























# The Main Street Quarterly

Small business insights into the Canadian economy | 2023 Q4

## Economic Forecasts, Canada

**Table 1 – Key macroeconomic variables, historical and forecasted data, Canada, 2022-2024**

 ANALYSIS STRATEGIES • ANALYTICS	History				Forecasts		Trends (2022 Q4-2024 Q1)
	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	
<b>GDP by expenditure</b>							
Level, chained \$B (2017)	2,334	2,348	2,356	2,349	2,348	2,351	
Q/Q annualized growth	-0.9%	2.5%	1.4%	-1.1%	-0.2%	0.5%	
Y/Y growth	2.2%	1.8%	1.2%	0.5%	0.6%	0.1%	
<b>GDP by industry, business sector</b>							
Level, chained \$B (2017)	1,769	1,780	1,785	1,779	1,777	1,779	
Q/Q annualized growth	-1.2%	2.6%	1.0%	-1.2%	-0.4%	0.4%	
Y/Y growth	2.3%	1.9%	1.2%	0.3%	0.5%	-0.1%	
<b>Retail sales</b>							
Level, \$M	65,454	65,877	65,828	66,217	66,719	67,225	
Q/Q annualized growth	3.8%	2.6%	-0.3%	2.4%	3.1%	3.1%	
Y/Y growth	5.7%	3.7%	0.7%	2.1%	1.9%	2.0%	
<b>CPI, total</b>							
Level, index (2002 = 100)	154	155	156	158	159	160	
Q/Q annualized growth	4.2%	2.2%	3.3%	5.0%	2.3%	2.9%	
Y/Y growth	6.6%	5.2%	3.5%	3.6%	3.2%	3.4%	
<b>CPI, excluding food and energy</b>							
Level, index (2002 = 100)	144	146	147	148	149	150	
Q/Q annualized growth	3.9%	3.3%	3.3%	3.2%	3.7%	2.6%	
Y/Y growth	5.4%	4.8%	3.9%	3.4%	3.4%	3.2%	
<b>Gross fixed capital formation, business sector</b>							
Level, chained \$B (2017)	409	407	411	409	396	392	
Q/Q annualized growth	-7.3%	-2.7%	4.5%	-2.0%	-12.0%	-4.0%	
Y/Y growth	-6.7%	-8.1%	-4.0%	-2.0%	-3.2%	-3.5%	
<b>Payroll Employment</b>							
Level, k persons	17,747	17,906	17,974	18,067	18,096	18,218	
Q/Q annualized growth	2.5%	3.6%	1.5%	2.1%	0.6%	2.7%	
Y/Y growth	4.5%	4.1%	2.7%	2.4%	2.0%	1.7%	

Source: Modelling and forecasts by AppEco using CFIB's monthly Business Barometer® data.

Note: Forecasts are based on weighted CFIB data. The interpretation of recent dynamics can differ from that of unweighted data.

### The economy is stalled, and expected to show sluggish rebound in Q1 2024

Economic forecasts based on the most recent (January 2024) Business Barometer® data indicate that GDP contracted slightly in 2023 Q4, following a revised growth rate of -1.1% in the third quarter. Growth is nonetheless poised to return to positive territory at the beginning of 2024 which, together with a resilient labour market, means that the contraction should be short-lived. Strikes in the public sector - excluded from the monthly Barometer data - could however weigh on overall growth.

Retail sales grew by 2.4% in 2023 Q3, surpassing expectations. Growth remained strong in Q4, boosted by high sales in September and October. Part of this momentum should spill over into 2024, supported by a resilient domestic demand.

CPI inflation came down significantly in Q4, but a slight resurgence to 3.4% is expected in 2024 Q1. Excluding food and energy, inflation is expected to tick down slightly. Given the current slowdown and the delayed effect of past rate hikes, the Bank of Canada should nonetheless consider loosening its stronghold on interest rates in the coming months.

Private investment contracted by 2% in 2023 Q3, as anticipated. Data suggest that it fell substantially at the end of the year, and that further contraction is to be expected at the start of the new year. This is mainly driven by deteriorating business sentiment regarding the long run (12-month ahead) and is consistent with the observed decline in capital expenditure plans from the Business Barometer®.

Payroll employment increased by 0.6% in 2023 Q4, for a cumulative gain of 348,000 jobs relative to the previous year. The labour market is expected to remain resilient at the beginning of 2024 as the recent inflow of population continues to fill vacancies.

### Also featured

Page 2 –

**Private sector  
job vacancies**

Page 3 – *In focus*

**Small business  
price setting plans**

Page 4 –

*Sector profile*

**Manufacturing**

Page 5 –

**About CFIB and  
our methodology**

## The job vacancy rate continues to decline

The job vacancy rate in Canada's private sector in Q4 2023 follows the decline of recent quarters, dropping to 3.7% (Figure 1).

## Nine provinces record a decline

With the exception of Saskatchewan, which did not see a change in its vacancy rate (Figure 1 and Table 2), all provinces experienced a decrease. Quebec and Ontario recorded the largest drops (-0.4%).

## All sectors record a quarterly decline

Every sector experienced a quarterly and annual decline in its vacancy rates. The personal services and construction sectors remain the most affected, standing at 6.0% and 5.4%, respectively, despite registering the largest quarterly declines (-0.7% and -0.4%, respectively) (Figure 2 and Table 2).

## The vacancy rate decreases regardless of the size of the business

Businesses of all sizes recorded a slight quarterly decline. However, smaller businesses continue to record higher rates, with a noticeably less marked annual change than their larger counterparts (Table 2).

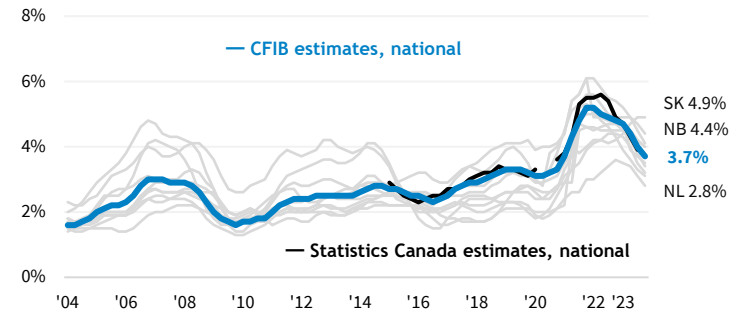
## Wage increases remain constant

Despite the decrease in vacancy rates, wage increase plans remain unchanged. Businesses without job vacancies are planning a 2.3% increase for the next year (slightly up from the last quarter), while those with at least one job vacancy are planning increases of 3.1% (Figure 3).

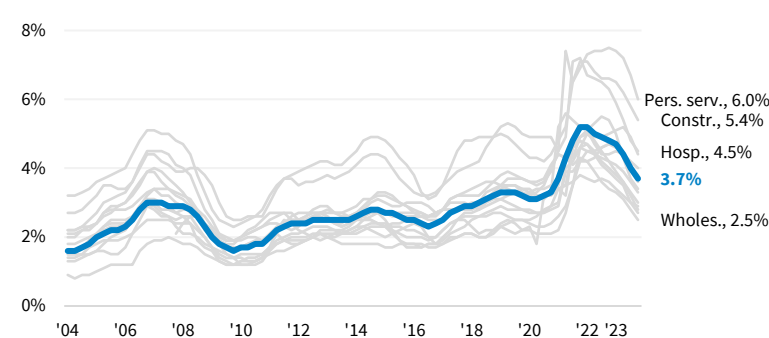
## Sources

(1) CFIB, Your Business Outlook Survey, Jan. 2004-Dec. 2023. Trended.  
 (2) Statistics Canada. Table 14-10-0398-01. Adjusted for seasonality.  
 Note: \* Q/Q (3-month) and Y/Y (12-month) changes are in percentage points.

**Figure 1 – Job vacancy rates by province, Canada<sup>1,2</sup>**



**Figure 2 – Job vacancy rates by sector, Canada<sup>1</sup>**



**Figure 3 – Average planned wage hike, next 12 months<sup>1</sup>**



**Table 2 – Private sector job vacancies, 2023 Q4<sup>2</sup>**

	Vacancy rate (%)	Q/Q change*	Y/Y change*	Total vacancies (n)
<b>Canada</b>	<b>3.7</b>	<b>-0.3</b>	<b>-1.1</b>	<b>523,700</b>
Saskatchewan	4.9	0.0	0.7	18,100
New Brunswick	4.4	-0.3	-0.5	11,400
Quebec	4.1	-0.4	-1.3	130,800
Manitoba	4.0	-0.2	-0.5	18,700
British Columbia	4.0	-0.2	-0.9	79,400
Nova Scotia	3.5	-0.2	-1.2	11,800
Ontario	3.4	-0.4	-1.3	192,200
Alberta	3.2	-0.3	-1.2	55,200
Prince Edward Island	3.1	-0.2	-1.2	1,600
Newfoundland and Labrador	2.8	-0.3	-0.8	4,500
Personal services	6.0	-0.7	-1.5	36,100
Construction	5.4	-0.4	-1.2	68,300
Hospitality	4.5	-0.3	-1.8	63,900
Agriculture	4.4	-0.5	-0.6	8,200
Health, education	4.0	-0.2	-0.4	47,900
Enterprise management	3.8	-0.2	-0.9	38,000
Professional services	3.6	-0.4	-1.1	45,500
Transportation	3.4	-0.3	-2.0	23,000
Retail	3.3	-0.3	-0.9	67,800
Manufacturing	3.0	-0.3	-1.0	49,900
Natural resources	2.9	-0.1	-0.7	6,400
Information, arts, recreation	2.8	-0.4	-1.4	16,700
Finance, insurance, real estate	2.7	-0.3	-1.2	30,800
Wholesale	2.5	-0.3	-0.9	21,200
1-4 employees	7.3	-0.2	-0.2	82,400
5-19 employees	6.0	-0.3	-0.9	140,900
20-49 employees	3.8	-0.3	-1.2	70,200
50-99 employees	2.9	-0.2	-1.3	41,900
100+ employees	2.6	-0.3	-1.2	188,400

# In focus: Small business price setting plans



## Businesses' price plans for 2024 are easing, but still above normal

The distribution of businesses' price setting plans has fluctuated since 2020. Drastically increasing during 2021, the share of firms planning increases of five per cent or more peaked at 60% in Q2 2022; it has since dropped swiftly to reach 36% in Q4 2023 (Figure 4). Small price adjustments, while rather the norm before the pandemic, became initially less popular at its onset, but since mid-2022 more firms are considering them. Despite Bank of Canada's efforts to cool down the economy and the overheated demand, most businesses are planning price increases in 2024.

## The average price hike will be lower than in previous years

CFIB calculations indicate the average price increase planned for 2024 is 3.1% (Figure 5). Firms in Saskatchewan and New Brunswick report above average price plans, both at 4.3%; while Alberta firms plan on adjusting prices by 2.7% on average. Current average price increase is below Q4 2022 by one full percentage point and dropping in every province but Saskatchewan and New Brunswick (Table 3).

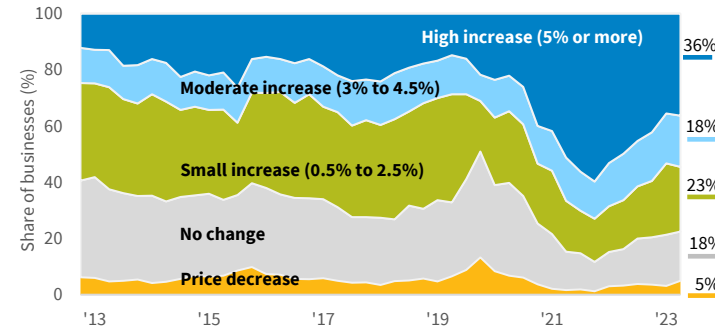
## Some sectors and mid-sized firms are planning on higher-than-average price hikes

Some industries are grappling with significant higher-than-average price increases, like hospitality at 4.0%, while others such as agriculture are planning adjustments way below the current inflation rate (Figure 6). Overall, the larger the firm, the bigger the price adjustment. The silver lining is that fewer firms will increase prices in 2024 than in previous years, and those increases will be of smaller magnitude than in previous years.

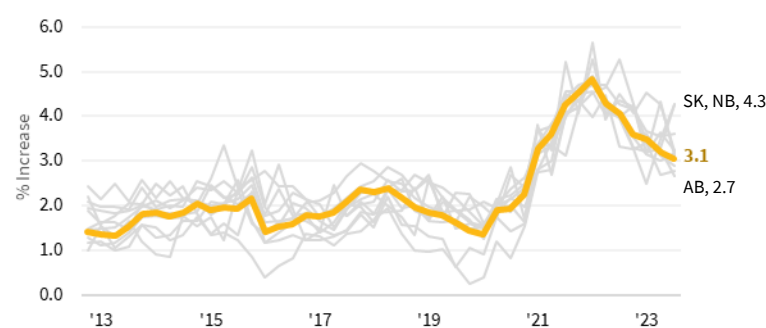
## Sources and notes

(1) CFIB, Your Business Outlook Survey, January 2019-December 2023. Question: In the next year, how much do you expect average prices to change? Responses have been aggregated in the following groups: high increase = 5% or more; moderate increase = 3% to 4.5%; small increase = 0.5% to 2.5%; no change; and price decrease.

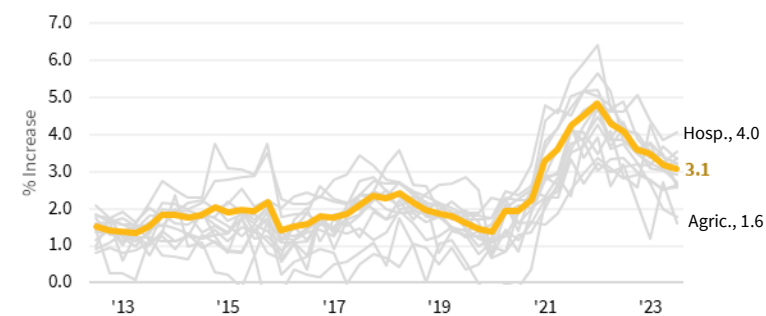
**Figure 4 – After peaking at 60% in Q2 2022, the share of businesses planning 12-month price increases of five per cent or more receded to 36% in Q4 2023, still double the historical average<sup>1</sup>**



**Figure 5 – Canadian SMEs plan average price hikes of 3.1% in 2024**



**Figure 6 – Average price increases by industry vary widely from 1.6% in agriculture to 4.0% in hospitality**



**Table 3 – Businesses' price setting plans for 2024<sup>1</sup>**

	Average price change, next 12 months		Share of firms planning to increase prices by 5% or more	
	Q4 2023 (%)	Y/Y change	Q4 2023 (%)	Y/Y change
<b>Canada</b>	<b>3.1</b>	<b>-1.0</b>	<b>36</b>	<b>-14</b>
New Brunswick	4.3	0.3	48	1
Saskatchewan	4.3	1.0	47	5
British Columbia	3.6	-0.7	44	-9
Prince Edward Island	3.2	-2.0	39	-26
Newfoundland and Labrador	3.2	-1.3	41	-7
Manitoba	3.2	-0.9	43	-5
Nova Scotia	3.1	-1.2	38	-16
Ontario	2.9	-1.1	35	-14
Quebec	2.8	-1.2	31	-19
Alberta	2.7	-1.4	31	-20
Hospitality	4.0	-0.2	45	-11
Wholesale	3.5	-0.9	47	-12
Personal services	3.4	-0.6	41	-14
Finance, insurance, real estate	3.3	-0.8	44	2
Retail	3.2	-1.3	40	-12
Manufacturing	2.9	-1.5	34	-18
Enterprise management	2.7	-1.6	23	-14
Construction	2.7	0.3	31	-18
Health, education	2.6	-1.2	31	-1
Information, arts, recreation	2.6	-1.9	24	-14
Professional services	2.6	0.2	26	-24
Transportation*	1.8	-1.0	26	-17
Agriculture	1.6	-1.6	25	-15
1-4 employees	2.9	-1.0	35	-15
5-19 employees	3.1	-1.1	37	-13
20-49 employees	3.2	-1.0	38	-11
50-99 employees	3.7	-0.8	37	-14

\* Low count of responses.

# Sectoral profile: Manufacturing



## Footprint

The manufacturing industry contributes around 10% to the Canadian GDP. Small and mid-sized enterprises (SMEs, 1 to 499 employees) account for about 46% of the manufacturing GDP, make up the majority of businesses (99.7%) and employ 57% of the workforce in that sector.

**Table 4 – The manufacturing sector in Canada**

	GDP <sup>1,2</sup>	Businesses <sup>3,4</sup>	Workforce <sup>5</sup>
<b>Total</b>	<b>\$195B</b>	<b>93,000</b>	<b>1,739,600</b>
<b>Sector's share of the economy</b>	<b>10%</b>	<b>2.1%</b>	<b>9%</b>
<b>SMEs' share of the sector</b>	<b>46%</b>	<b>99.7%</b>	<b>57%</b>

The manufacturing sector comprises businesses that engage in the chemical, mechanical or physical transformation of materials or substances into new products.<sup>6</sup> These products may be finished (i.e., ready to be used or consumed), or semi-finished (becoming a raw material for an establishment to use in further manufacturing).

Assembly of the component parts of manufactured goods, the blending of materials, and the finishing of manufactured products by dyeing, heat-treating, plating and similar operations are also treated as manufacturing activities.

Some production characteristics can affect the classification of a unit, even if certain activities involve the transformation of goods.

## Sources

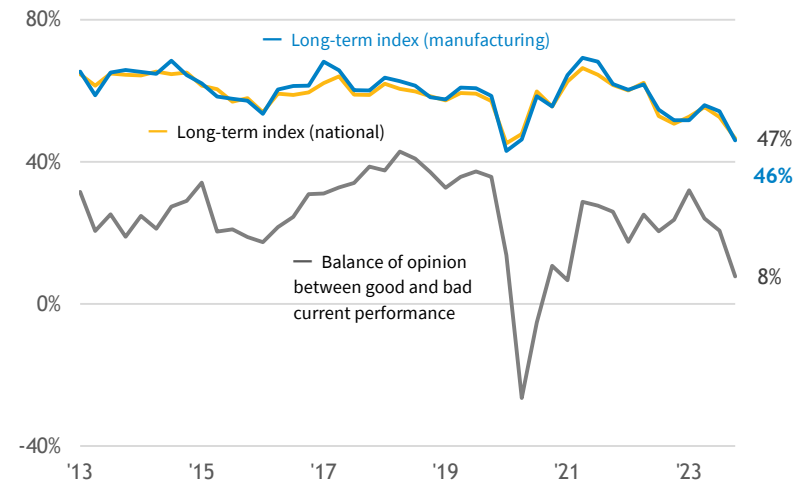
- (1) Statistics Canada. Table 36-10-0434-03
- (2) Innovation, Science and Econ. Dev. Canada, Key Small Business Statistics 2022
- (3) Statistics Canada. Table 33-10-0717-01
- (4) Statistics Canada. Table 33-10-0718-01
- (5) Statistics Canada, Labour Force Survey data, custom tabulations
- (6) Statistics Canada. North American Industry Classification System (NAICS) Canada 2022 Version 1.0
- (7) CFIB, Your Business Outlook Survey. January 2013 to December 2023
- (8) World Trade Organization, Good Trade Barometer, November 2023.

## Fitness

The long-term confidence index for manufacturing SMEs is reaching its lowest level in the past 10 years, except during the pandemic (Figure 7). Furthermore, there is a diminishing share of SMEs considering they are in a favorable position compared to those in a disadvantageous one. In Q4 2023, the balance of manufacturers recording a good performance was only 8%.

Various cost escalations,<sup>7</sup> along with growing challenges related to insufficient demand (Figure 8), are contributing to the decline in optimism.

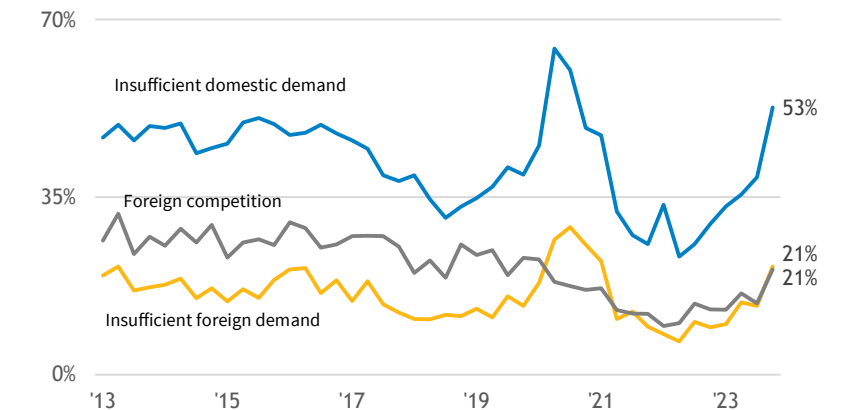
**Figure 7 – Manufacturers' optimism levels over the short and long terms have been decreasing for the past quarters, with a declining balance of businesses reporting good performance<sup>7</sup>**



## Challenges

Manufacturing SMEs are more likely to report higher insufficient demands (both domestic and foreign) and stronger foreign competition than the national average, based on the latest Monthly Business Barometer<sup>®</sup>.<sup>7</sup> For example, in Q4 2023, 53% and 21% reported, respectively, insufficient domestic and foreign demands (Figure 8), while national averages were 45% and 9%. Similarly, 21% of manufacturing businesses reported foreign competition as a limitation for sales or production growth, versus 8% nationally. Gaps are wide but can be explained as manufacturing businesses were involved in 51.5% of the export of goods by value of exports in Canada in 2021,<sup>2</sup> with SMEs accounting for 42.7% of the value of these exports. With trade growth slowing down in 2023,<sup>8</sup> and uncertainty going forward, upcoming trends are up in the air for many manufacturing small businesses.

**Figure 8 – Manufacturing businesses report increases in insufficient domestic and foreign demands, while foreign competition is similarly growing**





## Methodology

CFIB's research is based on members' views, which are collected through various controlled-access member surveys using a one-member one-vote system. CFIB produces clear, credible, and compelling analysis that supports the success of independent business in Canada.

CFIB membership has good representation across regions, sectors, and business sizes; hence the survey data offers a reasonable estimate of the distribution of economic activity across Canada.

**Your Business Outlook** is a monthly CFIB tracking survey that covers small business confidence, expectations, and operating conditions. Findings are typically based on several hundred responses from a stratified random sample of CFIB members. Every last Thursday of the month, results are released in our Business Barometer® reports (Canada, provinces and industries), at [cfib.ca/barometer](https://cfib.ca/barometer).

**Forecasts** are based on CFIB data collected via the Your Business Outlook survey, a data set that is available the same month it is collected. By contrast, most other publicly available economic indicators have a delay, sometimes longer than two months.

**Job vacancies estimates** are also based on the Your Business Outlook survey. The analysis uses data from the CFIB survey, Statistics Canada's Survey of Employment, Payrolls and Hours as well as custom tabulations from Statistics Canada's Labour Force Survey.

For more information on the methodologies used, visit [cfib.ca/research](https://cfib.ca/research).

## About CFIB



The Canadian Federation of Independent Business (CFIB) is Canada's largest association of small and medium-sized businesses with 97,000 members across every industry and region. CFIB is dedicated to increasing business owners' chances of success by driving policy change at all levels of government, providing expert advice and tools, and negotiating exclusive savings. Learn more at [cfib.ca](https://cfib.ca).

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