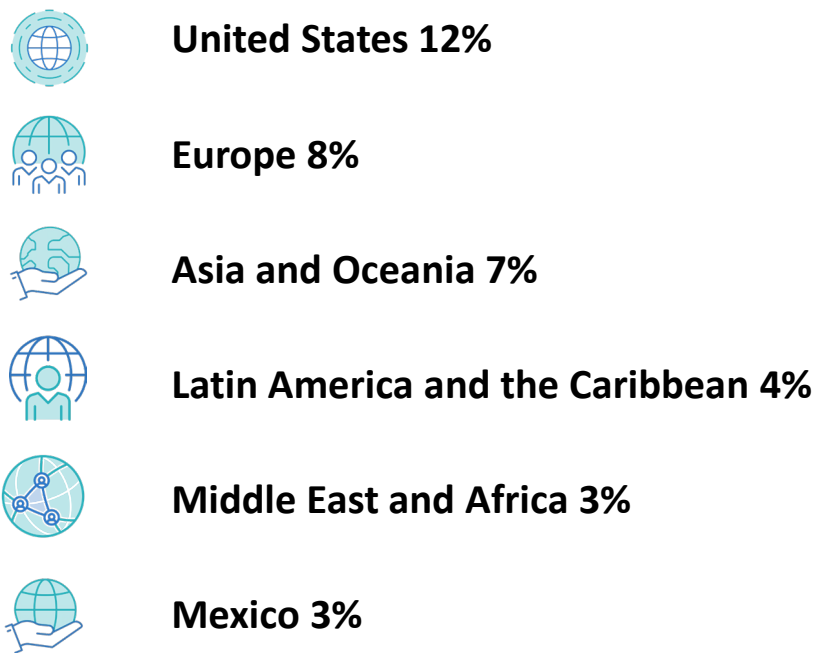
% of exporting respondents



- We do not plan to have investments outside of Canada
- We have investments outside of Canada
- We plan to have investments outside of Canada

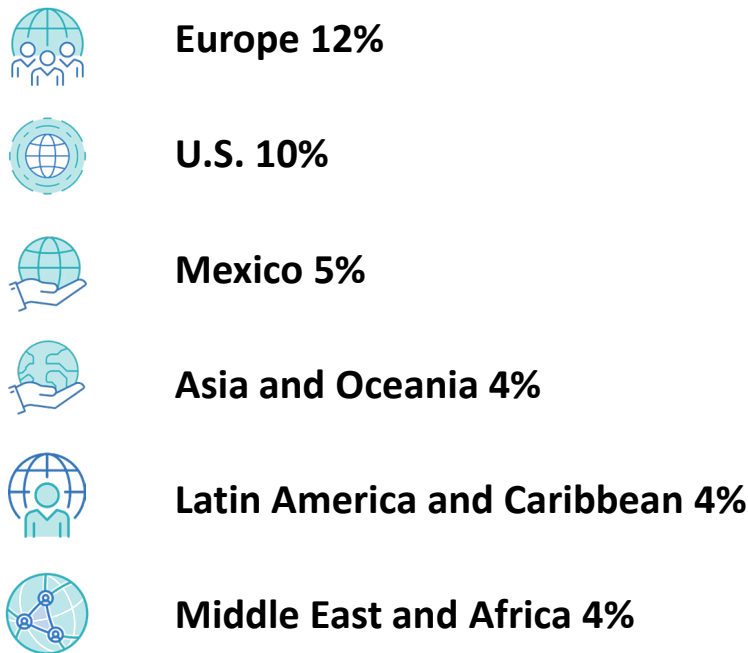
Top current CDIA destinations

% of exporting respondents



Top planned CDIA destinations

% of exporting respondents



Note: Totals don't add up to 100% because multiple responses are permitted.

Close to 70% of respondents source goods and services internationally —many face rising input costs

A majority of respondents sourcing domestic inputs also report price increases from suppliers, pointing to the broad impact of tariffs and global trade uncertainty on both international and local supply chains.

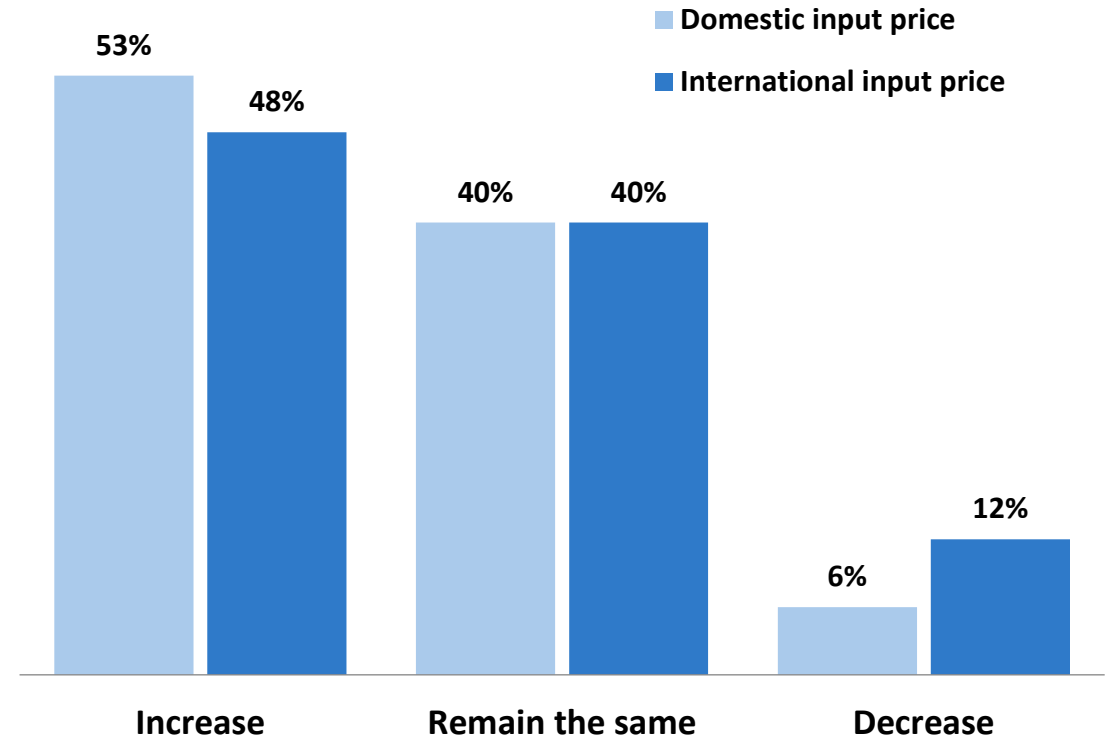
Sourcing of goods & services internationally

% of respondents



Input prices

% of respondents sourcing international and domestic inputs*



Methodology

- EDC's **Trade Confidence Index (TCI)** is a composite score derived from responses to five forward-looking questions about global and domestic economic conditions and trade opportunities.
- The **five elements assess expectations for** export sales, domestic sales, world economic conditions, domestic economic conditions and international business opportunities.
- **Respondents:** Decision-makers, influencers and financial product administrators with knowledge of their company's export activities. Only direct exporters and companies ready to export were included in the survey.
- **Sample size:** 1,073 total respondents, with 688 completing all five TCI questions used to calculate the overall index score.
- **Survey methodology:** Online survey conducted in English or French, based on respondent preference.
- **Data collection:** May 30 to July 13, 2025
- **Sampling approach:** Convenience sample drawn from EDC databases and an external sample partner (600 completes). EDC's sample excluded current NPS invitees and recent participants in other EDC research within the last 30 days.
- **Weighting:** Responses were weighted based on company size, region and trade status of EDC's total addressable market (TAM) of direct exporters and ready-to-export companies.
- **Note:** "Don't know" responses were excluded from calculations where indicated.
- **Contact:** For more information, please contact Jennifer Topping at JTopping@edc.ca or 613-598-2992.

TAKE ON **THE WORLD**



DISCLOSURE

Ce document est également disponible en français.

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