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Annual Wholesale Trade

2008



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User information

Symbols

The following standard symbols are used in Statistics Canada publications:

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

Note to users

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

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

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

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

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

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

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Annual wholesale trade

Like most sectors in the Canadian economy, the wholesale industry was impacted by the global economic downturn. Wholesalers posted strong growth in the first half of 2008, followed by a decline beginning in October.

A number of economic factors had an impact on total wholesale trade in Canada in 2008. For the second consecutive year, a higher Canadian dollar relative to the US dollar was reflected in a higher demand for imports including, notably, increased investment in foreign machinery and equipment. Wholesalers also benefited from a gain in exports, particularly for energy products.

Wholesalers saw their operating revenue rise 7.8% in 2008, while their cost of goods sold increased 8.9%. Consequently, wholesalers' gross margins as a percentage of total operating revenue narrowed to 17.8% in 2008 from 18.4% a year earlier. However, the ratio of operating expenses to operating revenue fell from 14.1% in 2007 to 13.3% in 2008. As a result, operating profits as a percentage of operating revenue increased slightly from 4.3% in 2007 to 4.5% in 2008.

The majority of wholesale groups post gains

Operating revenue increased in 15 of the 17 industry groups in 2008, accounting for 90% of total revenue. Wholesalers in the petroleum sector accounted for more than half the annual gain in the industry's total operating revenues in 2008.

In 2008, revenues of petroleum wholesalers increased 28.4% from 2007 to \$168.0 billion, largely as a result of higher crude oil prices. According to the Canadian International Merchandise Trade data, energy product exports recorded a gain of 37.8%, one of the strongest gains among all export products in 2008. The operating revenue of petroleum wholesalers has more than doubled from the \$70.8 billion reported in 2003.

In 2008, petroleum wholesalers accounted for 22.5% of total industry revenues, the largest share among the industry's 17 groups. This proportion was up from 18.9% in 2007.

Elsewhere, operating revenues for wholesalers of farm products increased 31.0% in 2008 after a gain of 18.0% the year before. Higher revenue for wholesalers of oilseed and grains accounted for much of the latest rise. These wholesalers make up more than half of all operating revenues in the farm products group.

Price increases and higher exports in 2008 were behind the strength in farm products. According to the Farm Product Price Index (FPPI), prices for oilseed and grains rose 36.9% and 21.7% respectively,

The "other products" group, which consists primarily of agricultural fertilizers and supplies, chemicals, recycled materials and paper products, recorded its highest annual gain (+12.6%) in 2008. This largely reflected a 47.1% increase by wholesalers of agricultural chemicals, who account for roughly one-quarter of operating revenues in the "other products" group.

Prices were an important contributor to the increase in the operating revenues of wholesalers of agricultural chemicals. With global demand for agricultural input surging, prices for these products rose significantly during 2008. According to the IPPI, fertilizer prices were about 59% higher in 2008 than in 2007.

Much of this demand came from developing markets such as China, India and Brazil. According to Canadian International Merchandise Trade data, exports of fertilizers and fertilizer materials continued to move ahead in 2008, rising 87.4% after registering a 21.6% increase in 2007,

Operating revenues of wholesalers of metal products, a wholesale sector linked to construction, increased 10.7% after a decline of 1.9% in 2007. Higher steel prices and higher demand arising from investments in non-residential building in Canada are major factors behind this growth.

Wholesalers in the pharmaceutical trade group reported an 8.6% gain in operating revenue in 2008. This was the fourth year where their growth in operating revenue surpassed that of the overall wholesale sector. These wholesalers continued to benefit from rising end-user demand for pharmaceutical products. According to the Quarterly Retail Commodity Survey, annualized sales of prescription drugs increased 5.2%, while those of non-prescription drugs increased 3.9% in 2008.

In contrast, wholesalers of lumber and millwork products saw their revenues fall 16.6% to \$11.4 billion in 2008. Operating revenues have fallen for five of the six years between 2003 and 2008. Part of the slowdown was due to lumber prices, which fell by 2.1%, according to the IPPI. At the same time, the Canada Mortgage and Housing Corporation reported a decrease in housing starts in 2008. In addition, lumber exports fell 27.6% in 2008.

Revenues within the motor vehicle group declined 14.3% in 2008 to \$65.9 billion, following two years of gains. Operating revenues reported by wholesalers of motor vehicles products fell at their lowest level since 2003. Much of the decline could be attributed to slowing demand for larger less fuel-efficient vehicles. According to Canadian International Merchandise Trade data, imports of trucks fell 13.5% in 2008.

Wholesale gross margins edge down

Expressed as a percentage of total operating revenue, gross margins narrowed to 17.8% of operating revenue in 2008, down from 18.4% a year earlier.

Margins as a percentage of operating revenues varied greatly among the wholesale trade sector. The lowest margin (3.9%) was reported by wholesalers of petroleum products. The margin was highest for wholesalers of apparel (36.2%), followed by wholesalers of office and professional equipment (33.1%) and wholesalers of alcohol and tobacco products (31.0%).

Wholesalers of motor vehicles recorded the largest gain in margins among all wholesalers' trade groups. Their margin as a percentage of operating revenues rose from 10.1% in 2007 to 11.7% in 2008. The cost of goods sold for wholesalers of motor vehicles fell 15.9% in 2008, outpacing a 14.3% decline in operating revenues.

The gross margins for wholesalers of food products recorded a gain of 11.2% to \$17.0 billion in 2008. Their margins as a percentage of operating revenues increased 1.4 percentage points from 2007 as operating revenues grew 3.2% and cost of goods sold advanced 1.4%.

In contrast, despite rising operating revenues, wholesalers of "other products" saw their margins as a percentage of revenues fall 2.0 percentage points to 18.8%. Their cost of goods sold rose 15.5% in 2008 while operating revenues for that trade group rose 12.6% in 2008. Much of the increase on both the cost and the revenue side was price driven.

Operating expenses decrease slightly

The ratio of operating expenses-to-operating revenue declined to 13.3% in 2008 from 14.1% in 2007. This ratio varied from a high of 30.3% for the apparel group to a low of 2.0% for the petroleum products group.

While wholesalers' operating revenues grew by 7.8% in 2008, their operating expenses rose at a slower pace, up 2.3% to \$99.5 billion in 2008. Labour remuneration accounted for 45.1% of operating expenses.

Wholesalers of pharmaceutical products as well as wholesalers of food products reported some of the strongest reductions in their expenses-to-operating revenue in 2008, reflecting a combination of substantial revenue growth and a decline in operating expenses. The ratio fell 2.0 percentage points in the pharmaceutical group and 1.4 percentage points in the food products group.

Food products lead in operating profits

The rise in operating revenues among wholesalers resulted in higher profits in 2008. Operating profits totaled \$33.6 billion, up 11.7% from \$30.0 billion in 2007. Overall, operating profits for wholesalers as a percentage of total operating revenue increased from 4.3% in 2007 to 4.5% in 2008.

Among wholesale merchants, wholesalers of food products recorded the largest gain in operating profits in the wholesale industry. Operating profits as a percentage of operating revenue increase 2.7 percentage points to 7.4% in 2008. With a gain of 3.1% in operating revenue, wholesalers of food products saw their cost of goods sold increase at a slower rate than revenue in 2008.

Elsewhere in the industry, wholesalers of metal products, pharmaceutical products and farm products were among the wholesalers to record increases in operating profits.

Despite these increases, some major wholesalers did not fare as well in 2008 as they did in 2007. These include the computer group, apparel products and household and personal products.

Prairie provinces led the way

Nearly all the provinces and territories recorded higher operating revenues in 2008. Among the regions, the most notable gains were in the Prairie provinces.

Saskatchewan wholesalers posted the highest annual growth rate among the province. Operating revenues in Saskatchewan rose 46.1% in 2008 to more than \$30.5 billion.

The strong performance of Saskatchewan's wholesalers was mainly attributed to revenue growth in the "other products" trade group, which accounted for 51.6% of the growth in the province. The sharp increase in Canadian exports of fertilizers and fertilizers materials boosted the operating revenues of the province's "other products" group. This group grew 104.2% to \$9.7 billion, up more than \$4.8 billion from 2007.

In Saskatchewan, gross margins as a percentage of operating revenues were 0.5 percentage point lower than in 2007 as cost-of-goods sold grew slightly faster than revenues. Saskatchewan's wholesalers recorded the second highest gain in operating profit. Operating profit as a percentage of revenues rose from 3.5% in 2007 to 4.5% in 2008.

In Manitoba, wholesale revenue increased 29.6% to \$28.5 billion, thanks largely to the strong performance by the "other products" and farm products groups. Together the two trade groups accounted for about 60% of the province's total operating revenues. In 2008, wholesalers of farm products benefited from strong demand for oilseeds and grains, posting operating revenues of \$12.2 billion, up 42.7% from 2007.

Wholesalers in Manitoba saw their gross margins rise 31.5% to more than \$4.9 billion in 2008. Margins as a percentage of operating revenues were 17.1%, slightly higher than the proportion of 16.8% reported in 2007. At the same time, their operating expense as a percentage of operating revenue were 8.7% in 2008, a drop from 10.4% the year before. Operating profits as a percentage of revenue went up from 6.4% to 8.4% in Manitoba in 2008, the strongest percentage point change among all the provinces.

In Alberta, as a result of energy-related investment, wholesale operating revenue recorded a gain of 20.7% to \$168.2 billion. The strength in 2008 came mostly from one trade group, petroleum products, which accounted for about 57.4% of Alberta wholesaler operating revenues and was responsible for more than 87% of the growth. Other groups reporting strong growth in revenue were wholesalers of automobile parts and accessories (+36.9%) and metal products (+33.1%).

Gross margins as a percentage of operating revenues fell 1.4 percentage points from 2007. The cost of goods sold for Alberta wholesalers rose 22.6%, outpacing the growth in operating revenue. Despite this decline in margins, operating expenses fell to 7.5% of operating revenues in 2008, down from 9.1% in 2007. The overall effect was a 0.2 percentage point increase in the operating profit to operating revenue ratio to 3.8% in 2008.

Operating revenues continue to increase in British Columbia

Next door in British Columbia, wholesalers saw operating revenues increase 4.4% to \$60.8 billion, the fifth straight year of growth.

Wholesalers of “other products” saw their revenues increase 23.9% to \$7.7 billion in 2008, while operating revenues for the pharmaceuticals group rose 10.6% from previous year. These gains were partly offset by a drop in operating revenues for wholesalers of motor vehicles down 18.5% in 2008.

The cost of goods sold for British Columbia wholesalers grew only 3.3%, much slower than operating revenue. This resulted in a 0.9 percentage point increase in gross margins expressed as a percentage of operating revenues. The ratio of operating expenses to operating revenues rose to 16.3% in 2008, up from 15.8% the year before. The overall result was a 0.4 percentage point increase in the operating profit to operating revenue ratio in 2008.

Widespread revenues gain in Quebec while Ontario revenues shrink

In Quebec, widespread gains led the province to record its best performance since 2004 as operating revenues grew 6.0% to \$129.8 billion in 2008. Increases were most apparent in the petroleum group (+21.3%), office and professional equipment group (+17.7%) and apparel (+14.5%). In contrast, operating revenue slowed in lumber and millwork and alcohol and tobacco products.

Gross margins as a percentage of operating revenues were virtually unchanged at 21.6%. Operating expenses represented 15.9% of operating revenues in 2008 down from 16.5% the year before. Operating profits as a percentage of revenue rose 0.5 percentage points to 5.6% in 2008.

In 2008, wholesale operating revenues in Ontario totaled \$280.6 billion, down 2.4% from 2007. This marked the sixth straight year that the growth rate of wholesale revenues in Ontario had been below the Canadian average. In 2008, Ontario accounted for 37.6% of total industry revenues, the largest share among all provinces and territories. Nevertheless, this proportion is down from 41.5% in 2007.

The 2008 decline was mostly due to the motor vehicle trade group. After increasing 5.7% in 2007, motor vehicles products revenues in Ontario fell 17.4% to \$42.2 billion. Softening prices and weak demand from the United States were behind much of the drop in this trade group in 2008.

Cost-of-goods sold fell 2.6% in 2008, which translated to a gain in gross margins as a percentage of revenues of 20.8% in 2008 compared to 20.6% in 2007. Meanwhile, operating expenses represented 16.6% of operating revenues, an increase of 0.3 percentage points from 2007. Operating profit as a percentage of revenues (4.2%) remained virtually unchanged in 2008.

New Brunswick led the growth in the Atlantic provinces

Operating revenue across the Atlantic region reached \$46.9 billion, up 15.3% in 2008. This followed an increase of 9.8% in 2007. Wholesale revenues rose in all four Atlantic provinces, with those in New Brunswick, Newfoundland and Labrador as well as Prince Edward Island surpassing the national average growth rate.

Margins as a percentage of operating revenues varied among wholesalers in the Atlantic region. For wholesalers in Nova Scotia and Prince Edward Island, margins were 1.0 and 0.3 percentage points higher respectively than in 2007. In contrast, wholesalers in New Brunswick and Newfoundland and Labrador saw their margins fall 1.9 and 0.5 percentage points respectively in 2008.

Related products

Selected CANSIM tables from Statistics Canada

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

Selected surveys from Statistics Canada

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

Selected summary tables from Statistics Canada

- Wholesale trade, operating statistics, by province and territory

Statistical tables

Table 1
Summary Statistics for Wholesale Trade, 2008

	Operating Revenue	Cost of goods sold	Total labour remuneration	Total Operating Expenses ¹	
	percentage share	millions of dollars			
Trade Group - Canada					
Farm products	3.8	28,008.4	24,571.5	619.4	1,884.5
Petroleum products	22.5	167,950.3	161,367.7	840.8	3,327.9
Food products	11.6	86,795.2	69,801.7	4,528.4	10,533.2
Alcohol and tobacco	1.2	9,166.5	6,325.2	750.2	1,880.8
Apparel	1.5	11,210.9	7,148.1	1,530.4	3,397.3
Home and personal products	4.8	36,072.8	25,184.0	3,487.7	9,469.8
Pharmaceuticals	5.3	39,443.4	32,290.7	2,128.0	5,670.6
Motor vehicles	8.8	65,908.5	58,180.1	1,467.7	6,478.8
Motor vehicle parts and accessories	2.8	20,677.5	15,203.2	1,892.5	4,171.5
Building supplies	6.5	48,533.0	35,634.8	5,155.0	9,711.3
Metal products	2.7	20,312.6	16,608.0	1,362.6	2,325.1
Lumber and millwork	1.5	11,424.4	9,543.2	793.1	1,458.3
Machinery and equipment	7.3	54,320.7	39,915.9	6,203.9	11,084.2
Computers and other electronic equipment	4.3	32,418.1	25,993.8	3,539.1	5,898.9
Office and professional equipment	3.3	24,250.8	16,234.4	3,766.8	6,819.9
Other products	10.5	78,041.8	63,368.0	5,242.2	12,160.6
Agents and brokers	1.6	11,623.1	5,662.0	1,557.1	3,248.1
Total	100.0	746,158.1	613,032.2	44,864.9	99,520.9
Regions					
Newfoundland and Labrador	0.6	4,449.9	3,771.8	289.3	531.5
Prince Edward Island	0.1	710.4	x	61.6	109.2
Nova Scotia	1.3	9,816.4	7,872.9	727.0	1,463.9
New Brunswick	4.3	31,954.9	29,718.0	568.7	1,480.4
Quebec	17.4	129,763.7	101,878.2	9,309.4	20,656.1
Ontario	37.6	280,646.0	222,364.1	20,407.4	46,486.2
Manitoba	3.8	28,471.1	23,605.4	1,123.8	2,478.0
Saskatchewan	4.1	30,474.3	25,451.8	1,256.1	3,636.3
Alberta	22.5	168,169.0	149,158.2	6,210.8	12,572.8
British Columbia	8.1	60,803.5	47,980.3	4,817.7	9,920.6
Yukon	x	x	x	16.7	35.7
Northwest Territories	0.1	631.5	445.8	72.9	143.5
Nunavut	x	x	17.8	3.6	6.6

1. Total Operating Expenses excludes cost of goods sold

Table 2
Gross Margin and Operating Profit for Wholesale Trade

	Gross margin				Operating Profit			
	2007		2008		2007		2008	
	millions of dollars	percentage of revenue	millions of dollars	percentage of revenue	millions of dollars	percentage of revenue	millions of dollars	percentage of revenue
Trade Group - Canada								
Farm products	2,459.7	11.5	3,437.0	12.3	977.6	4.6	1,552.5	5.5
Petroleum products	6,306.7	4.8	6,582.5	3.9	3,130.9	2.4	3,254.7	1.9
Food products	15,277.9	18.2	16,993.5	19.6	3,917.1	4.7	6,460.3	7.4
Alcohol and tobacco	2,855.2	31.7	2,841.4	31.0	955.3	10.6	960.5	10.5
Apparel	3,967.9	37.7	4,062.9	36.2	804.2	7.6	665.6	5.9
Home and personal products	10,846.8	30.8	10,888.8	30.2	1,805.8	5.1	1,419.0	3.9
Pharmaceuticals	6,700.5	18.4	7,152.7	18.1	764.9	2.1	1,482.1	3.8
Motor vehicles	7,771.1	10.1	7,728.4	11.7	1,190.3	1.5	1,249.6	1.9
Motor vehicle parts and accessories	5,265.5	26.3	5,474.4	26.5	1,430.5	7.2	1,302.8	6.3
Building supplies	12,814.1	26.6	12,898.3	26.6	3,161.4	6.6	3,187.0	6.6
Metal products	3,176.5	17.3	3,704.6	18.2	882.4	4.8	1,379.4	6.8
Lumber and millwork	2,209.0	16.1	1,881.2	16.5	606.9	4.4	422.9	3.7
Machinery and equipment	13,720.5	26.1	14,404.8	26.5	3,169.3	6.0	3,320.5	6.1
Computers and other electronic equipment	6,965.2	21.8	6,424.3	19.8	1,489.9	4.7	525.3	1.6
Office and professional equipment	8,164.2	34.5	8,016.4	33.1	1,322.1	5.6	1,196.5	4.9
Other products	14,438.8	20.8	14,673.8	18.8	2,810.2	4.1	2,513.2	3.2
Agents and brokers	4,457.7	45.1	5,961.1	51.3	1,672.3	16.9	2,713.0	23.3
Total	127,397.2	18.4	133,125.9	17.8	30,091.0	4.3	33,605.0	4.5
Regions								
Newfoundland and Labrador	623.8	15.8	678.1	15.2	154.0	3.9	146.6	3.3
Prince Edward Island	118.3	18.7	x	x	22.4	3.5	x	x
Nova Scotia	1,755.7	18.7	1,943.5	19.8	455.9	4.9	479.7	4.9
New Brunswick	2,370.0	8.9	2,236.9	7.0	942.0	3.5	756.5	2.4
Quebec	26,446.2	21.6	27,885.6	21.5	6,215.2	5.1	7,229.4	5.6
Ontario	59,145.4	20.6	58,281.9	20.8	12,483.6	4.3	11,795.7	4.2
Manitoba	3,698.8	16.8	4,865.7	17.1	1,409.1	6.4	2,387.6	8.4
Saskatchewan	3,534.0	16.9	5,022.5	16.5	723.7	3.5	1,386.2	4.5
Alberta	17,694.0	12.7	19,010.8	11.3	5,043.2	3.6	6,438.0	3.8
British Columbia	11,780.9	20.2	12,823.2	21.1	2,570.9	4.4	2,902.6	4.8
Yukon	46.4	22.2	x	x	14.9	7.1	x	x
Northwest Territories	177.5	26.3	185.7	29.4	55.7	8.3	42.2	6.7
Nunavut	6.2	26.9	x	x	0.5	2.0	x	x

Appendix I

Data sources, definitions and methodology

Description

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

Target population

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

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sampling

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

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

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

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

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

Data sources

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

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

Data accuracy

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

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

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