

## The average increase in wages in Q1 2023 remains high despite a downward trend

In a context where inflation is high<sup>4</sup> and the job market remains tight, the average wage increase remains significant, hovering around 3.1% in Q1 2023 (Table 3). This increase is driven by the large share of small businesses (15%) that plan to increase wages by 6% or more (Figure 4). However, the average wage increase has been on a slight downward trend since the peak reached in mid-2022.

## Some sectors have more aggressive wage plans

Firms in hospitality and transportation plan to increase wages by 4.1% and 3.6%, on average, in the next 12 months (Table 3). Moreover, since 2019, these two sectors have recorded the highest hikes in the share of businesses planning to increase wages by 6% or more. In Q1 2023, they reached 35% and 24%, respectively (Figure 5).

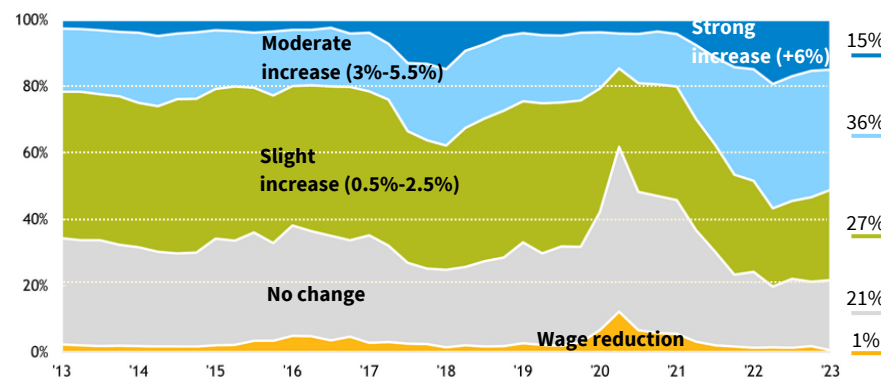
## Labour shortages play a role

As mentioned in the previous section, labour shortages drive significant wage increases. Firms without labour shortages are planning to increase wages by 2.4% on average, while those with shortages of skilled labour, unskilled/semi-skilled labour or both are expecting to increase wages by more than 3% (Figure 6). Since 2017, shortages of unskilled or semi-skilled labour have tended to have a greater influence on wage hikes than skilled labour shortages have.

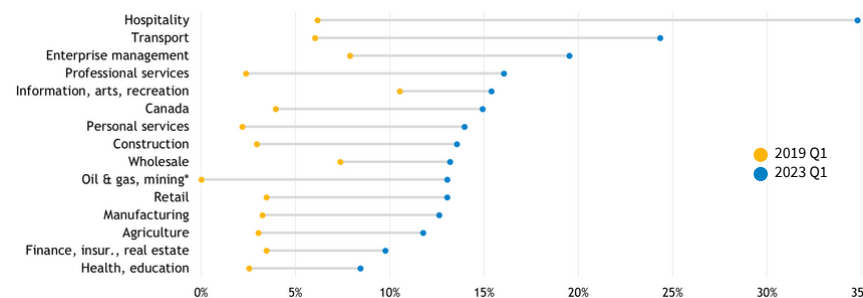
Sources:  
 (4) <https://www.bankofcanada.ca/rates/indicators/capacity-and-inflation-pressures/>  
 (5) CFIB, Your Business Outlook Survey, Jan. 2013–March 2023.

Notes:  
 \*12-month and 3-month changes are in percentage points.  
 \*\*Less than 30 respondents.

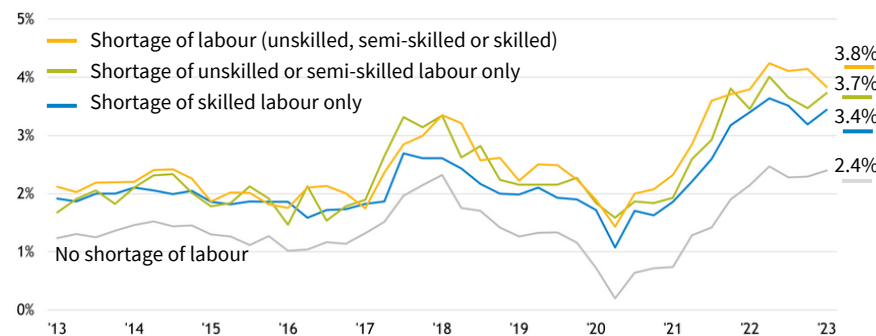
**Figure 4 - Despite a Q1 2023 slump, the proportion of small businesses intending to implement substantial wage hikes remains elevated<sup>5</sup>**



**Figure 5 - A larger share of businesses plan on raising wages by 6% or more in the next 12 months, compared to before the pandemic<sup>5</sup>**



**Figure 6 - Small businesses facing labour shortages are more prone to planning higher average wage increases<sup>5</sup>**



**Table 3 - SMEs' planned wage increases, 2023 Q1<sup>5</sup>**

	Average increase	12-month change*	3-month change*	Share of SMEs +6%
Canada	3.1%	0.2	0.0	15%
NL**	2.9%	0.8	0.7	11%
PEI**	3.7%	0.7	-0.1	18%
NS	3.2%	0.6	-0.2	18%
NB	3.6%	0.6	0.2	25%
QC	3.7%	-0.1	0.3	20%
ON	3.0%	0.1	-0.1	12%
MB	4.4%	1.7	0.8	34%
SK	2.8%	0.5	0.1	17%
AB	2.4%	0.2	-0.1	9%
BC	3.1%	0.0	-0.5	14%
1-4 employees	2.6%	0.2	0.0	13%
5-19 employees	3.3%	0.1	-0.1	16%
20-49 employees	3.7%	-0.1	0.0	16%
50-99 employees	3.9%	0.1	-0.6	16%
100+ employees*	4.8%	1.1	0.9	29%
Health, education	2.3%	-0.2	-0.1	8%
Retail	2.8%	0.1	-0.1	13%
Personal services	2.9%	0.4	-0.2	14%
Agriculture	2.9%	-0.4	-0.5	12%
Oil & gas, mining*	3.0%	0.2	-0.3	13%
Information, arts, recreation	3.1%	-0.1	-0.8	15%
Construction	3.3%	0.2	0.0	14%
Enterprise management	3.3%	-0.1	-0.3	20%
Manufacturing	3.3%	-0.1	-0.1	13%
Professional services	3.4%	0.3	-0.6	16%
Wholesale	3.4%	0.2	0.2	13%
Finance, insur., real estate	3.5%	0.6	0.8	10%
Transport	3.6%	0.4	0.5	24%
Hospitality	4.1%	0.9	0.7	35%