



KEY SMALL BUSINESS STATISTICS

JANUARY 2019

Innovation, Science and Economic Development Canada
Small Business Branch
Research and Analysis Directorate

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Cat. No. Iu186-1E-PDF
ISSN 1718-3456

Aussi offert en français sous le titre *Principales statistiques relatives aux petites entreprises* - janvier 2019.

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FOREWORD

Key Small Business Statistics provides statistical data on the business sector in Canada, focusing on small and medium-sized enterprises (SMEs). This edition contains data on the following questions:

- How many SMEs are there in Canada?
- How many businesses appear and disappear each year?
- What are the shares of new businesses that survive the first 10 years?
- How many people work for SMEs?
- How much did employment grow between 2013 and 2017?
- What is the share of high-growth firms?
- Which provinces have the highest concentrations of exporters?
- How do SMEs contribute to Canada’s exports?
- What are Canada’s main export destinations?
- How do SMEs contribute to Canada’s gross domestic product?

In this publication, the definition of what constitutes a “business” or an “enterprise” may vary slightly according to the statistical sources used. Below is a list of those sources and links to the definitions used:

- Business Register: www23.statcan.gc.ca/imdb-bmdi/document/1105_D16_T9_V1-eng.htm
- Entrepreneurship Indicators Database: www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=5157
- Labour Force Survey: <http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&lang=en&db=imdb&adm=8&dis=2&SDDS=3701>
- Trade by Exporter Characteristics – Goods: <http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=5124>

Innovation, Science and Economic Development Canada (ISED) defines a business based upon the number of paid employees. For this reason, self-employed and “indeterminate” businesses are generally not included in the present publication as they do not have paid employees.¹

Accordingly, this publication defines an SME as a business establishment with 1–499 paid employees, more specifically:

1. Self-employed workers include those with incorporated and unincorporated businesses that may or may not use paid help. “Indeterminate” businesses include self-employed and contract workers.

- A small business has 1 to 99 paid employees.²
- A medium-sized business has 100 to 499 paid employees.
- A large business has 500 or more paid employees.

Notes on data and statistics:

- Statistics on financing, innovation and business owner characteristics have been omitted from the present edition. These statistics all come from Statistics Canada's *Survey on Financing and Growth of Small and Medium Enterprises, 2014*. Profiles will be prepared when statistics from the 2017 survey become available at the end of 2018.
- Many statistics on self-employment have been removed from *Key Small Business Statistics*.

This new edition and previous publications are available on the SME Research and Statistics website at www.ic.gc.ca/SMEresearch.

HIGHLIGHTS

NUMBER OF BUSINESSES, BIRTHS AND DEATHS

- As of December 2017, the Canadian economy totaled 1.18 million employer businesses. Of these, 1.15 million (97.9 percent) were small businesses, 21,926 (1.9 percent) were medium-sized businesses and 2,939 (0.2 percent) were large businesses.
- Between 2010 and 2015, the average number of SMEs created annually was 95,000 and the average number of businesses that disappeared annually was 85,000.
- On average, 47.8 percent of SMEs created in the goods-producing sector survived at least 10 years, compared with 42.9 percent in the service-producing sector.

EMPLOYMENT

- As of 2017, small businesses employed 8.29 million individuals in Canada, or 69.7 percent of the total private labour force. By comparison, medium-sized businesses employed 2.37 million individuals (19.9 percent of the private labour force) and large businesses employed 1.23 million individuals (10.4 percent of the private labour force).
- Between 2013 and 2017, small businesses were responsible for the majority (67.5 percent) of net employment growth,³ which increased by approximately 640,000 jobs. Medium-sized businesses contributed 17.8 percent of this net employment growth and large businesses contributed 14.7 percent.

2. Other groupings exist among this group of enterprises. For instance, enterprises with 1 to 4 employees are defined as micro-enterprises.

3. Net employment growth is the difference in total employment between two years.

HIGH-GROWTH FIRMS

- In 2015, high-growth firms represented 3.2 percent of businesses with 10 employees or more in Canada, based upon employment growth.
- High-growth firms are present in every economic sector and are not just concentrated in knowledge-based industries. Based upon employment growth from 2013–2015 in Canada, the highest concentration of high-growth firms is found in information and cultural industries (5.9 percent), mining, quarrying, and oil and gas extraction (5.4 percent) and agriculture (5.0 percent).

EXPORT OF GOODS

- In 2017, 48,454 Canadian establishments exported goods with a value totalling \$483.6 billion.
- In 2017, Ontario had 48.4 exporters per thousand establishments, followed by Manitoba with 43.9 and Quebec with 43.1.
- In 2017, SMEs contributed 41.9 percent of the total value of exported goods.
- In 2017, Canada's main export destinations were the United States, followed by China and the United Kingdom.

SMES' CONTRIBUTION TO GROSS DOMESTIC PRODUCT

- In 2014, the contribution of small businesses to gross domestic product generated by the private sector was 41.5 percent, the contribution of medium-sized businesses was 11.0 percent and the contribution of large businesses was 47.5 percent.
- In 2014, SMEs' contribution to GDP was 43.6 percent, on average, in the goods-producing sector, compared with 74.5 percent in the service-producing sector.

1. NUMBER OF BUSINESSES

1.1 HOW MANY SMES ARE THERE IN CANADA?

As of December 2017, there were 1.18 million employer businesses in Canada (Table 1). Of these, 1.15 million (97.9 percent) were small businesses, 21,926 (1.9 percent) were medium-sized businesses and 2,939 (0.2 percent) were large businesses.

More than half of Canada's small employer businesses are concentrated in Ontario and Quebec (417,742 and 236,705 respectively). Western Canada has a large number of small businesses led by British Columbia, which had 179,517 small businesses as of December 2017. In the Atlantic region, Nova Scotia has the greatest number of small businesses at 28,874.

The province with the greatest number of businesses per thousand individuals aged 18 and over is Prince Edward Island (49.4), followed by Alberta (48.8). In contrast, Quebec has the smallest number of businesses per thousand individuals aged 18 and over (35.3), followed by Ontario (37.2) and Nova Scotia (37.3).

Table 1: Total Number of Employer Businesses by Business Size and Number of SMEs per 1,000 Provincial Population, December 2017

Province/Territory	Small businesses (1–99 employees)		Medium-sized businesses (100–499 employees)		Large businesses (500+ employees)		Total	Number of businesses per 1,000 individuals (18+ years)
	Number	%	Number	%	Number	%		
Newfoundland and Labrador	16,580	97.9	310	1.8	43	0.3	16,933	38.7
Prince Edward Island	5,963	98.3	94	1.5	11	0.2	6,068	49.4
Nova Scotia	28,874	97.9	554	1.9	68	0.2	29,496	37.3
New Brunswick	24,827	98.0	449	1.8	59	0.2	25,335	40.5
Quebec	236,705	97.9	4,447	1.8	603	0.2	241,755	35.3
Ontario	417,742	97.7	8,744	2.0	1,232	0.3	427,718	37.2
Manitoba	38,226	97.6	822	2.1	122	0.3	39,170	37.8
Saskatchewan	40,072	98.3	625	1.5	86	0.2	40,783	45.4
Alberta	160,264	98.0	2,933	1.8	387	0.2	163,584	48.8
British Columbia	179,517	98.3	2,829	1.5	324	0.2	182,670	46.1
Territories	3,999	97.0	119	2.9	4	0.1	4,122	46.4
Canada	1,152,769	97.9	21,926	1.9	2,939	0.2	1,177,634	39.7

Sources: Statistics Canada, Table 33-10-0037-01 – Canadian Business Counts, with employees, December 2017; Statistics Canada, Table 17-10-0005-01 – Population estimates on July 1st, by age and sex; and ISED calculations.

Of the 1,177,634 employer businesses in Canada, 21.6 percent are in the goods-producing sector and 78.4 percent are in the service-producing sector (Table 2). Micro-enterprises (1–4 employees) make up 53.8 percent of Canadian businesses. By adding those businesses with 5–9 employees, this number increases to 73.4 percent. In other words, almost three out of four Canadian businesses have 1–9 employees. It should be noted that the distribution of businesses according to the number of employees varies slightly between the goods-producing and service-producing sectors.

Table 2: Number of Employer Businesses by Sector and Business Size (Number of Employees), December 2017

Number of employees	Goods		Service		Total	
	Number	Cumulative %	Number	Cumulative %	Number	Cumulative %
1–4 employees	144,678	56.9	489,385	53.0	634,063	53.8
5–9 employees	49,059	76.2	181,798	72.7	230,857	73.4
10–19 employees	27,736	87.2	125,065	86.2	152,801	86.4
20–49 employees	19,723	94.9	81,630	95.1	101,353	95.0
50–99 employees	7,049	97.7	26,646	97.9	33,695	97.9
Small businesses (1–99 employees)	248,245	97.7	904,524	97.9	1,152,769	97.9
100–199 employees	3,526	99.1	11,316	99.2	14,842	99.1
200–499 employees	1,797	99.8	5,287	99.7	7,084	99.8
500+ employees	538	100.0	2,401	100.0	2,939	100.0
Total	254,106	21.6	923,528	78.4	1,177,634	

Note: By definition, the goods-producing sector consists of agriculture, forestry, fishing and hunting; mining, quarrying, and oil and gas extraction; utilities; construction and manufacturing. The service-producing sector consists of wholesale trade; retail trade; transportation and warehousing; information and cultural industries; finance and insurance; real estate and rental and leasing; professional, scientific and technical services; management of companies and enterprises; administrative and support, waste management and remediation services; educational services; health care and social assistance; arts, entertainment and recreation; accommodation and food services; other services (except public administration) and public administration.

Source: Statistics Canada, Table 33-10-0037-01 – Canadian Business Counts, with employees, December 2017.

As shown in Table 3, the following four industries – construction; retail trade; professional, scientific and technical services; and other services (except public administration) – account for 538,542 businesses on their own, which represents 45.7 percent of Canadian businesses. The health care and social assistance industry also accounts for a significant number of businesses (112,166), or 9.5 percent of Canadian businesses. More than half (55.3 percent) of Canadian businesses are accounted for in these five of the 20 industries.

More than 99 percent of businesses in the following four industries are small businesses: agriculture, forestry, fishing and hunting; real estate and rental and leasing; professional, scientific and technical services; and other services (except public administration). However, only 82.5 percent of businesses in public administration and 86.6 percent of those in management of companies and enterprises are small businesses.

Table 3: Number of Employer Businesses by Sector and Number of Employees, December 2017

	Small businesses (1–99 employees)		Medium-sized businesses (100–499 employees)		Large businesses (500+ employees)		Total
	Number	%	Number	%	Number	%	
Goods-Producing Sector	248,245	97.7	5,323	2.1	538	0.2	254,106
Agriculture, forestry, fishing and hunting	47,665	99.4	292	0.6	10	0.0	47,967
Mining, quarrying, and oil and gas extraction	8,844	95.4	338	3.6	88	0.9	9,270
Utilities	1,286	90.1	109	7.6	32	2.2	1,427
Construction	143,451	98.9	1,432	1.0	117	0.1	145,000
Manufacturing	46,999	93.2	3,152	6.2	291	0.6	50,442
Service-Producing Sector	904,524	97.9	16,603	1.8	2,401	0.3	923,528
Wholesale trade	57,234	98.0	1,076	1.8	66	0.1	58,376
Retail trade	140,001	97.9	2,961	2.1	28	0.0	142,990
Transportation and warehousing	66,231	98.2	1,053	1.6	150	0.2	67,434
Information and cultural industries	17,365	96.5	544	3.0	80	0.4	17,989
Finance and insurance	41,080	97.8	766	1.8	145	0.3	41,991
Real estate and rental and leasing	50,366	99.1	389	0.8	49	0.1	50,804
Professional, scientific and technical services	141,551	99.1	1,185	0.8	108	0.1	142,844
Management of companies and enterprises	5,933	86.6	663	9.7	254	3.7	6,850
Administrative and support, waste management and remediation services	50,874	96.6	1,565	3.0	219	0.4	52,658
Educational services	13,065	93.1	534	3.8	434	3.1	14,033
Health care and social assistance	109,543	97.7	2,257	2.0	366	0.3	112,166
Arts, entertainment and recreation	17,462	96.4	571	3.2	76	0.4	18,109
Accommodation and food services	80,003	98.2	1,389	1.7	58	0.1	81,450
Other services (except public administration)	107,108	99.4	568	0.5	32	0.0	107,708
Public administration	6,708	82.5	1,082	13.3	336	4.1	8,126
All Industries	1,152,769	97.9	21,926	1.9	2,939	0.2	1,177,634

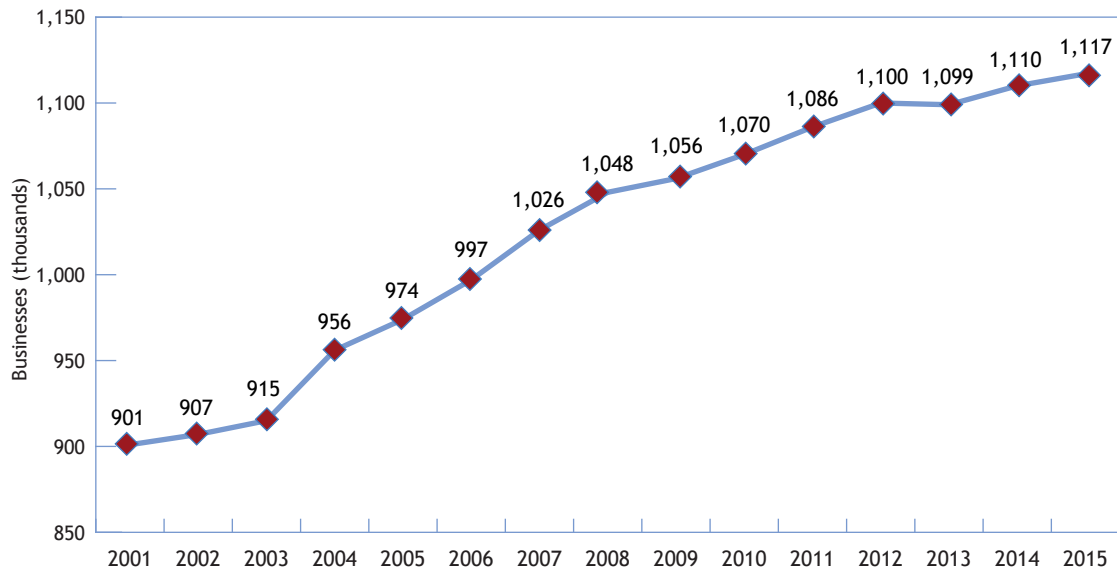
Source: Statistics Canada, Table 33-10-0037-01 – Canadian Business Counts, with employees, December 2017.

1.2 HOW MANY BUSINESSES APPEAR AND DISAPPEAR EACH YEAR?

An increase or decrease in the number of businesses is the net result of the appearance or disappearance of businesses over a given period. This is often referred to as “creative destruction”. Between 2001 and 2015, the number of businesses increased every year, except in 2013, when more businesses disappeared (96,400) than appeared (95,400),⁴ as illustrated in Figure 1. On average, 95,000 businesses were created every year between 2010 and 2015 and 85,000 disappeared.

4. Statistics Canada produces several sources of data (such as the Entrepreneurship Indicators Database and the Longitudinal Employment Analyses Program) that present similar data on business births and deaths. The differences in level between these sources and the data produced by the Canadian Centre for Data Development and Economic Research (CDER) in the National Accounts Longitudinal Microdata File (NALMF) are a result of the different data sources and methodological concepts used. The data produced by the CDER through the NALMF were chosen because, in addition to providing the number of business births and deaths, the survival rate of start-up businesses is also available.

Figure 1: Number of Businesses with at Least One Employee, Canada, 2001–2015



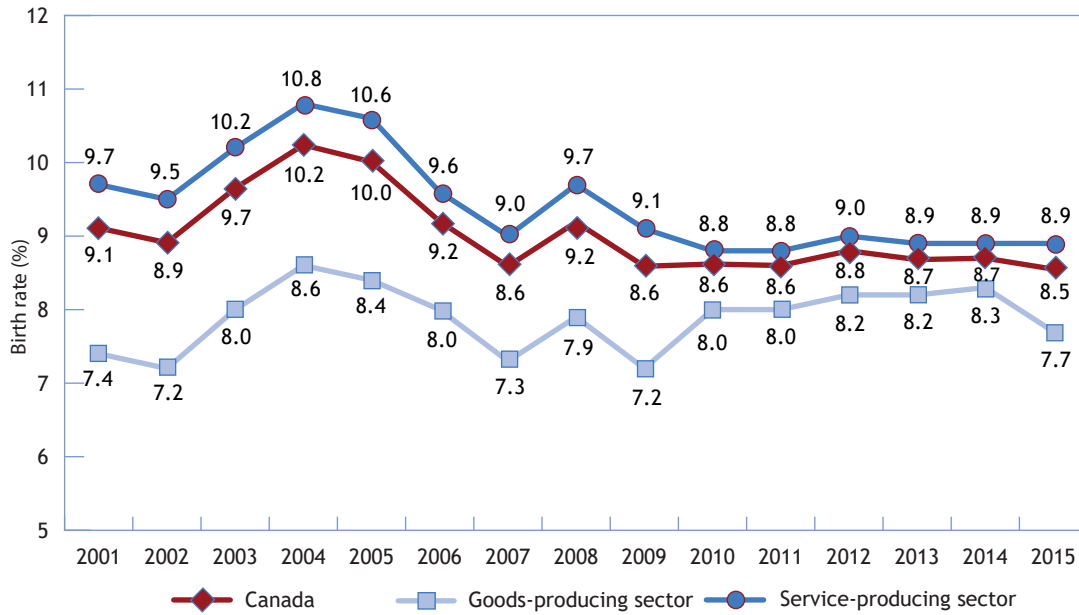
Source: Statistics Canada, Canadian Centre for Data Development and Economic Research (CDER), National Accounts Longitudinal Microdata File.

As illustrated in Figure 2, throughout the 2001–2015 period, the enterprise birth rate was lower in the goods-producing sector than in the service-producing sector. From 2010–2015, the average birth rate in the goods-producing sector was 8.1 percent, compared with 8.9 percent in the service-producing sector. On average, every year between 2010 and 2015, 23,400 businesses appeared and 20,000 businesses disappeared in the goods-producing sector, while in the service-producing sector, 71,600 businesses were created and 65,000 businesses closed.

This variation between birth rates for these two sectors can be explained by the entry cost and different levels of competition. If this is, indeed, the case, higher birth rates would be observed in sectors with a lower entry cost or with a higher level of competition than other sectors.

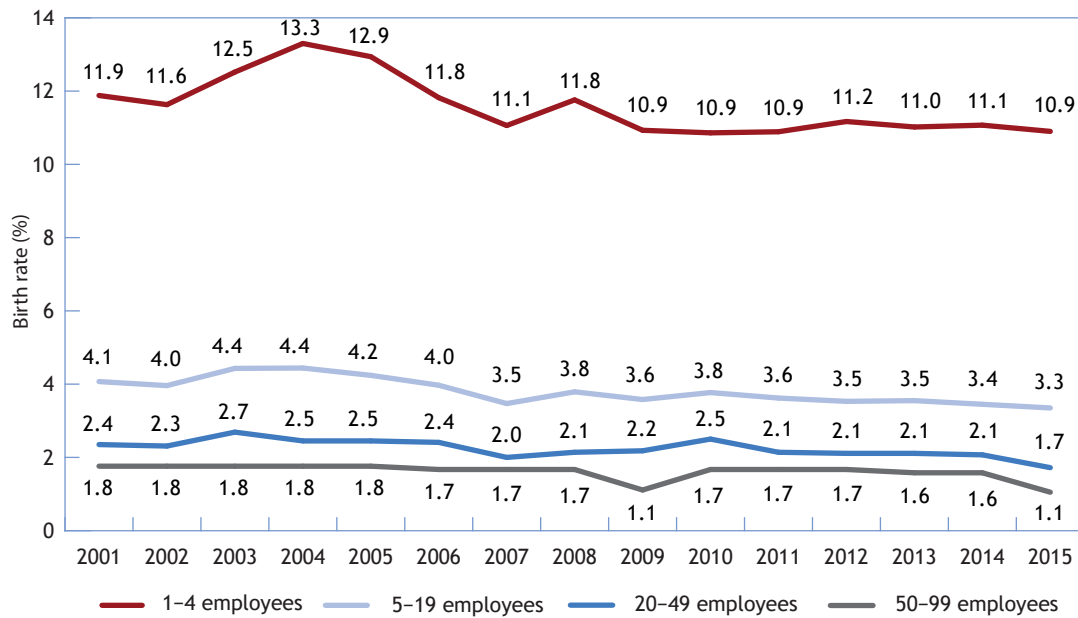
The enterprise birth rate is inversely related to firm size during market entry. The more individuals employed when a business begins operations, the lower the enterprise birth rate (Figure 3). On average, between 2010 and 2015, the birth rate was 11.0 percent, 3.5 percent, 2.1 percent and 1.5 percent for businesses with 1–4, 5–19, 20–49 and 50–99 employees respectively.

Figure 2: Birth Rate for Enterprises with One or More Employees, Canada, and Main Sectors, 2001–2015



Source: Statistics Canada, Canadian Centre for Data Development and Economic Research, National Accounts Longitudinal Microdata File.

Figure 3: Birth Rate by Initial Business Size, Canada, 2001–2015



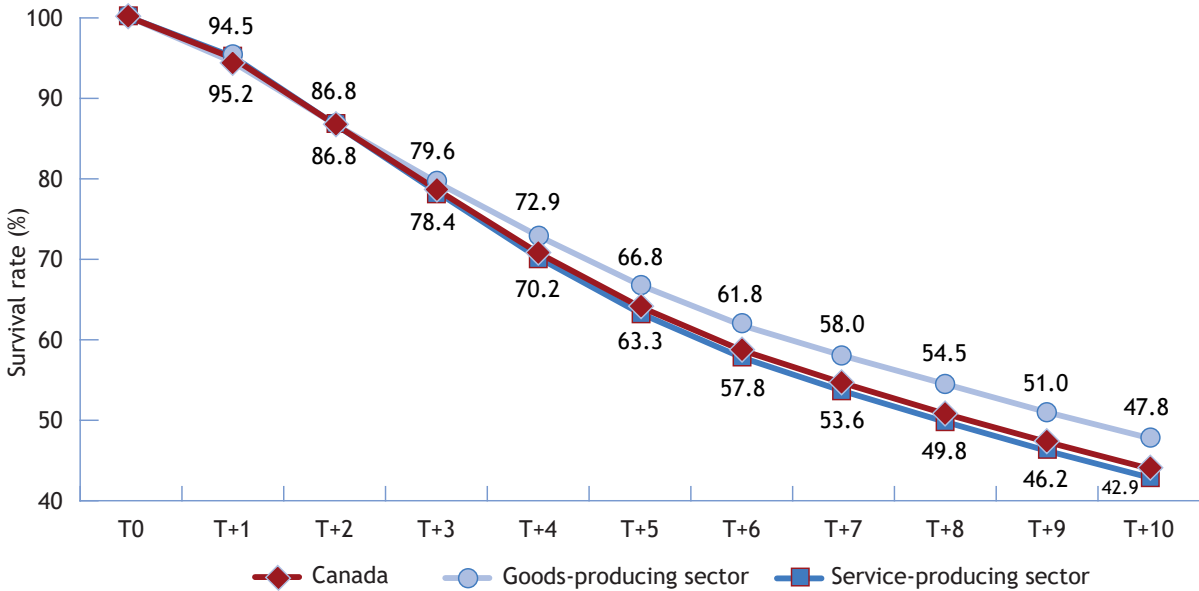
Source: Statistics Canada, Canadian Centre for Data Development and Economic Research, National Accounts Longitudinal Microdata File.

The vast majority of businesses had 1–4 employees when they began operations. Of the average 95,000 businesses created annually from 2010–2015, approximately 85,270 businesses (or 89.8 percent) had 1–4 employees when they were created. Over the course of this period, 8.7 percent, 1.3 percent and 0.2 percent of new businesses began operations with 5–19, 20–49 and 50–99 employees respectively. Of the average 85,000 annual closures, 90.2 percent, 8.9 percent, 0.8 percent and 0.1 percent were businesses with 1–4, 5–19, 20–49 and 50–99 employees respectively.

1.3 WHAT ARE THE SHARES OF NEW BUSINESSES THAT SURVIVE THE FIRST 10 YEARS?

Businesses in the goods-producing and service-producing sectors showed similar survival rates over the course of the first two years (T + 1 and T + 2) after their creation (T0) (Figure 4). After the third year (T + 3), business survival rates in the goods-producing sector were higher than in the service-producing sector. After five years (T + 5), 66.8 percent of businesses in the goods-producing sector were still operating, compared with 63.3 percent of businesses in the service-producing sector. After 10 years (T + 10), the business survival rate for the goods-producing sector was 47.8 percent, compared with 42.9 percent for the service-producing sector.

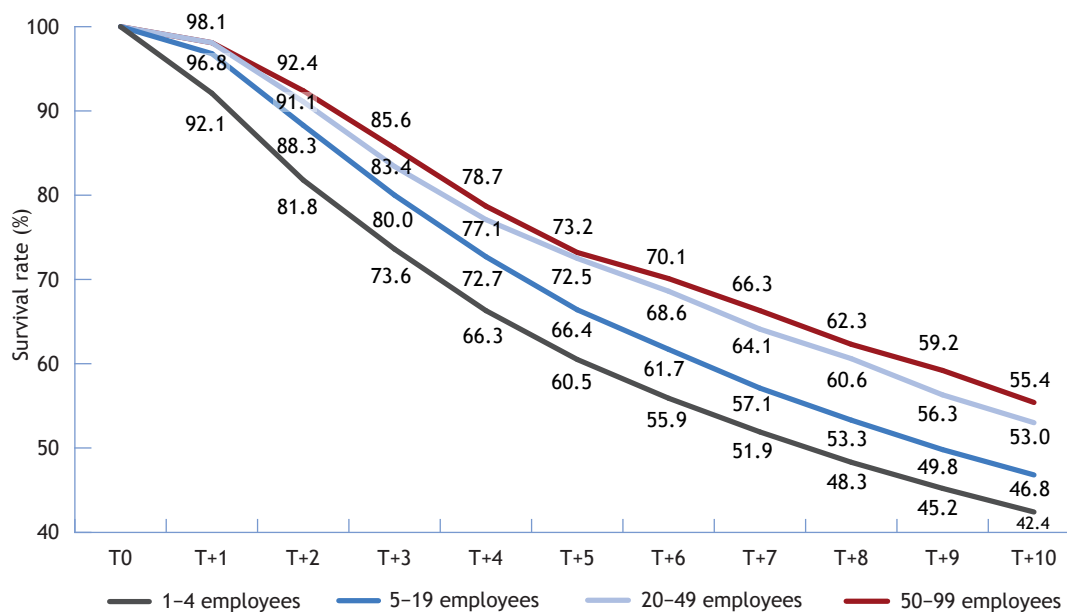
Figure 4: Survival Rate of Businesses with One or More Employees, Goods Producing Sector and Service Manufacturing Sector, Canada



Source: Statistics Canada, Canadian Centre for Data Development and Economic Research, National Accounts Longitudinal Microdata File.

There is a positive correlation between enterprise survival rate and initial business size (Figure 5). Businesses that began operations with a large number of employees had a higher survival rate than businesses that began with a smaller number of employees. After five and ten years (T + 5 and T + 10), 60.5 percent and 42.4 percent of businesses that began operations with 1–4 employees were still active, respectively, compared with 73.2 percent and 55.4 percent of businesses that began operations with a workforce of 50–99 employees respectively.

Figure 5: Survival Rate by Initial Business Size



Source: Statistics Canada, Canadian Centre for Data Development and Economic Research, National Accounts Longitudinal Microdata File.

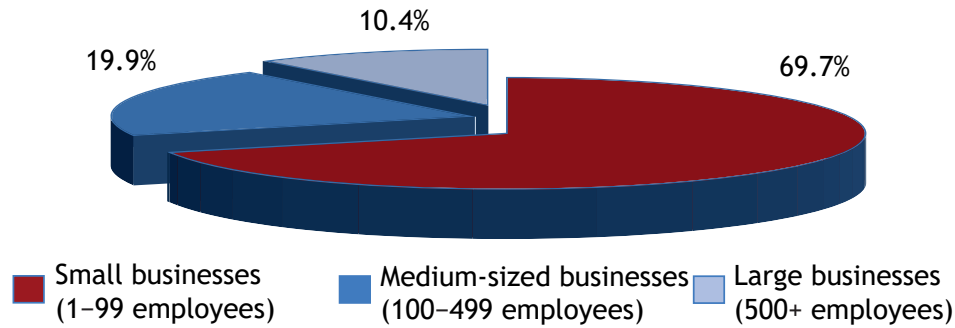
2. EMPLOYMENT

2.1 HOW MANY PEOPLE WORK FOR SMES?

In 2017, private sector⁵ businesses employed approximately 11.9 million individuals in Canada. The majority of private sector employees worked for small businesses, specifically 69.7 percent (8.29 million), compared with 19.9 percent (2.37 million) for medium-sized businesses and 10.4 percent (1.23 million) for large businesses (Figure 6). In total, SMEs employed 89.6 percent (10.67 million) of the private sector workforce, highlighting the important role SMEs play in employing Canadians.

5. Private sector employees are found in every Canadian economic sector, except public administration.

Figure 6: Distribution of Private Sector Employees by Business Size, 2017



Sources: Statistics Canada, *Labour Force Survey*; and ISED calculations.

SMEs play an essential role in employing Canadians across the country. On the provincial level, the percentage of private sector employment in SMEs is highest in Newfoundland and Labrador and Prince Edward Island at 94.0 percent and 93.9 percent respectively (Table 4). This percentage is lowest in Quebec and Ontario at 87.4 percent and 88.3 percent respectively. Total private sector employment in Ontario and Quebec amounts to 7,426,100 jobs, which represents more than 60 percent of Canadian private sector employment.

Table 4: Total Private Sector Employment by Province and Business Size, 2017

Province	Small businesses (1-99 employees)		Medium-sized businesses (100-499 employees)		Percentage of SME employment	Large businesses (500+ employees)		Total (thousands)
	Number (thousands)	%	Number (thousands)	%		Number (thousands)	%	
Newfoundland and Labrador	107.7	76.3	25.0	17.7	94.0	8.5	6.0	141.2
Prince Edward Island	34.4	78.5	6.8	15.4	93.9	2.7	6.1	43.8
Nova Scotia	206.5	74.7	50.7	18.3	93.1	19.2	6.9	276.4
New Brunswick	164.5	72.9	43.8	19.4	92.2	17.5	7.8	225.8
Quebec	1,822.1	66.6	569.7	20.8	87.4	343.8	12.6	2,735.5
Ontario	3,145.1	67.1	995.2	21.2	88.3	550.2	11.7	4,690.6
Manitoba	287.4	72.6	74.8	18.9	91.5	33.5	8.5	395.8
Saskatchewan	250.8	76.9	54.7	16.8	93.6	20.8	6.4	326.3
Alberta	1,087.1	74.0	253.8	17.3	91.3	128.3	8.7	1,469.2
British Columbia	1,190.2	74.8	297.1	18.7	93.5	103.8	6.5	1,591.0
Canada	8,295.8	69.7	2,371.4	19.9	89.7	1,228.3	10.4	11,895.5

Sources: Statistics Canada, *Labour Force Survey*; and ISED calculations.

Distribution of employment by business size varies across industries. As shown in Table 5, SMEs account for over 90.0 percent of employment in six industries: agriculture (99.3 percent); other services (except public administration) (99.0 percent); accommodation and food services (98.1 percent); wholesale and retail trade (95.9 percent); construction (95.4 percent); and business, building and other support services (93.1 percent). In all industries, at least 70.0 percent of the workforce is employed by SMEs.

Table 5: Total Private Sector Employment by Industrial Sector and Business Size, 2017

	Small businesses (1–99 employees)		Medium-sized businesses (100–499 employees)		Percentage of SME employment	Large businesses (500+ employees)		Total (thousands)
	Number (thousands)	%	Number (thousands)	%		Number (thousands)	%	
Goods-Producing Sector	1,891.4	62.1	783.7	25.7	87.9	369.6	12.1	3,044.8
Agriculture	101.3	90.9	9.4	8.4	99.3	0.8	0.7	111.5
Forestry, fishing, mining, quarrying, and oil and gas extraction	142.1	50.7	66.9	23.9	74.5	71.5	25.5	280.6
Utilities	6.8	44.9	3.8	25.4	70.3	4.5	29.7	15.1
Construction	821.3	82.1	133.4	13.3	95.4	45.6	4.6	1,000.3
Manufacturing	819.9	50.1	570.2	34.8	84.9	247.2	15.1	1,637.3
Service-Producing Sector	6,404.4	72.4	1,587.7	17.9	90.3	858.7	9.7	8,850.7
Wholesale and retail trade	1,949.8	77.3	469.9	18.6	95.9	102.5	4.1	2,522.2
Transportation and warehousing	350.8	57.8	160.8	26.5	84.3	95.5	15.7	607.1
Finance, insurance, real estate and leasing	551.7	61.5	182.8	20.4	81.8	163.1	18.2	897.6
Professional, scientific and technical services	670.5	68.3	211.1	21.5	89.8	99.9	10.2	981.5
Business, building and other support services	416.1	73.8	109.1	19.3	93.1	38.8	6.9	564.0
Educational services	65.1	61.6	17.8	16.8	78.5	22.7	21.5	105.6
Health care and social assistance	537.1	55.7	194.7	20.2	75.9	232.4	24.1	964.2
Information, culture and recreation	344.8	64.1	115.5	21.5	85.6	77.4	14.4	537.6
Accommodation and food services	1,007.0	90.5	84.9	7.6	98.1	20.7	1.9	1,112.5
Other services (except public administration)	511.6	91.6	41.1	7.4	99.0	5.8	1.0	558.5
Total	8,295.8	69.7	2,371.4	19.9	89.7	1,228.3	10.3	11,895.5

Sources: Statistics Canada, *Labour Force Survey*; and ISED calculations.

The total number of employees working for small businesses in 2017 was, in order of magnitude, wholesale and retail trade (1.95 million); accommodation and food services (1.01 million); construction (0.82 million) and manufacturing (0.82 million). These industries alone accounted for 55.4 percent of all jobs in small businesses in Canada. Overall, industries in the goods-producing sector accounted for 25.6 percent of total employment and 22.8 percent of employment in small businesses. Agriculture has the highest share of employees working in small businesses (1–99 employees), specifically 101,300 out of the total of 111,500 employees in the industry, or approximately 91 percent.

2.2 HOW MUCH DID EMPLOYMENT GROW BETWEEN 2013 AND 2017?

Between 2013 and 2017, total net employment change in the private sector was 639,200, which corresponds to an average annual growth rate of 1.1 percent (Table 6). The net employment change among small businesses was 431,600, compared with 113,600 among medium-sized businesses, or an average annual growth rate of 1.1 percent and 1.0 percent respectively. Consequently, the contribution to net employment change by small businesses was 67.5 percent and 17.8 percent by medium-sized businesses. SMEs were responsible for 85.3 percent of net employment change over the last five years (Figure 7).

Table 6: Average Annual Growth Rate and Contribution to Net Employment Change in the Private Sector by Province and Business Size, 2013–2017

Province	Small businesses (1–99 employees)			Medium-sized businesses (100–499 employees)			Large businesses (500+ employees)			Total		
	AAGR* (%)	NEC** (000)	CNEC*** (%)	AAGR* (%)	NEC** (000)	CNEC*** (%)	AAGR* (%)	NEC** (000)	CNEC*** (%)	AAGR* (%)	NEC** (000)	CNEC*** %
Newfoundland and Labrador	-0.2	-1.1	26.8	-0.7	-0.9	20.5	-4.5	-2.2	52.6	-0.6	-4.2	100
Prince Edward Island	0.8	1.4	47.4	4.1	1.2	42.7	2.3	0.3	9.8	1.4	2.9	100
Nova Scotia	-1.0	-10.9	88.4	-1.4	-3.7	29.5	2.5	2.2	-17.9	-0.9	-12.4	100
New Brunswick	0.1	0.9	—	-0.6	-1.4	—	0.8	0.7	—	0.0	0.2	100
Quebec	0.8	70.9	55.8	1.3	36.5	28.7	1.2	19.8	15.5	1.0	127.2	100
Ontario	1.5	223.2	70.3	0.9	44.3	14.0	1.9	50.1	15.8	1.4	317.6	100
Manitoba	0.9	12.4	75.7	0.5	1.9	11.5	1.3	2.1	12.8	0.8	16.4	100
Saskatchewan	1.0	12.6	80.1	1.1	2.8	17.9	0.3	0.3	2.0	1.0	15.7	100
Alberta	0.4	19.1	132.5	-0.9	-11.4	-79.2	1.1	6.7	46.7	0.2	14.4	100
British Columbia	1.8	103.5	64.0	3.3	44.3	27.4	2.9	13.8	8.6	2.2	161.6	100
Canada	1.1	431.8	67.6	1.0	113.6	17.8	1.6	93.8	14.7	1.1	639.2	100

* AAGR: Average annual growth rate.

** NEC: Net employment change from 2013–2017.

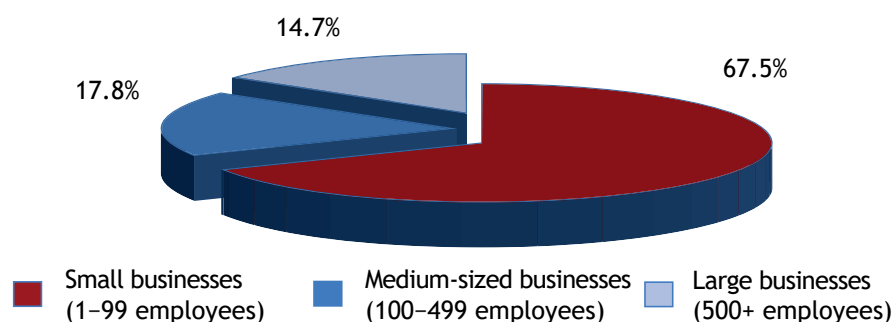
*** CNEC: Contribution to net employment change. For small businesses in Canada, for example, CNEC = 431.8/639.2, or 67.5 percent. If the total change is very small, as is the case in the goods-producing sector, CNEC by business size is not indicated in the table.

Sources: Statistics Canada, *Labour Force Survey*; and ISED calculations.

Over the last five years, private sector employment has increased in all provinces, with the exception of Newfoundland and Labrador and Nova Scotia. The highest contribution to net employment change among SMEs was observed in Saskatchewan, where 98.0 percent of net employment change was attributable to SMEs, followed by British Columbia at 91.4 percent. In Ontario, where net employment change was highest (317,600), 84.3 percent of this change was attributable to SMEs.

Over the 2013–2017 period, all net employment change was attributable to businesses in the service-producing sector; employment in the goods-producing sector did not increase (Table 7).

Figure 7: Contribution to Net Employment Change of Private Sector Businesses by Business Size, 2013–2017



Sources: Statistics Canada, *Labour Force Survey*; and ISED calculations.

Table 7: Average Annual Growth Rate and Contribution to Net Employment Change by Industrial Sector and Business Size, 2013–2017

	Small businesses (1–99 employees)			Medium-sized businesses (100–499 employees)			Large businesses (500+ employees)			Total		
	AAGR* (%)	NEC** (000)	CNEC*** (%)	AAGR* (%)	NEC** (000)	CNEC*** (%)	AAGR* (%)	NEC** (000)	CNEC*** (%)	AAGR* (%)	NEC** (000)	CNEC*** (%)
Goods-Producing Sector	0.2	17.7	—	-0.1	-2.7	—	-0.8	-15.0	—	0.0	0.0	100
Agriculture	-1.1	-5.9	82.5	-2.1	-1.0	14.7	-4.3	-0.2	2.7	-1.2	-7.1	100
Forestry, fishing, mining, quarrying, and oil and gas extraction	-2.7	-20.6	61.5	-3.4	-12.8	38.2	0.0	-0.1	0.4	-2.2	-33.5	100
Utilities	-6.4	-2.7	35.7	-9.8	-2.6	34.6	-7.7	-2.2	29.7	-7.7	-7.5	100
Construction	1.7	66.1	81.6	1.9	12.2	15.0	1.3	2.8	3.4	1.7	81.0	100
Manufacturing	-0.5	-19.3	58.5	0.1	1.6	-4.9	-1.2	-15.3	46.4	-0.4	-32.9	100
Service-Producing Sector	1.3	414.1	64.8	1.5	116.3	18.2	2.7	108.8	17.0	1.5	639.2	100
Wholesale and retail trade	1.0	94.2	60.8	1.4	30.7	19.8	7.1	29.9	19.3	1.3	154.8	100
Transportation and warehousing	1.6	26.4	45.1	2.5	18.7	32.0	3.1	13.4	22.9	2.0	58.5	100
Finance, insurance, real estate and leasing	1.5	39.6	45.1	3.7	30.3	34.5	2.3	17.9	20.4	2.1	87.7	100
Professional, scientific and technical services	3.7	110.6	73.9	1.6	16.4	11.0	5.3	22.6	15.1	3.4	149.6	100
Business, building and other support services	1.1	22.0	49.5	4.0	19.5	43.8	1.6	3.0	6.7	1.7	44.5	100
Educational services	2.3	6.9	66.0	1.3	1.1	10.9	2.3	2.4	23.1	2.1	10.5	100
Health care and social assistance	2.0	51.6	58.8	0.6	6.0	6.9	2.8	30.2	34.4	1.9	87.9	100
Information, culture and recreation	1.0	16.5	160.0	0.3	1.7	16.7	-1.9	-7.9	-76.7	0.4	10.3	100
Accommodation and food services	1.0	47.4	115.0	-1.8	-8.1	-19.6	1.9	1.9	4.6	0.8	41.2	100
Other services (except public administration)	0.0	-1.1	18.8	0.0	0.0	0.9	-11.0	-4.6	80.4	-0.2	-5.7	100
Total	1.1	431.8	67.6	1.0	113.6	17.8	1.6	93.8	14.7	1.1	639.2	100

* AAGR: Average annual growth rate.

** NEC: Net employment change from 2013–2017.

*** CNEC: Contribution to net employment change. For small businesses in Canada, for example, CNEC = 431.8/639.2, or 67.5 percent. If the total change is very small, as is the case in the goods-producing sector, CNEC by business size is not indicated in the table.

Sources: Statistics Canada, *Labour Force Survey*; and ISED calculations.

The most significant net employment changes observed in the service-producing sector were in wholesale and retail trade (154,800) and professional, scientific and technical services (149,600), corresponding to an average annual growth rate of 1.3 percent and 3.4 percent respectively. The contribution to net employment change by SMEs in these two industries was 84.9 percent for professional, scientific and technical services and 80.6 percent for wholesale and retail trade. In the service-producing sector, the only industry that experienced a decrease in net employment change between 2013 and 2017 was other services (except public administration) (-5,700).

A positive net employment change was observed in the construction industry (81,000 jobs, or an average annual growth rate of 1.7 percent), which was nullified by negative net employment changes observed in the other four industries making up the goods-producing sector. SMEs in the construction industry represented 96.6 percent of the contribution to net employment change in this industry over the last five years.

3. GROWTH

3.1 WHAT IS THE SHARE OF HIGH-GROWTH FIRMS?

Firms that achieve high growth in a short period of time tend to make a large contribution in terms of employment and wealth creation. Based upon a recent study,⁶ high-growth firms⁷ contributed to 41 percent of the total net employment change between 2009 and 2012. Although policy-makers tend to associate high-growth firms with innovative high-tech firms, the reality, as discussed below, is that these firms are found across all industrial sectors.

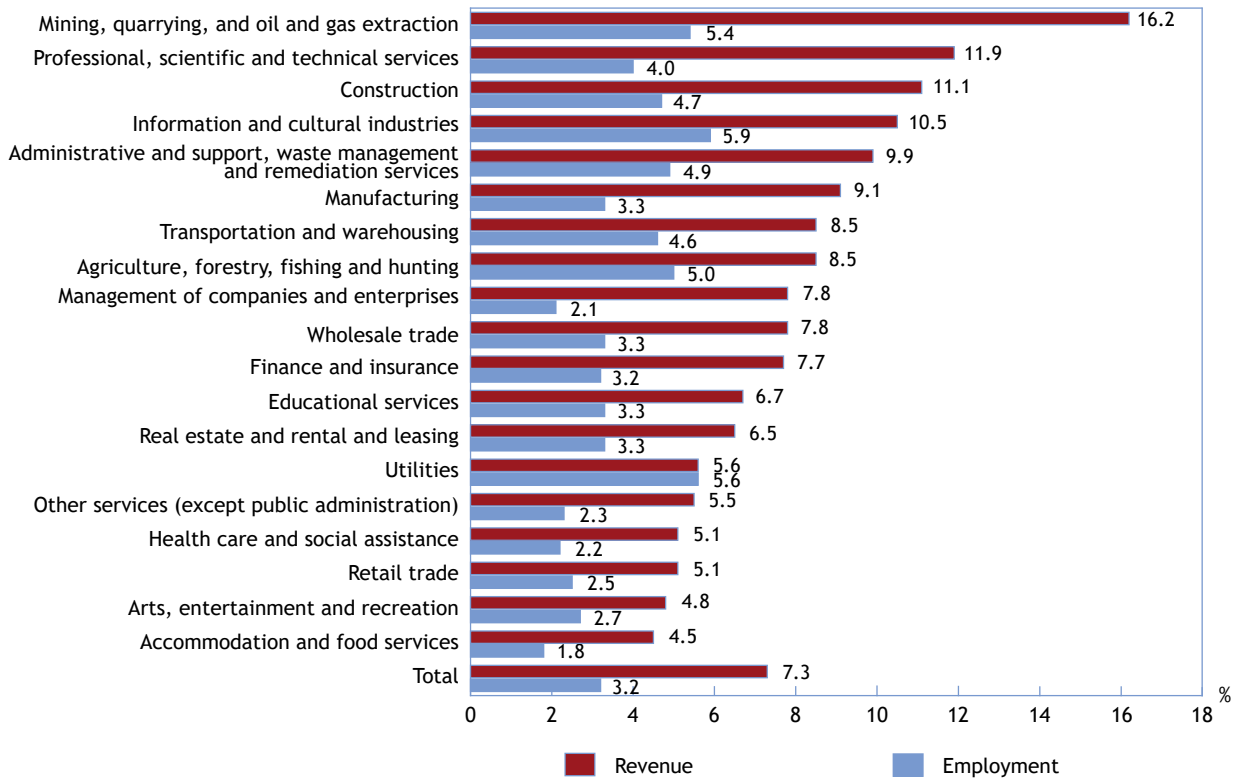
Figure 8 presents percentages of high-growth firms across different industries, between 2012 and 2015, based upon revenue and employment. As shown, there are high-growth firms in all industries. In the goods-producing sector, the largest share of high-growth firms, based upon revenue, is found in mining, quarrying, and oil and gas extraction (16.2 percent), construction (11.1 percent) and manufacturing (9.1 percent). In the service-producing sector, industries with the highest share of high-growth firms are professional, scientific and technical services (11.9 percent) and information and cultural industries (10.5 percent). Overall, the share of high-growth firms based upon revenue is more than twice the share based upon employment (7.3 percent versus 3.2 percent respectively).

6. Rivard, Patrice (2017). "The Contribution to Canadian Net Employment Change by High-Growth Firms." Ottawa: Innovation, Science and Economic Development Canada. Available at https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03058.html.

7. According to the Organisation for Economic Co-operation and Development, high-growth firms are firms with 10 or more employees that have experienced average annual growth of 20 percent, in terms of employment or revenue, over three consecutive years.

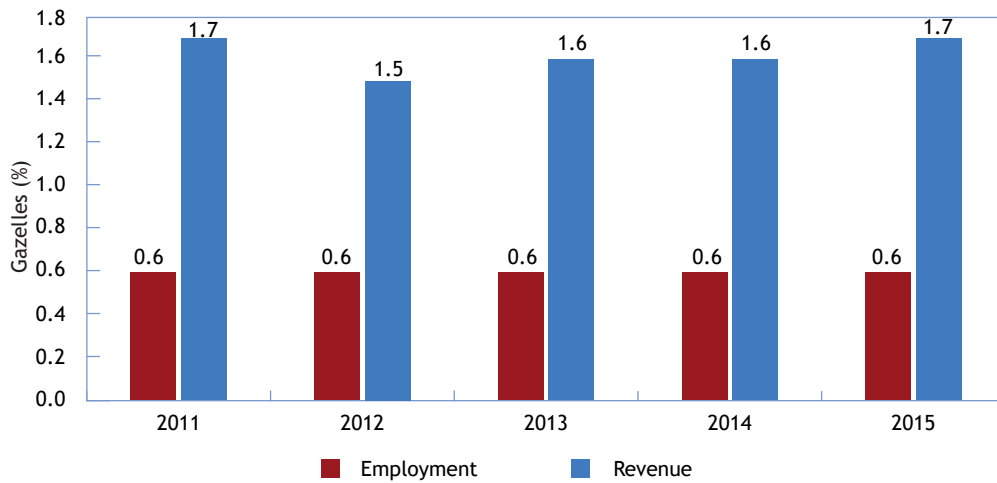
Gazelles are high-growth firms that have been active for four or five years. Their growth can be measured by the number of employees or by revenue. Figure 9 shows gazelles as a share of all businesses with at least 10 employees. Between 2011 and 2015, the share of gazelles based upon employment was 0.6 percent. This is approximately 2.8 times less than the share of gazelles based upon revenue, which was 1.6 percent, on average, during this period.

Figure 8: Percentage of High-Growth Firms by Industry, Based upon Revenue and Employment Growth, 2012–2015



Source: Statistics Canada, Entrepreneurship Indicators Database.

Figure 9: Gazelles as a Share of all Enterprises with at Least 10 Employees, Based upon Employment and Revenue Growth, 2011–2015



Source: Statistics Canada, Entrepreneurship Indicators Database.

4. EXPORT OF GOODS

4.1 WHICH PROVINCES HAVE THE HIGHEST CONCENTRATIONS OF EXPORTERS?

Exporting is vital to Canada’s economy. It is a driver of economic growth and is strongly correlated with real gross domestic product growth. Furthermore, exporting can provide a strategically important means of growing a firm by expanding its market beyond the confines of Canada’s relatively small domestic market.

Exporters are found in all provinces. In 2017, out of the 48,454 establishments that exported goods, 42.8 percent were operating in Ontario (Table 8). Ontario had the highest concentration of exporters at 48.4 exporters per thousand establishments, followed by Manitoba and Quebec at 43.9 and 43.1 exporters per thousand establishments respectively. The lowest concentration of exporters was found in the territories and Newfoundland and Labrador at 14.8 and 17.2 exporters per thousand establishments respectively.

In Canada, the average value of exports per establishment was \$10 million in 2017. This includes establishments located in the territories, which had the highest average value of exports, at slightly more than \$30 million per establishment, followed by Newfoundland and Labrador and Alberta at \$20.6 million and \$20.3 million per establishment respectively. This can probably be explained by the fact that the territories and these two provinces specialize in the production of natural resources.

Table 8: Provincial Exports by Number of Establishments and Value of Goods Exported, 2017

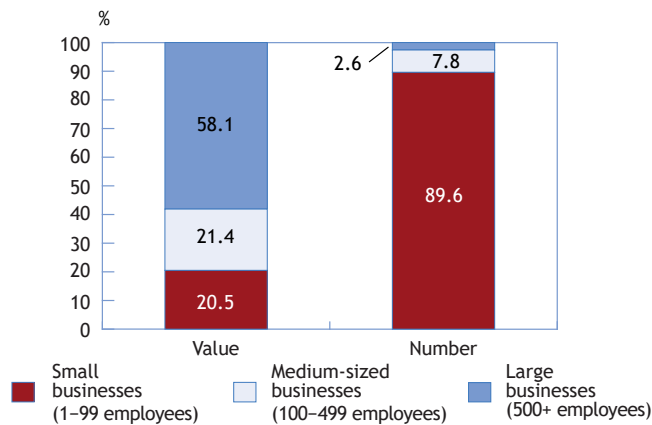
	Number of exporters	Distribution (%)	Number of exporters per 1,000 establishments	Value of exports (\$ billions)	Distribution (%)	Average value of exports by establishment (\$ millions)
Canada	48,454		41.1	483.6		10.0
Newfoundland and Labrador	292	0.6	17.2	6.0	1.2	20.6
Prince Edward Island	226	0.5	37.2	1.4	0.3	6.2
Nova Scotia	970	2.0	32.9	4.9	1.0	5.0
New Brunswick	775	1.6	30.6	12.5	2.6	16.2
Quebec	10,422	21.5	43.1	78.6	16.2	7.5
Ontario	20,715	42.8	48.4	196.6	40.7	9.5
Manitoba	1,718	3.5	43.9	17.8	3.7	10.3
Saskatchewan	1,434	3.0	35.2	17.1	3.5	11.9
Alberta	4,928	10.2	30.1	100.2	20.7	20.3
British Columbia	6,913	14.3	37.8	46.8	9.7	6.8
Territories	61	0.1	14.8	1.8	0.4	30.3

Source: Statistics Canada, Table 12-10-0098-01 – Trade in goods by exporter characteristics, by industry of establishment (x 1,000).

4.2 HOW DO SMES CONTRIBUTE TO CANADA’S EXPORTS?

In 2017, Canada’s exports of goods increased to \$483.6 billion, of which 41.9 percent was attributable to SMEs (Figure 10). More than 48,000 Canadian establishments exported goods, the vast majority of which were SMEs (97.4 percent).

Figure 10: Contribution of SMEs to the Export of Goods by Number of Exporters and Value of Exports, Canada, 2017

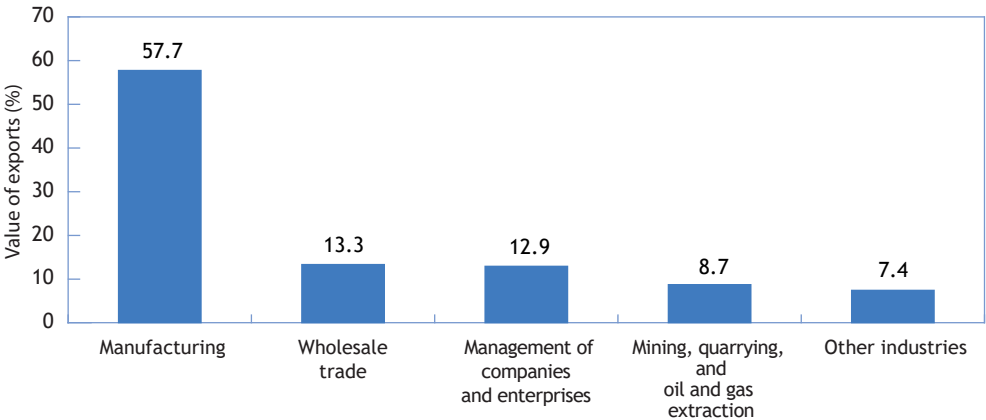


Sources: Statistics Canada, Table 12-10-0094-01 – Trade in goods by exporter characteristics, by enterprise employment size and industry; and ISED calculations.

Even if virtually all Canadian industrial sectors export goods, four in particular account for over 90 percent of the total value of goods exported in 2017 (Figure 11). Manufacturing accounted for almost 58 percent of the total value of goods exported in 2017, followed by wholesale trade (13.3 percent), management of companies and enterprises (12.9 percent) and mining, quarrying, and oil and gas extraction (8.7 percent).

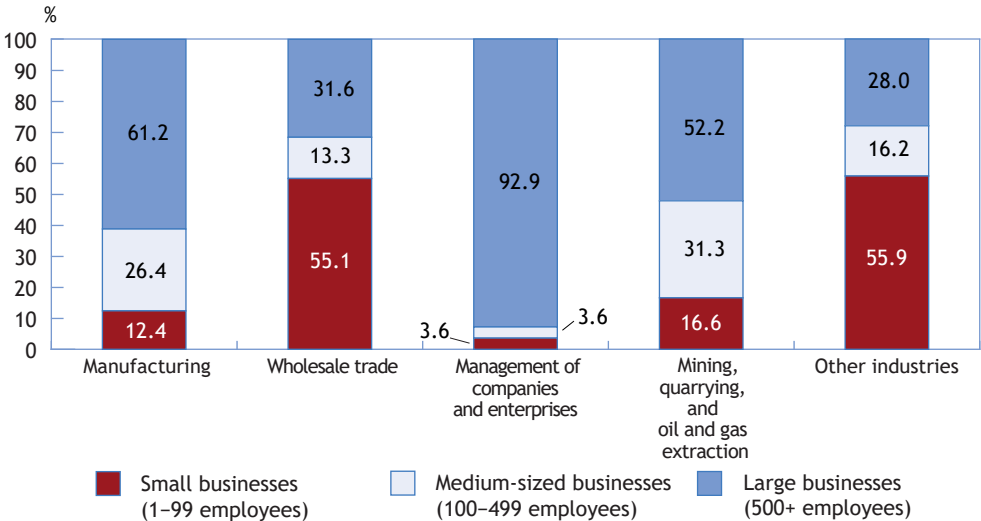
The contribution of SMEs to exports of goods varies by industrial sector (Figure 12). In 2017, the contribution of SMEs to the total value of goods exported by “other industries” was 72.0 percent, and 68.4 percent in the wholesale trade. At the other end of the scale, the contribution of SMEs to the value of exports of goods was only 7.1 percent in management of companies and enterprises and 38.8 percent in manufacturing.

Figure 11: Main Industries Involved in the Export of Goods by Value of Exports, Canada, 2017



Source: Statistics Canada, Table 12-10-0094-01 – Trade in goods by exporter characteristics, by enterprise employment size and industry.

Figure 12: Contribution of SMEs to the Total Value of Exports by Industry, Canada, 2017



Source: Statistics Canada, Table 12-10-0094-01 – Trade in goods by exporter characteristics, by enterprise employment size and industry.

4.3 WHAT ARE CANADA'S MAIN EXPORT DESTINATIONS?

Between 2010 and 2017, the value of goods exported increased to an average annual growth rate of 4.3 percent, totalling almost \$484 billion (Table 9). This 4.3 percent annual growth rate is the same as that observed for exports to the United States, the main destination for exported Canadian goods. Over the course of this period, the contribution of Canadian SMEs to exports of goods to the United States increased from 36.7 percent to 41.4 percent, while exports of goods to the United States by large businesses decreased from 63.3 percent to 58.6 percent. In other words, SMEs concentrated on exporting to the United States between 2010 and 2017.

Table 9: Twenty Main Destinations for Exports of Canadian Goods, 2010 and 2017

	2010				2017				
	Rank	Value (\$ billions)	Contribution (%)		Rank	Value (\$ billions)	AAGR* (%)	Contribution (%)	
			SMEs	Large businesses				SMEs	Large businesses
United States	1	268.4	36.7	63.3	1	361.4	4.3	41.4	58.6
China	3	12.3	41.4	58.6	2	22.0	8.7	42.8	57.2
United Kingdom	2	15.4	59.6	40.4	3	17.0	1.4	74.4	25.6
Japan	4	8.9	37.5	62.5	4	11.5	3.7	34.8	65.2
Mexico	5	4.2	32.6	67.4	5	7.4	8.4	31.2	68.8
South Korea	7	3.5	37.4	62.6	6	5.0	5.2	37.8	62.2
India	13	1.9	65.9	34.1	7	4.0	11.2	34.7	65.3
Germany	6	3.5	30.2	69.8	8	3.5	0.0	36.8	63.2
Belgium	11	2.1	41.0	59.0	9	3.3	6.0	26.1	73.9
France	12	2.0	31.3	68.7	10	3.1	6.5	35.6	64.4
The Netherlands	8	2.9	42.8	57.2	11	2.9	0.0	33.3	66.7
Italy	14	1.7	47.7	52.3	12	2.2	3.8	28.4	71.6
Norway	9	2.5	9.0	90.1	13	1.9	-3.8	9.6	90.4
Switzerland	17	1.5	14.8	85.2	14	1.9	3.4	12.3	87.7
Hong Kong	15	1.6	55.1	44.9	15	1.9	2.5	55.0	45.0
Australia	16	1.5	45.9	54.1	16	1.7	1.8	53.4	46.6
Indonesia	19	1.0	82.7	17.3	17	1.7	7.9	52.2	47.8
Taiwan	18	1.2	32.7	67.3	18	1.6	4.2	32.0	68.0
Spain	22	0.9	25.7	74.3	19	1.6	8.6	30.1	69.9
Brazil	10	2.4	39.3	60.7	20	1.5	-6.5	54.8	45.2
Rest of the world		20.4	53.9	46.1		26.6	3.9	43.2	56.8
Total		359.9	39.0	61.0		483.6	4.3	41.9	58.1

* AAGR: Average annual growth rate.

Source: Statistics Canada, Table 12-10-0095-01 – Trade in goods by exporter characteristics, by enterprise employment size and country of destination.

Of the 20 main destinations for exports of Canadian goods in 2017, the highest contribution attributable to SMEs towards the total value of goods exported came from exports destined for the United Kingdom, the third most significant destination at 74.4 percent of the total value of goods exported. Canadian SMEs also accounted for more than 50 percent of the total value of goods exported to four other countries among the 20 main destinations: Hong Kong (55.0 percent), Australia (53.4 percent), Indonesia (52.2 percent) and Brazil (54.8 percent).

5. GROSS DOMESTIC PRODUCT

5.1 HOW DO SMES CONTRIBUTE TO CANADA'S GROSS DOMESTIC PRODUCT?

Gross domestic product is a key measure of economic production that can be used to compare any two industries' value added, i.e., the value that an industry, through its activities, adds to its inputs. The main advantage of the GDP concept is that it avoids double counting; hence, it is considered superior in gauging economic performance over, for example, revenue, business counts or even employment. Statistics Canada recently produced estimates of GDP generated by the private sector by business size for 2002–2014.

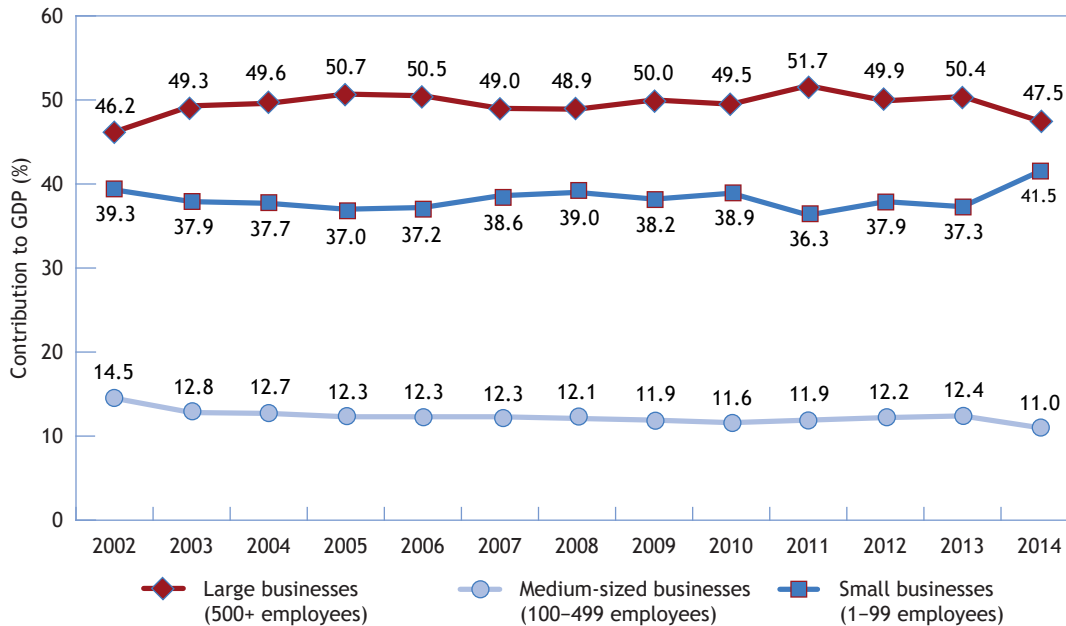
Based upon estimates, the contribution to GDP by business size did not vary significantly throughout the period 2002–2014 (Figure 13). On average, from 2010–2014, the contribution of small businesses to GDP was 38.4 percent, the contribution of medium-sized businesses was 11.8 percent and the contribution of large businesses was 49.8 percent. In other words, SMEs accounted for slightly more than 50.0 percent of the value added to the country's output.

SMEs' contribution to GDP varied more according to industrial sector (Table 10). The average contribution of SMEs to GDP was 43.6 percent in the goods-producing sector, compared with 74.5 percent in the service-producing sector.

For the goods-producing sector, the contribution of SMEs to GDP was 95.7 percent in agriculture and 81.5 percent in construction. For the other three industries in the goods-producing sector, the contribution of SMEs to GDP was less than 50.0 percent.

For the service-producing sector, the greatest contribution of SMEs to GDP was observed in the following industries: health care and social assistance (90.2 percent), educational services (89.5 percent) and other services (except public administration) (89.0 percent). The industries in which SMEs contributed least to GDP were information, culture and recreation (18.4 percent); finance, insurance, real estate and leasing (39.6 percent) and transportation and warehousing (44.4 percent).

Figure 13: Contribution to GDP by Business Size, Canada, 2002–2014



Source: Statistics Canada.

Table 10: Contribution to GDP by Business Size and Industrial Sector, Average from 2010–2014

	Small businesses (1–99 employees)	Medium-sized businesses (100–499 employees)	SMEs	Large businesses (500+ employees)
Goods-Producing Sector	30.9	12.7	43.6	56.4
Agriculture	90.6	5.1	95.7	4.4
Forestry, fishing, mining, quarrying, and oil and gas extraction	5.5	6.3	11.8	88.2
Utilities	4.2	3.0	7.2	92.7
Construction	67.7	13.8	81.5	18.5
Manufacturing	25.0	19.6	44.6	55.4
Service-Producing Sector	63.3	11.2	74.5	25.5
Wholesale trade	38.2	17.9	56.1	43.9
Retail trade	47.7	10.7	58.4	41.6
Transportation and warehousing	33.1	11.3	44.4	55.6
Finance, insurance, real estate and leasing	32.2	7.4	39.6	60.4
Professional, scientific and technical services	56.0	13.5	69.5	30.5
Business, building and other support services	45.1	15.4	60.4	39.6
Educational services	75.9	13.6	89.5	10.5
Health care and social assistance	84.2	6.0	90.2	9.8
Information, culture and recreation	10.6	7.8	18.4	81.6
Accommodation and food services	63.5	15.9	79.4	20.6
Other services (except public administration)	83.9	5.1	89.0	11.0
Total	38.4	11.8	50.2	49.8

Source: Statistics Canada.