

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 average¹

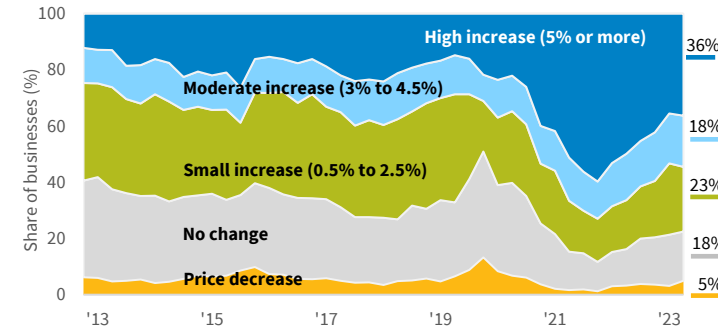


Figure 5 – Canadian SMEs plan average price hikes of 3.1% in 2024

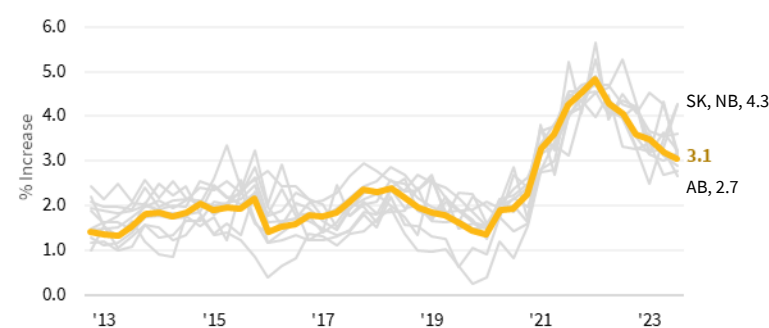


Figure 6 – Average price increases by industry vary widely from 1.6% in agriculture to 4.0% in hospitality

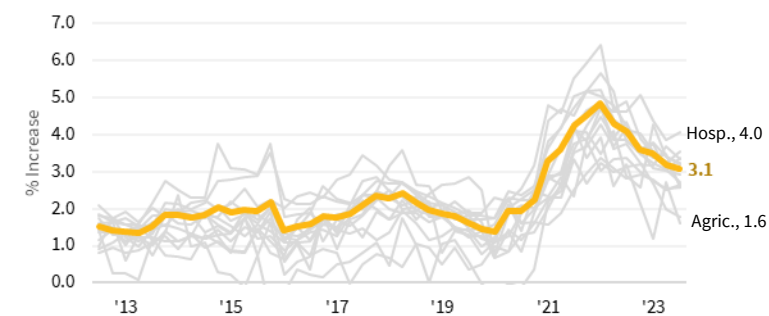


Table 3 – Businesses' price setting plans for 2024¹

	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
Canada	3.1	-1.0	36	-14
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.