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SME Profile: Interprovincial Trade

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EXECUTIVE SUMMARY

Internal barriers to trade within Canada remain an unresolved policy issue. These barriers not only impede the movement of goods, services and people among provinces but they also cost billions of dollars each year and jeopardize Canada's overall competitiveness. While the barriers themselves have been the topic of many recent research papers, little is known about the businesses that engage in internal trade. This profile investigates the small and medium-sized enterprises (SMEs) that sell their goods and/or services to other provinces (internal traders) and examines their distinguishing characteristics compared with SMEs that do not sell to other provinces.

Using results from the 2011 *Survey on Financing and Growth of Small and Medium Enterprises*, this report reveals that internal trade is more common than exporting (18 percent of SMEs engage in internal trade and 10 percent export), but that internal trade contributes almost the same amount to SME total revenue (sales to other provinces make up 4 percent of total revenue compared with 3.5 percent for export sales). In addition, among exporters, internal traders are more common than non-internal traders. Among the 10 percent of SMEs that exported in 2011, approximately 72 percent also traded internally.

The results also show that internal traders are more export oriented, with 41.4 percent selling abroad compared with only 3.5 percent of non-internal traders. They are also more growth oriented and innovative. In addition, owners of SMEs that trade internally are, on average, older, better educated and more experienced than owners of SMEs that do not trade internally. Lastly, internal traders have greater capital needs, with equity and government financing being of particular importance.

These results suggest that eliminating barriers to internal trade, encouraging businesses to engage in internal trade and addressing remaining gaps in SME financing would be beneficial to those firms that have the greatest potential to contribute to Canada's economic growth—innovative, growth-oriented, internal trader SMEs with a global perspective.

INTRODUCTION

With an increasing number of free trade agreements in place and being negotiated around the world, businesses today are operating in an intensely competitive global economy. For businesses to succeed internationally, it is important for them to first establish a stable and supportive market at home. In Canada, however, internal trade barriers have been criticized for impeding the movement of goods, services and people among provinces, making it difficult for businesses to grow. While explicit barriers (tariffs) to internal trade are not permitted in Canada,[1] the flow of goods, services and labour across the country can be restrained due to regulatory differences across provinces and territories.[2]

1. Section 121 of the *Constitution Act of 1867* states that "All articles of the Growth, Produce, or Manufacture of any one of the Provinces shall, from and after the Union, be admitted free into each of the other Provinces."
2. Interprovincial trade barriers are found in all sectors of the economy and exist for trade in both goods and services. Areas cited as being most affected by internal trade barriers include labour mobility, government procurement and business regulations, predominantly in transportation and agricultural and food products (Canadian Chamber of Commerce, 2004; Beckman et al., 2006).

The original intent of most internal trade regulations was to protect the local market by reducing out-of-province competition and maximizing local investment and employment. Over time, however, these barriers have led to increased costs for both businesses and consumers, and have reduced competitiveness and productivity.[3] Though no consensus exists, one estimate on the cost of internal trade barriers in Canada is $14 billion per year (Alberta Government). Furthermore, both a study by the Organisation for Economic Co-operation and Development (Maher and Shaffer, 2005) and a report by the International Monetary Fund (2007) indicate that internal trade barriers represent key factors contributing to Canada's relatively poor productivity performance. A report from the Canadian Chamber of Commerce (2013) also labelled internal trade barriers as one of the top 10 barriers to competitiveness in Canada.

Since the signing of the Agreement on Internal Trade in 1994, efforts have been made to reduce and eliminate barriers to the free movement of persons, goods, services and investment within Canada. Progress has been made in areas such as labour mobility for regulated occupations, regulations on agricultural products and transparency in government procurement. Nevertheless, barriers still exist.

The purpose of this report is not to reiterate the internal barriers that exist within Canada, rather the purpose is to better quantify the number of businesses potentially impacted by these impediments and to better understand these businesses so that relevant data are available for informed decision making. Specifically, this report first investigates the number of small and medium-sized enterprises (SMEs) that trade internally. It then compares those businesses with SMEs that do not trade internally. The comparisons will look at growth intentions, obstacles to growth, innovation activities, financing activities and owner characteristics. This research will support evidence-based public policy development in the area of internal trade barriers by enhancing the understanding of SMEs that engage in internal trade.

DATA SOURCE AND DEFINITION

Data used in this report are from the 2011 *Survey on Financing and Growth of Small and Medium Enterprises*. The survey, commissioned by Industry Canada in partnership with other government departments and agencies, was conducted by Statistics Canada in 2012 for the 2011 reference year. The survey measures the demand for, and sources of, financing for Canadian SMEs. In addition, the survey gathers information on firm growth, engagement in international business activities, innovation and intellectual property, as well as owner characteristics.

The target population for the 2011 survey was private sector, for-profit SMEs employing between one and 499 employees and generating between $30,000 and $50 million in annual revenues in 2011. Excluded from the target population were government organizations, schools, hospitals, subsidiaries, co-operatives, and financing and leasing companies. The sample was stratified by region, industry and size (number of employees). Of a sample of 25,007 enterprises, 9,977 firms responded to the questionnaire, representing a 40-percent completion rate. Results were weighted to reflect the survey population.

For the purpose of this report, internal trader SMEs were identified using the survey question on distribution of sales by destination. Any SME that reported sales of goods and/or services to provinces/territories other than where their enterprise was located was labelled an internal trader.[4] Non-internal traders are those that did not report sales of goods and/or services to other provinces/territories in Canada. Both internal traders and non-internal traders can be exporters (i.e., sell goods and/or services outside of Canada).

Throughout this report, the main focus of comparison is between internal traders and non-internal traders. For further analysis, however, internal traders were divided into two additional groups: those that export and those

3. Results from a 2005 Conference Board of Canada survey revealed that the majority of respondents felt that non-tariff barriers negatively affect their business and regulations constrain their ability to enter other markets (Beckman et al., 2006).
4. The survey was conducted at the enterprise level (the top of the hierarchy associated with a complete set of financial statements). Therefore, sales made outside of an enterprise's home province could include sales from an establishment of that enterprise located outside of the province. Nevertheless, this applies to only a small percentage of SMEs. Of the 804,953 enterprises in the sampling frame of the 2011 survey, 98.7 percent were single-establishment enterprises.

that do not export. Table 1 presents the number of enterprises in each category. Sampling weights have been applied in compiling the estimates, i.e., individual enterprises in the sample are weighted according to their representation in the target population.

Table 1: SME Counts, 2011

SME Category	Percentage	Weighted Counts*
Non-internal trader	81.7	457,000
Internal trader	18.3	102,000
Internal trader and exporter	41.4	42,000
Internal trader and non-exporter	58.6	60,000
All SMEs	100.0	559,000

Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
* Estimates are rounded off to the closest thousand.

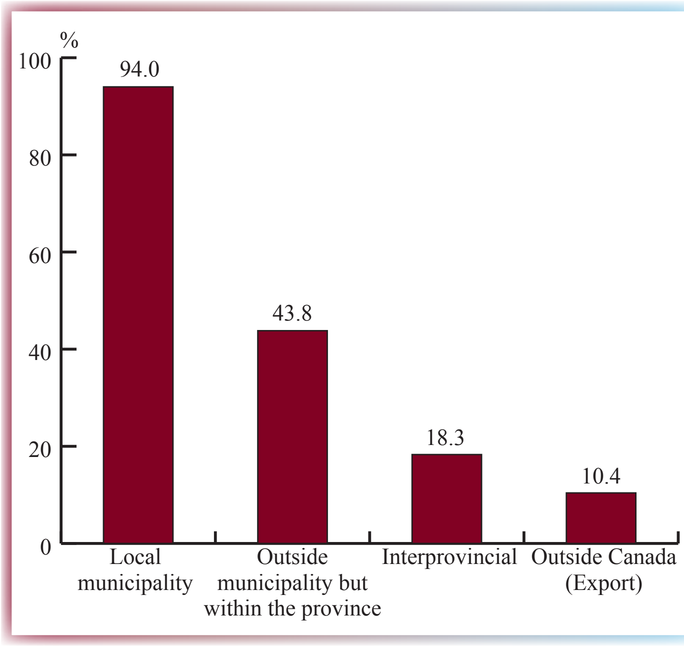
DISTRIBUTION OF SALES BY DESTINATION

All SMEs

In 2011, the majority of SMEs (94 percent) sold their goods and/or services within their local municipality[5] and 44 percent made sales outside their local municipality but within their home province (Figure 1a). Eighteen percent (or approximately 102,000[6]) of SMEs traded internally, selling goods and/or services to buyers in provinces other than their home province, and 10 percent of SMEs were exporters.

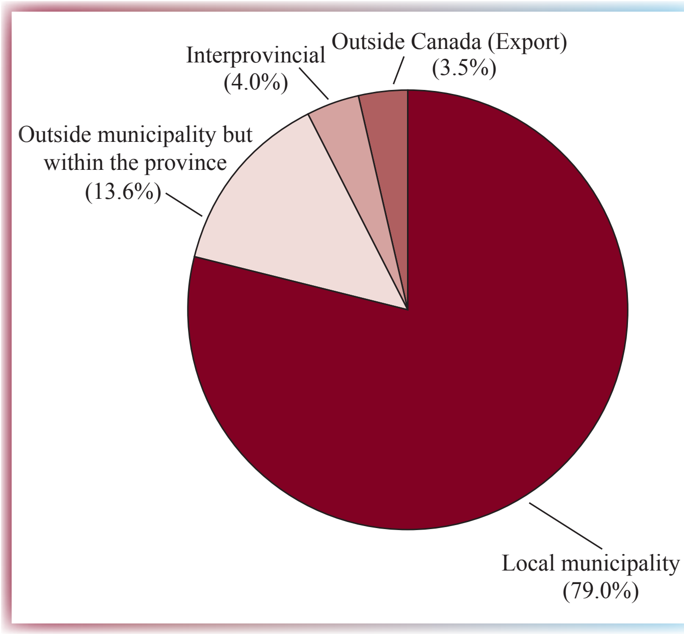
Local sales made up the bulk of total revenues (79 percent) (Figure 1b), followed by sales to buyers outside the local municipality but still within the home province (13.6 percent). Interprovincial sales represented only 4 percent of revenues in 2011 and exports represented only 3.5 percent of total revenues. These findings show that sales from internal trade contribute almost the same percentage to total SME revenues as sales from exports.[7]

Figure 1a: Percentage of SMEs that Sell to Each Destination, 2011



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

Figure 1b: Intensity of Sales by Destination, all SMEs, 2011



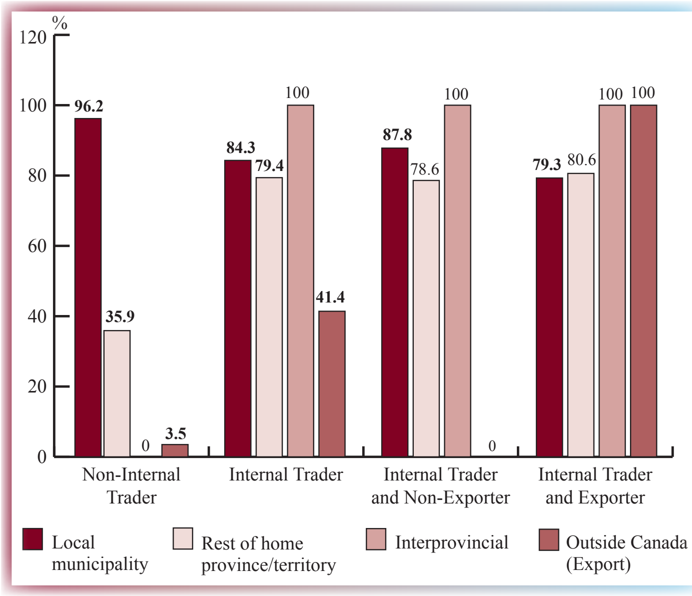
Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
Note: Intensity is the percentage of total sales to the region.

5. Local municipality is defined as within 80 km of the location of the business.
6. The estimate of 102,000 is 18 percent of the weighted target population.
7. According to Statistics Canada, the total value of interprovincial exports was close to $315 billion in 2009, or 75 percent of the total value of exports in the same year.

Internal traders versus non-internal traders

It is more common for internal traders than non-internal traders to sell outside their local municipality (Figure 2). Specifically, 79.4 percent of internal traders sold outside their local municipality, but within their home province, compared with 35.9 percent of non-internal traders. In comparison, 84.3 percent of internal traders sold in their local municipality compared with 96.2 percent of non-internal traders.

Figure 2: Percentage of SMEs that Sell to Each Destination by Internal Trader Status, 2011

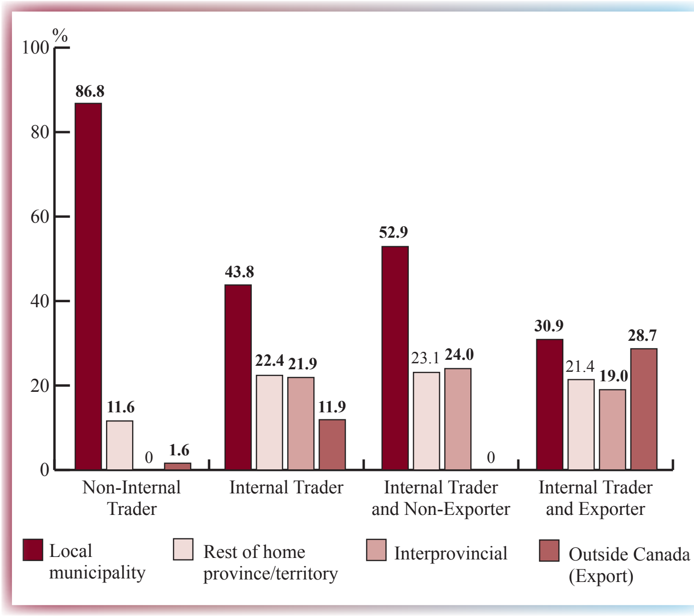


Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
Note: Bold values denote a statistically significant difference at 5 percent or 1 percent. Bold values for non-internal trader indicate the value is significantly different from the equivalent value for internal trader. Bold values for internal trader and non-exporter indicate the value is significantly different from the equivalent value for internal trader and exporter.

Internal traders are more export oriented. In 2011, 41.4 percent of internal traders sold goods and/or services abroad compared with only 3.5 percent of non-internal traders. It has often been said that trading with other countries is easier and less expensive for Canadian businesses than trading with neighbouring provinces; however, findings suggest that significantly more exporters trade internally than those that do not. Results from the survey reveal that among the 10 percent of SMEs (or approximately 58,251 enterprises when weighted to the target population) that exported in 2011, approximately 72 percent also traded internally.

Figure 3 shows that internal traders have a more diversified customer base than non-internal traders. On average, local sales made up only 43.8 percent of internal traders' total revenues. Sales to the rest of the home province represented 22.4 percent, interprovincial sales represented 21.9 percent and export sales represented 11.9 percent of total revenues. For non-internal traders, sales in the local municipality made up 86.8 percent of total revenues, on average, while sales to the rest of the home province represented 11.6 percent and export sales represented 1.6 percent of total revenues.

Figure 3: Intensity of Sales by Internal Trader Status, 2011



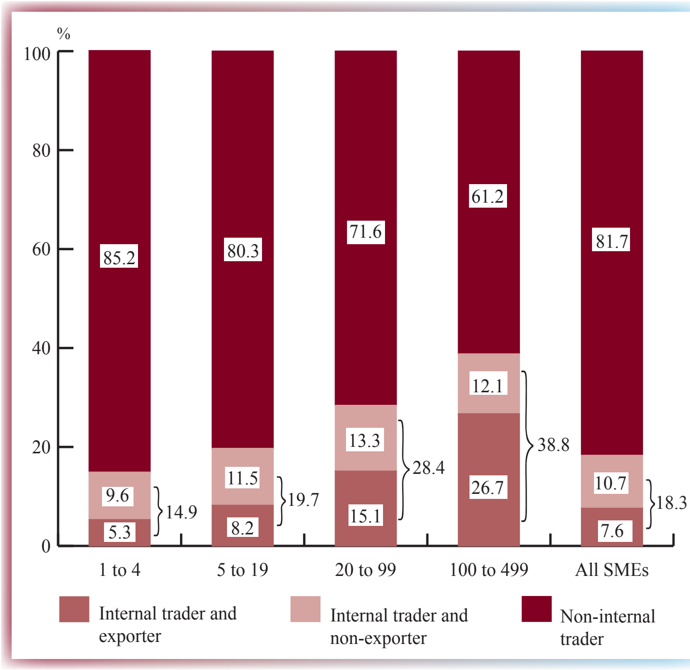
Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
Note: Bold values denote a statistically significant difference at 5 percent or 1 percent. Bold values for non-internal trader indicate the value is significantly different from the equivalent value for internal trader. Bold values for internal trader and non-exporter indicate the value is significantly different from the equivalent value for internal trader and exporter.

Internal traders that also export relied even less on local sales, generating 30.9 percent of revenues locally, on average, compared with 52.9 percent for internal traders that did not export. Internal traders that export also relied less on internal trade sales and significantly more on export sales, with the value of sales abroad approximately the same as the value of sales locally (Figure 3).

Propensity to trade internally by business size

The propensity to trade internally increases with business size (number of employees) (Figure 4). Only 14.9 percent of micro-enterprises[8] traded internally, while 19.7 percent of businesses with 5 to 19 employees, 28.4 percent of businesses with 20 to 99 employees and 38.8 percent of medium-sized enterprises[9] traded internally. Figure 4 also shows that the propensity to trade internally and export increases with business size, rising from 5.3 percent of micro-enterprises to 26.7 percent of medium-sized enterprises.

Figure 4: Propensity to Trade Internally by Business Size (number of employees), 2011



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

Propensity to trade internally by region of operation

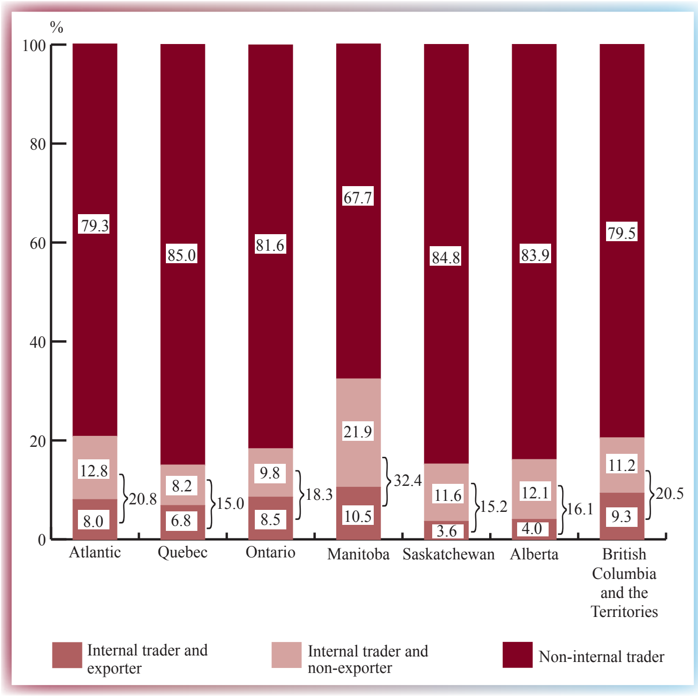
Across regions, SMEs in Manitoba were most likely to sell their goods and/or services to buyers outside their home province (32.4 percent) (Figure 5). Internal trade was also common among SMEs in the Atlantic provinces (20.8 percent). This may be due to the small size and relative proximity of these provinces, making it easy for them to trade with each other. It could also be a result of the Atlantic Procurement Agreement[10] and the Partnership Agreement on Regulation and the Economy (New Brunswick and Nova Scotia),[11] which were implemented to reduce barriers to trade among the provinces. The likelihood of trading internally was also high in British Columbia and the territories (20.5 percent), perhaps due to the New West Partnership Trade Agreement between British Columbia, Alberta and Saskatchewan (2010).[12] By comparison, SMEs in Quebec were least likely to trade internally, with only 15.0 percent of SMEs selling goods and/or services to other provinces.

The percentage of SMEs trading internally and also exporting was highest among SMEs in Manitoba (10.5 percent), followed by those in British Columbia and the territories (9.3 percent). In Ontario, 8.5 percent of SMEs traded internally and exported. Among SMEs that trade internally in Ontario, 46 percent also exported, the highest concentration of exporters among internal traders in all regions.

Table 2 shows how internal traders and non-internal traders are distributed across the regions in Canada. As shown, Ontario had the largest share of internal traders (34.8 percent) and Saskatchewan the smallest share (2.9 percent). These findings are not surprising as they are more than likely driven by population.

8. Micro-enterprises are those with 1 to 4 employees.
9. Medium-sized enterprises are those with 100 to 499 employees.
10. The Atlantic Procurement Agreement was signed by New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island in 2008.
11. The Partnership Agreement on Regulation and the Economy was signed by New Brunswick and Nova Scotia in 2009. The agreement focuses on removing regulatory burdens and encouraging open trade, greater workforce mobility and efficient government service delivery in the two provinces.
12. One cannot, with certainty, attribute the presence of internal traders in these provinces to the three agreements cited, especially as the objectives outlined in the agreements take time to come into effect.

Figure 5: Propensity to Trade Internally by Region, 2011



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

Table 2: Distribution of Internal Trader SMEs by Region, 2011

Region	Non-Internal Trader (%)	Internal Trader (%)	Internal Trader and Non-Exporter (%)	Internal Trader and Exporter (%)
Atlantic	6.8	7.9	8.3	7.3
Quebec	**22.1**	**17.4**	16.2	19.1
Ontario	34.5	34.8	**31.9**	**39.0**
Prairies	19.7	20.3	**25.4**	**13.2**
Manitoba	**2.8**	**6.1**	7.0	4.8
Saskatchewan	3.6	2.9	**3.8**	**1.7**
Alberta	13.2	11.3	**14.6**	**6.8**
British Columbia and the territories	16.9	19.5	18.1	21.4

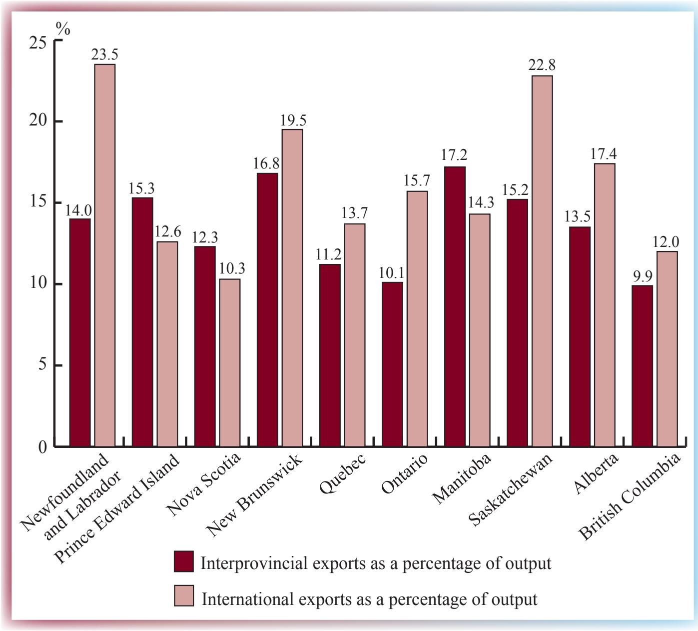
Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
Note 1: Bold values denote a statistically significant difference at 5 percent or 1 percent. Bold values for non-internal trader indicate the value is significantly different from the equivalent value for internal trader. Bold values for internal trader and non-exporter indicate the value is significantly different from the equivalent value for internal trader and exporter.
Note 2: Numbers might not add up due to rounding.

In Manitoba, the propensity to trade internally is high (32 percent of SMEs engage in internal trade), yet given the size of Manitoba's economy, the province has only 6.1 percent of all internal traders in Canada. In Quebec, where there is a lower propensity to trade internally (only 15 percent of Quebec SMEs engage in internal trade), the share of internal traders was smaller than the share of non-internal traders (17.4 percent compared with 22.1 percent).

While Figure 5 shows the percentage of SMEs in each region that trade internally and Table 2 shows the distribution of these internal traders across Canada, neither gives a sense of the total value of internal trade in each region. According to Statistics Canada, the total value of interprovincial exports is highest in Ontario, where sales to other provinces totalled \$107 billion in 2009.[13] Nevertheless, in terms of the value of interprovincial exports as a percentage of output, Manitoba has the largest share at 17.2 percent, followed closely by New Brunswick, where the value of interprovincial exports was 16.8 percent of total output (Figure 6). In most provinces, the value of international exports exceeds the value of interprovincial exports. In Prince Edward Island, Nova Scotia and Manitoba, however, the opposite was true, indicating the importance of internal trade in these provinces.

13. Source: Statistics Canada, Table 386-0003: Provincial input–output tables, international and interprovincial trade flows, summary level, basic prices, 2009. The total value of interprovincial exports includes the value contributed by all businesses, including large businesses. The value contributed solely by SMEs is not available.

Figure 6: Value of Interprovincial Exports and International Exports by Region, 2009

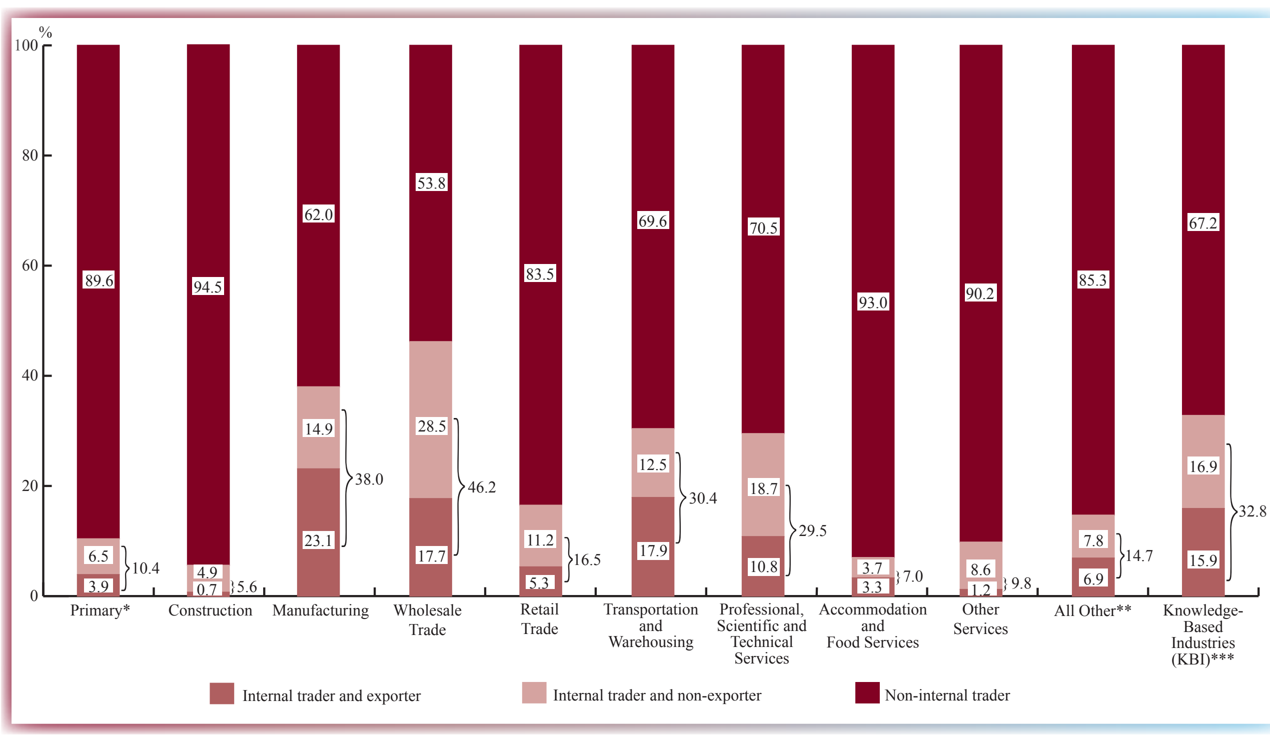


Sources: Statistics Canada, Table 386-0003: Provincial input–output tables, international and interprovincial trade flows, summary level, basic prices, 2009; Statistics Canada, Table 381-0031: Provincial gross output, by sector and industry, 2009.

Propensity to trade internally by sector

The propensity to trade internally varies significantly across sectors (Figure 7). Almost half (46.2 percent) of SMEs in the wholesale trade sector were internal traders, the highest propensity of all sectors. Thirty-eight percent of SMEs in manufacturing, 32.8 percent in knowledge-based industries (KBI) and 30.4 percent in transportation and warehousing trade internally. Only 5.6 percent of SMEs in construction trade internally, the lowest propensity of all sectors. This may be a result of a combination of the local nature of much of the work in this industry and the rules and red tape that exist, which make it difficult for construction companies to operate outside their home province. In particular, regulations on labour mobility between Quebec and Ontario continue to pose a problem for the construction industry despite many attempts to establish a mutually beneficial agreement.

Figure 7: Propensity to Trade Internally by Sector, 2011



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
* Primary includes Agriculture, Forestry, Fishing and Hunting (North American Industry Classification System (NAICS) 11) and Mining, Quarrying, and Oil and Gas Extraction (NAICS 21).
** All Other includes Health Care and Social Assistance (NAICS 62), Information and Cultural Industries (NAICS 51), and Arts, Entertainment and Recreation (NAICS 71).
*** KBI is a separate industry category. Industries that make up the KBI category are also included in their respective sector categories.

As manufactured goods represent Canada's largest source of exports, it is no surprise that SME manufacturers were the most likely to trade internally and export (23.1 percent). Among the 38 percent of SMEs in manufacturing that trade internally, 61 percent also export, the highest concentration of exporters among internal traders in all sectors.

The distribution of internal traders across sectors in Canada is presented in Table 3. Professional, scientific and technical services had the largest share of internal traders (18.8 percent), followed by wholesale trade (15.6 percent), all other sectors (15.0 percent) and manufacturing (14.0 percent). SMEs that trade internally were significantly more likely than non-internal traders to operate in wholesale trade; manufacturing; transportation and warehousing; professional, scientific and technical services; and KBI. Internal traders were significantly less likely to operate in the construction, and accommodation and food services sectors than non-internal traders. Not surprisingly, given that manufactured goods make up the largest share of Canada's exports, the manufacturing sector housed the largest share of internal traders that also exported (20.6 percent).

Regarding the value of internal trade by sector, manufacturing ranked first with goods sold to other provinces equalling close to $110 billion in 2009, or approximately 20.8 percent of the value of output in that sector[14] (Figure 8). The ratio of the value of interprovincial exports to output was also high in the primary sector (18.8 percent), confirming that although few SMEs in this sector trade internally (10.4 percent), internal trade is important in the sector. In both the manufacturing and primary sectors, international exports represented a significantly larger share of output than interprovincial exports (41.4 percent in the manufacturing sector and 43.6 percent in the primary sector).

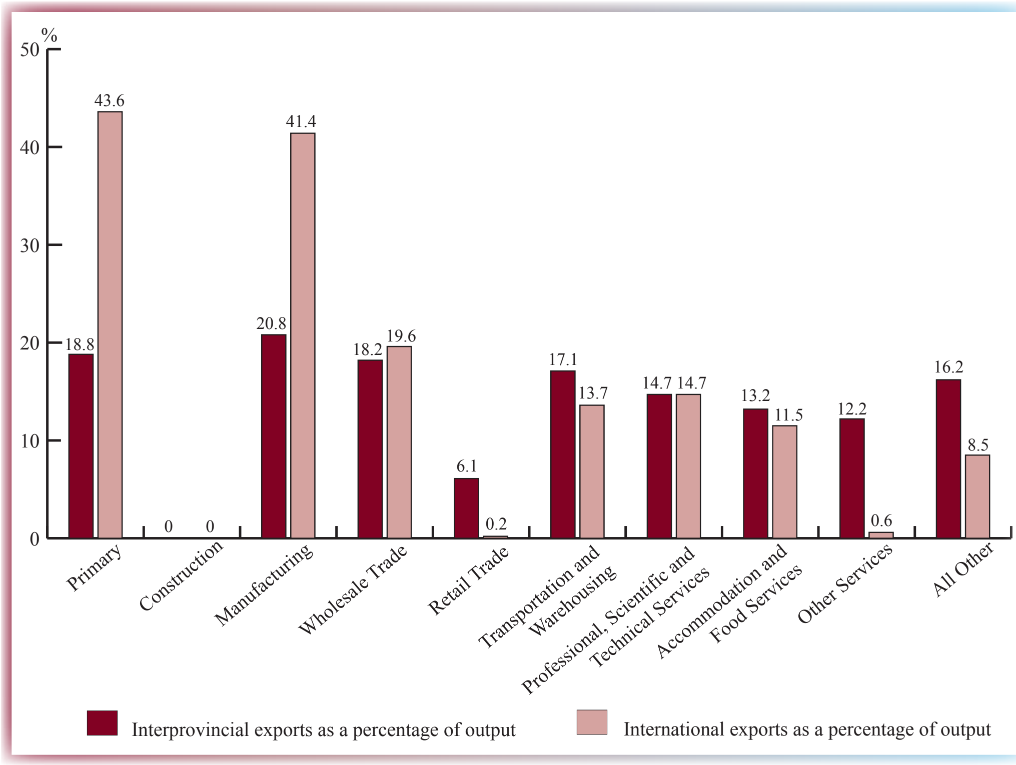
Table 3: Distribution of Internal Trader SMEs by Sector, 2011

Sector	Non-Internal Trader (%)	Internal Trader (%)	Internal Trader and Non-Exporter (%)	Internal Trader and Exporter (%)
Primary*	**7.3**	**3.8**	4.0	3.5
Construction	**17.6**	**4.6**	**7.0**	**1.3**
Manufacturing	**5.1**	**14.0**	**9.4**	**20.6**
Wholesale Trade	**4.1**	**15.6**	16.4	14.5
Retail Trade	13.9	12.4	14.3	9.6
Transportation and Warehousing	**4.2**	**8.3**	**5.8**	**11.8**
Professional, Scientific and Technical Services	**10.0**	**18.8**	20.4	16.7
Accommodation and Food Services	**10.0**	**3.4**	3.1	3.8
Other Services	**8.3**	**4.0**	**6.0**	**1.2**
All Other**	**19.4**	**15.0**	13.6	17.0
Knowledge-Based Industries (KBI)***	**3.8**	**8.3**	7.3	9.7

Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
* Primary includes Agriculture, Forestry, Fishing and Hunting (NAICS 11) and Mining, Quarrying, and Oil and Gas Extraction (NAICS 21).
** All Other includes Health Care and Social Assistance (NAICS 62), Information and Cultural Industries (NAICS 51), and Arts, Entertainment and Recreation (NAICS 71).
*** KBI is a separate industry category. Industries that make up the KBI category are also included in their respective sector categories.
Note: Bold values denote a statistically significant difference at 5 percent or 1 percent. Bold values for non-internal trader indicate the value is significantly different from the equivalent value for internal trader. Bold values for internal trader and non-exporter indicate the value is significantly different from the equivalent value for internal trader and exporter.

14. Source: Statistics Canada, Table 386-0003: Provincial input–output tables, international and interprovincial trade flows, summary level, basic prices, 2009. The total value of interprovincial exports includes the value contributed by all businesses, including large businesses. The value contributed solely by SMEs is not available.

Figure 8: Value of Interprovincial and International Exports by Sector (based on commodity), 2009



Sources: Statistics Canada, Table 386-0003: Provincial input–output tables, international and interprovincial trade flows, summary level, basic prices, 2009; Statistics Canada, Table 381-0031: Provincial gross output, by sector and industry, 2009; Industry Canada calculations.

Propensity to trade internally by business age

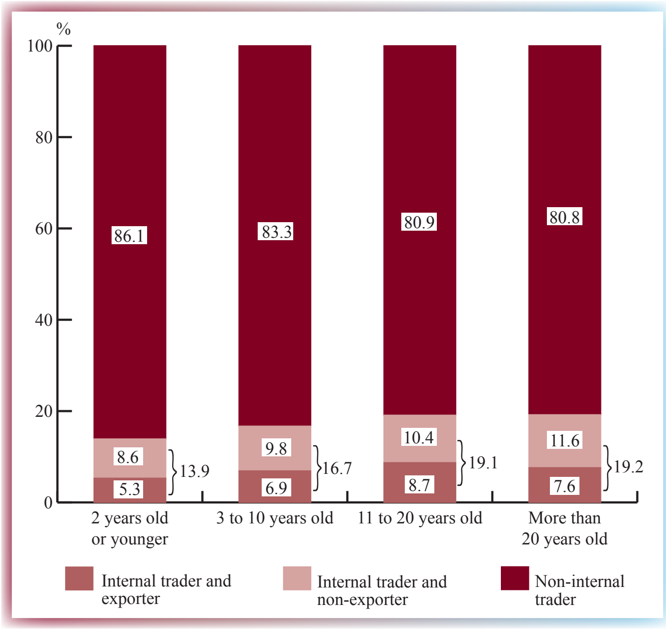
The propensity to trade internally increases with business age, rising from 13.9 percent for start-ups (firms 2 years old or younger) to 19.2 percent for SMEs more than 20 years old (Figure 9). SMEs 11 to 20 years old are the most likely to trade internally and export (8.7 percent).

When comparing internal traders and non-internal traders in terms of how they are distributed across various age categories, Table 4 shows that internal traders were typically older than their non-internal trader counterparts. Specifically, a smaller percentage of internal traders were start-ups compared with non-internal traders (3.8 percent versus 5.2 percent). A larger percentage of internal traders had been in operation for more than 10 years compared with non-internal traders (71.6 percent versus 67.3 percent).

Very few SMEs that trade internally and export were start-ups. Although some have suggested that “born global”[15] firms are gradually becoming the new norm (Cavusgil and Knight, 2009), the findings in Table 4 support the more traditional notion that most firms develop in incremental stages: first establishing themselves locally before expanding nationally or internationally. A major contributing factor is that few new firms have the ability or capacity to operate internationally from the time of their inception.

15. The concept of “born global” or “international new venture” was first introduced in a report by McKinsey and Co. (1993). Born global firms are those that start international activities from the time of their inception.

Figure 9: Propensity to Trade Internally by Business Age, 2011



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

Table 4: Distribution of Internal Trader SMEs by Business Age, 2011

Business Age	Non-Internal Trader (%)	Internal Trader (%)	Internal Trader and Non-Exporter (%)	Internal Trader and Exporter (%)
2009–2011 (2 years old or younger)	5.2	3.8	4.0	3.5
2001–2008 (3 to 10 years old)	27.5	24.7	24.8	24.5
1991–2000 (11 to 20 years old)	24.1	25.5	23.8	27.9
Prior to 1991 (more than 20 years old)	43.2	46.1	47.5	44.1

Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.

COMPARISON BETWEEN INTERNAL TRADERS AND NON-INTERNAL TRADERS

Growth characteristics

SMEs that trade internally appear to be more growth-oriented[16] than those that do not (Table 5). While the majority of SMEs experienced average revenue growth between 1 percent and 10 percent per year, internal traders were less likely to experience no growth and were more likely to be considered high-growth firms than non-internal traders (nevertheless, the latter is not statistically significant). The percentage of growth-oriented firms was even higher among internal traders that export, with 9.9 percent growing by 20 percent or more per year over the previous three years.

Table 5: Growth in Sales by Internal Trader Status, 2011

	Non-Internal Trader (%)	Internal Trader (%)	Internal Trader and Non-Exporter (%)	Internal Trader and Exporter (%)
Growth in Sales Over Last 3 Years				
Less than 0% (negative sales growth)	**15.5**	**18.5**	18.2	18.9
0% (no growth)	**23.0**	**17.9**	19.2	16.0
Between 1% and 10% per year	43.4	44.7	45.0	44.4
Between 11% and 20% per year	10.5	10.5	10.2	10.9
20% or more per year	7.6	8.4	7.4	9.9
Expected Growth in Sales Over Next 3 Years				
Less than 0% (negative sales growth)	6.8	5.9	6.5	5.0
0% (no growth)	**18.4**	**14.5**	14.6	14.4
Between 1% and 10% per year	55.8	57.7	**60.5**	**53.7**
Between 11% and 20% per year	12.1	12.0	10.8	13.6
20% or more per year	**6.9**	**9.9**	**7.5**	**13.3**

Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
Note: Bold values denote a statistically significant difference at 5 percent or 1 percent. Bold values for non-internal trader indicate the value is significantly different from the equivalent value for internal trader. Bold values for internal trader and non-exporter indicate the value is significantly different from the equivalent value for internal trader and exporter.

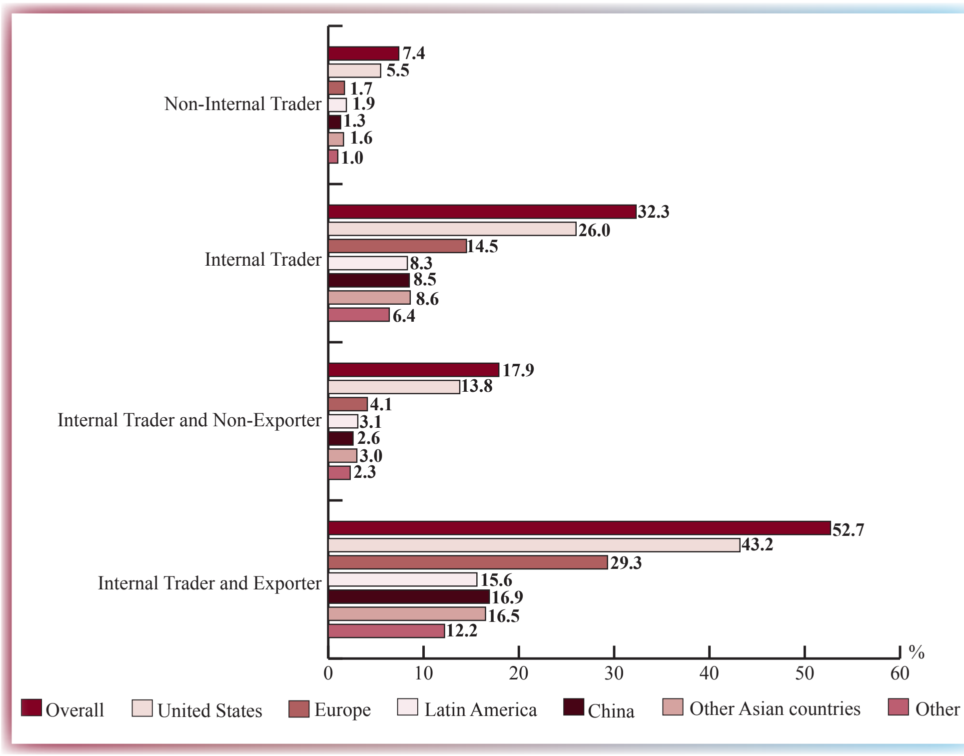
Internal traders also had higher growth expectations than non-internal traders. Specifically, 9.9 percent of internal traders expected to achieve sales growth of 20 percent or more per year over the 2011–2013 period compared with 6.9 percent of non-internal traders. Again, internal traders that export had even higher growth expectations, with 13.3 percent expecting to grow by 20 percent or more per year over the 2011–2013 period compared with 7.5 percent of internal traders that did not export.

16. For the purpose of this report, growth-oriented SMEs are those that have grown in the recent past or plan to grow in the future.

Almost one third of internal traders intended to expand their sales in foreign markets over the 2011–2013 period (Figure 10). By comparison, only 7.4 percent of non-internal traders expressed the same intentions. Among internal traders, 26.0 percent intended to expand sales in the United States, 14.5 percent in Europe, 8.5 percent in both China and all other Asian countries, and 8.3 percent in Latin America. An even greater percentage of internal traders that already export planned to expand sales abroad (52.7 percent) and almost 18 percent of internal traders that do not export planned to export in the future.

In summary, in 2011 internal traders were not only more growth oriented than non-internal traders but they were also more likely to have plans to expand exports. Even among internal traders that did not export in 2011, a sizeable portion had plans to export in the future (more so than non-internal traders). With internal traders being more growth oriented and export oriented, these findings suggest that reducing interprovincial trade barriers and assisting SMEs that already engage in internal trade would not only promote internal trade but would also encourage more SMEs to export.

Figure 10: Intentions to Expand Sales in Foreign Markets by Internal Trader Status, 2011

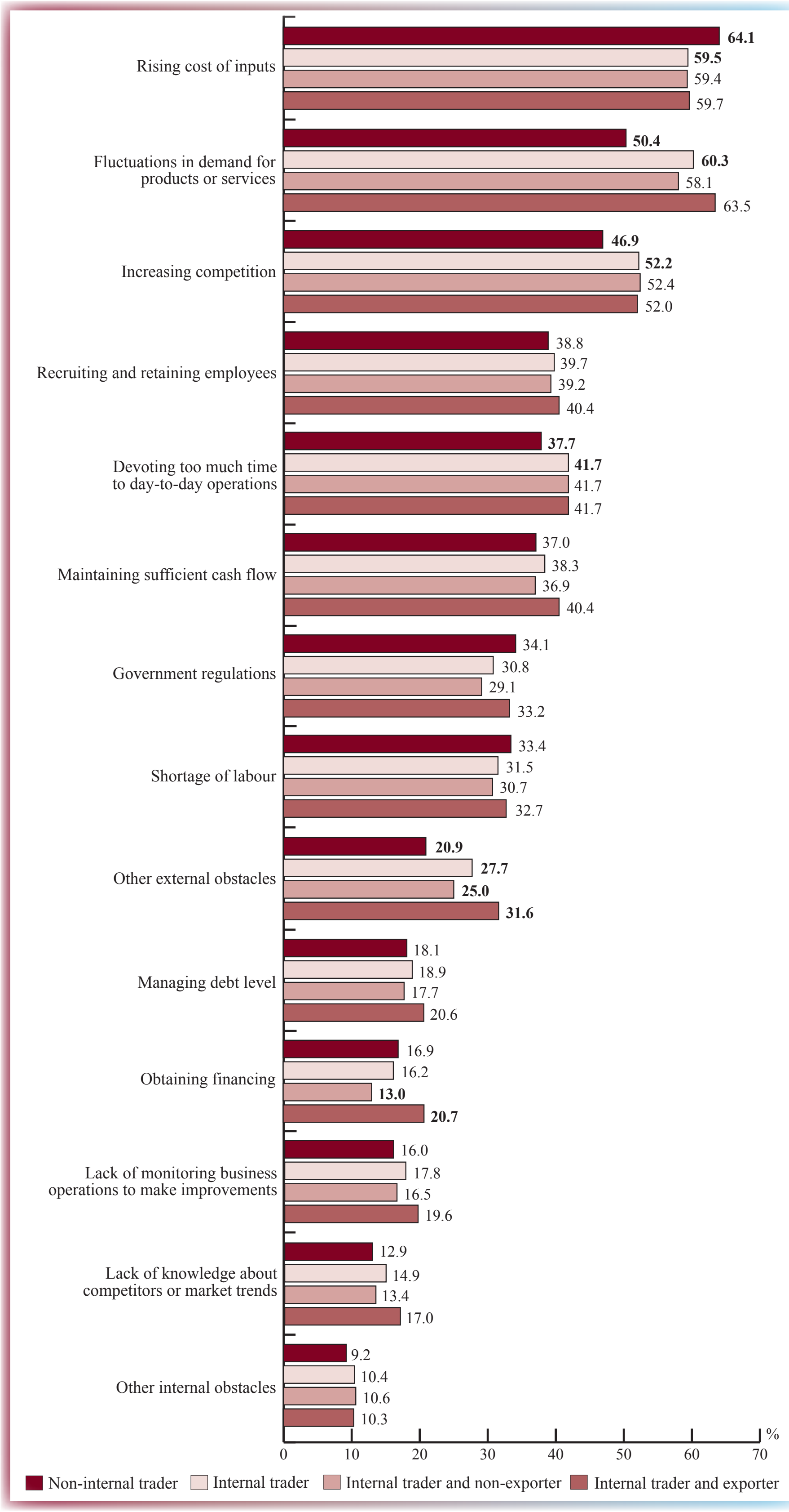


Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
Note: Bold values denote a statistically significant difference at 5 percent or 1 percent. Bold values for non-internal trader indicate the value is significantly different from the equivalent value for internal trader. Bold values for internal trader and non-exporter indicate the value is significantly different from the equivalent value for internal trader and exporter.

Obstacles to business growth

Figure 11 presents obstacles to business growth. In 2011, the most commonly cited obstacle to business growth by internal traders was fluctuations in demand for products or services, with 60.3 percent of survey respondents indicating that this was an obstacle. The majority of internal traders also felt that the rising cost of inputs (59.5 percent) and increasing competition (52.2 percent) were obstacles to growth.

Figure 11: Obstacles to Business Growth by Internal Trader Status, 2011



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
Note: Bold values denote a statistically significant difference at 5 percent or 1 percent. Bold values for non-internal trader indicate the value is significantly different from the equivalent value for internal trader. Bold values for internal trader and non-exporter indicate the value is significantly different from the equivalent value for internal trader and exporter.

SMEs engaged in internal trade were significantly more likely than non-internal traders to cite fluctuations in demand for products or services and increasing competition as obstacles to growth. This may reflect the fact that internal traders operate in more markets and, therefore, face varying degrees of competition. In addition, they are more likely to encounter regional economic and cultural factors than SMEs that sell only within their home province.

For internal traders that export, obstacles and risks are often multiplied as businesses must deal with changing exchange rates, tariffs, and political and market conditions, and often have greater financing needs. According to survey results, a greater percentage of SMEs that trade internally and export cited obtaining financing as a barrier to growth compared with internal traders that did not export. This is consistent with other studies suggesting that SME exporters often have more difficulty accessing financing (Industry Canada, 2011).

Business location and sector also made a difference regarding obstacles to business growth (see Appendix Tables A1 and A2 for a comparison of obstacles to business growth faced by internal and non-internal traders by province and sector). In the Atlantic region, a greater percentage of internal traders identified shortage of labour, managing debt level and obtaining financing as obstacles to growth than non-internal traders, while in Quebec, Ontario and Manitoba, internal traders were more concerned over fluctuations in demand for products or services than non-internal traders.

Investigation of the differences between internal traders and non-internal traders in certain sectors reveals some interesting findings. First, a greater percentage of internal traders in the primary sector (which includes agriculture) cited government regulations as an obstacle to growth than non-internal traders. This was the only sector for which this was a significant obstacle to growth, not surprising given that internal trade impediments are particularly prevalent in agriculture. Restrictions in this sector include limitations on interprovincial trade of commodities such as poultry, dairy products and eggs; different food-packaging and labelling rules across provinces; restrictions on large shipments of fruits and vegetables; and differences between federal and provincial meat inspection programs (Macmillan and Grady, 2007; Coulibaly, 2010). This helps explain why only 10.4 percent of SMEs in the primary sector were internal traders in 2011 (Figure 7).

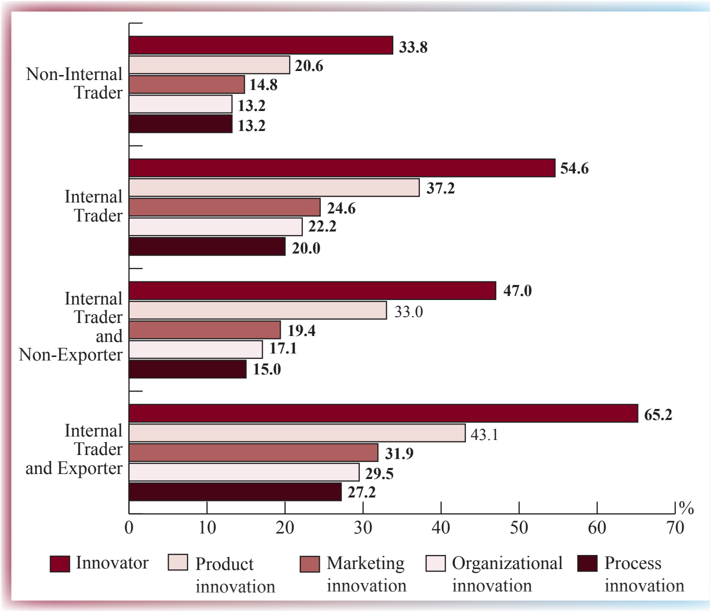
Second, in the professional, scientific and technical services sector, significantly fewer internal traders cited a lack of knowledge about competitors or market trends as an obstacle to growth than non-internal traders. This is to be expected given that selling beyond your borders requires a business to understand its competition and economic environment. In addition, significantly more internal traders in this sector cited maintaining sufficient cash flow and recruiting and retaining employees as obstacles to business growth than non-internal traders.

In most sectors, there were only a few cases in which there was a statistically significant difference between the percentage of internal traders and the percentage of non-internal traders that cited each obstacle to growth. However, in the wholesale trade sector the difference between the two groups was statistically significant for six of the 14 obstacles. Specifically, it was more common for internal traders than non-internal traders to cite the rising cost of inputs, fluctuations in demand for products or services, increasing competition, devoting too much time to day-to-day operations, and a lack of monitoring business operations to make improvements as obstacles to growth. In addition, it was less common for internal traders to cite a shortage of labour as an obstacle to growth than non-internal traders. Further investigation of the wholesale trade sector is required to determine why the obstacles to growth for internal traders are so different from those for non-internal traders within the same sector.

Innovation and intellectual property

Many studies have shown that businesses that grow beyond their borders (both provincial and international borders) are more dynamic and innovative, and those businesses that are more innovative are more productive (Jenkins, 2011). Survey results show that internal traders, those operating in more competitive markets, were more innovative than non-internal traders (Figure 12). Among internal traders, 54.6 percent developed or introduced a new or significantly improved product, process, organizational method or marketing method over the previous three years compared with 33.8 percent of non-internal traders. Internal traders that export were even more likely to innovate, with 65.2 percent introducing at least one type of innovative activity compared with 47.0 percent of internal traders that did not export.

Figure 12: Innovation Activity by Internal Trader Status, 2009–2011

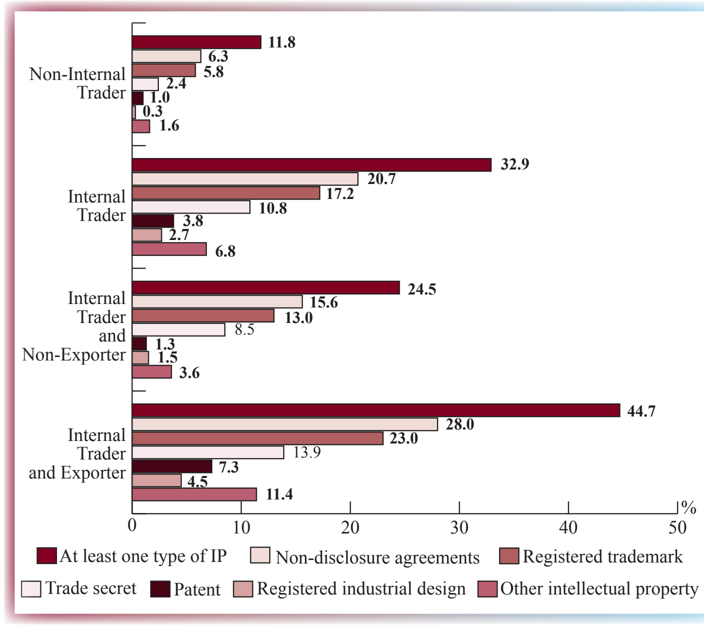


Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
Note: Bold values denote a statistically significant difference at 5 percent or 1 percent. Bold values for non-internal trader indicate the value is significantly different from the equivalent value for internal trader. Bold values for internal trader and non-exporter indicate the value is significantly different from the equivalent value for internal trader and exporter.

Related to innovation is intellectual property (IP), defined by the Canadian Intellectual Property Office as “the creations of the mind, such as inventions, literary and artistic works, as well as symbols, names, pictures, designs and models used in business” (Canadian Intellectual Property Office, 2004). Many businesses choose to hold IP as a way to market themselves and enhance their competitive advantage by preventing competitors from using or selling their products or services.

Internal traders surveyed in 2011 were significantly more likely to have IP than non-internal traders (32.9 percent compared with 11.8 percent) (Figure 13). Non-disclosure agreements were the most prominently held type of intellectual property by internal traders (20.7 percent). For all types of IP, a significantly higher percentage of internal traders held IP than non-internal traders. Among internal traders, those that exported were more likely to hold some type of IP (44.7 percent) and were significantly more likely (at 5 percent or 1 percent) to hold every type of IP (except trade secrets) than internal traders that do not export.

Figure 13: Intellectual Property Protection by Internal Trader Status, 2011



Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
Note: Bold values denote a statistically significant difference at 5 percent or 1 percent. Bold values for non-internal trader indicate the value is significantly different from the equivalent value for internal trader. Bold values for internal trader and non-exporter indicate the value is significantly different from the equivalent value for internal trader and exporter.

With internal traders being more likely to possess some kind of IP protection, it suggests that they are better able to compete in the open market. IP rights can open up new export opportunities for businesses and allow them to develop an advantageous market position abroad. Moreover, given the complexity of the IP system, and the difficulties that come with managing an IP asset, these findings speak to the knowledge and sophistication of the owners of SMEs that engage in internal trade.

Owner characteristics

The ability to sell outside your local market requires an owner with specific market knowledge and experience, and a willingness to take on risk. SMEs that trade internally have owners that are older, better educated and more experienced than owners of SMEs that do not trade internally (Table 6). Specifically, only 9.4 percent of the owners of SMEs that trade internally were less than 40 years of age compared with 12.8 percent of the owners of SMEs that do not trade internally. Almost three quarters of the owners of internal traders had some form of post-secondary education compared with 65 percent of the owners of non-internal traders. Higher education was even more prominent among internal traders that export, with more than half of the owners having at least a bachelor's degree. In addition, 83.1 percent of the owners of internal traders had more than 10 years of management experience compared with 75.9 percent of the owners of non-internal traders. Among internal traders that exported, 85.2 percent had more than 10 years of management experience.

Internal traders were more likely to be majority-male owned than non-internal traders: 70.4 percent of internal traders were majority-male owned compared with 65.4 percent of non-internal traders. This trend was even more prominent among SMEs that were both internal traders and exporters, with 76.3 percent being majority-male owned (versus 66.3 percent for internal traders that did not export).

Internal traders and non-internal traders did not differ significantly in terms of the country where the majority owner was born. However, owners of SMEs that trade internally and export were more likely to be born outside of Canada than owners of SMEs that trade internally but do not export. Recent research suggests that young firms owned by immigrants are more likely to export than young firms owned by non-immigrants. Research also suggests that export-oriented SMEs owned by immigrants significantly outperformed firms owned by immigrants that did not export (Neville et al., 2012).

Table 6: Owner Characteristics by Internal Trader Status, 2011

	Non-Internal Trader (%)	Internal Trader (%)	Internal Trader and Non-Exporter (%)	Internal Trader and Exporter (%)
Age				
Less than 40 years	**12.8**	**9.4**	9.1	9.8
Gender				
Majority-male owned	**65.4**	**70.4**	**66.3**	**76.3**
Equally owned	**18.6**	**15.8**	16.1	15.4
Majority-female owned	15.9	13.8	**17.7**	**8.4**
Highest Education Level Attained				
Less than high school	**10.2**	**6.3**	7.3	5.0
High school	**24.8**	**19.4**	21.3	16.7
College/CEGEP/trade school diploma	**33.2**	**27.2**	28.3	25.6
Bachelor's degree	**20.2**	**29.2**	**26.8**	**32.6**
Master's degree or above	**11.6**	**17.9**	16.4	20.1
Management Experience				
Over 10 years	**75.9**	**83.1**	81.6	85.2
Place of Birth				
Canada	78.2	78.9	80.5	76.5
Outside Canada	21.8	21.1	19.5	23.5

Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
Note: Bold values denote a statistically significant difference at 5 percent or 1 percent. Bold values for non-internal trader indicate the value is significantly different from the equivalent value for internal trader. Bold values for internal trader and non-exporter indicate the value is significantly different from the equivalent value for internal trader and exporter.

Financing activity

Businesses that expand beyond their provincial borders often require capital to manage additional costs associated with regulations and compliance, transportation of products and new marketing strategies (among other factors). For this reason, it is not surprising that a greater percentage of internal traders sought some type of external financing than non-internal traders. In fact, more internal traders requested every type of financing than non-internal traders in 2011, reflecting this greater financing need (Table 7).

Table 7: Financing Request and Approval Rates* by Internal Trader Status, 2011

	Non-Internal Trader (%)	Internal Trader (%)	Internal Trader and Non-Exporter (%)	Internal Trader and Exporter (%)
Request Rate				
Debt	**24.5**	**30.2**	28.8	32.3
Lease	**6.3**	**9.2**	8.6	10.0
Trade credit	**7.6**	**10.2**	8.9	12.2
Equity	**2.0**	**3.8**	3.4	4.3
Government	**3.0**	**6.7**	**4.6**	**9.6**
Approval Rate				
Debt	89.3	92.4	91.5	93.6
Lease	**98.5**	**94.3**	92.2	96.8
Trade credit	98.4	99.0	98.6	99.4
Equity	73.1	81.0	**93.5**	**66.8**
Government	84.2	83.1	87.6	80.1

Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
*Approval rates include full and partial approval.
Note: Bold values denote a statistically significant difference at 5 percent or 1 percent. Bold values for non-internal trader indicate the value is significantly different from the equivalent value for internal trader. Bold values for internal trader and non-exporter indicate the value is significantly different from the equivalent value for internal trader and exporter.

Debt financing was the most common type of external financing sought by all SMEs, although request rates were higher for internal traders (30.2 percent for internal traders versus 24.5 percent for non-internal traders). In addition, internal traders more frequently requested equity financing (3.8 percent versus 2.0 percent) and government financing (6.7 percent versus 3.0 percent). This was particularly evident among internal traders that were also exporters, with 9.6 percent seeking government financing in 2011 compared with 4.6 percent of internal traders that did not export.

Approval rates indicate that a greater percentage of internal traders than non-internal traders were approved for debt financing (92.4 percent compared with 89.3 percent), but a smaller percentage was approved for lease financing (94.3 percent compared with 98.5 percent). Internal traders that also exported had more difficulty accessing equity and government financing than internal traders that did not export (although the latter is not statistically significant).

SUMMARY AND DISCUSSION

This report highlights key descriptive findings about Canadian SMEs that engage in internal trade. First, a sizeable portion of SMEs (18 percent) engage in internal trade and interprovincial sales account for almost a quarter (22 percent) of their sales. Second, compared with SMEs that do not engage in internal trade, internal traders are larger (employ more workers) and more export oriented, growth oriented and innovative. Third, owners of SMEs that trade internally are older, better educated and more experienced than owners of SMEs that do not trade internally. Lastly, SMEs that engage in internal trade (particularly those that also export) have greater external financing needs. These findings suggest that SMEs develop and grow in incremental stages; first growing within their own region and then, after time and experience, expanding beyond their borders.

This profile provides valuable insights into SMEs that engage in internal trade and how they differ from those that do not. Further investigation is required to deepen our understanding of these businesses. Specifically, analysis at the industry and regional levels is warranted because it could be that many of the findings in this report are driven by the industrial composition within regions and within the internal trader population. In addition, a deeper econometric analysis may provide more confidence in some of these findings and relationships.

Nevertheless, with the results of this report in mind, removing obstacles to internal trade should continue to be a key objective for all levels of government. Reducing internal trade barriers would increase competition domestically and promote innovation and growth among Canadian firms. Recent research suggests that reducing barriers to internal trade could increase Canada's productivity by 8 percent overall (and even more so in provinces with below-average gross domestic product per capita), thereby narrowing the Canada–U.S. productivity gap (Tombe and Winter, 2012). Given the importance and potential of Canada's SMEs that trade interprovincially, further efforts should be made to assist these firms so they can grow and compete both nationally and internationally.

APPENDIX

Table A1: Obstacles to Business Growth by Province, 2011

	Atlantic		Quebec		Ontario		Manitoba	
	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)
External Obstacles								
Shortage of labour	**36.5**	**25.3**	34.4	35.0	**20.8**	**29.5**	35.6	39.0
Fluctuations in demand for products or services	61.8	52.9	**46.1**	**34.1**	**66.4**	**55.5**	**60.4**	**41.5**
Obtaining financing	**29.2**	**15.3**	20.5	17.1	14.4	18.4	8.7	6.9
Government regulations	37.5	40.9	30.5	33.5	**26.5**	**35.6**	38.2	28.8
Rising cost of inputs	**74.8**	**83.8**	46.6	48.7	**58.4**	**69.7**	71.1	62.3
Increasing competition	39.4	37.1	44.2	45.6	**61.4**	**50.9**	50.3	48.4
Other external obstacles	**38.3**	**20.9**	24.6	20.4	26.2	24.0	16.5	17.7
Internal Obstacles								
Managing debt level	**30.2**	**17.6**	12.4	10.1	22.7	24.2	12.6	22.0
Maintaining sufficient cash flow	43.0	41.5	37.5	30.8	40.4	41.9	33.3	27.9
Lack of monitoring business operations to make improvements	11.8	14.6	13.0	13.7	19.5	15.3	20.0	15.5
Lack of knowledge about competitors or market trends	15.3	10.1	15.9	15.9	15.5	11.7	12.6	13.5
Devoting too much time to day-to-day operations	38.9	34.4	34.5	29.6	40.0	40.3	29.4	41.8
Recruiting and retaining employees	40.1	31.5	31.9	36.5	35.8	37.3	47.6	52.8
Other internal obstacles	7.9	7.5	6.5	9.8	12.1	8.7	14.4	6.3

(*Table A1 continued*)

	Saskatchewan		Alberta		British Columbia	
	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)
External Obstacles						
Shortage of labour	**64.0**	**47.5**	49.1	42.8	29.8	31.4
Fluctuations in demand for products or services	53.0	42.7	52.8	51.8	67.2	62.0
Obtaining financing	11.3	10.1	10.8	16.6	16.6	17.6
Government regulations	27.2	23.3	23.2	26.9	38.8	37.7
Rising cost of inputs	64.4	58.7	60.2	63.4	62.3	66.8
Increasing competition	46.0	38.2	53.0	46.6	49.2	46.4
Other external obstacles	23.8	18.6	**24.7**	**14.8**	**34.9**	**21.1**
Internal Obstacles						
Managing debt level	10.8	13.3	15.2	18.2	18.7	16.6
Maintaining sufficient cash flow	**41.9**	**27.0**	35.1	33.8	36.4	39.3
Lack of monitoring business operations to make improvements	14.4	19.3	20.8	17.7	19.5	18.9
Lack of knowledge about competitors or market trends	13.3	11.4	17.6	11.2	12.2	14.0
Devoting too much time to day-to-day operations	42.6	36.8	**52.0**	**40.9**	**50.3**	**41.3**
Recruiting and retaining employees	**68.2**	**51.0**	44.9	42.6	43.7	39.8
Other internal obstacles	7.4	9.4	8.4	9.9	12.5	9.8

Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
Note: Bold values denote a statistically significant difference at 5 percent or 1 percent.

Table A2: Obstacles to Business Growth by Sector, 2011

	Primary*		Construction		Manufacturing		WholesaleTrade	
	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)
External Obstacles								
Shortage of labour	44.0	33.4	39.4	38.2	**35.8**	**38.1**	**22.1**	**28.0**
Fluctuations in demand for products or services	62.2	49.9	54.7	58.1	**59.2**	**64.9**	**68.6**	**55.5**
Obtaining financing	16.8	15.1	6.9	15.0	25.1	21.1	17.0	13.9
Government regulations	**64.9**	**50.6**	**15.5**	**35.8**	34.8	31.7	27.8	28.0
Rising cost of inputs	71.0	77.9	**36.3**	**63.8**	**64.7**	**65.0**	**70.2**	**63.6**
Increasing competition	39.9	38.7	41.4	48.7	**41.1**	**47.9**	**64.3**	**55.6**
Other external obstacles	22.0	26.4	12.5	19.4	27.4	23.4	27.0	26.9
Internal Obstacles								
Managing debt level	14.7	21.2	X	16.0	21.6	18.7	18.7	16.6
Maintaining sufficient cash flow	36.8	36.7	**17.6**	**42.2**	43.2	41.4	33.8	34.4
Lack of monitoring business operations to make improvements	13.9	15.1	**6.9**	**17.0**	**25.4**	**18.5**	**22.6**	**16.4**
Lack of knowledge about competitors or market trends	21.4	15.8	12.0	12.5	18.8	16.6	15.9	12.7
Devoting too much time to day-to-day operations	28.0	35.5	37.7	36.6	48.6	44.6	**41.2**	**34.2**
Recruiting and retaining employees	**52.5**	**31.7**	38.8	43.4	35.6	40.1	36.2	34.7
Other internal obstacles	5.7	8.2	X	10.2	9.3	9.7	10.8	8.8

(*Table A2 continued*)

	Retail Trade		Transportation and Warehousing		Professional, Scientific and Technical Services		Accommodation and Food Services	
	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)
External Obstacles								
Shortage of labour	28.9	29.0	42.8	37.7	30.9	30.4	59.2	46.3
Fluctuations in demand for products or services	**60.0**	**42.5**	**59.0**	**49.3**	52.3	53.6	**64.5**	**38.8**
Obtaining financing	9.3	14.2	14.5	14.8	15.8	13.7	16.5	23.8
Government regulations	30.3	31.8	45.8	42.5	17.7	24.5	46.3	43.5
Rising cost of inputs	59.3	65.3	83.3	80.1	40.9	41.7	92.2	85.5
Increasing competition	59.7	50.7	53.1	47.5	49.6	43.0	36.2	54.6
Other external obstacles	**32.6**	**20.5**	23.4	19.3	**28.8**	**19.0**	33.1	24.8
Internal Obstacles								
Managing debt level	23.5	20.5	18.9	16.1	11.8	11.2	33.2	29.8
Maintaining sufficient cash flow	37.2	38.4	41.8	38.8	**40.6**	**32.1**	45.1	38.9
Lack of monitoring business operations to make improvements	**26.3**	**16.1**	15.6	14.6	13.3	18.1	7.2	20.2
Lack of knowledge about competitors or market trends	13.3	12.4	8.2	11.5	**9.9**	**15.4**	9.8	16.1
Devoting too much time to day-to-day operations	36.1	37.7	**50.3**	**36.9**	41.7	43.0	36.8	49.5
Recruiting and retaining employees	31.9	38.7	45.8	38.4	**40.8**	**30.7**	68.5	57.5
Other internal obstacles	**2.7**	**8.2**	8.5	4.8	11.1	6.5	20.9	8.6

(*Table A2 continued*)

	Other Services		All Other**		Knowledge-Based Industries (KBI)***	
	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)	SMEs that engage in internal trade (%)	SMEs that do not engage in internal trade (%)
External Obstacles						
Shortage of labour	34.5	37.9	21.5	24.3	24.7	32.0
Fluctuations in demand for products or services	**66.9**	**43.4**	**62.6**	**51.8**	53.7	55.8
Obtaining financing	20.3	19.5	15.8	18.2	26.4	15.4
Government regulations	34.6	31.1	30.5	29.2	19.9	15.6
Rising cost of inputs	72.5	61.4	47.5	56.2	45.4	39.9
Increasing competition	41.3	35.1	**59.6**	**46.5**	47.3	47.7
Other external obstacles	18.3	22.5	**33.3**	**17.3**	**33.7**	**16.7**
Internal Obstacles						
Managing debt level	14.1	17.2	X	15.6	12.6	8.3
Maintaining sufficient cash flow	39.0	38.8	39.6	31.0	**54.7**	**32.7**
Lack of monitoring business operations to make improvements	13.2	16.7	13.5	11.2	15.8	13.5
Lack of knowledge about competitors or market trends	20.0	10.6	**20.4**	**10.0**	13.0	22.6
Devoting too much time to day-to-day operations	45.8	41.3	**40.5**	**28.2**	45.5	34.5
Recruiting and retaining employees	51.4	41.2	36.4	31.5	**39.9**	**26.7**
Other internal obstacles	9.5	9.7	X	11.7	**13.8**	**4.6**

Source: Statistics Canada, *Survey on Financing and Growth of Small and Medium Enterprises*, 2011.
* Primary includes Agriculture, Forestry, Fishing and Hunting (NAICS 11) and Mining, Quarrying, and Oil and Gas Extraction (NAICS 21).
** All Other includes Health Care and Social Assistance (NAICS 62), Information and Cultural Industries (NAICS 51), and Arts, Entertainment and Recreation (NAICS 71).
*** KBI is a separate industry category. Industries that make up the KBI category are also included in their respective sector categories.
Note 1: Bold values denote a statistically significant difference at 5 percent or 1 percent.
Note 2: "X" denotes data omitted to meet confidentiality requirements of the *Statistics Act* or due to poor quality.

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