



NATIONAL CENTER FOR
THE MIDDLE MARKET



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OF BUSINESS



A SPECIAL REPORT FUNDED BY VISA

THE CANADIAN MIDDLE MARKET IN 2025

*Growth Rates Slow; Companies
Remain Committed to Investing in Expansion*

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Executive Summary

Compared to 2024, more than 84% of Canadian middle market companies believe overall business performance has improved. While rates of year-over-year revenue and employment growth have slowed since mid- 2024, a majority of companies across all middle market revenue segments continue to report gains in each area. Canadian companies once again slightly outpace their American middle market peers, which have experienced a similar moderation in growth over the past 12 months.

Headwinds, however, are ever present. Economic uncertainty and concerns related to tariffs and trade dominate the challenges companies currently face, reflecting the significant developments and escalating tensions in U.S.-Canadian trade relationships occurring at the time the survey was fielded. Related supply chain concerns and ongoing talent challenges and skills gaps pose additional threats to performance. Cybersecurity risks are escalating, compounding the issues that Canada’s middle market leaders must manage.

Amidst these dynamics, global and national economic confidence declined notably compared to mid-2024. Nevertheless, local confidence remains strong, as does willingness to invest back into the business, particularly in artificial intelligence. Middle market leaders view AI as a catalyst to efficiency and cost savings as well as revenue growth and increased sales and marketing effectiveness, all of which help pave the way to profitable growth—the number one strategic objective among Canadian middle market business leaders.

Looking ahead, most Canadian leaders project steady employment growth and ongoing, if somewhat slower, revenue gains into 2026. Even as economic uncertainty weighs on confidence, Canadian middle market leaders are continuing to invest with discipline and focus on sustaining healthy margins.

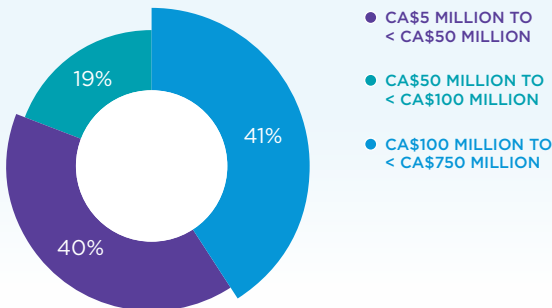
HOW THE RESEARCH WAS CONDUCTED

This report is the National Center for the Middle Market’s second annual study of the Canadian middle market. With a second year of data, it is possible to identify meaningful trends and place results in richer context, deepening the center’s understanding of how Canada’s middle market companies are performing, where they face challenges and how their strategies are evolving. With a growing dataset to benchmark progress, stakeholders can expect sharper insight into both the opportunities and risks facing this essential segment of the Canadian economy.

This report includes findings of a survey fielded between June 23, 2025, and July 25, 2025, to 301 CEOs, CFOs and other C-suite executives of Canadian middle market companies on key indicators of past and future performance in revenue, employment and allocation of cash. The survey also reports middle market company confidence in the global, Canadian and local economies; identifies key business challenge areas; and explores critical issues including tariffs, supply chain and technology.

The companies surveyed span all middle market revenue bands, which shifted slightly this reporting period to better reflect the makeup of the Canadian middle market. The low end of the revenue spectrum was shifted from CA\$10 million in annual revenues to CA\$5 million, while the upper end was adjusted from CA\$1 billion to CA\$750 million. Within these new parameters, survey respondents included 120 lower middle market companies (CA\$5 million to less than CA\$50 million in annual revenues), 56 core middle market companies (CA\$50 million to less than CA\$100 million in annual revenues) and 125 emerging middle market companies (CA\$100 million to less than CA\$750 million in annual revenues). Businesses operate in the professional services, financial services, insurance, manufacturing, technology and retail trade sectors.

The companies surveyed span all middle market revenue bands, adjusted to better reflect the makeup of the Canadian middle market





Canadian Middle Market Performance

Performance remains strong even as growth rates slip.

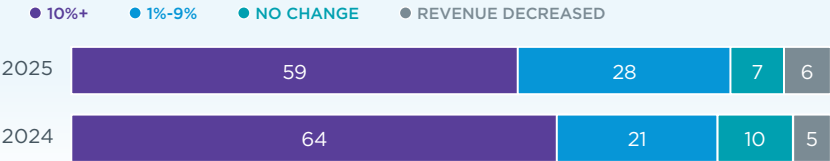
The vast majority of Canadian middle market companies—84%—say their businesses are performing better today than one year ago. Nearly nine out of 10 companies report year-over-year revenue gains, while 61% of businesses increased the size of the workforce over the past 12 months.

For the second year in a row, Canadian companies have outpaced their U.S. peers. Rates of growth, however, have slipped compared to 2024, just as they have for these companies' U.S. counterparts, with fewer businesses reporting revenue and/or employment growth rates of 10% or more.

While last year, the data indicated especially strong performance among Canada's lower middle market companies, this reporting period, growth rates are similar between companies across all revenue segments, with core and emerging companies slightly outperforming their smaller counterparts.

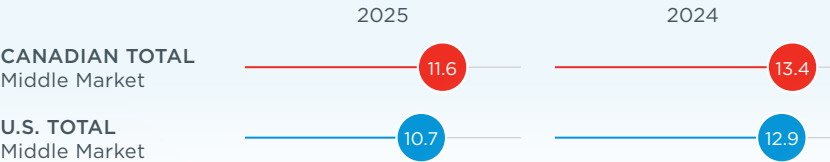
Fewer companies report double-digit revenue growth

% of companies reporting revenue increases or decreases:



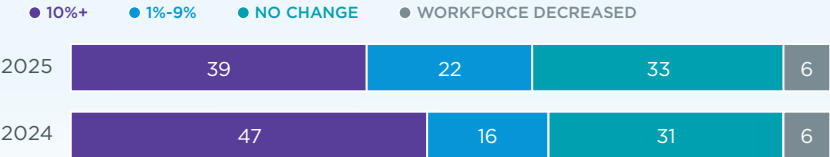
Revenue growth rate slows but remains in the double digits

Mean revenue growth rate of companies:



Fewer companies report double-digit employment growth

% of companies reporting workforce increases or decreases:



Employment growth rate declines by two full points

Mean employment growth rate of companies:





Canadian Middle Market Outlook

Growth projections, confidence and investment appetites send mixed messages, signaling uncertainty among leaders.

Canadian middle market businesses remain optimistic about their future growth, with 71% calling for continued revenue growth and 62% expecting to increase the size of their workforces in the 12 months ahead. While companies expect their revenue growth rates to continue to slow, dropping from 11.6% for the past 12 months to 8.3% over the next reporting period, they expect employment growth to continue at a steady rate.

Employment projections are notably stronger in Canada than in the U.S., where just 52% of companies expect growth at an anticipated growth rate of 7.6%. However, whereas U.S. middle market companies historically under-promise and overdeliver on growth, Canadian middle market companies exceeded their revenue growth projections but fell shy of their most recent employment growth rate projections.

71%

of Canadian middle market companies are projecting revenue growth in the next 12 months

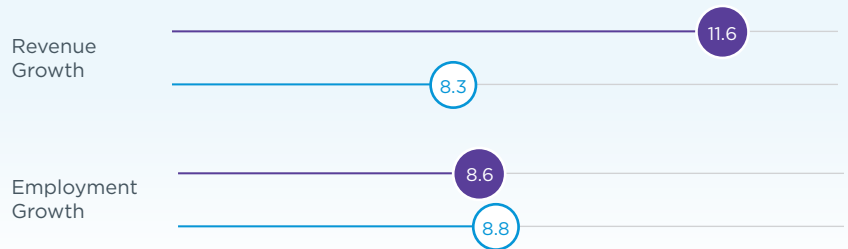
Expectations for slower revenue growth going forward are likely a function of anticipated political and economic challenges. While local economic confidence remained strong at 84%, national economic confidence slipped by 7 points, and global confidence fell sharply by 14 points.

Nevertheless, middle market leaders remain willing to invest in their businesses, with 61% of companies (up from 59% in mid 2024) indicating they would put an extra dollar to work immediately as opposed to saving it for future investments or a rainy day. AI is the leading destination for investment dollars, followed by plant or equipment expenditures. Approximately one of 10 companies would invest in addressing risk, up from just 3% one year ago.

Companies project slowing revenue growth and stable employment growth

Past and projected mean revenue and mean employment growth rates:

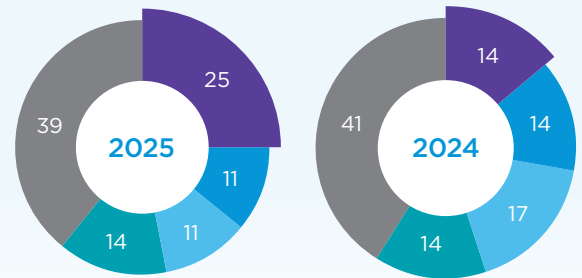
● ACTUAL PAST 12 MONTHS ○ PROJECTED NEXT 12 MONTHS



AI and technology are top investment priorities

How companies would allocate an additional \$1 (%):

- AI & IT
- PLANT AND EQUIPMENT
- HR (ADDITIONAL STAFF AND TRAINING)
- OTHER INVESTMENTS (FACILITIES, RISK MEDIATION, ACQUISITIONS)
- SAVE IT

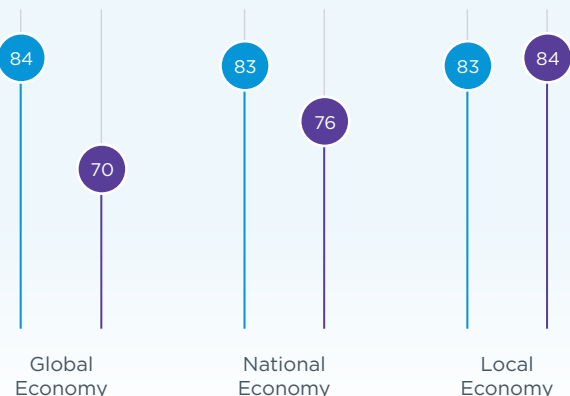


NOTE: In 2025, companies were asked to separately identify whether they would invest in AI or IT. In 2024, investments in IT were assumed to include investments in AI.

National and global economic confidence decline

% of leaders expressing confidence in local, national and global economies:

● 2024
● 2025





Challenges and Risks

Uncertainty surrounding the economy, tariffs and the supply chain pose the greatest headwinds to growth.

Looking across the next 12 months, Canada's middle market leaders are keeping a close eye on shifting global economic conditions, changes to tariffs and trade regulations, and the potential impacts to their businesses, including rising costs and supply chain disruptions. At the same time, they continue to build up their internal teams with the right skills to ensure their ongoing competitiveness and success.

Companies cited four top challenges they suspect will impact performance over the next 12 months.

1. ECONOMIC UNCERTAINTY AND INFLATION

Canadian businesses continue to contemplate the risk of recession while dealing with ongoing inflationary pressures; rising operational and material costs; and fluctuating consumer purchasing power, spending and demand. Currency instability and the weakening Canadian dollar layer additional complexity on top of each of these issues.

Generally, Canadian middle market leaders appear to be experiencing economic challenges with a greater degree of acuity than their U.S. peers. Roughly half of leaders (52%) describe economic uncertainty, inflation and rising costs as significant challenges compared to approximately two out of five U.S. leaders who share a similar level of concern. In Canada, one out of five companies view economic uncertainty as a critical problem. Further, 72% of Canadian middle market businesses are currently preparing for a recession compared to only 59% of U.S. companies.

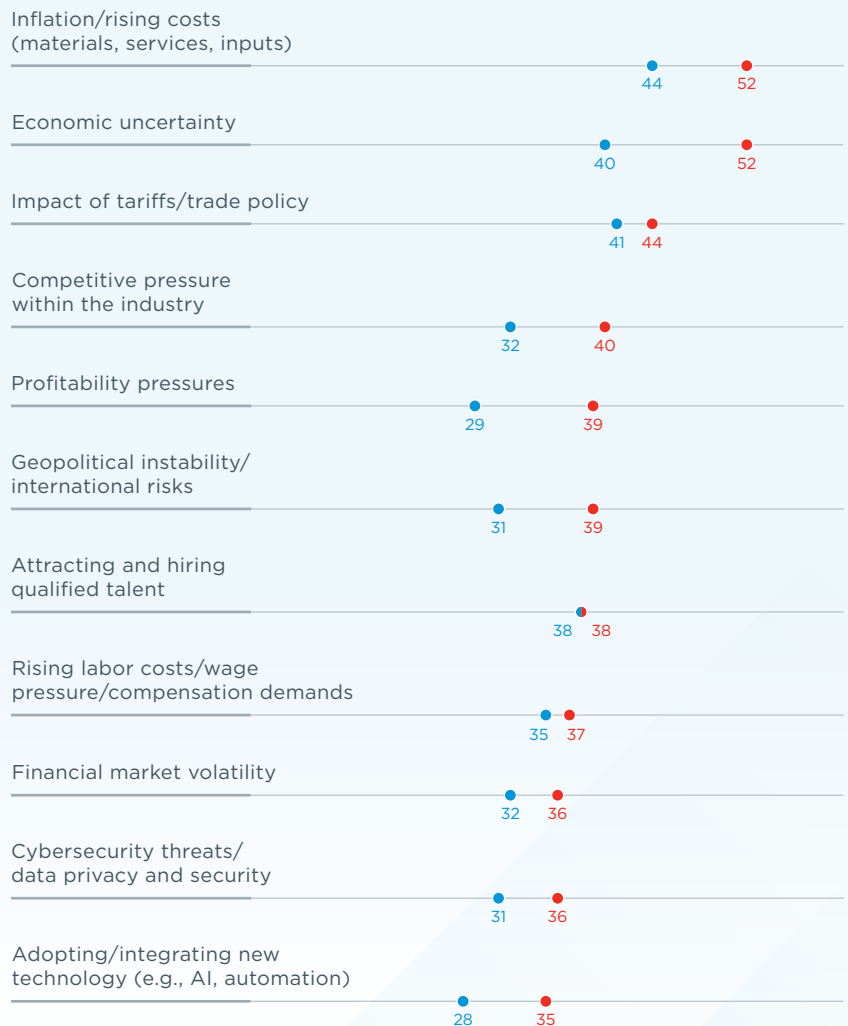
2. TARIFFS AND TRADE BARRIERS

Some leaders view U.S. tariffs as the single greatest problem in the near term, and nearly a quarter of companies (23%) describe the issue as a critical challenge, while an additional 21% say it is a significant challenge for the business. Escalating tensions between the two countries have led to rising costs, supply chain disruptions and, in some cases, loss of access to U.S. markets or suppliers. "We are no longer exporting our products to the USA," says one respondent.

Top stated challenges are inflation, economic uncertainty and tariffs

% of companies citing a challenge as either significant or critical:

● CANADA ● UNITED STATES



3. SUPPLY CHAIN DISRUPTIONS

“The global supply chain still faces instability,” says a respondent. “Rising raw material costs, shipping delays and logistics bottlenecks may lead to supply chain disruptions or cost increases.” With the impact of tariffs and trade wars, combined with geopolitical tensions creating even more instability, around two-thirds of Canadian middle market leaders struggle with legitimate supply chain concerns. Issues include the ability to forecast demand, source products and balance inventory levels, meet production goals and deadlines while maintaining margins, keep up with changing regulatory requirements and internal trade complexities, and build sufficient supply chain resilience to withstand major disruptions. As with economic uncertainty, Canadian companies are notably more concerned about their supply chains than their U.S. counterparts.

4. ATTRACTING AND RETAINING TALENT

Talent has been a long-term issue for middle market companies across North America, and it continues to be top of mind for Canadian middle market leaders. Labor shortages and difficulty in finding skilled workers, especially technical professionals, AI talent and data engineers, top the list of workforce concerns, with 38% of companies noting that attracting and hiring qualified talent is a significant challenge. Companies also worry about how to retain the people they already have and how to afford wage pressures driven by labor competition.

EMERGING RISKS

Cybersecurity has become the greatest risk facing Canada’s middle market businesses today, displacing the previously cited inflation and talent shortages. Leaders worry about system breaches and the significant disruptions such issues would cause. Accordingly, companies cite cybersecurity as a top destination for technology spending.

Supply chain disruptions also rose on the list of risks, following only cybersecurity, likely bolstered by concerns related to tariffs and trade. Credit and capital risk, political risk, and regulatory and compliance risk round out the list of top concerns as middle market leaders look to run successful businesses in a complex and dynamic environment.

Supply chain concerns include forecasting, inventory and regulations

% of companies very or extremely concerned about aspects of supply chain operations:



Cybersecurity tops the list of risks companies see as most pressing

% of companies citing each issue as one of its top three risks:





Strategic Planning

Profitable growth is the most important strategic objective for companies in the near term.

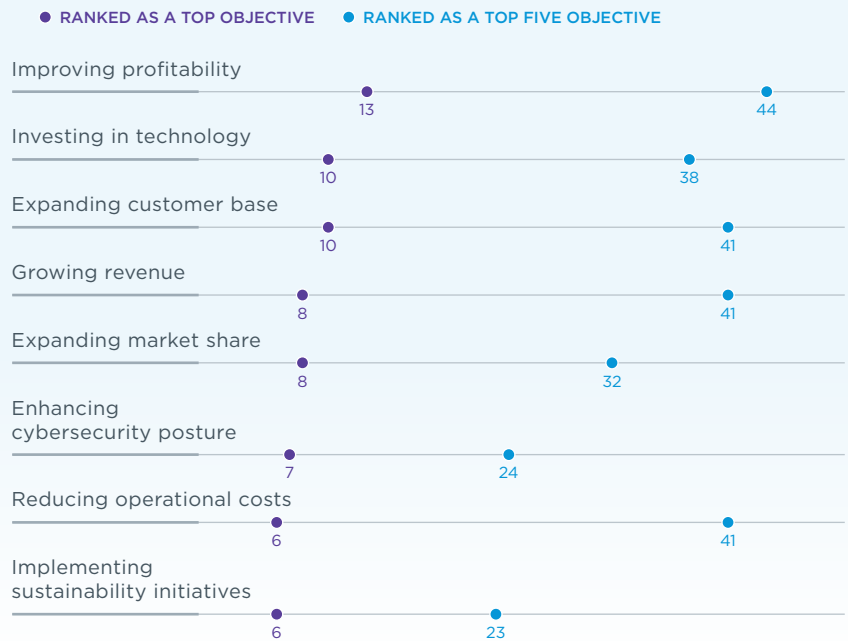
Despite economic uncertainty, as companies contemplate the next 12 to 36 months, they plan to grow, and grow profitably. Improving margins is the most cited strategic objective for middle market businesses, followed by growing revenue and increasing sales, expanding the customer base, and reducing operational costs.

As companies look to build their customer bases and increase efficiencies, they will focus heavily on customer acquisition and retention as well as improving processes. Investing in technology implementations and upgrades will be a key part of the strategy, presumably as a means of driving both growth and efficiencies.



Profitable growth is the most cited strategic objective

% of companies ranking an objective as a top priority for the year ahead:



Companies are investing in customers, processes and technology to achieve growth goals

% of companies placing high or very high focus on investment in key areas:





Tariffs and Trade Policy

Tariff concerns are driving changes in supply chain, inventory and pricing strategies.

In Canada, 58% of middle market companies express significant concerns about the impact of future changes in tariffs or trade policy compared to just 44% of U.S. middle market companies. Nine out of 10 Canadian companies have either experienced or anticipate experiencing effects related to price, costs, profitability or supply chain. Leaders voice concerns about understanding the demand for their products and services and their abilities to accurately plan or forecast and price their offerings competitively within the current environment.

Nearly every company has either already responded to the situation by making key changes to inventory and/or supply policy or is seriously considering such changes. Actions include increasing inventory levels of key inputs or goods, sourcing new suppliers and adjusting pricing. Approximately a quarter (26%) of Canadian middle market firms are seeking or will seek advice from experts or consultants to fine-tune their responses to these global changes.

“Ongoing trade and supply chain pressures are forcing Canadian businesses to rethink how they operate. The leaders we work with aren’t waiting for certainty, they’re diversifying suppliers, investing in digital solutions and building for the future.”

SAM FUDA
VP OF COMMERCIAL AND
MONEY MOVEMENT SOLUTIONS,
VISA CANADA

Actual or anticipated impacts: Most companies have been impacted or expect to be impacted by tariffs

% of companies citing effects (experienced or anticipated) due to recent or potential tariffs or trade policy changes:





Artificial intelligence

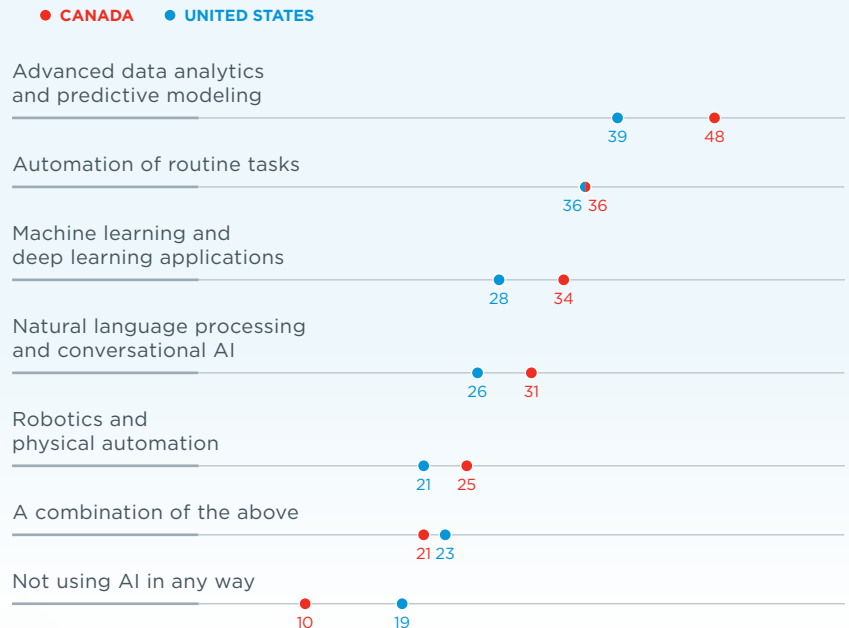
Companies are making up ground in the AI space.

In 2024, the data signaled Canadian companies lagging their U.S. peers in the AI adoption journey. This reporting period, Canadian businesses appear to have accelerated AI adoption and are just as, if not more, actively using AI in a wide variety of ways across their organizations. In both countries, advanced data analytics and predictive modeling are the most popular uses for AI, but more Canadian than U.S. companies are using the technology in this (and other) ways. While just 10% of Canadian middle market companies say they are not yet using AI, nearly double that amount (19%) of U.S. companies have yet to embrace the technology.

In both Canada and the U.S., only a handful of companies are developing AI capabilities in-house: 10% and 12%, respectively. However, Canadian companies are more aggressively training their people in AI, demonstrating a commitment to furthering the use of the technology.

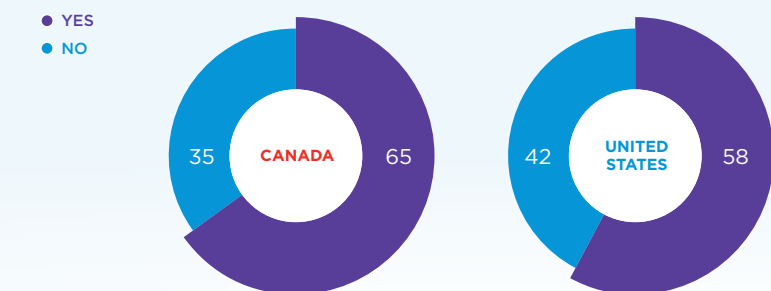
The vast majority of companies are using AI in some way

% of companies using AI for each stated activity:



More Canadian companies are prioritizing AI training for their teams

% of companies actively training the workforce on AI:



"The surge in AI adoption across Canada's middle market is more than a trend. It's a strategic shift. Companies are leveraging intelligence tools to drive efficiency, protect margins and unlock new opportunities. Visa is proud to support this transformation."

JOSEPH MIGLIACCI

HEAD OF SALES,
VISA COMMERCIAL SOLUTIONS CANADA

EXPECTED BENEFITS AND STATED CONCERNS RELATED TO AI

Canadian middle market companies have every intention of continuing their AI journeys, and the benefits of AI—improving operational efficiencies, reducing costs, and driving revenue and competitive advantage—will presumably help companies achieve their strategic objective of profitable growth. Companies view intelligence tools, including AI, as the primary technology investment for the near term, with nearly half of companies (48%) planning to put more capital behind these efforts. At the same time, companies note several headwinds to AI adoption and success, including the cost, lack of access to AI-specific skills and security concerns.

Companies view efficiency and cost reduction as the top benefits of AI

% of companies anticipating benefit from AI:



Costs, skills gaps and security issues top the list of AI-related concerns

% of companies citing each concern about AI:



Perspectives from the Center

The second Canadian middle market report validates that the Canadian middle market is not merely an extension of the U.S. middle market. Key nuances exist in areas including how these companies strategize, how they think about risk and where they invest, for example. Considering that more than a quarter (29%) of U.S. middle market businesses source goods and materials from Canada, it makes sense for the center and its stakeholders to stay attuned to the performance and challenges faced by this important neighbor and trading partner. To that end, this year we thought more critically about the sampling process and made some changes to the revenue brackets to ensure better representation of the middle third of the Canadian economy across a broader range of geographies and industries.

With this second full dataset, we see that Canadian companies appear to be doubling down on technology, including AI. Investing in technology is a top strategic priority for these businesses—even more so than in the U.S.—and cybersecurity has worked its way up the list of concerns. Where we saw Canadian companies lagging their peers a year ago in the AI adoption journey, they have since accelerated implementation and now appear fully committed to maintaining an advantage through continued investment and training. At the same time, Canadian companies seem to face more challenges adopting and integrating advanced technologies than their U.S. peers do, and they are more likely to say that data privacy and security pose significant or critical threats to the business.

Technology is not the only area in which Canadian companies appear more acutely aware of or concerned about business risk. Across the spectrum of issues, Canadian businesses are more likely to ascribe a greater degree of severity to each challenge faced—and tariffs are no exception. With the trade situation remaining fluid, creating ongoing headwinds and uncertainty, we can expect to see even greater response from businesses in the months ahead. Top actions Canadian middle market companies say they have or will continue to take as a result of current or potential tariffs or trade policy shifts include:

- Increasing inventory levels of key inputs/goods
- Seeking alternative domestic and international suppliers
- Adjusting customer pricing
- Seeking expert advice on trade policy and customs

Continuing to take this annual look at Canada will not only afford richer context for how Canadian middle market companies perform and evolve but also deepen the center's understanding of how these businesses compare to and interact with their U.S. counterparts. The two economies are deeply interconnected, and these reports help us to provide insights that matter for businesses, policymakers and investors on both sides of the border.





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