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# Annual Wholesale Trade

2009



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# Annual Wholesale Trade

2009

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#### **Note of appreciation**

*Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.*

# User information

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## Symbols

The following standard symbols are used in Statistics Canada publications:

- . not available for any reference period
- .. not available for a specific reference period
- ... not applicable
- 0 true zero or a value rounded to zero
- 0<sup>s</sup> value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
- p preliminary
- r revised
- x suppressed to meet the confidentiality requirements of the *Statistics Act*
- E use with caution
- F too unreliable to be published

## Note to users

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These annual financial statistics are based upon a sample survey and represent the activities of all wholesale trade establishments (North American Industrial Classification System 41) of incorporated and unincorporated businesses on Statistics Canada's Business Register.

The annual statistics include estimates for grain and petroleum wholesalers and for Agents and Brokers which are not included in the Monthly Wholesale Trade Survey.

The **statistical unit** used in this survey is the establishment (at the operating level).

**Gross margin** is obtained by subtracting the cost of goods sold from the total operating revenues.

**Operating profit** is obtained by subtracting the total operating expenses plus the cost of goods sold (opening inventory plus purchases minus closing inventory) from the total operating revenues.

**Operating expenses-to-operating revenues ratio** is obtained by dividing the total operating expenses by the total operating revenues. The ratio is expressed as a percentage of total operating revenues.

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## Annual wholesale trade

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Operating revenue of Canadian wholesalers fell in 2009, after a period of uninterrupted growth that began in 2003. Like a number of Canadian economic sectors, the wholesale trade industry was hit hard by the global economic slowdown. Operating revenue was \$685.3 billion, down 8.9% from 2008. According to the Monthly Wholesale Trade Survey, most of the decrease in wholesale sales was recorded between the last quarter of 2008 and the first quarter of 2009, after which sales showed signs of gradual improvement.

The drop in wholesalers' operating revenue had a negative impact on operating profits in 2009. Operating profits were \$22.4 billion, down 31.3% from the \$32.6 billion registered in 2008. Overall, operating profits as a percentage of total operating revenue declined, falling from 4.3% in 2008 to 3.3% in 2009.

The cost of goods sold, which accounted for nearly 85% of total expenses, fell 8.6% to \$566.6 billion in 2009. Other operating expenses, including labour remuneration, decreased 3.1% to \$96.3 billion.

Gross margins for wholesalers (the difference between total operating revenue and the cost of goods sold) as a proportion of operating revenue edged down to 17.3% in 2009, from 17.6% in 2008.

### Most wholesale trade groups post declines

Operating revenue decreased in 13 of the 17 wholesale trade groups in 2009, accounting for slightly more than 75% of total revenue.

The largest decrease in dollar terms came in the petroleum product group which fell 18.5% in 2009 to \$139.9 billion, mainly owing to a drop in oil prices. This recent decrease came in the wake of six years of growth, in which operating revenue rose an average of 19% per year since 2003. According to the Industrial Product Price Index (IPPI), prices for petroleum and coal products fell 25.4% in 2009 after rising 19.9% in 2008. Along the same lines, according to data from Canadian International Merchandise Trade, crude oil exports fell 30.3%, after posting one of the strongest increases of all exported products in 2008.

In 2009, wholesalers of petroleum products accounted for the largest proportion of wholesale trade industry revenues with 20.4% of total revenue, down from 22.8% in 2008.

The second largest decrease in dollar terms was in the "other products" group, which consists primarily of wholesalers of agricultural fertilizers and supplies, chemicals, recycled materials and paper products. This group recorded its first decrease since 2003, falling 16.8% to \$64.6 billion.

This drop in operating revenue was due in part to decreases of 51.0% and 20.9% for wholesalers of recycled metals and agricultural chemicals respectively. Together, these two groups account for roughly 30% of operating revenue in the "other products" group.

Prices were an important factor behind the decrease in operating revenue in these two groups. According to the IPPI, metal prices fell 10.8% in 2009 while fertilizer prices fell 5.2% compared to 2008. The drop in fertilizer prices is reflected in the value of Canadian exports of fertilizers and fertilizer materials, which decreased 38.6% in 2009.

After falling 14.4% in 2008, the motor vehicles group continued its downward trend, with its operating revenue falling 12.0% in 2009 to \$57.9 billion, the lowest level for this group since 2003. This drop is explained in part by the weakness of the domestic market for new motor vehicles, the majority of which pass through wholesalers. Data from the New Motor Vehicle Sales Survey shows a 16.4% drop in sales of passenger cars in Canada in 2009.

Another factor that may account for this decline in operating revenue is the role played by Canadian wholesalers in the shipment to the United States of motor vehicles assembled in Canada. According to data from Canadian

International Merchandise Trade, passenger car exports fell 22.9% in 2009, following the 14.8% decrease registered in 2008.

According to the Monthly Wholesale Trade Survey, the motor vehicles group was hit by major decreases in sales in the last quarter of 2008 and the first quarter of 2009. Wholesale sales then rebounded, with increases in the second and third quarters of 2009.

Wholesalers of machinery and equipment posted revenue of more than \$48.8 billion in 2009, down 10.4% from 2008. This decrease followed a period of sustained growth that began after 2003. According to the Capital and Repair Expenditures Survey, investment in machinery and equipment fell 11.2% in 2009. Investment in machinery in the manufacturing sector alone dropped 30.1% during the same period. There were also decreases in investment by businesses in the mining and oil and gas sectors as well as the trade and transportation sectors.

The operating revenue of metal products wholesalers, who sell mainly metal frames and sheets, steel plates and metal pipes and tubes, fell 27.1% in 2009 after posting an 11.7% gain the previous year. This was the largest decrease in percentage term of any wholesale trade industry group.

The slowdown in steel-using sectors, such as non-residential and residential construction, played a major role in the weakening of demand for metallurgical products supplied by wholesalers in 2009. According to the Capital and Repair Expenditures Survey, investment in non-residential building construction was down 3.3% in 2009, while investment in the residential construction industry retreated 12.7%. Additionally, operating revenue declined as a result of lower steel prices. According to the IPPI, prices for steel products fell 7.9% in 2009.

### **Operating revenue up in four trade groups**

In 2009, operating revenue increased for wholesalers in pharmaceuticals (+7.3%), office and professional equipment (+4.5%), food products (+3.6%) and alcohol and tobacco (+2.0%). The revenue growth was in part supported by price increases in trade groups that mainly sell goods often purchased by Canadian consumers.

The increase reported by pharmaceutical wholesalers made 2009 the seventh consecutive year in which the growth of operating revenue for the group was at least 7.0% per year for the group.

These wholesalers continued to benefit from end users' increased demand for pharmaceuticals. According to quarterly data on retail goods, annualized sales of prescription drugs rose 4.1%, while sales of over-the-counter drugs grew by 5.7% in 2009.

### **Wholesalers' gross margin down slightly**

Expressed as a percentage of total operating revenue, gross margins edged down to 17.3% in 2009, compared to 17.6% a year earlier.

Margins as a percentage of operating revenue vary greatly among wholesale trade groups depending on the cost structure of the different types of wholesalers. The lowest margin (3.5%) was reported for wholesalers of petroleum products, while the highest margin was for wholesalers of apparel (35.1%), followed by wholesalers of office and professional equipment (32.1%).

Compared to 2008, wholesalers of food products and of home and personal products reported the largest decreases in their margins-to-operating revenue ratio in 2009. The ratio fell 2.1 percentage points in the food products group and 2.0 percentage points in the home and personal products group.

Conversely, despite a 4.3% decrease in operating revenue, wholesalers of computers and other electronic equipment saw their margins as a percentage of revenue increase 1.3 percentage points to 21.9%.



## Operating expenses decline

The operating expenses of Canadian wholesalers decreased to \$96.3 billion, down 3.1% from the previous year.

Labour costs accounted for 44.3% of these operating expenses in 2009, down slightly from 45.0% in 2008. The highest labour costs as a proportion of operating expenses were recorded by wholesalers of computer products (60.6%), metal products (58.1%) and building supplies (54.6%). By contrast, wholesalers of motor vehicles registered the lowest labour costs as a proportion of total expenses at 20.6%, followed by wholesalers of petroleum products at 26.1%.

In 2009, operating expense as a proportion of operating revenue increased, going from 13.2% in 2008 to 14.1% in 2009. Among wholesale merchants, this ratio varied from a high of 29.3% for the apparel group to a low of 2.6% for the petroleum products group.

Wholesalers of “other products” and of computers and other electronic equipment reported the largest increases in the expenses-to-operating revenue ratio; 1.5 percentage points more than in 2008.

## Operating profits: metal product wholesalers the hardest hit

Operating profits as a percentage of total operating revenue fell to 3.3% in 2009, down from 4.3% in 2008. Overall, 15 of the 17 trade groups registered a decrease in their operating profits as a percentage of revenue.

Among wholesale merchants, wholesalers of metal products recorded the largest decrease in operating profits as a percentage of revenue, with a drop of 2.2 percentage points to 6.0% in 2009.

Elsewhere in the industry, wholesalers of food products and “other products” ranked second and third with regard to declining profits. As a ratio of operating revenue, this represents a drop of 2.1 percentage points to 3.4% for food product wholesalers and a drop of 2.0 percentage points to 1.2% for wholesalers of “other products.”

## Inventories down slightly

In 2009, inventory levels of Canadian wholesalers fell slightly. Wholesalers reported levels of 39.5 days of inventory on hand in 2009, down from 39.9 days in 2008.

Overall, 12 of the 17 wholesale trade groups posted a decrease in the number of days of stock-on-hand in 2009. The largest decrease was for apparel wholesalers, who saw the number of days of stock-on-hand go from 95.4 to 77.7 in 2009. Wholesalers of home and personal products came in a close second, with the number of days of stock-on-hand going from 72.8 in 2008 to 58.9 in 2009. Alcohol and tobacco wholesalers registered the largest increase in the number of days of stock-on-hand in 2009, from 21.4 to 26.1.

On average, wholesalers turned over their inventory 8.8 times in 2009, compared to 9.6 times in 2008, following a period of six years (2003-2008) when the turnover rate ranged between 9.2 and 9.6.

In 2009, the inventory turnover rates of most trade groups were similar to those for 2008. The main exception was petroleum products wholesalers, whose turnover rate went from 52.8 in 2008 to 34.8 in 2009. Excluding the petroleum products group, Canadian wholesalers turned over their inventory 7.2 times in 2009 compared to 7.4 times in 2008.

## Operating revenue retreat in most provinces and territories

Almost all provinces and territories registered a decrease in their operating revenue in 2009. On a regional basis, the largest losses were recorded in the Prairie provinces. According to the Monthly Wholesale Trade Survey, Saskatchewan and Alberta wholesalers saw their wholesale sales decline in each of the four quarters of 2009.

After posting the highest annual growth rate recorded in any Canadian province in 2008 (+52.9%), the operating revenue of Saskatchewan wholesalers fell 31.0% in 2009 to just over \$22.0 billion. For the wholesalers in that province, this was their first decrease since 2003.

The petroleum products group (-68.9%) and the “other products” group (-44.6%) contributed the most to the overall decline in the province’s operating revenue. The operating revenue of these two groups decreased by more than \$4.9 billion and \$4.3 billion respectively, which accounts for more than 90% of the change in total revenue. Lower prices for petroleum products and a steep drop in Canadian exports of fertilizers and fertilizer products are the main factors. In Saskatchewan, the “other products” group accounts for 24.3% of all operating revenue for wholesale trade and consists almost entirely of wholesalers of agricultural chemicals.

In Saskatchewan, the cost of goods sold dropped 31.3%. Gross margins as a percentage of operating revenue rose slightly from 17.6% in 2008 to 17.9% in 2009. On the other hand, operating profits as a percentage of revenue fell from 5.6% in 2008 to 5.0% in 2009.

After rising 24.6% in 2008, operating revenue in Alberta fell 10.2% to \$155.9 billion in 2009. Also, as in Saskatchewan, the slowdown was largely attributable to one trade group, petroleum products, whose operating revenue decreased 9.6% in 2009. This group accounted for nearly 60% of the province’s total revenue and was responsible for more than half of the overall decrease in 2009.

Sharp declines were registered by wholesalers of farm products (-33.2%), metal products (-26.5%) and “other products” (-23.6%).

In 2009, gross margins as a percentage of operating revenue declined 0.4 percentage points compared to 2008. Operating expenses as a proportion of revenue were 7.9% in 2009, up from 7.1% the year before. The overall effect was a drop of 1.3 percentage points in the profits-to-operating revenue ratio, the second largest decrease of all the provinces.

In Manitoba, wholesalers’ operating revenue decreased 7.7% in 2009 after a hefty increase of 28.1% in 2008.

Manitoba wholesalers saw their gross margins decline 3.4% to 17.7% in 2009. Margins as a percentage of operating revenue were 17.7%, compared to 16.9% in 2008. In turn, operating expenses as a percentage of operating revenue stood at 9.1% in 2009, up from 8.6% the previous year. Operating profits as a percentage of revenue went up, going from 8.3% to 8.5% in 2009, and were the highest of any province.

## **Operating revenue in British Columbia the lowest since 2004**

British Columbia recorded its largest annual decline in the operating revenue of its wholesalers since 2003. The operating revenue of British Columbia’s wholesale trade sector fell 9.2% to \$54.0 billion, the lowest level since 2004.

British Columbia wholesalers reported decreased operating revenue in 14 of the 17 trade groups. The largest drop was in the metal products trade group with a reduction of 35.3%, reflecting a drop in non-residential construction investment. Sizeable decreases were also reported by wholesalers of machinery and equipment (-21.9%) and “other products” (-18.6%).

As a proportion of revenue, gross margins decreased 1.2 percentage points compared to 2008. Expenses as a proportion of operating revenue rose to 17.4% in 2009, up from 16.2% the previous year, the largest increase for this proportion. The result was a sizeable drop of 2.4 percentage points in profits as a proportion of operating revenues in 2009.

## **Ontario: Operating revenue down for second consecutive year**

In 2009, the operating revenue of Ontario wholesalers stood at \$259.1 billion, down 7.6% from 2008, which was more than three times the decrease (-2.5%) recorded in 2008. With this drop, wholesalers’ revenue fell below the 2005 level. In 2009, Ontario wholesalers accounted for 37.8% of total industry revenue, the largest share among all provinces and territories. This proportion is down from 41.5% in 2007.

Unlike the previous year, when the decline in operating revenues was mainly attributable to the motor vehicles group, wholesalers of petroleum products were responsible for more than 44% of the provincial decrease. Wholesalers in this group saw their operating revenues fall by more than 53% in 2009 to \$8.2 billion.

After a 17.4% drop in 2008, revenue in the motor vehicles group in Ontario fell a further -13.7% to \$36.4 billion. Weak demand on the Canadian market was largely responsible for this decrease. According to the New Motor Vehicle Sales Survey, sales of new motor vehicles in Ontario fell for a third consecutive year in 2009, with a decrease of 8.4%. The Canadian market accounts for more than two-thirds of sales for the wholesalers of that province.

The cost of goods sold fell 7.5% in 2009. However, this did not result in practically any increase in gross margins as a percentage of revenue. Operating profits as a percentage of revenue went from 3.8% in 2008 to 2.7% in 2009.

### **Moderate decline for Quebec wholesalers**

In 2009, Quebec wholesalers saw their operating revenue decrease 4.1% to \$126 billion. This decline brought an end to six consecutive years of growth.

This result is mainly attributable to lower revenue for wholesalers of petroleum products (-29.1%), metal products (-26.4%) and "other products" (-14.3%). These decreases were partially offset by increases for wholesalers of pharmaceuticals (+10.5%) and food products (+6.1%).

Gross margins as a percentage of operating revenue fell 0.7 percentage points compared to 2008. Operating expenses represented 15.8% of operating revenue in 2009, remaining unchanged from the previous year. Operating profits as a percentage of revenue declined 0.8 percentage points to 4.3% in 2009.

### **Prince Edward Island only province to post an increase**

Operating revenue for the Atlantic region was \$41.4 billion, down 9.6% in 2009. This decrease partially offset the 12.6% increase recorded in 2008. Wholesalers' revenue fell in New Brunswick (-11.1%), Newfoundland and Labrador (-8.1%) and Nova Scotia (-6.0%).

Only wholesalers in Prince Edward Island saw their operating revenues rise in 2009, with an increase of 3.2%, compared to 2008, which continued the upward trend that began in 2006. The cost of goods sold jumped 5.4%, translating into the largest provincial drop in margins as a percentage of revenue, from 21.0% in 2008 to 19.4% in 2009. Expenses represented 15% of operating revenue, down 2.0 percentage points from 2008. Operating profits as a percentage of revenue rose 0.4 percentage points to 4.4% in 2009.

For Nova Scotia wholesalers, gross margins as a proportion of operating revenue were 0.4 percentage points lower than in 2008. By contrast, wholesalers in New Brunswick and Newfoundland and Labrador saw their gross margins increase by 0.5 and 1.0 percentage points, respectively, in 2009.

## Related products

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### Selected CANSIM tables from Statistics Canada

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081-0005	Annual wholesale trade survey, financial estimates by trade group based on the North American Industry Classification System (NAICS), annual
081-0006	Wholesale trade, commodity survey, annual

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### Selected surveys from Statistics Canada

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2445	Annual Wholesale Trade Survey
5061	Wholesale Trade Commodity Survey by Origin and Destination

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### Selected summary tables from Statistics Canada

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- Wholesale trade, operating statistics, by province and territory

# Statistical tables

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**Table 1**  
**Summary Statistics for Wholesale Trade, 2009**

	Operating Revenue	Cost of goods sold	Total labour remuneration	Total Operating Expenses <sup>1</sup>
	percentage share	millions of dollars		
<b>Trade Group - Canada</b>				
Farm products	3.9	27,040.1	23,475.9	1,743.1
Petroleum products	20.4	139,871.5	135,004.8	3,683.7
Food products	13.3	90,877.6	76,209.9	11,621.3
Alcohol and tobacco	1.4	9,695.3	7,688.2	1,003.6
Apparel	1.6	10,984.0	7,131.5	3,219.8
Home and personal products	5.1	34,871.3	24,779.8	8,837.2
Pharmaceuticals	6.2	42,585.7	35,190.7	6,143.8
Motor vehicles	8.5	57,938.5	50,676.6	6,307.6
Motor vehicle parts and accessories	2.9	19,958.1	14,961.4	3,491.8
Building supplies	6.9	47,429.4	35,397.7	9,399.6
Metal products	2.2	14,950.6	12,288.9	1,763.5
Lumber and millwork	1.4	9,637.8	8,233.7	1,200.1
Machinery and equipment	7.1	48,760.2	35,733.8	10,588.7
Computers and other electronic equipment	4.7	31,962.2	24,954.4	6,206.8
Office and professional equipment	3.6	24,988.3	16,956.0	6,920.2
Other products	9.4	64,641.0	52,817.3	11,062.1
Agents and brokers	1.3	9,136.0	5,049.6	3,146.8
<b>Total</b>	<b>100.0</b>	<b>685,327.6</b>	<b>566,550.5</b>	<b>42,628.4</b>
<b>Regions</b>				
Newfoundland and Labrador	0.6	4,091.2	3,431.4	514.5
Prince Edward Island	0.1	686.9	553.7	103.0
Nova Scotia	1.2	8,327.9	6,640.6	1,323.7
New Brunswick	4.1	28,323.3	26,208.0	1,473.2
Quebec	18.4	126,169.6	100,860.2	19,925.7
Ontario	37.8	259,066.7	206,176.9	45,900.0
Manitoba	3.8	25,970.9	21,378.5	2,374.1
Saskatchewan	3.2	22,001.0	18,057.2	2,849.4
Alberta	22.8	155,934.5	139,635.9	12,329.2
British Columbia	7.9	54,039.5	43,153.4	9,415.2
Yukon	0.0	186.4	145.3	33.1
Northwest Territories	0.1	479.6	286.3	87.8
Nunavut	0.0	50.2	22.9	10.8

1. Total Operating Expenses excludes cost of goods sold

**Table 2**  
**Gross Margin and Operating Profit for Wholesale Trade**

	Gross margin				Operating Profit			
	2008		2009		2008		2009	
	millions of dollars	percentage of revenue	millions of dollars	percentage of revenue	millions of dollars	percentage of revenue	millions of dollars	percentage of revenue
<b>Trade Group - Canada</b>								
Farm products	3,427.7	12.2	3,564.1	13.2	1,725.8	6.2	1,821.1	6.7
Petroleum products	7,451.3	4.3	4,866.7	3.5	3,730.5	2.2	1,183.0	0.8
Food products	15,951.6	18.2	14,667.7	16.1	4,790.8	5.5	3,046.4	3.4
Alcohol and tobacco	2,041.8	21.5	2,007.0	20.7	1,077.8	11.3	1,003.5	10.4
Apparel	4,072.8	36.4	3,852.6	35.1	666.8	6.0	632.7	5.8
Home and personal products	11,137.0	30.9	10,091.4	28.9	1,704.3	4.7	1,254.2	3.6
Pharmaceuticals	7,174.8	18.1	7,395.0	17.4	1,195.4	3.0	1,251.3	2.9
Motor vehicles	7,723.0	11.7	7,261.9	12.5	1,345.9	2.0	954.3	1.6
Motor vehicle parts and accessories	5,280.4	25.5	4,996.6	25.0	1,233.7	6.0	1,504.8	7.5
Building supplies	12,994.4	26.2	12,031.7	25.4	3,130.1	6.3	2,632.1	5.5
Metal products	3,940.6	19.2	2,661.6	17.8	1,676.8	8.2	898.1	6.0
Lumber and millwork	1,687.7	15.7	1,404.1	14.6	335.6	3.1	204.0	2.1
Machinery and equipment	14,339.7	26.3	13,026.4	26.7	3,115.2	5.7	2,437.7	5.0
Computers and other electronic equipment	6,873.2	20.6	7,007.9	21.9	896.6	2.7	801.0	2.5
Office and professional equipment	7,997.7	33.4	8,032.3	32.1	1,376.0	5.8	1,112.0	4.5
Other products	14,611.9	18.8	11,823.6	18.3	2,496.1	3.2	761.5	1.2
Agents and brokers	5,309.8	46.5	4,086.4	44.7	2,141.8	18.8	939.6	10.3
<b>Total</b>	<b>132,015.5</b>	<b>17.6</b>	<b>118,777.2</b>	<b>17.3</b>	<b>32,639.0</b>	<b>4.3</b>	<b>22,437.4</b>	<b>3.3</b>
<b>Regions</b>								
Newfoundland and Labrador	671.6	15.1	659.7	16.1	134.7	3.0	145.2	3.5
Prince Edward Island	140.1	21.0	133.1	19.4	26.7	4.0	30.1	4.4
Nova Scotia	1,834.2	20.7	1,687.3	20.3	420.0	4.7	363.6	4.4
New Brunswick	2,215.5	7.0	2,115.3	7.5	752.4	2.4	642.1	2.3
Quebec	27,411.5	20.8	25,309.4	20.1	6,649.0	5.1	5,383.7	4.3
Ontario	57,480.8	20.5	52,889.8	20.4	10,777.8	3.8	6,989.8	2.7
Manitoba	4,755.8	16.9	4,592.4	17.7	2,341.5	8.3	2,218.3	8.5
Saskatchewan	5,613.0	17.6	3,943.7	17.9	1,772.1	5.6	1,094.3	5.0
Alberta	18,866.4	10.9	16,298.6	10.5	6,560.8	3.8	3,969.5	2.5
British Columbia	12,670.9	21.3	10,886.1	20.1	3,006.8	5.1	1,471.0	2.7
Yukon	55.1	22.2	41.1	22.0	13.5	5.4	8.0	4.3
Northwest Territories	254.9	41.7	193.3	40.3	145.9	23.9	105.5	22.0
Nunavut	45.5	66.4	27.3	54.4	38.0	55.4	16.5	32.9

# Appendix I

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## Data sources, definitions and methodology

### Description

The objective of the Annual Wholesale Trade Survey is to present timely information on the operating revenues, expenditures and inventory of wholesalers in Canada by trade group and at national and provincial or territorial levels for the previous calendar year. The data are used by all levels of government, government agencies, the wholesale industry and individuals in assessing trends, within the industry, measuring performance, benchmarking and to study the evolving structure of the wholesale industry. The information is also a critical input into the measure of gross margins in the Canadian System of National Accounts (CSNA).

### Target population

The target population consists of all wholesale establishments operating in Canada for at least one day during the reference year. This sector recognizes two main types of wholesalers, wholesale merchants and wholesale agents and brokers. The survey population is the collection of all wholesale establishments from which the survey can realistically obtain information. The survey population will differ from the target population due to difficulties in identifying all the units that belong to the target population because of a possible lack of detailed information (e.g.: industry misclassifications) for some units, particularly small businesses with low sales levels. The survey population is comprised of all statistical establishments of incorporated and unincorporated businesses coded to NAICS 41 (Wholesale Trade Sector) on Statistics Canada's Business Register, as well as those small unincorporated businesses not on the Business Register, which are classified to the wholesale industry.

### Definitions

A **business unit** is defined as the lowest level of the firm for which separate records are kept for details such as revenue, expenses and employment.

**Wholesale merchants** are engaged in the buying and selling of goods on their own account (i.e., take title of the goods). In addition, they may provide, or arrange for the provision of logistics, marketing and support services, including packaging and labelling, breaking bulk, inventory management, shipping, in-store or co-op promotions, handling of warranty claims and product training.

**Wholesale agents or brokers** buy and sell merchandise owned by others on a fee or commission basis. They do not take title to the goods they buy or sell, and they generally do not handle the goods they sell. They typically operate at or from an office location.

**Sales of goods purchased for resale** refers to the total sales of merchandise purchased for resale, less returns, adjustment and discounts. Trade allowances are not deducted. Sales of values of trade-ins and parts used in repair are included. Goods and Services Tax (GST), Harmonized Sales Tax (HST) and any other sales taxes collected for remittance to a government are excluded.

**Commission revenue from merchandise sales** refers to the gross amount of commission and fees earned by this business unit while acting as an agent and or broker selling goods owned by other businesses.

**Sales of goods manufactured** are sales of goods produced by the business unit.



**Repair and maintenance revenue** is labour revenue from installation, repair and maintenance work. It excludes parts used. Parts used are included in sales of goods purchased for resale.

**Revenue for rental and leasing of office space, other real estate, goods and equipment** is revenue earned from the rental and leasing of office space, other real estate, goods and equipment, whether or not they have been produced by your business unit.

**Other operating revenue** is revenue from shipping, and handling and storing goods for others that has not been included in the price of the goods. Exclude interest and dividend income, which are including in non-operating revenue.

**Total operating revenue** is the sum of sales of goods purchased for resale, commission revenue, sales of goods produced, repair and maintenance revenue, revenue from rental and leasing and other operating revenue.

**Inventories** is the value of goods held for resale in establishments and warehouses within or outside Canada and its owned by the business unit. It includes inventory at any warehouse, selling outlet, in transit, or out on consignment. Excludes are goods held in consignment for others. Inventory data are reported at book valued (i.e., the value maintained in your accounting records). The inventories would include any goods on hand resulting from any secondary manufacturing activity by the business unit.

**Purchases** is the value of total net purchases of goods (gross value less returns, adjustments and discounts) at delivery price (including freight-in, insurance, import duties and other related specific costs). This includes new and used goods purchased for resale.

**Cost of goods sold** represents the cost value of goods sold and recognized in revenue, during the reporting period. It is determined by calculating:  $\text{Opening inventory} + \text{Purchases} - \text{Closing inventory}$ .

**Gross margin** is the difference between total operating revenue and cost of goods sold.

**Wage and salaries of employees** refers to the total wages and salaries earned by all employees for the year (including head office and warehouse personnel), before deductions from income tax, unemployment insurance, employee social security contributions, etc. It excludes all payments and expenses associated with outside contract workers and employment agencies or personnel suppliers.

**Employer portion of employee benefits** represents the employer expense portion of employee life and health/dental care plans, CPP/QPP contributions, employer pension contributions, workers' compensation, employment insurance premiums, retiring allowances/lump sum payments at termination or retirement. Exclude contributions to provincial health and education payroll taxes.

**Total labour remuneration** is the sum of salaries and wages of employees plus the employer portion of employee benefits.

**Rental and leasing expenses** includes rental of office space or other real estate, motors vehicles (without driver), other machinery and equipment (without operator) and computers and peripherals (without operator).

**Advertising and promotion** includes the service of advertising (planning, creating and placement) and the purchase of advertising space or time.

**Amortization and depreciation expenses** include capital assets, intangible assets and capital lease obligations.

**Total operating expenses** includes all expenses such as labour, rental and leasing, advertising, amortization and depreciation, management fees, etc. This excludes interest expenses.

**Operating profit** is obtained by subtracting total operating expenses and the cost of goods sold from total operating revenue.

## Sampling

This is a sample survey with a cross-sectional design.

In order to reduce the respondents' response burden and still produce reliable estimates, exclusion thresholds based on industrial, provincial, and size dimensions were implemented. Data for the wholesaling establishments above the prescribed threshold were collected through questionnaires, and administrative (tax) data were used to estimate for small businesses below the threshold. Before sampling selection, the survey population is delineated into cells representing the provincial, trade group and size dimensions required. The establishments in the survey population are first stratified according to their province/territory and by trade groups using the NAICS-four digit level industrial classification, representing mutually exclusive industry categories, each representing similar businesses.

Within each province/territory, by trade group combination, four size strata are created to group businesses of a similar size. The boundaries are determined using total estimated revenues for the businesses. The resulting groups are one take-all stratum of the largest businesses (which are all included in the sample), two take-some strata (from which representative samples are selected) and one take-none stratum (containing small businesses which are not eligible to be sampled). Optimal stratum boundaries or thresholds are determined to minimize the total sample size.

Following the sample selection process, data for the take-all and take-some strata are collected through questionnaires or tax records for the financial and non-financial information. For those units belonging to the take-non stratum, a sample of administrative (tax) records is used to collect selected financial information.

All sample units are assigned a sampling weight. An initial weight equal to the inverse of the original probability of selection is assigned to each entity. The sampling weight is a raising factor attached to each sampled unit to obtain estimates for the population. For example, if two units are selected at random and with equal probability out of a population of 10 units, then each selected units represented five units in the population, and it is given a sampling weight of five. The final set of weights therefore reflects as closely as possible the characteristics of the population of the industry.

## Data sources

Responding to this survey is mandatory. Data are collected directly from survey respondents and extracted from administrative files.

A large portion of survey data are collected directly from survey respondents. However, in order to reduce response burden, as tax replacement program (TRP) has been implemented since 2002 where survey data are extracted directly from administrative data files as opposed to be directly collected from respondents.

## Data accuracy

While considerable effort is made to ensure high standards throughout all stages of collection and processing, the resulting estimates are inevitably subject to a certain degree of non-sampling error. Non-sampling error is not related to sampling and may occur for many reasons. For example, non-response is an important source of non-sampling error. Population coverage, differences in the interpretation of questions, incorrect information from respondents, and mistakes in recording, coding and processing data are other examples of non-sampling errors.

Measures such as response rate (total number of completed questionnaires as a percentage of the total active, in-scope survey sample) and response fraction (the proportion of the estimate based upon reported data) can be used as indicators of the possible extent of non-sampling errors.

Sampling error can be measured by the standard error (or standard deviation) of the estimate. The coefficient of variation (CV) is the estimated standard error percentage of the survey estimate. Estimates with smaller CVs are more reliable than estimates with larger CVs.