



Interprovincial trade barriers

Research highlights

The promise of facilitating interprovincial trade



Amid ongoing uncertainty caused by shifting trade policies in the United States, Canada might benefit from considering ways to address the internal barriers that affect interprovincial trade.

Indeed, it appears that such barriers restrict opportunities for businesses and workers, and that their reduction could potentially boost Canada's gross domestic product by 4.4% to 7.9%. Additionally, improvements to Canada's productivity and enhanced economic resilience¹ are also cited as potential benefits of reducing interprovincial obstacles to trade.



This report presents the findings from two separate surveys conducted by BDC among its panellists over the past 12 months. The first survey was conducted in June 2024, and the second in February 2025.

The objective of this research is to offer a comprehensive overview of the current trading practices of Canadian SMEs and to pinpoint the most significant barriers that hinder interprovincial trade.

¹ Six questions about the significance of interprovincial trade barriers in Canada - RBC Thought Leadership

Local trade dominates, but the U.S. market may hold greater appeal than selling elsewhere in Canada



Most of the SMEs surveyed conduct trade within their own province or territory, whereas slightly more than half trade elsewhere in Canada. These results have remained stable over the course of the past 8 months.

The proportion of SMEs reporting clients outside of Canada has remained consistent across both waves of research. Two out of five SMEs are considered exporters, primarily trading with the U.S. (35%) and, to a lesser extent, internationally (24%).

Evaluating the average proportion of sales derived from customers in each location reveals that the lion's share of sales are made to customers within one's own province or territory. However, the average portion of SME sales to U.S. customers is higher than sales to customers located elsewhere in Canada, despite U.S. customers representing roughly a third of their customer base.

Several factors could explain this discrepancy, such as higher costs of doing business interprovincially, less competition, or greater market appeal outside of Canada. This highlights a core issue: trade within Canada may be less efficient for Canadian entrepreneurs compared to trade with the U.S., our neighbor to the South.

Among the SMEs surveyed...

89% trade within their **own province or territory**

➔ Accounts for 71% of business sales

56% trade **elsewhere in Canada** (outside their province or territory)

➔ Accounts for 21% of business sales

35% trade **in the U.S.**

➔ Accounts for 29% of business sales

24% trade **internationally** (outside North America)

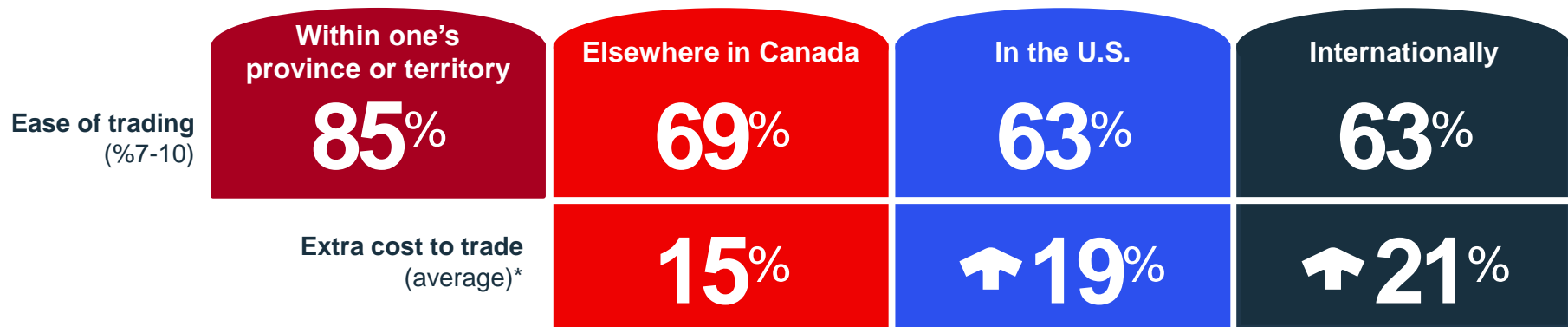
➔ Accounts for 13% of business sales

While the ease of trading outside one's local market may be similar, the extra costs between markets are significantly different 

As one might expect, it seems easiest to do business within one's province or territory. However, there is very little difference between the perceptions of how easy it is to do business in the U.S. and internationally, compared to elsewhere in Canada.

While it may be as easy to conduct business elsewhere in Canada, in the U.S. and internationally, it costs more. The extra costs to service customers outside of one's province, but within Canada, are significantly lower than the extra costs required to do the same in the U.S. and internationally. Increasing trade outside one's province/territory, but within Canada could help SMEs be more profitable and reduce exposure to the economic uncertainty currently at play in the U.S. and internationally.

How SMEs handle the extra costs of trading outside their local markets may also contribute to profitability and stability. As seen in both waves of research, the most popular strategy to handle the extra costs incurred from trade outside one's province is a combination of passing the extra costs on to customers via higher prices and absorbing the additional costs, thus reducing profit margins (47%).



* Significant differences were calculated in comparison to extra cost to trade elsewhere in Canada.

Most lack awareness about interprovincial regulations or see how loosening regulations would benefit their business



In March 2025, slightly more than a third of surveyed entrepreneurs said they were highly aware of the interprovincial restrictions applicable to their business.

More than two out of five SMEs (44%) admit to having low awareness on this subject. Despite the current levels of awareness, interprovincial rules and regulations have a moderate to high impact on more than two out of five SMEs' capacity to do business with customers in other Canadian provinces.

Among those who see interprovincial regulations as limiting their business activity, nearly two-thirds believe that administrative regulations are the biggest barrier.

Almost half of SMEs believe that they would benefit from the loosening or removal of interprovincial trade barriers. However, a third (35%) say there would be no benefit and one in five (20%) are unsure of what the benefits for their business would be. This suggests that there may be a need for more education on the benefits and relevance of interprovincial trade among Canadian entrepreneurs.

Among the SMEs surveyed...

36%

are highly aware (% 7-10) of the interprovincial regulations and restrictions applicable to their business

42%

report that interprovincial regulations have a moderate or high impact (rating of 3 to 10) on their capacity to conduct business with other provinces

64%

state that administrative regulations are the most limiting barrier to conducting business elsewhere in Canada

45%

believe that their business would benefit if interprovincial trade barriers were loosened or removed



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Methodology

Methodology

Survey methodology

Online survey.

Respondent profile

Business owners and business decision-makers members of BDC ViewPoints proprietary online panel.

Survey dates

February 25 to March 9, 2025.

When applicable, results of this survey wave are compared to those of the previous one, conducted in June 2024.



Margin of error

For a probabilistic sample of 603 respondents, the maximum margin of error is ± 4.0 percentage points, 19 times out of 20. However, as this survey is based on a non-probabilistic sample, this information is provided for reference only.

Data processing and analysis

Were performed by the BDC Research and Market Intelligence team.

Weighting factors

Results were weighted by region and number of employees to be representative of the Canadian SME population.

Thank you!

